

# It's about time in, not timing the market



Many investors understandably feel under pressure to react instantly to day-to-day market fluctuations, particularly in volatile times.

It's tempting to move your funds to safer ground when share prices start to decline. But attempting to time when to exit and re-enter the market is a high-risk strategy and means you could easily miss out on potential gains.

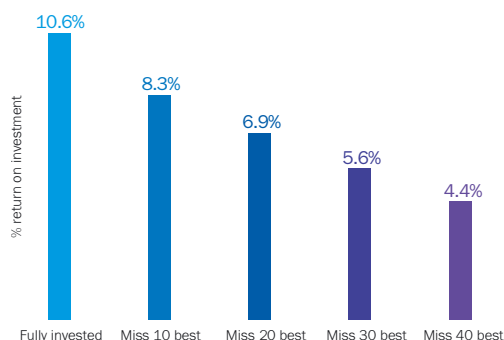
The benefit of a long-term strategy versus short-term investing can be seen in the following research conducted by DALBAR Inc. Consider a US investor who remained invested in the US share market for the 20 years to December 2006, versus the average US investor who attempted to pick and choose when to stay in and sell out of the market over this period. The first investor would have enjoyed an average 11.8 per cent per annum return, whereas the investor who attempted to time the market gained only a modest average of 4.3 per cent per annum.<sup>1</sup>

## Missing the best days erodes returns

Let's look at another downside of trying to time the market. The following example illustrates that missing the best performing days by being out of the market can reduce overall returns.

Looking at the Australian share market, investors who missed the market's best 10 days over the past decade would have seen their returns cut by 2.3 percentage points from the average of 10.6 per cent. Missing the 20 best days would have wiped another 1.4 percentage points off their returns and 30 days would have taken off another 1.3 points. The more days you miss through trying to second guess the market, the greater your potential losses.

## Missing the best days



Source: ipac, Bloomberg, ASX/300 All Ordinaries Index. Data from 30 June 1988 to 30 June 2008. Excludes fees, charges and taxes.

It's virtually impossible to predict market movements and the 'best time' to invest or withdraw – even for experienced market watchers. It pays to adopt a more patient strategy, relying on the expert advice of a financial adviser to diversify your investments and focus on the longer term.

## Patience is a virtue

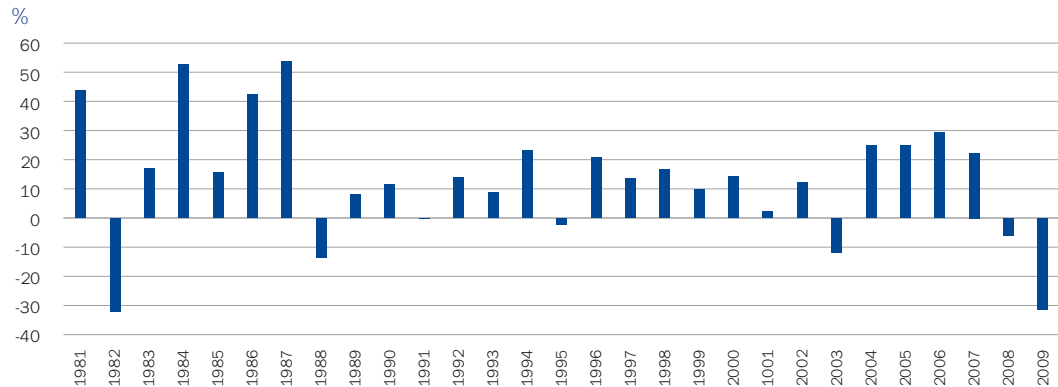
The longer you spend in the market, the more likely you are to enjoy a positive return.

Short-term investors relying on single-year returns are likely to be disappointed almost one year in every five. As shown in the following chart, since 1981, there have been eight years where the Australian sharemarket lost value.

<sup>1</sup> DALBAR Inc. The Measurement of Success. Quantitative Analysis of Investor Behaviour 2006.



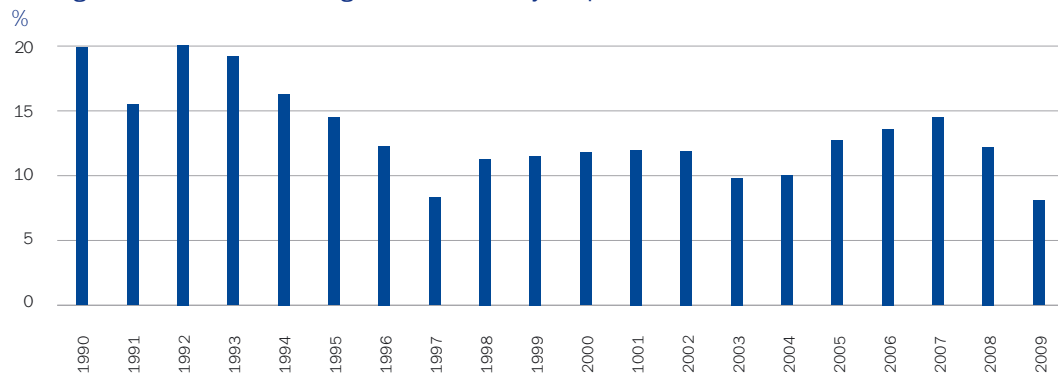
### Australian sharemarket One-year returns ending March



Source: IRESS  
Index: S&P/ASX All Ordinaries Accumulation Index

However, when looked at on a 10-year rolling basis – a longer-term perspective – Australian shares have consistently delivered a more positive return.

### Australian sharemarket Average annual returns ending March over 10-year periods



Source: IRESS  
Index: S&P/ASX All Ordinaries Accumulation Index

The above chart shows us that investors prepared to leave their money in the share market for at least 10 years have never suffered a depreciation in their portfolios. Investing with patience is indeed a virtue.

#### Important information

This publication has been prepared to provide you with general information only. It is not intended to take the place of professional financial and taxation advice and you should not take action on specific issues in reliance on this information. In preparing this information we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the relevant Product Disclosure Statement (PDS) before making a decision to invest in any financial product. Copies of our PDSs can be obtained from your adviser or on our website [www.axa.com.au](http://www.axa.com.au).

Applications for investment in AXA Australia products will only be accepted on receipt of an application form accompanying a current PDS. National Mutual Funds Management Limited (AFSL 234652) and its associates derive income from issuing interests in the products, full details of which are contained in the PDS. Past performance is not necessarily indicative of future performance. Whilst we believe the information contained herein is correct, no warranty of accuracy, reliability or completeness is given and, except for liability under statute which cannot be excluded, no liability for errors or omissions is accepted. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country.