



# RIDING OUT VOLATILITY

How to play it smart through  
the inevitable ups and downs of the market

---

## TIMELESS TIPS

---

Keep things  
in **perspective**

Rely on a  
**sounding board**

**Plan** for many  
kinds of markets

Remain  
**disciplined**

TIP

KEEP THINGS  
IN PERSPECTIVE

---

# VOLATILE MARKETS AND YOUR BRAIN

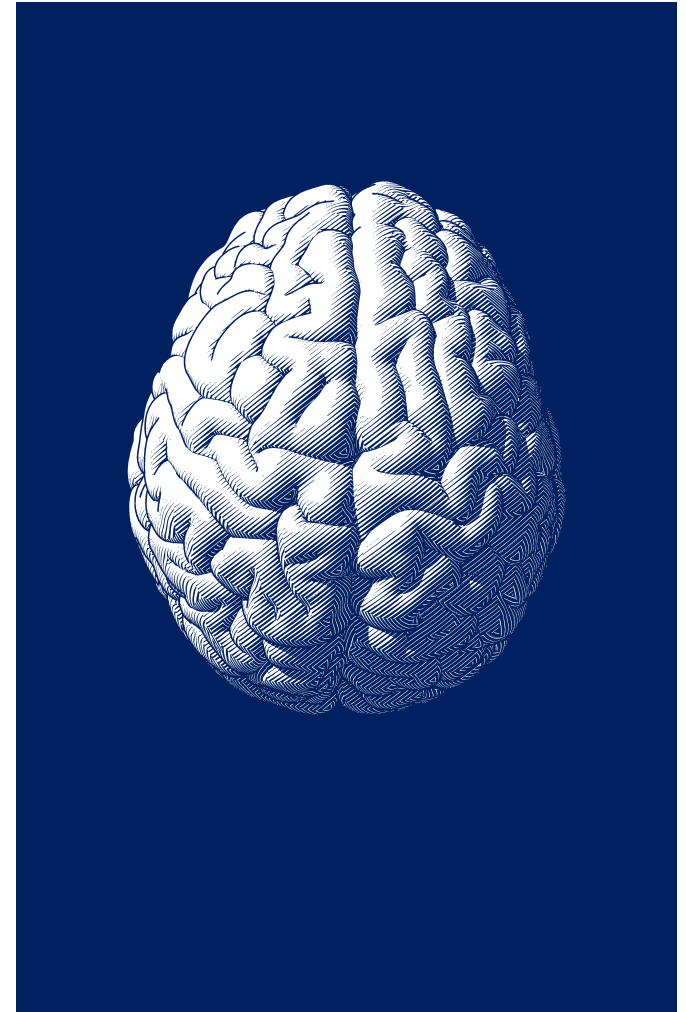
---

**Ignore the amygdala:**

**“Fight or flight!”**

**Get analytical:**

**“What’s my best move here?”**



---

## VOLATILITY? IT'S NORMAL

---

Though market downturns can be nerve-wracking, they're a normal part of the market cycle – and usually short-lived.

Since the end of 1945, we've had 57 pullbacks (roughly once a year) and 21 corrections.

### Defining declines

Pullback	↓↓	<b>5% - 10%</b>
Correction	↓↓	<b>10% - 20%</b>
Bear Market	↓↓	<b>20%+</b>

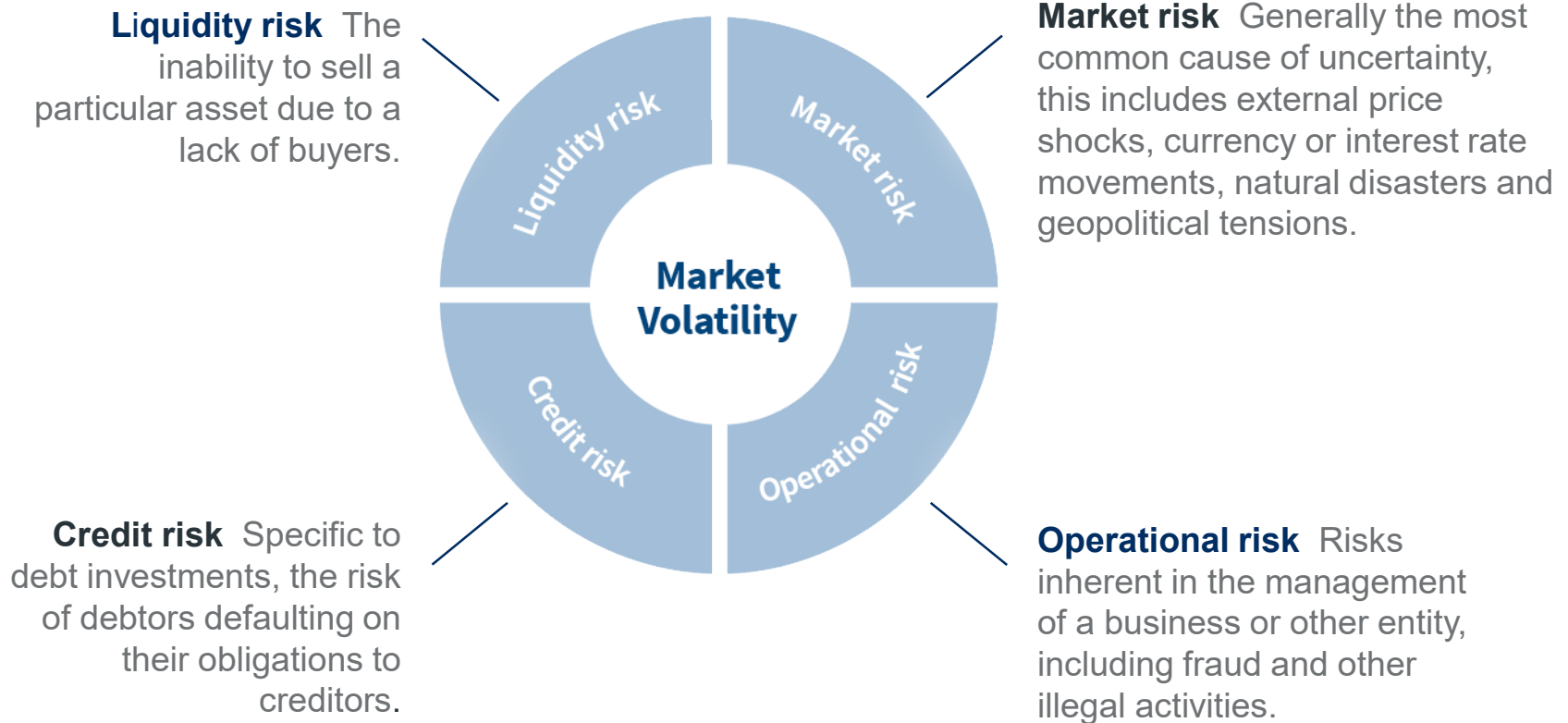
Source: Morningstar. Past performance may not be indicative of future results. The S&P 500 is an unmanaged index of 500 widely held stocks. Investors cannot invest directly in the index. Diversification does not guarantee a profit nor protect against loss.

---

# THE ROOT OF NEARLY ALL MARKET TURMOIL

---

Uncertainty, stemming from four main categories of risk.




---

## LOSS AVERSION – IT HURTS TO LOSE

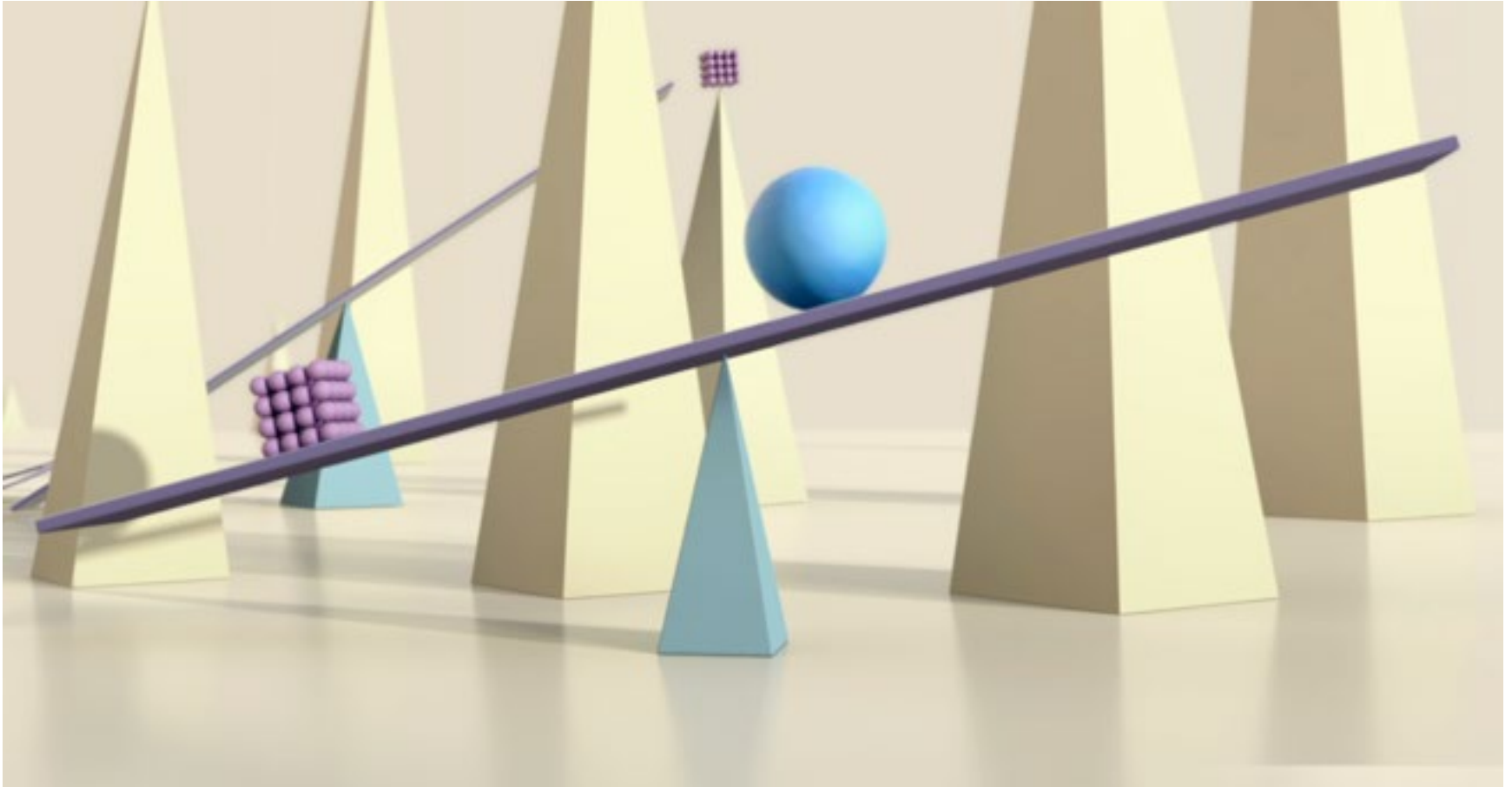
---

Studies suggest that the fear of loss is twice as powerful, psychologically, as the good feelings we get from gains.

 Remember that it's normal to occasionally suffer a loss – it's par for the course when investing for the long term.



# LOSS AVERSION: A DEEPER LOOK





---

# HISTORICAL VS. IMPLIED VOLATILITY

---

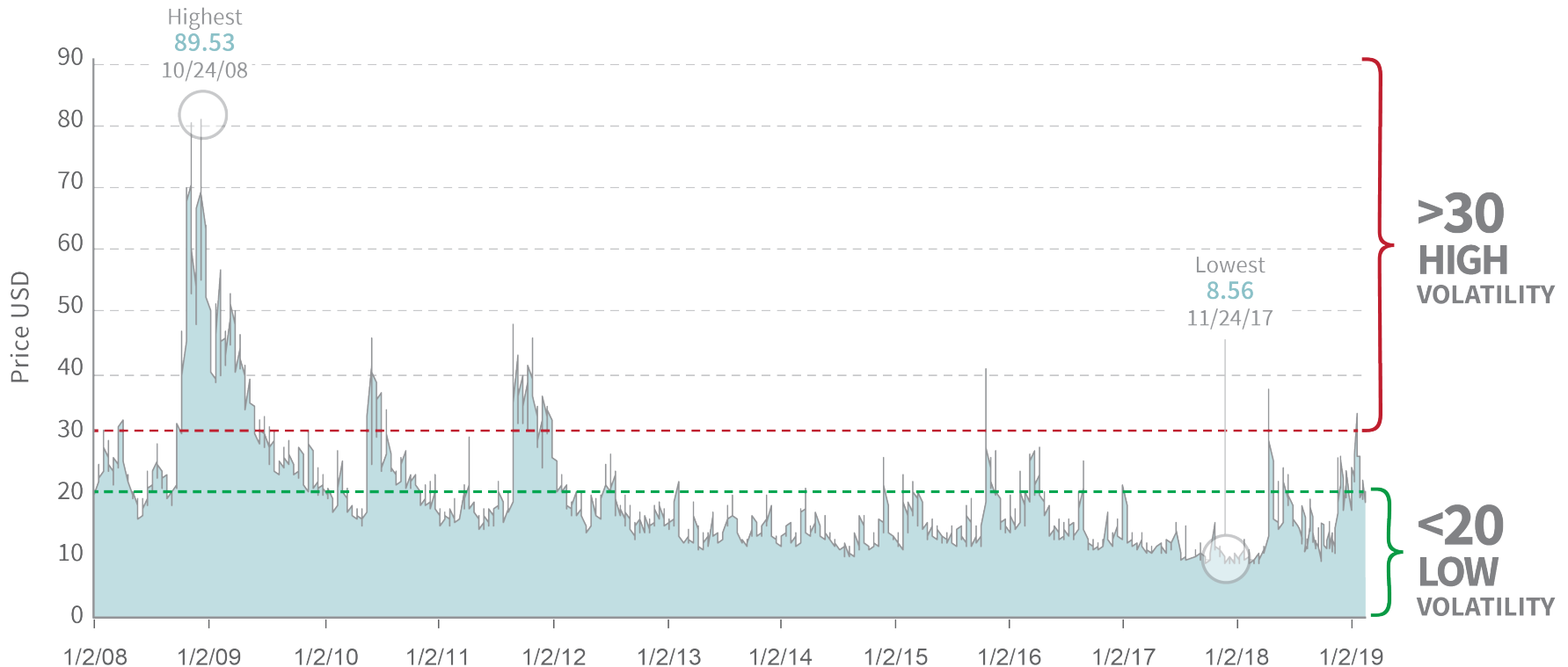
To assess the level of uncertainty present in the markets, investment professionals monitor:

**HISTORICAL VOLATILITY**, which reflects actual past movements in stock prices, and **IMPLIED VOLATILITY**, which reflects expected future volatility based on options contract pricing.



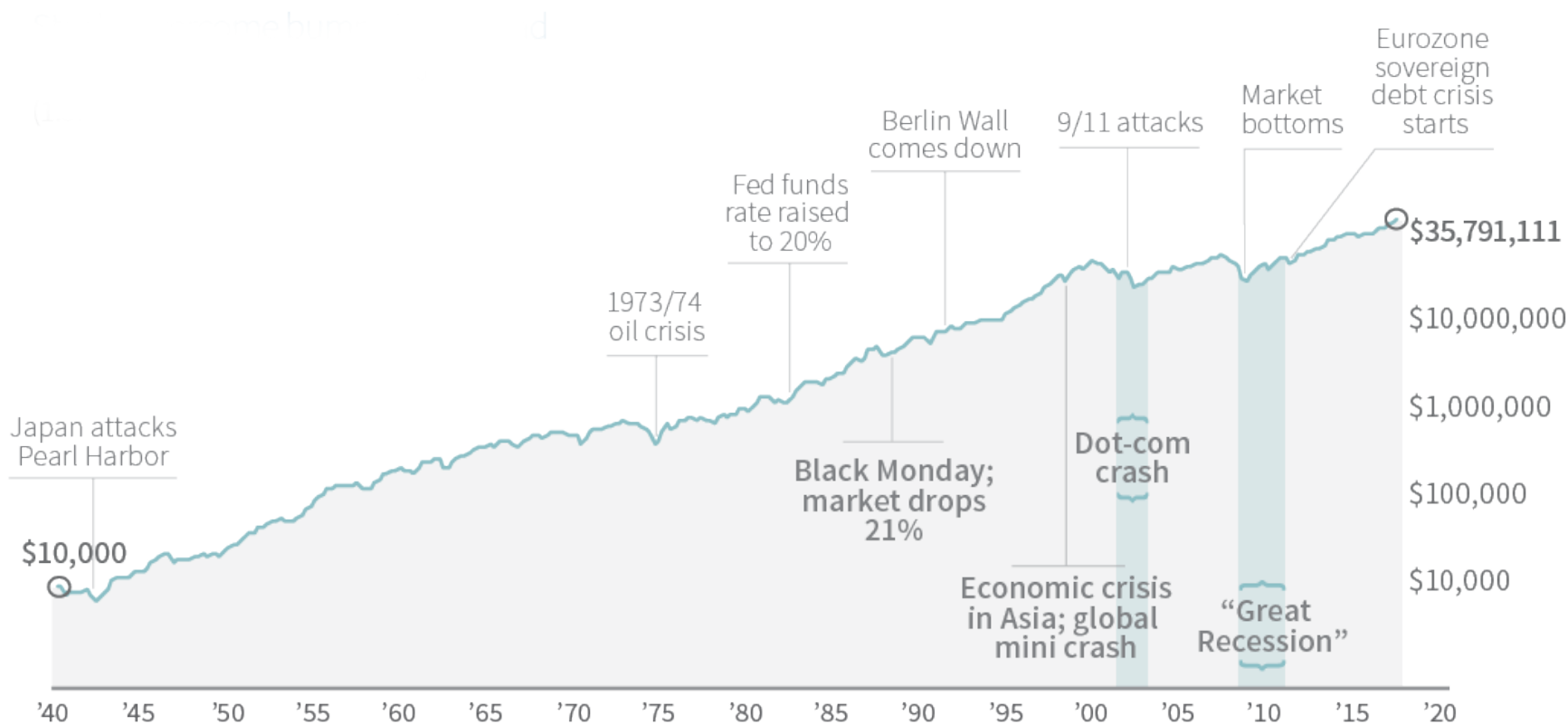
# MEASURING VOLATILITY

The Volatility Index, aka “the fear index,” is one of the leading gauges of future market risk.



Source: Bloomberg, January 2, 2008, to February 4, 2019. Past performance may not be indicative of future results.

# MARKET DIPS, IN HISTORICAL CONTEXT



Source: Morningstar. This chart is for illustrative purposes only. Past performance may not be indicative of future results. There is no assurance these trends will continue. The market value of securities fluctuate and you may incur a profit or a loss. This analysis does not include transaction costs, which could reduce an investor's return. The S&P 500 is an unmanaged index of 500 widely held stocks. An investment cannot be made directly in this index. Growth of \$10,000 in the S&P 500 (1.31.40-12.29.17.)

TIP

PLAN FOR MANY  
KINDS OF MARKETS

# DIVERSIFICATION CAN SMOOTH THE RIDE

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Non-U.S. Equity 41.45	Global Real Estate 19.31	U.S. Fixed Income 7.84	Global Real Estate 28.98	U.S. Equity 33.55	Global Real Estate 13.92	U.S. Fixed Income 0.55	U.S. Equity 12.74	Non-U.S. Equity 27.19	Cash & Cash Alternatives 1.86
Global Real Estate 40.16	U.S. Equity 16.93	Blended Portfolio 2.05	Non-U.S. Equity 16.83	Non-U.S. Equity 15.29	U.S. Equity 12.56	U.S. Equity 0.48	Commodities 11.77	U.S. Equity 21.13	U.S. Fixed Income 0.01
U.S. Equity 28.34	Commodities 16.83	U.S. Equity 1.03	U.S. Equity 16.42	Blended Portfolio 13.85	Blended Portfolio 7.10	Cash & Cash Alternatives 0.03	Blended Portfolio 7.09	Global Real Estate 13.99	Blended Portfolio -4.03
Blended Portfolio 20.19	Blended Portfolio 11.94	Cash & Cash Alternatives 0.08	Blended Portfolio 11.09	Global Real Estate 1.57	U.S. Fixed Income 5.97	Blended Portfolio -0.18	Non-U.S. Equity 4.50	Blended Portfolio 13.77	U.S. Equity -5.24
Commodities 18.91	Non-U.S. Equity 11.15	Global Real Estate -8.72	U.S. Fixed Income 4.21	Cash & Cash Alternatives 0.05	Cash & Cash Alternatives 0.03	Global Real Estate -1.19	Global Real Estate 3.75	U.S. Fixed Income 3.54	Global Real Estate -6.37
U.S. Fixed Income 5.93	U.S. Fixed Income 6.54	Commodities -13.32	Cash & Cash Alternatives 0.07	U.S. Fixed Income -2.02	Non-U.S. Equity -3.87	Non-U.S. Equity -5.66	U.S. Fixed Income 2.65	Commodities 1.70	Commodities -11.25
Cash & Cash Alternatives 0.16	Cash & Cash Alternatives 0.13	Non-U.S. Equity -13.71	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash & Cash Alternatives 0.27	Cash & Cash Alternatives 0.84	Non-U.S. Equity -14.20

BEST  
↑  
↓  
WORST

Blended Portfolio consists of 45% U.S. Equity/ 15% Non-U.S. Equity / 40% U.S. Fixed Income.

All investing involves risk and you may incur a profit or a loss. Past performance is not a guarantee of future results. This material is for informational purposes only and should not be used or construed as a recommendation regarding any security. Indices are unmanaged and cannot accommodate direct investments. An individual who purchases an investment product which attempts to mimic the performance of an index will incur expenses such as management fees and transaction costs which reduce returns. Returns are cumulative total return for stated period, including reinvestment of dividends. Diversification does not guarantee a profit nor protect against loss. Source: Morningstar Direct

---

# THE VALUE OF DIVERSIFICATION

---



Can **minimize** risk of **loss**  
(putting your eggs in many  
baskets instead of one)



Can help with  
**preservation of capital**



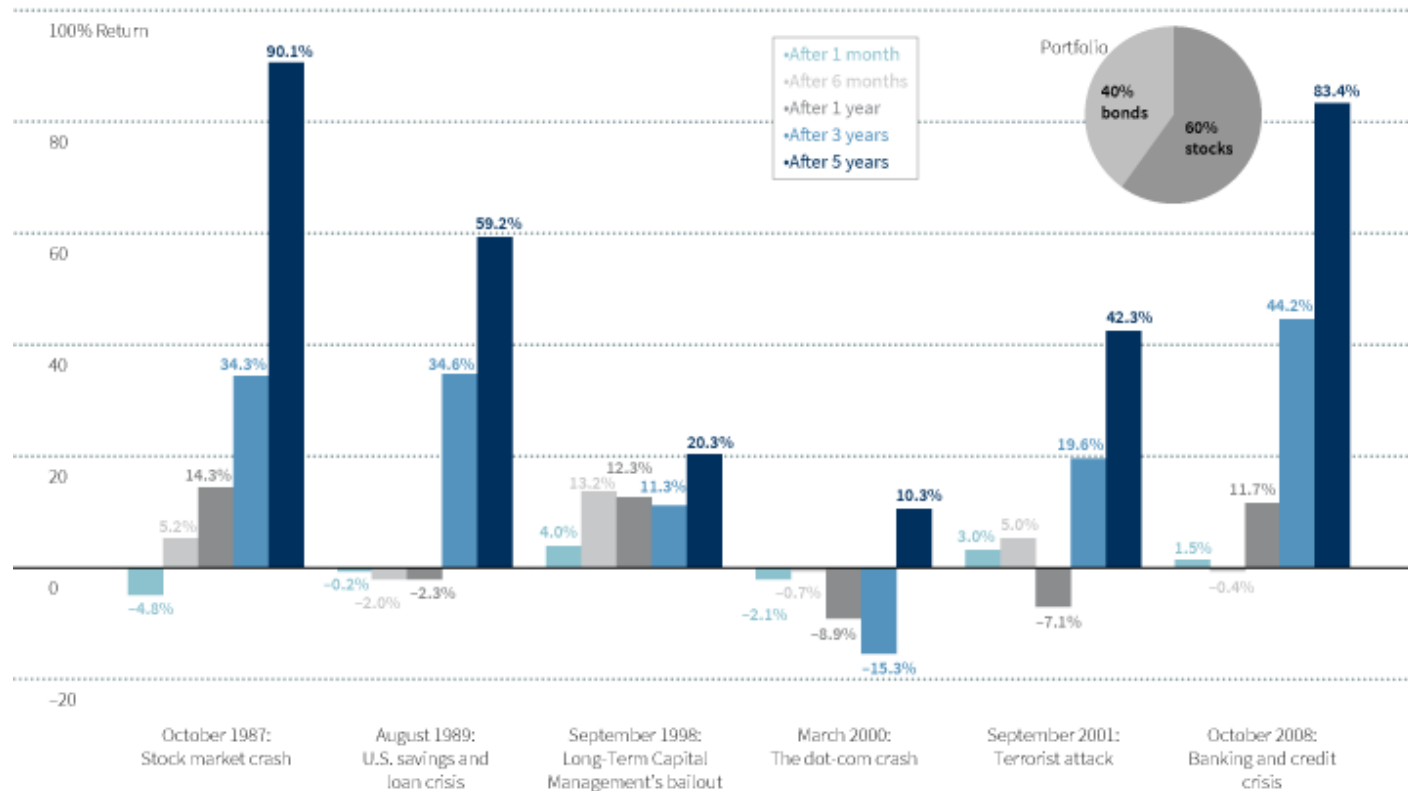
Can result in  
**smoother returns**

---

Diversification does not guarantee a profit nor protect against loss. The process of rebalancing your portfolio may result in tax consequences.

# COMFORT WITH YOUR PORTFOLIO

## How a balanced portfolio recovered



Source: Morningstar. Past performance is no guarantee of future results. Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. This analysis does not include transaction costs which would reduce an investor's return.

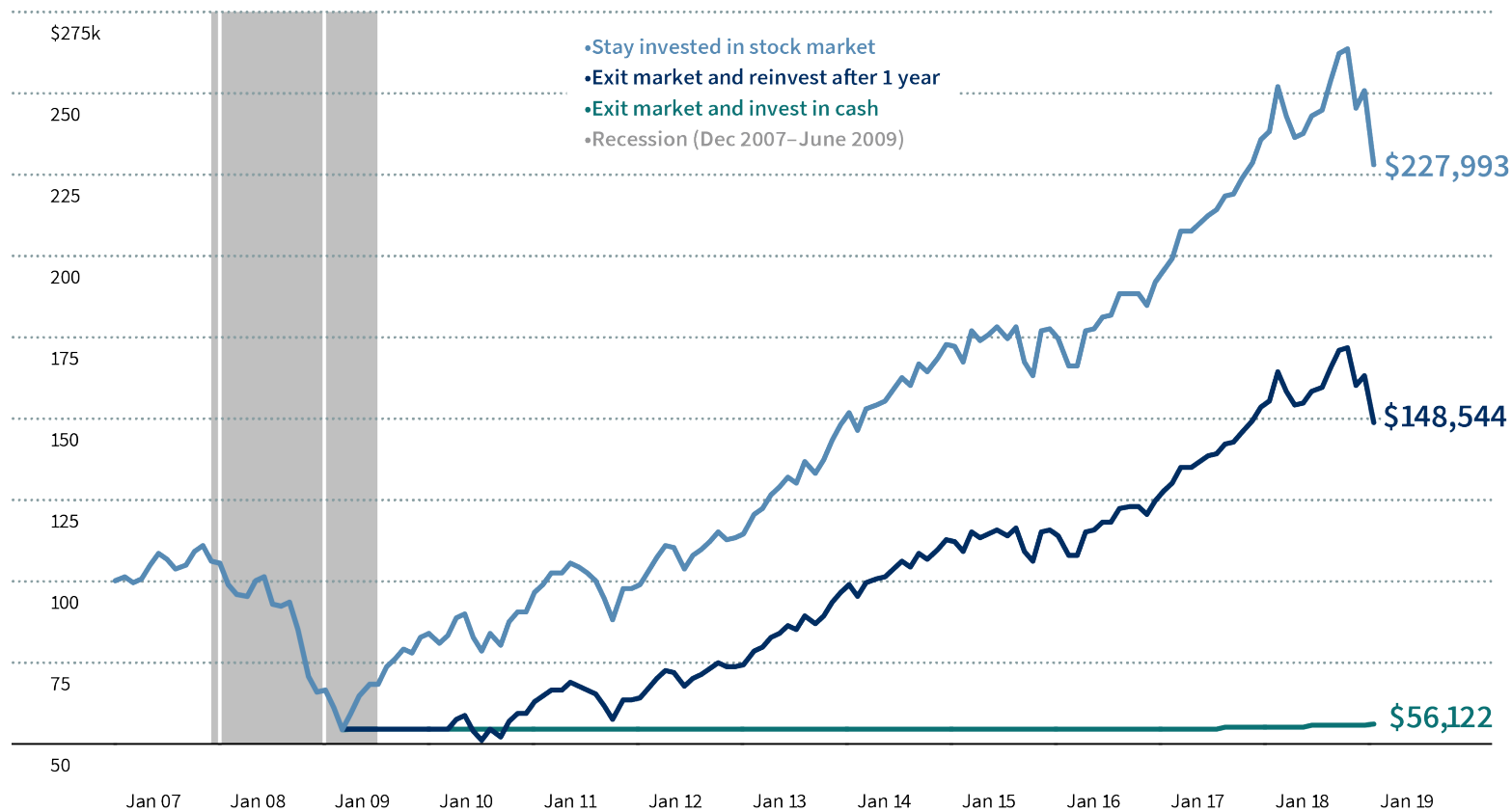
TIP

REMAIN DISCIPLINED



# DON'T LOCK IN LOSSES

Remember 2008? Some investors got out completely and missed out on the recovery.



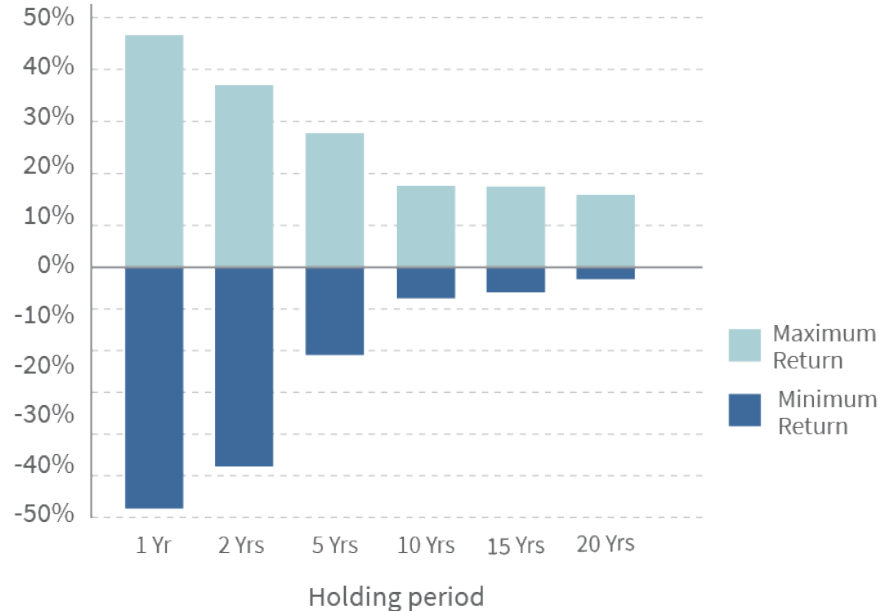
Source: Morningstar. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. This analysis does not include transaction costs which would reduce an investor's return.

# INVEST FOR THE LONG TERM

## Range of best and worst annual returns

Historically, the market has tended to deliver more consistent, positive returns the longer the investment is held.

The chart below looks at rolling returns over various holding periods.



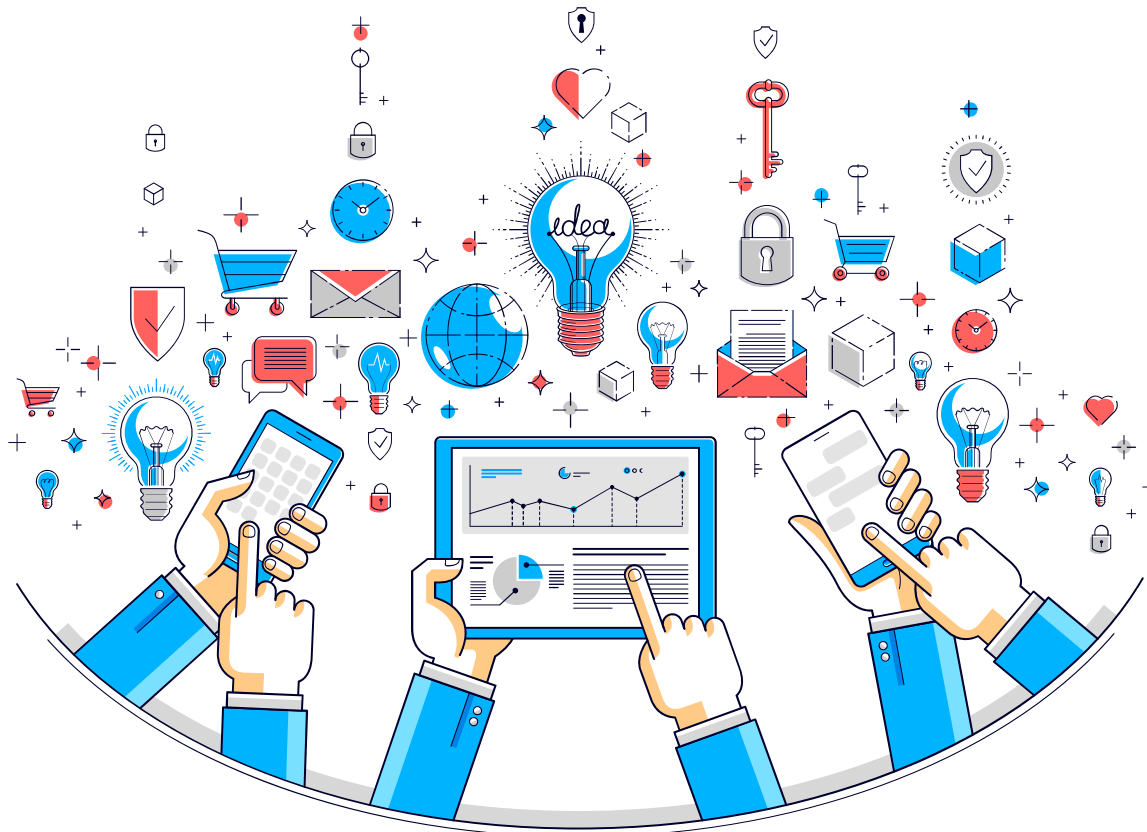
As of 12/31/2018. Source: Morningstar and PGIM Investments, S&P 500 TR USD Index. This example is for illustrative purposes only and is not indicative of the performance of any investment. It does not reflect the impact of taxes, management fees, or sales charges. The S&P is a weighted, unmanaged index composed of 500 stocks believed to be a broad indicator of stock price movements. Investors cannot buy or invest directly in market indexes or averages. Past performance is no guarantee of future results.

---

# FIGHT FEAR WITH FACTS

---

A disciplined approach can help you avoid the noise.



Dollar cost averaging does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels.

---

# ANSWER WHEN OPPORTUNITY KNOCKS

---

When stocks are depressed, they may represent a buying opportunity.

A well-planned strategy can help you take advantage of periodic opportunities.



---

## CONSIDER TAX-LOSS HARVESTING

---

**A chance to strategically prune your portfolio can be a silver lining in volatile markets, given the right situation.**



The process of rebalancing may result in tax consequences.

TIP

RELY ON A SOUNDING  
BOARD – AN OBJECTIVE  
PROFESSIONAL  
CAN HELP

---

## WHEN THE MARKET TWISTS, TURN TO US

---



**We're here to help you keep  
your head and heart in check.**

Asset allocation and diversification do not guarantee a profit nor protect against a loss. The process of rebalancing may result in tax consequences.

---

# RAYMOND JAMES

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

RAYMONDJAMES.COM

---

Raymond James is not affiliated with any organizations mentioned in this presentation.  
© 2020 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.  
Raymond James® is a registered trademark of Raymond James Financial, Inc.