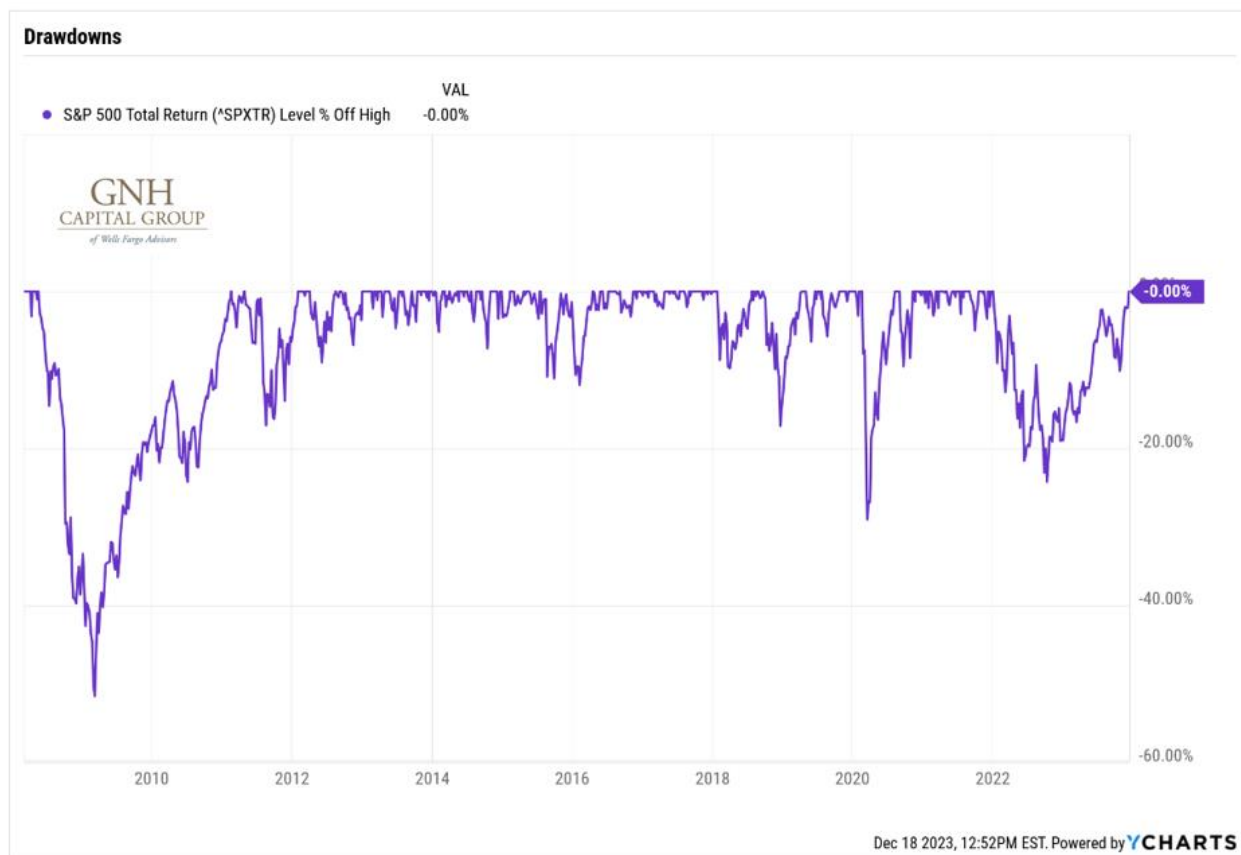


## THE MOST IMPORTANT CHART IN INVESTING

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There is a single chart that we believe distills most of the art, the science, and the psychology of investing—the drawdown chart!



Like a fishing line, drawdowns float at the top of the graph whenever a new highest value registers in an index (here, the S&P 500 Total Return) or in a portfolio's balance and, from there, dive to mark percent declines from the previous all-time highs.

Why is this a crucial window into the art, the science, and the psychology of investing?

**Investment and Insurance Products: Not FDIC Insured / No Bank Guarantee / May Lose Value**

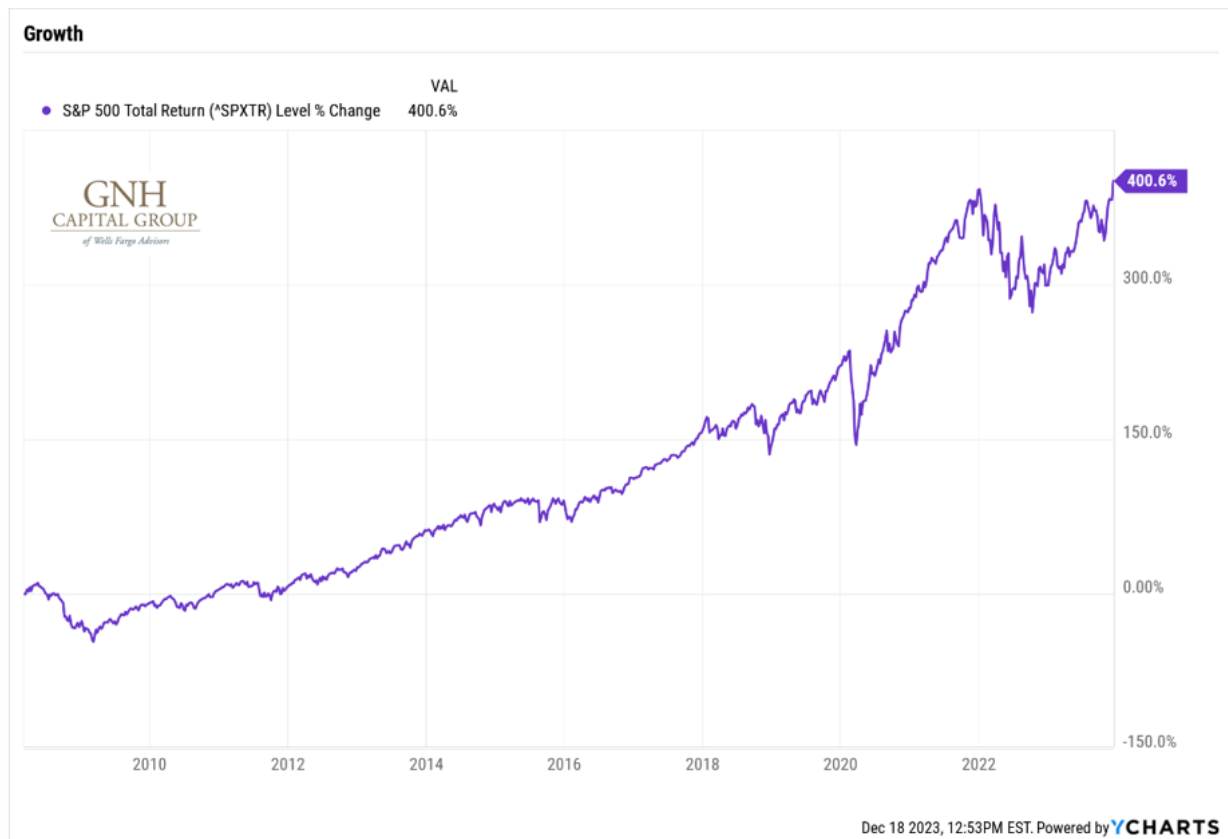
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Investors are constantly tempted to evaluate their progress by looking at how much money their portfolio has vs. its most recent highest balance, and they get alarmed as drawdowns linger, trying to shorten them. Instinctively, they think this is a vigilant and actionable stance.

Sounds prudent, right? It turns out it's not at all—it actually is one of the most treacherous practices. Why?

Take a look—on average, over longer periods, investments are in drawdown a whopping 93% of the time and only register new highs 7% of the time! This sounds grossly disheartening, but it's precisely what propels investment returns.

The chart covers the ongoing bull market regime of the S&P 500 from March 9, 2009, to Dec. 15, 2023. Investors tracking the index woke up more than nine days out of ten disappointed that they had “lost” money (were in a state of drawdown) and could only celebrate their new level of wealth one day out of ten. At this rate, one would think that investors were masochists hoping for the unlikely. Yet, over that period, the market advanced +400.6%!



It takes skill, patience, and sophistication to understand and handle drawdowns—something we specialize in—but we believe one thing is clear: without drawdowns, there will be no investment gains!

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