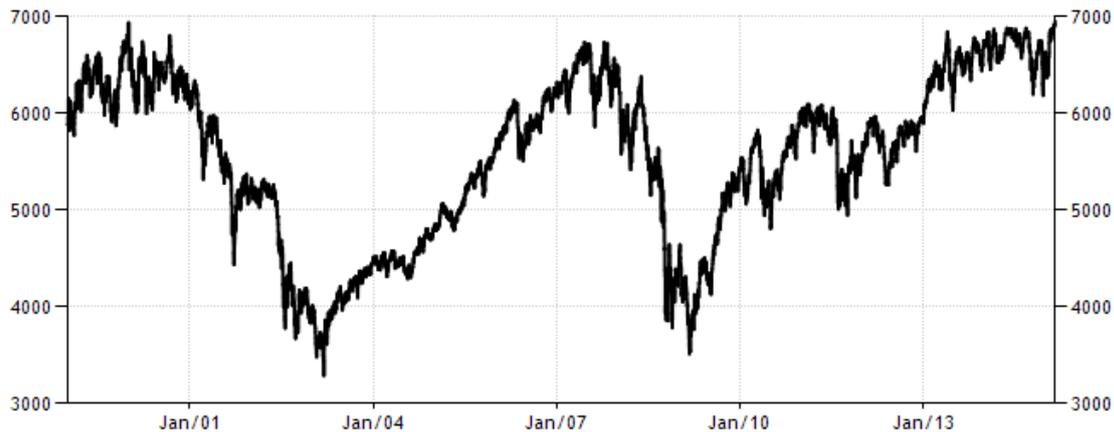




Back to square one for the FTSE 100

The FTSE 100 index has finally surpassed its previous peak.

FTSE 100: 1999 – 2015



Source: Trading Economics London Stock Exchange

Where were you on Friday 30 December 1999?

The chances are that, if you remember, you were preparing for a millennium party due the following day. It is most unlikely that you noticed the closing level of the FTSE 100 (Footsie) on that Friday, which in any case was a shortened trading day on the London Stock Exchange. Yet the day's, year's and for that matter decade's final Footsie reading of 6930.2 marked an all-time high for the index which was only topped on 24 February 2015.

The 15+ years it has taken for the Footsie to regain its millennial peak prompted plenty of comment, some of which suggested the performance highlighted what poor returns investing in shares offered. Alas, not all of the coverage has been well informed:

- The FTSE 100 index does not measure total investment returns, only capital returns. If you allow for reinvested dividends (received net for basic rate taxpayers), an investor in the end-1999 Footsie would, by 24 February 2015, be showing an overall return of about 67%.
- In terms of dividend income, this would have increased by a virtually identical amount: at the end of 1999 the Footsie had a yield of 2.04%, whereas on 24 February its yield was 3.39%.
- The notion that inflation had trounced investment in the Footsie is wrong, because it ignores that all-important dividend income. Price inflation between December 1999 and



January 2015 (the latest available figure) totalled 52.7% based on the Retail Prices Index and 36.7%, based on the Consumer Prices Index, both below the overall total Footsie return.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.