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Market Volatility Slides

Use of These Materials

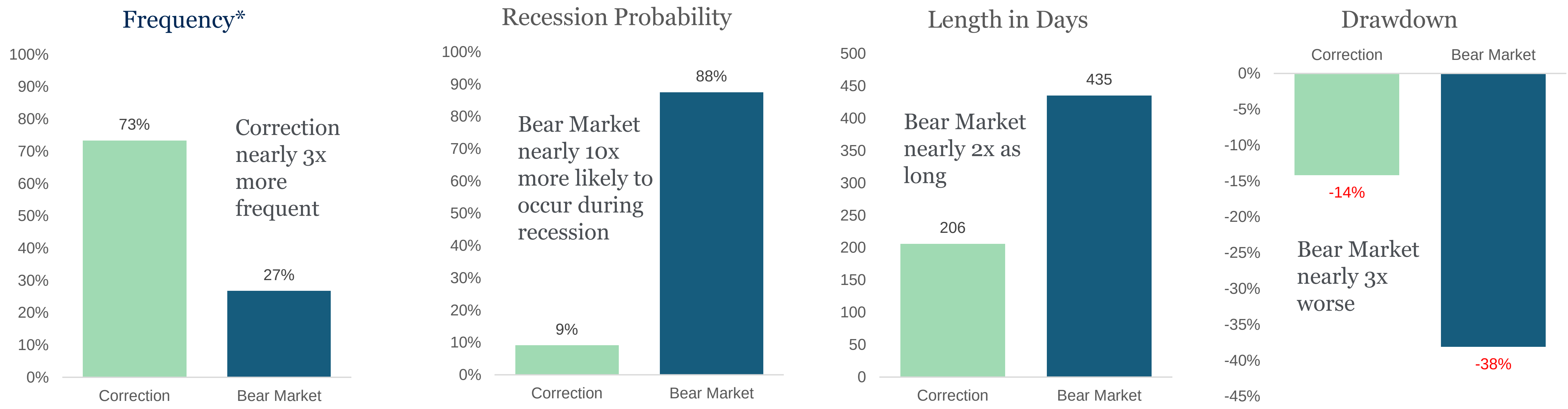
This deck is not designed to use as one fluid document. It is a collection of charts that can be pulled for one-off client requests or support with client dialogue.

We will continue to update this deck over time and modify it should other slides, trends or needs emerge.

Corrections & Bear Markets

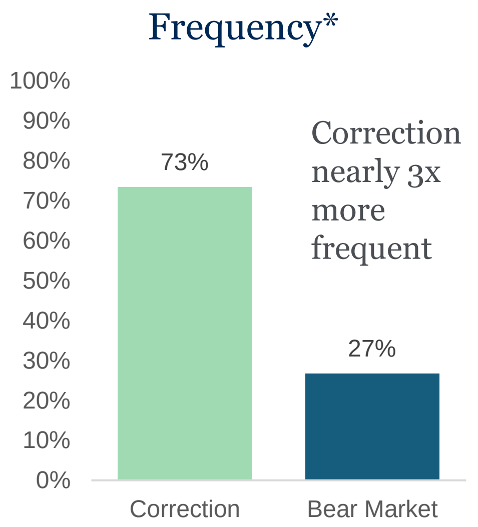
Corrections (defined as a drawdown of -10% to -20%) are more frequent, shorter, and less likely to be accompanied by a recession than their more impactful cousin, the Bear Market (-20% or more)

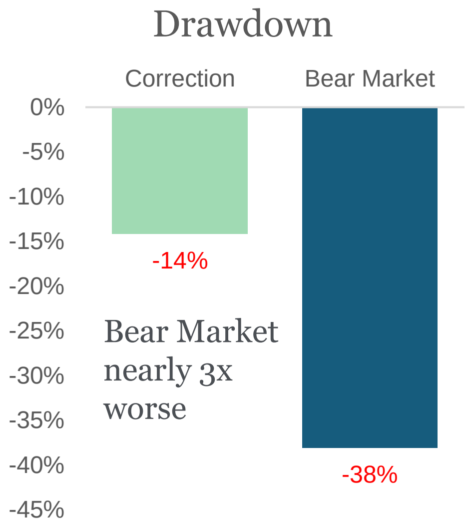
Pullbacks of 10% or More Since 1950

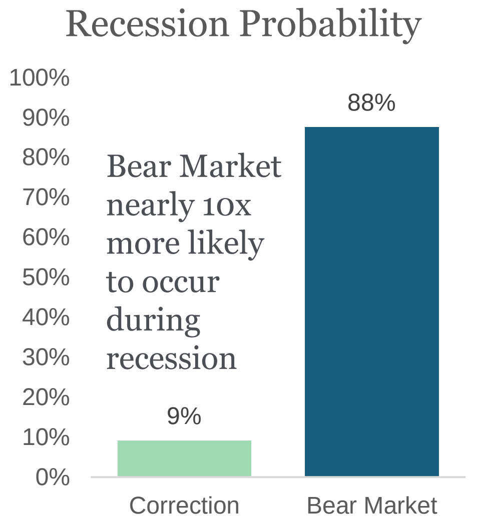


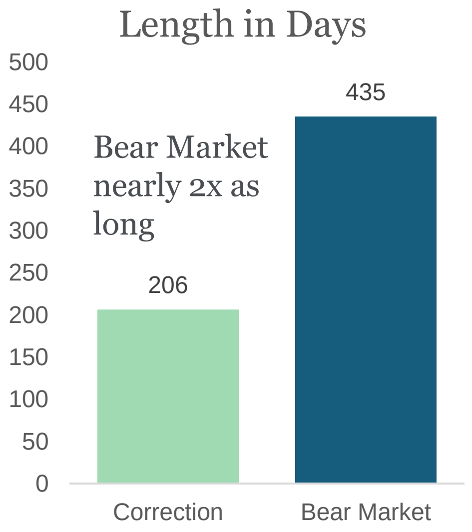
Source: Index S&P 500 since 1950 through December 2021. Correction defined at a drawdown of more than 10% but less than 20%. Bear Market is a drawdown of more than 20%
**Frequency refers to the percentage of all pullbacks that are 10% or more than are a correction vs a bear market since 1950*

Corrections & Bear Markets Since 1950









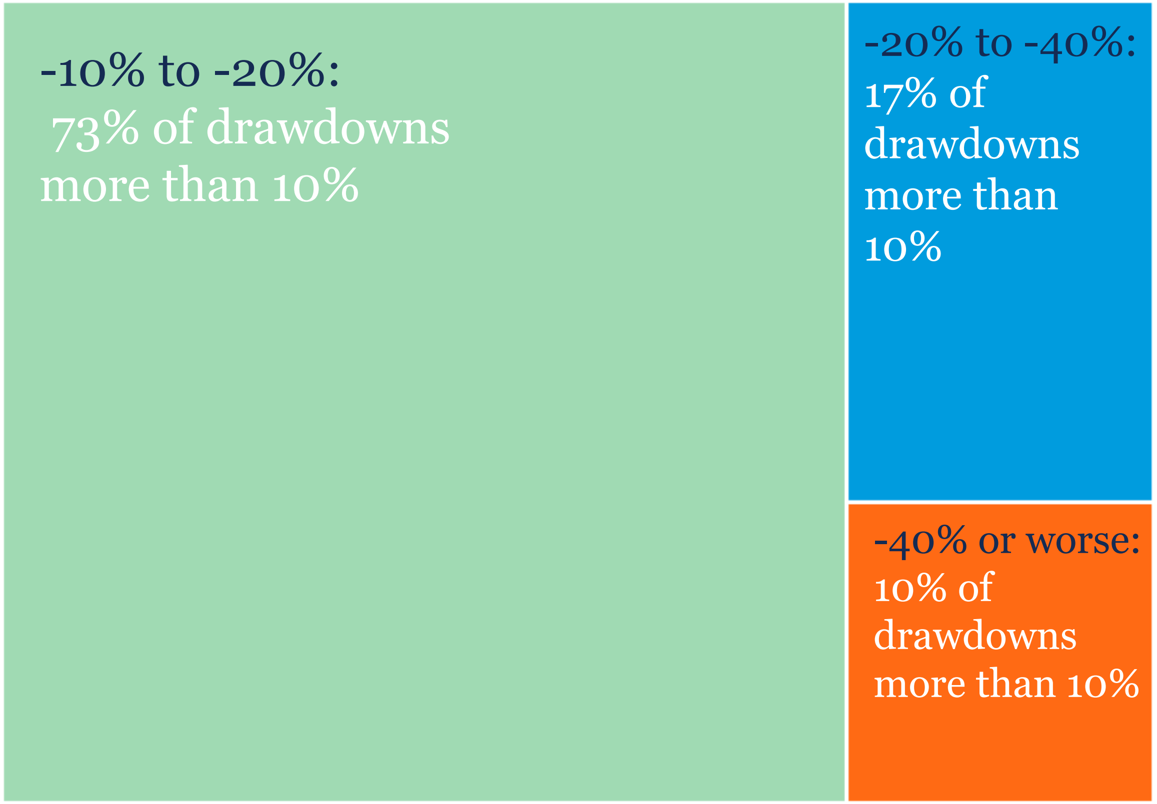
Peak	Trough	Months	S&P 500 Drawdown	Recession	Type
Jun-50	Jul-50	1	-14%	No	Correction
Jan-53	Sep-53	8	-15%	Yes	Correction
Aug-56	Feb-57	6	-15%	No	Correction
Aug-59	Oct-62	39	-14%	No	Correction
Aug-62	Oct-62	2	-11%	No	Correction
Sep-67	Mar-68	6	-10%	No	Correction
Nov-68	May-70	18	-36%	Yes	Bear Market
Apr-71	Nov-71	7	-14%	No	Correction
Jan-73	Oct-74	21	-48%	Yes	Bear Market
Jul-75	Sep-75	2	-14%	No	Correction
Sep-76	Mar-78	18	-19%	No	Correction
Sep-78	Nov-78	2	-14%	No	Correction
Oct-79	Nov-79	1	-10%	No	Correction
Feb-80	Mar-80	1	-17%	Yes	Correction
Nov-80	Aug-82	21	-27%	Yes	Bear Market
Oct-83	Jul-84	9	-14%	No	Correction
Aug-87	Dec-87	4	-34%	No	Bear Market
Jan-90	Jan-90	1	-10%	No	Correction
Jul-90	Oct-90	3	-20%	Yes	Bear Market
Oct-97	Oct-97	1	-11%	No	Correction
Jul-98	Oct-98	3	-19%	No	Correction
Mar-00	Oct-02	31	-49%	Yes	Bear Market
Nov-02	Mar-03	4	-15%	No	Correction
Oct-07	Mar-09	17	-57%	Yes	Bear Market
Apr-10	Jul-10	3	-16%	No	Correction
Apr-11	Oct-11	6	-19%	No	Correction
Nov-15	Feb-16	3	-13%	No	Correction
Jan-18	Feb-18	1	-10%	No	Correction
Sep-18	Dec-20	27	-19%	No	Correction
Feb-20	Mar-20	1	-34%	Yes	Bear Market

*Source: Index S&P 500 since 1950 through December 2021. Correction defined at a drawdown of more than 10% but less than 20%. Bear Market is a drawdown of more than 20%. *Frequency refers to the percentage of all pullbacks that are 10% or more than are a correction vs a bear market since 1950*

Corrections & Bear Markets

Since 1950 there have been 20 drawdowns of 10% of more. The most common by far are drawdowns between -10% and -20%. They occur on average every three years.

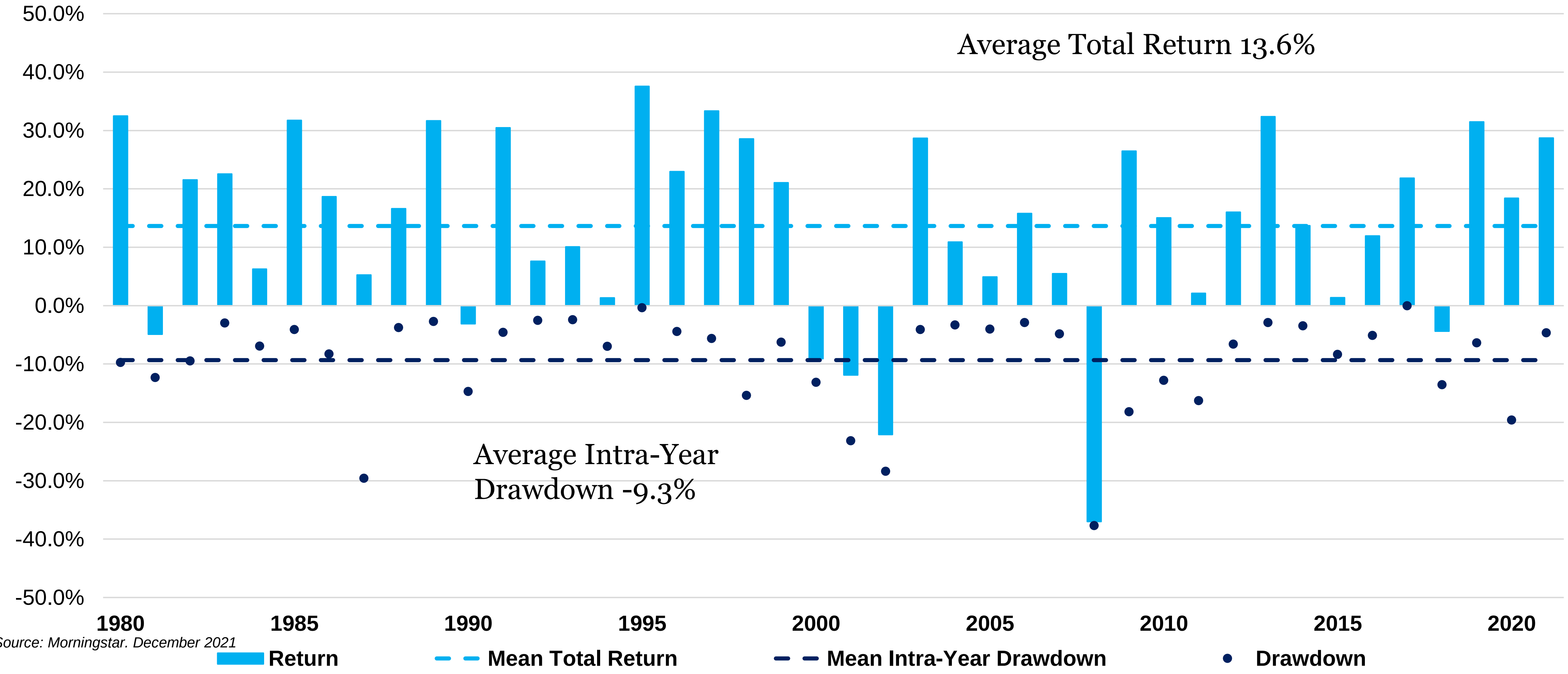
Drawdown	Approximate Frequency	Average Drawdown	Average Length (Months)
-10% and -20%	~ Every 3 Years	-14%	7
-20% to -40%	~Every 14 Years	-30%	9
-40% or worse	~Every 23 Years	-51%	23



Source: Index S&P 500 since 1950 through December 2021

Setting Expectation On Volatility

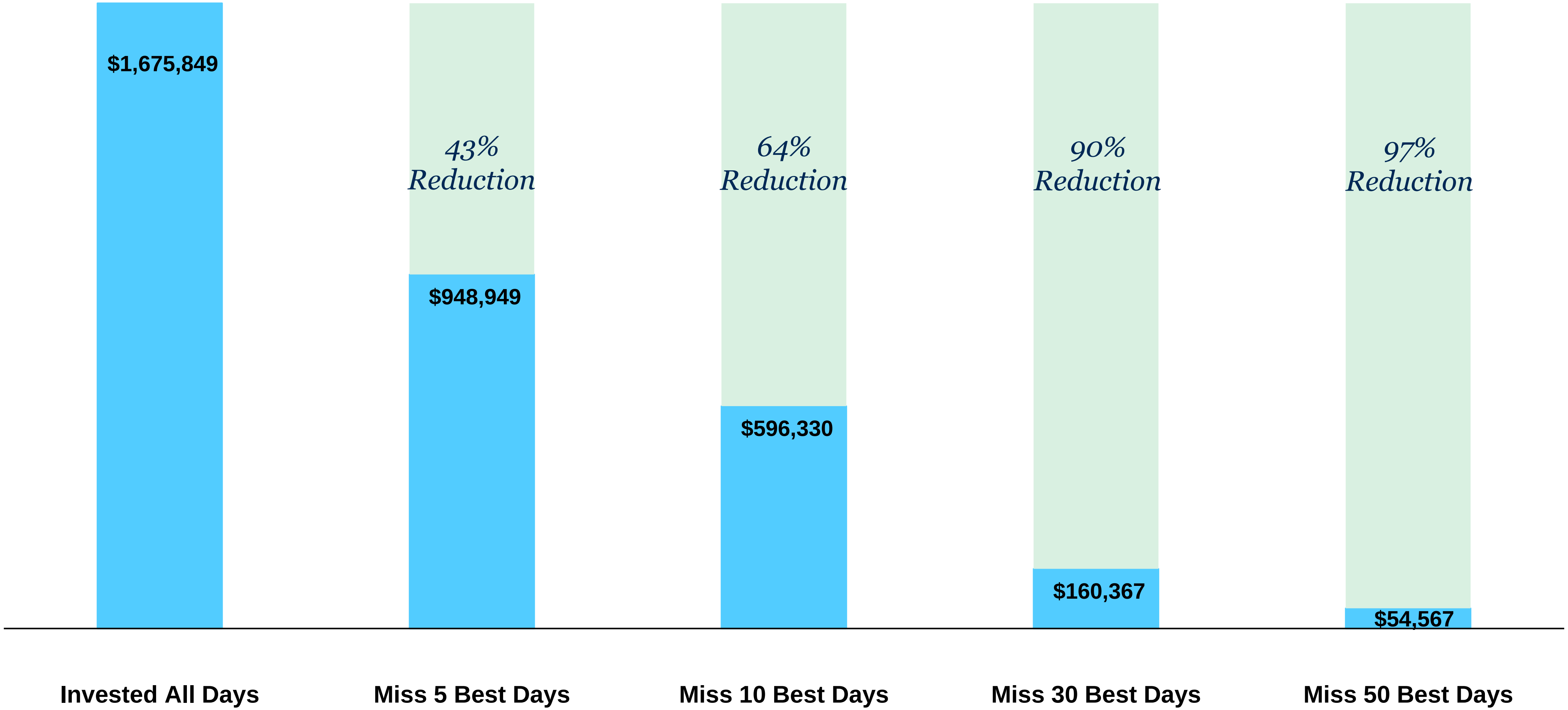
Since 1980 the S&P 500 has experienced an intra-year drawdown every year and on average ~10%. Yet the average return is nearly 14%. Volatility is common, not uncommon in markets.



Source: Morningstar. December 2021

Impact of Missing The Best Days in the Market

Since 1980, the S&P has had over 10,000 trading days. However, if you only miss a small fraction of the best days the impact can be material. Said another way, the cost of trying to time the market can be high.

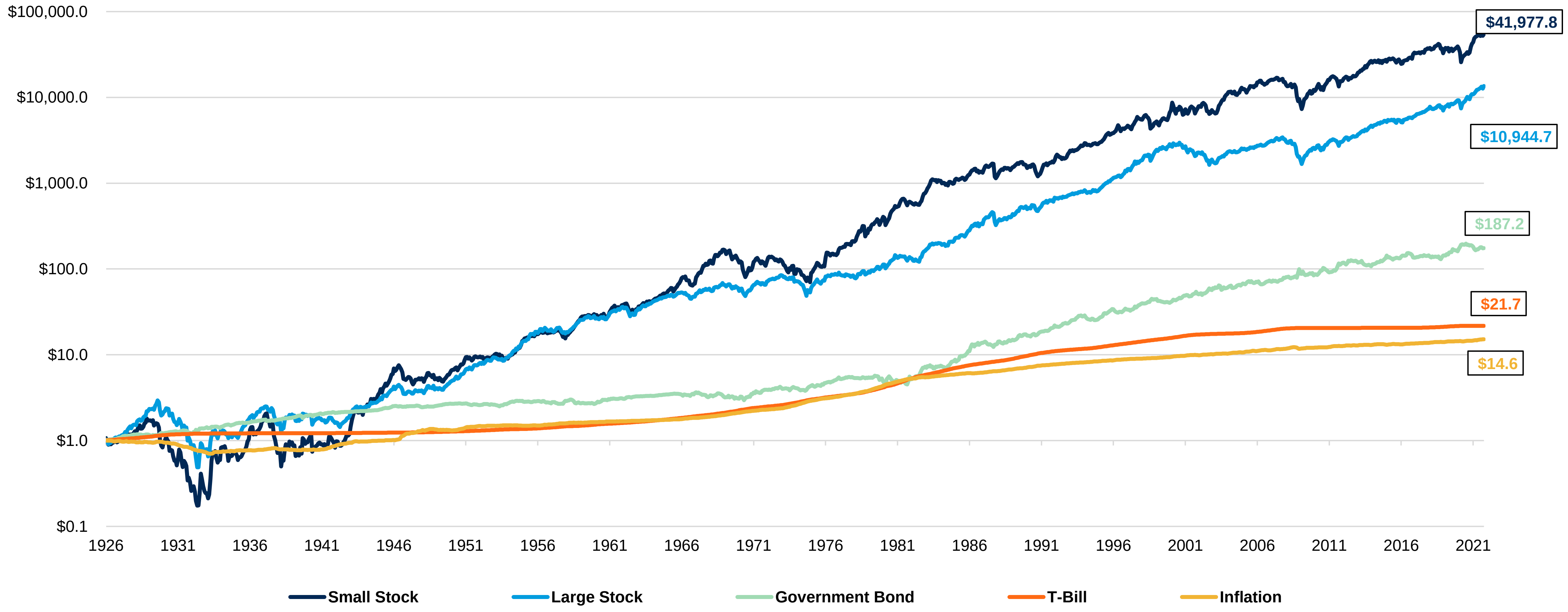


Source: Morningstar. Hypothetical Growth of $10,000 Invested in the S&P 500 Index (TR) from January 1, 1980 to December 31, 2021

Longer Perspective

Compounding is the 8th wonder of the world. Investors have been compensated for long-term perspective.

Ibbotson SBBI Long-Term Returns: 1926 - 2021



Source: Morningstar, through October, 2021

Becoming Accustomed to Rising Rate Cycles

After a period of adjustment, markets have historically moved past a rate-hiking cycle

		After Rate Hike		
		+3 Months	+6 Months	+12 Months
Fixed Income	Investment Grade Bonds	0.0%	2.0%	4.2%
	High Yield Bonds	0.4%	4.2%	2.6%
U.S. Equity	U.S. Large Cap Equities	-1.9%	4.7%	7.5%
	U.S. Mid Cap Equities	-2.9%	4.2%	9.6%
	U.S. Small Cap Equities	-2.9%	2.5%	7.4%
	U.S. Growth	-1.5%	8.2%	14.2%
	U.S. Value	-2.5%	1.4%	2.0%
International Equity	International Equities	0.9%	12.5%	10.7%
	Emerging Markets	-1.9%	13.2%	11.8%

Source: ClearBridge Investments. Indices used include the following: U.S. Large-Cap Equities: S&P 500; U.S. Mid-Cap Equities: S&P Midcap 400; U.S. Small-Cap Equities: S&P 600; U.S. Growth: Russell 1000 Growth; U.S. Value: Russell 1000 Value; Investment Grade Bonds: Bloomberg U.S. Corporate Bond; High Yield: Bloomberg U.S. High Yield Bonds (1-5Yr); Emerging Market Equities: MSCI Emerging Markets; International Equities: MSCI ACWI ex-U.S. *Averages included in the table use the last four rate hike occurrences with initial rate hikes on Feb. 4, 1994, Jun. 30, 1999, Jun. 30, 2004 and Dec. 14, 2016. Source: Bloomberg, FactSet. Data as of March 31, 2022. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

History of Rising Rate Cycles

While investors are not accustomed to rapid rate hikes in recent history, they are not unprecedented.

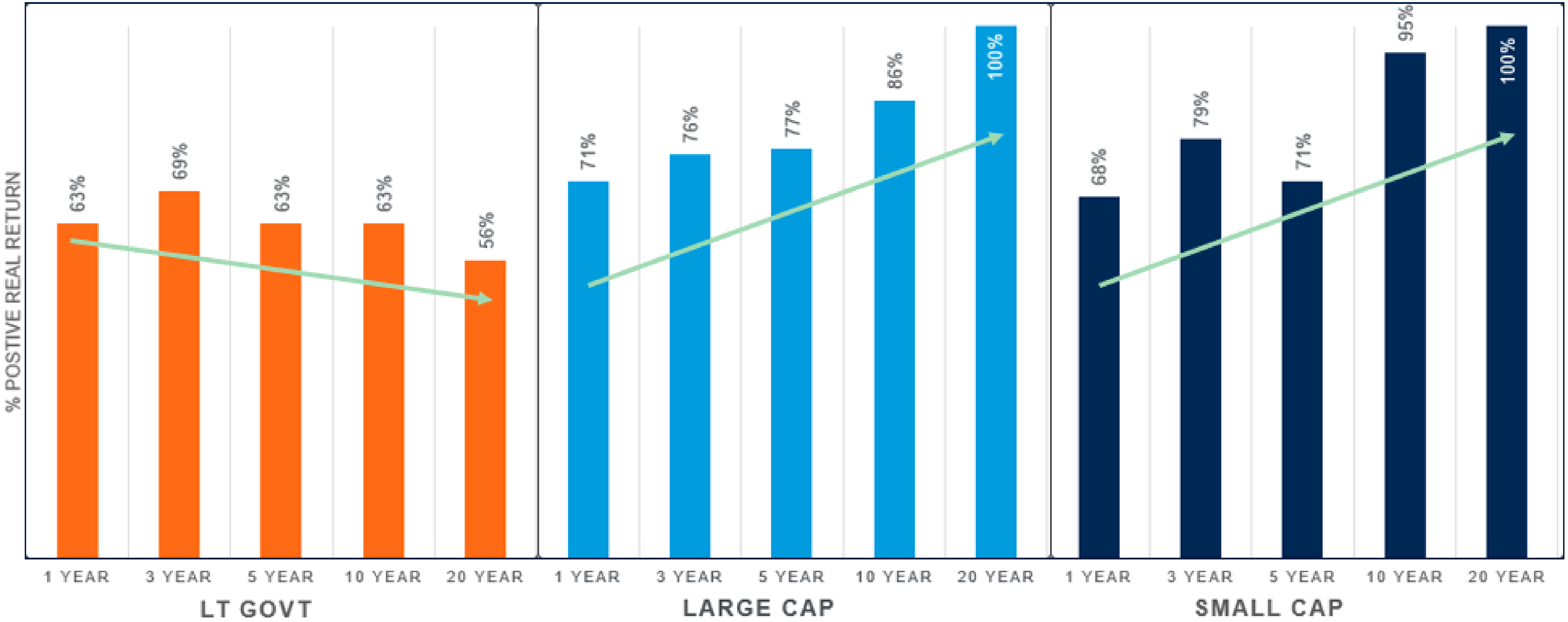
Hiking Cycles			Fed Funds Rate				Next Recession	
Start	End	Months	Starting Rate	Ending Rate	Total Change	Change in First Year	Start Date	Months
Jun-55	Sep-57	27	1.5	3.5	2	1.3	Sep-57	27
Aug-58	Oct-59	14	0.5	4	3.5	3	May-60	21
Aug-63	Jul-69	72	3	9	6	0.5	Jan-70	78
Mar-72	May-74	26	3.5	13	9.5	3.3	Dec-73	21
Dec-76	Feb-80	39	4.8	20	15.2	1.8	Feb-80	39
Aug-80	Dec-80	4	9.5	20	10.5	10	Aug-81	12
May-83	Aug-84	15	8.5	11.8	3.3	2	Aug-90	88
Dec-86	Sep-87	9	5.9	7.3	1.4	1.4	Aug-90	45
Mar-88	Feb-89	11	6.5	9.8	3.3	3.3	Aug-90	29
Feb-94	Feb-95	12	3	6	3	3	Apr-01	87
Jun-99	May-00	11	4.8	6.5	1.7	1.8	Apr-01	22
Jun-04	Jun-06	24	1	5.3	4.3	2.3	Jan-08	44
Dec-15	Dec-18	37	0.3	2.5	2.2	0.5	Mar-20	52
Average		**23**	**4**	**9**	**5**	**2.6**		**43**
Mar-22	**?**	**?**	**0**	**?**	**?**	**?**	**?**	**?**

Source: ClearBridge Investments. Change in first year is implied by the Fed Fund Futures

Reframing Risk – Not Just a Point in Time, But Over Time

Investors allocated to return seeking assets increased their likelihood of outperforming inflation over longer periods

Percentage of Trailing Periods w/ Positive Real Return

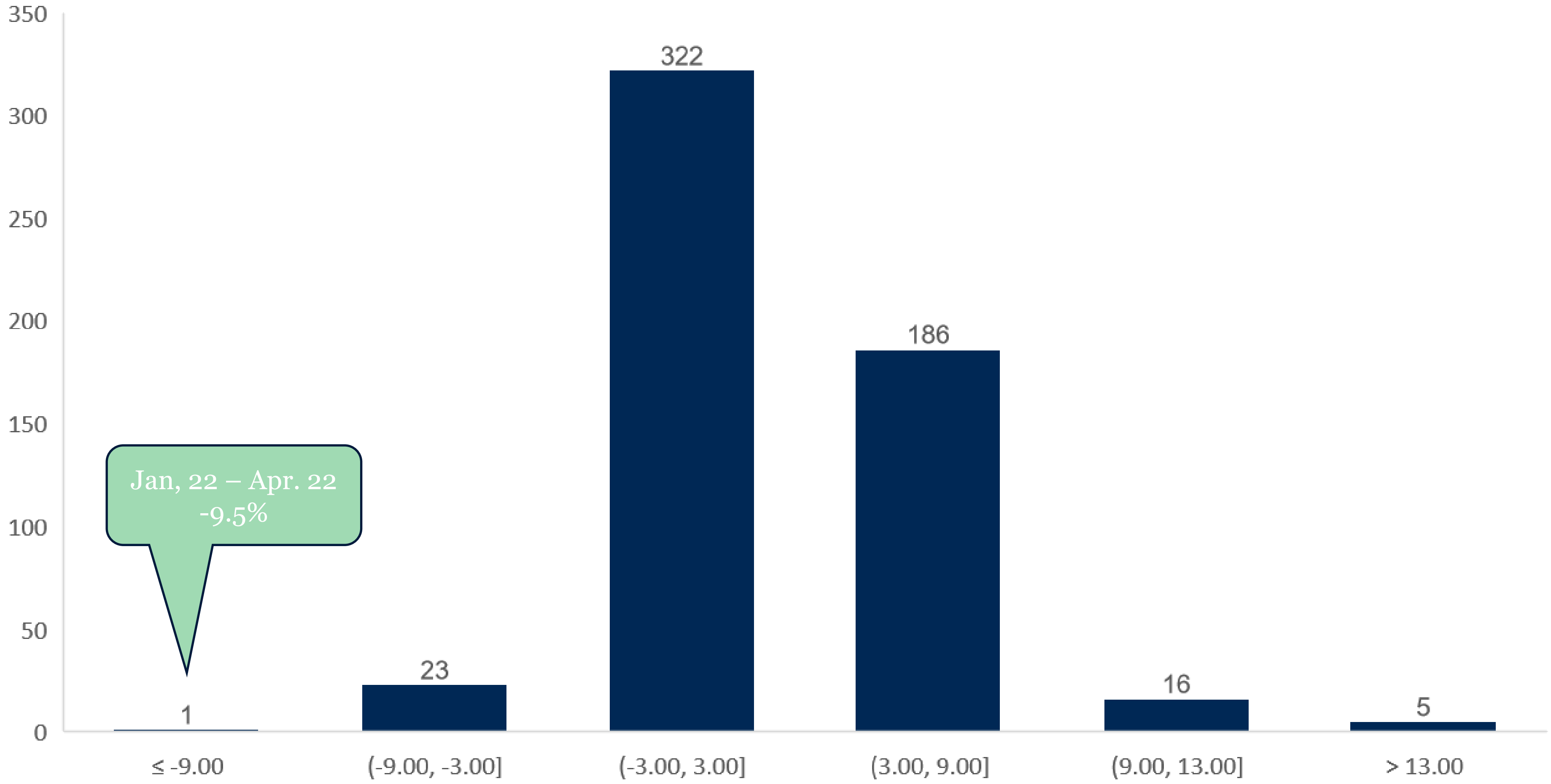


Source: Morningstar, through 10/31/2021.

How Bad of a Start?

The Bloomberg Aggregate is off to the worst four months return since its inception in 1976. Moreover, 96%% of observations are -3% or greater in all other four-month periods.

Four Month Returns for the Bloomberg Aggregate Since 1976



Source: FactSet April 2022

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