

The roller coaster of investor emotion

Emotional reactions to investment performance can be your main enemy as they often lead to irrational investor behaviour. The curve in the graph represents a peak and trough in the share market cycle and some of you will be quite familiar with the range of emotions represented here. "Capitulation" refers to the act of selling out of your investments, which usually comes after a range of negative emotions such as fear and panic have been experienced. But what if you were able to set

aside your emotions and look into the future? - you would see that the market will recover and trend upwards over time. Interestingly, you will also note that the time of despondency correlates with the low point in the market. We call this the "point of maximum opportunity" where you will reap the greatest reward from separating your investment decision from your emotions and staying invested in the market.

