

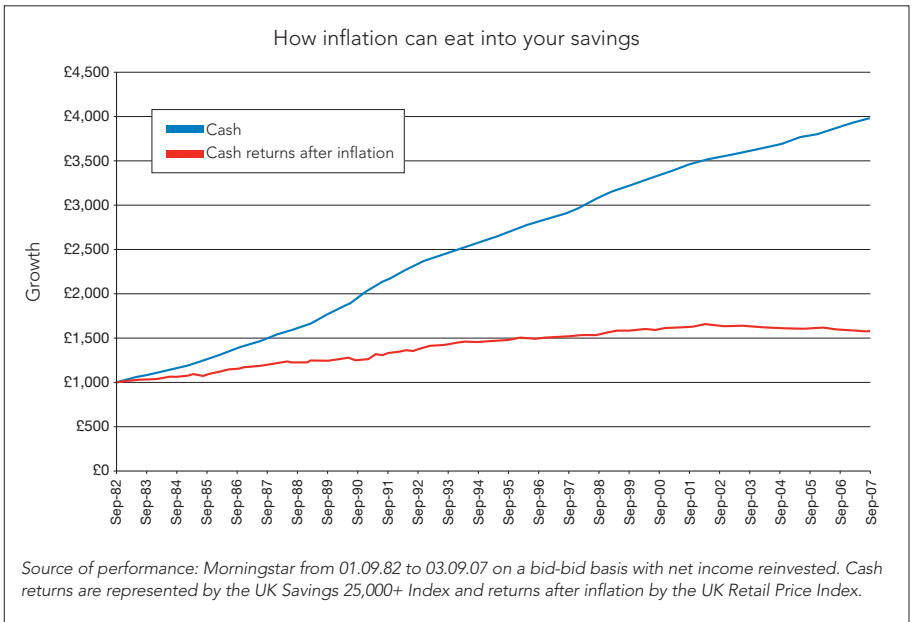


**Don't become  
a cash victim.**

# Cash! Bang! Wallop!

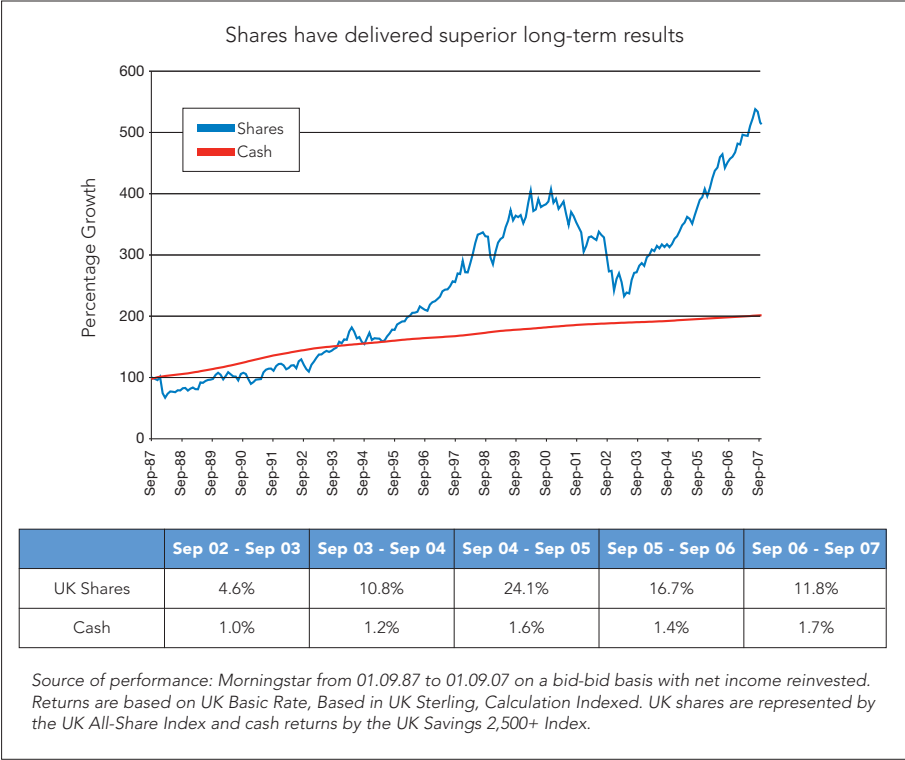
Keeping your money in a cash account over the long-term is unlikely to be the most effective wealth-creation strategy. This is because inflation eats away at any returns from cash investments over the longer term.

Our graph below shows just how much of a typical cash investment can be swallowed up by inflation over the years. The blue line shows how much £1,000 could have grown in a savings account over the past 25 years, but the red line shows the real rate of return after adjusting for inflation. Please remember that past performance is not a reliable indicator of future returns.



## A few lines of praise in equity investing

When time is on your side, it can be a good idea to invest in shares. Investing in shares (sometimes known as equities) means you buy a stake in a company and can share in its fortunes or misfortunes as a part-owner. The share price of a company can fluctuate for a variety of reasons, such as good or poor performance, market conditions, the views of investors, etc. For this reason, shares are higher risk than cash or bonds, but they generally offer the best prospects for growth if you are able to invest for a number of years.



### Advantages of Shares

- Shares can increase significantly in value
- Dividends can increase as company profits rise – these can usually be reinvested or paid out as an income
- Shares tend to perform better than cash over the long term

When you consider equity returns in the context of their long-run average, the performance has been far superior to that provided by cash accounts. As we've seen, with the rising cost of goods and services, this can often eat into the returns available from cash. Shares provide investors with an opportunity to earn returns above the rate of inflation.

The graph above looks at returns from cash and shares over the last twenty years (from July 1987 – July 2007). It's clear that shares have produced the best growth. Of course, past performance is not a reliable indicator of future returns. You should remember that shares, unlike cash investments, can also fall in value and so it is important to take a long-term view.

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## Benefit from an expert perspective

Rather than buying shares yourself, you can have a professional expert look after your money in a managed fund on your behalf. Money from thousands of investors is pooled together, and the fund manager then buys a broad selection of shares – giving you a diversified portfolio.

This has several advantages. Firstly, it can increase your portfolio's growth potential, as you're in a better position to take advantage of more opportunities. And secondly, it can help you manage risk, since it ensures that if individual shares perform poorly it does not have a disproportionate effect on the growth of your portfolio as a whole. In other words, the advantage of a diversified portfolio is that it can make your returns more consistent.

## Take advantage of an active approach

As well as deciding the types of investment you want to hold in your portfolio, you can also choose between actively and passively managed funds.

### Active

Actively managed funds have a fund manager who is responsible for choosing which investments to buy and sell. The manager exercises his or her judgement on what shares are likely to be a good investment, normally based on research they have conducted.

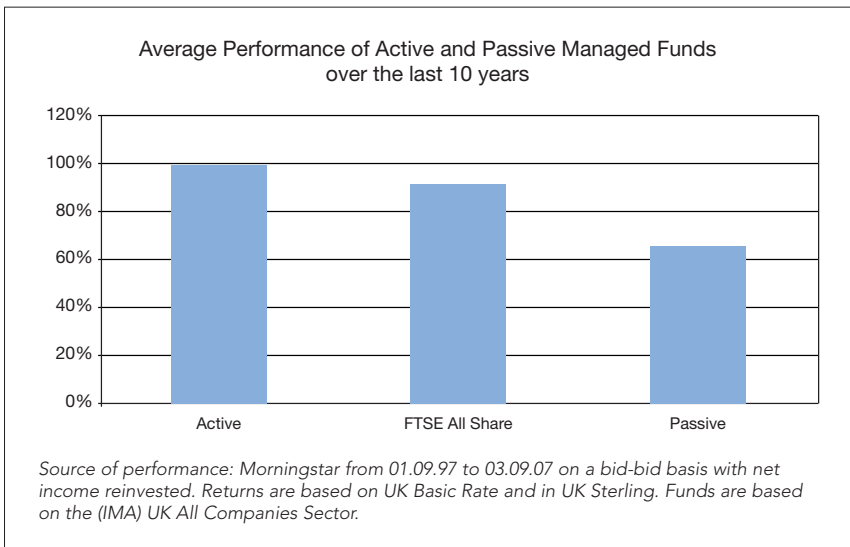
The management charges of active funds tend to be higher than those on passive funds, to cover the cost of the research that the fund management company carries out to help the manager make investment decisions. In effect, when you choose an actively managed fund you are paying extra because you believe the fund manager has the expertise to produce better returns than the market average.

### Passive

Passively managed funds, on the other hand, simply try to mirror the performance of a stockmarket index. For this reason they are often known as "index" or "tracker" funds. A passive fund that aims to track the FTSE All-Share Index will hold a basket of shares reflecting the composition of the UK stockmarket. There is no need for company analysis, and day-to-day decisions on which shares to buy and sell are usually made by a computer, rather than a fund manager.

Because of their management charges, passive funds are highly unlikely to beat the market. However, the automation of the decision-making process means that charges on passive funds are lower than those on active funds. When you choose a passive fund, you are deciding you are happy to have returns reflecting average market performance and you do not believe it is worth paying extra for the expertise of an active fund manager.

The graph below looks at the average returns from active and passive that invest in the UK over the last 10 years. It's clear that active funds have produced the best average growth. That is why it is best to take a long-term view – your investment should have time to recover from any setbacks. Please remember that past performance is not a guide to what may happen in the future and the value of these funds – and the income from them – can go down as well as up so you may get back less than you invested.



# We're here to help

Fidelity has a long history of helping people meet their long-term financial goals. We have a reputation for developing innovative investment products and we pride ourselves on providing clear information to help you make your investment decisions. We have been managing money for over 40 years through all market conditions.

We can't advise you on what investments would suit your particular circumstances. We strongly recommend that you consult with a Financial Adviser when considering your long-term investment decisions.

A Financial Adviser will work with you to fully understand your financial circumstances and investment needs and then offer broad-based financial advice.

If you would like further information about Fidelity please:

- Speak to your Financial Adviser
- Go to: [fidelity.co.uk](https://www.fidelity.co.uk)
- Call us on 08457 44 66 00 (9.00am to 6.00pm, Monday to Friday)



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