The impact of staying invested during market turmoil

The decision to stay with your plan is often better than timing when to sell and buy.

Staying the course during market volatility is often difficult for many investors. Some choose to pull out of the market and put their money into Treasury bills, while others try to time the market. Unfortunately, these investors are often buying high and selling low—and miss the rallies that generally follow the challenging periods.

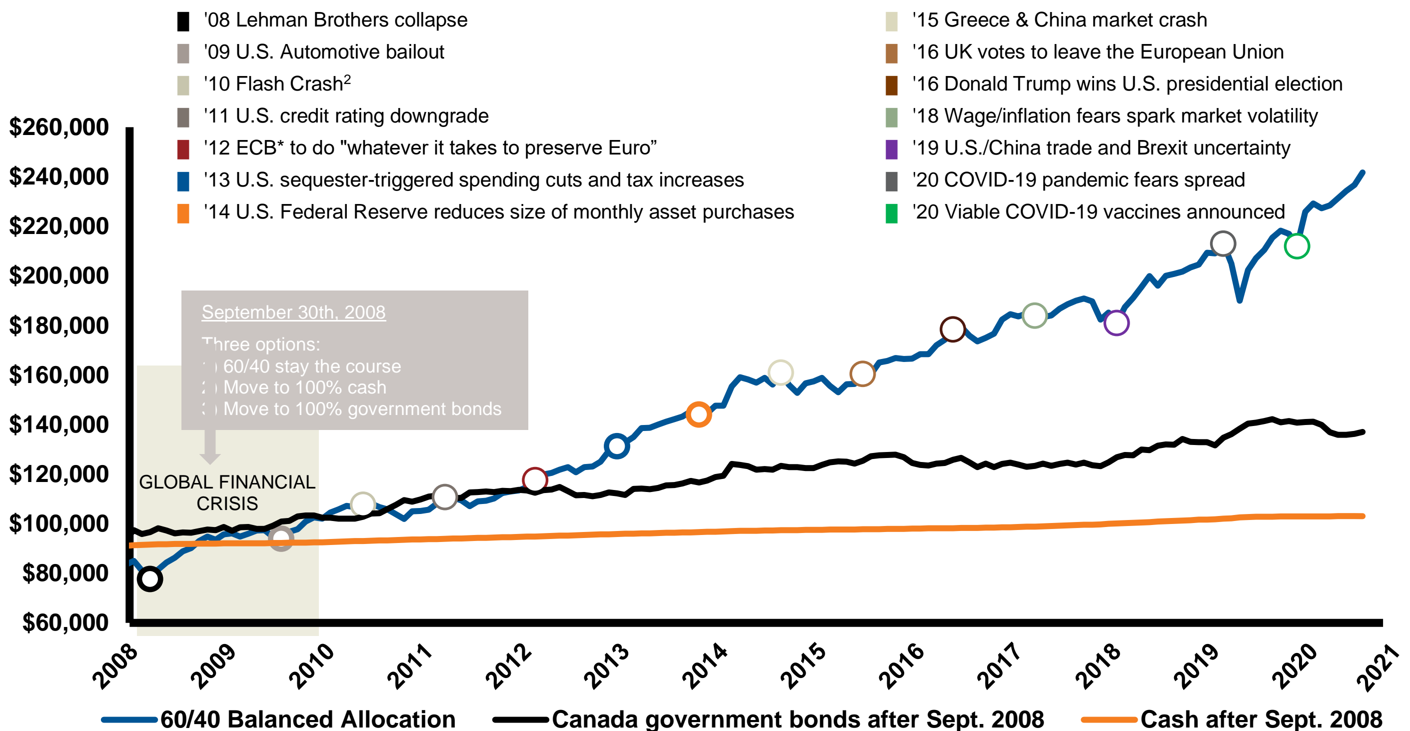
So, does staying the course pay off?

In the chart below, we look at a hypothetical balanced portfolio of 60% equities and 40% fixed income (60/40 portfolio) faced with three alternatives on Sept. 30, 2008, two weeks after the collapse of U.S. brokerage Lehman Brothers Holdings Inc. (Lehman Brothers), the largest bankruptcy in U.S. history[1]. The starting point for the $100,000 (CAD) hypothetical portfolio is October 31, 2007, the market peak prior to the Lehman Brothers collapse, which was a key event leading to the 2008 financial crisis. The choices as of September 30, 2008 are:

OPTION #1: Remain invested, and make no changes.

OPTION #2: Move to 100% cash, represented by the S&P Canada Treasury Bill Index.

OPTION #3: Move to 100% Canada government bonds, represented by the FTSE TMX Canada Federal Bond Index.



Source: Refinitiv Datastream, Russell Investments. In CAD. Data as of September 30, 2008 to August 31, 2022. Balanced 60/40 portfolio: 20% S&P/TSX Composite Index (Canadian equities), 20% S&P 500 Index (U.S. equities), 20% MSCI EAFE Index (international equities), 40% FTSE TMX Canada Universe Bond Index (Canadian fixed income); Cash: S&P Canada Treasury Bill Index; Canada government bonds: FTSE TMX Canada Federal Bond Index. This hypothetical example is for illustration only and is not intended to reflect the return of any actual investment. The 60/40 portfolio does not reflect a deduction for expenses or fees, had it done so, returns would have been lower. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

*ECB refers to the European Central Bank

CUMULATIVE RETURNS (October 1, 2008 -August 31, 2022)	
S&P/TSX Composite Index	149.5%
S&P 500 Index	454.0%
MSCI EAFE Index	128.7%
FTSE TMX Canada Universe Bond Index	57.8%
S&P Canada T-Bill Index	14.3%
FTSE TMX Canada Federal Bond Index	37.9%

PORTFOLIO VALUES (On August 31, 2022)	
60/40 balanced portfolio	$ 223,143
Cash allocation	$ 102,878
Government bond portfolio	$ 124,103

All returns gross of fees.

[1] Source: http://www.businessinsider.com/largest-bankruptcies-in-american-history-2011-11
[2] An abrupt sharp drop, then recovery, in U.S. stock market indexes that occurred May 6, 2010. The Commodity Futures Trading Commission described it as one of the most turbulent periods in the history of financial markets to that date. Remains one of the largest intraday point drops for Dow Jones Industrial Average and one of the largest single-day point swings.

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First used: December 2017 Revised: September 2022

RETAIL-03575 [EXP-09-2023]