Dear Clients,

I hope that you and your families are safe and well during this very challenging time.

As you may be aware, stock markets have been extremely volatile since COVID-19 started to sweep across the world over the past few weeks.

While this volatility can cause investors to panic, it is helpful to keep a long-term perspective. Black swan events, which are defined as “rare and unexpected events” with severe consequences have come and gone throughout history.

It is imperative, especially in these times that your portfolio is diversified and is in a risk category suitable to your needs.
We completely understand if you are worried about your portfolio (be it pension or investment) and wish to draw your attention to the following key pieces of information which should hopefully ease your fears during this challenging period.

- For anyone who has taken out their plan over the “long term”, you will be aware that over that term, markets will go down as well as up. Investing really is a case of “no pain, no gain” so there will be ups and downs along the way in association with bull and bear market activity.
- Top Market analysts argue that the current market volatility due to Coronavirus, is reminiscent of 1990 when Iraq invaded Kuwait in terms of stock market effect and that it is a “short, sharp, out-of-the blue shock that, after the fact, proved to have been painful, but economically overrated”.
- Vanguard Chief Economist, Joe Davis, is similarly calm, saying the Coronavirus is “unlikely to be the second coming of the global financial crisis”, with recovery “more likely akin to a disaster-relief effort”. Davis’s message is simple: “Investors, we’ve been here before. We’ve seen 13 corrections and eight bear markets in global equities in the last 40 years. That’s about one every other year. And over that 40 years, global equities increased by a magnitude of 17 times. So please hang in there. This too shall pass.”
- Patient or longer-term capital will still reward investors over time. Compounding returns can accelerate this process even further by investing and reinvesting on a regular basis.
- Evidence over time suggests that investing for the longer term and accepting the swings along the way is the best investment approach.
- Sitting tight can be difficult but in previous market downturns those who did so in similar situations in the past were amply rewarded over the longer term.
- Fidelity Investment Managers have demonstrated that missing out on just the 10 best trading days of the MSCI World Index over a ten-year period from December 31st 2002 would have resulted in negative returns of -4.6%. Had the investor missed the best 20 days then the negative return would have extended to -32.1%.
- This time is no different to the DotCom bubble or Credit Crunch in 2008 - market declines like this one are common and within any stock market cycle, there will always be winning and losing industry groups and individual stocks.

Wuhan, and indeed the whole of China is already showing that this current disruption will pass.

I hope that this communication has helped to ease any worry or anxiety you may be experiencing in relation to your pension or investment funds.
To Quote the Greek Philosopher Epictetus “it is not what happens to you but how you react that matters” and I firmly believe that by sticking with the markets for now and riding the storm that in the long term, the rewards will be much greater than taking any drastic actions at this point.

I’d like to re-iterate that we at CWM Wealth Management and HerMoney are here to support and advise you over the long term so, if you need any advice or reassurance regarding your pension or investment portfolio, please do not hesitate to contact me.

I hope that you and your families continue to stay safe and well.

Regards and Thanks
Carol

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