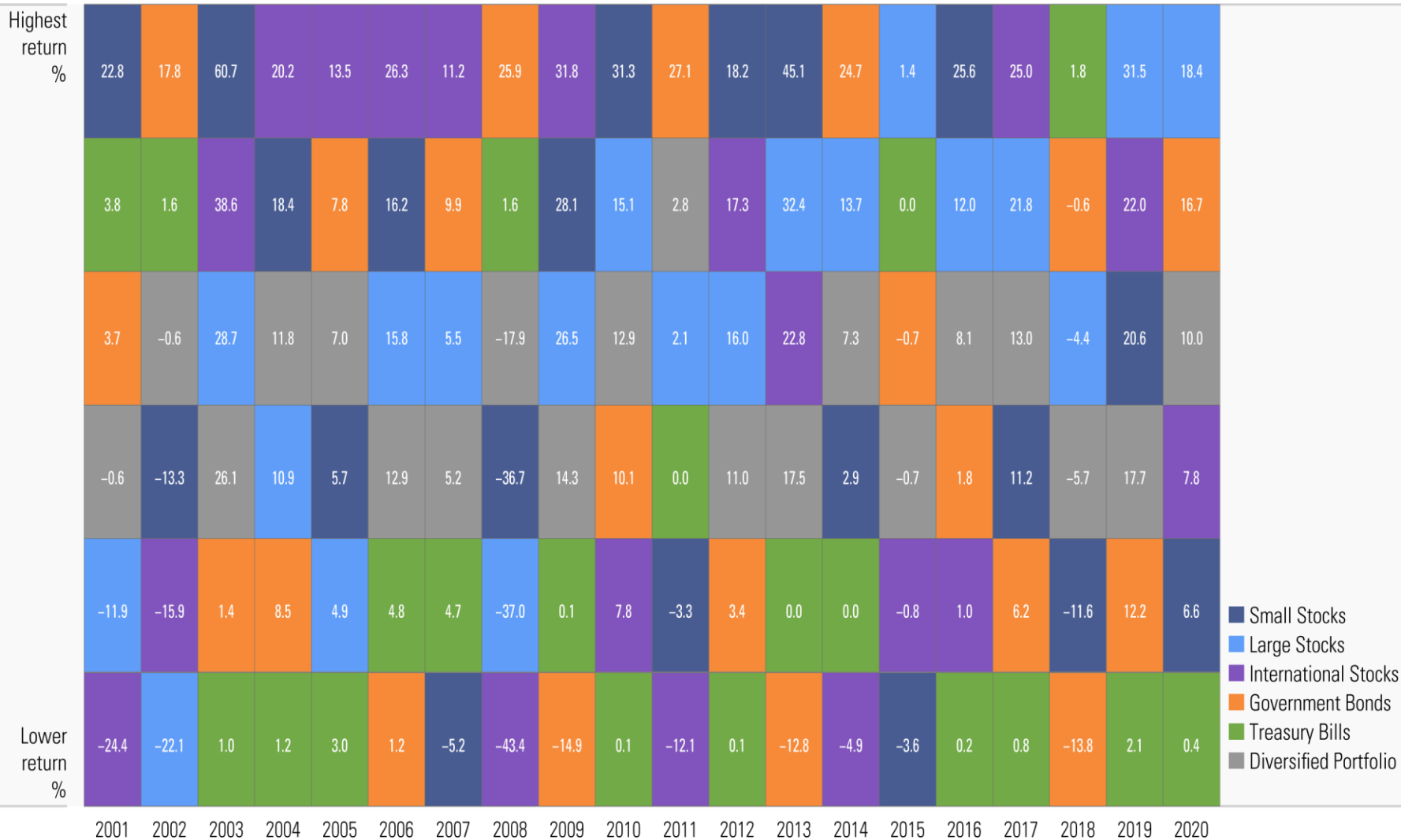


Asset-Class Winners and Losers



- Small Stocks
- Large Stocks
- International Stocks
- Government Bonds
- Treasury Bills
- Diversified Portfolio

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Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. The diversified portfolio is equally weighted between small stocks, large stocks, long-term government bonds, Treasury bills, and international stocks (20% each). © Morningstar 2021 and Precision Information, dba Financial Fitness Group 2021. All Rights Reserved.

Asset-Class Winners and Losers

It is impossible to predict which asset class will be the best or worst in any given year. The performance of any given asset class can have drastic periodic changes. This image illustrates the annual performance of various asset classes in relation to one another. In times when one asset class dominates all others, as was the case for international stocks from 2004 to 2007, it is easy to lose sight of the fact that historical data shows it is impossible to predict the winners for any given year.

After four stellar years, international stocks fell to the bottom in 2008, rebounded to the top position once again in 2009, and then fell once more to the bottom in 2011. Similarly, long-term government bonds were the top performers in 2008, disastrously sank to the bottom in 2009, and rebounded to the top position once again in 2011. These types of performance reversals are evident throughout this example.

Although investing in a diversified portfolio may prevent an investor from capturing top-performing returns in any given year, this strategy can also protect an investor from experiencing extreme losses. For example, in 2015, a diversified portfolio would have returned negative 0.7%, which was approximately 2.0% lower than the top asset class that year—large stocks. However, the diversified portfolio would also have performed better than the worst-performing asset class—small stocks—by about 3.0% that year. A well-diversified portfolio allows investors to mitigate some of the risks associated with investing. By investing a portion of a portfolio in a number of different asset classes, volatility may be reduced.

Diversification does not eliminate the risk of investment losses. 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, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks, are subject to significant price fluctuations and business risks, and are thinly traded. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, liquidity risks, and differences in accounting and financial standards.

About the data

Small stocks are represented by the Ibbotson Small Company Stock Index. Large stocks are represented by the Ibbotson Large Company Stock Index, government bonds by the 20-year U.S. government bond, Treasury bills by the 30-day U.S. Treasury bill, and international stocks by the Morgan Stanley Capital International Europe, Australasia, and Far East (EAFE) Index. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs. The diversified portfolio is equally weighted between small stocks, large stocks, long-term government bonds, Treasury bills, and international stocks (20% each).

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