

# DON'T PUT ALL OF YOUR PRECIOUS CARGO IN ONE SHIP...



For centuries people have worried about risk and have actively sought to manage it. Merchants learned difficult lessons when shipping cargo on one vessel, only to have it lost or pirated at sea. In order to minimize the risk of a catastrophic loss they found it wise to transport cargo on multiple ships. If one ship was lost during its voyage, the loss, while regrettable, was more manageable. The same basic principle can be applied to modern day investing. An investor can similarly reduce their risk by allocating investment dollars across asset classes.

Asset allocation is widely accepted by academics and professionals to account for the majority of the variance of portfolio returns, exerting far more influence than individual asset selection (choosing individual securities) or market timing. Asset allocation by nature offers diversification. Since different asset class returns outperform and underperform at different times and there is no way to know with certainty when these periods will begin or end, it is prudent to have continual exposure to many asset classes within a portfolio. With this strategy, investors much like merchants of old, can help mitigate catastrophic risk.

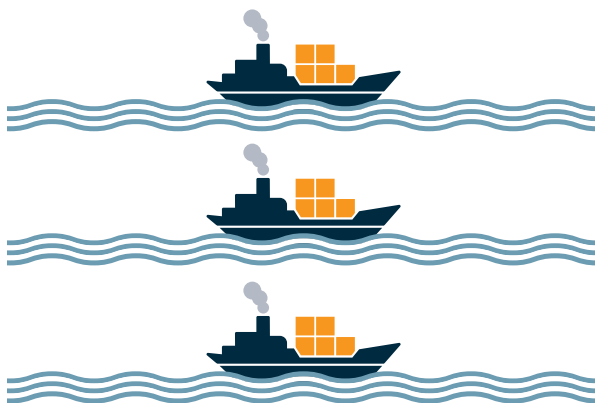
## BUY & HOLD STRATEGY



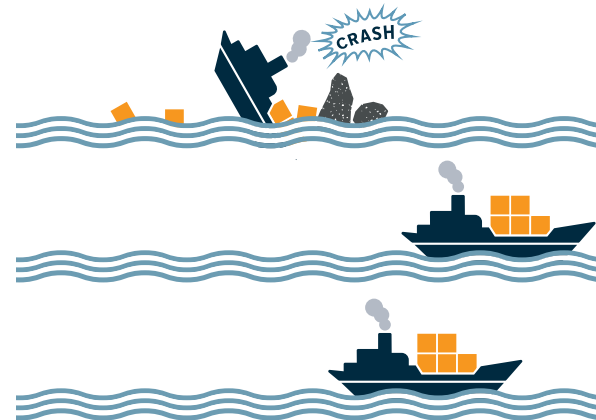
## UNEXPECTED RISK



## DIVERSIFICATION



## UNEXPECTED RISK



# Asset Allocation

The performance of a properly diversified portfolio will simply be the weighted average of the individual components. In any given year, the diversified portfolio will never outperform the best performing asset class or underperform the worst performing asset class; rather the result will be somewhere in between.

PERFORMANCE BY ASSET CLASS (2011–2021)

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
US GOV'T BONDS 15.6%	REAL ESTATE 18.9%	SMALL CAP 41.3%	REAL ESTATE 27.2%	REAL ESTATE 2.1%	NATURAL RESOURCES 30.9%	EMERGING MARKET 37.3%	U.S. GOV'T BONDS 1.5%	LARGE CAP 31.5%	LARGE CAP 18.4%	NATURAL RESOURCES 39.3%
US CORP BONDS 9.2%	EMERGING MARKETS 18.2%	MID CAP 33.5%	LARGE CAP 13.7%	US GOV'T BONDS 1.8%	SMALL CAP 26.6%	FOREIGN STOCKS 25.0%	U.S. CORP BONDS -3.7%	REAL ESTATE 28.4%	EMERGING MARKET 18.2%	REAL ESTATE 38.7%
REAL ESTATE 6.1%	MID CAP 17.9%	LARGE CAP 32.4%	MID CAP 9.8%	LARGE CAP 1.4%	MID CAP 20.7%	LARGE CAP 21.8%	REAL ESTATE -4.0%	MID CAP 26.1%	MID CAP 13.6%	LARGE CAP 28.7%
DIVERSIFIED 4.2%	FOREIGN STOCKS 17.3%	FOREIGN STOCKS 22.8%	US CORP BONDS 8.7%	DIVERSIFIED 0.6%	LARGE CAP 12.0%	MID CAP 16.2%	LARGE CAP -4.4%	SMALL CAP 22.8%	SMALL CAP 11.2%	SMALL CAP 26.7%
LARGE CAP 2.1%	SMALL CAP 16.3%	DIVERSIFIED 19.4%	DIVERSIFIED 7.5%	US CORP BONDS -0.7%	EMERGING MARKET 11.2%	DIVERSIFIED 13.2%	DIVERSIFIED -4.8%	FOREIGN STOCKS 21.9%	US CORP BONDS 11.1%	MID CAP 24.7%
SMALL CAP 1.0%	LARGE CAP 16.0%	NATURAL RESOURCES 16.5%	SMALL CAP 5.8%	FOREIGN STOCKS -0.8%	DIVERSIFIED 9.6%	SMALL CAP 13.2%	SMALL CAP -8.5%	DIVERSIFIED 20.3%	DIVERSIFIED 9.6%	DIVERSIFIED 17.3%
MID CAP -1.7%	DIVERSIFIED 12.4%	REAL ESTATE 1.8%	US GOV'T BONDS 3.2%	SMALL CAP -2.0%	REAL ESTATE 7.6%	REAL ESTATE 9.8%	MID CAP -11.1%	EMERGING MARKET 17.5%	FOREIGN STOCKS 7.9%	FOREIGN STOCKS 11.2%
NATURAL RESOURCES -7.4%	US CORP BONDS 11.9%	US GOV'T BONDS -1.9%	EMERGING MARKET -2.2%	MID CAP -2.2%	US CORP BONDS 6.4%	US CORP BONDS 7.3%	FOREIGN STOCKS -13.8%	US CORP BONDS 17.1%	US GOV'T BONDS 6.9%	EMERGING MARKETS -0.6%
FOREIGN STOCKS -12.1%	NATURAL RESOURCES 2.2%	US CORP BONDS -2.4%	FOREIGN STOCKS -4.9%	EMERGING MARKET -14.9%	US GOV'T BONDS 1.4%	US GOV'T BONDS 1.3%	EMERGING MARKET -14.6%	NATURAL RESOURCES 17.0%	REAL ESTATE -5.4%	US CORP BONDS -1.6%
EMERGING MARKET -18.4%	US GOV'T BONDS 2.2%	EMERGING MARKET -2.6%	NATURAL RESOURCES -9.8%	NATURAL RESOURCES -24.3%	FOREIGN STOCKS 1.0%	NATURAL RESOURCES 1.2%	NATURAL RESOURCES -21.1%	US GOV'T BONDS 5.8%	NATURAL RESOURCES -19.5%	US GOV'T BONDS -2.5%

**Large Cap Stocks** – Standard & Poor's 500® | **Mid Cap Stocks** – Standard & Poor's MidCap 400 Small Cap Stocks | **Small Cap Stocks** – Standard & Poor's SmallCap 600 | **Foreign Stocks** – MSCI EAFE Index | **Emerging Market Stocks** – MSCI Emerging Markets | **US Corp Bonds** – iBoxx \$ Liquid Investment Grade Index | **US Gov't Bonds** – ICE U.S. 3-7 Year Treasury Bond Index | **US Real Estate** – Dow Jones U.S. Real Estate Index | **Natural Resources** – S&P North American Natural Resources Sector Index

A Callan chart shows annual returns across various asset classes; ranking each year's returns from highest to lowest. Each different colored box represents a different asset class. | **Source:** iShares. This material has been obtained from sources generally considered reliable. No guarantee can be made as to its accuracy. Not intended to represent the performance of any particular investment. Indices are unmanaged and one cannot invest directly in an index. Past performance is not a guarantee of future results. | Diversification cannot assure a profit or guarantee against loss. The information presented here is for educational purposes and should not be considered a solicitation to invest in any specific product or adopt a specific investment strategy. Please consult a professional attorney, tax advisor or financial professional to discuss your unique situation. No investment strategy can guarantee a profit or protect against a loss. All investing involves risk, including the possible loss of principal. This table features nine major asset classes plus a 'Diversified' portfolio, comprised of 25% Large Cap, 20% Small Cap, 15% International, 10% REITs, and 30% U.S. Government Bonds.