Benefits of long-term investing

Understanding how markets work over time

BMO | Global Asset Management

Focus on the BIG picture – choosing the right investments

Investors have different investment goals. Whatever your goals may be, it's crucial to take a targeted investment approach.

Where are you focused?

Short Term

- Watching daily portfolio value?
- How quickly do you need cash?
- Everyday essentials?
- Saving to buy a car?
- What's today's headlines?

Investment Considerations:

- Liquidity
- Principal protection
- Low volatility

Long Term

- What are your retirement goals?
- What's your time horizon?
- How is my money working for me?
- Planning for your child's education?

Investment Considerations:

- Inflation
- Investment Growth
- Compounding*

It's important to match where you are focused with your investment goals.

Options like GICs and fixed income solutions are better suited for investors focused on capital preservation. Investors who are seeking to build their long-term wealth should consider equity based solutions.

!

Taking a long-term view can help you reach your financial goals.

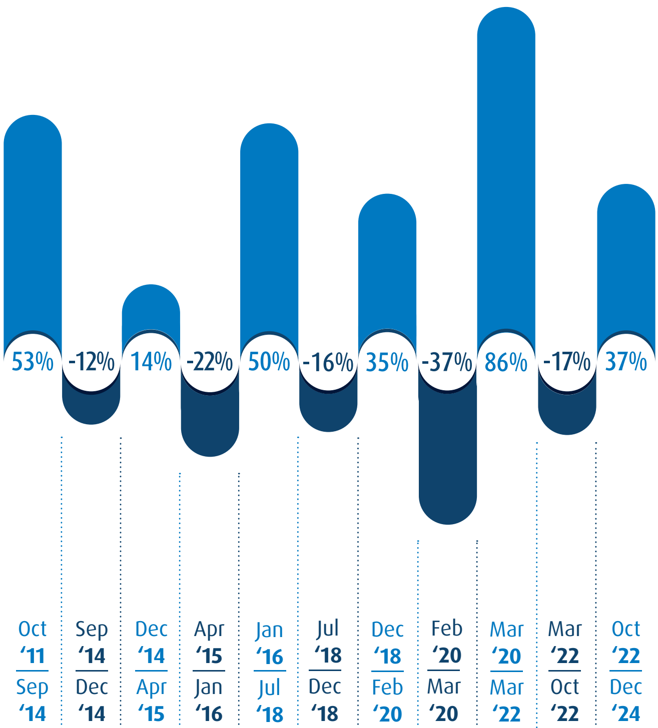
* Compounding refers to the increasing value of an asset due to the interest earned on both the principal and the accumulated interest.

Don’t overreact to falling markets

Despite downfalls and pauses, markets have always had a strong recovery.

Market Crisis Opportunity

Declines in the market can create great investment opportunities.



Source: Morningstar. Canadian Equities are represented by S&P/TSX Capped Composite Index Total Return. Declines over 10% are shown. As of Dec 30, 2024. Past Performance is not indicative of future results.

Stay invested for the long term and benefit from the rise.

In the short term, equity markets tend to be volatile. Day-to-day fluctuations and market noise can cause you to react and potentially miss out on market opportunities. The key for you is to not make the mistake of selling at the bottom. Instead, if you are able to, you would be prudent to stay invested and catch the potential rapid rise after market events. Canadian equities in the last 10 years have significantly recovered after every fall, validating the importance of a long-term investment approach.

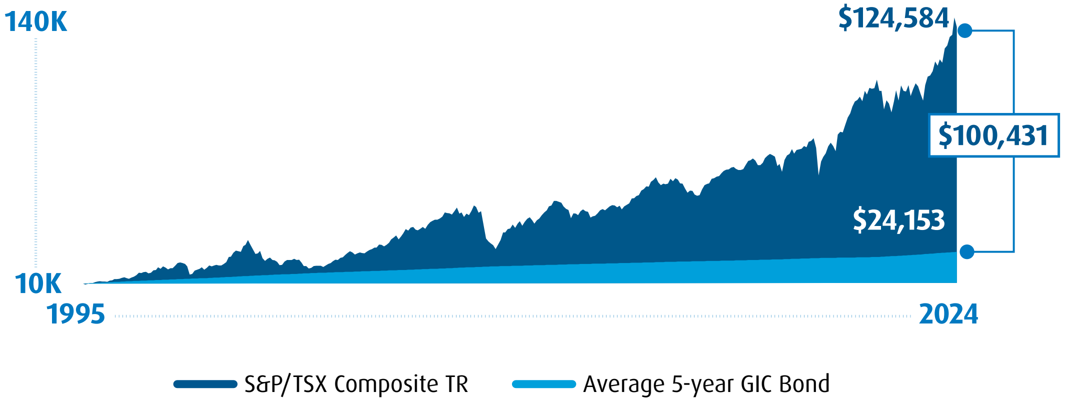
!

The risk for long-term investing is not short-term volatility. It’s not reaching your investment goals.

Reap the long-term benefits

Staying invested in the market can pay off. Looking from a long-term perspective, equities have historically outperformed and can provide you with a promising solution for building your nest egg.

Growth of $10,000 invested 30 years ago



Source: Morningstar. The scenario assumes an investor makes an initial investment of $10,000 on January 1, 1995 until December 31, 2024. Canadian equities are represented by S&P/TSX Capped Composite Index Total Return and 5 Year GIC Index is represented by Morningstar GIC Index data. This example assumes the ability to withstand losses or to adhere to a particular trading program in spite of trading losses, these are material points which can also adversely affect actual trading results. Index returns do not reflect transactions costs or the deduction of other fees and expenses and it is not possible to invest directly in an Index. Past performance is not indicative of future results.

It's not about timing the market; it's about time in the market that pays off in the long run.

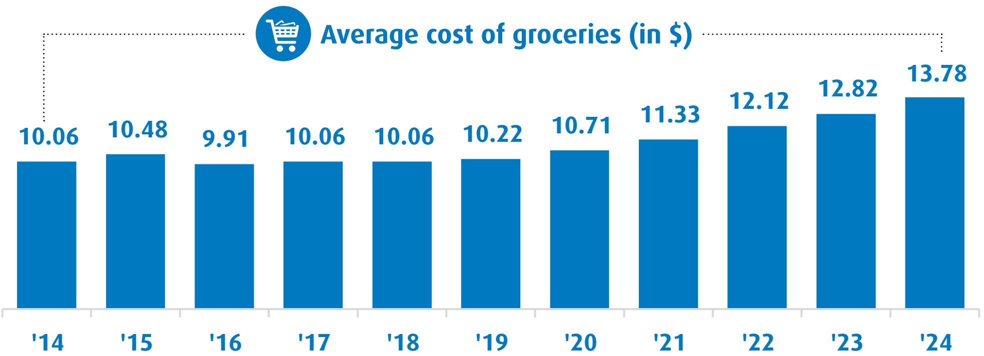
Over the last 30 years, Canadian equities have had a meteoric rise. Looking back to rolling 10-year time periods, equities have proven to significantly outperform both 1-year and 5-year GICs. This means that if you're looking to grow your wealth with an investment time horizon of more than 10 years, long-term equity investments can be an effective option. Long-term investment in equities is can help you maximize upside potential and reach your financial goals.

!

Over the last 30 years, if you started with a $10,000 initial investment you could have potentially missed out on $100,431 in gains by not investing in equity markets.

Stay ahead of inflation

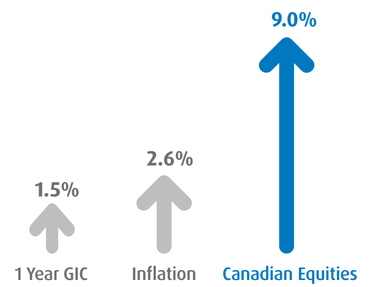
Inflation, the continued increase of the cost of goods and services, is an important consideration when you're making financial decisions, because even low inflation rates can eat away at your savings.



Source: Statistics Canada. BMO Asset Management Inc. The cost illustrates the total cost of one litre of orange juice, a dozen eggs and a loaf of bread.

As the cost of living in Canada continues to rise, consumer purchasing power decreases. The average cost of groceries in the last 10 years has increased more than 30%. If you want to keep up with the rising cost of living and eventually enjoy a financially secure retirement, you need to ensure that your money is growing at a higher rate than inflation.

Long-term investors should be mindful when investing in low-returning conservative investment vehicles such as GICs, bonds, and cash equivalents as there is risk that inflation can significantly erode returns. Inflation poses a risk so it is important that investors protect their capital through equity based investments.

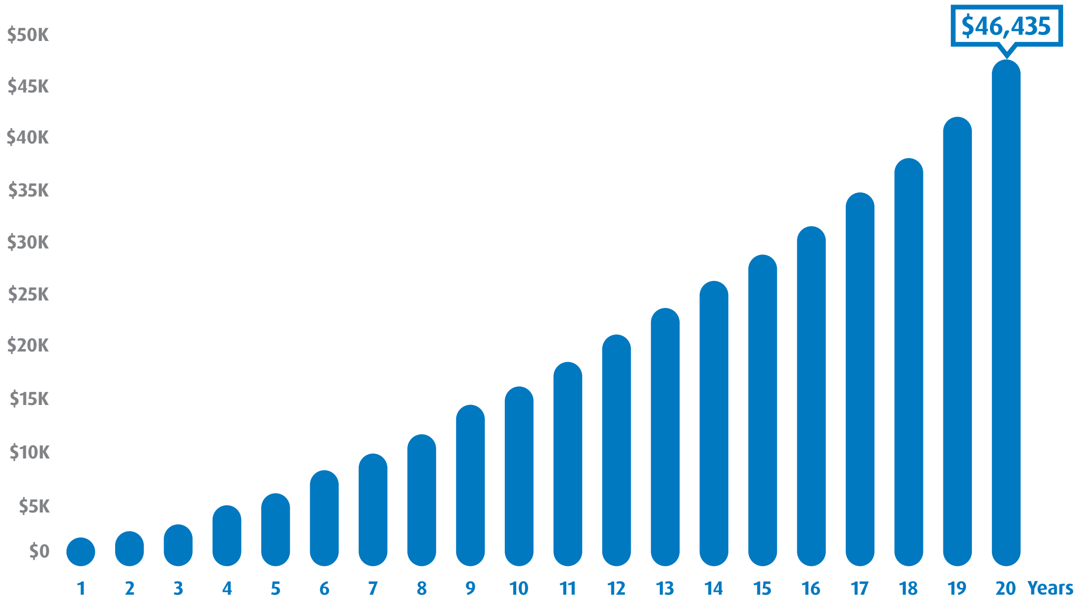


Source: Bank of Canada, Morningstar.
1 year GICs are represented by the 10 year average rate. Canadian equities are represented by the S&P/TSX Capped Composite Index Total Return, and both inflation and canadian equities show the 10 year annualized return. All figures as of December 31, 2024. Past performance is not indicative of future results.

The power of compounding

Investing is not only about how much money you have; it's about how much time you have.

When a little becomes a lot



Source: This scenario assumes an investors is making a $100 monthly contribution for 20 years, with a 6% annual compounded rate of return. For illustrative purposes only.

If you invest $100 a month for 20 years with a 6% annual compounded rate of return, you will end up with $46,435!

Compounding is one of the most effective ways for investors to increase their wealth over time. Compounding is the reinvestment of earnings back into the initial investment, meaning you can earn income on top of income. By making regular contributions you can enjoy the long-term benefit of compounding. The longer you stay invested, the longer your money works for you and the more your wealth can grow!

!

The longer you stay invested, the more your investment can grow.

Why mutual funds?

A significant amount of time, research and money would be required for you to properly diversify in equity markets. Mutual funds can benefit you by providing:

- **Ease of investing** – As an investor, you can conveniently access a variety of investment markets.
- **Professional management** – Be at ease knowing that your investments are in the hands of professionals who have access to market insights on the latest trends and sound economic research.
- **Affordability** – You gain access to easy and cost-efficient portfolios of equity investments.
- **Diversification** – You can gain access to various sectors, countries and asset classes, which helps to decrease your portfolio risk.
- **Contributions** – You can make regular contributions and add to your holdings without trading costs.

Investment solutions for equity investors

BMO ETF Portfolios

These portfolios are designed as a suite of solutions that are tailored to your risk profile†. They are core investment building blocks that provide you with diversified exposure to equities and fixed income.

BMO Dividend Fund

This fund is focused on increasing cash flow by investing in dividend growing stocks. This Fund focuses on the Canadian blue chip names that you know and trust to capture growth potential, while also gaining stability from dividend income.

BMO Global Equity Fund

This fund aims to provide long-term growth of capital by investing in equity securities around the world with significant growth potential and places a strong focus on extensive sector knowledge.

BMO Concentrated Global Equity Fund

This fund invests in a concentrated portfolio of high quality, global companies with historically sustained growth at good valuations, using a long-term investment horizon.

BMO U.S. Equity Plus Fund

This fund is managed by Brian Belski, the Chief Investment Strategist and leader of the Investment Strategy Group at BMO Capital Markets. This fund is comprised of core long-term equity holdings of high-quality brand-named companies within both the U.S. and Canada.

† Comprised of a client's risk tolerance (i.e. client's willingness to accept risk) and risk capacity (i.e. a client's ability to endure potential financial loss).

Come in to your local BMO Branch, and speak to one of our trusted financial professionals to find out more.

Learn more
bmo.com/mutualfunds

BMO Global Asset Management