



## ***8 Things Investors Can Expect In 2018***

We have no idea what's going to happen – in world events, politics, or the market – in 2018 (and neither does anyone else). There's no way to reduce the uncertainty about the future or know exactly what it holds but we are fairly certain that the following **8 things will happen to investors in 2018:**

### **1. Your results in 2017 will impact how you feel about the markets in 2018**

The recency bias affects us all in some way. Some investors will be overconfident based on solid 2017 performance. Others will be gun shy after missing out on big gains. We tend to use our recent experience as a baseline for what will occur in the future, often to our own detriment.

### **2. Something will happen that doesn't make any sense at all**

There's sure to be something that catches investors off-guard in 2018. Something is bound to defy expectations whether it involves geopolitics, irrational market movements, corporate takeovers, or any number of crazy news, events, or performance. We've learned we will almost always be surprised by markets to some degree.

### **3. Your asset allocation will likely have a bigger impact on your performance than your security selection**

Stock-picking is more exciting but even if you pick the very best stocks in the worst sector it probably won't matter in terms of your overall performance. Asset allocation isn't as sexy as security selection but it will almost always be the most significant part of your performance attribution.

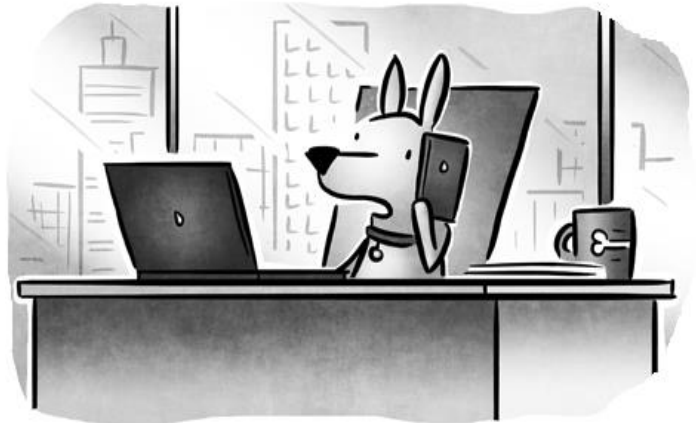


**4. The best investment you can make will likely be an increase in your savings rate**

You have no control over market returns, tax policy, economic growth, or the actions of other investors. But you do control how much you save which is typically the most important investment decision you can make.

**5. There will be geeky finance debates that 99% of investors should safely ignore**

Financial topics make for interesting banter for market nerds but most investors are better off ignoring such minor details and focusing instead on getting the big things right.



"Buy. Sell. Sell. Buy. Bark. Woof. Sorry. Buy."



**6. There will be a stock, fund, strategy, or asset class that skyrockets that you wish you owned more of**

Every year there's something everyone wishes they would have put their entire portfolio in to see huge gains. It's fun to dream about owning a lottery ticket stock but you'll only know in hindsight what the perfect portfolio or investment would have been over any given year.

**7. You won't be able to distinguish between luck and skill in anyone's investment results**

People will be right for the wrong reasons and wrong for the right reasons, but markets don't care about these things over shorter time frames. Eventually a good decision-making process will win out but over a one-year time frame anything can happen.

**8. Diversification will make you feel silly**

Any long-term investment strategy is bound to make you feel foolish over the short-term. Diversification is for patient people and that requires ignoring those market environments that make you feel like an idiot for spreading your bets and managing risk.



**CALL US**  
(03) 964 4207



**EMAIL US**  
office@rede.co.nz



**POSTAL ADDRESS**  
PO Box 4160  
CHRISTCHURCH 8140



**STREET ADDRESS**  
Level 4, 123 Victoria Street  
CHRISTCHURCH 8013