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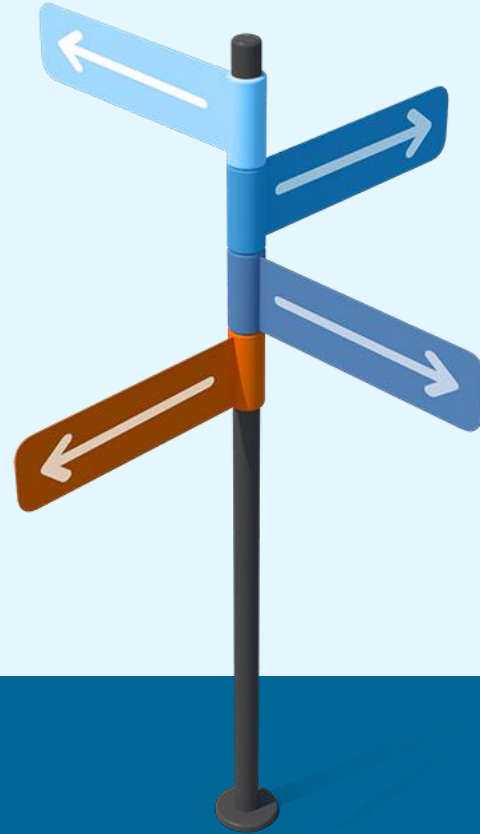
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# Investor's guide: Market volatility





# Perspectives





# Investment emotional cycle

Emotions can compromise financial health.

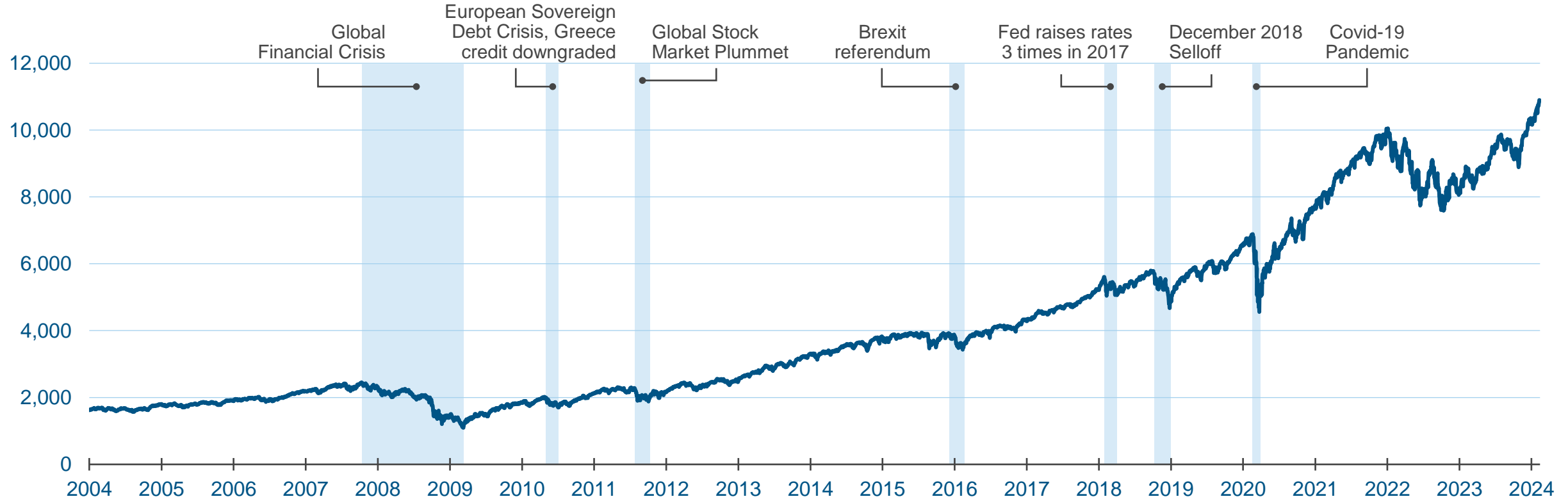




# The market has faced many economic **downturns** over time

Historically, despite many periods of increased volatility, markets have remained resilient.

## S&P 500 Index (USD) – Total Return

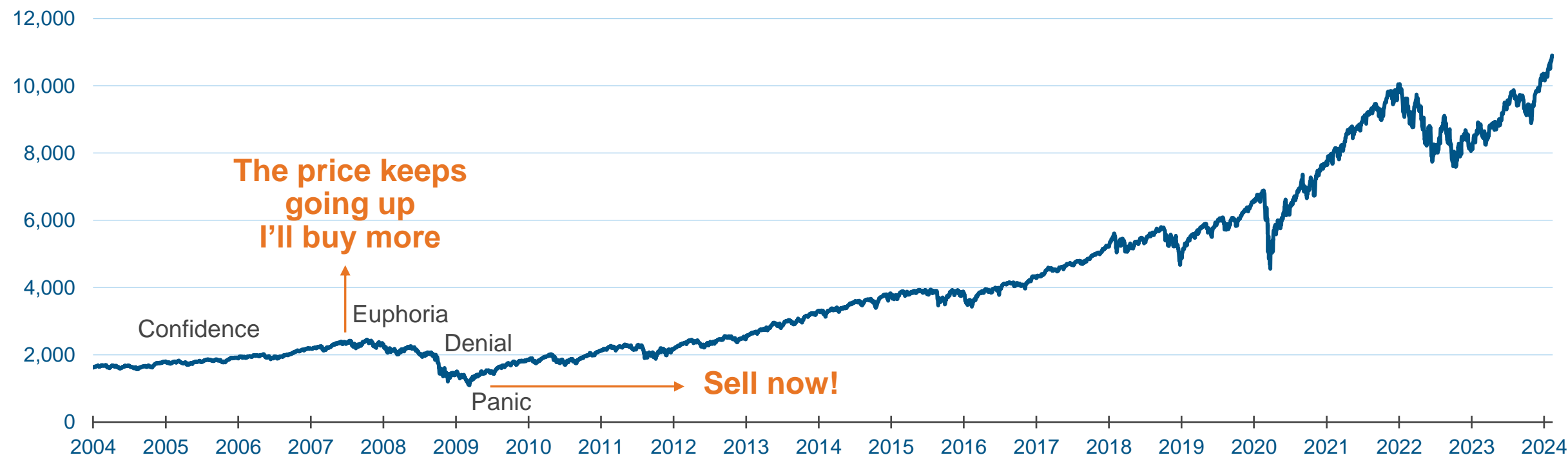




# These downturns can create an **emotional rollercoaster**

It's not easy for investors to manage their emotions. There is a tendency to get excited and buy just as markets are set to decline, and to panic and sell just as markets are set to recover.

## S&P 500 Index (USD) – Total Return

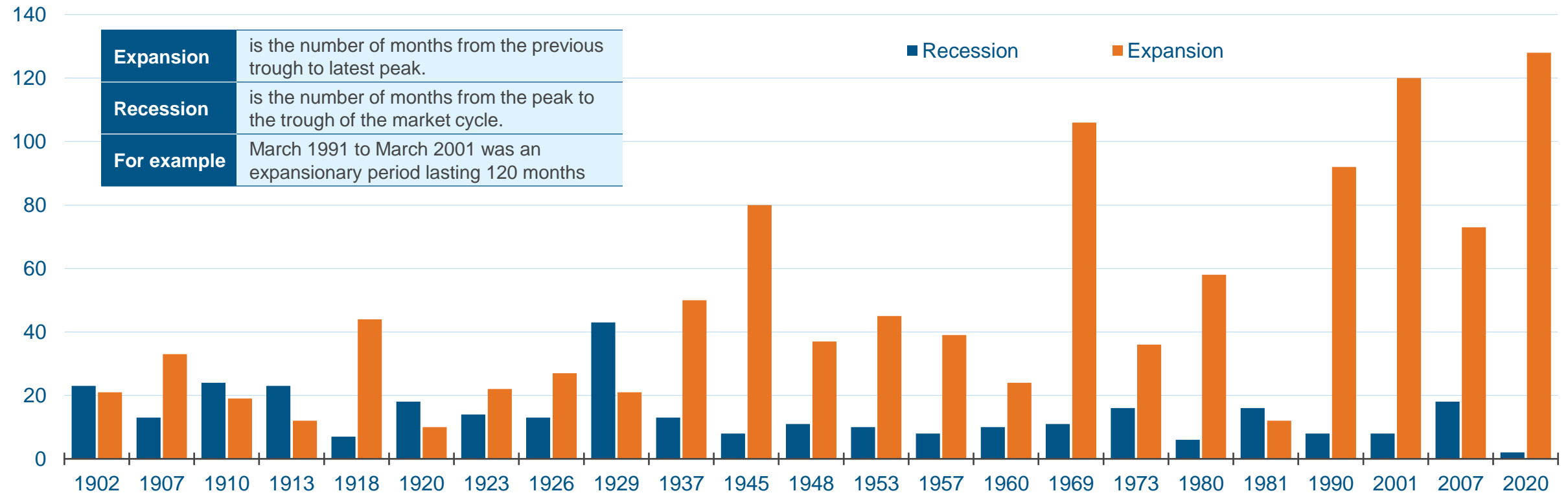




# Recessions, while unsettling, are usually **short-lived**

The good times (economic expansion) usually last much longer than the bad times (economic recession)

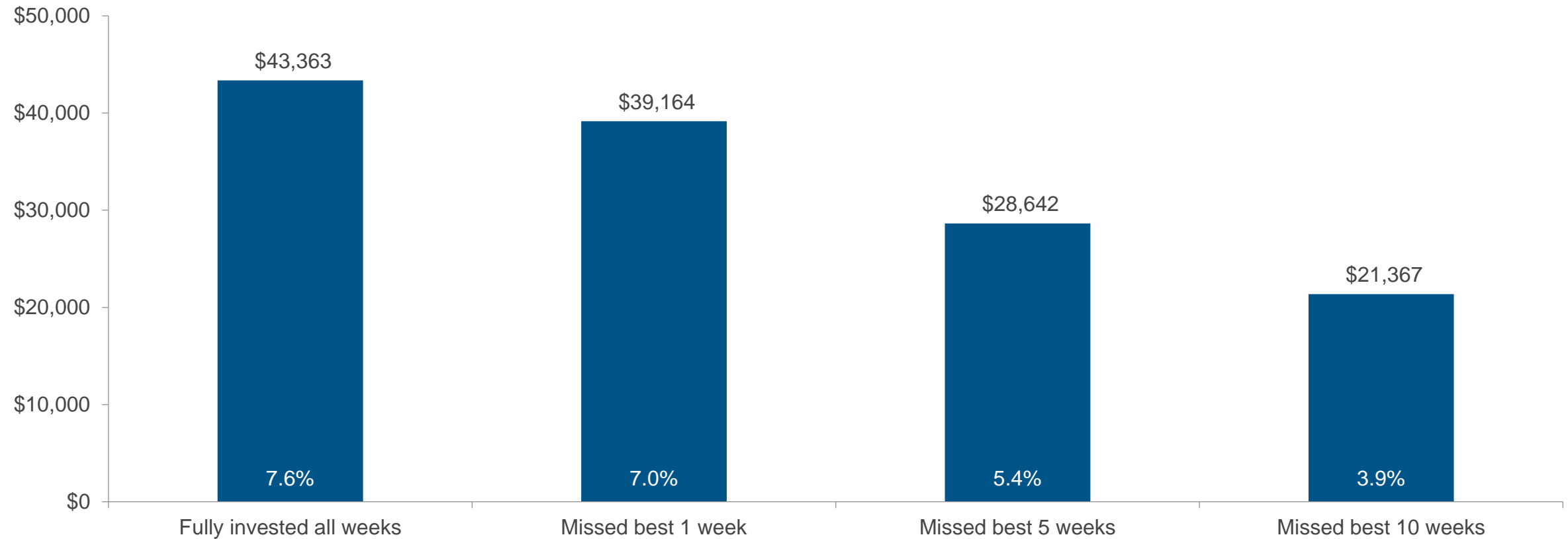
## Length of recessions and expansions – September 1902 to April 2020





# It pays to **stay invested**





Value of \$10,000 invested in the S&P 500 for 20 years



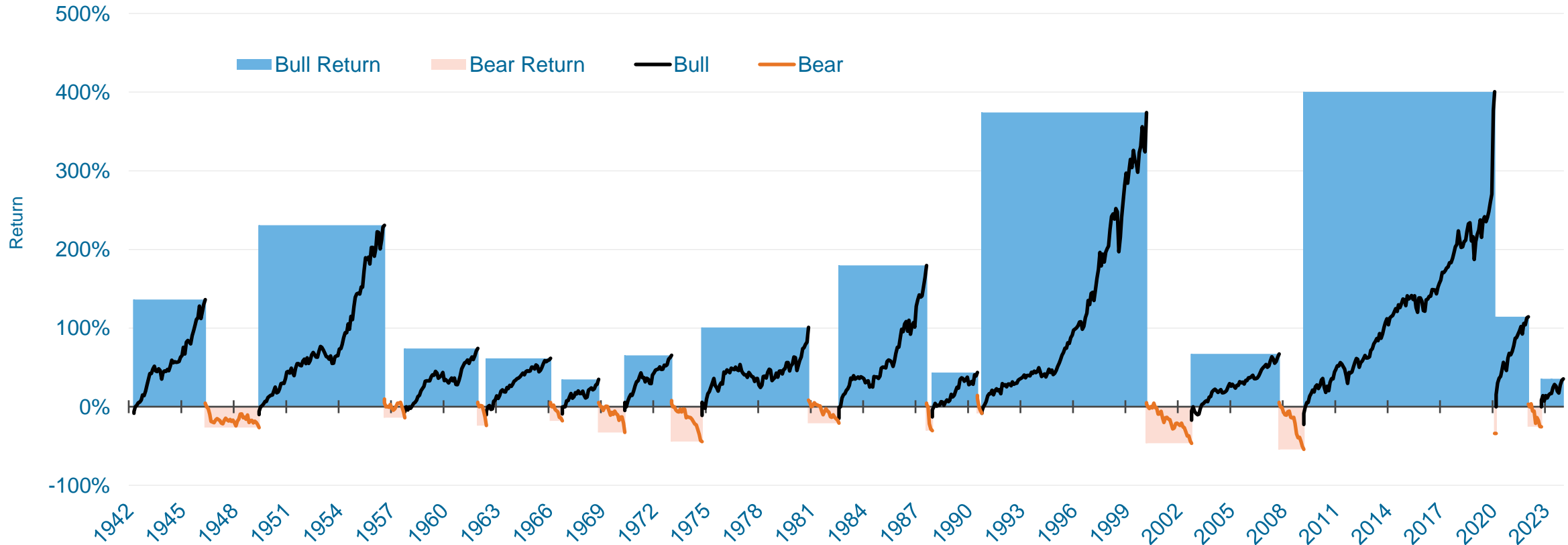


# Bulls outrun bears since 1942

The average length of a bull market is much longer than a bear market, where gains in a bull market often far exceed losses in a bear market.

Avg. duration		Avg. return	
	56		137%
	15		-29%

## S&P 500 returns



Source: Bloomberg January 31, 2024 \*Local currency; price only returns, A bull (bear) market is defined as a positive (negative) move greater than 20%.





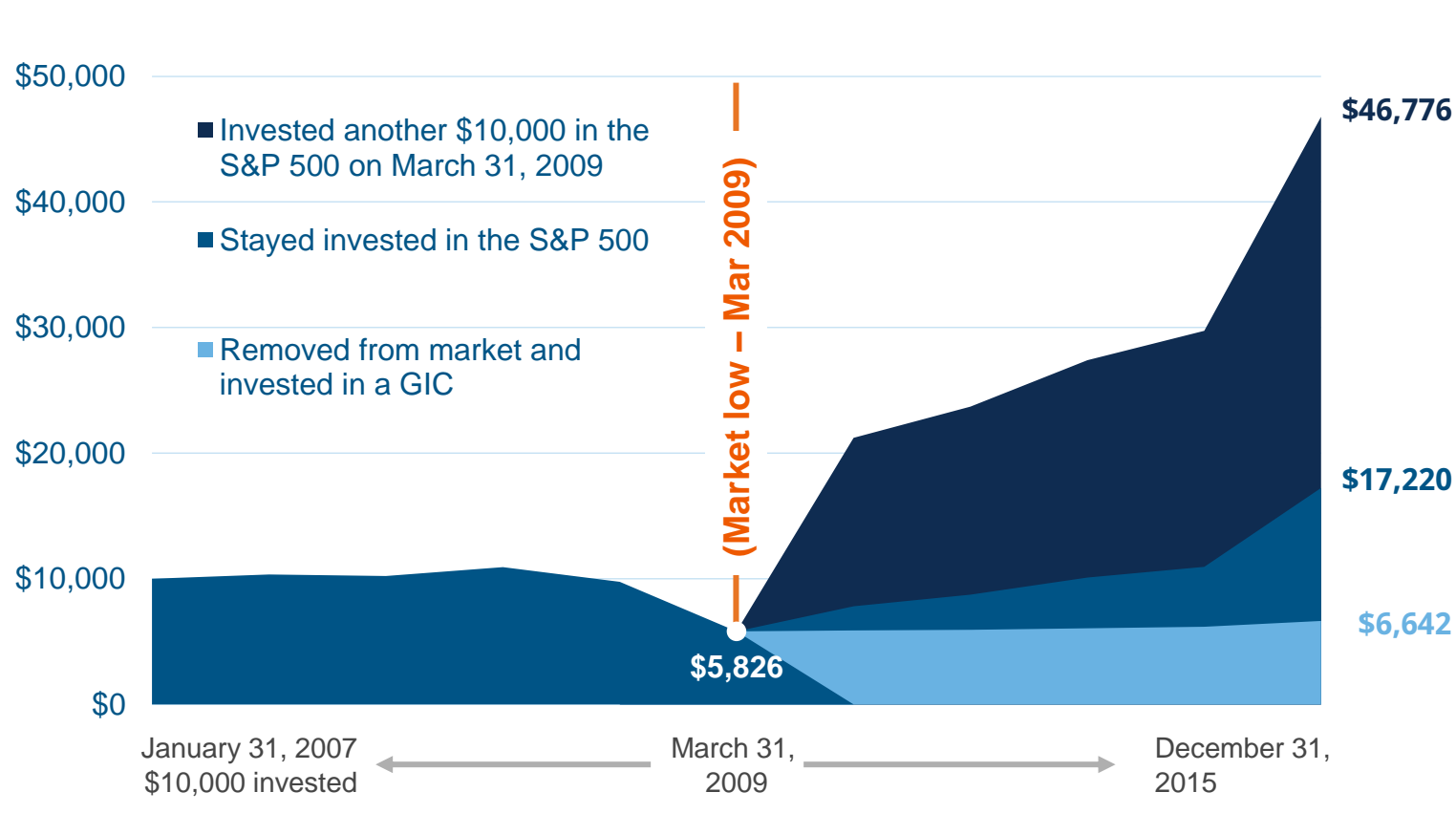
# Market volatility strategies





# Avoid trying to **time** the market

## Growth of \$10,000 – S&P 500 Index



It's virtually impossible to know when markets will rebound. Trying to time the market may sometimes look like a smart move, but your long-term investment performance will likely be worse than if you had simply stayed invested through the bad times.

Source: Bloomberg, January 31, 2009 – December 31, 2015

Unlike mutual funds, the returns and principal of GICs are guaranteed.



# Asset allocation remains the most important aspect of portfolio management

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Emerging Market Equities 16.0	U.S. Equities 40.7	U.S. Equities 23.5	U.S. Equities 21.4	Canadian Equities 24.8	Emerging Market Equities 28.3	U.S. Equities 4.0	U.S. Equities 24.8	U.S. Equities 18.5	U.S. Equities 27.1	Canadian Equities -5.6	U.S. Equities 24.3
EM Bond (local currency) 15.1	International Dev Market Eq 31.0	Canadian Equities 9.8	Developed ex-U.S. Aggr Bond 21.4	Emerging Market Equities 7.3	International Dev Market Eq 17.0	Developed ex-U.S. Aggr Bond 3.1	Canadian Equities 21.7	Emerging Market Equities 16.2	Canadian Equities 25.7	International Dev Market Eq -8.1	International Dev Market Eq 15.0
International Dev Market Eq 14.7	Canadian Equities 11.5	Developed ex-U.S. Aggr Bond 9.7	Canadian Fixed Income 3.5	U.S. Equities 7.3	EM Bond (local currency) 14.3	Canadian Fixed Income 1.4	International Dev Market Eq 16.2	Canadian Fixed Income 8.7	International Dev Market Eq 10.3	EM Bond (local currency) -8.4	Canadian Equities 11.6
U.S. Equities 12.9	Emerging Market Equities 4.3	Canadian Fixed Income 8.8	Emerging Market Equities 2.4	EM Bond (local currency) 5.9	U.S. Equities 13.7	U.S. Fixed Income -0.8	Emerging Market Equities 12.9	U.S. Fixed Income 7.5	EM Bond (local currency) -1.6	Developed ex-U.S. Aggr Bond -10.7	Developed ex-U.S. Aggr Bond 8.5
Developed ex-U.S. Aggr Bond 7.7	Developed ex-U.S. Aggr Bond 0.9	Emerging Market Equities 7.0	International Dev Market Eq 1.2	Developed ex-U.S. Aggr Bond 5.0	Canadian Equities 9.2	EM Bond (local currency) -3.4	EM Bond (local currency) 9.5	International Dev Market Eq 6.0	U.S. Fixed Income -1.6	Canadian Fixed Income -11.7	Emerging Market Equities 7.3
Canadian Equities 6.0	Canadian Fixed Income -1.2	U.S. Fixed Income 6.8	U.S. Fixed Income 1.1	U.S. Fixed Income 2.5	U.S. Fixed Income 3.1	International Dev Market Eq -5.9	Developed ex-U.S. Aggr Bond 8.3	Canadian Equities 5.9	Developed ex-U.S. Aggr Bond -1.7	U.S. Fixed Income -13.4	EM Bond (local currency) 6.9
U.S. Fixed Income 5.1	U.S. Fixed Income -1.3	International Dev Market Eq 4.2	Canadian Equities -8.6	Canadian Fixed Income 1.7	Developed ex-U.S. Aggr Bond 2.6	Emerging Market Equities -6.9	U.S. Fixed Income 8.1	EM Bond (local currency) 5.3	Canadian Fixed Income -2.5	Emerging Market Equities -13.9	Canadian Fixed Income 6.7
Canadian Fixed Income 3.6	EM Bond (local currency) -4.3	EM Bond (local currency) -1.9	EM Bond (local currency) -10.4	International Dev Market Eq -2.4	Canadian Fixed Income 2.5	Canadian Equities -9.3	Canadian Fixed Income 6.9	Developed ex-U.S. Aggr Bond 4.7	Emerging Market Equities -3.1	U.S. Equities -15.0	U.S. Fixed Income 4.7

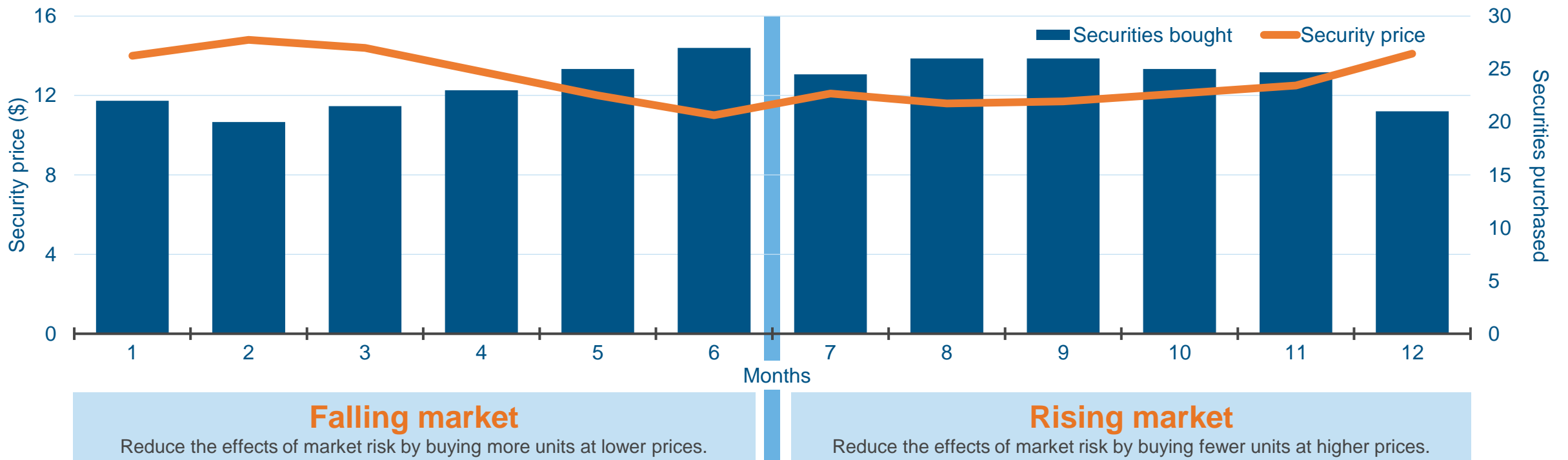
Source: Morningstar Direct. All returns calendar annual returns in CAD. Canadian Equities: Solactive Canada Broad Market TR CAD, U.S. Equities: Solactive US Large Cap TR CAD, International Developed Market Equities: Solactive GBS DM ex NA L&M C TR CAD, Canadian Fixed Income: FTSE Canada Universe Bond, U.S. Fixed Income: Bloomberg US Agg Float Adj TR Hedged CAD, Developed ex-U.S. Aggregate Bond: Bloomberg Gbl Agg xUSD 10% IC TR Hdg USD, EM local currency bonds: JPM GBI-EM Global Core TR USD.



# Consider a 'Dollar-Cost Averaging' strategy

Rather than investing all your money at once, making a commitment to invest a smaller amount on a regular basis may lower your average cost per unit by purchasing more units at lower prices.

## DCA in a fluctuating market



This hypothetical illustration shows how investing \$300 each month in a fluctuating market can potentially help reduce the overall cost of the portfolio by buying more securities when the price is lower and fewer when the price is more expensive. For illustrative purposes only.



# Key takeaway





# Markets eventually **recover** despite volatility

Staying the course is of the utmost importance during periods of volatility as it has historically enabled investors to fully recover from these periods and achieve their long-term investment goals.

## Growth of a \$10,000 investment, 1989-2024

### S&P 500 Index (USD) TR



Crisis	Market low	1 year later	2 years later
The Korean War	13-Jul-50	31.70%	49.70%
Cuban Missile Crisis	23-Oct-62	36.50%	59.20%
JFK Assassination	22-Nov-63	23.90%	31.60%
1969 to 70 Market Break	26-May-70	43.70%	59.70%
1973 to 74 Market Break	6-Dec-74	33.50%	59.30%
1979 to 80 Oil Crisis	27-Mar-80	37.10%	14.00%
1987 Stock Market Crash	19-Oct-87	23.20%	54.40%
Desert Storm	11-Oct-90	29.10%	36.30%
Soviet Coup D'état Attempt	19-Aug-91	11.10%	21.20%
Asian Financial Crisis	2-Apr-97	49.30%	72.50%
Sept 11 <sup>th</sup>	21-Sep-01	-12.50%	7.30%
Dot-com Bubble crash	9-Oct-02	33.70%	44.50%
Invasion of Iraq	11-Mar-03	38.20%	49.90%
North Korean Missile Test	17-Jul-06	25.50%	2.10%
Subprime Mortgage Crisis	9-Mar-09	68.60%	95.10%
US Debt Rating Downgrade	3-Oct-11	32.00%	52.20%
Crimea Annexation	3-Feb-14	17.70%	9.80%
China Yuan Devaluation	11-Feb-16	26.60%	43.20%
2018 Global Recession Scare	24-Dec-18	37.10%	57.50%
COVID-19 Pandemic	23-Mar-20	74.80%	99.20%
<b>Average</b>		<b>33.00%</b>	<b>45.90%</b>

Source: Morningstar Direct / Bloomberg.

Snapshots in time of significant negative impact international events from 1950 to March 2020, and the subsequent change in market value from the S&P 500.



# Disclaimer

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