

# Principles for successful long-term investing

---

Using Market Insights to achieve better client outcomes



THE KEY TO SUCCESSFUL INVESTING ISN'T PREDICTING THE FUTURE, IT'S LEARNING FROM THE PAST AND UNDERSTANDING THE PRESENT. IN [“PRINCIPLES FOR SUCCESSFUL LONG-TERM INVESTING”](#), WE PRESENT SIX TIME-TESTED STRATEGIES FOR GUIDING PORTFOLIOS THROUGH TODAY'S CHALLENGING MARKETS AND TOWARDS TOMORROW'S GOALS.

YOU WILL FIND SLIDES FROM OUR *GUIDE TO THE MARKETS*, ALONG WITH COMMENTARY PROVIDING ADDITIONAL PERSPECTIVE AND ACTION STEPS.

---

# PRINCIPLES FOR SUCCESSFUL LONG-TERM INVESTING

---

- 1 INVEST FOR THE FUTURE
- 2 CASH IS RARELY KING
- 3 COMPOUNDING WORKS MIRACLES
- 4 VOLATILITY IS NORMAL
- 5 STAYING INVESTED MATTERS
- 6 DIVERSIFICATION WORKS



## INVEST FOR THE FUTURE

### **We are living longer**

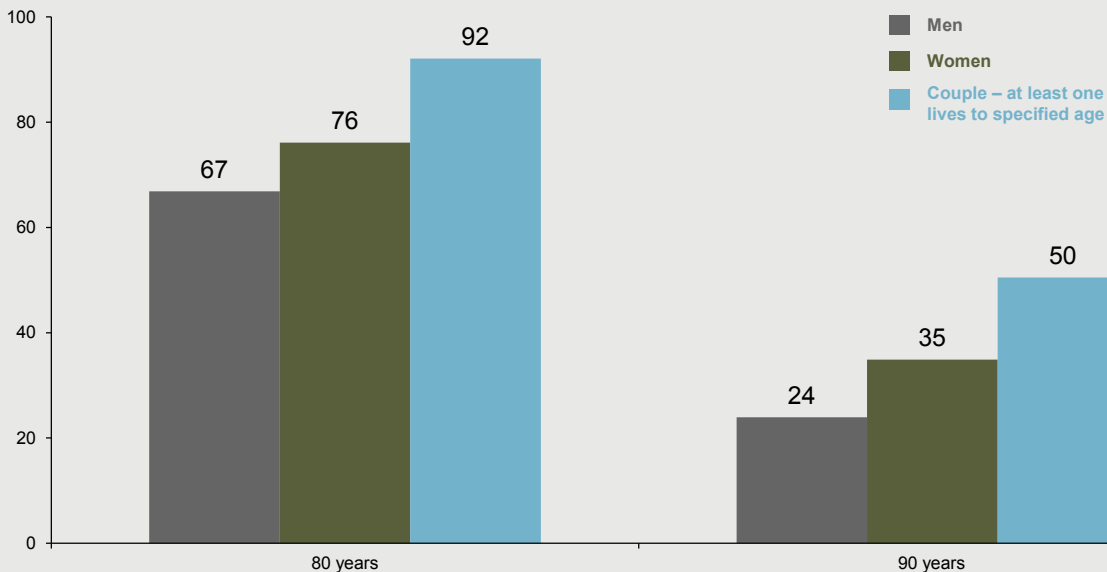
Thanks to advances in medicine and healthier lifestyles, people are living longer lives. This chart shows the probability of reaching the age of 80 or 90 for someone who is 65 today. A 65-year-old couple might be surprised to learn that there is a 50% chance that at least one of them will live another 25 years, reaching the age of 90.

## Life expectancy

GTM - Europe

### Probability of reaching ages 80 and 90

% probability, persons aged 65, by gender and combined couple



Source: ONS 2015-2017 Life Tables, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results.  
Guide to the Markets - Europe. Data as of 31 December 2018.

Investing  
principles

**J.P.Morgan**  
Asset Management

## 2 CASH IS RARELY KING

LEFT: **Cash pays less**

Investors often think of cash as a safe haven in volatile times, or even as a source of income. But the ongoing era of ultra-low interest rates has depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors should be sure an allocation to cash does not undermine their long-term investment objectives.

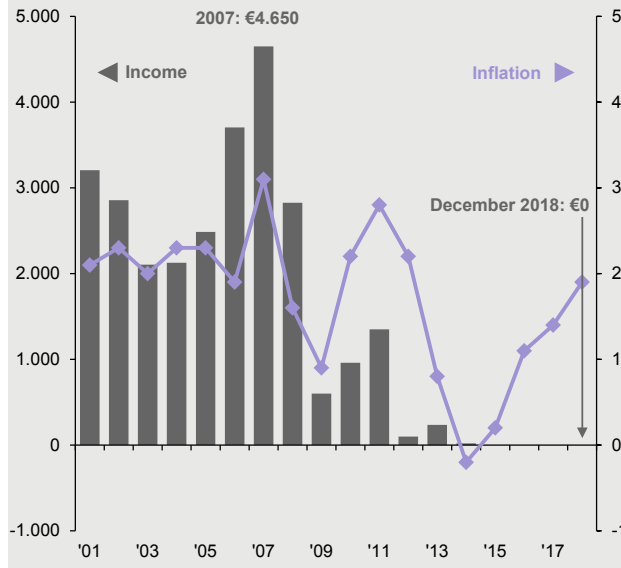
RIGHT: **Cash underperforms over the long term**

Cash left on the sidelines earns very little over the long run. Investors who have parked their cash in the bank have missed out on the impressive performance that would have come with staying invested over the long term.

## Cash investments

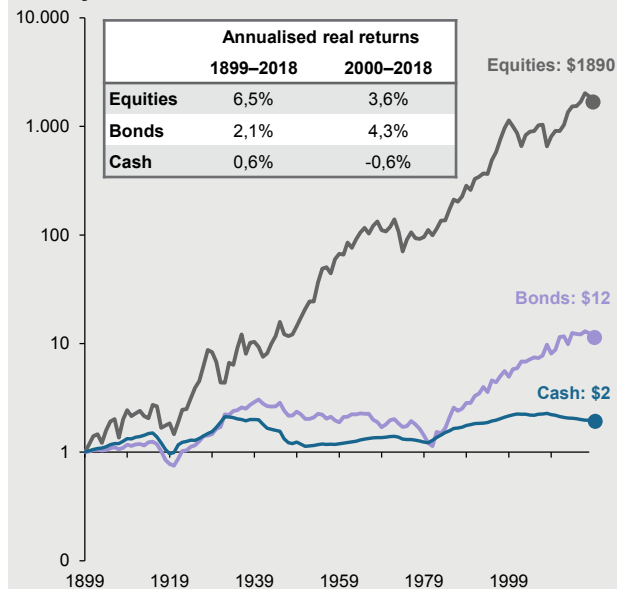
GTM - Europe

**Income generated by €100.000 in a three-month bank deposit**  
EUR (LHS); % change year on year (RHS)



**Total return of \$1 in real terms**

USD, log scale, total returns



Source: (Left) Bloomberg, Eurostat, J.P. Morgan Asset Management. Inflation is the percentage change year on year for the eurozone harmonised index of consumer prices. (Right) Bloomberg, Bloomberg Barclays, FactSet, Shiller, Siegel, Standard & Poor's, J.P. Morgan Asset Management. Pre 2010 returns: Shiller, Siegel; from 2010: Equities: S&P 500; Bonds: Bloomberg Barclays US Treasury 20+ year Total Return Index; Cash: Bloomberg Barclays US Treasury Bills Total Return Index. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

**J.P.Morgan**  
Asset Management

## 3 COMPOUNDING WORKS MIRACLES

LEFT: **Start early and invest regularly**

Compound interest has been called the eighth wonder of the world. Its power is so great that even missing out on a few years of saving and growth can make an enormous difference to your eventual returns. Starting to save at the age of 25 and investing €5.000 per year in an investment that grows at 5% a year would leave you with nearly €300.000 more by the age of 65 than if you started at 35, even though overall you would only have invested an extra €50.000.

RIGHT: **Re-invest income from investments if you don't need it**

You can make even better use of the magic of compounding if you reinvest the income from your investments to boost your portfolio value further. The difference between reinvesting—and not reinvesting—the income from your investments over the long term can be enormous.

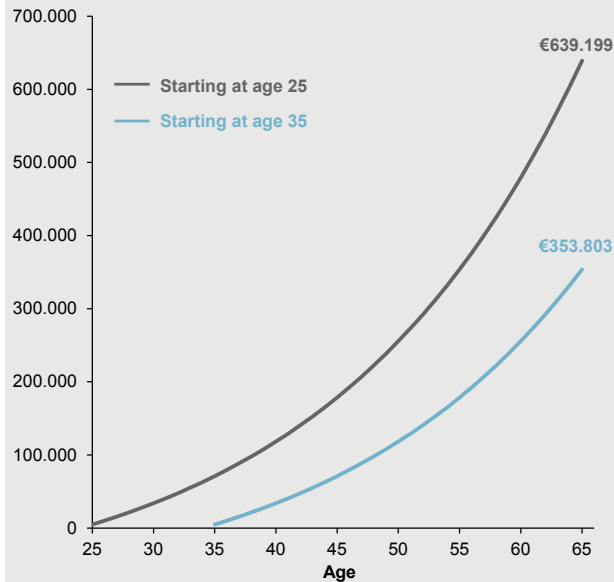


## The power of compounding

GTM - Europe

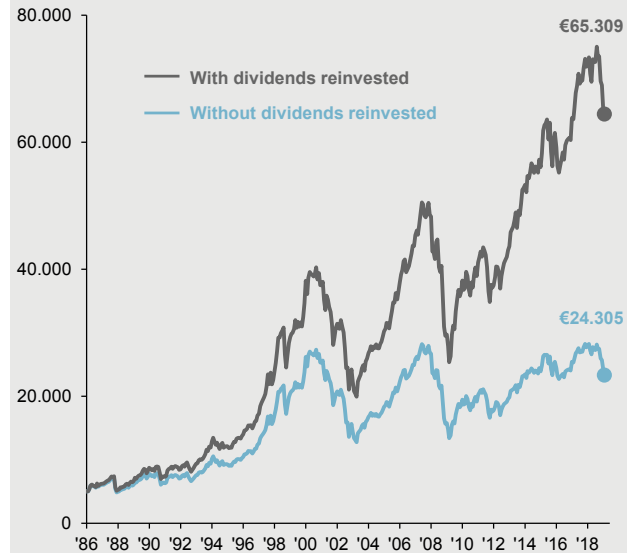
### €5.000 invested annually with 5% growth per year

EUR



### €5.000 investment with/without income reinvested

EUR, MSCI Europe returns



Source: (Left) J.P. Morgan Asset Management. For illustrative purposes only, assumes all income reinvested, actual investments may incur higher or lower growth rates and charges. (Right) Bloomberg, MSCI, J.P. Morgan Asset Management. Based on MSCI Europe index and assumes no charges. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

## 4 VOLATILITY IS NORMAL; DON'T PANIC

### **Keep your head when all about you are losing theirs**

Every year has its rough patches. The red dots on this chart represent the maximum intra-year equity decline in every calendar year, or the difference between the highest and lowest point reached by the market in those 12 months. It is hard to predict these pullbacks, but double-digit declines in markets are a fact of life in most years; investors should expect them.

Volatility in financial markets is normal and investors should be prepared upfront for the ups and downs of investing, rather than reacting emotionally when the going gets tough. The grey bars represent the calendar-year market price returns. They show that, despite the pullbacks every year, the equity market has recovered to deliver positive returns in most calendar years.

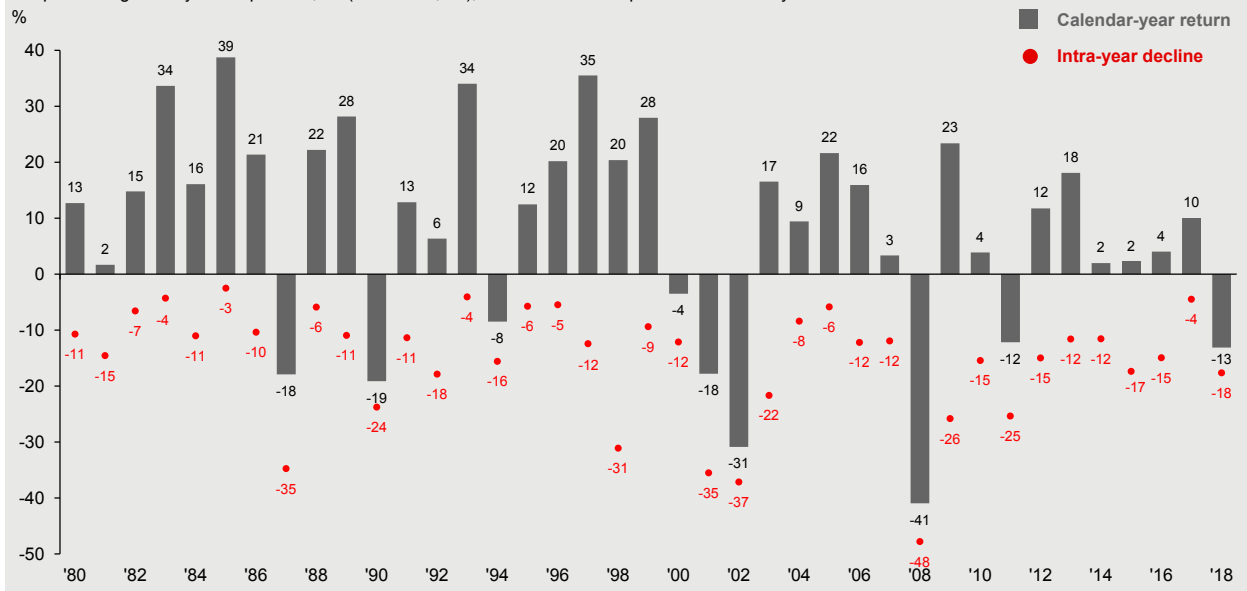
The lesson is, don't panic: more often than not a stock market pullback is an opportunity, not a reason to sell.

## Annual returns and intra-year declines

GTM - Europe

### MSCI Europe Index intra-year declines vs. calendar-year returns

Despite average intra-year drops of 15,4% (median 12,1%), annual returns are positive in 30 of 39 years



Source: MSCI, Thomson Reuters Datastream, J.P. Morgan Asset Management. Returns are based on local price only and do not include dividends. Intra-year decline refers to the largest market fall from peak to trough within a short time period during the calendar year. Returns shown are calendar years from 1980 to 2018. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

## 5 STAYING INVESTED MATTERS

### **Don't put your emotions in charge of your investments**

Market timing can be a dangerous habit. Pullbacks are hard to predict and strong returns often follow the worst returns. But often investors think they can outsmart the market—or they let emotions like fear and greed push them into investment decisions they later regret.

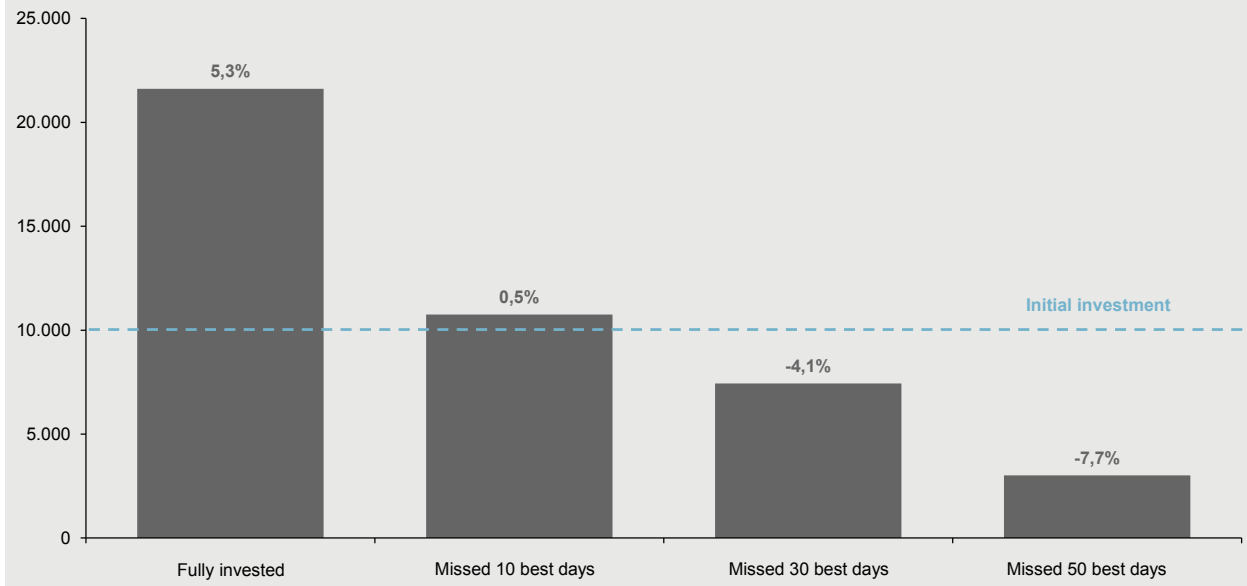
This chart is a sobering reminder of the potential costs of trying to time the market. Even missing a handful of days in the market can have a devastating effect on an investor's total returns.

## Impact of being out of the market

GTM - Europe

### Returns of MSCI Europe

EUR, value of a €10.000 investment from 2004 to 2018 with annualised total return (%)



Source: Bloomberg, MSCI, J.P. Morgan Asset Management. Investment outcomes based on total return. For illustrative purposes only. Returns calculated daily over the time period assuming no return on each of the specified number of best days. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

## 5 STAYING INVESTED MATTERS (PART 2)

### **Good things come to those who wait**

While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. Investors need to keep a long-term perspective.

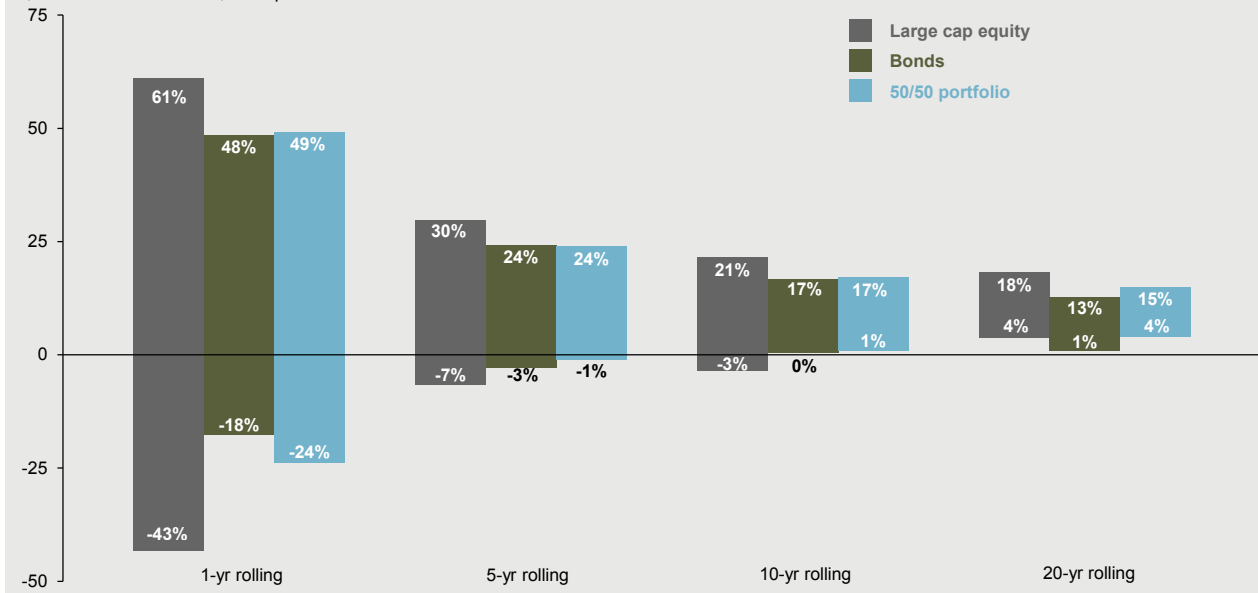
This chart illustrates this concept. Investors should not necessarily expect the same rates of return in the future as we have seen in the past. But a diversified blend of stocks and bonds has not suffered a negative return over any 10-year rolling period, despite the great swings in annual returns we have seen since 1950.

## US asset returns by holding period

GTM - Europe

### Range of equity and bond total returns

%, annualised total returns, 1950-present



Source: Strategas/Ibbotson, J.P. Morgan Asset Management. Large cap equity represents the S&P 500 Composite and Bonds represents the Strategas/Ibbotson US Government Bond Index and US Long-term Corporate Bond Index. Returns shown are per annum and are calculated based on monthly returns from 1950 to latest available and include dividends. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

**J.P.Morgan**  
Asset Management

## 6 DIVERSIFICATION WORKS

### **Don't put all your eggs in one basket**

Since the start of 2008, it has been a volatile and tumultuous ride for investors, with natural disasters, geopolitical conflicts and a major financial crisis.

Yet despite these difficulties, the worst-performing asset classes of those shown here have been cash and commodities. Meanwhile, a well-diversified portfolio, including stocks, bonds and some other asset classes, has returned above 5% per year over this time period. The diversified portfolio also provided a smoother ride for investors than investing in just equities, as shown by its position in the chart's volatility column.



## Asset class returns (EUR)

GTM - Europe

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ann. return	Vol.
Govt bonds	15,9%	EME	REITS	EMD	REITS	DM Equities	REITS	REITS	HY bonds	EME	Govt bonds	HY bonds	EME
	15,9%	73,5%	36,4%	12,1%	18,3%	21,9%	44,8%	13,9%	17,7%	21,0%	4,6%	9,3%	29,6%
Cash	5,7%	HY bonds	EME	REITS	HY bonds	Portfolio	EMD	EMD	Cmnty	DM Equities	IG bonds	REITS	REITS
	5,7%	54,4%	27,5%	10,9%	17,8%	3,3%	20,2%	12,8%	15,1%	8,1%	1,3%	9,0%	20,3%
IG bonds	-3,9%	DM Equities	Cmnty	Govt bonds	EME	HY bonds	DM Equities	DM Equities	EME	Portfolio	HY bonds	EMD	HY bonds
	-3,9%	26,7%	24,9%	9,9%	16,8%	2,7%	20,1%	11,0%	14,9%	1,7%	0,8%	8,3%	18,3%
EMD	-6,3%	Portfolio	HY bonds	IG bonds	EMD	Hedge Funds	IG bonds	HY bonds	EMD	Cash	REITS	DM Equities	DM Equities
	-6,3%	25,4%	22,8%	7,8%	16,7%	2,1%	17,5%	8,4%	13,5%	-0,3%	0,7%	6,7%	DM Equities
Hedge Funds	-19,3%	EMD	DM Equities	HY bonds	DM Equities	Cash	Portfolio	Govt bonds	REITS	HY bonds	EMD	IG bonds	Cmnty
	-19,3%	24,2%	20,1%	6,6%	14,7%	0,2%	16,2%	7,7%	12,6%	-3,0%	0,2%	5,9%	15,7%
Portfolio	-20,9%	REITS	EMD	Cash	Portfolio	REITS	HY bonds	IG bonds	DM Equities	EMD	Cash	Portfolio	Portfolio
	-20,9%	23,5%	19,8%	1,7%	10,7%	-1,3%	13,9%	7,4%	11,4%	-4,0%	-0,3%	5,8%	11,7%
HY bonds	-23,1%	IG bonds	Portfolio	Portfolio	IG bonds	IG bonds	Hedge Funds	Hedge Funds	Portfolio	REITS	Portfolio	Govt bonds	EMD
	-23,1%	15,5%	18,9%	1,2%	9,5%	-4,0%	13,2%	7,3%	10,3%	-4,0%	-1,6%	4,7%	11,4%
Cmnty	-32,3%	Cmnty	Govt bonds	DM Equities	Hedge Funds	EME	Govt bonds	Portfolio	IG bonds	IG bonds	Hedge Funds	EME	Hedge Funds
	-32,3%	15,2%	13,3%	-1,8%	1,9%	-6,5%	13,0%	6,4%	7,4%	-4,2%	-2,0%	2,7%	9,3%
REITS	-34,1%	Hedge Funds	IG bonds	Hedge Funds	Cash	Govt bonds	EME	Cash	Hedge Funds	Govt bonds	DM Equities	Hedge Funds	Govt bonds
	-34,1%	9,9%	13,2%	-5,8%	1,2%	-8,4%	11,8%	0,1%	5,6%	-5,8%	-3,6%	1,2%	7,6%
DM Equities	-37,2%	Cash	Hedge Funds	Cmnty	Govt bonds	EMD	Cash	EME	Govt bonds	Hedge Funds	Cmnty	Cash	IG bonds
	-37,2%	2,3%	12,5%	-10,4%	0,3%	-10,6%	0,3%	-4,9%	4,7%	-6,9%	-6,9%	1,1%	7,5%
EME	-50,8%	Govt bonds	Cash	EME	Cmnty	Cmnty	Cmnty	Cmnty	Cash	Cmnty	EME	Cmnty	Cash
	-50,8%	-0,6%	1,1%	-15,4%	-2,6%	-13,4%	-5,5%	-16,1%	-0,1%	-10,7%	-9,9%	-5,1%	1,7%

Investing  
principles

Source: Barclays, Bloomberg, FTSE, MSCI, J.P. Morgan Economic Research, Thomson Reuters Datastream, J.P. Morgan Asset Management. Annualised return covers the period from 2008 to 2018. Vol. is the standard deviation of annual returns. Govt bonds: Bloomberg Barclays Global Aggregate Government Treasuries; HY bonds: Bloomberg Barclays Global High Yield; EMD: J.P. Morgan EMBI Global; IG bonds: Bloomberg Barclays Global Aggregate – Corporates; Cmnty: Bloomberg Commodity; REITS: FTSE NAREIT All REITS; DM Equities: MSCI World; EME: MSCI EM; Hedge funds: HFRI Global Hedge Fund Index; Cash: JP Morgan Cash Index EUR (3M). Hypothetical portfolio (for illustrative purposes only and should not be taken as a recommendation): 30% DM equities; 10% EM equities; 15% IG bonds; 12,5% government bonds; 7,5% HY bonds; 5% EMD; 5% commodities; 5% cash; 5% REITS and 5% hedge funds. All returns except Hedge Funds are unhedged. All returns are total return, in EUR. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 31 December 2018.

**J.P.Morgan**  
Asset Management

.....

.....

.....

.....

.....

.....

.....

.....

.....



FOR MORE INFORMATION ABOUT THE MARKET INSIGHTS PROGRAMME,  
INCLUDING ACCESS TO THE ENTIRE GUIDE TO THE MARKETS,  
SPEAK TO YOUR J.P. MORGAN ASSET MANAGEMENT REPRESENTATIVE.

---

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions. For the purposes of MiFID II, the JPM Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any MiFID II / MiFIR requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own professional advisers, if any investment mentioned herein is believed to be suitable to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not a reliable indicator of current and future results. J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our Company's Privacy Policy (<https://www.jpmorgan.com/global/privacy>). For further information regarding our local privacy policies, please follow the respective links: Australia (<https://www.jpmorgan.com/country/AU/EN/privacy>), EMEA (<https://am.jpmorgan.com/gb/en/asset-management/gim/adv/legal/external-privacy-policy-site>), Hong Kong (<https://www.jpmorganam.com.hk/jpm/am/en/privacy-statement>), Japan (<https://www.jpmorganasset.co.jp/wps/portal/Policy/Privacy>), Singapore (<http://www.jpmorganam.com.sg/privacy>) and Taiwan (<https://www.jpmorgan.com/country/GB/en/privacy/taiwan>).

This communication is issued by the following entities: in the United Kingdom by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions by JPMorgan Asset Management (Europe) S.à r.l.; in Hong Kong by JF Asset Management Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited; in Singapore by JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), or JPMorgan Asset Management Real Assets (Singapore) Pte Ltd (Co. Reg. No. 201120355E); in Taiwan by JPMorgan Asset Management (Taiwan) Limited; in Japan by JPMorgan Asset Management (Japan) Limited which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Cth) by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919); in Brazil by Banco J.P. Morgan S.A.; in Canada for institutional clients' use only by JPMorgan Asset Management (Canada) Inc., and in the United States by JPMorgan Distribution Services Inc. and J.P. Morgan Institutional Investments, Inc., both members of FINRA; and J.P. Morgan Investment Management Inc.

In APAC, distribution is for Hong Kong, Taiwan, Japan and Singapore. For all other countries in APAC, to intended recipients only.

Copyright 2019 JPMorgan Chase & Co. All rights reserved.

0903c02a82025048

LV-JPM51744 | 01/19