Answers to Investor Questions on Market Volatility

Making Sense of Rebalancing

**WHAT?**

**WHAT IS REBALANCING?**
Rebalancing is an action taken by investors to realign their portfolios with their financial goals and risk tolerance. As time passes and market conditions change, portfolios can drift from allocation targets, often leaving people in positions that are either too risky or too conservative. To fix this, investors can buy or sell assets like stocks, bonds, cash or other types of vehicles, adjusting their portfolio exposure and weightings.

**WHY?**

**WHY IS IT IMPORTANT TO REBALANCE A PORTFOLIO?**
It is important for investors to rebalance portfolios, or redistribute assets, as a way to guard against unwanted levels of risk while also meeting financial goals and changing market conditions. Different asset types are often associated with different risk levels – stocks are generally considered riskier than bonds. Ultimately, a portfolio’s risk profile should closely mirror an investor’s risk tolerance.

**HOW?**

**HOW OFTEN SHOULD YOU REBALANCE?**
Rebalancing a portfolio may be done annually, as goals and needs change, or in response to big market shocks. Volatility, both up and down, can meaningfully impact your alignment. Together, you and your advisor should review your current mix of assets to determine how targets can be adjusted to better meet your long-term investment objectives.

For more insights and advice on market volatility and investing, visit pimco.com/volatility
IMPORTANT NOTICE

All investments contain risk and may lose value.

A word about risk: Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Equities may decline in value due to both real and perceived general market, economic and industry conditions.

There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market.

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