Successful Investing Strategies to Achieve Your Goals

Positioning your investment portfolio to minimize investment risk is an important consideration for meeting your investment goals. During times of volatility, it is important to be reminded that maintaining a disciplined approach and creating a diversified portfolio that incorporates your appropriate risk tolerance and timeline, is the best strategy to achieve your investment goals.

Using the following strategies is key to helping you achieve your financial goals:

1. Investing is about time in the market, not timing the market.

Market volatility varies over time and can quickly escalate during periods of uncertainty. That's why it's important to maintain a disciplined investment process that ensures your portfolio remains aligned with your long-term investment objectives, rather than attempting to time the market.

Attempting to time the market can have serious negative implications for your investment returns. For example, as can be seen in **Figure 1**, missing the ten best days of the market during the 10-year period ending December 31, 2019, would have eliminated more than half of your capital appreciation potential, while missing the twenty best days would have eliminated all positive returns.

Figure 1: Performance of $1,000,000 Invested in the S&P/TSX

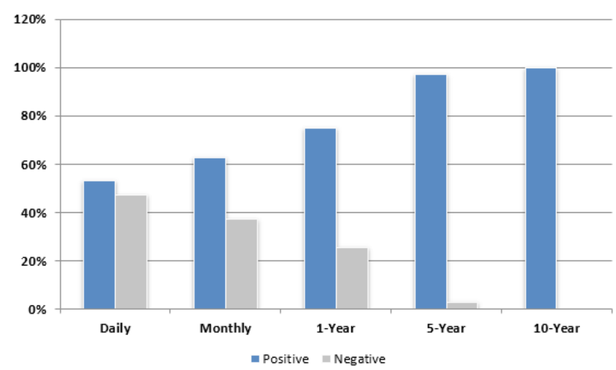
(Data from December 31, 1989 to December 31, 2019)

Source: Bloomberg

2. Investing requires a long-term perspective.

What happens day-to-day in the market can often serve as a distraction from meeting your longer-term goals. Investing in equities should be viewed as a long-term strategy for those seeking capital appreciation. Equities can experience short-term fluctuations which can be negative, but over five- and ten-year periods equity returns are most likely to be positive. **(Figure 2)**

Figure 2: Chance of Positive/Negative Returns in S&P/TSX since 1977



Source: Morningstar Direct

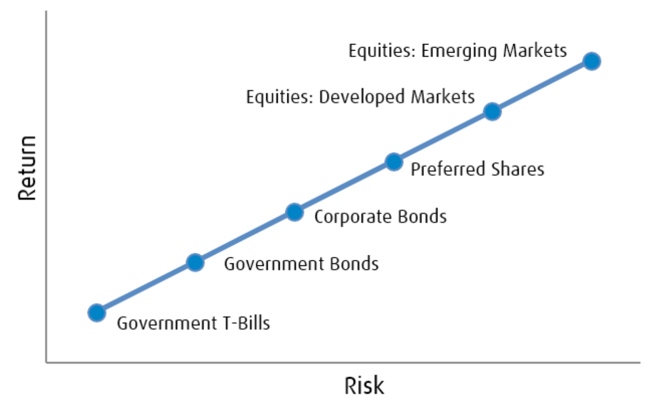
Further, over the long term, equities offer superior capital appreciation potential when compared with Canadian bonds or Treasury bills (see **Figure 3**)

3. Diversification across asset classes and geographies helps to smooth out returns.

For some investors, combining asset classes such as fixed income (bonds) with equities helps to lower the daily volatility of their portfolio, while still achieving some capital appreciation. Often, when one asset class is performing poorly, another may be doing well. Balanced portfolios are constructed to achieve an optimal return at a certain risk level.

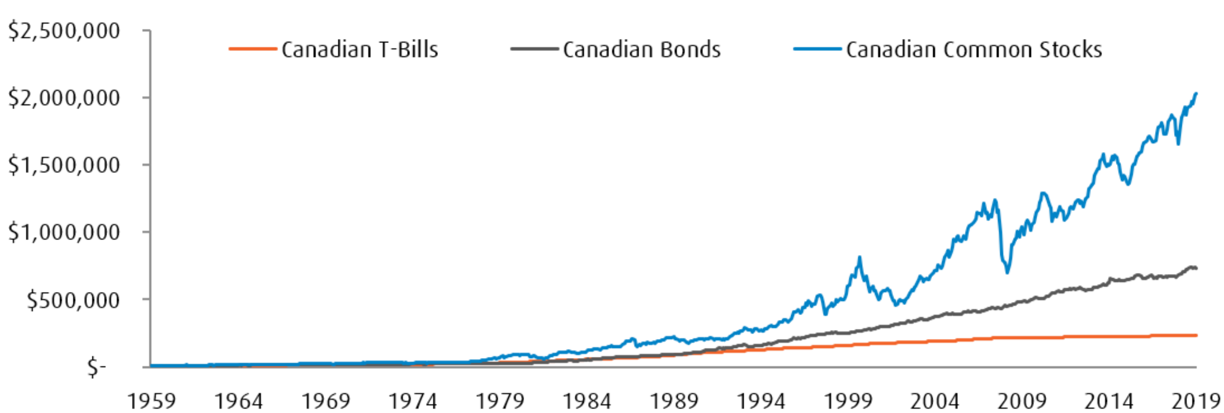
As illustrated in **Figure 4**, adding bonds will lower your portfolio's risk, but can also reduce your portfolio returns over time.

Figure 4: Risk/Return Profile of Various



Source: BMO Private Wealth

Figure 3: Investment Growth of $10,000



Source: BMO Private Wealth, S&P Dow Jones, FTSE Canada and Bank of Canada

Geographic and style diversification are also important strategies for achieving your long-term financial goals. Geographic regions and investment styles (e.g., value vs. growth) move in and out of favour for various reasons, such as geopolitical events or policy-driven decisions.

Figure 5 shows the annual returns of various asset classes, as measured by its appropriate global market index, and ranks them in order of performance – from best to worst – from 2010 to 2019 (in CDN$). Ensuring that multiple geographies and asset classes are represented in your portfolio will help to cushion the impact of geographic or asset class-specific exposures.

Figure 5: Annual Returns

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Best	Canadian Small-Cap 35.1	Canadian Bonds 9.7	Emerging Markets Equities 16.0	U.S. Small-Cap 48.1	U.S. Large Cap 23.9	U.S. Large Cap 21.6	Canadian Small-Cap 38.5	Emerging Markets Equities 28.7	Global Bonds 7.7	U.S. Large Cap 24.8
	U.S. Small-Cap 20.2	Global Bonds 8.3	International Equities 15.3	U.S. Large Cap 41.3	U.S. Small-Cap 14.3	International Equities 19.5	Canadian Large Cap 21.1	International Equities 17.4	U.S. Large Cap 4.2	Canadian Large Cap 22.9
	Canadian Large Cap 17.6	U.S. Large Cap 4.6	U.S. Small-Cap 13.8	International Equities 31.6	Canadian Large Cap 10.6	Global Bonds 16.2	U.S. Small-Cap 17.1	U.S. Large Cap 13.8	Canadian Bonds 1.4	U.S. Small-Cap 19.2
	Emerging Markets Equities 13.0	U.S. Small-Cap -1.8	U.S. Large Cap 13.4	Canadian Large Cap 13.0	Global Bonds 9.7	U.S. Small-Cap 14.6	U.S. Large Cap 8.1	Canadian Large Cap 9.1	U.S. Small-Cap -3.0	International Equities 16.5
	U.S. Large Cap 9.1	Canadian Large Cap -8.7	Canadian Large Cap 7.2	Canadian Small-Cap 7.6	Canadian Bonds 8.8	Canadian Bonds 3.5	Emerging Markets Equities 7.7	U.S. Small-Cap 7.1	International Equities -5.6	Canadian Small-Cap 15.8
	Canadian Bonds 6.7	International Equities -9.5	Canadian Bonds 3.6	Emerging Markets Equities 4.3	Emerging Markets Equities 7.0	Emerging Markets Equities 2.4	Canadian Bonds 1.6	Canadian Small-Cap 2.8	Emerging Markets Equities -6.5	Emerging Markets Equities 12.9
	International Equities 2.6	Emerging Markets Equities -16.1	Global Bonds 2.0	Global Bonds 3.9	International Equities 4.1	Canadian Large Cap -8.3	International Equities -2.0	Canadian Bonds 2.5	Canadian Large Cap -8.9	Canadian Bonds 6.9
Worst	Global Bonds 0.0	Canadian Small-Cap -16.4	Canadian Small-Cap -2.2	Canadian Bonds -1.2	Canadian Small-Cap -2.3	Canadian Small-Cap -13.3	Global Bonds -1.4	Global Bonds 0.3	Canadian Small-Cap -18.2	Global Bonds 1.4

Source: Bloomberg and Morningstar Direct

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Your BMO financial professional can assist you in structuring a diversified portfolio consistent with your risk profile to help ensure that you meet your investment objective.

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ID3540 (03/20)