

# Investor Behaviour

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23 March 2017

Shaheed Mohamed

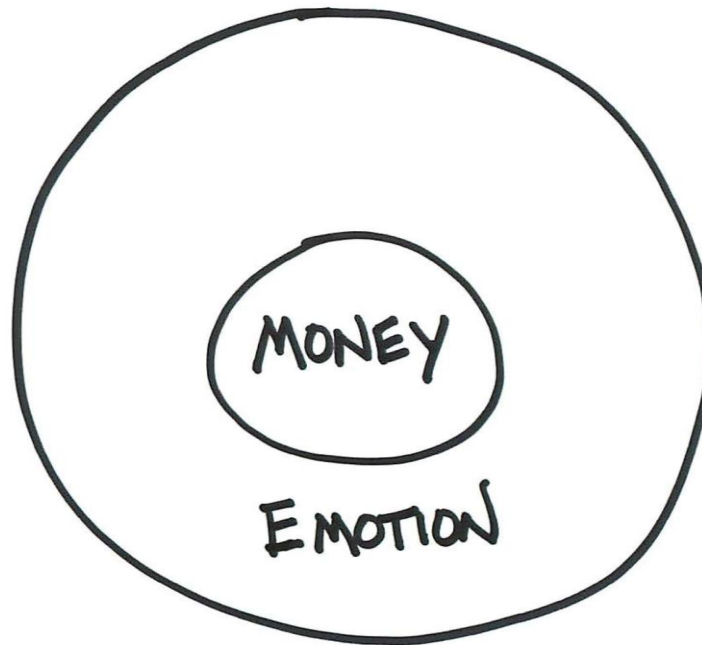
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*‘The investor’s chief problem – and even worst enemy –  
is likely to be himself’*

*Benjamin Graham*

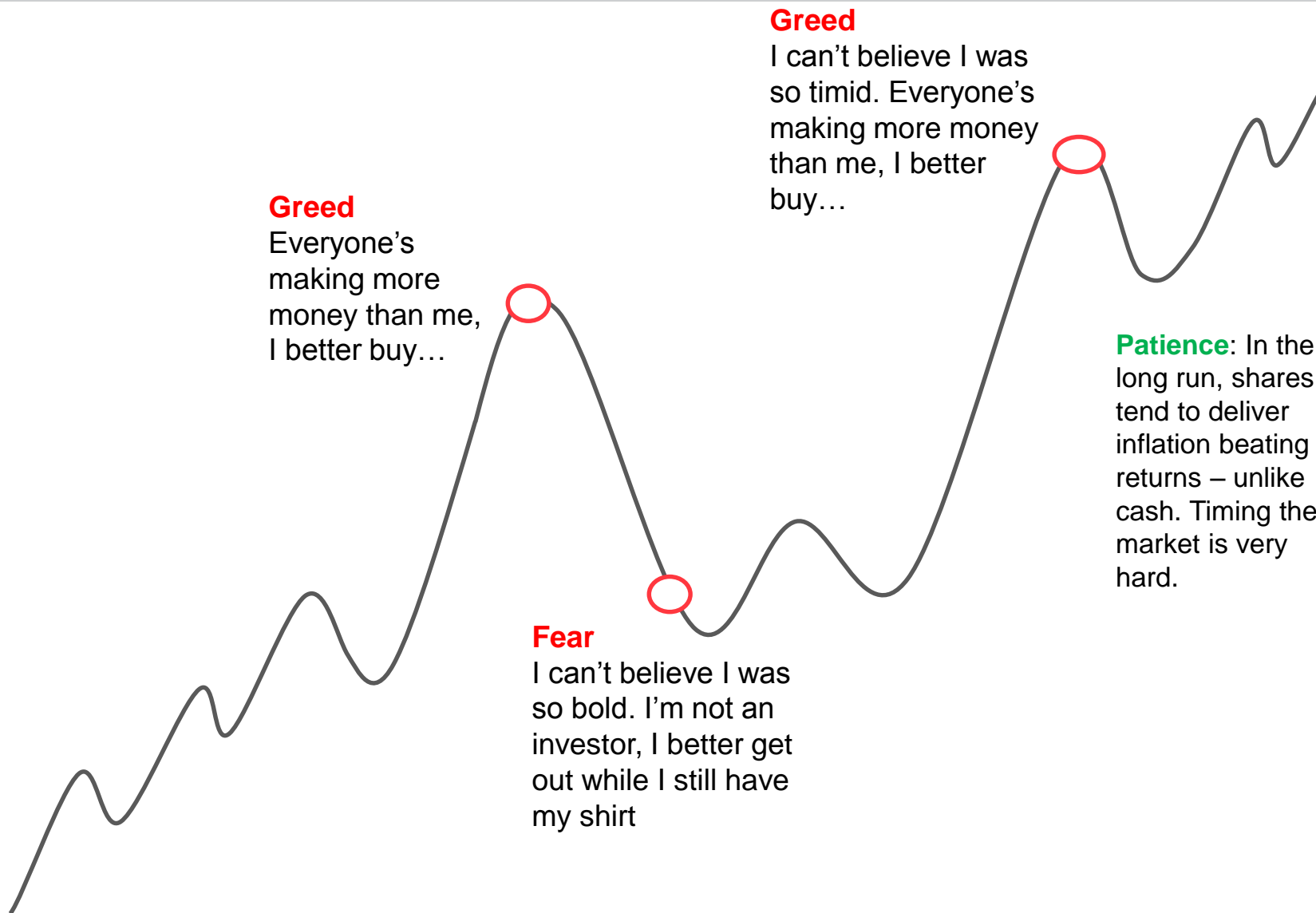
# Emotion speaks the loudest



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“No one assessing or trading markets is unemotional about it. Most people cannot help getting bullish at tops and bearish at bottoms”

# Switching: fear and greed at work



# Fear and greed

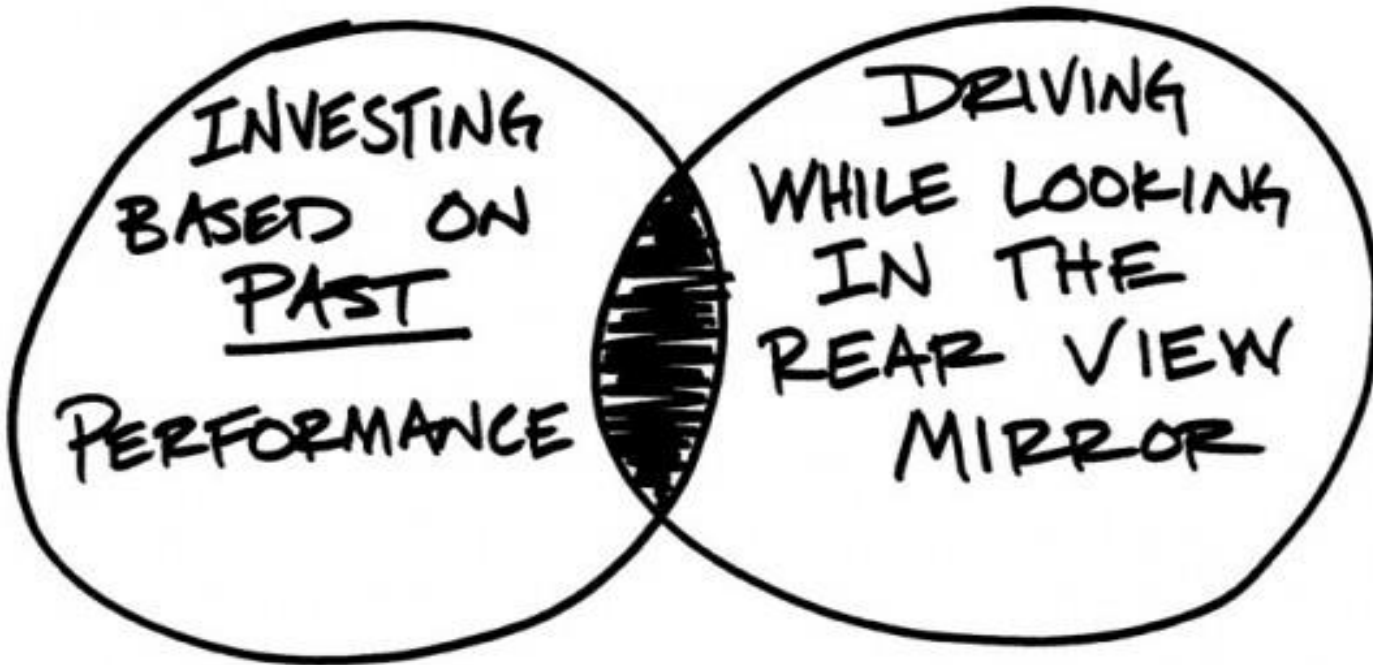


***"Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful."***

Warren Buffett

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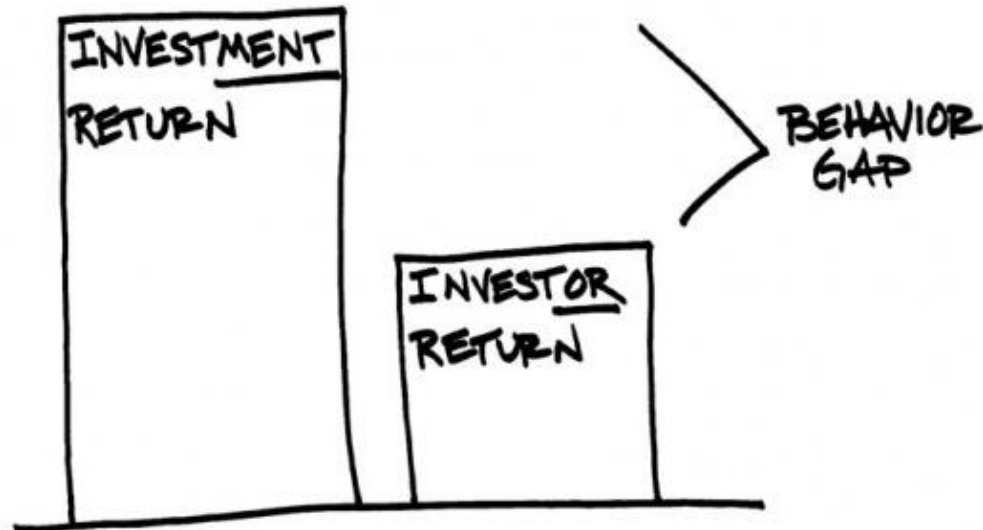
# Sounds familiar....been a victim



CAUSES A LOT OF ACCIDENTS

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# The behaviour gap



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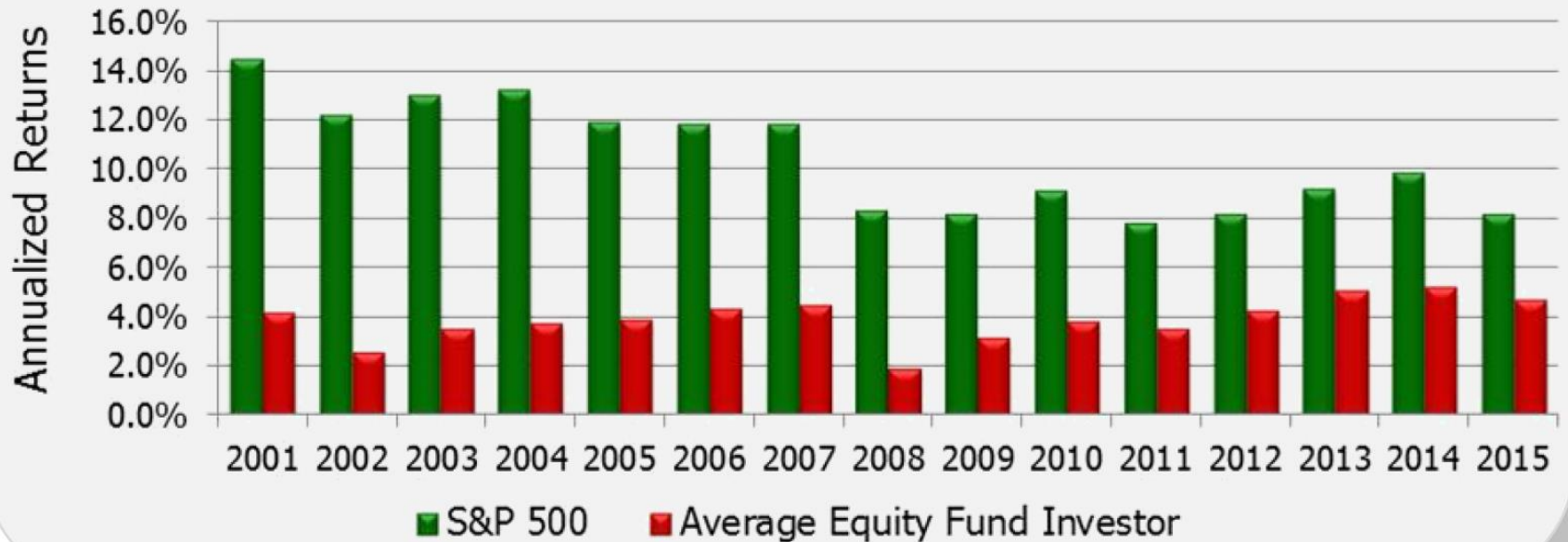
***“Investment results are more dependent on investor behaviour than on fund performance.”***

Dalbar research 2011

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# The behaviour gap

## Long-Term Annualized Returns S&P 500 vs. Average Equity Fund Investor



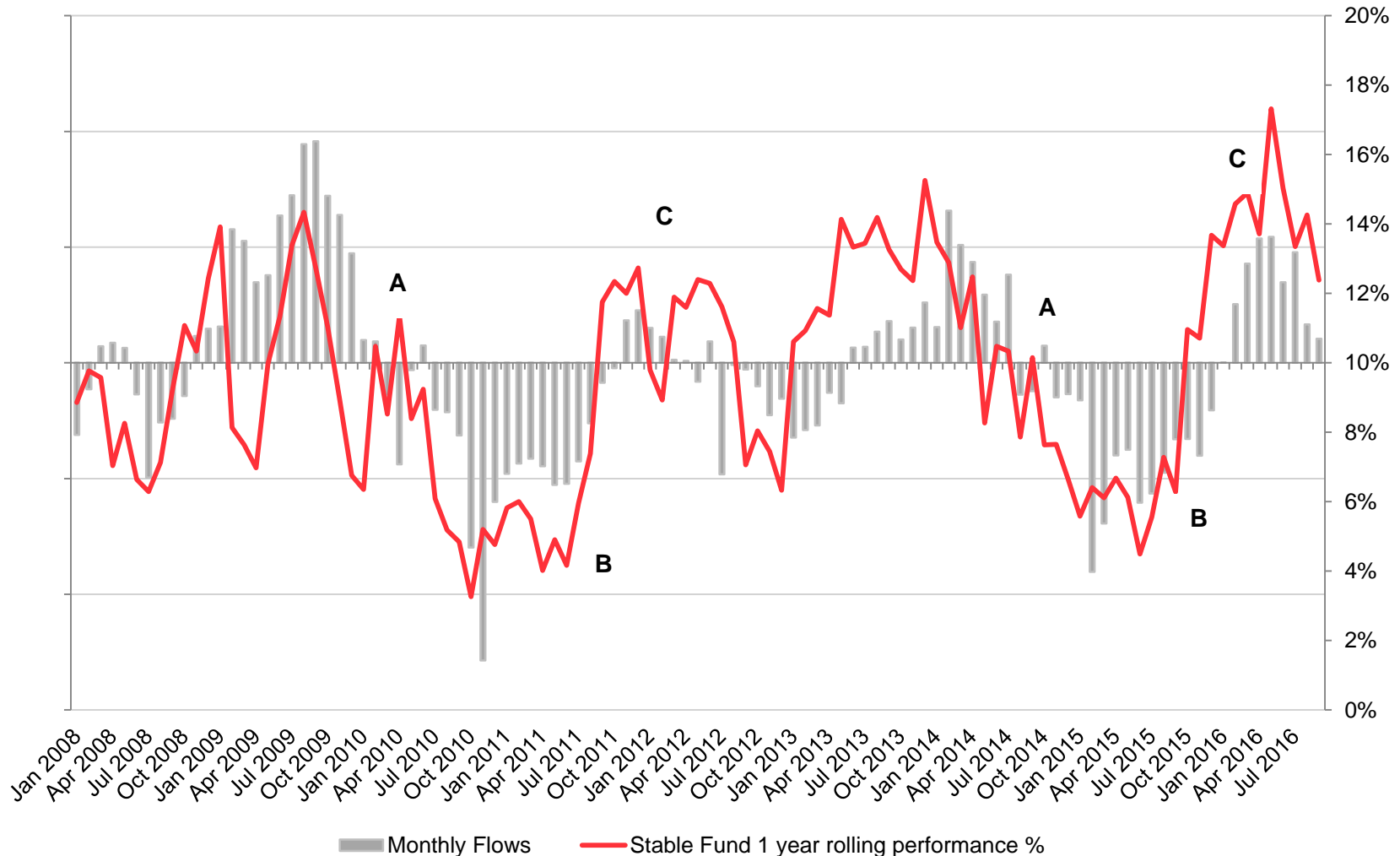
Source: "Quantitative Analysis of Investor Behaviour, 2016," DALBAR, Inc. [www.dalbar.com](http://www.dalbar.com)

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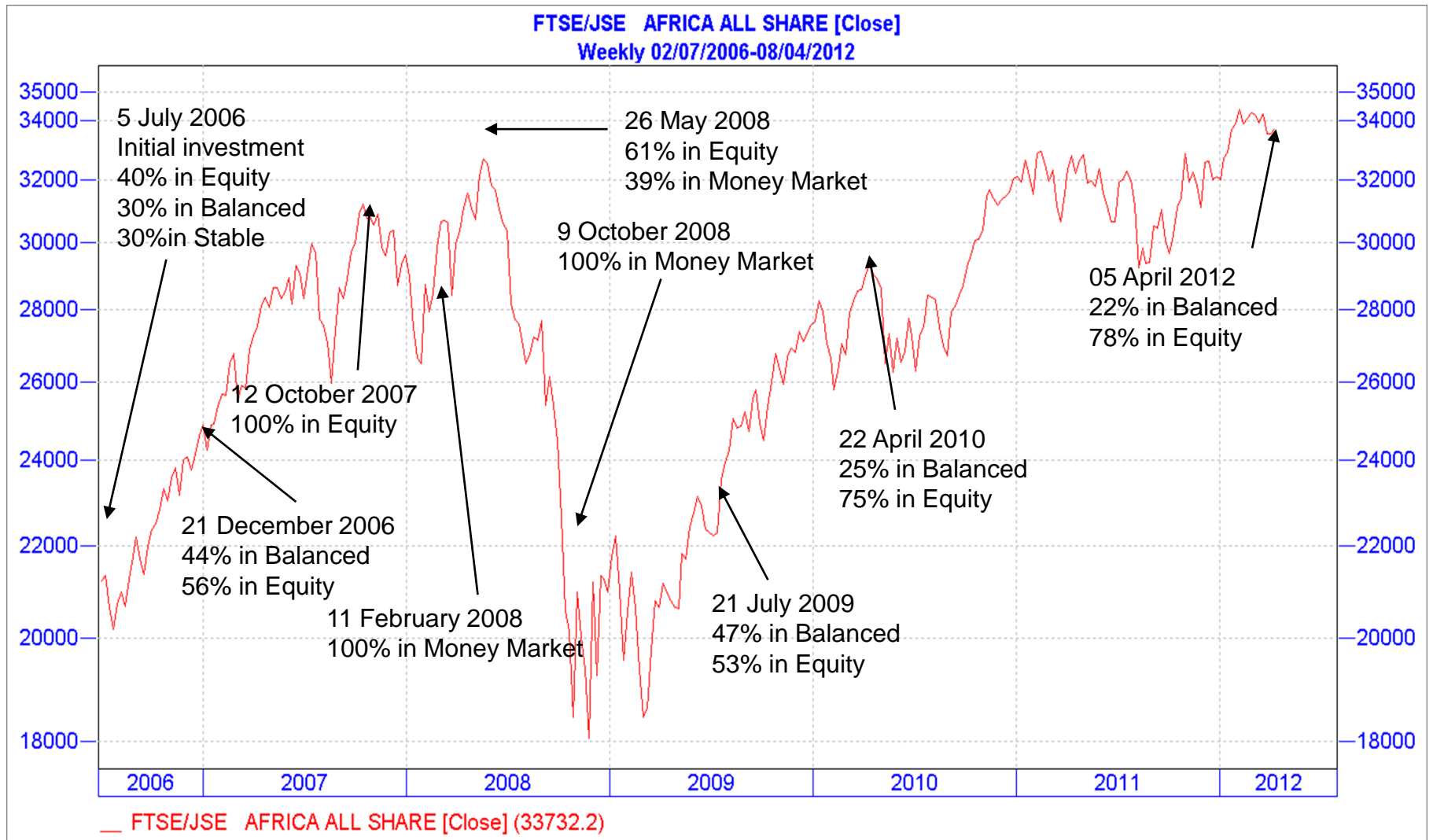
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# Allan Gray Stable Fund 1-year performance and monthly flows



# Actual investor example



Source: Inet Bridge

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# Actual investor example

05 April 2012

His actual portfolio



Allan Gray Equity Fund	78.4%
	R350 146

Allan Gray Balanced Fund	21.6%
	R96 308

Total	R446 454
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If he kept the original asset allocation and done nothing through the whole period his portfolio would be



Allan Gray Equity Fund	42.5%
	R214 918

Allan Gray Balanced Fund	30.1%
	R152 191

Allan Gray Stable Fund	27.5%
	R139 002

Total	R506 111
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13.4% higher portfolio

# Our objective

## Long-term wealth creation for our clients

Over the period 15 June 1974 to 31 December 2016,  
R100,000 became:

Allan Gray – R ?

FTSE/JSE All Share Index – R 80.2 million

(26.2% p.a. vs 17.0% p.a. as at 31 December 2016)

# Our objective

## Long-term wealth creation for our clients

Over the period 15 June 1974 to 31 December 2016,  
R100,000 became:

Allan Gray – R1 998.3 million

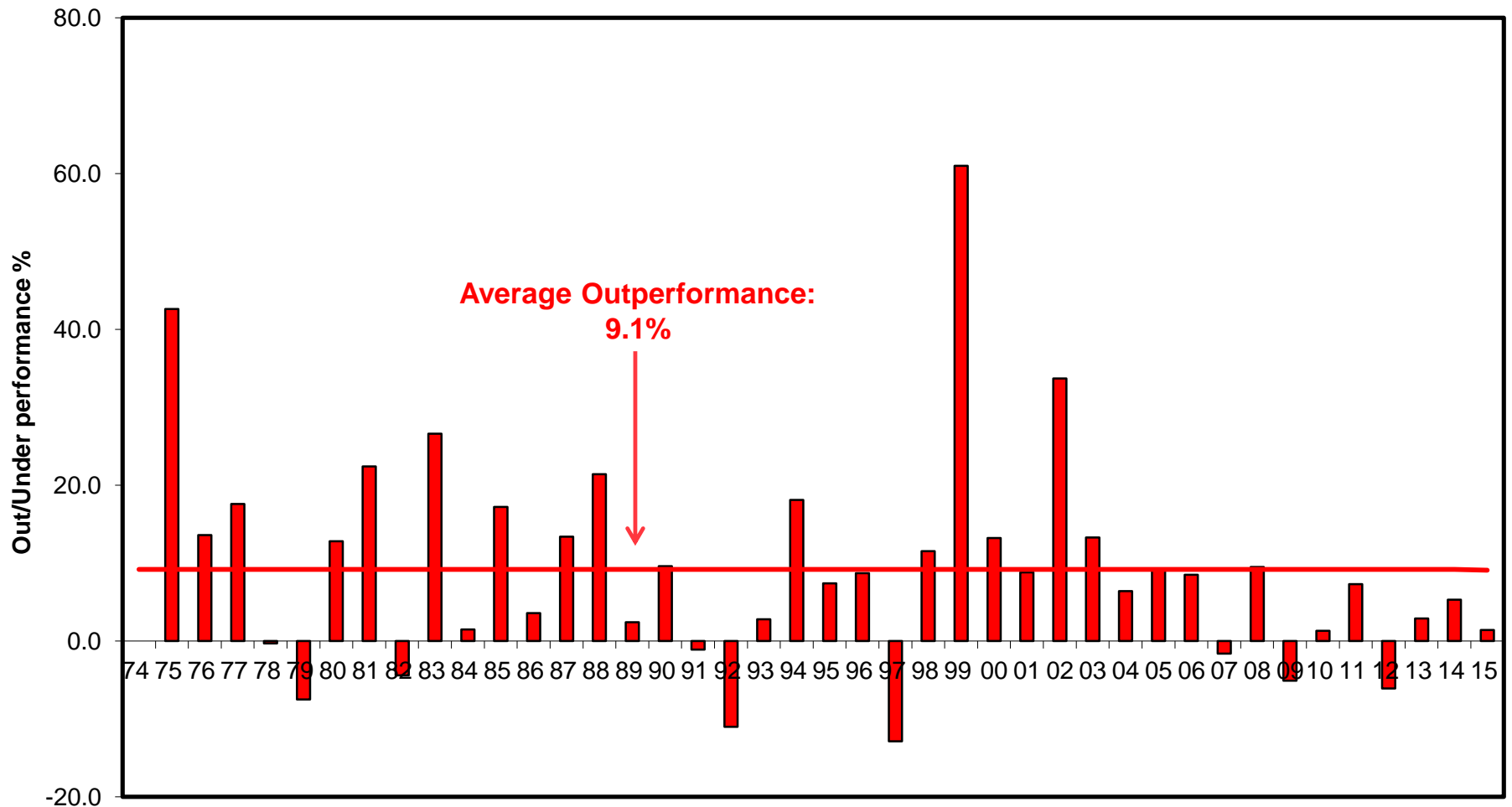
FTSE/JSE All Share Index – R 80.2 million

(26.2% p.a. vs 17.0% p.a. as at 31 December 2016)

# Performance does not come in a straight line

Difference in Annual Returns

## Allan Gray Share Returns vs FTSE/JSE All Share Index



Source: Allan Gray Research, data to 30.11.15 (SG 101215m)

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# Our roles in long-term wealth creation

## **What we do:**


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Investment returns  
Reputation and service

## **How you respond:**

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Investor behaviour



Success in both needed  
for long-term wealth  
creation

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