



## Long-term Investing

**Investing in Australian listed companies with a long-term outlook.**

Investing in Australian listed companies with a long-term outlook entails retaining investments for a minimum of five years or longer. While the exact time frame for long-term investing can differ, the core principle is dedication, regardless of market turbulence and fluctuations in asset prices.

We delve into key strategies tailored for those investors keen on harnessing the potential of Australian listed companies for long-term wealth accumulation.

### **Objectives, risk tolerance and investment horizon**

Long-term investing begins with a clear understanding of your financial objectives, risk appetite, and investment time frame. Whether your aim is to secure your retirement, finance education expenses or a dream property, clearly defining your goals is essential.

Assessing your risk tolerance, which means finding out if your risk level is conservative, moderate or aggressive, helps you understand the level of risk you're willing to accept in pursuit of your investment objectives. Generally, investors with longer horizons can afford to embrace higher risks compared to those nearing retirement.

It's important to consider your investment time horizon, as this is when you'll need access to money to achieve your financial objectives. Some of the factors that influence your time horizon include your financial goals, income, age and risk tolerance.

Tailoring your investment strategy to align with your unique circumstances is foundational for long-term success in the Australian market.

### **Diversify your portfolio**

The Australian investment landscape, like any other, is prone to unpredictability and market fluctuations. Spreading your investments across different industry sectors can potentially help to mitigate risk. Diversification may help reduce the potential negative impact of any single asset's downturn on your overall portfolio. This approach helps in balancing out the performance, as when one asset or sector underperforms, another may outperform, stabilising the portfolio's returns. It's important to align diversification with your individual risk tolerance and investment goals, ensuring a well-rounded and resilient investment strategy.

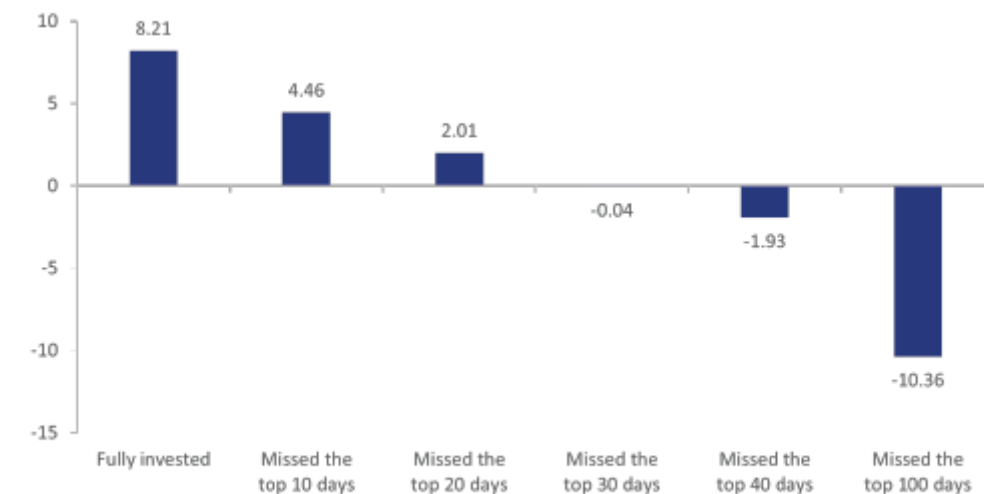
### **Stay committed**

Emotions often run high during market downturns, tempting investors to deviate from their chosen investment strategies. However, succumbing to fear-driven decisions can jeopardise long-term returns. Resist the urge to time the market, as consistently predicting market movements is exceedingly challenging. Long-term investing requires discipline and resilience, where investors are encouraged to adhere to their investment strategies even amidst turbulent market conditions. Avoid falling into the trap of chasing short-term profits, as maintaining investment during market cycles can be essential for realising the full potential of the market.

It's easy to feel drawn to timing the markets, aiming to choose tomorrow's winners from yesterday's winners. However, evidence suggests that market timing is a tough game. Take the buy low, sell high approach, for instance; it hinges on predicting when a stock will rise or fall, a task fraught with complexity. Successful long-term investing, on the other hand, demands a commitment to staying invested, resisting the urge to constantly chase the next big thing.

The chart below illustrates the risks of trying to time the market.

Market returns: S&P 500 Index from 31 Dec '89 - 31 Dec '09



Source Legg Mason

## Leverage expertise and regular review

Achieving success in investing requires a thorough understanding of market dynamics and investment strategies. Consider investing in managed funds where investment experts are actively researching and managing a portfolio, aiming for optimal diversification with continued dedicated oversight.

Review your investment strategy regularly to ensure it remains aligned with your long-term objectives. Rebalancing your portfolio and adjusting the weightings of your portfolio helps to ensure alignment with your intended long-term goals. Over time, some investments may perform better

than others, causing your portfolio to shift from its original strategy. Rebalancing brings your portfolio back to its original plan, ensuring it continues to reflect your investment goals and risk tolerance.

Long-term investing in Australian-listed companies entails a strategic approach tailored to your unique financial goals and risk tolerance. By embracing diversification, maintaining discipline, and leveraging expert guidance, investors may have greater confidence in navigating the dynamic Australian market landscape.

✉ [adviserservices@airlifm.com.au](mailto:adviserservices@airlifm.com.au)

☎ +61 2 9235 4760

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