

Asset Allocation Diversification – 20 Years of the Best and Worst



Everyone wants to be in the best-performing asset class every year. The thing is, few people are savvy enough to consistently choose the best. That's why diversification is key. This chart shows annual returns for eight broad-based asset classes, cash and a diversified portfolio ranked from best to worst. Notice how the "leadership" changes from year to year, and how competitively the diversified portfolio performed over 20 years (see the "annualized return" column).

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	ANNUALIZED RETURN
BEST	Small/Mid Cap 45.51%	REITs 30.41%	Commodities 21.36%	REITs 34.35%	Commodities 16.23%	Bonds 5.24%	Large Cap Growth 37.21%	REITs 27.58%	Bonds 7.84%	REITs 20.14%	Small/Mid Cap 36.80%	REITs 27.15%	Large Cap Growth 5.67%	Small/Mid Cap 17.59%	Large Cap Growth 30.21%	Cash 1.86%	Large Cap Growth 36.39%	Large Cap Growth 38.49%	REITs 39.88%	Commodities 16.09%	Large Cap Growth 10.76%
	International 38.59%	International 20.25%	International 13.54%	International 26.34%	Large Cap Growth 11.81%	Global Bonds 4.79%	Small/Mid Cap 34.39%	Small/Mid Cap 26.71%	REITs 7.28%	Small/Mid Cap 17.88%	Large Cap Growth 33.48%	Large Cap Growth 13.45%	REITs 2.29%	Large Cap Value 17.34%	International 25.03%	Bonds 0.01%	REITs 28.07%	Small/Mid Cap 19.99%	Large Cap Growth 27.60%	Cash 1.50%	Small/Mid Cap 10.26%
	REITs 38.47%	Small/Mid Cap 18.29%	REITs 8.29%	Large Cap Value 22.25%	International 11.17%	Cash 1.80%	International 31.78%	Commodities 16.83%	Global Bonds 5.64%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Growth 13.05%	Bonds 0.55%	Commodities 11.77%	Small/Mid Cap 16.81%	Global Bonds -1.20%	Small/Mid Cap 27.77%	Diversified Portfolio 10.58%	Commodities 27.11%	Large Cap Value -7.54%	REITs 8.90%
	Large Cap Value 30.03%	Large Cap Value 16.49%	Small/Mid Cap 8.11%	Small/Mid Cap 16.17%	Global Bonds 9.48%	Diversified Portfolio -27.54%	REITs 27.45%	Large Cap Growth 16.71%	Large Cap Growth 2.64%	International 17.32%	International 22.78%	Small/Mid Cap 7.07%	Cash 0.03%	REITs 9.28%	Large Cap Value 13.66%	Large Cap Growth -1.51%	Large Cap Value 26.54%	Global Bonds 9.20%	Large Cap Value 25.16%	Bonds -13.01%	Large Cap Value 8.83%
	Large Cap Growth 29.75%	Diversified Portfolio 14.48%	Diversified Portfolio 7.92%	Diversified Portfolio 15.02%	Bonds 6.97%	Commodities -35.65%	Diversified Portfolio 23.72%	Diversified Portfolio 15.73%	Large Cap Value 0.39%	Large Cap Growth 15.26%	Diversified Portfolio 13.41%	Bonds 5.97%	International -0.81%	Diversified Portfolio 8.72%	Diversified Portfolio 13.21%	REITs -4.10%	International 22.01%	International 7.82%	Small/Mid Cap 18.18%	Diversified Portfolio -13.61%	Diversified Portfolio 7.15%
	Diversified Portfolio 27.75%	Global Bonds 9.27%	Large Cap Value 7.05%	Large Cap Growth 9.07%	Cash 4.74%	Small/Mid Cap -36.79%	Large Cap Value 19.69%	Large Cap Value 15.51%	Cash 0.08%	Diversified Portfolio 12.02%	REITs 3.21%	Diversified Portfolio 5.32%	Small/Mid Cap -2.90%	Large Cap Growth 7.08%	REITs 9.27%	Diversified Portfolio -5.98%	Diversified Portfolio 20.33%	Bonds 7.51%	Diversified Portfolio 17.45%	International -14.45%	International 6.43%
	Commodities 23.93%	Commodities 9.15%	Large Cap Growth 5.26%	Global Bonds 6.64%	Diversified Portfolio 4.69%	Large Cap Value -36.85%	Commodities 18.91%	International 7.75%	Diversified Portfolio -0.16%	Global Bonds 4.32%	Cash 0.05%	Global Bonds 0.59%	Global Bonds -3.15%	Bonds 2.65%	Global Bonds 7.39%	Large Cap Value -8.27%	Bonds 8.72%	Large Cap Value 2.80%	International 11.26%	Global Bonds -16.25%	Bonds 3.10%
	Global Bonds 12.51%	Large Cap Growth 6.30%	Cash 3.00%	Cash 4.76%	Small/Mid Cap 1.38%	REITs -37.34%	Global Bonds 6.93%	Bonds 6.54%	Small/Mid Cap -2.51%	Bonds 4.21%	Bonds -2.02%	Cash 0.03%	Diversified Portfolio -3.33%	Global Bonds 2.09%	Bonds 3.54%	Small/Mid Cap -10.00%	Commodities 7.69%	Cash 0.58%	Cash 0.05%	Small/Mid Cap -18.37%	Global Bonds 2.72%
	Bonds 4.10%	Bonds 4.34%	Bonds 2.43%	Bonds 4.33%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Bonds 5.93%	Global Bonds 5.54%	International -12.14%	Cash 0.07%	Global Bonds -2.60%	International -4.90%	Large Cap Value -3.83%	International 1.00%	Commodities 1.70%	Commodities -11.25%	Global Bonds 6.84%	Commodities -3.12%	Bonds -1.54%	REITs -25.10%	Commodities 1.37%
WORST	Cash 1.07%	Cash 1.24%	Global Bonds -4.49%	Commodities 2.07%	REITs -17.83%	International -43.38%	Cash 0.16%	Cash 0.13%	Commodities -13.32%	Commodities -1.06%	Commodities -9.52%	Commodities -17.01%	Commodities -24.66%	Cash 0.27%	Cash 0.84%	International -13.79%	Cash 2.25%	REITs -5.86%	Global Bonds -4.71%	Large Cap Growth -29.14%	Cash 1.22%

MARKET SEGMENT	REPRESENTED BY	STANDARD DEVIATION	MARKET SEGMENT	REPRESENTED BY	STANDARD DEVIATION
Cash	FTSE 3-month T-bill Index ¹	0.43	Large Cap Growth stocks	Russell 1000 [®] Growth Index ⁵	15.69
Bonds	Bloomberg US Aggregate Bond Index ²	3.88	Commodities	Bloomberg Commodity Index ⁶	16.43
Global bonds	Bloomberg Global Aggregate Index (Unhedged) ³	5.88	International stocks	MSCI EAFE Index ⁷	16.70
Diversified portfolio	Equal allocations of all segments disclosed herein, excluding cash	11.52	Small/Mid Cap stocks	Russell 2500 [™] Index ⁸	18.51
Large Cap Value stocks	Russell 1000 [®] Value Index ⁴	15.34	REITs	FTSE NAREIT All REITs Total Return Index ⁹	20.84

Source: FactSet SPAR. Returns are in USD, and net for MSCI EAFE and gross for all other asset classes. Annualized return and standard deviation (annualized) is for the 20-year period ending December 31, 2022. The diversified portfolio is rebalanced quarterly to maintain the equal allocations throughout the period. Standard deviation reflects a portfolio's total return volatility, which is based on a minimum of 36 monthly returns. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Asset allocation and diversification do not guarantee a profit or protect against a loss.

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International: Investing in foreign and/or emerging market securities involves interest rate, currency exchange rate, economic, and political risks. These risks are magnified in emerging or developing markets as compared with domestic markets. **Small/Mid Cap stocks:** Investing in small and/or mid-sized companies involves more risk than that customarily associated with investing in more-established companies. **Bonds:** Bonds, if held to maturity, provide a fixed rate of return and a fixed principal value. Bond funds will fluctuate and, when redeemed, may be worth more or less than their original cost. **Commodity:** Commodity-related investments can be more volatile than investments in equity securities or debt instruments and can be affected by changes in overall market movements, commodity index volatility, changes in interest rates, currency fluctuations, or factors affecting a particular industry or commodity, and demand/supply imbalances in the market for the commodity. Events that affect the financial services sector may have a significant adverse effect on the portfolio. **Real Estate:** Real estate-related investments can be volatile because of general, regional, and local economic conditions, fluctuations in interest rates and property tax rates; shifts in zoning laws, environmental regulation and other governmental actions; increased operation expenses; lack of availability of mortgage funds; losses due to natural disasters; changes in property values and rental rates; overbuilding; losses due to casualty or condemnation, cash flows; the management skill and creditworthiness of the REIT manager, and other factors.

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