LEARNING FROM THE LESSONS OF TIME

FRANKLIN TEMPLETON

MARKET VOLATILITY: LESSONS LEARNED

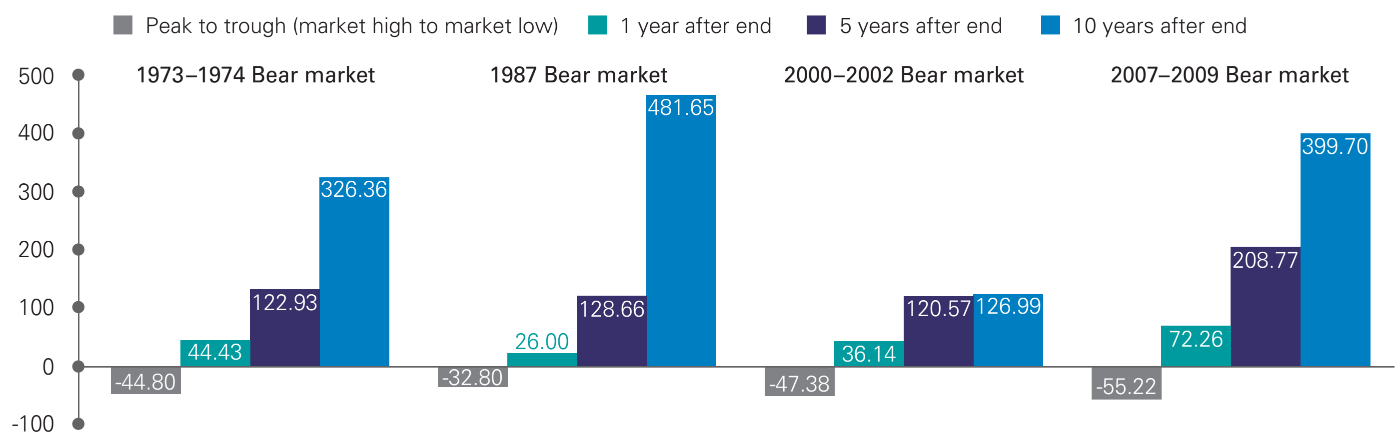
The recent period of heightened market volatility has understandably shaken many investors. While it is tempting to react to these day-to-day movements, the past offers important lessons on how best to navigate turbulent times.

"Panic is as contagious as any virus"
- Mike Labella, CFA Head of Global Equity Strategy, QS Investors, Franklin Resources, Inc.

STUDYING THE HISTORY OF MARKET DOWNTURNS

The specific causes of today's situation are unique, but a look back over the last few decades shows that the stock market (as measured by the S&P 500) has bounced back dramatically after the most significant market downturns.

Cumulative total returns of the S&P 500[1] (%)



[1] Source: Bloomberg

Past performance is no guarantee of future results.

This chart is for illustrative purposes only and is not indicative of performance of any specific investment. All investments involve risks, including loss of principal. Please note that an investor cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. This chart illustrates the historical performance of the Standard & Poor's 500 Index (S&P 500) before and after the bear market bottoms of October 3, 1974, December 4, 1987, October 9, 2002 and March 9, 2009. Cumulative total returns include reinvestment of dividends and capital gains. The **S&P 500 Index** is an unmanaged index of 500 stocks that is generally a representation of the performance of larger companies in the U.S.

Bounce back from lowest point during four bear markets. For every bear, there's a bull… and for every bull, there's a bear.

PRACTICAL STRATEGIES FOR INVESTORS

Investors during these past downturns couldn't have known with any certainty when or by how much the stock market would recover. Today's investors can benefit from their experiences, however, adopting practical strategies for market volatility.

1. Don't let emotions drive decisions

Investors are being hit with a lot of information about interest rates, COVID-19 and global economic uncertainty. Rather than react impulsively, it makes sense to list out your concerns, revisit your goals and review your long-term investment strategy.If your goals have changed or you no longer think your strategy is appropriate, contact your Financial Professional. He or she can provide valuable perspective and help you decide what, if any, actions you should consider.

2. Understand your risk tolerance

Risk is a part of investing. The important thing is to understand how much risk you are willing to assume in pursuit of your goals. Your Financial Professional can help you determine your personal risk tolerance and then use that information to help you construct a long-term investment strategy that suits your needs.

3. Be diversified

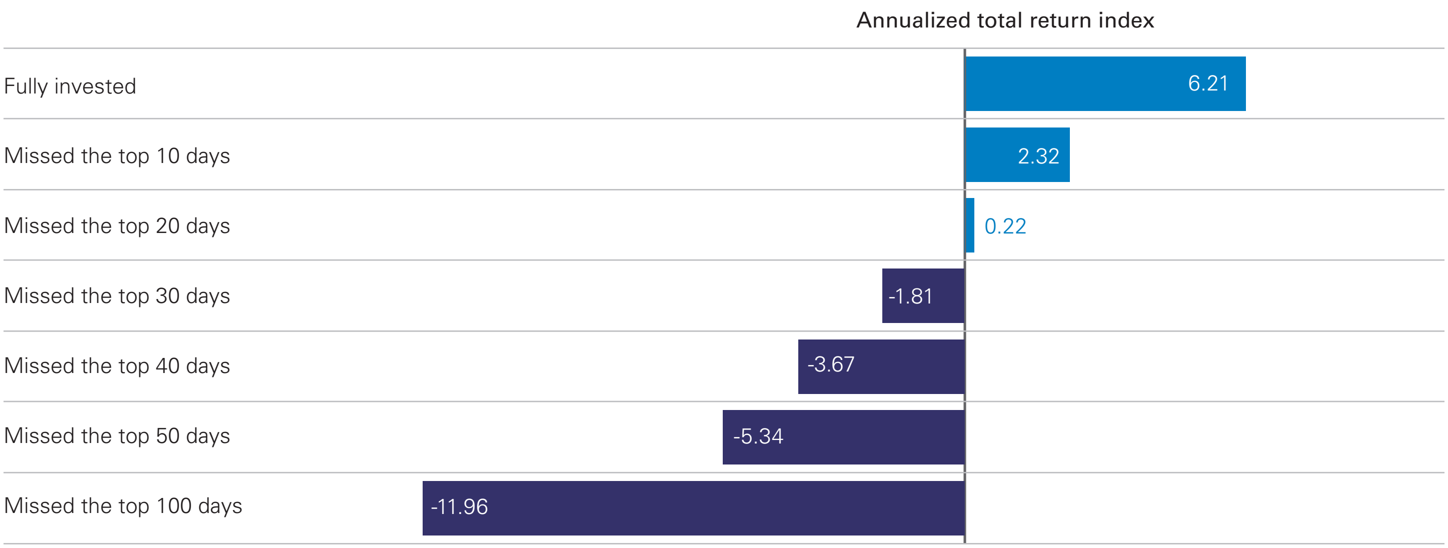
It is impossible to predict the markets with 100% accuracy. That's why investors opt to spread their assets across different classes and different investments within asset classes. Diversification is not a guarantee against loss, but it can help lessen the impact of any single investment.

4. Stay invested

Investors who stay the course have historically been rewarded. When you look at market performance over decades, instead of over a single year or two, it shows that gains are often concentrated in just a handful of trading days. The best way to ensure you are in the market on those critical days is to stay in for the long-term.

Market returns (%)

S&P 500 Index from December 1, 1999 – November 29, 2019[2]



[2] Bloomberg and Legg Mason.

All investments involve risks, including loss of principal. The chart provided is for illustrative purposes only and represents an unmanaged index in which investors cannot directly invest. **Past performance is no guarantee of future results.**

> Investors who were out of the market on the top 10 best days in the last 20 years have had less than half the gains of an investor who was in the whole period.

5. Work closely with a trusted Financial Professional

A trusted Financial Professional can work with you to identify your goals, risk tolerance and investment strategy. Most importantly, your Financial Professional can provide valuable insights and guidance on economic issues, the markets and specific investments. Having a standing relationship with a Financial Professional can prove especially important during periods of market volatility, helping you stay informed and on course.

LEARN MORE

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