



Portfoliosense® – “We will get back to normal”

We will get back to ‘normal’ ...and so will your investments, but what do I do now.

None of us know how this Coronavirus story will end, sadly, there have been human and corporate casualties and sadly, as we begin to enter the eye of the storm there will be more to come.

Businesses, individuals, charities, events and of course investors have all taken a hit over recent weeks as the disruptive impact of coronavirus takes effect. We can only expect further disruption in the coming weeks, maybe months before we get back to normal.

We will get back to normal. We will all have a few battle scars and we will have to dust ourselves down, and I sincerely hope the ‘new’ normal will include society being a little wiser, and understand that we have to care for those less able – people need people, some more than others.

So, should I do nothing with my investment portfolio and wait for crisis to pass?

Yes and No.

You certainly do not want to be selling out, this would just convert recent paper losses into real losses.

...and you should avoid trying to time the market, selling today in the belief that the market will go lower, buying back when you believe the markets are at the bottom. This is like trying to catch a falling knife, you could get hurt, it’s a dangerous game, some would say a mug’s game.

As the renown and very sensible industry commentator Andy Hart said this week:

“Stock markets (humans) have acted as we’d expect, negatively. The stock market is a story, the story changes, the prices change. Now the story is very negative, when the story changes the prices will change again. The stock market overreacts in both directions. This is because the markets feed off two powerful human emotions, that of greed and fear. We don’t know with foresight when the market will ‘turn’, anyone who tells you they do, run for the door, it’s not an untruth, it’s a lie.

The nature of risk is that you don’t see it coming. Now for some good news. Going into this crisis we could not have been in a better position economically, a decade plus of prosperity, unemployment at historical lows...There’s never a ‘good time’ for a pandemic, but if I could have chosen a point in time, this would likely have been it. We also have a globally connected world and have all the utilities and resources to address this head-on.”

We have, in Portfoliosense®, constructed for you an immensely diversified portfolio, ideally suited to your long-term goals, and built to cope with the deep temporary declines we’re experiencing now.

At your review meetings we have consistently advised you that markets will fall at some point, and we have tested your emotional and financial capacity to cope with falls...well, now they are here!! We never leave our car during the blizzard. We wait until it passes. Be patient.

As Warren Buffett says:

"The stock market is a device for transferring money from the impatient to the patient."

Successful investors are patient, failed investors are impatient.

So, do I just hang on and wait for the rebound?

Yes and no.

Doing nothing is certainly better than trying to time the market...however we will get back to normal, so **readjusting your investment position** may be appropriate in some circumstances. This could involve shifting opportunity cash (not your emergency fund) into stocks, or rebalancing your portfolio to move more cautious defensive investments into growth stocks. This is a scary and brave thing to do at the present time, but we are certain that it will prove more profitable in the long run for the investor who:

- Understands this is a long-term project and as a result of this adjustment;
- Accepts that investment volatility will increase as a result of the readjustment;
- Knows that short-term downside losses will potentially increase – we may not have reached the bottom yet;
- Has both the emotional and financial capacity to cope with the readjustment.

This rebalance should not be a significant shift and should not take you into a level of risk above normal tolerances. For example, if you own a balanced portfolio that holds 60% in growth stocks and 40% in defensive stocks, and following recent falls this is sitting at 55%/45%, then a rebalance back to 60/40 will align your portfolio back to your tolerance for risk, buying growth stocks while they are cheaper than they were a few weeks ago.

This will help to accelerate your returns when markets recover.

This will be a matter of discussion with Henwood Court and its clients over the coming weeks.

So, please keep safe, keep positive and know humanity is a powerful force you don't wish to vote against.

If you wish to discuss anything please call my mobile (07779-611046), as always, I'm here for you.

We will get back to normal...

Second opinion service: If any of your friends, family or colleagues wish to speak to a financial professional at this unprecedented time, please do pass on my details. I have a professional obligation to help as many people as I can to make wise financial decisions.



Disclaimers

Please remember the value of your investments and any income from them can go down as well as up and you may get back less than the amount you originally invested. All investments carry an element of risk which may differ significantly.

If you are unsure as to the suitability of any particular investment or product, you should seek professional financial advice. Tax rules may change in the future and taxation will depend on your personal circumstances. Charges may be subject to change in the future.

For each of the portfolios we recommend we are able to demonstrate, using back tested simulated data, the historic returns, the anticipated future returns (allowing for inflation) and the historic downsides (including the worst case scenario that would have been experienced had you been invested throughout the data period), over a variety of time periods.

This is based on our current interpretation of legislation and various industry comments. It is a broad summary and cannot cover every nuance. You should not take, or refrain from taking any action based on this information. Tax treatment can change and depends on your circumstances.

This information does not constitute advice and is purely for information purposes.

The views noted may differ significantly from the final version of the legislation.



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