# Portfolio Advisor

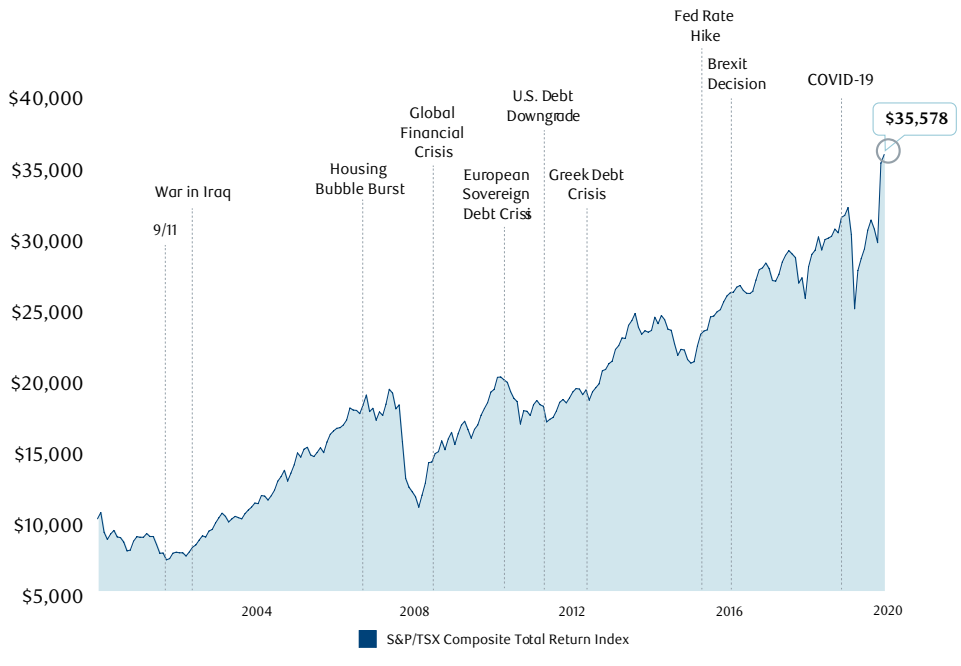
Spring 2021

# *Pandemic perspective:* Three key insights for investors one year later

## Insight #1: Crisis = Danger and opportunity

The Chinese symbol for "crisis" is made up of two symbols: one for "danger" and the other for "opportunity." While the pandemic created a great deal of danger – leading some investors to panic and change course from their investment plans – those who stuck to their plans were largely rewarded for their perseverance. As history shows, markets move forward after a crisis, so sticking to one's investment plan tends to lead to better long-term outcomes, rewarding investors for their patience.

### Opportunity in crisis: A 20-year perspective




The growth of $10,000 since January 2001. An investment cannot be made directly in an index. Graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Performance data as of December 31, 2020. Source: RBC Global Asset Management Inc.

## Insight #2: Timing the market is a fool's game

The old axiom that "it's not timing the market, but time in the market that matters" has proven once again to be wise advice. The last year has proved that getting out of the markets can be more detrimental than staying in and persevering through periodic bouts of volatility.

For example, if an investor purchased a theoretical unit of the S&P 500 Index on February 1, 2020, and then held on for a full year even through the worst of the "COVID Crash" in March 2020, their return as of January 31, 2020, would have been 17%.[1] Conversely, an investor might have avoided the unsettling volatility of the market downturn by selling out, but also would have missed out on the far more enjoyable subsequent bounce back.

## Insight #3: Stay diversified

The market's pandemic performance reinforced another important insight: diversifying your investments remains critically important. Different investments perform differently at different times and under different economic and market conditions. Sometimes, the performance is driven by factors specific to an investment, but also by industry or sector group, or even by geographic location. Going into 2020, few would have predicted that Emerging Markets equities would lead with a 16.6% return, even beating U.S. equities. When the market downturn ended on March 23, 2020, it would have felt good to be in cash investments – but by December 31, 2020, cash would have returned just 0.6% for the year.[2]

**Crises are often an excellent time to determine how well structured your portfolio is to withstand an unforeseen event such as the pandemic. It's also an opportunity to assess your risk tolerance, and to ensure your investment plan is right for you. Questions about your plan? We're here to help – contact us today.**

[1]Return of the S&P 500 Index is a total return in local ($US) currency from February 1, 2020, to January 31, 2021. This is a theoretical return, as an investment cannot be made directly in an index. This return does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. Source: RBC Global Asset Management Inc.

[2]*Asset class diversification*, RBC Global Asset Management Inc. (February, 2021).