The enemy within: How process protects us from ourselves

Gary Moglione

November 2025

Thinking *fast* and s l o w

Daniel Kahneman's system of thinking

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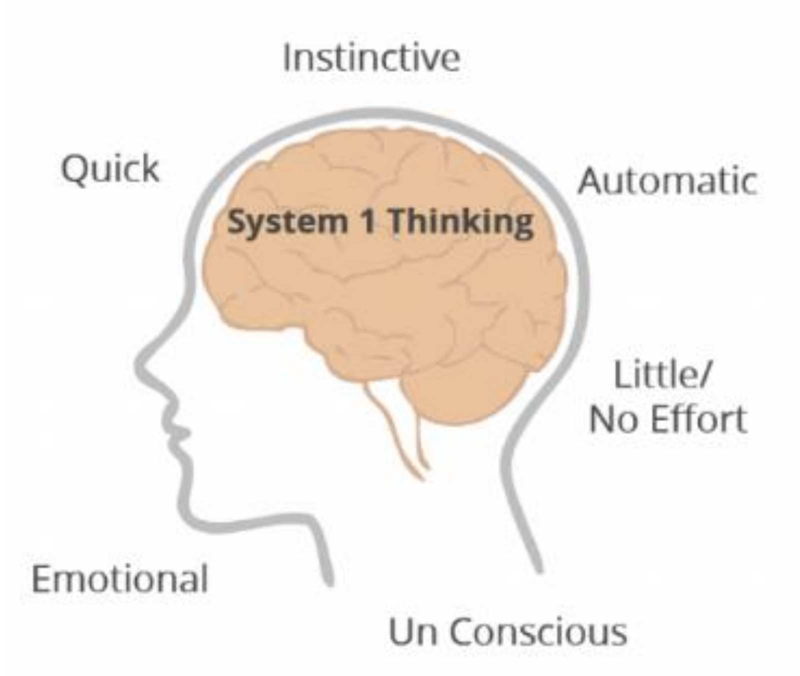
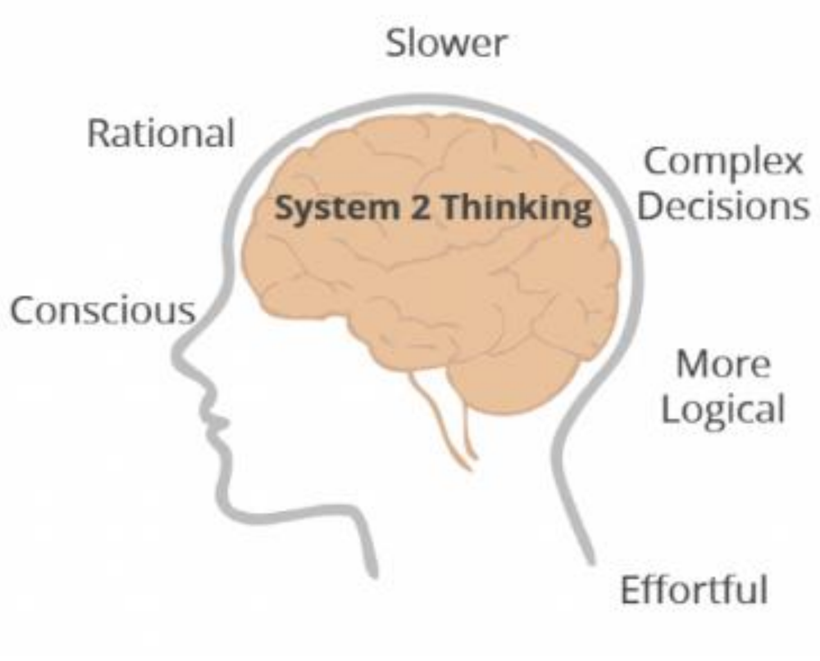


System 1. Intuition

System 1 is the fast instinctive and unconscious way of thinking. Based on our emotions and feelings, it helps us guide our everyday decisions. It is also the system that is responsible for answering simple equations such as 2+2. Or sentence completion like bread and.. butter.



System 2. Rationality

System 2 is the slower and deliberate thinking system. It is based on logical thought and complex problem solving. Answering difficult equations such as 27x42, or extensively thinking through a problem with a high level of concentration. This system requires more effort but it is also more reliable than system 1.

Source : Thinking Fast and Slow, Daniel Kahneman (https://changecatalyst.nl/thinking-fast-and-slow/)

Daniel Kahneman's system of thinking

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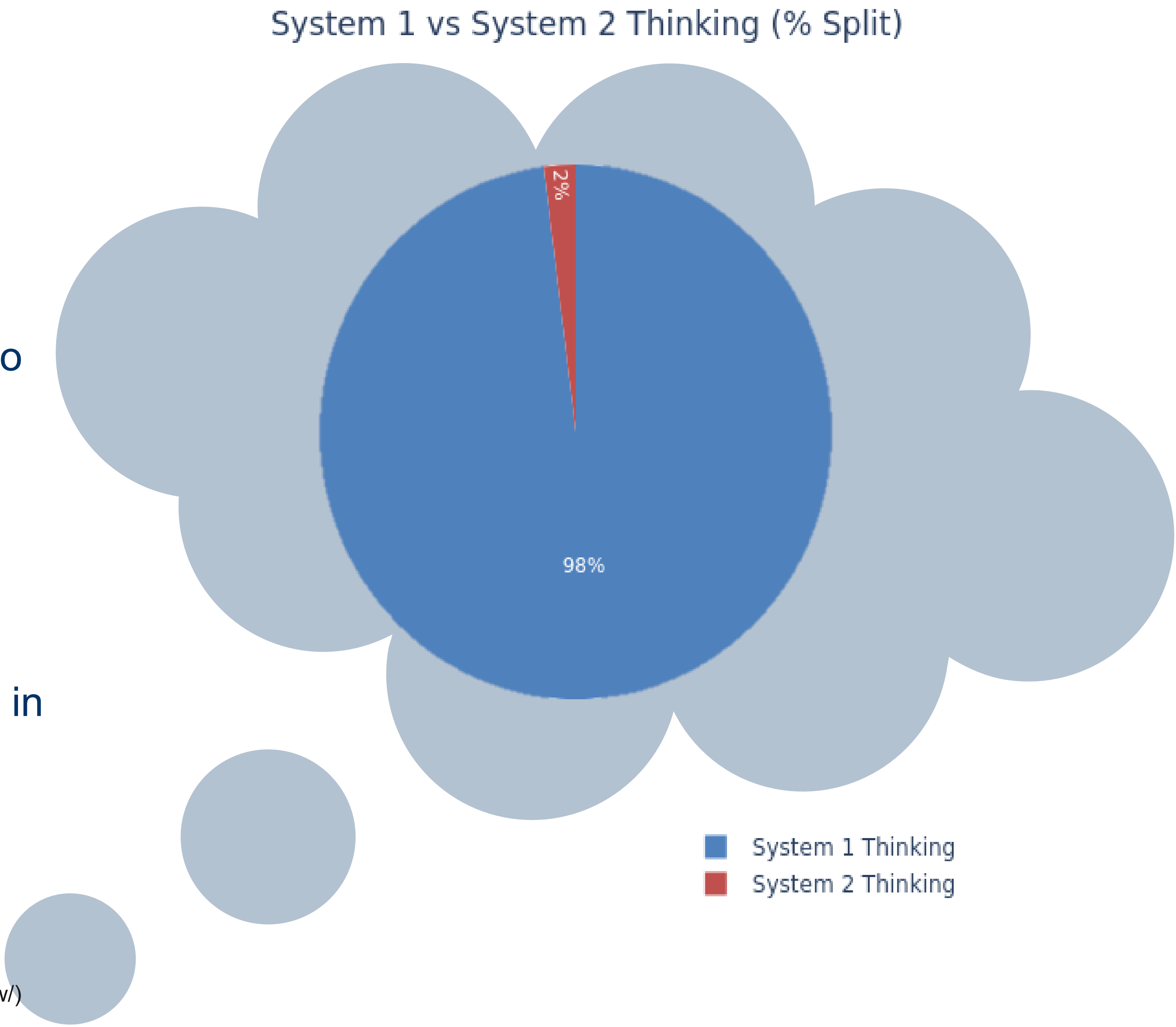
We make around 35,000 decisions everyday.

System 1 thinking dominates our decision making.

Kahneman describes System 2 thinking as "lazy". We default to System 1 unless forced to slow down.

The abundance of System 1 thinking creates irrational financial decisions and a number of behavioural bias.

A selection process needs to be built with this in mind to protect from the inefficiencies.



Source: Thinking Fast and Slow, Daniel Kahneman (https://changecatalyst.nl/thinking-fast-and-slow/)

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Behavioural Bias

Emotional Cycle

> “Be fearful when others are greedy and greedy when others are fearful”
>
> - Warren Buffett

Source: Understanding Market Sentiment, Cansta and AMPCapital.

Herding

Availability Bias

The information you know *and* comes to mind easily

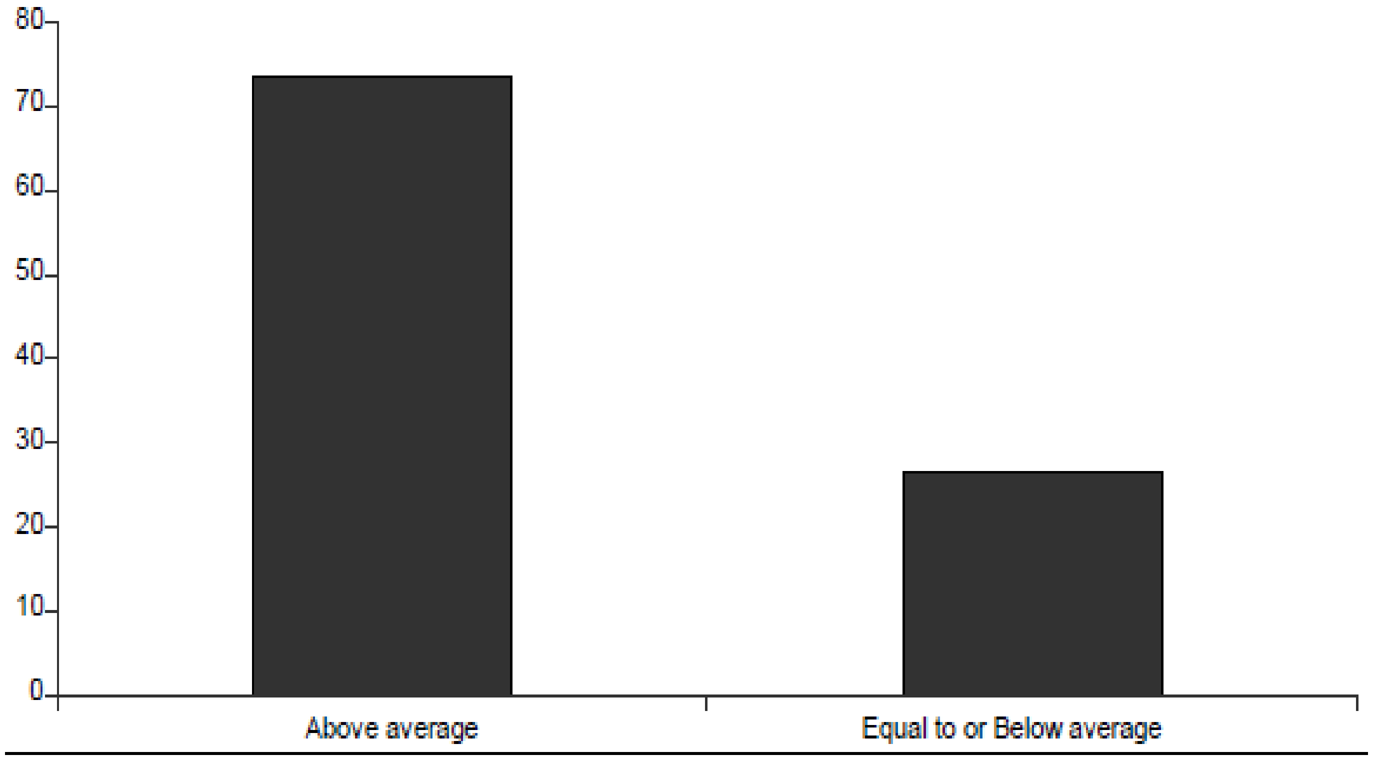
All information

Overconfidence

James Montier surveyed 300 professional fund managers and asked them:

"Are you average at your job?"

The illusion of control: the % of fund managers who believe they are...



Source : DrKW Macro Research

Confirmation bias

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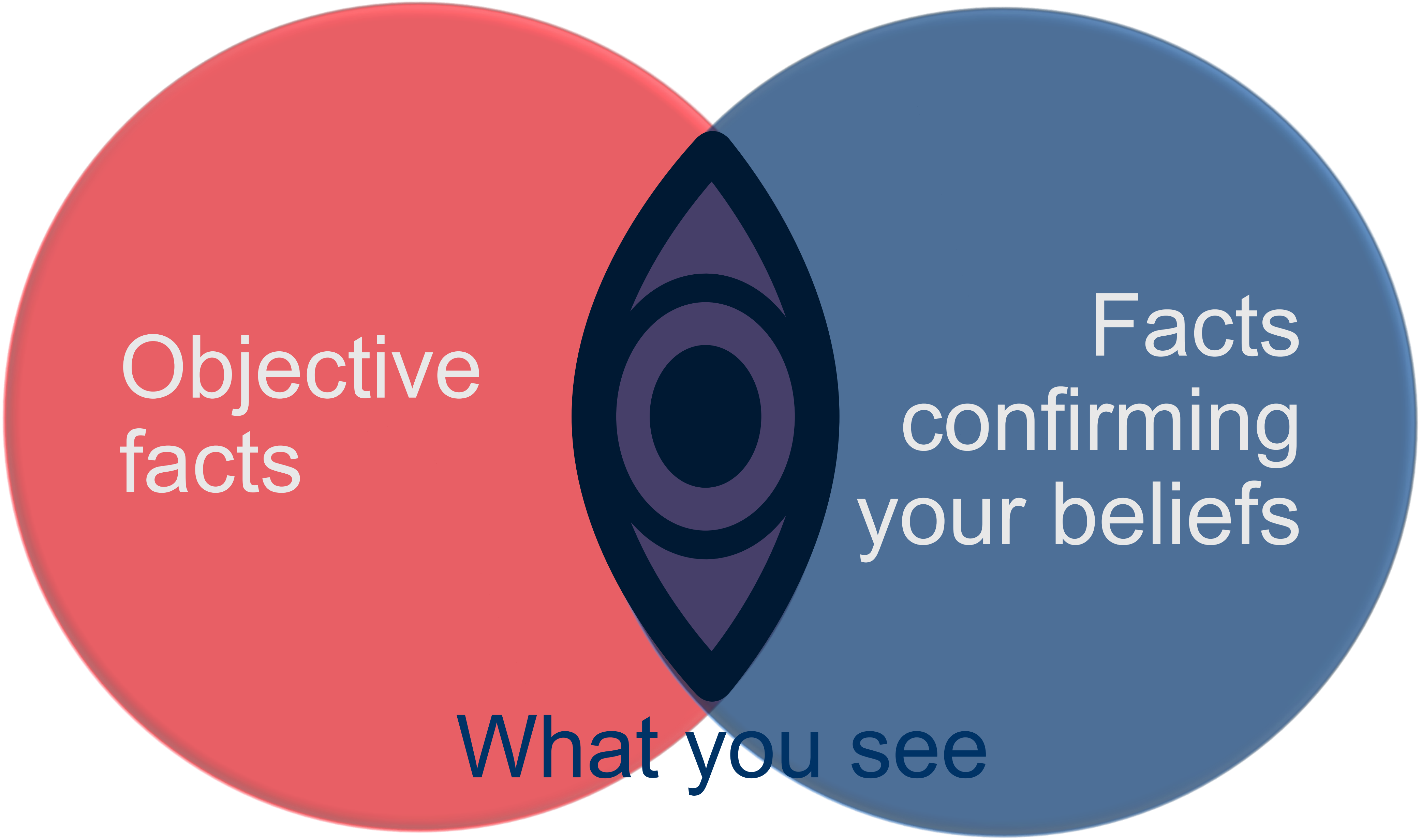

The Path of Least Resistance

The Paradox of Choice

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There are 150,000 funds to choose from. More options does not equal better choices

When choices multiply

- **Decision making becomes harder**
- **Fear of making the “wrong” choice increases**
- **People often default to inaction or make sub-optimal decisions**

Source: https://www.icifactbook.org/pdf/2025-factbook-ch1.pdf

Recap

Our brains are wired with a default to behavioural bias

System 1 (fast intuitive) thinking dominates unless deliberate effort is made to engage System 2 (slow, analytical) thinking.

Professional fund managers are just as prone to behavioural biases as everyone else

A robust, structured fund selection process is essential to mitigate these biases both in our own decisions and our chosen managers.

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Building a Fund Selection Process

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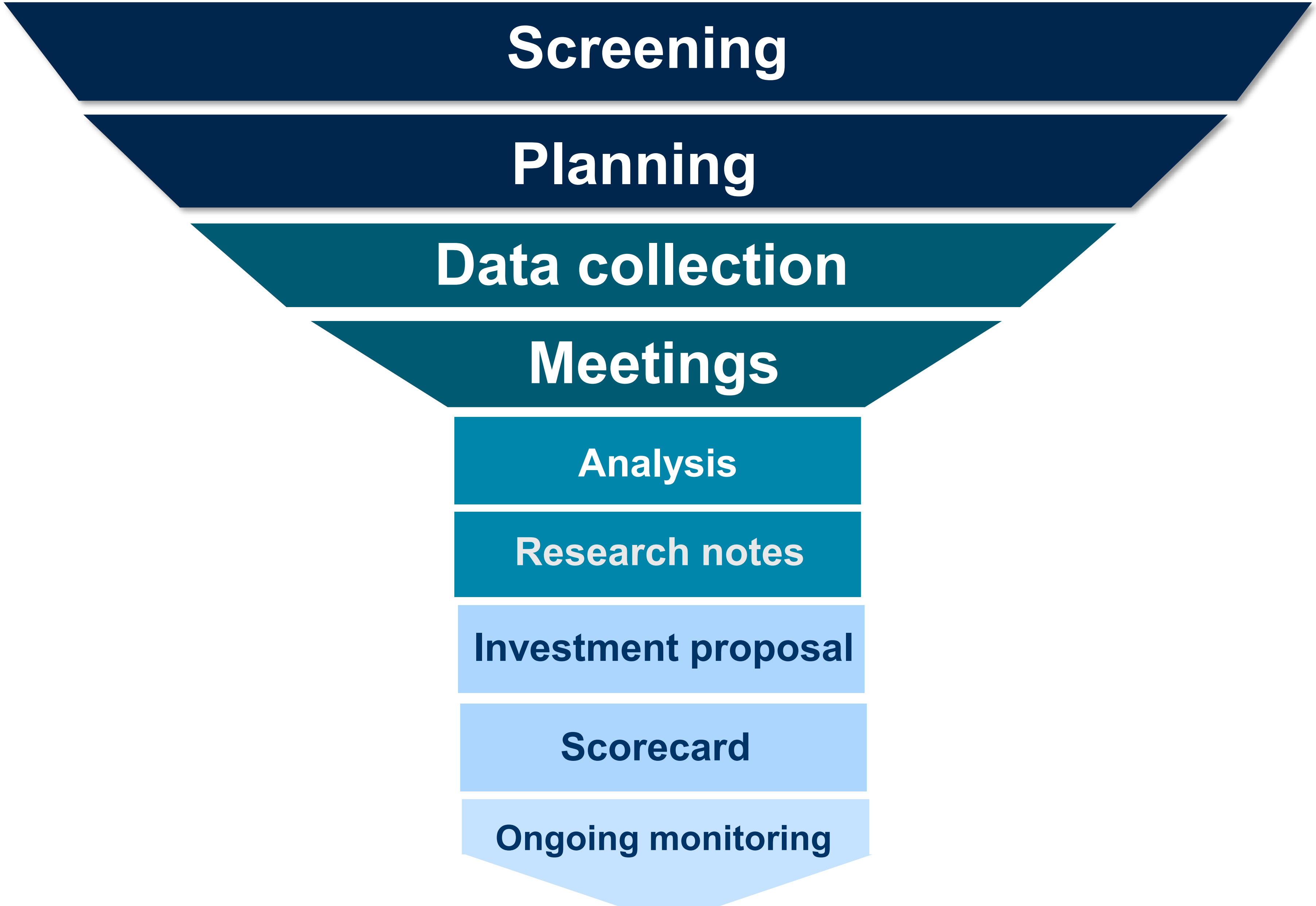
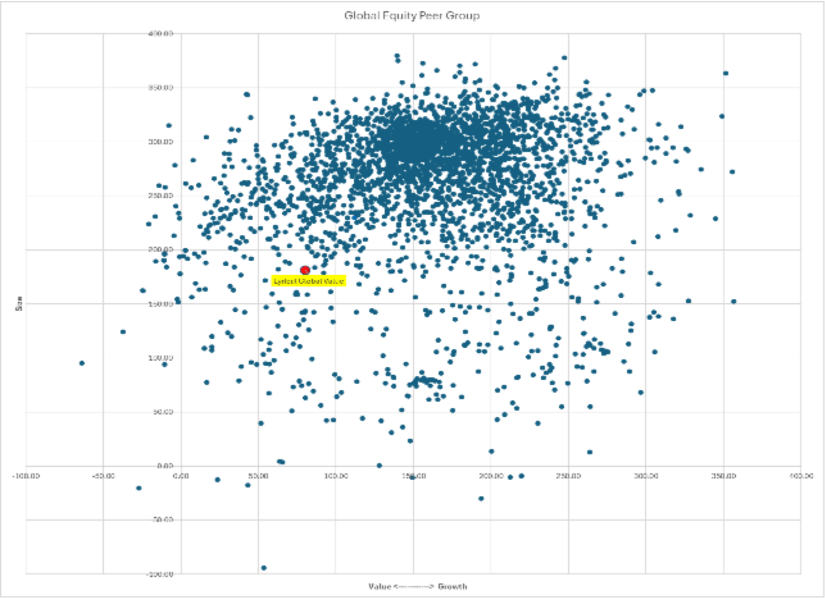
Momentum Fund Selection Process

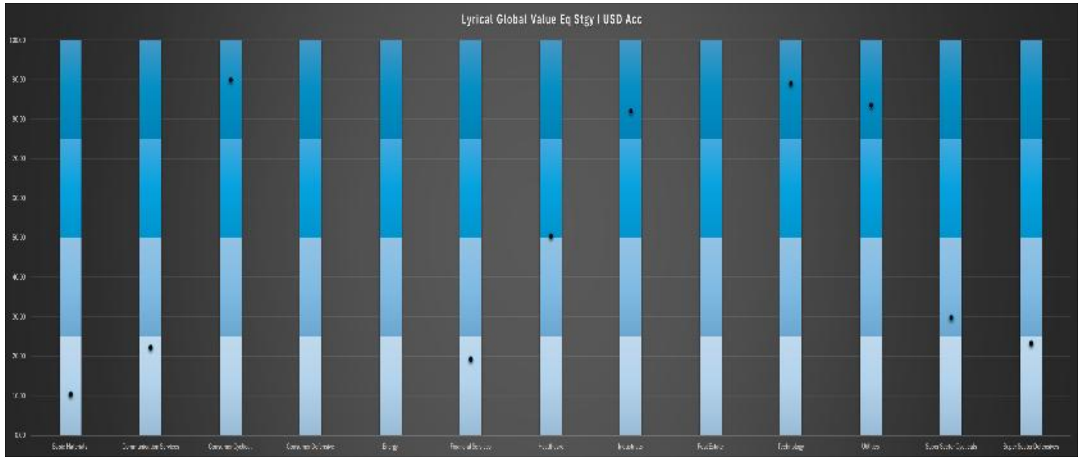


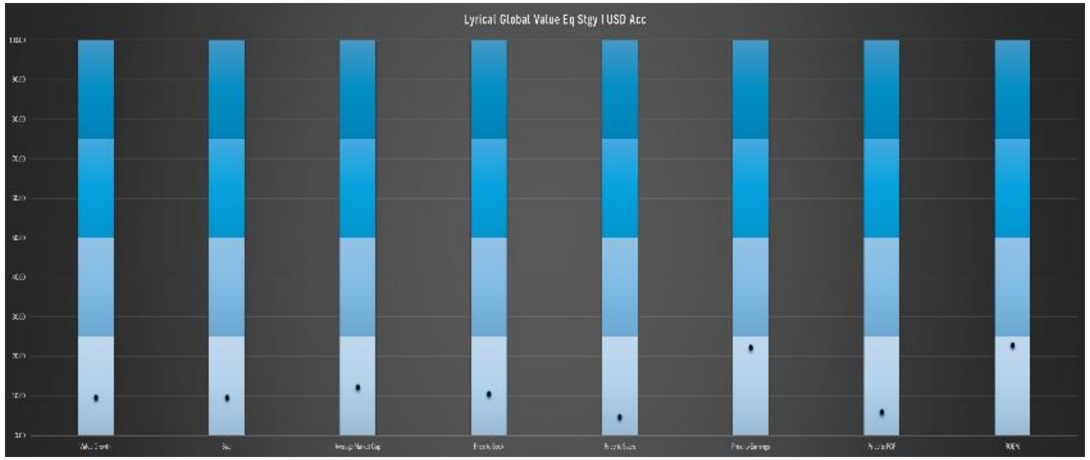
Momentum Fund Selection Process

Screening | Planning | Data collection | Meetings | Analysis | Research notes | Investment proposal | Scorecard | Ongoing monitoring

- **Collect data for every fund in the chosen peer group.**
- **96 data points for every fund**
- **Allows us to split the universe into quartiles for any of the 96 data points and see where each fund sits.**







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Fund Research Quarterly Plan

Gary Moglione - Q4 2025

Key Reseach Priorities

Strong need for more investment trust ideas due to M&A and dwindling back ups
Global Small Cap is still the priority for GEF and need to review competition for Palm Harbour
More competition and variation is needed for global and US small cap growth

Fund Name & Rationale	Asset Class /Style	Current Holding/New Idea
Downing European Unconstrained Income - Currently held in UK Multi Asset range. Periodic update is due. May be considered an option for GEF or other products.	Europe Ex UK SMID Quality (Income)	Current Holding
Jennison Global Next Generation Equity - Small/Mid version of Jennison Global Opps. Need more ideas in the space to compete with current holdings.	Global SMID Growth	New Idea
Rainier International Discovery - Held in GEF and updated due diligence is due. I remaining invested.	International SMID Growth	Current Holding
Contrarius Global Equity - Has taken a value slot in GEF but is "valuation" focused. Has been buying growth stocks so has drifted more to blend. Bought Nvidia in Q1. Need to review and consider its role in style blending with other managers	Global Equity	Current Holding
Prusik Asia Income - Possibility for a regional role in GEF. Speak to Tom Delic as current analyst and review.	Asia Ex Japan Equtiy	Current Holding

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What do we initially request?

- Generic Due Diligence Questionnaire
- Historic Holdings (monthly)
- Recent presentation

What do we do with it?

- Map historic style, sector and country skews
- Performance attribution
- Check holdings movements match the DDQ
- Read the presentation to enable sharper focus in the meeting

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- In an investment review meeting you are faced with a polished and well-rehearsed presentation.
- The slide pack will have been put together by sales and marketing professionals.
- The investment manager may have been on various presentation skills courses.
- If allowed to, the course of the meeting is controlled by the manager to highlight the strengths and brush over the weaknesses.

✓ **Good prep allows you to control the agenda**
✓ **Challenge when necessary**
✓ **Dig deeper into the process**

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- Views need to be backed up with evidence, examples or data.
- We need to understand the past but make decisions based on what the future may hold.

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Philosophy
Investment Process
Portfolio Construction
Portfolio Review
Portfolio Manager
Team Remuneration
Team Structure
Team Cohesion
Corporate Culture
Risk Management Process
AUM Liquidity Profile
Style Adjusted Performance
Forward Looking Performance
Fees
Income Generation
ESG
Recommendation

(yellow)	Tend to be more descriptive sectors driven by the presentation or DDQ. Still need to look for and highlight any nuances in the note
(green)	Analysis driven sections making the analyst think critically and helps to reduce behavioural bias by checking and comparing to style peers rather than the entire market.

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		Fixed Income					
Sub-Asset Class							
Strategy	Maple Brown Abb	1167 China Bond Fund	Artemis Short HY	Ashmore Asia HY	Jupiter EM Short Dur	Jupiter CoCos	Barings Glb HY
Overall Rating	**3.90**	**3.68**	**3.73**	**3.37**	**3.53**	**4.1**	**3.33**
Rating Conviction	4	4	3	5	3	5	5
1. Firm	4.00	3.70	4.16	3.19	3.95	3.96	3.48
Firm focus	4	5	4	4	4	4	4
Aligned interests (ownership, strategy's importance to business, etc...)	4	5	4	3	4	4	3
AUMs (appropriate size, AUMs gatherers vs performance seekers)	4	5	4	1	3	3	3
Firm stability (management, dimension etc...)	4	4	4	4	4	4	4
Governance (oversight framework should include rotation of auditors and independent board me		2		3		4	3
Environmental policy		1		3		4	3
Social policy		1		4		4	4
Fees compared to value added	4	4	5	4	5	5	4
2. Investment Team	4.36	4.23	3.82	4.05	3.27	3.86	3.68
Appropriate size, resources	5	4	3	5	3	4	4
Stability, longevity, team experience	4	5	3	5	2	4	4
Aligned interests (remuneration, own money invested, etc...)	5	5	4	3	3	3	3
Decision making process (Clear, coherent, independent...)	5	4	4	4	4	4	4
Focus (vs other strategies, non-investment activities, etc...)	5	4	5	3	4	4	3
X factor (Evidence of skills)	2	3	4	4	4	4	4
3. Strategy	4.35	3.76	3.62	3.99	3.91	4.42	3.99
3.1 Philosophy	4.67	4.33	3.33	5.00	4.00	5.00	5.00
Clearly defined, understandable and value adding	5	5	3	5	4	5	5
Consistency of philsophy and style over time	5	5	3	5	3	5	5
Alpha potential (active, enhanced index, passive)	4	3	4	5	5	5	5
3.2 Process	4.53	4.21	3.95	4.53	4.11	4.84	4.53
Robustness, consistency, maturity (Data mining, backtest...)	5	5	4	5	4	5	5
Transparency	5	5	4	4	5	5	4
Alignment with philosophy, target	5	5	5	5	5	5	5
Evidence of strong buy/sell discipline	3	3	3	3	3	4	3
Tools, research available	4	2	3	5	3	5	5
3.3 Portfolio Construction	4.50	4.25	3.75	3.25	3.75	4.00	3.25
Appropriate number of holdings, concentration, restrictions	5	3	4	4	5	4	4
Clear sizing policy	4	5	4	3	4	4	3
Turnover and trading policy (Consistency and efficiency of implementation)	4	5	3	3	3	4	3
Appropriate cash, derivatives policy	5	4	4	3	3	4	3
3.4 Risk Management	3.67	4.67	3.67	2.67	3.67	4.67	2.67
Appropriate risk metrics (awareness, adherence...)	3	5	4	2	4	5	2
Liquidity risk, liquidation time,	4	5	3	3	4	4	3
Capacity management	4	4	4	3	3	5	3
3.5 ESG	4	1.00	3.00	4.00	4.00	3.27	4.00
ESG Integration	4	1	3	4	4	3	4
Resources, including staff and either proprietary or third party tools		1		4		3	4

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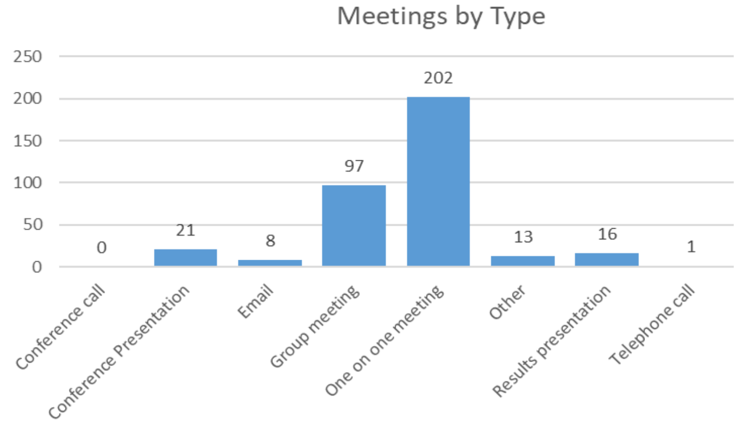
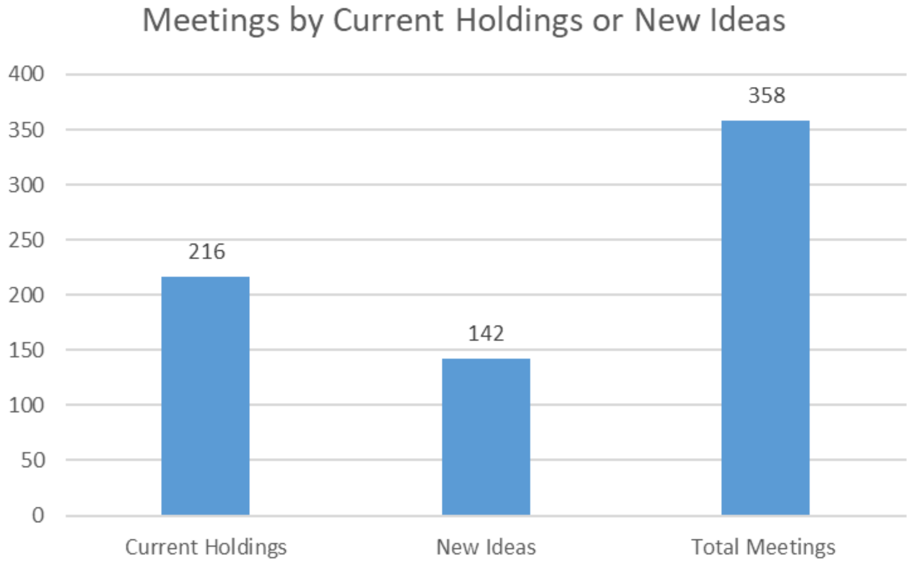
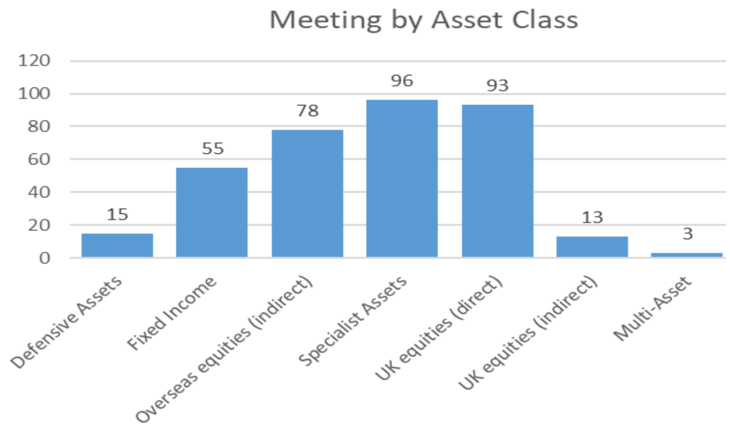
Artificial Intelligence

- Built our own Momentum Analysis Database (MAD)
- Currently comparing Copilot premium to building an internal Retrieval Augmentive Generative AI (RAG)
- Recording meetings / Use of meeting transcripts
- Creating quick summaries







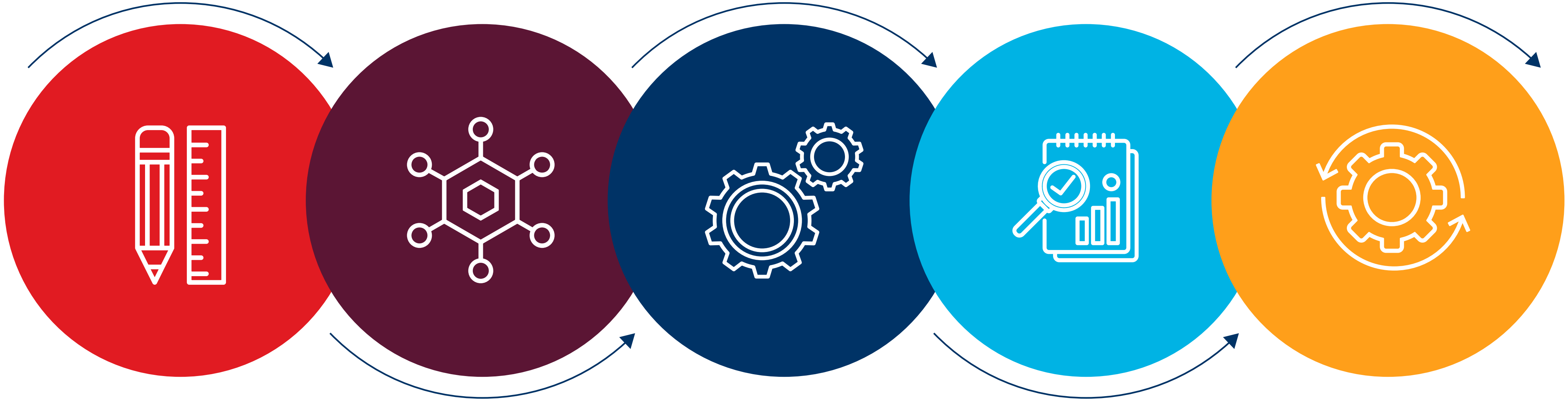
Source: Momentum Global Investment Management, meetings data covering 2024. This content is for illustrative purposes only and does not represent actual data. Figures may include, but are not limited to, hypothetical examples.

Final points

Structured process is our safeguard

Biases are ever present

Consistent, repeatable outcomes



Process over intuition

Documentation and peer review

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