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Principles for Long-term Investing

History has shown that the longer you keep your money invested, the greater the chances of a positive outcome. Staying fully invested through a market cycle has, in the past, ensured investors reap greater rewards over the long-term as rebounds after large losses are often significant.

If you are concerned about recent market falls, it is a good idea to take some time with your Financial Broker **to review and refine your current investment strategy**, rather than making a sudden decision. Throughout your investment journey the markets will experience highs and lows in response to social, political and economic events. Timing the markets involves trying to anticipate when these highs and lows will occur, with investors hoping to buy when prices have reached the bottom and sell when they have peaked.

Periods of extreme market volatility can heighten feelings of concern in relation to your investments, but staying the course and **following the five key investment principles outlined below** may help you to increase your chances of a positive outcome.

1

Stay disciplined

Although it may be uncomfortable at times, staying the course and sticking to your strategic financial plan could better serve you in achieving your long-term financial goals.

- By missing just the best 10 days in the market from 2003 to 2022, your investment returns would have been 43% lower.
- 7 of the 10 best days for market gains historically have happened in Bear Markets – so switching your funds after they fall could lead to you missing these upswings.

2

Volatility is part of investing

Markets rise and fall daily, weekly, monthly – it is part of the natural cycle of investing. But historically, each significant market downturn has been followed by an eventual upswing.

- In the U.S., Monday March 23rd 2020 (just after the COVID bear market low) saw the third-best one-day gain for equities since 1945 for the S&P 500, after the two day rebounds that followed the Black Monday Crash of 1987, and the Lehman Brothers bankruptcy in 2008.
- Despite the infamous 'Black Monday' of 1987, it was still a positive year for equities.
- Despite the last Bull Market being one of the longest on record, we still saw double digit falls in 8 of the 11 years.
- Since 1980, European equities have finished the year in positive territory on 33 of 44 years, yet in each of those years, the market suffered an average intra-year decline of 15.4%

3

Keeping your money in cash is not the long-term answer

While cash returns have increased in recent years, it has not kept pace with inflation which has increased even more. Whilst inflation is now off its highs, it is likely to stay well above 0% in the years ahead.

- While cash cannot match inflation, investments have the potential to.
- Equities tend to recover strongly after large falls.
- Bear Markets tend to be shorter than Bull Markets.

4

Over the long-term, holding money in riskier assets is rewarded

Short-term market movements are often the result of changes in valuation and sentiment – how investors feel about the stock market. This is in contrast to long-term market movements, which are the result of changes to companies' fundamental worth.

- In any ten year period the odds of equities posting positive returns is 94%.
- In any ten year period multi-asset funds have never made a loss.
- In any twenty year period equities have never made a loss.

5

Diversify, Diversify, Diversify

A basic tenet of investing is diversification. Diversification means spreading risk by mixing a range of asset classes within your portfolio. A well-diversified portfolio might include equities, bonds, alternatives, property, and cash and helps smooth the return over the long run.

- While there is no such thing as a 100% risk-free investment, diversification can mitigate the inherent risk of investing, helping you to reach your long-term financial goals.
- Multi-asset funds tend to be less volatile than equities.

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