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## **LESSON OF THE LOST DECADE**

The appearance of Christmas decorations in my local supermarket last week reminded me that 2010 is drawing to a close. And with it, ten years that has been a 'lost decade' of investing for many people.

During the past ten years, annual returns for a widely diversified global share market portfolio have averaged 4.2%. The word 'averaged' is worth emphasising here, because in reality, shares began the decade with the dot com crisis, did very little for the next few years, stampeded in the bull run of 2003 – 2007, then tumbled down the abyss from 2007 until March 2009, before bouncing back dramatically from the over-correction. But, taken as a decade, returns averaged 4.2% a year.

This is not a figure of comfort to most investors - after all, you can get more than that from the bank. It is especially disappointing when compared to the 18.5% per annum that investors enjoyed from the same portfolio in the 1990s.

All of which begs the question: have global share markets lost their mojo? During the noughties did something fundamental change?

It's worth looking back in history for an answer. Two comparable decades of the past century that stand out as bleak economic periods were the 1930s and 1970. The Great Depression of the 1930s and the 1970s, which saw the era of cheap oil prices end, were decades characterised by high levels of unemployment, economic stagnation and fears that the global economic system would never recover.

In both cases, these decades were followed by ten years of tremendous growth, return to fuller employment - and extremely strong stock market returns.

History's greatest lesson of all would seem to tell us that a lost investment decade will probably be followed by one of tremendous growth. There is a cyclical, even seasonal nature to investing. Just as, in the bleakest days of winter it is hard to imagine the brilliant warmth of a summer's day, in the same way we should never believe that the bleak returns of our investment portfolio are anything but a passing season.

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