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WHY FOCUS ON THE LONG TERM?

Mitchell Fraser-Jones, 7 August 2015

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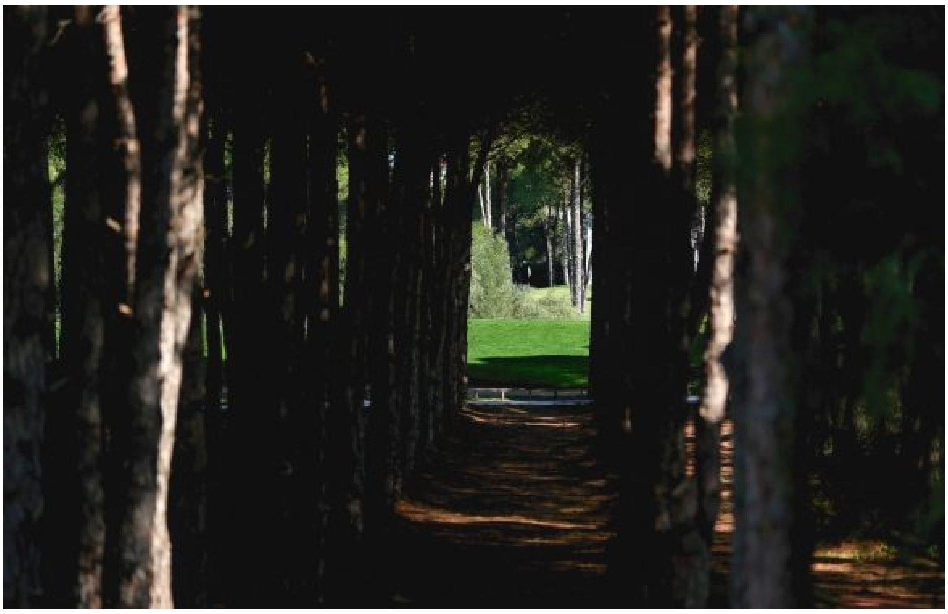


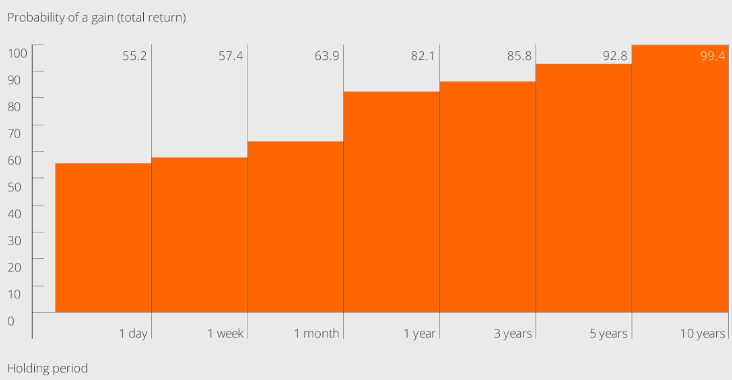
One of the defining features of our investment approach is our long-term view. We make investment decisions and set our investment strategy on a 3-5 year view but, often, we invest in companies for much longer than that.

Turnover in the CF Woodford Equity Income Fund in the year to 30 June 2015, for example, was 16.0% [1] which implies an average holding period of over six years.

The chart below is a great illustration of why it is important to think long-term about equity investing. Essentially, this chart is showing the historic probability of gain from the UK stock market [2] over different time periods, using data stretching back to 1965. If you had invested for 1 day, the data suggests you had a 55.2% probability of making a positive return. In effect, you might as well have been tossing a coin!

Probability of gain from investing in UK equities increases over time

Source: Datastream, Woodford



As the holding period lengthens, however, the probability of gain slowly improves. Over 1 month, the probability of a gain improves to over 60%. On a 3-5 year view, the odds are very much in favour of a positive return and, over 10 years, the probability of a gain improves to very close to 100% (indeed, the recent financial crisis spoilt a hitherto unblemished record for the UK stock market on a 10 year view!).

So, it is clear that investing over longer time periods should be beneficial to your financial health. The chart may look slightly different in 10 years time, but the trend is unlikely to change dramatically.

And, of course, this analysis is based on the UK equity market as a whole, with no attempt to overlay the potential benefits of active fund management. With an experienced fund manager employing a disciplined and proven investment approach to select the most attractive investment opportunities – and avoid the least attractive – we believe that these probabilities can be enhanced still further.

Time will tell, and past performance is of course no guide to the future, but we have long-term confidence in the UK equity asset class and in our ability to add value.

Important information

Past performance is not a guide to future returns.

The value of the fund and any income from it may go down as well as up, so you may get back less than you invested.

Woodford Investment Management Ltd is authorised and regulated by the Financial Conduct Authority.

Footnotes

1. Source: Northern Trust, based on lesser of fund buys & sells divided by average fund size for the period
2. Source: Datastream using Datastream UK market total return index with net income reinvested

What are the risks?

- The value of the fund and any income from it may go down as well as up, so you may get back less than you invested
- Past performance cannot be relied upon as a guide to future performance
- The annual management charge is charged to capital, so the income of the fund may be higher but capital growth may be restricted or capital may be eroded
- The fund may invest in other transferable securities, money market instruments, warrants, collective investment schemes and deposits
- The fund may invest in overseas securities and be exposed to currencies other than pound sterling
- The fund may invest in unquoted securities, which may be less liquid and more difficult to realise than publicly traded securities

Important information

Before investing, you should read the Key Investor Information Document (KIID) for the fund, and the Prospectus which, along with our terms and conditions, can be obtained from the downloads page or from our registered office. If you have a financial adviser, you should seek their advice before investing. Woodford Investment Management Ltd is not authorised to provide investment advice.

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