SEI New ways. New answers.®

The Risks of Market Timing

First, Remember Why You Invest

If you're like most investors, you began your investment programme with the intent of achieving any number of goals, some long-term, others shorter-term – such as enjoying a comfortable retirement, sending your children to university, buying a second home or supporting your current lifestyle.

You have invested to steadily build and preserve wealth over decades. Your long-term strategy did not include trying to jump in and out of the market based on its short-term performance.

Brief and explosive spurts of volatility, both positive and negative, is the norm. But an impulsive investor who abandoned the market during one or more of its sharp downturns may have missed strong, ensuing rebounds.

Second, Understand The Risk Of 'Market Timing'

When it comes to investing, what's the biggest risk of all? Market risk? Company risk? Interest-rate risk? Credit risk? Inflation risk?

For many investors, the biggest risk is the risk of losing money.

Because losing money can provoke a powerful reaction, some investors turn to market timing: buying or selling based on future price predictions.

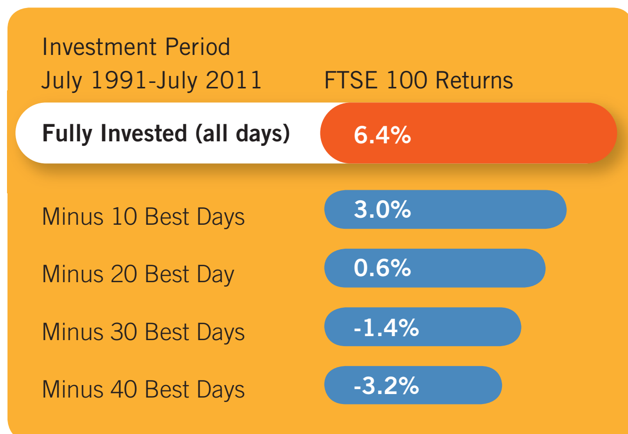
Nobody ever got on a rollercoaster expecting a smooth ride.

It's the same with investing. Over long periods of time, the financial markets can be remarkably steady but in the short run, sharp spikes in share prices is normal.

This volatility triggers a bumpy ride for investors – some of whom may be tempted to pull out of their investments and wait for the market to regain its footing.

But is moving assets from your current portfolio to what you think are more stable, "safer" investments really a good idea? Amid such uncertainty, what can you do to keep your cool and avoid making potentially costly, emotionally-driven decisions?

A Few Days Can Make a Big Difference



This hypothetical example is for illustrative purposes only. The FTSE 100 is an index of the 100 most highly capitalised UK companies listed on the London Stock Exchange. An investor cannot invest directly in an index and they do not include sales charges or operating expenses associated with an investment in a fund which would reduce total returns. Past performance does not guarantee future results.

Source: SEI, FactSet

But choosing when to invest, or "time" the market, is difficult. Investors who attempt to time the market may run the risk of missing periods of exceptional returns.

For example, using the FTSE 100 Index as a proxy for the domestic equity market, if an investor missed just the best 10 days during a 20- year period, over half of the profits would be lost. Missing the best 20 days eliminated almost all of the profit. Missing the best 30 days produced a -1.4% return, and missing the best 40 days extended the loss to -3.2%.

Clearly, market timing can seriously diminish long-term performance, if market volatility isn't managed properly. On the other hand, volatility provides professional investors with the opportunity to buy and sell on behalf of their clients at attractive prices.

We can help – the SEI Strategic Portfolio funds are designed to manage investment risk, limit volatility and maximise returns in various market environments.

Important Information

The SEI Strategic Portfolios are a series of the SEI Funds and may invest in a combination of other SEI and Third-Party Funds as well as in additional manager pools based on asset classes. These manager pools are pools of assets from the respective Strategic Portfolio separately managed by Portfolio Managers which are monitored by SEI. One cannot directly invest in these manager pools.

Investment in the range of SEI's Funds is intended as a long-term investment. The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested. If the investment is withdrawn in the early years it may not return the full amount invested. Additionally, this investment may not be suitable for everyone. If you should have any doubt whether it is suitable for you, you should obtain expert advice.

No offer of any security is made hereby. Recipients of this information who intend to apply for shares in any SEI Fund are reminded that any such application may be made solely on the basis of the information contained in the Prospectus. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts.

The investment risks described below are not exhaustive and potential investors should carefully review the Prospectus prior to investing. The risks described below may apply to the underlying assets of the products into which they invest.

- *Investment in equity securities in general are subject to market risks that may cause their prices to fluctuate over time.*
- *Fixed income securities are subject to credit risk and may also be subject to price volatility and may be sensitive to interest rate fluctuations.*
- *Property assets may be difficult to buy or sell and the impact of this may be that the cash remains uninvested or property is disposed at an unfavourable price.*
- *Absolute return investments utilise aggressive investment techniques which may increase the volatility of returns. If the correlation between absolute return investments and other asset classes within the fund increases, absolute return investments' expected diversification benefits may be decreased.*

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from differences in generally accepted accounting principles or from economic or political instability in other nations. The Funds are denominated in one currency but may hold assets which are priced in other currencies. The performance of the Fund may therefore rise and fall as a result of exchange rate fluctuations. Narrowly focused investments and smaller companies typically exhibit higher volatility. The Fund or some of its underlying assets may hold derivatives or borrow to invest. This can make the Fund more volatile and investors should expect above-average price increases or decreases.

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