

# A DIVERSIFIED PORTFOLIO TO MANAGE RISK

# NEI

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
21.7	17.0	41.3	23.9	21.6	21.1	28.3	6.3	24.8	18.8	35.1	6.5	22.9	<b>BEST</b> Highest % return
12.3	15.6	35.2	14.4	18.9	17.6	14.4	5.9	22.9	16.3	27.6	2.9	20.5	
9.7	13.4	20.5	12.1	11.9	8.1	13.8	4.2	22.8	16.2	25.1	-5.8	14.7	
6.3	13.3	13.0	10.6	6.9	7.3	9.9	1.7	21.2	13.9	20.8	-11.5	11.8	
4.6	10.6	3.9	10.4	3.5	4.0	9.6	1.4	15.6	11.0	11.5	-11.7	9.8	
1.9	7.2	1.6	8.8	2.0	4.0	9.1	1.1	12.4	8.7	1.0	-11.8	6.9	
0.8	6.5	0.6	8.6	1.6	3.8	5.4	0.3	12.1	5.6	-1.4	-12.2	6.7	
-3.2	3.7	-1.2	7.1	1.4	3.7	2.6	-0.5	7.4	5.3	-2.5	-12.2	6.3	
-8.7	3.6	-5.5	6.6	-4.6	1.7	2.5	-6.9	6.9	1.3	-3.4	-14.3	3.9	
-16.4	1.6	-23.9	1.9	-8.3	1.4	1.4	-8.9	2.1	-13.1	-5.1	-17.0	2.6	<b>WORST</b> Lowest % return

- U.S. stocks
- Canadian stocks
- Canadian REITs
- Global stocks
- 60/40 Portfolio
- Emerging market stocks
- Gold
- Global bonds
- Canadian bonds
- Average 5-yr GIC

## *What this chart shows*

If you invest in a single asset class, such as Canadian stocks or emerging market stocks, the variation in returns can be extreme. It's not uncommon for asset classes to zig-zag from top to bottom and back again from one year to the next.

Now observe the diversified portfolio (black box), which holds 60% global stocks and 40% global bonds. Watch how the portfolio threads its way through the chart, never at the top and never at the bottom. That consistency relative to the individual components is the power of diversification.

Data source: Morningstar<sup>1</sup>. Index returns do not include fees; you cannot invest in an index. U.S. stocks: S&P 500; Canadian stocks: S&P/TSX Composite Index; Canadian REITs (real estate investment trusts): S&P/TSX Capped REIT Index; Global stocks: MSCI World Index; Emerging market stocks: MSCI Emerging Markets Index; Gold: S&P GSCI Gold Index; Canadian bonds: FTSE TMX Canada Universe Bond Index; Global bonds: Bloomberg Barclays Global Aggregate Bond Index, C\$ hedged; 60/40 Portfolio: 60% global stocks (MSCI World Index), 40% global bonds (Bloomberg Barclays Global Aggregate Bond Index, C\$ hedged). The 60/40 Portfolio was rebalanced quarterly.

## *The bottom line*

While a diversified portfolio is unlikely to give you the highest return, it won't give you the lowest return either. The purpose is to provide a smoother investment journey, so you can achieve your goals with as little anxiety as possible.

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