



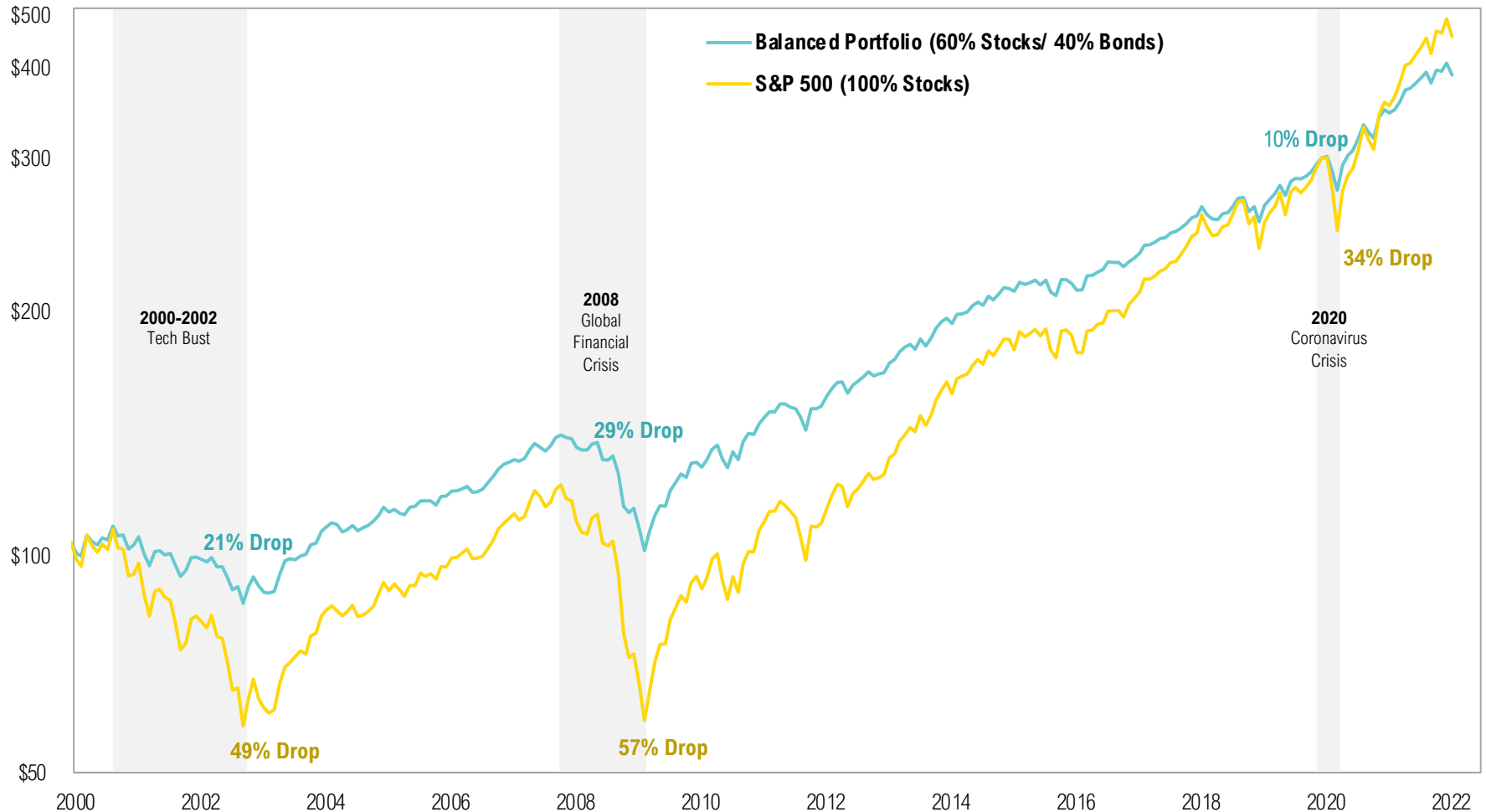
Topical Research:

The Importance of Diversification

Q2, 2022

➤ Over the past 20 years, diversified portfolios have helped reduce volatility without giving up much upside

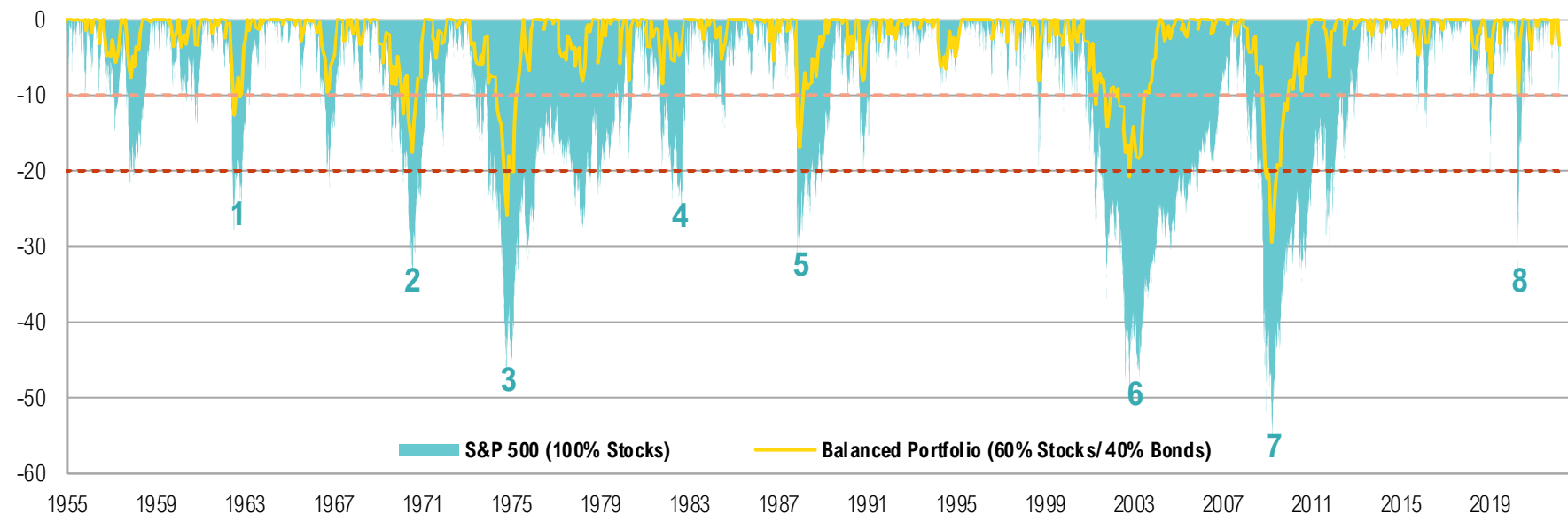
GROWTH OF \$100



Source: Bloomberg. Chart through 1/31/2022

Diversified portfolios substantially reduce the dramatic drawdowns that are possible in single asset classes

S&P 500 PRICE RETURN, DRAWDOWN %

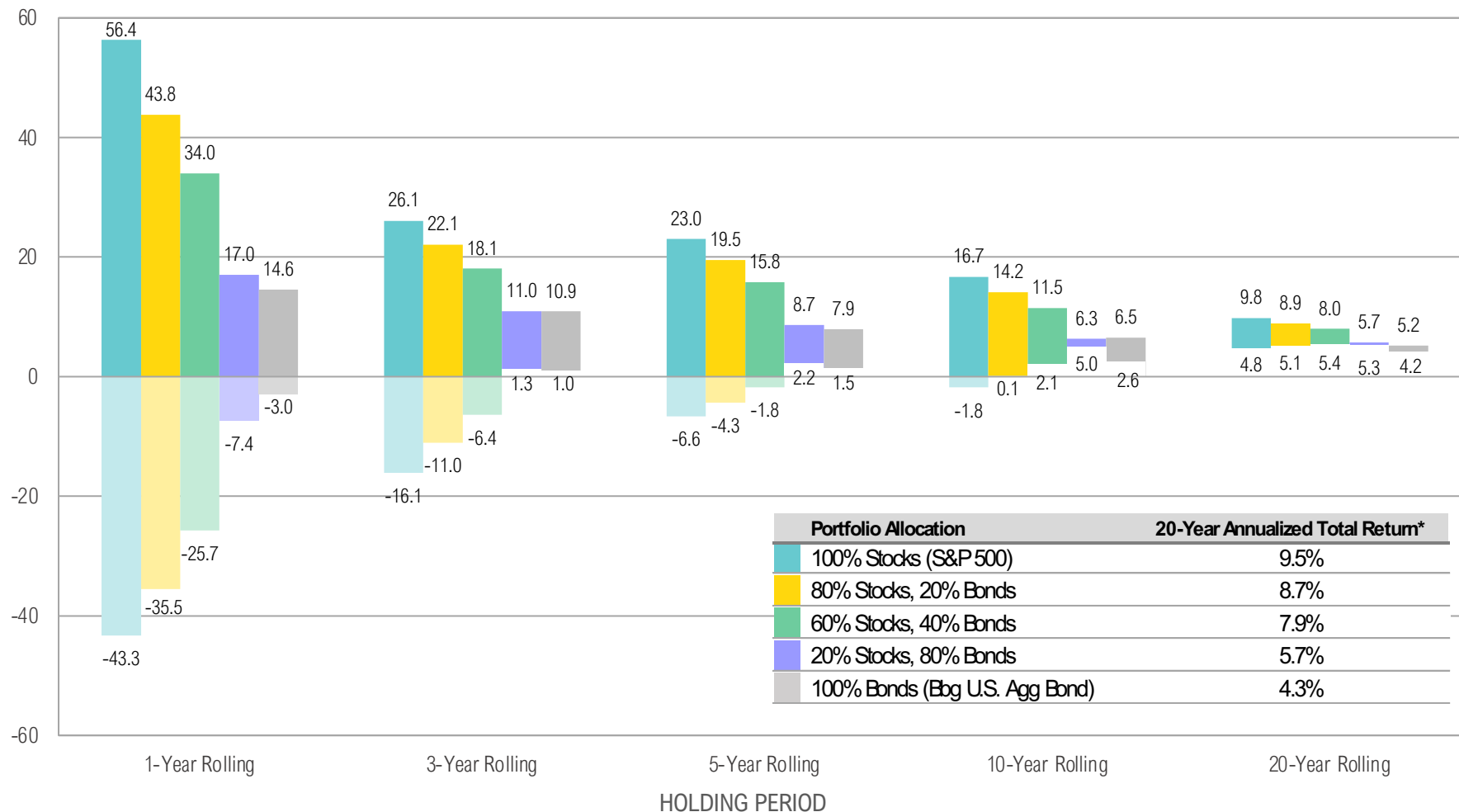


Bear Market	Market Peak	Bear Market Decline		Months to Low		Months to Recovery		Months in Drawdown	
		S&P 500	60/40	S&P 500	60/40	S&P 500	60/40	S&P 500	60/40
0 Crash of 1929 & onset of Great Depression thru Post WWII slowdown	Sep-29	-86%	-61%	34	33	267	43	301	76
1 1962 flash crash, Cuban Missile Crisis & Cold War of 1962	Dec-61	-28%	-13%	6	6	14	7	20	13
2 Crash of 1970, economic overheating & civil unrest	Nov-68	-36%	-18%	19	19	23	6	42	25
3 OPEC oil embargo & stagflation	Jan-73	-48%	-26%	21	21	70	9	91	30
4 Inflation & Volcker Fed response	Nov-80	-27%	-8%	20	10	5	2	25	12
5 1987 Crash	Aug-87	-34%	-17%	3	3	20	14	23	17
6 Tech Bubble bursting	Mar-00	-49%	-21%	25	25	56	17	81	42
7 Global Financial Crisis	Oct-07	-57%	-29%	16	16	49	20	65	36
8 Fed bubble, Coronavirus Crisis	Feb-20	-34%	-10%	1	1	4	2	5	3
Average*		-40%	-18%	14	13	30	10	44	22

Source: Bloomberg. 60/40 portfolio performance is calculated using Ibbotson 60/40 Balanced Index. S&P 500 drawdown data is daily whereas Balanced Portfolio is monthly due to limited availability of daily returns. *Excludes Crash of 1929

Diversified portfolios substantially reduce the dramatic drawdowns that are possible in single asset classes

MINIMUM & MAXIMUM ANNUALIZED TOTAL RETURNS, %



Source: Bloomberg. Period of analysis is 1/1/2000 to 12/31/2021

*20-year annualized return as at 12/31/2021

Diversification improves the investor's long-term experience by *not* trying to pick the best (or worst) asset class in any given year

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	10 Years
Ex-US REITs 40.9%	US Small Cap 38.8%	US REITs 30.4%	US REITs 2.5%	US Small Cap 21.3%	EM Stocks 37.3%	Cash 1.8%	US Large Cap 31.4%	Gold 24.2%	US REITs 43.1%	US REITs 43.1%	US Large Cap 16.5%
EM Stocks 18.2%	US Large Cap 33.1%	US Large Cap 13.2%	Muni Bonds 2.5%	Midstrm Energy 18.3%	Ex-US REITs 26.6%	Muni Bonds 1.6%	US REITs 25.8%	US Large Cap 21.0%	Midstrm Energy 40.2%	Midstrm Energy 40.2%	US Small Cap 13.2%
US REITs 17.8%	Midstrm Energy 27.6%	EM Bonds 7.4%	EM Bonds 1.2%	US High Yield 17.1%	Intl Dev Stcks 25.0%	Taxble Bonds 0.0%	US Small Cap 25.5%	US Small Cap 20.0%	Commodities 27.1%	Commodities 27.1%	US REITs 11.3%
EM Bonds 17.4%	Intl Dev Stcks 22.8%	Taxble Bonds 6.0%	US Large Cap 0.9%	US Large Cap 12.1%	US Large Cap 21.7%	Gold -1.2%	Intl Dev Stcks 22.0%	EM Stocks 18.3%	US Large Cap 26.5%	US Large Cap 26.5%	Global 60/40 8.3%
Intl Dev Stcks 17.3%	Global 60/40 12.5%	US Small Cap 4.9%	Taxble Bonds 0.6%	Commodities 11.8%	Global 60/40 17.5%	US High Yield -2.1%	Ex-US REITs 21.9%	Global 60/40 15.0%	US Small Cap 14.8%	US Small Cap 14.8%	Intl Dev Stcks 8.0%
US Large Cap 16.4%	US High Yield 7.4%	Midstrm Energy 4.8%	Cash 0.0%	EM Stocks 11.2%	US Small Cap 14.7%	Intl Dev Bnds -2.3%	Global 60/40 18.9%	Intl Dev Bnds 11.2%	Intl Dev Stcks 11.3%	Intl Dev Stcks 11.3%	Ex-US REITs 7.7%
US Small Cap 16.4%	Ex-US REITs 4.4%	Muni Bonds 4.7%	Intl Dev Stcks -0.8%	EM Bonds 10.2%	Gold 11.9%	EM Bonds -4.3%	Gold 18.8%	Intl Dev Stcks 7.8%	Global 60/40 9.1%	Global 60/40 9.1%	US High Yield 6.8%
US High Yield 15.8%	US REITs 2.5%	Ex-US REITs 3.4%	Ex-US REITs -1.8%	Gold 9.1%	Intl Dev Bnds 11.3%	US REITs -4.6%	EM Stocks 18.4%	Taxble Bonds 7.5%	Ex-US REITs 5.7%	Ex-US REITs 5.7%	EM Stocks 5.5%
Global 60/40 11.9%	Cash 0.1%	Global 60/40 3.1%	Global 60/40 -2.2%	US REITs 8.6%	EM Bonds 10.3%	US Large Cap -4.8%	EM Bonds 15.0%	US High Yield 7.1%	US High Yield 5.3%	US High Yield 5.3%	EM Bonds 5.3%
Intl Dev Bnds 8.0%	Muni Bonds -0.3%	US High Yield 2.5%	US Small Cap -4.4%	Global 60/40 6.0%	US High Yield 7.5%	Global 60/40 -5.6%	US High Yield 14.3%	EM Bonds 5.3%	Muni Bonds 0.5%	Muni Bonds 0.5%	Taxble Bonds 2.9%
Gold 5.7%	Intl Dev Bnds -1.3%	Cash 0.0%	US High Yield -4.5%	Taxble Bonds 2.7%	US REITs 5.1%	Ex-US REITs -9.4%	Taxble Bonds 8.7%	Muni Bonds 4.2%	Cash 0.0%	Cash 0.0%	Muni Bonds 2.6%
Midstrm Energy 4.8%	Taxble Bonds -2.0%	Gold -0.2%	Intl Dev Bnds -6.6%	Ex-US REITs 2.0%	Taxble Bonds 3.5%	US Small Cap -11.0%	Commodities 7.7%	Cash 0.5%	Taxble Bonds -1.5%	Taxble Bonds -1.5%	Gold 1.5%
Taxble Bonds 4.2%	EM Stocks -2.6%	Intl Dev Bnds -2.1%	Gold -11.4%	Intl Dev Bnds 1.6%	Muni Bonds 3.5%	Commodities -11.3%	Midstrm Energy 6.6%	Commodities -3.1%	EM Bonds -1.8%	EM Bonds -1.8%	Intl Dev Bnds 1.3%
Muni Bonds 3.6%	EM Bonds -5.3%	EM Stocks -2.2%	EM Stocks -14.9%	Intl Dev Stcks 1.0%	Commodities 1.7%	Midstrm Energy -12.4%	Muni Bonds 5.6%	Ex-US REITs -6.8%	EM Stocks -2.5%	EM Stocks -2.5%	Cash 0.6%
Cash 0.1%	Commodities -9.5%	Intl Dev Stcks -4.9%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Intl Dev Stcks -13.8%	Intl Dev Bnds 4.6%	US REITs -7.6%	Gold -3.8%	Gold -3.8%	Midstrm Energy -0.3%
Commodities -1.1%	Gold -27.8%	Commodities -17.0%	Midstrm Energy -32.6%	Muni Bonds -0.1%	Midstrm Energy -6.5%	EM Stocks -14.6%	Cash 2.2%	Midstrm Energy -28.7%	Intl Dev Bnds -9.5%	Intl Dev Bnds -9.5%	Commodities -2.9%

Source: Bloomberg and Morningstar. Returns are gross of fees. It is not possible to invest directly in an index.

Diversification improves the investor's long-term experience by *not* trying to pick the best (or worst) asset class in any given year

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US Small Cap 16.4%	Ex-US REITs 4.4%	Muni Bonds 4.7%	Intl Dev Stcks -0.8%	EM Bonds 10.2%	Gold 11.9%	EM Bonds -4.3%	Gold 18.8%	Intl Dev Stcks 7.8%	Global 60/40 9.1%	Global 60/40 9.1%	US High Yield 6.8%
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Global 60/40 11.9%	Cash 0.1%	Global 60/40 3.1%	Global 60/40 -2.2%	US REITs 8.6%	EM Bonds 10.3%	US Large Cap -4.8%	EM Bonds 15.0%	US High Yield 7.1%	US High Yield 5.3%	US High Yield 5.3%	EM Bonds 5.3%
Intl Dev Bnds 8.0%	Muni Bonds -0.3%	US High Yield 2.5%	US Small Cap -4.4%	Global 60/40 6.0%	US High Yield 7.5%	Global 60/40 -5.6%	US High Yield 14.3%	EM Bonds 5.3%	Muni Bonds 0.5%	Muni Bonds 0.5%	Taxble Bonds 2.9%
Gold 5.7%	Intl Dev Bnds -1.3%	Cash 0.0%	US High Yield -4.5%	Taxble Bonds 2.7%	US REITs 5.1%	Ex-US REITs -9.4%	Taxble Bonds 8.7%	Muni Bonds 4.2%	Cash 0.0%	Cash 0.0%	Muni Bonds 2.6%
Midstrm Energy 4.8%	Taxble Bonds -2.0%	Gold -0.2%	Intl Dev Bnds -6.6%	Ex-US REITs 2.0%	Taxble Bonds 3.5%	US Small Cap -11.0%	Commodities 7.7%	Cash 0.5%	Taxble Bonds -1.5%	Taxble Bonds -1.5%	Gold 1.5%
Taxble Bonds 4.2%	EM Stocks -2.6%	Intl Dev Bnds -2.1%	Gold -11.4%	Intl Dev Bnds 1.6%	Muni Bonds 3.5%	Commodities -11.3%	Midstrm Energy 6.6%	Commodities -3.1%	EM Bonds -1.8%	EM Bonds -1.8%	Intl Dev Bnds 1.3%
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