

Ignorance versus knowing everything

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Overconfidence is a common human trait where individuals overestimate their knowledge, abilities, or control over situations, often believing they are better or more skilled than they truly are. This bias can manifest as overestimating one's performance, believing oneself superior to others, or expressing unwarranted certainty in one's beliefs. Such miscalibration leads to decision-making errors, risky behaviour, and a failure to recognise personal limitations.

The outcomes in the current global geopolitical environment are unknown and forecasting an outcome with any certainty is foolish.

When launching Tacit almost 15 years ago, we imbedded the concept of not knowing everything into our investment process as the team had previously worked at very large investment institutions, with very bright and knowledgeable individuals, but this had not stopped us being surprised by the outturn of events. This experience led us to acknowledge that although we can know a lot, we cannot know everything.

We recently came across a podcast series which very clearly reminded us of our inability to know everything at times such as this. 'Ignorance' offers a compelling exploration of the intricate relationship between knowledge and ignorance, challenging the traditional view that knowledge is always inherently good and ignorance is simply a gap to be filled. Drawing on a wide range of philosophical perspectives from both Western and Eastern traditions, the series presents the idea that ignorance is not just the absence of knowledge but a vital and dynamic aspect of human existence. Ignorance, it is argued, can serve as a positive force—fuelling scientific breakthroughs, sparking creativity, and even supporting psychological health.

Personal stories and historical examples illustrate how an awareness of our own ignorance can foster humility and wisdom. The series suggests that knowledge, if not balanced with humility, can sometimes mislead or even harm us. Rather than promoting deliberate ignorance, the podcast encourages a more balanced approach: recognizing ignorance as a companion to knowledge and appreciating the momentum and meaning it brings to our lives.

The importance of a disciplined investment process and portfolio structure in today's volatile world is in our view paramount and should be a given when you choose an investment manager. But disciplined process is the application of the knowledge and decisions of those operating the process, and we would argue that an acknowledgment of the limitations of what that we can know, let alone understand, in our complex interconnected world is just as important. As geopolitical tensions ebb and flow, it is the underlying value of the investments you own which ultimately dictates if you make or lose money. The team at Tacit cannot not know how and when the current hostilities in the Middle East or between Russia and Ukraine will stop, but what we do know is that the majority of the investments we hold for clients in our strategies are cheap in the context of history and that this will ultimately lead to higher prices, and higher portfolio values.

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