

BEHAVIOURAL FINANCE – GORILLA IN THE ROOM

HUBBIS INDEPENDENT WEALTH MANAGEMENT
FORUM 2023

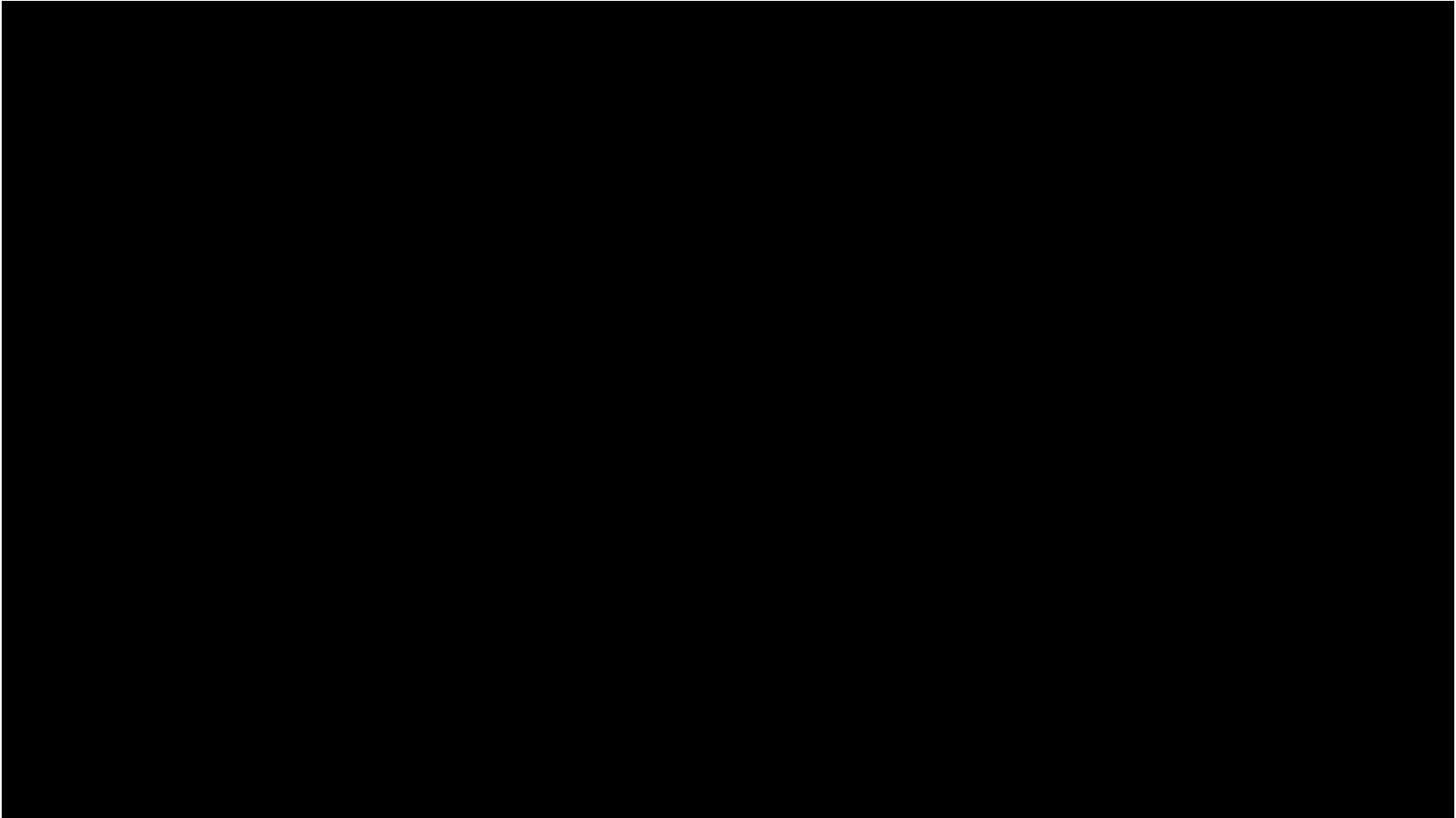
10 May 2023, Singapore

Andrew Hendry, CFA
CEO Singapore, Head of Distribution Asia



YOUR BRAIN





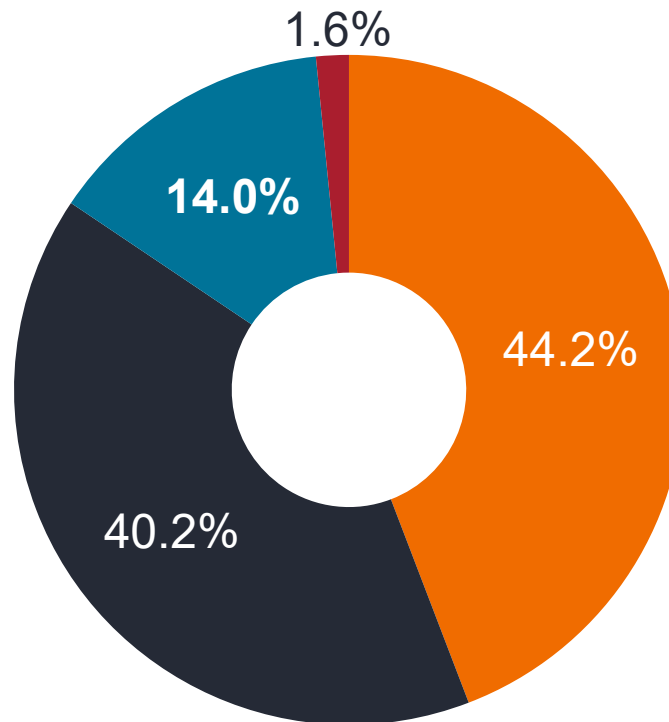
1,000 HNW CLIENTS IN ASIA WERE ASKED THE FOLLOWING QUESTION:

A price-earnings ratio (PE ratio) is a measure used by investors to understand the value of a company's current share price.

How is the price-earnings ratio calculated?

How many answered correctly?

- a) 70 - 80%
- b) 60 - 69%
- c) 50 - 59%
- d) 40 - 49%



Answer: d)
60% of respondents got this answer wrong

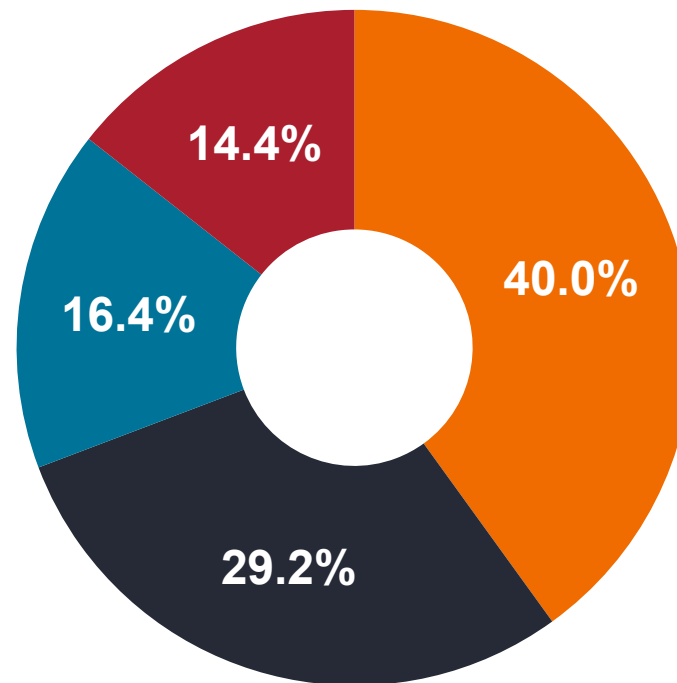
- Earnings per share/ market value per share (n=224)
- Market value per share/ Earnings per share (n=204)
- Total revenue/ Total expenditure (n=71)
- Total expenditure/ Total revenue (n=8)

1,000 HNW CLIENTS IN ASIA WERE ASKED THE FOLLOWING QUESTION::

Please complete the following sentence:
When yields go up, bond prices go _____.

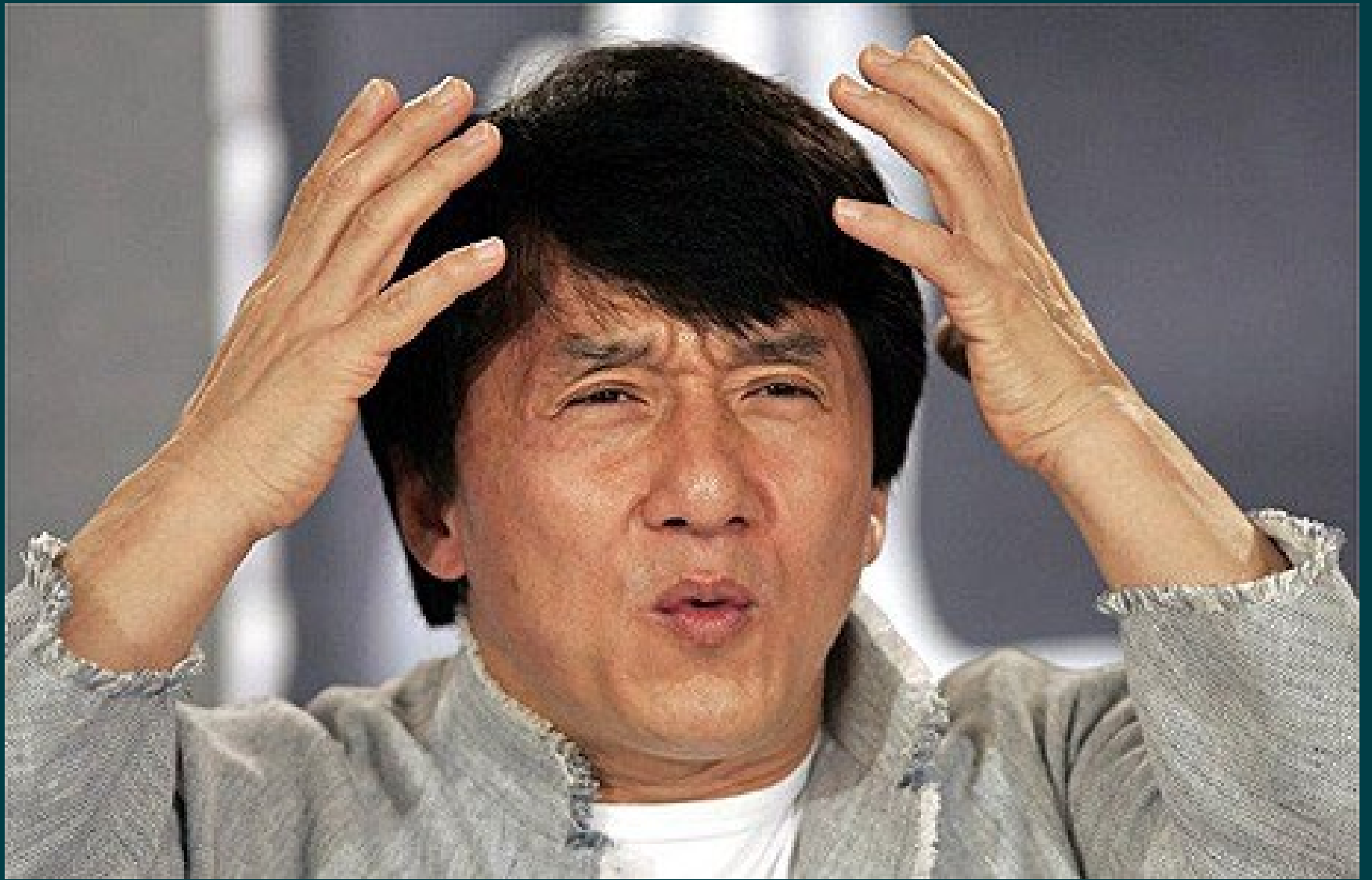
How many answered correctly?

- a) 44%
- b) 29%
- c) 15%
- d) 12%

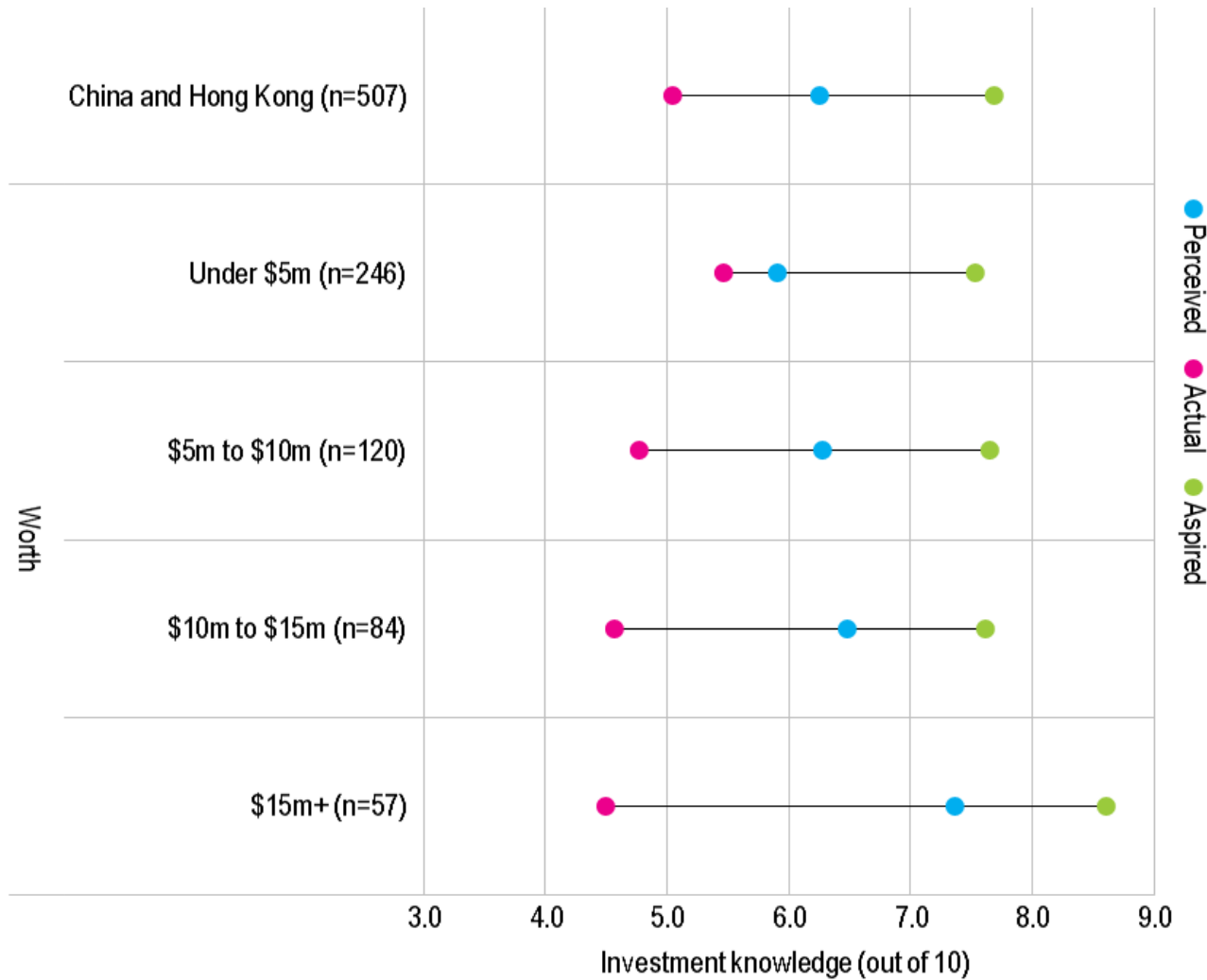


Answer: b) 29% meaning 71% of respondents got this question wrong

- Up (n=203)
- Down (n=148)
- Yields have no influence on bond prices (n=83)
- Stay the same (n=73)



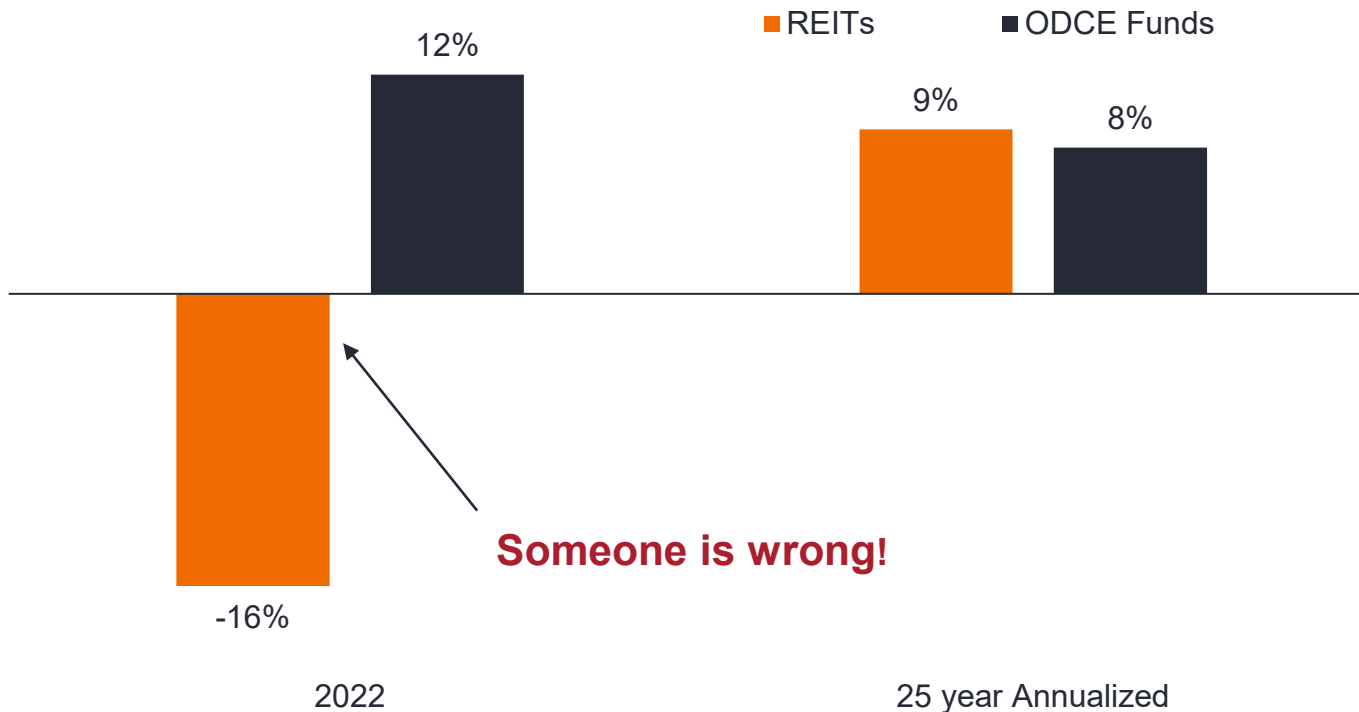
AND IT IS MORE ACUTE AMONGST THE WEALTHIEST...



WHY NOW FOR PROPERTY? PRICING DISCONNECT A CLEAR OPPORTUNITY

Arbitrage opportunity - buying the discount has historically been rewarded

Total Returns



Source: Bloomberg, NCREIF, Green Street as at 26th July 2022

Note: ODCE, is a core capitalization-weighted index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets.



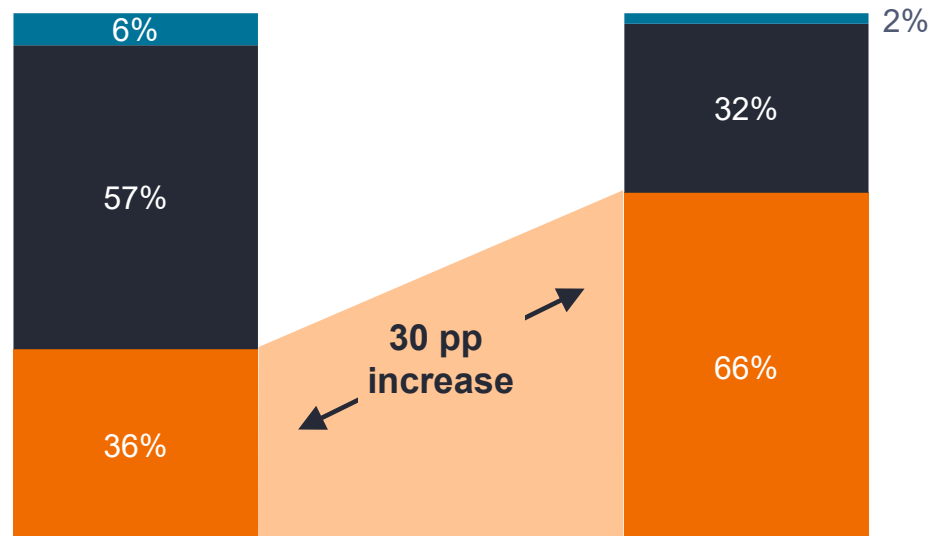
BEHAVIOURAL BIASES

- Selective attention bias
- Overconfidence
- Recency

CLIENT ACQUISITION IN ADVERSITY, Q2 2020

Non-Users

Behavioral Finance Users



■ Gained clients ■ Neither added or lost clients significantly ■ Lost clients

Note: Advisors were asked “Since 1Q 2020, has your practice gained or lost clients?”
Sources: Cerulli Associates, in partnership with the Investments & Wealth Institute.

SUMMARY

Behavioural biases skew investment decisions

- Investors fail to see where value lies
- Investors try to time the market
- Investors allocate their capital inefficiently and are overly defensive

Behavioural biases have real impacts on performance

Help your clients see the gorilla in the room!

Contact us

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INVESTORS

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