CITY OF LONDON
Investment Management Company Limited

# What Makes A Great Investor? Lessons from Evaluating Investment Managers

September 22, 2026

| CURIOSITY | CONSTANT IMPROVEMENT | RISK AWARE | PRAGMATIC | COLLABORATIVE | SELF-AWARENESS | HUMILITY |
|---|---|---|---|---|---|---|

## MEET: Michael Edmonds

**Michael Edmonds is the Chief Investment Officer of City of London Investment Management (CLIM) and the Co-Head of the International & Global Equity Team.** Michael rejoined CLIM in 2009. He had previously worked in the London office of both Olliff & Partners from 1992 to 1996 and CLIM from 1996 to 1998. Prior to rejoining CLIM, Michael spent over eight years at Morgan Stanley Investment Management with roles in marketing and product management and development. He holds a BA (Hons) in Financial Services from the University of West England. He is also a CFA Charterholder, a Chartered Alternative Investment Analyst and has passed the Investment Management Certificate (IMC). In addition, he is a Professional Member of the CMT Association and has earned the Chartered Market Technician (CMT) designation.



*The Economist* recently published an article on what makes an outstanding investor that piqued my interest. I raised it in our daily investment meeting, where it prompted some lively discussion amongst the CLIM team and got me thinking about the characteristics that, in my experience, really distinguish exceptional investors. There will inevitably be a myriad of opinions on this topic as different allocators will favor different factors and so there will be no universal consensus. Equally, including all the necessary characteristics would take a book – there are more than a few out there - and so this paper will only attempt to identify and briefly summarize what I think are the most important differentiators.

At CLIM, we are in the fortunate position of interviewing a multitude of investment managers of the closed-end funds, holding companies and active ETFs which comprise our investment universe. This universe spans a wide range of areas of investment focus from global, regional, sector and country specific equities, a variety of fixed income styles including multi-sector, high yield, bank loans and municipal bonds, as well as an array of alternative strategies covering private equity, infrastructure, real estate and renewables. These manager meetings are an important part of our overall investment process and provide many insights into different investment approaches, team structures, styles and risk management frameworks – or in a few notable cases, their absence. We meet a wide-ranging span of personalities and get many interesting perspectives and insights. My conclusions on the defining elements of exceptional investors are informed by our deep library of proprietary research notes and investment reports through which we assess managers over the long term.

To begin with, let's establish table stakes – things which are necessary but not indicative of superior talent. This would include such things as domain knowledge, an analytical mindset, a valuation and growth model, an established investment philosophy and process framework, experience of several market cycles and the ability to combine both the art and science of investing. These are the basic requirements and, in almost all cases, are met. This is not too surprising given that we are often dealing with established institutions that have a vetting process for whom they put in front of their clients. However, technical acumen is insufficient; it's the land beyond these basic requirements where I believe we find exceptional investment talent and these defining factors are largely behavioral and cultural rather than analytical.

## So, what are these important traits?

For me, first and foremost, it is boundless **curiosity.** The desire to learn and grow, develop greater insight into existing investments and discover new opportunities. It is characterized by open- rather than closed-mindedness and a never-ending search for knowledge. They embrace the notion that "it is impossible to learn what you think you already know". A variety of inputs is also important, as is a rich and varied information diet. These investors evoke the same refrain levied musically at Alexander Hamilton "they will never be satisfied". They never feel that they are the finished article, that there is always more to discover and they will always remain a "work in progress".

That curiosity tends to manifest itself in another way– **constant improvement.** It's something embodied in our DNA at CLIM but it's also something we see in the exceptional managers that we meet. We often ask "what has changed in your investment process?". Most managers, afraid of being accused of changing their spots, will answer "no changes". On the face of it, this may appear comforting. However, in our experience the best managers are always innovating - tweaking their processes, methodologies and techniques - and are primarily motivated by mastery of their craft over asset gathering and financial rewards. Mostly this occurs at the margin – but it evidences an investor who is not content with the status quo but is always seeking to retain an edge in this ultra-competitive investment industry.

Risk management is arguably one of the most important parts of any investment process. In my view, the best investors are **risk aware.** There is an ongoing debate about the desirability of diversification – for many, extensive diversification is how they limit risk, for others, excessive diversification is anathema – they want to see conviction. I believe the best investors strike a balance. A concentrated, high conviction portfolio is a wonderful thing – until it isn't. These investors also embrace the concept of "winning the loser's game" – avoiding big losses and avoiding unforced errors. They are focused more on managing risk than achieving the highest possible return and focus as much, if not more, on their sell discipline than their purchase criteria. Equally these managers tend to let their winners run rather than take quick profits yet for losing positions they quickly decide whether to cut and run or average down. They are risk managers first, return generators second.

Another quality I value highly is rarer than you might imagine - a **pragmatic** approach. Many investors spend a lot of time defining and defending what is and what is not their investment process, the indicators they favor and those they broadly eschew. However, in my experience the greatest among them adopt a pragmatic rather than dogmatic approach. They are flexible and embrace adaptability without style drift. They appreciate that sometimes their preferred metrics or stocks or sectors will be out of favor and that they might need to pivot, at least temporarily, in their assessment of the opportunity set. Pragmatism also helps investors recognize they are wrong, to change their mind and perhaps most difficult of all, to take a loss.

Great investing rarely happens entirely in isolation and benefits from a **collaborative** approach. While this is most often seen in investment teams it is not necessarily and can absolutely be adopted by a lone wolf or a "star" manager. This is recognizing that no person is an island. Seeking challenges to investment ideas, assumptions and positioning, or simply getting an outside view of the opportunity set, can help expose inherent biases and assumptions. The best investors seek out contrary viewpoints, encourage debate and uncover different insights by collaborating and sharing information with a diverse range of colleagues and industry peers.

This is closely related to **self-awareness** – knowing yourself and knowing your blind spots, recognizing your mistakes and how and why you made them and learning from them. The discipline of behavioral finance has made all investors acutely aware of our failings as humans – we suffer from a multitude of biases and just knowing them doesn't make you any less susceptible. Understanding what aspects of investments are your siren's song, if you will – the things you hear or see in an investment and you are "all in" – and then recognizing this may be where you need the most help - the siren's song is your red flag – this is where I have become unstuck in the past, so let me proceed cautiously!

The final trait I would highlight is perhaps the most important. **Humility.** The fact is that you can achieve great investment results over extended periods of time by accident. Luck plays a significant though difficult-to-quantify role in investment results. It may be your skill or it may be luck. Great investors always remember this. They know that sometimes their style will go out of favor, that great results may mean revert and that they will likely underperform at some point despite their best efforts. A great process may not always result in a great outcome, even when all the other traits outlined above are present. So stay humble. I particularly like the quote "you should become more humble the more the market goes your way" or as one of my colleagues noted "never get too high and never get too low".

While I look for these traits in the managers of the funds in our investment universe, these are also the qualities that we aspire to at CLIM. I believe that these are some of the most important characteristics that create an exceptional, high-performing investment team. There is also another question that we'd perhaps cheekily suggest deserves consideration: to what extent does the structure in which an investor operates help—or hinder—the expression of these characteristics? It will be no surprise that I am a strong advocate of the closed-end fund structure. In my view, the ability to invest a fixed, stable pool of capital can provide an attractive environment for active management, particularly by allowing investment decisions to be made without the same need to accommodate investor subscriptions and redemptions. That structure brings its own considerations and is certainly not a guarantee of superior investment outcomes, but it is a characteristic that many of the investment managers with whom we invest tell us, they value. Why the structure has not been more universally adopted as the 'go-to' structure for active management raises an interesting question about the industry's incentives—particularly the tension between investment outcomes and asset gathering. But a discussion of THAT will have to wait for another paper!

*Written by Michael Edmonds, CIO.*


CITY OF LONDON
Investment Management Company Limited

**Contacts**

**Information/Queries**

**E-Mail:** activealpha@citlon.com

**Philadelphia Office**
17 East Market Street
West Chester, PA 19382
United States
**Phone:** 610 380 2110
**Fax:** 610 380 2116
**E-Mail:** usclientservicing@citlon.com

**London Office**
77 Gracechurch Street
London EC3V 0AS
United Kingdom
**Phone:** 011 44 20 7711 0771
**Fax:** 011 44 20 7711 0774
**E-Mail:** info@citlon.co.uk

**City of London Investment Management (Singapore) Pte. Ltd. Office**
20 Collyer Quay
10-04
Singapore 049319
**Phone:** 011 65 6236 9136
**Fax:** 011 65 6532 3997

**Website**

**www.citlon.com**
**www.citlon.co.uk**




**Notes**


1. "What Makes a Great Investor?", *The Economist,* August 25, 2026, Finance & Economics section, The Economist article.

2. Charles D. Ellis, *Winning the Loser's Game: Timeless Strategies for Successful Investing,* 8th ed. (New York: McGraw Hill, 2021).

3. Daniel Kahneman, *Thinking, Fast and Slow* (New York: Farrar, Straus and Giroux, 2011).

4. Michael J. Mauboussin, *The Success Equation: Untangling Skill and Luck in Business, Sports, and Investing* (Boston: Harvard Business Review Press, 2012).