A Closer Look at Stock Market Performance

A·A·M ADVISORS ASSET MANAGEMENT

Periods of market weakness are a normal (and even necessary) part of investing. Investors that maintain their longer-term focus and do not move to the sidelines every time uncertainty and fear create volatility have the potential opportunity to not only recoup their losses, but be further rewarded for staying the course.

The S&P 500 Index from 1946 through 2022, for each calendar year:

12.3%	78%	19.2%	22%	-12.1%
Average Annual Total Return	Positive Years (60 of 77)	Average Gain During Positive Years	Negative Years (17 of 77)	Average Loss During Negative Years

Now let's look more closely at the down periods for the S&P 500 Index from 1946 through 1/24/2023:

	Dip (Decline of 5% to <10%)	Moderate Correction (Decline of 10% to <20%)	Bear Market (Decline of 20% to <40%)	Severe Bear Market (Decline of 40% or more)
Number of Occurrences	86	29	10	3
Average Calendar Days of Decline	31	120	318	692
Average Decline	-6.7%	-13.9%	-27.6%	-51.4%
Average Time to Recovery	46 days or approximately 6–7 weeks*	120 days or approximately 4 months	421 days or approximately 14 months*	1,763 days or approximately 57 months
Last Occurrence	11/30/22–12/28/22	9/20/18–12/24/18	1/3/22–10/12/22	10/9/07–3/9/09
Cumulative Total Return From End of Last Occurrence through 1/24/23	+6.3%	+20.4%	+12.8%	+49.1%

* Average time to recovery excludes last occurrence.

Table source: Ned Davis Research and FactSet as of 1/24/23 and Morningstar. Data source for calendar year S&P 500 Index returns is slickcharts.com. ©Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

Past performance does not guarantee future results. S&P 500 Index is an unmanaged market capitalization weighted index used to measure 500 companies chosen for market size, liquidity and industry grouping, among other factors. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses. Returns are not indicative of the performance of any AAM product. See reverse for additional important information.

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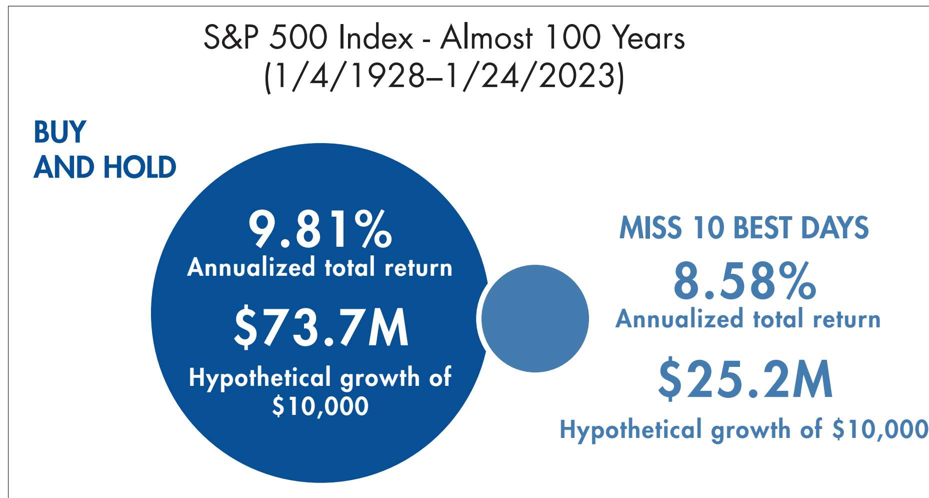
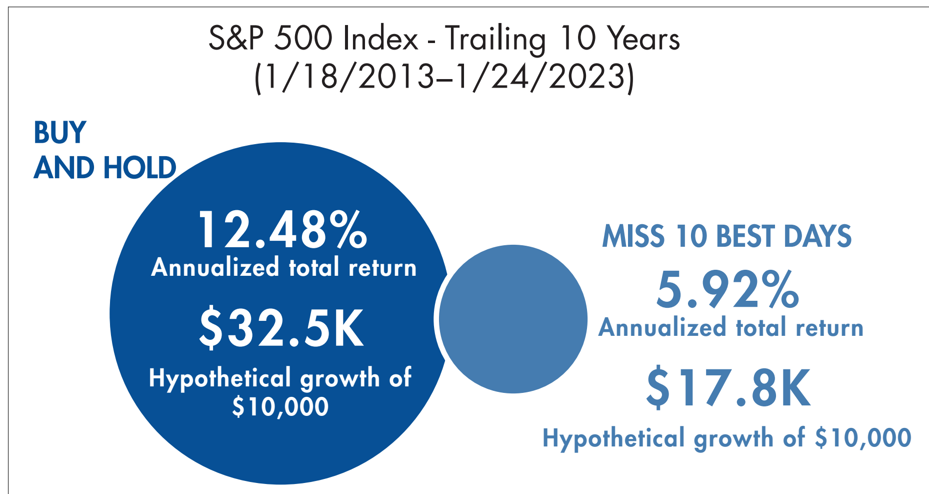
It's time in the market, not timing the market that builds long-term wealth.





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"Best" days often occur on the heels of the "worst" days and simply missing the ten best days each year would reduce an investor's annualized total return from 9.81% (buy and hold) to 8.58% (1/4/1928–1/24/2023). That might not sound like a lot, but it equates to missing out on nearly $50 million of potential growth! Now most people aren't investing for roughly 100 years, but the same holds true for even the last 10 years (1/18/2013–1/24/2023). During this period, the buy and hold annualized return of 12.48% drops to 5.92% if an investor missed the 10 best days each year, with the potential gain nearly $15,000 less.

Participating in all of the worst days while missing the best days over any period of time is extremely unlikely, however this analysis illustrates how significant the potential negative impact could be should an investor move to the sidelines every time fear and uncertainty increase market volatility. Our key take-away is one that we believe investors should always remember: It's time in the market, not timing the market, that builds long-term wealth.

Talk to a financial professional or visit www.aamlive.com to learn about investment opportunities for a volatile environment.

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