

Stock market investment

When doing nothing is best

Should stock market uncertainty affect your investment strategy?

During times of stock market uncertainty, it's only natural to be concerned about how this affects the value of your investments. Investors often ask what action they should take in response.

Many experts agree that investors will usually be better off resisting the temptation to make changes to their long-term investments simply because of short-term stock market movements. If your personal circumstances and investment goals are unaltered, and you are still able to take a medium to long term view, then it is probably appropriate to 'sit tight' through any periods of uncertainty.

Why market timing doesn't work

Few investors would dispute the fact that, over the longer term, stock market investments have tended to outperform the returns available from bank and building society deposit accounts. Investors also know that stock markets are prone to short-term fluctuations and sometimes these can appear to be quite sharp.

It can be tempting during times of stock market uncertainty to delay making new investments or even consider selling existing investments and try investing again when values are lower – this strategy is known as 'market timing'.

Market timing – It's too easy to miss the gains

Just as the sharp falls in stock markets tend to be concentrated in short periods of time, the best gains are similarly concentrated. Because these gains often occur just before, or after, a market fall – an investor who tries to time investments is highly likely to miss the best gains.

Fidelity has analysed the returns from the UK, US and other stock markets over the period 1994 to 2009. This shows that missing just a few days' stock market performance can significantly impact performance.

Average annualised returns (%) over 15 years – effect of missing best days

MARKET	INDEX	STAYED FULLY INVESTED	BEST 10 DAYS MISSED	BEST 40 DAYS MISSED
UK	FTSE All-Share (£)	6.13	1.91	-5.05
USA	S&P 500 (USD)	6.92	2.08	-6.03
Germany	DAX 30 (EUR)	5.93	0.40	-9.19
France	CAC 40 (EUR)	6.41	0.94	-7.92
Hong Kong	Hang Seng (HKD)	8.68	0.98	-9.92

All figures show annualised, total returns, taken from 15 year periods, starting each consecutive month, from 30.06.04 to 30.06.09, in local currency terms. Source: Datastream as at 30.06.09. Basis: bid-bid with net income reinvested. These returns do not take into account initial fees.

Looking back at the performance of the FTSE All-Share index over the past 15 years, for example, an investor who missed out on only the ten best-performing days in the market would have ended up with a portfolio worth **46%** less than one that had been fully invested throughout the period. Conversely missing the ten worst-performing days would have resulted in a portfolio worth **85%** more than one fully invested throughout the whole period. However trying to time the market to this degree is extremely difficult especially as the best and worst days often occur quite close to each other.

Remember time, NOT timing, is the key to investing.

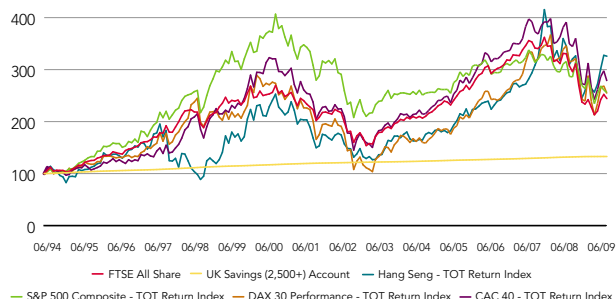
Please note that past performance is not a guide to what might happen in the future, and you should be aware that the value of an investment can fall as well as rise. Changes in currency exchange rates will affect the value of any overseas investments.

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.

THE POWER OF STOCK MARKET INVESTMENT

Unlike money in a bank or building society deposit account the value of stock market investments can go down as well as up.



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%
S&P 500	7.6%	5.3%	11.2%	-12.4%	-10.8%
DAX 30	13.9%	26.8%	37.2%	-5.7%	-19.4%
CAC 40	17.2%	23.5%	22.0%	-10.9%	-20.4%
Hang Seng	21.6%	15.1%	26.6%	5.7%	5.0%
Cash (UK Savings)	1.6%	1.4%	1.6%	1.9%	0.7%

Source: Datastream (UK savings: Morningstar). Basis: bid-bid net of UK basic rate tax from 30.06.04 to 30.06.09. The returns do not take into account initial fees. Rebased at 100.

