

How Long do Bear Markets Last?

Bear Markets Tend to Last Less Than Two Years

The U.S. Experience Tells the Story

A true bear market is one that declines 20% or more from peak to trough. The U.S. has seen eleven declines of this magnitude since World War II, occurring every five years on average. Bear markets tend to be short in duration. Only four lasted more than a year and none lasted more than two years. The current decline reached one year in length on March 23, 2001.

The biggest risk during bear markets is the impulse to sell. Markets generate temporary declines...only people can lock-in permanent losses.

Bull Market Peak	Bear Market Bottom	Duration (days)
29-May-46	17-May-47	353
13-Dec-61	26-Jun-62	195
09-Feb-66	07-Oct-66	240
03-Dec-68	26-May-70	539
11-Jan-73	06-Dec-74	694
21-Sep-76	28-Feb-78	525
27-Apr-81	12-Aug-82	472
25-Aug-87	19-Oct-87	55
16-Jul-90	11-Oct-90	98
17-Jul-98	31-Aug-98	45
23-Mar-00	unknown	342 (so far)

Represents S&P 500 to February 28, 2001.

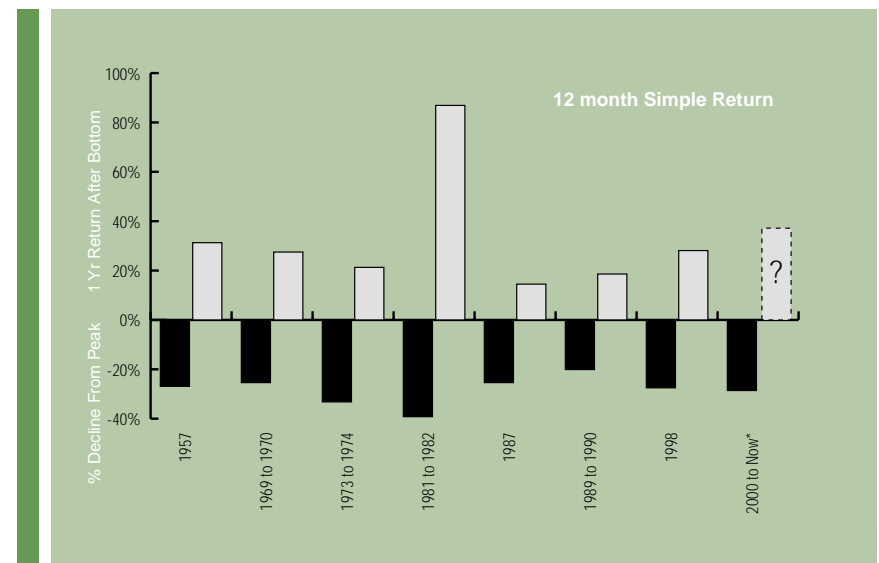
Adapted from Nick Murray analysis in Simple Wealth, Inevitable Wealth.

How do Markets Perform During a Recovery?

You Don't Want to Miss the Turnaround

According to Canadian Experience

Bear market declines are difficult for those caught in the middle. But keep in mind the strength and speed of recovery. Take a look at the eight TSE 300 bears since 1950, and the strength of recovery:



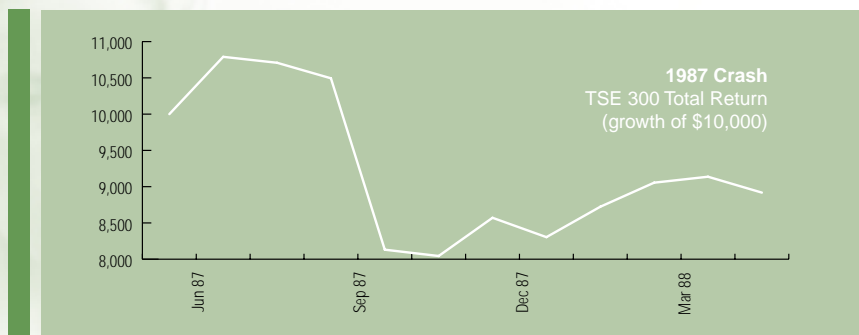
This chart tells quite a story. First, it suggests that right now we are most likely closer to the end of the bear market than the beginning. Second, when the market turns around it will happen quickly, and substantially erase recent losses. We know from experience that trying to time the bottom of the market is a losing game. Most people miss it, and by the time they're back in the market they've missed the strongest part of the recovery. Don't make that mistake.

*February 28, 2001

How Much Can You Lose in a Bear Market?

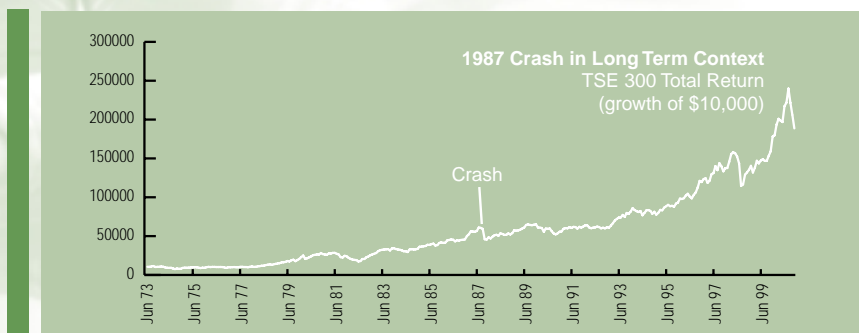
A Lot...But Only if You Sell

A bear market can shave plenty of value off your portfolio, but permanent losses accrue only if you sell. If you bought in at the peak of the market in 1987 and sold at the bottom, you would have lost about 25%. If you have a long-term strategy the results are very different.



Long Term Focus Pays Off

This graph illustrates impact of the 1987 crash on long-term investors. A minor blip to those who maintained their focus.



How Much Did Warren Buffett Lose?

Example:

Berkshire Hathaway Inc.

Close Friday, October 16, 1987 \$3,890 per share

Close Monday, October 19, 1987 \$3,180 per share
(Black Monday!)

Close Wednesday, February 28, 2001 \$70,300 per share

On October 19, 1987 the S&P 500 Index dropped 23.2%. The value of Warren Buffett's holdings in Berkshire Hathaway plunged more than \$300 million dollars. Had he been unnerved by the market volatility and sold, he would have solidified a huge loss. However, he didn't sell and the value of his shares are now worth over 22 times what they were on Black Monday.

Moral:

You have to...stay in it
to win it.

T-Bills and GICs...

Real Returns or Slow Erosion of Savings?

Most People are Surprised by the Answer

T-Bills and GICs are a safe place to park money for a short period of time, but what about long-term returns? The concept of "real rate of return" is a common yardstick used to measure investment performance after taxes and inflation. This is an excellent gauge of whether your investments are protecting, reducing, or improving your purchasing power over time.

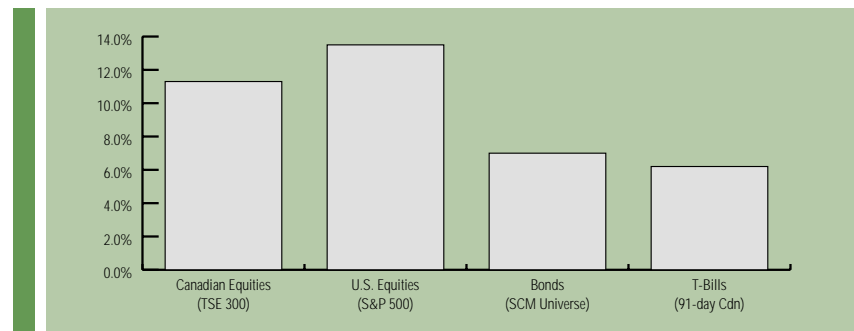
Year	1 Yr. Avg. GIC Rate	Less Taxes	Less Inflation	Real Return (after taxes & inflation)
1981	17.2	45%	12.4	-2.95%
1982	15.1	45%	10.9	-2.61%
1983	9.8	45%	5.8	-0.42%
1984	11.2	45%	4.3	1.85%
1985	9.4	45%	4	1.19%
1986	8.8	45%	4.1	0.75%
1987	8.5	45%	4.4	0.28%
1988	9.7	45%	4	1.35%
1989	11.4	45%	5	1.29%
1990	12.2	45%	4.8	1.91%
1991	8.7	45%	5.6	-0.84%
1992	6.1	45%	1.5	1.86%
1993	4.8	45%	1.8	0.84%
1994	5.9	45%	0.2	3.03%
1995	6.3	45%	2.2	1.24%
1996	3.6	45%	1.6	0.40%
1997	2.8	45%	1.6	-0.05%
1998	3.7	45%	0.9	1.13%
1999	3.9	45%	1.7	0.44%
2000	4.8	45%	2.7	-0.08%

In fact, after taxes and inflation short-term fixed-income investments tend to generate very little in the way of performance. In other words, while your principal is "safe," its real value tends to stand still or even decline.

Stocks vs. T-Bills...Risk/Reward Trade-Off

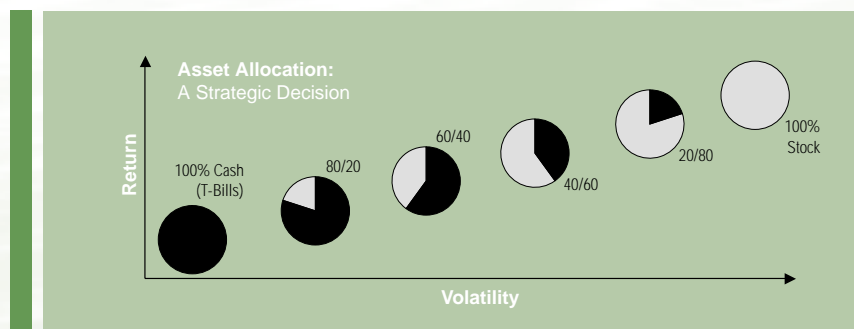
Stocks Historically Outperform Bonds and T-Bills

Over the long term stocks are by far the best performing asset class. Investors with a long-term time horizon should have their portfolio skewed in favour of stocks. But remember, not everyone has a long term time horizon, and not everyone has the temperament to handle the volatility that comes with equity investing...



Stronger Long Term Performance Comes with Higher Short Term Volatility

A portfolio made up of 100% stocks will have far higher volatility than one comprised of 100% cash. For most people, the optimal trade-off between risk and return means a blend of stocks, bonds and cash (or GICs). This should be a strategic decision – and keep in mind that asset allocation should be tailored to the investor, not current market conditions.



Dynamic's Diversified Family of Funds

Trust Units

Growth Funds

Dynamic Power American Fund*
Dynamic Power Balanced Fund
Dynamic Power Canadian Growth Fund

Value Funds

Dynamic Americas Fund*
Dynamic Dividend Fund
Dynamic Dividend Growth Fund
Dynamic Europe Fund*
Dynamic Far East Fund*
Dynamic Fund of Canada
Dynamic International Fund*
Dynamic Québec Fund
Dynamic Small Cap Fund

Focus Funds

Dynamic Focus Plus American Fund
Dynamic Focus Plus Canadian Fund
Dynamic Focus Plus Income and Growth Fund
Dynamic Wealth Management Fund

Style Diversified Funds

Dynamic Fund of Funds
Dynamic Global Partners Fund
Dynamic Partners Fund

Specialty Funds

Dynamic Canadian Real Estate Fund
Dynamic Canadian Resource Fund
Dynamic Global Precious Metals Fund
Dynamic Global Technology Fund*
Dynamic Global Resource Fund
Dynamic Health Sciences Fund*
Dynamic Precious Metals Fund
Dynamic QSSP Fund
Dynamic Real Estate Equity Fund
Dynamic Venture Opportunities Fund

Fixed-Income Funds

Dynamic Dollar-Cost Averaging Fund
Dynamic Global Bond Fund
Dynamic Income Fund
Dynamic Money Market Fund
Dynamic Power Bond Fund
Dynamic T-Bill Fund

Corporate Class Shares

Growth Funds

Dynamic Power Canadian Growth Class
Dynamic Power European Growth Class
Dynamic Power International Growth Class
Dynamic Power U.S. Growth Class

Value Funds

Dynamic Canadian Value Class
Dynamic European Value Class
Dynamic Far East Value Class
Dynamic International Value Class
Dynamic U.S. Value Class

Focus Funds

Dynamic Focus Plus Canadian Class
Dynamic Focus Plus U.S. Class

Sector Funds

Dynamic Global Financial Services Class
Dynamic Global Health Sciences Class
Dynamic Global Real Estate Class
Dynamic Global Technology Class

Fixed-Income Funds

Dynamic Money Market Class

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* Also available as an RSP-eligible fund