DON'T SIT ON YOUR CASH



BNP PARIBAS
ASSET MANAGEMENT

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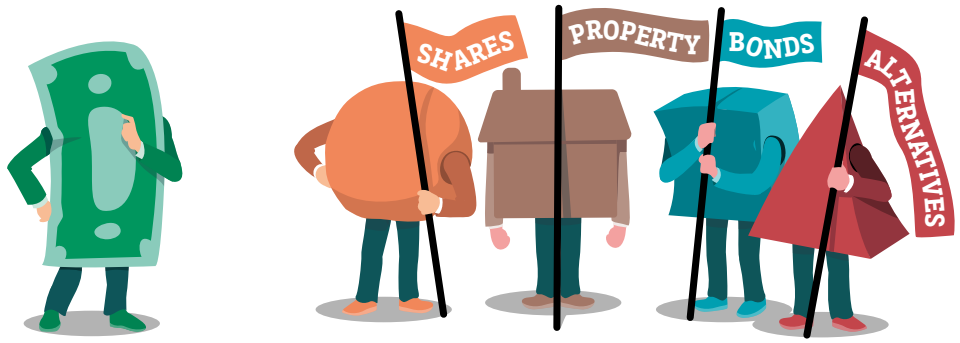
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Many people, for many different reasons, choose to keep their long-term savings in cash. We understand why this is, but we want to encourage you to consider a different approach and benefit from the opportunities offered by other types of investment.

That's why this guide is broken into three sections. First, we cover the basics of cash. What it is, what it offers you and why it may not be the best investment option for the long term. Then, we look at the benefits of stepping off the sidelines and taking part in the investment world. Finally, we describe some of the investment options open to you, look at how they compare and give you some tips to help you get started.

We have other guides to help you if you want to learn more before taking the first step. It's also important to remember everyone's situation is different, so speaking to a financial expert before making any decisions is a good first step if you are in any doubt about what investment to make. They may be able to tailor an appropriate long-term investment plan to meet your specific needs and advise you on an appropriate course of action.

We hope this will give you the tools you need to make more of your savings, so you can enjoy the future that you want.



SECTION 1:
THE FUNDAMENTALS OF CASH



WHAT CASH OFFERS... AND WHAT IT DOESN'T

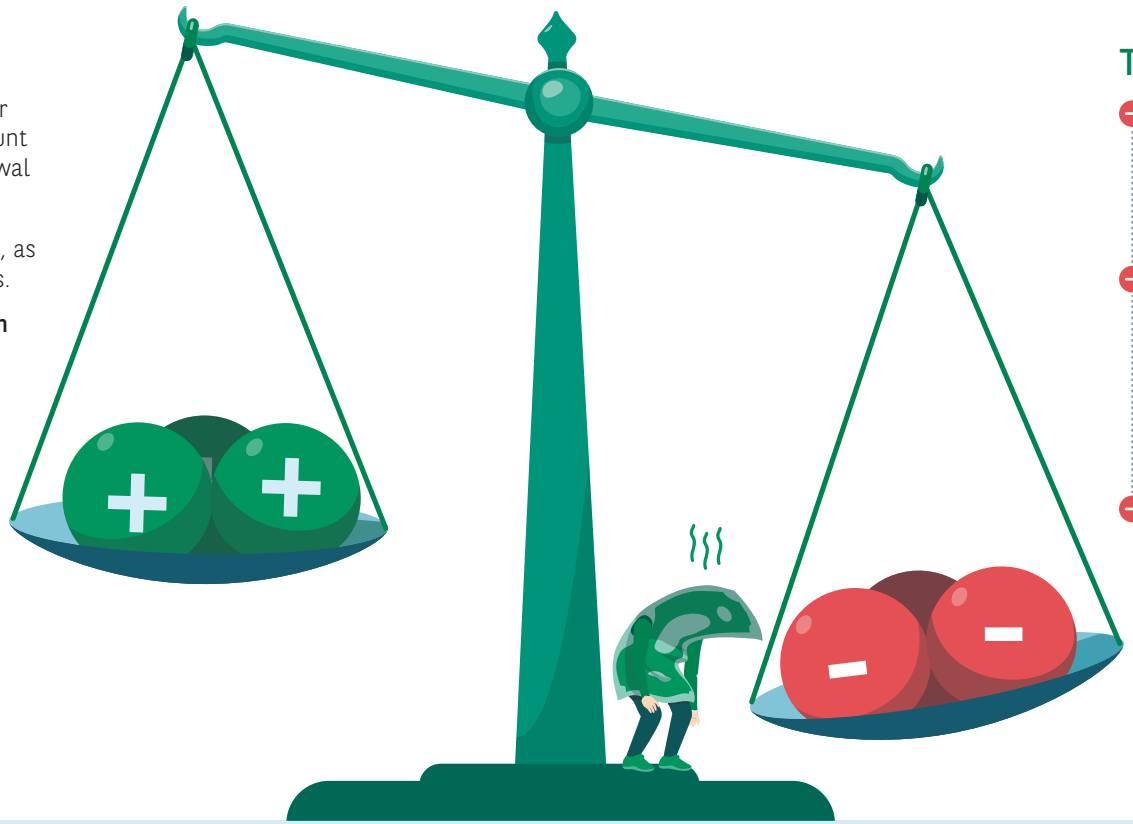
When we talk about cash, we're not referring to coins and notes in your pocket. We're talking about money you've chosen to put aside for the future, which will normally be in a bank account that pays you regular interest. However, this also includes money market funds offered by investment companies, fixed-rate deposits and notice accounts.

Money market funds, fixed-rate deposits and notice accounts carry more risk than holding cash in a bank account. These risks may include potential market fluctuations or penalties for early withdrawal.

The benefits of cash

- You are unlikely to lose money.
- You can access your savings whenever you want (unless you choose an account with a notice period or other withdrawal restrictions).
- You'll know what return you'll receive, as companies publish their interest rates.

These benefits mean cash could be an option for you to consider when you know you'll need your money in the near future.



The drawbacks of cash

- The interest rate you'll receive is based on your country's bank rate, which is set by the government or central bank. When rates are low, your savings won't grow very much.
- Most other types of investment offer you greater potential for growth, which you miss out on if you choose to stay in cash. It is important to remember this tends to involve more volatility (sudden rises or falls in value) and investment risk (the chance of losing money).
- Cash has hidden risks that could really cost you over the long term. We introduce these on the next page.

These drawbacks mean there may be better options to consider if you're putting your money aside for goals that are many years or decades away.

THE MAIN RESTRICTIONS

Cash can be a safer option over the short term. But for long-term savers, there are two major ways in which cash can hold you back.

Major Risk 1: Inflation and purchasing power

What matters when it comes to all forms of saving and investing is not the amount of money you have. It's what that money can buy you. This is called 'purchasing power', which sounds complicated, but it's something that almost everyone talks about. In fact, it's likely you've done it in the last 12 months.

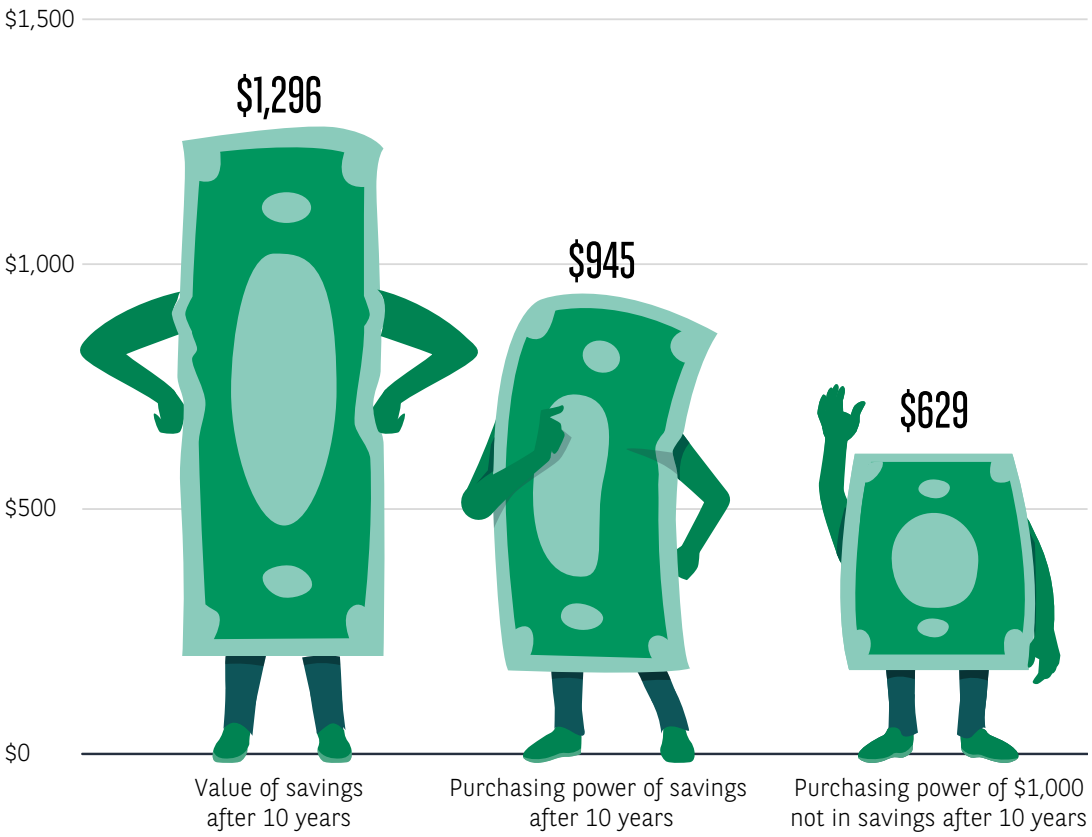
If you've gone shopping and commented that many things seem more expensive than they were a few years ago, that's purchasing power. One dollar or euro doesn't buy as much as it used to, so the purchasing power has fallen.

The reason for this is a silent thief called inflation. Goods and services tend to rise in price over the years and how much they rise is measured by the rate of inflation. Sometimes the rate of inflation is high (it occasionally reaches double figures) and the effects can be seen over the course of a year or two. When it's low, the impact is more gradual and less noticeable, but the effects still add up over the long term.

The graph on the right shows what inflation does to money held in a savings account. We've used $1,000 dollars in a US savings account, so the figures are based on US inflation and interest rates, but the broad idea applies to most countries around the world.

You might think you're safely making money year on year by earning interest, but that growth is actually being eaten away by inflation. After 10 years, it looks like you've made $1,296. However, when accounting for inflation, your purchasing power is in fact less than the $1,000 you started with. Of course, doing nothing with your money would mean it loses more than $370 in value!

Growth of $1,000 in a US savings account vs. impact of inflation over 10 years



Source: Bloomberg, BNP Paribas Asset Management. Data from 31 December 2015 to 31 December 2025, US dollars. Rebased to 1000 as at graph start date.
Past performance does not predict future returns.

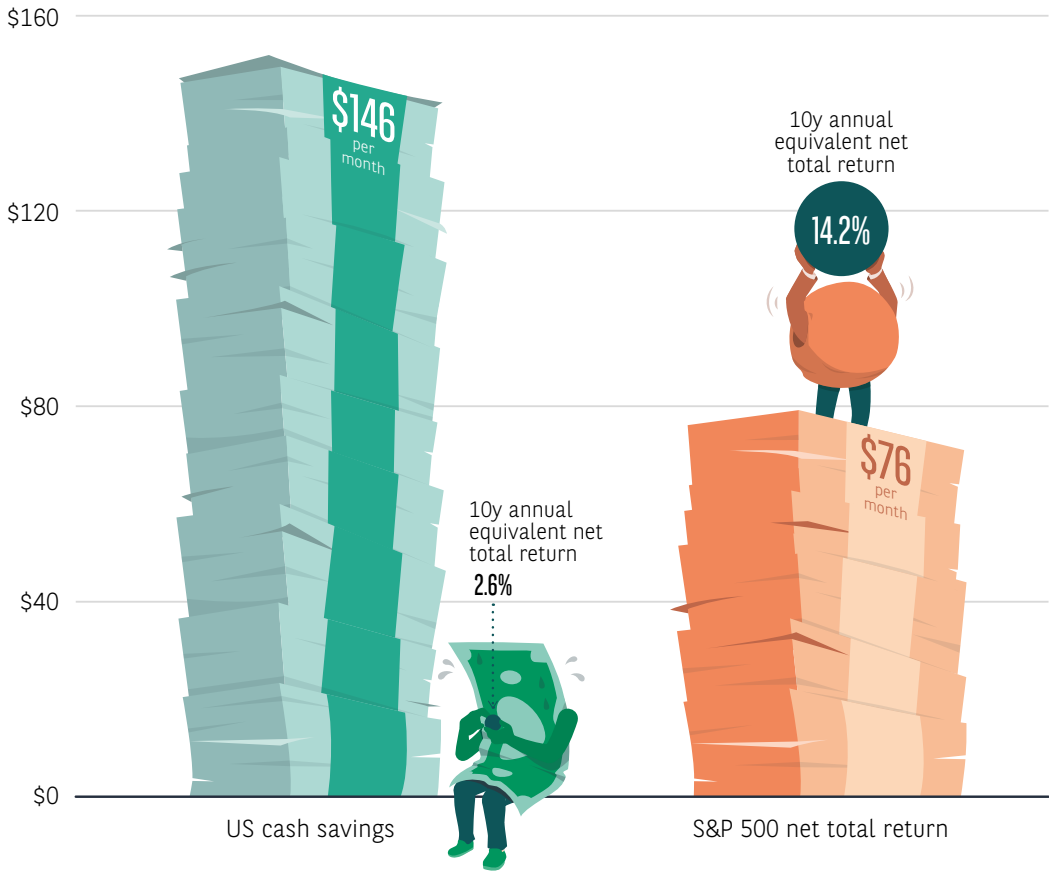
Major Risk 2: The cost of reaching your goals

Imagine you're saving for something important that's 10 or 20 years away and you know roughly how much you'll need for this goal. Cash savings tend to have significantly lower returns than other types of investments, so you might need to put a lot more aside each month to get where you want to be. That's money you could be using for other things that matter to you.

Of course, other types of investments can fall in value, particularly over the short term, which is why we're talking about a long-term goal. Their performance is also more variable, so there aren't any guarantees about how much you'll make (though interest rates aren't guaranteed over the long term either).

Here's just how big the difference can be. Let's say the goal is to save $20,000 in 10 years and we'll use the average return offered by US cash savings and US shares.

Monthly contribution required to reach $20,000 over last 10 years



Source: Bloomberg, BNP Paribas Asset Management. Data from 31 December 2015 to 31 December 2025, US dollars.
Past performance does not predict future returns.

SECTION 2:
STEPPING OFF THE SIDELINES

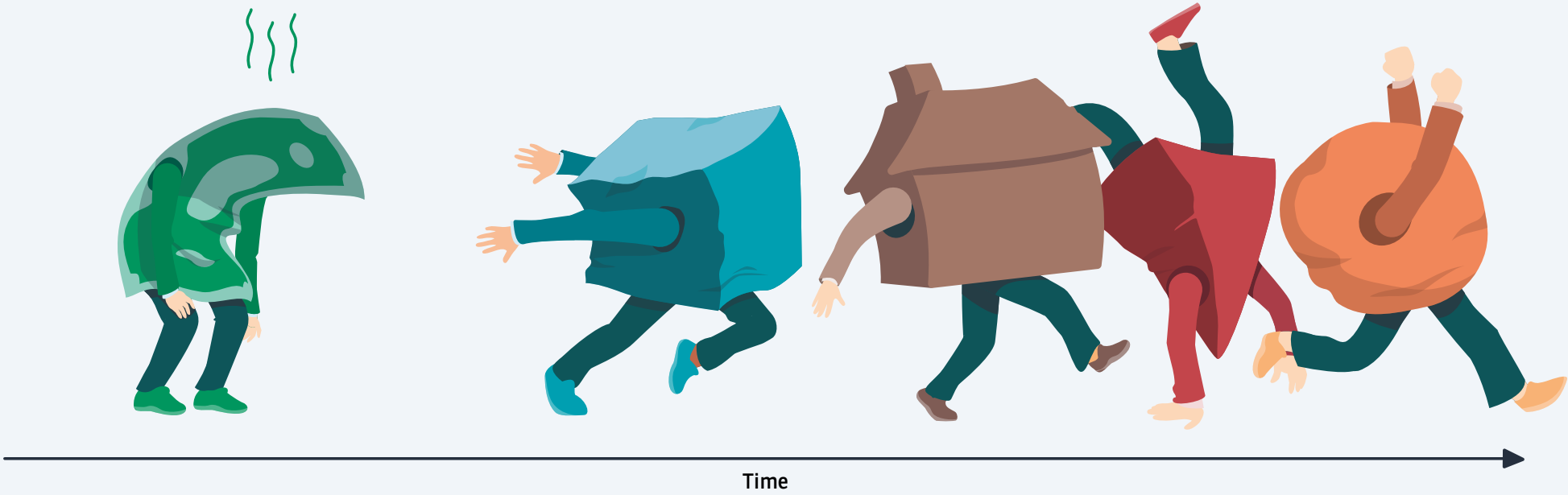


THINK ABOUT THE LONG TERM

For many people, the main reason they hold off from investing is that they're worried about their investments falling in value. This is called 'the fear of loss' and if you feel like this, we really do understand it. You've worked hard to earn the money, so you don't want to risk losing any of it.

However, we think it helps to look at it differently. Yes, investments do go up and down in value, but the only time you make a gain or loss is when you decide to take your money out. If that's a decade or more away, you have lots of time for the markets to recover after a fall and they could then go on to make returns – though, of course, this is never guaranteed. On the other hand, if it's a year away, you don't have the time to recover and perhaps holding your money in cash makes more sense.

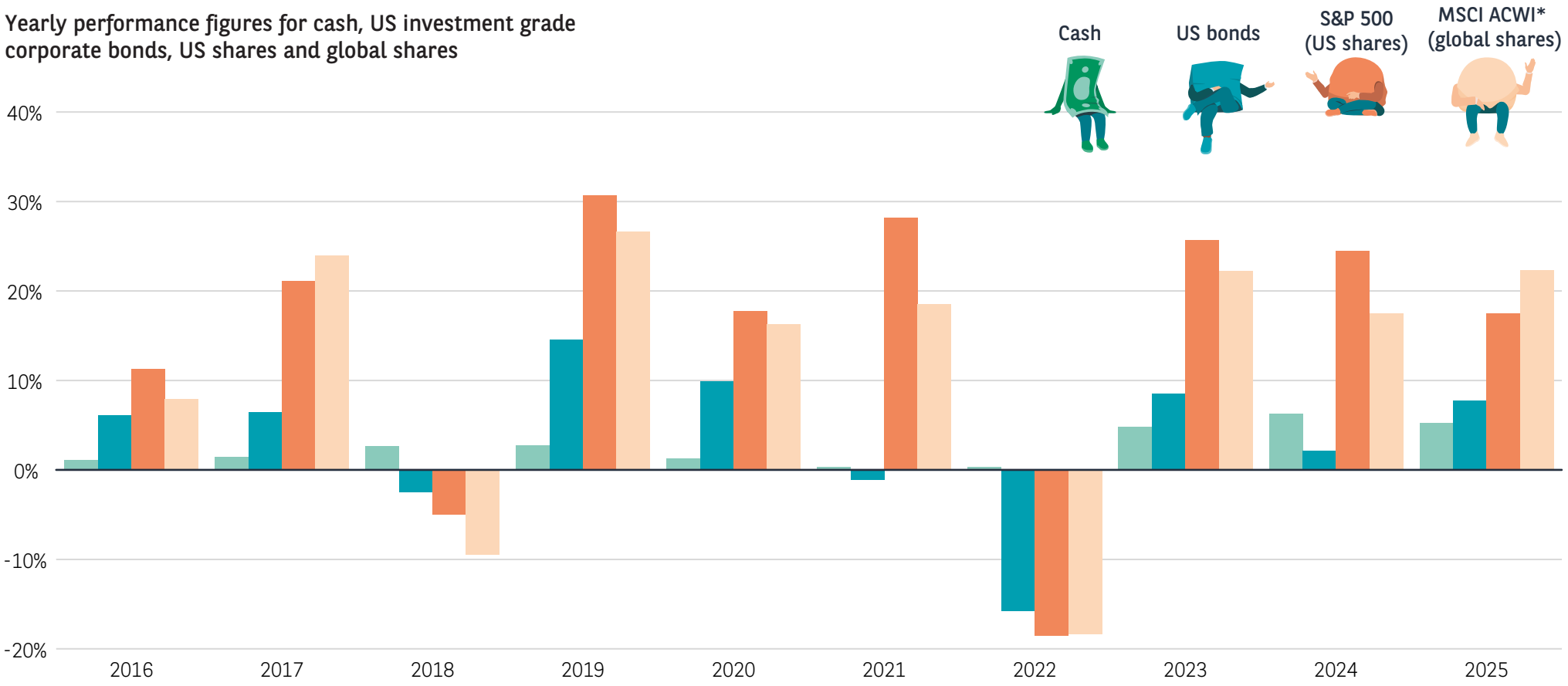
To help you see how these ups and downs work over the long term, we've picked out four investment types and explored their performance over the last 10 years.



Looking at ups and downs

The graphs below show the performance of four investment options each year for the last 10 years. As you can see, there are much bigger changes from year to year with shares than there are with bonds – and bonds still change more than cash. The years where performance is in the minus figures is what many people worry about, but they then miss the years with strong positive performance.

Yearly performance figures for cash, US investment grade corporate bonds, US shares and global shares



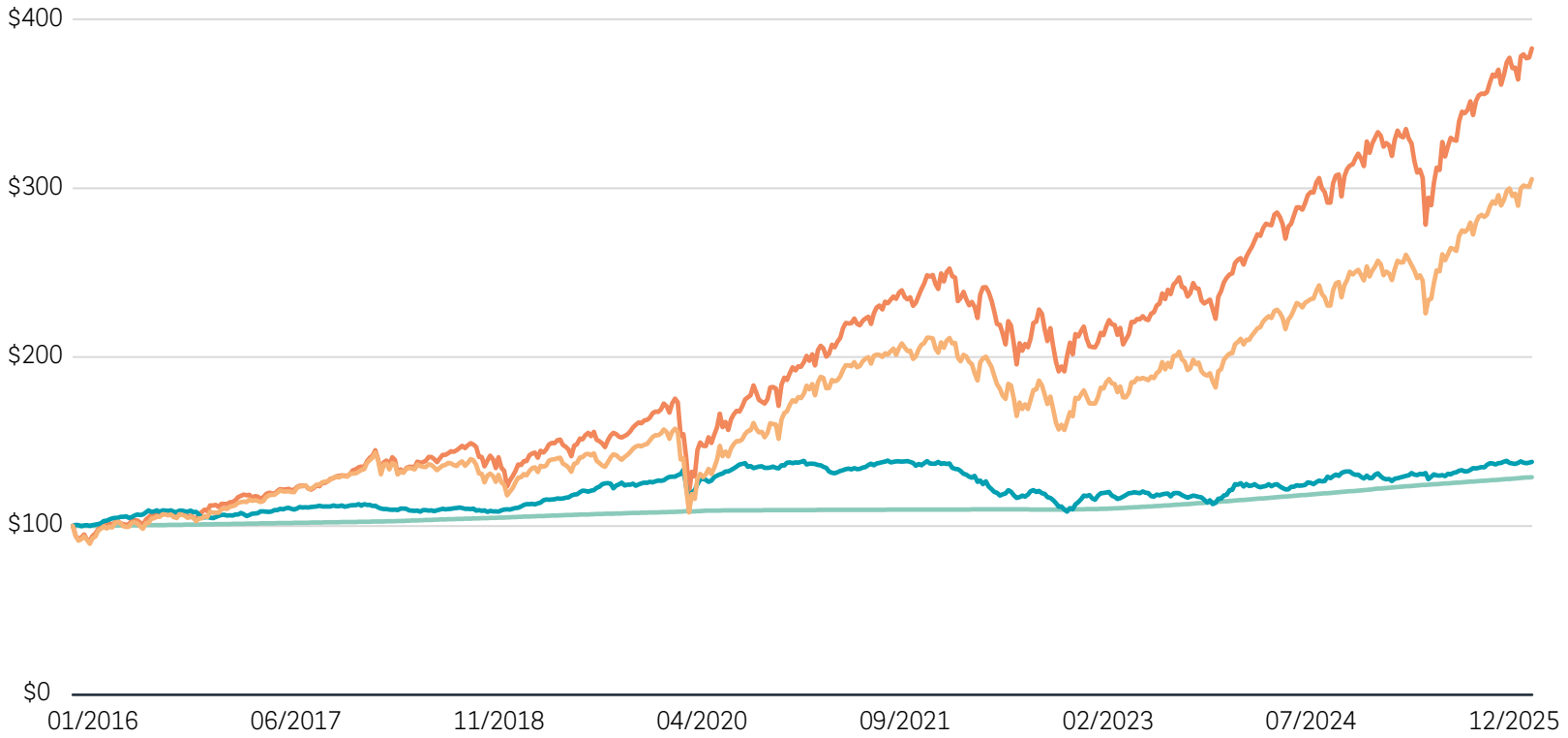
Source: Bloomberg, BNP Paribas Asset Management. US dollars. *All Country World Index

Past performance does not predict future returns.

Value of a long-term perspective

When you're investing for the long term, you will see good years and bad years. But, as long as you stay invested throughout, what matters is the overall performance of your assets taken together. Here's a graph showing the performance of the same four investment types over the same period, but with all the years combined – plus the total performance for each one. You may be surprised by just how different they are.

Performance of cash, US investment grade corporate bonds, US shares and global shares



Source: Bloomberg, BNP Paribas Asset Management. Data from 1 January 2016 to 31 December 2025, US dollars. Rebased to 100 as at graph start date.
Past performance does not predict future returns.

If you started with $10,000, this investment would be worth...



US equities
$38,274



Global equities
$30,540



US investment grade debt
$13,801



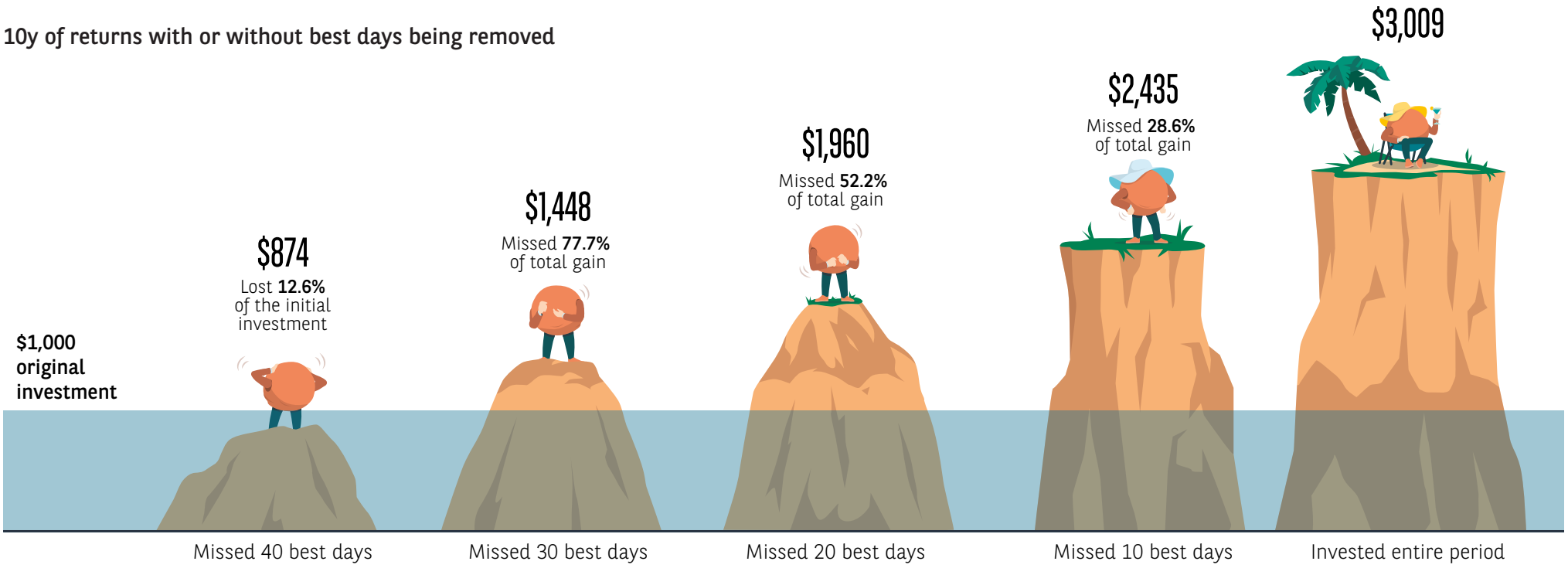
Cash
$12,897

THE POWER OF STAYING INVESTED

Some people choose to keep their savings in cash to avoid market volatility. Others move between cash and investments as a way of trying to buy low and sell high. This is called 'timing the market' and it is very difficult to do consistently. One of the reasons we think it makes more sense to stay in the markets through the ups and downs is that even if you pick the right moment to sit out, you still have to decide when to get back in.

The best days in the market (those where investments rise the most) often occur very closely to the worst days. If you miss even just a few of them, the impact on your portfolio can be significant. The graphic below shows the value of $1,000 invested in global shares over 10 years. If you missed just 10 of the best days during this time (equivalent to one day a year), you'll miss out on 29% of your potential returns. Miss the 40 best days (four a year) and instead of more than doubling your money, you would finish with less than you started with.

10y of returns with or without best days being removed



The simple option is to avoid timing completely. Just start investing as soon as possible and then stay invested through the ups and downs. If there's a downturn, this means you'll be positioned to capture any recovery that follows it. More importantly, it means you're in a position to benefit from the full long-term growth potential of your investments.

Source: Bloomberg, BNP Paribas Asset Management. Data from 30 December 2015 to 31 December 2025, US dollars.
Past performance does not predict future returns.

SECTION 3:
WHERE TO INVEST?

You'll often see the main types of investment options referred to as 'asset classes'. Each of these is a way to invest your money, with its own risks, rewards and characteristics. Within an asset class, the individual investments (or assets) can behave very differently. For instance, one stock or share can do well, while another does poorly.

Traditionally, there are five main asset classes. The first is cash, which we've already talked about. The other four are bonds, property, shares and alternatives.

Explaining risk

Investors take on risk because they are looking for returns. The traditional rule of thumb is 'the higher the risk, the higher the potential return' although this is not always the case. One of the most important aspects of risk is the extent to which the value of your investments is likely to move up and down.

Some asset classes are riskier than others, but none are risk-free. We have ranked the main asset classes in order of increasing capital risk and identified the main benefits and risks of each. Please keep in mind this is not a comprehensive list; there are additional benefits and risks that you should understand before making any investment decisions.

Each asset class will respond very differently to changes in economic conditions, which is why having a diversified portfolio is generally a good idea. You can learn more about asset classes and risk in our **Starter guide to investing**.



The risk scale ranges from 0 to 7, where 0 denotes the lowest risk and 7 denotes the highest risk.

Risks listed are not exhaustive; other risks may also apply.
Additional costs, such as management fees, are involved when investing in a fund. This may reduce overall returns.

BONDS (FIXED INCOME)

A bond is just another way of saying a loan. When someone buys a bond, they are lending money to a government or company.





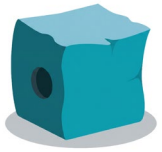
What they offer you

Most bonds pay a fixed rate of interest for a fixed amount of time and then return the initial loan when the bond ends. Higher-risk borrowers pay more in interest than lower-risk borrowers.



How to invest in them

It is possible for individuals to buy bonds themselves, but for most people, the easiest and most effective way to invest in bonds is through a fund.



What risks they involve

Bonds tend to see steadier performance and are usually less risky than shares – but they are not risk-free. Their price can change depending on several factors, including how valuable their interest rate is to investors. Plus, there is the risk a bond issuer might default on (not be able to pay) the interest payments or returning the amount borrowed. This is called credit risk.

Risks listed are not exhaustive; other risks may also apply.

PROPERTY

Investing in property normally means buying commercial or residential buildings or the shares of property development companies.





What they offer you

Returns on property investments are typically linked to rental income, though there is the potential for capital growth when property prices rise. Property may appeal to investors who like the idea of buying something tangible that could diversify their portfolio.



How to invest in them

It is possible to buy the shares of property development companies directly and residential property can be bought as a buy-to-let. However, individuals normally have to use a fund to benefit from the full range of this asset class, particularly commercial property.



What risks they involve

Property can be tough to sell in a crisis. This can mean investors may be unable to get their money when they want it or have to accept a lower valuation. This is called liquidity risk and it means property should be considered a long-term investment. Property also tends to take longer to sell than most other types of investment.

Risks listed are not exhaustive; other risks may also apply.

SHARES (EQUITIES)

Buying a share means you've bought part ownership of a business.





What they offer you

If the company does well, a share will tend to rise in value. Plus, some companies pay out a proportion of profits in the form of dividends. Shares also tend to be very easy to buy and sell (so they have low liquidity risk).



How to invest in them

Shares are usually traded on the stock market, so it's possible for individuals to buy them directly. Unless you have a larger sum of money to invest, though, you may find it easier to hold a diversified mix of shares through a fund.



What risks they involve

Shares are typically seen as one of the riskier types of investments because their value can move up and down very quickly. Companies can also become insolvent, which may mean a share ends up having no value.

Risks listed are not exhaustive; other risks may also apply.

ALTERNATIVES

The easy way to describe alternatives is that they're everything we haven't already covered on these pages. For example, they include infrastructure, commodities and private equity.





What they offer you

Alternatives often perform in a different way to the main asset classes (this is called having a 'low correlation'). It means they can be an effective way to add diversification to a portfolio, which may reduce the overall level of risk. Some higher-risk alternatives offer high growth potential, while others may be more steady performers.



How to invest in them

Some alternatives are much more straightforward to invest in than others. To benefit from a wide range of alternatives, a fund can be an easy option.



What risks they involve

Each type of alternative investment has its own risks. In general terms, though, they tend to be more complex. This increases the potential risk of correctly valuing them and can make them harder to sell if the money is needed quickly. (Higher liquidity risk.)

Risks listed are not exhaustive; other risks may also apply.

HOW THESE OPTIONS COMPARE

Diversification is one of the technical terms that you'll hear a lot in the investment world. All it means is spreading your money around different investments rather than focusing on one area. Or, to put it another way, not putting all your eggs in one basket. This can help you reduce volatility (ups and downs in investment returns) and minimise unnecessary risk.

It works by constructing a portfolio of investments that don't all behave in the same way. So, if one part of your investment portfolio is falling in value, others may be flat or rising, which might balance it out – or even mean you still see growth overall. Selecting the right mix can help even out the impact of downturns, recessions or just routine fluctuations in specific markets.

The performance of different asset types

The chart on the right shows just how much investment performance can change from year to year. As well as showing the importance of diversification, we've colour-coded the dots to help you see how cash compares to other asset classes. We've then picked out a few popular types of bond investment in shades of blue, stock market investments in orange and two other popular investment types in yellow and brown.

As you can see, performance can vary a lot from one year to the next and it's difficult to predict which asset class will perform. This underscores why it helps to have a variety of assets in your portfolio, as the positive performance of one will often protect against a poorer performance from a different asset class.

2020	2021	2022	2023	2024	2025	Asset classes
24.22	35.31	1.73	26.49	26.08	64.34	US equity
20.73	26.45	-0.82	19.89	24.58	35.41	Gold
18.69	16.30	-15.06	13.34	8.05	34.36	European equity
13.42	0.08	-18.05	10.29	5.37	17.31	Emerging market equity
5.38	-2.22	-19.74	10.27	2.28	15.77	Global property
0.38	-4.56	-19.85	8.96	1.79	11.19	Cash
-9.17	-9.54	-24.00	5.23	-4.82	4.36	Global government bonds



Source: Morningstar. US dollars. Shares invested in another currency may be exposed to exchange rate risk.
Past performance does not predict future returns.

READY TO GET STARTED?

We know the investment world can be confusing. There are many options to choose from and some companies like to use a lot of jargon. Here we want to highlight an example of a straightforward investment option that might help you dip your toe in the water. You still need to check everything carefully and make sure whatever you choose is right for you, but this is one way you could begin your investment journey.



Example: A global multi-asset fund

A global 'multi-asset fund' invests across multiple types of assets from markets around the world. This means it gives you a simple, easy-to-understand way to benefit from a range of opportunities. As asset classes tend to perform differently, with some rising and some falling at any one time, you can potentially be more insulated from the highs and lows of individual markets.

A team of investment experts makes all the decisions, including what asset types to focus on and what investments to use. This means that there is the potential for outperformance, but the costs tend to be higher as well.

This decision-making doesn't stop once a fund is created. The investment team works together to make complex decisions about which assets and regions to invest in, as well as using different ways to reduce risk as they aim to keep the best mix of investments on an ongoing basis.

A quick reminder about savings AND investments

We're talking about the benefits of investing in this guide, but we really do believe that investing and saving complement each other over the long term. Using a combination of the two may help you achieve your long-term financial goals. A general guideline is to have savings that cover at least three months' living expenses, in addition to investments.

Please keep in mind that the value of your investment, and any income from it, can go down as well as up and you may not get back what you originally invested.



INVESTOR TIPS

If you like the sound of stepping off the sidelines, these tips can help you get ready to make your first investment.



Think about expert support

Everyone's situation is different, so speaking to a financial expert before making any decisions is a good place to start. They can help you take the first steps into the investment world and may be able to tailor an appropriate long-term investment plan to meet your specific needs.



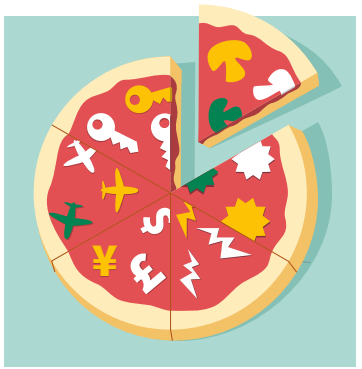
Decide on your investment goals

Setting some investment goals can help you focus on what's important to you, so you can then make plans to achieve your aims. This is something that would be useful to discuss with a financial expert.



Understand your risk level

If you know that you're likely to react negatively to market declines, you may want to keep your portfolio in more conservative investments. It's much better to be a bit more conservative and hold on to your investments through the ups and downs, than to buy riskier assets and sell during market crashes!



Spread your money

Investing in a range of assets can reduce investment volatility by smoothing the ups and downs in returns and help you minimise unnecessary risk. You can do this yourself or choose an investment such as a multi-asset fund that does it for you.



Start small by investing regularly

Some people think they need a large lump sum to start investing, but this isn't the case. You can start investing for as little as $50 per month. Plus, if you invest regularly, it becomes a good habit. This could put you in a much stronger financial position down the road.

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