

INSIGHT

THE GREATEST WEALTH IS **YOUR PEACE OF MIND...**



BARNETT
RAVENSCROFT
WEALTH MANAGEMENT

What a year!



What a year!

2020 will certainly go down in history as a momentous year, with the tragedy that is Covid-19, the painful global downturn that has ensued, the major curbs on personal freedom and the end of one of the most divisive presidencies in the US, carrying the headlines. What will almost certainly be forgotten as a footnote to the year is the fact that it is looking likely global equities will finish the year slightly up on where they started it.

Yet that is to belie the still raw memory of some of the most severe daily and weekly market falls - and subsequent rapid rises - that investors have ever experienced. Such moments in markets can be discombobulating and, when emotions kick in, can lead to poor decision-making. Being tempted to act on market falls - or the perceived prospect of market falls - is extremely risky and likely to harm your portfolio. Take a look at the chart below that shows the annual return of developed and emerging markets in aggregate (column) and the intra-year fall from that year's market high (dot). 2020 is a good example: the market fell around 25% but is now above its starting point. Likewise for 2016, which saw an awful start to the year and the Brexit vote, yet the markets ended almost 30% up. Just hanging in there resulted in an annualised return of over 11% over this almost 10-year period, which meant that investors doubled their assets every seven years or so. That is a great outcome.

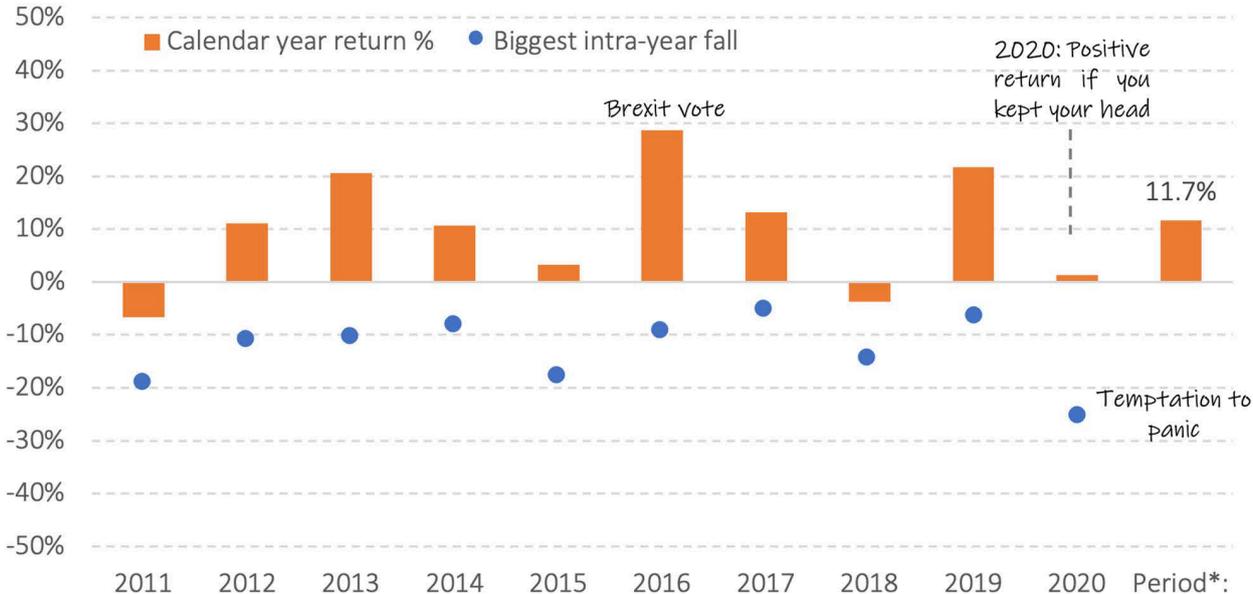


Figure 1: Responding to market falls is not a good idea

Data source: World equities in GBP 1/2011 to 11/2020. Morningstar Direct © Copyright 2020. All rights reserved.

Actively managed 'absolute return' funds, which promise positive returns above cash over two to three-year horizons demonstrate how difficult second-guessing markets is. The recent Financial Times headline¹ 'Absolute return funds on course for worst ever annual outflows' says it all. Some funds lost more than 10% this year.

So, when you look back on 2020, just leave your thoughts about the markets in the footnote where it belongs. Many other things were far more important. Let's hope 2021 brings more joy.

End notes

1. <https://www.ft.com/content/5fc597bf-f590-42ad-a8b8-3c97ab1bcdd9> December 6, 2020

Other notes and risk warnings

Use of Morningstar Direct® data

© Morningstar 2020. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied, adapted or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past financial performance is no guarantee of future results.

Risk warnings

This article is distributed for educational purposes only and must not be considered to be investment advice or an offer of any security for sale. The reference to any products is made only to make educational points and must, in no circumstances, be deemed to be any form of product recommendation.

This article contains the opinions of the author but not necessarily the Firm and does not represent a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable but is not guaranteed.

Past performance is not indicative of future results and no representation is made that the stated results will be replicated.

Errors and omissions excepted.

Barnett Ravenscroft Wealth Management is a trading name of Barnett Ravenscroft Financial Services Ltd which is authorised and regulated in the United Kingdom by the Financial Conduct Authority FRN: 225634 and registered in England and Wales under Company No. 04013532.

The registered office address of the Firm is 13 Portland Road, Edgbaston, Birmingham, B16 9HN

INSIGHT
What a year!



**BARNETT
RAVENSCROFT**
WEALTH MANAGEMENT

Barnett Ravenscroft Wealth Management
13 Portland Road
Edgbaston
Birmingham
B16 9HN
UK

Tel: +44 (0)121 454 0910
Fax: +44 (0)121 410 5619
Email: info@brwm.co.uk
Web: www.brwm.co.uk