



ST. JAMES'S PLACE
WEALTH MANAGEMENT

INVESTMENTS

WHY
INVEST
NOW?

Long-term investors have time and history on their side

“Perpetual pessimism is an easy way to simulate wisdom in stock markets, but as the world tends to get wealthier with every invention and improvement in efficiency, opting out of shares and share-based investments is not an obvious way to make money.”

Ian Cowie, Daily Telegraph, 26 Jan 2008

Companies exist to make a profit. Buying shares in those companies gives them the investment to develop or provide a product or service and sell it for a profit. The increase in share price and the dividend paid are the potential rewards to the investor.

Improvements in technology, medicine, science, communications and so on continue to make our lives longer and better quality and make the world a richer place. Those improvements are unlikely to stop. If investors believe otherwise and they can't remain invested for 5 years or more, then the stock market is not the right place for them to invest.

As figures from Barclays Capital show, over 100 years worth of history confirms the long-term track record of equities in delivering superior returns to other assets such as cash and bonds. The average annual return (after inflation) from equities is 5.3%, compared to 1.1% for gilts and 1.0% for cash. And remember, of course, that this period covers world events far more significant than the current economic difficulties.

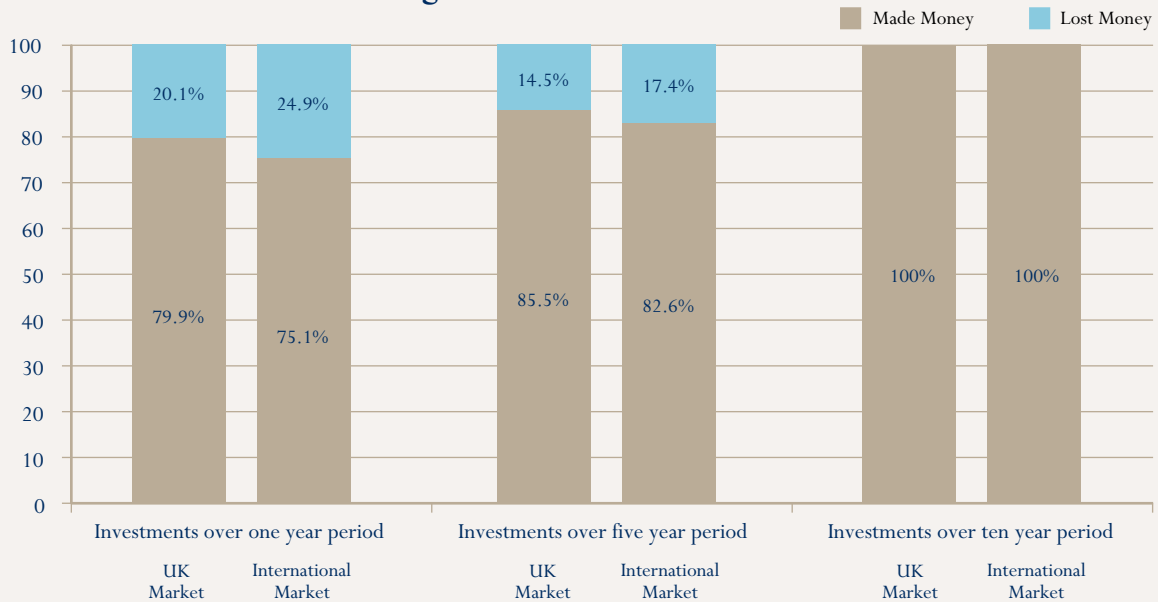
However, because stock markets tend to be volatile in the short-term it is vital that investors are prepared to commit for the medium to long-term. Figures from Barclays Capital confirm that between 1899 and 2007, if you had invested in equities for periods of just two consecutive years then the probability of shares beating deposits was only 67%. If you had remained invested for 10 years the probability rose to 93%.



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Similarly, Fidelity’s research shows that over the last 25 years, which contains 181 possible ten-year monthly start points, investors taking a ten year view would never have made an overall loss on a UK or global portfolio. In contrast, investors taking a short-term view would have run a much higher risk of their investment losing money.

The stock market rewards the long-term investor



Source: Fidelity’s research 1.06.83 to 2.06.08. Morningstar, FTSE-A All Share Index with net income reinvested and MSCI World Index-£ with net income reinvested. Basis: bid-bid net of UK basic rate tax. Cumulative returns over 1, 5 and 10 years on all eligible time periods at one month start intervals.

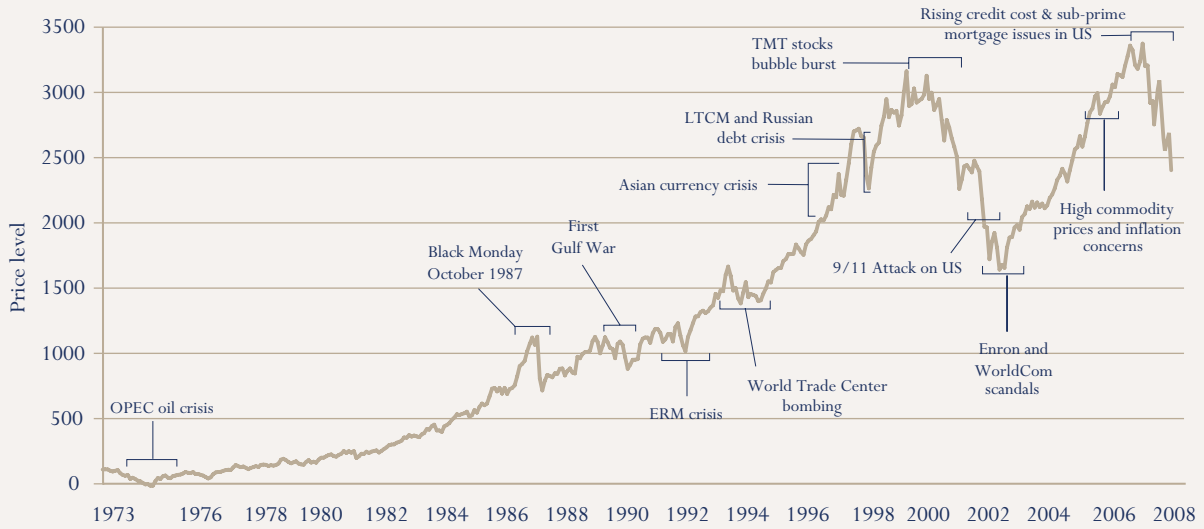
So why do some investors believe it’s different this time? Why are current stock market conditions making some people reluctant to invest? Why won’t history repeat itself?

The credit crisis is another in a succession of world and economic events that have caused stock markets to fall in the short-term. But these setbacks are inevitable and will happen again in the future, however the general upward trend for the stock market remains intact. For the reasons given above, there is nothing to suggest this will change in the future.



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Watch the tide, not the waves



Source: Lipper Hindsight. Stock market represented by the FTSE All-Share Index. Data as at the 17/09/2008. Past performance refers to the past and is not a reliable indicator of future results.

Why invest now?

If you are planning for your long-term financial goals then you should not be concerned with current market uncertainty and short-term fluctuations because history shows that time in the market is the most important consideration.



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