The beauty of newspapers, from a publisher’s perspective, is that they’re addictive. A story doesn’t unfold all in one go, like a novel. It fills in, bit by bit, over days. So, you have to keep buying the next day’s newspaper.

The story of markets and individual investments, as presented in various media, is like that. Every day, we get a few disjointed pieces of information. But, for some reason, they rarely add up to a practical investment principle, like diversification. More often, they simply stir up emotions.

The charts in the following pages are, by contrast, the accumulation of years and years of data. They tell a long-term story of market behaviour – good and bad. They lay the groundwork for an understanding of risks and rewards. They set the stage for rational discussions of asset mix and individual investments.

We assembled these charts because we’re not interested in selling papers. We’re interested in growing wealth for long-term investors.
Predicting the winner is difficult

### Annual Rankings of Key Asset Classes (1997-2014)

|-------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|

Source: Morningstar Direct as at December 31, 2014 (SCAD)

Canadian Bonds: FTSE TMX Canada Universe Bond Index
Canadian Large Cap: S&P/TSX Composite TR Index
Canadian Small Cap: BMO Small Cap Blended (Weighted) Index
Emerging Markets: MSCI EM GR Index
Foreign Equities: MSCI EAFE GR Index
Global Bonds: JPM GBI Broad TR Index
Global Equities: MSCI World GR Index
US Small Cap: Russell 2000 TR Index
US Large Cap: S&P 500 TR Index
40 years and 46X your investment

S&P/TSX Composite Index (1975 – 2015)

Sources: Bloomberg & Mackenzie
Based on the S&P/TSX Composite TRI including reinvested dividends between June 30, 1975 and June 30, 2015

$46.26
June 30, 2015
4,526% cumulative return (10.0% annualized)
= 46x your original investment
1-Year period: Solid market gains (despite pullbacks)

S&P/TSX Composite Index

-1.2% 1 Yr total return as at June 30

Long-term investors have benefited by employing fundamental investment strategies, managing expectations & emotions, and “staying the course”.

Closes at 15,146 Jun 30

Global Market Indices 1-Yr returns to June 30*:

- S&P/TSX: -1.2%
- S&P 500: +7.4%
- Euro Area: +7.0%
- Japan: +30.8%
- Emerg. Mkts: +6.2%
- China: +24.6%
- World: +8.4%

Source: Bloomberg for graph line, MSCI indices unless otherwise noted, as at June 30, 2015* Total returns, local currency
YTD at-a-Glance

S&P/TSX Composite Index

Global growth perseveres but pressured & uneven
U.S. economy cooled in Q1

Currency shocks, exchange swings, & negative yields challenge

Crude collapse – Uptick in Q2 but weakness continues

Price of gold continued to lose its lustre

$1,172/oz. (Jun 30-15)

USD has surged relative to most currencies

Loonie dives in Q1 – Uptick in Q2 but weakness continues

0.80 USD (Jun 30-15)

Turmoil in Greece

Fed and BOC rates remain at/near historical lows

0% - 0.25% (through Q2)

0.50% July 15 onwards

January February March April May June

Quick overview:
Global growth faltered in early 2015, principally in the United States and China. Recent indicators suggest a rebound in the U.S. economy in the second half of this year. In contrast, China is slowing amid an ongoing process of rebalancing to a more sustainable growth path. This has contributed to lower prices of many natural resources. Financial conditions in major economies remain very accommodative and continue to provide much-needed support to economic activity. Global growth is expected to strengthen over the second half of 2015, and accelerate in 2016 and 2017. **

14,632 14,553

+$0.9%
Total return
YTD 2015

14,632 14,553

Source: Bloomberg, as at June 30, 2015

June 2008 Peak → June 2015

S&P/TSX Composite Index

Past peak
15,073
June 18-08

+92%
bottom to Jun-15

Closes at
14,553
Jun 30-15

Wall of worry
“on risk / off risk” continues
Cautious optimism but clouds of uncertainty heightened

Eurozone growth picks-up – Stimulus, trade & energy savings timely support but Greece weighs
Corporate resilience maintained but pressured. GDP growth chilled in Q1 but solid recovery forecast
Global growth perseveres but pressured & uneven. Growing number of factors influence

“Worst case” scenario did not happen
Less bad is good (improvements surfacing)
Markets lead…sustained recovery solidifies but many economies & consumers remain challenged
Global recovery perseveres
Growth & fiscal challenges remain. The road of this recovery remains bumpy

Source: Bloomberg, as at June 30, 2015; Price index returns, local currency. Visual Source: The Wall Street Journal
Close look at the S&P/TSX...

Returns on S&P/TSX for YTD-2015 (and 2014)

<table>
<thead>
<tr>
<th>S&amp;P/TSX Composite Index</th>
<th>January 1 to June 30, 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>0.9%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>-5.4%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>-4.5%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Telecom Services</td>
<td>-5.4%</td>
<td>49.1%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>-0.3%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Materials</td>
<td>7.8%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Financials</td>
<td>-8.1%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-4.5%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Energy</td>
<td>-5.4%</td>
<td>16.1%</td>
</tr>
<tr>
<td>Industrials</td>
<td>-8.1%</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>

**On Watch:**

**Currency – the hidden difference**

Comparing YTD-15 returns in local currency to CDN$-based

<table>
<thead>
<tr>
<th>Stock markets</th>
<th>Canada</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>Japan</th>
<th>Emerg. Mkts</th>
<th>China</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local currency returns</strong></td>
<td>+0.9%</td>
<td>+1.2%</td>
<td>+7.2%</td>
<td>+16.0%</td>
<td>+5.6%</td>
<td>+14.6%</td>
<td>+4.1%</td>
</tr>
<tr>
<td><strong>CDN$-based returns</strong></td>
<td>+0.9%</td>
<td>+8.8%</td>
<td>+11.6%</td>
<td>+22.1%</td>
<td>+10.6%</td>
<td>+23.2%</td>
<td>+10.3%</td>
</tr>
</tbody>
</table>

Note: Above expressed in total returns

(Canada: S&P/TSX Composite Index; U.S.: S&P 500 Index; Euro Area: MSCI Europe Index; Japan: MSCI Japan Index; Emerging Markets: MSCI Emerging Markets Index; China: MSCI China Index; World: MSCI World Index)

Source: Bloomberg, as at June 30, 2015
The next move may not be clear

S&P/TSX Composite Index

Closes at 8,988 Dec 31

Closes at 7,567 Mar 9

Closes at 14,553 June 30

Source: Bloomberg, as at June 30, 2015; Visual Source: Barron’s, July 13, 2009
Looking back at what may lie ahead

The 1975-76 market recovery may provide insights

Dow Jones Industrial Average since WWII (to June 30, 2015)

Source of concept: MarketWatch
Market cycles: Investing & emotions don’t mix

S&P/TSX Composite Index (Dec. 31, 1994 to June 30, 2015)

Sources: Bloomberg (index) as at June 30, 2015 and IFIC (mutual fund net sales) as at June 30, 2015
Always remember... it’s only a cycle

Market cycle relative to economic cycle . . .
but each has differences

Stock Market Cycle

Economic Cycle

- Late Bull
- Early Bear
- Mid Recovery
- Mid Recession
- Late Bear

Source: Mackenzie Investments

For illustrative purposes only
Bull & Bear Markets

S&P/TSX Composite Index to June 2015

Bull & Bear Facts*
Average gain in bull market: +126%
Average length of bull market: 50 months
Average loss in bear market: -28%
Average length of bear market: 9 months

* Based on data since 1956. See page 2 for more details.

Source: Mackenzie Investments (Bloomberg: month-end data points as at June 30, 2015; total return, local currency)
Bull & Bear Markets: S&P/TSX

The Risks and Rewards of Investing:

• This chart represents the bull and bear markets in the S&P/TSX Composite Index since 1956. All bars above the line are bull markets; all bars below are bear markets.

• For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.

• The first bar represents a bear market which, at its lowest point, dropped to -26% and lasted 17 months. This was followed by a bull market rising 85% and lasting 48 months.

• Since 1956 there have been 12 bull markets and 12 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.

• Bear markets during this period have averaged -28% and lasted only 9 months. Bull markets during this period have averaged 126% and lasted 50 months. This is the reward for accepting the risk of bear markets.

Investor Behaviour:

• According to the chart, markets spend more time in positive territory (bull) than negative (bear).

• Bull markets are, on average, longer and more intense, providing a more significant percentage change.

• On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment ‘bargains’ to be found.

• Investor discipline during bear markets is critical.
Bull & Bear Markets

S&P 500 Index to June 2015

Bull & Bear Facts*
Average gain in bull market: +155%
Average length of bull market: 50 months
Average loss in bear market: -27%
Average length of bear market: 14 months

* Based on data since 1956. See page 2 for more details.

Source: Mackenzie Investments (Bloomberg: month-end data points as at June 30, 2015; total return, local currency)
Bull & Bear Markets: S&P 500

The Risks and Rewards of Investing:

• This chart represents the bull and bear markets in the S&P 500 Total Return since 1956. All bars above the line are bull markets; all bars below are bear markets.
• For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.
• The first bar represents a bear market which, at its lowest point, dropped to -15% and lasted 17 months. This was followed by a bull market rising 104% and lasting 48 months.
• Since 1956 there have been 11 bull markets and 11 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.
• Bear markets during this period have averaged -27% and lasted only 14 months. Bull markets during this period have averaged 155% and lasted 50 months. This is the reward for accepting the risk of bear markets.

Investor Behaviour:

• According to the chart, markets spend more time in positive territory (bull) than negative (bear).
• Bull markets are, on average, longer and more intense, providing a more significant percentage change.
• On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment ‘bargains’ to be found.
• Investor discipline during bear markets is critical.
## S&P/TSX Declines Greater Than 30%

<table>
<thead>
<tr>
<th>Period</th>
<th>Peak Date</th>
<th>Peak Value</th>
<th>Trough Date</th>
<th>Trough Value</th>
<th>Decline</th>
<th>Months from Peak to Trough</th>
<th>3 months</th>
<th>1 year</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2 1929</td>
<td>Jun 1 1932</td>
<td>332.61</td>
<td>Jun 1 1932</td>
<td>64.20</td>
<td>-80.7%</td>
<td>33</td>
<td>45.8%</td>
<td>79.2%</td>
<td>37.9%</td>
</tr>
<tr>
<td>Jul 3 1956</td>
<td>Dec 3 1957</td>
<td>617.67</td>
<td>Sep 3 1974</td>
<td>832.98</td>
<td>-30.0%</td>
<td>17</td>
<td>5.8%</td>
<td>26.8%</td>
<td>108.1%</td>
</tr>
<tr>
<td>Oct 1 1973</td>
<td>Sep 3 1974</td>
<td>1329.28</td>
<td>Dec 3 1974</td>
<td>432.11</td>
<td>-37.3%</td>
<td>11</td>
<td>1.4%</td>
<td>17.2%</td>
<td>186.5%</td>
</tr>
<tr>
<td>Nov 28 1980</td>
<td>Jul 8 1982</td>
<td>2402.23</td>
<td>Oct 28 1987</td>
<td>1346.35</td>
<td>-44.0%</td>
<td>19</td>
<td>26.2%</td>
<td>84.1%</td>
<td>153.7%</td>
</tr>
<tr>
<td>Aug 13 1987</td>
<td>Oct 28 1987</td>
<td>4112.86</td>
<td>Oct 5 1998</td>
<td>2837.79</td>
<td>-31.0%</td>
<td>3</td>
<td>7.9%</td>
<td>20.0%</td>
<td>137.4%</td>
</tr>
<tr>
<td>Apr 22 1998</td>
<td>Oct 5 1998</td>
<td>7822.25</td>
<td>Oct 9 2002</td>
<td>5336.15</td>
<td>-31.8%</td>
<td>6</td>
<td>24.8%</td>
<td>31.0%</td>
<td>102.5%</td>
</tr>
<tr>
<td>Sep 1 2000</td>
<td>Oct 9 2002</td>
<td>11388.80</td>
<td>Mar 9 2009</td>
<td>5695.33</td>
<td>-50.0%</td>
<td>25</td>
<td>18.9%</td>
<td>33.5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Jun 18 2008</td>
<td>Mar 9 2009</td>
<td>15073.13</td>
<td>Mar 9 2009</td>
<td>7566.94</td>
<td>-49.8%</td>
<td>9</td>
<td>39.4%</td>
<td>57.5%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Average:**

-37.4% | 13 | 37.6%

**Ex- Period 1 (Great Depression):**

-37.4% | 13 | 37.6%

### Annualized Price Return (excludes dividends)

**Average:**

8.0%

**Ex- Period 1 (Great Depression):**

9.0%

Source: Datastream; for period Sept. 2, 1929 to Mar. 9, 2009
Bear market decisions...

Value of $10,000 invested in the S&P 500 (US$) January 31, 1973:

3 months Later… $9,285
6 months Later… $9,465
9 months Later… $9,545
12 months Later… $8,587
1 year, 8 months later (Sept/74 Market Low) $5,816

At what point do you think most investors would have given up and thrown in the towel?

$5,816 removed from the market & re-invested in an interest bearing CD at 10.5%:

6 months later… $6,121
12 months later… $6,426
2 years later… $7,101
5 years later… $9,581
10 years later… $16,145 (after re-investment Sept/79 for 5 yrs at prevailing rate of 11%)

Bear market decisions…

What if you had kept your $5,816 invested in the S&P 500 (US$) instead of going into cash on Sept 30, 1974?

10 years later… $24,671
5 years later… $12,596
2 years later… $10,468
12 months later… $  8,033
6 months later… $  7,820

Food for thought.

Source: Bloomberg; for period Sept. 30, 1974 to Sept. 30, 1984
Bear market decisions…

What if you invested an additional $10,000 in the S&P 500 (US$) instead of going into cash on Sept 30, 1974?

10 years later… $67,091
5 years later… $34,254
2 years later… $28,465
12 months later… $21,846
6 months later… $21,266

Food for thought.

Source: Bloomberg; for period Sept. 30, 1974 to Sept. 30, 1984
Bear market decisions…

Value of $10,000 invested in the S&P 500 (US$) August 31, 2000:

- 3 months later… $8,688
- 6 months later… $8,216
- 9 months later… $8,349
- 12 months later… $7,561
- 2 years, 1 month later (Sept/02 Market Low) $5,527

At what point do you think most investors would have given up and thrown in the towel?

$5,527 removed from the market & re-invested in a 5-year GIC at 3.28%:

- 12 months later… $5,708
- 2 years later… $5,895
- 3 years later… $6,087
- 5 years later… $6,493

Source: Bloomberg; for period Aug. 31, 2000 to Sept. 30, 2007
Bear market decisions…

What if you had kept your $5,527 invested in the S&P 500 (US$) instead of going into cash on Sept 30, 2002?

5 years later… $11,337
3 years later… $ 8,788
2 years later… $ 7,829
12 months later… $ 6,875
6 months later… $ 5,804

Food for thought.

Source: Bloomberg; for period Sept. 30, 2002 to Sept. 30, 2007
Bear market decisions…

What if you invested an additional $10,000 in the S&P 500 (US$) instead of going into cash on Sept 30, 2002?

5 years later… $31,842
3 years later… $24,685
2 years later… $21,992
12 months later… $19,315
6 months later… $16,306

Food for thought.

Source: Bloomberg; for period Sept. 30, 2002 to Sept. 30, 2007
Bear market decisions...

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months later</td>
<td>$10,353</td>
</tr>
<tr>
<td>6 months later</td>
<td>$10,210</td>
</tr>
<tr>
<td>9 months later</td>
<td>$10,921</td>
</tr>
<tr>
<td>12 months later</td>
<td>$9,769</td>
</tr>
<tr>
<td>2 years, 2 months later (Mar/09 Market Low)</td>
<td>$5,826</td>
</tr>
</tbody>
</table>

At what point do you think most investors would have given up and thrown in the towel?

$5,826 removed from the market & re-invested in a 5-year GIC at 1.96%:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months later</td>
<td>$5,883</td>
</tr>
<tr>
<td>12 months later</td>
<td>$5,941</td>
</tr>
<tr>
<td>2 years later</td>
<td>$6,057</td>
</tr>
<tr>
<td>3 year later</td>
<td>$6,176</td>
</tr>
<tr>
<td>6 years, 3 months later (as at June/15)</td>
<td>$6,578</td>
</tr>
</tbody>
</table>

Bear market decisions…

What if you had kept your $5,826 invested in the S&P 500 (US$) instead of going into cash on March 31, 2009?

6 years, 3 months later…  $17,195
3 years later…  $10,953
2 years later…  $10,091
12 months later…  $8,726
6 months later…  $7,809

Food for thought.

Source: Bloomberg; for period Mar. 31, 2009 to June 30, 2015
Bear market decisions…

What if you invested an additional $10,000 in the S&P 500 (US$) instead of going into cash on March 31, 2009?

6 years, 3 months later… $46,707
3 years later… $29,752
2 years later… $27,411
12 months later… $23,703
6 months later… $21,211

Food for thought.

Source: Bloomberg; for period Mar. 31, 2009 to June 30, 2015
# Staying invested may improve returns

Snapshots in time of significant negative international events from 1950 to Mar 2009, and the subsequent change in market value from the stock market low in that calendar year to one and two years hence.

<table>
<thead>
<tr>
<th>Crisis</th>
<th>Market Low</th>
<th>1 Year Later</th>
<th>2 Years Later</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Korean War</td>
<td>13/07/1950</td>
<td>28.8%</td>
<td>39.3%</td>
</tr>
<tr>
<td>Cuban Missile Crisis</td>
<td>23/10/1962</td>
<td>33.8%</td>
<td>57.3%</td>
</tr>
<tr>
<td>JFK Assassination</td>
<td>23/11/1963</td>
<td>25.0%</td>
<td>33.0%</td>
</tr>
<tr>
<td>1969 to 70 Market Break</td>
<td>26/05/1970</td>
<td>43.6%</td>
<td>53.9%</td>
</tr>
<tr>
<td>1973 to 74 Market Break</td>
<td>06/12/1974</td>
<td>42.2%</td>
<td>66.5%</td>
</tr>
<tr>
<td>1979 to 80 Oil Crisis</td>
<td>27/03/1980</td>
<td>27.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>1987 Stock Market Crash</td>
<td>19/10/1987</td>
<td>22.9%</td>
<td>54.3%</td>
</tr>
<tr>
<td>Desert Storm</td>
<td>11/10/1990</td>
<td>21.1%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Soviet coup d'état attempt</td>
<td>19/08/1991</td>
<td>11.1%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Asian Financial Crisis</td>
<td>02/04/1997</td>
<td>49.3%</td>
<td>76.2%</td>
</tr>
<tr>
<td>Dot-com Bubble crash / Sept 11 / Enron</td>
<td>09/10/2002</td>
<td>33.7%</td>
<td>44.8%</td>
</tr>
<tr>
<td>Invasion of Iraq</td>
<td>11/03/2003</td>
<td>38.2%</td>
<td>50.6%</td>
</tr>
<tr>
<td>North Korean Missile Test</td>
<td>17/07/2006</td>
<td>25.5%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Subprime Mortgage Crisis</td>
<td>09/03/2009</td>
<td>68.6%</td>
<td>95.1%</td>
</tr>
</tbody>
</table>

**Average Appreciation**

|             |             | 33.7%        | 45.0%         |

Real Return of a GIC

Source: Bloomberg, as at June 30, 2015
Real Return of $10,000

S&P 500 Real Return: $79,664
MSCI World Real Return: $52,996
S&P/TSX Real Return: $49,819
1 Yr GIC Real Return: $9,719

Source: Bloomberg, as at December 31, 2014. Note: “Real return” reflects nominal return less marginal tax rate at 40% and inflation rate.
20 years of the S&P/TSX
You can’t afford to miss the best weeks

Value of $10,000 invested June 1995 to June 2015

- Fully invested all weeks: $32,710 (6.1%)
- Missed best 1 week: $28,775 (5.4%)
- Missed best 5 weeks: $19,963 (3.5%)
- Missed best 10 weeks: $14,299 (1.8%)

Sources: Bloomberg & Mackenzie Financial, S&P/TSX Composite Price Index; From June 30, 1995 to June 30, 2015
20 years of the S&P/TSX

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put $10,000 into the S&P/TSX Composite Index 20 years ago (June 30, 1995). Over this period the average annual return for the S&P/TSX was 6.1%. Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 6.1% to 5.4%.

Missing the best five weeks: Return drops to 3.5%.

Missing the best 10 weeks: Return drops to 1.8%.

Being in the market for the entire 20-year period would have resulted in a portfolio value of $32,710. If the investor missed the top ten weeks the portfolio value drops to $14,299.

Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor’s gain by more than $18,000. That’s over half of the investor’s total return!
20 years of the S&P 500
You can’t afford to miss the best weeks

Value of $10,000 invested June 1995 to June 2015

Fully invested all weeks: $34,697 (6.4%)
Missed best 1 week: $31,627 (5.9%)
Missed best 5 weeks: $23,122 (4.3%)
Missed best 10 weeks: $16,925 (2.7%)

Sources: Bloomberg and Mackenzie Financial, S&P 500 Price Index (CAD$); From June 30, 1995 to June 30, 2015
20 Years of the S&P 500

Stock market gains are often swift and unpredictable. Investors who choose to stay out of the market, even for short periods, frequently miss out on great opportunities.

This chart assumes an investor put $10,000 into the S&P 500 Index 20 years ago (June 30, 1995). Over this period the average annual return for the S&P 500 was 6.4% (CAD$). Look what happens if the same investor attempts to time the market.

Missing the best week: Assume an investor was worried that the market was overvalued and decided to take his or her money out of their investments and as a consequence missed the best week. Their return drops from 6.4% to 5.9%.

Missing the best five weeks: Return drops to 4.3%.

Missing the best 10 weeks: Return drops to 2.7%.

Being in the market for the entire 20-year period would have resulted in a portfolio value of $34,697. If the investor missed the top ten weeks the portfolio value drops to $16,925.

Considering that there are 1,040 weeks in 20 years – 10 weeks make up less than 1% of the available time – missing those time periods reduces the investor’s gain by more than $17,500. That’s over half of the investor’s total return!
Stay invested: patience is rewarded

Rolling 5-year average annual compound returns (S&P 500 TR Index)
Only seven negative periods (since 1954)

<table>
<thead>
<tr>
<th>Rolling 5-Year Average Annual Returns</th>
<th>Value</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEST</td>
<td>28.6%</td>
<td>1999</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>11.1%</td>
<td></td>
</tr>
<tr>
<td>MEDIAN</td>
<td>12.8%</td>
<td></td>
</tr>
<tr>
<td>WORST</td>
<td>-2.4%</td>
<td>1974</td>
</tr>
</tbody>
</table>

Source: Bloomberg, as at December 31, 2014
Investor expectations

Observations

• Since 1954, there have been fifty-four 5-year periods when investors made money (based on the sixty-one periods on the chart).

• During this timeframe there have been only seven 5-year periods when investors lost money. The worst return was -2.4% (1970-1974).

• The average 5-year rolling return has been 11.1%

Implications

• Consider the first bar on the chart. If you had put money into the market at the beginning of 1949, your portfolio would have grown almost 24% annually by the end of 1954.

• Investment strategists and professionals constantly warn investors about important economic variables, such as interest rates, inflation, a depreciating currency, oil prices rising, and even presidential elections. It is often suggested that, before investing, investors wait for certainty to arise around a specific variable. However, there will always be uncertainty in the market.

Conclusions

• If a long-term perspective was maintained, performance did not suffer during times of uncertainty or crisis.

• Waiting on the sidelines until there is no uncertainty could mean a missed investment opportunity.
U.S. Stock Market Annual Total Return: 190-Year History

Positive Years: 135 (71%)
Negative Years: 55 (29%)

Sources: Universal Economics; Bloomberg; S&P 500 Index, Total Return, USD
A tale of 5 recessions
Recession # 1: 1973 to 1975

- Recession started: Nov. 1973
- Ended: March 1975
- End announced: N/A

- Oct. 1973 Arab oil embargo causes oil prices to quadruple
- Inflation rate soars from 6.2% in 1973 to 11% in 1974

Sources: Bloomberg (chart), NBER (recession dates)
A tale of 5 recessions
Recession # 2: 1980

Recession started: Jan. 1980
ended: July 1980
End announced: July 1981

- Double-digit inflation since mid-1970s
- Oil imports reduced from Iran in 1979
- US central bank aggressively raises interest rates

Sources: Bloomberg (chart), NBER (recession dates)
A tale of 5 recessions
Recession # 3: 1981 to 1982

- Runaway inflation:
  $1 in 1975 has same buying power as $2 in 1985
- US central bank raises rates from 11% (1979) to 20% (1981)

Recession started: July 1981
ended: Nov. 1982
End announced: July 1983

Sources: Bloomberg (chart), NBER (recession dates), US Bureau of Labor Statistics (CPI)
A tale of 5 recessions
Recession # 4: 1990 to 1991

- Real estate bubble of late 1980s bursts
- Savings & Loan Crisis: 1,000+ institutions bankrupt (1986-1995)

Recession started: July 1990
ended: March 1991
End announced: Dec. 1992

Sources: Bloomberg (chart), NBER (recession dates), FDIC (savings & loan bankruptcies)
A tale of 5 recessions
Recession # 5: 2007 to 2009

- US housing downturn, subprime mortgage meltdown, global financial crisis
- Recession lasted 18 months – longest of any recession since World War II

Recession started: Dec. 2007
Ended: June 2009
End announced: Sep. 2010

Sources: Bloomberg (chart), NBER (recession dates)
6 years after recession officially ended... where are we now?

June 30, 2009 – June 30, 2015: +173%

Source: YahooFinance, as at June 30, 2015; Cumulative return for S&P 500 Index at 173% expressed in total return, CDN currency
Recession declared “officially over”

“The longest U.S. recession since WWII is officially over. NBER stated the recession started in December 2007 and ended in June 2009”

NBER release September 20, 2010

<table>
<thead>
<tr>
<th>Business Cycle</th>
<th>Duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak</td>
<td>Trough</td>
</tr>
<tr>
<td>December, 2007</td>
<td>June, 2009</td>
</tr>
<tr>
<td>March, 2001</td>
<td>November, 2001</td>
</tr>
<tr>
<td>July, 1990</td>
<td>March, 1991</td>
</tr>
<tr>
<td>July, 1981</td>
<td>November, 1982</td>
</tr>
<tr>
<td>November, 1973</td>
<td>March, 1975</td>
</tr>
<tr>
<td>December, 1969</td>
<td>November, 1970</td>
</tr>
<tr>
<td>April, 1960</td>
<td>February, 1961</td>
</tr>
<tr>
<td>August, 1957</td>
<td>April, 1958</td>
</tr>
<tr>
<td>July, 1953</td>
<td>May, 1954</td>
</tr>
<tr>
<td>November, 1948</td>
<td>October, 1949</td>
</tr>
<tr>
<td>February, 1945</td>
<td>October, 1945</td>
</tr>
</tbody>
</table>

Source: National Bureau of Economic Research, September 20, 2010
Expansions vs. recessions in the US

Average length

1854 to 2009 (33 cycles) 16 months 42 months
1945 to 2009 (11 cycles) 11 months 59 months

Recession is the number of months from peak to trough. Expansion is the number of months from the previous trough to latest peak, eg. 120 months: March 1991 to March 2001 expansion.

Sources: National Bureau of Economic Research; *Current expansion period provided by Mackenzie Financial; as at June 30, 2015
When is the right time to invest?

Five approaches. Two are easy, repeatable & proven

Investing $2,000/yr in S&P/TSX over 20 years

- Perfect Timer – able to invest the $2,000 into the market every year at the lowest monthly close
- New Year’s Investor – invested the $2,000 in the market consistently at the beginning of each year
- Dollar Cost Averager – divided the $2,000 into 12 equal amounts and invested at the beginning of each month
- Terrible Timer – invested the $2,000 each year at the market’s peak
- Bought T-Bills – left the $2,000 in cash (using DEX 91-day T-Bill index as a proxy) never investing in stocks

It’s time in the market . . . not market timing

Even “terrible timing” trumps not investing

<table>
<thead>
<tr>
<th>Approach</th>
<th>Investment End Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perfect Timer</td>
<td>$104,522</td>
</tr>
<tr>
<td>New Year’s Investor</td>
<td>$99,958</td>
</tr>
<tr>
<td>Dollar Cost Averager</td>
<td>$97,886</td>
</tr>
<tr>
<td>Terrible Timer</td>
<td>$91,184</td>
</tr>
<tr>
<td>Bought T-Bills not Stocks</td>
<td>$53,667</td>
</tr>
</tbody>
</table>

Sources: Mackenzie Financial, Bloomberg, S&P/TSX Composite Index, as at June 30, 2015.

Quick explanation of the five approaches: 1) Perfect Timer – able to invest the $2,000 into the market every year at the lowest monthly close, 2) New Year’s Investor – invested the $2,000 in the market consistently at the beginning of each year, 3) Dollar Cost Averager – divided the $2,000 into 12 equal amounts and invested at the beginning of each month, 4) Terrible Timer – invested the $2,000 each year at the market’s peak, and 5) Bought T-Bills – left the $2,000 in cash (using DEX 91-day T-Bill index as a proxy) never investing in stocks. Each approach starts with an initial investment of $2,000.
History shows
Despite challenging declines – Down markets have always rebounded and gone on to reach new heights


Sources: Ibbotson Associates, S&P500 Index; USD, price return, as at June 30, 2015
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