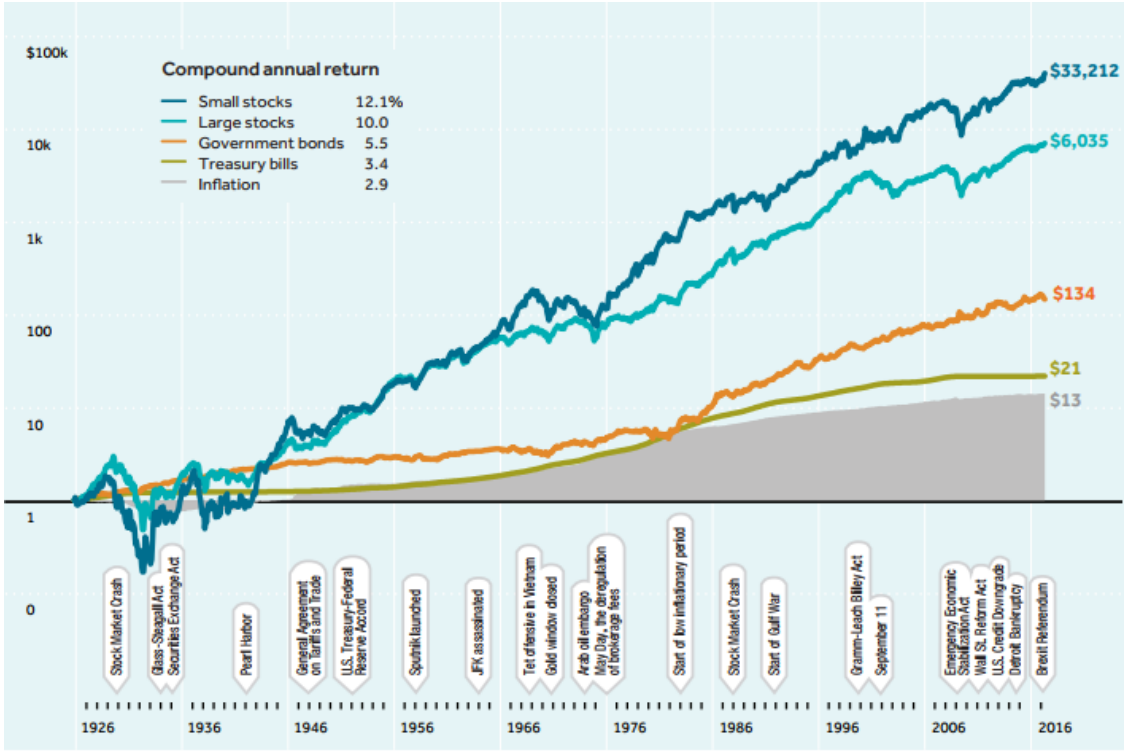
The Importance of Long-Term Investing

Marist – January 2019

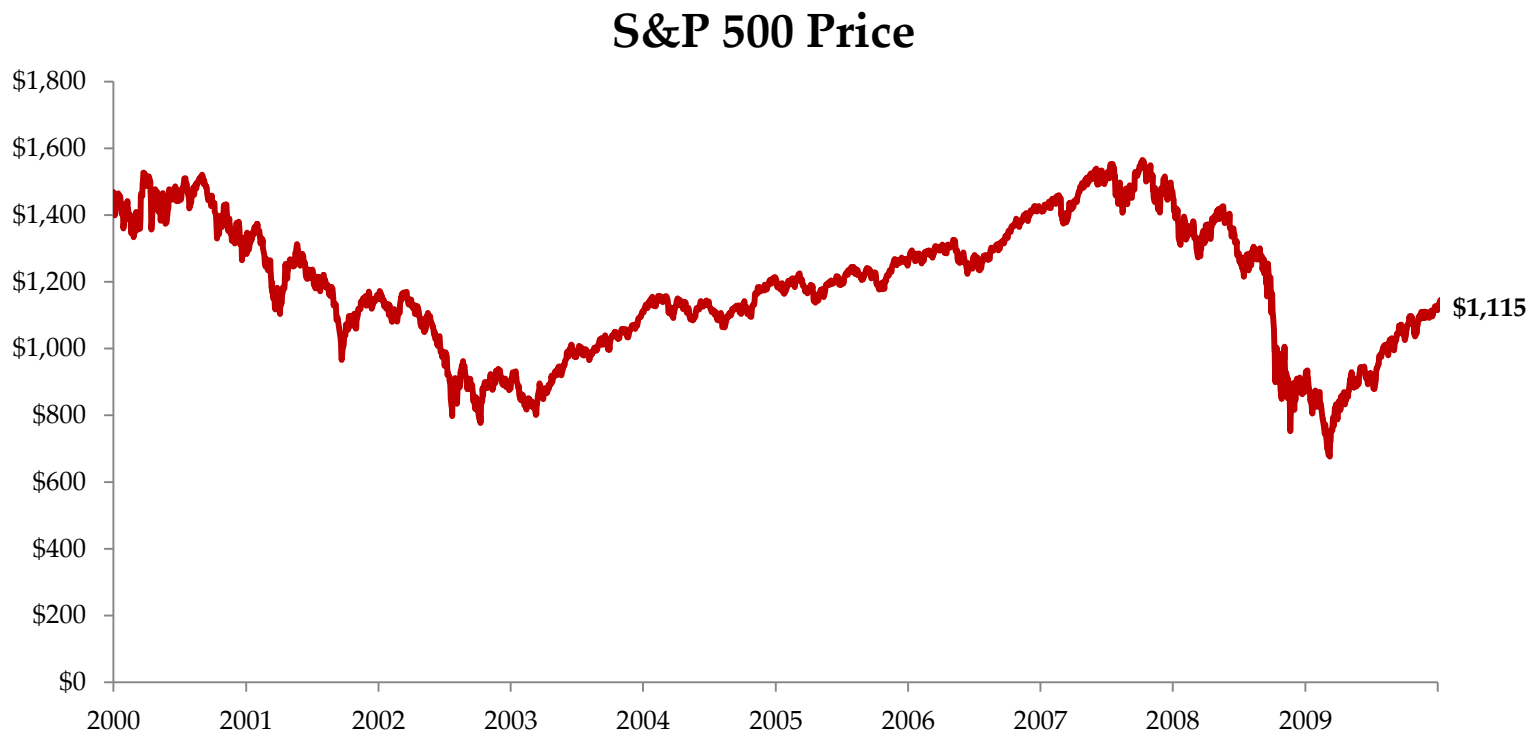
LCG ASSOCIATES
Celebrating 45 Years
1973 2018

Why Invest in Stocks?

- It is vitally important for individuals to start saving money for retirement early in their lives.
- Historically, stocks have provided investors with the most potential for growth.

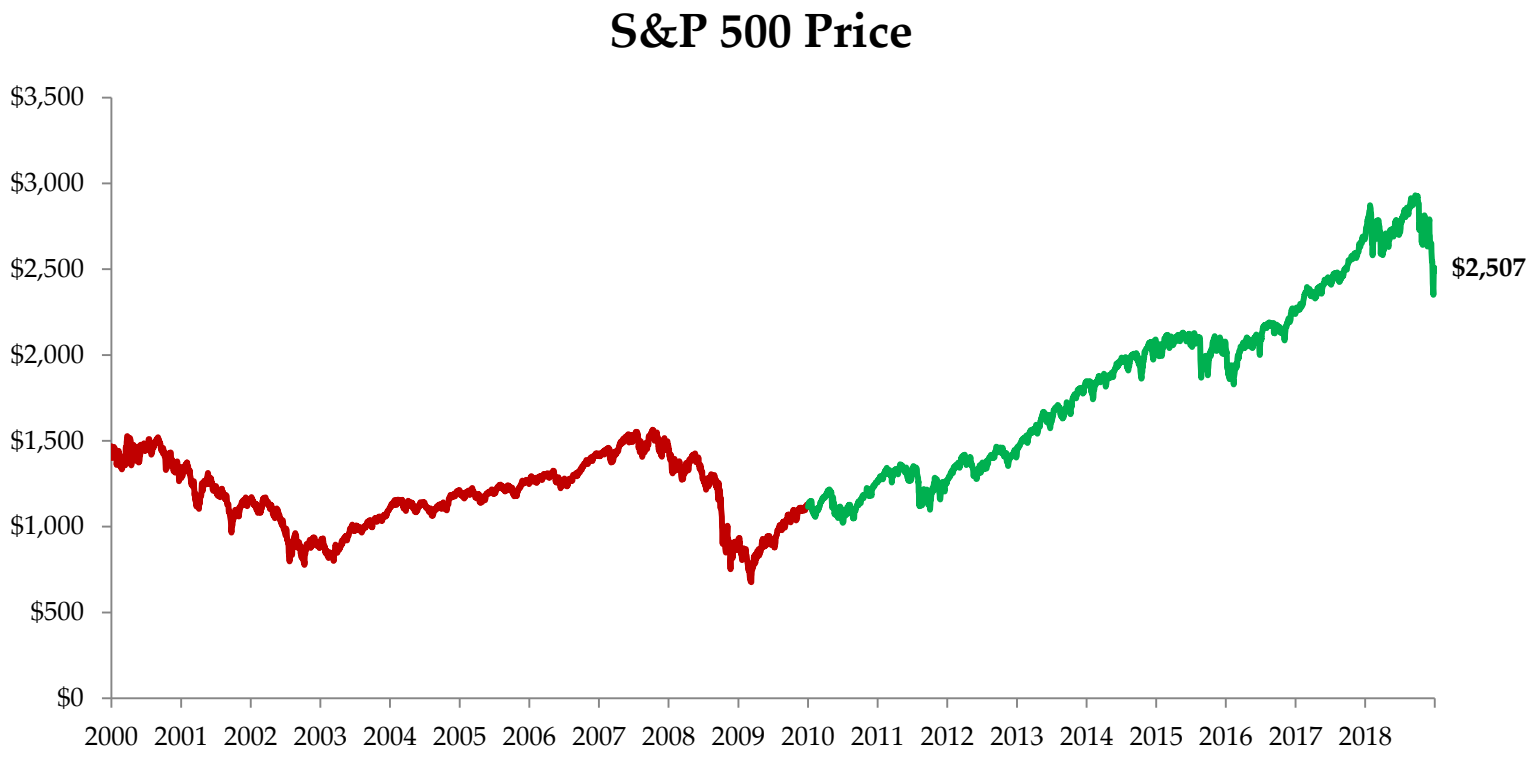


Stocks aren't Always an Easy Ride….



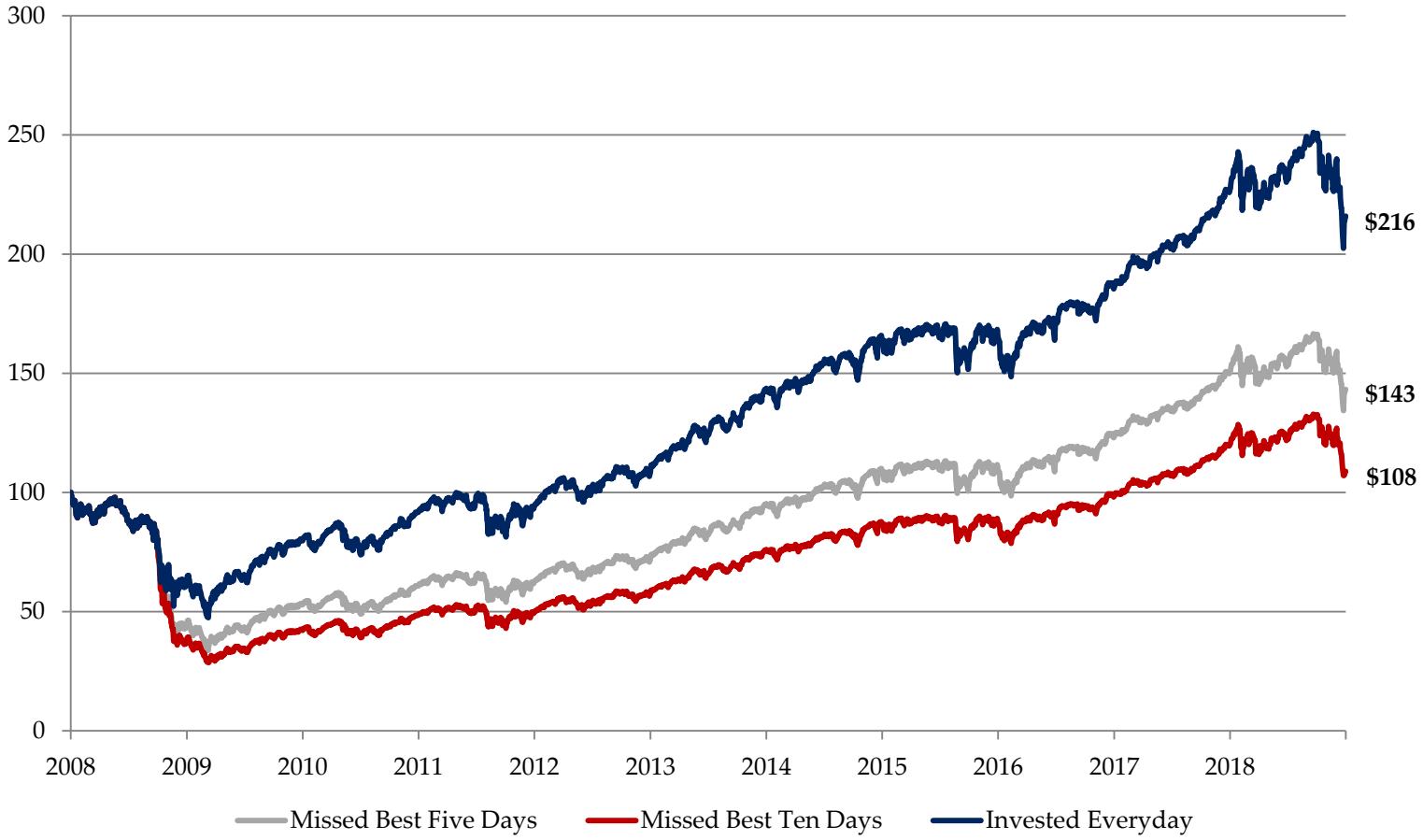
S&P 500 Calendar Year Return									
2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
-9.2%	**-11.9%**	**-22.1%**	28.7%	10.9%	4.9%	15.8%	5.5%	**-37.0%**	26.4%

… But Over Longer Periods of Time Things Work Out



S&P 500 Calendar Year Return																		
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
-9.2%	-11.9%	-22.1%	28.7%	10.9%	4.9%	15.8%	5.5%	-37.0%	26.4%	15.1%	2.1%	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	-4.4%

Importance of *Strategic* (Long-Term) Investing



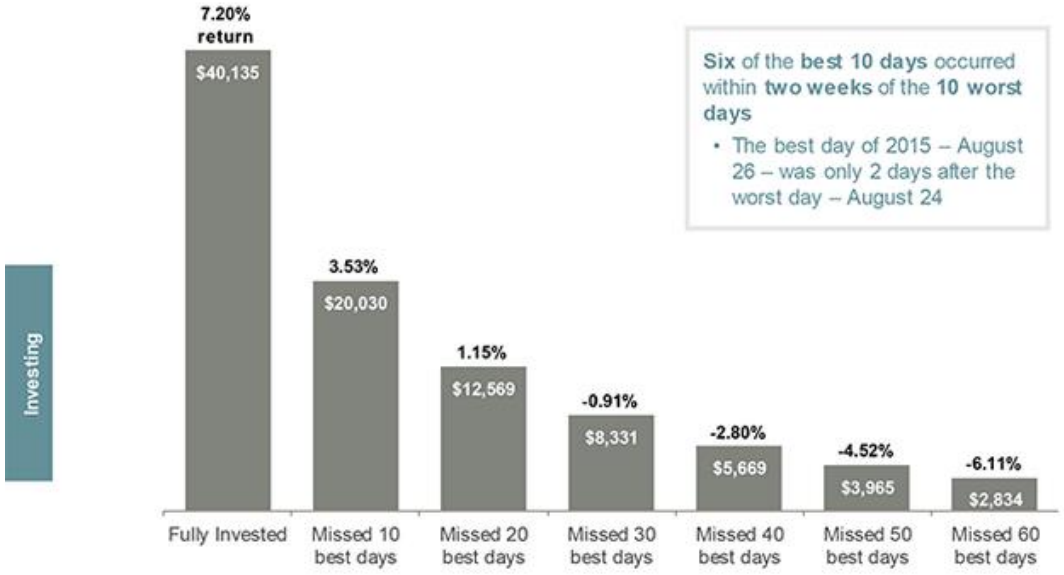
Importance of *Strategic* (Long-Term) Investing

S&P 500	Fully Invested	Missed Top 5 Days	Missed Top 10 Days
2008	-37.0%	-57.9%	-66.7%
2009	26.4%	-1.8%	-16.9%
2010	15.1%	-2.5%	-13.0%
2011	2.1%	-16.5%	-28.1%
2012	16.0%	4.2%	-4.4%
2013	32.3%	22.9%	12.9%
2014	13.7%	3.2%	-3.1%
2015	1.4%	-10.7%	-18.1%
2016	12.0%	0.3%	-7.8%
2017	21.8%	15.3%	10.2%
2018	-4.4%	-16.9%	-23.7%

Importance of *Strategic* (Long-Term) Investing

Impact of being out of the market | 40

Returns of the S&P 500
Performance of a $10,000 investment between January 1, 1998 and December 29, 2017



Six of the **best 10 days** occurred within **two weeks** of the **10 worst days**

- The best day of 2015 – August 26 – was only 2 days after the worst day – August 24

PLAN TO STAY INVESTED

Trying to time the market is extremely difficult to do. Market lows often result in emotional decision making. Investing for the long term while managing volatility can result in a better retirement outcome.

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 29, 2017.

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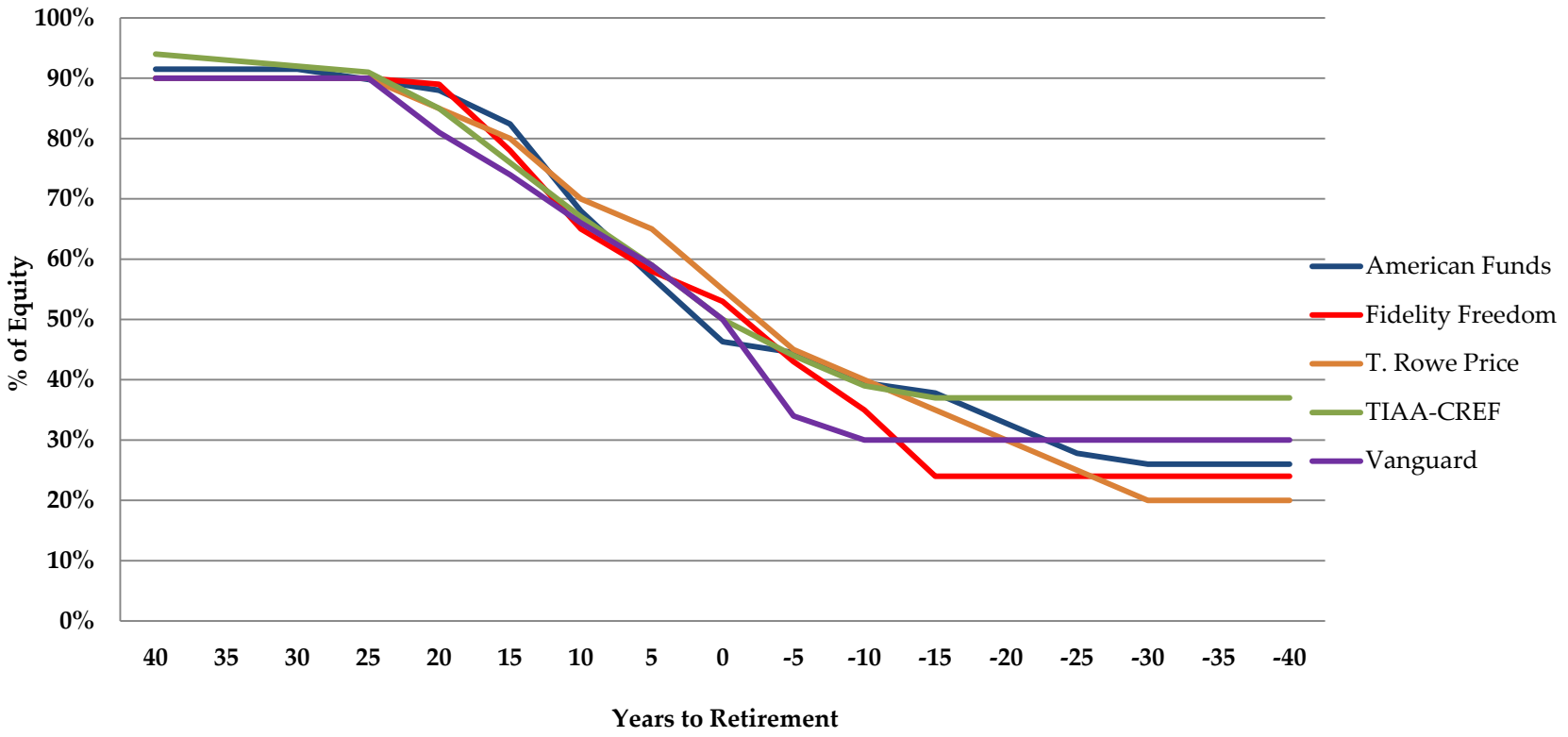
Asset Allocation Evolution



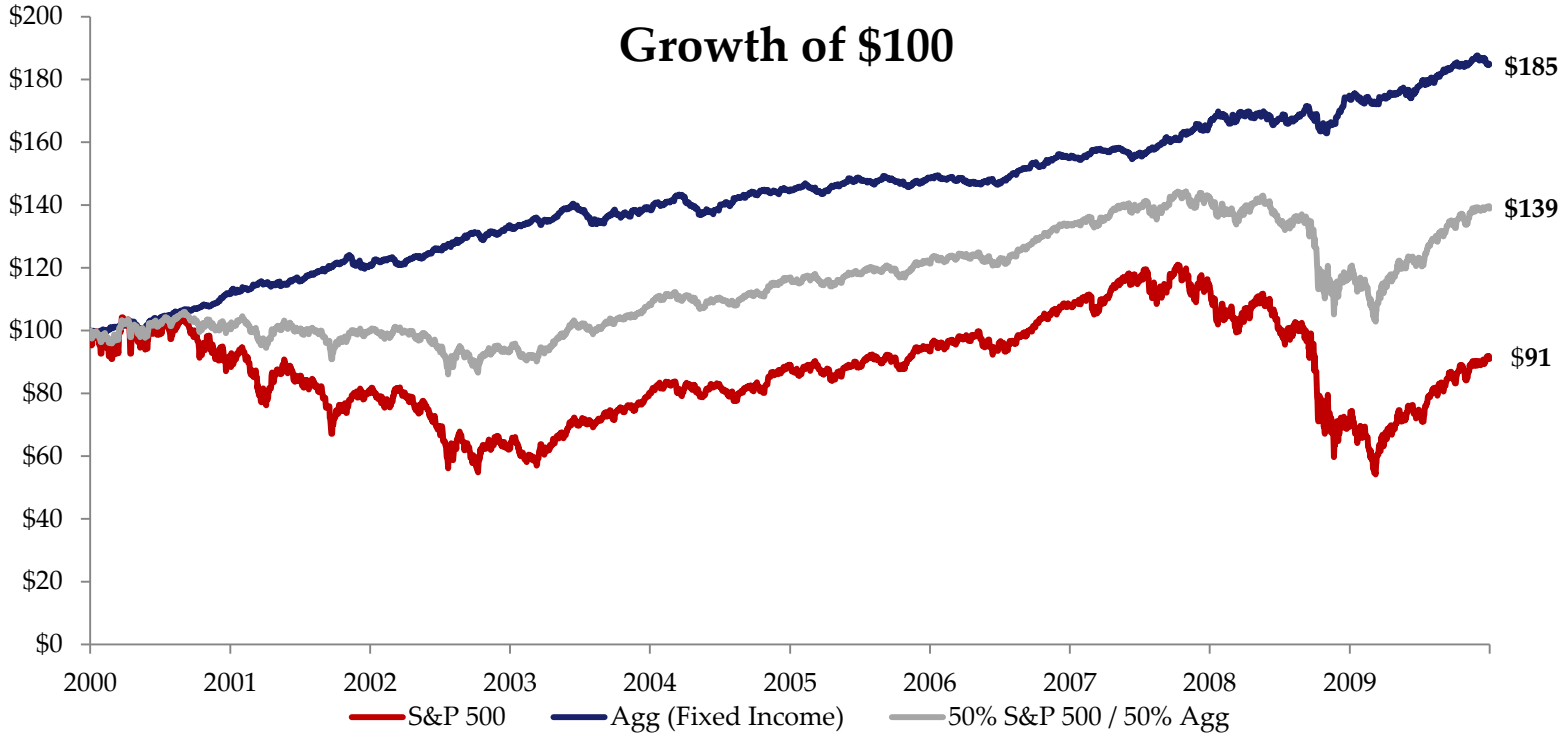
As individuals approach retirement age, they need to diversify their portfolio into investments with more predictable (less volatile) returns

Case Study: 2008

Portfolio Weight		End of 2008	
Equity	Fixed Income	Return	Market Value*
100%	0%	-37.0%	$630,100
90%	10%	-32.8%	$672,330
80%	20%	-28.5%	$714,560
70%	30%	-24.3%	$756,790
60%	40%	-20.1%	$799,020
50%	50%	-15.9%	$841,250
40%	60%	-11.7%	$883,480
30%	70%	-7.4%	$925,710
20%	80%	-3.2%	$967,940
10%	90%	1.0%	$1,010,170
0%	100%	5.2%	$1,052,400

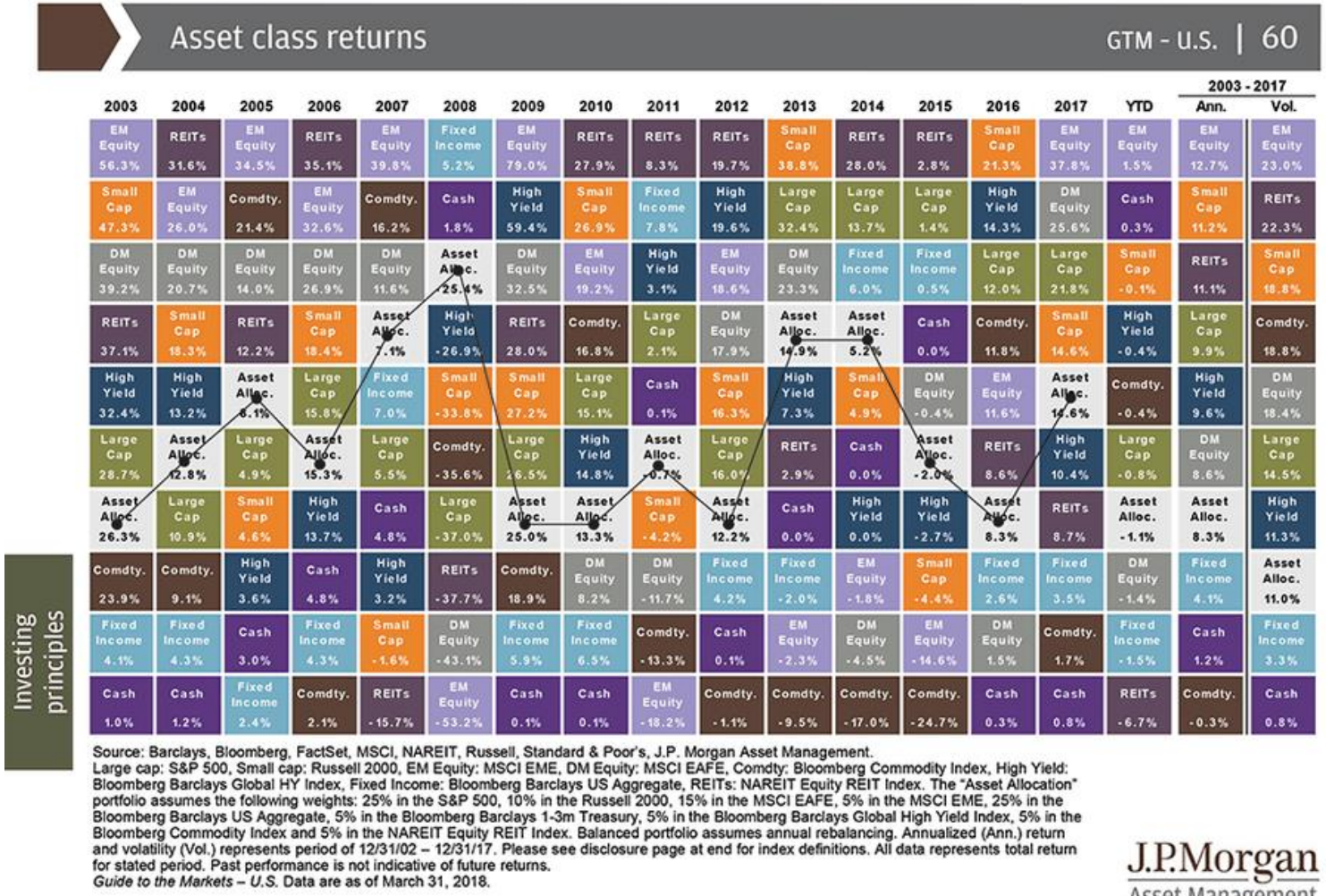
***Assuming an end of 2007 market value of $1,000,000**

The Importance of a Balanced Portfolio



	Calendar Year Return									
Index	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
S&P 500	**-9.2%**	**-11.9%**	**-22.1%**	28.7%	10.9%	4.9%	15.8%	5.5%	**-37.0%**	26.4%
B.B. Agg	11.6%	8.4%	10.3%	4.1%	4.3%	2.4%	4.3%	7.0%	5.2%	5.9%
50% S&P / 50% Agg	1.0%	**-1.7%**	**-6.6%**	16.0%	7.6%	3.8%	10.0%	6.4%	**-17.9%**	16.3%

Asset Class Calendar Year Returns



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	2003 - 2017 Ann.	2003 - 2017 Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	EM Equity 1.5%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Cash 0.3%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	Small Cap -0.1%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -0.4%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 6.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 10.6%	Comdty. -0.4%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 16.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Large Cap -0.8%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Asset Alloc. -1.1%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	DM Equity -1.4%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Fixed Income -1.5%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	REITs -6.7%	Comdty. -0.3%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/02 – 12/31/17. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2018.

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Asset Management

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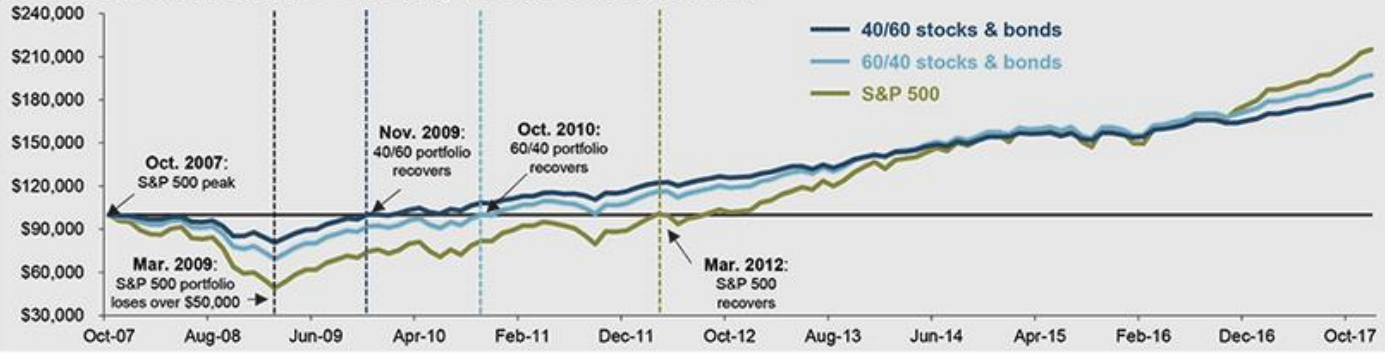
Historical Return Mixes

	1926 – 2018		1980 – 2018	
	Nominal	**Real**	**Nominal**	**Real**
100% Stocks	10.0%	7.1%	11.3%	8.2%
90% Stocks / 10% Bonds	9.5%	6.6%	10.9%	7.8%
80% Stocks / 20% Bonds	9.0%	6.1%	10.5%	7.4%
70% Stocks / 30% Bonds	8.5%	5.6%	10.1%	7.0%
60% Stocks / 40% Bonds	8.0%	5.1%	9.7%	6.5%
50% Stocks / 50% Bonds	7.5%	4.7%	9.2%	6.1%
40% Stocks / 60% Bonds	7.1%	4.2%	8.8%	5.7%
30% Stocks / 70% Bonds	6.6%	3.7%	8.4%	5.3%
20% Stocks / 80% Bonds	6.1%	3.2%	8.0%	4.9%
10% Stocks / 90% Bonds	5.6%	2.7%	7.6%	4.4%
100% Bonds	5.1%	2.2%	7.1%	4.0%
100% Cash	3.4%	0.4%	4.4%	1.2%
Inflation	2.9%		3.1%	

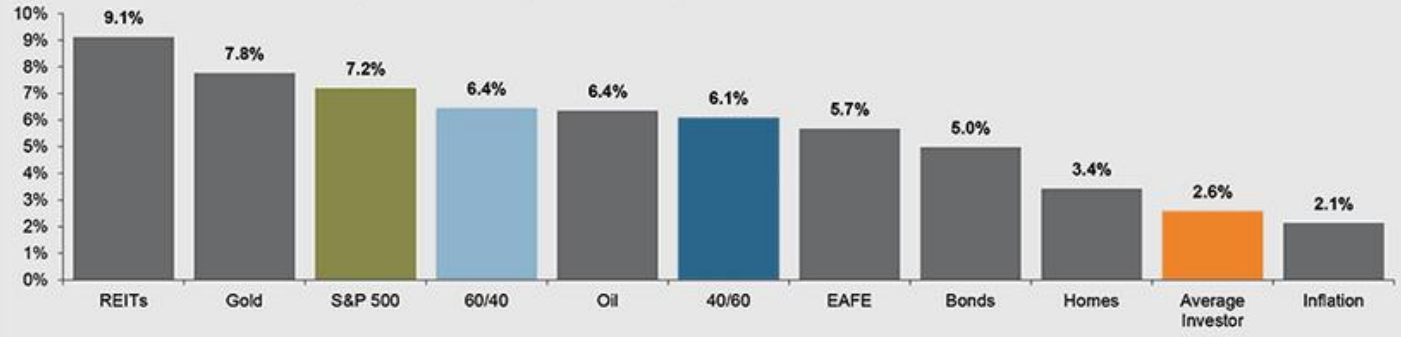
Diversification and the average investor

Investing principles

Portfolio returns: Equities vs. equity and fixed income blend



20-year annualized returns by asset class (1998 – 2017)



Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; (Bottom) Dalbar Inc.
Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz., Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund les, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and present the 20-year period ending 12/31/17 to match Dalbar's most recent analysis.
ide to the Markets – U.S. Data are as of March 31, 2018.

J.P.Morgan
Asset Management

Summary:

- Investing in the stock market provides individuals with a means to save and compound money at a higher historical rate than inflation
- This is not to say that every stock investment is a good idea. It is important to research the companies that you wish to invest in to make sure that they are sound investments.
  - Investing in a stock should be viewed as a long-term commitment. The power of compounding drives long-term returns.
- It is also important to build a diversified portfolio to protect against unsystematic (also known as company-specific) risk.
- As individuals approach retirement age, they need to further diversify by introducing less volatile assets (e.g.: bonds) into their investment portfolio.