



# Do less, make more The perils of trying to time the market

When it comes to investing, many people are their own worst enemy. Fuelled by a desire for short term gains or by the fear of losing money, they buy and sell frequently trying to exploit market fluctuations. Unfortunately this type of speculative trading is often driven by rumours and expectations rather than fundamentals - and often does more harm than good.

Trading too frequently leads to high transactions costs, and reacting too quickly to new information may be fraught with danger. Alternatively, implementing a considered and consistent investment strategy allows you to grow your wealth steadily, but surely, over the long-term.

## A different perspective

The investments with the highest long-term potential returns are generally the most volatile. Day trading on the share market can be highly risky and is not for everyone. However, when looked at over longer periods of time (five years or more), share markets have proven to be one of the strongest ways to build wealth.

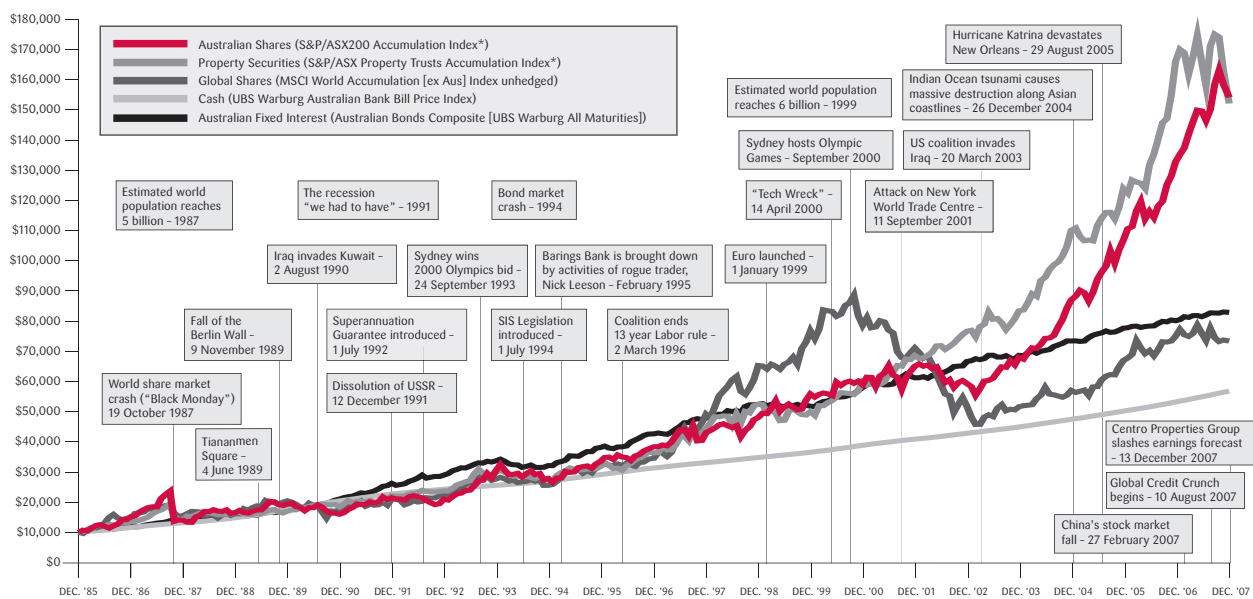


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## Saving versus Investing

### Comparison of Asset Sector Returns – December 1985 to December 2007



**Source:** Bloomberg, St.George Investment Solutions. \*The S&P/ASX 200 Accumulation Index and S&P/ASX 200 Listed Property Trust Accumulation Index were introduced in March 2000, prior to this the ASX All Ordinaries Accumulation Index and ASX Property Securities Index were used. This chart is based on an initial investment of \$10,000 in each index as at 1 December 1985.

### Time-in, not timing

There are a countless investors who *almost* made a killing on the stock market. Ever wondered why? It's often because the largest spikes and falls tend to happen suddenly, over short periods of time.

What's more, strong gains often occur after periods of weak performance and large falls happen after returns have been very strong. So mistiming an investment may not only reduce your profits but result in significant losses.

The following table illustrates how missing just a few good days can influence your overall return – even over the long term. Naturally by missing a few bad days you would increase your returns.

However, the point to remember is that even the most highly trained professionals, with all the data available to them, cannot consistently pick market turning points.

The risk you take on by trying to time the market will often outweigh the extra return you might generate. Instead, you may find that by simply staying in the market you could generate a superior long-term return. The statistics prove how effective this strategy can be.

### Average Annualised Returns over 15 years – effect of missing best days

Market	Index	Stayed fully invested	Best 10 days missed	Best 20 days missed	Best 30 days missed
Australian	S&P ASX 200/Accumulation Index*	14.0%	11.6%	9.9%	8.6%
USA	S&P 500 Index	8.4%	5.7%	3.1%	0.8%

**Source:** St.George Investment Solutions, as at 31 December 2007. \*S&P/ASX 200 Accumulation Index was introduced in March 2000, prior to this the ASX All Ordinaries Accumulation Index was used.

For the average investor, market timing is similar to going to the casino. Rather than punting your hard earned savings, talk to your financial planner or private client adviser about having a disciplined and consistent approach to investing.

### Need to know more?

We recommend that you contact your financial planner or private client adviser to discuss your portfolio.



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