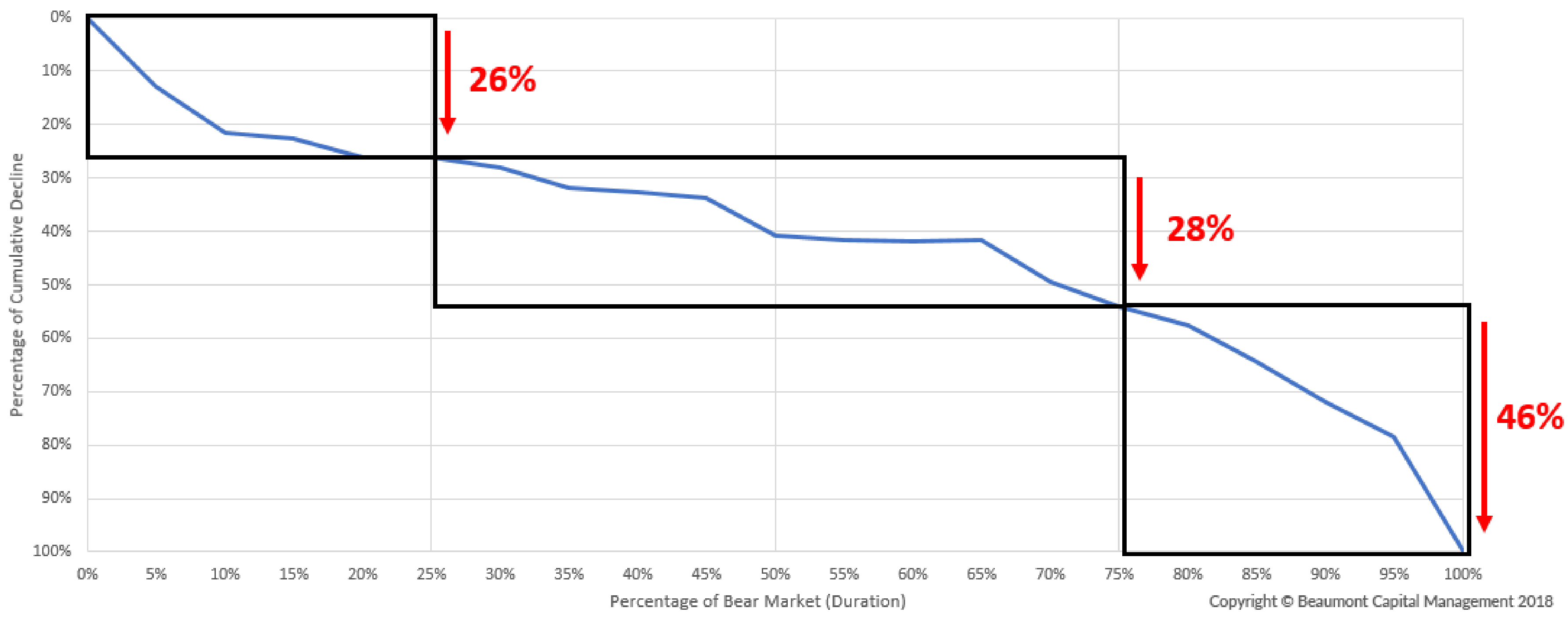
Beaumont Capital Management:

# Anatomy of a Bear Market

## Most Bears take time, and losses are not evenly distributed.

It can take years to lose such a large percentage of a portfolio. In past Bear markets, most of the losses, and the fastest rate of loss, occur at the beginning and the end of a Bear. As the chart below shows, Bear markets unfold in distinct phases, starting with an ordinary **Pullback**, growing into a **Correction**, and continuing into a **Bear**.

Progression of the Average S&P 500 Bear Market (ex-1987 Bear Market)




Source: Bloomberg, Beaumont Capital Management (BCM). The chart shows the distribution of losses throughout the progression of the average S&P 500 bear market (with dividends reinvested) since the end of WWII, excluding the 1987 bear market.

Almost half of Bear market losses,

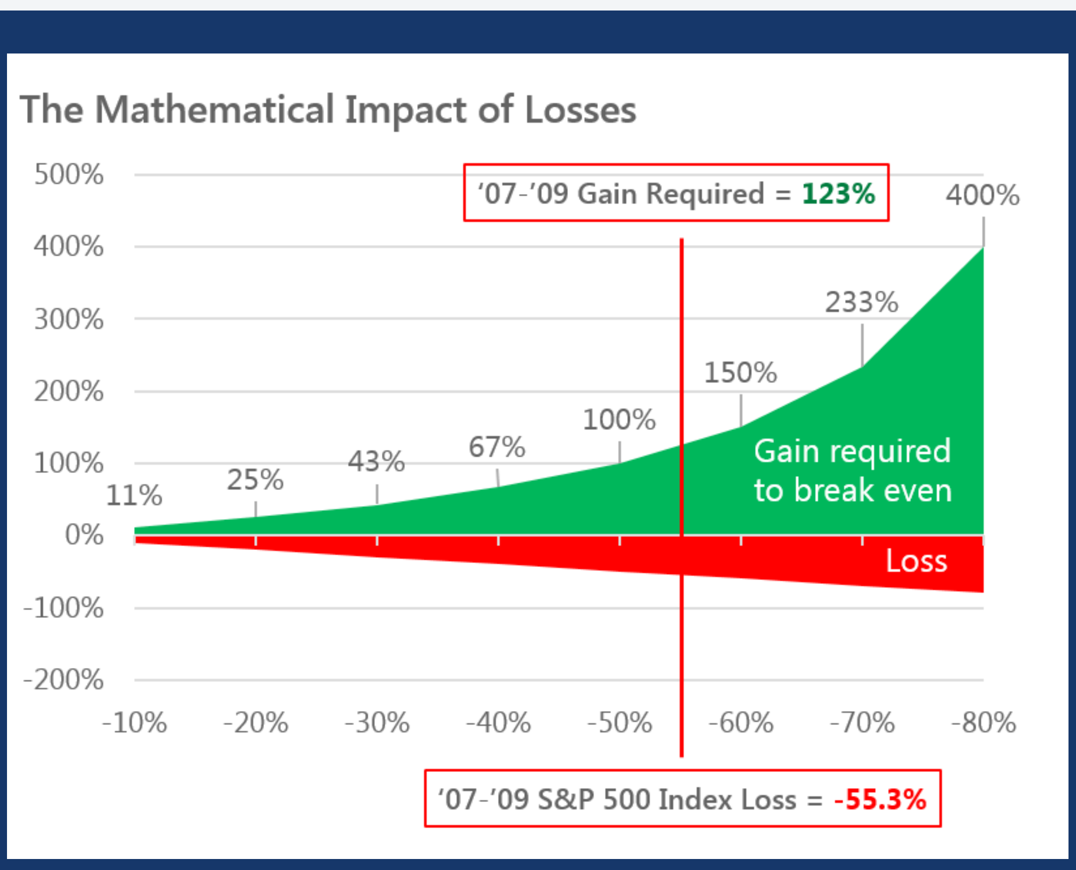
## 46% on average,

have occured during the final **panic** and **capitulation** stages.

Assuming a 17% average annual return, a portfolio would require

## 53 months

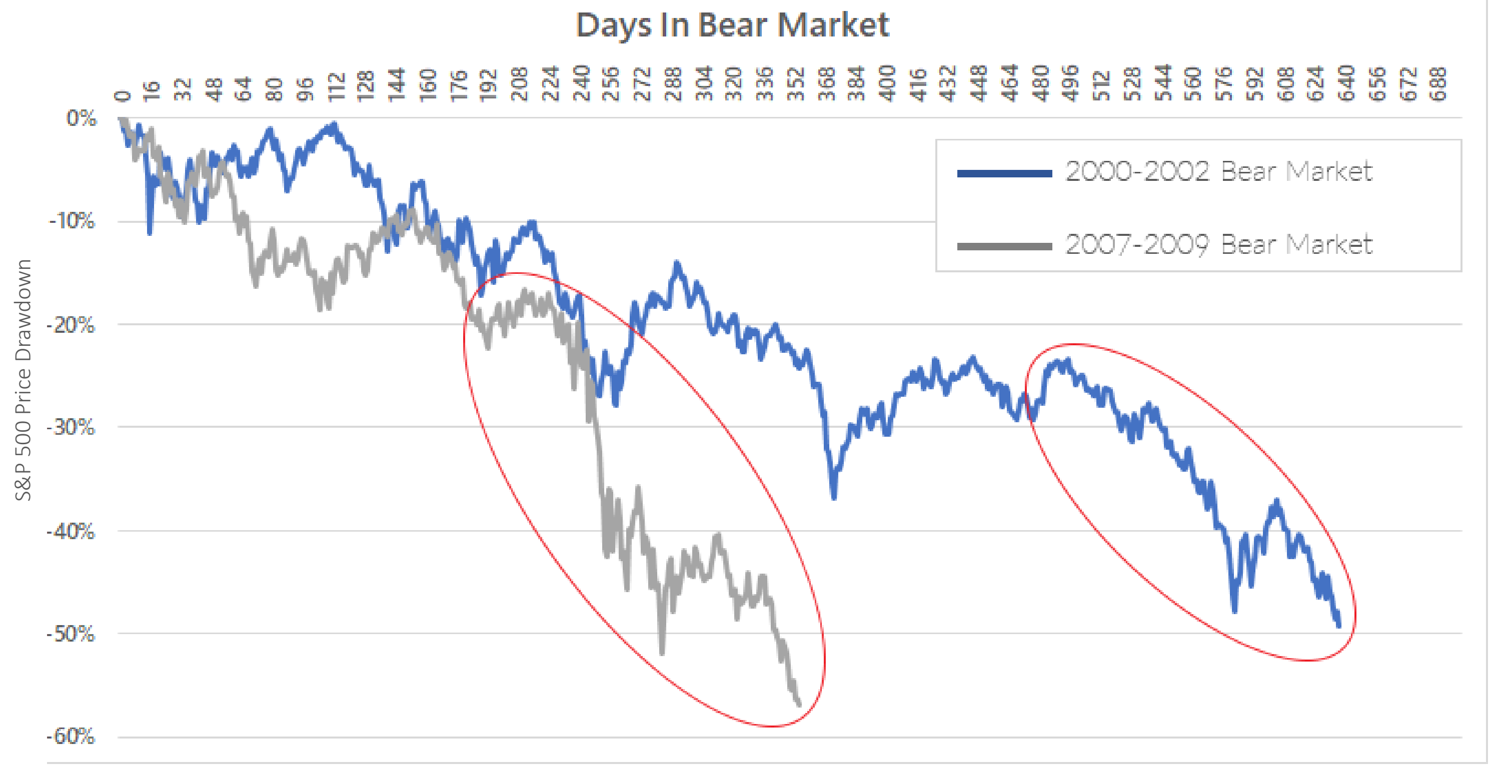
to recover after a -50% Bear market loss.[1]




Source: Bloomberg. Loss shown for S&P 500 Index is based on daily pricing and includes dividends reinvested from peak to trough for the most recent Bear market (time period 10/9/2007-3/9/2009).

## Where are we now?

If you knew on January 3, 2008 what you know today, what would you have done differently? Without a consensus from economists on when the next bear market will strike, it's a good time to start incorporating a rules-based system designed to both **pursue growth *and* avoid devastating losses.**




Source: Bloomberg, Beaumont Capital Management (BCM). 2000-2002 Bear market dates between 3/24/2000-10/9/2002. 2007-2009 Bear market dates between 10/9/2007 and 3/9/2009.

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### Sources & Disclosures:

[1] The "months to recover" is based on a 17% average annual return. This was selected by calculating historical average annual returns from the last 5 bull markets and rounded down to the nearest whole number. The bull market is defined as the period between the end of a drawdown of greater than 20% and the beginning of a drawdown of greater than 20%.



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The portfolio manager maintains full discretion over the portfolio.

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