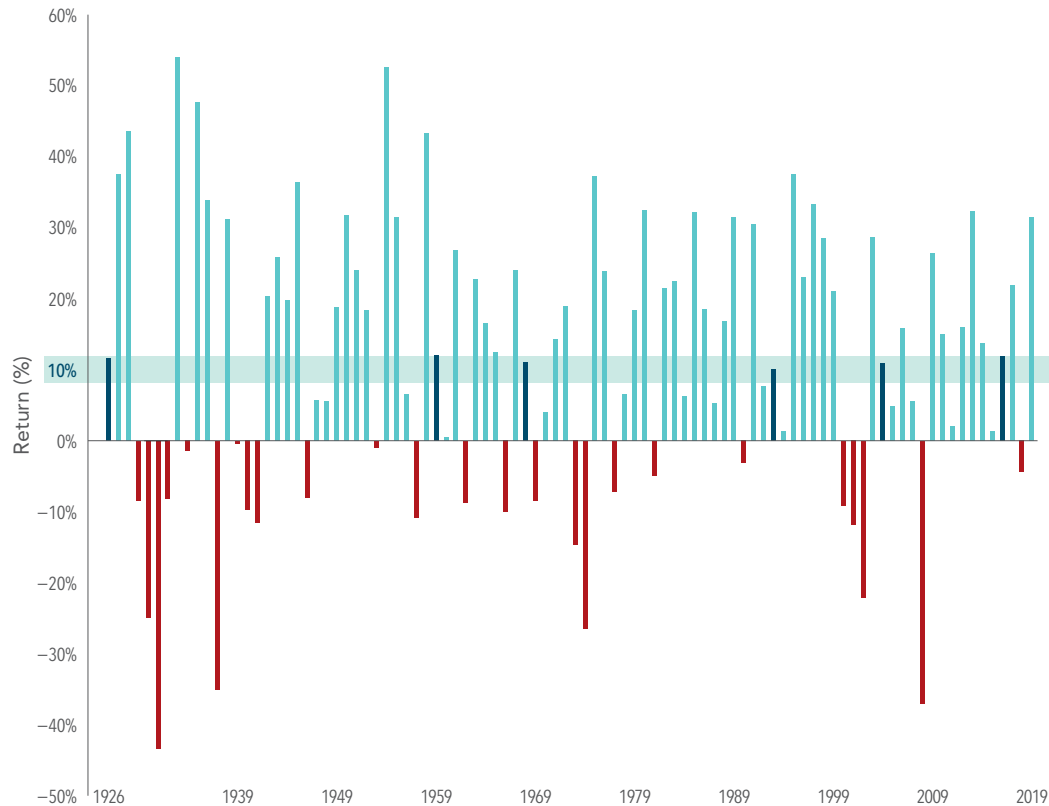


The Bumpy Road to the Market's Long-Term Average

S&P 500 INDEX
ANNUAL RETURNS 1926-2019



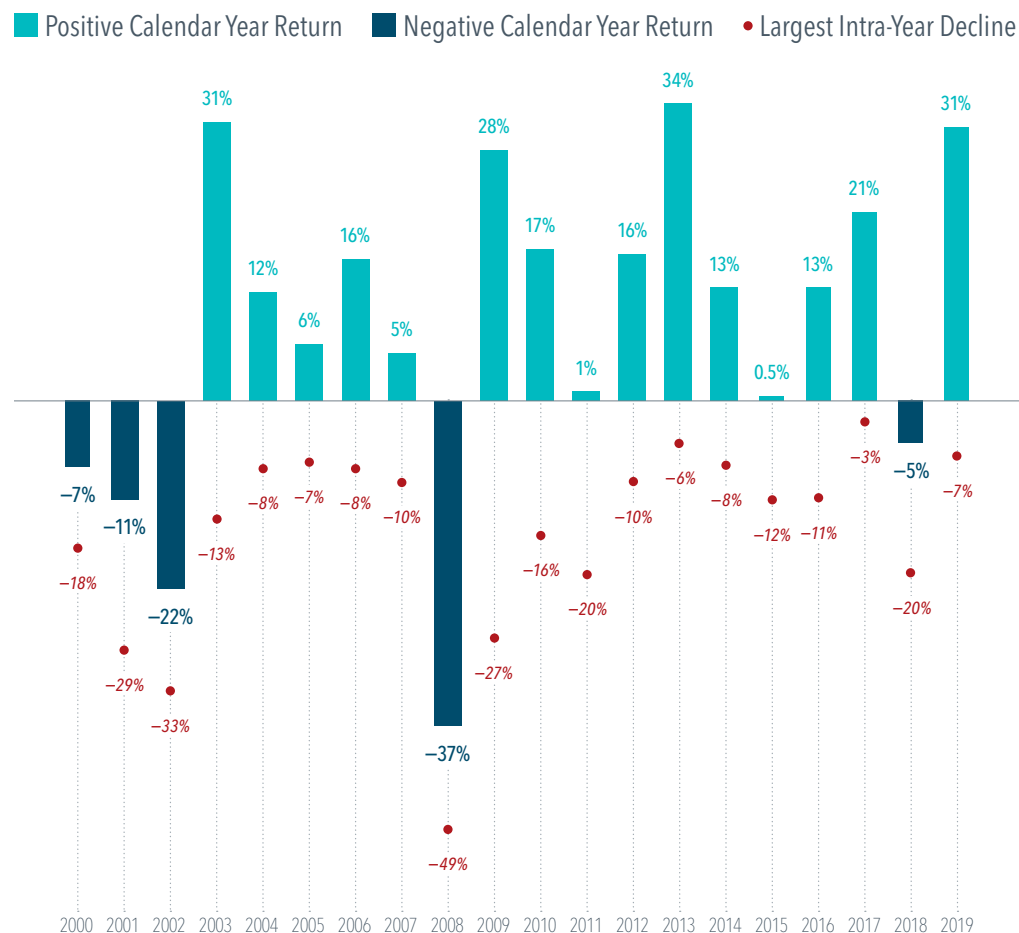
Since 1926, the US stock market has rewarded investors with an average annual return of about 10%. But it's important to remember that returns in any given year may be sky-high, extremely poor, or somewhere in between.

- Annual returns came within two percentage points of the market's long-term average of 10% in just six of the past 94 years.
- Yearly returns have ranged as high as up 54% and as low as down 43%.
- Since 1926, annual returns have been positive 69 times and negative 25 times.

Understanding the range of potential outcomes can help you stick with a plan and ride out the inevitable ups and downs.

Do Downturns Lead to Down Years?

US MARKET INTRA-YEAR DECLINES VS. CALENDAR YEAR RETURNS, January 1, 2000–December 31, 2019



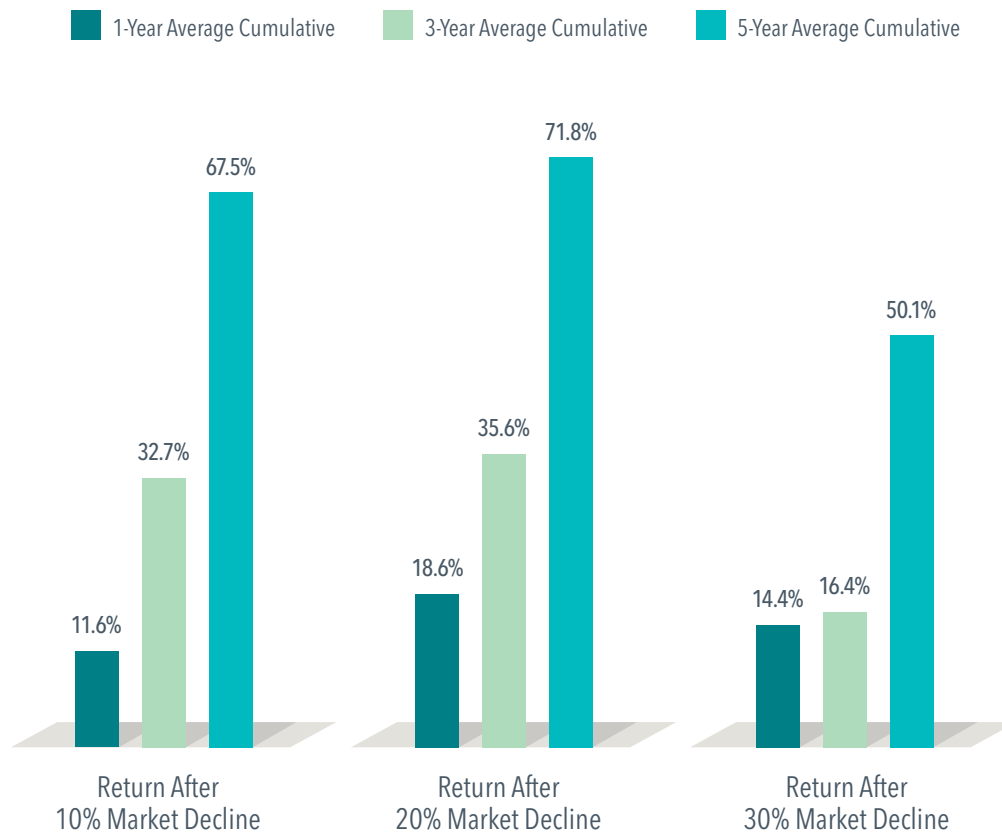
Stock market slides over a few days or months may lead investors to anticipate a down year. But a broad US market index had positive returns in 15 of the past 20 calendar years, despite some notable dips in many of those years.

- Intra-year declines for the index ranged from 3% to 49%.
- Calendar year returns improved on those intra-year slides. The steepest declines saw notable recoveries, and in 15 of the 20 years, stocks ended up with gains for the year.
- Even amid the financial crisis in 2009, a 27% plunge gave way to a 28% gain by the end of the year.

Volatility is a normal part of investing. Tumbles may be scary, but they shouldn't be surprising. A long-term focus can help investors keep perspective.

History Shows That Stock Gains Can Add Up After Big Declines

FAMA/FRENCH TOTAL US MARKET RESEARCH INDEX RETURNS,
July 1, 1926–December 31, 2019



Sudden market downturns can be unsettling. But historically, US equity returns following sharp downturns have, on average, been positive.

- A broad market index tracking data since 1926 in the US shows that stocks have tended to deliver positive returns over one-year, three-year, and five-year periods following steep declines.
- Cumulative returns show this to striking effect. Five years after market declines of 10%, 20%, and 30%, the compounded returns all top 50%.
- Viewed in annualized terms across the longest, five-year period, returns after 10%, 20%, and 30% declines have been close to the historical annualized average over the entire period of 9.6%.¹

Sticking with your plan helps put you in the best position to capture the recovery.

1. The average annualized returns for the five-year period after 10% declines were 9.33%; after 20% declines, 9.66%; and after 30% declines, 7.18%.

Past performance is no guarantee of future results. Short-term performance results should be considered in connection with longer-term performance results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Market declines or downturns are defined as periods in which the cumulative return from a peak is -10%, -20%, or -30% or lower. Returns are calculated for the 1-, 3-, and 5-year look-ahead periods beginning the day after the respective downturn thresholds of -10%, -20%, or -30% are exceeded. The bar chart shows the average returns for the 1-, 3-, and 5-year periods following the 10%, 20%, and 30% thresholds. For the 10% threshold, there are 28 observations for 1-year look-ahead, 27 observations for 3-year look-ahead, and 26 observations for 5-year look-ahead. For the 20% threshold, there are 14 observations for 1-year look-ahead, 13 observations for 3-year look-ahead, and 13 observations for 5-year look-ahead. For the 30% threshold, there are 6 observations for 1-year look-ahead, 3-year look-ahead, and 5-year look-ahead. Peak is a new all-time high prior to a downturn. Data provided by Fama/French and available at mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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