Lingnan University 嶺南大學 香港 Hong Kong

Department of Finance
Hong Kong Institute of Business Studies

ACADEMIC SEMINAR SERIES

Adaptive Heuristics in Stock Selection

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English

Abstract: We interview 1,540 investors across ten countries using AI-led, open-ended conversations. Investors use heuristics: simple rules linking cues, such as brand familiarity, to investment objectives. We identify thirteen heuristics accounting for 95.2% of investors' stock-selection descriptions. A follow-up survey shows that investors differ in their prioritized goal (returns, upside, or stability) and adopt heuristics they perceive as most effective for their key objective. These perceptions contain information about independently measured actual, historical effectiveness. Stocks selected by chosen heuristics also outperform those selected by unused alternatives on investors' prioritized goals. Our findings suggest that investors' use and choice of heuristics are partly adaptive.



Prof Seunghun Shin

Sean Shin is an Associate Professor of Finance at KAIST College of Business, with a joint appointment in the Department of AX at KAIST College of AI. Before joining KAIST, he was at Aalto University in Finland from 2017 to 2024. His research focuses on asset pricing, asset management, corporate bonds, market structure, and investor behavior.

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LINGNAN UNIVERSITY 香港嶺南大學 香港商學研究所 HONG KONG INSTITUTE OF BUSINESS STUDIES HONG KONG

For enquiries, please contact 26168374 or email hkibs@ln.edu.hk.
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