



2019 Foundations for Investors

Chart Pack to Help Illuminate Investing

Morningstar Investment Management Europe Limited, to 31 March 2019

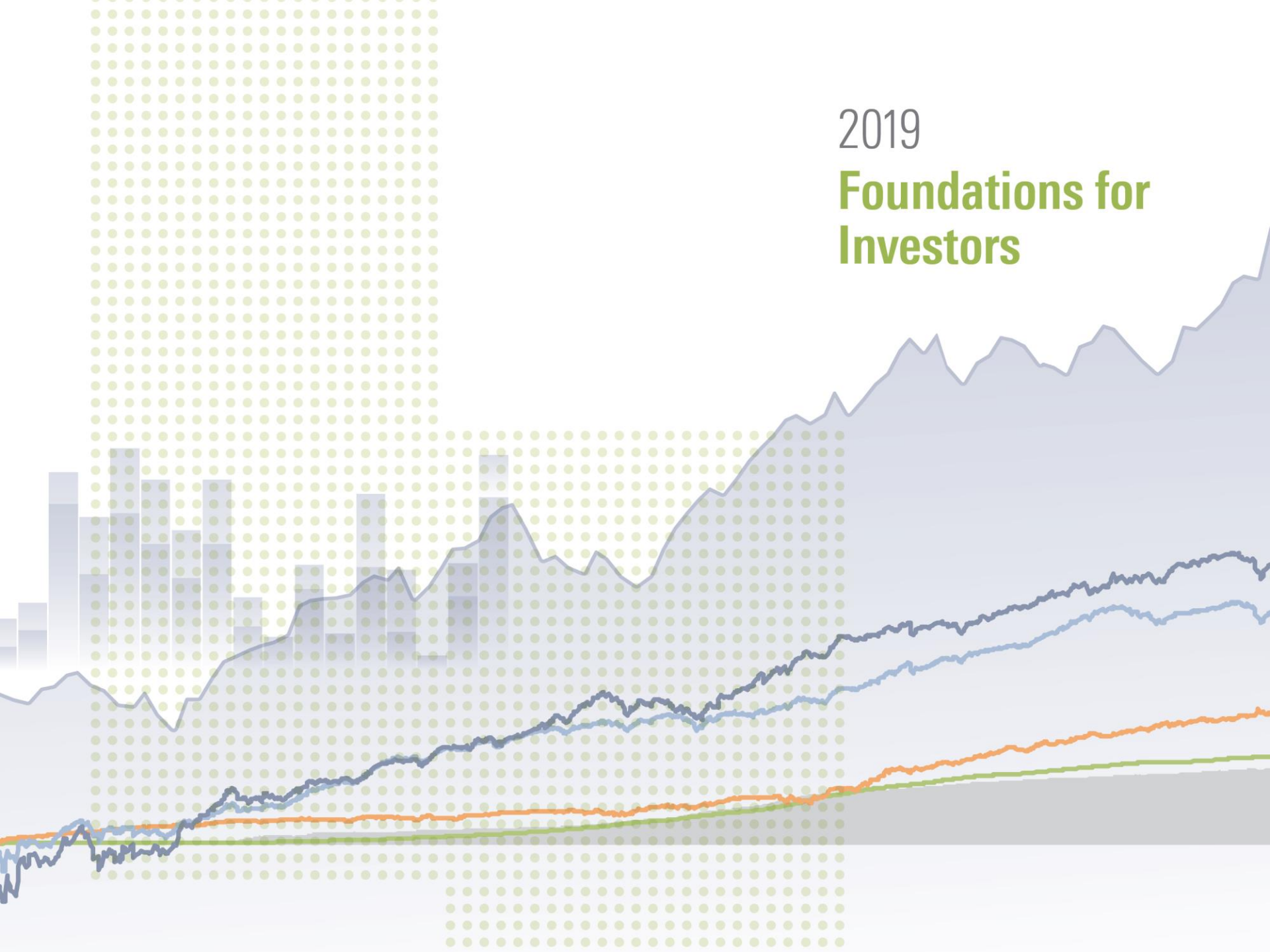
For Financial Advisors and Current Clients Using Morningstar® Managed Portfolios

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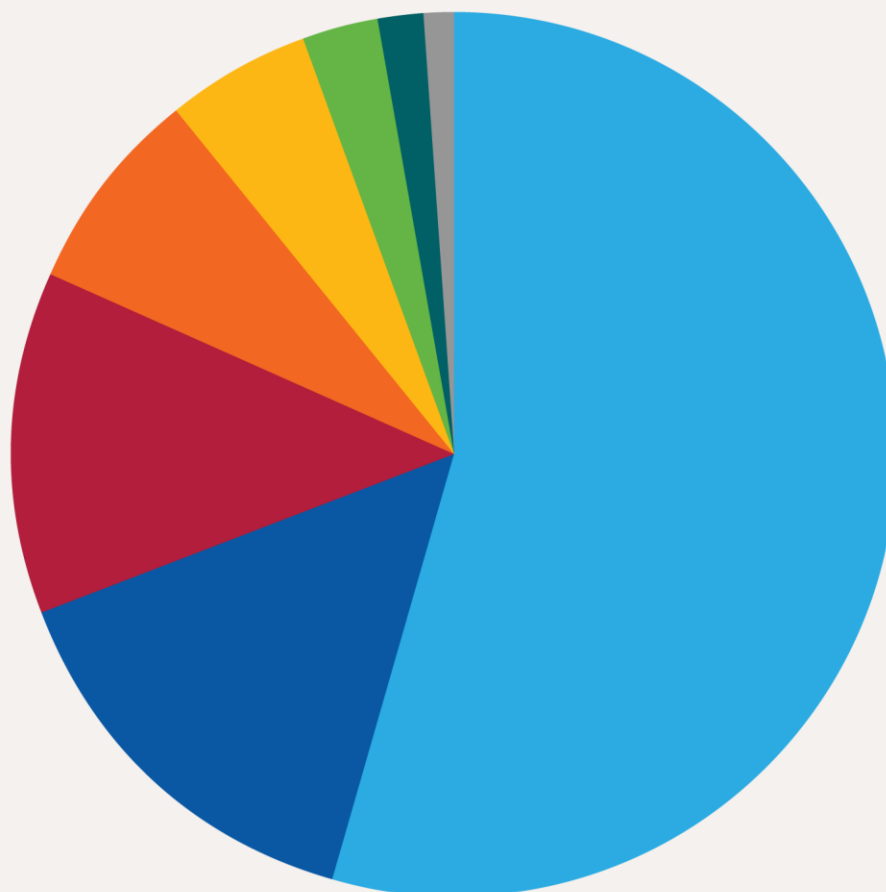
2019

Foundations for Investors



World Stock Market Size

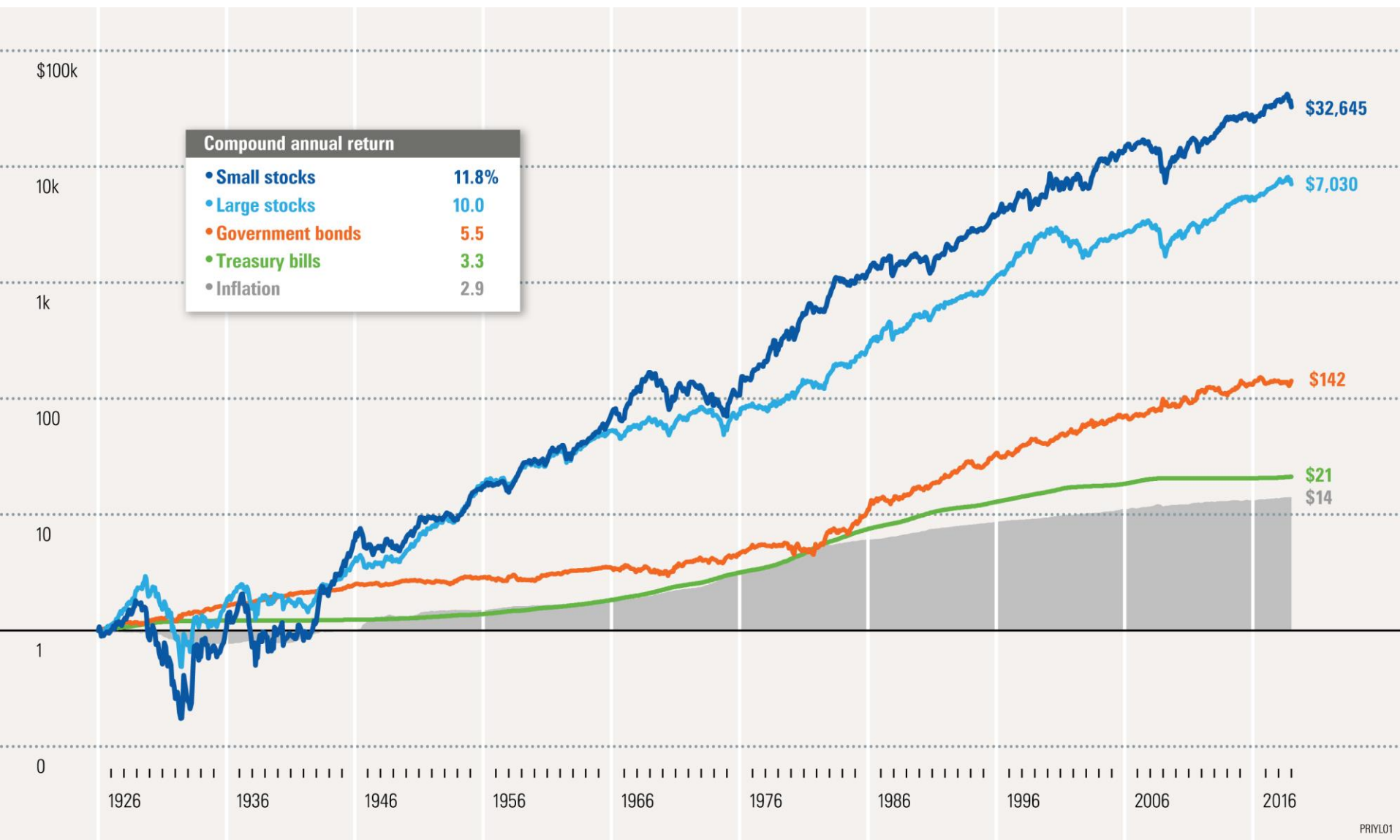
Year-end 2018



Total market cap: \$40.6 trillion

• United States	54.4%
• Europe ex United Kingdom	14.8
• Asia ex Japan	12.5
• Japan	7.6
• United Kingdom	5.2
• Canada	2.9
• Latin America	1.4
• Other	1.1

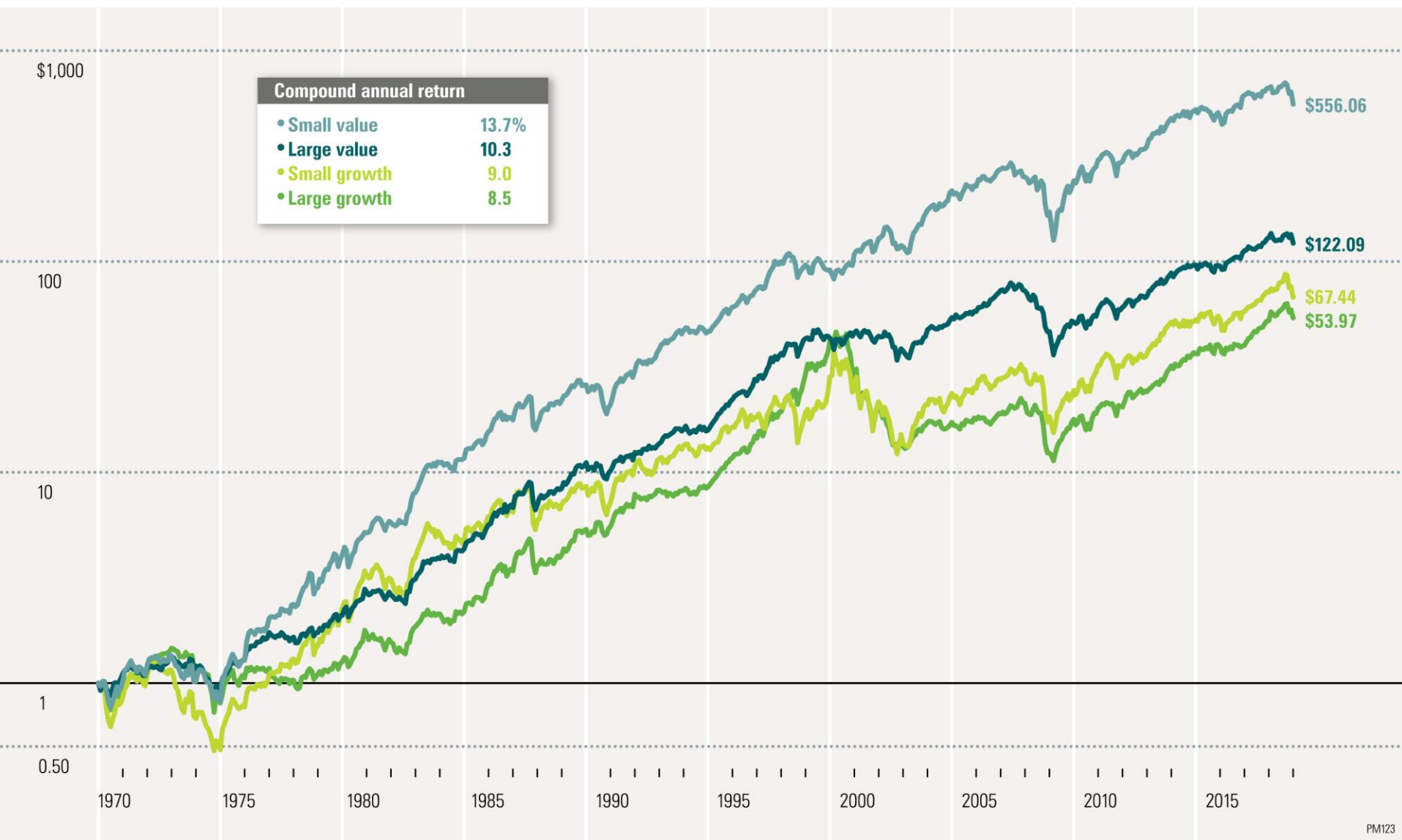
Long-Term Performance 1926–2018



Past performance is no guarantee of future results. Hypothetical returns using U.S. performance data. Shows value of US\$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2019 Morningstar Investment Management. All Rights Reserved.

Growth and Value Investing

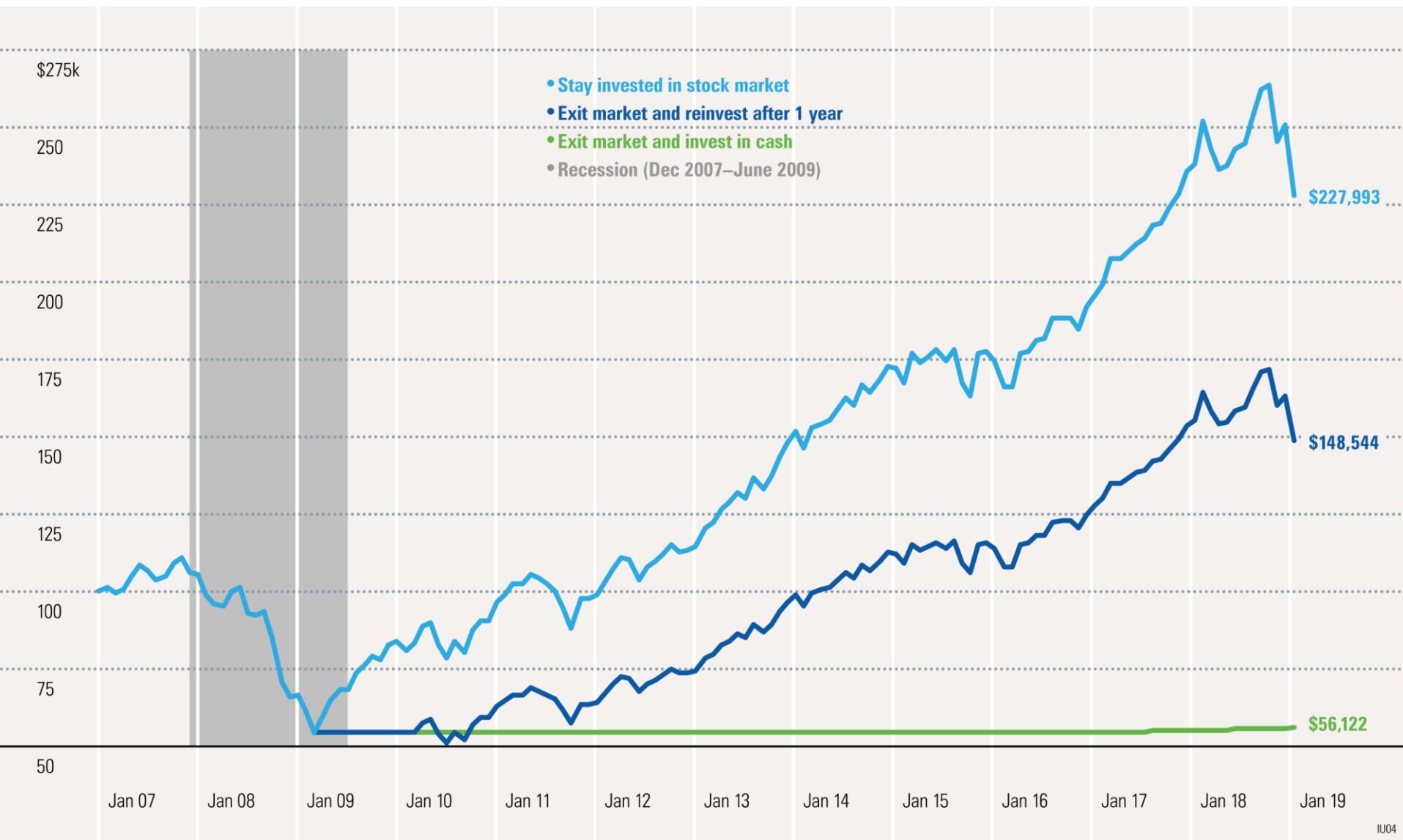
1970–2018



Past performance is no guarantee of future results. Hypothetical returns using U.S. performance data. Shows value of US\$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2019 Morningstar Investment Management. All Rights Reserved.

The Importance of Staying Invested

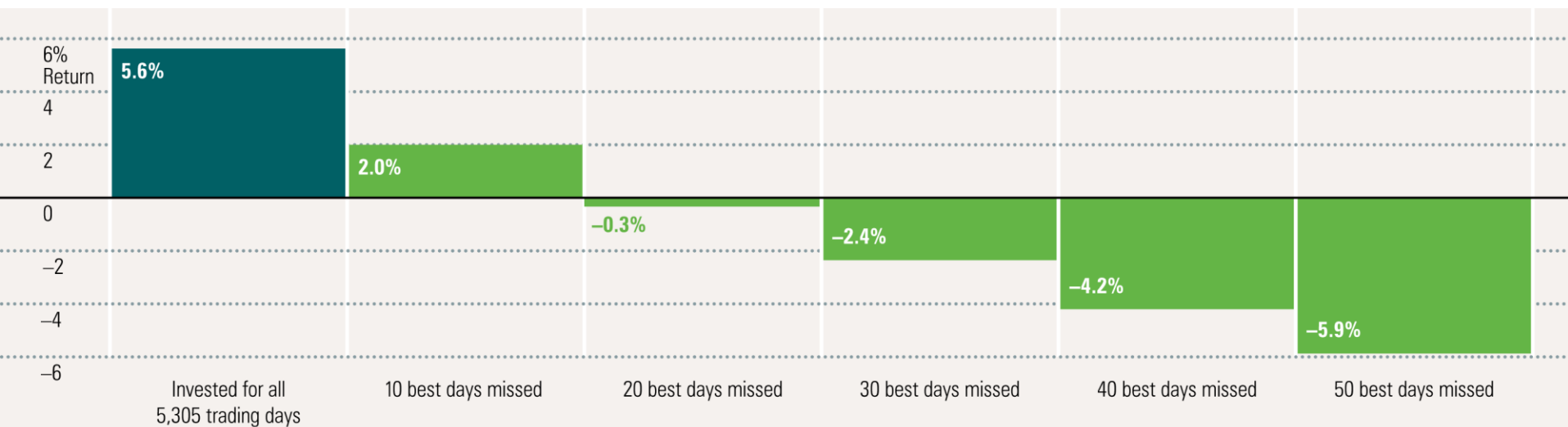
Ending wealth values after a market decline



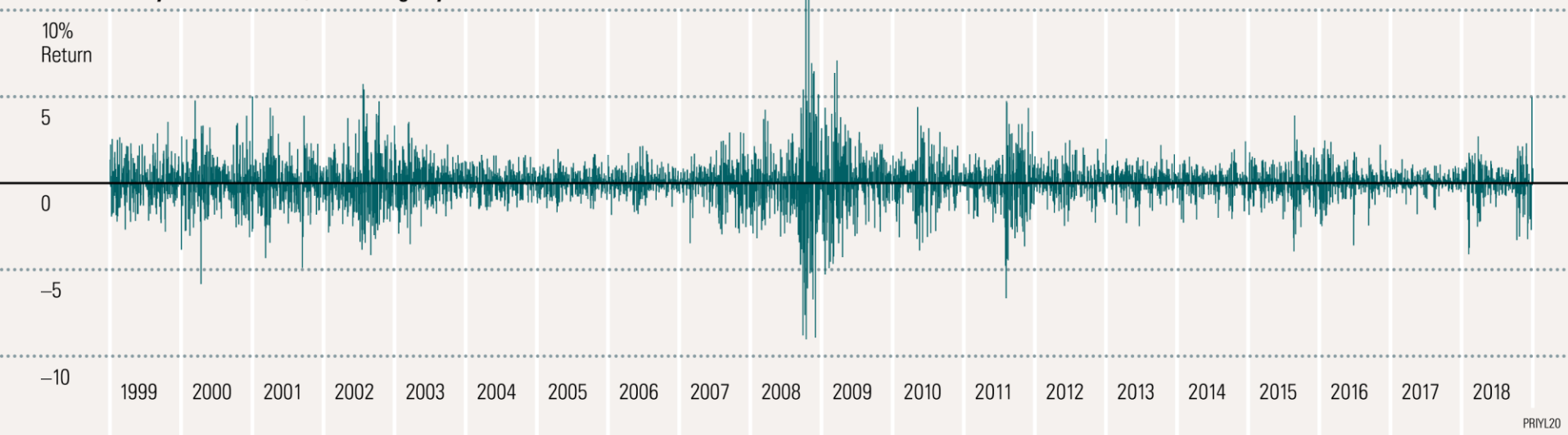
Past performance is no guarantee of future results. Hypothetical returns using U.S. performance data. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2019 Morningstar Investment Management. All Rights Reserved.

The Cost of Market-Timing

The risk of missing the best days in the market, 1999–2018



Daily returns for all 5,035 trading days



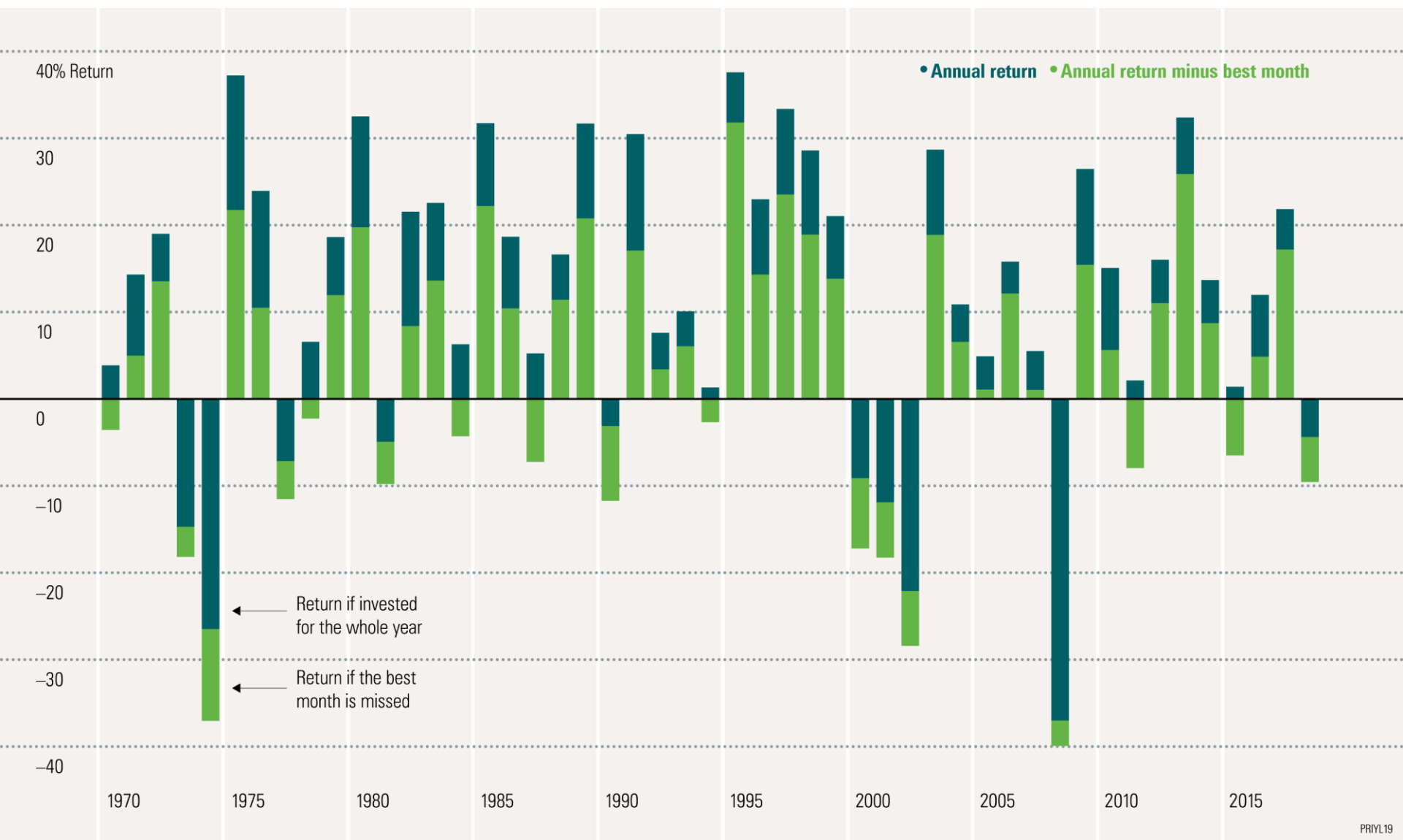
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Market-Timing Risk

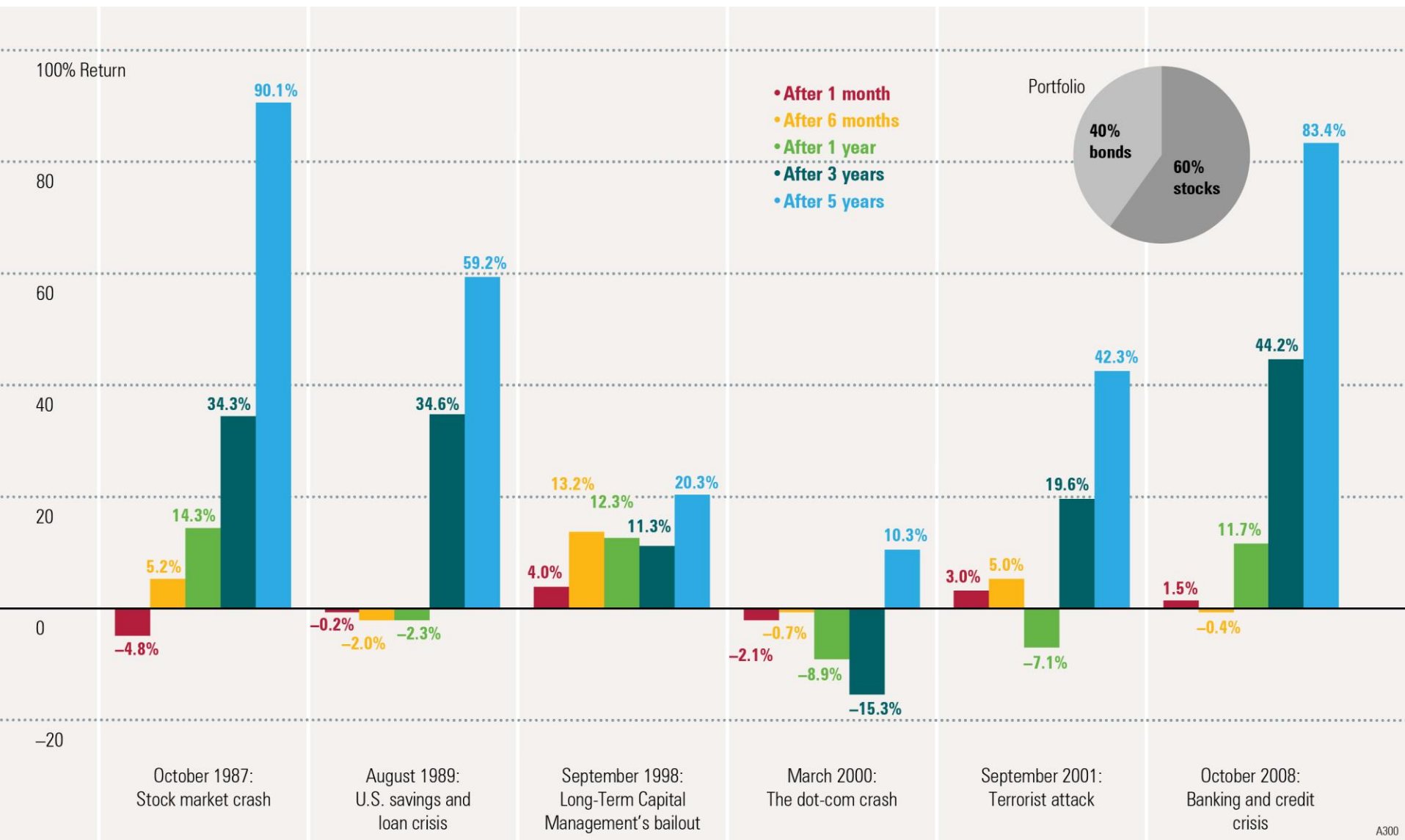
The effects of missing the best month of annual returns 1970–2018



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Market Recovery After Crises

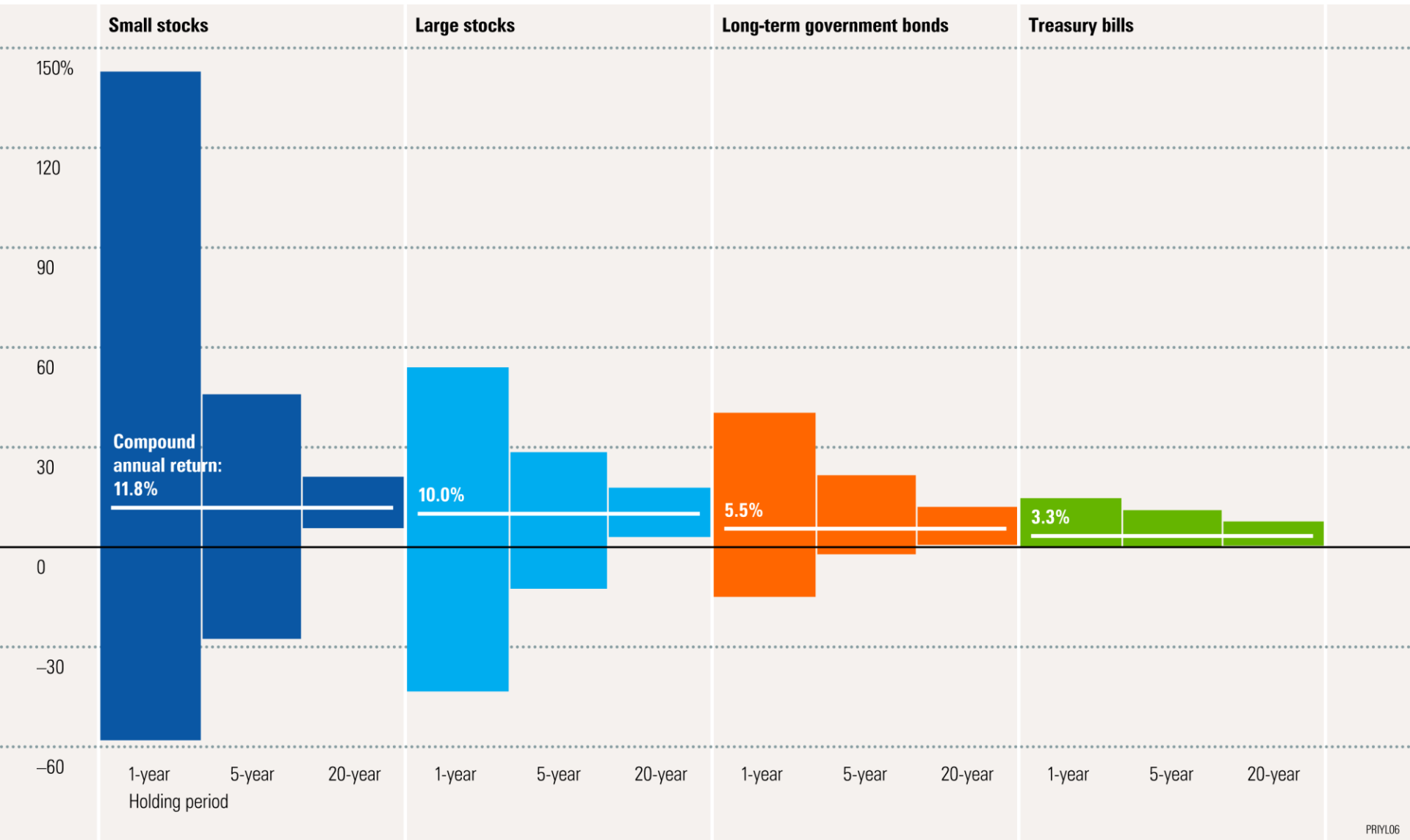
Cumulative return of balanced portfolio after various events



Past performance is no guarantee of future results. Hypothetical returns using U.S. performance data. Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2019 Morningstar Investment Management. All Rights Reserved.

Reduction of Risk Over Time

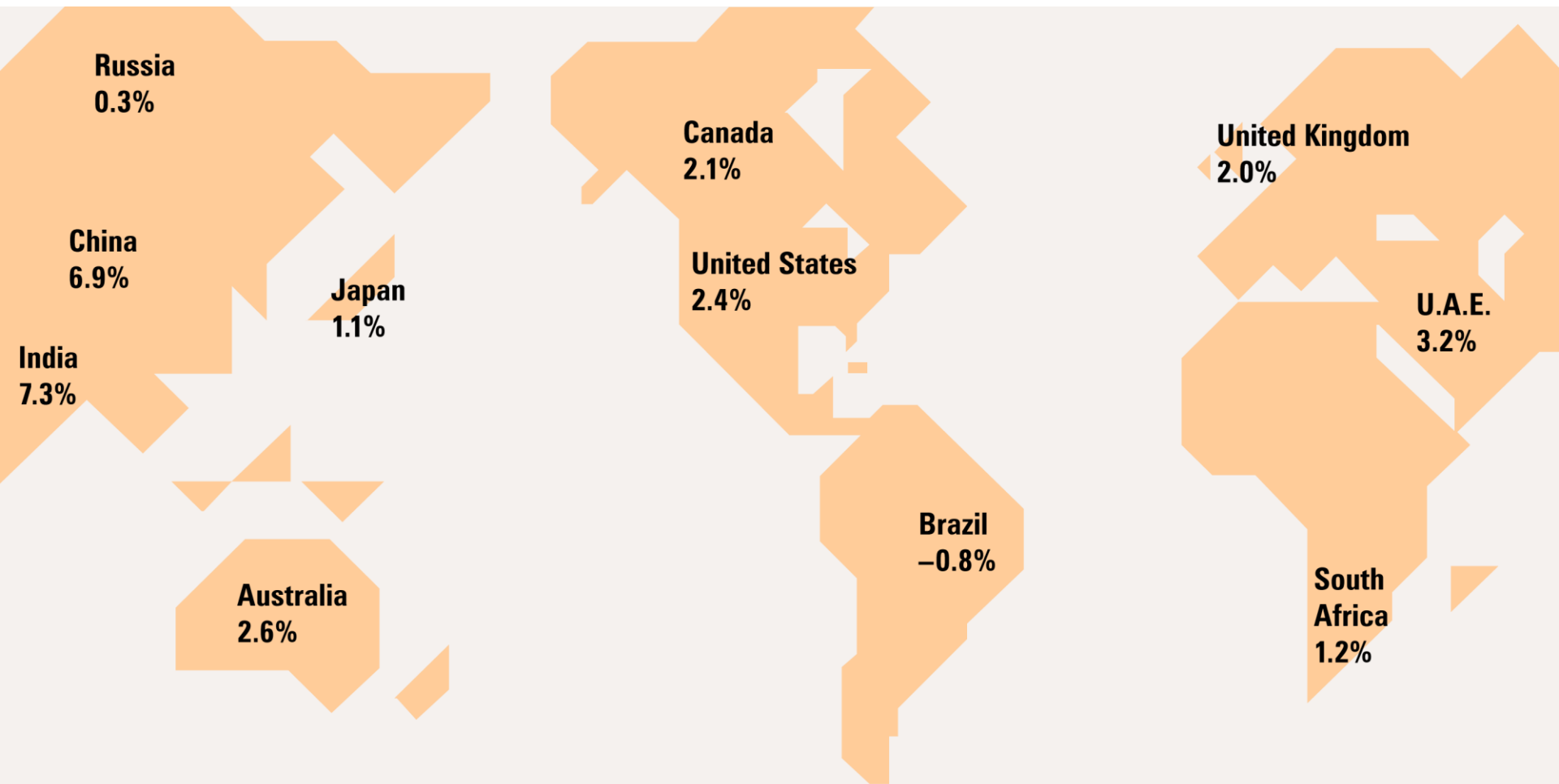
1926–2018



Past performance is no guarantee of future results. Hypothetical returns using U.S. performance data. Each bar shows the range of compound annual returns for each asset class over the 1926–2018 period in US dollar terms. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2019 Morningstar Investment Management. All Rights Reserved.

GDP Growth by Region: The Markets are Not the Economy

Five-year average annual percentage change 2013–18














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Difficulty in Predicting the Winners

Annual returns of top-performing developed global stock markets

2018	Finland -2% 	New Zealand -3% 	United States -4% 	Norway -8% 
2017	Austria 59% 	Hong Kong 36% 	Singapore 36% 	Denmark 36% 
2016	Canada 25% 	New Zealand 19% 	Norway 15% 	United States 12% 
2015	Denmark 24% 	Ireland 17% 	Belgium 13% 	Japan 10% 

Benefits of Diversification

If you've ever heard the expression, "Don't put all your eggs in one basket," you might have a good sense of what diversification is.

To practice this in the context of investing means diversification — the strategy of holding more than one type of investment, such as stocks, bonds, or cash, in a portfolio to reduce the risk. In addition, an investor can diversify among their stock holdings by buying a combination of large, small, or international stocks, and among their bond holdings by buying short-term and long-term bonds, government bonds, or high- and low-quality bonds.

A diversification strategy reduces risk because stocks, bonds, and cash generally do not react identically in changing economic or market conditions. This is especially true for assets whose underlying fundamentals — the source of their cash flows — differ from other assets in the portfolio.

Diversification does not eliminate the risk of experiencing investment losses; however, by investing in a mix of these investments, investors may be able to insulate their portfolios from major downswings in any one investment.

The benefits of diversification become more apparent over a shorter time period, such as the 2007–2009 banking and credit crisis. Investors who had portfolios composed only of stocks suffered large losses, while those who had bonds or cash in their portfolios experienced less severe fluctuations in value.

Tune Out the Noise

There's a reason that investors tend to only hear about "looming" market doom or "imminent" market growth.

While many news outlets have incentive to draw viewer attention with wildly bullish or bearish predictions, these sensationalised views may be a distraction to a sound investment approach. When tempted to make a radical change to your investment portfolio based on these headlines, it is important to recall some basic fundamentals to keep your plan on track.

Drown out the noise.

Market movements are notoriously difficult to predict. The media outlets that scream the loudest are not always the most accurate. The fallout from attempting to time the market in response to one of these predictions can be dangerous to your portfolio.

Look, but don't stare.

While it's important for investors to know the performance of their accounts, short-term market fluctuations can be quite volatile. While the probability of realising a loss within any given day is high, the likelihood of realising a loss historically has decreased over longer holding periods. Periodic review of an investment portfolio is necessary, but investors shouldn't let short-term swings affect their view of the future.

Stay focused on the long term.

Investors who have taken the time to determine a sound investment plan based on specific goals and risk tolerances are best advised to stick to that plan. While it may not always grab headlines, a sensible, tailored investment plan may be the best solution to meeting long-term goals.

Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss.

Morningstar Investment Management Disclosure

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