

# Top 10 Investment Guidelines

The media would have you believe that a successful investment experience comes from picking stocks, timing your entry and exit points, making accurate predictions and outguessing the market.

## Is there a better way?

It's true that some people do get lucky by making bets on certain stocks and sectors or getting in or out at the right time or correctly guessing movements in interest rates or currencies. But depending on luck is simply not a sustainable strategy.

The alternative approach to investment may not sound as exciting, but is also a lot less work. It essentially means reducing as far as possible the influence of fortune, taking a long-term view and starting with your own needs and risk appetite.

Of course, risk can never be completely eliminated and there are no guarantees about anything in life. But you can increase your chances of a successful investment experience if you keep these 10 guidelines in mind:

- 1** Let the market work for you. Prices of securities in competitive financial markets represent the collective judgment of millions of investors based on current information. So, instead of second guessing the market, work with it.
- 2** Investment is not speculation. What is promoted in the media as investment is often just speculation about making short-term and concentrated bets. Few people succeed this way, particularly after you take fees into account.
- 3** Take a long-term view. Over time, capital markets provide a positive rate of return. As an investor risking your capital, you have a right to the share of that wealth. But keep in mind, the return is not there every day, month or year.
- 4** Consider the drivers of returns. Differences in returns are explained by certain dimensions identified by academic research as pervasive, persistent and robust. So it makes sense to build portfolios around these.
- 5** Practise smart diversification. A sound portfolio doesn't just capture reliable sources of expected return. It reduces unnecessary risks like holding too few stocks, sectors or countries. Diversification helps to overcome that.
- 6** Avoid market timing. You never know which markets will be the best performers from year to year. Being well diversified means you're positioned to capture the returns whenever and wherever they appear.
- 7** Manage your emotions. People who let their emotions dictate their decisions can end up buying at the top when greed is dominant and selling at the bottom when fear takes over. The alternative is to remain realistic.
- 8** Look beyond the headlines. The media is by necessity focused on the short term. This can give you a distorted impression of the market. Keep up with the news by all means, but you don't have to act on it.
- 9** Keep costs low. Day to day moves in the market are temporary, but costs are permanent. Over time, they can put a real dent in your wealth plans. That's why it makes sense to be mindful of fees and expenses.
- 10** Focus on what you can control. You have no control over the markets, but in consultation with our advisers acting in your interests you can create a low-cost, diversified portfolio that matches your needs and risk tolerance.

That's the whole story in a nutshell. Investment is really not that complicated. In fact, the more complicated that people make it sound the more you should be sceptical.

The truth is markets are so competitive that you can save yourself much time, trouble and expense by letting them work for you. That means structuring a portfolio across the broad dimensions of return, being mindful of costs and focusing on your own needs and circumstances, not what the media is trying to sell you.



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