HISTORY OF THE UK STOCK MARKET (1925-2018)

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This chart shows historical performance of the FTSE All-Share index throughout the UK Bull and Bear Markets from 1925 to 2018. Past performance is no guarantee of future results, however we believe looking at history is incredibly useful in contextualising current market conditions.

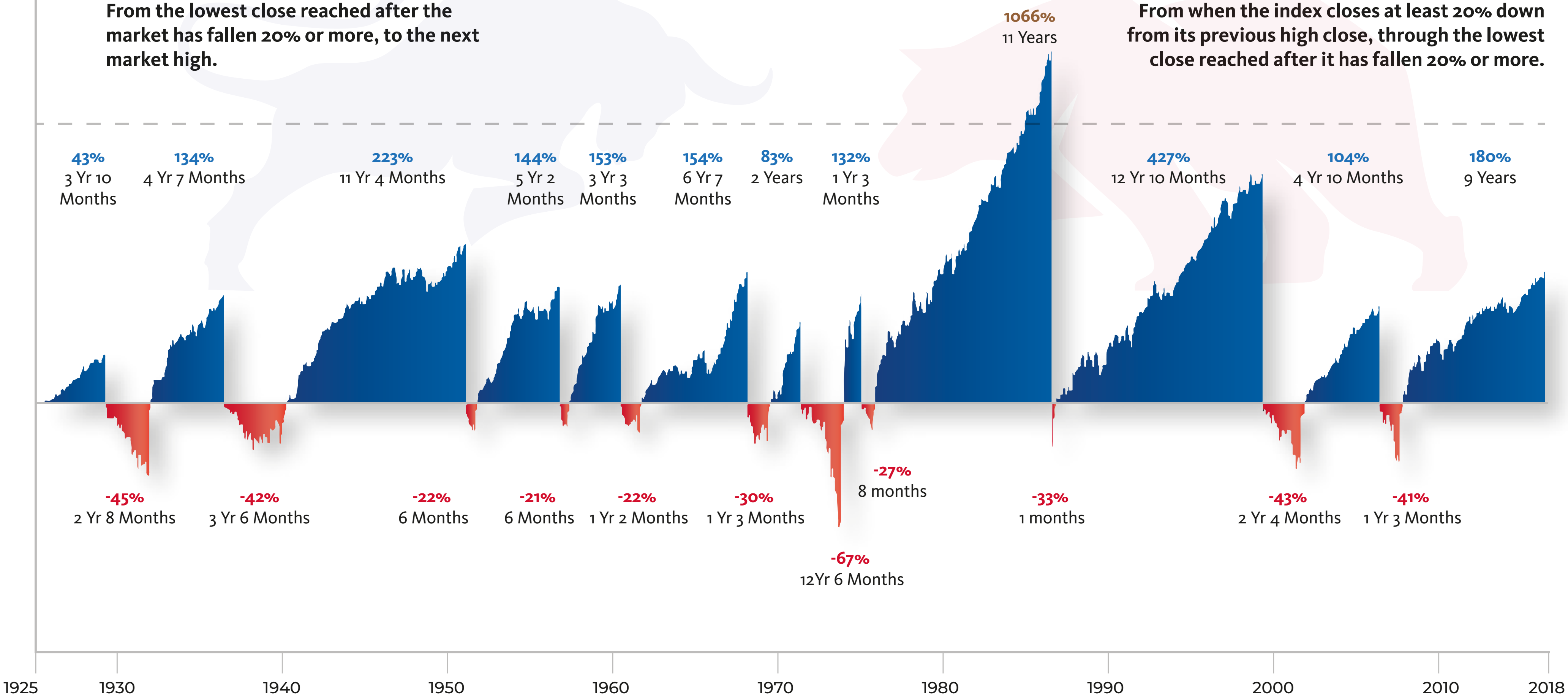
- The average **Bull Market lasted 6.3 years** with an average cumulative return of 237%.
- The average **Bear Market lasted 2.4 years** with an average cumulative loss of -36%.

BULL MARKET

From the lowest close reached after the market has fallen 20% or more, to the next market high.

BEAR MARKET

From when the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.



This chart is for illustrative purposes only and does not constitute investment advice.

The BEAR IS approaching!

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What does this mean?

The next bear market is inevitable. Nobody can predict when it will occur however the current bull market is already longer (9 years) than the average length (6.3 years).

How big could the fall be?

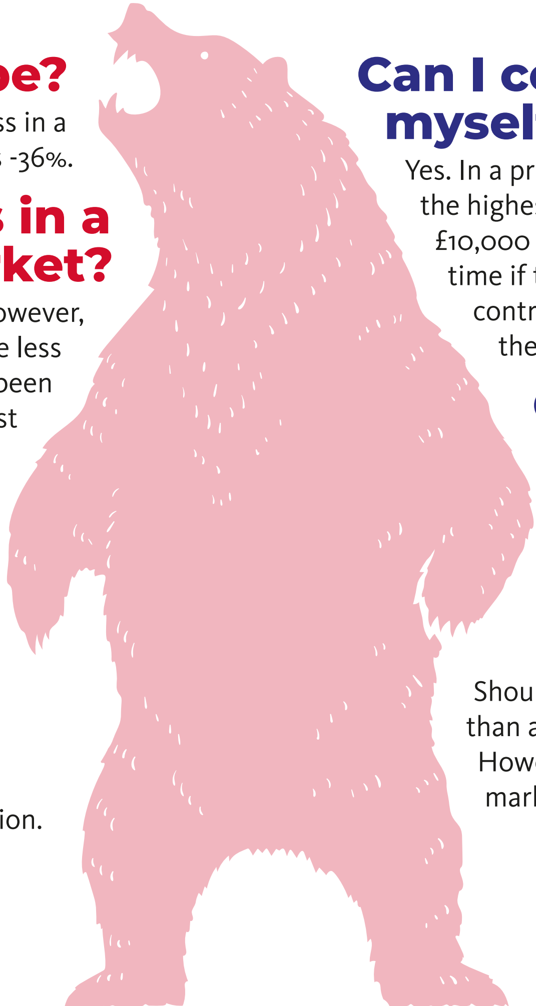
There is no way of knowing however the average loss in a bear market is -36%.

What normally happens in a bear market?

Historically central banks have cut interest rates. However, given the current (record low) levels they will have less ammunition in this regard. Quantitative easing has been another method of stimulating the economy in the past however this is coming to an end.

What does that mean for equities and bonds?

Feasibly it means that the next bear market could see equity and bond markets fall simultaneously. Historically when equities have fallen bonds have performed relatively well, however the bond bubble is currently bursting. This combined with the current interest rates leaves us in a unique situation.



Can I continue to invest and protect myself from the next bear market?

Yes. In a protection portfolio that contractually guarantees 90% of the highest ever portfolio value. As an example, if you invest £10,000 then £9,000 would be contractually guaranteed. Over time if the value increased to £20,000 then £18,000 would be contractually guaranteed. Whatever happened in markets thereafter, you would be contractually guaranteed £18,000.

Can the protection portfolios still offer upside?

Yes. The back tested annualised return, from 2002 - 2018, as provided by Morgan Stanley, is 4.12% a year net of fees.

What is the downside of me "protecting myself" too early?

Should the bull run continue, the upside potential will be slightly less than an "unprotected" portfolio owing to the cost of the protection. However, positive returns can still be made and whenever the bear market happens, you will be in the right place.