Santander
Asset Management

Principles of Investing

It's time in the market that really matters

Investing can feel like being on a rollercoaster. It's easy to get sucked into the short-term noise of competing 24/7 news feeds, perhaps especially so in times of crisis like the COVID-19 pandemic, the war in Ukraine and sharp rises in the cost of living. But taking decisions driven by reactive emotions can be financially damaging. Investing is a long-term project and it's important to keep that in mind.

What history tells us

When times of crisis come, no-one can know what the long-term outcomes will be. What we do know, however, is that over the long-term it's generally better to stay invested through the downs as well as the ups. Over time, investment market growth tends to balance out the short-term ups and downs.

This chart shows the performance of the MSCI World Index since January 1990 with some key events highlighted.

Source: MSCI World Index and Refinitiv Datastream. Data as at 30 June 2022.

Whilst past performance is not a guide to future performance and investment returns will depend on when you invest and when you take your money out again, in almost all cases a downturn is followed by growth. Over the longer-term, the general trend is an upward one.

Understanding your instincts

Looking at the data like this is very different to watching the impact on your own investments. And when emotions run high it can be tempting to make short-term decisions in response, which you could later regret.

You're only human

Research by behavioral psychologists has shown that investors tend to feel the pain of losses more keenly than the pleasure of equal gains. That might lead you to sell in a falling market and make your losses real.

Another very human trait is to do what everyone else is. That might lead you to put money into investments with already high prices, driven up by demand, and that rationally offer little room for further growth.

Taking a step back

Stifling these instincts isn't easy. It's important to take steps to put aside savings for emergencies and short-term needs before deciding to invest, this can help to avoid unnecessarily encashing investments at the wrong time. That's why it can be helpful to have the support of a team of objective, skilled professionals.

If you're invested in a risk-managed or targeted multi-asset fund or a managed portfolio service, for example, the fund managers will keep a close eye on the markets. As market conditions change they will adjust your investment to keep it running in line with the balance of risk and reward you first chose it for.

A financial adviser can help you to see how market fluctuations might affect you based on your goals, your timescales and how much risk you want to take and can afford to take.

Do I need to take action?

Remember, your investment goals and objectives may change so reviewing your portfolio regularly is a good idea. It often pays to ignore short-term noise and uncertainty, stick with it and keep focused on your investment goals. But, of course, there are exceptions. If you're unsure about investing or worried about your investment portfolio, a financial adviser can help you weigh everything up, based on your own personal circumstances, and make the right decisions for you.

Explore the other principles of investing

To cut through the noise and understand the principles of investing, visit our website **here** where you can watch or read about them.

Asset Management

Let's be clear!

Investment terms explained

Asset class: A group of investments with similar traits. shares, bonds, property, cash and alternatives are all examples of asset classes.

Bonds: A bond is a loan issued by a government or a company. When you buy a bond, the issuer promises to pay a certain amount of income until the bond redeems and is repaid by the issuer. The strength of that promise varies by the issuer of the bond. This is known as creditworthiness.

Corporate Bonds: Bonds issued by a company as a way of raising money to invest in their business. They have nominal value which is the amount that will be returned to the investor on a stated future date (the redemption date). These bonds are bought and sold on the market and their price can go up or down.

Diversification: Spreading your money across different investments to help manage risk.

Government Bonds: Bonds issued by governments.

Multi-asset fund: A fund that offers a diversified, mixed asset portfolio.

Property: Property or real estate investment refers to land, buildings or both purchased with the intention of earning a return on the investment either through rental income, the future resale of assets, or both.

Portfolio: a group of investments that are managed together to meet a particular objective.

Shares (often referred to as equities or stocks): In investing, this is a share of ownership in a company. Investing in a fund gives exposure to underlying share prices without investors actually owning the shares themselves.