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Five tips for getting in the

Professional investor mindset

How to invest in ETFs like a professional



Lessons

From Buffett

Warren Buffett is often described as the greatest investor of all time. But if you ask what makes him so successful, he rarely mentions his stocks, let alone any complicated financial strategies. Instead, he talks about temperament, patience, and discipline. All things related to one's mindset.

Professional investors don't start by focusing on what to buy. They ask what it is they are trying to achieve and use this to create the right processes and frameworks.

Today, exchange-traded funds (ETFs) have democratised investing; the same tools used by professionals are now available to everyone. But using them well requires thinking like a professional investor.

In this guide, we will outline 5 simple principles used by professionals when building portfolios.

Principle 01

Start with objectives, not products

Imagine walking into an airport and asking, ‘what’s the best plane?’. It would make little sense as the answer depends entirely on the destination.

The same is true for investing. Professional investors aim to ask the right questions before searching for answers. And so, three key questions are worth considering:

- What is the money for?
- When will it be needed?
- What is my risk tolerance?

Consider two investors. One is a 28-year-old early in their career, saving for retirement in 40 years. The second is a 63-year-old, saving for income in five years. Clearly, they are saving for different reasons, have completely distinct time horizons, and are likely to have very contrasting levels of tolerance to risk. A given ETF could be ideal for one and disastrous for another.

When we see certain assets making gains, it is tempting to start by thinking about what to buy. But a strong foundation for the long run is set once we understand our objectives and make decisions accordingly.



Case study

David Swensen

David Swensen, who was the chief investment officer at Yale University from 1985 until 2021 and grew the university's endowment fund from **$1.3 billion to over $42 billion** over that period, built his investment philosophy with a clear purpose[1]. Yale was investing to hand out scholarships, invest in research, and secure long-term institutional stability. The portfolio had to survive for decades. With such a long time horizon, his objective was growth. His portfolio included stocks, real estate, private equity, hedge funds, and other alternatives to generate high returns. The objectives came first. The products followed.

1 Investors.com, 2025.



Principle 02

Asset allocation, not individual picks

If you're building a house, you don't start by thinking about the furniture, or the colour on the walls. You start with the layout and structure as these make the house functional and able to withstand storms.

In investing, asset allocation provides this foundation. Just like deciding the layout of the house, asset allocation determines the balance between equities, bonds, commodities, real estate, cryptocurrencies, and so on. Once this structure is in place, subsequent decisions become easier.

This is where ETFs have become very useful tools. Instead of looking to select dozens or hundreds of stocks, investors can gain exposure to an entire asset class through one or, at most, a handful of ETFs.

ETFs, therefore, become building blocks for the portfolio but only once the architecture has been developed. And that comes from the asset allocation.

Case Study

Norway

Norway has the largest sovereign wealth fund with over **$2 trillion in assets**. With such a large amount to manage, you need a framework for your assets. The fund allocates around 70% to equities, 25% to fixed income, and a small portion to unlisted real estate[2]. With this broad foundation in place, further allocations can be made. For example, within equities, the fund allocates globally, owning thousands of companies. The fund, therefore, is not betting on individual stocks, but aiming to be exposed to the broader market.

2 Norges Bank Investment Management, 2026.



Principle 03

Risk before returns

Before starting a car journey, we instinctively put on a seatbelt. This is not because we expect a crash, but because we understand that accidents can happen. The seatbelt does not make the journey faster or more enjoyable. It reduces the consequences if something goes wrong.

Professional investors approach portfolios in the same way. Before thinking about returns, they think about what could go wrong.

All investments involve risk. The type of risk and level of risk can vary. But risk is always there. For ETFs, where performance is linked directly to the underlying asset or index the product tracks, there can be several types of risks:



Market risk

Movement in the price of the underlying asset



Currency risk

Movement in exchange rates



Tracking risk

If the product does not perfectly replicate the underlying asset



Liquidity risk

When a product becomes harder to trade

Professional investors understand the importance of not losing money. If a portfolio goes down by 50%, it must gain 100% to return to its previous level. So minimising losses is just as important as making gains.

Professional investors, therefore, manage risk by diversifying which, quite simply, is the idea of not putting all your eggs in one basket. A seemingly simple principle, but a bedrock of investing which helps investors build resilience in the face of uncertainty. ETFs are a powerful tool here. A single ETF can give exposure to hundreds of underlying stocks. By combining a few ETFs across asset classes, investors can achieve meaningful diversification.



Warren Buffett summarises this idea of risk management in two famous rules:

Rule no. 1:

Never lose money

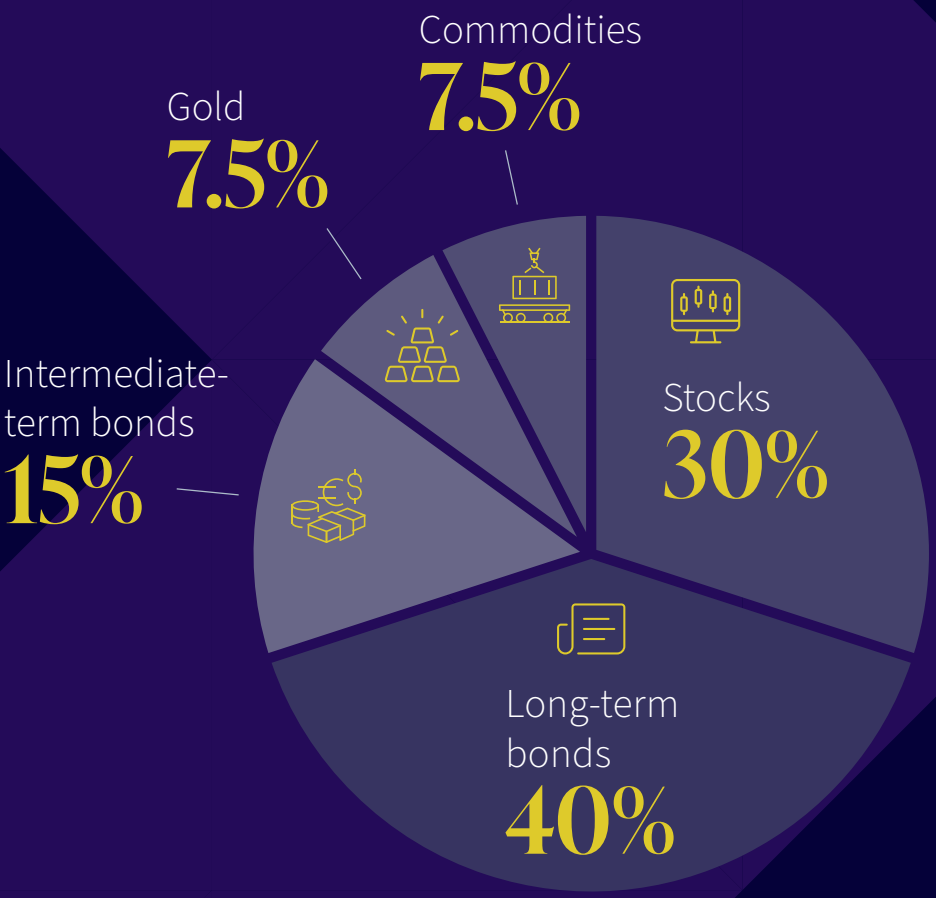
Rule no. 2:

Never forget rule no. 1

Case Study

Ray Dalio

Ray Dalio, founder of Bridgewater Associates, has an **All-Weather portfolio** designed to withstand changing economic seasons. When investing for the long run, it is key to recognise that seasons will change, something can go wrong, and it is important to fasten your seatbelts. Consider risk before thinking about returns.



Source: Curvo.eu, March 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Principle 04

Costs matter

Imagine trying to fill water into a bucket with a hole. You pour more water but some leaks out. At first, it seems insignificant, but over time the water loss becomes substantial. Investing works in the same way. Fees may seem trivial in any given year but can drain wealth from your portfolio over time if unreasonably high.

Unlike returns, costs are known upfront. For ETFs, investors are typically exposed to costs like:

- **Management fees** charged by the provider
- **Bid-ask spread** when trading on exchange
- **Brokerage fees** charged by platforms or brokers

Total expense ratios (TERs) are commonly quoted but professional investors look beyond that. The true total cost of ownership includes both the costs of owning the product as well as trading it.

This is one of the reasons ETFs have become a preferred tool for many professional investors. Compared to traditional investment vehicles, such as mutual funds, ETFs are typically designed to be more cost-efficient, often with lower management fees, greater transparency, and tighter competition in pricing. Over time, even small differences in fees can translate into meaningful differences in investor outcomes.



Just like investment returns compound over time, the impact of fees compounds over ime as well. John Bogle, the founder of Vanguard, famously stated:

“In investing, you get what you don’t pay for”.



But there is an important nuance here which John Bogle’s quote doesn’t encapsulate. Just like a simple café may charge £10 for a meal while a Michelin-starred restaurant may charge £150, investment strategies also sit on a spectrum.

Passive funds that simply track market benchmarks, like the S&P 500 or MSCI World, tend to have very low management fees given they require little active decision making. Actively managed funds are at the other end of the spectrum where portfolio managers aim to outperform the market.

Their fees are higher. Between those ends can be a spectrum of smart strategies that offer differentiated and innovative solutions for a proportionate management fee.

So professional investors not only ask what costs they are exposed to, they also ask if they are getting sufficient value for what they are paying.

Principle 05

Process over emotion

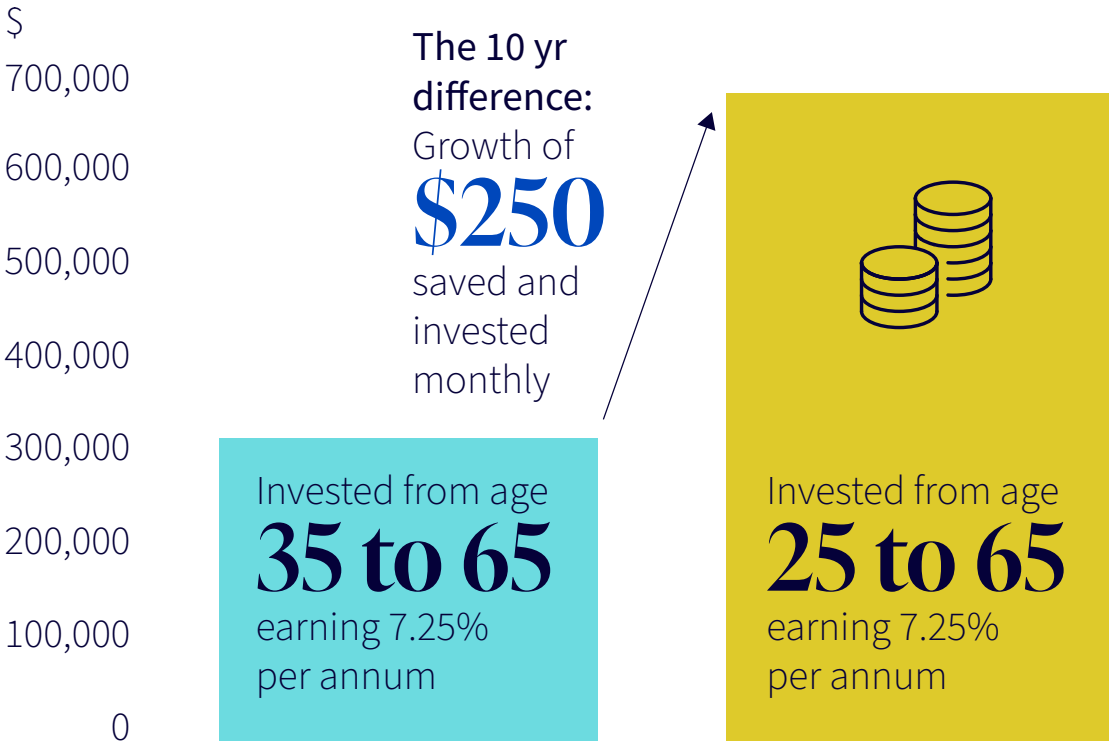
There is a famous fable about a king and a chessboard. A wise man is offered a reward by a king. The wise man asks for one grain of rice on the first chessboard square, doubled for each of the 64 squares. The king initially laughs, until he realises this adds up to 18 quintillion grains (18 followed by 18 zeros), far exceeding the kingdom's entire resources.

This is the power of compounding. Returns earned in one year generate their own returns in the years that follow. Over long periods, compounding becomes the most powerful force in investing. But it only works if you remain invested.

Markets can move in cycles and prices can fall. When they do, panic can creep in, forcing investors to sell at what is often the worst time to sell. Similarly, the fear of missing out can tempt investors to buy something they see others buying, even when it doesn't align with their objectives.

Ken Fisher, of Fisher Investments, famously said, **"Time in the market beats timing the market";** Warren Buffett has described his favourite holding period as **"forever"**; and esteemed fund manager Peter Lynch once stated that, **"Far more money has been lost by investors preparing for corrections than in the corrections themselves".**

The example below showcases the power of compounding and the stark contrast between investing from aged 25 vs aged 35.



Source: JP Morgan Asset Management Guide to Retirement, 2026. **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

The professional mindset relies on process, so emotions don't dictate decisions. This process can include:

Having a clear asset allocation

Rebalancing the portfolio periodically

Maintaining diversification

Focusing on long-term objectives

Again, ETFs can be especially helpful for investors who wish to follow a disciplined, long-term approach. ETFs tracking indices with established methodologies create processes and frameworks.

In the end, success often comes down to patience. The market rewards those who avoid distractions and stay the course.

Final takeaways:

- Define your goals, time horizon, and risk tolerance before choosing any investments.
- Focus on asset allocation (the mix of assets) rather than trying to pick individual winners.
- Prioritise managing risk through diversification instead of chasing high returns.
- Keep costs low and understand all fees, as they compound and reduce long-term returns.
- Stay disciplined and invested for the long term, avoiding emotional decisions like panic selling or buying.

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