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Investing is actually quite a dull craft

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Disciplined investing is actually quite a dull and repetitive craft: analysing, reviewing and testing hypotheses over and over again are key components of any investment process. It is therefore no surprise that we humans have a tendency to follow plausible narratives we read about as this is more interesting and often appeals to a natural instinct or bias.

The gold price has been very strong since late 2023, and the widespread view is that gold is the ultimate store of value as, at least so the narrative goes, there is a limited amount of gold in the world, and it hedges you against geopolitical risks as you physically hold it and it cannot be printed away as with fiat currencies. This narrative is technically correct; however, you may be surprised to learn that the gold price is actually down since the Iran conflict began at the start of this month rather than up. Now it may well rise again, but its behaviour over the past two weeks does not fit with the narrative that is most commonly used to explain its value to investors.

This disconnect between a plausible narrative and price action is something that we monitor very closely as it affects how we classify holdings in our strategies: either Growth or Stabiliser.

Investors can get drawn to narratives because stories feel easier, safer and more compelling than spreadsheets, particularly in a noisy market like today's UK environment.

First, humans are wired for storytelling: a simple, vivid story about "the next Amazon" or "UK tech finally taking off" is far easier to remember than a set of cash flow forecasts. This cognitive ease creates a sense of understanding, even when the underlying numbers are unclear or weak. For many UK investors, that can make a compelling narrative feel like due diligence, when in reality it is only a headline.

Second, narratives plug straight into emotions such as excitement and fear of missing out. Bull market stories about disruption, the transition to sustainable energy, or UK small cap "revivals" can make investors feel they must act now or be left behind. When everyone around you seems to be buying the same "story stock" or thematic fund, social proof reinforces the narrative and drowns out more cautious voices. In the UK, this has been visible in waves of enthusiasm for themes like fintech, clean energy, and speculative small caps.

Third, stories can mask risk by making extreme assumptions sound reasonable. They often contain a grain of truth – a real innovation or structural shift – but then stretch it into unrealistic expectations about growth, margins, or valuations. As prices rise, performance appears to validate the story, creating a feedback loop that can lead to bubbles. For UK clients, the danger is allowing the narrative drive the investment decision rather than treating it as a starting hypothesis to be tested against fundamentals, diversification needs and a long-term plan.