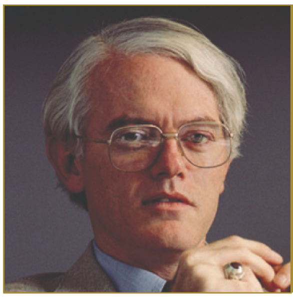
Don't attempt to time the market



"Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves."

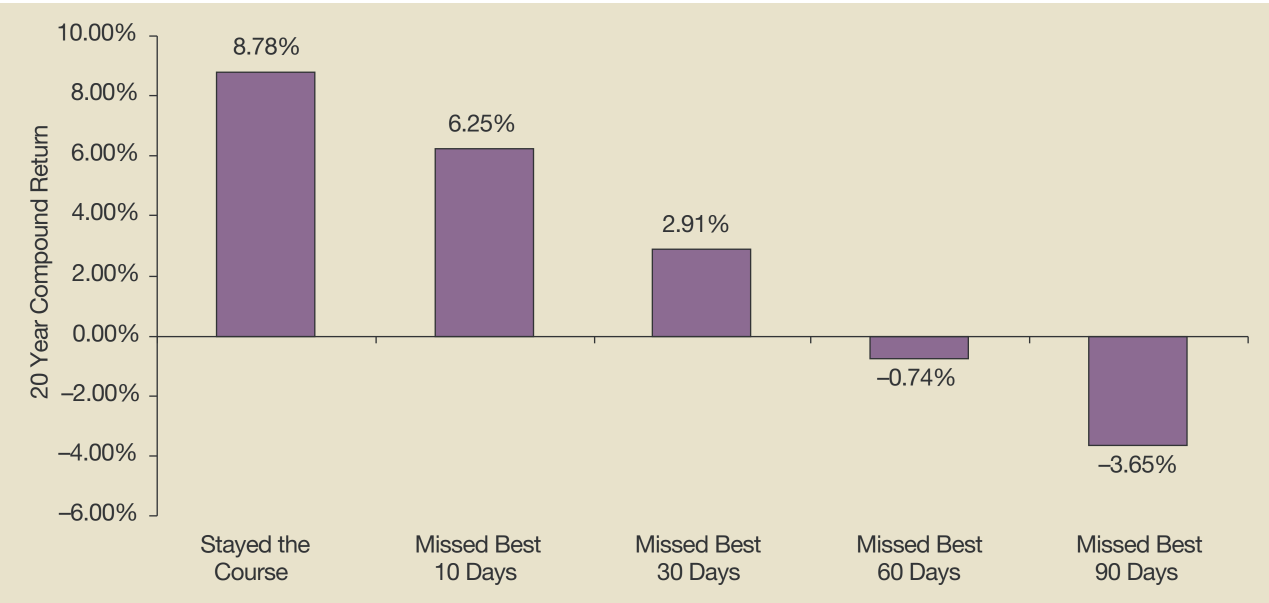
Peter Lynch,[2] legendary investor and author

A VOLATILE market can cause investors to panic and to abandon long-term investment strategies by pulling out of the sharemarket, with the intention of moving back in when the environment improves. It is almost impossible to predict when markets will improve and, by attempting to do so, investors lose out on the returns they could have earned had they stayed put.

Chart 2 illustrates the danger of trying to time the market. Over the 20 years to 2008, the investor who missed only the best 10 trading days, out of the 5,240 trading days in this period, saw their return reduce to 6.25%. Amazingly, an investor only had to miss the best 54 days to see their return turn negative!

Looking at **Chart 2**, it would appear that the most successful investors are those who understand that timing the market is almost impossible and stick with their long-term strategies.

Chart 2:
The Danger of Trying to Time the Market (All Ordinaries 20 Year Average Annual Returns 1988–2008)



Source: All Ordinaries, Perennial Investment Partners, IRESS.

[2] Peter Lynch (born 1944), a Wall Street investor, was hired by Fidelity as an Intern in 1966. In 1977, Lynch became head of the Magellan Fund, which had $18 million in assets. By the time of his retirement in 1990, the fund had to grown to in excess of $14 billion in assets. Peter Lynch has co-written three books on investing, including *One Up on Wall Street, Beating the Street*, and *Learn to Earn*. His most famous investment principle is "Invest in what you know".