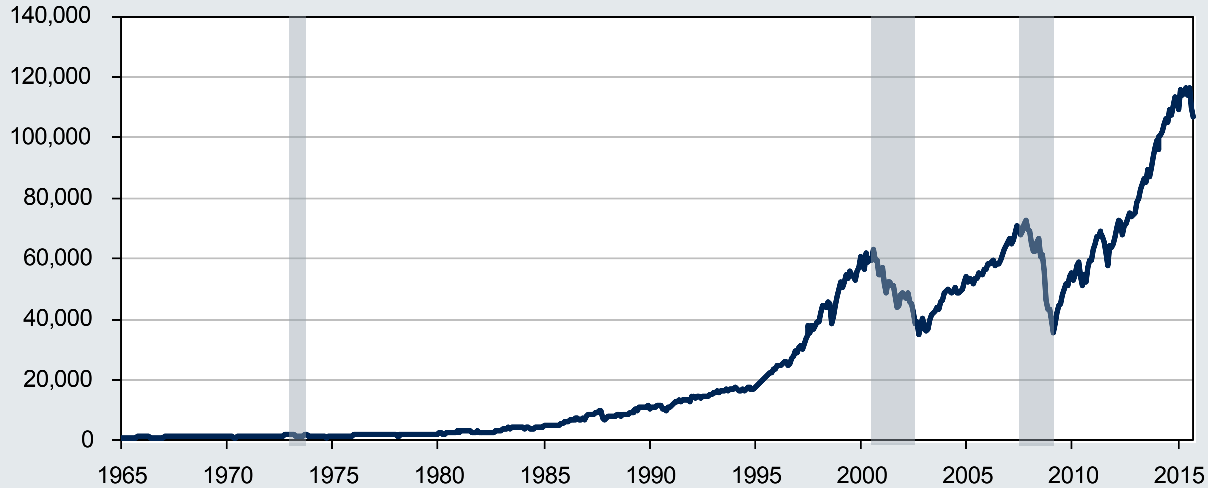
Great-West Capital Management, LLC (GWCM) Research Note

Market Corrections and the Long-Term Investor

With the current market volatility, investors might find themselves on edge when it comes to their portfolios, leaving them unsure of what measures they should take to avoid enduring losses. The recent 10% decline in the S&P 500® Index during the month of August may have increased concerns, especially when considering the fact that we haven't experience a correction of 10% or more since October 2011. Although a 10% drop can certainly be seen as significant, these drops actually occur more often than one might think. Since 1946, there have been 31 drops in the market that were 10% or more.

S&P 500® Index
Growth of $1,000 from 1965-2015



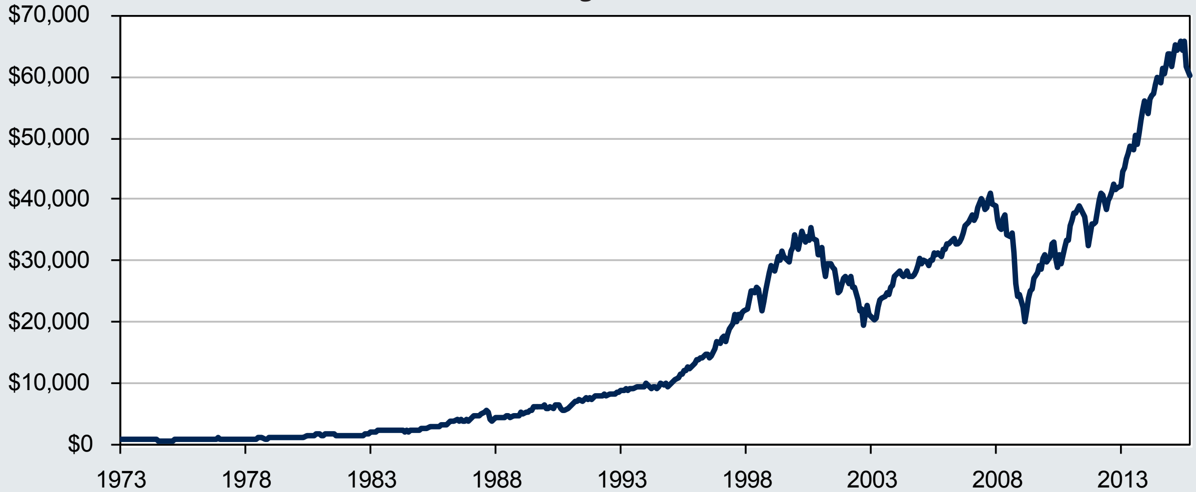
Source: Morningstar® Direct℠ GWCM Analysis. *Past performance is not a guarantee of and may not be indicative of future results.*

The above chart shows the S&P 500® Index over the past 50 years. Despite a total of 41 market corrections of 10% or more during this period, this chart illustrates how an initial investment of $1,000 increased more than 100 times to $106,829.

Furthermore, if we look at the most significant market corrections that have taken place over the past 50 years, we notice the following periods: January 1973-October 1974 (crash of 1973), March 2000-October 2002 (dot-com bubble), and October 2007-March 2009 (financial crisis). These periods represent bear markets, with an overall market decline of 20% or greater. The following graph shows each of these periods and the returns an investor would have received had they invested $1,000 at the peak of each of these declines through September of 2015. These three scenarios generally represent the three worst case scenarios for investors over the past 50 years.

1 Source Market Watch; accessed 10/5/2015; http://www.marketwatch.com/story/5-things-you-need-to-know-about-this-stock-market-selloff-2015-08-25
2 CNNMoney; accessed 10/5/2015; http://money.cnn.com/2015/07/28/investing/stocks-correction/

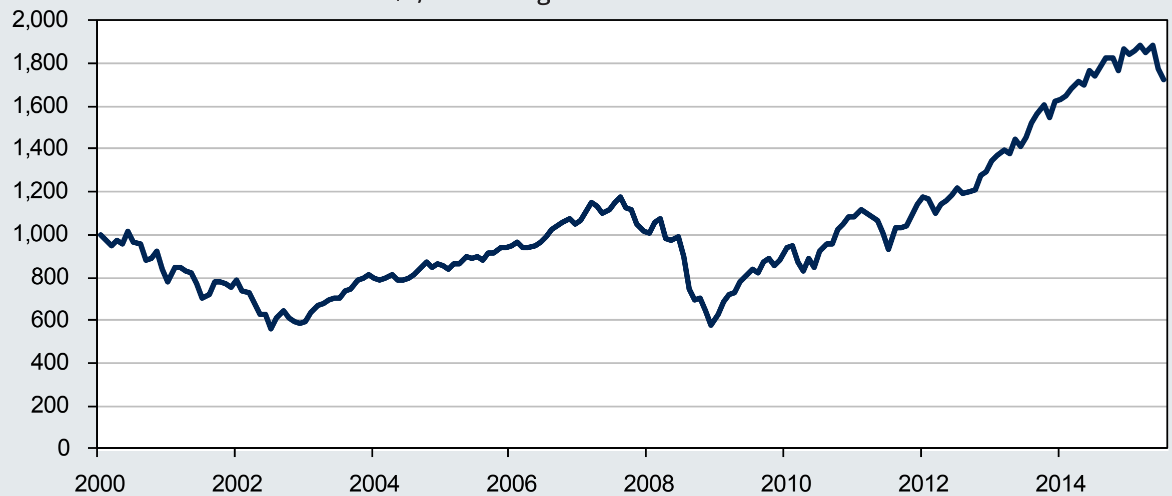
S&P 500® Index
Growth of $1,000 During Crash of 1973: Year 1973-1974



Source: Morningstar® Direct℠; GWCM Analysis. *Past performance is not a guarantee of and may not be indicative of future results.*

This first example shows the S&P 500® Index down 48% from January of 1973 through October of 1974. Investors would have recovered their losses by March of 1976, just 17 months following the low of the market correction, and would have experienced a 10-year return of more than 6% had they remained invested. By September 30, 2015, the value of the initial investment would have grown to $60,256.

S&P 500® Index
Growth of $1,000 During Dot-com Bubble: Year 2000-2002



Source: Morningstar® Direct℠; GWCM Analysis. *Past performance is not a guarantee of and may not be indicative of future results.*

The second example depicts the dot-com bubble, with the market peak in March of 2000 and the low in October of 2002—a loss of nearly 49%. As you can see, investors who invested during the peak and waited out the correction would have recovered their losses by October of 2006 and experienced a nearly 73% return through September of 2015.

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Source: Morningstar® Direct℠; GWCM Analysis. *Past performance is not a guarantee of and may not be indicative of future results.*

The third example depicts the financial crisis that occurred from 2007-09. Here, the market peaked in October of 2007 and bottomed out in March of 2009 for a total loss of 47%. Investors who got in during the peak of the market and remained invested throughout the recovery would have recovered their losses by March of 2012—only three years later—and experienced a 47% return through September of 2015.

These three worst-case scenarios help illustrate how individuals who were able to remain invested throughout market corrections were able to recover their losses. **Although the time it takes for markets to rebound varies, the longest it took for an investor to recover their losses due to a correction over the past 50 years was four years. In every case, investors had recovered losses from a correction within four years.** While market corrections still remain a concern for most investors, those following a disciplined approach may be best positioned to achieve their long-term retirement goals.

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