Decisions, decisions: the importance of fully informed investing

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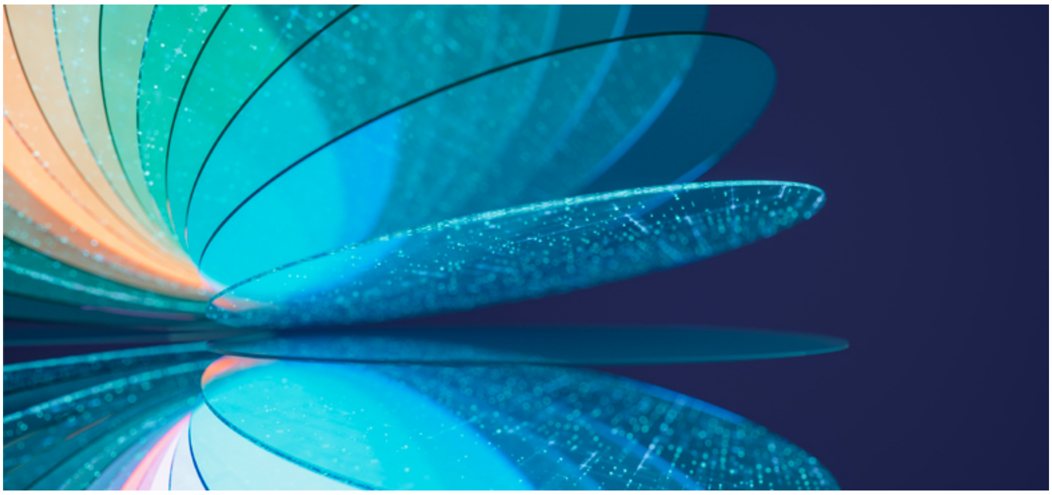
Successful investing is obviously a matter of making decisions, but some decision-making processes are far better suited to the challenge than others. Investment Manager Tony Conway outlines the case for long-term thinking, digging deeper and being fully acquainted with the facts.



"When the facts change," John Meynard Keynes reputedly remarked, "I change my mind." It is nowadays widely acknowledged that he very probably said no such thing, but not to worry. This remains an agreeably neat encapsulation of the benefits of open-mindedness.

Do Keynes' words of wisdom apply to investing? Certainly. Indeed, there is reasonable evidence that he was discussing investment approaches when he originally expressed his view[1].

It is hard to argue with the sentiment in this context. There are invariably grounds to reconsider and rebalance asset allocations as circumstances evolve, and any investment manager who declines to recognise as much may well be falling foul of the Trade Descriptions Act.

Yet there is a significant difference between prudently responding to events and merely acting in haste in the hope of somehow being proved right. Unfortunately, the latter approach nowadays appears alarmingly popular both in the investment arena and in many other walks of life.

To take an obvious example from other fields of endeavour, the tendency is rife in politics. I do not suggest one party is worse than any other, but it is worth noting that we recently bade farewell to a Prime Minister who performed more U-turns than a getaway driver in an episode of *The Sweeney*[2].

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The issue is also prevalent in the corporate sphere. Many businesses stagger along without any genuine sense of direction, pivoting this way and that with disconcerting regularity. They are content to keep kicking the can down the road, yet they are never quite certain where the road will lead.

Meanwhile, back in the wonderful world of investing, markets are increasingly at the mercy of outlooks that are measured in months, weeks or even days. As I have written before, investment analysts – the "sell side" of our industry – are among the principal culprits.

To recap briefly: the analyst community is comprised mainly of fund brokers, large investment banks and ostensibly independent research houses. Their collective task is to disentangle the morass of data disclosed by companies and so provide insights and forecasts for the industry's "buy side".

There was a time when a long-term focus was preferred, but factors such as the rise of hedge funds and high-frequency trading have resulted in much narrower horizons. It is now rare for an analyst to look beyond the next quarter.

This can cause volatility if an analysis turns out to be unduly positive, as some market participants may interpret a business's *unexpected* underperformance over the short term as a sign of *continued* underperformance over the long term. Recency bias thus rears its ugly head.

There are many other prejudices and predispositions that can derail investors' thinking – sometimes without them realising. Take the often inherent disinclination to dig deeper.

Imagine a company enjoys a conspicuous growth spurt. The achievement earns headlines and column inches, with coverage further boosted by a charismatic CEO who boasts a compelling line in corporate-speak and a penchant for hogging the limelight.

The business is highly valued. The aforementioned analyst community is greatly enthused. The herd is piling in. Why hesitate to join the rush?

Naturally, there are instances when all these signals genuinely indicate a worthwhile prospect. But there are many others when the story lurking beneath the surface is revealed as one of style over substance.

As investment managers, we aim to make choices that are likely to stand the test of time. This means we must avoid knee-jerk reactions, gut instincts, snap judgements, shortsightedness, relentless vacillation and other potential pitfalls.

So what do we do when, per Keynes' purported comment, the facts change? Generally, we implement tactical adjustments to portfolios. As observed above, we reconsider and rebalance asset allocations.

The counterpart to tactical investing is, of course, strategic investing. The distinction between the two is crucial. Strategic investing is in no way a matter of endless U-turns, continually kicking the can down the road or flitting from one holding to another whenever a stock rises or falls. It is a matter of digesting *all* the facts and building for the future.

At this point we might usefully revisit what Keynes may *really* have said. According to Paul Samuelson, his fellow economist and Nobel laureate, the correct quote is as follows: "When my information changes, I alter my conclusions."

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1. See, for example, *Quote Investigator*: "Quote origin: When the facts change, I change my mind. What do you do, sir?", July 22 2011 – https://quoteinvestigator.com/2011/07/22/keynes-change-mind/.
2. See, for example, *Independent*: "From welfare cuts to digital ID: every Labour U-turn over past two years as Starmer resigns", June 22 2026 – www.independent.co.uk/news/uk/politics/labour-u- turns-starmer-resigns-b3000255.html.

This is a much more apt maxim for investors, because it is *information* that is key here. Open-mindedness is a desirable attribute, but it should not translate into either short-termism or – perhaps worse still – guesswork.

Ultimately, Keynes championed a form of open-mindedness firmly rooted in the value of fully informed decision-making. In our view, particularly with a life-long financial journey in mind, this is still the essential bedrock of successful investing.

Remember, too, that Keynes rounded off his statement by asking: “What do you do, sir?” This is a handy reminder that we are all undertaking this journey together.