

A blue-tinted illustration of a bear standing on a log, with a metallic title bar overlaid. The bear is shown in profile, facing right, with its front paws resting on the log. The background is a solid blue color. The title bar is a horizontal, rounded rectangle with a metallic, brushed metal texture. It contains the text "BEAR NAKED TRUTHS" in a bold, white, sans-serif font. On either side of the text are two small, circular metallic buttons with a vertical line through them, resembling play or pause controls.

● BEAR NAKED TRUTHS ●



**BUY. HOLD. AND PROSPER.®**

# U.S. Market Downturns and Recoveries

No doubt you've spent countless hours over the past months trying not to panic during the turbulent times of this bear market. Reminding yourself that, in the big picture, this is all just a moment in time and that things will eventually turn for the better. They always do. Often times, by studying the past we can get a clearer vision of the future. Have a quick read through the Morningstar data on the following page and we're sure you'll agree that "history repeats itself".

## U.S. Market Downturns and Recoveries 1926–2007

Downturn	% Loss		Recovery
34 months	-83.4%	Sep 1929–Jun 1932	151 months
		Jul 1932–Jan 1945	
6 months	-21.8%	Jun 1946–Nov 1946	35 months
		Dec 1946–Oct 1949	
7 months	-10.2%	Aug 1956–Feb 1957	5 months
		Mar 1957–Jul 1957	
5 months	-15.0%	Aug 1957–Dec 1957	7 months
		Jan 1958–Jul 1958	
6 months	-22.3%	Jan 1962–Jun 1962	10 months
		Jul 1962–Apr 1963	
8 months	-15.6%	Feb 1966–Sep 1966	6 months
		Oct 1966–Mar 1967	
19 months	-29.3%	Dec 1968–Jun 1970	9 months
		Jul 1970–Mar 1971	
21 months	-42.6%	Jan 1973–Sep 1974	21 months
		Oct 1974–Jun 1976	
14 months	-14.1%	Jan 1977–Feb 1978	5 months
		Mar 1978–Jul 1978	
20 months	-16.9%	Dec 1980–Jul 1982	3 months
		Aug 1982–Oct 1982	
3 months	-29.5%	Sep 1987–Nov 1987	18 months
		Dec 1987–May 1989	
5 months	-14.7%	Jun 1990–Oct 1990	4 months
		Nov 1990–Feb 1991	
2 months	-15.4%	Jul 1998–Aug 1998	3 months
		Sep 1998–Nov 1998	
25 months	-44.7%	Sep 2000–Sep 2002	49 months
		Oct 2002–Oct 2006	

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2008 Morningstar, Inc. All rights reserved. 3/1/2008



## U.S. Market Downturns and Recoveries 1926–2007

A historic account\* of past downturns and recoveries can present a better picture of potential market performance.

There have been many U.S. equity market downturns over time with varying levels of severity and different lengths of recovery period. The most severe downturn marked the start of the Great Depression, where stocks lost over 80% of their value. In this case, the recovery period was over 12 years. More recently, stocks lost 44.7% of their value during the early 2000 bear market. The recovery period that followed lasting four years, was the second longest in history.

It is evident that stocks are prone to sudden declines in value. These declines seem to happen at random, and there are many different reasons offered for stock market crashes and bear markets. Sometimes stocks recover their value quickly, while other times the decline lasts for quite a while.

The downturn period may be painfully long. However, because no one can predict market declines and recoveries with certainty, a diversified portfolio is the best solution for a long-term investor who is concerned about both return and risk.

Returns and principal invested in stocks are not guaranteed.

#### **About the data**

Large stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Downturns in this example are defined by a time period when the stock market value declined by 10% or more from its peak, while the recovery period indicates the number of months from the trough of downturn to the market's previous peak. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

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\*Source: Morningstar

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