

Market Corrections: A History Lesson

Insights for Today's Investor

If you invested your first dollar in the stock market during the 1990s, you may respond differently to a market decline than an investor who started in the 1970s. That's because the bull market continued to charge upward throughout the 1990s. From Jan. 1, 1990, to Dec. 31, 1999, the unmanaged S&P 500 Index jumped from 353.4 to 1469.3.

Until recently, investors may have unrealistically expected the market to keep going up because in the 1990s, the average annual total returns of the S&P 500® Index—15.41% for a 10-year period and 21.34% for five years—were well above historical averages. Investors rewarded that decade of performance by increasing equity fund assets from \$249 billion to \$4.04 trillion, as of Dec. 31, 1999, according to the Investment Company Institute.

Are Your Expectations of the Stock Market Realistic?

Familiarizing yourself with the stock market's record may help you keep a long-term outlook.

Time Period (Years)	Start Date Through Dec. 31, 2005	S&P 500 Index Average Annual Total Return
60	12/31/45	11.46%
50	12/31/55	10.44
25	12/31/80	12.48
10	12/31/95	9.08
5	12/31/00	0.54
1	12/31/04	4.89

Source: ©Ibbotson Associates Inc. All rights reserved. Used with permission.

So what's the reality of stock market performance over the long term? On average, the market has experienced a down year one out of every four years. While unavoidable, such market corrections don't mean the end of the world. In fact, the up markets have more than compensated for the down years.

While past performance does not guarantee comparable future results, it's important to understand the history of the stock market. Realizing this may allow you to stay the course and reap the potential long-term benefits of an investment in equities.

Responsible Investing Begins with Education

While the 1990s' bull run benefited many investors, it may have also given inexperienced investors false expectations of future market performance. Here's some history on the stock market that may strengthen investor awareness:

- On average, one 20% correction occurs every five years.
- Before 2001, the last 20% correction in the S&P 500 Index took place during the third quarter of 1990.
- From 1946–2005, eleven 20% corrections occurred.

Ride out Corrections by Focusing on Long-Term Goals

History shows that eleven 20% market corrections in the S&P 500 Index have occurred over the last several decades.* History also shows that new market highs were reached after these lows.

Highs	Lows	Loss	Days in Between	Days to Reach New Market High
5/29/46	6/13/49	-29.61%	1,111	361
12/12/61	6/26/62	-27.97	196	434
2/9/66	10/7/66	-22.18	240	209
11/29/68	5/26/70	-36.06	543	650
1/11/73	12/5/73	-23.35	328	2,416
1/3/74	10/3/74	-37.60	273	2,114
9/21/76	3/6/78	-19.41	531	864
1/6/81	8/12/82	-25.85	583	83
8/25/87	12/4/87	-33.51	101	600
7/16/90	10/11/90	-19.92	87	125
3/24/00	10/9/02	-49.15	929	?

Source: Bloomberg, Inc.

Talk to Your Financial Advisor

You can learn more about the stock market and how to take advantage of market corrections by seeking the combined expertise of your financial advisor and the investment management of AIM. AIM Investments® has managed our clients' money through all kinds of markets. Our goal is to bring our customers insightful investment solutions and a wide variety of quality products. At AIM Investments, we believe successful investors always start with their financial advisor. It's about your goals and the solutions AIM can provide.

Not FDIC insured | May lose value | No bank guarantee Consider the investment objectives, risks and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.

Past performance cannot guarantee comparable future results. *A 20% decline from the annual high in the S&P 500 Index constitutes a bear market. A 10% rebound from that low would result in another bull market. Returns are price only and do not include reinvestment of dividends. The S&P 500 Index is an unmanaged index considered representative of the U.S. stock market. An investment cannot be made directly in an index.

AIM Investments is a registered service mark of A I M Management Group Inc. A I M Advisors, Inc. and A I M Capital Management, Inc. are the investment advisors for the products and services represented by AIM Investments. A I M Distributors, Inc. is the distributor for the retail mutual funds represented by AIM Investments.

Note: Not all products available through all firms.