FIND YOUR INVESTMENT STYLE

There is no one-size-fits-all approach when it comes to investing. You must find your own style according to a whole host of factors: your age, how long you want to invest for, attitude to risk and your goals.

Here's what you need to know about finding your personal investment style.

INVESTMENT OBJECTIVES

Actively managed investment funds are broadly split into two camps – income and growth. Fund managers in charge of your money can steer a fund either way by focusing on different kinds of companies to invest in.

Income investing is a strategy centred on building an investment portfolio specifically structured to generate regular income.

It's a popular way to chase decent returns – and to potentially beat inflation – for those looking to replace or top up their salary.

It could also suit a lot of investors where the income isn't required, because instead of pocketing the pay outs, you can reinvest them. This can boost overall returns significantly.

Income is normally produced by large, stable, and profitable companies via funds known as equity income funds.

Growth investing is where funds aim for capital appreciation – that is, for your money to grow – over time.

Growth funds are popular among long-term savers who do not need to take an income from their investments. Managers will typically choose to invest in companies that they believe will be able to significantly grow their earnings over time. They focus on firms that reinvest their dividends in their business rather than paying out profits to shareholders.

Some managers prefer to invest in smaller and medium-sized companies, believing there is more opportunity for growth.

Funds can further be broken down further into the strategy fund managers use to invest. The key ones to know as well as growth and income, are value and contrarian investing.

Value investors seek stocks that appear to be undervalued in the marketplace – the diamond in the rough.

It somewhat crosses paths with contrarian investing where a manager looks for companies that are out of favour and unloved by other investors.

A QUESTION OF RISK

There's no escaping risk, even if you stash your savings in a deposit account. Holding cash isn't even without risk as it leaves you vulnerable to the effects of inflation, which erodes the value of your money over time.

Investment strategies involve different levels of risk, so it's important to think about your personal tolerance level and structure your portfolio around this.

You might be the cautious investor who's happy for a slow and steady return or someone who's seeking fast portfolio growth.

The more risk you take with your investments, the greater the potential rewards. The price for this is living with a level of uncertainty that you could lose some of even all your money.

The beauty of investing is that there's an enormous choice which means that there's something for everyone, whatever kind of investor you are.

WHAT NEXT?

Investment styles swing in and out of fashion – and so rather than following the trends, you should adopt a strategy and style that works for you and your circumstances. With the help of a financial adviser you can determine exactly what that is, and compile a portfolio that reflects that. It might be a blend of a few, rather than just one.

When you have an investment portfolio in place you don't have to stick with it for your whole investment journey. Regular reviews with your adviser will ensure that you can adapt your portfolio if and when circumstances change. For example, the style in which you invest in your thirties and forties will differ to that when you reach your fifties and sixties when you might want to draw an income or dial down risk.

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