



EQUITABLE

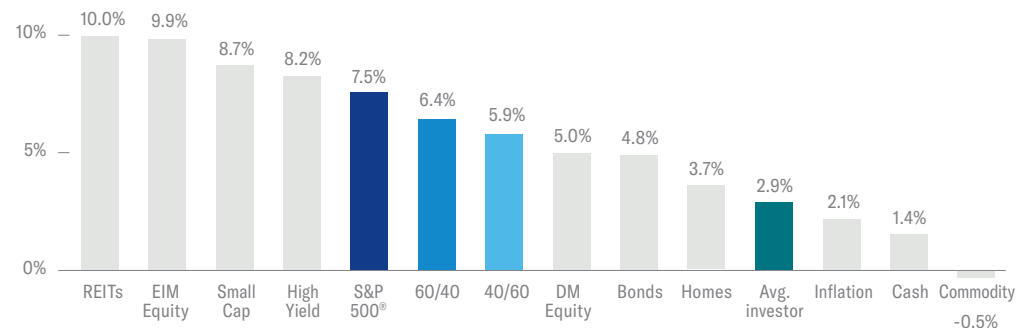
# Worried about volatility?

**Volatility, or dramatic price swings, 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. Attempting to time the market as an emotional response may result in lower returns for the average investor over time.

### 20-year annualized returns by asset class (2001-2020)



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

## Help keep emotion out of the equation

### Nearly half (46%) of investors say market volatility makes their lives stressful.<sup>1</sup>

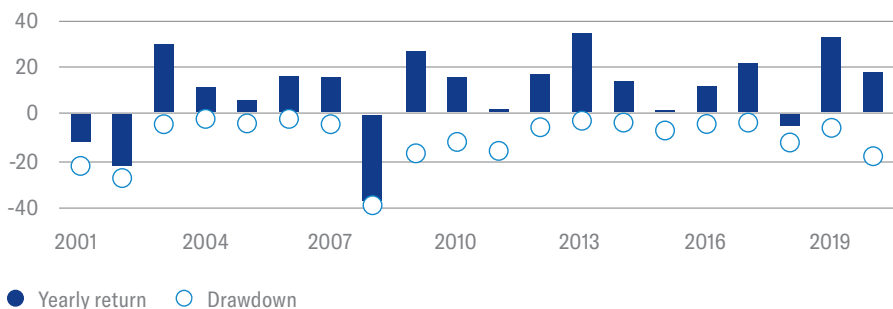
Volatility-management strategies attempt to alleviate that stress by smoothing out returns — they may not participate in the market's highest peaks, but may have lower risk, as measured by standard deviation, during down markets.

**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 almost 20% less volatility while giving up only 13% of return.<sup>2</sup>

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

### U.S. stock market total return vs. max annual market drop



Over the course of two decades and 16 years of positive annual returns, U.S. equities have experienced annual drawdowns averaging 11%. Drawdowns have ranged from -3% to as much as -38% in that time period.

**Past performance is no indication of future results.** Source: Equitable Investment Management and Morningstar Direct for the period ending December 31, 2020. 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.

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; Small cap: Russell 2000; EM Equity: MSCI EM; DM Equity: MSCI EAFE; Commodity: Bloomberg Commodity Index; High Yield: Bloomberg Barclays Global HY Index; Bonds: Bloomberg Barclays U.S. Aggregate Index; Homes: median sale price of existing single-family homes; Cash: Bloomberg Barclays 1-3m Treasury; Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending December 31, 2020, to match Dalbar’s most recent analysis.

- 1 “Wells Fargo/Gallup Investor and Retirement Optimism Index Survey.” March 10, 2016.
- 2 Equitable Investment Management Group, LLC with data from Morningstar Inc., as of March 31, 2021. Balanced portfolio consists of U.S. equities measured by the S&P 500® (60%) and U.S. bonds measured by the Aggregate (40%). U.S. equities and low-volatility U.S. equities represented by the S&P 500® and the S&P 500® Low Vol, respectively.

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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.

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