

A bear market revisited

Learn from the past

A look into investment decisions made during a past bear market and their revealing outcomes.

A previous bear market revisited (1973-74)

Making the right decision requires a great deal of patience and discipline. We all know that markets move in cycles and that investors historically forget their investment principles at the top and the bottom of the cycles.

The current bear market is nothing new. Between January 11, 1973 and October 3, 1974 the S&P 500 Composite plunged 48.2%. The following example illustrates a hypothetical investment of \$10,000 in the S&P 500 at the top of the market and its eventual decline in value to \$5,509, including reinvested dividends. The choices made at the bottom of the market would have had a significant impact on the investment returns in the following years.

Decline of a \$10,000 investment: peak to trough



Source: Yahoo Finance

What would you have done at the bottom of the market?

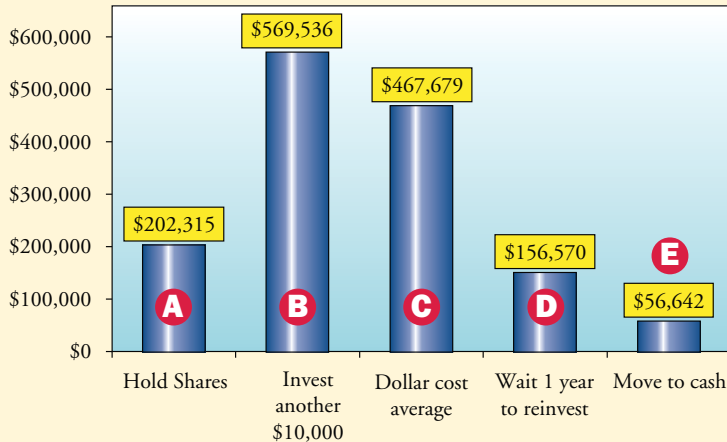
- A** Tough it out and hold on to your shares.
- B** Understanding the opportunity at hand, you invest an additional \$10,000.
- C** Believe in the long term opportunity in stocks and engage in a dollar cost average strategy, investing \$100 every month from October 31, 1974 to December 31, 2002.
- D** Sell all your shares and wait on the sidelines making investments in bank accounts and low risk government securities for one year before reinvesting back into stocks.
- E** Sell all your shares; promise never to invest in stocks again, making investments in bank accounts and low risk government securities.

Important facts you need to consider

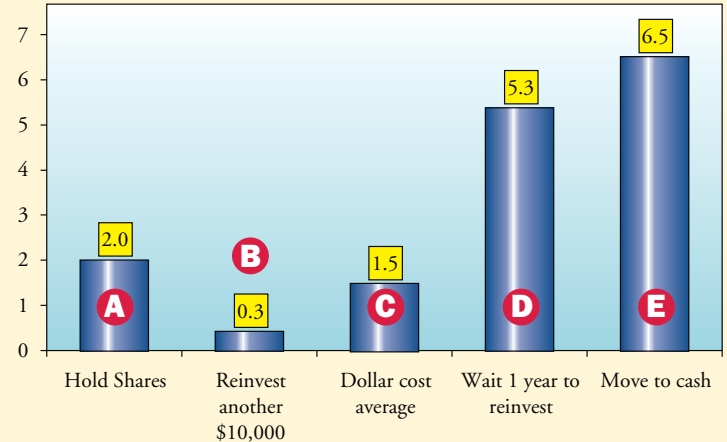
- Bear markets do end.
- Investors tend to make rash decisions at the top of the market and at the bottom of the market.
- Since 1950 there have been nine bull and nine bear markets. The average bull market lasted 57 months, the average bear market lasted 14 months.

What would have happened:

End value of investment as at December 31, 2002



Number of years to reclaim original investment



Source: S&P Micropal, Yahoo Finance and ClaringtonFunds

Summary of outcomes

- A** *Tough it out and hold on to your shares.*
Your patience and determination pays off, with your investment growing to \$202,315. You recovered your original investment in just 2 years. Imagine if you had invested more.
- B** *Understanding the opportunity at hand, you invest an additional \$10,000.*
Scraping together that \$10,000 was worth it. Think about it, a total of \$20,000 grew into nearly \$570,000. The original \$10,000 investment was recouped in just four months. Nice move.
- C** *Believe in the long term opportunity in stocks and engage in a dollar cost average strategy, investing \$100 every month.*
So you didn't have much money to invest back in 1974. Starting that \$100 monthly PAC didn't seem like much then, but now it has grown into nearly \$470,000. Not only that, it took under 2 years to recoup the original \$10,000 investment
- D** *Sell all your shares and wait on the sidelines making investments in bank accounts and low risk government securities for one year before reinvesting back into stocks.*
Your nerves couldn't hack it anymore so you pulled your money out; sometimes this is the price we pay to sleep at night. It took over 5 years to recoup the original \$10,000 investment. At least you had the foresight to invest a year later. \$156,570 is not bad considering that the investment was as low as \$5,509 at the bottom of the market.
- E** *Sell all your shares; promise never to invest in stocks again, making investments in bank accounts and low risk government securities.*
Frustrated? \$56,642 pales in comparison to the gains that could have been made in the stock market. Not only that, it took over 6 years to recoup the original \$10,000 investment.

The Bottom Line: Stick to your investment strategy and focus on the long term.

It may not be easy but it's usually right!

What if I can't wait 28 years? See over ➡

Value of investment over various time periods

Not everyone has a time horizon of 28 years. Based on the same scenarios described on page 2 here's what the value of your investment would have been after these time periods:

| | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years | 25 Years | Present * |
|----------------------------------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| A Hold Shares | \$7,656 | \$9,583 | \$12,081 | \$23,683 | \$59,696 | \$92,392 | \$282,093 | \$202,315 |
| B Invest another \$10,000 | \$21,554 | \$26,976 | \$34,009 | \$66,671 | \$168,050 | \$260,093 | \$794,117 | \$569,536 |
| C Dollar cost average | \$8,918 | \$13,592 | \$19,969 | \$47,796 | \$129,995 | \$208,765 | \$647,950 | \$467,679 |
| D Wait 1 year to reinvest | \$5,925 | \$7,416 | \$9,349 | \$18,328 | \$46,198 | \$71,502 | \$218,810 | \$156,570 |
| E Move to cash | \$5,925 | \$6,993 | \$8,343 | \$16,022 | \$25,656 | \$38,719 | \$49,458 | \$56,642 |

* As of December 31, 2002

Match the various investment decisions with one of the time periods to find out what the value of your hypothetical portfolio would have grown to over that period. For instance, if you chose to dollar cost average \$100 every month the value of your investment after 10 years would have been \$47,796.

Even over shorter time frames it is evident that remaining invested can really pay off. All it takes from you is patience and discipline to see your investment plan through.

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The preceding examples were hypothetical examples based on historic events and should not be construed as a prediction of future results. Due to market volatility and various economic factors, future investments may differ substantially from the hypothetical examples demonstrated in this document. The S&P 500 Composite is an index of 500 stocks weighted by capitalization and representing all major U.S. industries. The S&P 500 is a bellwether index that is generally accepted to reflect the U.S. stock market performance. Note also that an investment cannot be made directly into an index. Performance reflects the monthly reinvestment of dividends. Scenario B, investing an additional \$10,000, assumes the additional proceeds were invested at the market bottom on October 3, 1974. Scenario C, dollar cost averaging strategy, assumes a monthly investment of \$100 beginning October 31, 1974 to December 31, 2002. Scenario D assumes that the shares were sold at the bottom of the market on October 3, 1974, and reinvested immediately into cash represented by the 91-day Canadian T-Bill Index. One year later the proceeds are invested back into the stock market. Scenario E assumes all shares were sold at the bottom of the market on October 3, 1974 and reinvested immediately into cash represented by the 91-day Canadian T-Bill Index. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.