

# True Diversification: A Balanced Approach

Annual Asset Class Returns (%)

Highest



Lowest

|                                | 2009                           | 2010                           | 2011                           | 2012                           | 2013                          | 2014                           | 2015                          | 2016                           | 2017                           | 2018 |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------------|------|
| Emerging Markets<br>78.50      | Small Growth<br>31.08          | TIPS<br>13.56                  | Global REITs<br>28.65          | Small Growth<br>45.00          | Global REITs<br>15.89         | Large Cap Growth<br>3.54       | Small Value<br>27.68          | Emerging Markets<br>37.28      | U.S. Bonds<br>0.01             |      |
| High Yield<br>57.51            | Small Value<br>26.76           | U.S. Bonds<br>7.84             | Small Value<br>21.52           | Large Cap Growth<br>34.95      | Large Cap Growth<br>13.96     | U.S. Bonds<br>0.55             | High Yield<br>17.49           | Large Cap Growth<br>27.71      | TIPS<br>-1.26                  |      |
| Small Growth<br>46.40          | Global REITs<br>20.40          | High Yield<br>4.38             | Emerging Markets<br>18.22      | Small Value<br>33.80           | Large Cap Value<br>13.00      | Global REITs<br>0.05           | Small Growth<br>16.97         | International Equity<br>25.03  | Non-U.S. Bonds<br>-2.15        |      |
| Global REITs<br>38.25          | Emerging Markets<br>18.87      | Non-U.S. Bonds<br>4.36         | International Equity<br>17.31  | Large Cap Value<br>30.24       | Small Value<br>9.09           | Large Cap Value<br>-0.79       | Large Cap Value<br>15.44      | Small Growth<br>19.55          | High Yield<br>-2.25            |      |
| Small Value<br>37.45           | Commodities<br>16.83           | Large Cap Value<br>3.74        | Large Cap Growth<br>16.90      | International Equity<br>22.78  | U.S. Bonds<br>5.97            | International Equity<br>-0.81  | Commodities<br>11.77          | Large Cap Value<br>16.31       | Large Cap Growth<br>-3.58      |      |
| Large Cap Growth<br>36.88      | Large Cap Value<br>16.56       | Diversified Portfolio<br>0.44  | Small Growth<br>15.69          | Diversified Portfolio<br>14.25 | Diversified Portfolio<br>5.67 | Diversified Portfolio<br>-1.35 | Emerging Markets<br>11.18     | Diversified Portfolio<br>14.92 | Global REITs<br>-4.74          |      |
| International Equity<br>31.77  | High Yield<br>15.19            | Large Cap Growth<br>-0.66      | High Yield<br>15.58            | High Yield<br>7.42             | Small Growth<br>4.23          | TIPS<br>-1.44                  | Large Cap Growth<br>8.97      | Global REITs<br>11.42          | Diversified Portfolio<br>-5.10 |      |
| Diversified Portfolio<br>24.35 | Large Cap Growth<br>15.02      | Small Growth<br>-1.64          | Large Cap Value<br>14.56       | Global REITs<br>4.39           | TIPS<br>3.64                  | Small Value<br>-4.36           | Diversified Portfolio<br>7.18 | Non-U.S. Bonds<br>10.51        | Large Cap Value<br>-5.94       |      |
| Commodities<br>18.91           | Diversified Portfolio<br>11.89 | Small Value<br>-5.34           | Diversified Portfolio<br>12.35 | U.S. Bonds<br>-2.02            | High Yield<br>2.50            | High Yield<br>-4.64            | Global REITs<br>4.99          | High Yield<br>7.45             | Small Growth<br>-9.71          |      |
| Large Cap Value<br>16.98       | International Equity<br>7.75   | Global REITs<br>-5.82          | TIPS<br>6.98                   | Emerging Markets<br>-2.60      | Emerging Markets<br>-2.19     | Small Growth<br>-5.28          | TIPS<br>4.68                  | Small Value<br>7.42            | Commodities<br>-11.25          |      |
| TIPS<br>11.41                  | U.S. Bonds<br>6.54             | International Equity<br>-12.14 | U.S. Bonds<br>4.22             | Non-U.S. Bonds<br>-3.08        | Non-U.S. Bonds<br>-3.08       | Non-U.S. Bonds<br>-6.02        | U.S. Bonds<br>2.65            | U.S. Bonds<br>3.54             | Small Value<br>-12.04          |      |
| Non-U.S. Bonds<br>7.53         | TIPS<br>6.31                   | Commodities<br>-13.32          | Non-U.S. Bonds<br>4.09         | TIPS<br>-8.61                  | International Equity<br>-4.90 | Emerging Markets<br>-14.92     | Non-U.S. Bonds<br>1.49        | TIPS<br>3.01                   | International Equity<br>-13.79 |      |
| U.S. Bonds<br>5.93             | Non-U.S. Bonds<br>4.94         | Emerging Markets<br>-18.42     | Commodities<br>-1.06           | Commodities<br>-9.52           | Commodities<br>-17.01         | Commodities<br>-24.66          | International Equity<br>1.00  | Commodities<br>1.70            | Emerging Markets<br>-14.58     |      |

Source: Wilshire Compass<sup>SM</sup>

This “Quilt Chart” shows the power of true diversification. The stock market goes through many phases; booms, crashes, recoveries, and flat periods. Pure stock investors have felt the pain of these violent swings. In contrast, an investor who utilized a balanced, diversified portfolio would have enjoyed competitive long-term returns and most likely would have been able to sleep a lot easier along the way.

The goal of diversification is to mitigate risk and to benefit from the uncorrelated performance of asset classes. Diversifying across a wide range of asset classes enables investors to spread their risk and potentially increase returns, helping smooth what might otherwise be a bumpy ride. While a diversified portfolio will never outperform all of the asset classes that are components of that portfolio, it will likewise never be the worst performer.

The proprietary investment process of Mid-Atlantic Wealth Advisory Group may or may not contain an investment in each these categories at any given time. Though balanced, our process may have significantly different percentage weightings across asset categories dependent upon a client’s risk tolerance, our opinion of market climate, return potential, and any additional facts related to the overall economic landscape or specific investments.

At Mid-Atlantic Wealth Advisory Group, we create and actively manage investment allocations that encompass multiple asset categories. By doing so, and making ongoing adjustments, we aim to provide our clients with more steady and predictable long-term returns.

We work to provide additional value by tactically increasing or decreasing exposure to any of these categories based upon our regular market research. The extent of such moves are dictated by each client’s risk profile and overall investment goals.

The asset classes on the previous page are represented by the following indices:

Large Value: Wilshire U.S. Large Value IndexSM  
Large Growth: Wilshire U.S. Large Growth IndexSM  
Small Value: Wilshire U.S. Small Value IndexSM  
Small Growth: Wilshire U.S. Small Growth IndexSM  
U.S. Bonds: Bloomberg Barclays U.S. Aggregate Bond Index  
High Yield: Bank of America Merrill Lynch – U.S. High Yield Index  
Munis: Bloomberg Barclays Capital Municipal Bond Index  
TIPS: Bloomberg Barclays Capital U.S. TIPS Index  
U.S. Treasury: Bloomberg Barclays U.S. Treasury Index  
Global Bonds: Bloomberg Barclays Capital Global Aggregate Bond Index  
Pacific ex Japan: MSCI AC Pacific ex Japan Index  
Europe ex UK: MSCI Europe ex UK Index  
UK: MSCI United Kingdom Index  
Emerging Markets: MSCI Emerging Markets Index  
Global REITs: FTSE EPRA NAREIT Developed Index  
Commodities: Bloomberg Commodity - Commodity Index (Total Return)

Diversified Portfolio: Domestic equity is represented by 35% Russell 3000 Index; international equity is represented by 15% MSCI EAFE Index, 4% MSCI - Emerging Markets Index, 4% FTSE EPRA/NAREIT - Developed Index; commodities is represented by 2% Bloomberg Commodity - Commodity Index; fixed income is represented by 28% Barclays U.S. Aggregate Index, 4% Barclays - U.S. TIPS Index, 4% Barclays - U.S. High Yield Index, 4% Citi - Non U.S. Govt Bond Index

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- *All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results.*
- *You cannot invest directly in an index.*
- *Additional risks are associated with international investing such as currency fluctuations, political and economic instability, and difference in accounting standards.*
- *Past performance does not guarantee future results.*

