

What can we learn from the past?

Obtaining a better understanding of what has happened in the past during a market downturn will help you remain objective. Being informed of the past helps you decide on the best course of action today.

Opportunities often follow market downturns:

	Return (%)	Return in the following year (%)	Average return for next 5 years (%)
1974 (Oil embargo)	-25.0	+ 18.5	+ 22.3
1981 (Double-digit inflation)	-10.2	+ 5.5	+ 13.7
1990 (Gulf War)	-14.8	+ 12.0	+ 10.8
2002 (Tech bubble)	-12.4	+ 26.7	+ 18.3
2008 (Financial Crisis)	-33.0	+ 35.1	?
Based on returns of the S&P/TSX Composite Total Return Index			

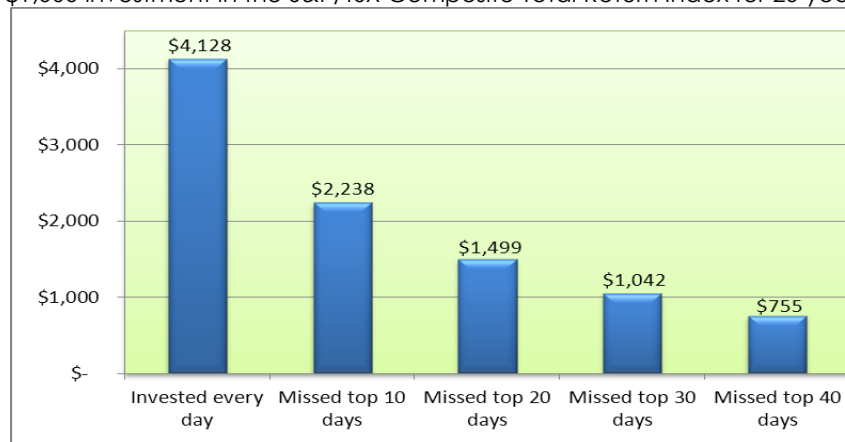
As the chart above shows, major declines have generally been followed by major recoveries.

Why you should stick to your plan and stay invested?

A volatile market can be scary for many investors, when you feel your savings are at risk. For many your first reaction is to pull your money out of the market. This could be huge mistake for your investment portfolio. Most us know that we should “buy low and sell high”, but this is not what one feels when they are faced with a volatile market. By pulling out your money during a downturn and reinvesting as the market goes up you are doing the opposite.

Missed investment days can dramatically lower returns.

\$1,000 investment in the S&P/TSX Composite Total Return Index for 20 years



Source: AGF Portfolio Analytics, as of December 31, 2010

By missing the 10 best days, you would significantly decrease your returns. If you were to miss the 20 best days it is even worse. This graph demonstrates that timing the market is not the best choice for your overall financial plan.

Stock Markets do not wait for recessions to end

Markets recover while the bad news is still happening. It is hard for anyone to predict when the recession will end. But as history has dictated, markets will recover first.

What should you be doing right now?

History tells us that we must stay focused and stick to our plan. It is easy to get caught up in the emotions of the market and the global economies. It is imperative that we separate our emotions from our decision making.

Investment Strategies:

- 1) **Dollar cost averaging** - investing money at regular times (such as monthly) no matter what is going on in the market place. You buy more units when the price is lower and less when the price is high, reducing the average cost of your mutual fund units.
- 2) **Diversify your investments** – by asset class, sector, geography, manager, style and company. This is a good strategy against market volatility. Over the long term equities outperform bonds and cash. However, fixed income can help provide more consistent short-term returns.
- 3) **Product Allocation** – using a product allocation strategy so you have the right mix of guaranteed and non-guaranteed investment products in your portfolio is very important. This is especially true for those investors who are approaching retirement.

In Summary

Your investment plan was established for a reason. By keeping your focus and sticking to your plan (staying invested) through all market activity, you can increase the long-term return potential of your portfolio.