Key messages in volatile times

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Volatility is a normal part of long-term investing

1

- Market volatility is an inevitable and inherent part of investing
- It is the result of investors (over)reacting to economic, political and corporate change
- Mindset is key - when we are prepared at the outset for episodes of volatility, we are more likely to react rationally and remain focused on our long-term goals

"Unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market."

- Warren Buffett

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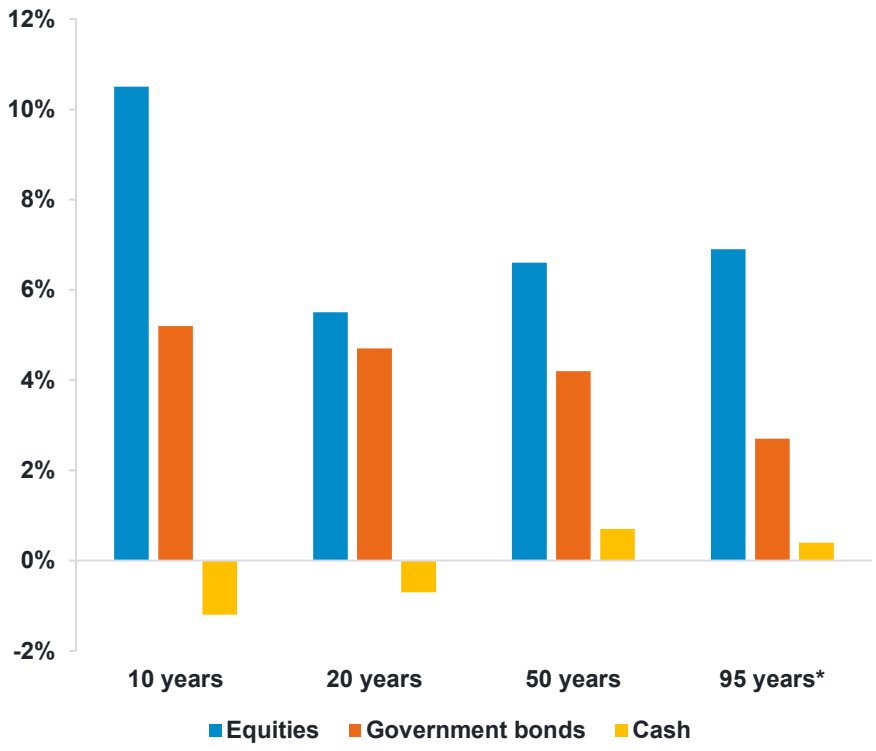
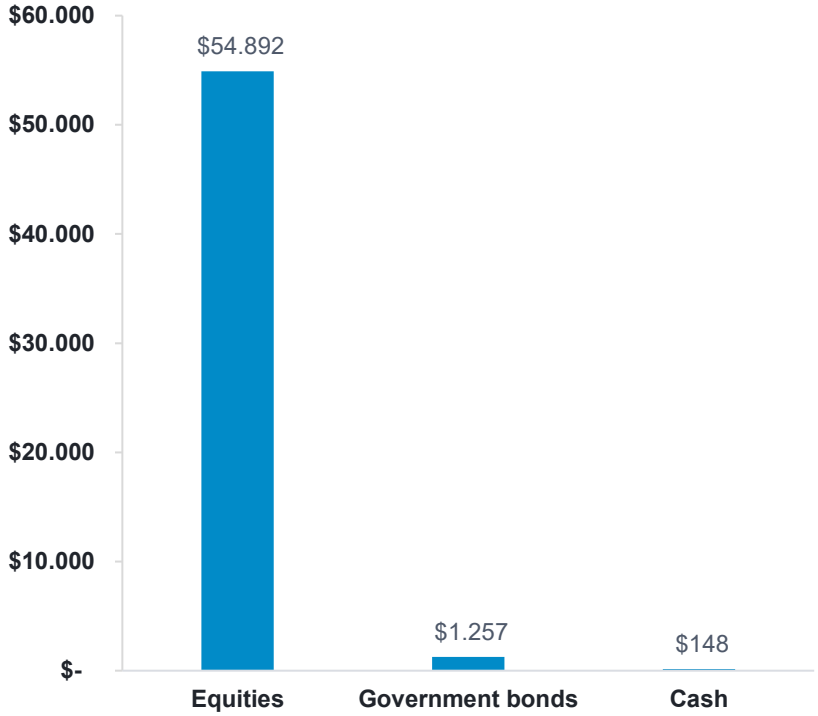
Over the long term, equity risk is usually rewarded

2

Real investment returns by asset class (% per annum) - US



Value of $100 invested at the end of 1925 (as at end 2020) with income reinvested gross - US



* Entire sample. Source: Barclays Equity Gilt Study 2021

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Market corrections can create attractive opportunities

3

Stock market losses are often followed by rebounds to new highs

How emotions can lead you astray

Source: Refinitiv, February 2022

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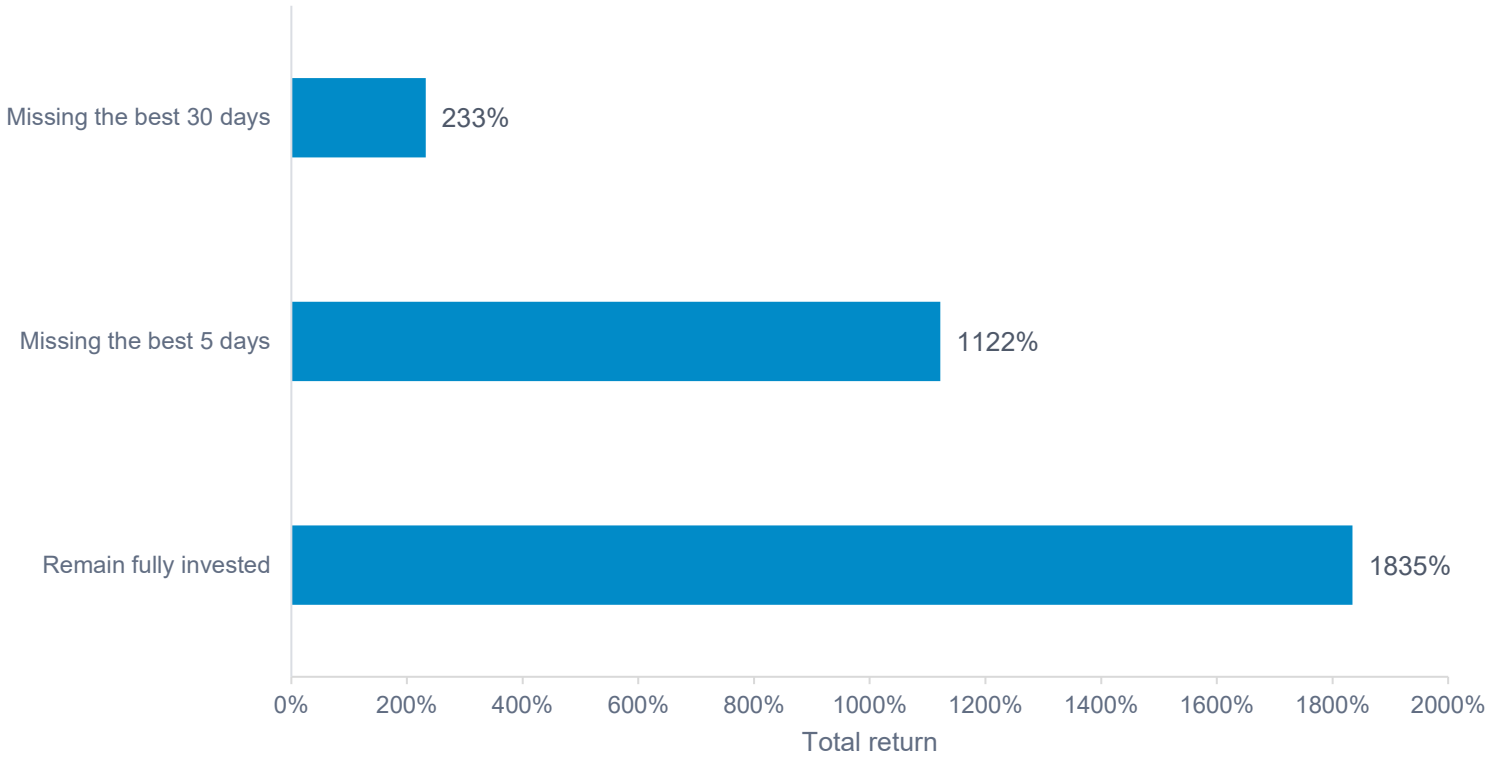
Avoid stopping and starting investments

4

Impact of missing the best 5 and 30 days in the S&P 500 (1993 – 2021)*, US$



Missing the best days in the market can really impact longer term returns

Source: Datastream, Fidelity International, February 2022.*Total return data from 31/12/1992 – 31/12/2021

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Avoid stopping and starting investments

4

The impact of missing the five or 30 best-performing days over the long term*

31/12/1992 to 31/12/2021	Total return for the entire period	Total return minus five best-performing days	Total return minus 30 best-performing days
CAC 40	838%	485%	35%
DAX	928%	528%	44%
FTSE 100	631%	379%	53%
Hang Seng	1035%	485%	10%
Nikkei 225	70%	8%	-75%
S&P 500	1835%	1122%	233%
ASX 200	1446%	1052%	311%

Source: Refinitiv, Fidelity International, February 2021 *Period of analysis: 31/12/1992 – 31/12/2021. All calculations use local currency total returns, except for the Nikkei 225, for which the calculations are based on the price index

What the Experts Say

Investing in stock markets can be a challenging yet rewarding venture requiring strong research skills, a rational, dispassionate mind-set, a long-term horizon, and patience.

"Everyone has the brainpower to make money in stocks. Not everyone has the stomach. If you are susceptible to selling everything in a panic, you ought to avoid stocks and mutual funds altogether."

- Peter Lynch, Fidelity

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

- Peter Lynch, Fidelity

Volatility: looking through the noise

10 things to remember when volatility strikes

1. Volatility is a normal part of investing
2. Long-term investors are usually rewarded for taking equity risk
3. Market corrections can create attractive opportunities
4. Avoid stopping and starting investments
5. The benefits of regular investing stack up
6. Diversification of investments helps to smooth returns
7. A focus on income increases total returns
8. Investing in quality stocks delivers in the long run
9. Don’t be swayed by sweeping sentiment
10. Active investment can be a very successful strategy

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