

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 is a small, circular metallic button with a vertical line through the center, resembling a play button or a slider control.

● BEAR NAKED TRUTHS ●

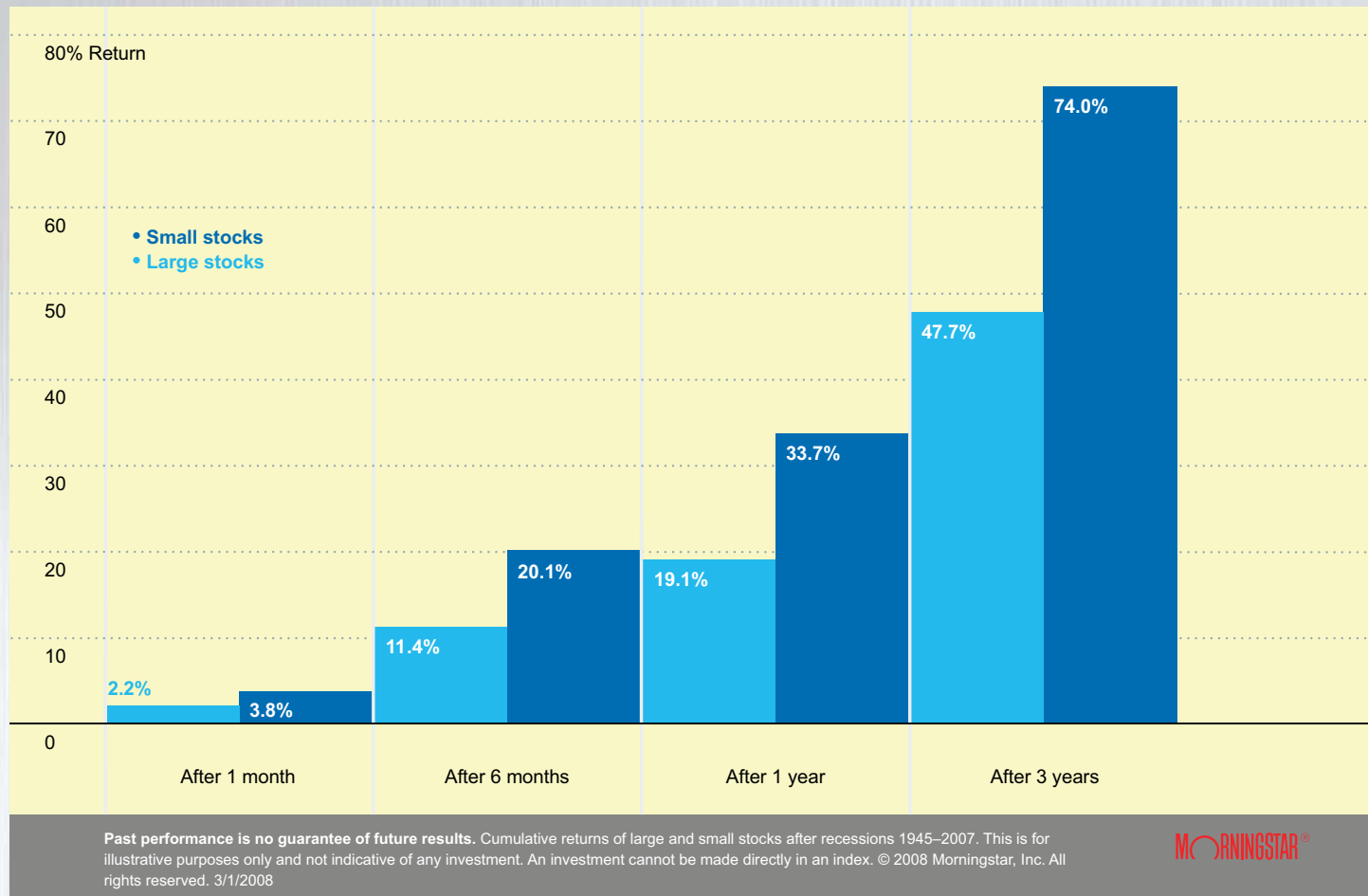


**BUY. HOLD. AND PROSPER.®**

# Stock Performance After Recessions

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 following pages and we're sure you'll agree that "history repeats itself".

## Stock Performance After Recessions 1945–2007



### Stock Performance After Recessions 1945–2007

History reveals that both small stocks and large stocks rebound after recessions.

Many investors fear the volatility of small stocks. Their fears, however, may not justify overlooking the potential of this asset class. The image\* shows that, on average, the cumulative returns of small stocks and large stocks, one month, six months, one year, and three years after the end of a recession.

Small stocks haven't outperformed large stocks after every recession, yet on average their potential to lead the way out of recessions is significant. Diversifying into small stocks may benefit investor portfolios, especially when the market is coming out of a recession.

Stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks and are subject to significant price fluctuations, business risks, and are thinly traded.

## About the data

Large stocks in this example 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. Small stocks are represented by the fifth capitalization quintile of stocks on the NYSE for 1945–1981 and the performance of the Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio thereafter. An investment cannot be made directly in an index. Recession data is from National Bureau of Economic Research (NBER). The average cumulative returns are calculated from the end of each of the 10 recessions in U.S. history. The National Bureau of Economic Research (NBER) does not define a recession in terms of two consecutive quarters of decline in real GNP. Rather, a recession is a recurring period of decline in total output, income, employment, and trade usually lasting from six months to a year, and is marked by widespread contractions in many sectors of the economy. The data assumes reinvestment of income and does not account for taxes or transaction costs.

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\*Source: Morningstar

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