In 1924, MFS launched the first US open-end mutual fund, opening the door to the markets for millions of everyday investors. Today, as a full-service global investment manager serving financial professionals, intermediaries and institutional clients, MFS still serves a single purpose: to create long-term value for clients by allocating capital responsibly. That takes our powerful investment approach combining collective expertise, thoughtful risk management and long-term discipline. Supported by our culture of shared values and collaboration, our teams of diverse thinkers actively debate ideas and assess material risks to uncover what we believe are the best investment opportunities in the market.

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Keep in mind that all investments, including mutual funds, carry a certain amount of risk including the possible loss of the principal amount invested. Past performance is no guarantee of future results. No investment strategy, including diversification and asset allocation, guarantees a profit or protects against a loss.

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MFS Investment Management

The Upside of Down Markets

Five steps to help you win with clients when the markets are losing

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Great advisors know that serving clients well is not just about managing their investments. It's also about managing their expectations and emotions. It starts with effective communication. Clearly articulating why events happen and how you respond can be extremely valuable to both clients and prospects.

Turbulent times can be a great opportunity to demonstrate your worth and grow your business. It all starts with a plan.

Creating a silver linings action plan

We all know that being proactive and having a plan makes most things run smoothly. A good plan touches on your goals, the steps to achieve them, the tools you'll need and how to overcome obstacles.

Usually the best time to make a plan is before you need it. After all, you want to know where the exits are when you smell smoke. Volatile markets, like fires, can cause anxiety and lead to poor decisions, so now may be the time to develop an action plan.

Determine the goals of your plan

Having a proactive plan is one way for skilled advisors to prove themselves and build lasting relationships. The first step in developing a plan is to think about your goals, which could include the following:

- Prepare clients for the next volatile market to calm their fears.
- Demonstrate your value by being proactive and attuned to client and prospect needs.
- Stand out from other advisors with potential prospects.
- Assess and reposition portfolios before the market turmoil strikes.

The next thing to do is to map out the steps needed to pursue your goals, and the tools you'll need.

Implement your plan

Once you have determined your goals, take the steps below to implement your plan. To help you implement your plan, we've put together lists of suggested actions, tools and resources you can make use of for each step.

STEP 01 Prepare your client communications

STEP 02 Build your audience list

STEP 03 Provide educational materials

STEP 04 Assess clients' portfolios

STEP 05 Analyze your investment managers

STEP 01

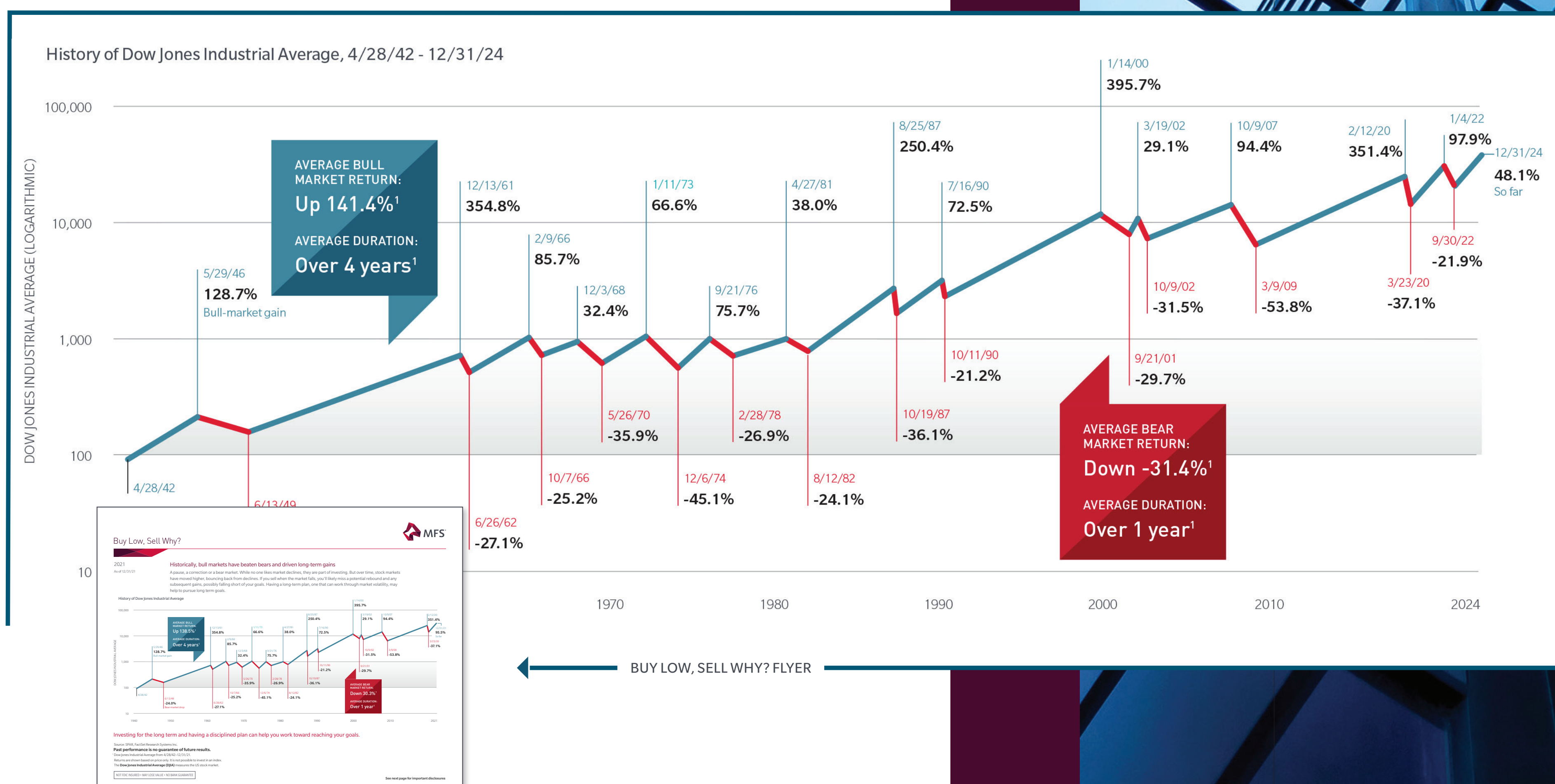
Prepare your client communications

Discussing how to respond to a market slowdown is a conversation that can be tough to have. Even the mention of a downturn can be scary. While many clients realize that the market can't go up forever, the reality of a bear market can push clients into making poor decisions. Preparing your clients for volatility now may help reduce anxiety when the market drops. Knowing what to expect can instill confidence.

Talking to your clients about volatility can be easy. You can use our "Buy Low, Sell Why?" flyer, which explains why staying invested and sticking with their plan can help them pursue their goals. It's easy to show clients that despite bear markets (represented by the red parts of the line in the illustration below) the market moved higher over time and that selling out of the market could be detrimental.

Reaching out to clients can show them that you're prepared and thinking of their needs.

You can refer to the chart below as you kick off the conversation by asking your clients the questions listed on the following page.



Source: SPAR, FactSet Research Systems Inc.

Past performance is no guarantee of future results.

[1] Dow Jones Industrial Average, 4/28/42–12/31/24.

Returns are shown based on price only. It is not possible to invest in an index.

The **Dow Jones Industrial Average (DJIA)** measures the US stock market.

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Conversation starters

Question	"Looking at the bear that started in _____, with the benefit of hindsight, what could you have done?"
Answer	Emphasize that either of the typical answers, buy more or wait it out, are good.
Question	"Is the line in the chart generally going up or down? Does the market spend more time in bear markets (red parts of line) or bull markets (blue parts of line)? Can you see how the market was able to rebound after declines? Given this historical perspective, what should an investor do when markets decline?"
Answer	Point out two recent bear markets that most clients remember — the dot-com bubble and the financial crisis. Underscore that making emotionally driven decisions during bear markets can be counterproductive.
Question	"When the next bear market occurs, we won't have the benefit of hindsight, but what do you think you should do when the market declines?"
Answer	Drive home your point with this question and write down what they say. When the market drops, call your clients to answer any questions and give your perspective. Then ask, "When we talked about bear markets a few weeks (or months) ago, you said your plan was to wait it out (or buy more or move some assets to stocks). Do you still think that's the right plan?

By setting realistic expectations of what can happen, your clients can potentially be better prepared. Take the time to reflect with them on decisions made in the past that didn't pan out and discuss what they can do differently this time

STEP 02 Build your audience list

Your outreach to clients and prospects should be based on their concerns or interests. Prepare six groups of clients or prospects based on the list below. Gather their contact information so you can reach out quickly. If you are a skilled advisor, volatility can be an opportunity to prove yourself. Below are some client outreach ideas to get you started.

Client outreach ideas

CLIENT GROUP	TOP CLIENTS
Group criteria	Clients who are waiting for a market decline of 10% before investing
Action	Call them when the market declines 10% or more.
Conversation starter	*"You wanted to invest after the market pulled back 10%. We crossed that threshold yesterday."*
CLIENT GROUP	**DIFFICULT CLIENTS**
Group criteria	Clients that require a lot of attention or have high expectations
Action	Call or email them now, before volatility increases or the market corrects.
Conversation starter	*"I think we're in the late cycle of the bull market. I'd like to talk about what could happen given the recent volatility. Let's see how you're feeling and review our plan."*
CLIENT GROUP	**WORRIED CLIENTS**
Group criteria	Clients who didn't react well during the last downturn or who seemed nervous when you launched your playbook
Action	Call them the week before the first bad statement is due.
Conversation starter	*"I'm following up on our conversation last month about volatility and market declines. The market has been rocky lately. I want to talk to you about what to expect when you get your next statement and whether we should consider modifying our plan."*
CLIENT GROUP	**TOP PROSPECTS**
Group criteria	Prospects who already have an advisor
Action	Call them after the market declines, maybe a week after quarterly statements arrive.
Conversation starter	*"I know you have an advisor, and I'm sure they've already called you to discuss what's been happening in the market. I thought you might appreciate another viewpoint."*
CLIENT GROUP	**NEW CLIENTS (SINCE 2009)**
Group criteria	Clients that have joined your practice and haven't been through a bear market
Action	Call them now before the market corrects or enters bear territory.
Conversation starter	*"I think we're in the late cycle of the bull market. Let's talk about what to expect and review your plan."*
CLIENT GROUP	**RETIREES**
Group criteria	Clients that have retired in the past few years
Action	Call or email before the market corrects or enters a bear market.
Conversation starter	*"The market has been volatile recently. I'd like to review your portfolio and your plan given recent market activity."*
CLIENT GROUP	**BUY LIST**
Group criteria	Clients that want to buy when the market declines
Action	Call them when the market declines 20% or more.
Conversation starter	*"I know you wanted to buy when the market declined and valuations were cheaper. The market's now down about 20%. Some of the areas you were interested in look attractive."*

STEP 03 Provide educational materials

Most clients have a hard time keeping calm and on track during market declines. So it's important to be proactive, to arm them with knowledge and to ease their anxiety. Educational resources can help keep your clients on track and focused on their investment goals. Here are some of the tools and resources that you can mail, email or present in person:

Principles of Investing With Resilience Client Seminar

This educational seminar can be used with clients and prospects alike. It addresses volatility head on and explains how to navigate volatile markets, as outlined below.

- Explains that volatility is a normal part of investing
- Demonstrates how emotion-based decision making and market timing can impact a portfolio
- Delves into the benefits of taking a long-term approach and the power of compounding
- Explores how diversification can help manage risk and add return potential
- Shows the importance of a proper allocation

Principles of Investing with Resilience Playbook

For one-on-one meetings with your clients or prospects, this playbook-style presentation is a modified version of the client seminar, with easy to understand key points and actionable takeaways.

FLYERS

Are Investors Piling on Risk in Search of Returns?
Demonstrates how market dynamics have changed substantially and to try and achieve the competitive returns as in the past, investors may need to take on more risk.

Rule of 72
Shows an easy way to estimate how long it will take clients to double their money

20 Years of the Best and Worst
Builds the case for a diversified portfolio

Full Market Cycle
Explains how investing today could give clients more opportunity to grow their investments over time.

How a Dollar Grew Over Time
Helps clients maintain perspective during volatile markets by asking fundamental questions.

Managing the Ups and Downs
Teaches that historically market declines haven't lasted and stocks have generated positive returns over long periods of time.


What Keeps You Up at Night?

Keep in mind that your clients have other things going on in their lives. They could be trying to decide whether to put a parent in a nursing home or concerned that they may be laid off. Use the "What Keeps You Up at Night Checklist" to make sure that you're covering all their needs. You might identify unmet needs or even uncover a previously unknown need.

STEP 04

Assess clients' portfolios

Your investment plan is another tool in your arsenal. A well-allocated portfolio may be a key part of minimizing the impact of a bear market, and knowing what you own is more important than ever. While you can't control the market, analyzing and reassessing your clients' portfolios is something you can manage.

Rerun your matrix

- It's been over 10 years since the financial crisis; as a result, 10-year numbers may provide less insight. However, IRIS, MFS' new analytical tool, can run 15-year data if they're available. We use IRIS to compare funds and create simple, easy-to-read reports that go beyond standard performance, providing real transparency. IRIS is an in-house analytical resource using third party data and provides a high-level fund overview, including asset allocation, holdings and fund statistics; multiple views of performance and risk measures; and a comprehensive breakdown of funds. The result? Clients can be confident they know what they own.

Stress-test client accounts

- There are a number of financial planning software packages available on the Internet for stress testing portfolios.

Review risk tolerances

- While executing your silver linings action plan with clients, you can review your allocations to make sure they're still aligned with the clients' risk tolerances. This is especially important for retired clients, who are more affected by downturns because they rely more on their portfolios.

Conduct a liquidity review

- Keeping a portion of client assets in liquid assets ensures they have access to funds if they need them. Conduct a liquidity review to see which assets can be sold if necessary without impacting clients' long-term financial goals.

Another strategy to help manage bear markets is to invest in actively managed funds. While index funds follow the market down, well-resourced active managers can potentially provide some downside risk management by pivoting out of overbought industries or even avoiding them from the start.

STEP 05

Analyze your investment manager

The financial crisis most likely formed a lasting impression in your clients' minds, perhaps placing a premium on downside risk management. As markets change, it may be more important than ever to find managers such as MFS that have navigated effectively through full market cycles and have a risk-aware culture. To find out if your manager has these key capabilities ask them the following:

- Do you have a succession plan in place? What happens when a key person leaves?
- What kind of attrition have you experienced over the past five years?
- How do you compensate you portfolio managers and analysts? Which period is most heavily weighted in your compensation? In other words, is your compensation aligned with your clients' long-term goals?
- Do you have a clear risk management process? How long has it been in place?
- How do you manage capacity?
- In a fiduciary-advice world, how are you addressing fees?
- How did you fare over the last bear market?

Founded in 1924, MFS has actively managed assets through the Great Depression, wars, recessions and the global financial crisis. We manage the oldest mutual fund in the United States, and to this day no other mutual fund company has navigated more bear markets.

What we feel sets us apart is our commitment to a single purpose: to create long-term value for clients by putting investors' money to work responsibly. We do this by taking a long-term view and striving to manage capital in difficult markets.

Start planning today

Markets can change in an instant. Now may be the time to demonstrate your value to clients and prospects by helping them act on insight, not emotion. Your guidance could mean they thrive throughout the cycle rather than just survive a down market.

Start planning today to turn adversity into opportunity. Visit the managing volatility page on mfs.com.