

Safeguards Against Investing Biases

Prepared by: AHAM Asset Management

As investors, we're fallible to different cognitive biases that can influence our decision-making. Recognising and safeguarding against these biases is crucial for making informed and rational investment choices. Here are 5 common investing biases and the mental safeguards investors can implement.

Herd Mentality: Safety in Numbers?

The comfort of the crowd can be enticing, but it often leads to consensus decision-making. To safeguard against herd mentality, resist the allure of conformity and blaze your unique trail. The unexplored terrain of the market might hold untapped opportunities that could be a much better fit for your own unique financial goals. Be wary of following market trends blindly and focus on building a portfolio that reflects your own objectives and risk tolerance.

Recency Bias: Overemphasizing the Present

Our minds tend to give more weight to recent events, potentially clouding our judgment. To counter recency bias, always look beyond the immediate market buzz. Evaluate investments with a focus on the long-term horizon, considering historical trends and future potential. This broader perspective can help you avoid knee-jerk reactions based on short-term fluctuations and enable you to make decisions rooted in fundamentals.

Confirmation Bias: Embracing Diverse Perspectives

The echo chamber of like-minded opinions may feel comforting, but it limits your financial growth. To safeguard against confirmation

bias, actively seek diverse perspectives. Engage with dissenting viewpoints to enrich your understanding and broaden your perspectives. By embracing differing opinions, you may also uncover new risks and opportunities and avoid the pitfalls of confirmation bias.

Overconfidence: Balancing Confidence with Humility

While confidence is an asset, overconfidence can be a recipe for disaster. To safeguard against overconfidence, stay grounded by acknowledging the complexity of the financial landscape. Regularly reassess your assumptions, be open to new information, and cultivate a mindset that values continuous learning. In the high-octane world of investing, humility can keep you anchored to avoid complacency or hubris, which often leads to reckless decision-making.

Loss Aversion: Turning Loss into a Win

Losses are an inevitable part of the investment journey, but they need not be feared. To safeguard against loss aversion, shift your mindset and view downturns as opportunities for growth. Analyse each stumble as a lesson to refine your strategy and become a better investor. Remember, the learning never ends, and embracing the challenges presented by losses can ultimately contribute to your long-term success.

Mind Over Matter

Understanding and safeguarding against these common investing biases are essential steps for every investor looking to navigate the financial markets successfully.

By incorporating these mental safeguards, you not only enhance your decision-making process but also position yourself for long-term financial success.

Book an appointment with us via the link below or scan the QR code.

<https://aham.com.my/get-in-touch/book-an-appointment>



Disclaimer: This article has been prepared by AHAM Asset Management Berhad (formerly known as Affin Hwang Asset Management Berhad) (hereinafter referred to as "AHAM Capital") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to AHAM Capital and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of AHAM Capital. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, AHAM Capital makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are averse to the risk arising out of and/or in connection with the financial product. AHAM Capital is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. AHAM Capital and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither AHAM Capital nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.