DOLLAR COST AVERAGING
BENEFITING FROM MARKET VOLATILITY

In times of stock market volatility it is perfectly understandable to be worried about your investments. Some people try to anticipate market movements and switch their investments accordingly but financial markets can be volatile and unpredictable. This makes it very difficult to predict the stock market and get the exact timing of when to invest just right.

A POTENTIAL SOLUTION

By investing on a regular basis you can help average out the fluctuations that stock market-linked investments may produce and remove the psychological worry about when is the best time to invest. This is known as the ‘dollar cost averaging’ effect.

HOW DOES IT WORK?

In simple terms, each time you invest, you buy units in the fund(s) you have selected. If the price is high, you will buy fewer units and likewise, if the price is low, you will buy more. Over the medium to longer term, this strategy should help to smooth out any volatility in the stock markets.

The following example demonstrates how the dollar cost averaging strategy works in practice over a 12 month period.

Month	Amount Invested (USD$)	Fund Unit Price (USD$)	Units Acquired
January	750	1.00	750
February	750	1.10	682
March	750	0.90	833
April	750	0.80	938
May	750	0.60	1,250
June	750	0.80	938
July	750	1.00	750
August	750	0.80	938
September	750	0.50	1,500
October	750	0.50	1,500
November	750	0.90	833
December	750	1.20	625
Total	**9,000**		**11,536**

$750 was invested each month for a year ($9,000 in total).

By December, 11,536 units had been acquired with a value of $13,843 (11,536 x USD1.20).

By comparison, if we had invested the $9,000 as a lump sum in January, the value of units in December would be $10,800 (9,000 x $1.20) however, if we had waited until September when the unit price was $0.50, the value of the units would now be $21,600 (18,000 x $1.20)

You can see that investing $9,000 as a lump sum could be more beneficial than investing on a regular basis but predicting when to invest is the difficult part.

Saving on a regular basis and adopting the dollar cost averaging strategy removes the guess work and worry of when to invest.

Key benefits of unit cost averaging

- Removes the psychological worry about when is the best time to invest
- Smoothing the peaks and troughs of market volatility
- Buying more units in falling markets, thus increasing the number of units in the chosen fund(s)
- Positioned well to take maximum advantage when markets rebound

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IMPORTANT NOTES

Figures used in this example make no allowance for any additional product charges which would have the effect of reducing potential returns.

You should also be aware that dollar cost averaging doesn't guarantee a gain or protect against losses in a falling market, but may reduce your exposure to market risk.

To find out more about the RL360 Regular Savings Plan, contact your financial adviser or visit our website www.rl360.com/row/products/regular-savings-plan

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