

## Investing Only During Losing Years 1926 - 2017

For investors who are terrified of investing at the wrong time, I offer this history lesson.

Let us suppose you only invested on January 1<sup>st</sup> of every year in which the market lost money. That is pretty unlucky wouldn't you say? In spite of the nightmarish investing luck of historically investing ***only*** at the beginning of every year in which the market lost money, the investment portfolio, comprised of \$24,000 in total deposits to the S&P 500 — \$1,000 in each of the 24 losing years — is worth a staggering 2017 year-end value of \$10,896,956. In stark contrast, an investment of \$1,000 at the beginning of each of these 24 negative return years into safe, long-term U.S. Government bonds produced a 2017 year-end account value of \$865,842 (*per Lehman Brothers/Barclays Long Government Index*). The stock market produced returns 13 times greater than those produced by conservative government bonds! Yet investors have consistently abandoned the market during such dark times, running to the seemingly safe confines of bank depository accounts and U.S. Treasury securities.

*assumes investing \$1,000 on January 1<sup>st</sup> of each of the 24 calendar years in which the stock market posted losses.*

	S&P 500	US Gov Bonds
2017 Year-End Value →	\$10,896,956	\$865,842
Growth value needed just to keep pace with inflation of 3.55% →		\$241,585

chart follows:

Losing Year	S&P 500 Return That Year	Average Annual Return Through 2017	
		S&P 500	Lehman Brothers Long-Term Govt
1929	-8.44%	9.09%	5.48%
1930	-24.89	8.48%	5.50
1931	-43.36	8.09%	5.57
1932	-8.09	8.78%	5.56
1934	-1.36	8.86%	5.59
1937	-35.02	8.29%	5.52
1939	-0.41	8.63%	5.59
1940	-9.77	8.71%	5.58
1941	-11.60	8.67%	5.58
1946	-8.08	8.69%	5.71
1953	-0.98	8.76%	6.32
1957	-10.78	8.54%	6.33
1962	-8.75	8.52%	7.15
1966	-10.06	8.44%	7.51
1969	-8.75	8.42%	8.20
1973	-14.80	8.19%	8.76
1974	-26.49	8.60%	8.96
1977	-7.40	8.30%	8.90
1981	-4.95	8.28%	10.11
1990	-3.11	8.05%	8.48
2000	-9.11	7.02%	8.38
2001	-11.88	6.69%	7.58
2002	-22.10	5.72%	7.83
2008	-37.00	1.49%	8.09

This report has been compiled by Active Fund Strategies (AFS), using data provided by Thomson Reuters InvestmentView. While it was painstakingly researched, AFS offers no warranty of its accuracy. The report's conclusion represents a good faith judgment of the issue and the findings of the research. It is intended for the educational purposes of licensed investment professionals. If you are viewing this report as an investor, AFS cautions you to seek the advice of an investment professional for proper interpretation of the report, and asks you to note that, with all investments, past performance is no guarantee of future performance and that investment risk is real, to include a possible loss of original capital.

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