

When the great companies of America and the world increase in value, they appear to be wonderful investments. When they decrease in value, and especially when they decrease rapidly as they just have, these great companies appear to be terrible investments. This is a paradox of long-term investing: the price and the value of the stock market seem to be correlated, but in reality, they are inversely related.

The recent 26% decline in the stock price of these great American companies is not special in historic terms: it's the 14<sup>th</sup> worst 9-month decline since L&M opened its doors in 1972. There are a few important things to notice about the 13 declines that were worse than this one is so far.

Wilshire 5000 - Worst 9 Months Periods & Forward Returns (1971 - 2022)									
Worst 9 Month Periods				Forward Total Returns					
Rank	Total Return	Start Month	End Month	3-Month	6-Month	1-Year	3-Year	5-Year	10-Year
1	-46.7%	Jun-08	Feb-09	26%	42%	56%	102%	189%	372%
2	-39.3%	May-08	Jan-09	8%	23%	35%	73%	147%	309%
3	-37.0%	Jul-08	Mar-09	17%	36%	52%	91%	167%	341%
4	-34.5%	Jan-74	Sep-74	9%	36%	41%	84%	153%	392%
5	-32.3%	Mar-08	Nov-08	-16%	6%	27%	53%	132%	288%
6	-30.6%	Apr-08	Dec-08	-11%	4%	28%	52%	134%	246%
7	-29.7%	Aug-08	Apr-09	14%	20%	41%	72%	142%	315%
8	-28.6%	Feb-08	Oct-08	-14%	-7%	11%	41%	108%	250%
9	-28.1%	Nov-73	Jul-74	-5%	1%	21%	50%	90%	255%
10	-27.2%	Mar-74	Nov-74	19%	35%	36%	65%	123%	334%
11	-27.2%	Sep-08	May-09	12%	20%	23%	53%	135%	268%
12	-27.0%	Apr-74	Dec-74	25%	46%	38%	70%	135%	356%
13	-26.6%	Jan-02	Sep-02	8%	4%	26%	66%	115%	129%
14	-25.9%	Jan-22	Sep-22						
15	-25.0%	Dec-73	Aug-74	-1%	18%	29%	62%	121%	333%
16	-23.7%	Feb-74	Oct-74	7%	22%	26%	51%	100%	318%
17	-22.0%	Oct-73	Jun-74	-25%	-18%	19%	41%	75%	236%
18	-21.8%	Feb-01	Oct-01	8%	5%	-13%	18%	53%	58%
19	-21.6%	Apr-02	Dec-02	-3%	13%	32%	58%	93%	113%
20	-21.2%	Jul-00	Mar-01	7%	-10%	3%	9%	33%	55%
<b>Average Worst Periods</b>				<b>4%</b>	<b>16%</b>	<b>28%</b>	<b>59%</b>	<b>118%</b>	<b>262%</b>
<b>Average All Periods</b>				<b>3%</b>	<b>6%</b>	<b>12%</b>	<b>41%</b>	<b>79%</b>	<b>218%</b>
<b>Differential</b>				<b>2%</b>	<b>10%</b>	<b>16%</b>	<b>18%</b>	<b>40%</b>	<b>44%</b>

- 1) Sometimes, things get even worse. In 4 out of these 13 scenarios, the market fell further during the subsequent 3 months.
- 2) One year following every single one of these 9-month declines, the market has been higher, and by an average of 33%. The worst of these 1-year recoveries was 11%.
- 3) Long-term investors shouldn't pay too much attention to short periods like 9 months or 12 months. The average 10-year return following these terrible historic 9-month periods has been 296%. The worst recovery was 129%.

With this history and the highest guaranteed fixed annuity rates in over a decade, this may be an historically bad time for long-term investors to be overweight cash. During these volatile times and always, we are here for you: please don't hesitate to call us anytime.

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