



## Market Strategies: Three Ways to Play Defense in Your Stock Portfolio

Defensive investment strategies share a common goal — to help a portfolio better weather an economic downturn and/or bouts of market volatility. But there are some key differences, including the specific criteria by which particular stocks are selected. If you are nearing retirement or just have a more conservative risk tolerance, one of these defensive strategies may help you manage risk while maintaining a robust equity portfolio.

### Tilt toward value

Growth and value are opposite investment styles that tend to perform differently under different market conditions. Value stocks are associated with companies that appear to be undervalued by the market or are in an out-of-favor industry. These stocks may be priced lower than might be expected in relation to their earnings, assets, or growth potential, but the broader market is expected to eventually recognize the company's full potential.

Established companies are more likely than younger companies to be considered value stocks. These firms may be more conservative with spending and emphasize paying dividends over reinvesting profits. Unlike value stocks, growth stocks may be priced higher in relation to current earnings or assets, so investors are essentially paying a premium for growth potential. This is one reason why growth stocks are typically considered to carry higher risk than value stocks.

### Seek dividends

Whereas stock prices are often unpredictable and may be influenced by factors that do not reflect a company's fiscal strength (or weakness), dividend payments tend to be steadier and more directly reflect a company's financial position. Comparing current dividend yields, and a company's history of dividend increases, can be helpful in deciding whether to invest in a stock or stock fund.

The flip side is that dividend-paying stocks may not have as much growth potential as non-dividend payers, and there are times when dividend stocks may drag down, not boost, portfolio performance. For

example, dividend stocks can be sensitive to interest rate changes. When rates rise, the higher yields of lower risk fixed-income investments may become more appealing, placing downward pressure on dividend stocks.

## Temper volatility

All stocks are volatile to some degree, but some have been less volatile historically than others. Certain mutual funds and exchange-traded funds (ETFs) labeled "minimum volatility" or "low volatility" are constructed with an eye toward reducing risk during periods of market turbulence.

One commonly used measure of a stock or stock fund's volatility is its beta, which is typically published with other information about an investment. The U.S. stock market as a whole is generally considered to have a beta of 1.0. In theory, an investment with a beta of 0.8 might experience only 80% of losses during a downswing — and thus would have less ground to regain when the market turns upward again.

The return and principal value of all investments fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investing in dividends is a long-term commitment. The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated. Low-volatility funds vary widely in their objectives and strategies. There is no guarantee that they will maintain a more conservative level of risk, especially during extreme market conditions.

*Mutual funds and exchange-traded funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

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