

Navigating market uncertainty

How to build long-term wealth with a tailored strategy

Market volatility is an unavoidable aspect of investing. Geopolitical events, such as the invasion of Ukraine, trade wars, inflationary pressures and alterations in interest rates, are among the numerous factors that lead to market fluctuations, sometimes significantly. When markets change, especially during rapid declines, it can be challenging not to react. Nevertheless, history shows that you are more likely to reach your long-term investment goals if you have a strategy and stick to it across all market conditions.

This may sound simple, but investors have faced significant tests in recent times. Deviating from a carefully considered plan can have far-reaching consequences. It can transform a temporary loss of confidence into a realised loss within an investment portfolio.

President Trump's recent tariff announcements illustrate how a single geopolitical decision can unsettle global markets. Coupled with ongoing uncertainties, such as the enduring effects of the Ukraine conflict, these developments underscore the necessity for a structured investment approach.

Here we explain how to mitigate the impact of market turbulence while maintaining your long-term goals on track.

MAINTAIN DISCIPLINE

Making dramatic changes to your portfolio in response to sudden market movements can often do more harm than good. Emotional reactions, such as withdrawing from the market after a

significant drop, risk locking in losses. A disciplined investor recognises that short-term volatility is not an indicator of long-term performance. Staying the course and adhering to a well-researched investment strategy is essential for weathering these temporary storms.

Over the years, history has demonstrated that markets tend to recover following downturns. For example, in the aftermath of global financial crises, disciplined investors who remained steadfast often enjoyed significant recovery gains. Remember, impulsive decisions made from fear or speculation can undermine the progress of even the most considered investment plan.

DIVERSIFY YOUR PORTFOLIO

Diversification remains the golden rule of investing. By spreading your investments across various asset classes, such as equities, bonds and property, as well as across different industries and regions, you can reduce the overall risk exposure of your portfolio.

The ripple effects of tariff disputes between the US and other countries illustrate this principle. Investors with portfolios heavily concentrated in affected markets faced disproportionate losses, while those with diversified holdings performed better. A well-balanced portfolio is better equipped to endure specific market shocks and provide stable, long-term results.

REGULARLY REBALANCE

It's not uncommon for market fluctuations to cause shifts in the balance of your investment portfolio. Over time, the original mix of asset allocations may change due to varying rates of return, potentially increasing your exposure to risk or diverging from your investment goals.

Rebalancing ensures that your portfolio remains aligned with its intended risk and return profile. For example, following a strong market rally for equities, an investor might reduce their holdings in stocks and reallocate some of those gains to

bonds or other more stable investments. Regularly reviewing and fine-tuning your asset allocation is essential for staying on track.

USE TIME TO YOUR ADVANTAGE

Successful investing thrives on time, and beginning as early as possible remains one of the most powerful strategies for building wealth. The earlier you start, the longer your investments have to grow, and the more opportunities you create for generating returns. Time in the market enables you to withstand short-term fluctuations while benefiting from the consistent upward trajectory that many financial markets historically deliver.

An early start also provides you with the flexibility to undertake calculated risks, as you have a longer time horizon to recover from any potential downturns. One of the key contributors to long-term investing success is the effect of compounding, which generates returns not solely on your initial investment but also on the earnings your portfolio accumulates over time. The earlier you begin, the greater the cumulative effect compounding can produce.

INVEST REGULARLY

Consistency is crucial. Investing a fixed amount at regular intervals, irrespective of market conditions, is a strategy known as pound-cost averaging. This approach can help to mitigate the effects of market volatility by distributing your investment over time.

During market downturns, for example, this strategy enables you to acquire more shares for the same amount of money, potentially enhancing your returns during a recovery. It's a straightforward yet powerful method of remaining committed to your investment plan and avoiding attempting to time the market, which is notoriously difficult even for seasoned professionals. ■

WANT TO SPEAK TO US ABOUT YOUR INVESTMENT NEEDS?

Whether you are an experienced investor or just starting out, having a strategy tailored to your needs is vital for navigating market uncertainty. We can help you create a customised investment plan designed to assist you in achieving your financial goals. Contact us today to discuss your requirements or learn more about how we can assist you in navigating the complexities of the investment landscape. Together, we can make your money work smarter for you.

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