

Cost of Missing a Market Rebound

Summary

It is natural for investors to be concerned with investment portfolio performance during significant market declines. However, recent periods of market volatility provides insight into how the stock market has behaved *after* a bear market.

Bear markets defined

A bear market is a prolonged period in which investment prices fall, usually by 20% or more, accompanied by widespread pessimism. Bear markets usually occur when the economy is in a recession and unemployment is high, or when inflation is rising quickly.

Investor behavior

Fears of further declines and market volatility make investors skittish, with many pulling money out of the stock market after absorbing much of the decline. But then they risk missing the subsequent rebound after a bear market, which has been very robust.

Performance trends

While each bear market is unique, examining the past nine bear markets provides some perspective on similarities. On average, the market declines substantially as the economy contracts. Then, as the market discounts economic recovery, stock market returns have

historically been quite substantial in the following year, followed by lesser returns in the following two years. Thus, it's important to be in the market and experience those returns when the market does rebound.

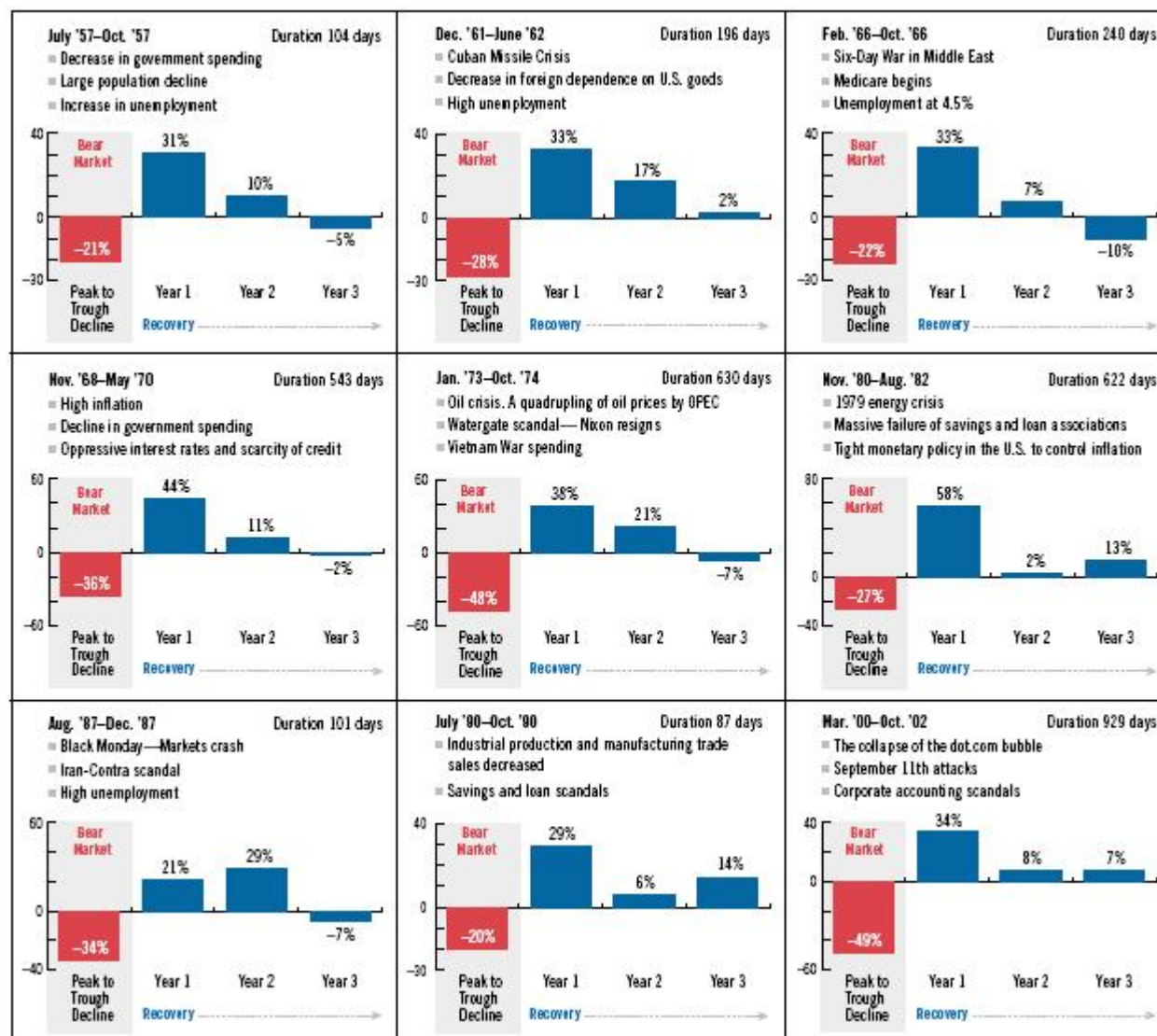


The S&P 500 Index is a weighted, unmanaged index composed of 500 large-cap stocks. It provides a broad indicator of stock price movements. Investors cannot invest directly in an index.

See disclosures on final page.

As you can see from the charts below, performance has varied throughout various bear markets. However, what each has in common is that the recovery in the first year was quite robust. While it can be difficult at the

time, historically the most pessimistic period has made for good long-term buying opportunities. Keep in mind, past performance is no guarantee of future results.



Returns are calculated using the S&P 500 Index. Peak to Trough declines indicate the return from the market high to the market low for each respective bear market period. Year 1, Year 2, and Year 3 represent the return of the S&P 500 Index one, two, and three years after the market low point.

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