

# The benefit of a diversified portfolio



Wealth Management

## Asset class volatility (January 2010–December 2019)

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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	Mid Cap Stocks 26.64%	Taxable Bonds 7.84%	Emerging Markets 18.22%	Small Cap Stocks 41.31%	Large Cap Stocks 13.69%	Large Cap Stocks 1.38%	Small Cap Stocks 26.56%	Emerging Markets 37.28%	International Bonds 2.77%	Large Cap Stocks 31.49%
2	Small Cap Stocks 26.31%	High Yield Bonds 4.98%	Mid Cap Stocks 17.88%	Mid Cap Stocks 33.50%	Mid Cap Stocks 9.77%	International Bonds 1.22%	Mid Cap Stocks 20.74%	International Stocks 25.13%	Cash Equivalents 1.82%	Mid Cap Stocks 26.20%
3	Emerging Markets 18.88%	International Bonds 4.46%	International Stocks 17.32%	Large Cap Stocks 32.39%	International Bonds 8.42%	Taxable Bonds 0.55%	High Yield Bonds 17.13%	Large Cap Stocks 21.83%	Taxable Bonds 0.01%	Small Cap Stocks 22.78%
4	High Yield Bonds 15.12%	Large Cap Stocks 2.11%	Small Cap Stocks 16.33%	International Stocks 22.73%	Taxable Bonds 5.97%	Cash Equivalents 0.03%	Large Cap Stocks 11.96%	Mid Cap Stocks 16.24%	High Yield Bonds -2.08%	International Stocks 22.01%
5	Large Cap Stocks 15.06%	Small Cap Stocks 1.02%	Large Cap Stocks 16.00%	Custom Asset Class Blend 15.41%	Custom Asset Class Blend 5.81%	Custom Asset Class Blend -0.48%	Emerging Markets 11.19%	Custom Asset Class Blend 15.20%	Large Cap Stocks -4.38%	Custom Asset Class Blend 20.11%
6	Custom Asset Class Blend 12.52%	Cash Equivalents 0.07%	High Yield Bonds 15.81%	High Yield Bonds 7.44%	Small Cap Stocks 5.76%	International Stocks -0.81%	Custom Asset Class Blend 8.65%	Small Cap Stocks 13.23%	Custom Asset Class Blend -5.81%	Emerging Markets 18.42%
7	International Stocks 7.75%	Custom Asset Class Blend 0.03%	Custom Asset Class Blend 13.54%	International Bonds 0.89%	High Yield Bonds 2.45%	Small Cap Stocks -1.97%	International Bonds 4.79%	High Yield Bonds 7.50%	Small Cap Stocks -8.48%	High Yield Bonds 14.32%
8	Taxable Bonds 6.54%	Mid Cap Stocks -1.73%	International Bonds 6.64%	Cash Equivalents 0.05%	Cash Equivalents 0.02%	Mid Cap Stocks -2.18%	Taxable Bonds 2.65%	Taxable Bonds 3.54%	Mid Cap Stocks -11.08%	Taxable Bonds 8.82%
9	International Bonds 5.15%	International Stocks -12.14%	Taxable Bonds 4.21%	Taxable Bonds -2.02%	Emerging Markets -2.19%	High Yield Bonds -4.47%	International Stocks -1.00%	International Bonds 2.77%	International Stocks -13.79%	International Bonds 7.98%
10	Cash Equivalents 0.13%	Emerging Markets -18.42%	Cash Equivalents 0.08%	Emerging Markets -2.60%	International Stocks -4.90%	Emerging Markets -14.92%	Cash Equivalents 0.26%	Cash Equivalents 0.82%	Emerging Markets -14.57%	Cash Equivalents 2.21%

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- **Cash Equivalents** — Represents short-term U.S. Treasury securities maturing in 90 days or less as measured by the Bloomberg Barclays U.S. Treasury Bills (1-3M) Index.
- **Emerging Markets** — Represents large and mid cap stocks across 26 emerging markets countries as measured by the MSCI Emerging Markets Index.
- **High Yield Bonds** — Represents U.S. below investment grade fixed-rate debt obligations as measured by the Bloomberg Barclays U.S. Corporate High Yield Index.
- **International Bonds** — Represents global investment grade debt from 23 local currency markets excluding the U.S. as measured by the Bloomberg Barclays Global Aggregate xUS Bond Index (USD Hedged) .
- **International Stocks** — Represents large and mid cap stocks across 21 developed markets countries, excluding US and Canada, as measured by the MSCI EAFE Index.
- **Large Cap Stocks** — Represents the performance of a market capitalization-weighted index of the 500 largest U.S. publicly traded companies as measured by the S&P 500 Index.
- **Mid Cap Stocks** — Represents the performance of a market capitalization-weighted index of 400 mid cap U.S. publicly traded companies as measured by the S&P Mid Cap 400 Index.
- **Small Cap Stocks** — Represents the performance of a market capitalization-weighted index of 600 small cap U.S. publicly traded companies as measured by the S&P Mid Cap 400 Index.
- **Taxable Bonds** — Represents U.S. investment grade fixed-rate debt obligations as measured by the Bloomberg Barclays U.S. Aggregate Bond Index.
- **Custom Asset Class Blend** — Allocations are rebalanced to their respective target weightings at the beginning of each month.
  - 2% Cash Equivalents
  - 22% Taxable Bonds
  - 4% High Yield Bonds
  - 12% International Bonds
  - 24% Large Cap Stocks
  - 9% Mid Cap Stocks
  - 3% Small Cap Stocks
  - 20% International Stocks
  - 4% Emerging Markets

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Asset allocation and diversification do not assure a profit or protect against loss.

Sources: FactSet. The historical data contained herein has been compiled from sources deemed to be reliable, but its accurateness and completeness are not guaranteed. Indices are unmanaged and their returns do not reflect deductions for expenses, fees, commissions, taxes or other costs that would be associated with actual investments in the individual securities that they track. It is not possible to invest directly in unmanaged indices. Total returns are based on U.S. dollars and, unless otherwise noted, assume reinvestment of all dividend, interest and capital gain distributions, if any. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.