

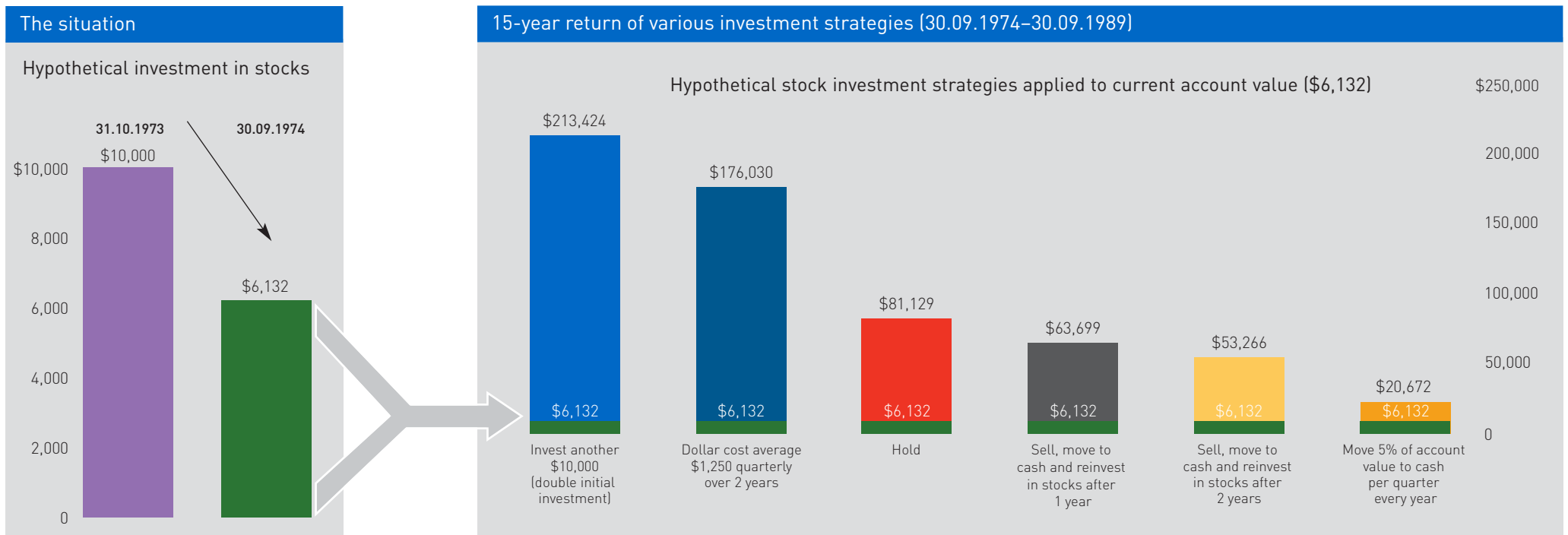
Different investment strategies following stock market declines

Global Equity Markets

During 2008, the MSCI World Index fell by 40%. This is not the first time that the stock market has declined substantially over a relatively short period. It is challenging for investors to know what investment approach to take in this situation: should they stay invested, add more money to the portfolio or switch into cash for a while?

As a hypothetical example, we have shown a \$10,000 initial investment before the stock market decline of 39% in 1973/4 and demonstrated how different investment strategies would have fared in the subsequent 15 years.

Our calculations show that moving to an all-cash portfolio for two years might seem like the best idea but would not have been the best course of action for a long-term, growth-oriented investor. Doubling the initial investment achieved the highest gains, but may feel extremely risky during an uncertain market. A more attractive option may be dollar-cost averaging, which involves investing a fixed amount of money at regular intervals. This can help to reduce exposure to short-term market volatility by spreading an investment over time and, in this case, resulted in a final portfolio worth \$176,030.



Past performance is no indicator of future performance.

Sources: BlackRock; Datastream. Stocks are represented by the MSCI World Index. Cash is assumed to return 2% annually. It is not possible to directly invest in an index. The data assumes reinvestment of all income and does not account for taxes or transactions costs.

See important information overleaf.

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