ORIENT ASSET MANAGERS LIMITED
INVESTING IN DREAMS

COMMON MISTAKES THAT INVESTORS MAKE

Investing is one of the best ways to build your wealth and help you achieve your long-term financial goals. However, there are some common and expensive mistakes that could potentially derail your investment progress. Recognizing these mistakes and taking proactive steps to avoid them will likely help to improve your investment outcomes and ultimately, give you a better chance of achieving both your short and long-term financial goals.

Below are some of the common mistakes that investors make in their journey towards investing:

Chasing the trends

A common mistake many investors make is choosing investments based on short-term market forecasts and chasing current trends without first researching and doing their due diligence. Without a full understanding of each investment in your portfolio and its risk and return characteristics, your investments will not align with your objectives.

Choosing a stock or fund because it recently performed well can lead you to ignore long-term evidence in favor of current trends. When investors act almost exclusively on short-term market events, it can support performance-chasing tendencies that can hurt long-term returns.

It is critical to educate yourself on various investments' risk characteristics, return potential, underlying holdings, tax treatment, asset class characteristics, expenses and more. Reach out to your investment advisor such as Orient Asset Managers for insights into how specific investments may impact your overall portfolio and financial goals.

Saving to invest

A lot of people will maintain a savings account with the aim to accumulate funds to a 'substantial amount', which is enough to invest. The risk with this approach is that money lying idle in an account will always get an emergency to fund.

With the availability of investment options that require as little as one hundred shillings, investing should not be hindered by the lack of a big sum. Investing should have the same priority as saving, with whatever little income one has.

Failing to diversify your investment portfolio

Having all your investments in one sector or investment option is very risky. Diversifying your investment portfolio reduces overall investment risk while maintaining investment returns as it reduces the likelihood of all investments being exposed to the same market factors at the same time.

Investing in different types of asset classes will spread out your risk. When one sector or investment type is performing poorly, another investment type that is performing better can help smooth out overall portfolio volatility. While diversification will not prevent losses, it can reduce the risk of being too heavily invested in the worst-performing part of the market.

Investing without a plan

Investment planning is a critical part of your financial planning process as it helps you to identify specific financial goals and put together a strategy for achieving them. Investments are chosen based on your investment risk tolerance and time horizon. By evaluating your current financial situation, you will get an idea of what you have to kick-start your investment plan. This can also help you structure your income and expenses to make room for investment capital.

An investor looking to reap higher returns should also take note of the risks involved. Planning enlightens you on your financial standing to adequately inform viable investment options you can consider, and the risk involved while investing.

Not giving your investments time to grow

. Investing is something you do with the expectation of reasonable returns over a long-term period. If you are in the investing space and you experience your first market drop, it can be quite stressful, and your first instinct may well be to sell your investments. However, jumping ship might make your losses real. When it comes to investing, time is important to hold your investments for as long as you can to maximize your returnsA big mistake that some investors make is bailing out on an investment because they did not double their money in a certain period of time, which is usually days or weeks.