

True Diversification: A Balanced Approach

Annual Asset Class Returns (%)

Highest



Lowest

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

Source: Wilshire CompassSM

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.*

