

Using Limitations To Your Advantage:

Overcoming cognitive barriers for
better financial decisions

May 2025

Information as at 31st March 2025
(unless otherwise indicated)

Investment risk

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

The income and capital due from bonds is dependent upon the issuing company's ability to pay and any default will adversely affect the value of your investment.

Changes in interest rates can affect the value of fixed interest holdings and may adversely affect the value of your investment.

Investments in smaller companies carry a higher degree of risk as their shares may be less liquid and investment values can be volatile.

Investing in emerging markets is generally considered to involve more risk than developed markets due to the possibility of low liquidity, high currency fluctuation, the adverse effect of social, political and economic security, weak supervisory structures and weak accounting standards.

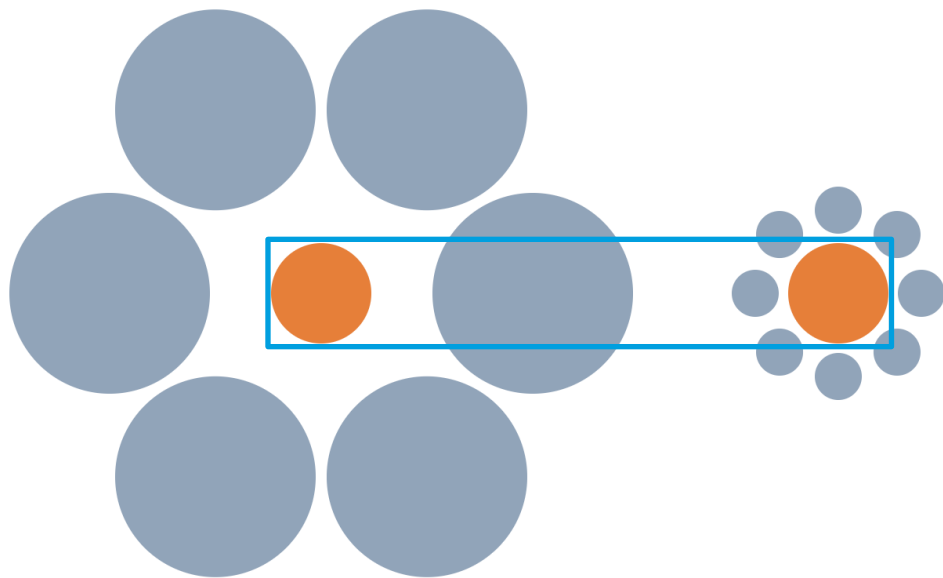
Learning objectives

By the end of the session delegates will be able to:

- Determine different limitations around the advice process and making investment decisions
- Explain different cognitive biases and how they can affect the advice process
- Explain some of the limitations in terms of commercialising artificial intelligence

Hermann Ebbinghaus

Size Contrast Illusion



Source: [Ebbinghaus illusion – Wikipedia](#), ChatGPT



Limitations – Framing

*When the **same** information is presented in **different** ways, we can respond differently*

Source: Deepai.com



“Framing Bias”

Limitations

Framing bias



“settling for average”



“Tax”



“large numbers”

Very big numbers!

Context is key

One Million	One Billion	One Trillion
1,000,000	1,000,000,000	1,000,000,000,000
Centimetres		
1m cm = 10km or 6.2mi Buckingham Palace to Canary Wharf	1bn cm = 10,000km or 6,200mi London to Lima, Peru¹	1trn cm = 10,000,000km or 6,200,000mi Earth to Moon and back x 13!
Wealth		
3m Millionaires* in the UK	52 Billionaires* in the UK	5 Trillionaires* globally in next decade?



Limitations – Anchoring

*The tendency to be
overly-influenced by
the **first** piece of
information that we
hear.*

Source: Deepai.com



Limitations

Anchoring bias



“expensive hotdog”



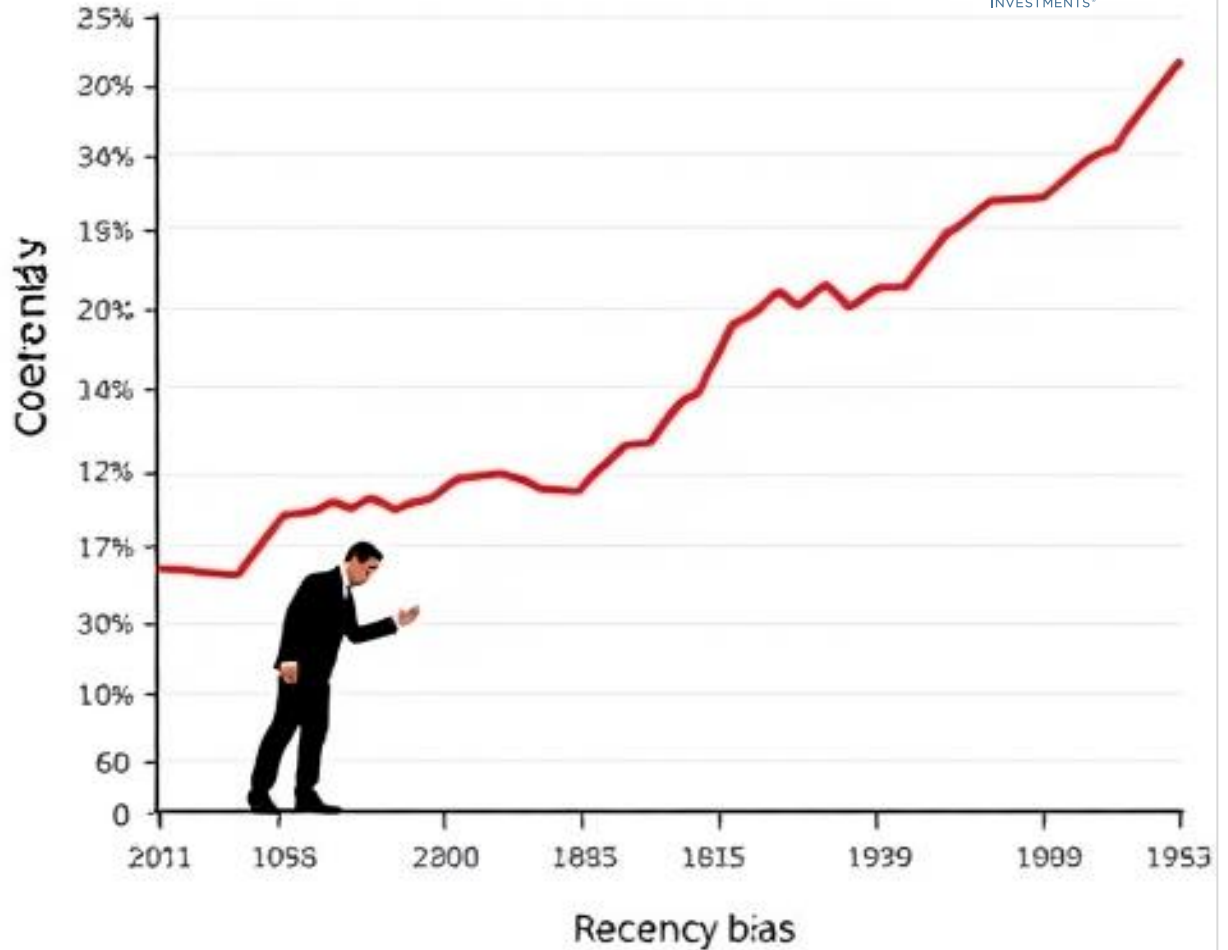
“coffee capsule”



“locking in losses”

Limitations – Recency bias

*The tendency to
favour recent
events over
historic ones.*



Limitations

Recency bias

FANG → FAANG → MAGNIFICENT 7 → **BATMMAAN?**

2013	 Meta	 amazon	NETFLIX	Alphabet		
2017	 Meta	  amazon	NETFLIX	Alphabet		
2023	 Meta	  amazon	 NVIDIA	Alphabet	 Microsoft	T E S L A

2024	 BROADCOM	 amazon	T E S L A	 Microsoft	 Meta	  Alphabet	 NVIDIA
------	---	--	------------------	--	--	--	---

All Change????? ...and AI

“They have to produce a lot of electricity.

And we'll make it possible for them to get this production done easily, at their own plants if they want.



Limitations

Recency bias – Investment performance

258%

V.

171%

VISTRA



\$33 billion

\$2.1 trillion

Technological revolution

GPT – (Generative Pre-trained Transformer)

GPT2 (2019)

Parameters

1.5 billion

Rules and **coding** that enable an AI model to learn from data and make predictions.

Tokens

50,257

Units of text that a model processes. Words, sub words, or even individual characters.

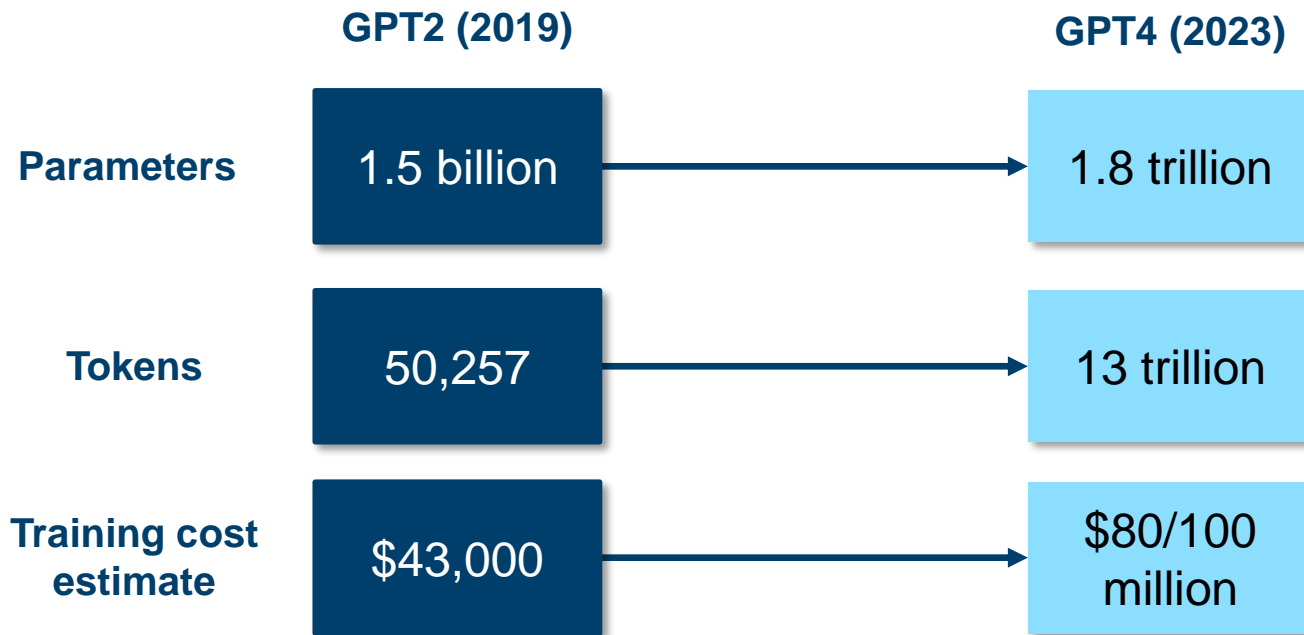
Training cost
estimate

\$43,000

Supervised learning - large amounts of labelled data and computer resources to run scenarios and examples. Predicts accurate outputs.

Technological revolution

GPT – (Generative Pre-trained Transformer)



Power

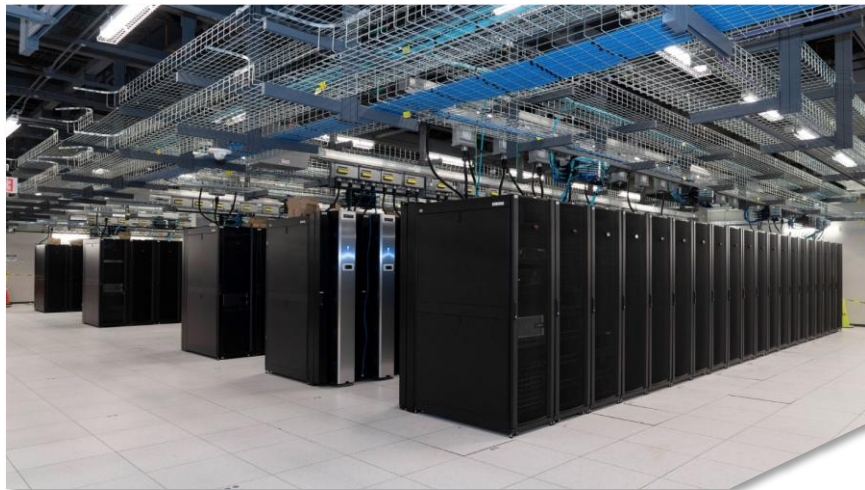
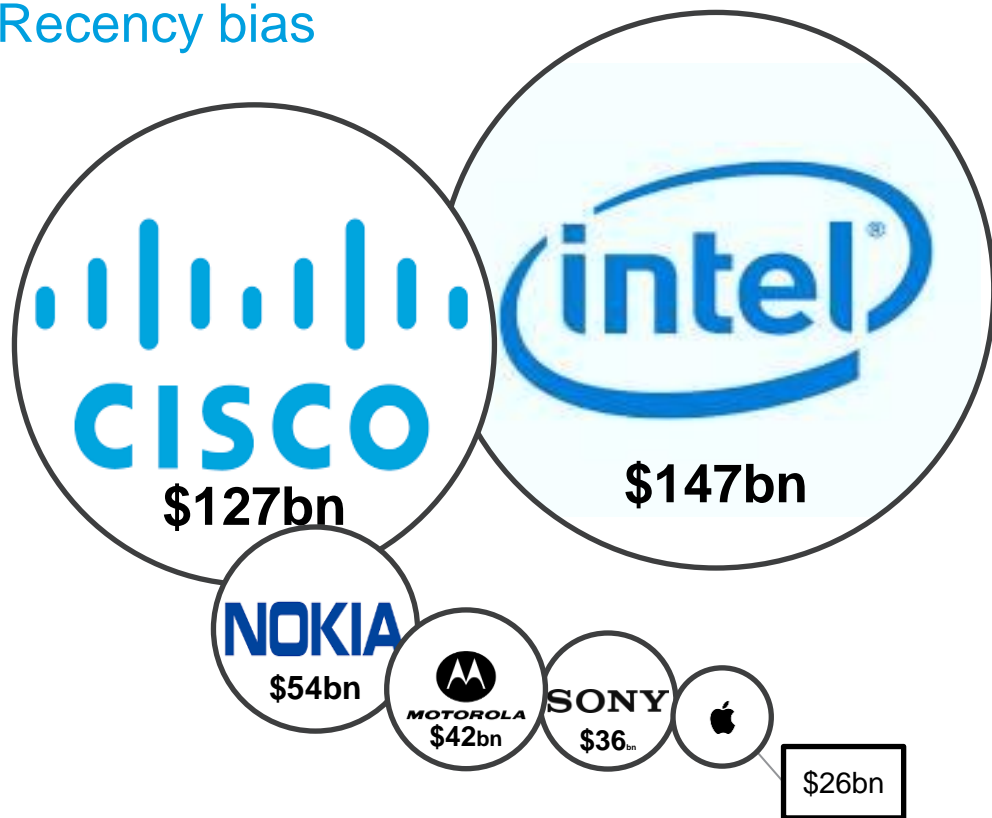


Image Source: <https://academy.techenthusiast.com/p/introduction-to-enterprise-it>, Adobe Stock - 854782645

Limitations

Recency bias



“face of iPhone 1”

Source: Deepai.com. Market capitalisation from Bloomberg as at 31/12/2004

Big Market Delusion

Disruptive Technology

“A **big market delusion** is a special kind of bubble ... it's when a new industry is being created,”

“We have to be careful in assuming that a massively disruptive technology [like AI] is going to be a money machine in the future.”

“It's not that the narrative is wrong... where the narrative *is* wrong in saying all of these companies will succeed and won't be disrupted.”

Limitations

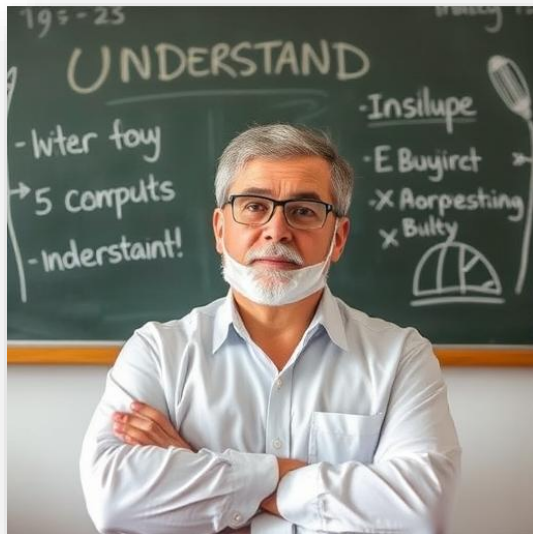
Recency bias v. Disruptor



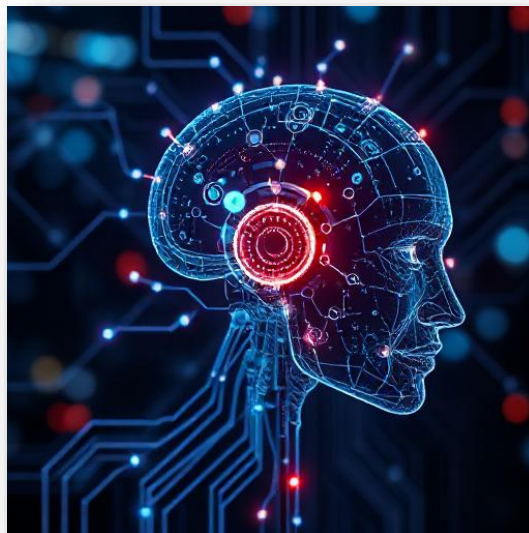
“face of iPhone 1”



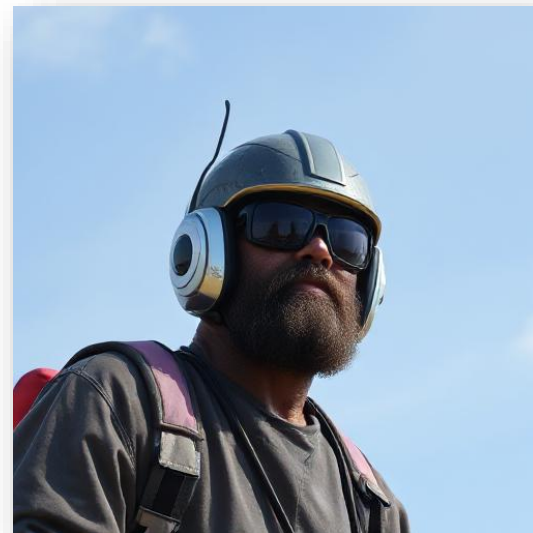
Conclusion



“understand”



“artificial intelligence”



“be careful”

Learning outcomes

By the end of the session delegates will be able to:

- Determine different limitations around the advice process and making investment decisions
- Explain different cognitive biases and how they can affect the advice process
- Explain some of the limitations in terms of commercialising artificial intelligence

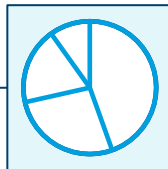
CT Universal MAP fund range

Investment philosophy



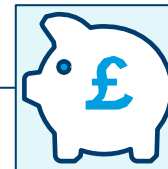
Active management matters

- Harnessing opportunities for returns and outperformance
- Working to protect capital in falling markets
- Taking advantage of volatility



We can work to actively add value by:

- Allocating between different asset types – bonds, equities and cash
- Adjusting geographic exposures
- Picking the right companies
- Managing risk



Cost effective

- Using our scale and resources we can bring our investors the potential of active management at a passive price point

Capped OCF

Active investing with institutional rigour

Our three-step investment process



Risk management built into each stage of the process

Award winning, low-cost, active multi-asset range

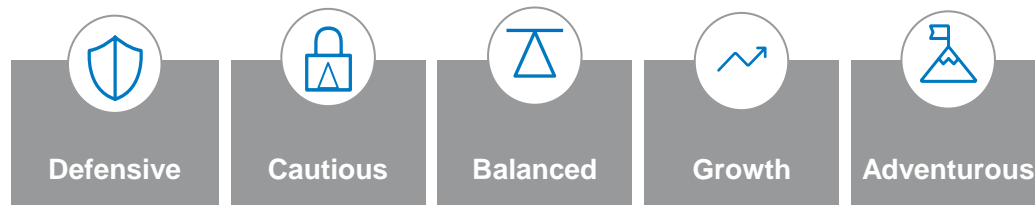
CT Universal MAP Fund

range: 0.29% capped OCF



CT Sustainable Universal MAP

Fund range: 0.39% capped OCF



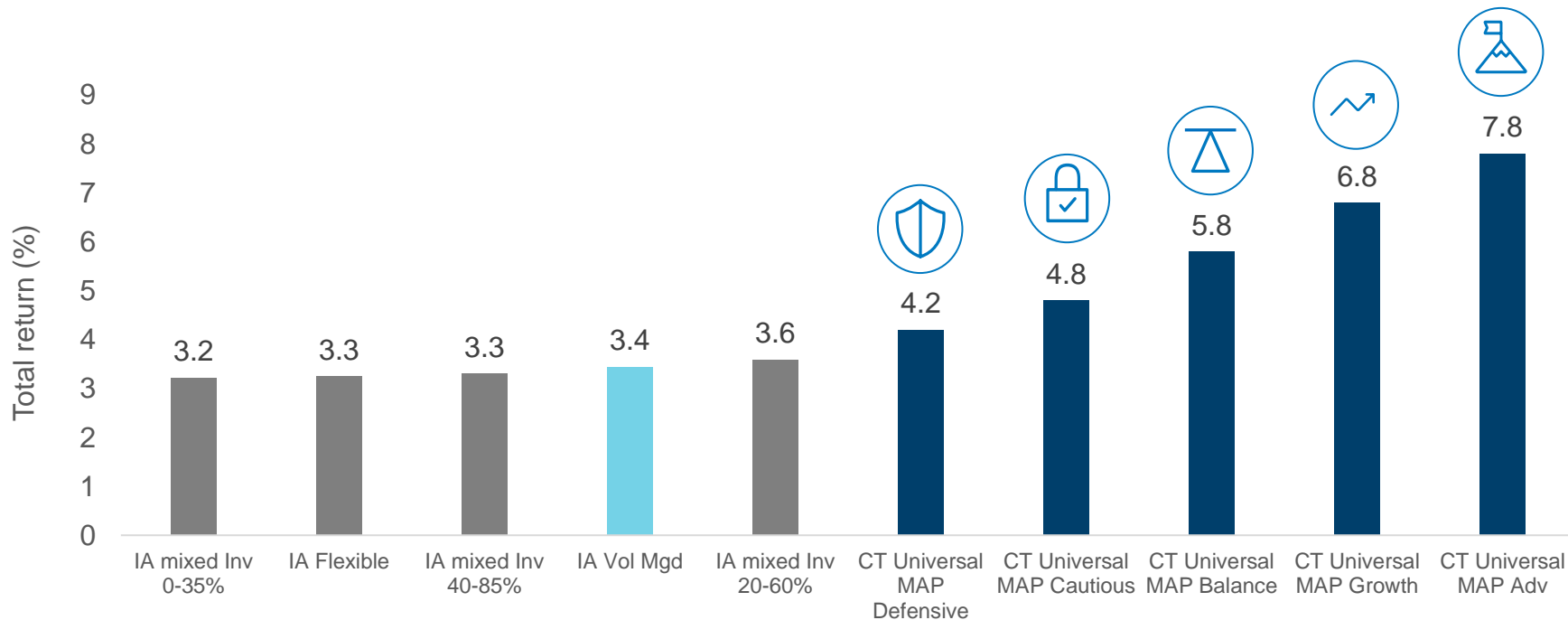
For further information on Costs and Charges please refer to the fund KID and Prospectus

Source: Columbia Threadneedle Investments. As at 31/3/2025. ¹ RSMR does not apply to the Income Fund

CT Universal MAP funds

1-year return

Past performance should not be seen as an indication of future performance. The performance figures are shown net of fees.

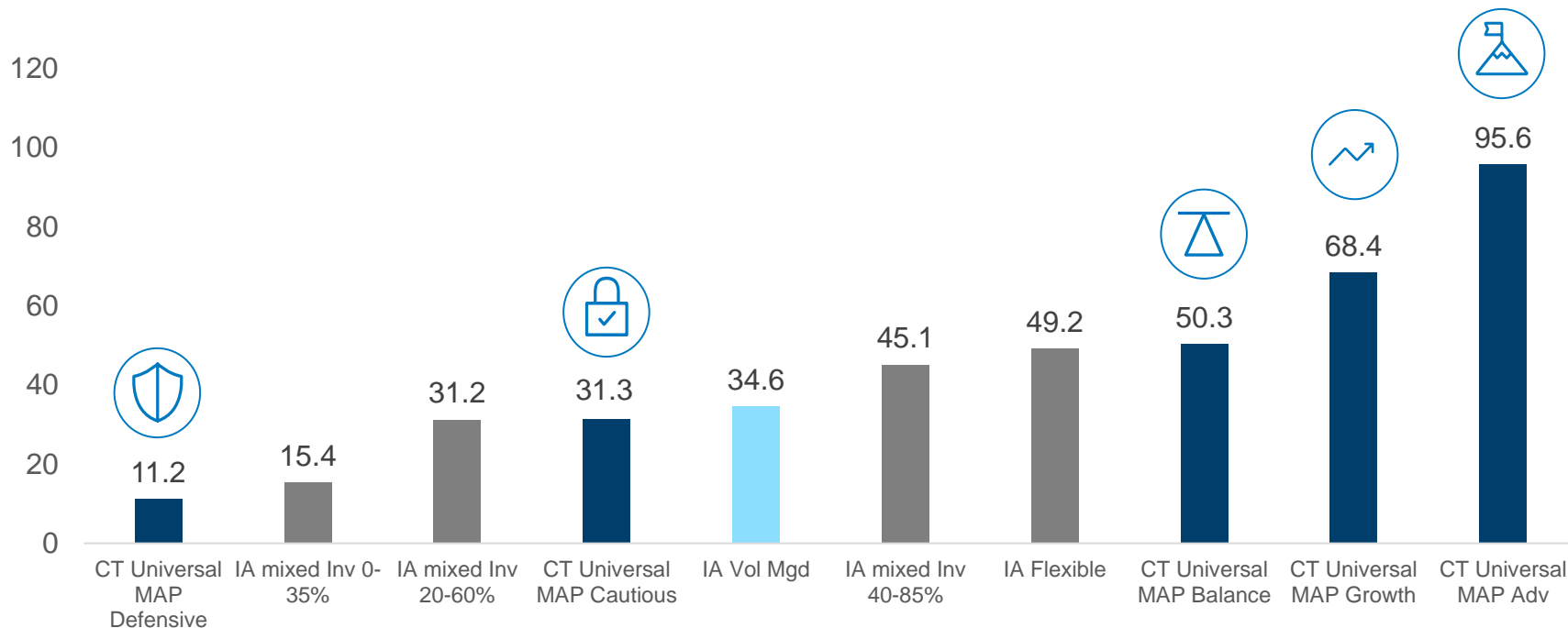


Source: Lipper as at 31 March 2025. Sector median.

CT Universal MAP funds

5-year return

Past performance should not be seen as an indication of future performance. The performance figures are shown net of fees.

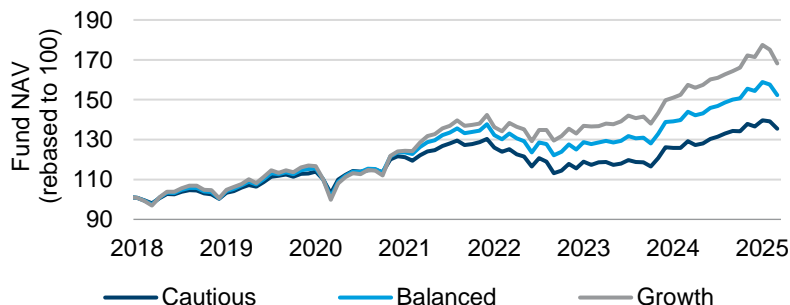


Source: Lipper as at 31 March 2025. Sector median.

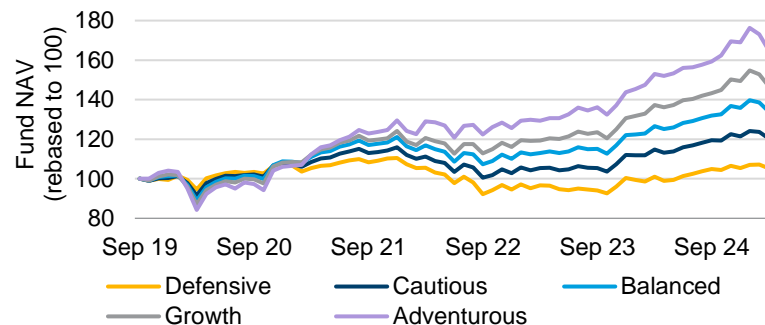
Performance of CT Universal MAP fund range

Past performance should not be seen as an indication of future performance. The performance figures are shown net of fees.

Performance since November 2017



Performance since October 2019



Performance (%)	3 Month	Year to date	Since inception ann. ¹	1 Apr 24 – 31 Mar 25	1 Apr 23 – 31 Mar 24	1 Apr 22 – 31 Mar 23	1 Apr 21 – 31 Mar 22	1 Apr 20 – 31 Mar 21
Defensive	-0.2	-0.2	0.9	4.2	4.6	-8.4	0.2	11.3
Cautious	-0.9	-0.9	4.2	4.8	9.0	-5.3	2.5	18.4
Balanced	-1.4	-1.4	5.9	5.8	11.9	-3.3	5.3	24.6
Growth	-1.9	-1.9	7.3	6.8	15.1	-1.2	7.6	28.8
Adventurous	-2.4	-2.4	9.5	7.8	18.3	0.2	14.8	33.5

Source: Bloomberg as at 31 Mar 2025. Performance has been shown net of all costs. ¹inception for Cautious, Balanced, Growth November 2017, inception for Defensive and Adventurous 7 October 2019





Join Columbia Threadneedle Investments' 'Adviser Edge' Online, Virtual and Face-to-face Technical and Skills Support

If you found this content useful, we invite you to join the Adviser Edge community, where you will enjoy free access to our extensive library of relevant, practical content, all CPD accredited.

Sign up today!



Gain an edge and earn structured CPD

 <p>Practice management</p> <p>Innovative marketing techniques, technology and outsourcing can enhance your business. Access our guidance to help enrich your client relationships.</p> <p>Learn more</p>	 <p>Financial planning</p> <p>Your clients' priorities vary. Our technical notes, guides and case studies can support your client conversations and help shape their investment goals.</p> <p>Learn more</p>	 <p>Investment</p> <p>We support your analysis with sector reviews and market digests and refresh your knowledge with in-depth explorations of investment concepts.</p> <p>Learn more</p>	 <p>Accelerator pathways</p> <p>Designed to help you develop and hone the soft skills that are crucial to growing and maintaining your business.</p> <p>Learn more</p>
---	--	---	--

Scan the QR code to register,
or visit:
[www.columbiathreadneedle.co.uk/
adviser-edge/](http://www.columbiathreadneedle.co.uk/adviser-edge/)



Accredited CPD programme

Content is accredited by The London Institute of Banking & Finance Limited, as meeting requirements for effective CPD

Disclaimer

© 2025 Columbia Threadneedle Investments. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

For professional investors only. For marketing purposes. Your capital is at risk.

This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in the UK.

The Fund is a sub fund of Columbia Threadneedle (UK) ICVC III, an open ended investment company (OEIC), registered in the UK and authorised by the Financial Conduct Authority (FCA).

English language copies of the Fund's Prospectus, summarised investor rights, English language copies of the key investor information document (KIID) can be obtained from Columbia Threadneedle Investments, 78 Cannon Street, London, EC4N 6AG, telephone: Client Services on 0044 (0)20 7011 4444, email: sales.support@columbiathreadneedle.com or electronically at www.columbiathreadneedle.com. Please read the Prospectus before taking any investment decision.

The information provided in the marketing material does not constitute, and should not be construed as, investment advice or a recommendation to buy, sell or otherwise transact in the Funds. The manager has the right to terminate the arrangements made for marketing.

Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority;

Certain Funds and/or share classes may not be available in all jurisdictions. This document must not be issued, circulated or distributed other than in circumstances which are in accordance with applicable local legislation. The mention of any specific shares or bonds should not be taken as a recommendation to deal.