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JEFF PRESTRIDGE warns... Hold your nerve! Biggest danger Vladimir Putin poses to every investor is scaring you into selling out now

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Staying calm when stock markets are falling through the floor is easier said than done.

Last week, when the Russian tanks rolled in to Ukraine and the UK stock market started to head southwards, it appeared we were not only heading towards a potential war in Europe, but the equivalent of financial Armageddon.

It felt like February 2020 all over again, but this time the stock market being spooked by an expansionist Russia rather than the consequences of an invasive virus and global economic lockdown.

The FTSE100 Index, representing the 100 largest companies listed on the London Stock Exchange by market capitalisation, fell by 3.9 per cent on Thursday – its largest fall since June 2020 when the country was reeling from a frightening surge in new cases of vile Covid.

Stock markets across Europe tumbled as well. It was difficult not to get caught up in it all as TV stations relayed live pictures of the Russian invading forces.

'The Russian invasion of Ukraine will decimate global stock markets,' predicted Antonia Medlicott, of financial comparison website Investing Reviews.

Financial publisher Citywire talked of a 'black swan event' – a term used to describe a surprise event that has potentially severe consequences.

'In the short term the equity market is oversold and there could be wild swings and bounces,' it said. 'In the medium term, investors should stick to the view that the bull market is over.'

Brian Dennehy, managing director of financial adviser Dennehy Weller & Co, was equally galled by the unfolding events in Eastern Europe.

'We are recommending that investors move to 50 per cent cash,' he told me minutes after Vladimir Putin had ordered the invasion to go ahead.

Dennehy's view is that there are now far too many 'red alerts' – soaring energy prices, runaway inflation and broken supply chains – for investors to remain overexposed to the stock market.

Of course, Medlicott, Citywire and Dennehy may well be right, but the UK stock market made good most of its Thursday losses on Friday as the FTSE100 Index closed at 7,489, taking it back to just below where it started the year.

'The worst days for markets are often followed by some of the best, so private investors can be caught short when making switches,' said Jason Hollands, managing director of investment platform Bestinvest.

'Chopping and changing your investment portfolio in reaction to news events is fraught with risk.'

Edward Browne, an avid reader of The Mail on Sunday and an inveterate financial commentator of some distinction, said the same but a little more succinctly (he's a man of the North who ensures every word counts).

From his sunny bolthole on the island of Tenerife, he opined: 'Bitcoin? A fool's currency. Gold? A good hedge. Sell or hold your investments? Hold your nerve, not a time to sell.'

For the record, the sterling price of Bitcoin is down by more than 18 per cent this year while gold is up by more than four per cent.

Where stock markets go from here is unclear. But I tend to share the view of Browne and Hollands – that now is not a time to bail out.

I said much the same back in March 2020 when I sought the views of five investment gurus after the UK stock market had corrected sharply in response to Covid and lockdown.

With more than 130 years of investment wisdom between them, they all sang from the same hymn sheet: namely that markets reward patient long-term investors, however painful the present may be.

They were bang on the money. Over the following year, the UK market bounced back by some 35 per cent.

Some of the advice these gurus gave two years ago – and then again last March – is relevant today. It forms the backbone of our battle plan to keep your wealth safe from Putin's destruction.

START BY REVIEWING YOUR PORTFOLIO

At times of market turmoil, it always makes sense to look at your investment portfolio and assess whether it still sits comfortably with your overall attitude to risk.

This is irrespective of whether your investments are held inside a tax-friendly Isa, contained within a self-invested personal pension (SIPP), or form a standalone portfolio.

It's a view held by Ryan Hughes, head of investments at wealth platform AJ Bell. 'Now is a good time for investors to look at their portfolio to ensure it remains fit for purpose,' he says.

'Sometimes, it can pay to rebalance by taking some profits on funds and assets that have performed well and using them to top up holdings that have not delivered similar returns.'

Any changes, he says, should always be made in the context of an investor's time horizons.

For example, someone in their 30s and investing for retirement should not be making wholesale changes to their portfolio in light of last week's market correction.

But someone with an eye on retirement in a few years' time may want to protect their investments from further falls in equity prices by seeking out less risky assets such as multi-asset funds, bond funds or those with returns linked to the gold price.

Hollands says that investors who are heavily exposed to growth investments such as technology and stock markets like the US which has a strong technology bias, should also consider rebalancing.

He adds: 'These investors should look at the UK market which has hefty exposure to financial, materials and energy stocks.

'Yes, it will require quite an about turn for investors who have shunned the UK market in recent years due to Brexit worries or because of its lack of sexy technology stocks. But we are moving into a different world.'

Reviewing your portfolio should not be restricted to looking at the asset mix or geographic exposure. If you hold funds, look under their bonnet to see what they own. You can obtain the latest monthly fund factsheet by visiting the investment manager's website.

Alternatively, seek them out via trustnet.com or the investment platform you hold your funds on.

As I report below, some of the country's leading emerging markets funds are heavily invested in Russian companies while others are not.

DIVERSIFY...AND THEN DIVERSIFY AGAIN

Although some investors love seeking out investments that will reward them with stellar returns. diversification is key.

'Although markets will be bumpy in the months ahead, equities should nearly always deliver long-term returns superior to those of other assets,' says Maike Currie, investment director at Fidelity International.

'But it's important you build a diversified portfolio in terms of number of holdings, asset and geographic exposure, as well as investment styles.'

Like AJ Bell's Hughes, she says investors should be looking to 'add a bit' of gold if they haven't already got exposure – the likes of fund Ninety One Global which holds shares in some of the world's biggest gold miners.

She also says technology-focused funds such as Scottish Mortgage and Rathbone Global Opportunities should be held alongside more income-orientated funds with holdings in dividend rich banks, mining companies and oil producers. 'Balance is key,' she adds.

DON'T BE GREEDY... STEADY EDDIE IS GOOD

Some investment funds offer investors one-stop diversification by holding a variety of assets or equities listed on international stock markets. They will not necessarily shoot the lights out in terms of performance, but they will provide your portfolio with much needed ballast.

Many can be found by visiting the website of the Association of Investment Companies and clicking on the 'compare investment companies' icon. Have a look at the sectors 'flexible investment' and 'global'.

Among 'flexible investments' are the likes of Capital Gearing, Personal Assets and RIT Capital Partners – trusts that invest across asset classes.

For example, Personal Assets, managed by Troy Asset Management, has an eclectic portfolio comprising positions in gold bullion, US Treasury Bonds and technology companies Microsoft and Alphabet. Its focus is on protecting and then increasing shareholders' funds over the long term.

Global investment trusts that are regarded as steady eddies, albeit equity focused, include the likes of Alliance, Bankers, Brunner, F&C and Witan.

SEEK DIVIDENDS AS SHARE PRICES FALL

Dividends should not be overlooked, especially when share prices are falling.

In recent days, the big four banks – Barclays, HSBC, Lloyds and NatWest – have all announced dividend payments on the back of strong 2021 financial results.

Mining giant Rio Tinto also announced a dividend for 2021 that will be the second largest paid in FTSE100 history.

Bestinvest's Hollands says investors should be taking note of dividends again. He explains: 'During the growth stock boom of recent years, many investors didn't give dividends a second thought.

'But in times of uncertainty and when share prices are zig-zagging, a dividend provides a comfort blanket for investors – a payment that can either be banked or reinvested. The UK remains the premier stock market for dividends.'

Income-generating shares and funds should preferably be held inside a tax-free Isa because dividend taxes are rising from April 6.

For example, a basic rate taxpayer will pay 8.75 per cent on any dividends received in excess of the £2,000 annual tax-free allowance. Currently, the rate is 7.5 per cent.

Hollands' favourite income funds include Threadneedle UK Equity Income, BlackRock UK Income and RWC UK Equity Income.

Investors who like their dividends to grow every year should look at investment trusts that have at least two decades of annual divi growth behind them – the likes of Alliance, Bankers and City of London.

On Friday, trusts Law Debenture and Alliance reported their 2021 financial results, confirming 43 years of increasing or maintaining dividends (Law Debenture) and 55 years of annual dividend growth (Alliance).