Habits that set successful investors apart

By Nomi Bodlani, head of strategic markets at Allan Gray

20 April 2021: *When investing, sometimes the best course of action is to do nothing. Having the ability to block out the noise, and look through the cycle, are some of the cornerstones to investment success over the long term. But what else sets successful investors apart? Nomi Bodlani discusses.*

The start of a new year usually brings about a sense of optimism for the potential that lies ahead. Under normal circumstances, it would be a time to turn the page on the year that was and focus on setting new goals.

But these aren't normal times: We are watching and experiencing the tragic consequences of the pandemic, and we are having to face the reality that we are caught in the same uncertain cycle as last year. However, opportunities continue to emerge for investors who remain focused on achieving their long-term objectives.

What does it take to be a successful investor?
You don't necessarily need to be an investment specialist who can analyse companies and financial markets to be a successful investor. What sets successful investors apart is their mindset and their ability to control behavioural biases that can cause significant damage to investment portfolios and lock in losses over time.

Below we unpack four habits successful investors practice:

1. They have a plan and ask for help
Being a successful investor begins with determining what you want to achieve along your investment journey and putting a plan in place to help you get there. Are you saving for retirement, your children's education or, a deposit on a home? Armed with defined goals and an investment plan, you are more likely to stay the course. It is also useful to try and identify the barriers that could potentially derail your intentions.
Seeking out the services of an independent financial adviser is an effective way to help you get started, pick investments that are appropriate for your goals, and stay committed in order to fulfil your long-term objectives. A good, independent financial adviser can play the role of behavioural coach, guiding your decision-making and actions, and saving you from making costly mistakes.

2. They are patient and focused on the long term
Renowned investor Warren Buffet says it best: "The stock market is a device for transferring money from the impatient to the patient." Successful investors understand that investing when an asset is priced below its worth and selling when it reaches fair value, can yield good returns. This can take time. Therefore, a key ingredient is patience: You have to be willing to endure some short-term pain in exchange for the rewards.

3. They demonstrate emotional discipline
Often, the single biggest barrier preventing us from achieving investment success is our inability to control our emotions and resist the urge to react to market noise on impulse.

Successful investors appreciate the topsy turvy nature of markets; they understand that reacting to fluctuations may lock in losses that can never be recovered.
While market volatility is an unavoidable consequence of investing, some of the most attractive opportunities begin to emerge for long-term investors during periods of extreme turbulence. Successful investors tend to take a “glass half full” view to market volatility, opting to embrace the chance to invest in high-quality companies at discounted prices.

4. They are deliberate about diversification
Successful investors take steps to protect their wealth, and any experienced investor will tell you that keeping a well-balanced and diversified portfolio is the best line of defence against unpredictable markets and periods of heightened uncertainty.

A diversified portfolio gives you the opportunity to earn returns from one asset class, sector or region when another is being punished; it puts more tools in your toolkit. With the help of your financial adviser, get into the habit of reviewing your investment portfolio on an annual basis, making adjustments on current and future investments to ensure that it continues to meet your desired level of diversification.

This too shall pass
Markets have got off to a strong start this year, but it is impossible to predict what will happen over the coming months. Vaccine programmes suggest there is reason to be hopeful; but rolling out vaccines is notoriously complex and will take time. While it is difficult to be future-focused, it is wise not to let the weight of COVID-19 detract from your longer-term goals. The decisions we make now will have an impact long after the pandemic has passed.

-ends-

Allan Gray Media Release