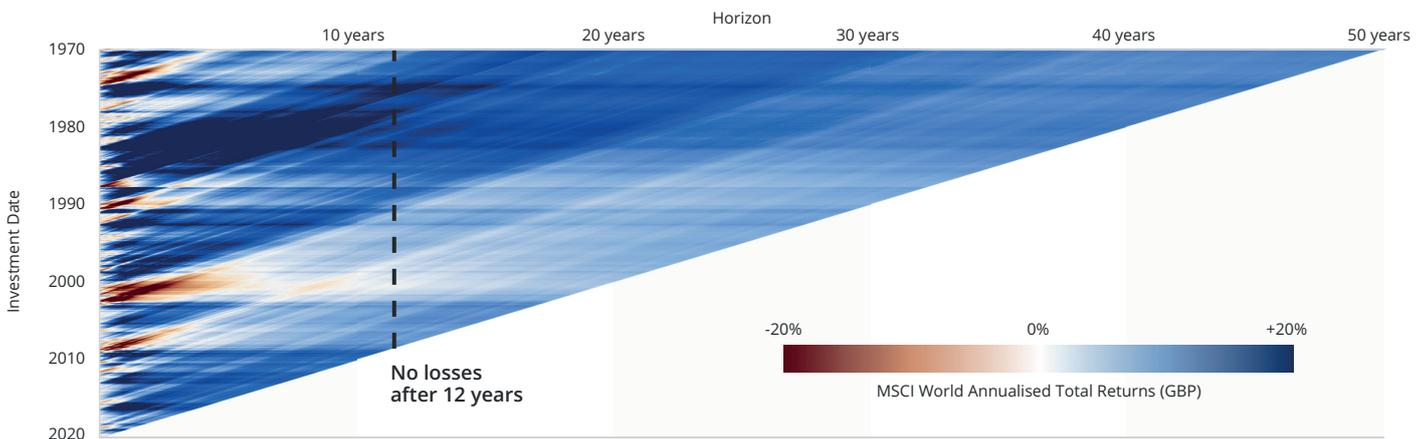


REACHING THE SEA OF BLUE: THE CASE FOR STAYING INVESTED

Investors face potentially rough seas at the start of their investment journey but, by staying the course, returns are overwhelmingly likely to be positive.

Consider the heatmap below – this is one of our favourite graphics for illustrating this very point. It suggests that, even when an investment approach is intrinsically risky (i.e. 100% equities), and even if an investor gets their timing horribly wrong (i.e. at the start of a sustained crash), an investor will always be above water within a certain number of years.



Sources: FactSet; Oxford Risk

It shows historical annualised returns for a single investment, the MSCI World Equity Index. Though diversified across countries and sectors, this investment is 100% equities and therefore carries high risk.

It dates from 1970 to the present – representing all the dates an investor could have purchased MSCI World Equity – and how long they held it for. In effect, it shows every combination of buy date and sell date for the last 50 years.

Even when investors make high risk calls at precisely the wrong time (for example, the large red zone near the year 2000 represents the peak of the internet bubble), there will be no losses 12 years later.

Multi-asset and reaching the 'sea of blue'

Investors usually enter the market at different points in time, they diversify, and they re-balance along the way. If they do this while adopting a multi-asset, moderate-risk, re-balancing approach – that 12-year line moves substantially to the left.

Getting to that sea of blue means riding out the ups and downs along the way, but only by staying in the market will investors get this experience.

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