Stockmarket Investment

# Take a Long-Term View

Many people know that, over the longer term, stockmarket investments in most cases have outperformed returns available from bank and building society deposit accounts.

However, what puts some people off becoming investors themselves is the knowledge that stockmarkets are prone to short-term fluctuations and the worry that these fluctuations may mean that they lose money. This is why investment professionals recommend that investors should take a long-term view – typically five to ten years or more – when investing in the stockmarket.

**How stock markets have performed over the last 5 years**

| | Jun 04 to Jun 05 | Jun 05 to Jun 06 | Jun 06 to Jun 07 | Jun 07 to Jun 08 | Jun 08 to Jun 09 |
|---|---|---|---|---|---|
| FTSE All-Share | 18.7% | 19.7% | 18.4% | -13.0% | -20.5% |
| MSCI World | 11.9% | 13.9% | 14.5% | -9.4% | -14.2% |

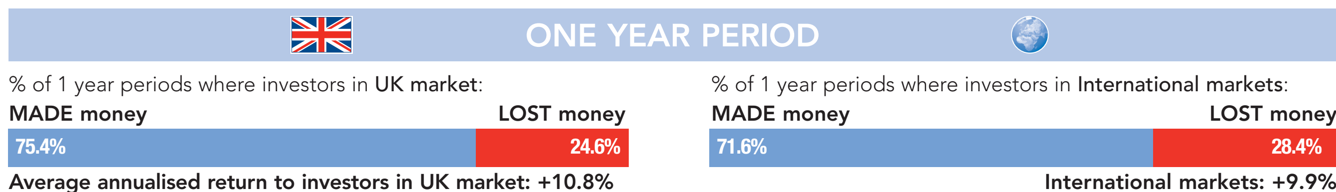
*Source: Morningstar, on a bid-bid basis, net of UK basic rate tax from 30.06.04 to 30.06.09*
*These returns do not take into account initial fees.*

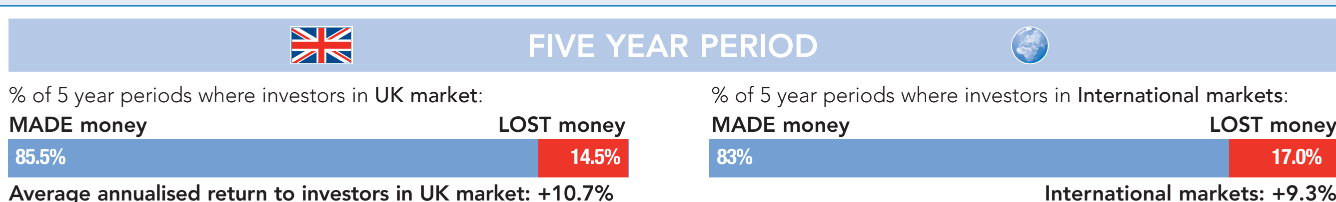
Fidelity's research shows that, historically, the longer an investor stays invested, the smaller the likelihood they will lose money and the greater the chance they will make money. This analysis covers a period of 25 years and looks at the difference in outcome to investors holding investments for ten years, compared to the results achieved by investors over five years and those staying invested for just one year. The results are based on the returns from the UK stockmarket (FTSE All-Share Index) and international stockmarkets (MSCI World Index – £).

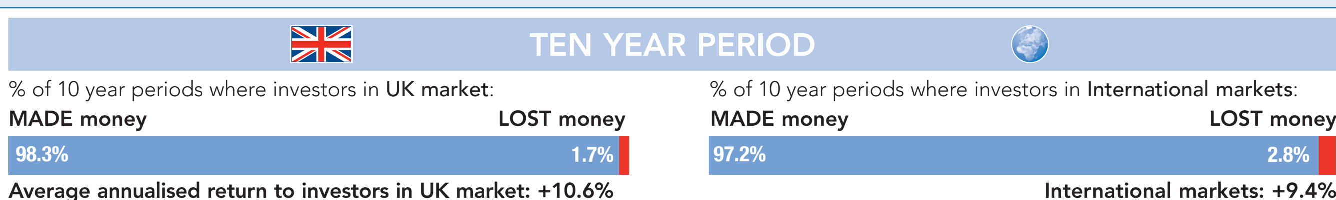
Over a period of 25 years, containing 181 possible ten-year monthly start points, an investor taking a ten year view would have made an overall loss in under 2% of instances on a UK portfolio and in under 3% of instances from a global portfolio. In contrast, investors taking a short term view would have run a much higher risk of their investment declining in value.

**Please note that past performance is not a guide to what may happen in the future, and you should be aware that the value of an investment can go down as well as up. Changes in currency exchange rates will affect the value of any overseas investments.**

## Investments over:




*Source: Morningstar from 30.06.84 to 30.06.09. FTSE All-Share Index with net income reinvested and MSCI World Index-£ with net income reinvested. Basis: bid-bid net of UK basic rate tax. Cumulative returns over 1, 5 and 10 years on all eligible time periods at one month start intervals. These returns do not take into account initial fees.*

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## How you can gain from investing in shares

The principal advantage of stockmarket-based investments is that they enable you to participate in the profits of successful companies. When you buy shares in a company, you are entitled to a share of the company's profits, usually paid out to you each year in the form of dividend payments (for fund investors, dividends are often retained within the fund to increase its value, rather than paid out).

Over the longer term, successful companies will increase their profits. When this happens the dividends paid to shareholders are likely to increase. Because the shares of companies expected to increase dividend payments are sought after, investors are willing to pay more for them – causing their price to rise. This is why share prices have historically risen – because this increase directly reflects the growing profits achieved by successful companies as they expand and develop.

## A simpler way to invest

If you have decided that a proportion of your savings should be invested in stockmarket investments, one option is to buy shares in individual companies directly through, for example, a stockbroker.

However, nowadays, an increasing number of people choose to invest in a collective fund such as a unit trust, an OEIC (Open Ended Investment Company), or SICAV (Societé d'investissement à capital variable).

In these funds, your money is spread across the shares of many different companies (and sometimes different countries depending on the scope and investment objective of the particular fund) which diversifies your investment portfolio and reduces the risks associated with investment in individual shares. Additionally, most collective funds benefit from the expert management of a professional fund manager.

*We strongly recommend that investors consult with a Financial Adviser when considering their long-term investment decisions. A Financial Adviser will work with you to fully understand your financial circumstances and investment needs and then offer broad-based financial advice. If required, they can put together an appropriate financial plan for you to help you achieve your long-term goals.*

*Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances.*

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