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Investing for brave explorers and savvy travellers

Innovative KBC game reveals emotional side of investing

KBC Asset Management is trialling a new web-based application with selected customers. At first glance, it looks like a game for investors. However, underneath its hood is an innovative way to more clearly identify investor personality types. The new application follows the popular trend of *gamification*: using classic game-playing elements for other areas of activity. For the time being, the new app is only offered to a selection of customers.

The game is scientifically backed by findings from behavioural economics. These show that two investors with the exact same traditional risk profile may nevertheless have different attitudes to drawdown risk. Our game aims to chart precisely that sensitivity to interim increases and decreases. In the long run, such investor self-knowledge can add an extra dimension to investors' risk profiles and help them gain better insights into their personal, more emotionally related ways of managing their investments in an accessible way.

No right or wrong answer

Suppose you can choose from two investments: investment A is guaranteed to make a profit of 10 000 euros and investment B has a 50% chance of making a profit of 20 000 euros – which one do you choose? Investors who play our new game are presented with a number of specific dilemmas about profits and losses. Depending on their response each time, they're given increasingly difficult dilemmas to deal with. This reveals from what point someone is willing to assume risk. There are no 'right' or 'wrong' answers. The answers only indicate how investors deal with profit and loss. This allows us to fine-tune our individual approach to each investor.

The game will soon be tested by a selection of our customers who are familiar with the digital world and open to investment. Initially, the answers they provide will be analysed in detail, then examined to see how the tool can help us refine how we approach them as investors.

Johan Lema, CEO of KBC Asset Management: *'We've known for some time that people don't always weigh profit against loss rationally. Based on a recent survey, we now also know how to measure this sensitivity. That's why we're increasingly focusing on the emotional side of investing. We want to create a more personal description of investors. These two strategic objectives come together in this game. Investing is actually like travelling. There's no 'wrong' way to get to your destination – some ways simply work better for certain travellers than others.'*

Based on behavioural finance

'Our frustration over losing 10 euros tends to be far greater than the joy we feel when we earn the same amount', says **Dennie Van Dolder, a behavioural economist at VU University Amsterdam.** In fact, behavioural economists revealed as early as 1979 that we are more perceptive to loss than to profit. It has just taken several decades for this insight to become common currency. It is no coincidence that the 2017 Nobel Prize for Economics went to the American Richard Thaler, one of the founding fathers of behavioural economics, who has also worked closely with Van Dolder. Together with colleagues from universities in

Rotterdam, Paris and Rennes, Van Dolder investigated the specific possibilities for measuring intuitive responses to loss at the individual level. Their findings were published in a leading academic journal in 2016 and soon after discovered by KBC Asset Management. *'As a scientist, you want to make an impact in some way, but that usually takes quite some time. Luckily, KBC Asset Management was right on the ball. It's groundbreaking for a financial institution to put this new methodology into practice. KBC is a forerunner with this game,'* says **Dennie Van Dolder**.

Jurgen Vandembroucke, Head of Innovation at KBC Asset Management, concludes: *'What we're doing with the game is more than simply digitising existing knowledge: the technological possibilities are now also helping us take a significant step forward in terms of content. This application allows us to consider the emotional aspect of investing. Not only that, but its hip, interactive and mobile nature makes it accessible to a very broad audience. I'm very proud that we managed to integrate both technological and investment elements into a single innovation.'*

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