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# Why you should hate some of your investments

I always hate some of the investments in our portfolios at different points in time, but I accept this as a good thing! It is impossible to pick an entire portfolio of winning investments over every timeframe, so creating a portfolio of well “diversified” or in other words, varied investments, makes sense. As the saying goes, ‘Never put all your eggs in one basket!’

Not all investments perform well at the same time as they are affected differently by the same events, for example, inflation rises, exchange rate movements, interest rate changes et cetera. One of the key disciplines is to hold some investments that are “uncorrelated” to each other. In other words, investments that generally do not move in the same direction at the same time, or that are affected by economic events in the same way. Diversification enables us to create a portfolio where the combined risk of the constituent parts is lower than that of the individual holdings.

For example, in times of recession, bond investments tend to fare better when compared to stock market investments but conversely in times of good economic growth, stock market investments tend to do well.

But of utmost importance is that a well-designed investment portfolio needs to

be formulated with you in mind with real emphasis placed on your personal risk tolerance.

It is not sufficient to build the portfolio that you **should** have, but the one you will **stick** with. Too much (or too little) risk will cause emotional swings that may tempt you to get in or get out at precisely the wrong time. Understanding the reasons for an investment’s inclusion in your portfolio and therefore why at times it will not do so well, is key to the success of your long-term financial plan.

I don’t have a crystal ball, but I’m pretty sure that the investments I hate today will be investments I will love in the future.

Please be aware that before making any financial decision based on this article you should take advice to ensure any action you take is appropriate for your circumstances.

If you have a portfolio of £100,000 or above and are unsure of your investment strategy you can book a free 30 minute meeting. Just telephone Jo on **01562 745730** to book an appointment.

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