CLIENT PORTFOLIO REVIEW — S&P 500 INDEX ANALYSIS

Market Corrections, Recoveries & *Valuations*

A historical perspective on major S&P 500 downturns — how deep they fell, how long recovery took, and where valuations stand today relative to history.

PREPARED	BENCHMARK	DATA RANGE
March 2026	S&P 500 Index	1987 – 2025

01 The Last Five Major Downturns

1987
BLACK MONDAY

Peak Decline	-34%
Duration	3 months
Recovery Time	~20 months
Cause	Program trading

2000
DOT-COM BUST

Peak Decline	-49%
Duration	~30 months
Recovery Time	~7 years
Cause	Tech bubble

2008
FINANCIAL CRISIS

Peak Decline	-57%
Duration	17 months
Recovery Time	~4–5 years
Cause	Housing / credit

2020
COVID CRASH

Peak Decline	-34%
Duration	33 days
Recovery Time	~5 months
Cause	Global pandemic

2022
RATE HIKE BEAR

Peak Decline	-25%
Duration	~10 months
Recovery Time	~18 months
Cause	Inflation / rates

−40%
AVG PEAK DECLINE (BEAR MARKETS)

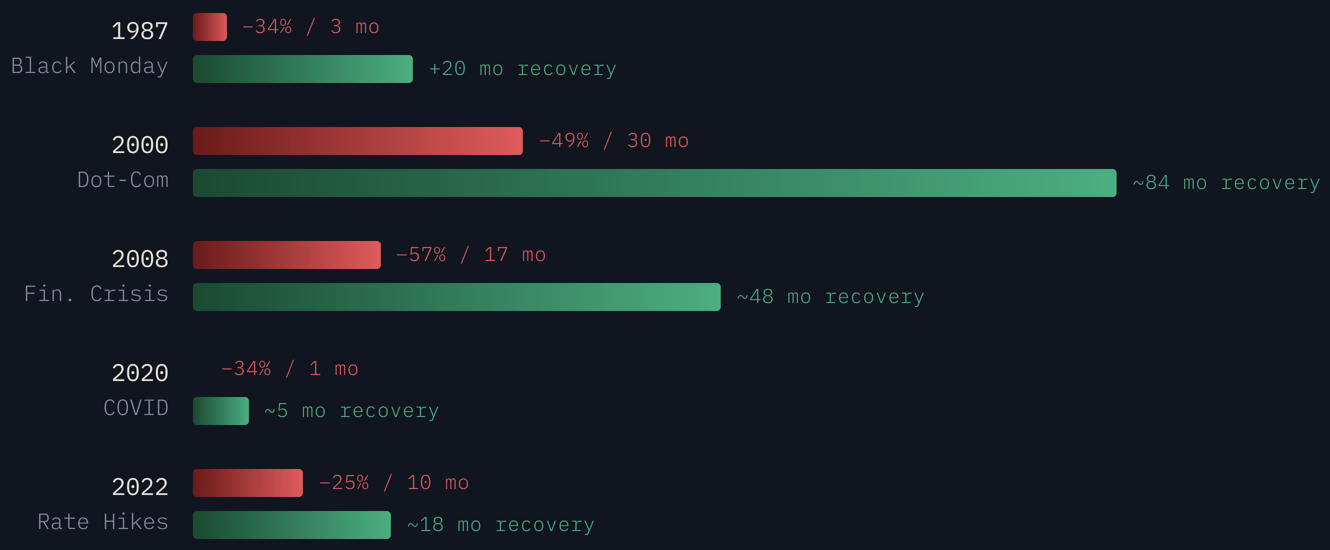
~13 mo
AVG DURATION (PEAK TO TROUGH)

~27 mo
AVG RECOVERY TIME (WWII TO PRESENT)

+10%
LONG-TERM ANNUAL RETURN (W/ DIVIDENDS)

02 Decline vs. Recovery — Visual Comparison

Each bar unit = 3 months | Red = decline period | Green = recovery to prior high



Decline period   Recovery to prior high

Scale: 1 unit = 3 months | 6px per unit

03 Where Valuations Stand Today

Shiller CAPE Ratio (P/E10)

Inflation-adjusted 10-year avg earnings multiple

38.3 current (Mar 2026)

How Overvalued vs. History?

Multiple measures, all pointing the same direction

vs. Long-term avg (17)	**+125% premium**
vs. Modern avg (25)	**+53% premium**
Trailing P/E (TTM)	**~27–28x**

Long-term historical avg (1881–)	~16–17
Modern era avg (1983–present)	~24–25
Pre-2008 peak (Oct 2007)	~27
Dot-com bubble peak (2000)	~44
TODAY (March 2026)	38.3

⚠ ELEVATED — 2ND HIGHEST IN RECORDED HISTORY

Forward P/E (est. earnings)	~20–21x
Historical fwd P/E avg	~15–16x
CAPE vs. long-term trend	+79% above trendline

What this means: The market is not as extreme as the dot-com peak (CAPE 44), but it is sitting in the **highest historical quintile**. When CAPE has been at these levels, forward 10-year returns have historically been **below average**. This doesn't predict a crash — but it does suggest returns from current levels may disappoint versus the long-run average of ~10%.

04 Key Takeaways for Long-Term Investors

Downturns Are Normal

The S&P 500 has averaged 1.1 corrections per year since 1928. A 10%+ drop happens in roughly 47% of all years — and markets have recovered every single time.

Recovery Time Varies Widely

From 5 months (2020) to 7+ years (dot-com). The depth of the decline and the underlying economic damage are the biggest predictors of recovery length.

Valuations Are Elevated

At CAPE 38.3, the market is in the top 5% of all historical readings. This doesn't mean a crash is imminent — but it does compress expected future returns.

Timing the Market Is Costly

Missing the 10 best trading days since 2000 turns a 9.5% average annual return into −12.5%. The best days cluster right around the worst days — selling locks in losses.

Near-Retirement Clients

High valuations and elevated CAPE levels suggest now may be a sensible time to review allocation and sequence-of-returns risk — not panic, but plan.

Diversification Matters More Now

Non-US markets carry significantly lower CAPE ratios currently. International diversification may offer better expected returns per unit of risk at current valuations.

DISCLOSURE: This document is for informational and educational purposes only and does not constitute investment advice. Past performance is not indicative of future results. The S&P 500 Index is unmanaged and cannot be invested in directly. CAPE/Shiller P/E data sourced from Robert Shiller / Yale, GuruFocus, and Advisor Perspectives. Bear market recovery data sourced from Standard & Poor's, FactSet, American Century Investments, and BNY Investments. All figures are approximate and based on price returns unless otherwise stated; total return data (including dividends) would show faster recovery times. Valuations as of March 2026. Clients should consult with their financial advisor before making any investment decisions.