

## Market sentiment

### Reaching your long-term investment goals

It is impossible for investors to predict the future. Short-term losses can be unsettling, but holding steady through the ups and downs is the best way to reach your long-term investment goals.

A key to successful investing is to remain focused on your long-term objectives and not let short-term trends distract you. Holding onto your investments when times get tough is a proven strategy for staying on track.

#### BEST CHANCE OF EARNING A RETURN

Volatility in the market is normal, and feeling uneasy about a lower portfolio value is normal too. If you want to give your investments the best chance of earning a return, then it's a good idea to cultivate the art of patience. The best returns tend to come from sticking with a long-term commitment to your investments.

The longer you're prepared to stay invested, the greater the chance your investments will yield positive returns. That means holding your investments for no less than five years, but preferably much longer. During any long-term investment period, it is vital not to be distracted by the daily performance of individual investments. Instead, stay focused on the bigger picture.

#### FOCUSING ON LONG-TERM INVESTMENT GOALS

The stock market recovery since the financial crisis over the previous decade is an example of one case where focusing on long-term investment goals and avoiding knee-jerk reactions in response to the impact of any event, whether political or economic, worked well.

Maintaining a long-term view of at least five years (but preferably longer) may also help you resist the temptation to attempt to time the market. Typically, the longer you are prepared to stay invested in the stock market, the greater the chance of your investments producing positive returns. Selling your investments when markets take a downturn means you are turning paper losses into realised ones.

#### IN IT FOR THE LONG TERM

Success in the stock market is all about time and patience. However, it's understandable that when you put your money into the market, you will be tempted to check up on how your investments are performing on a regular basis.

Seeing investment prices fall, sometimes with alarming speed, can be enough to spook even the most experienced of investors. But remember that the reasons why you identified a particular fund or share as a sound investment in the first place should hopefully not have changed. The fall could just be down to market conditions as much as anything the individual company or fund manager has done, and in many cases, given enough time, investments should hopefully recover their value.

#### DEVELOPING A BUY-AND-HOLD STRATEGY FOR THE LONG TERM

Whatever happens in the markets, in all probability your reasons for investing won't have changed. For example, your aim may still be to cover education costs for your children or grandchildren, or saving for retirement. A buy-and-hold investment strategy is likely to serve you best for these long-term goals.

Bear in mind, too, the benefits of so-called 'pound-cost averaging' during periods of market volatility. Essentially, if you are investing on a regular basis, your contributions will buy more shares when prices are low and less when they are expensive. Over the long run, this should help smooth out your returns, though there is no guarantee of this.

#### WHEN THE TIME IS RIGHT, REBALANCE FOR STRONGER DIVERSIFICATION

For all investors, there will come a time when the portfolio needs to be rebalanced. A major

reason for a realignment is when the actual allocation of your assets – be that shares, government bonds, corporate bonds or cash – no longer matches your risk profile. Alternatively, it may be because your investment horizons have shortened. Perhaps, for example, your retirement date is getting closer. These are solid reasons for selling some assets and buying new ones to keep your investments appropriately diversified.

It may also be tempting to spend any income generated by your investments, but if you don't need it in the short term, it makes sense to reinvest it back into your portfolio. When you reinvest dividends, you can dramatically increase your annual returns and total wealth. When you invest in companies that pay out some of their income in the form of dividends, you should reinvest the dividends to maximise returns until it comes time to let your dividend stocks be part of your spendable income. ■

#### GETTING ADVICE ON INVESTING

Whether you're an experienced investor or just starting out, we can discuss the different investment options to help you make the most of your money. To review your situation, please contact us.