INVESTING THROUGH VOLATILE TIMES – **RIDING THE TURBULENT SEAS OF FORTUNE**

This document is produced by Old Mutual Wealth

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 are even 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 a financial adviser before making a decision to invest.

OLD MUTUAL WEALTH

SEVEN PRINCIPLES OF INVESTING

1. HAVE 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 adviser. 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.

2. START INVESTING 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, was referred to by Albert Einstein as 'the eighth wonder of the world.'

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.

3. 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. However, as they say, a ship is safe in harbour, but that is not what ships are for.

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 longer term investment plans it needs to be supplemented with investments in other asset classes that offer better capital growth potential and beat the perils of inflation.

4. DIVERSIFY AND ALWAYS CONSIDER YOUR INVESTMENTS AS A WHOLE

When markets are fluctuating wildly it's all too easy to worry about the performance of certain investments while forgetting about the bigger picture. One tree with stunted growth doesn't necessarily mean the rest of the wood isn't thriving.

Similarly, 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.

5. 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.

6. 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.

7. THE BEST INVESTMENT IS ADVICE

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

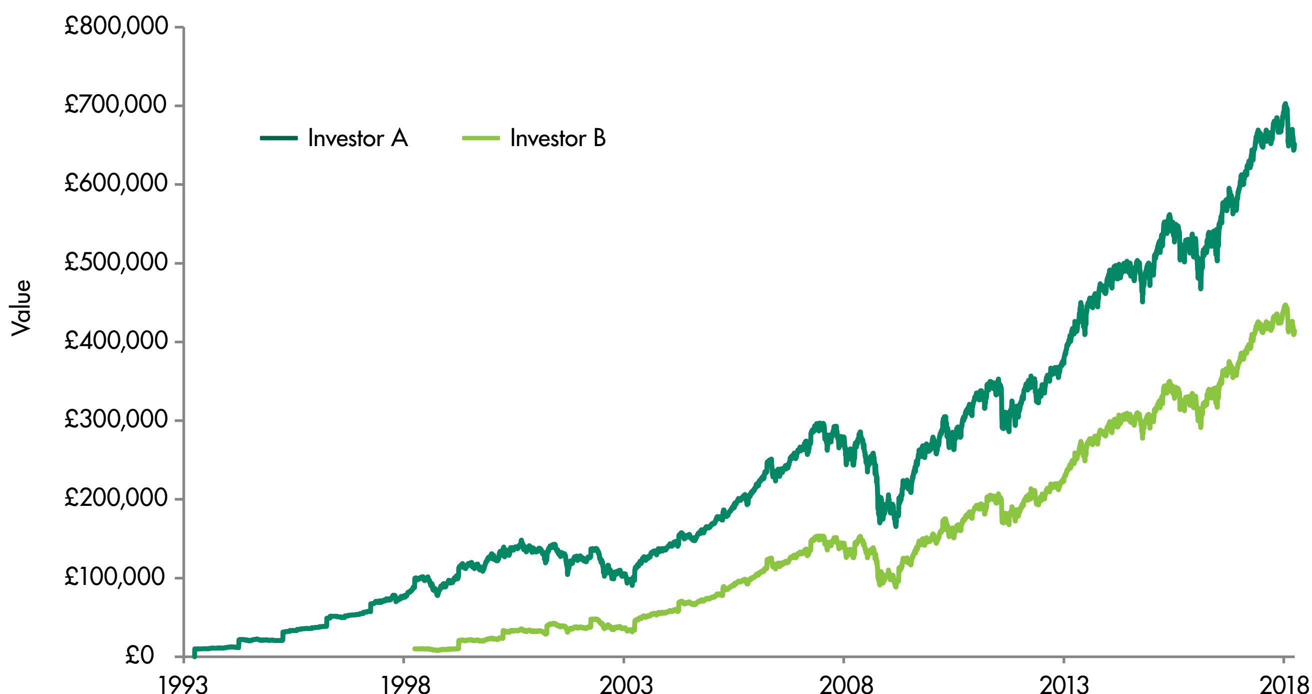
The role of a financial adviser is to get to know you and your attitude to risk versus reward; and then to navigate you through your investment journey. What's more, in turbulent times, advice helps you take the emotion out of investing and provides an objective view. It may just be the best investment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

START INVESTING
AS SOON AS POSSIBLE

Compound interest, often referred to in financial services as the 8th wonder of the world, can have an incredible effect on an investment portfolio.

The chart below shows two investors who both invest £10,000 every year into UK equities. However, Investor A began in 1993 and Investor B started five years later.

Over 25 years, Investor A has accumulated savings of £651,385 compared to savings of £414,290 for Investor B – over £237,095 more! If Investor B wanted to accumulate the same pot they would need to invest £22,670 every year from their starting point to match Investor A.



Past performance is not a guide to the future. The value of units may fall as well as rise.

Source: FE Analytics. Total return, percentage growth, based on an initial investment of £10,000 into UK equities over the period 31/03/1993 to 31/03/2018. All asset classes are represented by their equivalent Investment Association (IA) sector. The information provided is for illustrative purposes only and doesn't represent the past performance of any particular investment. It is not possible to invest directly into an IA sector.

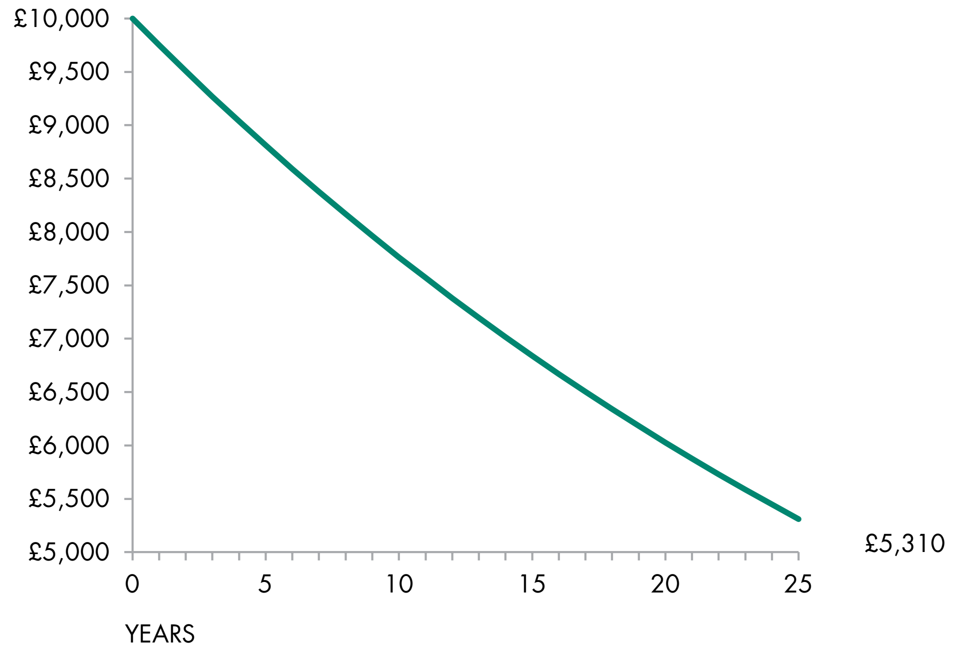
DON'T JUST INVEST **IN CASH**

THE IMPACT OF INFLATION

It is often tempting to see cash as a safe haven against all market volatility. However, recent years have seen higher rates of inflation and lower rates of interest on your cash. The pressure that inflation can place on your cash can be very debilitating and in the long run not being invested in the markets can be inherently riskier than being invested.

THE ERODING POWER OF INFLATION

At just 2.5% inflation, an investor would lose nearly half of their purchasing power over 25 years. So, £10,000 today would only have the purchasing power of £5,310 in 25 years time.



LOW FUTURE INTEREST RATES

Interest rates have always historically outstripped inflation. Investing in a standard interest bearing bank account would have provided some protection against the ravages of inflation. However, looking forward interest rates are expected to stay below inflation.

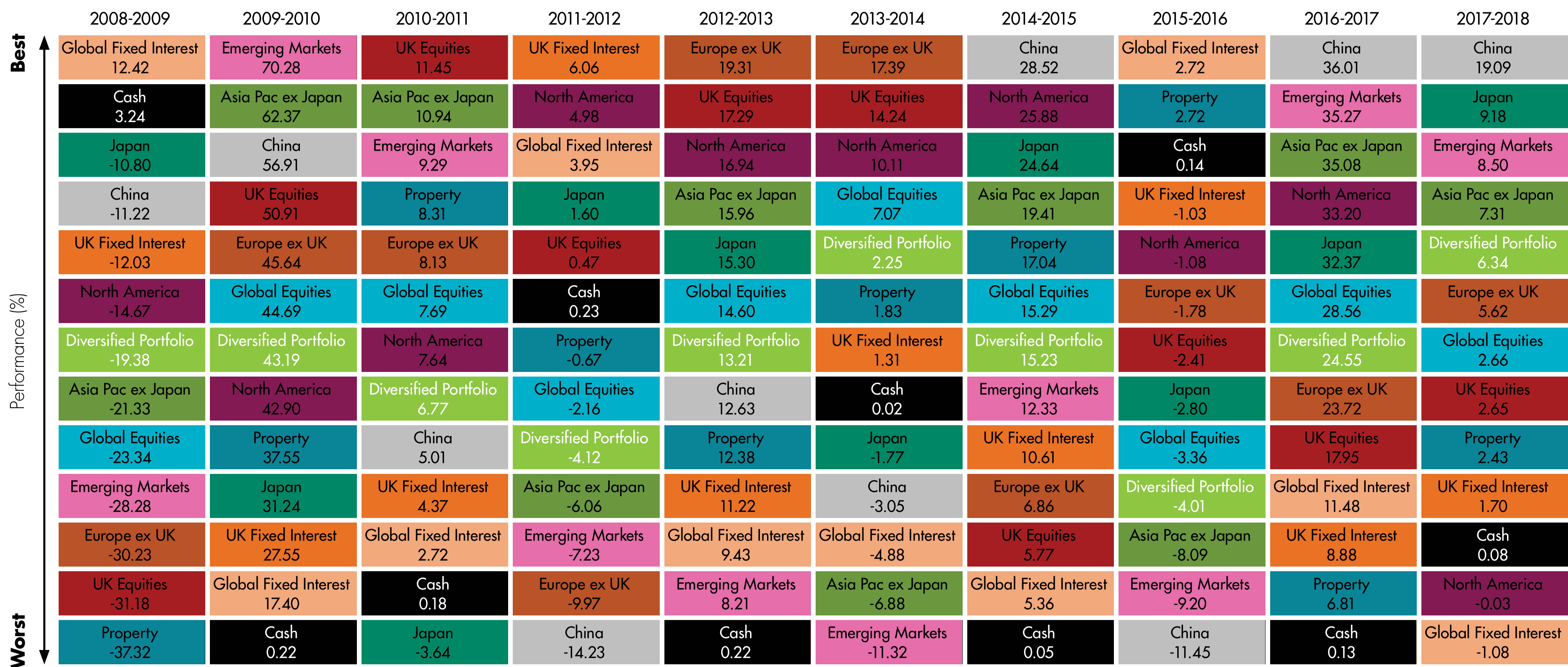
Source: Interest Rates, Bank of England Base Rate, Bank of England, and Inflation (CPI), Office for National Statistics over period 01/01/2007 to 01/07/2022. Future projections are from Economic and Fiscal Outlook, OBR, March 2017 and UK Interest Rates Econometric Model, tradingeconomics.com.

DIVERSIFY AND ALWAYS CONSIDER **YOUR INVESTMENTS AS A WHOLE**

THE IMPORTANCE OF DIVERSIFICATION

There are many different asset classes that an investor can choose, each possessing different risk characteristics. The chart below shows the annual returns of various asset classes over the last 10 years.

There is no guarantee that the sector that performs well one year will be top the next. In fact, it is often the opposite! The diversified portfolio shown below is provided to illustrate the benefit, in general terms, of diversification. By spreading investment across different asset types, it is possible to avoid exposing a portfolio to undue risk.



Performance (%) — Best (top) to Worst (bottom)

2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Global Fixed Interest 12.42	Emerging Markets 70.28	UK Equities 11.45	UK Fixed Interest 6.06	Europe ex UK 19.31	Europe ex UK 17.39	China 28.52	Global Fixed Interest 2.72	China 36.01	China 19.09
Cash 3.24	Asia Pac ex Japan 62.37	Asia Pac ex Japan 10.94	North America 4.98	UK Equities 17.29	UK Equities 14.24	North America 25.88	Property 2.72	Emerging Markets 35.27	Japan 9.18
Japan -10.80	China 56.91	Emerging Markets 9.29	Global Fixed Interest 3.95	North America 16.94	North America 10.11	Japan 24.64	Cash 0.14	Asia Pac ex Japan 35.08	Emerging Markets 8.50
China -11.22	UK Equities 50.91	Property 8.31	Japan 1.60	Asia Pac ex Japan 15.96	Global Equities 7.07	Asia Pac ex Japan 19.41	UK Fixed Interest -1.03	North America 33.20	Asia Pac ex Japan 7.31
UK Fixed Interest -12.03	Europe ex UK 45.64	Europe ex UK 8.13	UK Equities 0.47	Japan 15.30	Diversified Portfolio 2.25	Property 17.04	North America -1.08	Japan 32.37	Diversified Portfolio 6.34
North America -14.67	Global Equities 44.69	Global Equities 7.69	Cash 0.23	Global Equities 14.60	Property 1.83	Global Equities 15.29	Europe ex UK -1.78	Global Equities 28.56	Europe ex UK 5.62
Diversified Portfolio -19.38	Diversified Portfolio 43.19	North America 7.64	Property -0.67	Diversified Portfolio 13.21	UK Fixed Interest 1.31	Diversified Portfolio 15.23	UK Equities -2.41	Diversified Portfolio 24.55	Global Equities 2.66
Asia Pac ex Japan -21.33	North America 42.90	Diversified Portfolio 6.77	Global Equities -2.16	China 12.63	Cash 0.02	Emerging Markets 12.33	Japan -2.80	Europe ex UK 23.72	UK Equities 2.65
Global Equities -23.34	Property 37.55	China 5.01	Diversified Portfolio -4.12	Property 12.38	Japan -1.77	UK Fixed Interest 10.61	Global Equities -3.36	UK Equities 17.95	Property 2.43
Emerging Markets -28.28	Japan 31.24	UK Fixed Interest 4.37	Asia Pac ex Japan -6.06	UK Fixed Interest 11.22	China -3.05	Europe ex UK 6.86	Diversified Portfolio -4.01	Global Fixed Interest 11.48	UK Fixed Interest 1.70
Europe ex UK -30.23	UK Fixed Interest 27.55	Global Fixed Interest 2.72	Emerging Markets -7.23	Global Fixed Interest 9.43	Global Fixed Interest -4.88	UK Equities 5.77	Asia Pac ex Japan -8.09	UK Fixed Interest 8.88	Cash 0.08
UK Equities -31.18	Global Fixed Interest 17.40	Cash 0.18	Europe ex UK -9.97	Emerging Markets 8.21	Asia Pac ex Japan -6.88	Global Fixed Interest 5.36	Emerging Markets -9.20	Property 6.81	North America -0.03
Property -37.32	Cash 0.22	Japan -3.64	China -14.23	Cash 0.22	Emerging Markets -11.32	Cash 0.05	China -11.45	Cash 0.13	Global Fixed Interest -1.08

Past performance is not a guide to the future. The value of units may fall as well as rise.

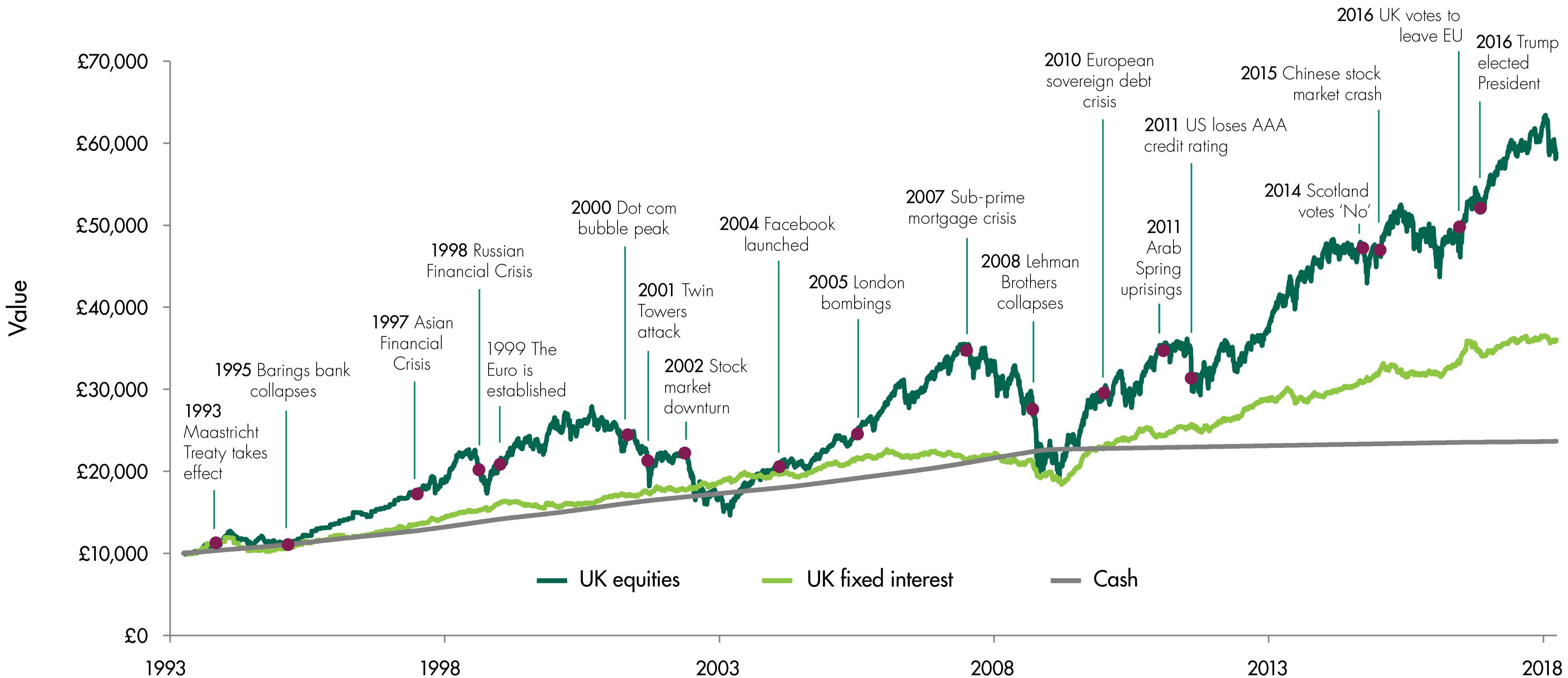
Source: FE Analytics. Total return, percentage growth, over the period 31/03/2008 to 31/03/2018. All asset classes are represented by their equivalent Investment Association (IA) sector. The diversified portfolio is an equal split of all shown asset classes and has been provided to illustrate the benefit, in general terms, of a diversified portfolio of assets. It is not an Old Mutual Wealth portfolio or fund. The information provided is for illustrative purposes only and doesn't represent the past performance of any particular investment. It is not possible to invest directly into an IA sector.

INVEST **FOR THE LONGTERM**

THE BENEFITS OF LONG-TERM INVESTING

Wise investors know that investing is a long-term commitment. Historically, investors who have been able and willing to ride out the periods of decline in the markets have seen their investments recover.

Investing with a long-term outlook and with long-term goals is the best way to reduce the impact of stock market fluctuations and see out periods of volatility.
The chart below shows that over the last 25 years short-term volatility is a characteristic of investing, but over the long term the trend is a rising one.



- INVESTING FOR THE LONG TERM - an investor with £10,000 in March 1993 could have seen their investment grow by nearly 600% when investing in UK equities.
- PREDICTING WHEN THE STOCK MARKET WILL RISE AND FALL IS ALMOST IMPOSSIBLE – investing for the long-term could see investors through periods of market volatility.
- SHORT-TERM, REACTIONARY INVESTING CAN BE DEVASTATING – trying to time the market is a fool's game and can be disastrous for investors.

Past performance is not a guide to the future. The value of units may fall as well as rise.

Source: FE Analytics. Total return, percentage growth, based on an initial investment of £10,000 over the period 31/03/1993 to 31/03/2018. All asset classes are represented by their equivalent Investment Association (IA) sector. The information provided is for illustrative purposes only and doesn't represent the past performance of any particular investment. It is not possible to invest directly into an IA sector.

STAY **INVESTED**

THE PERILS OF MISSING THE BEST DAYS

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.

Using UK equities as an example, the below chart shows how missing just a few of the best days can have a devastating impact on returns.

Over the last 25 years, using the same example £10,000 initial investment as previously, an investor who stayed in the markets throughout the period could have a potential return of more than double that of an investor who missed the best 25 days*.

	TOTAL RETURN	
Stayed Invested	487.55%	£58,755
Missed 5 Best Days	352.50%	£45,250
Missed 10 Best Days	269.75%	£36,975
Missed 15 Best Days	209.20%	£30,920
Missed 20 Best Days	161.93%	£26,193
Missed 25 Best Days	125.26%	£22,526

Past performance is not a guide to the future. The value of units may fall as well as rise.

Source: FE Analytics. Total return, percentage growth, based on an initial investment of £10,000 into UK equities over the period 31/03/1993 to 31/03/2018. All asset classes are represented by their equivalent Investment Association (IA) sector. The information provided is for illustrative purposes only and doesn't represent the past performance of any particular investment. It is not possible to invest directly into an IA sector.

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.

www.oldmutualwealth.co.uk

Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Old Mutual Wealth is the trading name of Old Mutual Wealth Limited which provides an Individual Savings Account (ISA) and Collective Investment Account (CIA) and Old Mutual Wealth Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).

The WealthSelect Managed Portfolio Service is provided by Old Mutual Wealth Limited and Old Mutual Wealth Life & Pensions Limited. Old Mutual Wealth Life Assurance Limited, Old Mutual Wealth Limited and Old Mutual Wealth Life & Pensions Limited are registered in England & Wales under numbers 1363932, 1680071 and 4163431 respectively. Registered Office at Old Mutual House, Portland Terrace, Southampton SO14 7EJ, United Kingdom.

Old Mutual Wealth Life Assurance Limited and Old Mutual Wealth Life & Pensions Limited are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Their Financial Services register numbers are 110462 and 207977 respectively. Old Mutual Wealth Limited is authorised and regulated by the Financial Conduct Authority with register number 165359. VAT number for all above companies is 386 1301 59

SK14084/218-0518 /April 2018