

## Losses in investment funds: what can I do?

When investment funds investors look at their fund balances in the first quarter of 2020, the general outlook is anything but rosy. Read on to find out why, as an investor, you don't need to panic and what you can do instead.

### Panic mode?

It is only too understandable if your investment account statement might frighten you at first glance. Seeing the concrete effects of the **last few weeks' price movements** have done to your money can often lead to panic mode.

Panic is a **human reaction** that has been passed down from our ancestors. In truly dangerous situations that necessitated a fight-or-flight impulse, it could be very useful. When it comes to your finances, however, it **rarely leads to good advice**. On the other hand, having factual information and previous experience can help. **Your Raiffeisen personal banker** for example, can provide you with both of these. You will also find answers to many questions you may have in our article "How to keep a cool head in capital markets despite coronavirus".

### An objective view of your investment

#### Long-term investment

Investing in funds should always be a long-term undertaking. We tend to speak about recommended **minimum holding periods of one to ten years**, depending on price risk. This indicates the period of time during which a fund is expected to compensate for smaller price fluctuations as well as large ones, as in the case of the current coronavirus situation. However, we should note that capital losses cannot be ruled out.

#### Overall view

Recent weeks saw striking price developments. Almost every form of securities investment had to accept losses. However, it is important to **consider** your investment **over the entire investment period**. Especially **in recent years**, capital markets have **progressed very positively for the** most part.

A downturn in your fund investment in the first quarter does not necessarily mean that your entire investment has also decreased in value. For many, in fact, the reduction will **only affect the total return** - although this, of course, is also very painful.

### What is Warren Buffett doing in this situation

Warren Buffett, one of the most successful investors of all time, recently announced that he **would not sell stocks in spite of the coronavirus**. The reasons for this are obvious: firstly, selling securities means turning a book loss on the portfolio into a real loss. And secondly, he is an investor who takes a long-term stake in companies by investing in shares and is aware of the risks involved.

## What can you do for your portfolio now?

Once you manage to break out of panic mode and understand why it makes more sense to look at the situation with a cool head, you can turn your attention to next steps. If you look at the flipside of past price declines, you may also notice opportunities that may now arise for your own investment:

### 1. Fund investment plan

Unlike a one-off investment, with a fund investment plan you **regularly** buy fund units **for a given amount**. If the fund unit prices are high, you receive fewer fund units; if they are cheaper, you receive more units. As a result, you achieve a cheaper average purchase price of the fund units (this is referred to as the cost-averaging effect).

### 2. Increase your regular fund investments

If you already have a fund investment plan in place, it may make sense to **increase** your **investment** right now. This would allow you, as explained in the previous point, to buy additional fund units at a lower price.

### 3. Invest in tranches

Nobody knows whether, or how far, the markets will fall. That means no one can tell you whether now is the right time to invest a larger amount in funds. Therefore, Raiffeisen offers the possibility of **stepwise investments**. This means that even if you were planning on investing a particular principal amount, you do it step by step.

Looking at your investment may initially create a feeling of uncertainty and fear. But if you look at the investment with the same level of reason and objectivity as you did when you made the investment, you will make the most appropriate decision for you. If you still have any questions, you can still reach your Raiffeisen banker in spite of the distancing measures in place.

However, we should note that investing in funds is linked to higher risks, including the loss of the principal and the future returns on investment are not guaranteed.

*Creation date: April 2020*

#### **Disclaimer:**

*This material was prepared by Raiffeisen Invest Ltd it is purely informative in character. This material may not be reproduced, translated or made available to third parties other than furnished users, in whole or in part, without the prior written consent of Raiffeisen Invest d.o.o. in each case. This material does not constitute investment advice or personal recommendations related to the purchase, holding or sale of units in investment funds managed by Raiffeisen Invest Ltd, nor the offer or invitation to buy or sell units in investment fund. It does not replace or supplement any valid document that is prescribed by any State, including the Republic of Croatia, necessary for the purchase or sale of units in investment funds, regardless of being small or professional investor, entity or resident of the Republic of Croatia or any other jurisdiction .*

*Information contained herein is based mostly on publicly available information from sources on whose completeness and accuracy Raiffeisen Invest Ltd. relies, but does not guarantee. Raiffeisen Invest assumes that this information is*

*complete and accurate, but this may not be the case, and for users it might represent risk, both regarding to the capital markets as well as general economic or political environments and looks. The estimates, projections, recommendations or predictions of future events and opinions expressed herein represent the independent judgments of Raiffeisen Invest d.o.o. on the day of publication, unless otherwise stated. The following material sources were significant for the creation of this text: Zagreb Stock Exchange, Bloomberg.*

*This text cannot and does not form the basis for making investment decisions, and every investor should make his own judgment and assessment of any fund's financial position and associated risks and all investor are urged to be informed to the extent they hold it necessary before making an investment decision.*

*Raiffeisen Invest Ltd, RBA, any company affiliated with them as its directors, authorized persons or employees, any other person, shall not be held liable (for negligence or other reason) for any losses caused in any way due to the use of this material or its contents, or otherwise caused in connection with it.*

*This material has been released to investors who are expected to make independent investment decisions and assess risk, both in the capital market and in other economic or political circumstances and prospects, without unnecessary reliance on this material.*

*An investment fund is not a deposit and funds invested are not secured. Investing in funds involves higher risks, including the risk of losing capital. Before investing, each Investor must be familiar with the Prospectus and the Fund Rules. Prospectus, Rules, Key Investor Information, Financial Statements, unit prices and other information on funds managed by Raiffeisen Invest Ltd are available free of charge in Croatian language on the company's website [www.rbainvest.hr](http://www.rbainvest.hr), at any Raiffeisenbank Austria d.d branch and at the headquarters of the Raiffeisen Invest Ltd.*