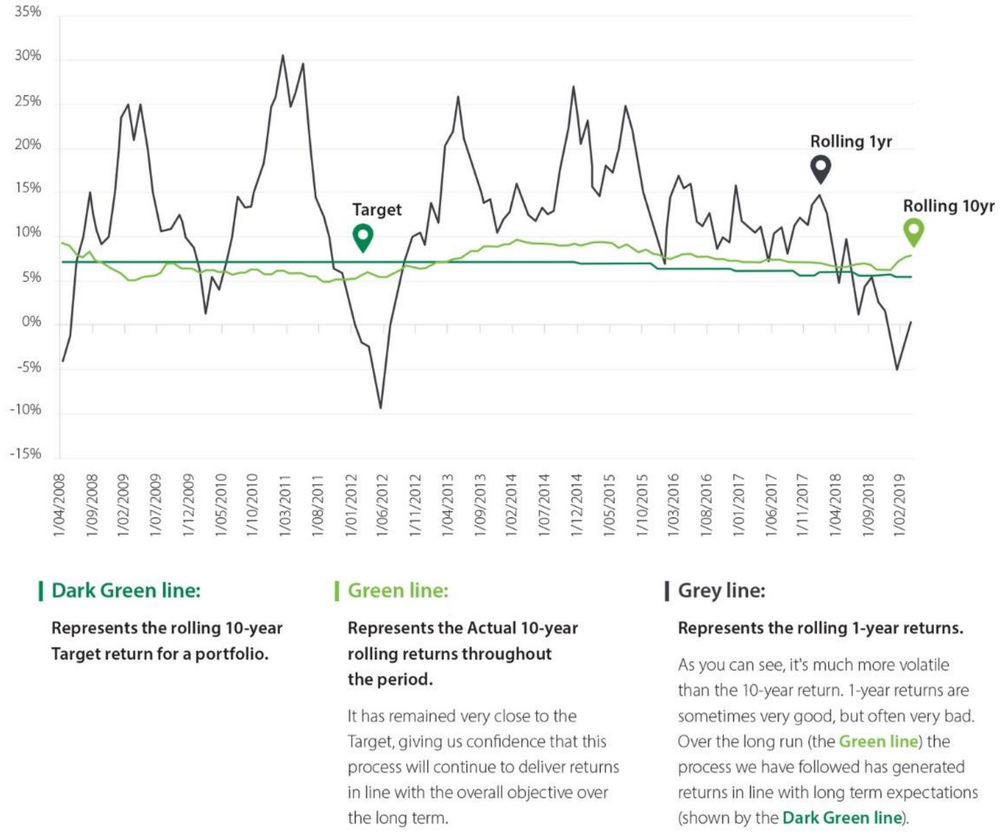
May 2020

Market volatility and your portfolio

Take a long-term view

Investment results tend to vary more widely when you just consider the returns over a period of one year. Ten-year returns are generally much more stable and a lot more predictable as can be seen in the chart below.



Impact of reacting to short-term noise

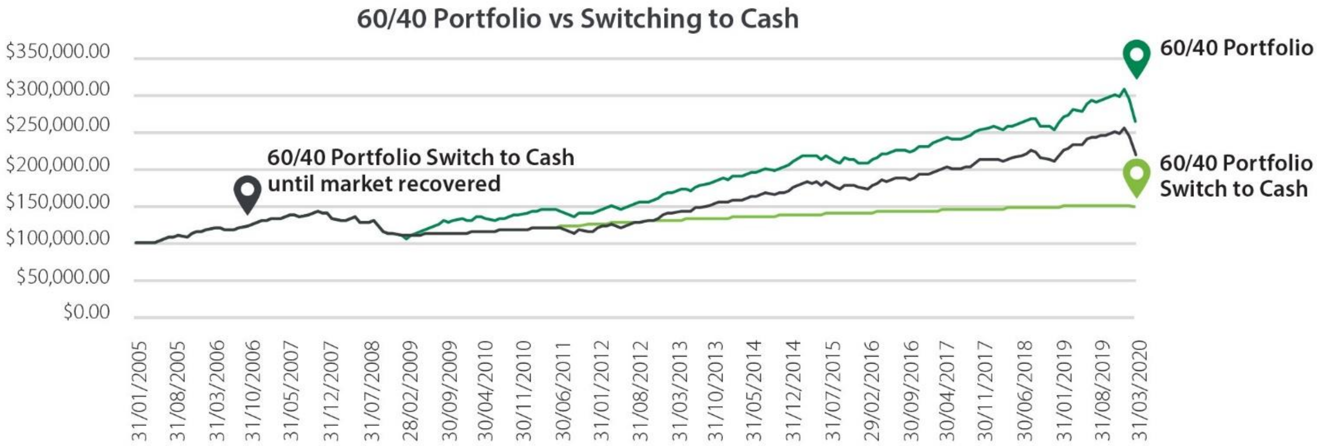
Volatility is part of investing, and whilst we can avoid it, there's typically a price to pay for doing so in the form of lower expected returns over the long term.

The chart below shows the impact different strategies have had on an investment portfolio over the previous 15 years.

As you can see, this example shows the volatility (Dark Green line) – larger moves both up and down – but highlights that by remaining 'invested' over the long term has resulted in a significantly higher portfolio balance at the end of the period.

Editorial

The GFC was an uncomfortable investing experience, much like today's environment. However, a well-diversified portfolio protected investors during the drawdown (this example portfolio fell by ~26% at its lowest, whilst Australian shares fell as much as 47%) and remaining in the market helped investors enjoy significant gains over the past decade.



If you have any questions or would like more information please contact our office.

Please note: Past performance is not necessarily indicative of future returns.