

## **5 TOOLS FOR BETTER INVESTMENT RESULTS**

As a portfolio manager for 25+ years I have, through experience, identified a number of broad principles that help improve investment results. These concepts are the result of investing billions of dollars over the years, making good and bad investments and experiencing good performance results with the occasional hiccup along the way. This is not meant to be a definitive list, and the discussion of each topic is necessarily brief. This article is intended to be helpful and thought provoking.

### **RESPECT THE TASK**

Successful investing is very difficult. If you are not prepared to put in the time and study, it is best to give the task to a competent professional. Investing is a complex task with an almost limitless number of variables that can affect results. Perfection is impossible; the best laid plans will sometimes be dashed by some totally unforeseeable development. The markets teach humility. Learn to respect risk.

### **BE AWARE OF HUMAN PSYCHOLOGY**

It is crucial to be aware of psychology, both your own and others. Your own psychology is your greatest obstacle to successful investing, or success in most endeavours for that matter. It is important to be conscious of your state of mind; are you feeling fearful, greedy, overconfident etc.? It is especially worthwhile to monitor your psychology versus that of the general public. Investment success often lies in acting counter to the crowd, which is psychologically very difficult.

### **THINK IN TERMS OF PROBABILITIES**

Attaching probabilities to events is a great help in assessing the attractiveness of an investment and is invaluable in managing risk within an investment portfolio. The benefits in gaining a working knowledge of probability theory are well worth the effort.

### **READ**

The value of reading should be apparent to any educated person, but what you read is as important as the act itself. Beyond books written specifically on investing, it is important to accumulate general knowledge with which to put events in their proper context. Reading history is very important. There is indeed nothing new under the sun and knowledge of history can make current events much more understandable. I have read two books in particular this year that I heartily recommend. *Lawrence in Arabia* by Scott Anderson is an account of great power maneuvering in the Middle East in the 1910s. It does much to explain the intractable problems faced by the region today. The other recommended book is *The War That Ended Peace* by Margaret Macmillan. It is an account of geo politics in the decades prior to WWI. It is wonderfully written and has many echoes of our current time.

To be a good investor you must read widely. Books, magazines and the internet all can provide either specific investment ideas or information that will allow you to assess an investment. The best investors love to learn and are curious about the world.

## **RECOGNIZE THAT EVERYTHING IS CONNECTED**

It is important to appreciate that everything is interconnected. Monetary policy must be considered because of its influence on markets. The commodity markets should be followed, not only because commodity prices influence specific investments, but because of the informational content they provide about the world economy. Investors no longer have the luxury, if they ever did, of just contemplating their domestic market. It is important to be aware of foreign markets, current events and geo politics, now more than ever.

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