

Downturns and Volatility: Keeping Things in Perspective

Long-term investors may be able to view the most recent market ups and downs through an alternate lens. Like rough waters at sea, choppy markets can lead to anxiety and discomfort, and inevitably everyone wonders how long we will have to wait for things to calm down.

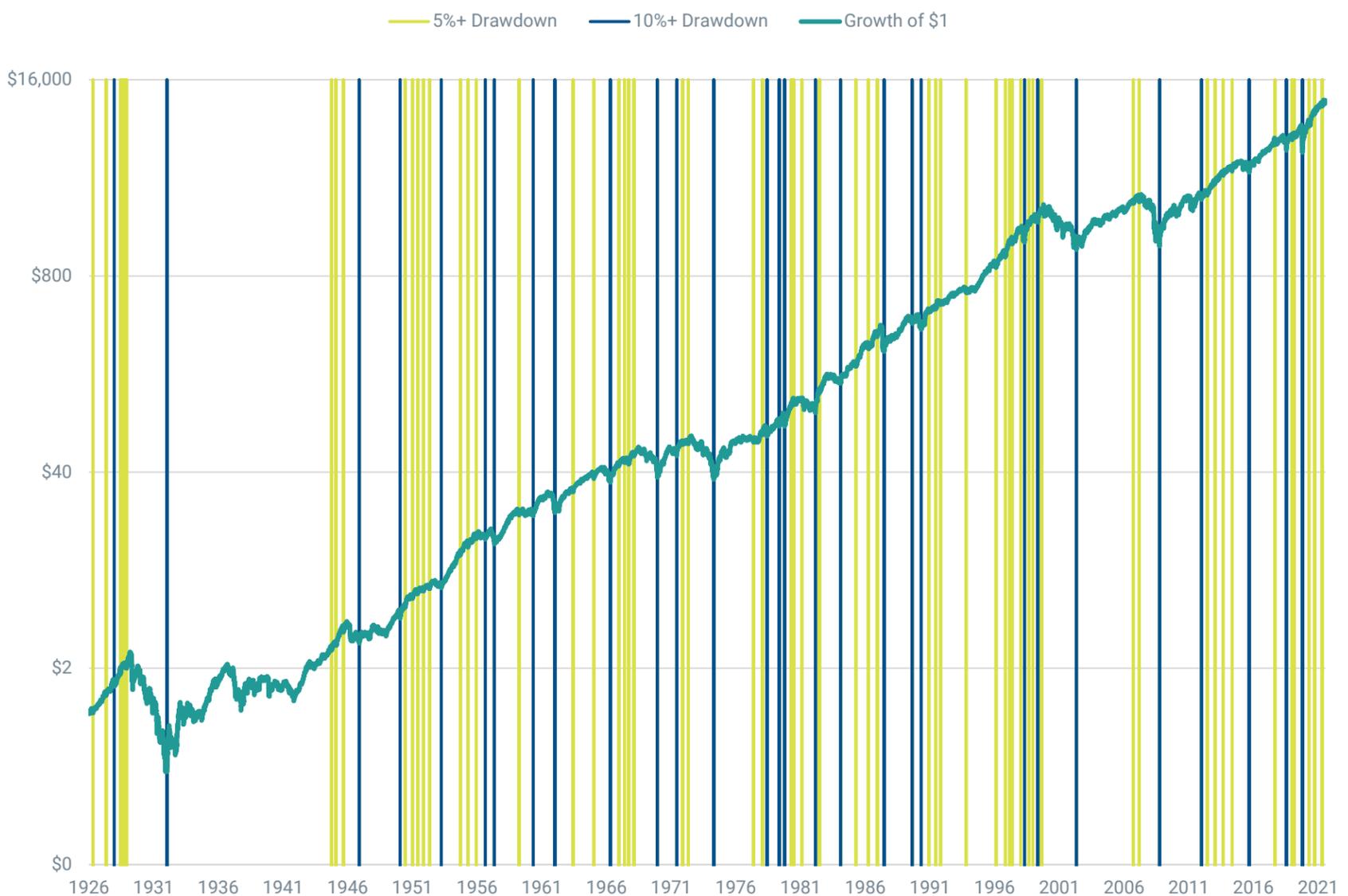
When volatility increases, it is perfectly natural to worry about how fast—or how far—markets may fall and, beyond that, how long it might take for stocks to recover and get back to normal times. But what exactly are normal times?

The below figure plots the cumulative growth of \$1 invested in the U.S. stock market from 1926 to 2021. The vertical lines in the chart depict the market bottoms associated with pullbacks (5%) and corrections (10%). While it is doubtful any of them were pleasant when they happened, investors who stayed the course and remained invested were likely better off for having done so. A dollar invested in July 1926 would have grown to more than \$11,614 by the end of 2021!

We can also look at recent history to provide additional context if the period in the below figure seems too abstract. The CRSP U.S. Total Market Index returned 16.3% per year over the last 10 years, a period in which there were 14 drawdowns of at least 5% (four of those were drawdowns greater than 10%).

The bottom line? As investors, we can't control markets, but we can control how we set up our portfolios and how we react. As much as ever before, we believe preparing for the waves and riding out these storms are still the best course of action.

Growth of \$1 Since 1926, Including All Market Corrections



Data from July 1926 – December 2021. The market is represented by the CRSP U.S. Total Market Index. Source: Avantis Investors. Total Market Index. Source: Avantis Investors. **Past performance is no guarantee of future results.**

CRSP U.S. Total Market Index. Consists of nearly 4,000 constituents across mega, large, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market.

This material has been prepared for educational purposes only. It is not intended to provide, and should not be relied upon for, investment, accounting, legal or tax advice.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

Diversification does not assure a profit, nor does it protect against loss of principal.

It is not possible to invest directly in an index.

©2022 American Century Proprietary Holdings, Inc. All rights reserved.