

Dealing with Stock Market Losses

Can you still meet your financial goals?

It has become conventional wisdom that investing in equities is an efficient way to build wealth over the long term, which is why Horizon has designed strategies around this core principle. While long-term statistics clearly point to the power of equity markets to compound wealth over time, the short-run can sometimes tell a starkly different story.

Top 20 Drawdowns in History & Subsequent Returns

EVENT	START DATE	END DATE	TRADING DAYS	DRAWDOWN (SPX)	RECOVERY +3mon	RECOVERY +6mon	RECOVERY +1yr
Stock Market Crash of 1929	9/16/1929	11/13/1929	40	45%	-13.9%	-12.8%	-25.9%
Start of The Great Depression	4/10/1930	6/1/1932	537	83%	14.0%	1.7%	-0.2%
Stock Market Crash of 1933	7/18/1933	10/19/1933	65	29%	-1.0%	-17.9%	-17.9%
The Great Depression	2/6/1934	3/14/1935	273	32%	7.2%	29.6%	43.8%
The 1937 Recession	3/10/1937	3/31/1938	267	54%	5.8%	3.6%	-2.1%
Bear Market Reaches Bottom	11/9/1938	4/28/1942	625	43%	14.2%	24.6%	18.6%
Post-WWII Inventory Recession	5/29/1946	6/13/1949	761	30%	8.8%	9.4%	23.6%
Bear Market of 1957	8/2/1956	10/22/1957	307	22%	9.0%	15.2%	15.8%
Cold War Jitters	12/12/1961	6/26/1962	135	28%	3.9%	8.0%	19.6%
Bear Market of 1966	2/9/1966	10/7/1966	167	22%	1.9%	3.4%	4.7%
Vietnam Tensions/Mild Recession	11/29/1968	5/26/1970	369	36%	9.8%	7.3%	10.8%
OPEC Crisis & Watergate/Long Recession	1/11/1973	10/3/1974	436	48%	9.2%	3.1%	16.7%
Stagflation	9/21/1976	3/6/1978	366	19%	-3.7%	9.7%	15.1%
Savings & Loan Crisis/Recession	11/28/1980	8/12/1982	430	27%	10.8%	16.6%	29.9%
Black Monday Program Trading Crash	8/25/1987	12/4/1987	71	34%	6.1%	17.2%	11.8%
Iraq War/Start of 1990s Recession	7/16/1990	10/11/1990	62	20%	1.7%	6.6%	13.2%
Dot-com Bubble Bursts	3/24/2000	10/9/2002	637	49%	0.5%	5.1%	10.7%
Recession Triggered by Housing Bubble	10/9/2007	3/9/2009	355	57%	3.3%	10.0%	11.8%
Global Stock Market Downturn	9/20/2018	12/24/2018	65	20%	2.6%	2.7%	-5.9%
COVID-19 Pandemic	2/19/2020	3/23/2020	23	34%	41%	46%	78%

Source: Bloomberg L.P. through Q2 2022 using price index data for the S&P500 (SPX) Index measured daily, calculations by Horizon Investments. All drawdowns reset after a 20% recovery from the previous peak (recovery = back to previous peak +20%).
Past performance is not indicative of future results. It is not possible to invest directly in an index.

History is on the side of disciplined equity investors.

- Severe market drawdowns, while unpredictable, have occurred with some regularity throughout financial history.
- Following these events, the market has turned positive about 83% of the time over the next 3, 6, and 12 months.
- Returns have tended to increase with the time horizon, averaging a 14% gain one year out from the event.



Be prepared

As economist Harry Markowitz famously said, the losing cards are in the deck. And it seems they may be dealt with greater frequency than expected [Table 2]. Since attempting to time the market can be futile, and you may not be able to recover from losses within the time horizon you need to achieve your financial goals, wouldn't it be better to be prepared for drawdown events whenever they occur?

Table 2: How Often Do Drawdowns Happen?

DECLINE	FREQUENCY (Approx.)	FREQUENCY (Years)
-5% or more	Every 3 Months	0.26
-10% or more	Every 10 Months	0.85
-15% or more	Every 20 Months	1.69
-20% or more	Every 5 Years	5.25

Source: Bloomberg L.P. through Q2 2022 using price index data for the S&P500 Index measured daily, calculations by Horizon Investments.

Are you on track to reach your financial goals?

Which stage of the investment journey are you in — accumulation, preservation or distribution?

Now could be a good time to talk with your financial advisor.

HORIZON INVESTMENTS®

This information is for educational use only and should not be considered financial advice or a recommendation to buy or sell any security. Horizon Investments' strategies are subject to general market risk and risks related to currency fluctuations and economic conditions. Investors may lose money. Past performance not indicative of future results. The S&P 500 or Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. Index information is intended to be indicative of broad market conditions. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in any index. Drawdown is defined as the peak to trough decline during a specific period. Horizon Investments is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Horizon's investment advisory services can be found in its Form ADV Part 2, which is available upon request.