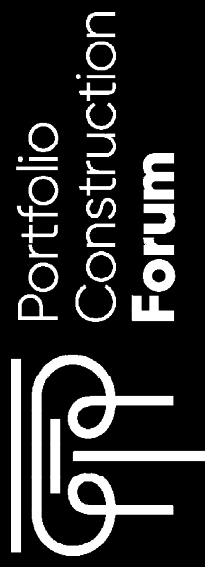


---

14 February 2018

# Beware the trifecta of desire

Douglas Isles  
Investment Specialist, Platinum  
Investment Management (Sydney)





*“How are your flows?”*

<https://portfolioconstructionforum.edu.au>

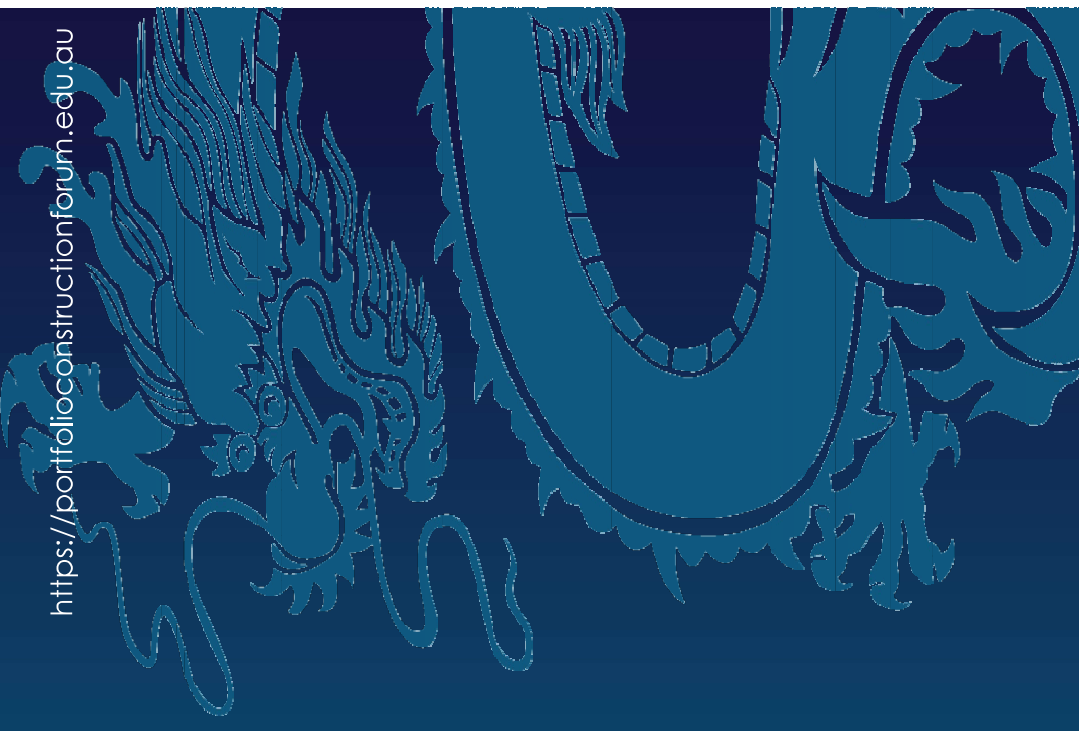




# The trifacta of desire

Performance  
Connection  
Simplicity

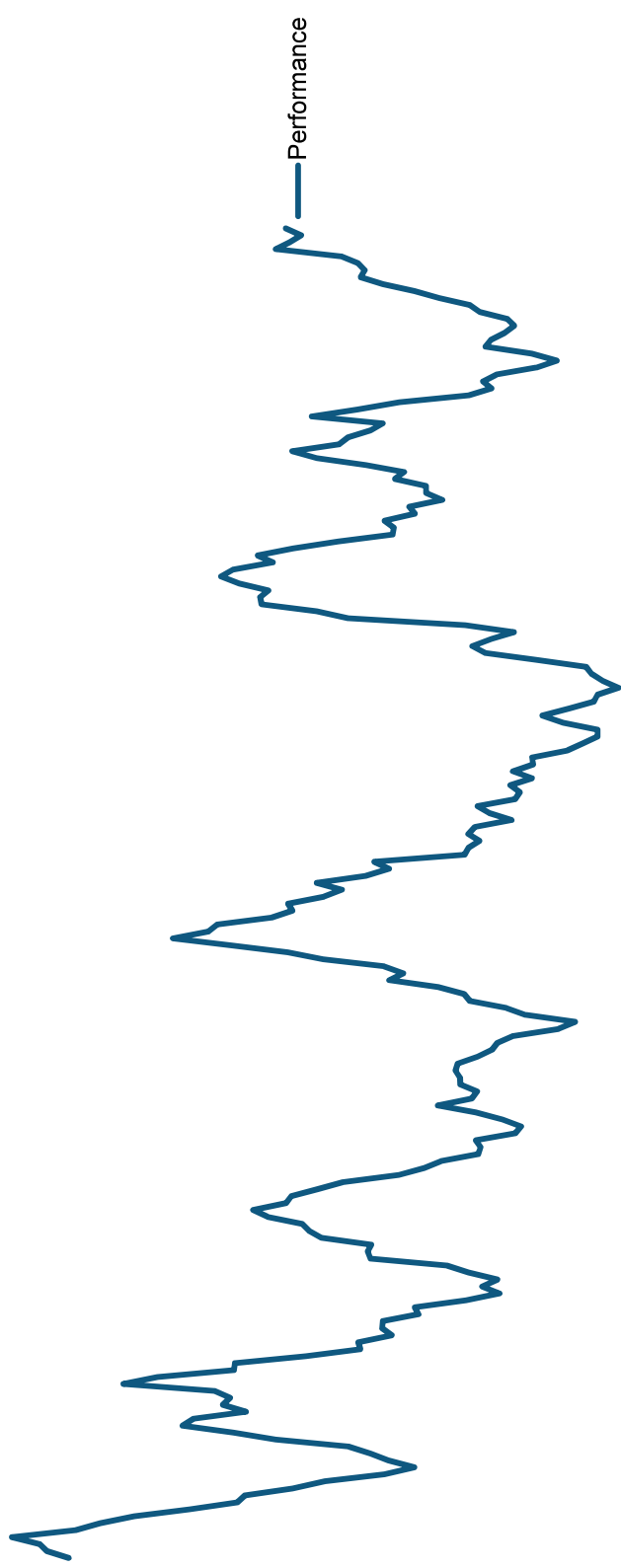
<https://portfolioconstructionforum.edu.au>



# Performance predicts flows

Platinum International Fund (2002-2017)

<https://portfolioconstructionforum.edu.au>



Source: Platinum Investment Management Limited, Factset MSCI. The information provided in these presentation slides is not intended to provide advice.

Performance Composite: Average of 1 and 3 year Absolute & Relative (to MSCI AC World) Returns

Flows: Sum of NAV - NAV<sub>t-6</sub> \* Monthly return, for 6 months following composite result, excl. July to avoid distribution impact. NAV: Publicly available month end Net Asset Value as at time, t

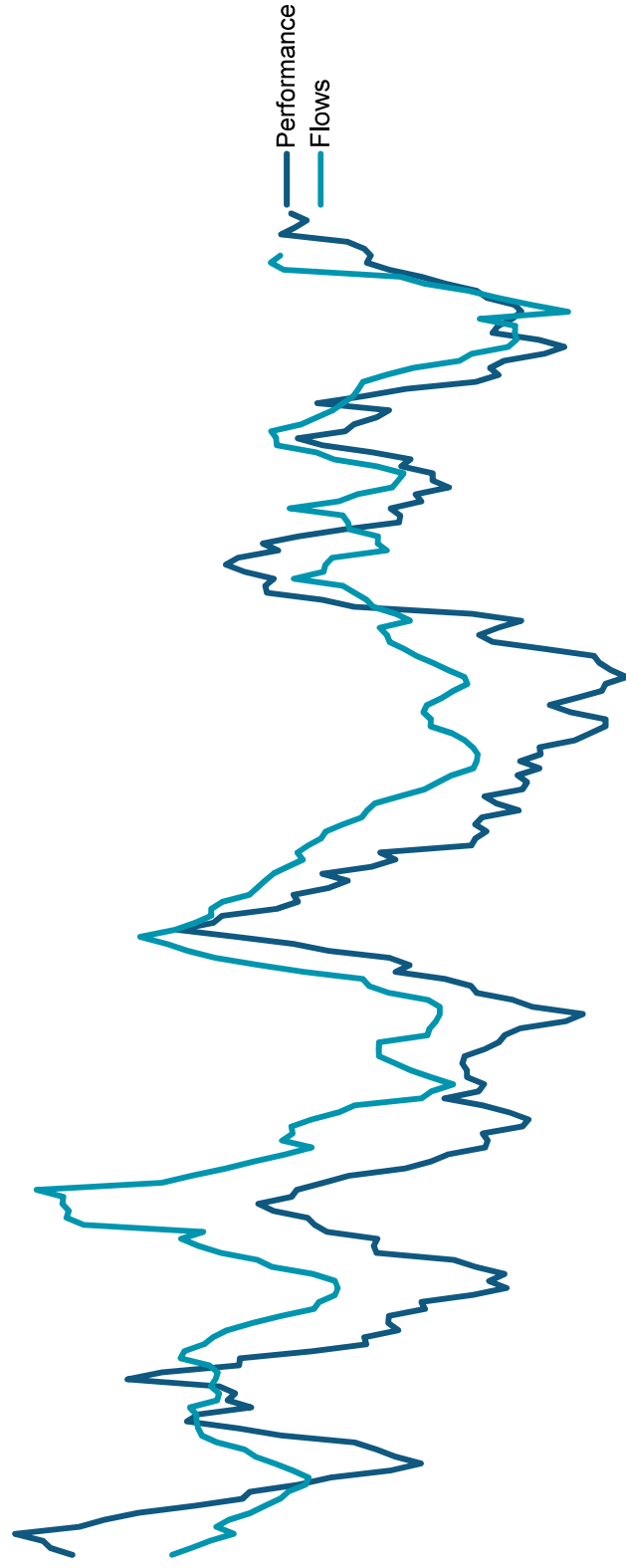
Performance results are total pre-tax return net of fees and costs assuming distribution reinvestment. Returns are historical and no warranty is given for future performance.





## Performance predicts flows

Platinum International Fund (2002-2017)



Source: Platinum Investment Management Limited, Factset MSCI. The information provided in these presentation slides is not intended to provide advice.

Performance Composite: Average of 1 and 3 year Absolute & Relative (to MSCI AC World) Returns

Flows: Sum of NAV - NAV<sub>t-6</sub> \* Monthly return, for 6 months following composite result, excl. July to avoid distribution impact. NAV: Publicly available month end Net Asset Value as at time, t

Performance results are total pre-tax return net of fees and costs assuming distribution reinvestment. Returns are historical and no warranty is given for future performance.



# Performance

Process vs. outcome  
Illusion of skill  
Halo effect  
Self attribution bias  
Illusion of control



# Connection

Weapons of influence

Avoid disagreement

Sleeper effect

Paradox of choice

Neomania

# Simplicity

Heuristic simplification

Personification

Slogans

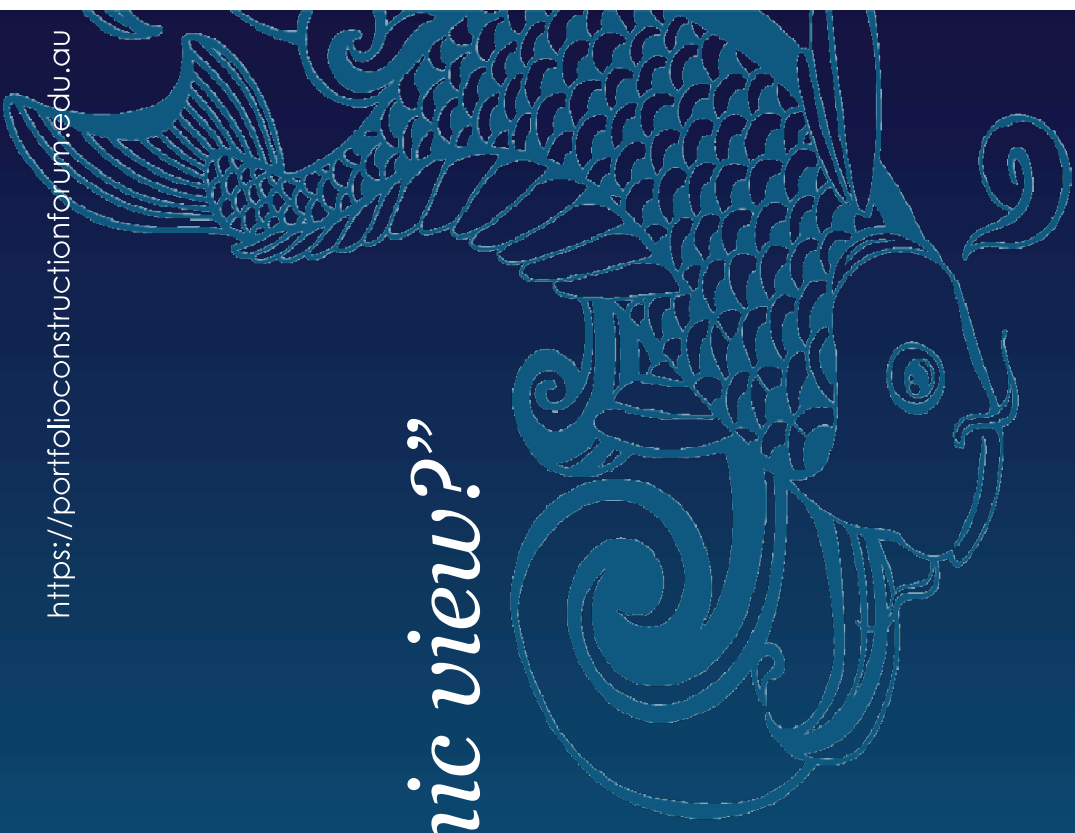
Familiarity

Storytelling

Fundamental attribution error



*“What’s your economic view?”*



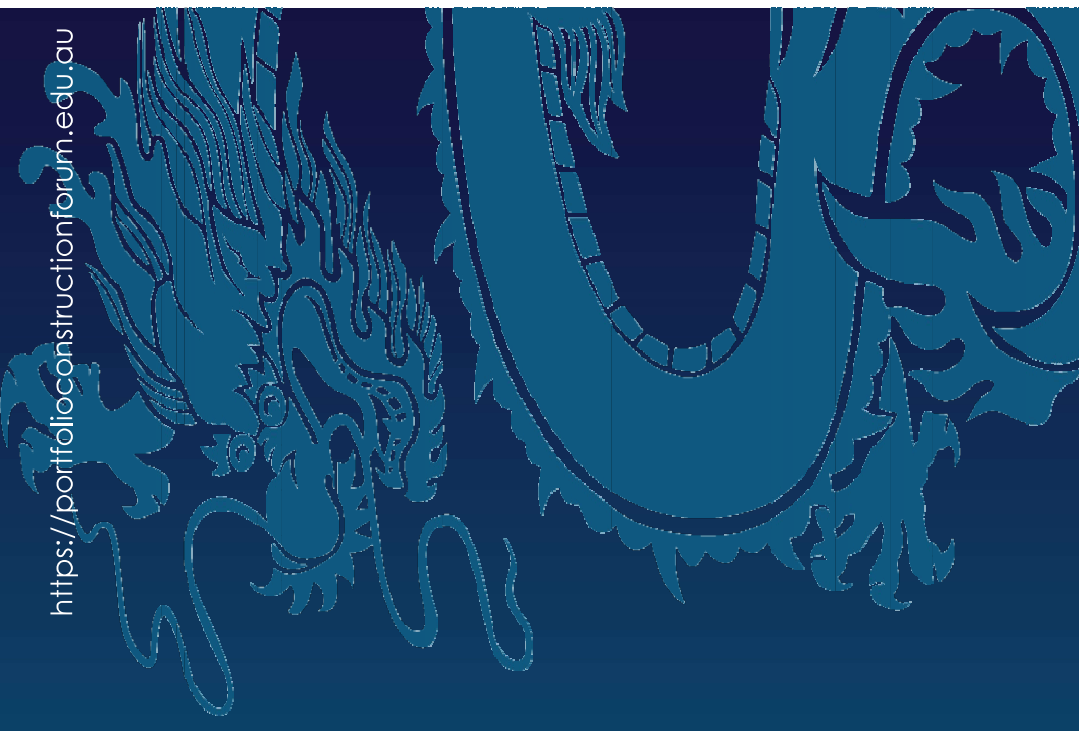


# Active management



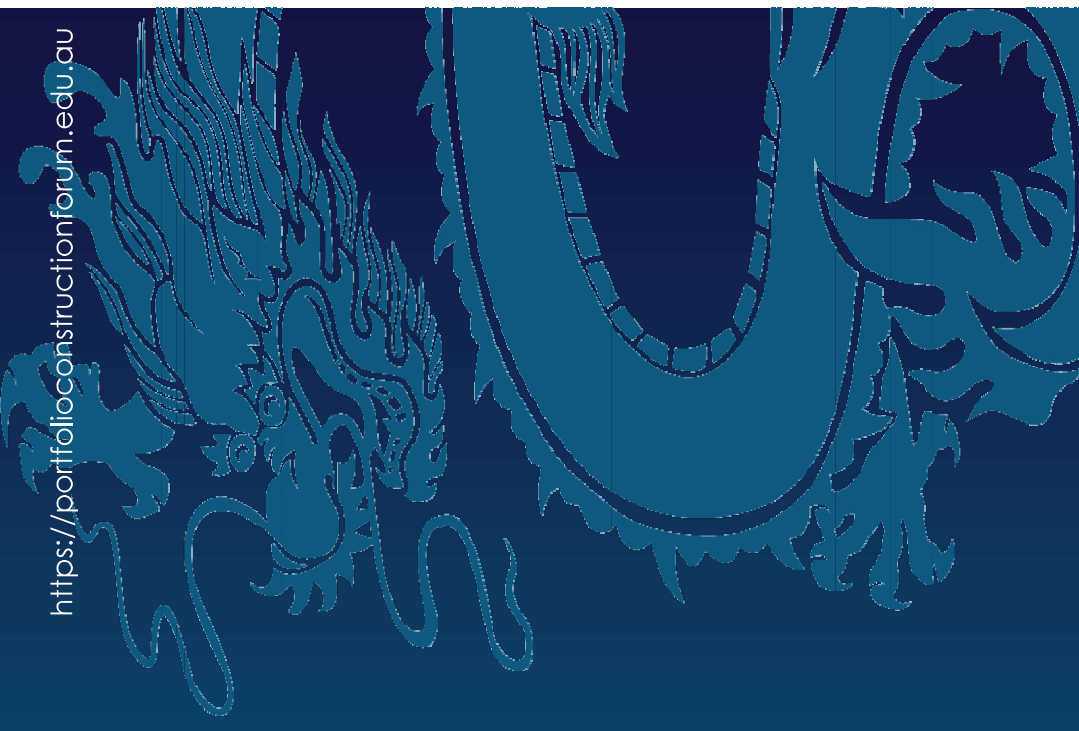
Uncertainty  
Disagreement  
Complexity

<https://portfolioconstructionforum.edu.au>



# The trifacta of desire

Performance  
“Tools of Selling”  
Connection  
Simplicity



*“How are your flows?”*

*“What’s your economic view?”*

*“What’s your edge?”*

*“Why will it persist?”*





## Further investigation

<https://portfolioconstructionforum.edu.au>

### Influence

Robert Cialdini “Influence: the Psychology of Persuasion” (1984); “Pre-Suasion: A Revolutionary Way to Influence and Persuade” (2016)

Dale Carnegie “How to Win Friends and Influence People” (1937)

### Teams vs individuals

Boris Groysberg “Chasing Stars: The Myth of Talent and the Portability of Performance” (2010)

Klaas Baks “On the Performance of Mutual Fund Managers” (University of Pennsylvania, 2001)

Ben Darwin – see [https://www.platinum.com.au/Insights-Tools/The-Journal/Cohesion-with-Ben-Darwin-\(Video\)](https://www.platinum.com.au/Insights-Tools/The-Journal/Cohesion-with-Ben-Darwin-(Video))

### Expert forecasts

Philip Tetlock : “Expert Political Judgement” (2005)

### Process vs outcome / understanding probability and chance

Nassim Nicholas Taleb : “Fooled by Randomness (2001); The Black Swan (2007); Antifragile (2012)

### Behavioural finance

Daniel Kahneman : Thinking Fast and Slow (2011)

Quantitative Analysis of Investor Behaviour : <https://www.dalbar.com/QAIB/Index>



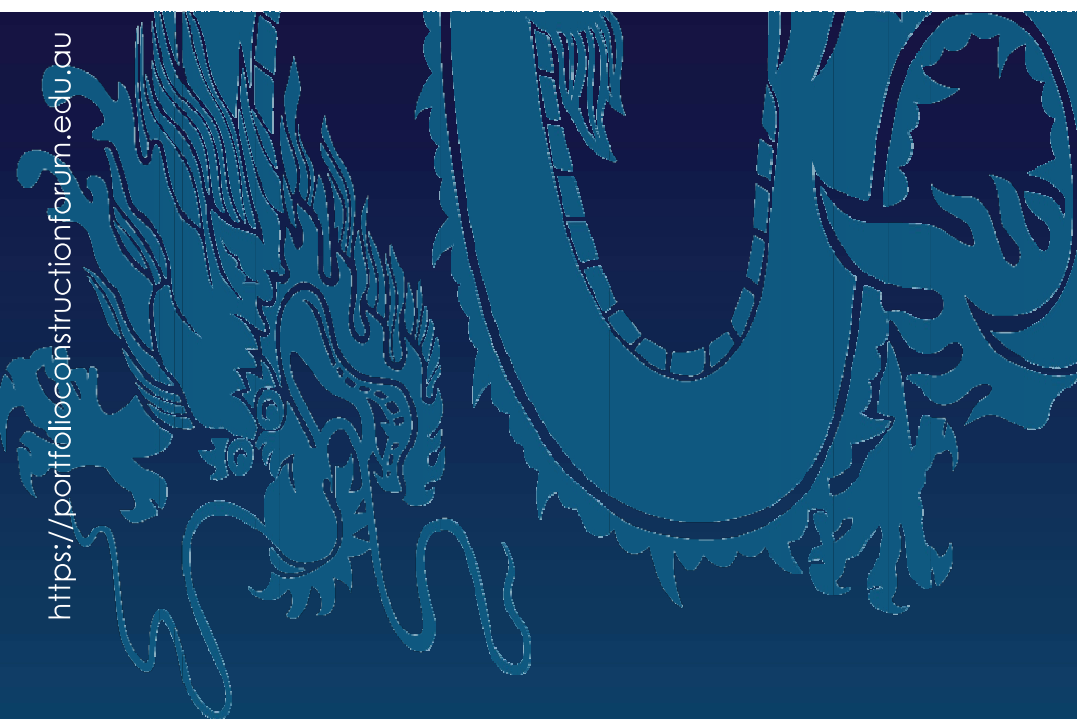



The trifacta of desire

**Beware!**

Performance  
Connection  
Simplicity

<https://portfolioconstructionforum.edu.au>





Portfolio  
Construction  
**Forum**