

The art of storytelling could be a pitfall even for veteran investors

Devina Mehra | 8 October 2026



Stories, like many other ways of thinking that make us human, can also derail our investment journey. (Pexels)

SUMMARY

Humans are wired to believe stories, but this can be a problem if we accept them whole-heartedly and fail to question our conviction in them. Even fund managers who may be telling investment stories can fall under their spell. Here's what investors should be wary of.

As you browse the web, sometimes a disconcerting advertisement pops up, talking about a young girl with three siblings who cannot afford food or school fees or is facing some disease. An ad like that generates a degree of guilt if you do not respond. But when you read in this newspaper that as per the latest National Family and Health Survey, 85% of India's children below two years do not receive an adequate diet, it does not even register.

The reason is simple: human beings are hardwired to respond to stories. While impersonal statistics are easy to ignore, stories are not.

Stories are also the best way to pass on knowledge, wisdom and information to kids and adults. Anthropologists say stories have existed in all cultures across all time periods, regardless of their level of sophistication. In a very real sense, stories are what make us human.

Great. So, what is the point? Stories, like many other ways of thinking that make us human, can also derail our investment journey.

One, stories work when there is a human being listening. They are powerful. Memorable. Satisfying. A fund manager can easily convince an investor with this nice little story: “I am investing in this company because it has outstanding brands, predictable cash flows, manages logistics very well and its growth prospects are virtually unlimited...” But when you’re investing, there is no human being on the other side. There’s only the market, which doesn’t really care about how beautifully your story is crafted or how many people believe it.

Two, stories almost never play out the way they are initially presented. Most of you will be able to recall instances when a story that was told to you about the market or some stock did not unfold the way ‘everyone’ or investment ‘experts’ said it would.

Almost every story of a stock or company that is talked about or a valuation that has been done assumes that the company will grow its earnings into infinity. Yet, of the 4,000-plus stocks listed on Indian bourses, only 17 have shown some profit growth every year for even a decade. That’s merely 0.4%.

Three, stories have to be deterministic and simple but life is complex and probabilistic. A company has hundreds of financial parameters and there are many decisions that can change its business outcome. Also, it is impacted by the economy, its competitors, [consumer](#) behaviour, government policy, etc.

In the interest of a good story, one needs to discard all this complexity and uncertainty and turn it into a very simplified, and therefore inaccurate and under-analysed, narration.

Four, stories cannot accommodate a range of outcomes. Nobody would watch a movie that ends by saying there is a 60% probability that the hero and heroine will get married, a 30% probability that each will get married to someone else, and a 10% probability that they won’t get married at all.

You will walk out saying what the hell, that wasn’t a good story.

In search of a coherent story, a fund manager or investor often gives her holdings a rosy future without risks, ignoring the discordant elements (industry cycle, favourable policy or plain luck), and that is where investing becomes dangerous and risky.

What misleads further is that good stories always have a kernel of truth. They are never complete nonsense. That is what makes them believable.

The fascinating part is that ultimately the story misleads the storyteller as well, because after telling it enough times, we get invested not just in the stock, but in our story about it. Because of that, it becomes virtually impossible to change our mind. And the best among us fall for this.

For a long time, Warren Buffett was selling—in a sense—the Coca-Cola story. That it was a great brand (it was the world's top brand for decades), had predictable cash flows, a moat around its business, etc.

Like all great stories, none of these factors was incorrect or untrue, but they still did not capture all the changes that were taking place in the company and the industry, including how the consumer was evolving away from sugary sodas and its rival Pepsi was moving faster on a variety of fronts, including by reducing its dependence on sodas.

Buffett's Coke position did very well for several years after he bought it, but then things changed. However, by then he was arguably so invested in his story that he could not change his mind. He held on to it for far too long.

Coca-Cola's share price has become four-fold including dividends, from its 1998 high. The corresponding numbers are six times for Pepsi and 11 times for the S&P 500 itself. Ultimately, storytellers also get convinced by their own stories and get derailed.

Getting around this bias is not easy, especially when people tell you that high-conviction investing is the way to go, without your realizing that this is a euphemism for buying into a story.

Test whether your story about a stock, sector or market makes sense, or are you discarding facts that don't fit in. Even if the story currently makes sense, will it do so forever? Challenge the assumptions and think of alternative endings. Do this and you may be able to avoid the 'storification bias' a bit.

The author is chairperson, managing director and founder of First Global and author of 'Money, Myths and Mantras: The Ultimate Investment Guide'. Her X handle is @devinamehra