Understanding Markets and Long-term Investing

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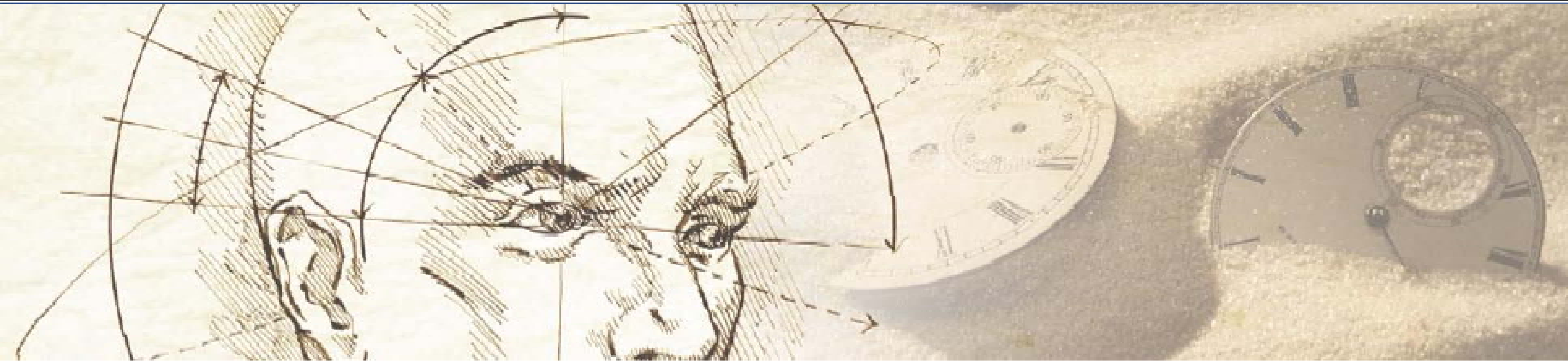

Mackenzie INVESTMENTS

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The story behind these charts…

The beauty of newspapers, from a publisher's perspective, is that they're addictive. A story doesn't unfold all in one go, like a novel. It fills in, bit by bit, over days. So, you have to keep buying the next day's newspaper.

The story of markets and individual investments, as presented in various media, is like that. Every day, we get a few disjointed pieces of information. But, for some reason, they rarely add up to a practical investment principle, like diversification. More often, they simply stir up emotions.

The charts in the following pages are, by contrast, the accumulation of years and years of data. They tell a long-term story of market behaviour - good and bad. They lay the groundwork for an understanding of risks and rewards. They set the stage for rational discussions of asset mix and individual investments.

We assembled these charts because we're not interested in selling papers. We're interested in growing wealth for long-term investors.

Predicting the winner is difficult

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US Small Cap 30.5%	Emerging Markets 82.3%	Foreign Equities 14.5%	US Large Cap 33.9%	Cdn. Small Cap 28.7%	US Large Cap 39.2%	US Large Cap 37.7%	Emerging Markets 57.2%	Cdn. Bonds 10.3%	US Small Cap 8.8%	Cdn. Bonds 8.7%	Cdn. Small Cap 42.7%	Emerging Markets 16.8%	Emerging Markets 31.2%	Emerging Markets 31.2%	Emerging Markets 38.7%
Emerging Markets 22.4%	Cdn. Small Cap 48.3%	Global Equities 11.9%	US Small Cap 24.9%	Cdn. Large Cap 28.4%	US Small Cap 27.7%	Global Equities 33.7%	Cdn. Large Cap 31.7%	Cdn. Large Cap 7.4%	Cdn. Bonds 8.1%	Cdn. Small Cap -0.9%	Emerging Markets 27.8%	Cdn. Large Cap 14.5%	Cdn. Large Cap 24.1%	Foreign Equities 26.8%	Cdn Large Cap 9.8%
US Large Cap 18.4%	Foreign Equities 38.5%	US Large Cap 7.4%	Cdn. Bonds 20.7%	US Large Cap 23.4%	Global Equities 21.3%	Foreign Equities 28.9%	Cdn. Small Cap 20.3%	Cdn. Small Cap 7.3%	Emerging Markets 3.8%	Emerging Markets -7.0%	Cdn. Large Cap 26.7%	Cdn. Small Cap 14.1%	Cdn. Small Cap 19.7%	Global Equities 20.6%	Cdn Bonds 3.7%
Cdn. Bonds 9.8%	Cdn. Large Cap 32.6%	US Small Cap 4.0%	Global Equities 18.1%	US Small Cap 16.9%	Cdn. Large Cap 15.0%	Cdn. Bonds 9.2%	Foreign Equities 20.1%	US Small Cap 0.8%	Cdn. Small Cap 3.4%	Cdn. Large Cap -12.4%	US Small Cap 20.5%	Foreign Equities 12.4%	Foreign Equities 10.5%	US Small Cap 18.3%	Cdn Small Cap 2.0%
Cdn. Small Cap 9.7%	Global Equities 28.3%	Cdn. Large Cap -0.2%	Cdn. Large Cap 14.5%	Global Equities 14.4%	Cdn. Bonds 9.6%	US Small Cap 4.4%	Global Equities 18.2%	US Large Cap -5.5%	US Large Cap -6.5%	Foreign Equities -16.4%	Foreign Equities 13.9%	US Small Cap 10.2%	Global Equities 6.6%	Cdn. Large Cap 17.3%	Foreign Equities -5.3%
Global Equities 4.9%	US Small Cap 23.9%	Emerging Markets -1.8%	Cdn. Small Cap 13.9%	Cdn. Bonds 12.3%	Cdn. Small Cap 7.0%	Cdn. Large Cap -1.6%	US Small Cap 14.4%	Global Equities -9.5%	Global Equities -11.4%	Global Equities -20.2%	Global Equities 9.4%	Global Equities 7.3%	Cdn. Bonds 6.5%	Cdn. Small Cap 16.6%	Global Equities -7.1%
Cdn. Large Cap -1.4%	Cdn. Bonds 18.1%	Cdn. Bonds -4.3%	Foreign Equities 8.6%	Foreign Equities 6.7%	Foreign Equities 6.5%	Cdn. Small Cap -17.9%	US Large Cap 14.2%	Foreign Equities -10.6%	Cdn. Large Cap -12.6%	US Small Cap -21.1%	Cdn. Bonds 6.7%	Cdn. Bonds 7.2%	US Large Cap 1.6%	US Large Cap 15.7%	US Large Cap -10.6%
Foreign Equities -3.0%	US Large Cap 14.7%	Cdn. Small Cap -8.6%	Emerging Markets -7.8%	Emerging Markets 6.6%	Emerging Markets -7.7%	Emerging Markets -19.9%	Cdn. Bonds -1.1%	Emerging Markets -28.2%	Foreign Equities -16.4%	US Large Cap -22.7%	US Large Cap 5.3%	US Large Cap 3.3%	US Small Cap 1.3%	Cdn. Bonds 4.1%	US Small Cap -16.5%

Canadian Bonds: Dex Universe Bond Total Return Index
Canadian Large Cap: S&P/TSX Total Return Index
Canadian Small Cap: BMO Nesbitt Burns Cdn Small Cap Index
Emerging Markets: MSCI Emerging Markets Free Index ($Cdn)

Global Equities: MSCI World Index ($Cdn)
Foreign Equities: MSCI EAFE Index ($Cdn)
US Large Cap: S&P 500 Total Return Index ($Cdn)
US Small Cap: Russell 2000 Index ($Cdn)

Source: Globe HySales December 2007

Certainty #3 in life . . .

A market will cycle…challenging investor emotions

S&P/TSX Composite Index
(Dec. 31-92 – Sep. 30-08)

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	YTD
Mutual Fund Net New Sales ($ billion)							$21.8	$28.9	$2.5	($1.4)	$14.3	$22.6	$20.8	$34.9	$10.6

Sources: Datastream (index) and IFIC (mutual fund net sales) as at September 30, 2008

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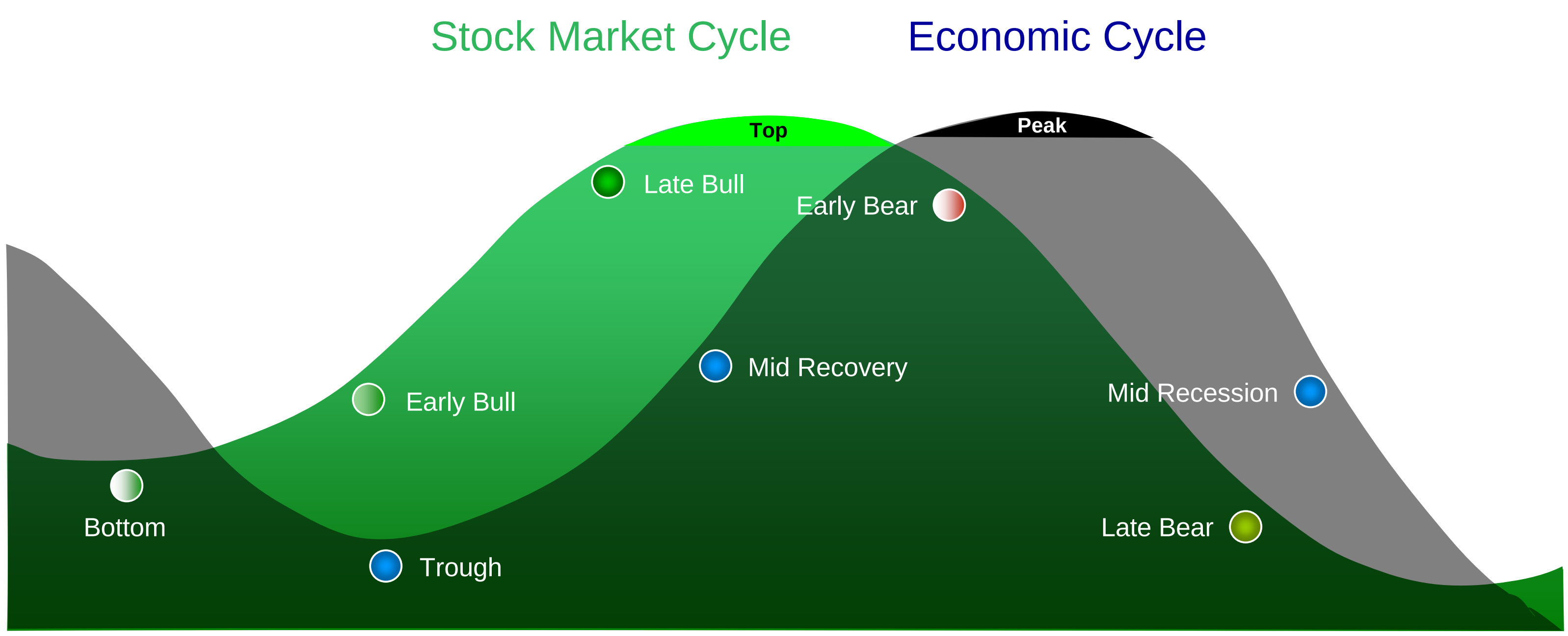
Always remember . . . it's only a cycle

Market cycle relative to economic cycle . . . but each has differences



For illustrative Purposes Only

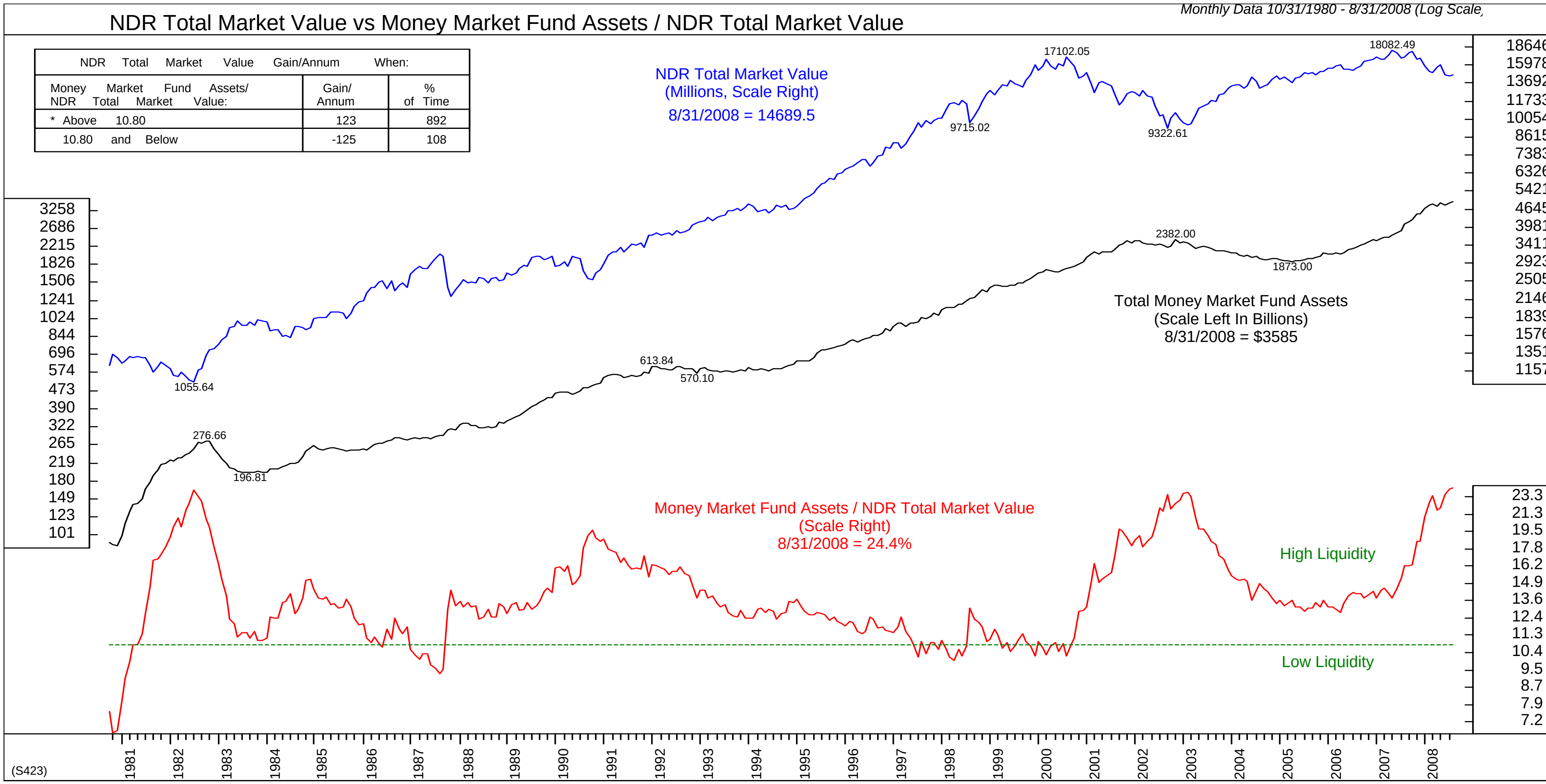
Today *versus* Great Depression

No comparison

Key Factor	Great Depression	Today
Gross domestic product growth	-27%	+1%
Industrial production	-52%	-2%
Unemployment rate high	25%	6%
Federal deficit as percentage of GDP	1.4%	4.9%
U.S. exports	-66%	+15%
Consumer Price Index	-27%	+4%
Money supply	-29%	+3%

Source: Schwab Investing Insights, Fall, 2008, Federal Reserve, Historical Statistics of the United States, Bureau of Labor Statistics, Bureau of Economic Analysis, National Bureau of Economic Research

High Investor Cash Reserves Depress Markets Short-Term, Fuel Them Long-Term



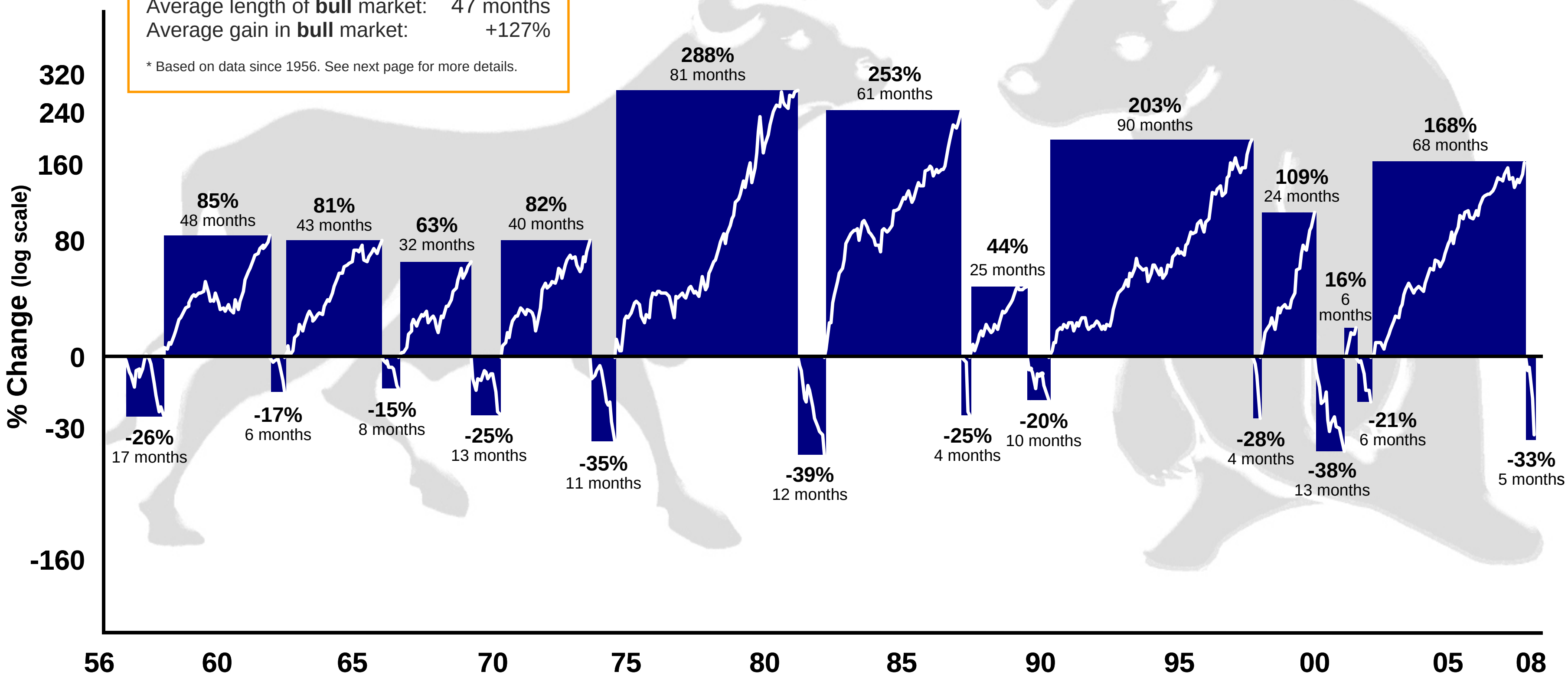
Source: Ned Davis Research

Bull & Bear Markets
S&P/TSX Composite Index to October 2008

Bull & Bear Facts*

Average length of **bear** market:	9 months
Average loss in **bear** market:	-27%
Average length of **bull** market:	47 months
Average gain in **bull** market:	+127%

* Based on data since 1956. See next page for more details.



Source: Mackenzie Financial (Datastream: month-end data points as at October 31, 2008; total return)

Bull & Bear Markets
S&P/TSX Composite Index to October 2008

THE RISKS AND REWARDS OF INVESTING

- This chart represents the bull and bear markets in the S&P/TSX Index since 1956. All bars above the line are bull markets; all bars below are bear markets.
- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.
- The first bar represents a bear market which, at its lowest point, dropped to -26% and lasted 17 months.
  This was followed by a bull market rising 85% and lasting 48 months.
- Since 1956 there have been 11 bull markets and 12 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.
- Bear markets during this period have averaged -27% and lasted only 9 months. Bull markets during this period have averaged 127% and lasted 47 months. This is the reward for accepting the risk of bear markets.

INVESTOR BEHAVIOUR

- According to the chart, markets spend more time in positive territory (bull) than negative (bear).
- Bull markets are, on average, longer and more intense, providing a more significant percentage change.
- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment ‘bargains’ to be found.
- Investor discipline during bear markets is critical.

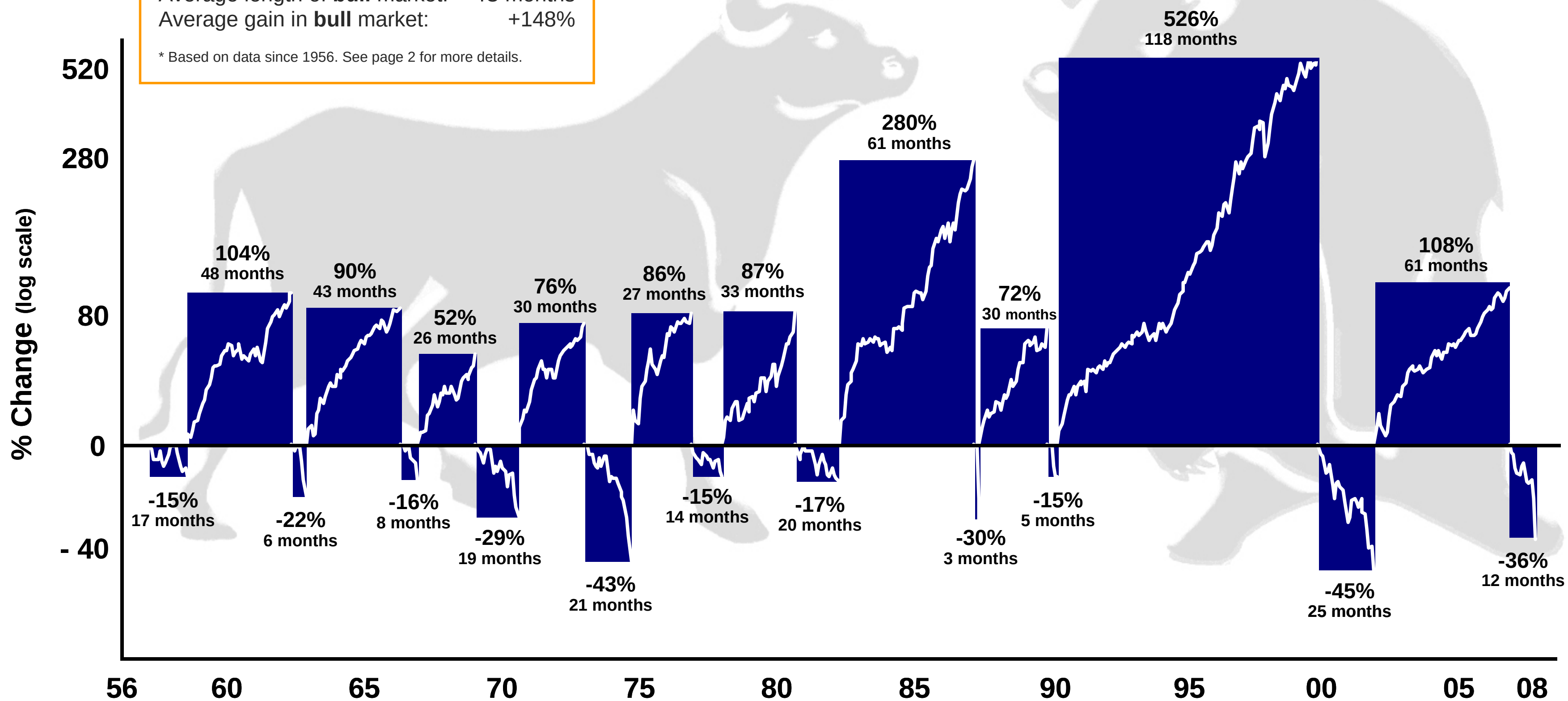
Bull & Bear Markets
S&P 500 Composite Index to October 2008

Bull & Bear Facts*

Average length of **bear** market: 14 months
Average loss in **bear** market: -26%

Average length of **bull** market: 48 months
Average gain in **bull** market: +148%

* Based on data since 1956. See page 2 for more details.



Source: Mackenzie Financial (Datastream: month-end data points as at October 31, 2008; total return, local currency)

Bull & Bear Markets
S&P 500 Composite Index to October 2008

THE RISKS AND REWARDS OF INVESTING

- This chart represents the bull and bear markets in the S&P 500 Composite Total Return since 1956. All bars above the line are bull markets; all bars below are bear markets.
- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.
- The first bar represents a bear market which, at its lowest point, dropped to -15% and lasted 17 months. This was followed by a bull market rising 104% and lasting 48 months.
- Since 1956 there have been 10 bull markets and 11 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.
- Bear markets during this period have averaged -26% and lasted only 14 months. Bull markets during this period have averaged 148% and lasted 48 months. This is the reward for accepting the risk of bear markets.

INVESTOR BEHAVIOUR

- According to the chart, markets spend more time in positive territory (bull) than negative (bear).
- Bull markets are, on average, longer and more intense, providing a more significant percentage change.
- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment ‘bargains’ to be found.
- Investor discipline during bear markets is critical.

Why Commit Now When Further 5-8% Decline Possible? Because Best Returns Come Fast And Early in New Bull

Mean Group Performance During NDR Defined Bear and Bull Markets
Bull Market
4/19/1980 - Present

Group Name	First Third Bull	Second Third Bull	Last Third Bull	Total Bull Market
Broadcast Media	38.98	22.35	19.19	121.70
Consumer Durables & Apparel	53.16	16.16	15.55	118.42
Consumer Services	55.01	19.32	16.83	123.34
Retailing	61.14	23.55	28.36	178.10
Consumer Staples	30.81	14.93	18.45	85.04
Energy	19.29	30.15	22.12	86.96
Banking	42.21	20.32	14.52	128.39
Diversified Financials	58.73	30.47	24.76	191.44
Insurance	42.12	18.45	17.89	119.67
Real Estate Investment Trusts	32.70	11.56	6.62	62.97
Health Care Equipment & Services	44.18	29.06	12.46	128.22
Pharmaceuticals Biotechnology & Life Sciences	43.26	14.54	27.85	116.45
Capital Goods	40.32	20.23	21.30	114.29
Commercial Services & Supplies	43.81	22.95	18.63	134.76
Transportation	47.75	18.18	19.84	117.79
Software & Services	73.48	26.22	35.92	252.53
Technology Hardware & Equipment	67.13	28.45	24.12	197.62
Materials	37.60	18.61	18.39	96.96
Telecommunications Services	42.72	23.25	24.48	138.13
Utilities	21.80	10.04	5.16	44.56

* Only Used Groups With Price Data Back To 10/14/1980
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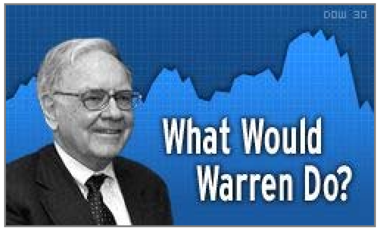
What to do when markets get rough?
Lessons from the Oracle

Volatility? . . . Warren Buffett offers **3** steps



1) Turn "off" the stock market
2) Don't worry about the economy
3) Buy businesses, not stocks

Timely advice:

"We don't have to be smarter than the rest; we have to be <u>more disciplined than the rest.</u>"

"Be fearful when others are greedy . . . and greedy only when others are fearful."

— Warren Buffett

Source: The Warren Buffett Way, Robert G. Hagstrom 2005

Buffett says . . .

"This really is an economic Pearl Harbor"

More important . . . what is the Oracle of Omaha doing?

Buying excellent companies at distress prices

Goldman Sachs — $5 billion stock purchase (September 24-08)

GE — $3 billion stock purchase (October 1-08)

Visual Source: YahooFinance, October 2008

Bear market decisions…

Value of $10,000 invested in the S&P 500 (US$) January 31, 1973:

3 Months Later…	$9,285
6 Months Later…	$9,465
9 Months Later…	$9,545
12 Months Later…	$8,587
1 Year, 8 Months Later **(Sept/74 Market Low)**	**$5,816**

At what point do you think most investors would have given up and thrown in the towel?

$5,816 removed from the market & re-invested in an interest bearing CD at 10.5%:

6 months later…	$6,121
12 months later…	$6,426
2 years later…	$7,101
5 years later…	$9,581
10 years later…	**$16,145 (after re-investment Sept/79 for 5 yrs at prevailing rate of 11%)**

Source: Globe HySales

Bear market decisions…

What if you had kept your $5,816 invested in the S&P 500 (US$) instead of going into cash on Sept 30, 1974?

6 months later…	**$7,820**
12 months later…	**$8,033**
2 years later…	**$10,468**
5 years later…	**$12,596**
10 years later…	**$24,671**

Food for thought.

Source: Globe HySales

Bear market decisions…

What if you invested an additional $10,000 in the S&P 500 (US$) instead of going into cash on Sept 30, 1974 ?

6 months later…	**$21,266**
12 months later…	**$21,846**
2 years later…	**$28,465**
5 years later…	**$34,254**
10 years later…	**$67,091**

Food for thought.

Source: Globe HySales

Bear market decisions…

Value of $10,000 invested in the S&P 500 (US$) August 31, 2000:

3 months later…	$8,688
6 months later…	$8,216
9 months later…	$8,349
12 months later…	$7,561
2 years, 1 month later **(Sept/02 Market Low)**	**$5,527**

At what point do you think most investors would have given up and thrown in the towel?

$5,527 removed from the market & re-invested in a 5-year GIC at 3.28%

12 months later…	$5,708
2 years later…	$5,895
3 years later…	$6,087
5 years later	**$6,493**

Source: Globe HySales

Bear market decisions…

What if you had kept your $5,527 invested in the S&P 500 (US$) instead of going into cash on Sept 30, 2002 ?

6 months later …	**$5,804**
12 months later…	**$6,875**
2 years later…	**$7,829**
3 years later…	**$8,787**
5 years later…	**$11,334**

Food for thought.

Source: Globe HySales

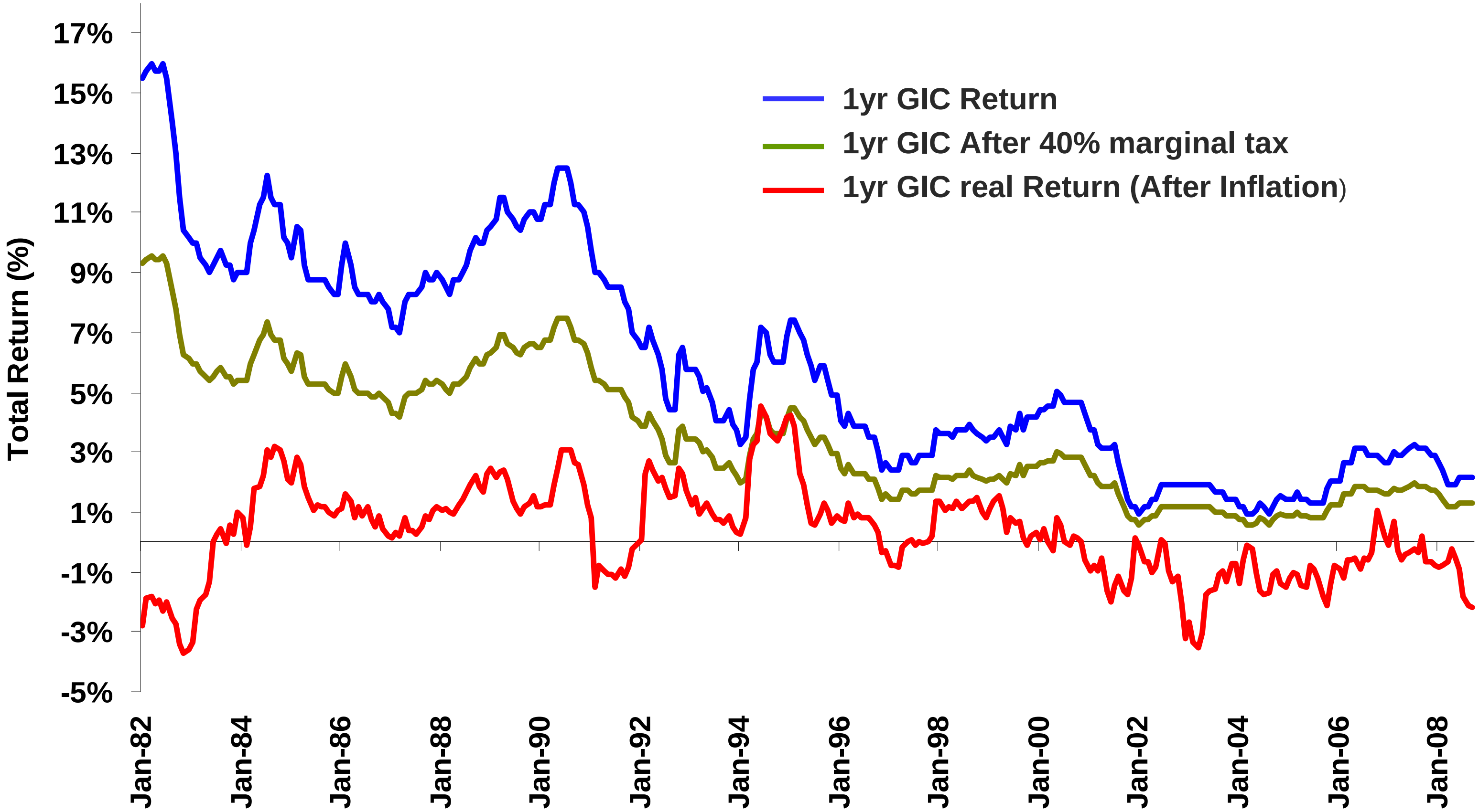
Bear market decisions…

What if you invested an additional $10,000 in the S&P 500 (US$) instead of going into cash on Sept 30, 2002 ?

6 months later …	**$16,306**
12 months later…	**$19,315**
2 years later…	**$21,992**
3 years later…	**$24,685**
5 years later…	**$31,842**

Food for thought.

Real Return of a GIC



Source: GlobeHysales, Bloomberg. As of September 30, 2008.

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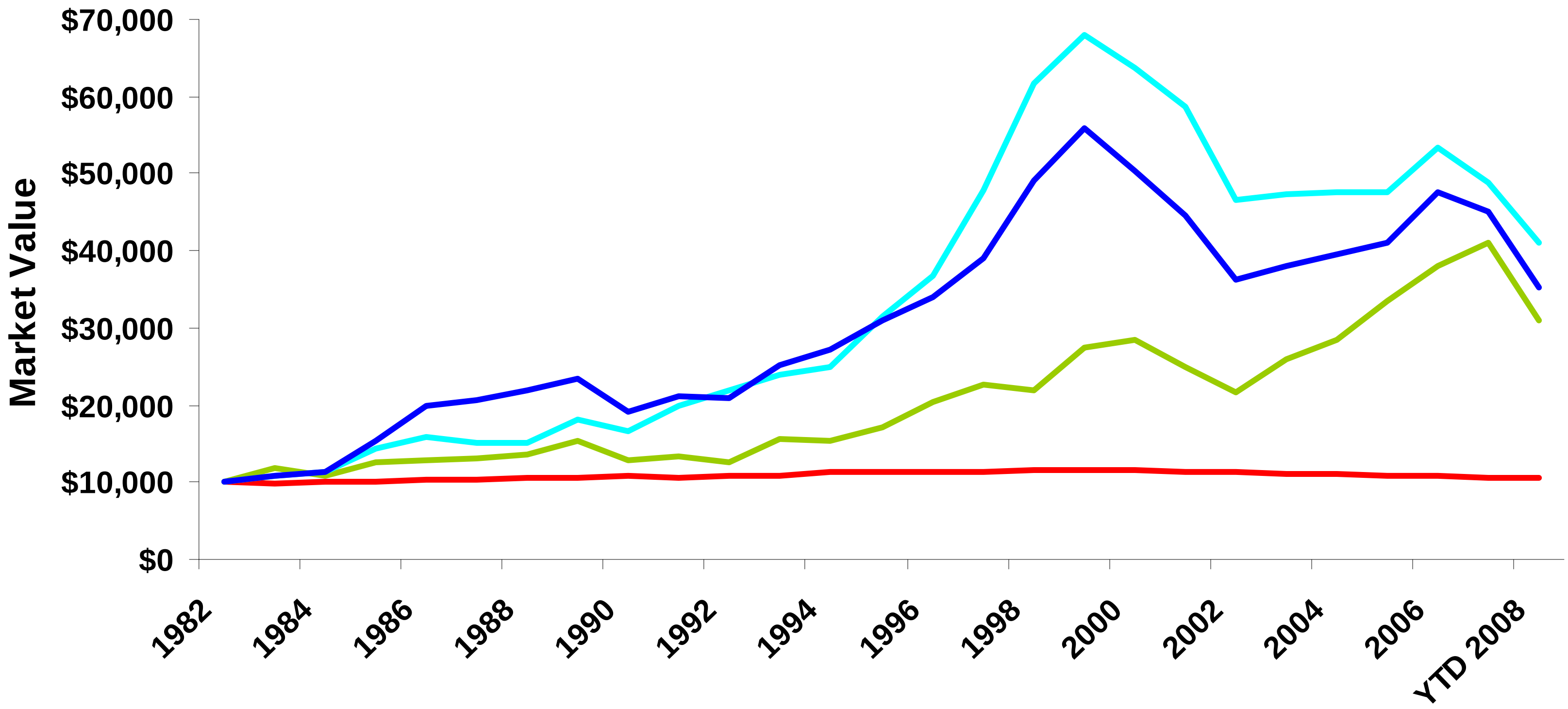
Real Return of $10,000

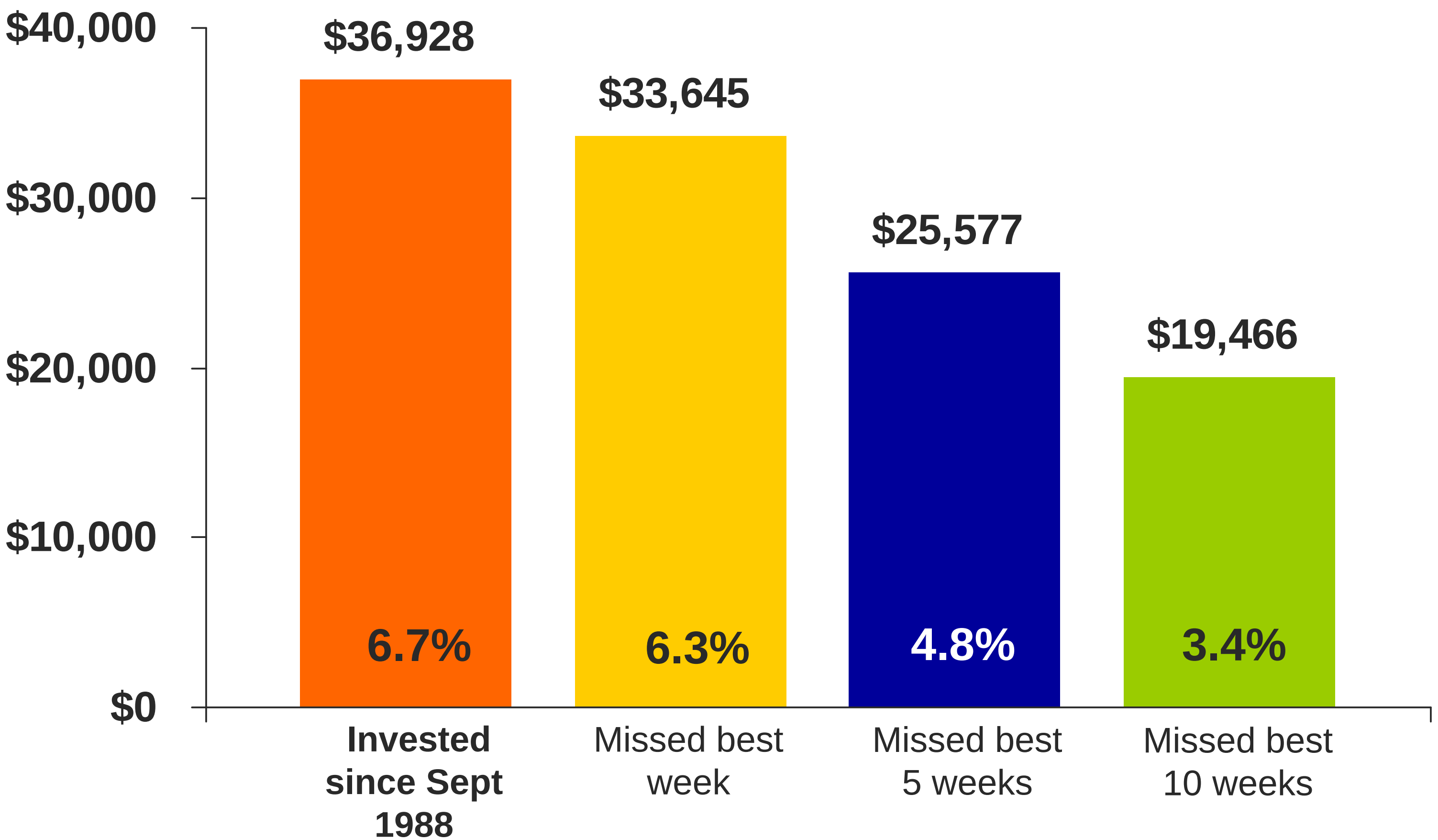
S&P 500 Real Return:	$41,064
MSCI World Real Return:	$35,336
S&P/TSX Real Return:	$30,958
GIC Real Return:	$10,568



Source: Datastream. September 30, 2008. Marginal Tax Rate = 40%.

20 Years of the S&P/TSX
You can't afford to miss the best weeks

Value of $10,000 invested September 1988 to September 2008



Source: Datastream, S&P/TSX Price Index, September 30, 2008

20 Years of the S&P/TSX

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put $10,000 into the S&P/TSX 20 years ago (September 26, 1988). Over this period the average annual return for the S&P 500 was 6.7%. Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 6.7% to 6.3%.

Missing the best five weeks: Return drops to 4.8%.

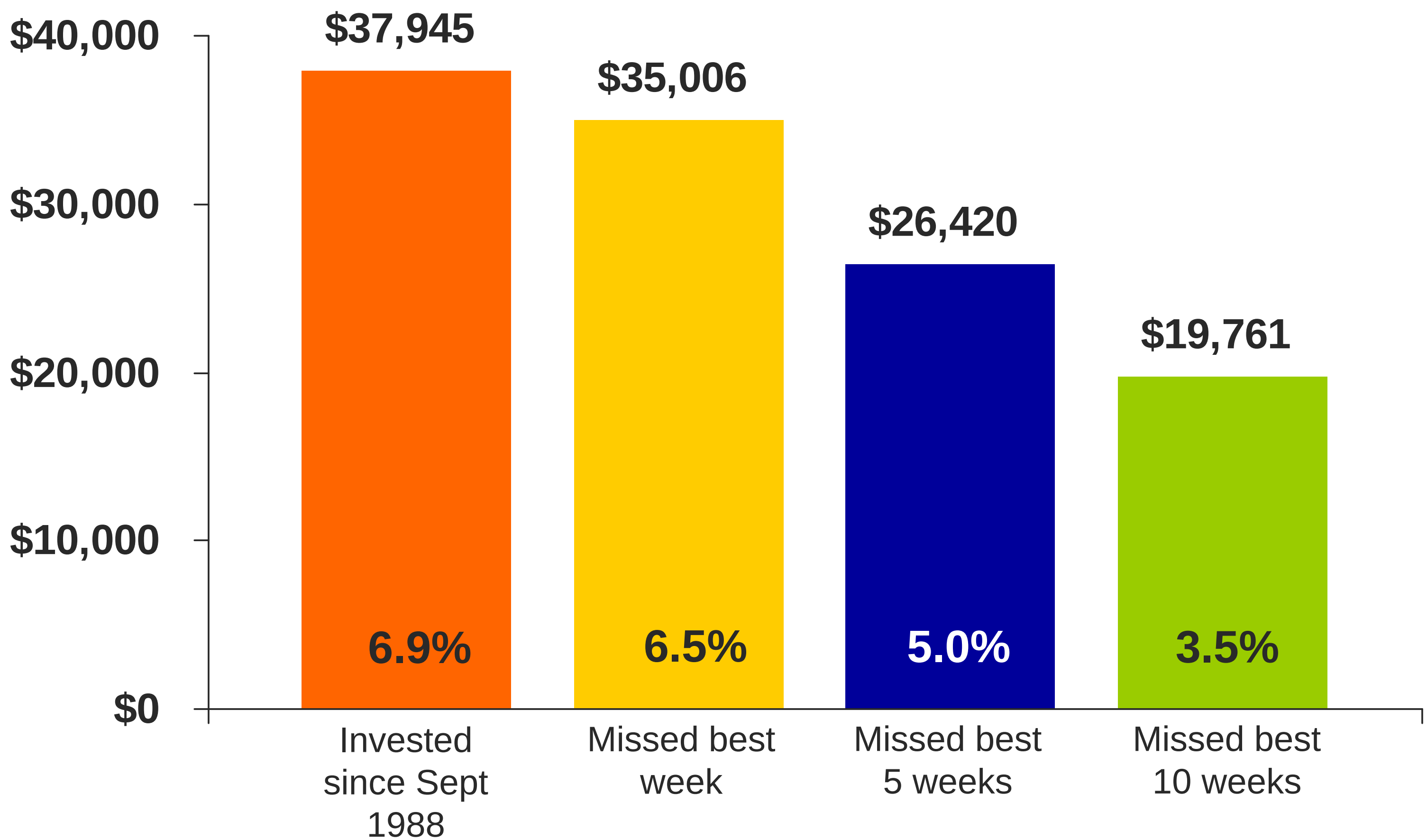
Missing the best 10 weeks: Return drops to 3.4%.

Being in the market for the entire 20 year period would have resulted in a portfolio value of $36,928. If the investor missed the top ten weeks the portfolio value drops to $19,466.

Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor’s gain by more than $17,000. That’s almost half of the investor’s total return!

20 Years of the S&P 500
You can't afford to miss the best weeks

Value of $10,000 invested September 1988 to September 2008



Source: Datastream, S&P 500 Price Index, September 30, 2008

20 Years of the S&P 500

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put $10,000 into the S&P 500 20 years ago (September 26, 1988). Over this period the average annual return for the S&P 500 was 6.9% (Cdn$). Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 6.9% to 6.5%.

Missing the best five weeks: Return drops to 5.0%.

Missing the best 10 weeks: Return drops to 3.5%.

Being in the market for the entire 20 year period would have resulted in a portfolio value of $37,945. If the investor missed the top ten weeks the portfolio value drops to $19,761.

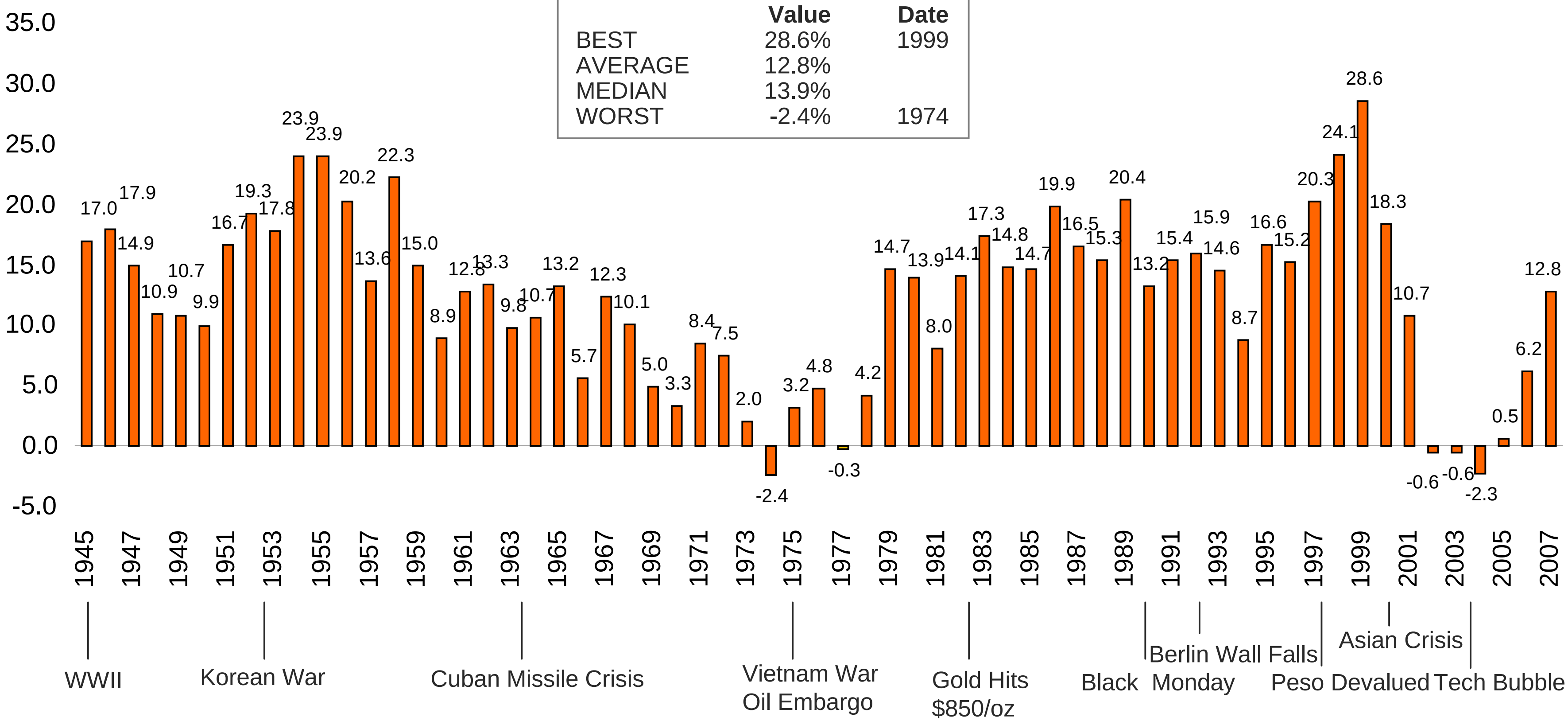
Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor's gain by more than $18,000. That's over half of the investor's total return!

Stay invested: patience is rewarded

ROLLING 5-YEAR AVERAGE ANNUAL COMPOUND RETURNS (S&P 500) - ONLY FOUR NEGATIVE PERIODS

Average Annual Returns
5 Year Period

	Value	**Date**
BEST	28.6%	1999
AVERAGE	12.8%	
MEDIAN	13.9%	
WORST	-2.4%	1974



Investor expectations

Observations

- Since 1945, there has been only one 5-year period when investors simply broke even (1972-1977).
- Since 1945, there has been only five 5-year period when investors lost money
- The average 5-year return has been 12.3%

Implications

- Consider the first bar on the chart. If you had put money into the market at the beginning of World War II, your portfolio would have grown 17% annually by the end of 1945.
- Investment strategists and professionals constantly warn investors about important economic variables, such as interest rates, inflation, a depreciating currency, oil prices rising, and even presidential elections. It is often suggested that, before investing, investors wait for certainty to arise around a specific variable. However, there will always be uncertainty in the market.

Conclusion

- If a long-term perspective was maintained, performance did not suffer during times of uncertainty or crisis.
- Waiting on the sidelines until there is no uncertainty could mean a missed investment opportunity.

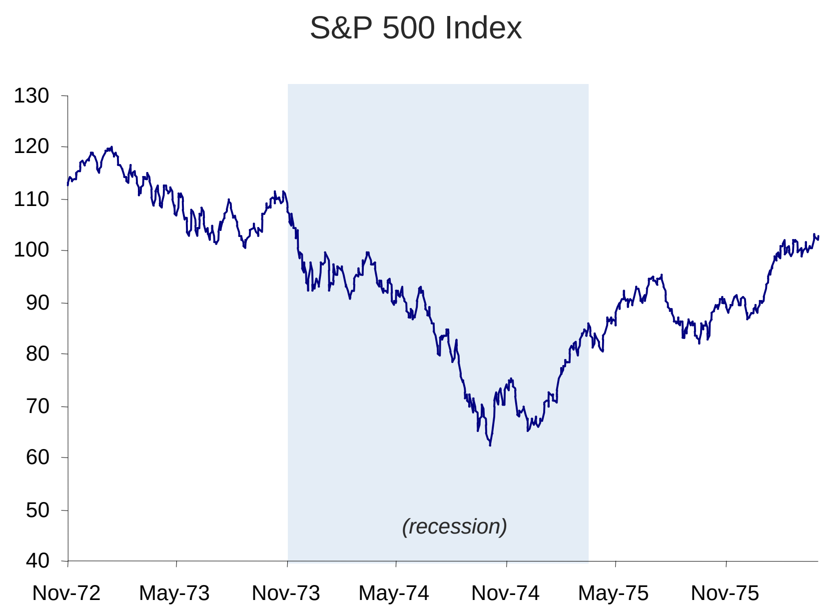
U.S. Stock Market Annual Total Return: 183 Year History

Positive years: 129 (70%)
Negative years: 54 (30%)

-50 to -40	-40 to -30	-30 to -20	-20 to -10	-10 to 0	0 to 10	10 to 20	20 to 30	30 to 40	40 to 50	50 to 60
					2007					
					2005					
					1994					
					1993					
					1992					
					1987					
					1984					
					1978					
					1970					
					1960	2006				
					1956	2004				
					1948	1988				
					1947	1986				
					1923	1979				
					1916	1972				
					1912	1971				
				2000	1911	1968				
				1990	1906	1965				
				1981	1902	1964				
				1977	1899	1959				
				1969	1896	1952				
				1962	1895	1949				
				1953	1894	1944	2003			
				1946	1891	1926	1999			
				1940	1889	1921	1998			
				1939	1887	1919	1996			
				1934	1881	1918	1983			
				1932	1877	1905	1982			
			2001	1929	1875	1904	1976			
			1973	1914	1874	1898	1967			
			1966	1913	1872	1897	1963	1997		
			1957	1903	1871	1892	1961	1995		
			1941	1890	1870	1886	1951	1991		
			1920	1887	1869	1878	1943	1989		
			1917	1883	1868	1864	1942	1985		
			1910	1882	1867	1858	1925	1980		
			1893	1876	1866	1855	1924	1975		
			1884	1861	1865	1850	1922	1955		
			1873	1860	1859	1849	1915	1950		
		2002	1854	1853	1856	1848	1909	1945		
		1974	1841	1851	1844	1847	1901	1938	1958	1954
		1930	1837	1845	1842	1838	1900	1936	1935	1933
2008		1907	1831	1835	1840	1834	1880	1927	1928	1885
YTD		1857	1828	1833	1836	1832	1852	1908	1863	1879
1931	1937	1839	1825	1827	1826	1829	1846	1830	1843	1862

Percentage Total Return

A Tale of 5 Recessions
Recession # 1: 1973-1975

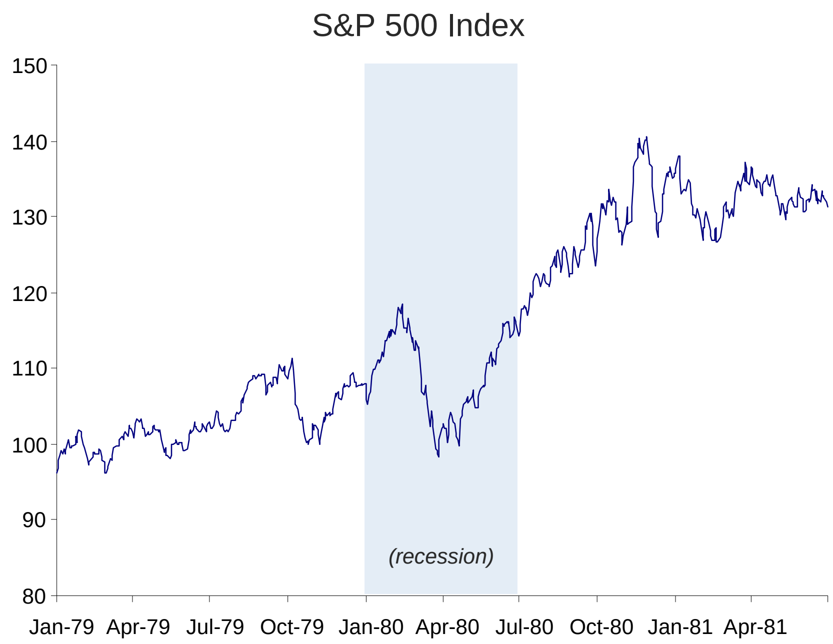


Recession started:	Nov. 1973
Announced:	N/A
Ended:	March 1975

- **Oct. 1973 Arab oil embargo causes oil prices to quadruple**
- **Inflation rate soars from 6.2% in 1973 to 11% in 1974**

Sources: Datastream (chart), NBER (recession dates)

A Tale of 5 Recessions
Recession # 2: 1980



Recession started:	Jan. 1980
Announced:	June 1980
Ended:	July 1980

- **Double-digit inflation since mid-1970s**
- **Oil imports reduced from Iran in 1979**
- **US central bank aggressively raises interest rates**

Sources: Datastream (chart), NBER (recession dates)

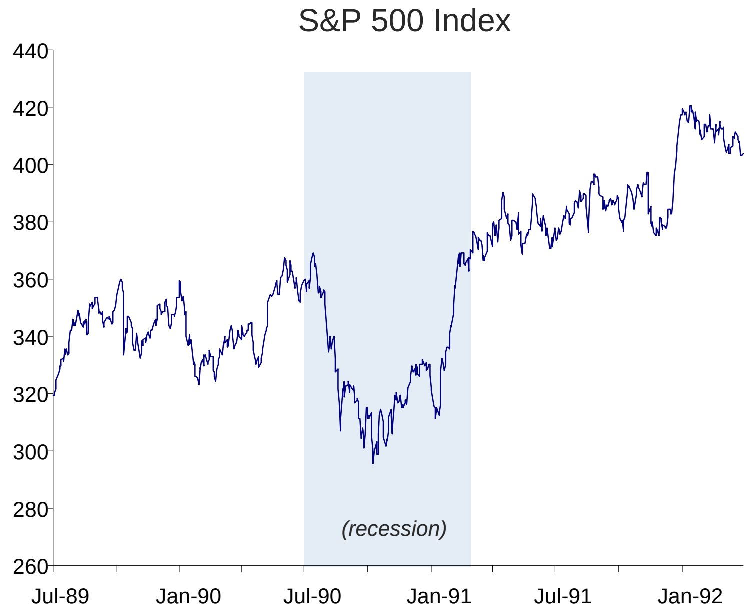
A Tale of 5 Recessions
Recession # 3: 1981-1982

Recession started: July 1981
Announced: Jan. 1982
Ended: Nov. 1982

- **Runaway inflation: $1 in 1975 has same buying power as $2 in 1985**
- **US central bank raises rates from 11% (1979) to 20% (1981)**

Sources: Datastream (chart), NBER (recession dates), US Bureau of Labor Statistics (CPI)

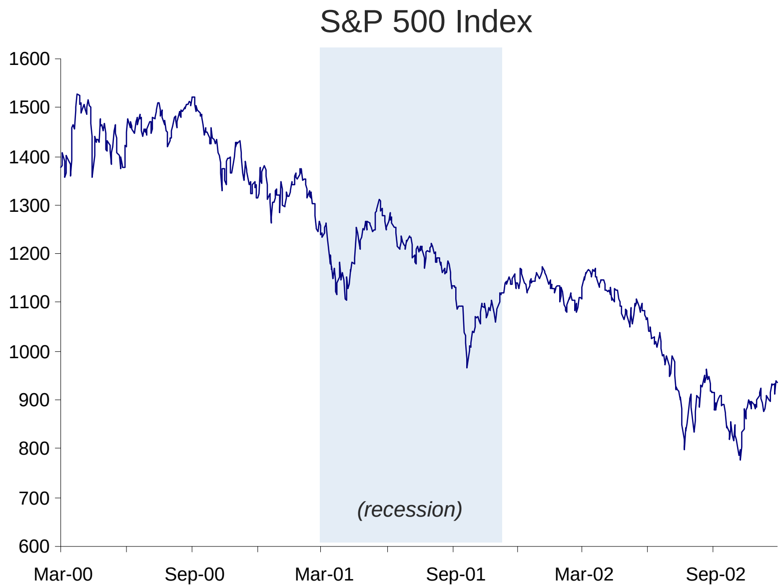
A Tale of 5 Recessions
Recession # 4: 1990-1991



Recession started: July 1990
Announced: April 1991
Ended: March 1991

- **Real estate bubble of late 1980s bursts**
- **Savings & Loan Crisis: 1,000+ institutions bankrupt (1986-1995)**

A Tale of 5 Recessions:
Recession # 5: 2001



Recession started:	March 2001
Announced:	Nov. 2001
Ended:	Nov. 2001

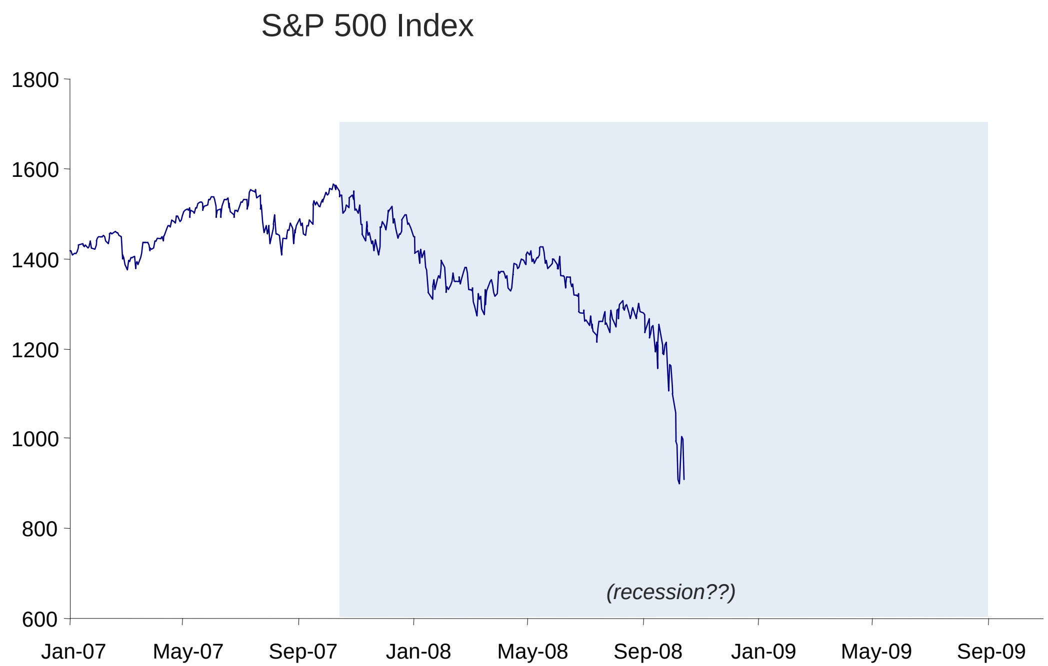
- **Tech bubble bursts in March 2000**
- **September 11, 2001**
- **Corporate accounting scandals in 2002**

Sources: Datastream (chart), NBER (recession dates)

Diagnosing a recession

- **A recession is typically diagnosed <u>six months after</u> it has started**
- **By the time a recession is officially announced, the market may have already priced in the economic weakness**
- **In the 1980 and 1990 recessions, the total stock market declines occurred <u>before</u> the recessions were announced**

Where are we now? 2007-?



- **From its high in Sept. 2007, the S&P 500 Index falls 42.5% by October 10, 2008**
- **1973-1974 crash: Market falls 48% (Jan-73 to Oct-74)**
- **1987 crash: Market falls 33.5% (Aug-87 to Dec-87)**

Sources: Datastream (chart), NBER (recession dates)

Looks a lot like 1990-1991 recession…

1990 - 1991

- Housing slump
- Savings & loan crisis
- US central bank cuts rates 8.25% to 3% (1990-1992)

2007 - 2008

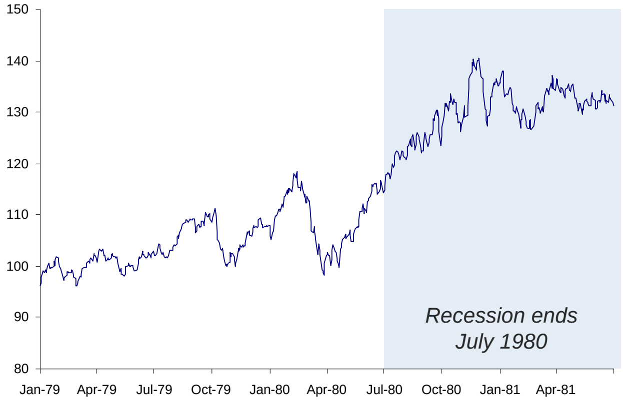
- Housing slump
- Subprime crisis
- US central bank cuts rates 5.25% to 1.50% (2007-present)

12 months after recession officially ended…

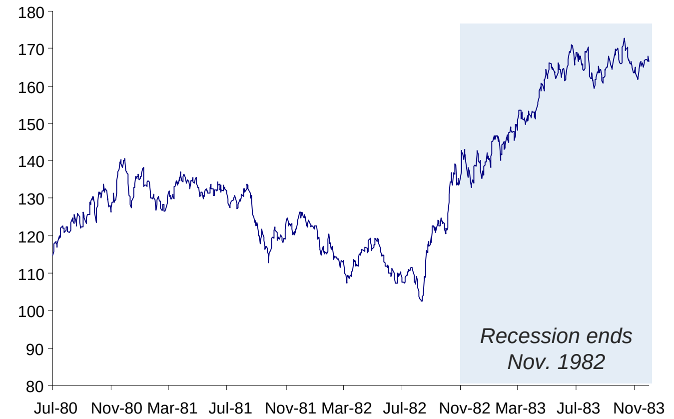
Source: Datastream

12 months after recession officially ended…

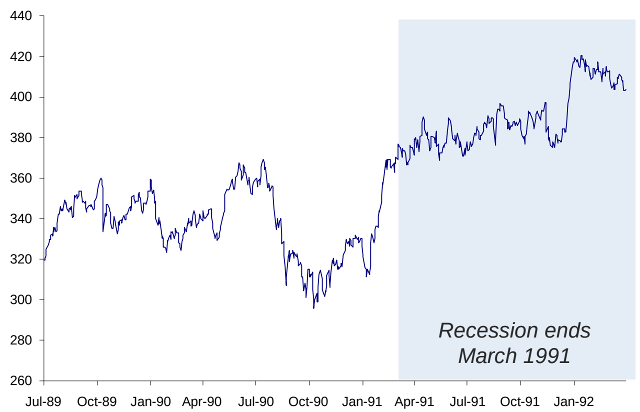
1980: +14.9%



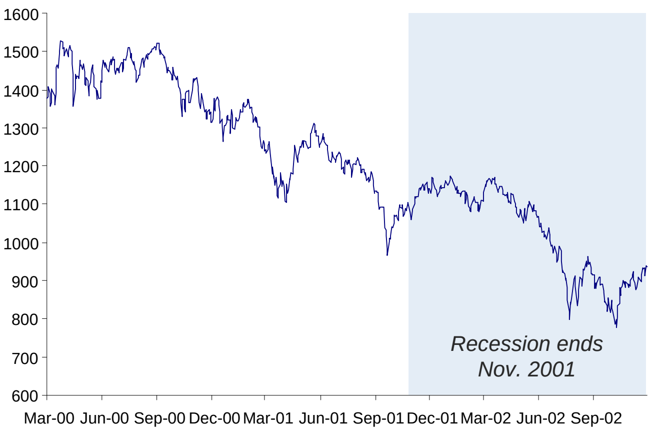
1981-1982: +20.7%



1990-1991: +10.6%



2001: -17.8%



Source: Datastream

12 months after recession <u>officially ended</u>

- **In 4 of the last 5 recessions, stock markets were <u>up</u> 12 months after the official end date of those recessions**
- **In the 2001 recession, stocks continued to decline**

Dates and lengths of US recessions

Dates		Recession	Expansion
Sep 1902	Aug 1904	23	21
May 1907	June 1908	13	33
Jan 1910	Jan 1912	24	19
Jan 1913	Dec 1914	23	12
Aug 1918	March 1919	7	44
Jan 1920	July 1921	18	10
May 1923	July 1924	14	22
Oct 1926	Nov 1927	13	27
Aug 1929	March 1933	43	21
May 1937	June 1938	13	50
Feb 1945	Oct 1945	8	80
Nov 1948	Oct 1949	11	37
July 1953	May 1954	10	45
Aug 1957	April 1958	8	39
April 1960	Feb 1961	10	24
Dec 1969	Nov 1970	11	106
Nov 1973	March 1975	16	36
Jan 1980	July 1980	6	58
July 1981	Nov 1982	16	12
July 1990	March 1991	8	92
March 2001	Nov 2001	8	120

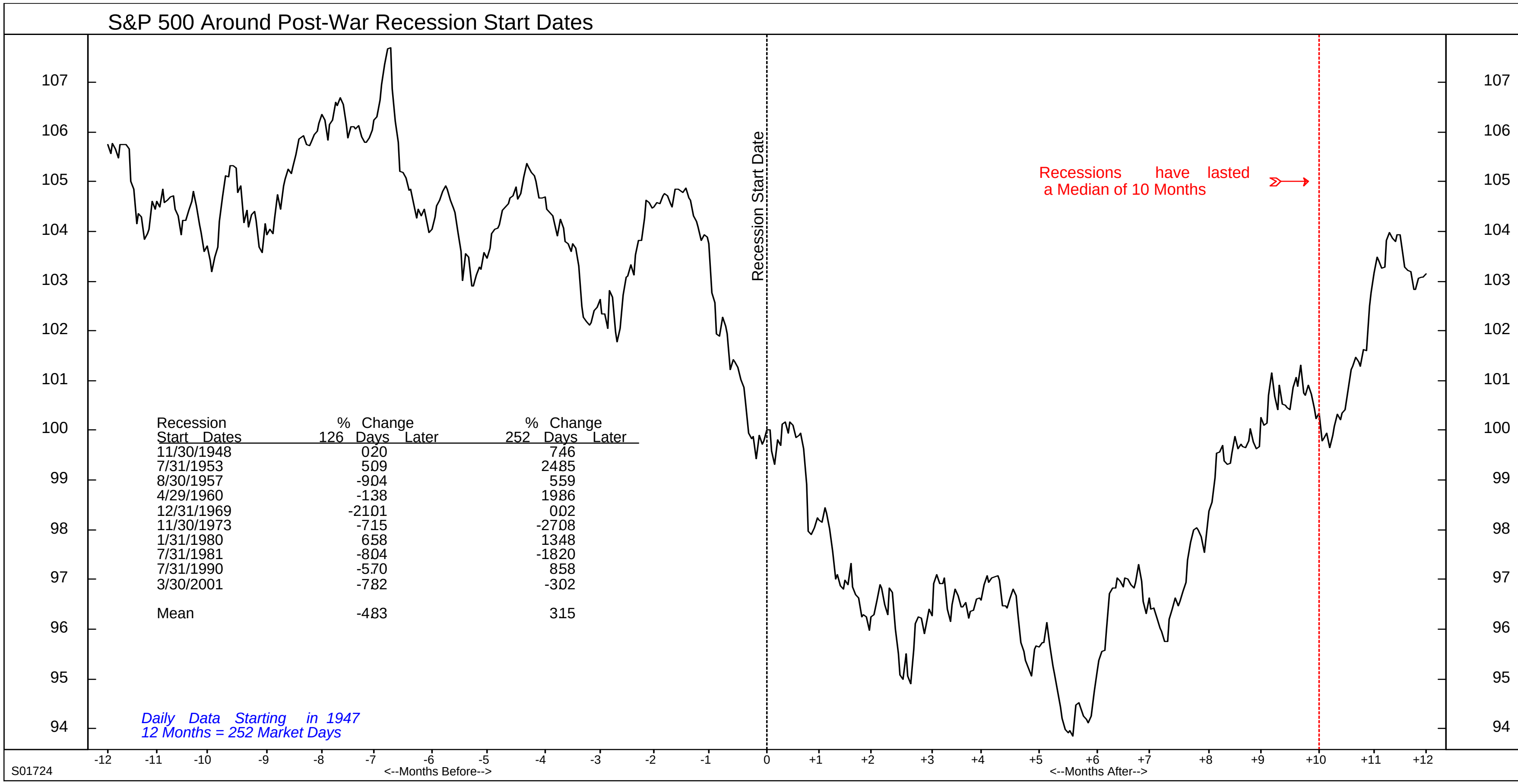
Recession is the number of months from peak to trough. Expansion is the number of months from the previous trough to latest peak, e.g. 120 months: March 1991 to March 2001 expansion.
Source: National Bureau of Economic Research.

Average length of recessions

	Recession	*Expansion*
1902 to 2001 (21 cycles)	**14 months**	**43 months**
1945 to 2001 (10 cycles)	**10 months**	**57 months**

Source: National Bureau of Economic Research

Half Way Through Recessions, Economy Slips Further, But Stocks Anticipate Next Cycle



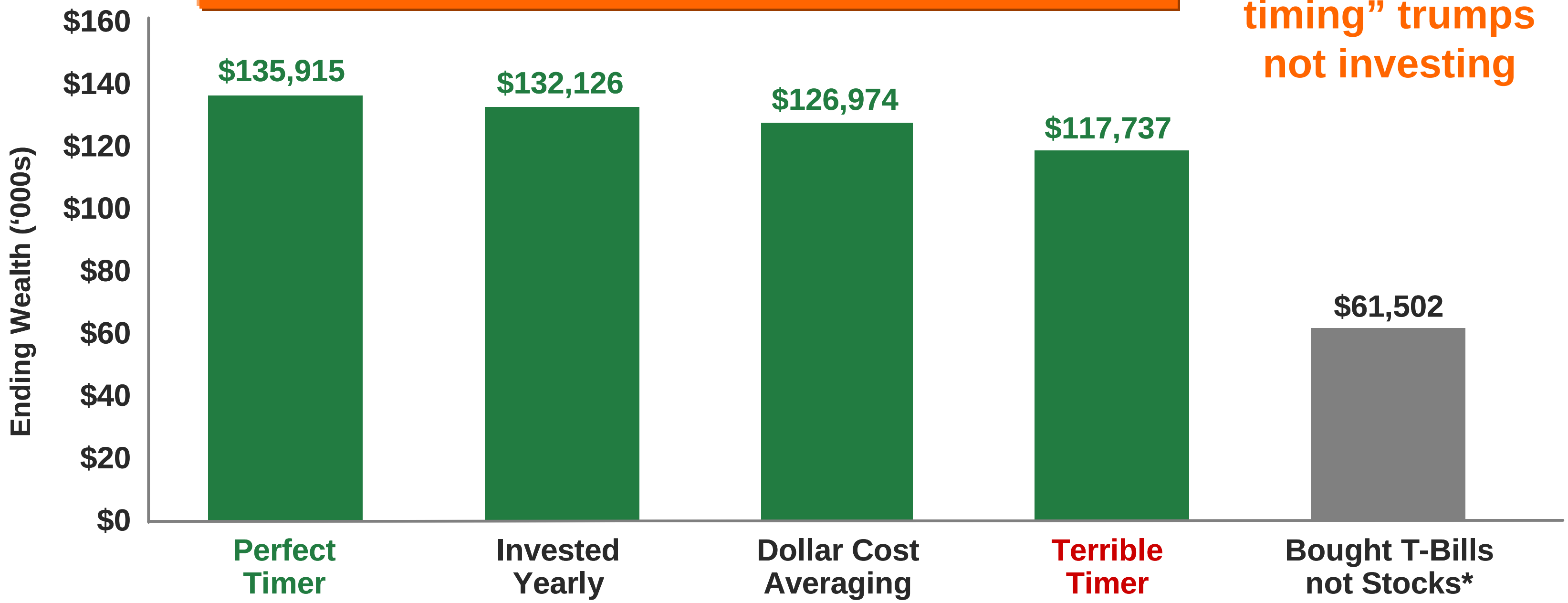
When is the *right time* to invest ?

Five approaches - five investment results

Investing $2,000/yr in S&P 500 Index over 20 years

It's time in the market . . . not market timing

Even "terrible timing" trumps not investing



* Purchased U.S. 30-day T-bills

Source: Schwab Investing Insights, April 2008; investment period 1988 – 2007

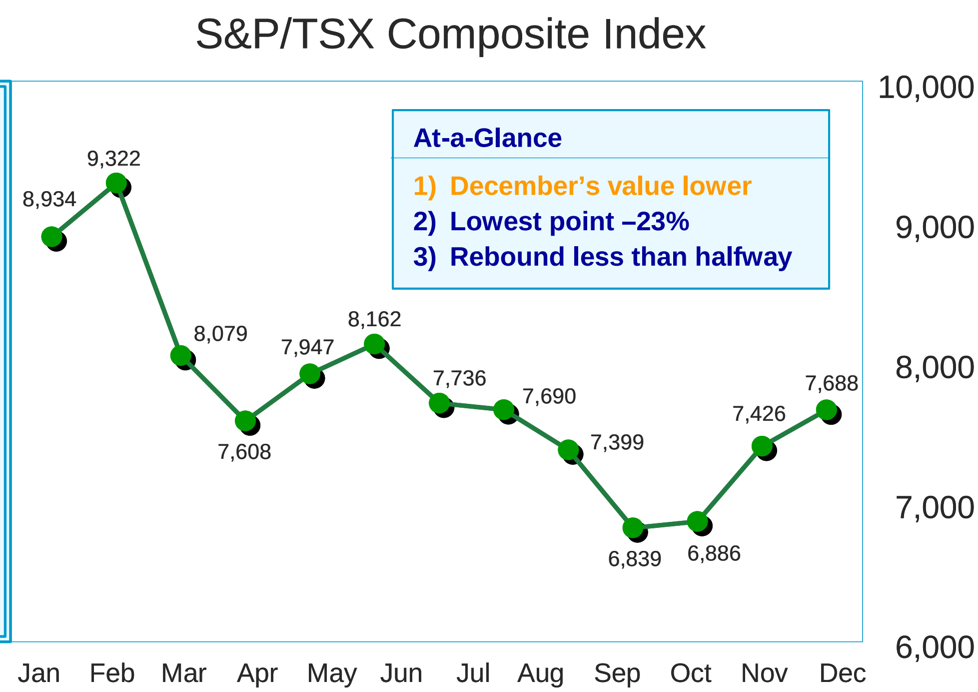
Dollar cost averaging: volatility can be a friend

Actual market results for 2001

- ☐ Return on Investment?
- ☐ -10% or more
- ☐ -5%
- ☐ 0%
- ☐ +5%
- ☐ +10% or more

Lump Sum**
-13.9%

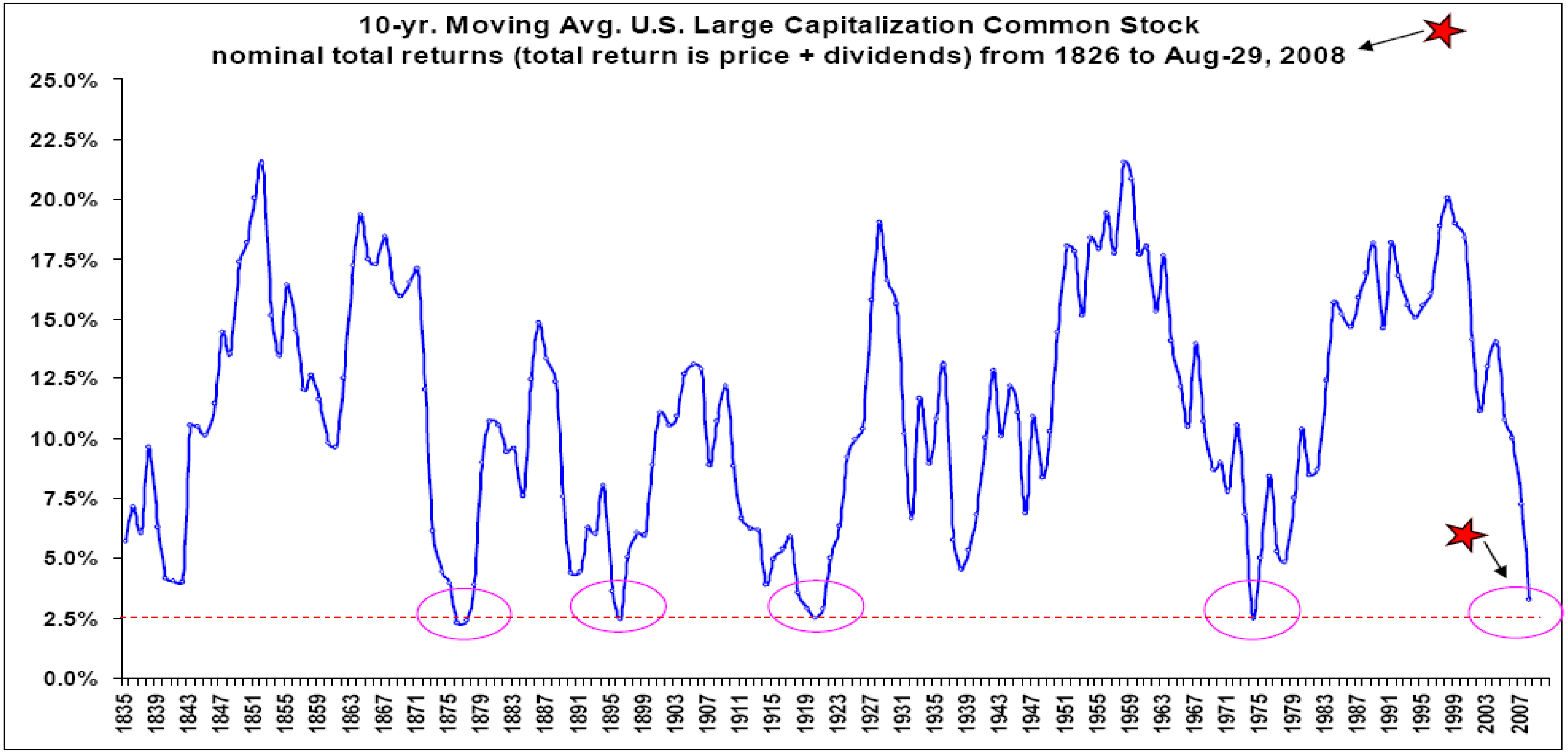
DCA*
-1.1%



*   *Assumes a monthly investment of equal payments at start of each month for 12 months.*
** *Assumes a lump sum investment (equal to sum of above note's 12 payments) and made on January 1.*
Note: Does not include any dividend reinvestment.

Source: Standard & Poor's; Insight Financial Research

10 year moving average of S&P500 returns suggest we are near a low only seen 4 other times in 182 years



Source: Yale Center of Finance, Standard & Poors, Ibbotson Associates.