Lowland Investment principles

In an environment of increased volatility it is important for investors to avoid making knee jerk decisions. To keep focused on your goals during volatile times you should bear in mind the following six insights:

1. **Stay loyal to your long-term investment strategy** – forecasting market returns in the short-run and making hasty changes to asset allocation are both foolish. Many people have a time horizon of decades for their investment funds and short term market volatility is always likely. Share markets generally reflect the broader economic environment so investors must expect periods of low or negative returns during weaker economic conditions. However, the reality is that markets bounce back and eventually return to and surpass previous levels.

2. **It's time in the market, not timing the market that matters** – over shorter time periods (up to a few years) share markets are inherently volatile places. By investing for the long term the returns from equities tend to outperform other asset classes. Therefore it's staying in the market that matters.

3. **Don't bail out early and miss the market recovery** – reacting to falls in the market is a dangerous investment strategy because it often means investors miss out on the subsequent rebound. History has numerous examples of share markets tumbling and nervous investors bailing out – only to miss an eventual recovery.

4. **Diversification is king** – investors with a well-diversified investment strategy that has been formulated as part of a long-term financial plan should not be unduly concerned with the market's recent moves. The aim of diversification is to ensure your investments don't all move in the same direction at the same time, without compromising your long-term returns.

5. **Risk and return are related** – there is a strong correlation between risk and return – the higher the expected level of return, the higher the expected risk (or volatility) investors need to be willing to accept. The recent market volatility is therefore not unusual – it takes us back to long-term averages. Financial markets will have periods of both good and poor returns over time. Investors need to have a realistic expectation of what kind of returns are achievable and sustainable over the longer term given their appetite for risk.

6. **Review things regularly** – two of the most important components of a financial plan for an investor are an assessment of their long-term financial needs and goals, and an appraisal of their appetite for risk. If either of these components change you should speak to us. If they have not, then it is unlikely that the recent market movements should trigger a change in the strategy.

Important Information:
Any advice in this communication has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice in this communication, consider whether it is appropriate to your objectives, financial situation and needs. It is recommended that you obtain financial advice specific to your situation before making any financial investment or insurance decision. Past performance is not indicative of future performance. The future value of your investment may rise and fall with changes in the market.