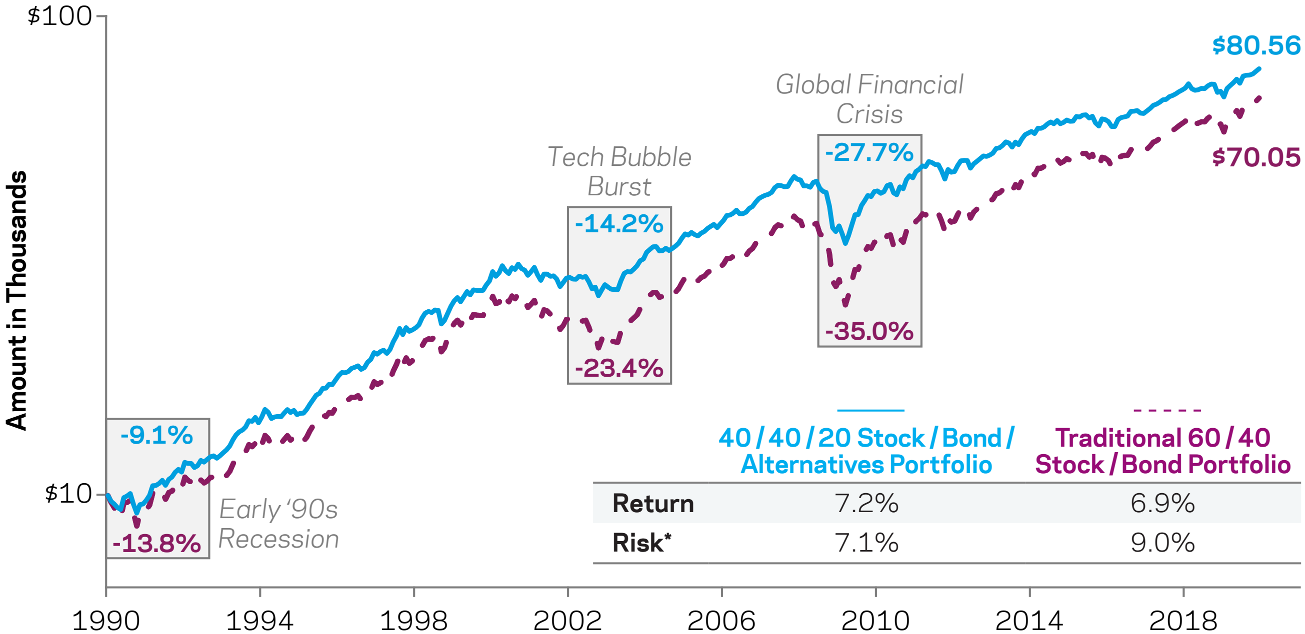
Investor Insights

Why Diversify?

Adding diversifying strategies to a traditional portfolio can help increase the likelihood of achieving your long-term goals.

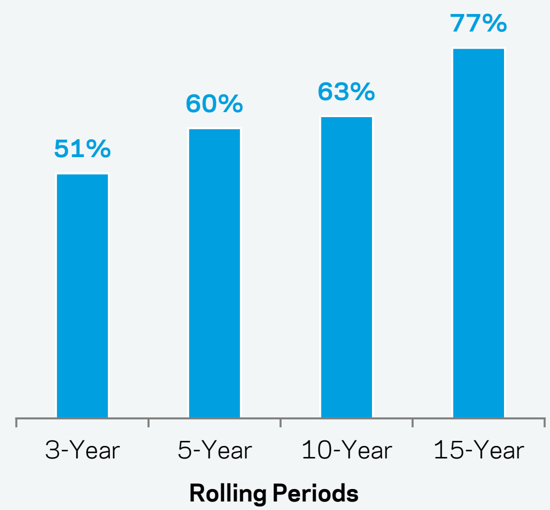
Growth of $10,000

January 1, 1990 – December 31, 2019



	40/40/20 Stock/Bond/Alternatives Portfolio	Traditional 60/40 Stock/Bond Portfolio
Return	7.2%	6.9%
Risk*	7.1%	9.0%

The more diversified 40/40/20 portfolio has outperformed the traditional 60/40 portfolio 77% of the time over rolling 15-year periods since January 1, 1990.



The potential benefits of diversification can grow over time, particularly in challenging markets.

Source: AQR, Bloomberg, Barclays, HFRI.

Stocks are represented by the MSCI World Index, **Bonds** by the Bloomberg Barclays U.S. Aggregate Index, and **Alternatives** by the HFRI Fund Weighted Composite Index.

The portfolios shown are intended for informational purposes and do not represent actual results of any product or strategy.

*Risk is defined as volatility or standard deviation, a statistical term that measures the amount of variability or dispersion around an average (A higher value indicates higher risk).

Data is presented gross of any fees, with the exception of data based on the HFRI Fund Weighted Composite Index (detailed on the back), which is a net of fee index. Had fees for the other indices been included performance would have been lower. Time period chosen based on the 01/01/1990 inception of the HFRI Fund Weighted Composite Index. The portfolios were rebalanced monthly. 'Rolling Periods' use monthly overlapping observations, beginning at the first month that allows for the specified number of years to be observed. **Past performance is not a guarantee of future performance**. Diversification does not eliminate the risk of experiencing investment losses. One cannot invest directly in an index.

Disclosures

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PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE PERFORMANCE. DIVERSIFICATION DOES NOT ELIMINATE THE RISK OF EXPERIENCING INVESTMENT LOSSES.

Alternative investments can be subject to increased risks and costs and investors must determine if the addition of these types of investments is appropriate for their specific financial objectives.

Rationale for the 40/40/20 Stock/Bond/Alternatives Portfolio: In order to demonstrate the risk reduction potential of alternatives, equities was chosen as the funding source. To approximately achieve a 2 percentage point drop in volatility (risk), a 20% allocation to alternatives was chosen, resulting in a 40/40/20 portfolio allocation. The table below reports the results for two alternate allocations, 45/40/15 (less alternatives) and 35/40/25 (more alternatives) to illustrate the sensitivity of the results.

Summary Results for Varying Portfolio Allocations:
January 1, 1990 – December 31, 2019

				Drawdowns			Outperformance of 60/40 (Rolling Periods)			
Allocation	Return	Risk	Ending Balance as of December 31, 2019	Early '90s Recession	Tech Bubble Burst	Global Financial Crisis	3-Year	5-Year	10-Year	15-Year
60/40	6.91%	8.99%	$70,052	-13.81%	-23.37%	-34.99%				
40/40/20	7.23%	7.14%	$80,564	-9.06%	-14.20%	-27.73%	50.77%	60.13%	62.66%	76.80%
45/40/15	7.15%	7.59%	$77,897	-9.75%	-16.52%	-29.60%	50.77%	60.13%	63.07%	77.35%
35/40/25	7.31%	6.70%	$83,252	-8.36%	-11.83%	-25.82%	50.77%	60.13%	62.66%	76.80%

Drawdowns: A drawdown is a peak-to-trough decline during a specific period. Approximate periods for the drawdown events referenced:

- Early '90's Recession: July 1, 1990 – March 31, 1991
- Tech Bubble Burst: April 1, 2000 – February 28, 2003
- Global Financial Crisis: December 1, 2007 – June 30, 2009

The **MSCI World Index** is a free float-adjusted market capitalization index that is designed to measure the large and mid cap equity market performance of 23 developed countries.

The **Bloomberg Barclays U.S. Aggregate Bond Index**, which until August 24, 2016 was called the Barclays Capital Aggregate Bond Index, and which until November 3, 2008 was called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Bloomberg L.P. since August 24, 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond index.

The **HFRI Fund Weighted Composite Index** is a global, equal-weighted index of over 1,500 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

One cannot invest directly in an index.

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