



## Fear Of Missing Out (“FOMO”)

The prevalence of “groupthink” among prospective LPs is one of the most frequent complaints I hear from fund managers actively seeking capital. It is generally understood that “groupthink” in investing refers to a group of investors clustering around one viewpoint or theme without any of its constituents offering critical discourse or taking opposing positions. I hypothesize, without feeling the need to research supportive evidence, that this grumbling has been a part of investing since its inception. My cynic mind assesses this grievance in three distinct ways. The first is that the ones complaining are not effectively raising capital for a variety of reasons so “groupthink” of prospective investors becomes a convenient scapegoat for their failings – “sour grapes” of sorts. Second, is that many investors ascribe to “[echo chamber investing](#)” so they find it safer (and more self-preserving) not to go against the prevailing grain – this affirms the disgruntled GPs’ “groupthink” argument. The third is the “FOMO” condition - the fear that you might miss out on something amazing if you don’t join in with a group of investors who are revered or recognized for assorted reasons.

- **“FOMO” versus “Groupthink”:** FOMO and groupthink may be first cousins, or at worst, first cousins once removed, but although related, they are quite different. FOMO indeed contains elements of groupthink; however, FOMO’s surrender of individuality doesn't stem from a desire for safety or self-preservation, but rather from a sense that the group in question is smarter or sees something you don't. I believe that while both are not ideal ways to invest, groupthink gives off a devious lazy vibe while FOMO gives off an insecure vibe.
- **Why FOMO occurs:** Being a fiduciary has many psychological side effects that are rarely discussed in detail. It is helpful to be thorough during investment due diligence, as it helps ease the angst associated with the responsibility of managing other people’s money; however, the term “thorough” can be somewhat abstract when dealing with an endeavor that utilizes both quantitative and qualitative data points to determine what should occur in the future. When does one decide to stop looking under every rock and [leap](#)? Is due diligence ever really complete? These questions constantly haunt analysts who really care about getting things right. Also, these questions may induce allocators to seek safety in “groupthink” or result in such insecurity that the analyst either jumps on the hottest trend or defers investment decisions to others by copying those who are regarded as being more knowledgeable, i.e. “FOMO”.
- **GPs operating within LP FOMO:** For GPs, if you are lucky enough to be ordained as the “must-have” strategy of the moment, good for you! However, caution must always be exercised even with the masses flocking to your feet. Is the reverence genuine? Will the adoration last? Do the investors know the real essence of you? Are these people fair-weather partners, fleeting momentum chasers, or true tribe members? Capital is capital, so it is understandable to get it while it’s hot, but amid the frenzy, it is wise to determine the true long-term partners – funds need longevity to survive and flourish. The vast majority of GPs who are on the opposing side of LP FOMO must face the difficult fundraising challenge head-on. As with most things in life, nothing good comes easily. You have to earn your way into portfolios by showing [differentiation](#), [transparency](#), a resilient (regardless of fads) strategy, long-term thinking, [alignment of interests](#), and an unwavering will to win. GPs should not change who they are to ride the current wave because the LPs you attract by conveniently morphing may be as fickle as your soup du jour investment strategy. Worthwhile LPs will always eventually gravitate towards [authenticity](#).
- **Investors Beating FOMO:** For investors, FOMO can be combatted by soliciting (or more like demanding) opposing viewpoints from research team members. This important request requires that all discussions



be shrouded in a "safe space" blanket that allows for free-flowing debate not inhibited by hierarchy, clout, or reputation. A culture that promotes a rigorous pursuit of the truth can have a significant impact on reducing the volume of external noise. Also, a culture that supports openness and accepts that infallibility (despite the dogged aspiration for thoroughness) is a myth, will inevitably spur analysts to take calculated risks without fear of reprimand or the need to obtain external validation of ideas.

The pitfalls of FOMO have affected me numerous times and, in many ways, and I have enough mental scars to prove it. Also, I often experience flashbacks from mistakes I made because I was focusing too much on what others were doing and not on my own work – these serve as a constant reminder for me to trust my own judgment when the appropriate research, skepticism, and devil's advocacy has been applied. It is so funny that the older one gets, the truer clichés become. Although this cliché may sound sappy or trite, there are few things more accurate than the statement, "It is always better to fail with your own genuine thoughts and actions than with someone else's."

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