Avoiding Behavioural Mistakes
"The Importance of a Plan"

Ben Graham, the father of value investing, once said: "The investor's *chief* problem – and his worst *enemy* – is likely to be himself." Sadly, Graham's words are still true today. Bias, emotion, and overconfidence are just three of the many behavioural traits that can lead investors to lose money or achieve lower returns. Fortunately, behavioural finance, which recognizes that there is a psychological element to all investor decision making, is now firmly embedded in the mainstream of finance. Applying behavioural principles to an investment portfolio can help investors avoid some of the mental pitfalls that so often cost them, and financial institutions, billions.

In *The Little Book of Behavioural Investing,* behavioural finance expert James Montier takes you on a guided tour of the most common behavioural challenges and mental pitfalls that investors encounter.

Montier explains **the importance of learning to prepare, plan, and then commit to a strategy – that is, do your planning while you are in a "cold" rational state, when nothing much is happening in the markets – and then pre-commit to following your analysis and action steps.** He stresses the folly of trying to forecast what the markets will do. Montier stresses the need to focus on *process* which is critical in investing. Focusing upon process frees us up from worrying about aspects of investment that we really can't control. By focussing upon process, we maximize our potential to generate long-term profits.