The Inside Adviser

BY JAMES DUNN
17TH APRIL 2025

Recognising the risk and reaping the reward: Hollie Briggs on bias, behaviour and disciplined investing

Thankfully, Byron Bay's voracious shark population spared Hollie Briggs, as she swam off Tallow Beach for an hour. That meant the head of global product management for the Growth Equity Strategies Team at Loomis, Sayles & Co. could take the Investment Leaders Forum audience on an entertaining journey through the world of behavioural biases in investing.

At the Investment Leaders Forum, the tone shifted from the numerical to the deeply human, as Loomis Sayles' Hollie Briggs delivered candid and incisive observations on the behavioural biases that so often derail investor performance. Her message was clear: irrationality isn't an aberration in markets – it's baked into the system. And therein lies both the peril and the promise.

Briggs opened by dissecting the cognitive traps that ensnare asset managers, fund selectors and everyday investors alike. From overconfidence to herd mentality, the key message is that smart people make bad investment decisions — and how a disciplined process can help prevent it.

"Behavioural biases and the fear or the greed that generally drives these is simply exacerbated by this 24/7 news cycle," Briggs said. "Being aware of the biases helps you recognise them in yourself, create some strategies for dealing with them, and then also some processes for capturing the opportunities that they can present."

Over-confidence, she explained, was among the most pernicious of these tendencies. “In 2020, a study showed that within the Top 1000 US companies, investors thought 64 companies would sustain 10 per cent-plus growth over the next five years. In 2021, that number jumped to 98. The historical average? Less than five,” Briggs said, pointing to the data sets that illustrated the disconnect between exuberant forecasts and historical reality. The takeaway: forecasts aren’t facts, and enthusiasm is not a strategy.

This misplaced optimism often feeds into another common pitfall – believing “this time it’s different.” The data, however, begs to differ. “In 2021, valuation metrics for high-growth companies were eerily similar to those seen at the height of the dot-com bubble,” Briggs noted, walking attendees through a sobering comparison of price-to-earnings and price-to-free-cash-flow ratios. “The market believed the work-from-home environment would sustain growth far longer than it did. But it didn’t.”

Briggs’ examination of herd mentality was just as concerning. Through highlighting the infamous examples of Amazon, Microsoft and Cisco in the wake of the 2000 tech bubble – three companies with extraordinary fundamentals that took between seven and 15 years or more to break-even for investors who bought at peak valuations. “Even when you’re buying great companies, buying them at the wrong price can have a devastating effect,” she warned.

Another target of Briggs’ scrutiny was recency bias – our tendency to extrapolate the immediate past into the indefinite future. “The Magnificent Seven were 2023’s darlings, but they were the worst performers of 2022,” she pointed out. “If you held them through both years, you’d have returns similar to the long-term average return of the S&P 500. Yet many investors sold them at the bottom in 2022 and missed the recovery.”

But it wasn’t all cautionary tales. Briggs provided a roadmap for navigating these behavioural landmines – a focus on process over outcomes, and the use of objective proof points to verify investment integrity. Briggs advocated for long-term, bottom-up analysis, using measures like turnover, research intensity, conviction weightings, and valuation discipline to assess whether managers were walking the talk. “If a manager claims to be long-term, but their turnover is 60 per cent, there’s a disconnect,” she said.

A strong advocate for rolling period analysis over trailing returns, Briggs challenged the industry’s overreliance on one-off timeframes. “Trailing returns are statistically insignificant. We should be looking at rolling periods to understand true consistency and persistency in performance,” she said, showcasing a case study of a top-decile manager who consistently outperformed over 211 one-year and 103 ten-year rolling periods.

She also took aim at the popular misunderstanding of market capture statistics. “Managers with high up-market capture often suffer in down markets – and vice versa. What you really want is someone who can play both offence and defence,” she said, adding that true insight comes from context, not raw rankings.

A compelling case study to capture this concept comes from market darling, Amazon. Between 2006 and 2024, the e-commerce giant experienced 14 separate drawdowns of more than 20 per cent, yet still outperformed its benchmark by a factor of 15.8 times. "Staying invested through market drawdowns was key," she emphasised. "Missing the 10 best days in this period would've slashed your returns by half."

Briggs underscored her message that investing is a probabilistic endeavour, not a deterministic one. "Good decisions can lead to bad outcomes, and bad decisions can lead to good outcomes—but only over time can you distinguish luck from skill," she said. The challenge, then, isn't merely to avoid bias, but to build structures that can act despite it.

In a world increasingly captivated by narratives, data and dashboards, Brigg's message cut through: the real edge in investing isn't just analysis – it's discipline. And in a noisy world, that might be the hardest skill of all.