Renaissance®
Investment Management

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Market Update

From a historical context, the sharp decline in stock prices in the fourth quarter suggests that better returns lie ahead. The table below shows every quarter since 1926 where the S&P 500 declined by 13% or more (it declined 13.5% in the fourth quarter), and what happed to the market over the following 1 year, 3 year and 5 year periods. On average, the market has done quite well over subsequent periods after a sharp quarterly decline.

QUARTERS WHEN S&P 500 DROPPED 13% OR MORE

		Total Returns Over Next:		
Quarter	Decline	1 Year	3 Years (Annualized)	5 years (Annualized)
1929Q4	-27.8%	-24.9%	-26.9%	-9.9%
1930Q2	-17.7%	-23.4%	-13.2%	-7.6%
1930Q4	-15.8%	-43.3%	-7.1%	3.1%
1931Q3	-33.6%	-9.6%	4.2%	16.9%
1931Q4	-13.8%	-8.2%	11.7%	22.5%
1932Q2	-37.7%	162.9%	39.3%	34.8%
1933Q1	-14.1%	92.0%	42.9%	13.1%
1937Q4	-21.4%	31.1%	5.6%	4.6%
1938Q1	-18.6%	35.2%	11.4%	13.0%
1939Q1	-16.1%	17.6%	-4.0%	8.4%
1940Q2	-16.9%	5.7%	14.7%	15.1%
1946Q3	-18.0%	6.4%	7.6%	16.6%
1962Q2	-20.6%	31.2%	19.2%	14.3%
1970Q2	-18.0%	41.9%	16.3%	9.3%
1974Q3	-25.2%	38.1%	20.0%	16.8%
1987Q4	-22.6%	16.8%	14.2%	15.9%
1990Q3	-13.7%	31.2%	18.1%	17.2%
2001Q3	-14.7%	-20.5%	4.0%	7.0%
2002Q2	-13.4%	0.3%	8.3%	10.7%
2002Q3	-17.3%	24.4%	16.7%	15.5%
2008Q4	-21.9%	26.5%	14.1%	17.9%
2011Q3	-13.9%	30.2%	23.0%	16.4%
	Average (all periods)	*21.0%*	*10.9%*	*12.3%*
	Average (since 1940)	*19.3%*	*14.7%*	*14.4%*

Data as of 12/31/18
Sources: Morningstar, Standard & Poor's

The S&P 500 posted a positive return in 73% of the 1-year periods, 82% of the 3-year periods, and 91% of the 5-year periods after market declines of 13% or more. Moreover, many of the declines shown in the table occurred during the Great Depression period of 1929-1939, a highly unusual period in U.S. economic history, and one significantly different from today. If one looks at only the 75+ year period from 1940 on, the one-year return of the market following a 13%+ quarterly decline has been positive in 11 of 12 periods (91%). Returns over the following three-year and five-year periods have been positive in every case.

History can be an imperfect guide to the future, and market volatility may persist in the short term. However, we believe that market fundamentals remain intact and investors with a long-term horizon should continue to benefit from investment in stocks. We favor high quality stocks offering strong growth potential while selling at reasonable valuations, particularly in the Technology, Consumer Discretionary and Industrial sectors.

Please refer to the next page for applicable disclosures.

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