

# The benefit of a diversified portfolio



## Asset class volatility (January 2007 – December 2016)

Perhaps nothing better illustrates the importance of implementing and maintaining a diversified portfolio than seeing how allocations to multiple asset classes compare. The chart below ranks the best to worst performing asset classes selected

— from top to bottom — for each calendar period shown based on total returns. Through graphical depictions of past performance fluctuations, this demonstrates the historical trend of alternating leadership in the financial markets, as well as highlights the

potential dangers associated with attempts to chase last year's or predict next year's winners. In short, this chart helps support the case for an asset allocation plan that is customized to include a blend of asset classes.



- **Cash Equivalents** — Represents performance of cash equivalents in the United States as measured by the Citigroup 3-Month Treasury Bill Index.
- **MSCI Emerging Markets** — Represents stock market performance of companies in 26 emerging countries. Securities in closed markets and those shares in otherwise free markets that are not purchasable by foreigners are excluded.
- **High Yield Bonds** — Represents tradable below-investment-grade fixed-rate debt obligations, including cash-pay, deferred-interest, step-up, payment-in-kind and defaulted bonds, with remaining maturities of at least 1 year as measured by the Barclays U.S. Corporate High Yield Index.
- **International Bonds** — Represents tradable investment-grade fixed-rate debt obligations of sovereign governments from 20 developed countries, excluding the United States, as measured by the Citigroup Non-U.S. Dollar World Government Bond Index.
- **International Stocks** — Represents stock market performance in 21 developed countries around the world, excluding Canada and the United States, as measured by the MSCI EAFE (Europe, Australasia and Far East) Index.
- **Large Cap Stocks** — Represents stock market performance of the 1,000 largest companies in the Russell 3000 Index based on total market capitalization as measured by the Russell 1000 Index.
- **Mid Cap Stocks** — Represents stock market performance of the 800 smallest companies in the Russell 1000 Index based on total market capitalization as measured by the Russell Midcap Index.
- **Taxable Bonds** — Represents taxable investment-grade fixed-rate debt obligations (Treasuries, Agencies, Corporates, Mortgage-Backed Securities, ABS and CMBS) as measured by the BarCap Aggregate Bond Index.
- **Custom Asset Class Blend** — Allocations are rebalanced to their respective target weightings at the beginning of each quarter.
  - 2% Cash Equivalents
  - 23% Taxable Bonds
  - 5% High Yield Bonds
  - 15% International Bonds
  - 23% Large Cap Stocks
  - 7% Mid Cap Stocks
  - 20% International Stocks
  - 5% Emerging Markets

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