



DEVANESAN
EVANSON

GROWING YOUR WEALTH

THE HUMBLE INVESTOR

“It is unwise to be too sure of one’s own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err.” (Mahatma Gandhi)

Investing in shares is a popular way for individuals to grow their wealth over time. While it offers the potential for significant returns, it is also fraught with risks and uncertainties.

In this dynamic and often unpredictable financial landscape, the relevance of being humble cannot be overstated. Humility in investing is not merely a moral virtue but a pragmatic approach that can lead to better decision-making, risk management and long-term success.

Acknowledging uncertainty

One of the fundamental principles of humility in investing is recognising the inherent uncertainty of the stock market. No one can predict with absolute certainty how share prices will move. Even the most seasoned investors and financial experts cannot consistently forecast market movements accurately. Embracing this uncertainty is a critical aspect of humility, as it reminds investors that they do not possess all the answers.

By acknowledging the limitations of their knowledge and understanding, investors can avoid overconfidence, which often leads to reckless decisions. Overconfident investors are more likely to engage in speculative trading, make hasty decisions based on limited information, and underestimate the risks involved. Humility, however, encourages

investors to approach the market with caution and a healthy dose of scepticism.

Avoiding hubris and overtrading

Hubris, or excessive pride, can be a dangerous trait in investing. When investors become overly confident in their abilities, they may disregard sound investment principles and take excessive risks. This overconfidence can lead to overtrading, a behaviour where investors buy and sell shares frequently, attempting to time the market or chase short-term gains.

Overtrading often results in higher transaction costs and reduces overall returns. Humble investors are less prone to this behaviour, as they are likelier to stick to a well-thought-out investment strategy and resist the temptation to constantly tinker with their portfolio.

They understand that long-term success in the stock market is built on patience and discipline rather than rapid trading.

Embracing diversification

Another key aspect of humility in investing is embracing diversification. Diversifying a portfolio means spreading investments across various assets, sectors and geographic regions. This strategy helps mitigate the risk associated with individual stocks or sectors experiencing significant declines.

Humble investors understand that they cannot accurately predict which specific stocks will outperform or underperform in the future. Therefore, they avoid the hubris of concentrating their

investments on a handful of stocks and, instead, choose to diversify.

This approach reduces the impact of individual stock losses and provides a more stable and balanced portfolio that can weather market volatility.

Learning from mistakes

Investing is a continuous learning process, and humility is essential for personal growth as an investor. Every investor will make mistakes, experience losses, and encounter unexpected challenges. Humble investors acknowledge their mistakes and use them as opportunities for improvement.

Rather than blaming external factors or denying their errors, humble investors take responsibility for their decisions and learn from their experiences. This willingness to learn and adapt is crucial for long-term success in the stock market. It allows investors to refine their strategies, avoid repeating past mistakes and make more informed decisions in the future.

Seeking knowledge and guidance

Being humble in investing also means recognising that there is always more to learn. The financial markets are complex and constantly evolving, making it essential for investors to stay informed and seek knowledge. Humble investors are open to new information and willing to seek expert guidance, read financial literature and stay updated on market trends.

Additionally, they understand the importance of having a di-

versified support network, including financial advisers or mentors, who can provide valuable insights and guidance.

Seeking advice from experienced professionals can help investors make well-informed decisions and confidently navigate complex financial situations.

Managing emotional responses

Investing can be an emotionally charged endeavour, with fear and greed often driving decision-making.

Humble investors are aware of their emotional vulnerabilities and take steps to manage them effectively. They avoid impulsive reactions to market fluctuations and focus on their long-term goals.

By maintaining emotional discipline, humble investors are less likely to panic during market downturns or become overly exuberant during periods of euphoria. This emotional resilience enables them to stick to their investment strategy and avoid making costly, emotionally driven mistakes.

Humility in investing is not a weakness but a strength.

This humility-driven approach can lead to better decision-making, risk management, and long-term success in the complex world of share investments.

In a financial landscape filled with uncertainty, staying humble can be a beacon of rationality and a path to achieving one’s financial goals.

The writer is chief executive officer of Minority Shareholders Watch Group

Humility in investing is not merely a moral virtue but a pragmatic approach that can lead to better decision-making, risk management and long-term success.