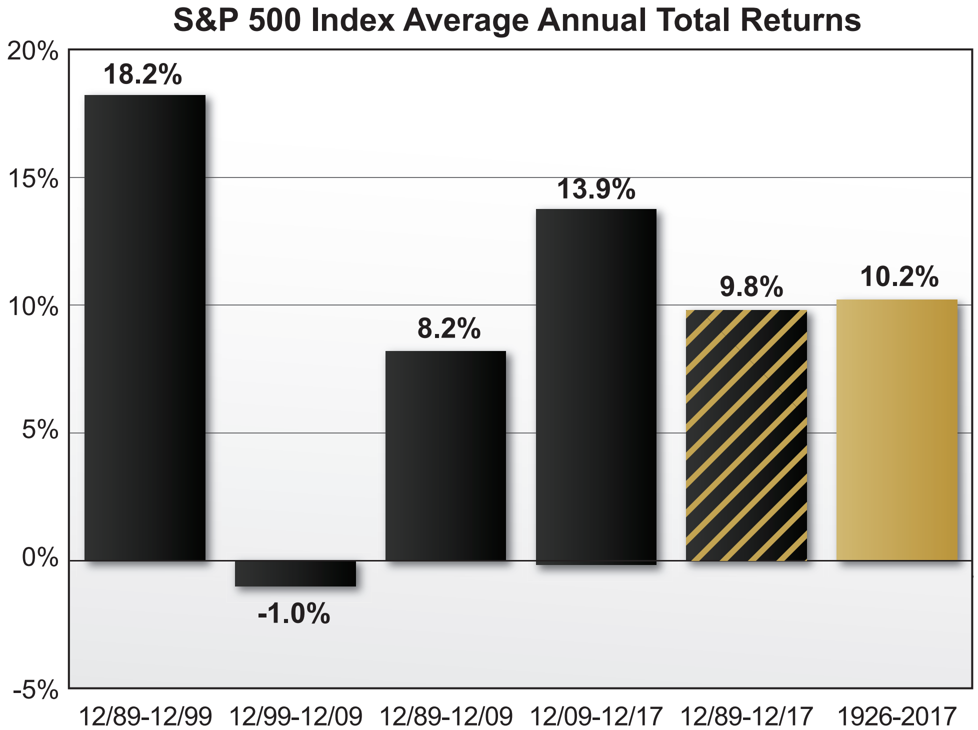
Some Perspective On The Performance Of The S&P 500 Index



Source: Bloomberg & Ibbotson Associates/Morningstar.
Past performance is no guarantee of future results.

View from the Observation Deck

1. Are U.S. stocks overvalued? While there are many metrics that can be used to argue one side or the other, we believe there is room for an eyeball test using historical returns.
2. The last bar in the chart (shaded gold) represents the average annual total return for the S&P 500 Index since 1926. Since it covers such a long period, it tends to change modestly with each passing year.
3. Bar #1 (12/89-12/99) is simply extraordinary because it reflects an average annual total return that is way beyond the 1926-2017 historical norm. Performance was enhanced substantially by the Internet Revolution (1995-1999).
4. Bar #2 (12/99-12/09) reflects the fallout after the internet bubble burst in March 2000. This is your so-called "Lost Decade" in the stock market.
5. Bar #3 (12/89-12/09) shows the average annual total return for the two decades captured in Bar #1 and Bar #2. The 8.2% average gain for the 20-year period is below the historical 10.2% average annual return since 1926. So some ground needed to be made up.
6. Bar #4 (12/09-12/17) shows the average annual total return for the current decade through the close of 2017. The 13.9% average gain over the period helped make up some of the deficit revealed in bar #3.
7. Bar #5 (striped) indicates that while the gap is narrowing, the 9.8% average annual total return still falls short of the 10.2% historical norm from 1926-2017.

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