Quilter Private Client Advisers

Investing through volatile times - riding the turbulent seas of fortune

Anyone who reads the papers knows that the world's economies are going through a period of uncertainty. It's natural at these times for some investors to get twitchy, which only serves to make the situation even less predictable.

The truth is that share prices invariably rise and fall but, for the long-term investor, this shouldn't need to be the primary concern. Historically, long-term performance tends to even things out and there can be good reasons to see opportunity where less savvy investors are seeing only gloom.

The world of investing is overflowing with metaphors, adages, and fables, so here are our top seven principles for keeping your head when all about you are losing theirs.

Please speak to your financial planner before making a decision to invest, or change your existing investment.

Please note:

Past performance is not a guide to the future.

Your investments may fall as well as rise in value and you may not get back what you put in.

The truth is that no one knows with certainty when markets will rise or fall. Trying to time the market is not only stressful, it is very seldom successful.

Seven principles of investing

1. Get advice

Every single investor's needs are different and, while the points below are good general tips, there's no substitute for a plan that's tailored specifically for you.

The role of a financial planner is to get to know you and your attitude to risk versus reward; and then to navigate you through your investment journey. What's more, in turbulent times, advice helps you take the emotion out of investing and provides an objective view. It may just be the best investment you ever make.

2. Make an investment plan and stick to it

It is one thing to have a target, but a sound financial plan can be the difference between simply hoping for the best and actually achieving your goals.

It helps you to stay focused on your long-term aims without being distracted by short-term market changes. The best way to formulate your plan and ensure it stays on track is with a professional financial planner. They will talk to you about what you want to achieve for you and your family, your current situation, and your attitude to risk versus potential rewards. As well as tailoring a plan specifically to you, they can monitor its progress and recommend ways to keep it on course.

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3. Invest as soon as possible

The earlier you invest the better. There is a reason that compounding, the ability to grow an investment by reinvesting the earnings.

The magic of compounding allows investors to generate wealth over time, and requires only two things: the reinvestment of earnings and time. The difference of just a few years can make a massive difference to your end result.

4. Don't just invest in cash

When markets are volatile it's a big temptation to put all your investments in the relative safety of cash. It may seem like a safe bet.

Every investor does need at least some part of their funds in liquid investments in case of an emergency, but low risk usually leads to lower returns.

For anyone with medium to long-term investment plans it's wise to also invest in other asset classes. While this will bring some risk it does offer the potential for better capital growth and staying ahead of inflation.

5. Diversify your investments

When markets are fluctuating wildly it's all too easy to worry about the performance of certain investments while forgetting about the bigger picture.

When one asset class is performing poorly others may be flourishing. A diversified portfolio including a range of different assets can help to iron out the ups and downs and avoid exposing your portfolio to undue risk.

6. Invest for the long-term

Many people believe that knowing when to buy and when to sell is the secret of successful investing. The truth is that no one knows with certainty when markets will rise or fall. Trying to time the market is not only stressful, it is very seldom successful.

It's far better to use time to your advantage. The sooner you can start investing, and the longer you can invest, the more likely you are to have the potential for healthy returns and achieve your financial goals, regardless of short-term blips.

7. Stay invested

When markets are volatile, it is often tempting to exit the market or switch to cash in an attempt to reduce further expected losses.

However, it is impossible to time these movements correctly as no-one has a crystal ball to predict future movement, so being out of the market for just a few days can have a devastating effect on returns. Make a plan, stick to it, and don't try to time the market.

Please note:

As everyone's personal circumstances are different, please ensure you review your plan with your financial planner.

Your investments may fall as well as rise in value and you may not get back what you put in.

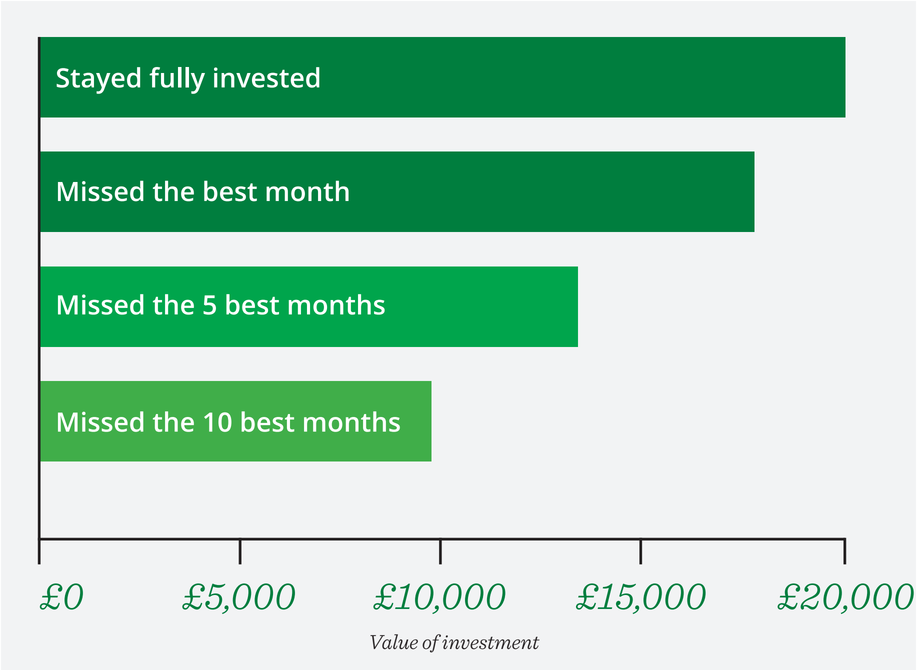
The importance of remaining invested

There's no shortage of information and opinion provided by the media when it comes to investments and the financial markets. Sometimes the sheer weight of information can make you feel like it's not the right time to be invested.

It can be tempting to try and time the market. The benefits of getting it right are obvious but it's very difficult to predict with any certainty the best time to buy or sell. With the speed that markets move the risk of getting it wrong is very high and can have significantly negative consequences on your investment.

There's a risk that by trying to time your entry, or exit, you could end up selling low and buying high. That means you risk not only suffering the losses you are trying to avoid but compound them by missing out on the highest periods of growth that often follow a fall.

To test this point we have looked at the FTSE 100 over a period of time that covers market falls and also negative media coverage. It shows the returns for investors who stayed invested throughout, compared to the returns of those investors who felt they should sell and missed out on the one best month, five best months, and ten best months.



Source: London Stock Exchange based on investing £10,000 in FTSE 100 30/06/2008 to 31/05/2018

Time in the market, not timing the market

This shows that if you try to time the market and get it wrong you would be significantly worse off than if you stayed invested for the duration. Fortunately, because we recommend investments that our clients understand suit them, the majority have remained invested and enjoyed the rewards.

Note: The value of pensions and investments can fall as well as rise and you can get back less than you invested.

Find out more

Please contact your financial planner or visit our website at:

www.quilterpca.co.uk

Quilter Private Client Advisers, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4AR

Tel. +44 (0)20 7562 5856   Email. QPCAadvice@quilter.com

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