



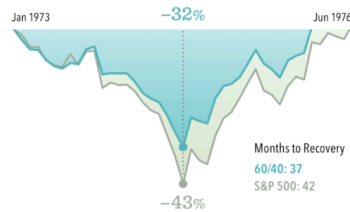
2026.10.21

Easing the Impact of a Major Stock Market Decline

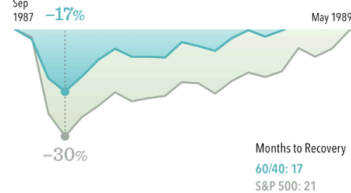
60/40 PORTFOLIO VS. S&P 500 INDEX: HYPOTHETICAL PERFORMANCE IN FOUR MAJOR MARKET DECLINES
 Maximum decline for each period and time to recovery

 Dimensional

Oil Shock Bear Market



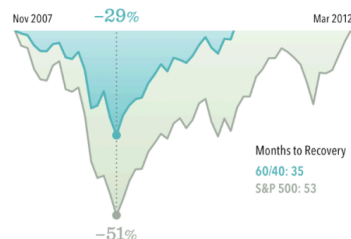
Black Monday Stock Crash



Dot-Com Bust



Global Financial Crisis



Worried about how a downturn in the stock market could affect your portfolio? Holding a mix of stocks and bonds can help ease the impact of stock market volatility.

- Since 1970, the US stock market, as measured by the S&P 500 Index, has experienced four extended periods when its value fell by 30% or more.
- A balanced portfolio holding 60% US stocks and 40% US bonds would have experienced a lower maximum decline and a faster recovery than holding stocks alone.
- For example, consider the Global Financial Crisis in 2007. A 60/40 portfolio experienced a 29% decline and recovered in 35 months, compared to the S&P 500, which declined 51% and took 53 months to recover.

Holding a strategic mix of stocks and bonds can help you weather a stock market decline and stay focused on your long-term wealth goals.

Asset allocation is the primary determinant of portfolio returns. This statement is true because investors are more likely to stay invested if they see their portfolio do well when markets are moving up *and* also hold their value during period of market downside.

Our investment approach focuses on long term growth, while considering risk management and each portfolios investment objectives. This results in an investment outcome that is more amenable to clients, and is conducive to clients staying invested across all market cycles. Time in the market is more important than timing the market, so any asset allocation that encourages clients to stay invested when markets trade lower is a good thing.

One way to mitigate downside risk is to include lower risk bonds (both government and corporate). Bonds are generally negative correlated to stocks, so a major downturn in stocks is more like than not to benefit bonds. In times where this doesn't hold true (2008, 2020 and 2022 for example) bonds retain more of their value than stocks because they are taxpayer backed or asset backed respectively.

Less downside means portfolio have less of a climb back to their levels pre market decline levels. This point is evidenced by the four period of extreme market downside summarized below.

We are not calling for a major market pullback, but rather want to emphasize that low-returning bonds have a place in asset allocations, and it is only a matter of time before their value is realized.

Thanks for reading!

Martin
1-519-546-5088

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MARTIN WEILER, FINANCIAL ADVISOR
FIRST CAPITAL FINANCIAL / WORLDSOURCE FINANCIAL MANAGEMENT INC
50 CORESLAB DR. DUNDAS, ON L9H 0B2
P: 519-829-1331 F: 833-869-8042
MARTIN@FCFCORP.CA

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