NOVEMBER 2018

GUIDE TO

HOW TO GROW YOUR WEALTH

CREATING A STRATEGY FOR YOUR INVESTMENTS THAT MATCH YOUR GOALS

WELCOME

Investing can be intimidating, a complex world with its own language. But by recognising and meeting your distinct requirements, we can have a positive impact on your life and investment objectives and help you through the entire process.

When growing your wealth, it's essential to look at the big picture. Your wealth should work in all the ways you want it to. This means looking at what your wealth is now and what it might be. Our approach is to work with you to create a strategy for your investments that match your needs, and we'll do whatever it takes to keep your investment portfolio running smoothly.

Sudden market moves can be testing times for all investors because we get a stark reminder of what investment risk really feels like. Short-term volatility, whilst unpleasant, should not detract your focus from the long-term objectives – your investments.

Whatever your goals, we have a solution designed for you. We provide an extensive range of services, plus the ability to tailor solutions based on your specific needs. Whatever stage of life you're at, we can guide you through the opportunities and challenges you may face and help you to determine your perspective on wealth, your investment goals and your appetite for risk.

LOOKING TO INVEST FOR INCOME, GROWTH OR A COMBINATION OF BOTH?

Whether you are looking to invest for income, growth or a combination of both, we can provide the professional advice, comprehensive investment solutions and ongoing service to help you achieve your investment goals. To identify which options are right for your circumstances or to find out more, please contact us – we look forward to hearing from you.

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REVIEWING YOUR NEEDS AND GOALS

Take the time to think about what you really want from your investments

Anything is possible when you manage your money the right way. It's well worth taking the time to think about what you really want from your investments. Knowing yourself, your needs and goals, and your appetite for risk is a good start. Your focus should be on ensuring that the inevitable bumps along your investment journey do not force you off course.

When markets are falling and it seems like everybody is selling, staying invested can seem daunting and dangerous. Equally, when markets are rising and everybody seems to be buying, keeping a level head and ignoring the crowd can be difficult.

CONSIDER YOUR REASONS FOR INVESTING

It's important to know why you're investing. The first step is to consider your financial situation and your reasons for investing.

For example, you might be:

- Looking for a way to get higher returns than on your cash savings
- Putting money aside to help pay for a specific goal such as your children's or grandchildren's education or their future wedding
- Planning for your retirement

Determining your reasons for investing now will help you work out your investment goals and influence how you manage your investments in future.

DECIDE ON HOW LONG YOU CAN INVEST

If you're investing with a goal in mind, you've probably got a date in mind too. If you've got a few goals, some may be further away in time than others, so you'll probably have different strategies for your different investments. Investments rise and fall in value, so it's sensible to use cash savings for your short-term goals and invest for your longer-term goals.

SHORT TERM

Most investments need at least a five-year commitment. But there are other options if you don't want to invest for this long, such as cash savings.

MEDIUM TERM

If you can commit your money for at least five years, a selection of investments might suit you. Your investments make up your 'portfolio' and could contain a mix of funds investing in shares, bonds and other assets, or a mixture of these, which are carefully selected and monitored for performance by professional fund managers.

LONG TERM

Let's say you start investing for your retirement when you're fairly young. You might have 20 or 30 years before you need to start drawing money from your investments. With time on your side, you might consider riskier funds that can offer the chance of bigger returns in exchange for an increased risk of losing your money.

As you get closer to retirement, you might sell off some of these riskier investments and move to safer options, with the aim of protecting your investments and their returns. How much time you've got to work with will have a big impact on the decisions you make. As a general rule, the longer you hold investments, the better the chance they'll outperform cash – but there can never be a guarantee of this.

MAKE AN INVESTMENT PLAN

Once you're clear on your needs and goals – and have assessed how much risk you can take – you need to identify the types of product that could be suitable for you.

A good rule of thumb is to start with low-risk investments such as Cash ISAs. Then, add medium-risk investments like unit trusts if you're happy to accept higher volatility. But only consider higher-risk investments once you've built up low and medium-risk investments.

Even then, only do so if you are willing to accept the risk of losing the money you put into them.

BUILD A DIVERSIFIED PORTFOLIO

Holding a balanced, diversified portfolio with a mix of investments can help protect it from the ups and downs of the market. Different types of investments perform well under different economic conditions. By diversifying your portfolio, you can aim to make these differences in performance work for you.

You can diversify your portfolio in a few different ways through funds that invest across:

- Different types of investments
- Different countries and markets
- Different types of industries and companies

A diversified portfolio is likely to include a wide mix of investment types, markets and industries. How much you invest in each is called your 'asset allocation'.

MAKE THE MOST OF TAX ALLOWANCES

As well as deciding what to invest in, think about how you'll hold your investments. Some types of tax-efficient account mean you can normally keep more of the returns you make. It's always worth thinking about whether you're making the most of your tax allowances too.

You need always to bear in mind that these tax rules can change at any time, and the value of any particular tax treatment to you will depend on your individual circumstances.

REVIEW YOUR PORTFOLIO PERIODICALLY

Periodically checking to see if your portfolio aligns with your goals is an important aspect of investing.

These are some aspects of your portfolio you may want to check up on annually:

CHANGES TO YOUR FINANCIAL GOALS

Has something happened in your life that calls for a fundamental change to your financial plan? Maybe a change in circumstances has changed your time horizon or the amount of risk you're willing to handle. If so, it's important to take a hard look at your portfolio to determine whether it aligns with your revised financial goals.

ASSET ALLOCATION

An important part of investment planning is setting an asset allocation that you feel comfortable with. Although your portfolio may have been in line with your desired asset allocation at the beginning of the year, depending on the performance of your portfolio, your asset allocation may have changed over the period in question. If your actual allocations are outside of your targets, then perhaps it's time to readjust your portfolio to get it back in line with your original targets.

DIVERSIFICATION

Along with a portfolio with a proper asset class balance, you will want to ensure that you're properly diversified inside each asset class.

PERFORMANCE

Consider if there are certain aspects of your portfolio that need rebalancing. You may also want to consider selling to help offset capital gains you might take throughout the year.

INVESTMENT OBJECTIVES – A LIFELONG PROCESS

Protecting your wealth from market ups and downs

THE RIGHT SAVINGS OR INVESTMENTS FOR YOU WILL DEPEND ON HOW HAPPY YOU ARE TAKING RISKS AND ON YOUR CURRENT FINANCES AND FUTURE GOALS.

Whatever your goals in life are, careful planning and successful investing of your wealth can help you get there. If you've got a sufficient amount of money in your cash savings account – enough to cover you for at least six months – and you want to see your money grow over the long term, then you should consider investing some of it.

Investing is a lifelong process, and the sooner you start, the better off you may be in the long run. Regardless of the financial stage of life you are in, you will need to consider what your investment objectives are, how long you have to pursue each objective, and how comfortable you are with risk.

RIGHT SAVINGS OR INVESTMENTS

The right savings or investments for you will depend on how happy you are taking risks and on your current finances and future goals. Investing is different to simply saving money, as both your potential returns and losses are greater.

If you're retiring in the next one to two years, for example, it might not be the right time to put all of your savings into a high-risk investment. You may be better off choosing something like a cash account or bonds that will protect the bulk of your money, while putting just a small sum into a more growth-focused option such as shares.

MORE CONSERVATIVE INVESTMENTS

You may be a few months away from putting down a deposit on your first home loan. In this case, you might be considering cash or term deposits. You might also choose a more conservative investment that keeps your savings safe in the short term.

On the other hand, if you have just recently started working and saving, you may be happy to invest a larger sum of your money into a higher-risk investment with higher potential returns, knowing you won't need to access it in the immediate future.

DIFFERENT INVESTMENT OPTIONS

If appropriate, you should consider a range of different investment options. A diverse portfolio can help protect your wealth from market ups and downs. There are four main types of investments (also called 'asset classes'), each with their own benefits and risks.

These are:

- **Shares** – investors buy a stake in a company
- **Cash** – savings put in a bank or building society account
- **Property** – investors invest in a physical building, whether commercial or residential
- **Fixed interest securities (also called 'bonds')** – investors loan their money to a company or government

The various assets owned by an investor are called a 'portfolio'. You can invest directly in these assets, or you may prefer a managed fund that offers a range of different investments and is looked after by a professional fund manager.

DEFENSIVE INVESTMENTS

Defensive investments focus on generating regular income, as opposed to growing in value over time. The two most common types of defensive investments are cash and fixed interest.

Cash investments include:

HIGH-INTEREST SAVINGS ACCOUNTS

The main benefit of a cash investment is that it provides stable, regular income through interest payments. Although it is the least risky type of investment, it is possible the value of your cash could decrease over time, even though its pound figure remains the same. This may happen if the cost of goods and services rises too quickly (also known as 'inflation'), meaning your money buys less than it used to.

Fixed-interest investments include:

TERM DEPOSITS, GOVERNMENT BONDS AND CORPORATE BONDS

A term deposit lets you earn interest on your savings at a similar (or slightly higher) rate than a cash account (depending on the amount and term you invest for), but it also locks up your money for the duration of the 'term' so you can't be tempted to spend it.

Bonds, on the other hand, basically function as loans to governments or companies, who sell them to investors for a fixed period of time and pay them a regular rate of interest. At the end of that period, the price of the bond is repaid to the investor.

Although bonds are considered a low-risk investment, certain types can decrease in value over time, so you could potentially get back less money than you initially paid.

GROWTH INVESTMENTS

Growth investments aim to increase in value over time, as well as potentially paying out income.

Because their prices can rise and fall significantly, growth investments may deliver higher returns than defensive investments. However, you also have a stronger chance of losing money.

The two most common types of growth investments are shares and property.

SHARES

At its simplest, a single share represents a single unit of ownership in a company. Shares are generally bought and sold on a stock exchange.

Shares are considered growth investments because their value can rise. You may be able to make money by selling shares for a higher price than you initially paid for them.

If you own shares, you may also receive income from dividends, which are effectively a portion of a company's profit paid out to its shareholders.

The value of shares may also fall below the price you pay for them. Prices can be volatile from day to day, and shares are generally best suited to long-term investors, who are comfortable withstanding these ups and downs.

Although they have historically delivered better returns than other assets, shares are considered one of the riskiest types of investment.

Property investments include:

- Residential property such as houses and units
- Commercial property such as individual offices or office blocks
- Retail premises such as shops
- Hotel rooms or hotels
- Industrial property such as warehouses

Similarly to shares, the value of a property may rise, and you may be able to make money over the medium to long term by selling a house or apartment for more than you paid for it.

Prices are not guaranteed to rise, though, and property can also be more difficult than other investment types to sell quickly, so it may not suit you if you need to be able to access your money easily.

RETURNS

Returns are the profit you earn from your investments.

Depending on where you put your money, it could be paid in a number of different ways:

- Dividends (from shares)
- Rent (from properties)
- Interest (from cash deposits and fixed interest securities).
- The difference between the price you pay and the price you sell for – capital gains or losses.

MATTERS OF RISK

Investment goals and timescales that influence your choices

If you want to plan for your financial future, it helps to understand risk. If you understand the risks associated with investing and you know how much risk you are comfortable taking, you can make informed decisions and improve your chances of achieving your goals.

Risk is the possibility of losing some or all of your original investment. Often, higher-risk investments offer the chance of greater returns, but there's also more chance of losing money. Risk means different things to different people. How you feel about it depends on your individual circumstances and even your personality. Your investment goals and timescales will also influence how much risk you're willing to take. What you come out with is your 'risk profile'.

DIFFERENT TYPES OF INVESTMENT

None of us likes to take risks with our savings, but the reality is there's no such thing as a 'no-risk' investment. You're always taking on some risk when you invest, but the amount varies between different types of investment.

As a general rule, the more risk you're prepared to take, the greater returns or losses you could stand to make. Risk varies between the different types of investments. For example, funds that hold bonds tend to be less risky than those that hold shares, but there are always exceptions.

LOSING VALUE IN REAL TERMS

Money you place in secure deposits (such as savings accounts) risks losing value in real terms (buying power) over time. This is because the interest rate paid won't always keep up with rising prices (inflation).

On the other hand, index-linked investments that follow the rate of inflation don't always follow market interest rates. This means that if inflation falls, you could earn less in interest than you expected.

INFLATION AND INTEREST RATES OVER TIME

Stock market investments might beat inflation and interest rates over time, but you run the risk that prices might be low at the time you need to sell. This could result in a poor return or, if prices are lower than when you bought, losing money.

You can't escape risk completely, but you can manage it by investing for the long term in a range of different things, which is called 'diversification'. You can also look at paying money into your investments regularly, rather than all in one go. This can help smooth out the highs and lows and cut the risk of making big losses.

CAPITAL RISK

Your investments can go down in value, and you may not get back what you invested. Investing in the stock market is normally through shares (equities), either directly or via a fund. The stock market will fluctuate in value every day, sometimes by large amounts. You could lose some or all of your money depending on the company or companies you have bought. Other assets such as property and bonds can also fall in value.

INFLATION RISK

The purchasing power of your savings declines. Even if your investment increases in value, you may not be making money in 'real' terms if the things that you want to buy with the money have increased in price faster than your investment. Cash deposits with low returns may expose you to inflation risk.

CREDIT RISK

Credit risk is the risk of not achieving a financial reward due to a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk is closely tied to the potential return of an investment, with the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

LIQUIDITY RISK

You are unable to access your money when you want to. Liquidity can be a real risk if you hold assets such as property directly, and also in the 'bond' market, where the pool of people who want to buy and sell bonds can 'dry up'.

CURRENCY RISK

You lose money due to fluctuating exchange rates.

INTEREST RATE RISK

Changes to interest rates affect your returns on savings and investments. Even with a fixed rate, the interest rates in the market may fall below or rise above the fixed rate, affecting your returns relative to rates available elsewhere. Interest rate risk is a particular risk for bondholders.

STOCK MARKET INVESTMENTS MIGHT BEAT INFLATION AND INTEREST RATES OVER TIME, BUT YOU RUN THE RISK THAT PRICES MIGHT BE LOW AT THE TIME YOU NEED TO SELL. THIS COULD RESULT IN A POOR RETURN OR, IF PRICES ARE LOWER THAN WHEN YOU BOUGHT, LOSING MONEY.

DIVERSIFIED PORTFOLIO

Effective tool for reducing risk and volatility without necessarily giving up returns

INVESTING IS ALL ABOUT RISK AND RETURN.

When you start investing, or even if you are a sophisticated investor, one of the most important tools available is diversification. Whether the market is bullish or bearish, maintaining a diversified portfolio is essential to any long-term investment strategy.

Diversification allows an investor to spread risk between different kinds of investments (called 'asset classes') to potentially improve investment returns. This helps reduce the risk of the overall investments (referred to as a 'portfolio') underperforming or losing money.

With some careful investment planning and an understanding of how various asset classes work together, a properly diversified portfolio provides investors with an effective tool for reducing risk and volatility without necessarily giving up returns.

INVESTMENT DECISION PROCESS

Understanding investment risk and determining what level of risk you feel comfortable with before you invest is an important part of the investment decision process. Your potential returns available from different kinds of investment, and the risks involved, change over time as a result of economic, political and regulatory developments, as well as a host of other factors.

Your overall asset allocation needs to reflect: your future capital or income needs; the timescales before those capital sums are required or the level of income sought; and the amount of risk you can tolerate.

Investing is all about risk and return. Not only does asset allocation naturally spread risk, but it can also help you to boost your returns while maintaining, or even lowering, the level of risk of your portfolio. Most rational investors would prefer to maximise their returns, but every investor has their own individual attitude towards risk.

INVESTMENT CHARACTERISTICS

Determining what portion of your portfolio should be invested into each asset class is called 'asset allocation' and is the process of dividing your investment(s) between different assets. Portfolios can incorporate a wide range of different assets, all of which have their own characteristics, like cash, bonds, equities (shares in companies) and property.

The idea behind allocating your money between different assets is to spread risk through diversification and to understand these characteristics, and their implications on how a portfolio will perform in different conditions – the idea of not putting all your eggs in one basket.

LOOKING INTO THE FUTURE

Investments can go down as well as up, and these ups and downs can depend on the assets you're invested in and how the markets are performing. It's a natural part of investing. If we could look into the future, there would be no need to diversify our investments. We could merely choose a date when we needed our money back, then select the investment that would provide the highest return to that date.

Moreover, the potential returns available from different kinds of investment, and the risks involved, change over time as a result of economic, political and regulatory developments, as well as a host of other factors. Diversification helps to address this uncertainty by combining a number of different investments.

ASSET CLASSES

When putting together a portfolio, there are a number of asset classes, or types of investments, that can be combined in different ways. The starting point is cash – and the aim of employing the other asset classes is to achieve a better return than could be achieved by leaving all of the investment on deposit.

CASH

The most common types of cash investments are bank and building society savings accounts and money market funds (investment vehicles which invest in securities, such as short-term bonds, to enable institutions and larger personal investors to invest cash for the short term).

MAIN FOUR ASSET CLASSES

ASSET CLASS	OVERVIEW	RISK PROFILE
Cash[1]	Savings and current account balances, savings bonds, premium bonds and other NS&I products, Cash ISAs and any cash you have.	Low, but your money's buying power is eroded over time if inflation is higher than the interest rates paid. Cash you put into authorised UK banks or building societies is protected by the Financial Services Compensation Scheme up to £85,000 per person.
Fixed Interest Securities – also called 'bonds'. Essentially a loan to a company or government for a fixed period.	Gilts (government bonds), overseas bonds, local authority bonds and corporate bonds (loans to companies).	Relatively low and returns predictable if held to maturity. However, traded prices can be volatile. Your money's buying power can still be eroded over time if inflation is higher than the interest rate paid on the bond.
Shares – also known as 'equities'. A stake in a company.	You can hold shares directly or through an investment fund where you pool your money with other people's, like with a unit trust, OEIC (open-ended investment company) or life fund.	Investing in a single company is high risk. Investing in a fund provides more diversification, but risk levels will depend on the type of shares in the fund.
Property	Includes residential or commercial property and buy-to-lets, and investments in property companies or funds.	Price can vary and be more volatile than with bonds. Potential for gains but also losses. You might not be able to access your capital quickly if you have invested into property directly. Access to capital might also be restricted through property funds if closed to redemptions, meaning you will not have access until the redemption restriction has been lifted.

[1] Cash you put into UK banks or building societies (that are authorised by the Prudential Regulation Authority) is protected by the Financial Services Compensation Scheme (FSCS). The FSCS savings protection limit is £85,000 (or £170,000 for joint accounts) per authorised firm.

Money held in the bank is arguably more secure than any of the other asset classes, but it is also likely to provide the poorest return over the long term. Indeed, with inflation currently above the level of interest provided by many accounts, the real value of cash held on deposit is falling.

Your money could be eroded by the effects of inflation and tax. For example, if your account pays 5% but inflation is running at 2%, you are only making 3% in real terms. If your savings are taxed, that return will be reduced even further.

FIXED INTEREST SECURITIES

Fixed Interest Securities (also called 'bonds') are effectively IOUs issued by governments or companies. In return for your initial investment, the issuer pays a pre-agreed regular return (the 'coupon') for a fixed term, at the end of which it agrees to return your initial investment. Depending on the financial strength of the issuer, bonds can be very low or relatively high risk, and the level of interest paid varies accordingly, with higher-risk issuers needing to offer more attractive coupons to attract investment.

As long as the issuer is still solvent at the time the bond matures, investors get back the initial value of the bond. However, during the life of the bond, its price will fluctuate to take account of a number of factors, including:

- **Interest rates** – as cash is an alternative lower-risk investment, the value of government bonds is particularly affected by changes in interest rates. Rising base rates will tend to lead to lower government bond prices, and vice versa.
- **Inflation expectations** – the coupons paid by the majority of bonds do not change over time. Therefore, high inflation reduces the real value of future coupon payments, making bonds less attractive and driving their prices lower.
- **Credit quality** – the ability of the issuer to pay regular coupons and redeem the bonds at maturity is a key consideration for bond

SHARES, OR EQUITIES IN COMPANIES, ARE REGARDED AS RISKIER INVESTMENTS THAN BONDS, BUT THEY ALSO TEND TO PRODUCE SUPERIOR RETURNS OVER THE LONG TERM.

investors. Higher-risk bonds such as corporate bonds are susceptible to changes in the perceived credit worthiness of the issuer.

SHARES

Shares, or equities in companies, are regarded as riskier investments than bonds, but they also tend to produce superior returns over the long term. They are riskier because, in the event of a company getting into financial difficulty, bond holders rank ahead of equity holders when the remaining cash is distributed.

However, their superior long-term returns come from the fact that, unlike a bond (which matures at the same price at which it was issued), share prices can rise dramatically as a company grows.

Returns from shares are made up of changes in the share price and, in some cases, dividends paid by the company to its investors. Share prices fluctuate constantly as a result of factors such as:

- **Company profits** – by buying shares, you are effectively investing in the future profitability of a company, so the operating outlook for the business is of paramount importance. Higher profits are likely to lead to a higher share price and/or increased dividends, whereas sustained losses could place the dividend or even the long-term viability of the business in jeopardy
- **Economic background** – companies perform best in an environment of healthy economic growth, modest inflation and low interest rates. A poor outlook for growth could suggest waning demand for the company's products or services. High inflation could impact companies in the form of increased input prices, although in some cases companies may be able to pass this on to consumers. Rising interest rates could put strain on companies that have borrowed heavily to grow the business
- **Investor sentiment** – as higher-risk assets, equities are susceptible to changes in investor sentiment. Deterioration in risk appetite normally sees share prices fall, while a turn to positive sentiment can see equity markets rise sharply

PROPERTY

In investment terms, property normally means commercial real estate – offices, warehouses, retail units and the like. Unlike the assets we have mentioned so far, properties are unique – only one fund can own a particular office building or shop.

The performance of these assets can sometimes be dominated by changes in capital values. These unusually dramatic moves in capital value illustrate another of property's key characteristics, namely its relative illiquidity compared to equities or bonds. Buying equities or bonds is normally a relatively quick and inexpensive process, but property investing involves considerable valuation and legal involvement.

The more normal state of affairs is for rental income to be the main driver of commercial property returns. Owners of property can enhance the income potential and capital value of their assets by undertaking refurbishment work or other improvements. Indeed, without such work, property can quickly become uncompetitive and run down. When managed properly, the relatively stable nature of property's income return is key to its appeal for investors.

DIVERSIFICATION

Diversification helps to address uncertainty by combining a number of different investments. In order to maximise the performance potential of a diversified portfolio, managers actively change the mix of assets they hold to reflect the prevailing market conditions. These changes can be made at a number of levels, including the overall asset mix, the target markets within each asset class, and the risk profile of underlying funds within markets.

As a rule, an environment of positive or recovering economic growth and healthy risk appetite would be likely to prompt an increased weighting in equities and a lower exposure to bonds. Within these baskets of assets, the manager might also move into more aggressive portfolios when markets are doing well, and more cautious ones when conditions are more difficult. Geographical factors such as local economic growth, interest rates and the political background will also affect the weighting between markets within equities and bonds.

In the underlying portfolios, managers will normally adopt a more defensive positioning when risk appetite is low. For example, in equities, they might have higher weightings in large companies operating in parts of the market that are less reliant on robust economic growth. Conversely, when risk appetite is abundant, underlying portfolios will tend to raise their exposure to more economically sensitive parts of the market and to smaller companies.

VOLATILITY, RISK AND MARKET DECLINES

Relentless and continual rise in value over the very long term, punctuated by falls

There is an undeniable correlation between geopolitics, market sentiment and the macro trading environment. But over long periods, we have seen markets recover from downturns, although past performance is no indicator of future performance.

Corrections can be healthy and result in even stronger growth in the future, although this isn't guaranteed and you could get back less than you invest. This is why holding a diversified portfolio for the long term makes good investing sense. It's time invested in the market, and not the timing of the market, which dictates long-term returns.

MISSING OUT ON OPPORTUNITIES

The relentless and continual rise in value over the very long term is typically punctuated by falls. It's important not to let global uncertainties affect your investment strategy for the years ahead. Individuals who stop investing, particularly during market downturns, can often miss out on opportunities to invest at lower prices.

Such volatility is less frightening if you take a longer-term view. It's important to stick to your strategy and keep moving ahead consistently by spreading risk and growing your wealth. It's volatility in stock markets that make investors nervous. But on the flipside, not all volatility is bad: without volatility, stock prices would never rise.

AVOID BEING BLOWN OFF COURSE

In practice, everyone's investment goals are different. By deciding on your long-term financial priorities – whether it's funding your children's education or saving enough to be able to retire early – you can avoid being blown off course by short-term events.

Trying to second-guess the impact of events such as a global trade war, Brexit or a stock market correction, and tariff concerns or fears that earnings will continue to disappoint – or even attempting to make a bet on them – rarely pays off. Instead, investors who focus on long-term horizons (at least five to ten years) have historically fared much better.

CONSIDERED AND STRATEGIC APPROACH

Sensible diversification – owning a mix of assets, including shares, bonds and alternative investment such as property – can help protect investors over the long term. When one area of a portfolio underperforms, another part should provide important protection – and it's never too early or too late to start taking this considered and strategic approach.

Volatility, risk and market declines are a normal part of the investing cycle, but the media likes drama. Reports will use words that make these market fluctuations sound alarming, so be cautious about reacting to the unnerving 24/7 news cycle.

REFLECTING RISK TOLERANCES AND TIMELINES

If you have a well-diversified portfolio, then it's more important than ever to stay the course. You have a strategy in place that reflects your risk tolerance and timeline, so stay committed. However, if you reacted and sold in a previous market decline or have not implemented a strategic asset allocation, then now is the time to have a discussion about your investment options.

Be aware of the psychological affect this type of volatility has on you as an investor, and resist the urge to be reactive. The recent decline was expected and is coming after financial markets as a whole have experienced a historic bull phase for close to ten years now. No one knows how severe any market turbulence will be or what the market will do next. It could be over quickly or linger for a while. But no matter what lies ahead, proper diversification and perseverance over the long term are what's most important.

ONCE THE PRESERVE OF THE SUPER-RICH, INDIVIDUALS AND FAMILIES WOULD COME TOGETHER TO IDENTIFY PROMISING OPPORTUNITIES TO MAKE MONEY AND DO GOOD AT THE SAME TIME.

POSITIVE OUTCOMES

Impact investing without sacrificing returns or profits

For those looking to make the world a better place, but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact, as well as looking to achieve compelling financial returns at the heart of sustainable investing.

The term 'impact investing' was first coined in 2007, although the practice developed over years beforehand. It seeks to generate both social change and a return on capital, and ends the old dichotomy where business was seen solely as a way to make a profit, while social progress was better achieved only through philanthropy or public policy.

NOT A RECENT PHENOMENON

Socially responsible investing is not a recent phenomenon – it can actually be traced back several centuries. Early initiatives were all based on the exclusion of controversial sectors such as tobacco or armaments rather than on investing in businesses which have the power to do good. That's what impact investing is seeking to achieve, and it has begun to gain traction.

The upward swing of impact investing is being led by millennials. This type of investing considers a company's commitment to corporate social responsibility (CSR), or the sense of duty to positively serve society as a whole, before becoming involved with that company. This societal impact differs depending on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices.

SOCIAL AND ENVIRONMENTAL THEMES

22Once the preserve of the super-rich, individuals and families would come together to identify promising opportunities to make money and do good at the same time. But, increasingly, investor impact strategies are now covering a broader range of social and environmental themes and, in many cases, harnessing the latest technology or pioneering delivery systems to gain efficiencies and reach those most in need.

Impact investments can be made in both emerging and developed markets and target a range of returns depending on an investor's strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, micro finance, and affordable and accessible basic services including housing, healthcare and education.

CHALLENGING PREVIOUS LONG-HELD VIEWS

Impact investing challenges the previous long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market directs capital to enterprises that generate social or environmental benefits, and offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns.

LOOKING FOR PROFESSIONAL HELP TO BUILD AN INVESTMENT PORTFOLIO?

When it comes to building an investment portfolio, you may have specific goals that reflect your risk tolerance, time horizon or asset class preferences. Whatever your needs, we can help you develop an investment strategy that works for you.

To review your situation or for more information, please contact us – we look forward to hearing from you.

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