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### Making Great Investment Decisions

The single biggest problem all investors face is bias. We can become our own worst enemies if we make decisions that overweight either statistical or emotional factors. Following is a table that illustrates how best to utilize both the analytical and experiential part of our thinking in order to help, rather than hinder, our investment decisions.

<b>FORMULAIC DECISION MAKING</b>	
<i>POSITIVES</i>	<i>NEGATIVES</i>
Quantitative strategies (numeric formulas) are devoid of emotional biases, producing pure statistics.	Tendency to screen by recent performance and be too exposed to the overpriced asset classes.
Mathematical predictions and probabilities can be assessed out to the Nth degree by computers.	Any missing or incorrect factor in the formula could skew the outcomes greatly (Long Term Capital Management)
Creating a successful predictive model can greatly enhance the effectiveness of investment decision making.	Cold, rational, number-driven models are slow to respond to underlying shifts in market sentiment.
<b>EXPERIENTIAL DECISION MAKING</b>	
<i>POSITIVES</i>	<i>NEGATIVES</i>
Ability to pull in outside viewpoints (experts) that will help form the investment decision.	Following the crowd (and possible asset bubble), rather than thinking outside the box.
Over the years, investing decisions serve as a series of sequential experiential outcomes and enable the investor to learn and grow in his/her prowess.	The most recent investment experiences are fresher in the mind and may be given more weight than logic would dictate.
Utilizing a team approach (many investment analysts) can enhance the discussion and thus the depth of investment decisions.	Tendency to hold onto losers, with the hope to get back to breakeven, regardless of the true value of the investment.

This recent market downturn showed clearly that one must add human experience to statistical formulas in order to make the most prudent investment decisions. As your investment advisors, it is our job to take all the resources at our disposal, both external (numbers) and internal (experience), and combine them into an effective decision-making tool for building a portfolio that creates wealth for you and your family.

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