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Drawdowns don't always make headlines but can significantly erode investors' wealth

S&P 500 Index returns, 01/01/80–12/31/19

Calendar year losses		Drawdown losses	
Number of calendar years that ended in a loss	7	Number of drawdowns greater than 10%	15
Average calendar year loss (%)	-13.06	Average drawdown loss (%)	-23.15
Maximum calendar year loss (%)	-36.55	Maximum drawdown loss (%)	-56.78

Source: Bloomberg. Calendar year returns include dividends; drawdown returns are price only. Drawdowns are defined by peak to trough price movements. The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. **Past performance does not guarantee future results.** It is not possible to invest directly in an index.

Annual returns get headlines, but investors may not appreciate the frequency of portfolio drawdowns — **a peak to trough decline in the value of an investment that can significantly erode wealth**.

Drawdowns rarely align with widely-used calendar year market returns and may include up and down market movements that obscure a longer-term negative trend.

From 1980 through 2019, there were only seven calendar years in which the S&P 500 index posted a negative return. But within that period, there were 15 drawdowns of 10% or more.

The frequency of drawdowns suggests that a key component of a successful long-term investment strategy would be **a systematic approach to determine exposure to riskier assets under varying market conditions**.

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