Social post copy 1 (max. 158 characters inc. hashtags)
Even experienced investors can be swayed by powerful emotions, perhaps the strongest being greed and fear, both of losing money and of missing out. #????

Social post copy 2 (max. 158 characters inc. hashtags)
Investing in an actively managed, diversified portfolio that matches your long-term goals let's you can sleep easily. #????

Social post copy 3 (max. 158 characters inc. hashtags)
A professional advisor can provide reassurance about the underlying value of your portfolio and guide you through difficult market periods. #????

Article headline
Why it's important to take the emotion out of investing

Summary text paragraph (approx. 50 words)

Letting your emotions control your investment decisions is a sure path to failure. But there are some simple steps you can take to keep those feelings in check. They include allowing an active, professional investment manager to build a diversified portfolio in line with your long-term goals and risk appetite.

Body text (approx. 800 words)

The power of greed and fear

'Buy low, sell high' is, of course, the obvious path to investment success. Often, however, investors do the opposite, selling when markets plunge in value and buying when the media is trumpeting reports of surging stock prices.

That's why it's so important to understand the emotional biases associated with investing and try to overcome them. Even the most experienced investors can be swayed by powerful emotions, perhaps the strongest being greed and fear, both of losing money and of missing out.

Greed compels investors to seek profits and sometimes leads to risky behaviour. It persuades them to ignore warning signals that indicate assets are too highly priced and to look for all sorts of rationale to justify why an asset still offers value. That behaviour is best summed up by the phrase 'This time, it's different'. As the legendary investor Sir John Templeton once said, those four words are the most expensive in investing.

But fear can be equally damaging. When markets fall sharply, it can be hard to keep your nerve and not join in the panic-selling of assets. Yet history (see the chart below) shows that those who keep their nerve – and even buy when asset prices are falling – do well over the long term.

Don't look back in anger

Take the so-called 'Black Monday' of 19 October 1987, when a severe and largely unexpected global stock-market crash occurred.

At the time it seemed an inexplicable, cataclysmic event for investors. In the US, the Dow Jones Industrial Average (DJIA) fell by 22.6% in a single trading session – a loss that remains the largest one-day stock-market decline in history. From today's perspective, however, the crash was a mere blip in the stock market's advance.

Of course, history doesn't always repeat and should not be taken as a guide to future returns. However, the evidence does suggest that it pays to hold your nerve.

Figure 1: The long-term performance of the MSCI World Index Index

Insert this chart:

https://curvo.eu/backtest/en/market-index/msci-world?currency=eur

At the other end of the spectrum, fear of missing out (sometimes known as FOMO) can also exert a powerful influence over investors. Like greed, it can entice investors into buying at too high a price. They see others seemingly making easy profits and pile in for fear that the price will keep on rising and leave them behind.

Other common emotional biases in investing include:

- Loss aversion bias – the tendency to feel greater pain from losses than pleasure from gains. It can lead investors to hold onto losing positions for too long or sell winning positions too early, resulting in minimal returns.
- Confirmation bias – the tendency to look for information that confirms our existing beliefs, even if that information is incorrect. An investor could, for example, absorb all the reasons why a stock is a good buy and ignore all the signals that the stock is overpriced.
- Anchoring bias – occurs when people rely too much on the first information they find when making decisions, ignoring other relevant data. An investor may hold onto a stock even though the price has fallen well below the purchase price, being convinced that the initial price, or anchor, was the correct one.
- Overconfidence bias – an inclination to overestimate one's abilities to predict market movements and make investment decisions. This can be a very dangerous bias, leading, for example, to excessive risk-taking.

Getting a grip

Fortunately, there are some simple measures investors can take to keep their emotions in check.

A professional advisor can assess your risk appetite. They can help build a portfolio that matches your particular goals and risk tolerance. That means you are more likely to be comfortable with the portfolio's performance during market turbulence. An advisor can also provide reassurance about the underlying value of your portfolio and guide you through difficult market periods.

Commented [AB1]: Provide link to Article 16 **Understanding risk appetite and balancing risk and reward**

Investing in an actively managed, diversified portfolio that matches your long-term goals lets you sleep easily in the knowledge that professional investors are constantly monitoring the portfolio and making adjustments in line with market conditions. Meanwhile, diversification should minimise the impact of market fluctuations. You could also discuss establishing predetermined exit strategies to prevent reactive selling during market declines.

Contributing regular sums can help you smooth out market gyrations and is far better than trying to time the market, which nobody can ever do consistently. As the old adage goes, 'It is not about timing the market, it is about time in the market.' An investor who commits to regular payments ends up buying more shares or units when the market is low than when it is high. The result is a lower average price of the holding compared with investing via a one-off lump sum.