**How to Talk to Your Clients about….Drawdown**

The long-term trajectory for stocks over time is an upward trend; this is the basic argument behind buy-and-hold. But, as advisors know, it's hard for their clients to stay the course in the midst of a significant market correction because of *drawdowns.*

The *maximum drawdown* is measured from the maximum high to the ultimate low. The greater the drawdown (peak to valley), the more it will take—in dollars, percentage, and, most likely, time—to return to breakeven.

A simple example: If a $100,000 investment suffers a 50% decline to $50,000, it will then take a 100% gain (doubling the money) to get back to breakeven.

That's what makes drawdown a concern for advisors and their clients: not just the loss incurred, but how much (and how long) it takes to restore that lost capital.

One way to potentially mitigate drawdown in an overall portfolio, is by dedicating a portion to a strategic allocation strategy.

At Astor, we use a fundamentally-driven, macroeconomics-based approach using our Astor Economic Index, which gives us an indication of when we believe it is opportune to hold risk assets (equities) or to reduce them, with the objective of reducing the drawdowns.

We believe that by potentially reducing or even avoiding drawdowns in a portion of the portfolio, investors may be positioned for better returns over the long term.

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