



Market Volatility – 7th November 2008

As an investor, you understand that different asset classes and industry sectors are liable to turn against you from time to time. Despite equities' long-term potential, both the meltdown of the 'dot.com' boom and the credit crunch fallout demonstrate that short-term, things are much less certain. Similarly, bonds - although viewed as medium to lower-risk investments, particularly when economic growth is on the wane, if you were exposed to credit markets when the crunch first hit, in 2007 you are no doubt also suffering now.

Many investors, faced with such downturns, tend to panic. They see only the short-term loss on their portfolio balance sheet and forget their reasons for investing. Sadly, this is the worst thing they can do – and it is why planning at the outset of any investment is worth every minute spent. If you know why you are investing and understand fully what risks are involved, market downturns should never have such an impact. If you are far-sighted and have a degree of nerve, they can even be an opportunity. Such downturns can be wide-ranging and indiscriminate; meaning the share prices of high-quality companies can suffer alongside lower-quality peers.

This gives canny investors the opportunity to add to their portfolio at bargain prices. However, for most, the best strategy is simply to protect yourself whilst the market settles down. Nothing in a portfolio is more valuable than the time you spend achieving balance, diversification and cementing that long-term objective.