

When will things recover?

'The value of investments can rise as well as fall.' Funny how we only remember the first bit!

Although at times distressing, the ups and downs of investing are simply part of the journey and something any good financial plan will consider. It is always very difficult to approximate when things will fully recover following a fall but the history of falls and crashes can tell us a lot about the relationship between the size of a fall and the time it takes to recover.

Since 1980, the UK stock market has fallen more than 15% once every six to seven years on average, going on to recover and grow way beyond its previous highs in the years that followed. Falls greater than 15% but less than 20% have historically taken, on average, nine months to fully recover once the bottom was reached. Falls greater than 20%, of which there have been three in the UK since 1980, have

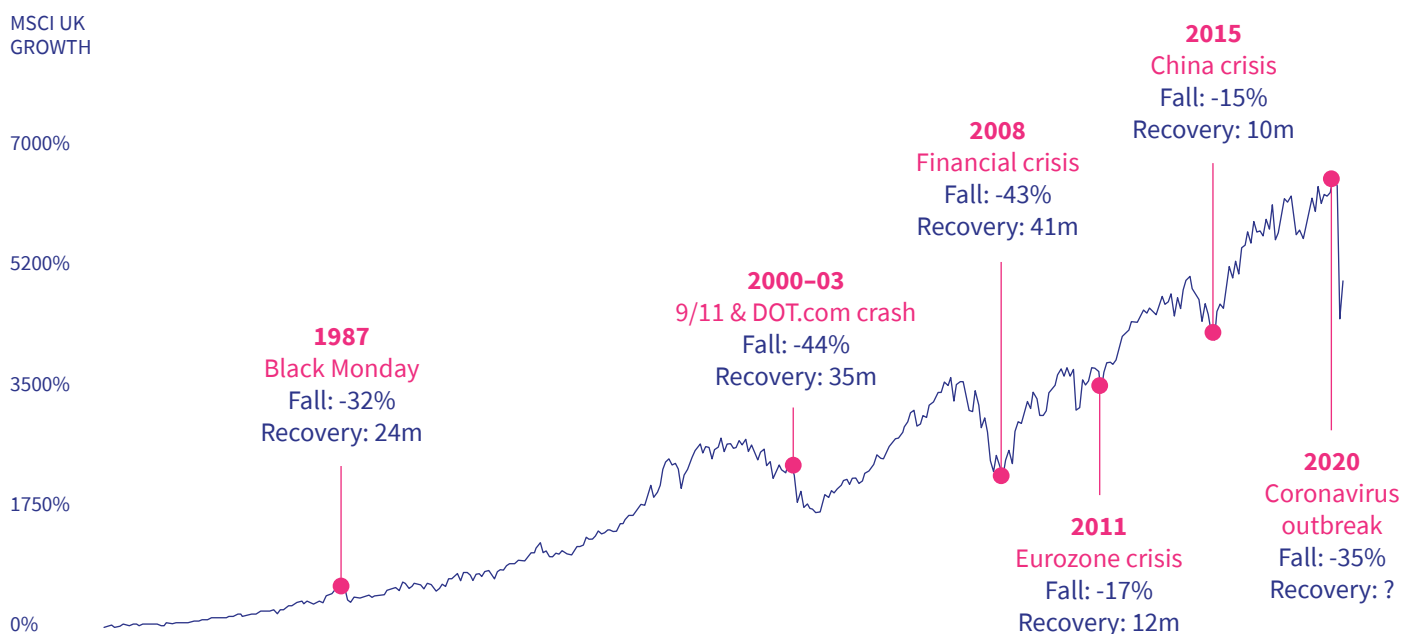
taken roughly 33 months (or almost three years) to fully recover on average. This is not to say that the next big fall will always take this long to recover, as every fall is driven by different factors, but at least historically larger falls require longer for the market to return.

Coronavirus outbreak 2020

Following the Coronavirus outbreak more recently, UK markets fell 35% from top to bottom. Uncertainty remains high and the bottom is perhaps yet to be found. Such a fall historically would require almost three years to recover but, given the unprecedented nature and impact of the outbreak, we must apply these rules cautiously. Above all else, we must remain patient and disciplined and await the recovery that will inevitably come.

MSCI UK Equity Index: Historical falls since 1980

Source: FE Fundinfo / MSCI



IMPORTANT INFORMATION

Past performance is not a guide for future performance. The value of investments, and the income from them, can fall as well as rise. You should not rely on this information in making an investment decision and it does not constitute a recommendation or advice in the selection of an investment.