



# Worried about volatility?

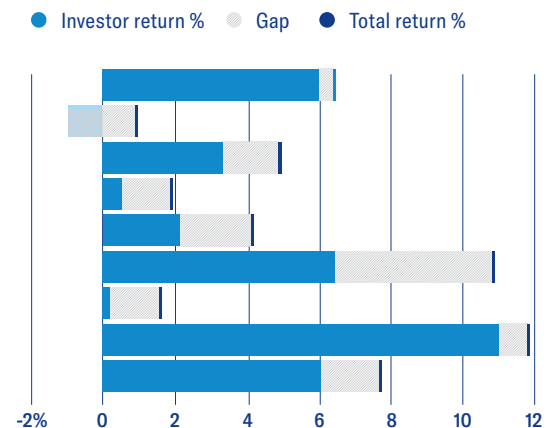
Volatility, or dramatic price swings, can hurt long-term investors by drawing down portfolio value, forcing investors to extend the time horizon required to meet their financial goals. Volatility may also tempt investors to sell holdings precisely at the point valuations are becoming more attractive.

## Maintain a long-term perspective

Volatility, or market turmoil, may tempt you to change your long-term target allocation. Investors sometimes believe they can protect themselves by selling equities in a downturn. Typically, however, downturns tend to be short-lived. Attempting to time the market in an emotional response may result in lower returns for the average investor over time, a return “gap” that Morningstar estimates at around 1.7% annually.<sup>1</sup>

The gap by U.S. category group (10-year returns)

U.S. category group	Investor return %	Total return %	Gap
Allocation	5.98	6.44	-0.46
Alternative	-0.92	0.96	-1.88
International Equity	3.30	4.89	-1.59
Municipal Bond	0.52	1.89	-1.37
Nontraditional Equity	2.10	4.16	-2.06
Sector Equity	6.42	10.80	-4.38
Taxable Bond	0.20	1.57	-1.36
U.S. Equity	10.99	11.77	-0.79
<b>Overall</b>	<b>6.04</b>	<b>7.71</b>	<b>-1.68</b>



Source: Morningstar, Mind the Gap, August 2023. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.

## Help keep emotion out of the equation

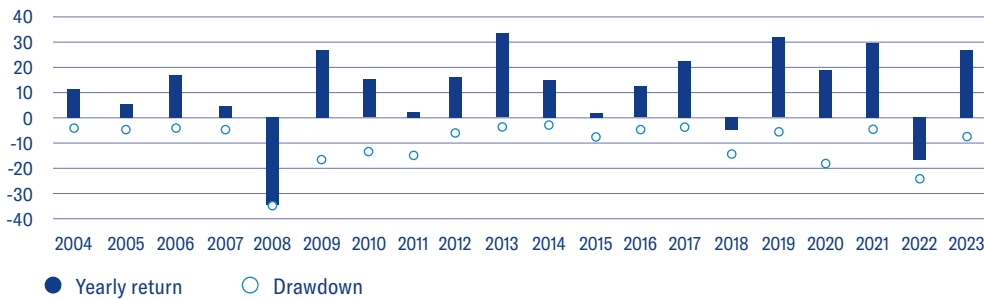
**More than one-quarter (26%) of investors say that market volatility keeps them awake at night.**<sup>2</sup> Volatility-management strategies attempt to alleviate that stress by smoothing out returns — they may not participate in the market’s highest peaks, but may have lower risk, as measured by standard deviation, during down markets.

**The good news?** There is evidence strategies to manage volatility may reduce risk without sacrificing a great deal of return. For instance, an investor who added 40% U.S. bonds to an all-stock portfolio, one simple volatility-management technique, over the past 20 years would have experienced almost 40% less volatility while giving up around 27% of return. Purchasing the S&P 500®’s lowest volatility components, another volatility-management tool, also produced 23% less volatility while giving up only 5% of return.<sup>3</sup>

## Market ups and downs are normal

Volatility is a natural aspect of the investment markets — the result of factors, such as information flow, shifting investor demand for safety and even emotional investing. Regardless of what type of investment you’re looking at, periods of large price swings can be a normal part of a market that is generally rising over time.

S&P 500® Index Yearly Total Return vs. Max Annual Market Drop, over 20 years



**Past performance is no indication of future results.** Source: Equitable Investment Management and Morningstar Direct for the period ending December 31, 2023. Drawdowns represent the largest drop from peak to trough during the calendar year. For U.S. equities as measured by the S&P 500® Index. An index does not reflect the impact of fees and expenses on investing, and an individual cannot invest directly in an index.

**Over the course of two decades and 17 years of positive annual returns, U.S. equities have experienced annual drawdowns averaging 10.3%. Drawdowns have ranged from -2.8% to as much as -37.7% in that time period.**

Index definitions: The Standard & Poor’s 500® Index is an unmanaged weighted index of common stocks of 500 of the largest U.S. companies, deemed by Standard & Poor’s to be representative of the larger-capitalization portion of the U.S. stock market. The S&P 500® Low Volatility Index measures performance of the 100 least volatile stocks in the S&P 500®. The index benchmarks low-volatility or low-variance strategies for the U.S. stock market. The Bloomberg U.S. Aggregate Bond Index (the Aggregate Index) is an unmanaged index considered representative of the U.S. investment-grade fixed-rate bond market. It includes government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-backed securities

- 1 Morningstar compares dollar-weighted internal rate-of-return calculations with time-weighted total returns to see how large the gap, or difference, has been between the U.S. asset categories shown over the 10 years ended December 31, 2022 (latest data available).
- 2 2023 Natixis Global Survey of Individual Investors, May 2023. December 10, 2016.
- 3 Equitable Investment Management with data from Morningstar, Inc., as of December 31, 2023. Balanced portfolio consists of U.S. equities measured by the S&P 500® (60%) and U.S. bonds measured by the Aggregate (40%). U.S. equities and low-volatility U.S. equities represented by the S&P 500® and the S&P 500® Low Vol, respectively.

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