Stock market investment
When doing nothing is best

Should stock market uncertainty affect your investment strategy?

During times of stock market uncertainty, it's only natural to be concerned about how this affects the value of your investments. Investors often ask what action they should take in response.

Many experts agree that investors will usually be better off resisting the temptation to make changes to their long-term investments simply because of short-term stock market movements. If your personal circumstances and investment goals are unaltered, and you are still able to take a medium to long term view, then it is probably appropriate to 'sit tight' through any periods of uncertainty.

Why market timing doesn't work

Few investors would dispute the fact that, over the longer term, stock market investments have significantly outperformed the returns available from bank and building society deposit accounts. Investors also know that stock markets are prone to short-term fluctuations and sometimes these can appear to be quite sharp.

It can be tempting during times of stock market uncertainty to delay making new investments or even consider selling existing investments and try investing again when values are lower – this strategy is known as 'market timing'.

Whilst 'market timing' sounds fine in theory, it seldom works in practice.

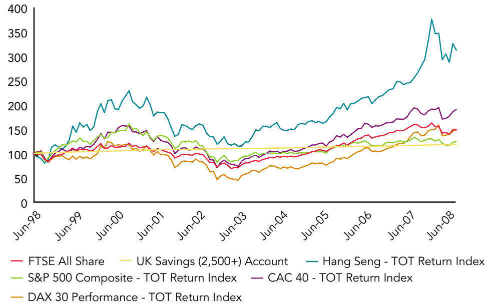
Market timing – It's too easy to miss the gains

Just as the sharp falls in stock markets tend to be concentrated in short periods of time, the best gains are similarly concentrated. Because these gains often occur just before, or after, a market fall – an investor who tries to time investments is highly likely to miss the best gains.

Fidelity has analysed the returns from the UK, US and other stock markets over the period 1993 – 2008. This shows that missing just a few days' stock market performance can significantly impact performance.

THE POWER OF STOCK MARKET INVESTMENT

Unlike money in a bank or building society deposit account the value of stock market investments can go down as well as up.



How stock markets have performed over the last 5 years

	June 03 to June 04	June 04 to June 05	June 05 to June 06	June 06 to June 07	June 07 to June 08
FTSE All-Share	15.6%	16.5%	21.3%	21.7%	-7.1%
S&P 500	5.7%	8.9%	5.8%	16.2%	-6.6%
DAX 30	22.0%	15.7%	29.3%	37.2%	4.1%
CAC 40	17.8%	17.7%	24.5%	26.2%	-1.5%
Hang Seng	19.4%	18.9%	15.7%	26.2%	22.4%
Cash (UK Savings)	1.0%	1.6%	1.4%	1.6%	1.9%

Source: Datastream (UK savings: Morningstar). Basis: bid-bid net of UK basic rate tax to from 1.6.98 to 2.6.08. The returns do not take into account initial fees. Rebased at 100.

Average annualised returns (%) over 15 years – effect of missing best days

MARKET	INDEX	STAYED FULLY INVESTED	BEST 10 DAYS MISSED	BEST 20 DAYS MISSED	BEST 30 DAYS MISSED	BEST 40 DAYS MISSED
UK	FTSE All-Share (£)	8.89	5.90	3.62	1.64	-0.17
USA	S&P 500 (USD)	9.88	6.45	3.80	1.47	-0.55
Germany	DAX 30 (EUR)	10.29	5.53	1.91	-0.96	-3.45
France	CAC 40 (EUR)	9.82	5.46	2.33	-0.33	-2.65
Hong Kong	Hang Seng (HKD)	12.02	5.31	1.25	-2.10	-4.94

All figures show annualised, total returns, taken from 15 year periods, starting each consecutive month, from 31.5.93 to 30.5.08, in local currency terms. Source: Datastream as at 30.5.08. Basis: bid-bid with net income reinvested. These returns do not take into account initial fees.

Missing the best 10 days has reduced annualised returns from the US and UK stock markets by around a third, and even more in other markets. Missing the best 40 days has had an even more dramatic affect on all markets. Far from minimising investment risk, market timing is in fact a high risk strategy. Naturally if you were able to miss the worst days of the stock market you would see a higher return than staying invested. However this would be more a case of luck than strategy as stock market falls are notoriously difficult to predict.

Remember time, NOT timing, is the key to investing.

Please note that past performance is not a guide to what might happen in the future, and you should be aware that the value of an investment can fall as well as rise. You may get back more or less than this as a result of currency fluctuations.

Fidelity™ INTERNATIONAL

UKD806/25887/SSB1051/0908/2