

Janus Henderson's Andrew Hendry on the 'Gorilla in the Room' - Behavioural Finance

Andrew Hendry, CEO for Singapore and Head of Distribution for Asia at Janus Henderson Investors, has significant concerns that too many private investors approach their portfolios with biases that prevent them from spotting opportunities and assembling robust portfolios that they can then adapt with objectivity and agility.

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ANDREW HENDRY

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Supported by short videos and a concise and easily digestible slide show, he gave delegates at the Hubbis Independent Wealth Forum on May 10 a detailed Workshop explaining how and why

these behavioural biases skew investment decisions, leading to over-confidence in some areas while ruling out more promising investments at the same time.

Andrew explained that behavioural finance had fascinated him for many years. He told guests how the human brain, in its immense complexity, can achieve the right ends and yet obscure the right paths; since those decisions are all too often founded on biases that we do not recognize ourselves.

He said the investment industry should make a bigger play of recognizing and then highlighting the importance of behavioural finance within the investment process, noting that most private clients are unaware of these biases.

Andrew explained that there are three core behavioural biases - selective attention bias,

overconfidence and recency (essentially focusing on the near past rather than a proven historical perspective).

As a result, investors can fail to identify real value, or they try too hard to time the markets, and allocate their capital inefficiently either in an overly aggressive or defensive way.

The outcome is that asset managers as well as investors too often fail to see the bigger picture and therefore fail to adapt their holdings to more objective and optimised structures.

He concluded that behavioural biases have real impacts on performance and that the (external asset managers) EAMs and multi family offices (MFOs) in the room should be trying their best to help their clients see the gorilla in the room! ■

TO VIEW THE ACCOMPANYING PDF TO THIS WORKSHOP PRESENTATION, PLEASE FOLLOW THIS LINK:
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