



INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 4 ANNUITY AND SAVINGS PLAN



What is market volatility?

Market volatility is a term used to describe the daily fluctuations, large and small, of the stock market. Volatility also describes the condition of a security, which is a general term used to describe an investment like a stock, bond or mutual fund. A security has high volatility if its value fluctuates frequently over a period of time, and low volatility if its value remains relatively steady over a period of time. Normally, a security with higher volatility indicates a riskier investment.

There are a wide range of factors that may affect market volatility such as world events, performance of certain sectors of the market, political factors and natural disasters. Most of these factors are beyond anyone's control and happen unexpectedly.

Should I be worried about my savings during a volatile period?

When a drop in the stock market occurs, it's easy to become discouraged or even nervous about your retirement savings funds. But don't overreact.

Market volatility is a normal and inevitable part of the stock market cycle and should be factored into your long-term investment strategy. It's like experiencing a cramp while

running a marathon; you may feel uncomfortable in the moment and begin to lose sight of the end goal, but staying the course is the best way to cross the finish line. Similarly, understanding your investment strategy and maintaining that focus through a volatile period may help you reach your retirement goals.

Familiarizing yourself with the history of the stock market may give you peace of mind if you are concerned about market volatility. Historically, stock market drops have been followed by an eventual bounce and market growth. The graph on the next page shows that recovery periods have historically lasted longer than downturn periods.

Market downturns and recoveries 1926-2019¹

DOWNTURN	% LOSS			RECOVERY
34 months	-83.4%	Sep 1929–Jun 1932	Jul 1932–Jan 1945	151 months
6 months	-21.8%	Jun 1946–Nov 1946	Dec 1946–Oct 1949	35 months
7 months	-10.2%	Aug 1956–Feb 1957	Mar 1957–Jul 1957	5 months
5 months	-15.0%	Aug 1957–Dec 1957	Jan 1958–Jul 1958	7 months
6 months	-22.3%	Jan 1962–Jun 1962	Jul 1962–Apr 1963	10 months
8 months	-15.6%	Feb 1966–Sep 1966	Oct 1966–Mar 1967	6 months
19 months	-29.3%	Dec 1968–Jun 1970	Jul 1970–Mar 1971	9 months
21 months	-42.6%	Jan 1973–Sep 1974	Oct 1974–Jun 1976	21 months
14 months	-14.3%	Jan 1977–Feb 1978	Mar 1978–Jul 1978	5 months
20 months	-16.5%	Dec 1980–Jul 1982	Aug 1982–Oct 1982	3 months
3 months	-29.6%	Sep 1987–Nov 1987	Dec 1987–May 1989	18 months
5 months	-14.7%	Jun 1990–Oct 1990	Nov 1990–Feb 1991	4 months
2 months	-15.4%	Jul 1998–Aug 1998	Sep 1998–Nov 1998	3 months
25 months	-44.7%	Sep 2000–Sep 2002	Oct 2002–Oct 2006	49 months
16 months	-50.9%	Nov 2007–Feb 2009	Mar 2009–Mar 2012	37 months
3 months	-13.52%	Oct 2018–Dec 2018	Jan 2019–April 2019	4 months

Source: Morningstar DirectSM 2019. IA SBBI U.S. Large Stock TR USD Ext. Past performance is not a guarantee or prediction of future results.

■ Length of downturn ■ Length of recovery

How can I minimize risk?

Understand your risk tolerance

When determining an investment strategy that will help you meet your retirement goals, you may want to consider factors such as your current age, desired retirement age and current savings to determine the amount of risk or volatility you are comfortable with in your portfolio. If you have plenty of time before your planned retirement age, you may feel comfortable creating a more aggressive portfolio that, while typically characterized by high growth potential, could be subject to greater short-term fluctuations.

However, if you are nearing retirement, you may want to consider a more conservative portfolio. You may need access to your money sooner and therefore won't want to be exposed to potential market drops in the short term.

Diversify your portfolio

One step you can take to reduce the impact of market volatility on your investment portfolio is to allocate your assets across different asset classes in more than one market segment. This is called diversification.

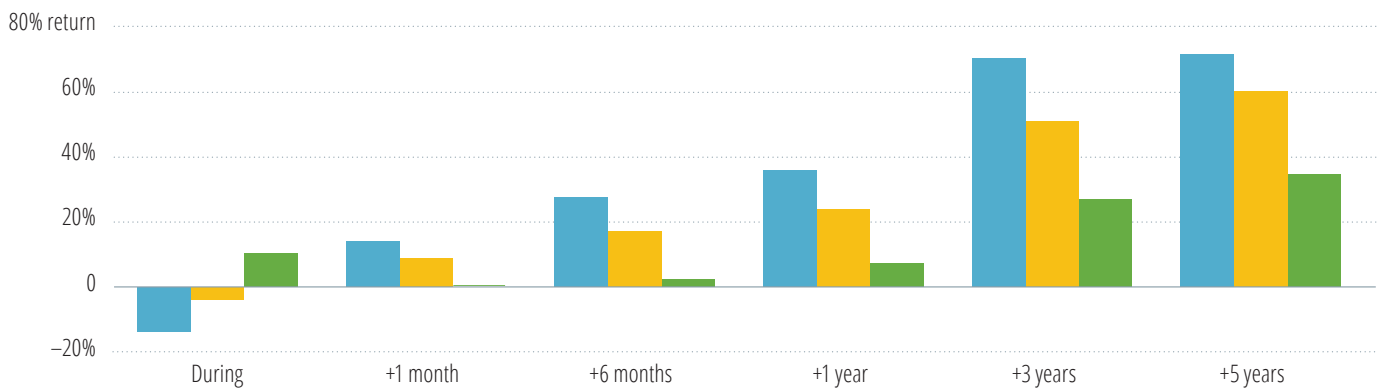
For example, you may purchase a variety of stocks and bonds representing various industries. While one segment may be experiencing a downturn, another could be growing. Therefore, you may be able to offset losses in one segment with gains or smaller losses in another segment. The data in the top chart below shows how different investments have performed both during and after past recessions.

Don't try timing the market

Taking your money out of the market in order to avoid the worst days may end up setting you back. While avoiding the worst market days may help your overall growth, the market's unpredictable nature can result in market spikes on any given day. Missing out on the best days of the market may result in significant losses compared to riding out the volatility.

The data in the lower chart below shows the cost of missing out on the best market days.

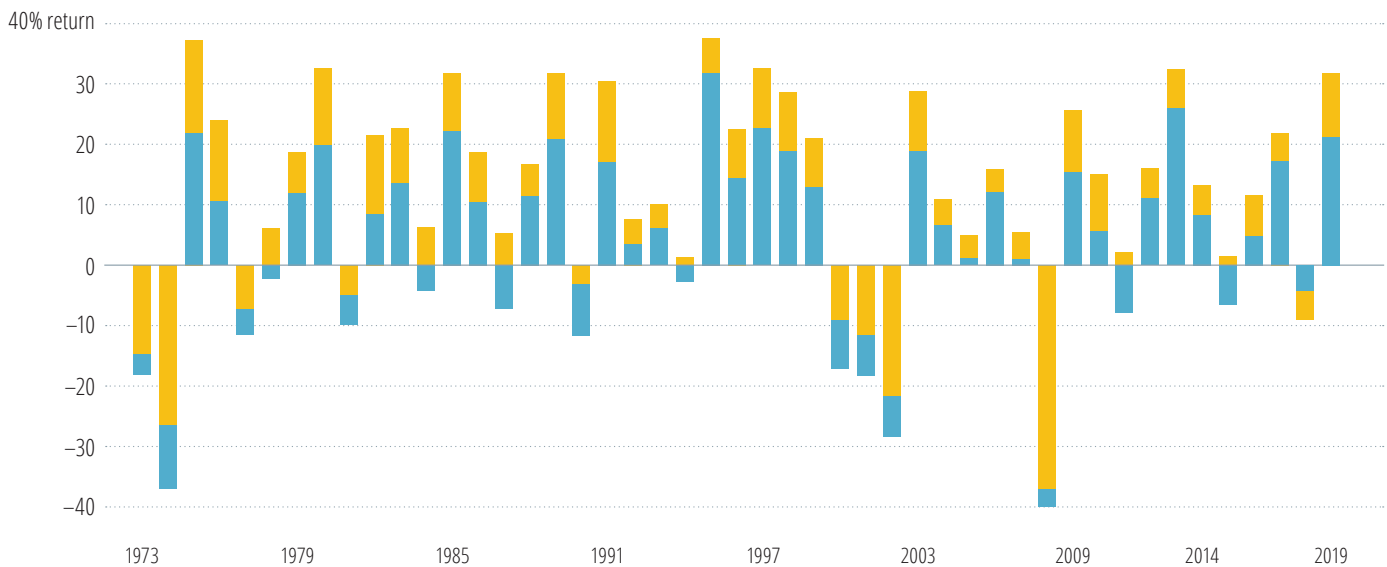
Performance during and after recessions²



Source: Morningstar DirectSM 2018. IA SBBI U.S. Large Stock TR USD Ext. Past performance is not a guarantee or prediction of future results.

Stocks Diversified portfolio Bonds

Market-timing risk: The effect of missing the best month of annual returns 1973-2019



Source: Morningstar DirectSM 2019. IA SBBI U.S. Large Stock TR USD Ext. Past performance is not a guarantee or prediction of future results.

Annual return Annual return minus best month



If you still feel anxious or unsettled about your current investments or about the market overall, call Empower at **800.743.5274**. We'll explain your options and help you through your retirement savings journey. Representatives are available weekdays from 8 a.m. - 8 p.m. Eastern time.

As with any financial decision, we encourage you to discuss your options with a financial advisor and consider costs, risks, investment options, and limitations prior to investing. You should choose the option that is right for you and your specific situation.

Diversification and asset allocation do not ensure a profit and do not protect against loss in declining markets.

1 Morningstar DirectSM 2018. Large stocks are represented by the Ibbotson[®] Large Company Stock Index. Downturns in this example are defined by a time period when the stock market value declined by 10% or more from its peak, while the recovery period indicates the number of months from the trough of the downturn to the market's previous peak. An investment cannot be made directly in an index. The information assumes reinvestment of all income and does not account for taxes or transaction costs.

2 Morningstar DirectSM 2018. Recession data is from National Bureau of Economic Research (NBER). The average cumulative returns are calculated from the end of each of the 10 recessions in U.S. history since 1953. The National Bureau of Economic Research (NBER) does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a recurring period of decline in total output, income, employment and trade usually lasting from six months to a year and marked by widespread contractions in many sectors of the economy. The data assumes reinvestment of income and does not account for taxes or transaction costs.

3 Morningstar DirectSM 2018. Stocks are represented by the Ibbotson[®] Large Company Stock Index. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

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