

# A diversified portfolio to manage risk

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2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
17.0	41.3	23.9	21.6	21.1	28.3	6.3	24.8	18.8	35.1	6.5	22.9	38.1	<b>Best</b> Highest % return
15.6	35.2	14.4	18.9	17.6	14.4	5.9	22.9	16.3	27.6	2.9	20.5	36.4	
13.4	20.5	12.1	11.9	8.1	13.8	4.2	22.8	16.2	25.1	-5.8	14.7	29.4	
13.3	13.0	10.6	6.9	7.3	9.9	1.7	21.2	13.9	20.8	-11.5	11.8	21.7	
10.6	3.9	10.4	3.5	4.0	9.6	1.4	15.6	11.0	11.5	-11.7	9.8	18.1	
7.2	1.6	8.8	2.0	4.0	9.1	1.1	12.4	8.7	1.0	-11.8	6.9	17.3	
6.5	0.6	8.6	1.6	3.8	5.4	0.3	12.1	5.6	-1.4	-12.2	6.7	4.2	
3.7	-1.2	7.1	1.4	3.7	2.6	-0.5	7.4	5.3	-2.5	-12.2	6.3	3.7	
3.6	-5.5	6.6	-4.6	1.7	2.5	-6.9	6.9	1.3	-3.4	-14.3	3.9	2.4	
1.6	-23.9	1.9	-8.3	1.4	1.4	-8.9	2.1	-13.1	-5.1	-17.0	2.6	-2.0	<b>Worst</b> Lowest % return

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

## 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 (orange 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.

## The bottom line

While a diversified portfolio is unlikely to give you the highest return, it likely 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.

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.

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