When is a good time to invest?

In an ideal world, where biases and emotions do not influence the way in which we invest, you would be buying assets when they are cheap and selling them when they are expensive. However, we live in a complicated and fast moving world, one in which emotions are triggered by a near instantaneous stream of information.

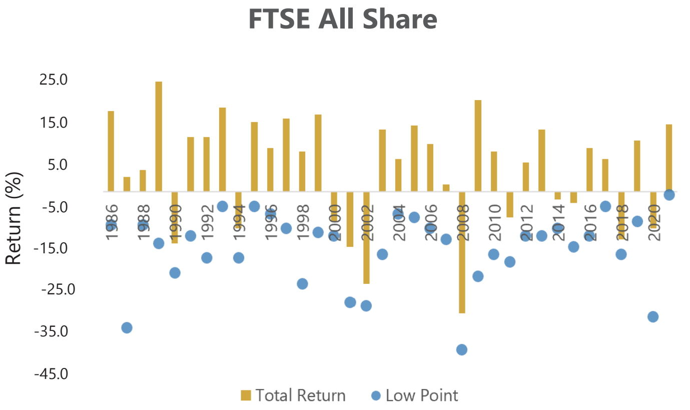
We are told by mainstream media headlines to be fearful when markets are falling and encouraged to be greedy when markets are rising. This behaviour is contrary to what we know is in our best interests for investing over the long-term.

The best time to invest is now.

The longer you are invested, the higher the probability of having a healthy return on your investment. Your investment journey will have many ups and downs, so it is important to be aware of the likely volatility of your investment, which is normally in relation to the level of risk that you are taking. The more risk you take, the higher and lower the peaks and troughs of the journey will likely be; more risk can lead to more reward.

Like any long journey, particularly one as important as this, you need to be comfortable with what can lie ahead. Knowing that there will be peaks and troughs and educating yourself not to overreact to these instances is key to becoming a successful investor. As an investment company, we will help you and your adviser through the more turbulent times, to give reassurance and keep you on your investment path.

> “The key is time in the markets rather than trying to time the markets”



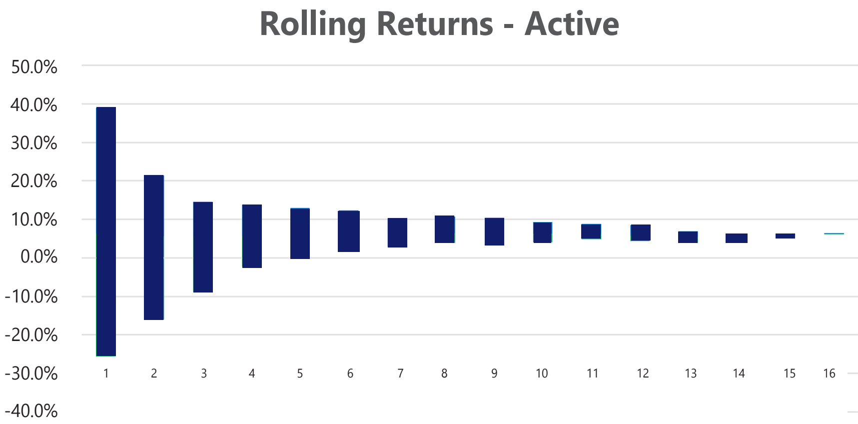
Source: Financial Express Analytics, gold bars represent the total return for the calendar year and the blue dots represent the lowest point during that calendar year.

The chart shows the calendar year returns for the FTSE All Share index, from 1986 to 2021. That is 36 years of investing. The first thing to recognise, is that less than a third of the time the FTSE All Share produced a negative return. That means that the gold columns are positive more often than not, and the balance of probability, if you are investing over long periods, is tilted towards the likelihood of positive outcomes.

Secondly, the blue dots represent the lowest point in that calendar year. For each instance, the total return for the year is higher than the trough for that year. This helps us to avoid overreacting to the low points in our journey as, if we remain invested, the likelihood is we will have a higher return.

Does it matter when we start investing?

Yes, if we can pick a low point in which to invest, the probability of a higher return is increased.
However, the interesting fact of investing is the longer you invest for, the starting point, as an annualised return, becomes less and less significant. This means you should not worry about when to invest, but more importantly for how long you should invest. This chart shows the annualised returns that could have been achieved through investing in our Active Model Portfolio (risk profile 05).



Source: YOU Asset Management Limited

The dispersion of the rolling returns gets narrower the longer you invest for and, after five years, the negative outcomes disappear. The dispersion of 10 year rolling periods is significantly less than one year, showing that the longer you invest, **it does not matter when you get started; getting started is the important thing.**

The Wall of Worry

The term 'wall of worry' refers to when markets are doing consistently well, despite there being reasons for uncertainty. When times are good, there is still the worry that they are too good, so the news is predicting that the market will need to find a way to correct itself.

The most important thing is to ride through these worries and look at your long term investment plan. Psychologically, it is about not being over fearful when fear is abundant, and not being too greedy when greed is plentiful. There has always been a variety of things to be worried about and having a robust long-term investment plan helps you navigate the worst of those.

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