



# **UNDERSTANDING THE INVESTOR**

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# **UNDERSTANDING THE INVESTOR: A MALTESE STUDY OF RISK AND BEHAVIOR IN FINANCIAL INVESTMENT DECISIONS**

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## List of abbreviations

AGH	Attention Grabbing Hypothesis
BOV	Bank of Valletta
CAPM	Capital Asset Price Model
CBM	Central Bank of Malta
DWDTI	Different ways to disseminate information
FA	Financial Advisor
GDP	Gross Domestic Product
IDH	Information Dissemination Hypothesis
ISO	International Standard Organisation
MIFID	Markets in Financial Instruments Directive
MFSA	Malta Financial Services Authority
MGS	Malta Government Stock
MMA	Mixed Method Approach
MRS	Mean Rating Score
MSE	Malta Stock Exchange
NSO	National Office of Statistics
p.	Page
PPH	Price Pressure Hypothesis
Q.	Question
SPSS	Statistical Package for the Social Sciences
SR	Standard Residual

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## Preface

Dear Reader,

I would like to thank you for taking the interest and the time to read through this book. Writing it was a most exciting and inspiring experience. What started as a requirement for a Masters by Research degree, turned into a much needed deep and compelling investigation.

If you are an investor, interested in financial investment or come in contact with investors on a regular basis, then, this book should be an interesting read to you. This is because it delves into the realm of stocks and shares, exploring different scenarios, and analyzing alternative possibilities and outcomes: all embedded in the ever present element of risk.

The biggest impediment of this study was brought about by unexpected financial and political scandals which led to all gatekeepers closing ranks in an effort to safeguard customer data protection. This limitation was circumvented by the use of social media and the help of newly made connections with financial institutions.

Replies from online and paper surveys were compared to those from semi-structured interviews with financial advisors, to extract the realities of the Maltese financial market. The book sheds light onto the fears, concerns, habits, and choices of the Maltese financial investor with the purpose of understanding the investor better. Unfortunately, it also uncovers some harsh unspoken truths, for which I make no apologies, as I believe that it is important to face a shortcoming in order to improve.

Despite the structure of the study, each chapter can be read in isolation. However, reading it in its entirety will give you a better understanding of the profile of the Maltese investor. A glimpse into the appendix is also encouraged as it offers a databank of information most useful to those interested in the field.

I appeal to you, managing authorities and financial advisers to use this book as a tool by which to enhance the services offered, and to you, investors, to learn from it and improve your trading performance. Whatever the use you make of this book, I sincerely hope it appeals to you and instigates more research on financial trading and financial investors.

Antonietta Bonello.  
20-09-2018

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## Acknowledgments

No work is done alone, and I certainly required the contribution of hundreds in the completion of this book.

I, therefore, would like to take the opportunity to reflect on those kind-hearted people who have somehow shown support, all those who reached out to help me, and/or contributed in some way to this study. To all those individual investors who took the time to patiently and selflessly, answer the questionnaire.

I would also thank all those who contributed to the distribution of the questionnaire and to all those talented financial advisors who have accepted to sit for an interview and shared their experiences. Thank you all, your help is greatly appreciated.

My gratitude accompanied by many hugs goes to my husband and children for always being there for me. Thank you for making do, and for the many and much needed cups of tea that came my way.

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