



AFTER THE BEAR

What May Happen When a Bull Market Returns¹

During the first 40 days of each bull market since 1946, stocks regained on average over 34% of the value lost during the preceding bear market.²

The Historical Case for Being Invested Early in a Market Recovery

One of the greatest challenges investors face is diverting their focus from the market's daily, weekly or even monthly movements, and adopting a historical perspective. Rather than throwing in the towel during times of volatility, long-term investors remember that since 1900, there have been 21 complete recessions from which the economy ultimately recovered. But it usually isn't whether the markets will recover that may rest on investors' minds, but when the recovery will occur. However, dwelling on that very question could impact how much of a potential market recovery your portfolio may be positioned to capture. For example, consider that during the first 40 days of each bull market since 1946, stocks regained on average over 34% of the value lost during the preceding bear market.²

The chart below reviews the 12-month period following the market trough of each recession³ since 1945. On average, much of the market gains were experienced in the one-, three- and six-month periods of the recovery. In fact, on average, nearly three-quarters of the one-year returns were earned in the first six-months! So, while past performance is no guarantee of future results, investors that stayed out of the markets for just a few months (or even weeks as described in the paragraph above), waiting for signs of a recovery, may have missed out on some significant upside performance potential.

PERFORMANCE OF THE S&P 500 INDEX FOLLOWING ITS RECESSION LOW						
Recession Date	Date of Recession Low	1-Month	3-Months	6-Months	9-Months	1-Year
2/45 - 10/45	3/26/45	9.34%	14.79%	18.89%	30.02%	34.88%
11/48 - 10/49	6/13/49	9.08%	16.16%	22.80%	26.35%	42.07%
7/53 - 5/54	9/14/53	4.27%	8.72%	17.53%	26.02%	37.74%
8/57 - 4/58	10/22/57	4.85%	5.70%	9.80%	19.06%	31.02%
4/60 - 2/61	10/25/60	7.32%	15.74%	24.86%	24.72%	30.67%
12/69 - 11/70	5/26/70	6.03%	17.20%	22.80%	39.63%	43.73%
11/73 - 3/75	10/3/74	18.63%	13.54%	30.88%	51.51%	38.01%
1/80 - 7/80	3/27/80	7.07%	18.10%	28.64%	39.05%	37.09%
7/81 - 11/82	8/12/82	18.11%	36.23%	44.14%	60.37%	58.33%
7/90 - 3/91	10/11/90	6.19%	6.69%	27.81%	27.59%	29.10%
3/01 - 11/01	9/21/01	11.15%	18.54%	19.44%	2.42%	-12.47%
	MEAN	9.28%	15.58%	24.33%	31.52%	33.65%

Source: Claymore using Standard & Poor's data. Past performance is no guarantee of future results. Returns do not include the reinvestment of dividends and capital gains. The chart above is for illustrative purposes only; it is not meant to forecast, imply or guarantee the future performance of any Claymore product.

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad economy, representing all major industries. This index is unmanaged and it is not possible to invest directly in this index.

¹ According to Bloomberg, a bear market is defined as a market characterized by a prolonged period of falling prices, usually by 20% or more. Conversely, a bull market is characterized by a long-term rise in prices and usually last several months, resulting in high trading volume.

² Source: Claymore using Standard & Poor's data

³The National Bureau of Economic Research defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales."

“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves.”

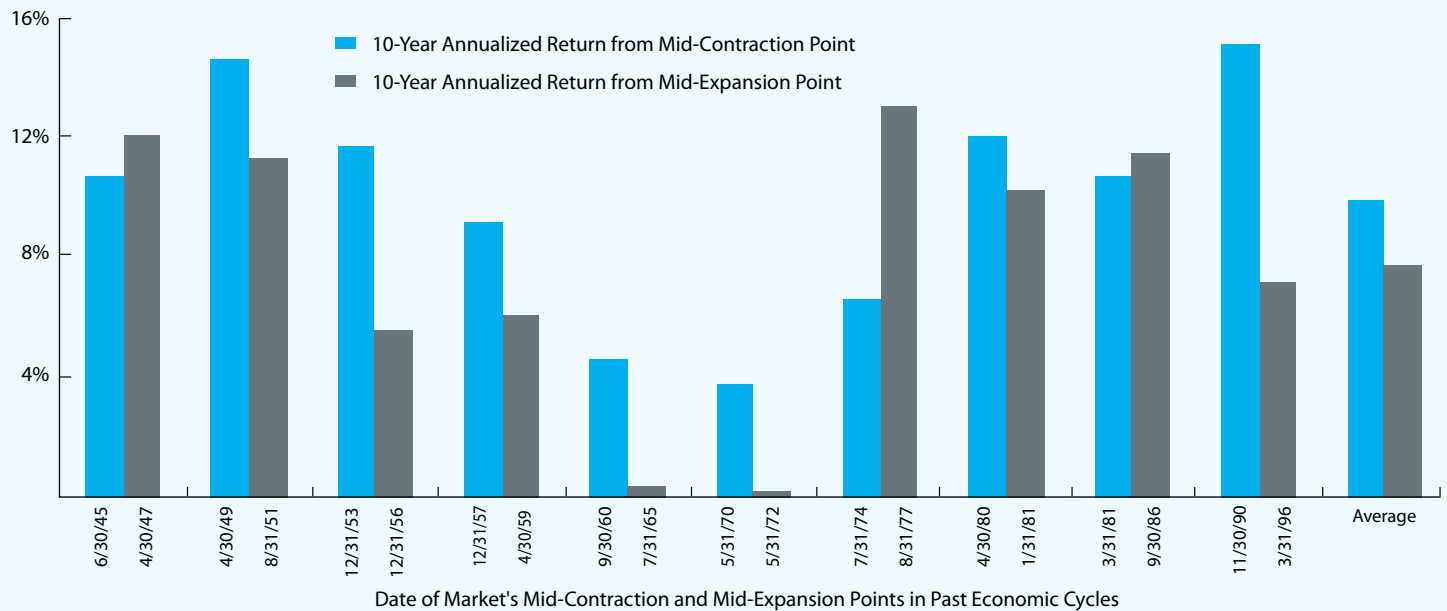
PETER LYNCH, (Former) Fidelity Magellan Fund Manager and Author³

The Potential Long-Term Impact of Capturing Early Recovery Performance

While the prior section demonstrated the potential benefits of investing early in a market recovery, it is worth considering the longer-term implications that capturing early recovery performance may have on a portfolio. Using history as our guide and not the rule for seven of the 10 complete economic cycles since 1945, the chart below indicates that over a ten-year period, investing at the mid-point of a contraction⁴ historically may have resulted in outperformance over investing at the mid-point of an expansion⁵. So during those periods, investors who waited until a recovery was in full swing before investing may have underperformed those who invested mid-contraction. Past performance is no guarantee of future results.

INVESTING MID-CONTRACTION VS. MID-EXPANSION 6/30/45 -3/31/06

A Comparison of 10-Year Annualized Returns for the S&P 500 Index



Each of the above dates represents either mid-contraction or a mid-expansion points (see legend for details), with their respective bars showing the 10-year annualized return for the S&P 500 Index from each mid-point date provided.

Source: Claymore using Standard & Poor's data. **Past performance is no guarantee of future results.** All returns assume dividend reinvestment.

The historical performance of the Index is shown for illustrative purposes only; it is not meant to forecast, imply or guarantee the future performance of any particular investment, which will vary.

Ultimately, maintaining a long-term perspective may be very difficult during times of uncertainty in the markets. However, keeping a long-term perspective and working with an investment professional to build a fully invested and diversified portfolio may help you weather the bearish market cycles and potentially be positioned for when a bull market returns.

³Quote is for illustrative purposes only and is not an endorsement by Peter Lynch or Fidelity.

⁴Per the National Bureau of Economic Research, "contractions (recessions) start at the peak of a business cycle and end at the trough."

⁵Per the National Bureau of Economic Research, expansions start at the trough of a business cycle and end at the peak.

RISK CONSIDERATIONS Investors should consider the risk factors and special considerations associated with investing in any investment product, which may cause you to lose the entire principal amount that you invest. In general, equity securities will fall due to general market and economic conditions, perceptions regarding the industries, or factors relating to specific companies.

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