Time in the market ~ not timing the market

What 30 years' of returns from the UK equity market can show us about investing

This guide is designed to provide a picture of the typical performance characteristics of equities in developed markets, such as the UK, over time. It breaks down the performance of the UK equity market, represented by the FTSE All-Share index, through different economic and market conditions over the thirty years to the end of 2020.

The FTSE All-Share index is made up of over 600 listed UK companies in all sectors of the economy.

Here you see the return on a £100 investment over the thirty year period, had you remained invested throughout. The £1,000 returns are shown on a total return basis, with net income reinvested.

Over the thirty years, the long-term trend in UK equities has been strongly positive, reflecting significant growth in the UK economy.

However, there has been significant volatility and you can see that the market has fallen sharply and taken a long period to recover on a number of occasions.

Please remember that past performance is not a guide to future performance and may not be repeated.

Return on £100 invested in the FTSE All-Share index

Annual return

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
20.8%	20.5%	28.4%	-5.8%	23.9%	16.7%	23.6%	13.8%	24.2%	-5.9%	-13.3%	-22.7%	20.9%	12.8%	22.0%
2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
16.8%	5.3%	-29.9%	30.1%	14.5%	-3.5%	12.3%	20.8%	1.2%	1.0%	16.8%	13.1%	-9.5%	19.2%	-9.8%

All the data in this article has been sourced from Financial Express, Schroders 2020 (weekly data).

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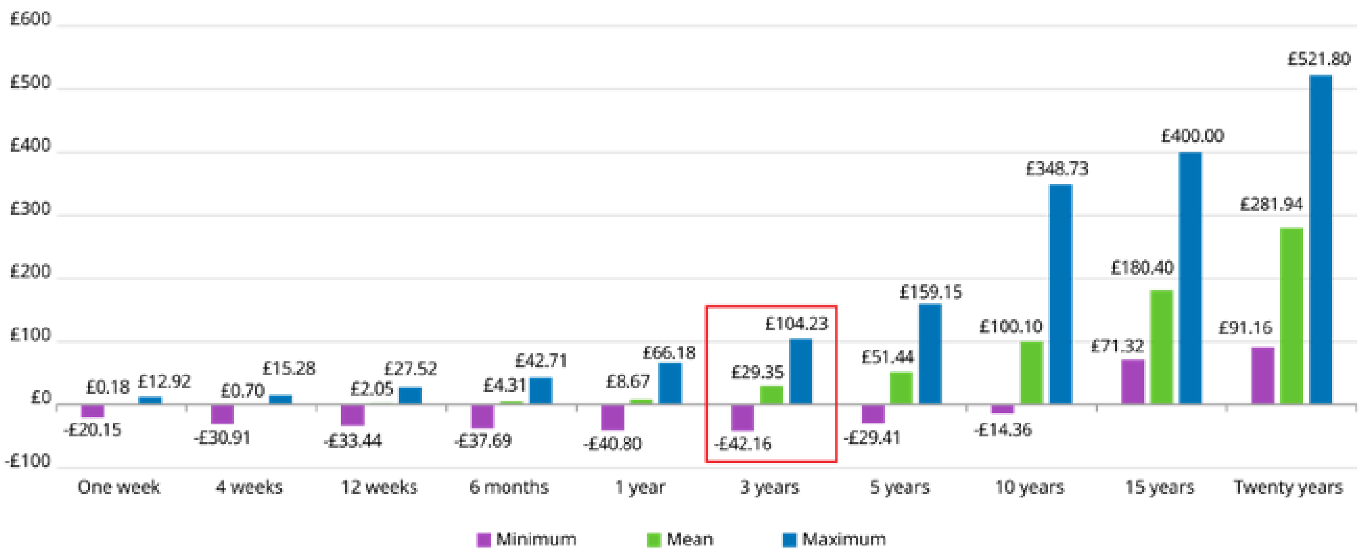
Many investors will not hold an investment for as long as thirty years. People put money in, and take money out of the market, at different times for many different reasons. So it is useful to look at returns over different periods, starting at different times, to get a better understanding of the range of outcomes that an equity investment may deliver.

This chart shows you the minimum, maximum and mean (average) returns achieved by investors over different periods, ranging from one week to twenty years starting at different weekly intervals.

Minimum, maximum and mean return over all periods of a given duration 31 December 1990 to 31 December 2020



Over the thirty year period, there were a total of 1,566 periods of one week's duration, 1,047 periods of ten years' duration and 527 periods of twenty years' duration.

You can see that investing for the same period of time from different start dates can generate very different returns. For example, while investing over three years would on average have delivered a return of £29.35 on a £100 investment, at best you could have more than doubled your money while at worst your investment could have fallen in value by £42.16 to £57.84.

Over the various time periods shown, you can see from the purple bars that the maximum loss you could have made over any time period becomes greater up to the three year holding period mark and then begins to decrease.

This supports the adage that 'time not timing' can be more important when investing in equities.

Short-term swings in valuation can be driven by unpredictable changes in sentiment and markets suffer occasional extreme shocks from events such as the global financial crisis and Covid-19. However, given time, economies are adept at adapting to shocks and tend to revert to a growth path, supporting renewed progress in equity prices over the long term.

Over the thirty years, all investors in the FTSE who held investments for fifteen or twenty year periods made a positive return, irrespective of when their holding period began.

Return on £100 invested

These charts show the distribution of the returns received by investors on £100 invested over the thirty years for all one, five and ten year periods.

In each case you can see that a small percentage of investors experience returns that are close to the low or high extremes (at the far left and right of each chart); most receive a return somewhere close to the middle of the range of returns for the time period.

Over longer time periods, you can see that the range of returns moves to the right, indicating a higher average return and a smaller proportion of investors losing money.

Over one year periods, investors made a loss 25.9% of the time, over five year periods 12.3% of the time and over ten year periods only 1.2% of the time.

This shows the potential benefit of holding equity investments for the longer-term to reduce the risk of losing money.

Please remember that past performance is not a guide to future performance and may not be repeated.