Some things are worth waiting for!

Why a long-term perspective is important in equity investing

“Good things come to those who wait”

You come home starving after a long day and decide to boil some rice. But after five minutes, you are suddenly famished and decide you can’t wait any longer. What will you do? Dish out the uncooked rice or wait a few more minutes for the rice to properly cook? As simple as this analogy sounds, waiting is an equally important principle in investing.

Short or long term?

Investing for the short or long term are both ideal depending on your goals and the investment instrument. If your investment goal is to be able to cater for emergencies or recurring costs, you can choose a short-term investment such as Treasury bills or a fixed-income mutual fund, like MFund. But if you are investing towards retirement or the future education of your child, you are better off with a longer-term investment such as stocks or an equity mutual fund, like Epack.

Why a long-term perspective is important

To get the most out of your equity investment, you are required to have a high risk tolerance and a long-term perspective. This is important because day-to-day volatility is a fact of life for equity investments. Today, prices are up; tomorrow they are down. Epack, for example, has gone as low as -12.21% and as high as 137% in some years. If you cannot stomach these fluctuations and are not ready to wait for a long time (more than 5 years), you could miss out on significant growth on your investment.

3 benefits of thinking long-term

1. **Compounding**

   Time is your best friend because it gives compounding time to work its magic. Compounding is the mathematical process where interest on your money in turn earns interest and is added to your principal.

2. **Prevents emotional investing**

   With a long-term perspective, it is easier to make quality decisions in a timelier manner. You also avoid making bad short-term decisions that will affect your long-term goals, such as withdrawing during a downturn. The reality is your investment will go through different phases of upward and downward movements. And it is your calmness that will keep you from making real losses in your portfolio.

3. **Less impact of price fluctuations**

   The long-term investor is less affected by short-term volatility as the market tends to correct itself over time. In the long term, good stocks that may have been affected due to some other factors (in the short term) will give better than average returns.

   Long-term investors, particularly those who invest in a diversified portfolio, can survive a market decline without dramatically affecting his or her ability to reach their goals.

Think long term with Epack

As an equity mutual fund with up to 80% exposure to equities, Epack also experiences fluctuations. During a downturn, it may be natural for you to panic and want to withdraw all you have before it gets worse but there is no need to do that. Keep your eyes on the long term and remember why you started investing in the first place.

With over 24 years in existence (since 1996), Epack has delivered on its promise to provide investors with significant long-term returns. Our average annual return is at 26.22%, showing a stronger performance compared to the GSE's life return of 23.71% (as at April 30, 2021). Our fund managers also use their expertise to select quality stocks across Sub-Saharan Africa that they believe will yield strong returns in the long term. This should give you the much-needed peace of mind as an investor to stay invested.

Wait until the "rice" is well cooked. **Remember, it is the patient investor who gets rewarded.**

Invest wisely. Invest in Epack.

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