



Wealth Strategies Team

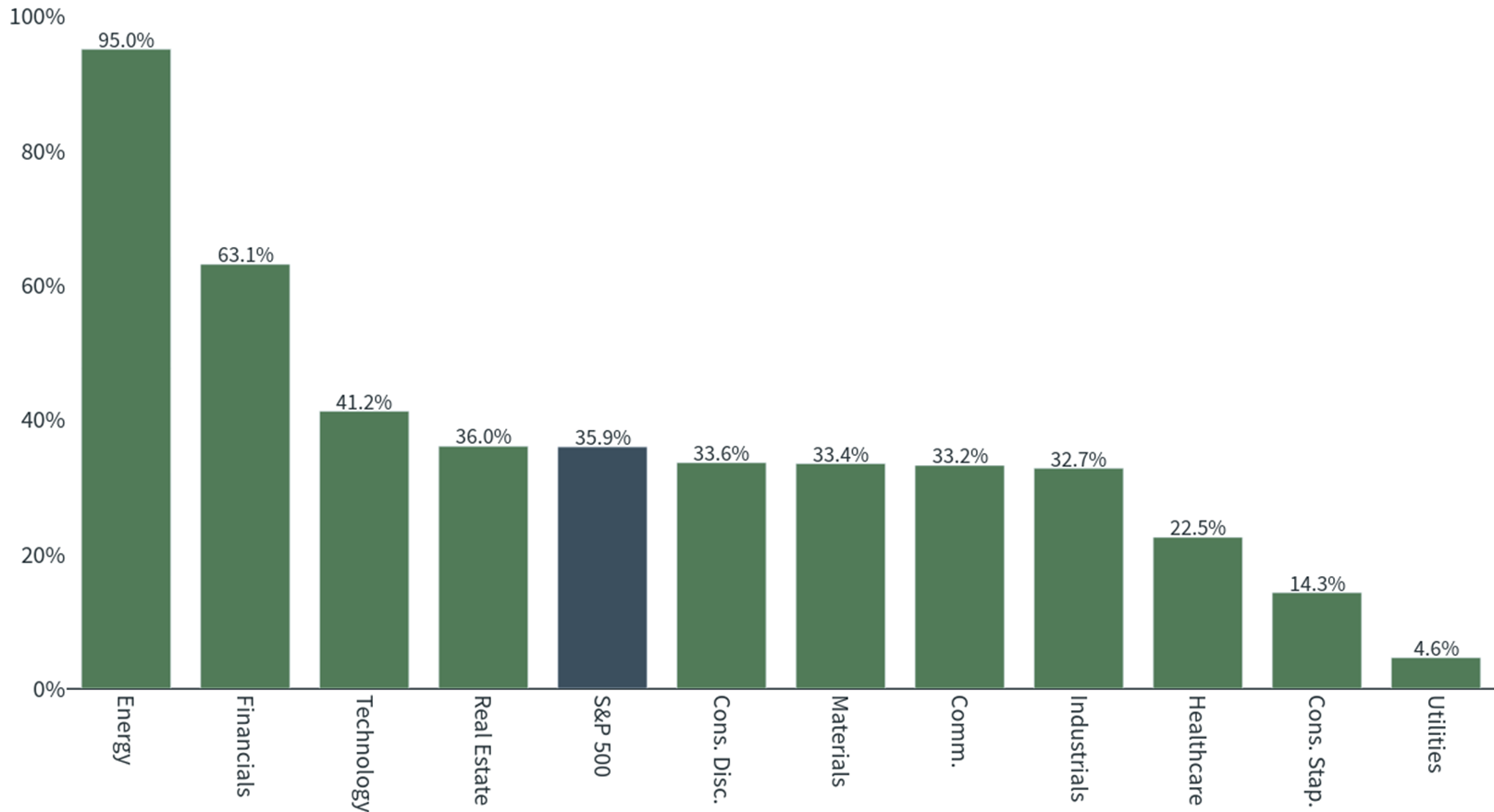
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Diversifying in a Changing World- Chartbook

Cliff Jarvis | Investment Advisor | November 5, 2021

Sector Returns – Year Over Year

S&P 500 Sectors

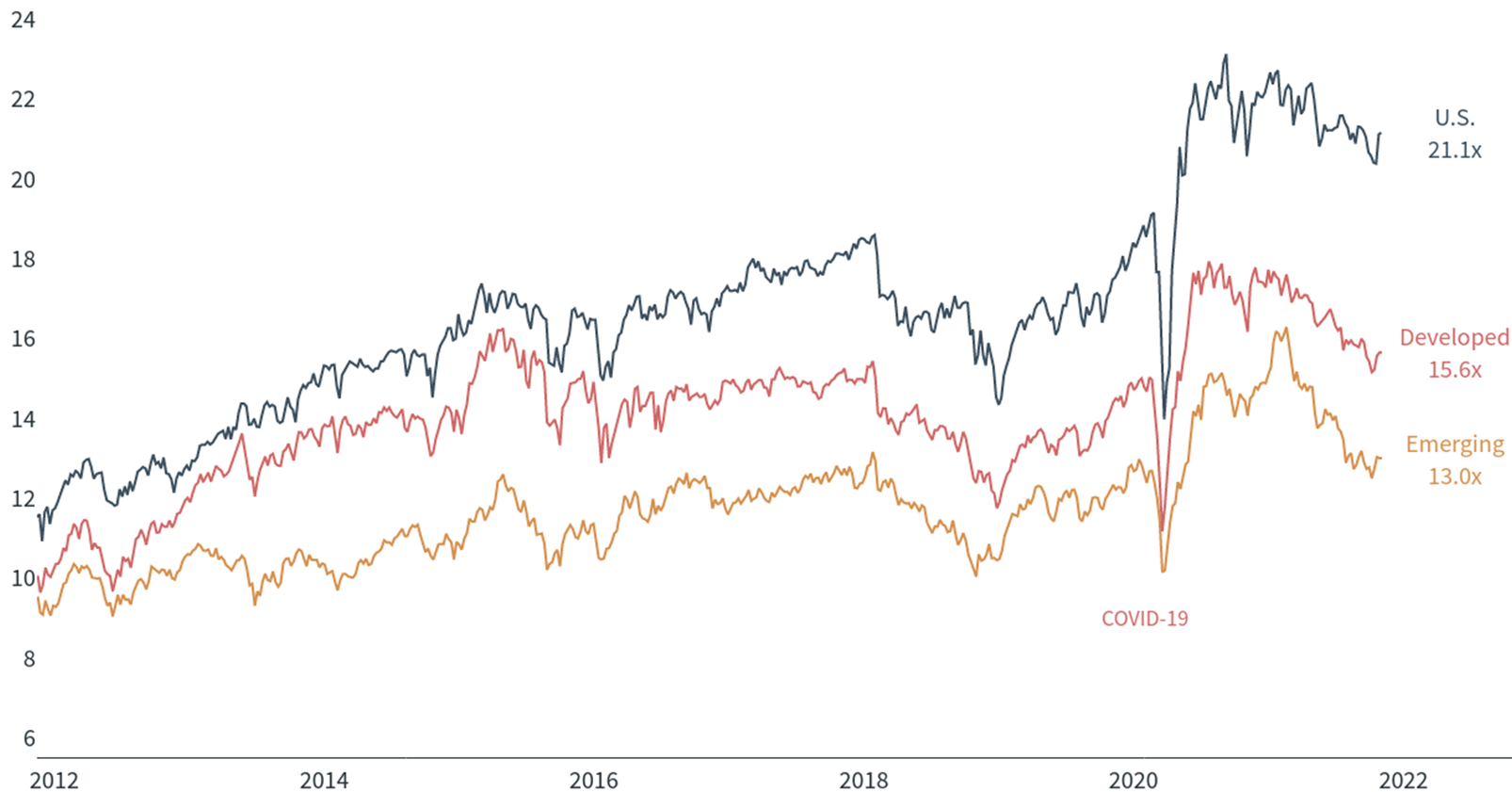


- Stock market sectors have seen divergent performance this cycle.
- Technology-driven sectors initially led the pack but commodity-sensitive, consumer and rate-sensitive sectors have risen more recently.
- Most investors should continue to benefit from broad diversification across sectors and industries as the world heals.

Source: Standard & Poor's

Global Equity Valuations

Forward P/E Ratios for the S&P 500, MSCI EAFE and MSCI EM



- Major stock market indices have taken very different trajectories over the past decade due to differences in growth.
- The U.S. market has risen dramatically, elevating its valuations to near-historic levels.
- International stocks, on the hand, are still cheaper in relative terms across both the developed and emerging world.

Latest data point is Nov 2, 2021

Source: Standard & Poor's, MSCI, Refinitiv

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Asset Allocation Performance

Total returns of hypothetical stock/bond portfolios during the COVID market crash using the S&P 500 and iShares Core U.S. Bond indices, before expenses and fees



- Diversified portfolios performed well and recovered more quickly during the COVID-19 market crash.
- This has been true across many other periods despite low interest rates.

Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S.

Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg Barclays bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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