ARIA CAPITAL MANAGEMENT

2008 Financial Crisis Comparison: Regular Savings Investment vs Lump Sum Investment

THE POWER OF DOLLAR-COST AVERAGING

Dollar-Cost Averaging takes away the problem of market timing. You are regularly investing money into the market over a period. If the market falls you begin to buy the market at a more cost-effective price and get more units of the fund for your money and vice versa, if the market rises. Over the long run you obtain an 'average price' for the fund over the investment period. You want to invest your money at the lowest price to maximise the returns when the fund growth. Therefore, the maximum benefit of Dollar-cost averaging is when equity markets are falling, the periods where you are averaging down your price of purchase. The benefits of opening and running a savings account can be heightened during market volatility. This means the greatest benefit occurs when you may have previously considered investing in safe-haven asset classes however you don't have to time getting back into risk assets.

The example here takes real data and performance from October 2007 – December 2009. It looks at the benefit of regular savings compared to a lump sum investment during the financial crisis.

Investor A and Investor B hold $27,000 in cash in October 2007. Investor A is worried about the outlook for equity markets and decides to invest his cash in $1,000 tranches every month. Investor B decides to make a lump sum investment. They both decide to invest in an adventurous profile.

By December 2009 Investor A had outperformed that of the lump sum investment by 13.31% and broke even on his investment 6 months earlier (Jun 09 Vs Dec 09).

- Investor A portfolio value in October 2009 (total contributions - $27,000) would have been $31,763.51 representing a 17.64% gain over the period. The maximum loss on his portfolio (maximum distance it fell below $27,000) was 10.24% ($24,234.99).
- Investor B portfolio value in October 2009 ($27,000 invested in October 2007) would have been $28,168.66 representing a 4.33% gain on investment over the period. The maximum loss on his portfolio (maximum distance it fell below $27,000) was 26.34% ($19,887.60).
- Investor A was able to purchase 12.76% more units (34.46 units) than Investor B did. If no additional contributions were made Investor A would therefore always end up with a larger return on investment.

DISCLAIMER

This marketing communication is issued and approved by Absolute Return Investment Advisers (ARIA) Dubai Branch Limited (trading as ARIA and ARIA Capital Management). Absolute Return Investment Advisers (ARIA) Dubai Branch Limited ('ARIA') is authorised and regulated by the Securities and Commodities Authority in the United Arab Emirates under license number 608032. This communication is not for distribution to the public or a large number of persons, but is personal to named recipients.

The information in this marketing communication does not constitute an offer, solicitation or recommendation for the purchase or sale of any securities or other financial instruments nor does it constitute advice of any kind, whether in relation to legal, compliance, accounting, regulatory matters or otherwise, a personal recommendation (as defined by the rules of the Securities and Commodities Authority, or otherwise) or an expression of our view as to whether a particular financial product is suitable or appropriate for you and meets your financial or any other objectives.

Persons interested in acquiring funds, or any investment services, should inform themselves as to (i) the legal requirements in the countries of their nationality, residence, ordinary residence or domicile; (ii) any foreign exchange controls; and (iii) any relevant tax consequences.

Any statements, expressed or implied, are based on current expectations and assumptions, which may change without notice, and are no guarantee of future results, performance or events. ARIA does not endorse, and accepts no liability for, any opinion or advice contained in the email that is personal or otherwise unconnected with the firm or our clients' business.

The registered office of ARIA is Office 1004, Park Place Tower, Sheikh Zayed Road, Dubai, United Arab Emirates, PO Box 413670. ARIA is authorised and regulated by the Securities and Commodities Authority in the United Arab Emirates under license number 608032
©2017 ARIA. All rights reserved.