

Turning market volatility to your advantage

All information as at 28 February 2009 unless indicated otherwise

Understandably, investors are often reluctant to invest new money when markets are volatile. However, it is possible to make volatility work in their favour.

No need to time the market

Market timing (buying when the market is low and selling when it is high) is notoriously difficult - investors mis-timing their move by just a day can mean taking unnecessary losses or missing out on substantial gains. Regular investing removes the need to get the timing right.

Regularly investing small amounts of money into the market means investors can benefit from something known as 'pound-cost averaging'.

Pound-cost averaging: An illustration

An investor invests a monthly sum of £100 into a fund. In a month of falling markets, they will get more shares for their money. If the market rises, they will of course purchase fewer shares, but their existing shares will also be worth more.

Over the long-term, this potentially means that the average price of the shares an investor holds may in fact be lower than the average share price for the investment period, since they have bought more shares when the price is lower and fewer when it is high.

Splitting a lump sum investment

A similar principle can be applied if an investor has a large lump sum to invest.

If an investor is concerned about volatility, it may help them to split the sum into several monthly instalments and 'drip-feed' it into the market. This reduces the need to time the market perfectly, and means that they remove the risk of investing everything when the market is at its peak.

Pound-cost averaging

In a rising market

	Regular investment	Share price	No. of shares purchased
Month one	£100	£5	20
Month two	£100	£10	10
Month three	£100	£20	5

Average share price to investor: £8.57 (£300/35)

Average share price: £11.66 (£35/3)

Average saving per share: £3.09

In a falling market

	Regular investment	Share price	No. of shares purchased
Month one	£100	£25	4
Month two	£100	£20	5
Month three	£100	£10	10

Average share price to investor: £15.79 (£300/19)

Average share price: £18.33 (£55/3)

Average saving per share: £2.54

For illustration purposes only.

For more information, please call the dedicated brokerline on **0800 727 770** or visit **www.jpmorganassetmanagement.co.uk**

Telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies. The information in this document is based on our understanding of law and regulation at March 2009. The opinions expressed in this document are those held by JPMorgan Asset Management at the time of publication and are subject to change. Past performance is not a guide to the future. The value of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. Issued by JPMorgan Asset Management Marketing Limited, authorised and regulated by the Financial Services Authority. Investment is subject to documentation (Prospectus, Simplified Prospectus and Terms and Conditions), copies of which can be obtained free of charge from JPMorgan Asset Management Marketing Limited. Registered in England No. 288553, 125 London Wall, London EC2Y 5AJ. LV-JPM2690 GB H941 02/09