INVESTING THROUGH VOLATILE TIMES – RIDING THE TURBULENT SEAS OF FORTUNE

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Anyone who reads the papers knows that the world's economies are going through a prolonged spell of volatility. It's natural at these times for some investors to get twitchy, which only serves to make the situation even less predictable.

The truth is that share prices invariably rise and fall but, for the long-term investor, this shouldn't need to be the primary concern. Historically, long-term performance tends to even things out and there are even good reasons to see opportunity where less savvy investors are seeing only gloom.

The world of investing is overflowing with metaphors, adages and fables, so here are our top seven principles for keeping your head when all about you are losing theirs.

SEVEN PRINCIPLES OF INVESTING

1

HAVE A PLAN AND STICK TO IT

It's one thing to have a target, but a sound financial plan can be the difference between simply hoping for the best and actually achieving your goals.

It helps you to stay focused on your long-term aims without being distracted by short-term market changes.

The best way to formulate your plan and ensure it stays on track is with a professional financial adviser. They will talk to you about what you want to achieve for you and your family, your current situation and your attitude to risk versus potential rewards. As well as tailoring a plan specifically to you, they can monitor its progress and recommend ways to keep it on course.

2

DON'T KEEP ALL YOUR EGGS IN ONE BASKET

Probably the most common cliché in the world of investments, and it still holds true.

If you have invested all your money in one type of asset or a single region you are exposed to the risk of a downturn in that market hitting you very hard.

By spreading your investments across different regions and a range of different asset types (for example shares, bonds, property and cash), the result should be a lower level of overall risk, while still enjoying exposure to potentially inflation-beating returns.

3

ALWAYS CONSIDER YOUR INVESTMENTS AS A WHOLE

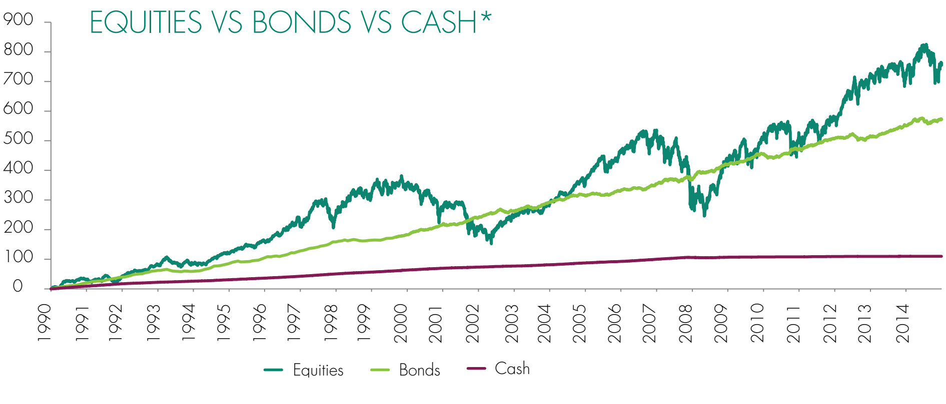
When markets are fluctuating wildly it's all too easy to worry too much about the performance of certain investments while forgetting about the bigger picture.

One tree with stunted growth doesn't necessarily mean the rest of the wood isn't thriving.

Similarly, when one asset class is performing poorly others may be flourishing. Remember to trust your diversified portfolio to iron out the ups and downs and keep your eye on the long term rather than worrying unduly about the short term.

Volatility means prices of various investment types are fluctuating up and down. Some assets, such as equities, tend to be more volatile than others over the short term. Bonds tend to be less volatile while cash is comparatively steady.

However, as the chart shows, over the longer term the less volatile investments tend to be less profitable.



*Source: FE Analytics. Total return, percentage growth, bid-to-bid, over period 01/11/1990 -31/10/2015. Equities represented by FTSE All Share; Bonds represented by Barclays Global Aggregate Hedged GBP; and Cash represented by IA Money Market.

Past performance is not a guide to the future.

4

IT'S TIME IN THE MARKET THAT COUNTS, NOT TIMING THE MARKET

Many people believe that knowing when to buy and when to sell is the secret of successful investing.

The truth is that no one knows with certainty when markets will rise or fall. Trying to time the market is not only stressful, it is very seldom successful. It's far better to use time to your advantage. The sooner you can start investing, and the longer you can invest, the more likely you are to have the potential for healthy returns, regardless of short-term blips.

5

NO RISK, NO REWARD

When markets are volatile it's a big temptation to put all your investments in the relative safety of cash.

It may seem like a safe bet. However, as they say, a ship is safe in harbour, but that is not what ships are for.

Low risk usually leads to lower returns. Every investor does need at least some part of their funds in liquid investments in case of an emergency. But for anyone with longer term investment plans it needs to be supplemented with investments in other asset classes that offer better capital growth potential.

6

BY INVESTING REGULARLY YOU GENERALLY GET BETTER RESULTS

Research all over the world has proven that investors tend to join late in a rising market, and then achieve disappointing results when the market falls.

By contrast, when the market falls, investors stay out of the market, which means very few people are still buying at the market's lowest levels. If you are in the market with the aim of building your long-term wealth, it's better to disregard short-term performance fluctuations and to focus on your long-term goals. The wise investor continues to invest through dips in the market, knowing that the cheaper shares become, the greater the potential gain is likely when the market recovers.

7

TAKE ADVANTAGE OF ADVICE

Every single investor's needs are different and, while the points above are good general tips, there's no substitute for a plan that's tailored specifically for you.

The role of a financial adviser is to get to know you and your attitude to risk versus reward; and then to navigate you through your investment journey.

What's more, in turbulent times, advice helps you take the emotion out of investing and provides an objective view. It may just be the best investment you ever make.

Past performance is not a guide to the future.

Your investments may fall as well as rise in value and you may not get back what they put in.

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SK12824/216-0702/June 2016