PRUDENTIAL
INVESTMENT MANAGERS

Prudential Investment Managers

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Five investment mistakes to avoid

As an investor, it's impossible to get everything right all the time. But by staying away from these common slip-ups, you should be happy to know that t's possible to at least get close. Here's a shortlist of the things to avoid.

1. Listening to the wrong people
Good advice is invaluable. Bad advice is worse than worthless – in many cases, it can do real damage to your wealth-building plans. So choose who you listen to, and whose advice you take. Everybody has an opinion, and not all of them are worth listening to. Trust the experts: your fund manager and/or financial adviser.

2. Panicking about bad news
There's an old saying among newspaper editors: "If it bleeds, it leads." Bad news sells, and sensational headlines only ever tell part of the story. It's the same on the business pages: things are seldom as bad as the headlines, tweets or Facebook shares would have you believe. The trouble is, many investors (not just the newbies) base their investment

decisions on those headlines. **Don't fall into that trap**. Rather read market commentary from trusted and recognised sources. Prudential's Insights page, featuring our fund managers' views on the markets as well other useful investment-related articles, is a good place to start.

3. Selling when you should buy

The legendary investor Warren Buffett once said that as an investor, it's wise to be fearful when others are greedy, and greedy when others are fearful. That counter-intuitive quote comes from a valuations-based outlook, which looks at the underlying value of an asset like a stock and compares it with its share price. A share is cheap when its price doesn't fully reflect its underlying value; for example when poor sentiment is weighing on it for no valid reason. Savvy investors should see this as **an opportunity to pick up good value** at a discount, rather than running for the hills.

4. Chasing performance

Even if you don't know what performance chasing means, the chances are you've been tempted to try it. It's when you enter or exit an investment hoping to either profit from a hot trend or to limit losses. Basically, you're abandoning your investment plan and trying to time the market. Bad idea. When you chase performance, you'll invariably end up **selling low and buying high**, when the intention is to try and do the exact opposite. Most investors tend to get timing the market wrong, which is why we encourage investors to simply ride out the ups and downs and stay invested – you're far less likely to get it wrong when you leave the buying and selling up to your chosen fund manager.

5. Neglecting your investments

Good idea: setting a plan and sticking to it. Bad idea: setting a plan and forgetting about it. Think of your **financial adviser** as being like your financial GP, who you see regularly to check in on the health of your investments. When you diversify your investments across different asset classes, market movement can cause your target asset allocation to deviate over time. To ensure that you still have the correct asset class exposure, **revisit your investment portfolio**

every 12 months or so, as it might need to be adjusted to be brought back in line with your initial asset allocation. Or perhaps your investment goals have changed in recent months (maybe you've decided to take an expensive holiday or buy a new car) and you need a different asset allocation. It's just always best to check up on your investments regularly – say, once a year.

For more information on how to invest, speak to your financial adviser or call our Client Services Team on 0860 105 775, or email us at query@prudential.co.za.