CORRECTIONS PLAYBOOK

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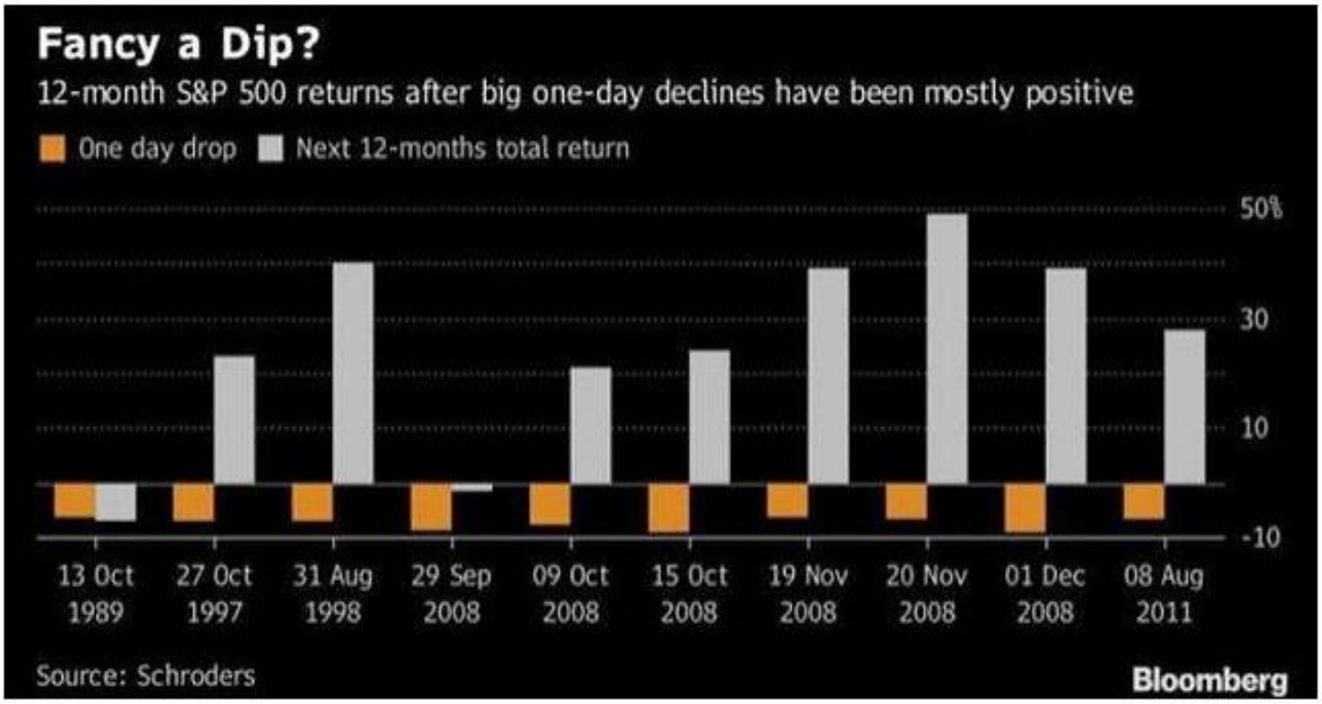
"The key to making money in equities is not to get scared out of them." – Peter Lynch

"The best opportunities come in times of maximum pessimism." – Sir John Templeton

Market turmoil is something to be expected and not something to fear. Volatility creates inefficiencies in stock prices, creating the opportunity to add quality assets below fair value. And US risk assets have been overpriced for months.



Here is our stock market correction playbook and update from the summer of 2017. We understand memories can be short:

From 1900 - 2015, on average the US stock market:

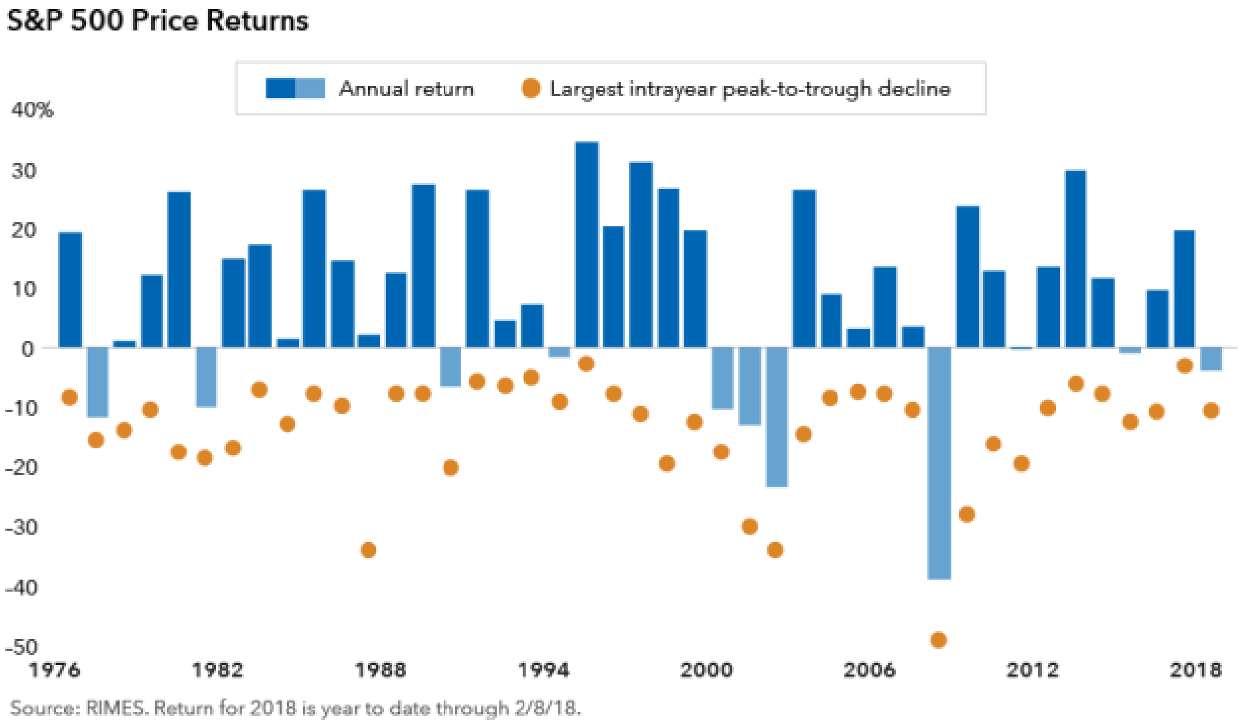
- Experiences a "correction" once per year. (A correction is defined a decline from the previous high of more than 10%, but less than 20%).
- The average correction lasts 54 days with an average decline of 13.5%.
- Enters a "bear market" once every four years. (A bear market is defined as a drop of more than 20% from the previous high.)
- The US has experienced 14 bear markets in the last 70 years. The average bear market causes a 33% drop and lasts just over one year.
- Less than 20% of all corrections turn into bear markets.
- Every single bear market has been followed by a bull market.
- From 1996 – 2015, the S&P 500 returned on average 8.2% per year.
- If you missed the best 10 days during those 20 years, your returns dwindled to just 4.5% per year.
- If you missed the best 20 days during those 20 years, your returns dropped to just 2.1% per year.
- The best 10 trading days occurred within two weeks of the 10 worst days.

Through January 2018 U.S. stock markets had the longest period without a 3% correction - over 400 days. Or a 5% correction, over 300 days. This was a period of unprecedented low volatility. Now that a correction is upon us, what is the playbook?

- 80% of all corrections do not turn into a bear market.
- The average correction decline is 13,5%. (at the intra-day low on Friday February 9, 2018 the decline was 11.8% from the ATH) Thursday, March 22nd was modestly greater.
- The average correction lasts 54 days, suggesting that the current correction is not over in terms of duration.

- The ten best trading days of a cycle typically occur within 14 days of the worst days. Because missing the best trading days, destroys the chances of solid long term returns, this cannot be timed, but buying on the big down days has worked well.

And since 2018 is far from over, let's not give up quite yet:



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