



THE ILLUSION OF INSIGHT: WHY SMART INVESTORS TUNE OUT THE NOISE

In a world where data is cheap and everywhere, staying informed feels like the responsible thing to do. Every day brings a fresh cascade of updates, - economic numbers, political developments, expert views, - all promising insight, all demanding attention. It's easy to assume that this constant drip-feed of information is helpful, even essential to successful investing. But it isn't. In fact, too much information can be not only unhelpful, but actively harmful.

Markets are forward-looking. They price in expectations, not just events. By the time news hits your screen, the smart money has already reacted. The temptation to respond, - by tweaking your portfolio, chasing trends, or de-risking at just the wrong moment, - is real. But in investing, reacting too often is usually a mistake.

While information feels like insight, much of it is just noise. What matters isn't just whether the news is new, - but whether it's actionable, and if acting on it improves outcomes. Mostly, it doesn't. Worse, it can pull investors away from the very discipline their long-term strategy depends on.

This is especially true when it comes to expert opinion. There's no shortage of commentators willing to explain where markets are heading, what the Reserve Bank will do next, or which asset class will outperform. Some of it is genuinely thoughtful. But even the best forecasts are "educated" guesses, and the track record of experts is sobering.

Philip Tetlock's research on political forecasters, - famously summarised in Superforecasting, - found that the most confident and high-profile experts were often the least accurate. The more loudly and consistently someone predicts a particular outcome, the less likely they are to be right. In markets, where variables are countless and outcomes probabilistic, it's not the strength of conviction that matters, - it's the humility to admit uncertainty.

Humility rarely makes for good TV, which is why those big, confident voices are the ones we hear most. For investors, that's a trap. Bold predictions feel like clarity, but they often lead us astray.

The costs of reacting to noise and confident forecasts are real. Numerous studies, including Morningstar's long-standing analysis of fund returns versus investor returns, show that the average investor underperforms the very funds they invest in. The culprit? Behaviour. Investors tend to buy high and sell low, - adding money after strong performance, withdrawing it after losses.

Over time, this behaviour gap costs around one percent per year. That might sound small, but over 30 years, it compounds to a roughly 40 percent shortfall. Enough to turn a comfortable retirement into a constrained one.

So, if being highly informed isn't the answer, what is? The best investors, - individuals and institutions alike, - focus less on reacting and more on preparing. They spend less time trying to predict outcomes, and more time ensuring they're positioned to weather a range of them.

Their portfolios are built on sound principles, - broad diversification, alignment with long-term goals, clarity about acceptable risks, and discipline in the face of volatility. That's where good financial advisers earn their keep. Not by guessing what the rand will do next quarter, or whether the Fed will hike rates again, - but by helping clients stay grounded in their objectives. A good adviser is part architect, part behavioural coach.

They design portfolios that can survive uncertainty and provide the emotional ballast clients need to stick with them. Crucially, good advisers know when not to act. In a profession often judged on action, restraint can be a surprisingly valuable skill.

Sometimes the best advice is to do nothing. Stay put. Remember the plan.

In the end, investing isn't an intelligence test or a contest of who has the most data. It's a test of temperament. Information is cheap, but wisdom, - knowing what matters and what doesn't, - is rare. The best investors and advisers don't just seek signal over noise, - they learn to sit calmly in the silence that follows.

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JOHANNESBURG

Corner Main Office Park Payne Road, Bryanston
+27 10 448 1400
infoSA@portfoliomatrix.com

CAPE TOWN

Constantia Emporium, Ladies Mile - Constantia
27 10 448 1400
infoSA@portfoliomatrix.com

IRELAND

5 Marine Terrace, Dun Laoghaire, Co. Dublin,
A96 H9T8 +353 1 539 7244
infoIE@portfoliomatrix.com

UNITED KINGDOM

66 Buckingham Gate London SW1E 6AU
+44 20 7965 7533
infoUK@portfoliomatrix.com

portfoliomatrix.com

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