

Investing in Uncertain Times

by Bradley Warden, Partner, Blevins Franks



The uncertainty over Greece's debts and whether it could leave the Eurozone has been unsettling investors recently. What should they do with their investments in times like this?

Provided your portfolio has been strategically set up in the first place, it is advisable not to react emotionally to events and market volatility. Markets usually soon settle down, and bounce back quickly after falls. Being out of the market at the wrong time can have a detrimental effect on returns.

Buying and selling assets in response to events is in effect trying to time the markets. To be successful you would need to correctly identify the best time to buy and best time to sell, and even experienced investors cannot get this right. Many events and market movements are unpredictable.

Time in the markets is the wiser strategy for most private investors, rather than timing.

Every market cycle has up and down days. Often a few very good days account for a large part of the total returns over a cycle. If you are not invested, you risk missing out on these best performing days, which can result in significantly lower returns over the longer-term.

If you are invested for the long-term, your portfolio should rise out

temporary market volatility. A chart from Blackrock shows how a £10,000 hypothetical investment in the FTSE All-Share Index would have grown to £96,310 in the 25 years 1989–2013. This in spite of major events like September 11th, the subprime crisis, Lehman Brothers collapse and European sovereign debt crisis.

Your portfolio needs to be created and managed to meet your particular circumstances, aims and risk profile, and avoid undue risk. The starting point is to obtain a clear and objective assessment of your risk tolerance, and then make sure your portfolio matches your risk profile.

Diversification is also critical in determining the success of your portfolio – it decreases overall risk and enhances the potential for long-term returns. You need a good spread of investments, across asset classes and geography, market sectors etc.

This sound investment approach can be taken a step further. Multi manager funds can reduce your reliance on individual investment managers making the right decisions in all market conditions.

You also have to review your portfolio on a regular basis and adjust the strategy accordingly. This helps control risk and can have a positive effect on performance.

Last but not least, build up a good relationship with your financial adviser, so that they understand your needs and concerns and will guide you through market turbulence as needed.

Do not risk your financial security. Protect your wealth against threats and make sure your adviser is well qualified and regulated by a body which imposes strict code of conduct requirements.

“How does the new EU succession regulation affect me? Do I need to do anything?”

Talk to the people who know.

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05 49 75 07 24 niort@blevinsfranks.com

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