Market Insights

Five Smart Ideas for Navigating Today's Market

With market uncertainty once again making headlines, many investors are seeking the relative stability of cash and cash-like investments. While this approach may make sense for those with short time horizons or who are particularly risk-averse, Dreyfus cautions against making drastic changes to your portfolio, at least without careful prior consideration.

Why? Throughout our 60-year history, we've seen that quick reactions to market moves can come with a high price — and may significantly affect your ability to reach long-term goals. For most investors, those goals involve growing and/or preserving wealth.

To help you keep the proper perspective, we've highlighted five sound strategies that are worth considering in this period of market uncertainty.

1. Stay Focused — Stay Invested
2. Discover the Power of Dividends
3. "Dollar Cost Average" Your Way through Tough Times
4. Go Global with Your Asset Allocation
5. Get Professional Guidance

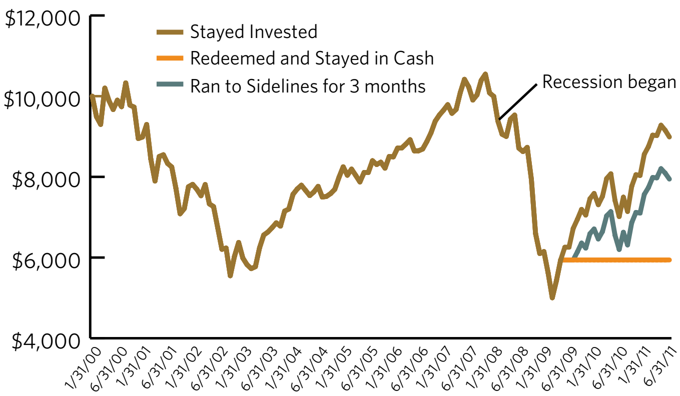
1. Stay Focused — Stay Invested

In the hypothetical example at right, note what happened to investors who, following a strong market downdraft, chose to go to the sidelines to wait out the storm.

In both scenarios (investors who redeemed and investors who stayed out three months and came back in), the perceived protection on the sidelines came with a high eventual cost. The chart shows that they significantly lagged the investor who stood firm when markets showed volatility. The lesson here is that it takes resolve to run counter to "the crowd," but that's precisely the strategy that can potentially pay the bigger rewards.

Source: Morningstar. **Past performance is no guarantee of future results.** These illustrations are based on the historical returns of the S&P 500 Index, a widely accepted, unmanaged index of U.S. stock market performance. They assume an initial hypothetical investment of $10,000 was made beginning 1/1/2000. Investors cannot invest in any index. Actual returns will vary.

Investors Who Stayed the Course Regained a Significant Amount of Their Capital Losses from 2008-2009 Crisis



The potential reward of running counter to "the crowd" is evident.

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2. Discover the Power of Dividends

Dividend income, from both equity and bond fund investments, can play an important part in an investor's portfolio — especially in periods of slow or uncertain economic growth. Therefore, it's important to keep these two points in mind:

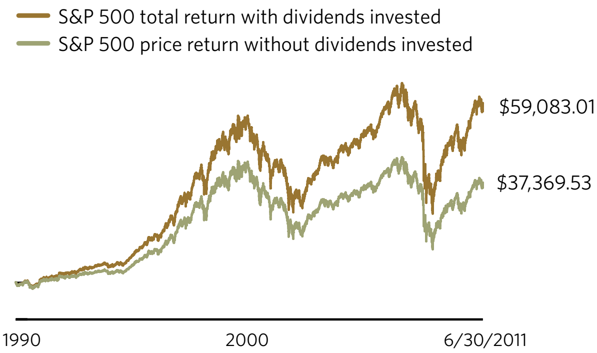
• *Dividends Have Historically Improved Long-Term Total Returns*

Fixed income investors generally have been rewarded by the income component of bond funds, which can to some degree balance price declines in turbulent or rising rate environments, for example.

This concept also applies to dividend-paying equities. Attractive equity returns are derived not simply from the receipt of dividends but from the accumulation of shares as a result of the *reinvestment* of those dividends, which historically has been a key driver of equity returns over the long run.

Reinvesting Dividends Has Outperformed Over Time

S&P 500 Index — Growth of $10,000 — Hypothetical Dividend Comparison
The Importance of Dividends, 1/1/90-6/30/11



Source: Morningstar. **Past performance is no guarantee of future results.** These illustrations are based on the historical returns of the S&P 500 Index. They assume an initial hypothetical investment of $10,000 was made beginning 1/1/1990. Investors cannot invest in any index. Actual returns will vary.

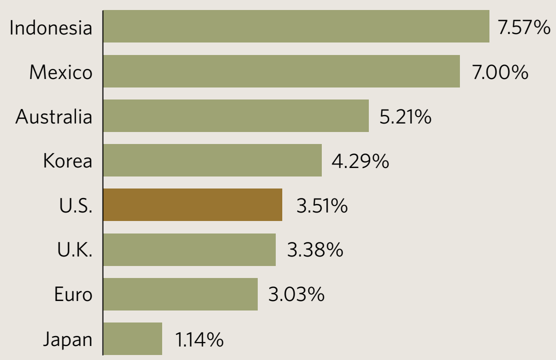
• *A Global Opportunity Set May Offer Greater Potential Rewards*

For investors seeking potentially higher yields than are available on U.S. Treasury securities (which offer "full faith and credit" U.S. government backing), it may pay to "go global." In addition to diversification benefits, the international equity and fixed income asset classes shown in the two charts may offer both relatively higher dividend yields and risk-adjusted total return potential versus U.S. domestic-only funds.

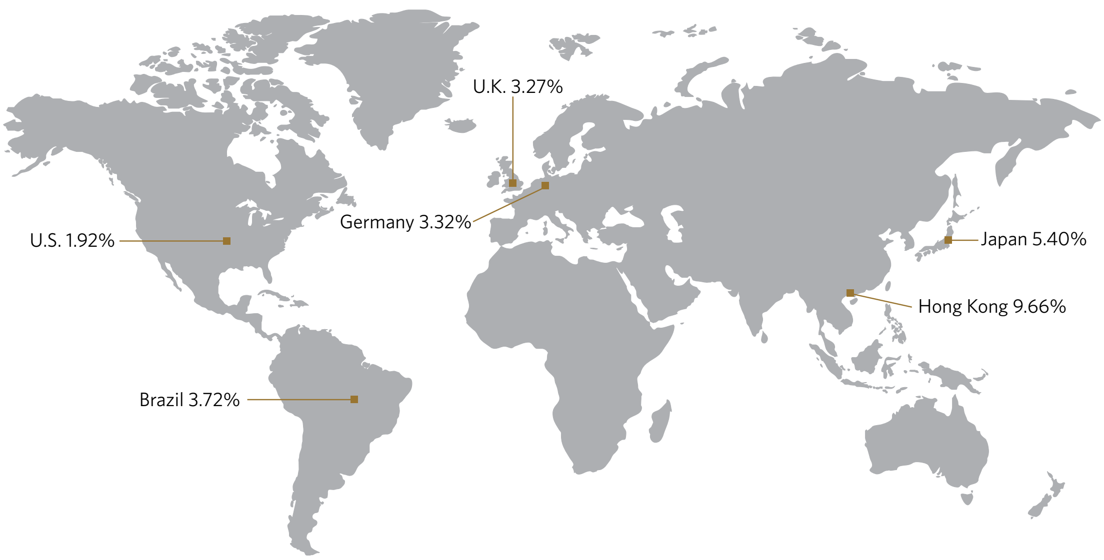
Source: Bloomberg. **Past performance is no guarantee of future results. Yield fluctuates. Investing in foreign bond mutual funds involves increased risks and potentially less consistency in generating income dividends compared with domestic mutual funds. The fixed income securities of issuers located in emerging markets can be more volatile and less liquid than those of issuers in more mature economies. Unlike funds that invest in domestic securities, funds that invest in foreign securities may not pay a regular dividend.**

Higher Current Yields Can Be Found Outside of the U.S. Bond Market

10-year Sovereign Bond Yields as of 6/30/11



Look Internationally for Higher Current Equity Dividend Yields



Source: Bloomberg. Equity dividend yields as of 6/30/11. **Past performance is no guarantee of future results. Yield fluctuates.** U.S. is represented by the S&P 500 index. U.K. is represented by the FTSE 100 index, which measures the performance of the shares of the 100 largest companies listed on the London Stock Exchange. Germany is represented by the DAX index, which measures performance of 30 blue chip German companies trading on the Frankfurt Stock Exchange. Brazil is represented by the BM&FBovespa index, which has 470 listings and a market capitalization of $1.54 trillion. Japan is represented by the Nikkei 225 index, the most widely quoted average of Japanese equities. Hong Kong is represented by the Hang Seng index, the main indicator of overall performance of the Hong Kong stock market. Investors cannot invest directly in any index.

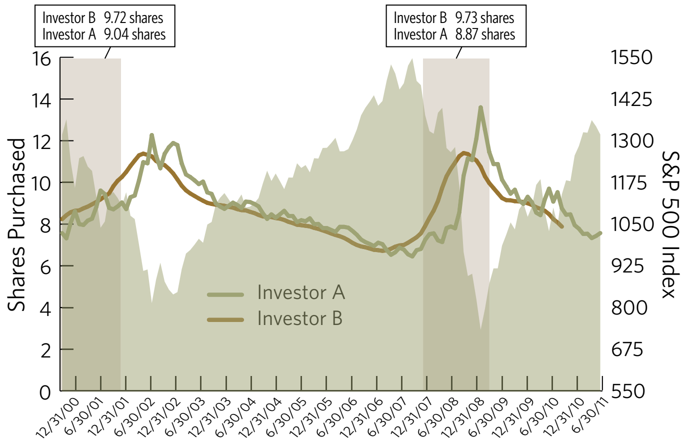
3. "Dollar Cost Average" Your Way Through Tough Times

If you're concerned about capital risk in today's market, we suggest a systematic approach — dollar-cost averaging (DCA). DCA involves investing a fixed dollar amount at regular intervals over a selected time period.

To illustrate this point, consider that over the past decade, on average, Investor B, who followed a DCA approach (e.g., 10 monthly investments of $1,000), would have hypothetically achieved more shares purchased than Investor A, who had made a $10,000 initial investment with no subsequent contributions.

In fact, during both periods when the stock market was most turbulent, a DCA approach would have purchased significantly more shares at a lower average cost.

Over the Past Decade, a DCA Approach Would Have Purchased More Shares, Especially in Down Markets



Source: Dreyfus, using data obtained from Morningstar. Investor A had purchased an average of 8.79 shares for the total period shown above, versus an average of 8.87 shares bought by Investor B using DCA. Shaded areas indicate recessionary periods. Dollar-cost averaging does not guarantee a profit or protect against loss in declining markets. DCA plans involve continuous investment in securities regardless of fluctuating price levels, and investors should consider their ability to continue making purchases through periods of low price levels. **Past performance does not guarantee future results.**

4. Go Global with Your Asset Allocation

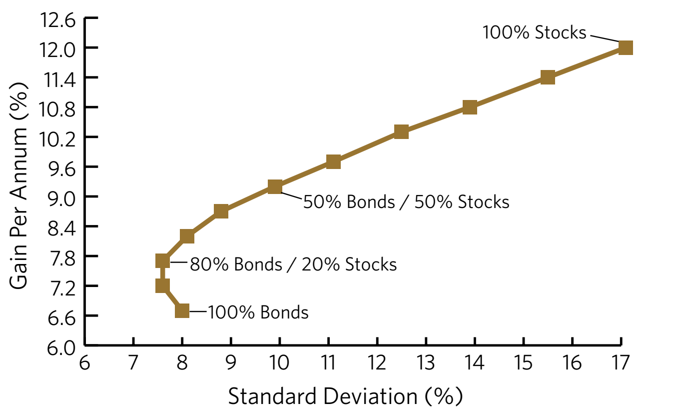
The goal of asset allocation is simple: To identify a mix of assets that will provide the highest potential for return, given the level of risk you are willing to assume.

This is best demonstrated by the illustration at right — a chart plotting the historical risk and return for various domestic stock and bond combinations.

Note that the asset allocation approach may also be greatly enhanced by utilizing a broader reach than a traditional U.S.-centered portfolio, and investing across the world markets. Since the world economies are at varying points of a sustained global economic recovery, and with many of the developing markets providing higher growth rates than most developed nations, investors can potentially capture the growth opportunities across the global markets.

Furthermore, by combining fixed income and equity investments, some of which have historically low correlations with one another, you may be able to optimize performance potential in up markets, but more importantly, reduce your overall downside risk in declining markets.

Bond Investors Can Benefit from a Modest Allocation to Stocks



Look what happened when an all-bond investor added a 20% allocation to stocks. Returns increased and risk (as measured by standard deviation) decreased.

Source: Ned Davis Research*. Asset allocation and diversification do not ensure a profit or protect against loss. Risk and return data covers the period 2/28/45-12/31/10. **Past performance is no guarantee of future results.** Results would be different for other time periods. Stocks are represented by the S&P 500, an unmanaged index and a leading measure of overall U.S. stock market performance. Investors cannot invest directly in any index. Bonds are represented by intermediate-term U.S. Treasury notes.

5. Get Professional Guidance

The principles outlined here will help to get you thinking about some sound approaches, especially in the current environment. However, with the many distractions in today's world, it can be hard to stay on track with a long-term perspective.

That's why a trusted financial advisor can play a key role in your investment planning and execution. He or she can objectively assess your risk tolerance, goals and time horizon, and help keep you headed in the right direction.

In addition, your advisor can provide professional insight into current market events, and the assurance you need to move forward with confidence.

Speak with your advisor today.

Potential Benefits of Working with a Financial Professional

- Objectivity
- Professional Insights
- Assurance

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