Legg Mason
GLOBAL ASSET MANAGEMENT

Lessons in Long-Term Investing

LONG-TERM INVESTING HAS HAD REWARDS

Positive versus negative average annual returns for the S&P 500 (1937–2017)

The odds have favored the investor who takes a long-term approach. Though the stock market's returns vary tremendously, they were positive in 77% of the years shown.

11.9% Average return: 1937–2017

62 positive years | **19.4%** average positive return

3 years down 24.01%+	1 year down 18.01%–24%	1 year down 12.01%–18%	10 years down 6.01%–12%	4 years down 0%–6%	10 years up 0%–6%	9 years up 6.01%–12%	8 years up 12.01%–18%	16 years up 18.01%–24%	19 years up 24.01%+
2008: -37.0%	2002: -22.1%	1973: -14.7%	2001: -11.9%	1990: -3.1%	2015: +1.4%	2016: +12.0%	2014: +13.7%	2017: +21.8%	2013: +32.4%
1974: -26.3%			2000: -9.1%	1981: -4.9%	2011: +2.1%	2004: +10.9%	2012: +16.0%	1999: +21.0%	2009: +26.5%
1937: -34.7%			1977: -7.2%	1953: -0.9%	2007: +5.5%	1993: +10.1%	2010: +15.1%	1996: +23.0%	2003: +28.7%
			1969: -8.4%	1939: -0.4%	2005: +4.9%	1992: +7.6%	2006: +15.8%	1986: +18.6%	1998: +28.6%
			1966: -10.0%		1994: +1.3%	1984: +6.2%	1988: +16.6%	1983: +22.5%	1997: +33.4%
			1962: -8.7%		1987: +5.2%	1978: +6.5%	1971: +14.2%	1982: +21.5%	1995: +37.6%
			1957: -10.7%		1970: +3.9%	1968: +11.0%	1965: +12.5%	1979: +18.4%	1991: +30.5%
			1946: -8.0%		1960: +0.5%	1959: +12.0%	1964: +16.4%	1976: +23.8%	1989: +31.7%
			1941: -11.6%		1948: +5.4%	1956: +6.5%		1972: +19.0%	1985: +31.6%
			1940: -9.8%		1947: +5.6%			1967: +23.9%	1980: +32.4%
								1963: +22.8%	1975: +37.1%
								1952: +18.2%	1961: +26.9%
								1951: +24.0%	1958: +43.1%
								1949: +18.6%	1955: +31.4%
								1944: +19.5%	1954: +52.3%
								1942: +20.1%	1950: +31.5%
									1945: +36.3%
									1943: +25.6%
									1938: +30.8%

19 negative years | **-12.6%** average negative return

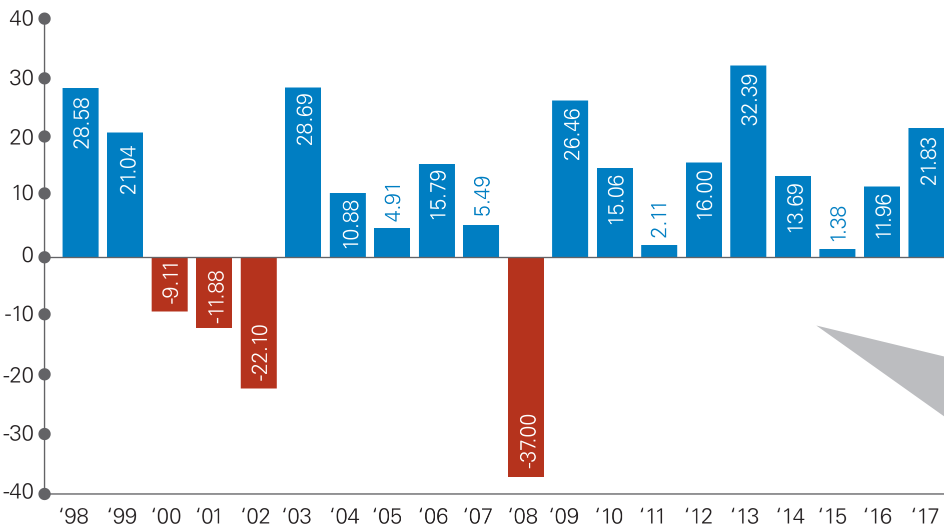
Sources: Legg Mason. Each calendar year listed in chart reflects average annual performance from December 31 of prior year to December 31 of listed year. Returns prior to 1957 are representative of the S&P 90 Index, a value-weighted index based on 90 stocks. This chart is for illustrative purposes only and does not represent actual performance, past or future, of any investment. **Past performance is no guarantee of future results.**

The **S&P 500 Index (S&P 500)** is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Performance does not reflect the impact of fees and expenses. Investors cannot invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges.

WHY IT CAN PAY TO STAY INVESTED

Stocks are generally more volatile than fixed income, and returns can vary greatly from year to year. As a result, stock investors may be tempted to abandon a long-term strategy when the markets are down.

S&P 500 Index: Annual total returns 1998-2017 (%) ending on December 31

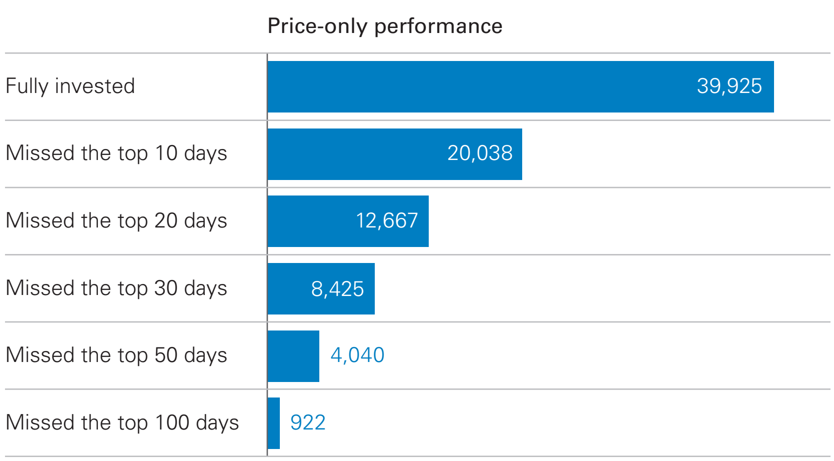


Although stocks have averaged a 11.9% return since 1937, the return can be far higher or lower in any single year.

Long-term investors should consider the pattern of returns over the last 20 years and not be thrown off-course by the market's ups and downs along the way: steady, continuous growth is the exception, not the rule.

Source: Legg Mason. **Past performance is no guarantee of future results.**

$10,000 Investment made to S&P 500 Index from January 2, 1998–December 31, 2017



Pulling money out of stocks in down periods can reduce long-term returns, because when the market bounces back, it can happen quickly and suddenly. Missing even a few trading days could mean missing some of the market's biggest gains.

There were 5,052 trading days during this 20-year period…yet missing only 10 of them would reduce an investor's returns by 50%.

Source: Legg Mason. **Past performance is no guarantee of future results.** All investments involve risks, including loss of principal. The chart provided is for illustrative purposes only and represents an unmanaged index in which investors cannot directly invest. The data in the chart is based on 260 trading days in a year.

> If you have questions about your equity portfolio, ask your financial advisor — who can help you decide whether adjustments may be appropriate based on changes in your financial situation (including your risk tolerance, time horizon and investment objectives).

LEGG MASON
GLOBAL ASSET MANAGEMENT

LeggMason.com