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Source: TradingView. This chart is for illustrative purposes only. S&P 500 growth from 2017-09/2022.
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THE JKA REPORT

AN INVESTMENT NEWSLETTER FOR CLIENTS & PROSPECTS

How to help mitigate the negative impacts of market swings

Markets and Investing

Review how to better prepare your portfolio for a downturn - and how to potentially take advantage of one when it occurs.

Market volatility is an inevitable part of investing. And it’s understandable that tumultuous times will likely trigger emotional responses to match.

But it’s important to rememeber to take a deep breath, focus on your long-term financial plan, and consult with a trusted professional - one who has seen an unpredictable market or two and the subsequent recoveries.

Proactively Diversify

Your first defense against volatility is crafting and maintaining a balanced portfolio. Effective asset allocation and diversification can broaden your reach in the market and provide a potentially wider safety net during periods of turbulence.

Volatility often affects individual sectors and asset classes differently, so diversifying across various classes, sectors, and securities reduces the chance of one narrow decline devastating your overall portfolio. Additionally, paying attention to how your assets are correlated - how much they tend to move in the same direction - may help insulate your returns from the negative effects of volatility.

While diversification and asset allocation don't assure a profit or protect against loss in declining markets, they do provide the opportunity to reduce risk, temper volatility and enhance risk-adjusted returns.

Remember:

- Your advisor can help you determine your long-term risk tolerance.
- Balanced portfolios may help reduce overall risk.
- Diversification may smooth ups and downs to help ease stress.
- Diversify across asset classes, sectors and securities.
- A broad portfolio offers the potential of better risk-adjusted returns.

The best-performing asset class often changes from year to year, and the difference between the best- and worst-performing in any year can be significant. Here's a look at how major asset classes performed compared to a diversified, blended portfolio in each of the last 10 years.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real Estate 40.4%	Fixed Income 7.8%	Non-US Equities 17.0%	US Equities 32.4%	Real Estate 14.3%	US Equities 1.4%	Real Estate 15.3%	Non-US Equities 24.8%	Cash & Cash Alternatives 1.8%	US Equities 31.5%	US Equities 18.4%
Commodities 16.7%	Blended Portfolio 2.3%	US Equities 16.0%	Non-US Equities 21.6%	US Equities 13.7%	Fixed Income 0.5%	US Equities 12.0%	US Equities 21.8%	Fixed Income 0.0%	Non-US Equities 23.2%	Blended Portfolio 12.5%
US Equities 15.1%	US Equities 2.1%	Blended Portfolio 11.4%	Blended Portfolio 17.0%	Blended Portfolio 8.0%	Blended Portfolio 0.5%	Commodities 11.4%	Blended Portfolio 15.0%	Blended Portfolio -4.0%	Blended Portfolio 21.1%	Non-US Equities 8.1%
Blended Portfolio 10.8%	Cash & Cash Alternatives 0.1%	Fixed Income 4.2%	Cash & Cash Alternatives 0.0%	Fixed Income 6.0%	Cash & Cash Alternatives 0.0%	Blended Portfolio 6.9%	Fixed Income 3.5%	US Equities -4.4%	Real Estate 19.5%	Fixed Income 7.5%
Non-US Equities 9.4%	Real Estate -2.2%	Real Estate 0.6%	Fixed Income -2.0%	Cash & Cash Alternatives 0.0%	Non-US Equities -2.6%	Non-US Equities 3.3%	Cash & Cash Alternatives 0.8%	Real Estate -7.6%	Fixed Income 8.7%	Cash & Cash Alternatives 0.5%
Fixed Income 6.5%	Non-US Equities -11.8%	Cash & Cash Alternatives 0.1%	Commodities -9.6%	Non-US Equities -3.9%	Real Estate -24.2%	Fixed Income 2.6%	Commodities 0.7%	Commodities -13.0%	Commodities 5.4%	Commodities -3.5%
Cash & Cash Alternatives 0.1%	Commodities -13.4%	Commodities -1.1%	Real Estate -25.8%	Commodities -17.0%	Commodities -24.7%	Cash & Cash Alternatives 0.3%	Real Estate -0.2%	Non-US Equities -13.6%	Cash & Cash Alternatives 2.2%	Real Estate -13.1%

Blended Portfolio consists of 45% U.S. Equity, 15% Non-U.S. Equity and 40% U.S. Fixed Income. Source: FactSet and Raymond James Research. U.S. Equity I Russell 3000 Total Return Index. Non-U.S. Equity I MSCI ACWI Ex USA Net Return Index. Gobal Real Estate I FTSE EPRA/NAREIT Gobal Net Return Index. Cash & Cash Alternatives I The Bloomberg Barclays U.S. Treasury Index. Fixed Income I Bloomberg Barclays Capital Aggregate Bond Total Return Index. Commodities I Bloomberg Commodity Total Return Index.

Look for Strategic Opportunities

Market volatility isn't always bad news. Though it may be tempting to concentrate on losses caused by price fluctuations, it's important to rememeber that volatility - and changing price trends - may offer opportunity for gains.

One way to potentially use volatility to your advantage is through dollar-cost averaging, the practice of investing a set amount every month or quarter. Although engaging the strategy takes discipline - you'll be putting money into the market when the headlines (and likely your friends and colleagues) are full of doom and gloom - price declines often afford investors the opportunity to purchase assets at better valuations. In fact, you may be practicing one form of dollar-cost averaging already by making regular contributions to a company 401(k) plan, perhaps biweekly or monthly.

> "A market downturn doesn't bother us. It is an opportunity to increase our ownership of great companies with great management at good prices."
>
> *-Warren Buffett*

It's also good to keep in mind that, in the right situation, selling assets at a loss, a practice called tax loss harvesting, may prove beneficial. This strategy can help offset the taxes on your investment gains. At the same time, you free up capital to reinvest at lower prices.

Focus on the Long-Term

Finally, don't underestimate the value and importance of time. The markets have proven remarkably resilient over the long term. In fact, while the financial markets can be quite volatile year-to-year, historically returns have been generally positive over multi-year periods. By simply staying invested, you may give your assets the chance to rebound in the wake of downturns.

> "He who loses money, loses much; He who loses a friend, loses much more; He who loses faith, loses all."
>
> *-Eleanor Roosevelt*

Though it may be difficult, staying true to a personalized, long-term financial plan can help you ultimately achieve your objectives. Your financial advisor can serve as a trusted guide, addressing any concerns and helping you make progress toward your goals.