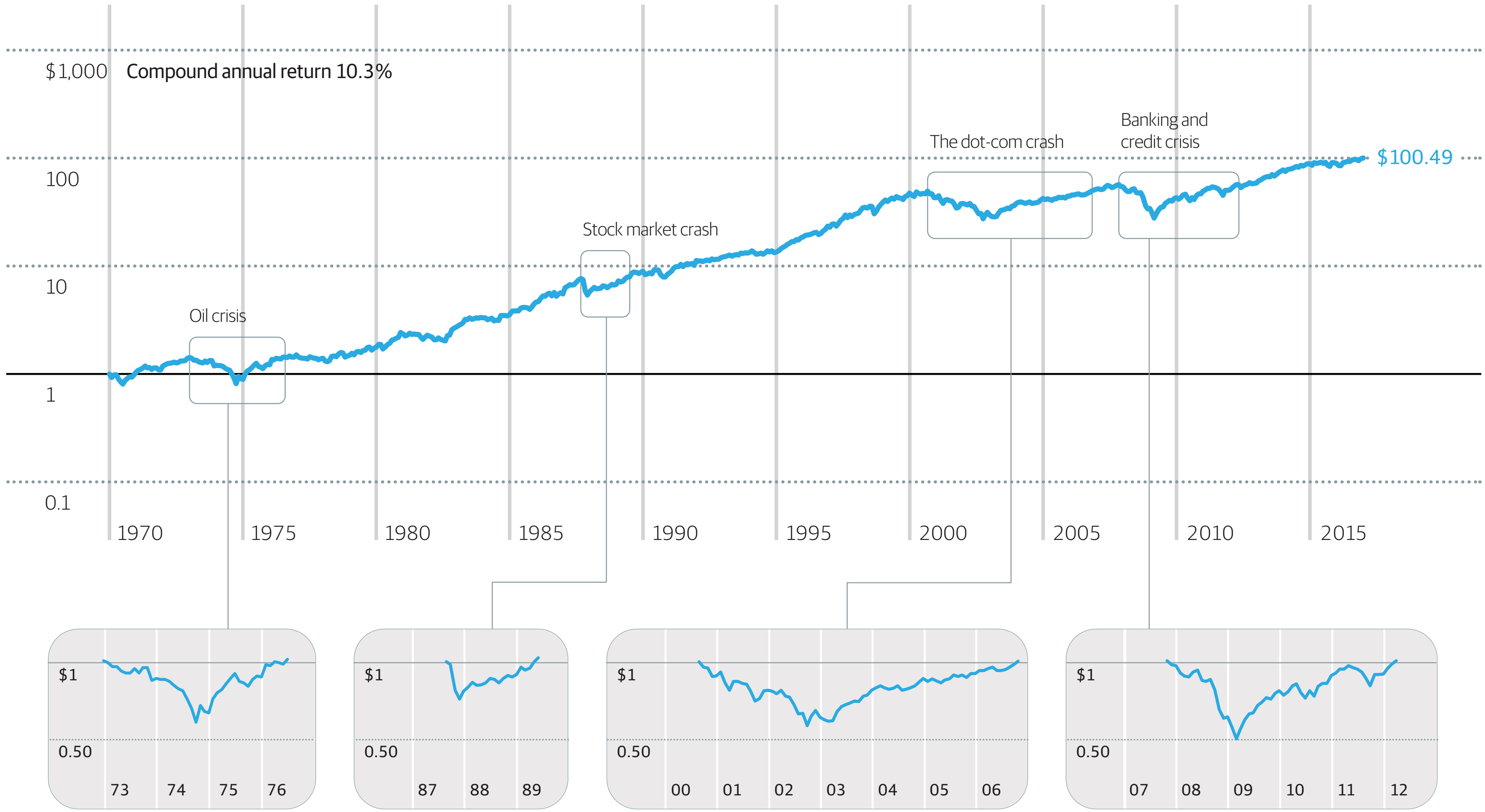
CRISES AND LONG-TERM PERFORMANCE

MARKET DECLINES IN HISTORICAL CONTEXT, JANUARY 1970-DECEMBER 2016



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment.
Four market crises were defined as a drop of 25 percent or more in the Ibbotson® Large Company Stock Index.

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Economies and markets tend to move in cycles, and any stock market can have a downturn once in a while. Most investors lose money when the stock market goes down, but some people may think they can time the market and gain. For example, an investor may aim to buy in when the market is at the very bottom and cash out when the recovery is complete, thus enjoying the entire upside.

The problem with this type of reasoning is that it's impossible to know for sure when the market hits bottom. Most investors panic when the market starts to decline, then they decide to wait and end up selling after they have already lost considerable value. Or, on the recovery side, they buy in after the initial surge in value has passed and miss most of the upward momentum.

The graph illustrates the growth of $1 invested in United States large stocks at the beginning of 1970 and four major market declines that have occurred subsequently, including the recent banking and credit crisis. Panic is understandable in times of market turmoil, but investors who flee in such moments may come to regret it.

Each crisis, when it happens, feels like the worst one ever (the most recent one, as evidenced by the image, actually was). When viewed in isolation on the lower-tier graphs, each decline appears disastrous. However, historical data suggests that holding on through difficult times can pay off in the long run. For example, $1 invested in January 1970 grew to $100.49 by December 2016, generating a 10.3 percent compound annual return. And in the past, when looking at the big picture, every crisis has been eclipsed by long-term growth.

ABOUT THE DATA

Stocks are represented by the Ibbotson® Large Company Stock Index. An investment cannot be made directly in an index. The four market crises were defined as a drop of 25 percent or more in the index. Return is represented by the compound annual return. Returns and principal invested in stocks are not guaranteed.

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