The Cost of Chasing Performance

Financial markets have felt especially volatile lately. Headlines grab attention, social media amplifies every move, and real-time prices feed constant emotion. In this environment, it’s easy to feel like you’re missing out and even easier to make hasty decisions based on what you just read or saw. Investing today is more accessible than ever; with a few taps on a phone, anyone can trade. But investing is deeply emotional. When decisions are driven by Fear of Missing Out (FOMO) rather than a disciplined strategy, the timing is often unfortunate.

Behavioural finance shows that investors rarely process market information as neutral, rational observers. Recency bias leads us to project recent trends forward, overconfidence convinces us that our interpretation of events is insightful rather than biased, and herd behaviour provides comfort when others are doing the same thing. Together, these biases can drive capital toward assets that have recently performed well, often at times when future returns may be less attractive.

Recent interest in gold ETFs highlights how investor flows often follow recent performance. Gold prices rose sharply in 2025, accompanied by higher trading volumes and record inflows into gold ETFs. The rally was supported by central bank buying, safe-haven demand, momentum buying as prices climbed, and falling opportunity costs as US Treasury yields declined and the dollar weakened. According to the World Gold Council, “Global gold ETFs witnessed the strongest year of inflows on record in 2025, led by North America.” While gold ETFs generally track the underlying commodity, they do not replicate it perfectly. Significant inflows into these funds can amplify price movements and create concentrations that may not reflect underlying physical demand.

All of this reminded me of being stuck in traffic the other day. I was in a lane that seemed slow, so I switched lanes hoping for faster progress. Almost immediately, the lane I’d moved into slowed down while the lane I left began to move again. I watched the car I had been behind pull further ahead. Markets can often feel the same. Constantly trading can leave you worse off than if you had simply stayed put. Acting on emotion can lead to selling investments at the worst time, locking in losses, or buying into crowded trades right at their peak.

Periods of volatility test patience, but history shows that long-term success comes from time in the market, not timing it. Successful investing often means doing the opposite of what feels comfortable; trimming winners, adding to laggards, and resisting the urge to follow the crowd. For individual investors, maintaining this discipline can be challenging. As Warren Buffett famously said, “The stock market is a device for transferring money from the impatient to the patient,” highlighting that long-term success relies on emotional discipline and patience rather than quick trading.

At Seed Investments, we remove emotion from decision-making, continuously monitor risks within the portfolios, and make adjustments when appropriate, ensuring capital is managed with a disciplined, long-term perspective rather than reacting to short-term market noise.

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If you have any questions, Kirsten and our team would love to hear from you on investmentteam@seedinvestments.co.za.