Prudential Investment Managers
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Five mistakes to avoid as a beginner investor

Even smart, seasoned investors make errors from time to time. If you're just starting out, you're at even more risk of making mistakes that could end up being costly. Here's a look at five of the most common missteps beginner investors make and how to avoid them.

1. Investing for the sake of it

Why are you investing? What's your goal? You're more likely to succeed if you have a specific goal in mind, an idea of how long it will take, and a clear plan to help you achieve it. If you're simply hoping to "get rich fast", you may need to go back to the drawing board. Investing requires patience, consistency and time. Our goal calculator can help you get a good idea as to whether or not your goals are realistic and how long it will likely take for you to reach them.

2. Chasing performance

It's the ultimate rookie mistake: googling a list of the best-performing funds over the past six months and choosing those to invest in. It sounds so easy; after all, if a soccer team has spent the

past two seasons at the top of the league, it makes sense that they'll be champions again next season… right? Don't be fooled. When it comes to investing, past performance is not necessarily a good indication of future performance. Anything could (and often does) happen. The existence of market cycles and constantly changing conditions means that a fund that has a stellar performance one year could underperform the next. Your fund selection decisions should be based on your investment goals, risk profile, and time horizon. Choose a reputable fund manager that has a consistent long-term track record, like Prudential, and avoid getting carried away by last year's trends.

3. Falling for the hype

Sensational headlines. Fake news. Confusing jargon. Hot stock tips from some guy you met at a braai. As an investor you'll find that there are many distractions, and many temptations to invest or disinvest. While you shouldn't completely ignore advice from a reputable, experienced source, rather listen to the experts – Prudential's fund manager commentary is a good place to start to gain market insights. And if you get stuck or need more information, it's always best to speak to your financial adviser before you make any rash decisions.

4. Expecting smooth sailing

Volatility is a natural aspect of the markets. In fact, if you look closely, you'll see that an asset's price could go up and down several times a day – and this is especially true if you've invested in equities. So expect the jagged lines on your performance reports and understand that it's nothing to panic about. Remember, investing is a long-term exercise – and the hours between lunch time and the closing bell on a frantic Tuesday afternoon are certainly not what is meant by "long-term investing". Ride out the ups and downs, and keep your eyes on the horizon.

5. Buying the popular assets and ignoring cheap ones

Some novice investors get the concepts of price and value confused. Popular, trendy assets aren't always a good investment (they may be overpriced), and cheap assets aren't necessarily a bad investment (they may be quality assets whose prices are down for non-fundamental reasons). While it's never wise to try to time the market, it's worth checking in with your financial adviser to find

out why a share is trading at a discount (in other words, priced cheaply), or alternatively, why another is so popular. And if the fund you're invested in is underperforming, but still aligns with your investment objective, instead of jumping ship right away it may worth buying more! Short-term periods of underperformance are often the best time to pick up quality assets at a good price.

For more information or if you have any questions, please contact your financial adviser or feel free to get in touch with our Client Services Team on 0860 105 775 or query@prudential.co.za.