

## From Black Knights to Brighter Days: *The psychology of investing for the long term*



Fans of Monty Python and the Holy Grail will fondly recall the fleeting appearance of the Black Knight. He challenges King Arthur to a duel, promptly gets the worst of it and then defiantly refuses to concede defeat.

The scene's most celebrated line comes after his left arm is hacked off. Rejecting Arthur's claim to have won, he insists: "Tis but a scratch." Moments later, having lost his right arm as well, he protests: "It's just a flesh wound."

It's over-the-top stuff, to say the least, but I do feel there's an investment lesson in there somewhere. In his own bonkers way, the Black Knight tells us something about the importance of resilience and believing we'll triumph in the end.

This is an absolutely vital concept for investors, many of whom place undue emphasis on short-term setbacks. The reason why such a focus can be a problem, of course, is that short-term setbacks are inevitable.

Take the events of last year. Donald Trump's return to the White House brought uncertainty, which duly translated into chaos when he unveiled his "Liberation Day" tariffs in April.

Many investors saw sizeable chunks of their wealth wiped out in the ensuing meltdown. Some chose to exit the markets, surmising that even worse turmoil could be in the offing.

Yet those who sat tight and stayed the course generally recovered their losses within two or three months. Most markets then soared to new highs, and 2025 ended with healthy returns practically across the board.

And what's happening now? The US kicked off 2026 by snatching Nicolás Maduro – the President of Venezuela until Delta Force turned up on his doorstep – before threatening numerous European countries with a fresh round of tariffs as part of the ongoing spat over Trump's desire to "acquire" Greenland.

It therefore seems fair to suggest another volatile year is in prospect. By extension, it also seems fair to suggest markets will experience a few more jolts over the coming months – perhaps even including some that don't emanate from the Oval Office.

But such is the nature of life-long financial journeys. There are always bumps in the road. Barring miracles, everyone loses money from time to time – and in some cases they might lose quite a bit.

We don't have to wind back too far back to find particularly dramatic examples. The global financial crisis (GFC) of 2007-2008 is an obvious candidate, as are the ravages of COVID-19.

Looking back, we can appreciate that even the economic effects of those cataclysms proved relatively short-lived. In the broader context of a long-term investment strategy, although it might have been a stretch to label them "but a scratch", they were wounds that healed pretty quickly.

As a result, again, those investors who refused to panic, held their nerve and rode out the mayhem were eventually rewarded. Meanwhile, those who headed for the hills missed out on the recovery. This underlines the enduring wisdom of a well-worn investment mantra: "Time in the markets beats timing the markets."

In other words, the most prudent response to volatility is usually to remain calm. That's why a useful investment mindset for uncertain times is one that combines realism with optimism.

On the one hand, investors need to recognise their efforts to accumulate wealth are very likely to grind to a halt or even go into reverse every so often. On the other hand, they also need to recognise those self-same efforts are very likely to end well.

I ought to add that none of this is intended to imply market shocks can be routinely shrugged off as minor inconveniences. I'm not denying that they can sometimes be genuinely destructive.

Relatedly, it would be foolish to forever bank on assistance from on high. While the GFC and the pandemic were met with robust fiscal and monetary policies, it's by no means guaranteed that policymakers will step in and restore order in the face of widespread disruption.

Yet the mere thought that a comparatively rapid bounceback is possible – and, if history is any guide, rather more than a little likely – should bring a measure of comfort. Crucially, it can help stave off the risk of being overwhelmed by the thrills and spills of the here and now when what really matters is the future.

Famously, having been left limbless, the Black Knight boldly declares his duel with Arthur a draw. All things considered, this is selling realism a tad short and taking optimism a smidgen too far.

For investors who strike a more sensible balance, though, the underlying conviction that brighter days lie ahead can be a vital element of the long-term thinking that defines so many successful financial journeys.

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