

How to keep cool in the current markets

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In times like these, it can be hard not to lose one's focus, especially on financial matters. Investors will inevitably have to move to a longer-term approach as the markets do their best to cling on and eventually recover

It is difficult to write an investment article during this period, which is unlike any that I can remember during my career.

The impact of the coronavirus pandemic is undoubtedly globally significant and it's unusual to have both a supply and demand shock at the same time.

Investors will be looking at falls in value of their portfolios and will be wondering what to do. Quite often, this can lead to panic and knee-jerk decisions being made that can be harmful over the long term.

It is often said that private investors invest at market peaks and sell when markets fall. This can crystallise losses and miss large bounce-backs that happen at the start of a recovery.

As a professional investor, it is clear that global markets have significantly repriced from record highs.



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However, it is worth considering this event in a historical context against other prominent market falls and the overall upward trajectory of share prices in the past 30 years. For example, there was the Asian financial crisis from which markets bounced

back quickly, as well as the tech bubble and the global financial crisis.

The current situation is serious and painful, and it can be hard to look beyond today. But I do believe that markets will recover and the multi-decade themes driving growth identified before the Covid-19 outbreak – such as demographic change, resource scarcity and technological change – remain intact.

No company is immune from current events but some are better placed to recover quickly. In previous articles, I have outlined our clear focus on identifying quality businesses with strong balance sheets, pricing power, high returns and sustainable business models. This helps them to withstand short-term downward pressure while accessing the economic benefits of longer-term growth themes.

Short-term investors will inevitably focus on the earnings downgrades and results, but for long-term investors with a focus on quality companies, this may be a unique opportunity to buy more of the companies that will be long-term success stories at favourable entry points.

As long-term, research-driven stock-pickers, this is how we use our investment edge. And we remain true to our quality focus and longer-term perspective.

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Read about Securities Trust of Scotland, the global equity income investment trust, at securitiestrust.com



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IMPORTANT INFORMATION

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