



# The case for equities

## Achieving Financial Goals

After one of the worst decades on record for the markets, many investors are avoiding equities. However, equity investments can offer them the growth potential they need to achieve their financial goals. Here's why equities should be included in most portfolios:

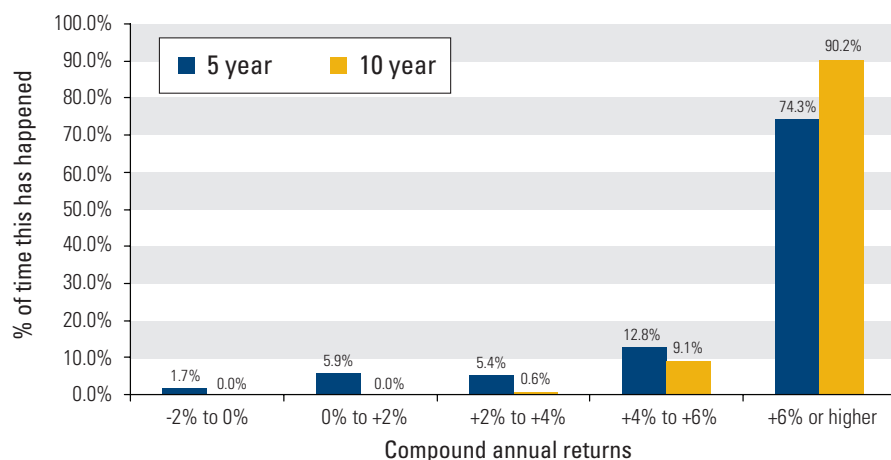
**Over the long term, stocks have outperformed every other asset class** – While equity investment returns come with more volatility than bonds, over the longer term, they have outperformed.

**Equities provide a hedge against inflation** – Since 1960, the Canadian stock market has achieved an average annual return of 9.9%. In the same period, inflation rose an average of 4.1%.

**Long-term investing has produced positive results** – While equity markets can be volatile over the short term, over longer periods, such as 10 years, there has been a 90% chance that investors will receive an annual compound return of 6% or more.

### Long-term investing produces positive results

TSX rolling five and 10-year periods, 1960-2010\*



Source: Globe HySales

\* S&P/TSX Composite Index since 2002, TSE 300 Index from 1977 to 2002 and TSE Index prior to 1977.

The chart shows the compound annual return over five and 10 years for the Toronto stock market since 1960. If you had been invested for 10 years, there is a zero chance that you would receive a return of less than 2%, but there is a 90% chance that your return would have been 6% or more.

*“Over the long term, the stock market news will be good. In the 20th century, the U.S. endured two world wars and other traumatic and expensive military conflicts... Yet the Dow rose from 66 to 11,497.”*

– Warren Buffett, Chairman, Berkshire Hathaway Inc.

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## Stocks have more good years than bad

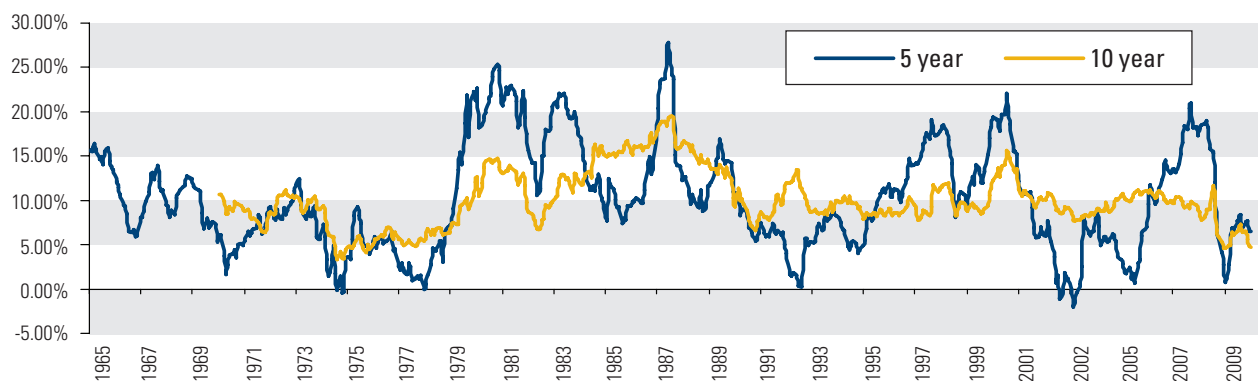
As the chart below shows, market gains have been greater than its losses. If you stay invested for five or 10 years, stocks almost always deliver positive results.

Investing in equities offers many advantages, including:

- exposure to the growth of the economy
- exposure to the growth of a diverse range of businesses
- access to tax-advantaged income, such as dividends and capital gains
- diversification, through investments in different asset classes and global markets.

### Five and 10-year holding periods for the S&P/TSX Composite Index

Annualized compound returns 1965-2010



Source: Globe HySales

The chart shows the annual compound returns over five and 10 years. For example, the five-year average annual return in 1965 was just over 15%. There were only two periods – 1974 and 2002-2003 – when returns were negative over five years, and none over 10 years.

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