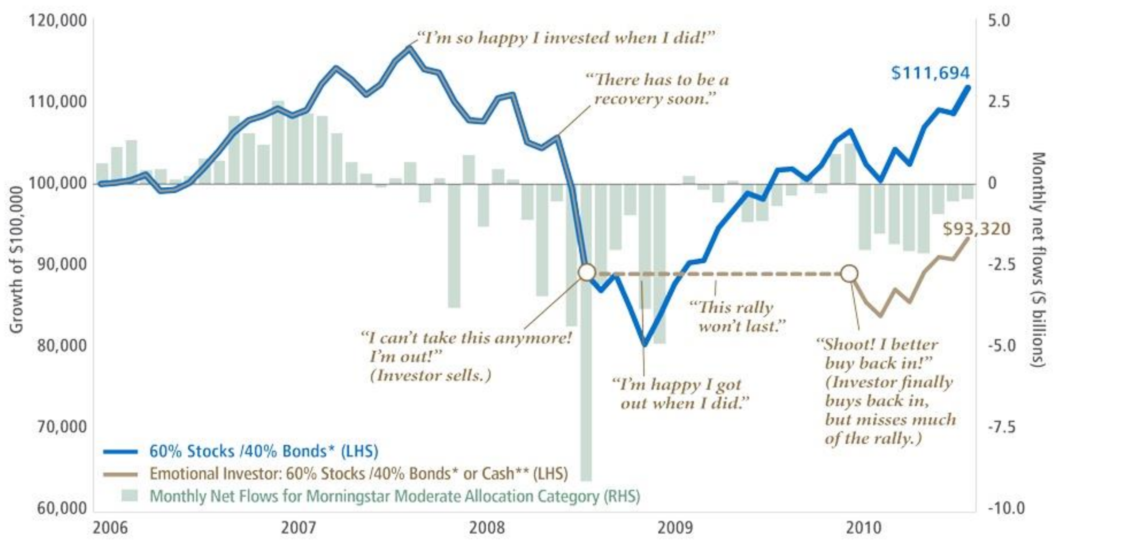
INVESTING DURING MARKET VOLATILITY

The bad times won't last.

We know it isn't easy – physically, mentally or emotionally – to go through any type of health crisis, but it is particularly difficult during a global pandemic like this one. Adding to the stress and anxiety, is to helplessly watch your savings and investments go down in value so quickly. Even if we know it is only short-term.

As a global health issue, COVID-19 has introduced much uncertainty to our lives. It has also been driving significant short-term market volatility (dramatic swings or up and down in the financial markets) since late February through to today. During these weeks and even months, it is more important than ever to remember the basic tenets of investing. If you don't need these funds immediately, stay invested for the recovery that will inevitably come. It took about a year to make up losses from the 2008 financial crisis.

Do continue thinking about when you'll need your savings or investments. If you're a long-term investor, staying the course can help you achieve the positive long-term investment returns you're looking for to meet your goals. If you withdraw your money from a fund before the market has a chance to bounce back (see chart)[1], you could miss out on valuable growth in your investments and those losses will be realized. The behavioural science of investing tells us we are often very wrong when trying to time the market volatility, because emotion misguides us in our decisions. The financial markets do not like uncertainty and predicting when to head for the sidelines and when to jump back can be very costly for the average investor.



January 2006 to December 2010. Source: Morningstar, Bloomberg, PIMCO
Hypothetical example for illustrative purposes only. Not indicative of the past or future performance of any PIMCO product.
* Stocks are represented by S&P 500 Index. Bonds are represented by Bloomberg Barclays U.S. Aggregate Index. It is not possible to invest in an unmanaged index.
** These results are based on hypothetical modeling and are intended for illustrative purposes only. Emotional Investor is assumed to move to cash on 10/31/2008 and back to 60% Stocks /40% Bonds on 04/30/2010.
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Quick tips for staying calm during volatile investment markets:

1. Understand your risk tolerance – We encourage all plan members to review their investment risk profile when making any new investment election. While risk tolerance can be highly individual, those of us who have a longer time horizon until retirement are generally better equipped to withstand the ups and downs of the stock market.
2. Avoid trying to time the market – It's hard, perhaps impossible, to predict what will happen in the coming weeks and months, but we can reasonably expect continued market volatility. Without the ability to confidently predict the right times to sell and, more importantly, the right times to buy back in, staying the course will generally be the path to long-term success.
3. Diversification will help – A well-diversified portfolio or asset allocation fund with investments in both equity and fixed income can help smooth returns and lessen the impact of sharp market drops.
4. Automatic monthly investments – Remember that when you contribute to your retirement savings plan during market downturns, you are buying investments at a lower price than before. That means you are reducing your average cost when share prices are lower – buying more for less. When the market rebounds, this will have a positive effect on your returns.

The Importance of Advice

This may sound cliché during a tough market, but it is still true. Advice is really important – more so today than during the financial crisis of 2008.

It is hard to be an investor and watch your savings drop when there are market downturns. But advisors are trained to work in both positive and negative markets. They offer valuable advice in helping you stay diversified, and focused on your goals, timelines and risk tolerance. Don't be afraid to ask for advice and don't be afraid to stay the course – these times won't last.