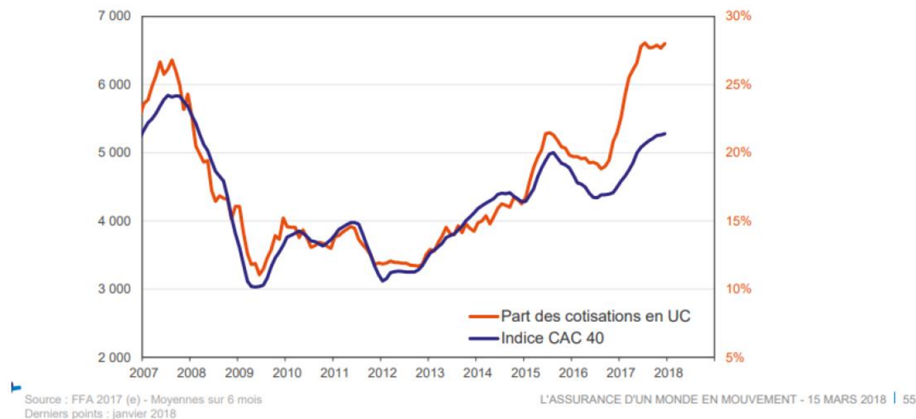
What if this time it was different?

Investors, especially private individuals, are too often victims of what is known as the cognitive bias of the investor. They come out of the markets at the heart of the crisis, at the bottom, and return to the markets at the top after several historically good sessions.

As you can see on the following graph taken from the blogdupatrimoine, there is a strong correlation between UCITS funds in life insurance and stock market levels (Cac 40 in this case).



However, the AMF in its report of April 27, 2020 notes that between February 24 and April 3, more than 150,000 new investors (10 to 15 years younger than the usual average) intervened on stocks belonging to the SBF120 index. Would the Millennials have the solution to fight against behavioral biases and do things differently? Only time will tell, but we can nevertheless salute the ability of this generation to look for original investment methods, where technology and sustainability play a predominant role. This generation too is aware of its contradictions, as the cryptomoney industry has demonstrated.

Nevertheless, the financial world has been racking its brains for years to find relevant and innovative solutions to meet customers' security needs. But nothing has changed. Collection flows follow the curve of the Cac 40 in a disturbing way. For example, the outflow in equities that followed the market shock at the end of 2018 left a bitter taste in the mouths of investors who were unable to return to the markets in time and take advantage of the considerable rise in 2019 (+26.37% on the CAC 40 in 2019).

At the end of 2018 you found a large number of analysts and experts who had seen the decline in the equity markets coming. They had "said it right". These are the same people who did not see the rise of 2019 coming and who tell us today (perhaps rightly so) that the disconnection between valuations and what is happening in the real economy is an inconsistency, so much the health crisis has had heavy economic impacts. And these analysts from 2012 to 2018 convinced many investors not to return to the equity markets because another stock market crash was inevitable.

But is this the case? Yes. Absolutely it is. There is no doubt that we will see another stock market crash. But who can say for sure when and how it will happen? Who could identify that COVID-19 would trigger such economic consequences?

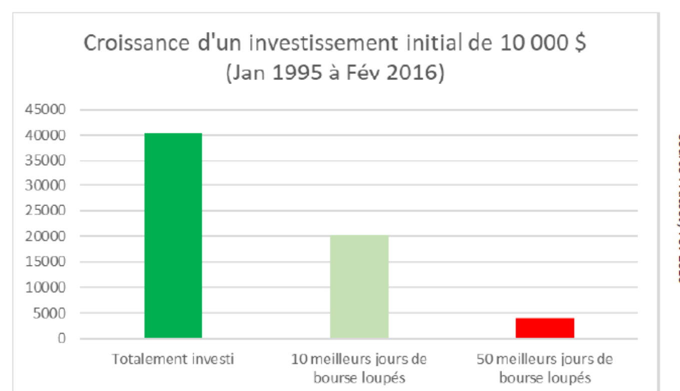
Take advantage of the expertise of INOCAP Gestion's private management team to better manage these market shocks according to your investment profile and risk appetite.

Let's fight the first prejudice: nobody knows when the next stock market crash will occur.

If you need to be convinced, look in your brief for your moods, opinions, market views over the last 20 weeks. You are probably like everyone else who has gone through several very different states. On March 23rd the unemployment rate in France was 7.8% with nearly 8765 Covid-related hospitalizations. The Cac 40 was then at 3754. If you had listened to the cassandres at the end of March, you would have left the markets and not yet returned. And now that the rise has been strong, you might think it would be a shame not to invest? If you are still asking yourself the question, it is because you are a victim of this cognitive bias and it is therefore preferable that a professional investment accompany you with rigor, method and independent fundamental analysis.

Let's then struggle with the 2nd prejudice: nobody can be on the bench and play the game at the same time.

The example of this *violent* and *inexplicable rally* proves that you have to stay on the field and play your game, sometimes being more defensive, sometimes attacking. But refusing to play the match and going on the sidelines guarantees you one thing: you will not come out a winner.



No asset manager, no advisor, no trader has any secrets for the markets. If there was a "trick", then there would be no more markets because they would be arbitrated automatically. You have only one certainty as an investor: there will be ups and downs, but your advisor will be there, at your side and he will apply his professional investment method to invest as rationally as possible.

Let's stop with the 3rd prejudice: nobody wins in the blink of an eye, let's leave time to time

Regardless of your point of entry, a progressive investment, diversified with common sense, is likely to end up positive over time. The question is how to maximize your investments according to your risk profile, investment horizon and longer or shorter-term objectives.

Time, Time, Time is on my side. Yes it is. (Mike Jagger)

In the long term, equities are an interesting asset class to boost your savings and fight against inflation, especially in this context of low interest rates. And the more time you give it, the smoother your equity

investment is and the less likely it is to be psychologically biased. So put equities in your savings, in proportion to your appetite for risk. No more, but no less.

Let's do something different this time: identify your projects and prepare pockets of investment linked to these project maturities.

For example for your long-term savings don't touch anything. Identify stocks or UCITS funds and let the managers, time and companies in the portfolios do their work. The less you go back and forth, the higher your chances of benefiting from long-term increases. If only because you lower your fees in the process. This does not mean doing nothing and not arbitrating between sectors or not reducing your sail if you anticipate an economic slowdown or risks in the markets. But stay on the field, keep risky assets for your long-term projects and play the game. The very good book the new rules of retirement par 72 addresses the subject.

Also avoid systematically changing funds or asset classes. The academic literature has also provided strong evidence that the best performing types of management and funds in a given year have often been replaced in previous years. In other words, the obsession to systematically and continuously search for the best financial manager or the best management style risks destroying value because your portfolio will not be able to benefit from the management process of the Undertakings for Collective Investment (UCI) in which he is invested on the one hand, nor even from returns to the market average on the other.

Let's note that this time it's different: get ready for the next crash.

What can you do to be ready for the next market crash? Not much and yet absolutely everything. Start by making sure you have investment pockets for three things:

- Precautionary savings for life's unforeseen events and accidents,
- Projected savings for your foreseeable important life moments,
- The opportunistic investment that the next crashes will represent.

Let's look briefly **at precautionary saving for the unexpected**: job loss, illness, life accident, hard blow, unemployment, the desire to change one's life, a change in family situation... There are many reasons to set money aside and build up precautionary savings. As an indication, you could plan to have a pocket of cash representing 6 months of expenses at a constant standard of living. By creating this pocket you will avoid having to "take" money out of your investments, shares for example, at an unsuitable time (market downturn) which often, as the law of series dictates, also corresponds to a personally complicated time (unemployment for example).

Then, concerning your **project savings**, adapt the risk taking to the horizon of these projects. If you want to save for your retirement at age 20 and you want to boost your investments, it makes sense to have a good exposure to equities. If, on the other hand, you wish to finance your children's studies within 3 years, then a prudent management, mainly in interest rates, seems appropriate. It is in the constitution of your patrimonial strategy that your adviser is absolutely essential. You will be able to rely on our Le Cercle solutions to respond effectively.

Finally **put money aside to invest during the next crash**. You want to play the next big game and not stay in cash. You need to be ready by asking a professional investment coach for a game plan: your advisor. The latter will accompany you in order to always have a more or less big pocket of shares but also a more or less big pocket of cash. He or she will guide you to "dare" in the most stressful moments to buy shares with your pocket of cash and conversely in moments of euphoria when you win on the stock market, he or she will allow you to take your capital gains by partially transferring them from shares to more defensive supports (monetary UCITS funds, cash, euro funds...). In addition, it will advise you on whether or not to increase your cash weighting in your portfolio. Let's not forget that staying in cash is also a real management choice! You and your advisor will set the acceptable limits for your investment strategy according to your projects and risk appetite. In the end, it is you who decides, as soon as you choose the type of loss you accept to make for your different investment pockets.

In conclusion, this time it's different because you set up a management under mandate with your advisor and a management company dedicated to your portfolio.

Your advisor will help you select an independent financial manager who will respect the investment objectives set for him and will work daily to manage your portfolio, whatever the complexity of the markets and in line with your risk profile. You benefit from a team of professionals recognized for their expertise. Thanks to their seniority, they will be able to give you the benefit of their experience and long-term vision. In case of stress, you have privileged access to a team that can provide you with all the information, reporting and reinsurance necessary to decide whether to maintain or adjust the strategy according to your life objectives, which will inevitably change over time. This time, with Mandated Management you will be invested and will be able to boost your savings over the long term.

Find more information in the Private Management section of our website: https://www.inocapgestion.com/fr/gestion-privee/

Vincent Godfroid

Directeur de la Gestion Privée INOCAP Gestion

Warnings

This document has been prepared by INOCAP Gestion and its sole purpose is to inform on the advantages and disadvantages of free and mandated management. This document has not been prepared taking into account the investment objectives, financial situation and needs of a particular investor; it may therefore not be adapted to the latter.

List of the main risks related to UCITS funds:

-Risk of capital loss

-Equity risk

Detailed list available in the 'Risk Profile' section of the Funds' Prospectuses.

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No assurance can be given that the product presented will achieve its objectives. Investing involves risks.

It is recommended that the investor inform himself in advance of the suitability of the planned investment in relation to the objectives sought and the degree of risk he agrees to take. His money will mainly be invested in financial instruments selected by the management company. These instruments will be subject to the movements and hazards of the markets.

Past performance is not a guide to future performance, is not constant over time and is in no way a guarantee of future performance.