

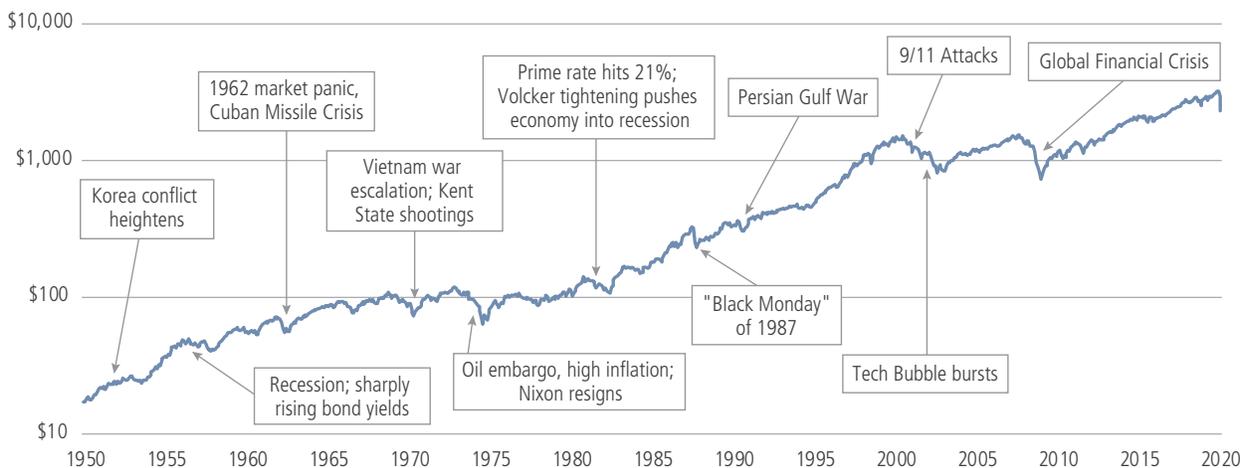
Four Things to Remember in a Market Downturn

The markets have been especially turbulent in recent weeks due to the spread of the coronavirus and its economic impacts. Below, we offer perspective from past environments and reminders of key principles to help investors stay the course.

1. The stock market has survived many crises, and risen most of the time.

Over the years, U.S. equities have endured a range of traumatic events of different kinds, including recessions, military conflicts, an oil embargo, the tech bubble and the financial crisis. Often, these challenges appeared deeply threatening to investors. However, in all cases the market rebounded and eventually reached new highs. Indeed, stocks have risen about 70% of the time—a compelling argument for staying invested.

S&P 500 PERFORMANCE AND KEY MARKET EVENTS



Source: Bloomberg, monthly data as of February 28, 2020. For illustrative purposes only. Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, are no indication of the duration and characteristics of any current or future market/economic cycles or behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. Indexes are unmanaged and not available for direct investment. **Past performance is not indicative of future results.**

2. Pulling out in a downturn may mean missing much of the recovery.

It is very difficult to time the stock market, which can rise rapidly when exiting deep declines. Indeed, missing the best days of market performance has historically penalized returns. The chart below shows the growth of a hypothetical \$100,000 portfolio invested in the S&P 500 over 20 years. Missing the top 10 days cut total return in half, and missing the top 25 days reduced it by 75%. In other words, we believe maintaining an investment program may improve the opportunity to build assets over time.

S&P 500: GROWTH OF \$100,000 HYPOTHETICAL PORTFOLIO OVER 20 YEARS (THROUGH DECEMBER 31, 2019)



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Importantly, while recovery from the most severe bear markets have taken considerable time, since 1929, the median period of recovery from market peak to recovery has been less than three years.

PREVIOUS U.S. BEAR MARKETS: CHARACTERISTICS AND PERFORMANCE

PEAK	TROUGH	MONTHS: PEAK TO TROUGH	MAX. DRAWDOWN	MONTHS: PEAK TO RECOVERY	CAUSES
Sep '29	Jun '32	33	-86%	300	Great Crash, following excessive stock market speculation and margin lending amid declining economic fundamentals
Sep '32	Feb '33	6	-41%	9	Great Depression; very volatile markets with short bull and bear cycles within the secular bear market
Jul '33	Oct '33	3	-29%	27	
Feb '34	Mar '35	13	-32%	19	
Mar '37	Mar '38	13	-54%	107	
Nov '38	Apr '39	5	-24%	75	
Oct '39	Jun '40	8	-32%	56	World War II
Nov '40	Apr '42	18	-34%	29	
May '46	Oct '46	4	-27%	48	Anticipation of economic downturn due to drop in military spending
Jun '48	Jun '49	12	-21%	20	First post-WWII recession
Aug '56	Oct '57	15	-22%	25	Recession, sharply rising bond yields
Dec '61	Jun '62	6	-28%	21	Cold War tension escalations
Feb '66	Oct '66	8	-22%	15	Fed tightening; bear market was brief as spending drove earnings upward
Nov '68	May '70	18	-36%	39	Mild recession with high inflation; Vietnam unrest
Jan '73	Oct '74	21	-48%	90	Oil embargo sent energy prices skyrocketing, leading to a long recession and high inflation; Watergate scandal
Nov '80	Aug '82	20	-27%	23	Volcker tightening in an effort to tame inflation pushed economy into recession (fed funds rate hit 20%)
Aug '87	Dec '87	3	-34%	23	Black Monday, exacerbated by "portfolio insurance" program trading that called for selling stocks into falling markets
Jul '90	Oct '90	3	-20%	7	Iraq War, oil price shock after Iraq invaded Kuwait led to a brief recession
Mar '00	Oct '02	30	-49%	86	Dot-com crash following a period of excessive speculation on emerging Internet companies
Oct '07	Mar '09	17	-57%	65	Collapse of the housing bubble led to the collapse of the subprime mortgage market and grew into the Global Financial Crisis
Mean		13	-36%	54	
Median		13	-32%	28	

Source: Bloomberg, general news sources, St. Louis Fed, NBC News, the Motley Fool. Drawdown and recovery data is based on the S&P 500 price index (excluding dividends). Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, are no indication of the duration and characteristics of any current or future market/economic cycles or behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. Indexes are unmanaged and are not available for direct investment. **Past performance is not indicative of future results.**

3. Diversification can reduce the impact of severe market downturns.

As shown in the table below, allocating a portion of an equity portfolio to fixed income has historically provided a performance cushion in difficult markets, and reduced time to recovery. Broadening diversification to include a range of subsectors and alternative investments can further spread the risk across assets with different performance characteristics.

AVERAGE HYPOTHETICAL PERFORMANCE DURING RECENT SEVERE DOWNTURNS

(1980 – 82, 1987, 1990, 2000 – 02 and 2007 – 09)

	Equity/Fixed Income Allocation				
	0%/100%	25%/75%	50%/50%	75%/25%	100%/0%
Average Maximum Drawdown	-1.2%	-5.6%	-14.0%	-22.7%	-31.0%
Average Months to Recover	2	7	22	30	37
Annualized Return 1980 – 2019	7.5%	8.8%	9.9%	11.0%	11.8%

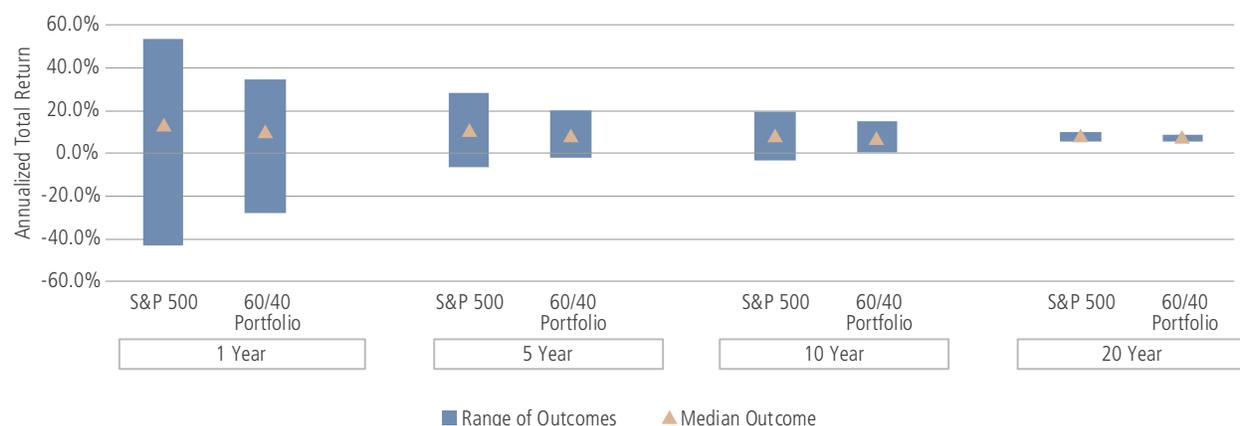
Source: Neuberger Berman, Bloomberg. Specific periods covered: Nov. 1980 – Aug. 1982, Aug. – Dec. 1987, July – Oct. 1990, Mar. 2000 – Oct. 2002, and Oct. 2007 – Mar. 2009. Based on monthly total return data (including dividends and interest income) for the S&P 500 and the U.S. Barclays Aggregate Bond Index. Peak-to-trough may be different than if computed using daily data. Portfolios are allocated to the indices in the percentages shown. Nothing herein constitutes a prediction or projection of future events or future market or economic behavior. The duration and characteristics of past market/economic cycles and market behavior, including length and recovery time of past recessions and market downturns, are no indication of the duration and characteristics of any current or future market/economic cycles or behavior. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. The returns shown are gross of fee and do not reflect the fees and expenses associated with managing a portfolio. Investing entails risks, including possible loss of principal. Indexes are unmanaged and not available for direct investment. **Past performance is not indicative of future results.**

4. Investing for the long term can reduce the chance of loss.

Investing in equities should be considered a long-term proposition. Over short time frames, risk of loss can be significant given the inherent volatility of the asset class. However, time is on your side: Longer periods of investment have historically reduced the probability of portfolio declines. Creating a well-diversified portfolio—and sticking with it—can help improve your potential for cumulative investment success.

MARKET RETURNS OVER MULTIPLE TIME PERIODS

1988 – 2020



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