



INVESTMENT INSIGHT

Why staying invested is almost always the *right* call

Markets will always have difficult moments. But history consistently shows that the investors who hold their nerve - and stay invested - are the ones who come out ahead. Here's what the evidence actually shows.

MPA Financial Management

Chartered Independent
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Markets have always recovered

When markets fall, it is natural to feel uneasy. But if history teaches us anything, it's this: **reacting to short-term noise is one of the most costly things a long-term investor can do.** Over the last 30 years, global equities have delivered an average return of close to 9% per year - including dividends reinvested. Every significant crash has been followed by a full recovery.

2000-03	The Dot-Com Crash The tech bubble burst, wiping out hundreds of internet companies and triggering a prolonged market decline.	Recovered in ~6.5 years
2007-08	Global Financial Crisis The most severe financial shock since the Great Depression, triggered by the collapse of the subprime mortgage market.	Recovered in ~2.5 years
2020	The Covid-19 Crash A sudden global shock sent equities down over 15% in a single quarter as the pandemic brought the world to a standstill.	Recovered in ~1.5 years
2022	Russia-Ukraine & Mini-Budget Geopolitical uncertainty combined with domestic economic turbulence created a sharp but short-lived correction.	Recovered in ~0.4 years
2025	US Tariff Announcements Broad tariff measures sparked fears over global trade and inflation, causing sharp short-term volatility across global markets.	Recovered in ~0.1 years

Notice the pattern? Not only has every major sell-off been followed by a recovery - the recoveries have tended to get quicker over time. The financial crisis took two and a half years. The tariff shock of 2025 took barely a month.

"In 75% of recessions since the 1940s, markets performed broadly the same or better during the recession than in the 12 months prior - and returned an average of 23% in the year that followed."

The longer you stay invested, the lower the risk

One of the most compelling arguments for long-term investing is simply the maths of holding periods. Analysing global equity markets over the past 30 years reveals a striking picture.

11%

chance of a negative return if you remained invested for 5 years

~0%

chance of a negative return over any 20-year holding period

Compare that to holding for just one day, where there is almost a 50/50 chance of a loss. The passage of time is, in itself, one of the most powerful risk management tools available to any investor.

Cash isn't the safe haven it feels like

Moving to cash during a market downturn feels safer. For long-term investors, it rarely is. Over the 30 years to December 2025, here is how the three main options compared on an annualised basis:

INFLATION

2.4%

The baseline your money needs to beat just to stand still in real terms.

CASH

3.0%

Outpaced inflation - but only by 0.6% per year. Very little real growth over three decades.

GLOBAL EQUITIES

7.3%

Outperformed cash by almost 350% in total - or just over 4% per year above cash returns across the same 30-year period.

A £100,000 investment made at the start of the Covid crash in March 2020 illustrates this clearly. An investor who stayed in a diversified portfolio saw their money grow to around £166,000 by the end of 2025. An investor who moved to cash ended up with around £104,000. That's a difference of roughly 60% - compounded over just five years.

You cannot afford to miss the best days

Some of the best single days in stock market history have come immediately after the worst. The largest single-day gain in global equities over the past 30 years - a rise of +6.8% - came on 13th October 2008, right in the middle of the financial crisis, after six consecutive days of heavy losses. If you had moved to cash during those six bad days, you would have missed it entirely.

FULLY INVESTED · 30 YEARS

£120,000

Value of a £10,000 investment held continuously from December 1995 to December 2025. Annualised return: 8.7% p.a.

MISSED JUST 30 BEST DAYS

£33,000

The same investment, having sat out just 30 days across 30 years - less than 0.3% of the time. Annualised return: 4.1% p.a.

Missing less than 0.3% of the available trading days more than halved the final outcome. You cannot reliably avoid the worst days without also missing the best.

SUMMARY

What this means for you

Your portfolio should always reflect your goals, your time horizon, and how much short-term volatility you can reasonably absorb. But the evidence is consistent: reacting emotionally to short-term market movements is one of the most damaging things a long-term investor can do.

Five things to remember when markets are volatile

- Every major market crash in modern history has been followed by a recovery. Time is your most powerful ally.
- The longer you stay invested, the lower your statistical risk. Over any 20-year period, global equities have never produced a negative return.
- Moving to cash might feel safe - but equities have outperformed cash by nearly 350% over 30 years. The sidelines have a real cost.
- The best days and the worst days cluster together. You cannot avoid one without missing the other.
- A well-diversified portfolio, matched to your goals and time horizon, is your best defence against short-term volatility.

If you have any concerns about your investments, or your circumstances have changed, we are always here to talk. That is exactly what we are for.

IMPORTANT INFORMATION

The value of investments and any income from them can fall as well as rise. You may get back less than you originally invested. Past performance is not a reliable indicator of future results. This document is for information purposes only and does not constitute personal financial advice. Data sourced from Morningstar and Hymans Robertson Investment Services (HRIS), covering the period to 31 December 2025.