

# DOLLAR COST AVERAGING

## BENEFITING FROM MARKET VOLATILITY



**IN TIMES OF STOCK MARKET VOLATILITY IT IS PERFECTLY UNDERSTANDABLE FOR CLIENTS TO BE CONCERNED. HOWEVER, INVESTING ON A REGULAR BASIS MAY HELP AVERAGE OUT THE FLUCTUATIONS THAT STOCK MARKET-LINKED INVESTMENTS MAY PRODUCE. THIS IS KNOWN AS THE 'DOLLAR COST AVERAGING' EFFECT.**

### WHAT IS IT?

In simple terms, each amount invested buys units in the fund or funds chosen. If the price is high, fewer units will be purchased. Likewise, if the price is low, more will be purchased. Over time, this strategy should help to increase your client's purchasing power and give them a potentially higher average value per unit and so improve potential returns.

### TIMING

The benefit of dollar cost averaging is that it takes away the psychological worry about when is the best time to invest, because over time investing on a regular basis may help average out stock market volatility.

### IMPORTANT NOTES

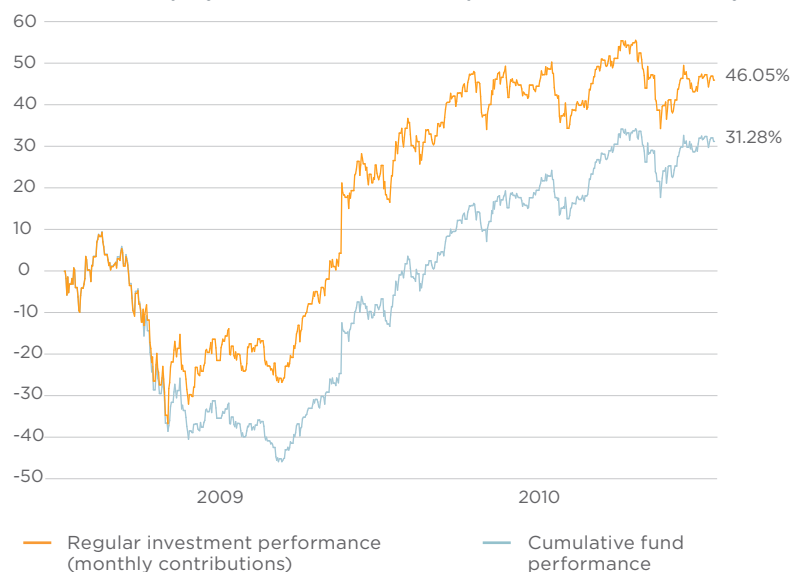
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Your clients should be made aware that dollar cost averaging doesn't guarantee a gain or protect against losses in a falling market, but it may reduce their exposure to market risk. Please remember that past performance is not a guide to the future and the value of investments can fall as well as rise and is not guaranteed.

### EXAMPLE

The following graph demonstrates how dollar cost averaging can smooth out the unit price during a volatile period.

**Fund: Indian Equity A Acc USD fund. Time period: June 2008 to July 2010.**



The blue line represents the cumulative fund performance over the chosen time period. During this time the unit price fell by 45.90%. However, by the end of the period the unit price had not only recovered from the loss, but increased by an additional 31.28%.

By comparison, the orange line demonstrates the impact of dollar cost averaging by investing into the same fund on a monthly basis. Whilst it's clear to see that the fund was subject to a particularly volatile period, the impact of dollar cost averaging resulted in growth of 46.05%, that's nearly 15% extra over the same period of time.

**Please note that the investment return plotted in the above graph makes no allowance for any RL360 product charges.**