



Blooming markets!

The world and markets are ever changing, so when exactly is the best time to invest?

"The best time to plant a tree was 20 years ago. The second-best time is today." The well-known Chinese proverb relates to personal prosperity, but could the same logic be applied to investing?

One of the most common questions posed by prospective investors can be: *"Is now the right time to invest, or would it be better to hold off whilst things settle down?"*

The answer most investment professionals respond with is: *"It's about time in the market and not timing the market"* which makes sense, but how true is this concept?

In 2003, I was embarking on the biggest financial outlay that most people face, buying my first house. The world was massively different to how it is now, there was no social media (Facebook was still more than a year from launching), DVDs had just overtaken VHS in sales for the first time in history, Brookside was still on TV, and Concorde was still flying.

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However, when thinking back, I can still remember the uncertainty of making any financial decision and whether the best course of action would actually be inaction. During the early 2000s, house prices continued to rise, interest rates had been at over 5% but were starting to fall and there was a petrol crisis with people queuing at the pumps. Sound familiar?

On top of this, there had been many life-defining events that caused worldwide panic and led to massive losses in global stock markets. With the dot-com bubble imploding and the 9/11 events hastening the market decline, there was also the growing sense of a potential second Iraq invasion to worry about as Big Ben's bells chimed in 2003. It's fair to say that

the new millennium had not been kind to markets, with the S&P 500 and the FTSE All Share down by 38% and 37% respectively, and the MSCI World Index lagging further behind with a 42% drop (see **Chart one**).¹

Well known and successful investor, Warren Buffett, said: *"If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."*

At Equilibrium, we too are strong advocates of long-term investing, and as such, our fund objectives are targeted over a 10-year period. With this in mind, what would stock markets look like if we went back further to 1993, incorporating the wars in Bosnia and Chechnya, the Russian financial crisis, the World Trade Center bombing, plus the indiscretions of President Clinton?

Against the backdrop of such geopolitical developments, presidential uncertainty and the failing of household names such as Woolworths, it would surely not make great reading for stock markets.

Despite all the turbulence, the markets were not only positive but remarkably so. As you can see in **Chart two**, the S&P 500 returned 126% over the period, meaning that investors would have more than doubled their investment.

Fast forward 20 years to the current day, and there have been several more bumps in the road. In fact, if we had known all the world events which were to happen post-2008 (when Equilibrium became discretionary fund managers), would we still have been confident in investing?

The logical answer for the majority would be no, I'll hold my money in cash until the outlook is sunnier. However, in 2024, over half of Britons chose to invest, an increase

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Chart one: Performance of the main index tracker funds (31/12/1999 - 01/01/2003)

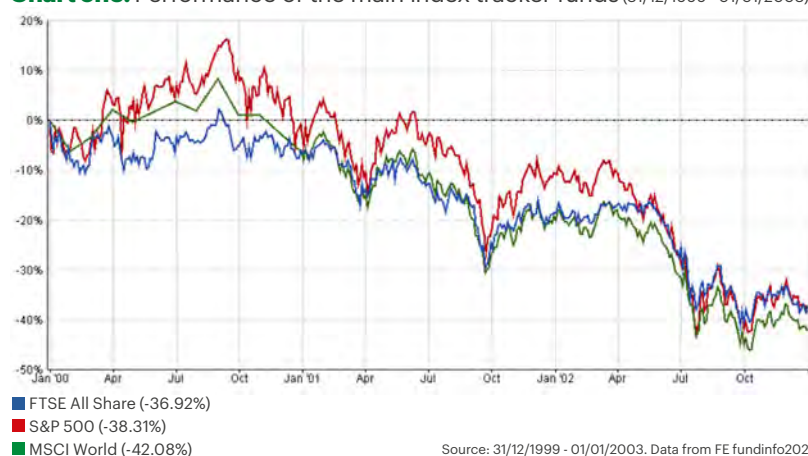


Chart two: Performance of the main index tracker funds (01/01/1993 - 01/01/2003)

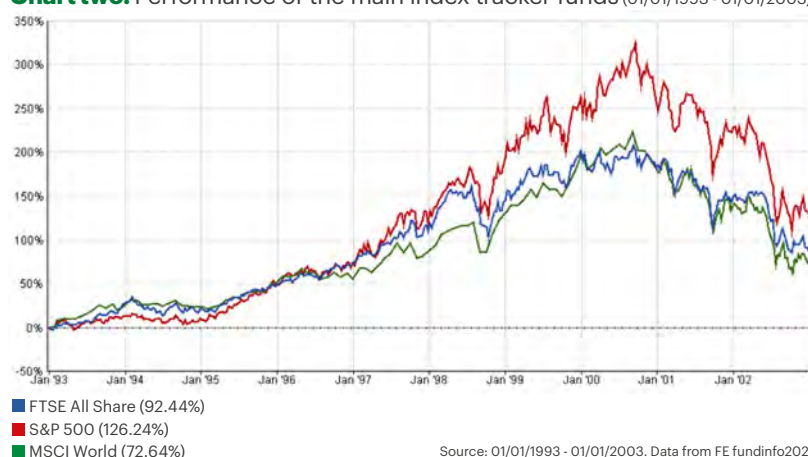


Chart three: Performance of the Equilibrium Balanced fund versus comparators (31/12/2007 - 05/09/2024)



World events since 2008

2008

- Global financial crisis – Lehman Brothers collapse
- European sovereign debt crisis

2009

- UK Recession

2010

- Largest oil spill in US history

2011

- UK riots

2012

- Putin is re-elected president

2014

- Ukrainian revolution

2015

- Paris terror attacks

2016

- UK votes to leave the EU
- Teresa May replaces David Cameron as UK Prime Minister

2017

- Donald Trump inaugurated as US President

2018

- China – US trade war begins

2019

- Japan & S.Korea trade dispute
- Donald Trump is impeached
- Boris Johnson as new UK PM

2020

- Covid 19
- Recession
- UK formally withdraws from the EU

2021

- UK energy crisis
- Donald Trump is impeached again
- Joe Biden becomes US President

2022

- Russia invades Ukraine
- Multiple UK interest rate hikes
- Inflation in the UK hits double digits
- Liz Truss and the mini-budget
- Rishi Sunak as new UK PM

2023

- Cost of living crisis
- Israel/Gaza conflict escalates

of 9% compared to the previous year, which shows the appetite for making our money work harder by taking on risk.²

So, was this risk worth it and what was the reality for our clients compared to if they left their money in cash? The over-riding answer would be: “Yes!”

Whilst there’s no doubt it has been a bumpy ride, you have been rewarded for taking on risk over the long term as shown in **Chart three**.

And as usual, Warren Buffett sums up the benefits of long-term investing perfectly: “Someone’s sitting in the shade today because someone planted a tree a long time ago.”

This article is intended as an information piece and should not be construed as advice. Past performance is for illustrative purposes only and cannot be guaranteed to apply in the future.

(1) FE Analytics
 (2) finder.com