

Don't predict. Diversify.

"I have one piece of advice. Diversify. And if I had to offer a second piece of advice, it would be: remember that the future will not necessarily be like the past. Therefore we should diversify."

~ Harry Markowitz, Nobel Laureate in Economics

ONE DAY
IN JULY
FINANCIAL ADVISORS

Asset Class Returns

(It's nicknamed "The Quilt" for a reason.)

Think anyone can predict markets?

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EM 34.5%	REIT 35.1%	EM 39.8%	HG Bnd 5.2%	EM 79.0%	REIT 28.0%	REIT 8.3%	REIT 19.7%	Sm Cap 38.8%	REIT 28.0%	REIT 2.8%	Sm Cap 21.3%	EM 37.8%	Cash 2.0%	Lg Cap 31.5%
Int'l Stk 14.0%	EM 32.6%	Int'l Stk 11.6%	Cash 1.4%	HY Bnd 57.5%	Sm Cap 26.9%	HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l Stk 25.6%	HG Bnd 0.0%	REIT 28.7%
REIT 12.2%	Int'l Stk 26.9%	HG Bnd 7.0%	HY Bnd -26.4%	Int'l Stk 32.5%	EM 19.2%	HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	HG Bnd 6.0%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%	HY Bnd -2.3%	Sm Cap 25.5%
Lg Cap 4.9%	Sm Cap 18.4%	Lg Cap 5.5%	Sm Cap -33.8%	REIT 28.0%	HY Bnd 15.2%	Lg Cap 2.1%	Sm Cap 16.4%	HY Bnd 7.4%	Sm Cap 4.9%	Cash 0.1%	EM 11.6%	Sm Cap 14.7%	REIT -4.0%	Int'l Stk 22.7%
Sm Cap 4.6%	Lg Cap 15.8%	Cash 4.4%	Lg Cap -37.0%	Sm Cap 27.2%	Lg Cap 15.1%	Cash 0.1%	Lg Cap 16.0%	REIT 2.9%	HY Bnd 2.5%	Int'l Stk -0.4%	REIT 8.6%	REIT 8.7%	Lg Cap -4.4%	EM 18.9%
Cash 3.2%	HY Bnd 11.8%	HY Bnd 2.2%	REIT -37.7%	Lg Cap 26.5%	Int'l Stk 8.2%	Sm Cap -4.2%	HY Bnd 15.6%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%	Sm Cap -11.0%	HY Bnd 14.4%
HY Bnd 2.7%	Cash 4.7%	Sm Cap -1.6%	Int'l Stk -43.1%	HG Bnd 5.9%	HG Bnd 6.5%	Int'l Stk -11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%	Int'l Stk -13.4%	HG Bnd 8.7%
HG Bnd 2.4%	HG Bnd 4.3%	REIT -15.7%	EM -53.2%	Cash 0.2%	Cash 0.2%	EM -18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 1.0%	EM -14.3%	Cash 2.1%

Abbr.	Asset Class - Index	Annual	Best	Worst
Lg Cap	Large Cap Stocks - S&P 500 Index	9.00%	32.4%	-37.0%
Sm Cap	Small Cap Stocks - Russell 2000 Index	7.92%	38.8%	-33.8%
Int'l Stk	International Developed Stocks - MSCI EAFE Index	5.33%	32.5%	-43.1%
EM	Emerging Market Stocks - MSCI Emerging Markets Index	7.85%	79.0%	-53.2%
REIT	REITs - FTSE NAREIT All Equity Index	8.35%	35.1%	-37.7%
HG Bnd	High Grade Bonds - Barclay's U.S. Aggregate Bond Index	4.15%	7.84%	-2.0%
HY Bnd	High Yield Bonds - BofAML US High Yield Master II Index	7.35%	57.5%	-26.4%
Cash	Cash - 3 Month Treasury Bill Rate	1.30%	4.7%	0.0%

"Forecasts of the future tell you more about the forecast than the future."

~ Warren Buffett

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and do not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. All data are as of 12/31/19.

Source: Novel Investor 2019

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