

# Why equities make sense

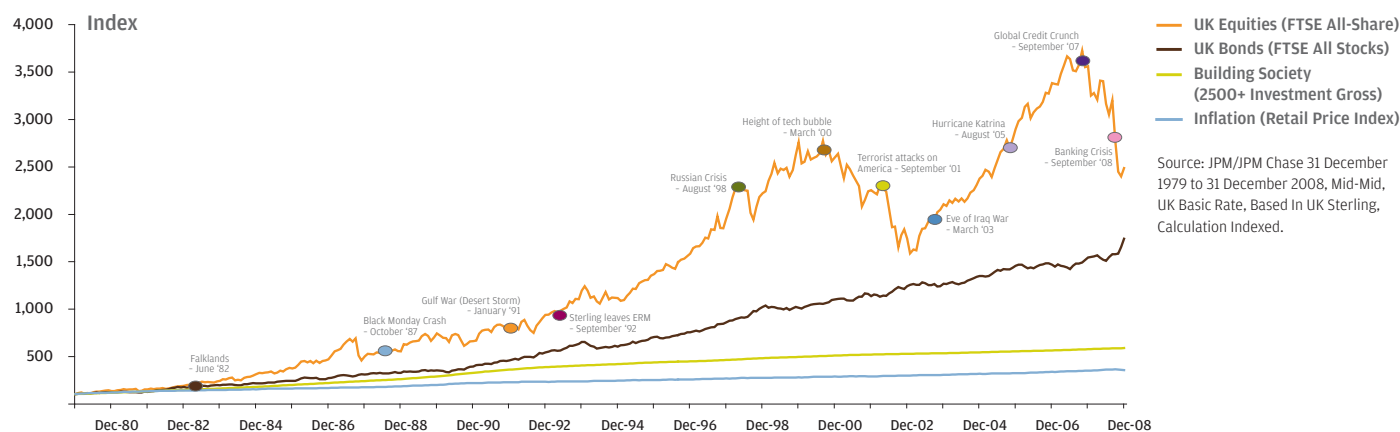
All information as at 28 February 2009 unless indicated otherwise

In periods of volatility, it is natural for investors to be concerned about the value of their investments. However, it is important to remember that equity investing is for the long-term.

Over the past 29 years, equity markets have weathered fluctuating conditions to deliver strong returns.

Equities do carry a higher level of risk than bonds and cash, and investors can expect greater levels of volatility. But as part of a well-diversified portfolio, they have historically proved the best way to grow capital.

## The return from UK assets since 1979



Source: JPM/JPM Chase 31 December 1979 to 31 December 2008, Mid-Mid, UK Basic Rate, Based in UK Sterling, Calculation Indexed.

## Significant Events

- **Falklands - June '82** UK equities begin a strong 25-year run as UK forces re-take the Falkland Islands following Argentine occupation.
- **Black Monday Crash - October '87** Worst single-day stock market crash in history as the Dow Jones loses nearly a quarter of its value.
- **Gulf War (Desert Storm) - January '91** US-led forces repel Iraqi invasion of Kuwait. Global markets largely take the conflict in their stride.
- **Black Wednesday (Sterling leaves ERM) - September '92** Economic imbalances and currency speculation force sterling out of the ERM. A large devaluation in sterling prompts a speedy recovery.
- **Russian default / LTCM Crisis - August '98** Russia defaults on loan repayments, causing contagion across many assets. Hedge fund LTCM loses billions of dollars, but concerted efforts of global central banks stabilise markets.
- **Height of Tech Bubble - March '00** NASDAQ peaks in March 2000, driven by speculative demand for technology stocks. Prices reach unsustainable levels, triggering a dramatic crash and a three-year bear market.
- **Terrorist attacks on America - September '01** Investor nervousness grows in the wake of terrorist destruction of the World Trade Center. Interest rate cuts by global central banks help to restore confidence.
- **Eve of Iraq War - March '03** Ongoing geopolitical concerns culminate in markets reaching recent lows on the eve of US-led attacks on Iraq. The rapid overthrow of Saddam Hussein alleviates investor fears and restarts growth.
- **Hurricane Katrina - August '05** The devastating hurricane causes severe loss of life in New Orleans and becomes the costliest natural disaster in US history. The economic impact on the region is catastrophic and the disaster contributes to soaring global oil prices.
- **Global Credit Crunch - September '07** Rising defaults in the US subprime mortgage market cause massive losses for many banks. The resulting loss of confidence in the banking sector leads to higher interbank lending rates and a withdrawal of credit globally - sparking a 'credit crunch'.
- **Banking Crisis - September '08** Global financial contagion took hold with many reputable banks going bust, being taken over or needing large infusions of capital to remain solvent.

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LV-JPM2690 GB H941 02/09

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