Worried about volatility?

Volatility, or dramatic swings in prices, can hurt long-term investors by drawing down portfolio values and 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. An emotional response, attempting to time the market, may result in lower returns for the average investor over time.

Help keep emotion out of the equation

Nearly half (46%) of investors say market volatility makes their lives stressful.1 Volatility-management strategies attempt to alleviate that stress by smoothing out returns — they may not participate in the market’s highest peaks, but attempt to avoid some of the lowest lows.

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-reducing technique, over the past 10 years would have experienced 40% less volatility while giving up only 30% of return. Purchasing the S&P 500’s lowest volatility components, another volatility-management tool, also produced a quarter less risk while earning roughly the same return as the traditional index over the same time frame.2

20-year annualized returns by asset class (1999-2018)

Source: J.P. Morgan Asset Management, Dalbar Inc. (see reverse side for indexes used).

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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 emotion. Regardless of what type of investment you’re looking at, periods of large swings in price can be a normal part of life.

U.S. Stock Market Total Return vs. Max Annual Market Drop

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 Barclays U.S. Aggregate Bond 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.

Indices used on front are as follows: REITS: NAREIT Equity REIT Index; EAFE: MSCI EAFE; Oil: WTI Index; Bonds: Bloomberg Barclays U.S. Aggregate Index; Homes: median sale price of existing single-family homes; Gold: USD/troy oz.; Inflation: CPI.

Past performance is no indication of future results. Source: AXA Equitable Funds Management Group, LLC and Morningstar Direct for the period ending December 31, 2019. 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 considered representative of the performance of the entire U.S. large-cap stock market. An index does not reflect the impact of fees and expenses on investing, and an individual cannot invest directly in an index.

Some portfolios may invest in underlying equity portfolios that employ volatility-managed strategies, including the use of futures and options, to manage equity exposure. The underlying portfolios may not effectively protect the asset allocation portfolio from market declines and may limit its participation in market gains. It is not possible to manage volatility fully or perfectly.

An investment that employs the use of derivatives, including futures and options, may not perform as intended and can, through unexpected market movements, increase the portfolio’s exposure to the existing risks of the underlying investments and may be illiquid and difficult to value. Derivative transactions can increase portfolio transaction costs and are subject to a portfolio manager’s ability to correctly predict the direction of securities prices, interest rates, currency exchange rates and other economic factors. As a result, the portfolio may not realize the anticipated benefits of such transactions and may realize losses. Please see a portfolio’s prospectus for more risk information.

Please consider the charges, risks, expenses and investment objectives carefully before purchasing a variable annuity, variable life insurance product or a mutual fund. For a prospectus containing this and other information, please contact a financial professional or log on to equitable.com. Read it carefully before you invest or send money.

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