

The Reality of Red Numbers

Investor memories are often short. Despite the discomfort of market downturns, historical volatility is often quickly forgotten. The table below illustrates that market fluctuations are a normal phenomenon. Note the high number of negative months, but very few negative years. Investor discipline is rewarded.

Page two provides a similar illustration with quarterly periods. The longer the time period, the less likely the occurrence of negative returns. Over all 20-year rolling periods, the S&P500 Index has never had a negative return. Patience is not simply a virtue, it often increases economic value.

S&P 500 Index – Monthly Returns (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1972	2.06	2.77	0.83	0.68	1.97	-1.94	0.48	3.69	-0.25	1.19	4.81	1.42	18.92
1973	-1.49	-3.53	0.09	-3.83	-1.63	-0.39	4.07	-3.41	4.28	0.17	-11.09	1.99	-14.77
1974	-0.72	-0.07	-2.04	-3.59	-3.02	-1.12	-7.42	-8.64	-11.50	16.81	-4.89	-1.56	-26.31
1975	12.72	6.38	2.54	5.10	4.77	4.77	-6.44	-1.76	-3.12	6.53	2.82	-0.81	37.23
1976	12.17	-0.84	3.37	-0.78	-1.11	4.43	-0.48	-0.18	2.59	-1.86	-0.41	5.61	23.93
1977	-4.73	-1.82	-1.05	0.42	-1.96	4.94	-1.24	-1.72	0.16	-3.90	3.16	0.75	-7.16
1978	-5.74	-2.03	2.94	9.02	0.92	-1.38	5.83	3.01	-0.32	-8.72	2.15	1.96	6.57
1979	4.43	-3.21	5.96	0.63	-2.17	4.35	1.34	5.77	0.43	-6.40	4.75	2.14	18.61
1980	6.22	-0.01	-9.72	4.62	5.15	3.16	6.96	1.01	2.94	2.03	10.65	-3.02	32.50
1981	-4.18	1.74	4.00	-1.93	0.26	-0.63	0.21	-5.78	-4.93	5.40	4.13	-2.56	-4.92
1982	-1.31	-5.59	-0.52	4.52	-3.41	-1.50	-1.78	12.14	1.25	11.51	4.04	1.93	21.55
1983	3.72	2.29	3.69	7.88	-0.87	3.89	-2.95	1.50	1.38	-1.16	2.11	-0.52	22.56
1984	-0.56	-3.52	1.73	0.95	-5.54	2.17	-1.24	11.05	0.02	0.39	-1.12	2.64	6.27
1985	7.79	1.23	0.07	-0.09	5.78	1.57	-0.15	-0.85	-3.13	4.62	6.86	4.84	31.73
1986	0.56	7.48	5.58	-1.13	5.32	1.69	-5.59	7.42	-8.27	5.77	2.43	-2.55	18.67
1987	13.47	3.95	2.89	-0.89	0.87	5.05	5.07	3.73	-2.19	-21.54	-8.24	7.61	5.25
1988	4.21	4.66	-3.09	1.11	0.87	4.59	-0.38	-3.40	4.26	2.78	-1.43	1.75	16.61
1989	7.32	-2.49	2.33	5.19	4.05	-0.57	9.03	1.96	-0.41	-2.32	2.04	2.40	31.69
1990	-6.71	1.29	2.65	-2.50	9.75	-0.68	-0.32	-9.04	-4.87	-0.43	6.46	2.79	-3.11
1991	4.36	7.15	2.42	0.24	4.31	-4.58	4.66	2.37	-1.67	1.34	-4.03	11.44	30.47
1992	-1.86	1.30	-1.95	2.94	0.49	-1.49	4.09	-2.05	1.18	0.35	3.41	1.23	7.62
1993	0.84	1.36	2.11	-2.42	2.68	0.29	-0.40	3.79	-0.77	2.07	-0.95	1.21	10.08
1994	3.40	-2.71	-4.36	1.28	1.64	-2.45	3.28	4.10	-2.45	2.25	-3.64	1.48	1.32
1995	2.59	3.90	2.95	2.95	4.00	2.32	3.32	0.25	4.22	-0.36	4.39	1.93	37.58
1996	3.40	0.93	0.96	1.47	2.58	0.38	-4.42	2.11	5.63	2.76	7.56	-1.98	22.96
1997	6.25	0.78	-4.11	5.97	6.09	4.48	7.96	-5.60	5.48	-3.34	4.63	1.72	33.36
1998	1.11	7.21	5.12	1.01	-1.72	4.06	-1.07	-14.46	6.41	8.13	6.06	5.76	28.58
1999	4.18	-3.11	4.00	3.87	-2.36	5.55	-3.12	-0.50	-2.74	6.33	2.03	5.89	21.04
2000	-5.02	-1.89	9.78	-3.01	-2.05	2.47	-1.56	6.21	-5.28	-0.42	-7.88	0.49	-9.11
2001	3.55	-9.12	-6.34	7.77	0.67	-2.43	-0.98	-6.26	-8.08	1.91	7.67	0.88	-11.89
2002	-1.46	-1.93	3.76	-6.06	-0.74	-7.12	-7.80	0.66	-10.87	8.80	5.89	-5.88	-22.10
2003	-2.62	-1.50	0.97	8.24	5.27	1.28	1.76	1.95	-1.06	5.66	0.88	5.24	28.68
2004	1.84	1.39	-1.51	-1.57	1.37	1.94	-3.31	0.40	1.08	1.53	4.05	3.40	10.88
2005	-2.44	2.10	-1.77	-1.90	3.18	0.14	3.72	-0.91	0.81	-1.67	3.78	0.03	4.91
2006	2.65	0.27	1.24	1.34	-2.88	0.14	0.62	2.38	2.58	3.26	1.90	1.40	15.79
2007	1.51	-1.96	1.12	4.43	3.49	-1.66	-3.10	1.50	3.74	1.59	-4.18	-0.69	5.49
2008	-6.00	-3.25	-0.43	4.87	1.30	-8.43	-0.84	1.45	-8.91	-16.79	-7.18	1.06	-37.00
2009	-8.43	-10.65	8.76	9.57	5.59	0.20	7.56	3.61	3.73	-1.86	6.00	1.93	26.47
2010	-3.60	3.10	6.03	1.58	-7.99	-5.24	7.01	-4.51	8.92	3.81	0.01	6.68	15.06
2011	2.37	3.43	0.04	2.96	-1.13	-1.67	-2.03	-5.43	-7.03	10.93	-0.22	1.02	2.11
2012	4.48	4.32	3.29	-0.63	-6.01	4.12	1.39	2.25	2.58	-1.85	0.58	0.91	16.00
2013	5.18	1.36	3.75	1.93	2.34	-1.34	5.09	-2.90	3.14	4.60	3.05	2.53	32.39
2014	-3.46	4.57	0.84	0.74	2.35	2.07						YTD:	7.14

Data over 41 years. Total of 9 negative calendar years (22% of periods shown). Best year: 1995, + 37.4%. Worst year: 2008: -37.0%.

The Reality of Red Numbers... continued.

As described on page one, negative returns are more common over shorter time periods. Historically, a higher percentage of monthly vs. quarterly returns are negative, and a higher percentage of quarterly vs. annual returns are negative. The longer the time period measured, the fewer the negative returns. Patience pays, in the long-run.

S&P 500 Index – Quarterly Returns (%)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1972	5.77	0.66	3.90	7.50	18.92
1973	-4.86	-5.79	4.78	-9.25	-14.77
1974	-2.81	-7.54	-25.05	9.41	-26.31
1975	22.95	15.36	-10.95	8.65	37.23
1976	14.98	2.47	1.91	3.22	23.93
1977	-7.45	3.31	-2.79	-0.11	-7.16
1978	-4.94	8.51	8.67	-4.93	6.57
1979	7.10	2.73	7.65	0.14	18.61
1980	-4.12	13.49	11.22	9.49	32.50
1981	1.38	-2.30	-10.23	6.93	-4.92
1982	-7.31	-0.56	11.52	18.25	21.55
1983	10.02	11.10	-0.13	0.40	22.56
1984	-2.40	-2.57	9.69	1.88	6.27
1985	9.18	7.33	-4.10	17.20	31.73
1986	14.11	5.89	-6.98	5.57	18.67
1987	21.35	5.02	6.60	-22.53	5.25
1988	5.69	6.66	0.34	3.09	16.61
1989	7.09	8.83	10.71	2.06	31.69
1990	-3.01	6.29	-13.74	8.96	-3.11
1991	14.53	-0.23	5.35	8.38	30.47
1992	-2.53	1.90	3.15	5.03	7.62
1993	4.37	0.49	2.58	2.32	10.08
1994	-3.79	0.42	4.89	-0.02	1.32
1995	9.74	9.55	7.95	6.02	37.58
1996	5.37	4.49	3.09	8.34	22.96
1997	2.68	17.46	7.49	2.87	33.36
1998	13.95	3.30	-9.95	21.30	28.58
1999	4.98	7.05	-6.24	14.88	21.04
2000	2.29	-2.66	-0.97	-7.82	-9.11
2001	-11.86	5.85	-14.68	10.69	-11.89
2002	0.28	-13.40	-17.28	8.44	-22.10
2003	-3.15	15.39	2.65	12.18	28.68
2004	1.69	1.72	-1.87	9.23	10.88
2005	-2.15	1.37	3.61	2.09	4.91
2006	4.21	-1.44	5.67	6.70	15.79
2007	0.64	6.28	2.03	-3.33	5.49
2008	-9.44	-2.73	-8.37	-21.94	-37.00
2009	-11.01	15.93	15.61	6.04	26.47
2010	5.39	-11.43	11.29	10.76	15.06
2011	5.92	0.10	-13.87	11.82	2.11
2012	12.59	-2.75	6.35	-0.38	16.00
2013	10.61	2.91	5.24	10.51	32.39
2014	1.81	5.23		YTD:	7.14

S&P 500 Index returns provided by third party sources believed to be reliable. Past performance is not a guarantee of future results. Illustrations are intended as general information, and are not specific investment advice. The S&P 500 index represents just one of many investment

