MARKET DRAWDOWNS
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JVL WEALTH STRATEGIES
MORE THAN FINANCIAL ADVISORS

MARKET DRAWDOWNS

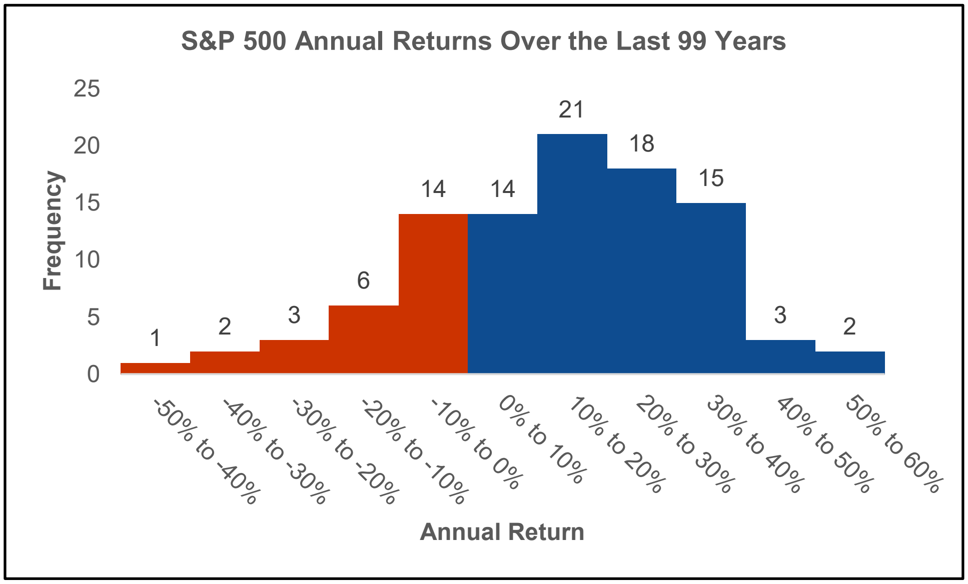
Given the recent stock market volatility, we wanted to explore the impact market drawdowns have on portfolios. A drawdown refers to the decline in value from its peak (high point) to a trough (low point), and represents the percentage decline during that period of time.

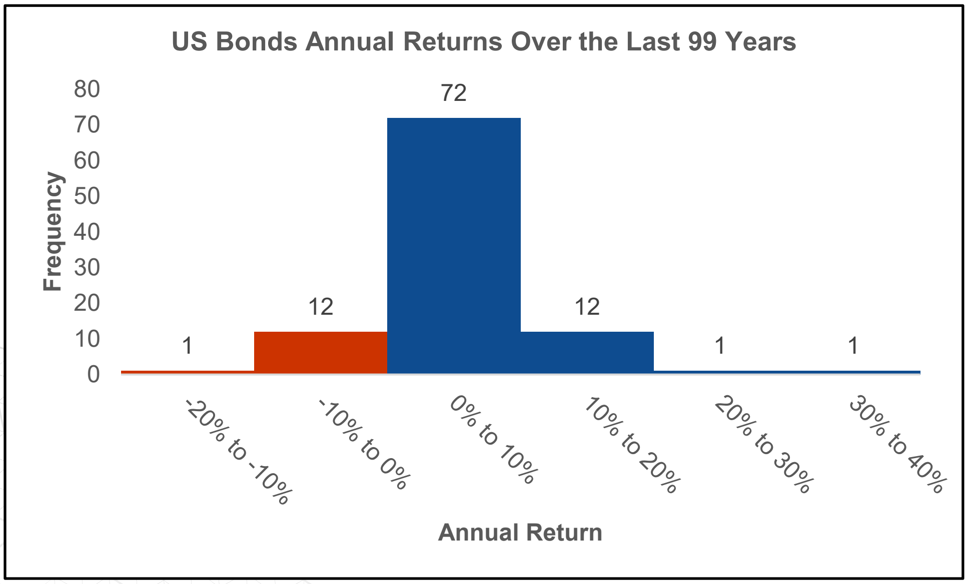
First, stock market drawdowns are normal. While every year may bring a differing “reason” for the drawdown, history shows us that they occur every year. The following chart shows the calendar year drawdown versus the calendar year ending return from 1950 – 2024 for the S&P 500. During these 75 years, the market experienced a drawdown of 10% or more in 41 years, yet the calendar year return was positive in 25 of those 41 years.

S&P 500 Index: Max Intra-Year Drawdowns vs. End of Year Total Returns (1950-2024)

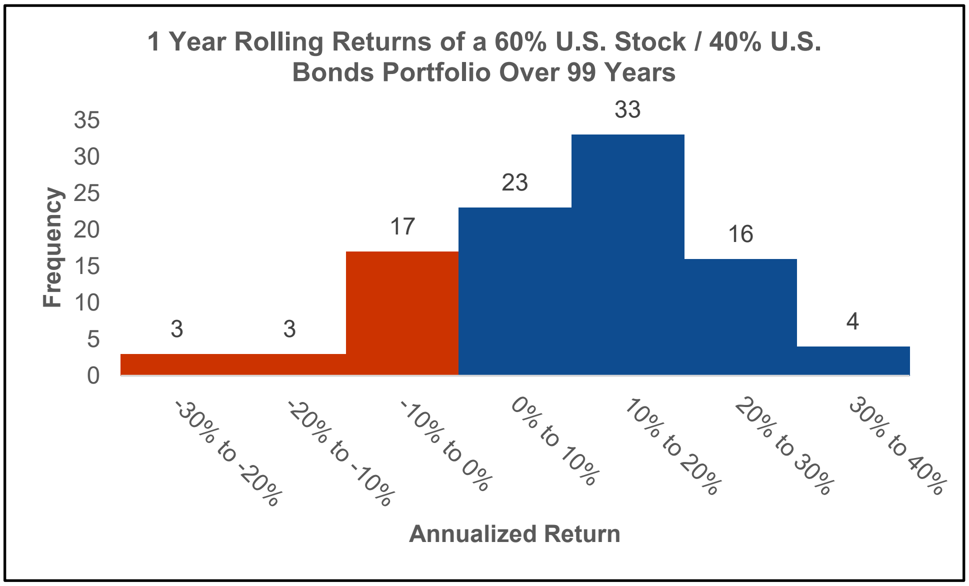
Year	DD	TR	Year	DD	TR	Year	DD	TR	Year	DD	TR
1950	-14.0%	31.7%	1969	-16.0%	-8.5%	1988	-7.6%	16.6%	2007	-10.1%	5.5%
1951	-8.1%	24.0%	1970	-25.9%	3.9%	1989	-7.6%	31.7%	2008	-48.8%	-37.0%
1952	-6.8%	18.4%	1971	-13.9%	14.3%	1990	-19.9%	-3.1%	2009	-27.6%	26.5%
1953	-14.8%	-1.0%	1972	-5.1%	19.0%	1991	-5.7%	30.5%	2010	-16.0%	15.1%
1954	-4.4%	52.6%	1973	-23.4%	-14.7%	1992	-6.2%	7.6%	2011	-19.4%	2.1%
1955	-10.6%	31.6%	1974	-37.6%	-26.5%	1993	-5.0%	10.1%	2012	-9.9%	16.0%
1956	-10.8%	6.6%	1975	-14.1%	37.2%	1994	-8.9%	1.3%	2013	-5.8%	32.4%
1957	-20.7%	-10.8%	1976	-8.4%	23.9%	1995	-2.5%	37.6%	2014	-7.4%	13.7%
1958	-4.4%	43.4%	1977	-15.6%	-7.2%	1996	-7.6%	23.0%	2015	-12.4%	1.4%
1959	-9.2%	12.0%	1978	-13.6%	6.6%	1997	-10.8%	33.4%	2016	-10.5%	12.0%
1960	-13.4%	0.5%	1979	-10.2%	18.6%	1998	-19.3%	28.6%	2017	-2.8%	21.8%
1961	-4.4%	26.9%	1980	-17.1%	32.5%	1999	-12.1%	21.0%	2018	-19.8%	-4.4%
1962	-26.9%	-8.7%	1981	-18.4%	-4.9%	2000	-17.2%	-9.1%	2019	-6.8%	31.5%
1963	-6.5%	22.8%	1982	-16.6%	21.5%	2001	-29.7%	-11.9%	2020	-33.9%	18.4%
1964	-3.5%	16.5%	1983	-6.9%	22.6%	2002	-33.8%	-22.1%	2021	-5.2%	28.7%
1965	-9.6%	12.5%	1984	-12.7%	6.3%	2003	-14.1%	28.7%	2022	-25.4%	-18.1%
1966	-22.2%	-10.1%	1985	-7.7%	31.7%	2004	-8.2%	10.9%	2023	-10.3%	26.3%
1967	-6.6%	24.0%	1986	-9.4%	18.7%	2005	-7.2%	4.9%	2024	-8.5%	25.0%
1968	-9.3%	11.1%	1987	-33.5%	5.3%	2006	-7.7%	15.8%	2025		

Looking back over the past 99 years, we see that since 1926 there have been 26 calendar years in which the U.S. stock market declined (average decline of 13.4%) and 13 calendar years where the U.S. bond market declined (average decline of 2.5%). Over the same 99-year period, there were only 3 years where both the U.S. stock market and the U.S. bond market declined in the same calendar year.

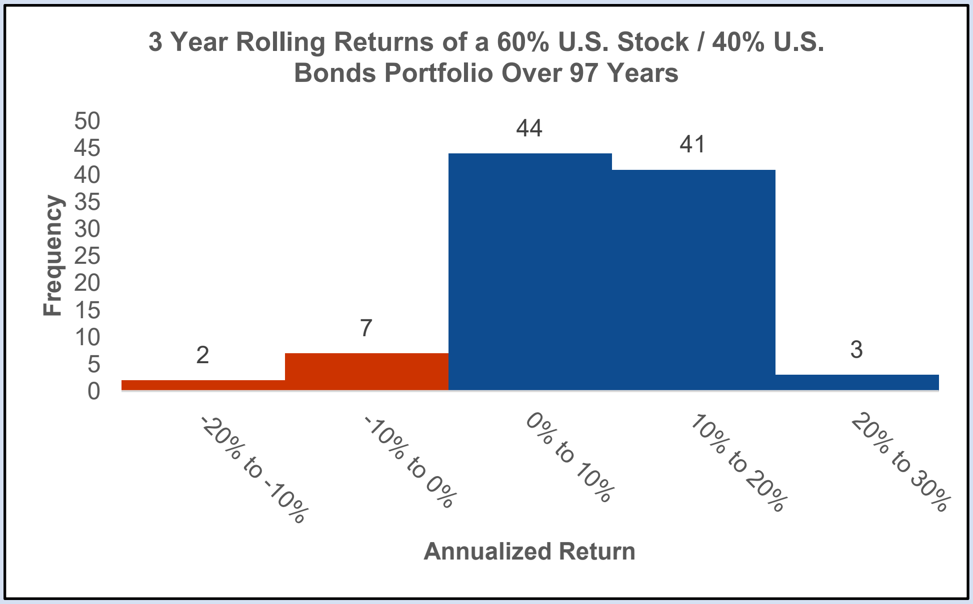




This points to the value of diversification. Using a simple example of 60% U.S. stocks (S&P 500) and 40% U.S. bonds (Aggregate bond index or similar), over the past 99 years a 60-40 diversified portfolio experienced 23 annual declines (average decline of 7.6%).

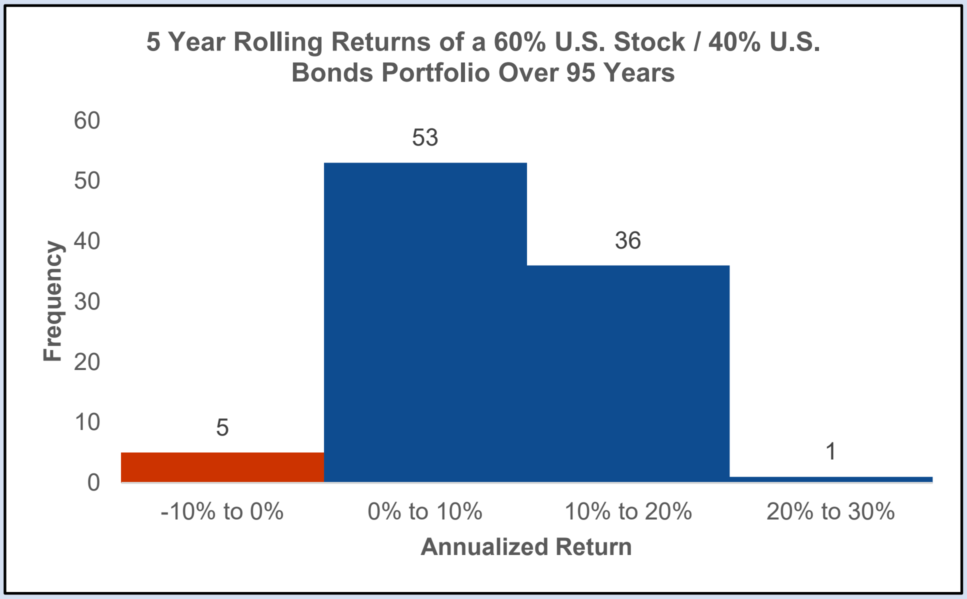


In 88 of the past 97 rolling 3- year periods, a 60-40 portfolio resulted in positive returns.



Moving from a 1-year period to a 3-year rolling period, the same 60-40 diversified portfolio experienced a decline in 9 instances; 5 were in the 1930's-1940's, 2 in the high inflation period of the 1970's, 1 during the internet bubble of 2002 and the last in 2008.

Looking out even longer, to rolling 5-year periods, the same 60-40 diversified portfolio experienced a decline in only 5 instances, all in the 1930's – 1940's.



RECAP

Stock markets drawdowns can be hard to watch when we are in the middle of one. No one knows when markets will hit their bottom and begin to climb back. Even though the cause and circumstances for each drawdown feel unique, history tells us they are normal and occur frequently.

At JVL Wealth Strategies our goal is to construct portfolios that meet a client's needs and goals. Our portfolios are well diversified beyond just US publicly traded stocks and bonds. When appropriate, we blend in private credit, private equity, and hedge funds, which have different risk profiles and can help mitigate the portfolio's volatility.

For clients in the withdrawing stage of life our goal is to manage the cash available for distribution to fund their lifestyle. We take great care to make sure the amount of cash and short-term liquid bonds are available to fund cash needs for extended periods, so that we don't have to sell equities during stock market drawdowns. Through good planning, we have the ability to draw from assets not experiencing major drawdowns in order to allow assets experiencing a drawdown to recover their value.

We take our role seriously. We value the trust our clients place in us. If you have any questions, please feel free to reach out and let us be of assistance.

REFERENCES & DISCLOSURES

[1] Information obtained from Morningstar Direct: S&P 500 Price Return
[1] Information obtained from Creative Planning - Peter Mallouk
[2-5] Information obtained from Morningstar Direct

Historical return data used for "US Stocks" and "S&P 500" in the presentation includes a combination of Ibbotson® SBBI® US Large Cap Stocks (Total Return) for calendar years 1926 through 1989 and S&P 500 (Total Return) for calendar years 1990 through 2024. Historical return data used for "US Bonds" and "Aggregate bond index or similar" in the presentation includes a combination of 75% Ibbotson® SBBI® US Intermediate-term (5-Year) Government Bonds (Total Return) + 25% Ibbotson® SBBI® US Long-term (20-Year) Corporate Bonds (Total Return) for calendar years 1926 through 1996 and Bloomberg US Aggregate Bond Index (Total Return) for calendar years 1997 through 2024. Historical return data used for "60% US stocks and 40% US bonds" in the presentation is a combination of 60% of the "US stocks" definition as described above and 40% of the "US Bonds" definition as described above. The data and methodology used in this presentation are available upon request.