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Can we afford not to invest?

“A person who has not made peace with his losses is likely to accept gambles that would be unacceptable to him otherwise”

Kahneman & Tversky

Human memory is not a mere record of facts. It is mostly a recollection of emotions invoked by events and this makes people remember actual events inaccurately or even “forget” events that invoked bad feelings. One example of this well studied behavioural effect is our tendency to simply delete from our memory losses incurred from past investment decisions. For example, investors who lost a fortune during the Cyprus stock market collapse of 2000 were the same people that drove the bull market in 2007. On the flip side, overconfidence and herd behaviour drive people to buy high and keep buying high ignoring the most basic rule of investing that dictates that we “buy low and sell high”.

With lower wages and increased taxes, many find it hard to save towards their future. But with the Cyprus social security pension covering a 3rd of the salary or less, now is the time to start thinking about investing towards your long-term financial goals, like a home, kids’ education and retirement. As the Cypriot economy is showing promising signs of slowly recovering from a long and hard-hitting recession, investors are beginning to explore ways in which they could protect their wealth and achieve their financial goals. There is the natural human skepticism borne out of the losses most investors incurred in the last few years in Cyprus. In some cases, there is the tendency to take high amounts of risk “to recoup some of the big losses”. What is really required is a professional approach that begins with clearly defining one’s objectives and ends with a diversified portfolio that matches the investor’s profile and can achieve the required risk-adjusted return. Gone are the days where simply making deposits at your local bank was considered a sensible and prudent way to save and build wealth. With the ever-decreasing return on bank deposits that option is no longer available. Simply put: one cannot afford to rely only on bank deposits; inflation alone will erode any savings and render them insufficient at the time they are needed.

To effectively diversify the investment risks, different geographies, different asset classes, alternative strategies and many more sophisticated investment products available globally must be utilised.

Studies show that professional financial advisors that act as effective behavioural coaches can add up to 1.5% in portfolio annual returns. Helping clients maintain a long-term perspective, a disciplined approach that avoids behavioural pitfalls is probably the most difficult task of a professional advisor. Overall, professional financial planners can add up to 3% in net returns for their clients by using a professionally managed wealth management framework that focuses on portfolio construction, behavioural coaching, and other relationship-oriented services. At Emergo Wealth, we have set up a financial planning process that provides incremental value to our clients over time. We transparently (in collaboration with our client) monitor this process to monitor and measure the value we provide.

About Emergo Wealth

Emergo Wealth Ltd. is a fully-fledged financial services and investment management company, built on world-class professional expertise, integrity and transparency. We provide investment advisory and administrative services that enable our clients to rely on turnkey, total solutions to manage and grow their wealth.

We offer corporate finance advisory and management consulting services, including advice on debt restructuring and on M&A transactions. Our research desk offers a range of proprietary reports on a number of sectors of the Cyprus economy as well as ad hoc analysis reports upon request.

Emergo Wealth is regulated by the Cyprus Securities & Exchange Commission and it has a number of links and alliances with European and US-based financial institutions, institutional and private investors and hedge funds.

More information on the Company and its products and services can be found at www.emergowealth.net.