Principles for long-term investment

History has shown that the longer you keep your money invested, the greater the chances of a positive outcome. Staying fully invested through a market cycle has, in the past, ensured investors reap greater rewards over the long-term as rebounds after large losses are often significant. If you are concerned about recent market falls, it is a good idea to take some time with your Financial Broker to review and refine your current investment strategy, rather than making a sudden decision.

Throughout your investment journey the markets will experience highs and lows in response to social, political and economic events. Timing the markets involves trying to anticipate when these highs and lows will occur, with investors hoping to buy when prices have reached the bottom and sell when they have peaked. Unfortunately, it's very hard to predict when to buy back in and getting it wrong means you could end up locking in losses and missing out on future gains.

Periods of extreme market volatility, such as what we are experiencing now, can heighten feelings of concern in relation to your investments, but staying the course and following the five key investment principles outlined below may help you to increase your chances of a positive outcome.

1. Stay disciplined

Although it may be uncomfortable at times, staying the course and sticking to your strategic financial plan could better serve you in achieving your long-term financial goals.

- By missing just the best 10 days in the market from 2003 to 2017, your investment returns would have been 48% lower.
- Half of the top 10% of days for market gains historically have happened in Bear Markets – so switching your funds after they fall could lead to you missing these upswings.

2. Volatility is part of investing

Markets rise and fall daily, weekly, monthly – it is part of the natural cycle of investing. But historically, each significant market downturn has been followed by an eventual upswing.

- In the U.S., Monday March 23rd 2020 saw the third-best one-day gain for equities since 1945 for the S&P 500, after the two-day rebounds that followed the Black Monday Crash of 1987, and the Lehman Brothers bankruptcy in 2008.
- Despite the infamous 'Black Monday' of 1987, it was still a positive year for equities.
- Despite the last Bull Market being one of the longest on record, we still saw double digit falls in 8 of the 11 years.
- Since 1980, European equities have finished the year in positive territory on 31 of 40 years, yet in each of those years, the market suffered an average intra-year decline of 15.2%.

3. Keeping your money in cash is not the long-term answer

While markets have recovered somewhat from their lows, they are still in a period of significant volatility and further market falls are still possible. However, monetary and fiscal measures have emerged and there are a range of other potential responses available.

- Cash returns remain at record lows.
- Equities tend to recover strongly after large falls.
- Bear Markets tend to be shorter than Bull Markets.

4. Over the long-term, holding money in riskier assets is rewarded

Short-term market movements are often the result of changes in valuation and sentiment – how investors feel about the stock market. This is in contrast to long-term market movements, which are the result of changes to companies' fundamental worth.

- In any ten year period the odds of equities posting positive returns is 96%.
- In any ten year period multi-asset funds have never made a loss.
- In any twenty year period equities have never made a loss.

5. Diversify, Diversify, Diversify

A basic tenet of investing is diversification. Diversification means spreading risk by mixing a range of asset classes within your portfolio. A well-diversified portfolio might include equities, bonds, alternatives, property, and cash and helps smooth the return over the long run. The Prisma Fund Range from Zurich is a multi-asset fund range which invests in a fully diversified range of global asset classes. Zurich Investments employ strategic and tactical asset allocation strategies and strive to deliver outperformance in the same manner and within the same controlled process as we have done for over 30 years.

- While there is no such thing as a 100% risk-free investment, diversification can mitigate the inherent risk of investing, helping you to reach your long-term financial goals.
- Multi-asset funds tend to be less volatile than equities.

Your investment journey is a process rather than a once-off event. As your circumstances change throughout your life you should work with your Financial Broker or Advisor to review the details of your investment strategy and refine as necessary. Regular reviews will ensure you are on track to achieve your long-term, strategic financial goals.

The Prisma Range of Multi-Asset Funds is available across the Zurich suite of Pension, Approved Retirement Funds (ARF), Approved Minimum Retirement Funds (AMRF) and Savings and Investment products.

Source: All market data is from Zurich, FE Analytics and Bloomberg, April 2020.

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Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
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