

# Did Confirmation Bias Hurt You As An Investor in 2016?

If 2016 taught you anything, it's to expect the unexpected.

From the worst start E-V-E-R in Wall Street history at the beginning of 2016, to the June Brexit shock and finally to November's Trump Rally, this past year has been a roller coaster ride.

Through all the volatility there is one thing that the great investors do. It's part of their process, and it's part of our process at Iron Gate Global. Jason Zweig from the Wall Street Journal said it best, he said –

*“To be a good investor, you have to be right much of the time. To be a great investor, you have to recognize how often you may be wrong.”*

An example of this from the past year.

**The Election.** How divisive was this past election? It was insane. We had Clinton voters arguing that Donald Trump is going to destroy the world and the markets, and we had Trump supporters arguing that Clinton would end up in prison, and America is doomed for failure.

The problem with such a strong stance is that it creates a bias. It's called confirmation bias and it drives you to search for people and information that you agree with. You ignore any other potential outcome and only focus on what your stance is at that moment. The worst part of this bias is when people make changes to a portfolio based on “agreeing” with someone. (Trust me, I wouldn't be saying this if I didn't see it over and over).

To be a great investor you must ask yourself the question, “what will make me wrong?” \_This opens the door, removes the confirmation bias and other biases that can result if damaging a portfolio.

Before any investment is made at Iron Gate Global we ask ourselves that very question. If we don't know, then we wait to make the investment. Answering the question how you may be wrong is to understand your risk. Without that understanding risk would be foolish to make any decision.

Here's to a great 2017 and to wise investing,

Brett Pattison

## Private Markets Webcast

Have you been participating in private market investing? For those of you interested in learning more about one of the biggest markets in the world (that few people invest in), you've got to join us for a special webcast. On January 31<sup>st</sup> at 6:30pm ET we will hold a webcast that will discuss:

- Why private markets are more important than ever to invest in.
- The diversification that it can add to a portfolio.
- The risk/reward of investing in non-liquid investments.

## **What We're Reading**

16 Rules for Investment Success from Sir John Templeton. We believe Sir John Templeton is one of the great minds and investors that we have ever studied. You can learn a lot by reviewing these 16 rules.

7 Secrets of People Who Keep Their New Year's Resolutions. This is a great article as we start the New Year. As it relates to investing, we urge everyone to review 2016 and see what changes they can make.

I followed Benjamin Franklin's daily schedule for a week, and the most rewarding part was also the most difficult. Great article on following the advice of one of America's greatest. If there is a more effective individual that has ever lived, we don't know them! Our favorite was also the authors favorite, having an "attitude of gratitude."