**Press Release**
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**The importance of understanding yourself**
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What we have experienced in the past two months is unprecedented. The COVID-19 global pandemic and the resulting physical lockdowns will deliver a massive blow to the global economy. France's statistical office estimates the current lockdown will cost the French economy 35% of daily GDP as long as it continues. That means a one-month lockdown would shave almost 3% off the 2020 GDP.

Meanwhile, there is huge uncertainty surrounding how long the lockdowns will go on for, how many companies will go bankrupt because of cashflow challenges and how many jobs will be lost. Policymakers have been quick to respond with sharp interest rate cuts, massive liquidity injections and huge fiscal spending.

We are all left trying to make sense of it all. What are the chances that I will contract the virus? Will I recover if I do? What about my family, friends and colleagues? What actions can I take to protect myself and those around me?

Oh and, as an aside, what should I do with my investments that have just declined sharply in value? The US equity market took less than a month to fall from a new all-time high to a bear market (ie. over 20% decline). And then just to add to the confusion, the market rebounded 20% in just 4 days!

Rather than focusing solely on what could happen in the future, we believe we would all benefit more by analysing what we have learned about ourselves as an investor in the past few weeks. Given hindsight, what actions would I change if I could go back in time – either in the heat of the moment, or over the past 5 years? Did I take on excessive risk or leverage? Did I panic sell? Of course, we cannot time-travel, but we can commit to acting differently going forward.

What we might struggle with is identifying a framework to apply to ourselves so that we can assess our traits and see how this might influence the investment decisions we make.

In partnership with Oxford Risk – a specialist in the world of behavioural finance – we identified 9 personality traits (risk tolerance, speculation, composure, confidence, financial comfort, desire for guidance, impulsivity, desire for legacy, internal locus of control) that best describe and explain investor behaviour. If you measure these traits with high, medium or low rankings, this gives us just under 20,000 potentially different individual profiles. However, based on a survey of our clients in Hong Kong, Singapore and Taiwan, we found there are three main clusters of behavioural profiles, which we label as Conservative, Comfortable and Enthusiastic.

The *Conservative Investor* is generally comfortable in his own financial skin, does not really want much guidance and is less likely to be speculative or impulsive. This type of investor is likely to experience lower drawdowns in times of market volatility. One potential thing for Conservative investors to think about is whether their investment allocations are too conservative and consistent with their long-term goals. Periods of market volatility, such as we are seeing at the moment, can be a good time to think about gradually adding risk to their investment allocations.

The *Comfortable Investor* is similar to the Conservative Investor, but ranks higher on composure and confidence. This investor tends to have more investment experience, is likely to be calm in a crisis and will likely try to evaluate the situation as rationally as possible. One potential weakness is a tendency to be overconfident. It is very important for this type of investor to try to find views from different perspectives and try to find out why his perspective could be wrong. This will help ensure that the investor remains diversified, while continuing to factor in alternative scenarios.

The *Enthusiastic Investor* is largely the opposite of the Conservative Investor and is high on speculation, impulsivity and looks for guidance from those around them. Investors with this profile can be whipsawed in times of market turmoil, exacerbated by the fact that this profile tends to have the least investment experience. This investor would benefit from pre-committing to a disciplined investment approach. This should include a core diversified allocation that is held through periods of volatility. It could also include a separate allocation that can be implemented through more thematic ideas (which would also satisfy their need for action).

Of course, we are all individuals and are likely to have traits from different profiles. However, we hope this framework will help you identify the potential strengths and weaknesses of your own profile. Increased self-awareness is the first step in developing an investment approach that is consistent with both your behavioural biases `and also your long-term objectives.

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