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# Applied behavioural finance: A framework for generating investment ideas

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12 September 2019

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# Agenda

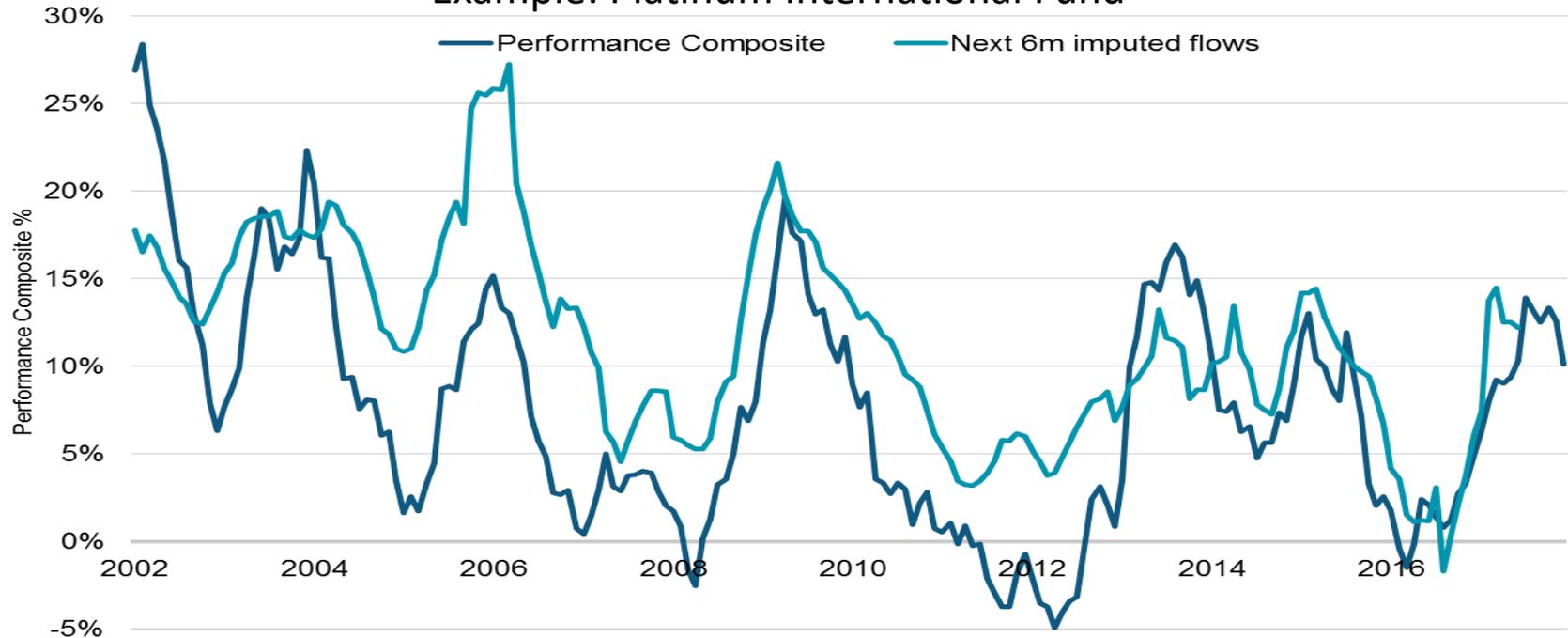
- **Understand** why biases make investing difficult
- **Develop** a framework for investing
  - Seek out of favour companies
  - Investigate and understand change
  - Try not to lose money

# Behavioural finance 101

- **Social** pressures
  - Herd mentality
  - Fear of missing out (FOMO)
  - Pain of exclusion
- Dealing with **information** and **time**
  - Recency/availability bias
  - Extrapolation
  - Exponential versus linear growth
  - Framing
- **Loss** aversion

# Performance v flows

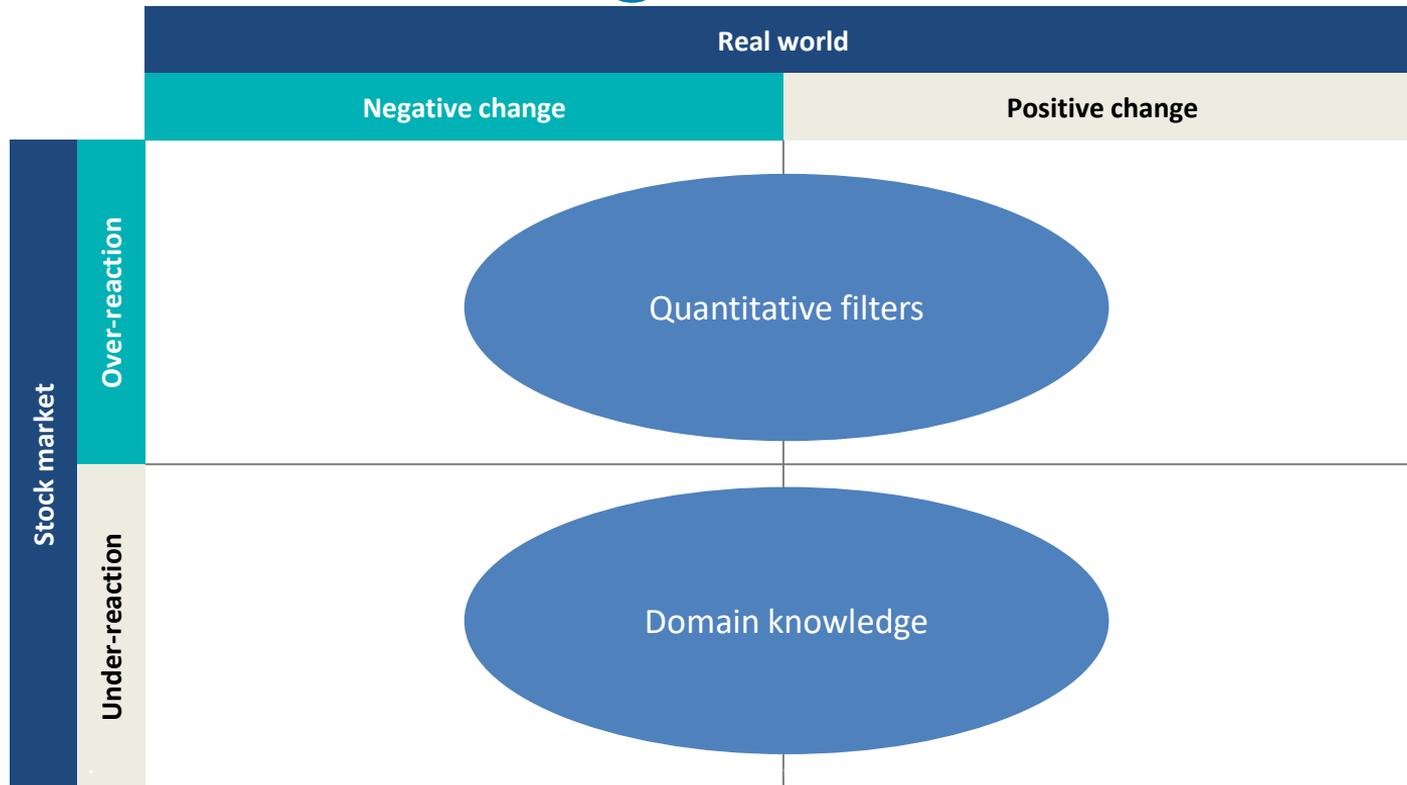
Example: Platinum International Fund



# Models for thinking about markets

- Keynesian beauty contests
- Sandpiles and avalanches
- Triangulation
- Ask the right question

# A matrix of change and reactions to it



# A framework for idea generation

		Real world	
		Negative change	Positive change
Stock market	Over-reaction	<p>Exaggerated demise?</p> <p>Look to <b>buy</b></p>	<p>Dangerous extrapolation?</p> <p>Look to <b>sell</b></p>
	Under-reaction	<p>Broken business?</p> <p>Look to <b>sell</b></p>	<p>Under-appreciated growth?</p> <p>Look to <b>buy</b></p>

