

There is a strong behavioural finance flavour to this newsletter. The validity and reliability of risk tolerance questionnaires is explored. There is more bad news for proponents of active investment management, this time when markets are falling.



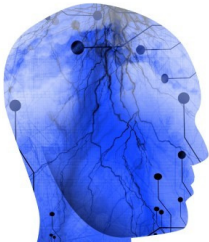
### Valid and Reliable Risk Tolerance Assessment

In this article from *Investments & Wealth Monitor*, FinaMetrica cofounder, Geoff Davey, examines what makes a good risk tolerance questionnaire: it has to be valid and reliable. A valid test measures what it purports to measure and a reliable test measures consistently, with a known and acceptable level of accuracy. He explains how psychometrics ensures validity and reliability, and how advisers can identify a good risk tolerance questionnaire. [More...](#)



### The Human Side of Decision Making: Thinking Things Through with Daniel Kahneman

Here we have Dr. Kahneman speaking with members of the Editorial Advisory Board of the *Journal of Investment Consulting* about his investigations into decision making in the context of a dual-process model, loss aversion and risk tolerance, adversarial collaboration, and financial advisors' impact on investors' well-being. As always with Dr Kahneman, an insightful, thought-provoking and lucid discussion. [More...](#)



### Investment Banks Now Turn to Psychologists for Help

A [CNBC interview with Greg Davies](#), head of behavioural and quantitative finance at Barclays Wealth, discussing how human emotions including anxiety, stress and enthusiasm can drive markets. Additional insights from Greg Davies and his very impressive Barclays Wealth team can be seen at [www.investmentphilosophy.net](http://www.investmentphilosophy.net).



### Modern Fool's Gold: Alpha in Recessions

Proponents of active investment management claim that they are able to deliver added value in falling markets. In this paper from the *Journal of Investing* Shaun Pfeiffer and Harold Evensky research this claim and conclude that "...active portfolio management fails to add value above the higher costs it imposes on investors." [More...](#)

### Gilchrist and Resnik Clash Over Risk Questionnaires [UK]

FinaMetrica cofounder, Paul Resnik, faces some opposition from fellow industry expert, Chris Gilchrist, on whether it is possible to deliver good investment advice without using psychometric risk questionnaires. [More...](#)





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Suite 703, 31 Market St, Sydney, Australia 2000

