



BROOKS MACDONALD

# The Importance of Remaining Invested

For clients Novia Global

May 2022



# Introduction

## Ben Chandler

Investment Director



Ben joined Brooks Macdonald in 2017 and has worked in the financial services industry since 1998, initially in fund administration before moving to securities dealing, then onto portfolio management in 2001.

In addition to undertaking day-to-day investment management duties for a number of discretionary clients, Ben is co-head of our Multi Asset Class Strategy Teams and is a voting member of Brooks Macdonald Group's Asset Allocation Committee. Ben is also a voting member of our Direct Equity Strategy Team.

Ben holds the Certificate in Private Client Investment Advice & Management (PCIAM) and is also a Chartered Fellow of the Chartered Institute for Securities & Investment (CISI).

Owns shares in Brooks Macdonald Plc via Employee save as you earn scheme.

Pension assets invested in High Growth GBP MPS

# Introduction

Major geopolitical and macro-economic events – including most recently the coronavirus pandemic and the Russian invasion of Ukraine – can prompt investors to flee financial markets. Whilst de-risking may be suitable from an emotional perspective, history shows this could be a mistake from a financial one.

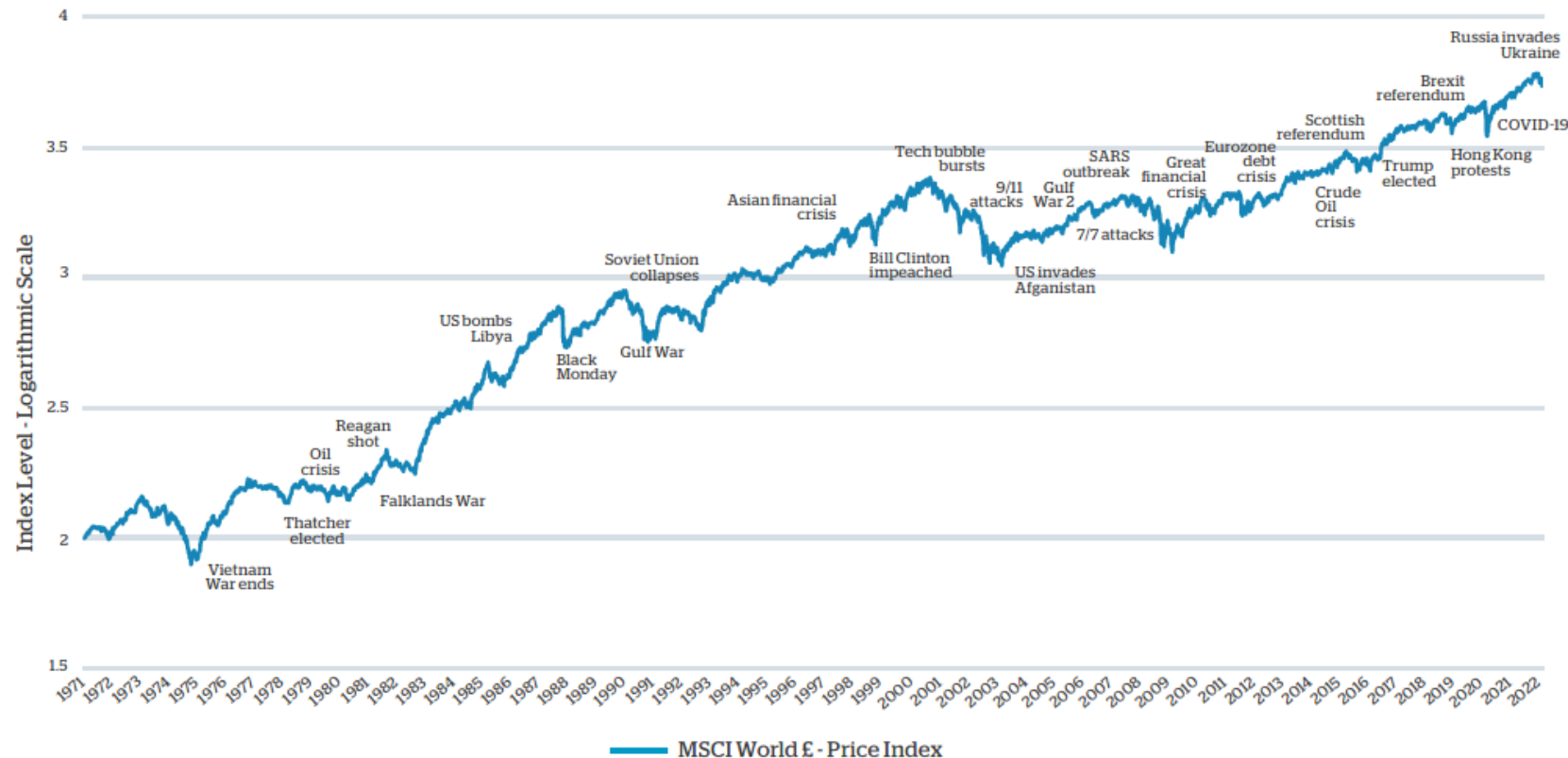
In this presentation, we discuss the importance of taking a long-term view when investing, and how missing the best performing days could have led to a portfolio's significant underperformance.

We will also discuss why seeking the safety of cash during uncertain times may not be the best method for preserving wealth.

# Trying to time the market can seriously damage your investment returns

Amidst periods of heightened volatility, it is understandable that many investors grow concerned about the impact on the value of their investments. But, while sharp declines in markets can naturally be disconcerting, if you want to give your investments the best chance of earning a long-term return, then it's a good idea to practice the art of patience.

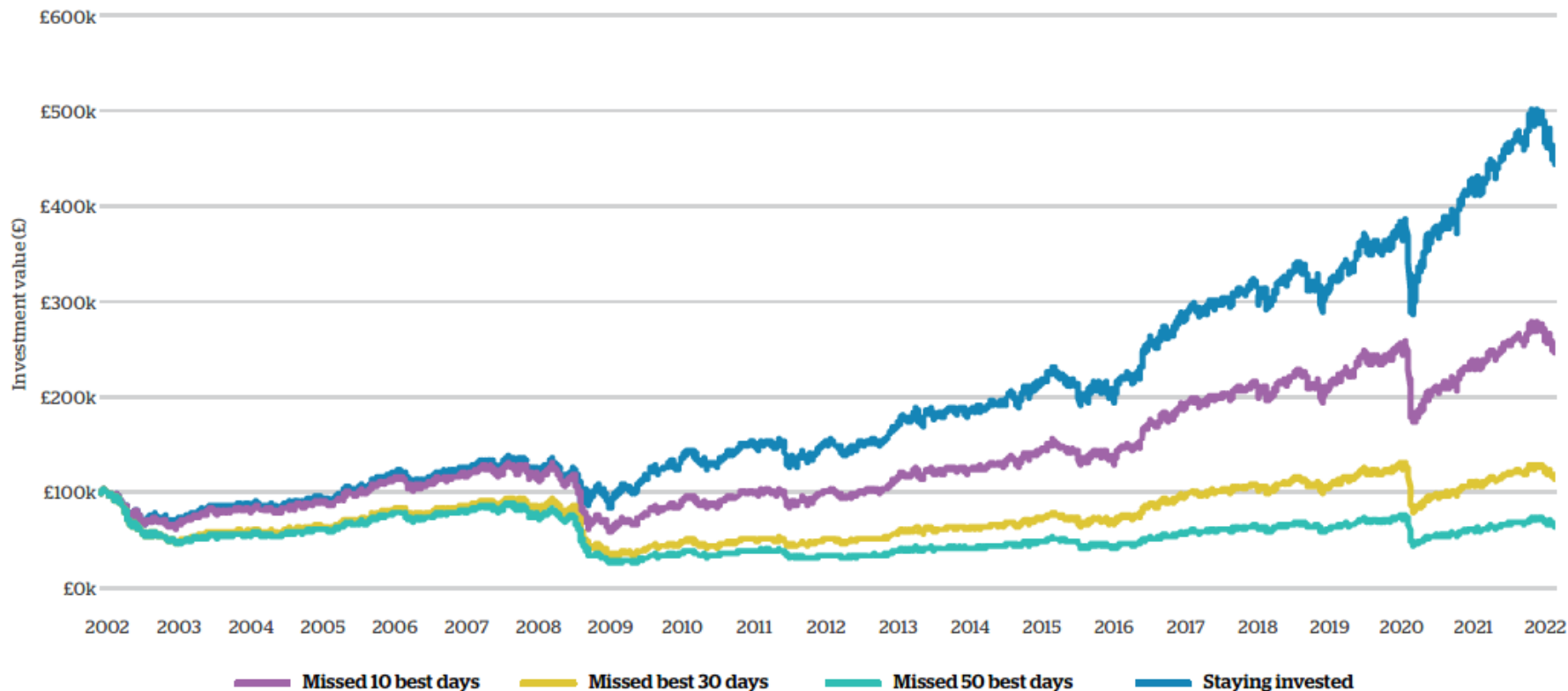
## Events through time



Source: Bloomberg, MSCI World £ Price Index (MSCI: please see important information),  
Logarithmic Scale. 01/01/1971 - 28/02/2022. Past performance is not a reliable indicator of future results.

# The dangers of missing the best performing days

## Timing the market

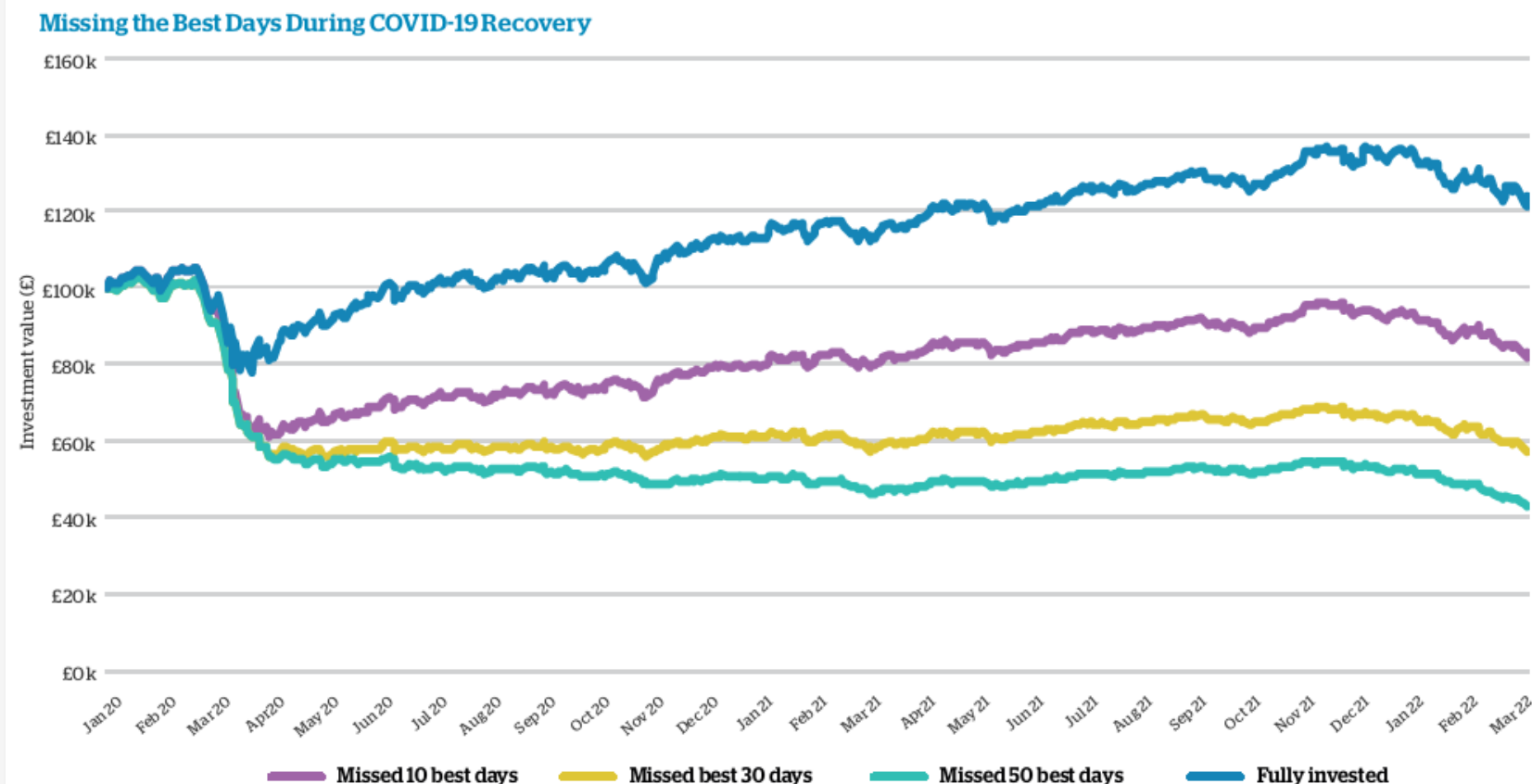


Source: Bloomberg, MSCI World £ TR (MSCI: please see important information), Dates 01/01/2002 to 19/01/2022 Chart shows performance of a £100,000 investment. Past performance is not a reliable indicator of future results.

Despite temptations to switch into cash during difficult times, data shows that missing out on just the 10 best market performing days can have a big impact on long-term returns.

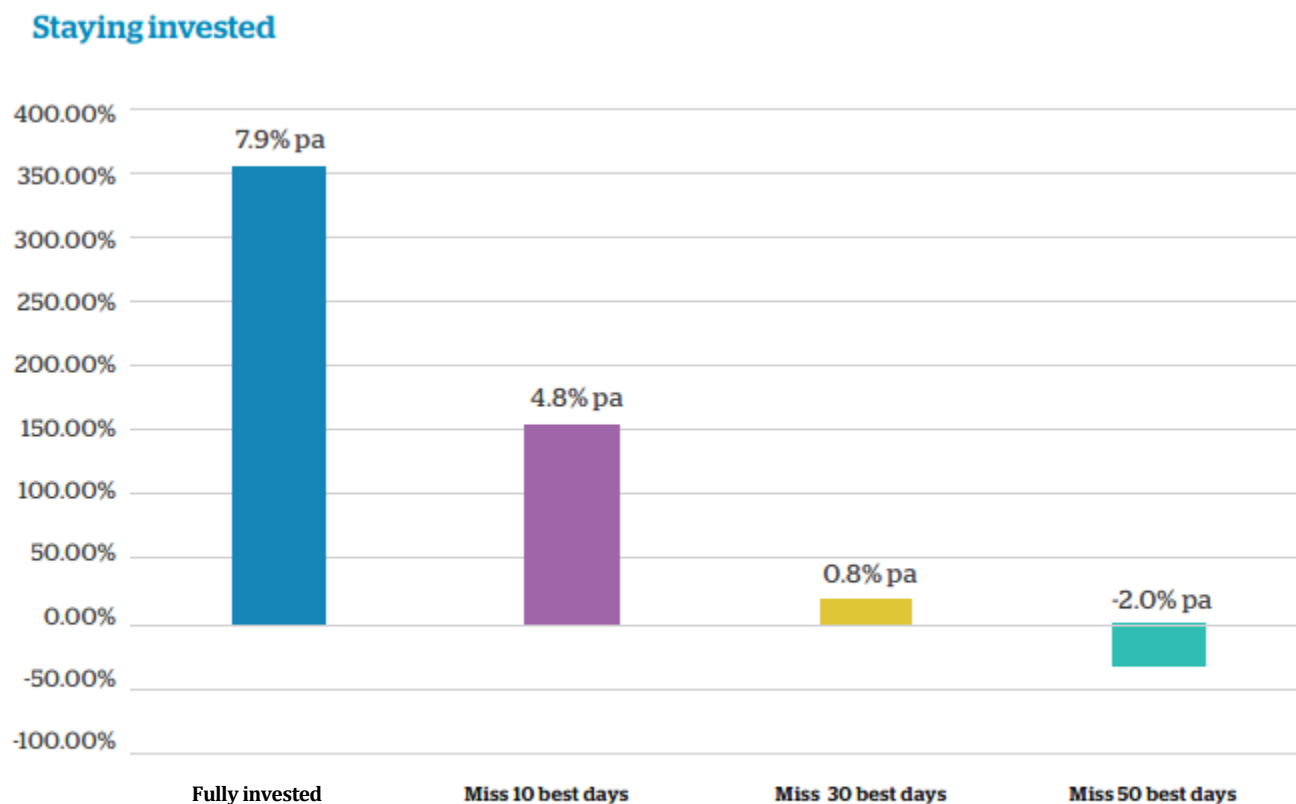
# The dangers of missing the best performing days

20 years may feel like a long time for some clients so here is the impact of missing the best days of the market recovery following the depths of the COVID-19 pandemic.



Source: Bloomberg, MSCI World £ TR (MSCI: please see important information). Dates 01/01/20 to 09/03/22. Rebased to 100 at 01/01/20. Past performance is not a reliable indicator of future results.

# The dangers of missing the best performing days



Source: Bloomberg, MSCI World £ TR (MSCI: please see important information).  
Dates 01/03/02 to 09/03/22.

A different way of delivering the same message, where staying fully invested over the 20-year period generates annualised returns of 7.9%, compared to 0.8% annualised returns if one misses the 30 best days.

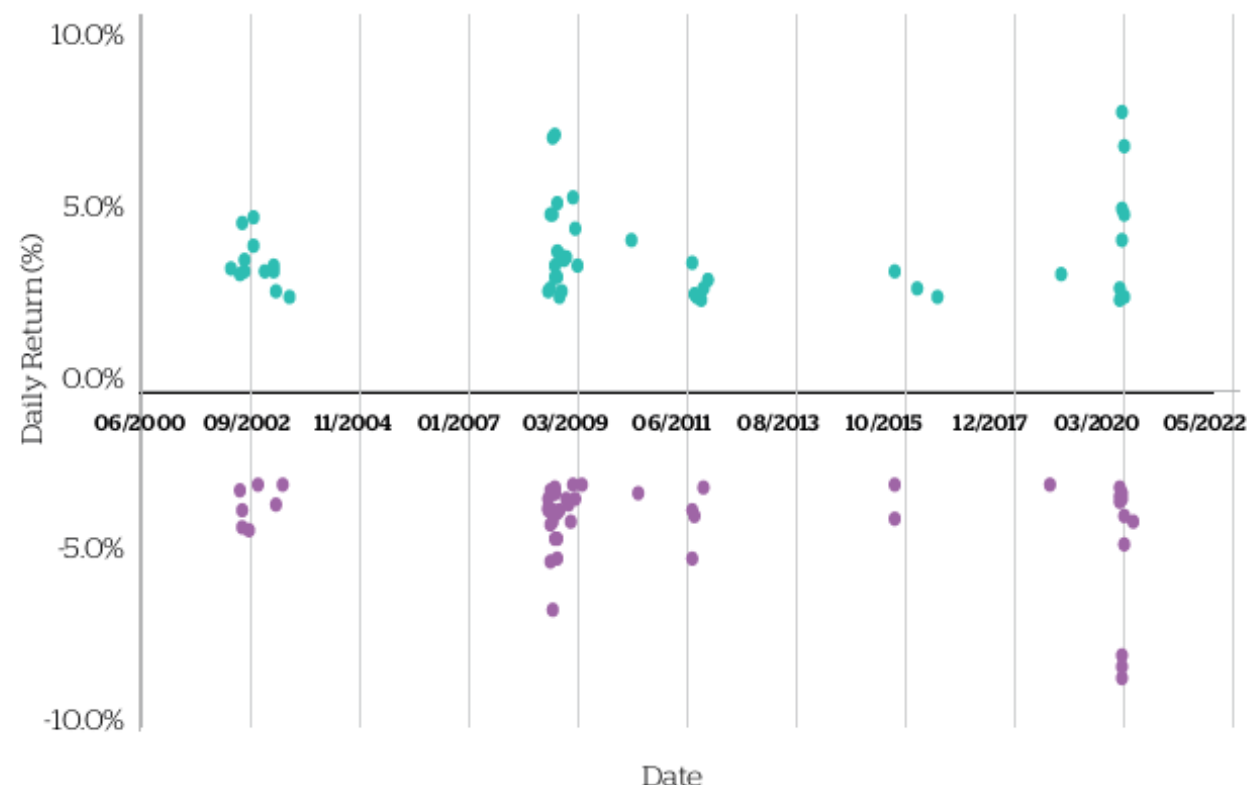


## If you do get your exit right, you may still lose out on the way back in.

One of the most common reasons investors lose money is when they try to time the market, trying to avoid the worst days of the stock market by cashing out and then re-investing when they think the market is going to pick up.

However, as the chart shows, the best and worst days of the stock market cluster. Try to miss the lows and you'll probably miss the highs too.

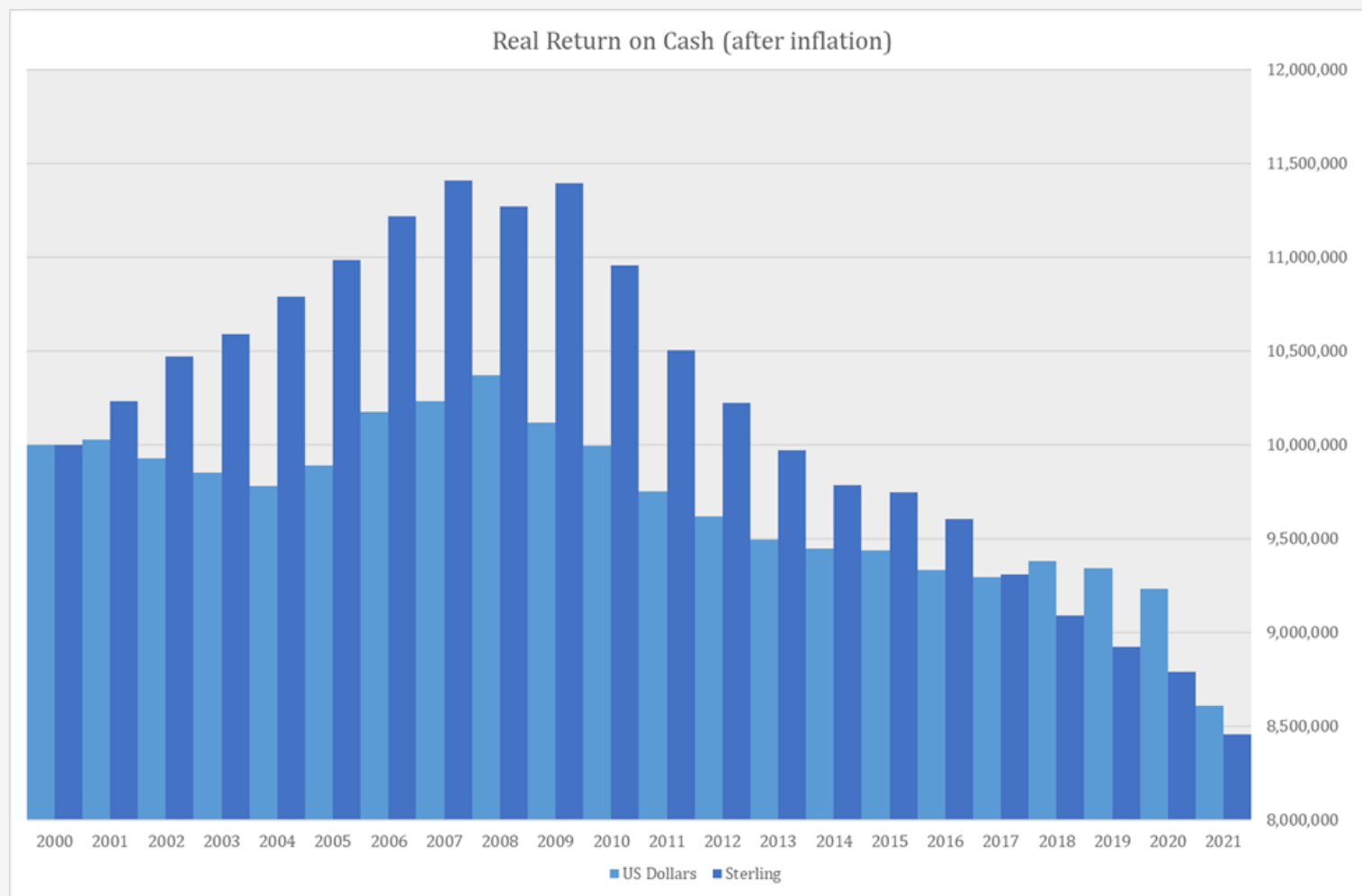
Best and worst days tend to cluster



Source: Bloomberg, MSCI World E TR (MSCI: please see important information), Dates 01/03/02 to 09/03/22. Chart shows **50 worst** and **50 best** days of one-day performance. Past performance is not a reliable indicator of future results.



# Why cash might not be the best solution



Seeking safety in cash may be a solution for the shorter term, but over the longer term, the damaging impact from inflation could seriously damage the real value of the assets.

Whilst an investor who placed £/\$10 million on 3-month deposit at the start of the year 2000 would have achieved a total return before inflation of circa 60%, once inflation is factored the real purchasing power means in real terms the value of the cash is circa £/\$8.5 million.

Source: Bloomberg. Simulated return of 3 month cash rates, minus CPI inflation rate.

# What can be done to protect wealth during volatile times?

It is important to remember that not all types of investment (or 'asset classes') behave in the same way at the same time.

By utilising an actively managed multi asset approach, we expect that clients can achieve the optimal risk adjusted returns over time.

Table 1: performance of different asset classes over time

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Best ↑	Asia ex-Japan Equities 239	Sterling Gilts 167	Global HY bonds 196	US Equities 292	US Equities 198	Japan Equities 159	EM Equities 327	Asia ex-Japan Equities 294	US Equities 076	US Equities 227	Asia ex-Japan Equities 215	Commodities 397
	EM Equities 231	Sterling Corp Bonds 65	UK Property 190	Europe Equities 264	UK Property 161	US Equities 65	US Equities 324	EM Equities 253	Cash 08	DM Equities 227	US Equities 173	US Equities 275
	Commodities 216	Global HY bonds 31	Asia ex-Japan Equities 168	Japan Equities 247	Sterling Gilts 146	UK Property 62	Commodities 304	Europe Equities 170	Sterling Gilts 05	UK Property 224	EM Equities 149	DM Equities 229
	Japan Equities 196	US Equities 19	Europe Equities 160	DM Equities 242	Sterling Corp Bonds 125	DM Equities 48	DM Equities 283	Japan Equities 132	Sterling Corp Bonds -22	UK Equities 183	DM Equities 126	UK Property 208
	US Equities 189	Cash 05	Sterling Corp Bonds 155	UK Equities 206	DM Equities 116	Europe Equities 43	Asia ex-Japan Equities 258	UK Equities 131	DM Equities -31	Europe Equities 182	Japan Equities 112	UK Equities 188
	DM Equities 158	UK Property 01	EM Equities 129	UK Property 121	Asia ex-Japan Equities 114	Sterling Corp Bonds 07	Japan Equities 222	DM Equities 117	Global HY bonds -41	Japan Equities 149	Sterling Corp Bonds 91	Europe Equities 147
	Global HY bonds 148	UK Equities -31	UK Equities 122	Global HY bonds 73	EM Equities 40	Cash 05	Europe Equities 212	US Equities 106	Commodities -71	EM Equities 138	Sterling Gilts 89	Japan Equities 26
	UK Equities 145	DM Equities -50	DM Equities 106	Sterling Corp Bonds 16	Japan Equities 20	Sterling Gilts 05	UK Equities 173	Global HY bonds 104	Japan Equities -76	Asia ex-Japan Equities 136	Global HY bonds 70	Global HY bonds 10
	Sterling Corp Bonds 89	Commodities -78	US Equities 101	Asia ex-Japan Equities 11	Cash 05	UK Equities 01	Global HY bonds 143	UK Property 81	UK Property -78	Global HY bonds 126	Europe Equities 47	Cash 03
	UK Property 88	Japan Equities -139	Japan Equities 33	Cash 05	UK Equities 04	Global HY bonds -27	Sterling Corp Bonds 123	Sterling Corp Bonds 49	Asia ex-Japan Equities -91	Sterling Corp Bonds 110	Cash 01	EM Equities -17
	Sterling Gilts 75	Asia ex-Japan Equities -169	Sterling Gilts 29	Sterling Gilts -42	Global HY bonds 00	Asia ex-Japan Equities -39	Sterling Gilts 107	Sterling Gilts 20	EM Equities -94	Sterling Gilts 71	UK Property -95	Sterling Corp Bonds -33
	Cash 05	Europe Equities -170	Cash 05	EM Equities -45	Europe Equities -27	EM Equities -100	Cash 03	Cash 05	UK Equities -98	Commodities 51	UK Equities -113	Asia ex-Japan Equities -39
Worst ↓	Europe Equities -11	EM Equities -180	Commodities -77	Commodities -69	Commodities -127	Commodities -190	UK Property -30	Commodities -81	Europe Equities -118	Cash 075	Commodities -123	Sterling Gilts -53

Source: Bloomberg, Reuters, MSCI; please see important information. Past performance is not a reliable indicator of future results.

Past performance is not a reliable indicator of future results. Investors may not get back the amount invested.



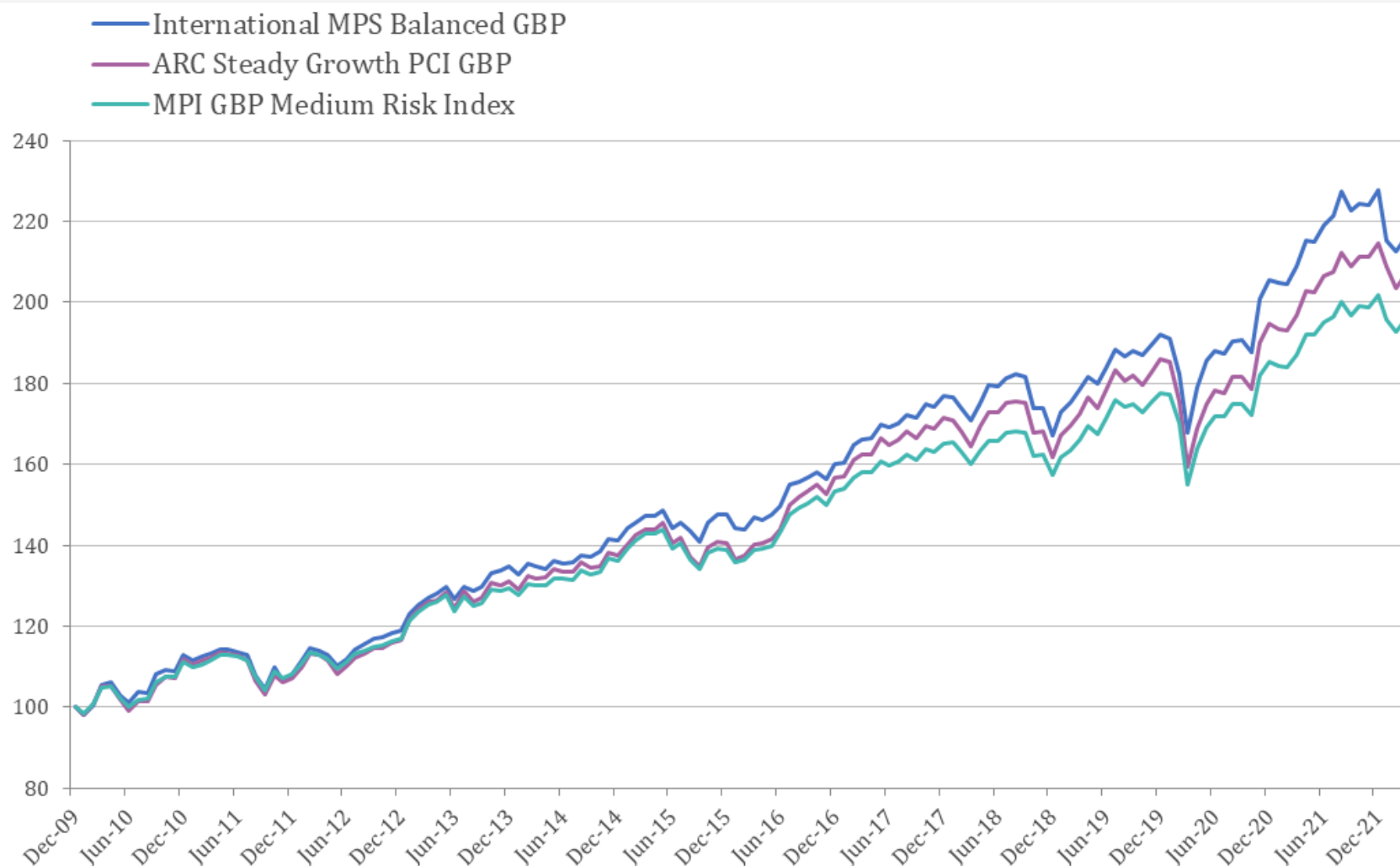
# Performance

The image is a composite. The right side shows a large, colorful hot air balloon with segments of red, orange, and teal, partially inflated against a dark sky. The left side is a blue-tinted overlay showing a hot air balloon basket and the silhouettes of several people on the ground, likely preparing for a launch.

**BM**

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# Cumulative Return – International MPS



Source: Brooks Macdonald/ARC  
PCI/MPI to 31/03/2022  
Performance chart shows the value of  
£100 since 31.12.2009 as MPI data is  
not available prior to this date.



# Performance Snapshot

Trailing performance to 31.03.2022. (%) ****	1M	3M	YTD	1Y	3Y	5Y	Since Launch (Annualised)	Cumulative return
International MPS Balanced GBP	1.58	-5.22	-5.22	3.45	6.52	5.40	7.37	149.01
ARC Steady Growth PCI GBP**	1.60	-3.61	-3.61	5.13	6.23	4.95	6.97	137.41
MPI GBP Medium Risk Index***	1.47	-3.09	-3.09	4.60	5.60	4.38	N/A	N/A

Calendar Year Performance	2021	2020	2019	2018	2017
International MPS Balanced GBP	10.81	7.13	14.90	-5.54	10.57
ARC Steady Growth PCI GBP**	10.24	4.57	14.99	-5.64	9.41
MPI GBP Medium Risk Index***	8.91	4.36	12.85	-4.67	7.73

Source: Brooks Macdonald\*/ARC PCI/MPI to 31/03/2022

\*Managed at the relevant time by DPZ Capital Limited, which merged with Brooks Macdonald on 02.12.2015

\*\* Represents the ARC Steady Growth PCI GBP Index. Benchmarks are provided by Asset Risk Consultants. Returns for the last three months may represent estimates only.

\*\*\* Represents the MPI GBP Medium Risk Index from 01.12.2009. Returns for the last three months may represent estimates only.

\*\*\*\* Data shown is since launch on 01.06.2009.

## Feel free to get in touch



To learn more about our solutions and how to access them via Novia, please contact Matthew Wintour, Head of Adviser Solutions.

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