Positive Wealth Creation Ltd

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Positive Wealth Creation Ltd is authorised & regulated by the Financial Conduct Authority: 481182.

An update on current market conditions:

- 2018 was a volatile year, quarter four particularly so. Whilst in the UK it is easy to blame Brexit for uncertainty, our view is that markets are being led by macroeconomic conditions in the USA. Donald Trump's loose fiscal policy means that it might be necessary for the US Federal Reserve to pursue a tighter than expected monetary policy, meaning greater rises in US interest rates to combat inflation, reducing consumer and business spending and hence corporate profits. In addition, threats of trade wars do not help.
- The FTSE 100 index of leading UK Shares fell by 13% from the end of January to the end of March, recovered to an all time high by 22 May and has headed downward again so that it is around 10% below that all time high at the time of writing.
- In the UK, the gentle rise in interest rates, which is expected to continue modestly, coupled with above target inflation is a difficult environment for fixed interest securities, which are gilts for Government Debt and corporate bonds for Company Debt.
- *These conditions will be reflected in the next statements you receive from your investment providers or when you log in to check.*

Why most people <u>do not need to take action</u>:

- JP Morgan has published data from the beginning of 1995 to the end of 2014 and Yahoo Finance from the beginning of 1998 to the end of 2017 (i.e. Including the financial crisis and the dotcom bubble) which shows the effect of short term volatility.
- The effect of missing out on the **ten best days** in the market is that **returns are halved**. Missing the best twenty days in the market halves returns again.
- **In particular, JP Morgan found that six of the best days in the market occurred within two weeks of the ten worst days.**
- Therefore, consistently timing the market whether out or in is incredibly difficult. Nobel Laureate William Sharpe found that 'market timers' must be right **82%** of the time to match the return realised by long term investors.
- This underpins our belief that investments should be held for the medium to long-term. Since 1899 the UK stockmarket has outperformed cash in 75% of five year periods and 90% of ten year periods.
- Therefore, it is not advisable generally to alter a diversified portfolio because of short term volatility. Diversification across asset classes within your portfolio means you are highly unlikely to be fully invested in shares. This means that headline media falls are unlikely to be the falls experienced within your portfolio.

Who needs to take action, and if so, what action:

- **Investment risk** refers to the range of possible returns, with the greater risk taken leading to the greater range of returns both positive and negative. If you feel your risk tolerance might have changed, or you want us to check the ongoing suitability of your portfolio based on your risk tolerance, please ask us for a **fresh Risk Profile Questionnaire.**
- If you a short-term investor, which means you are **approaching taking benefits from your pension, or have a known or emerging need to take a capital withdrawal** from your investments or pensions, you need to contact us so we can assess your options.
- If you take **fixed regular withdrawals** from your accounts, sharp market movements are to be avoided and in time it might be necessary to review the ongoing sustainability of these payments.

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