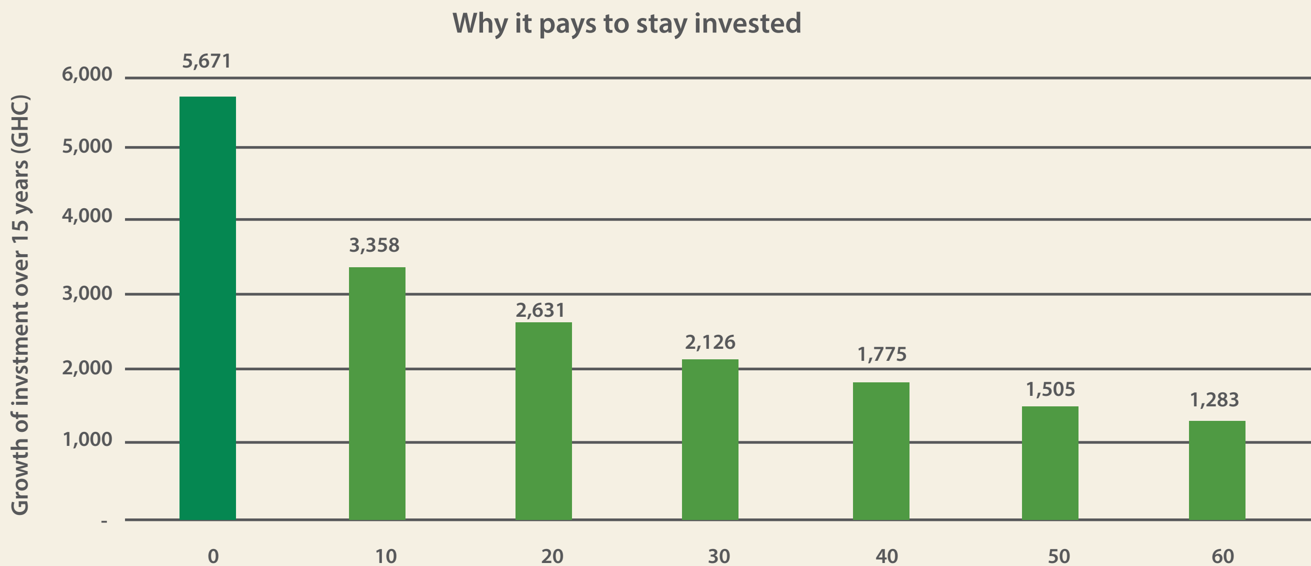
Why the smart money stays invested

Q. If my equity investment is going down, isn't it better for me to sell out when it's down and then resume investing again when the performance improves?

The answer is no. Many people think they will actually make more money with this approach. However, the exact opposite is true. **If you try to time the market by selling off your investment each time it is down and then reinvesting when it starts to go up, you may end up losing a lot of gains in the long run.** We will illustrate this point using the chart below. It shows how much a one-time investment of GHC 100 made in Databank Epack Investment Fund (Epack, on December 31, 2000) would have grown under different holding periods.



The first bar in the graph shows that if the one-time GHC 100 investment in Epack was made on December 31, 2000 and held for 15 years until December 31, 2015 (a total of 5,475 days), it would have grown to GHC 5,671. However, Epack's performance over the period has not been as smooth as some would wish. Over the 15-year period, Epack experienced four years of negative performance, which is not unusual for equity mutual funds. And during each of those periods, we saw some investors withdrawing their money from Epack, and then bringing the money back when the performance improved.

Missing the 10 best days could cut your returns by 41%

The subsequent bars on the chart are for those who adopted the strategy of selling off their investment when performance started going down and re-investing when the markets started to recover. The second bar shows that an investor who missed ONLY the 10 best days of Epack's performance out of 5,475 days, in their effort to time the Fund's performance, saw the investment grow to GHC 3,358. That is only 59% of the money that could have been earned. For an investor who missed the best 30 days, the investment would be worth GHC 2,126, only 37% of the investment value that could have been achieved. If an investor missed the 60 best days out of the 5,475 days, the investment would be worth a mere GHC 1,283 (23% of that of the person who stayed invested for the entire period).

The key message is this: it is **time in the market** not timing the market that matters. **Invest wisely. Invest in Epack.**

[1]Epack is a pan-African equity mutual fund managed by Databank Asset Management Services Ltd – a leading SEC-licensed investment advisory firm. Epack seeks to realize significant returns on investors' capital over the long term through investments in listed pan-African equities with high growth potential. Its mandate is to invest at least 80% of its net asset value in equities. Epack's compounded average growth rate (since inception in October 1996) was 33.85% (as at May 31, 2016). For more information on the Fund (including the latest annual reports and factsheets), please visit www.databankgroup.com.

0302 610610
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