

# A guide to investing through volatility

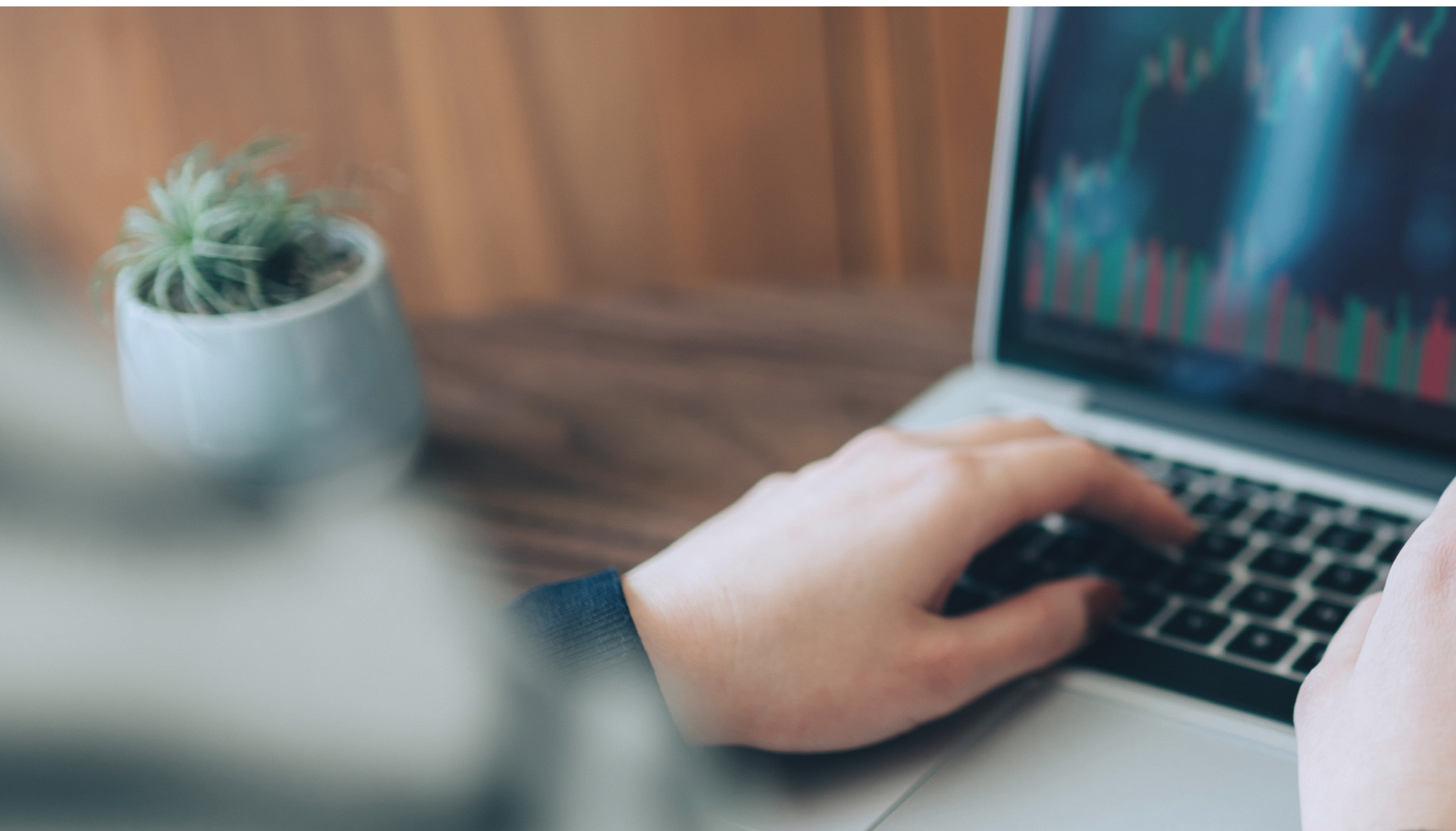
Your toolkit to navigate turbulent markets



Brewin  
Dolphin

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# Introduction

Markets will always move – sometimes smoothly, sometimes sharply.

While volatility can feel unsettling, it's also a normal part of long-term investing. More importantly, it can present valuable opportunities for those who remain disciplined and clear on their goals.

This toolkit is designed to help you make sense of turbulent markets. Across seven core principles – and a personal action plan – we explore the behaviours and decisions that have historically delivered better outcomes.

From staying invested and diversifying wisely, to rethinking the role of cash and spotting opportunities during downturns, each section offers practical insights to help you stay on course and invest with confidence.



# 1. Staying invested

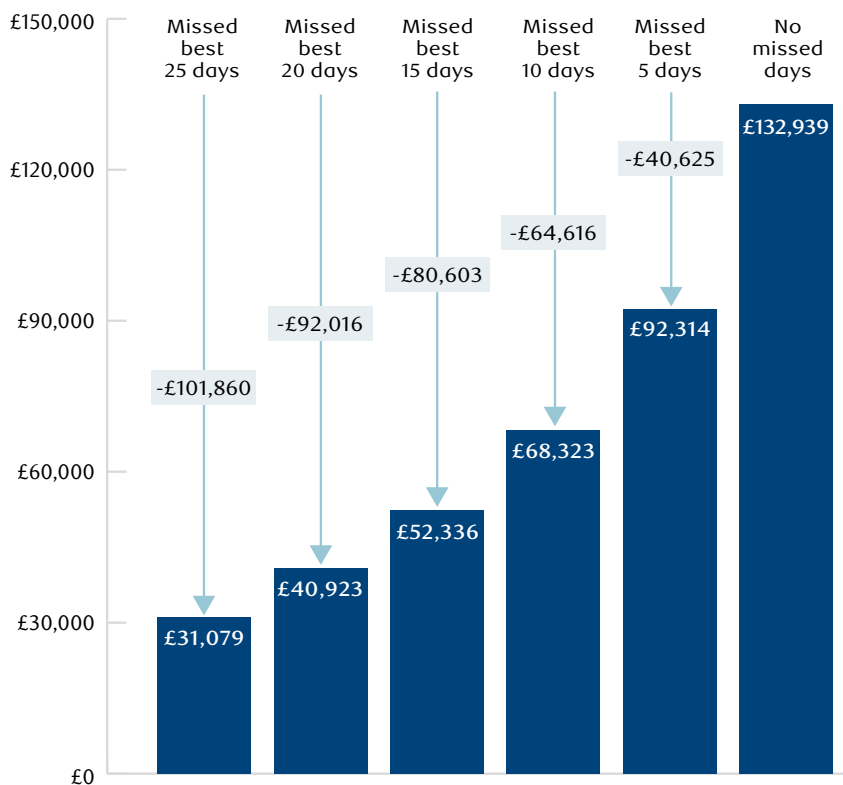
During volatile times such as economic downturns and sudden market shocks, it can be tempting to exit the market to avoid losses. However, this risks missing out on subsequent market rebounds. Historical performance shows that missing just a few of the best-performing days over the long term can dramatically reduce your returns.

The chart below illustrates how a £10,000 investment in global equities over the past 30 years could have grown to £132,939 before fees — or approximately £109,500 after a representative 1% annual charge — if fully invested.

Missing just a few of the best market days, however, would have significantly reduced your returns.

## Key lessons

- Use time to your advantage: Time in the market beats timing the market.
- Staying invested means you benefit from rebounds after downturns.
- Missing even a few top-performing days can cost tens of thousands in lost growth.



Source: Morningstar and LSEG, as at 31 December 2024.

Figures are based on the MSCI All Country World Index (ACWI) Total Return in GBP from 31 December 1994 to 31 December 2024, with dividends reinvested. The “after fees” figure assumes a 1% blended annual charge (covering platform, fund, and advice costs). Actual outcomes will vary depending on the specific charges applicable to individual clients.

For illustrative purposes only: this example shows how the MSCI All Country World index has performed since 31 December 1994. A typical investment strategy would consist in a mix of assets i.e. equities, bonds and cash; and therefore returns would be lower. Performance is quoted before charges and without adjusting for inflation which further reduce total returns.

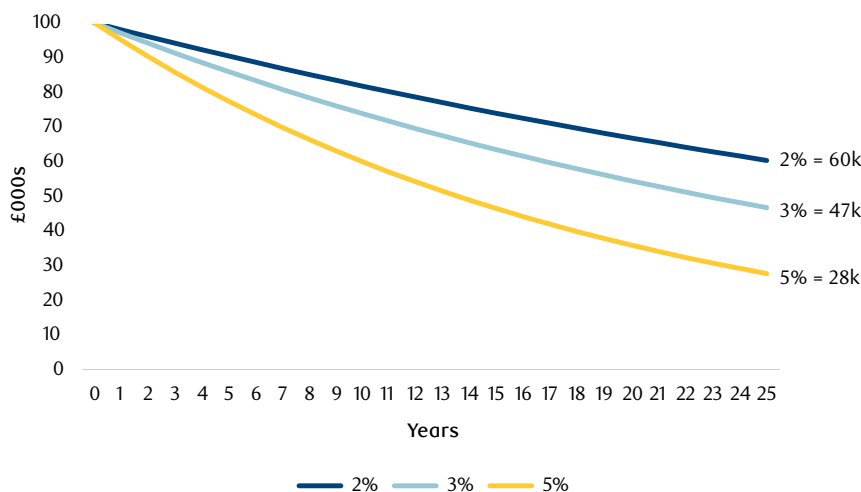
The value of investments can fall and you may get back less than you invested. Neither simulated nor actual past performance are reliable indicators of future performance.

## 2. Inflation erodes the value of cash

Cash feels safe but can lose purchasing power quickly due to inflation.

The line chart below illustrates the erosion of £100,000 in cash savings under different simulated inflation scenarios over a 25-year period – dropping to £47,000 with 3% inflation, and just £28,000 with 5% – demonstrating the importance of investing strategically to counteract inflation and preserve long-term wealth.

**Real value of £100,000 over 25 years in cash**



Source: RBC Brewin Dolphin internal calculations

### Key lessons

- Holding too much cash risks real value loss.
- Assets like equities and property can offer better long-term inflation protection.
- Balance immediate liquidity needs with investments for long-term wealth preservation.

Neither simulated nor actual past performance are reliable indicators of future performance.

# 3. Diversification smooths the journey

## Diversifying investments across asset classes helps reduce risk during market volatility.

The chart below shows how asset-class performance can vary significantly year-to-year – highlighting how no single asset class consistently outperforms, and why diversification helps smooth returns over time. For example, Emerging Market Equities was the highest performing asset class at 37.47% in 2007, and the lowest performing at -35.18% in 2008.

### Key lessons

- Don't chase past winners – asset-class leadership regularly rotates.
- Consider holding a diversified mix to protect against volatility.
- Regular reviews and rebalancing (adjusting your portfolio to maintain its original asset allocation in light of market changes) helps ensure your portfolio adheres to your desired risk level and captures upside across different cycles.

### Annual asset class performance, 2005-2024

Asset Class	(%)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UK Equities		22.04	16.75	5.32	-29.93	30.12	14.51	-3.46	12.30	20.81	1.18
Developed ex UK Equities		23.50	5.38	8.32	-16.03	15.85	16.20	-5.09	12.04	25.00	12.68
Emerging Market Equities		50.46	16.27	37.47	-35.18	59.39	22.94	-17.57	13.42	-4.08	4.29
Cash		4.76	4.77	5.77	4.71	0.55	0.49	0.53	0.47	0.43	0.43
Global Sovereign Bonds		4.57	-6.84	8.87	53.57	-8.96	8.96	7.62	-2.72	-6.11	6.41
Global Index-Linked Bonds		10.37	-6.04	9.97	28.05	0.78	6.77	11.20	4.57	-5.41	10.33
Global IG Corporate Bonds		8.79	0.91	0.68	-8.58	15.18	9.41	6.99	15.15	1.46	12.69
Absolute Return		-0.02	7.43	6.68	-13.09	-3.58	-0.12	-3.71	0.88	3.58	0.79
Commodities		40.41	-25.52	30.44	-25.91	1.04	12.45	-0.44	-4.32	-3.05	-28.90

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
UK Equities	0.98	16.75	13.10	-9.47	19.17	-9.82	18.32	0.34	7.92	9.47
Developed ex UK Equities	6.06	29.87	13.23	-2.50	23.37	14.60	22.70	-7.93	17.60	20.77
Emerging Market Equities	-9.65	33.12	25.83	-8.91	14.29	15.02	-1.32	-9.62	4.05	9.98
Cash	0.46	0.36	0.25	0.56	0.71	0.19	0.05	1.39	4.69	5.23
Global Sovereign Bonds	3.03	21.35	-2.71	5.95	1.40	5.85	-6.00	-7.65	-2.24	-2.52
Global Index-Linked Bonds	0.63	24.04	-0.92	1.92	4.10	9.06	4.06	-12.01	-0.66	-1.31
Global IG Corporate Bonds	0.62	11.67	4.91	-2.01	10.79	8.71	-2.98	-19.52	9.66	1.89
Absolute Return	2.86	0.31	3.39	-0.49	4.37	2.72	2.10	0.85	2.95	4.86
Commodities	-28.97	32.84	-3.39	-8.46	13.08	-26.08	41.65	41.86	-9.67	11.20

Highest performing asset class

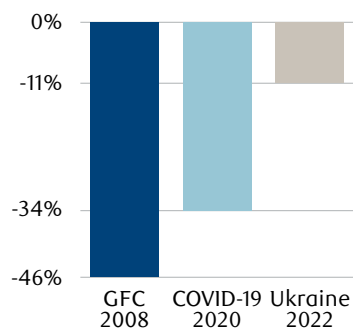
Lowest performing asset class

# 4. Market downturns often present opportunities

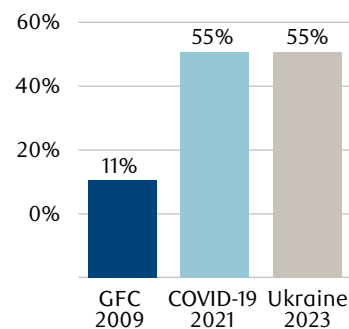
Volatility can present attractive opportunities for disciplined investors.

History shows sharp market declines are often followed by swift recoveries, offering opportunities to invest at lower valuations. The chart below illustrates three major FTSE 100 drawdowns (the decline in an investment's value from its peak to its lowest point) – the global financial crisis (GFC), the COVID-19 pandemic, and the Ukraine war – and the strong 12-month recoveries that followed each low.

**Major FTSE 100 drawdowns**



**Market returns 12 months after trough**



Source: FTSE 100 total return data via LSEG Datastream.

## Key lessons

- Market dips can be valuable buying opportunities.
- Regular, disciplined investing typically helps you benefit from temporary downturns.
- Reinvested dividends can significantly boost recovery returns.

# 5. Balance short-term needs with long-term growth

Market performance can have a big impact on your investment funds.

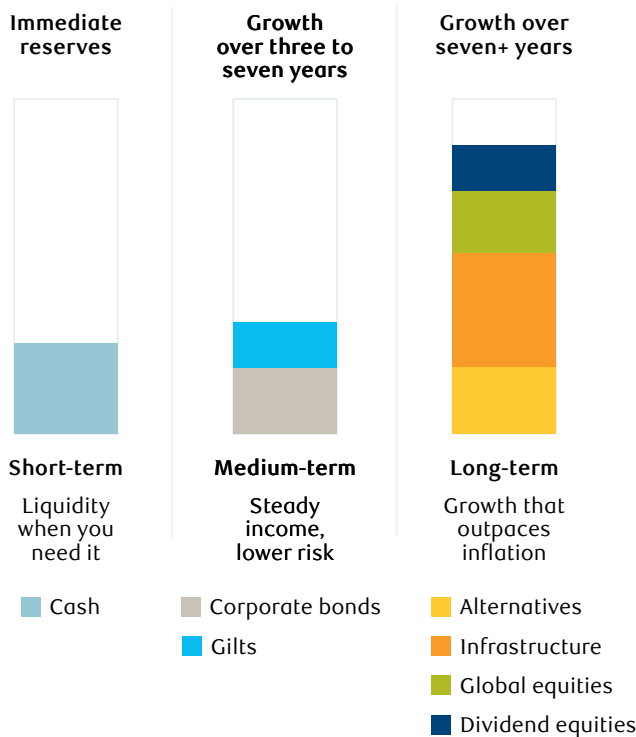
Withdrawing money when the market is falling can lock in losses and reduce your investments' growth potential. That's why it's important to have an investment strategy that balances your short-term income needs with long-term growth goals.

The diagram below shows how assets are typically allocated for those nearing or entering retirement, helping to manage immediate needs while supporting future growth.

### Key lessons

- Hold some cash to ride out market dips.
- Leave long-term investments to grow for future income.
- Review regularly to keep your mix aligned to your goals.

### Diversify investments by time horizon



The value of investments, and any income from them, can fall and you may get back less than you invested. Information is provided only as an example and is not a recommendation to pursue a particular strategy.

# 6. Mastering emotions: The key to confident investing

A planned out, responsive strategy is the best antidote to emotional decision making.

It's tempting to let emotions take the front seat when making financial choices. However, this can lead to knee-jerk reactions that can actually hinder your long-term objectives. Making plans attuned to your risk appetite, while taking a diversified approach to investment management, helps you stay on course without the need to make impulsive decisions. Don't follow the pack, stick to the plan.

## Avoid behavioural bias

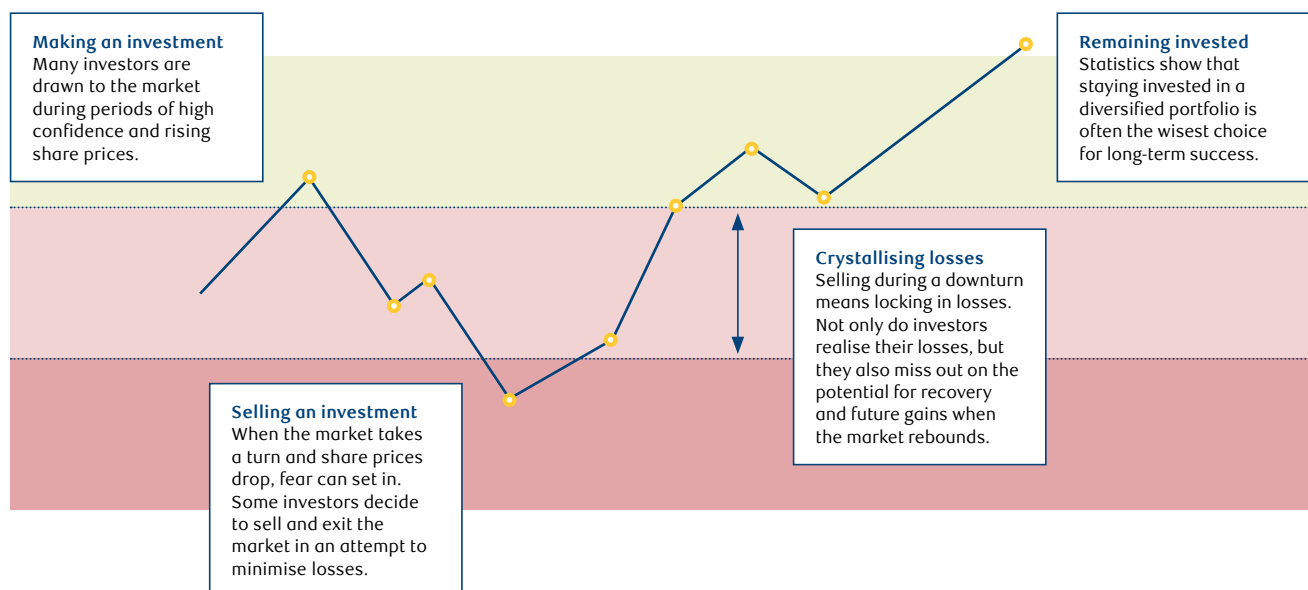
Behavioural bias, like selling out of fear, can hurt your financial health. One common investor behaviour when markets are volatile is the tendency to crystallise losses – selling investments when markets decline, locking in losses, and potentially missing out on future gains when markets recover.

Selling as the market nears its bottom is a form of 'behavioural bias' that can have a detrimental effect on your financial health.

## Key lessons

- Creating a well-balanced plan eliminates the need for emotionally charged decisions.
- Volatility can be stressful, but history shows that cooler heads prevail.
- Don't follow the pack when markets get choppy, follow proven investment strategies.

## Common investor behaviour, a story



The value of investments can fall and you may get back less than you invested.

# 7. Your personal volatility action plan

A clear, disciplined plan can help you navigate volatility confidently.

The steps below can strengthen your financial resilience and keep you on track through turbulent markets. Speak to your financial adviser to create a plan that matches your goals.



## Key lessons

- Clarity and discipline help maintain calm in volatile markets.
- Staying the course historically delivers better outcomes.
- Regular reviews keep your plan aligned with your goals and comfort level.





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RBCBDM6138\_2508\_1  
Issue date: March 2026