Santander Asset Management

Invest some time in a portfolio review

Over the last twelve months investing may have felt like being on a rollercoaster: markets fell sharply as the COVID-19 pandemic took hold, and have, at least so far, largely been travelling back up again since.

While some can be more extreme than others, downs and ups like these are all part of the cycle economies and markets repeat over time.

Many long-term investments, like multi-asset funds and managed portfolios for example, are designed and managed to ride out these short-term movements – so chopping and changing in response to each bump in the investment road could do more harm than good.

That doesn't mean you should just forget about your investment portfolio and never look at it again - periodically reviewing your portfolio to make sure it still meets your personal needs is an important part of staying on track to achieve your goals.

Have your needs changed?

1. **Your personal circumstances** – your children may no longer need financial support, leaving you more money free to invest, or your relationship status might have changed.

2. **Your financial circumstances -** you might have changed job or the pandemic may have affected your financial situation, so you have more or less money available to invest.

3. **Your attitude to risk** - you may feel more or less willing to take a risk with your money to possibly achieve a higher return. Research shows that our risk appetite gradually falls with age regardless of factors such as wealth, income and education[1].

4. Your investment goals – think about whether they still apply, do you have new goals (either in addition to or instead of your original ones)?

Is your portfolio still right for you?

1. Risk level

Does the balance of investments in your portfolio still reflect the amount of risk you are comfortable taking to secure your target return? That balance can change over time. For example, if higher risk assets, like Shares, have performed well they might now account for more of your portfolio than broadly lower risk assets, like Bonds.

2. Diversification

One of the most important parts of investing is making sure your money is spread across different asset classes, regions of the world and industry sectors to avoid being too exposed to movements in any particular one. Are you still happy with how well your portfolio is diversified? Has it become too concentrated in certain areas?

3. Cash versus investments

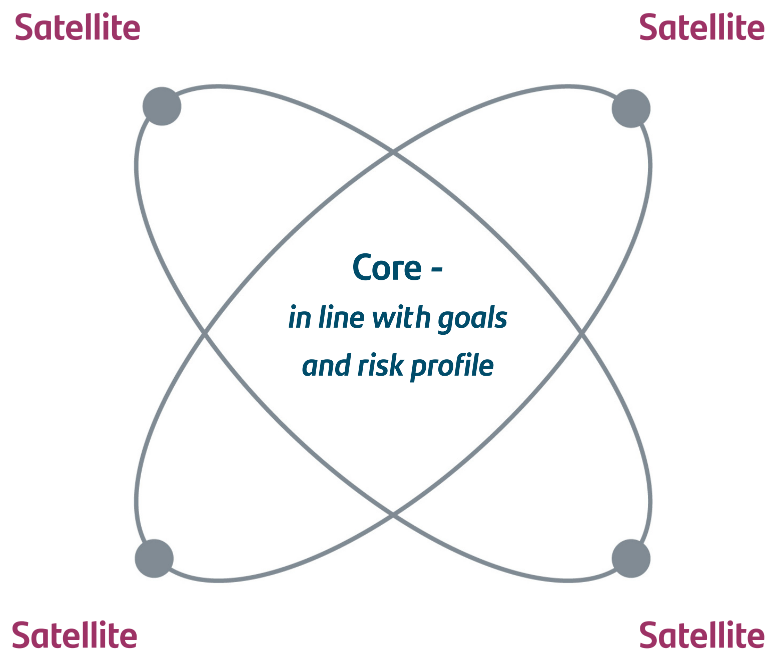
It's a good idea to have access to cash at short notice in case of emergencies or unexpected costs, or to meet your short-term goals. However, low interest rates mean there's little growth available from cash savings, so if you're looking to grow your money for long-term goals, once your potential emergency needs and short-term goals are covered, investing may make more sense. Have you got the right balance of cash versus investments?

The core/satellite approach

Reviewing your portfolio can also be a good time to think about whether there are any opportunities or investment trends you might now be interested in, to complement it.

It's worth doing a bit of research to check these aren't already covered by any existing funds you hold. They may well be if you are using a risk-managed multi-asset fund or managed portfolio service for example.

Otherwise you could consider taking a core/satellite approach.



As you can see in the image above this is where your portfolio has a 'core' element, its largest part, which is chosen to match your long-term goals, needs and risk profile. Around this you then add one or more 'satellite' investments, to pick up on those opportunities and trends you find interesting, provided that doesn't mean you end up taking more risk than you are comfortable with or can afford to take.

Investment opportunities in a changing world

Sometimes called 'megatrends', themes such as climate change and the rise of artificial intelligence have the potential to cause change across economies, society and business, as well as creating potential opportunities for long-term investors. One example is our ageing population, with the proportion of adult life spent beyond age 65 rising from less than a fifth in the 1960s to at least a quarter in most developed countries today.[2] This is influencing areas including energy, pharmaceuticals, and medical technology, the latter being especially topical given the pressure on the global healthcare system during the pandemic.

Learn more

You can learn more about sustainable investment in our introductory guide, **Sustainable Investment and You.**

There is also a greater focus on sustainability. People are increasingly aware of the environment and social inequality and want to use their investments to benefit others and not just themselves. For example, companies leading the way in the transition to a net-zero carbon economy may also be those best placed to grow sustainably and benefit from market advantages over time. Conversely, those that fail to transition effectively can become more vulnerable and high-risk.

Tuning out the market 'noise'

One word of caution - there's so much market 'noise' out there and events are often moving fast. There is a risk with any portfolio review of making decisions that look good in the short-term but which add little to your portfolio over the longer-term.

When it comes to making sure your needs are still being met or taking advantage of opportunities in a way that doesn't upset the balance of your portfolio, you may find the expertise of a professional financial adviser invaluable.

Learn more

Stay up-to-date with our latest **Markets and Insights** on www.santanderassetmanagement.co.uk.

[1] The Economic Journal - Risk attitudes across the life course, 2017
[2] United Nations – World Population Aging 2019, 2019 (page 5)

Let's be clear!

Investment terms explained

Asset class: A group of investments with similar traits. Shares, Bonds, Property, Cash and Alternatives are all examples of asset classes.

Bonds: A Bond is a loan issued by a government or a company. When you buy a Bond, the issuer promises to pay a certain amount of income until the Bond redeems and is repaid by the issuer. The strength of that promise varies by the issuer of the Bond. This is known as creditworthiness.

Diversification: Spreading your money across different investments to help manage risk.

Portfolio: a group of investments that are managed together to meet a particular objective.

Shares (often referred to as Equities or Stocks): In investing, this is a share of ownership in a company. Investing in a fund gives exposure to underlying share prices without investors actually owning the Shares themselves.

Important Information

This material is for information only and does not constitute an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services.

Past performance is not a guide to future performance. The value of investments and any income is not guaranteed and can go down as well as up and may be affected by exchange rate fluctuations. This means that an investor may not get back the amount invested.

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