TURBULENCE, PERSPECTIVE AND OPPORTUNITY

AN INVESTOR'S GUIDE

Ivy INVESTMENTS®

Build a plan to pursue your goals through all market cycles

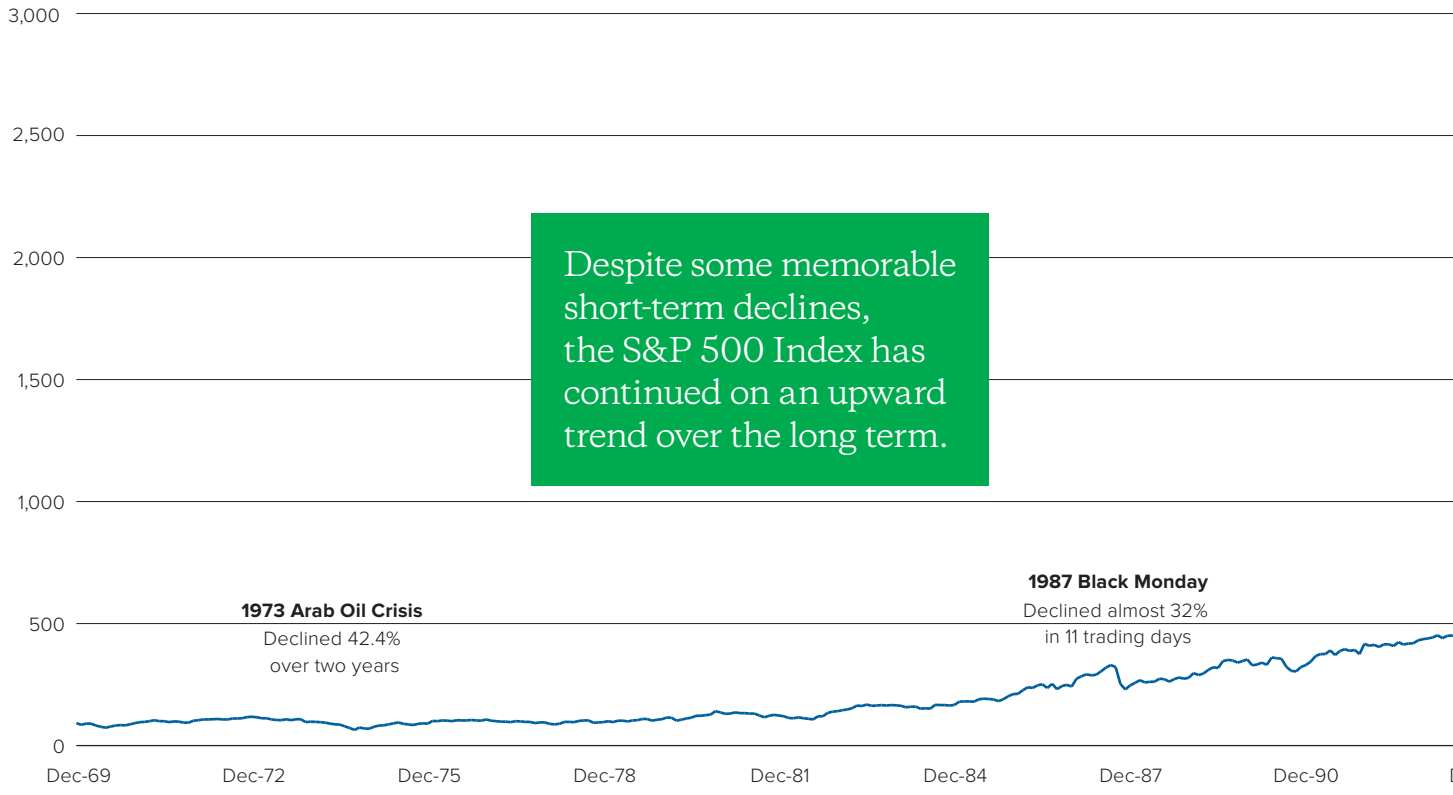
Global investment markets have been volatile in recent years, often leaving investors confused about the right moves to make with their investments. Markets can be especially turbulent during periods of rapid economic change and political uncertainty.

It's easy for individual investors to overreact to these market movements, becoming too optimistic when stocks start to climb or too pessimistic when they start to fall. Those attitudes can lead to buying high and selling low — the opposite of a successful investing strategy.

Take the time to review your financial plan with your advisor to help stay on track for your long-term goals. We think the stock market's history can provide perspective for the years ahead.

STOCKS HAVE REWARDED PATIENT INVESTORS

S&P 500 Index, 12/31/1969 – 12/31/2017



Despite some memorable short-term declines, the S&P 500 Index has continued on an upward trend over the long term.

Source: Morningstar Direct. The S&P 500 Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investments cannot be made directly in an index. **Past performance is not a guarantee of future results.**

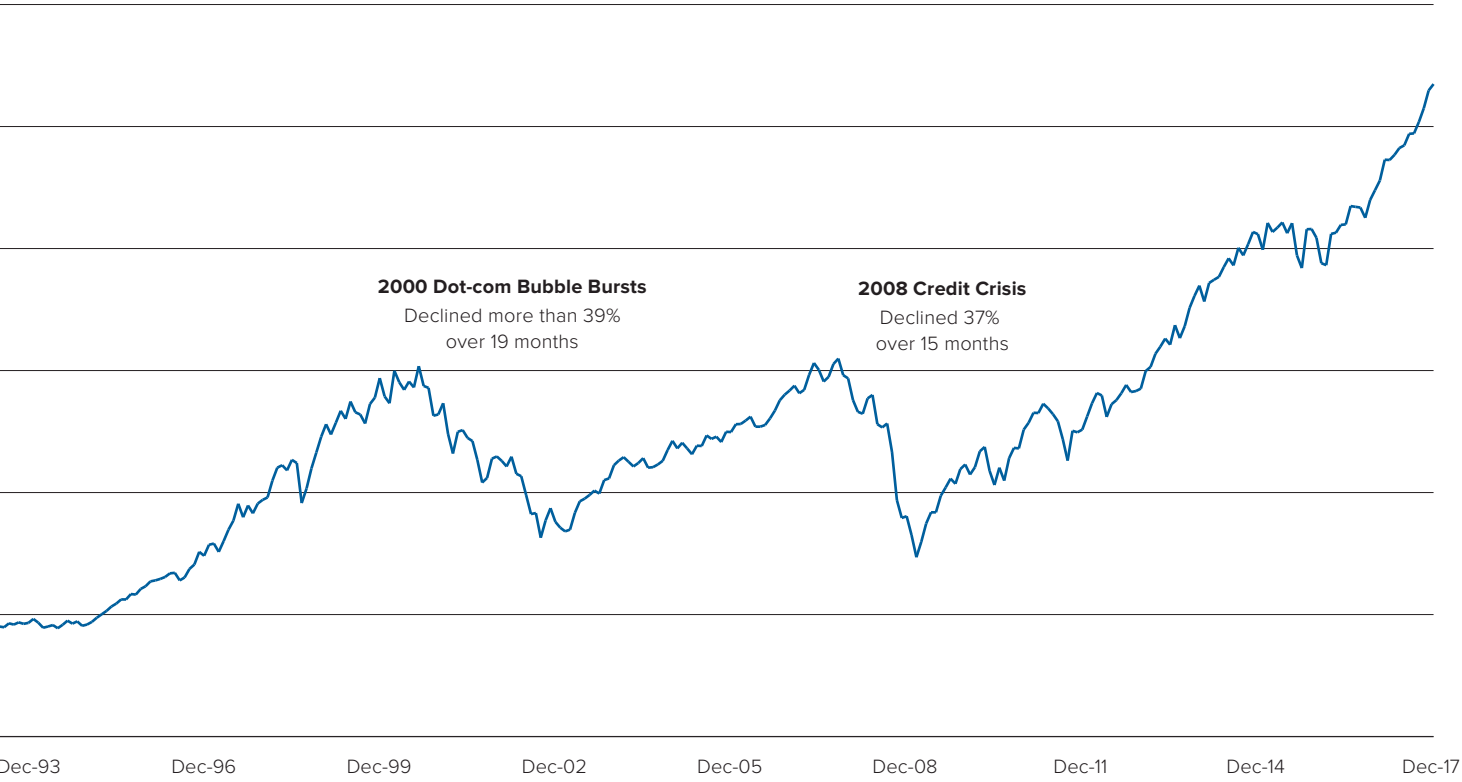
Use history as a guide when reviewing your investments

Sharp movements up or down in the stock market can challenge even the most seasoned investors. When market conditions appear to become unfavorable or economic news becomes unsettling, the uncertainty can prompt investors to head for the exits and ask questions later.

But history shows that the stock market has withstood the test of time. Staying focused on long-term goals can help you through turbulent markets.

A look at the S&P 500 Index over time shows that bull and bear markets haven't lasted forever, and investing opportunities often follow the most uncertain market conditions.

The chart on these pages shows the S&P 500 Index has continued an upward trend over the long term despite periods of price decline. While market downturns can be discouraging, long-term trends show that the stock market has rewarded patient investors.



Let time work for you by staying invested

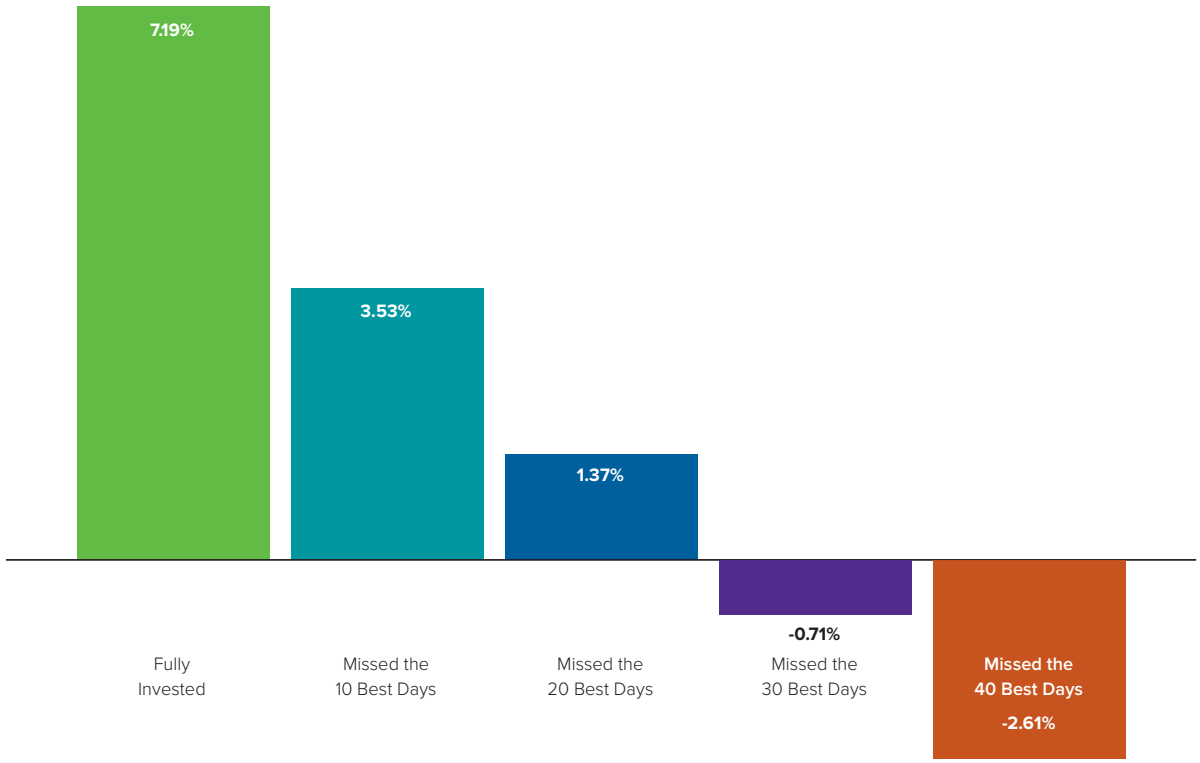
Some people believe investing is a matter of timing. They say it's best to invest heavily in stocks when the market is going up, then get out when the market starts going down. But there's a problem with that strategy: Even the smartest investment professionals can't accurately predict the exact timing of such market moves.

We believe long-term investment success is more likely to be the result of a consistent approach, based on time in the market — not market timing. For example, selling when markets decline can put you on the sidelines when stocks change direction. Turnarounds can happen quickly and typically are strong in their early stages.

Missing even a few of the stock market's best single-day performances could have a significant effect on your portfolio.

COST OF MISSING THE MARKET

Average annual total returns of the S&P 500 Index for the 20-year period ended Dec. 31, 2017



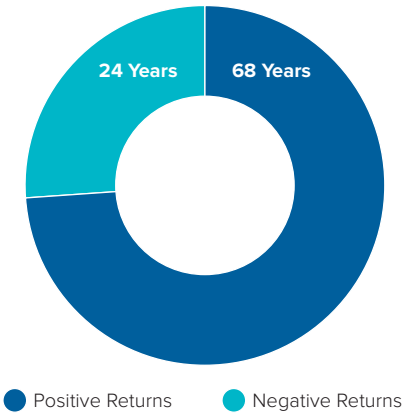
Source: Morningstar Direct. The S&P 500 Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investments cannot be made directly in an index. **Past performance is not a guarantee of future results.**

Stay committed to your plan — good years have tended to follow bad

History shows that it's rare for the stock market to have two bad years in a row, and even more rare to record three bad years in a row. And when the market has recovered from downturns, it historically has done so with powerful rallies.

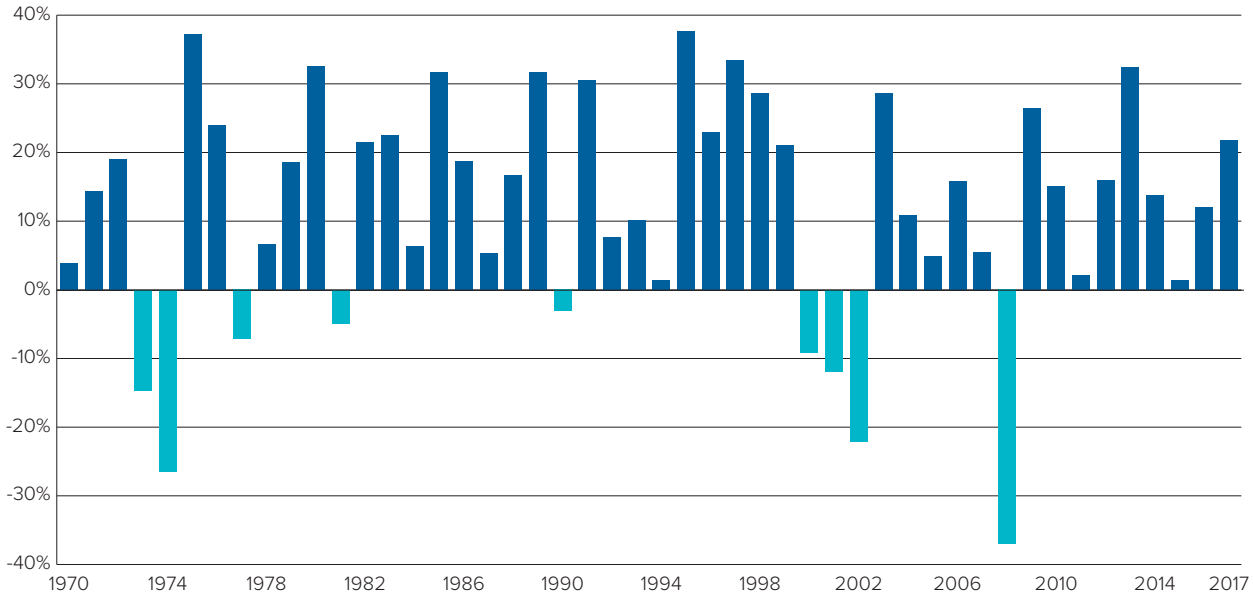
Even in the worst 20-year period the stock market has ever experienced — 1928 to 1948 — the S&P 500 Index posted an average annual gain of 0.55%. While a modest amount, remember that those two decades included the Crash of 1929 and the Great Depression of the 1930s, when unemployment soared to 25%, U.S. gross domestic product plunged by more than 30% and land values plummeted more than 50%.

Despite the economic challenges of those difficult years, a patient and committed investor could have had a positive return on money invested in the stock market.



Source: Morningstar Direct. Based on annual returns of the S&P 500 Index, 1926–2017.

GOOD YEARS HAVE TENDED TO FOLLOW BAD YEARS IN THE U.S. STOCK MARKET



Source: Morningstar Direct. Annual returns of S&P 500 Index, 1970–2017, assuming reinvestment of dividends. The S&P 500 Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investments cannot be made directly in an index. **Past performance is not a guarantee of future results.**

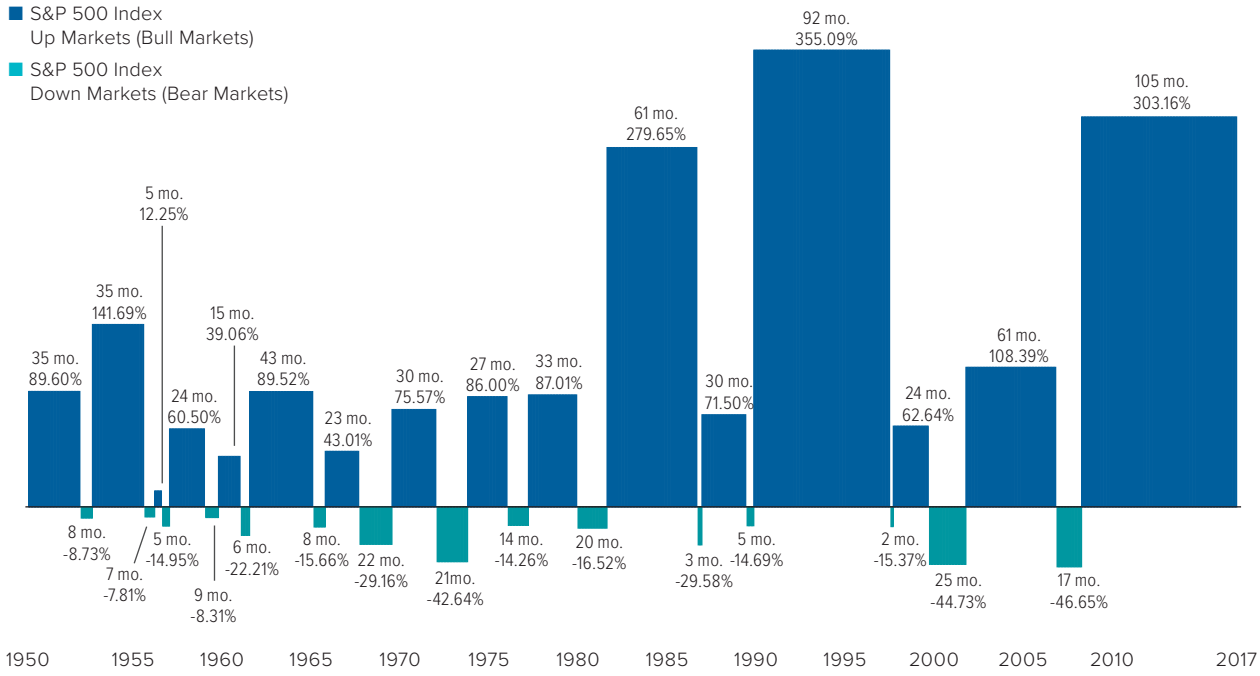
Consider market history as you review your plan

Bull markets historically have lasted three times longer than bear markets.

Bear markets can test even the most steadfast long-term investors, but they historically have lasted only a short time compared with bull markets.

As you can see in the chart below:

- Since 1950, the 15 bear markets each have lasted an average of just 11 months.
- The 16 bull markets during that period each have lasted an average of 40 months.
- The average bull market gained 119.0% while the average bear market lost 22.1%.
- Bear markets can provide investing opportunities for those ready to take them.

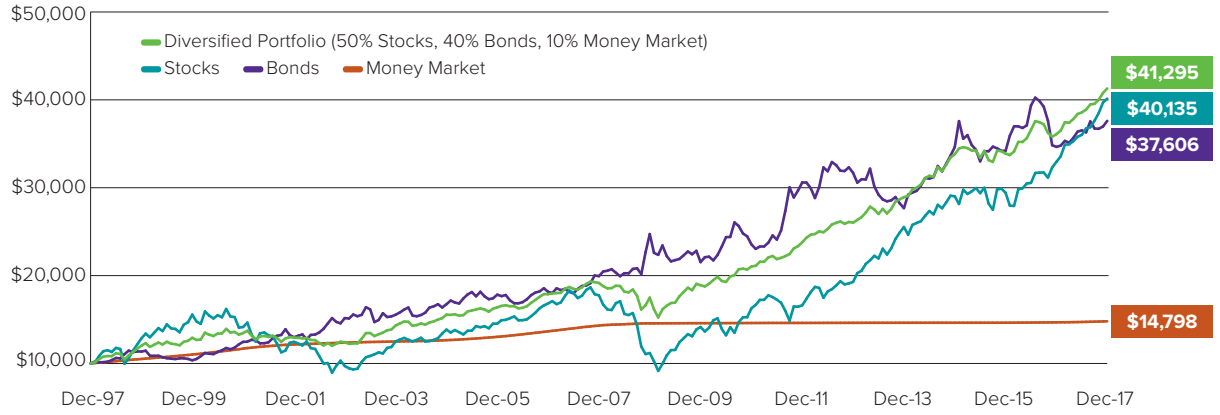


Source: Morningstar Direct. Results are based on an initial $1,000 investment in the S&P 500 Index Jan. 1, 1950, to Dec. 31, 2017. Results assume reinvestment of dividends. The S&P 500 Index is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. Investments cannot be made directly in an index. **Past performance is not a guarantee of future results.**

Focus on the future and diversify your investments

A mix of investments can provide the potential to take advantage of return differences among investment types and help protect you from price swings in just one of them. While diversification does not ensure a profit or protect against loss, it can help reduce the overall risk and volatility of your investment portfolio.

Let's look at the growth of $10,000 invested on Dec. 31, 1997, through Dec. 31, 2017. A hypothetical diversified portfolio of stocks, bonds and money market securities would have helped manage market volatility during this turbulent 20-year period.



Source: Morningstar Direct. **Past performance does not guarantee future results.** Diversification does not ensure a profit or protect against loss. This is for illustrative purposes only and not indicative of any investment. The data assumes reinvestment of income and does not account for taxes or transaction costs. Treasury bills are guaranteed by the U.S. government and offer a fixed rate of return, whereas both principal and yield of an investment in stocks fluctuates with changes in market conditions. Large company stocks are represented by the S&P 500 Index, long-term government bonds by the Bloomberg Barclays U.S. Treasury: Long Cumulative Return Index, and money market (Treasury bills) by the Bloomberg Barclays U.S. Treasury Bill 1–3 Month Index. An investment cannot be made directly in an index. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. Generally, as interest rates rise, bond prices fall. U.S. government bonds may be exempt from state taxes and income is taxed as ordinary income in the year received. With government bonds, the investor is a creditor of the government. Stocks are not guaranteed and have been more volatile than the other asset classes.

STICK WITH SOUND SOLUTIONS

We live in a time of global rebalancing, with tremendous economic growth in emerging markets; innovation across the technological, agricultural and health care landscapes; and many other rapid changes in the world marketplace. These changes often bring opportunity for the right companies and potentially for investors.

History shows that patient investors who remain focused on the long term may withstand turbulent periods and take advantage of the opportunities that global change can bring.

Our investment team uses a disciplined, collaborative research process to track global change and its potential opportunities. Work with your advisor to create a financial plan that can help you find the right opportunities for your long-term goals.

REMEMBER A FEW KEY INVESTING CONCEPTS:

- Follow a solid investing strategy rather than emotion.
- Don't let a short-term reaction overtake your long-term plan.
- Invest regularly and stay committed to your goals.
- Work closely with your advisor to consider all your investment options.

Investing is subject to market risk and it is possible to lose money while investing.

We are a global organization recognized for inventive, actively-managed investing strategies that help investors best meet their long-term goals. Our roots date to 1937 and, over the years, we've built our time-tested investment process within an authentic and demanding culture — one that values preparedness, collaboration and accountability. These values extend from our broad internal investing capability, which reaches all major asset classes, to our subadvisor partners, to the distribution team that supports advisors and our clients.

Our approach seeks consistently to deliver highly competitive, long-term results. Our motivation is the understanding that it's not our money we are managing; it's our investors. It's their trust that drives us. We work hard to earn it each and every day.

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