ZURICH

# Adjusting your investment sails

## Navigating volatility with unit cost averaging and Autoinvest

Investors can navigate volatile markets by spreading their investment over a period of time. This is known as cost-averaging. When applied to buying units in a fund, it is called unit cost averaging.

### Embracing volatility

Given time, markets tend to rise. When they're rising steadily, it's easy to stay calm, remain invested, and watch your returns grow. However, it's not always plain sailing. So, when the tide turns and volatility increases, it's understandable to feel nervous. Unit cost averaging is a way of adjusting the sails and letting volatility act as a tailwind instead of a headwind for your investments.

### Averaging in action

Let's say at the end of August 2018 you have €30,000 to invest. You are confident the market will rise over the long-term, but are worried about shorter-term headwinds. However, you also know that timing the market is notoriously difficult. So, to lower your risk, you decide to invest €5,000 each month instead over the course of six months into Zurich's International Equity fund.

## Unit price flucuates over time


| Lump Sum | |
|---|---|
| Upfront investment | €30,000 |
| # of units purchased | 3,282 |
| 6-month return | -1.4% |
| **Unit Cost Averaging** | |
| Monthly investment | €5,000 |
| # of units purchased | 3,452 |
| 6-month return | 3.7% |

Denotes monthly investments in unit cost averaging approach.

Source: Zurich, FE Analytics, International Equity fund used

Breakdown of **unit cost averaging,** when investing €5,000 per month over a 6-month period in the International Equity Fund.

| Month | Amount | Unit Price | # of units bought |
|---|---|---|---|
| September 2018 | €5,000 | €9.14 | 547 |
| October 2018 | €5,000 | €9.17 | 545 |
| November 2018 | €5,000 | €8.57 | 583 |
| December 2018 | €5,000 | €8.72 | 573 |
| January 2019 | €5,000 | €8.03 | 623 |
| February 2019 | €5,000 | €8.60 | 581 |
| Total 6 months | €30,000 invested | €8.71 average price | 3,452 units |

Breakdown of **lump sum** investing in the International Equity Fund.

| Month | Amount | Unit Price | # of units bought |
|---|---|---|---|
| September 2018 | €30,000 | €9.14 | 3,282 |
| Total 6 months | €30,000 invested | €9.14 purchase price | 3,282 units |

## Benefits

The obvious benefit from the above example is the higher return generated from unit cost averaging during a declining market (+3.7% vs -1.4%). This is because you end up buying more units when the prices decline, standing you in good stead when the markets rebound.

The unseen (and therefore often underappreciated) benefit is psychological. During December, the fund price declined to a low of €7.87, amounting to paper losses of €4,171 (3,282 units * €7.87 = €25,829). As history has proved, the extent of these losses can often lead many investors to panic and sell out at just the wrong time.

Needless to say, past performance is not an indicator of future performance and only time will tell whether unit cost averaging outperforms lump sum over the coming 6-12 months. However, if volatility does pick up, by spreading out the timing of your investments, you're protecting yourself from the emotional whipsaws and ensuring your capital is well positioned for the calmer waters ahead.

**Autoinvest from Zurich is an investment strategy based on unit cost averaging. For more information, just speak to your Financial Broker or Advisor.**

Warning: The value of your investment may go down as well as up.
Warning: Past performance is not a reliable guide to future performance.
Warning: This product may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

**Zurich Life Assurance plc**
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie



GR: 6016 Print Ref: ZL ISA 3628 0721

ZURICH