WHAT LIES AHEAD FOR INVESTORS IN 2023?

Last year was challenging for stock markets to say the least. In the UK, both bonds and equities fell in value – and there was the gilt market turmoil of September following the mini-Budget.

Further afield, there are ongoing difficulties in Europe, the US and Asia, not to mention Russia's invasion of Ukraine. As well as causing much death and destruction, it triggered a disruption of the energy markets, as the West has scrambled to take Russian oil, gas and coal out of its supply chains.

Investors will be wondering what lies ahead for the next 12 months. Here's what you need to think about for your investments this year:

A cautious outlook for 2023 would be prudent. It's not likely to be an easy year, with several risks to overcome including inflation remaining high and rising interest rates adding financial pressure on those with mortgages.

When it comes to choosing equities in volatile times such as these, you might want to think about defensive stocks and sectors, such as healthcare and utilities that should be able to better weather the turbulent economic conditions ahead. The idea is that people will still buy their medicine and heat their homes, irrespective of wider economic conditions.

High quality companies that pay a dividend are another consideration in a high inflation and rising interest rate environment.

Companies that have the potential to pay out significant dividends — a share in the profits — to shareholders can help achieve a real return.

Government bond and high-quality corporate bonds are also attractive at times like these. The theory is that Governments and companies that fit into this bracket will be able to withstand difficult economic conditions and continue to meet their obligations to investors.

Gold also remains an effective hedge against inflation and any stock market slump.

In times of volatility remember that the fundamentals of investing still apply.

Here are five investment strategies that can help you through uncertain times:

MAINTAIN A REGULAR INVESTMENT HABIT

It is very difficult to time buying (or selling) in any market. Investors are likely to be better off establishing a regular savings habit, drip-feeding money into investments. This ensures you benefit from pound-cost averaging — where you buy more shares in your investments when prices are low. When you start feeling jittery, remember that while you don't want to lose too much as and when the markets fall, you don't want to miss out on any rallies either.

DIVERSIFY

Diversification has always been key to a long-term investment process. Hold a mix of cash, fixed interest and shares spread across global markets – and let that comfort you in choppy markets.

AVOID TOO MUCH CASH

Cash carries risk as inflation can erode the purchasing power of your cash, making it a less attractive option over the long term.

HOLD YOUR NERVE

Even though investing during times of turmoil can be uncomfortable, it is said that the stock market rewards patient investors. Volatility is a normal part of the market, so don't let it distract you from your existing strategy. Some of the worst performing days on the stock market have been followed by some of the very best.

REVIEW YOUR PORTFOLIO

Long-term investing doesn't mean sit back and do nothing, however. Since markets and asset classes don't all move neatly in line, over time your exposure to different investments is likely to change.

This could mean your portfolio could end up in a different risk category. If necessary, discuss with an adviser on how you might take steps to rebalance.