



NEW ROAD CAPITAL  
INVESTMENT MANAGEMENT

# OUR TWO CENTS

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## Why it is Important to Stay Invested

by Sarah Turner



One fact that most seasoned investment professional can agree on is that consistently timing markets correctly is nearly impossible. This is why keeping your eyes on your long-term investment goal and not being swayed by short-term market volatility is of such importance.

Much research has gone into the effects on an investor's portfolio if they were to sell out of equities during a market downturn and invest in cash instead until markets recover. The attached IOL<sup>1</sup> and Centre for Financial Planning<sup>2</sup> articles both include examples of the end results of staying invested through a market downturn versus selling out of their equity portfolio and investing in cash or reinvesting in equities after a year. In both of these examples staying invested in equities through the market downturn outperforms switching the investment to cash.

The Moneyweb<sup>3</sup> article looks at how our emotions can affect investment decisions and ultimately investment returns. To quote the author of the article Abrie Grobler, "Our craving for certainty in uncertain times can make us feel better for a short time. Unfortunately, it comes at a very expensive price, missing a few days or even months can be the difference between a portfolio that delivered returns that are above inflation or not. It could be the difference between achieving your long-term financial goals or not." By selling out during a market downturn you run the risk of missing days of great returns as markets recover. The article states, "The bank concluded that if an investor missed the 10 best trading days each decade since 1930, the total return would be equal to 28%. On the other hand, if the investor held their investments through the market cycles their return would be 17 715%."

All of these articles are in agreement that a wise course of action during market downturns is no action. It is of utmost importance to keep your long-term investment goals in mind during times of market uncertainty and not let our emotions in the short-term sway investment decisions.

### Referenced Articles

1. <https://www.iol.co.za/personal-finance/investments/the-importance-of-remaining-invested-6886ad04-3052-4842-8d9d-025cc0816d4c>
2. <https://www.centerfinplan.com/money-centered/2020/2/28/the-importance-of-staying-invested>
3. <https://www.moneyweb.co.za/financial-advisor-views/dont-allow-your-emotions-to-control-your-future-returns/>

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