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Markets, your investments and taking a long-term view

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"Successful investing is not about timing the market but rather, spending time in the market."

Darren Ripton
Head of Investment

Aberdeen MPS' Darren Ripton highlights the importance of taking a long-term approach to investing compared with the impact of making impulsive decisions because of short-term market volatility.

Global markets have been a sight for sore eyes recently as the tariffs introduced by US President Trump have left investors worried that the steep trade barriers could increase the chances of a recession.

With tariff news set to continue to dominate the headlines over the coming weeks, it's easy to get swept up in the noise. While no-one can predict how this situation will evolve, it serves as an opportunity to get back to basics.

The old adage: time in the market vs. timing the market

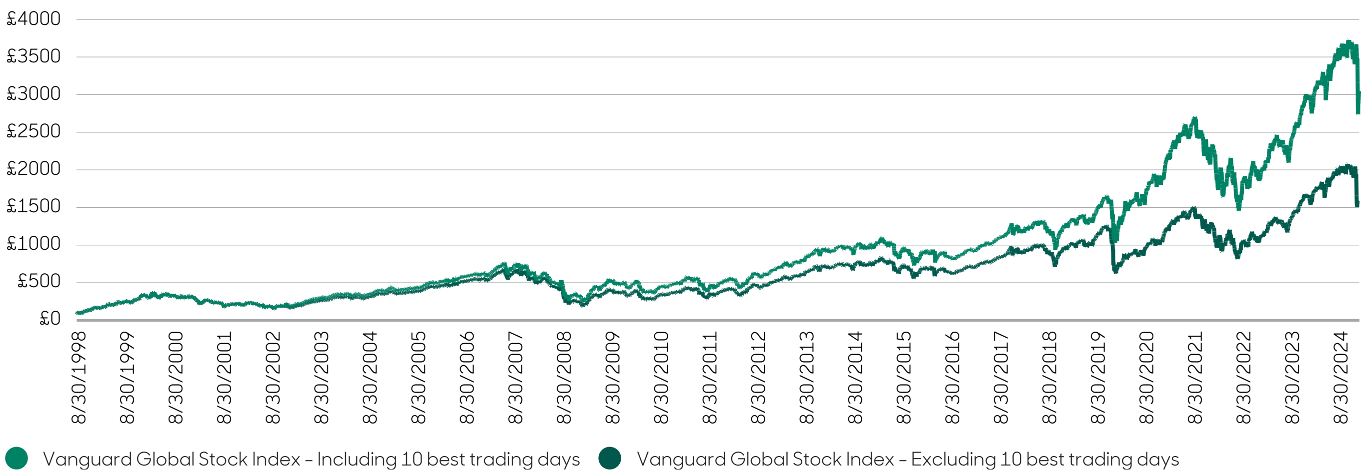
Successful investing is not about timing the market but rather, spending time in the market. Trying to predict market movements and making short-term trades can be risky and often counterproductive. History has shown that missing just a few of the market's best days can significantly impact long-term returns.

Take the performance of the Vanguard Global Stock Index fund over the past 30 years as an example of global equity returns if you'd invested £100. Over this period, there have been many boom and bust cycles, including the tech boom and bust, the financial crisis, the Eurozone crisis, the Covid pandemic, the Russia/Ukraine conflict and more recently, the market trepidation following President Trump's announced trade tariffs on 'Liberation Day'.

Despite these market events, the chart below demonstrates that missing just the 10 best trading days over that period would have significantly impacted returns. In this case, the initial £100 invested would be worth nearly £1,600 – a return of about 1,500%. However, if the 10 best trading days are included, the original £100 would be worth nearly £3,050 – a more than 90% increase in return.

This approach isn't particularly clever or complicated; it's simply about benefiting from the compounding effect, which is a key feature of all investing. It's essential therefore to stay invested and avoid making impulsive decisions based on short-term volatility. As Albert Einstein famously said, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."

£100 invested in the Vanguard Global Stock Index (30 August 1998 – 15 April 2025)



Source: Bloomberg. For illustrative purposes only. No assumptions regarding future performance should be made. Data as at 15 April 2025.

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Slow and steady wins the race

As told in Aesop's Fable, The Hare and the Tortoise, you can be more successful by being slow and steady than quick and careless. When it comes to investing, slow and steady is usually more likely to win the race. In other words, the longer you're invested, the more likely you are to reap the rewards.

Markets have experienced plenty of falls and crashes, as well as rises and bubbles. The main takeaway, however, is that over the long term, markets have shown a remarkable ability to recover and grow.

Back to basics

At times like these, it's important to focus on the fundamentals:

- **Maintaining a diversified portfolio:** Nobel Prize-winning economist Harry Markowitz once famously claimed that "portfolio diversification is the only free lunch in investing". Spreading your investments across a range of different asset classes and sectors minimises the portfolio's dependence on any single market, which should help to smooth returns out. However, diversification isn't just about managing risk, it's also about return too, spreading your investments means your portfolio is opened up to a world of opportunities that could otherwise be overlooked.
- **Investing in quality assets:** Within the MPS solutions, our extensive research capabilities result in having defined criteria for selecting best of breed funds, that exhibit consistent and focused investment philosophies and processes, giving them the best chances of outperforming their chosen benchmark over the long term.

Keeping our eye on the ball

While market fluctuations can be unsettling, it's important to remain focused on the long term. Our MPS solution benefit from a diversified approach, designed to provide strong risk adjusted returns over the medium to long term. As part of our robust investment approach, we review the portfolios on an ongoing basis to ensure they are performing as expected. We are committed to long-term investing, focused on delivering resilient portfolios positioned to benefit from the ever-changing world we live in.

The value of investments can go down as well as up and your clients could get back less than they paid in.

Past performance does not predict future returns. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.

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