

# Benefits of Asset Allocation

**Diversification through asset classes:** By investing in only one asset class you may miss out on potential gains.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Highest Return	Emerging Mkt Equities 52.0%	Canadian Equities 17.6%	Canadian Bonds 9.7%	European Equities 17.3%	U.S. Equities 41.3%	U.S. Equities 23.9%	U.S. Equities 21.6%	Canadian Equities 21.1%	Emerging Mkt Equities 28.7%	U.S. Equities 4.2%	U.S. Equities 24.8%
	Canadian Equities 35.1%	Emerging Mkt Equities 13.0%	Global Bonds 6.5%	Emerging Mkt Equities 16.0%	European Equities 34.4%	Balanced Portfolio 11.6%	Intl. Equities 19.5%	U.S. Equities 8.1%	European Equities 17.9%	Global Bonds 1.9%	Canadian Equities 22.9%
	European Equities 16.2%	U.S. Equities 9.1%	U.S. Equities 4.6%	Intl. Equities 15.3%	Intl. Equities 31.6%	Canadian Equities 10.6%	European Equities 17.1%	Emerging Mkt Equities 7.7%	Intl. Equities 17.4%	Canadian Bonds 1.4%	European Equities 18.3%
	Balanced Portfolio 13.6%	Balanced Portfolio 8.8%	Balanced Portfolio 1.1%	U.S. Equities 13.4%	Balanced Portfolio 16.5%	Global Bonds 9.4%	Balanced Portfolio 7.6%	Balanced Portfolio 6.6%	U.S. Equities 13.8%	Cash 1.4%	Intl. Equities 16.5%
	Intl. Equities 12.5%	Canadian Bonds 6.7%	Cash 1.0%	Balanced Portfolio 8.5%	Canadian Equities 13.0%	Canadian Bonds 8.8%	Canadian Bonds 3.5%	Global Bonds 3.5%	Canadian Equities 9.1%	Balanced Portfolio -1.2%	Balanced Portfolio 16.1%
	U.S. Equities 7.4%	Global Bonds 3.8%	European Equities -8.3%	Canadian Equities 7.2%	Emerging Mkt Equities 4.3%	Emerging Mkt Equities 7.0%	Emerging Mkt Equities 2.4%	Canadian Bonds 1.7%	Balanced Portfolio 8.8%	Intl. Equities -5.6%	Emerging Mkt Equities 12.9%
	Canadian Bonds 5.4%	Intl. Equities 2.6%	Canadian Equities -8.7%	Global Bonds 5.3%	Cash 1.0%	Intl. Equities 4.1%	Global Bonds 1.9%	Cash 0.5%	Canadian Bonds 2.5%	Emerging Mkt Equities -6.5%	Canadian Bonds 6.9%
	Global Bonds 1.1%	Cash 0.5%	Intl. Equities -9.5%	Canadian Bonds 3.6%	Global Bonds 1.0%	European Equities 2.8%	Cash 0.6%	Intl. Equities -2.0%	Global Bonds 1.8%	European Equities -6.6%	Global Bonds 6.9%
Lowest Return	Cash 0.6%	European Equities -1.0%	Emerging Mkt Equities -16.1%	Cash 1.0%	Canadian Bonds -1.2%	Cash 0.9%	Canadian Equities -8.3%	European Equities -3.2%	Cash 0.6%	Canadian Equities -8.9%	Cash 1.6%

- International Equities**  
MSCI EAFE Index
- U.S. Equities**  
S&P 500 Total Return Index
- Canadian Equities**  
S&P/TSX Composite Index
- Canadian Bonds**  
FTSE TMX Canada Universe Bond Index
- Cash**  
FTSE TMX Canada 91 Day T-Bill Index
- Global Bonds**  
Citi World Government Bond
- European Equities**  
MSCI Europe Total Return Index
- Emerging Market Equities**  
MSCI Emerging Markets Total Return Index
- Balanced Portfolio**  
40% FTSE TMX Canada Universe Bond Index  
40% MSCI World Index  
20% S&P/TSX Composite Total Return Index

Source: Morningstar Direct. All returns in C\$ and are calendar year returns.

Investing Strategy	Ending Value	Annual Return	Standard Deviation
<b>Chasing returns:</b> Always invest in the prior year's <b>top</b> performing asset class	217,352	8.07	12.74
<b>Contrarian view:</b> Always invest in the prior year's <b>worst</b> performing asset class	210,402	7.72	8.71
<b>Diversified:</b> Invest in 60/40 Balanced Portfolio* (rebalanced annually)	222,070	8.31	5.44

A Balanced Portfolio provides more consistent returns with less risk than consistently chasing the best/worst asset classes.

Source: Morningstar Direct, in Canadian dollars, as at December 31, 2019 for a 10-year period

\*60/40 Balanced Portfolio consists of 40% FTSE TMX Canada Universe Bond, 40% MSCI World C\$, 20% S&P/TSX Composite TR

### Historically, it is difficult to predict next year's top performing asset class.

- A key element in helping to achieve your financial goals is strategic asset allocation, which means establishing a mix of equities, fixed income and cash that is best suited to your risk tolerance and investment objectives, and holding this mix consistently.
- Take the guesswork out of trying to always pick the winners by diversifying your portfolio to capitalize on future changes in the market and the performance of each asset class.



The chart on page 1 illustrates that **it is difficult for investors to predict the performance of a particular asset class from year-to-year.**

**A strong tactical asset manager can help ensure that you have exposure to the best performing asset class in any given year.**



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