Diversified Portfolios in Various Market Conditions

Performance during and after select bear markets

TD Ameritrade
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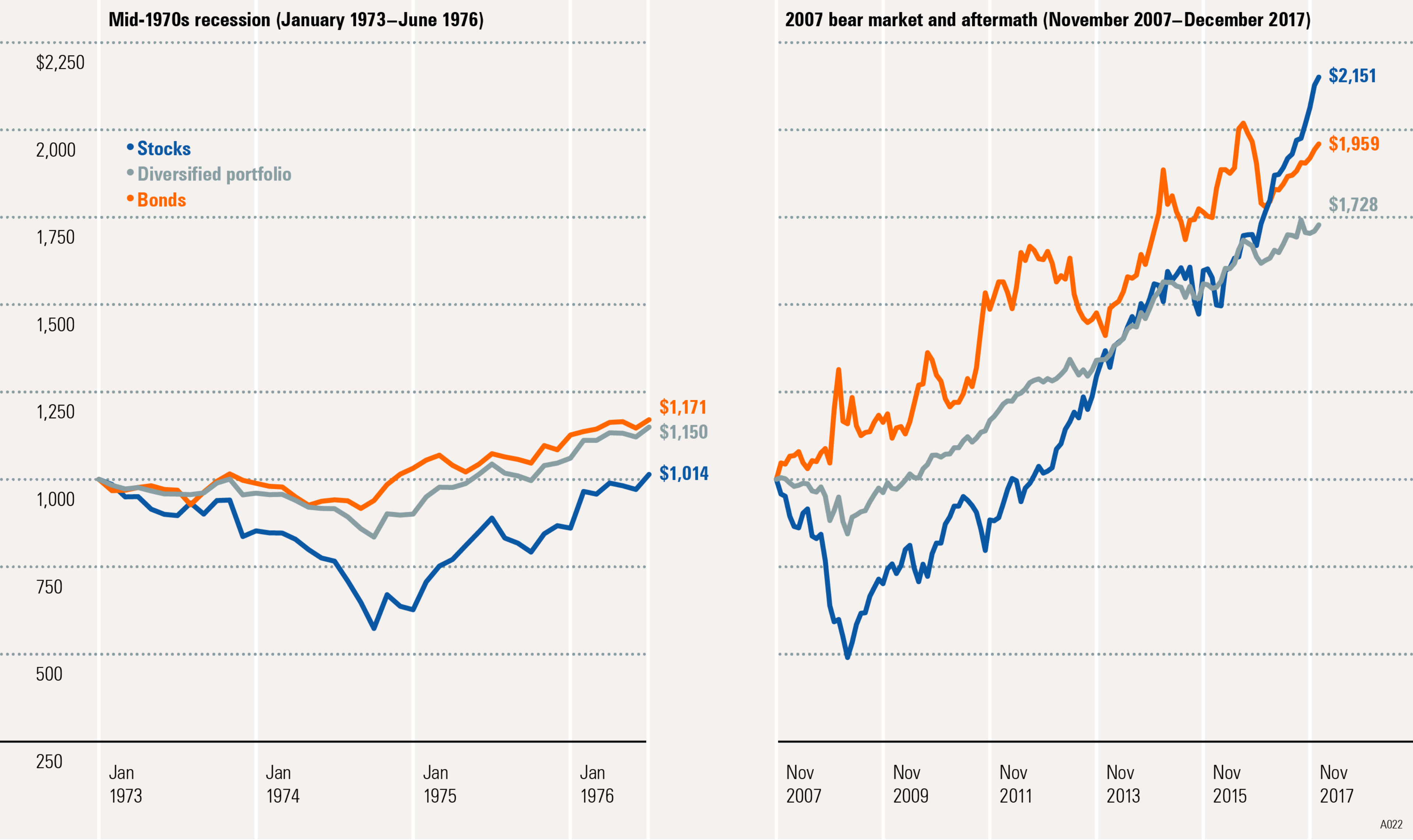

Past performance is no guarantee of future results. Diversified portfolio: 35% stocks, 40% bonds, 25% Treasury bills. Hypothetical value of $1,000 invested at the beginning of January 1973 and November 2007, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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The benefits of diversification are most evident during bear markets. This image illustrates the growth of stocks, bonds, and a diversified portfolio during two of the worst performance periods in recent history.

The blue line illustrates the hypothetical growth of $1,000 invested in stocks during the mid-1970s recession and the 2007–2009 bear market (including its aftermath up to December 2017). The gray line illustrates the hypothetical growth of $1,000 invested in a diversified portfolio of 35% stocks, 40% bonds, and 25% Treasury bills during these same two periods. The orange line illustrates the hypothetical growth of $1,000 invested in bonds.

Notice that by diversifying among three asset classes, the diversified portfolio experienced less severe monthly fluctuations than stocks or bonds alone. While bond prices tend to fluctuate less than stock prices, they are still subject to price movements. By investing in a mix of asset classes such as stocks, bonds, and Treasury bills, you may insulate your portfolio from major downswings in a single asset class.

Diversification does not eliminate the risk of experiencing investment losses. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States 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.

About the data

Stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the 20-year U.S. government bond, and Treasury bills by the 30-day U.S. Treasury bill. The mid-1970s recession occurred from January 1973 to June 1976. The 2007–2009 bear market occurred from November 2007 to February 2009. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.