

# Time in the markets

## Investment Insights

## It's about time in the markets, not timing the markets

We've all been there. We jump at the opportunity to get in on a great investment, thinking it's obviously only going up, only to be surprised when gravity seems to win again. Then we think it is destined to fall, so we sell immediately, only to find out it has many good days ahead...without us! The bottom line is we simply don't know. None of us do. Some are better than others at predicting these movements, because they have the tools and the knowledge that the rest of us do not have. Even they aren't correct all of the time though. Realistically, only the very experienced investor makes the correct decision the majority of the time.

During times of market volatility, it's instinctual for most of us to get apprehensive and want to pull out of our investments. Some may just put their investments on hold in lieu of a safe view from the sidelines. These are our investor emotions at play, which can really hurt the success of our investments - contradicting the goals for which we invested in the first place. Unfortunately for us all, volatility in the markets is a fact of life. It is something that we, as investors, have to live with, and more importantly, accept that we can't change or accurately predict. The only thing we know with any degree of certainty is that markets are uncertain.

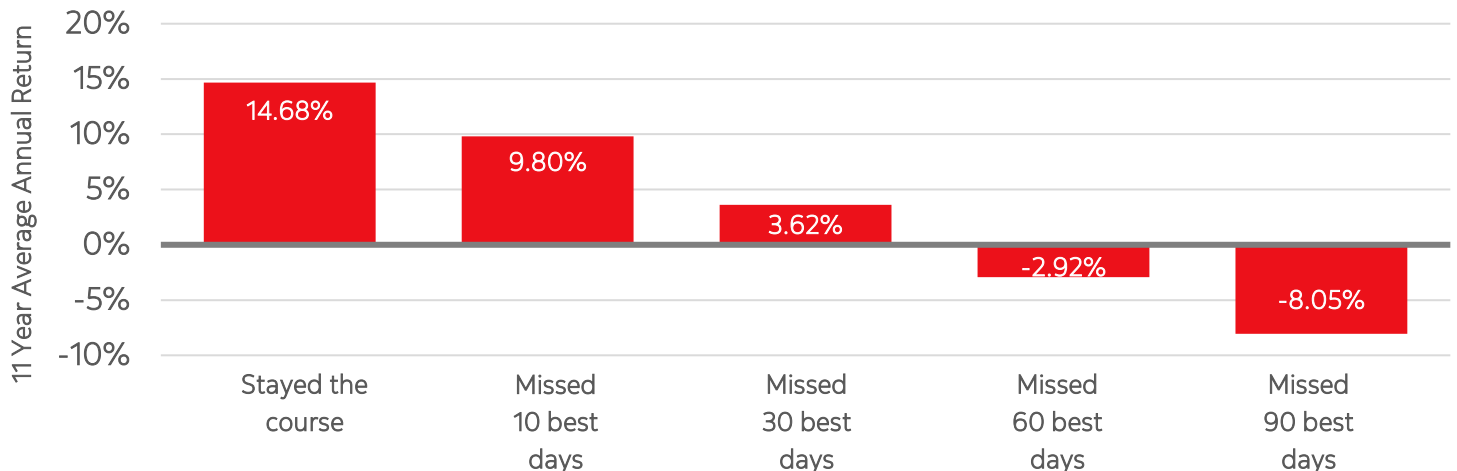
## Stay invested

The chart on the next page illustrates the impact of market timing decisions on the average 5 year return on an investment in the S&P 500. If you were to initially invest in January of 2009 and attempted to time the market, (essentially buying and selling when you think is best), you could have missed out on some of the best investment days. The impact of missing a number of the best days in the market is evidenced by the scenario below. As you can see, the best returns were a result of just ignoring all the 'white noise' and staying the course!

It is important to understand that ALL markets fluctuate – some more than others. With many factors affecting how markets perform, there will always be forces pulling investments in multiple directions at any given time – hence the constant ups and downs of the market. That said, historically the general direction of equities has been upward, and bear markets have been followed by a longer, and stronger, bull market. Riding out these 'storms' and not acting upon emotion is a lot easier said than done, but worth the wait!

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## The Danger of Trying to Time the Market - S&P 500 11 Year Average Returns (2009-2019)



Source: Morningstar Direct, S&P 500 Total Return Index January 31, 2009 - December 31, 2019. Closing Price adjusted for dividends and stock splits. The above assumes an investment in the S&P 500 Index or a fund that invested in the S&P 500 (but does not take into account fees or expenses associated with investing).

## Eliminate the guesswork

As we've just shown, without a crystal ball or some other means of time travelling into the future, it makes it really difficult for us to know when the best time is to buy or sell an investment. There are a few ways that we can improve our chances though:

1. We can rely on what investment professionals tell us about the markets. They have access to tools and resources that the average investor does not have.
2. We can exercise a 'buy and hold' strategy with our funds, whereby we invest for the long term and ride out the market fluctuations.
3. We can automate our contributions through a strategy called Dollar Cost Averaging

Or best yet,

4. We can do **all** of the above!

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## Put your investment decisions on auto-pilot with Dollar Cost Averaging

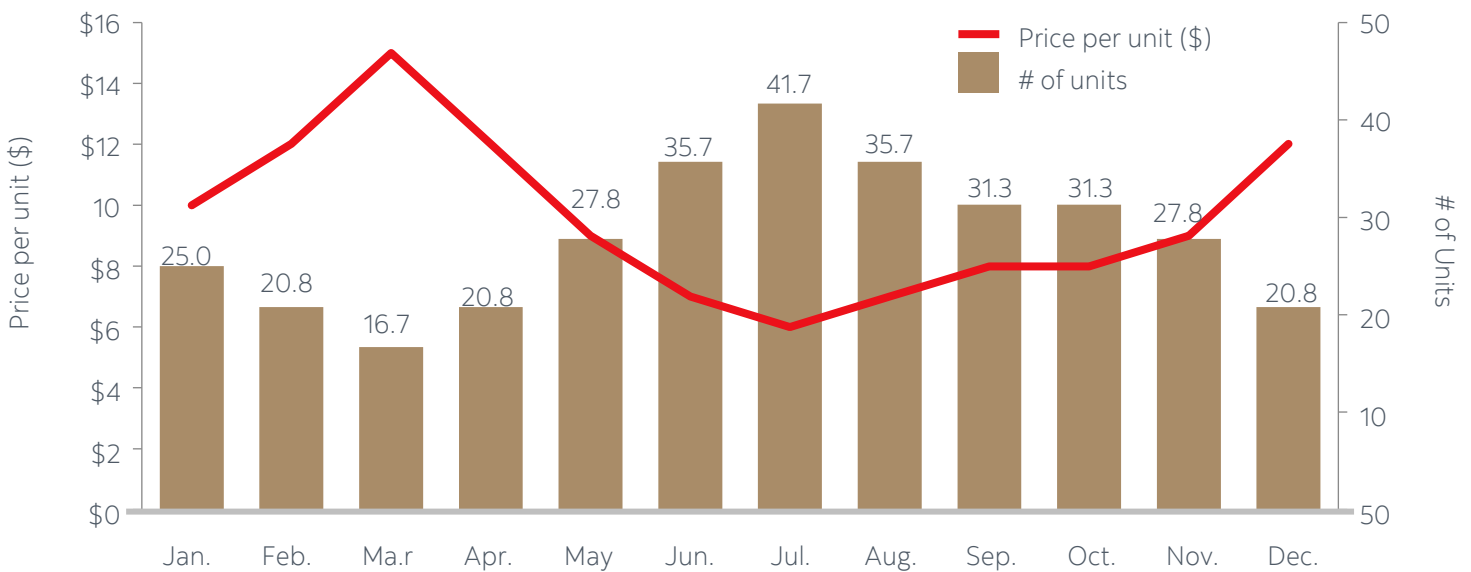
Dollar cost averaging is a concept whereby you can regulate your investment contributions. By investing a pre-determined amount on a regular basis (weekly, bi-weekly, or monthly), you essentially take the market timing guesswork out of the equation.

The number of units purchased can be calculated by the equation (for illustrative purposes we are not taking into account fees and expenses):

$$\# \text{ of Units purchased} = \$ \text{ Contribution Amount} \div \text{Price (\$/unit)}$$

As the price of an investment goes up, you will buy fewer units. On the flipside, when the price goes down, you will buy more units. Not only is it nice to not have to figure out the best time to buy, but smaller contributions on a more frequent basis are often much easier to make than the equivalent amount in a lump sum payment!

### Dollar Cost Averaging at Work



All prices are hypothetical and for illustrative purposes only. The above chart illustrates investing \$100 per month for 12 months during market fluctuations.

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## Legal disclaimer

Important information concerning the investment goals, risks, charges and expenses of investing in mutual funds is contained in the relevant prospectus or unit trust offering circulars. Investors should carefully consider these before investing. Copies are available from the financial institution where you are buying the mutual fund and should be read carefully before investing. Commissions, management fees and expenses all may be associated with investing in mutual funds. Mutual funds are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer, The Bank of Nova Scotia, or its subsidiaries/affiliates. Their values change frequently, including the amount of income that you may receive (where applicable), and you may not get back the original amount you invested. The foregoing is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. This does not constitute an invitation to purchase or sell shares of the Funds. ™ Trademark of The Bank of Nova Scotia, used under license where applicable.