Friends Provident International

The benefits of staying invested

Market volatility is one of the most reliable things that you can predict. You don't know what prices are going to do next month or next year but one thing that's guaranteed is that prices are going to move around. For long term investors, it is important not to flee the market in a panic, but rather embrace the turmoil as an investment opportunity – you are likely to be better off in the long run.

Research shows that those who sell out at the bottom and then buy back in, say a year later when they feel more comfortable, do much worse than those who stay invested.

It is important to talk to your financial advisor and really stick to your plan. That's what plans are there for. In the short term, markets are going to move around a lot, and it's very important that you take a long-term approach to investing. Typically when there are periods of market volatility or where prices fall, it's often a time to consider adding more to your investments rather than selling them.

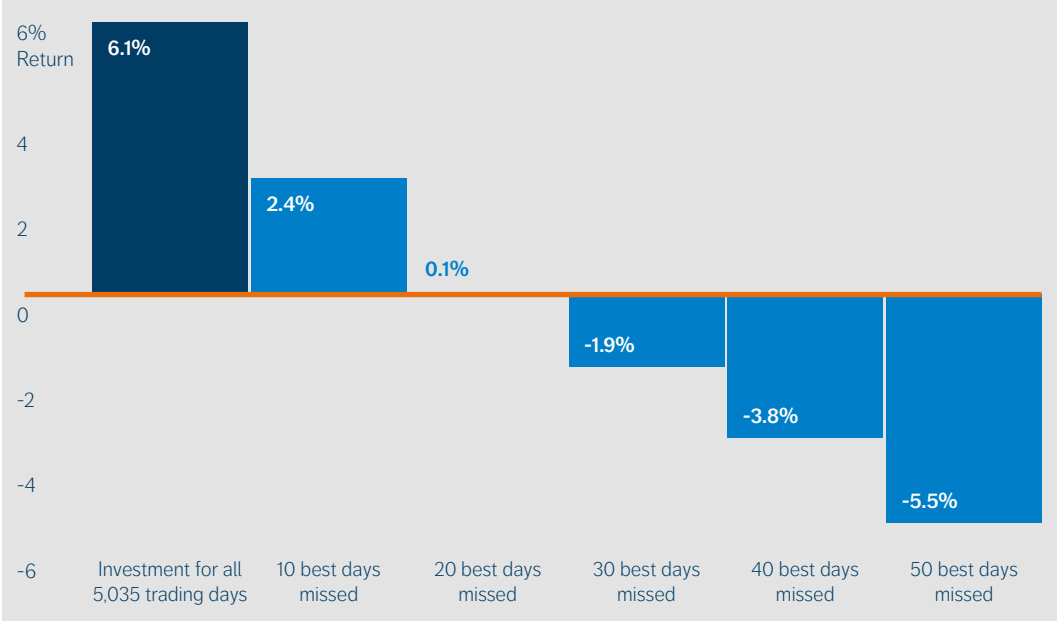
Some key things to remember:

- Selling funds when they are down is rarely the best approach
- Keep faith in funds that you think are worth more than the current price suggests
- Often, staying invested is more beneficial in the long term

We have sourced the following information and data to further explain the benefits of staying invested which can be found on page 2.

The Cost Of Market Timing

Risk of missing the best days in the market: 1999 - 2019

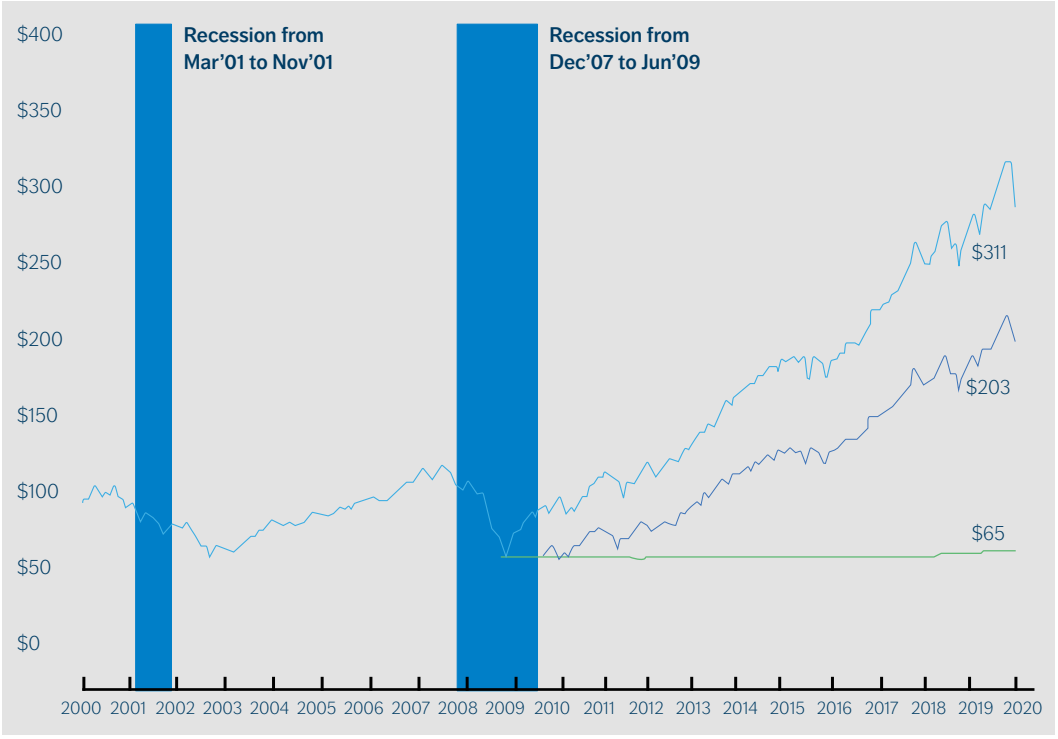


This chart illustrates the risk for an investor in trying to time the market over the short-term. As the chart shows, missing just the ten best days over this period would have cut the annual return substantially. Timing the stock market is extremely difficult; the best policy is usually to stay fully invested over the long term.

Source: Morningstar. Past performance is no guarantee of the future results. This is for illustrative purposes only and not indicative of any investment. The market is represented by the Ibbotson® Large Company Stock Index.

The Importance Of Staying Invested

Ending wealth values after market decline



This chart shows what would have happened to $100 invested in 2000, through the 2008 global financial crisis and up to 2020. By moving into cash to try and "ride out the storm", this investor would have lost out on the market growth following the recession. Even exiting the market for a single year, this investor would potentially have lost $108.

Source: Morningstar. Past performance is no guarantee of the future results. This is for illustrative purposes only and not indicative of any investment. The market is represented by the Morningstar US Market Index. Cash is represented by the 30-day U.S. Treasury bill.

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Regular reviews

Regardless of stock market volatility, it's important to review your investments on a regular basis to ensure they are in keeping with your attitude to risk and future goals. As your personal circumstances can change throughout your lifetime you should review your chosen investment funds yearly to ensure they still meet your needs. The funds you choose to invest in now may not be right for you later in your life.

If you're unsure as to how you should go about reviewing your investment you should speak to your financial adviser.

Finally, it is important to remember that inflation will reduce the spending power of any money you might get back in the future.

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SI_ALL 04.20