Navigating market volatility

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Market volatility is normal – but that doesn't mean it isn't stressful. Learning about market cycles can help you feel prepared for whatever the market brings. Plus, your advisor can help you set the right strategies in place, so you can avoid making short-term emotional investment decisions that could compromise your long-term returns.

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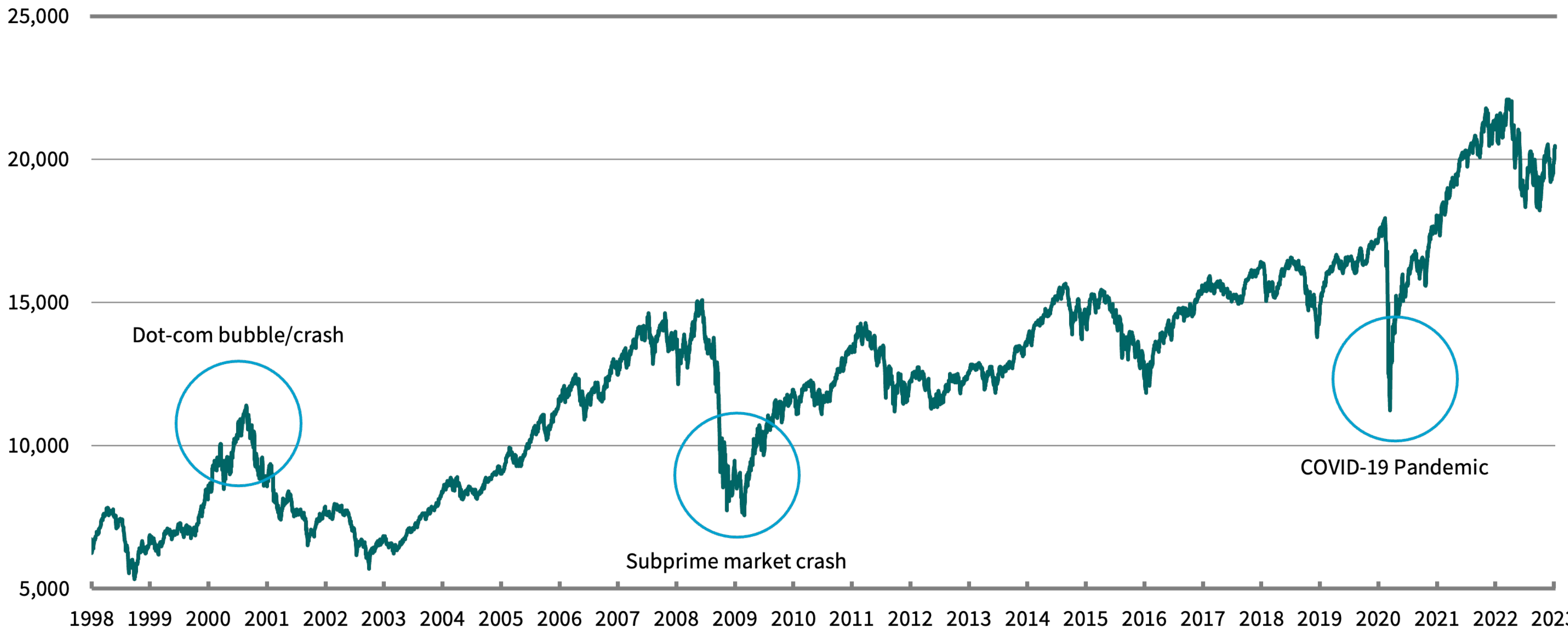
Market cycles are a fact of life

While it would be great to envision a world where the market was always rising, that's not the way the economy works. The market has always cycled through periods of highs and lows. While market volatility can be stressful, over the long term, market downturns have historically always been followed by bounce-backs.

It's important to take a long-term view

S&P/TSX from 1998-2022



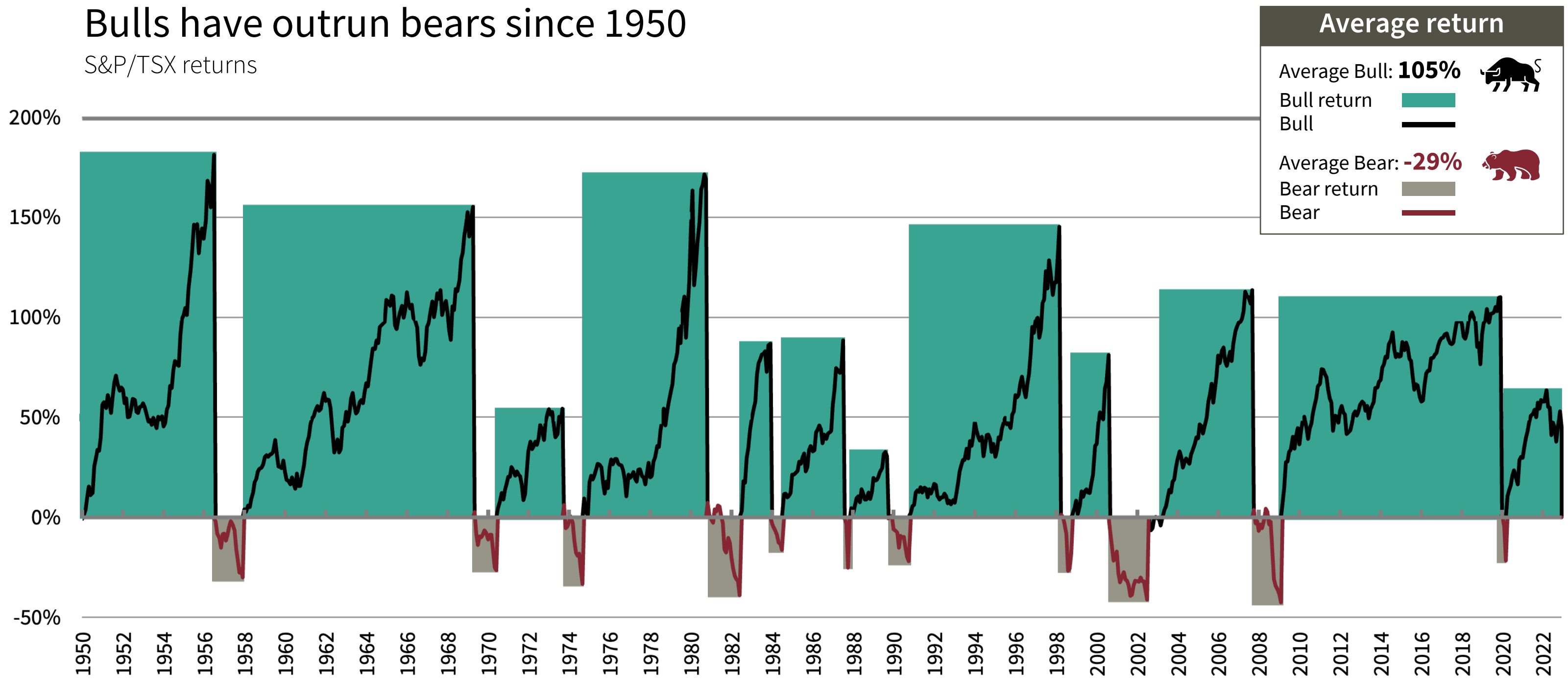
Daily price of the S&P/TSX Composite Index from 1998-2022
Source: Bloomberg Finance L.P.

Market ups are usually greater than market downs

It might be surprising, but the greatest return on your investment historically comes after the sharpest decline in the market. While historic returns do not predict future outcomes and investment returns are not guaranteed, those who stay invested have the potential to reap the benefits when the market recovers.

Bulls have outrun bears since 1950

S&P/TSX returns

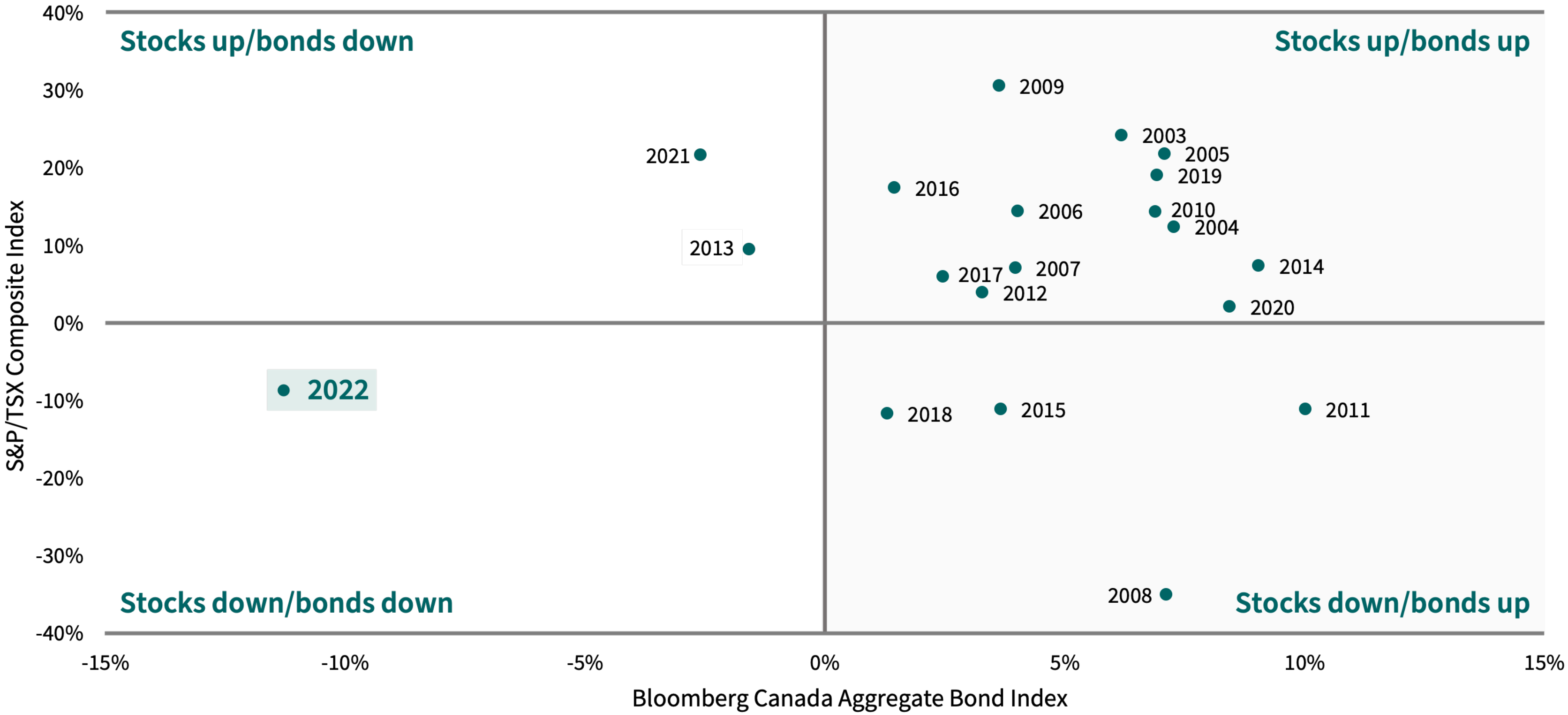


Monthly returns of the S&P/TSX Composite Index Price Return from 1950 to 2022
Source: Bloomberg Finance L.P.

Investing in both stock and bond funds can help provide balance

Both stocks and bonds have historically provided long-term positive returns, with both rarely providing negative returns during the same time period. By diversifying and including both in your portfolio can therefore be a good way to help reduce risk and preserve capital.

Stocks and bonds rarely fall at the same time



Source: Annual returns of the S&P/TSX Composite Index and Bloomberg Canada Aggregate Bond Index as of December 31, 2022
Bloomberg Finance L.P.

Rebounds can happen quickly

Attempting to time the market by selling investments during downturns and buying them back later is challenging, if not impossible, to do consistently. Timing the market correctly requires accurately predicting both the market's bottom and subsequent recovery, which is difficult for even seasoned professionals. This means moving your money could result in smaller long-term returns than if you'd stayed invested through market ups and downs.

By staying invested you benefit from market recoveries

Lessons of history – rebounds can happen quickly

	Market Low	Related Market Decline	Months to Recover	1 Year Later	2 Years Later
1973 to 74 Market Break	06-Dec-74	-47.0%	67	31.6%	57.3%
1979 to 80 Oil Crisis	27-Mar-80	-16.8%	3	34.8%	12.9%
1987 Stock Market Crash	19-Oct-87	-33.0%	21	21.2%	51.5%
Desert Storm	11-Oct-90	-19.8%	4	30.0%	37.6%
Soviet Coup D'etat Attempt	19-Aug-91	-3.5%	<1	11.4%	21.9%
Asian Financial Crisis	02-Apr-97	-8.3%	1	49.9%	77.0%
Dot-com Bubble Crash	09-Oct-02	-51.3%	55	34.3%	44.8%
Sept 11th	21-Sep-01	-38.5%	1	-13.8%	6.1%
Invasion of Iraq	11-Mar-03	-49.6%	2	38.0%	49.6%
North Korean Missile Test	17-Jul-06	-4.1%	2	25.9%	3.3%
Subprime Mortgage Crisis	09-Mar-09	-56.4%	47	68.3%	95.2%
US Debt Rating Downgrade	03-Oct-11	-19.6%	5	31.9%	53.5%
China Yuan Devaluation	11-Feb-16	-15.1%	3	27.3%	43.9%
2018 Global Recession Scare	24-Dec-18	-19.9%	4	37.4%	62.3%
COVID-19 Pandemic	23-Mar-20	-34.3%	5	78.6%	100.6%
Average	-	-27.8%	16	33.8%	47.8%

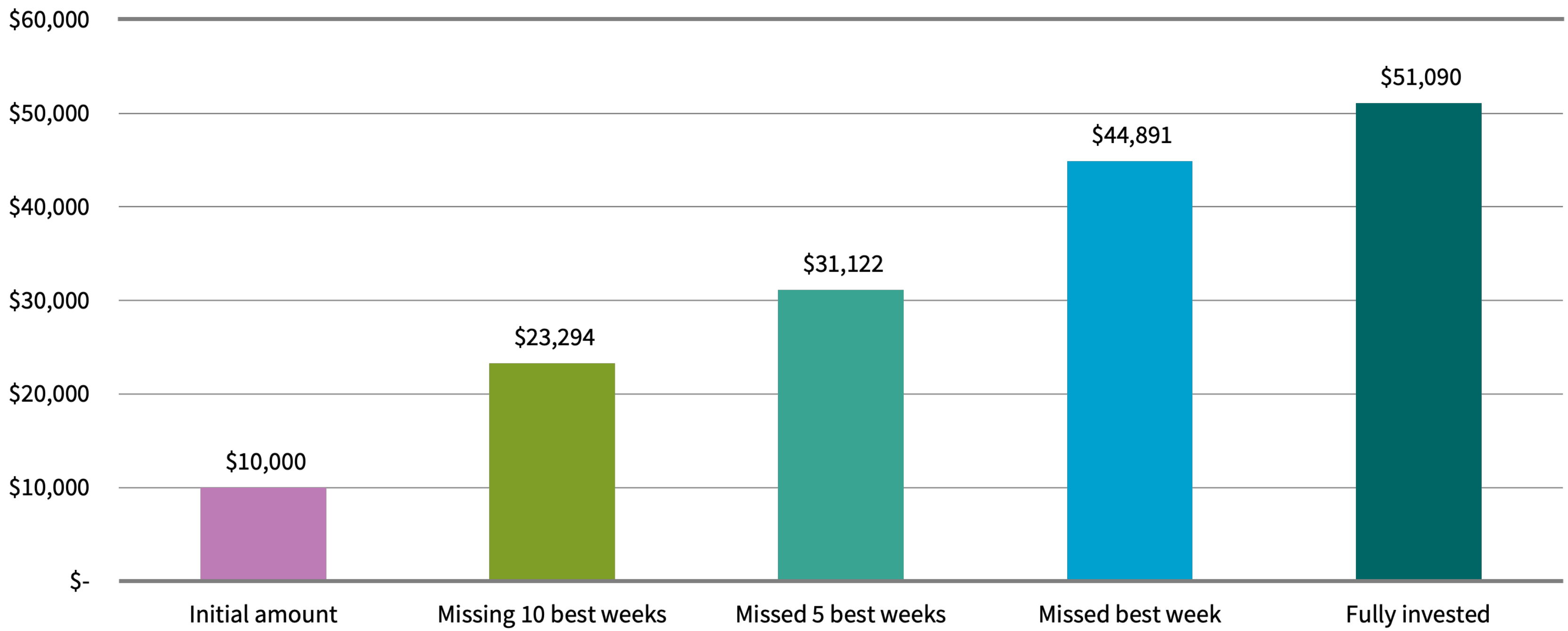
MSCI USA Index (US$) Price Return
Source: Bloomberg Finance L.P.

You can't afford to miss the best weeks

Over the past 20 years, those who stayed invested came out further ahead of those who missed key weeks when there were market upswings.

Pulling your money out has consequences

20-year cost of missing best weeks of the S&P/TSX

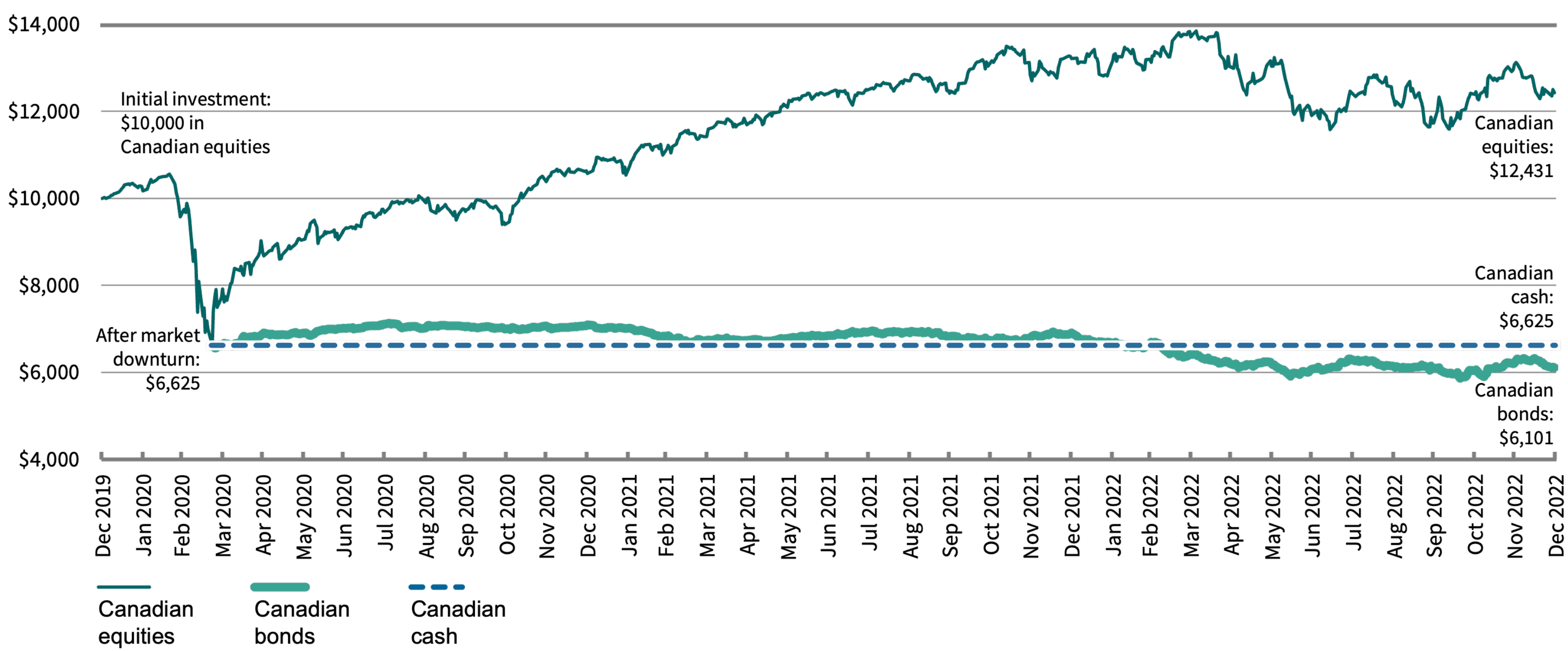


Weekly returns of the S&P/TSX Composite Total Return Index from 2003-2022
Source: Bloomberg Finance L.P.

COVID-19 showed markets can be resilient despite turmoil

The COVID-19 pandemic caused a steep decline in Canadian equities. But those who stayed invested came out ahead of those who panicked and got out of Canadian equities when they reached their lowest point.

The market's post-COVID-19 recovery



Canadian equities represented by the S&P/TSX Composite Total Return Index, Canadian bonds represented by the FTSE Canada Universe Total Return Bond Index
Bloomberg Finance L.P.

Diversification can help defend against volatility

No one asset class performs consistently across all market conditions. It's therefore important to have a variety of different asset classes within your investment portfolio. Your advisor can help you create a diversified portfolio that may be more resilient to market shifts that will inevitably occur.

The top-performing asset class is constantly changing

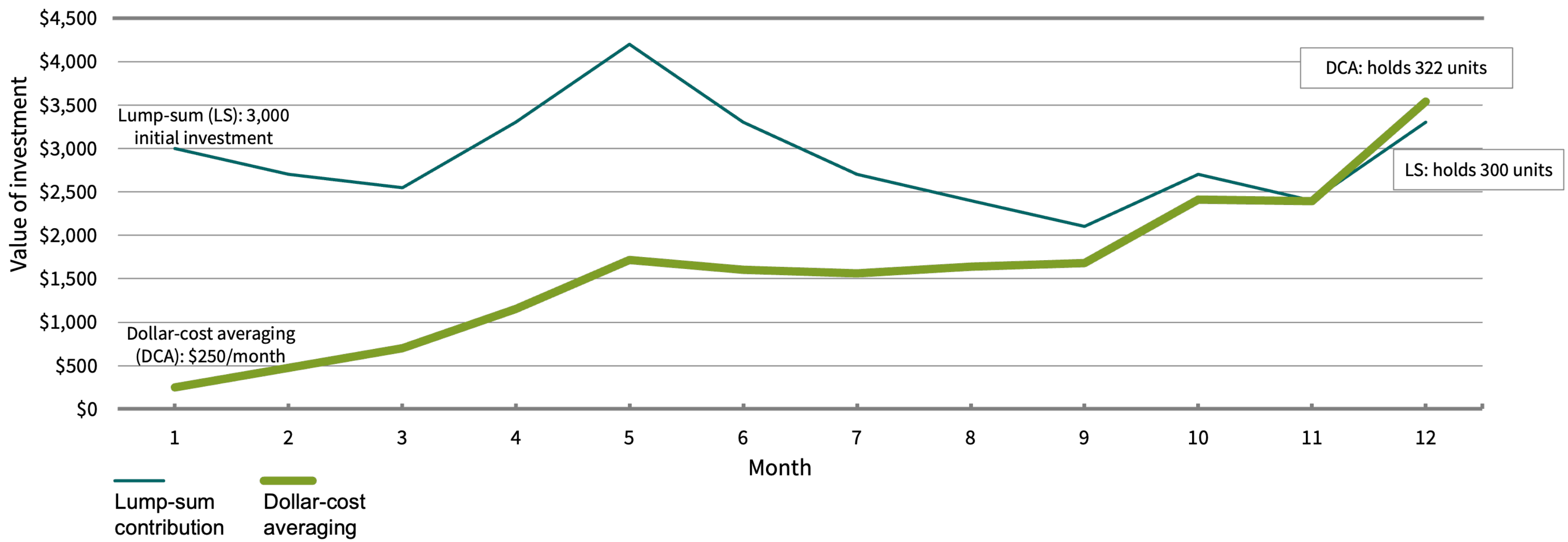
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
U.S. Small Cap Equity **48.3%**	U.S. Large Cap Equity **23.9%**	U.S. Large Cap Equity **20.6%**	Canadian Equity **21.1%**	Emerging Markets **28.3%**	Global Bonds **7.3%**	U.S. Large Cap Equity **25.4%**	U.S. Large Cap Equity **19.4%**	U.S. Large Cap Equity **25.8%**	Canadian Equity **-5.8%**
U.S. Large Cap Equity **41.7%**	Global Equities **15.4%**	EAFE/International Equity **18.7%**	U.S. Small Cap Equity **18.0%**	EAFE/International Equity **17.1%**	U.S. Large Cap Equity **3.9%**	Canadian Equity **22.9%**	U.S. Small Cap Equity **17.9%**	Canadian Equity **25.2%**	EAFE/International Equity **-7.9%**
Global Equities **36.1%**	U.S. Small Cap Equity **14.6%**	Global Equities **18.7%**	Emerging Markets **8.7%**	Global Equities **14.7%**	Canadian Bonds **1.4%**	Global Equities **22.4%**	Emerging Markets **16.9%**	Global Equities **21.2%**	Global Bonds **-11.4%**
EAFE/International Equity **31.9%**	Canadian Equity **10.5%**	Global Bonds **15.2%**	U.S. Large Cap Equity **8.6%**	U.S. Large Cap Equity **13.5%**	Global Equities **-0.1%**	U.S. Small Cap Equity **19.5%**	Global Equities **14.6%**	U.S. Small Cap Equity **13.7%**	Canadian Bonds **-11.7%**
Canadian Equity **13.0%**	Global Bonds **10.2%**	U.S. Small Cap Equity **13.8%**	Global Equities **5.2%**	Canadian Equity **9.1%**	U.S. Small Cap Equity **-3.2%**	EAFE/International Equity **17.0%**	Canadian Bonds **8.7%**	EAFE/International Equity **10.8%**	Global Equities **-12.0%**
Global Bonds **4.7%**	Canadian Bonds **8.8%**	Canadian Bonds **3.5%**	Canadian Bonds **1.7%**	U.S. Small Cap Equity **6.8%**	EAFE/International Equity **-5.7%**	Emerging Markets **13.2%**	Global Bonds **7.7%**	Canadian Bonds **-2.5%**	U.S. Large Cap Equity **-13.9%**
Emerging Markets **4.4%**	Emerging Markets **7.1%**	Emerging Markets **1.7%**	Global Bonds **-0.8%**	Canadian Bonds **2.5%**	Emerging Markets **-6.8%**	Canadian Bonds **6.9%**	EAFE/International Equity **6.6%**	Emerging Markets **-3.2%**	Emerging Markets **-14.2%**
Canadian Bonds **-1.2%**	EAFE/International Equity **4.6%**	Canadian Equity **-8.3%**	EAFE/International Equity **-1.2%**	Global Bonds **0.1%**	Canadian Equity **-8.9%**	Global Bonds **1.8%**	Canadian Equity **5.6%**	Global Bonds **-6.3%**	U.S. Small Cap Equity **-14.9%**

Canadian bonds are represented by the FTSE Canada Universe Bond Total Return Index, Canadian equities are represented by the S&P/TSX Composite Total Return Index, Emerging markets equities are represented by the MSCI Emerging Markets Total Return Index (C$), EAFE/International equities are represented by the MSCI EAFE Total Return Index (C$), Global bonds are represented by the FTSE World Broad Investment-Grade Bond Total Return Index (C$), Global equities are represented by the MSCI World Total Return Index (C$), U.S. Small-Cap equities are represented by the Russell 2000 Total Return Index (C$) and U.S. Large-Cap equities are represented by the MSCI USA TR Index (C$).
Source: Bloomberg Finance L.P.

Slow and steady wins the race

Making regular monthly contributions through market ups and downs can bring a higher long-term return than investing an initial lump sum. This strategy is known as dollar-cost averaging. It can help increase your overall return because it allows you to buy more units of an investment when prices are lower.

Potential benefits of dollar-cost averaging



	Ending value	Units	Ending price
Lump-sum contribution	$3,300.00	300.00	$11.00
Dollar-cost averaging	$3,541.98	322.00	$11.00

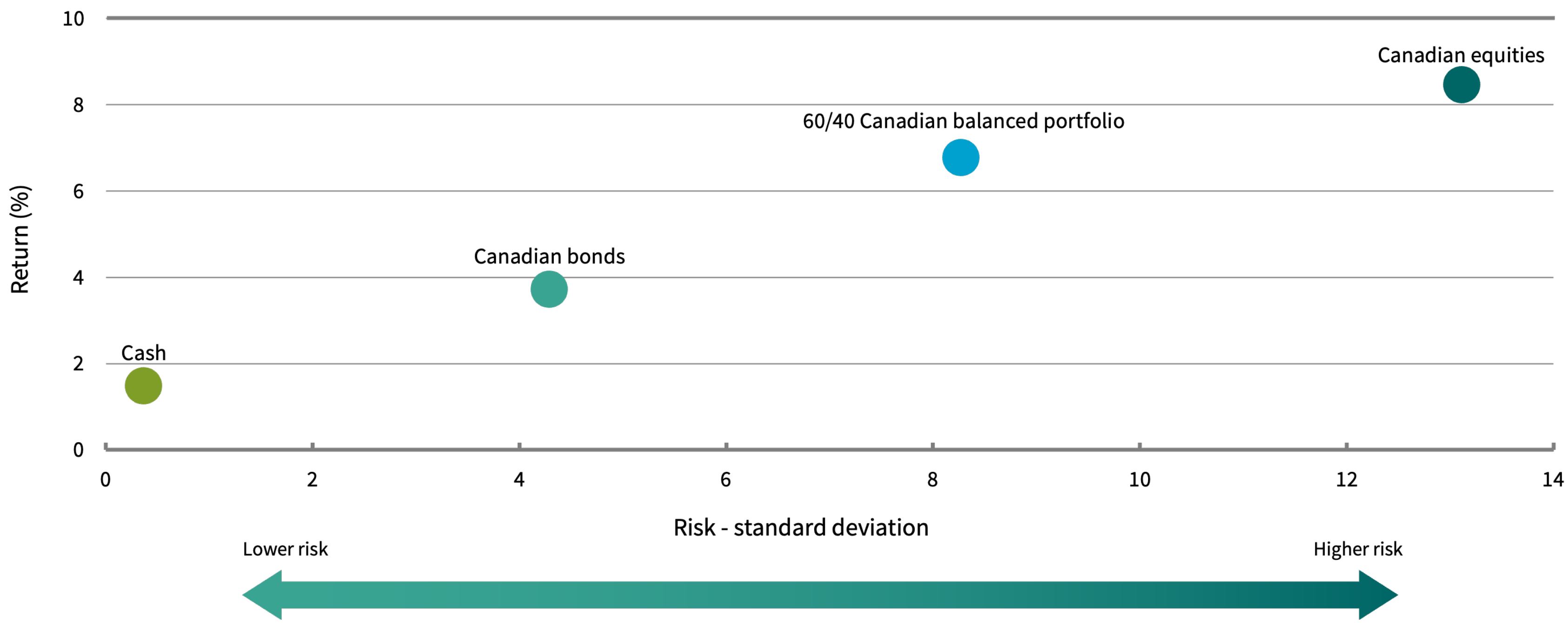
All data is based on the returns and performance of a hypothetical fund and time period

The advantage of a long-term plan

You work hard to save and invest your money. It's natural to want to sit on the sidelines until market declines pass and things start to look up. But having a long-term plan and staying invested has its advantages. Despite being higher risk, Canadian equities have outperformed lower-risk cash and bonds over the long term.

Risk vs. return over the past 20 years:

Despite being higher risk, Canadian equities outperformed Canadian bonds and cash from January 2003 to December 2022.



Canadian equities represented by the S&P/TSX Composite Total Return Index, Canadian bonds represented by the Bloomberg Canada Aggregate Bond Total Return Index, Canadian cash represented by the FTSE Canada 30 Day T-Bill Index.
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