



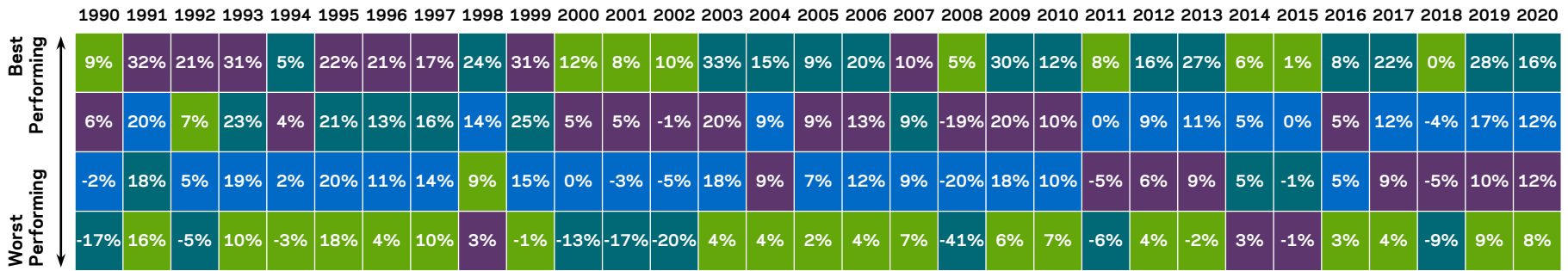
Investor Insights

# Should You Expect Good Strategies To Go Through Tough Times?

All parts of a diversified portfolio can add value over the long run, but all go through unpredictable, shorter periods of disappointment.

## Calendar Year Performance

January 1, 1990 - December 31, 2020



### Stocks

### Bonds

### Alternatives

### Diversified Portfolio

Long-Term Avg. Return	8.0%
Risk*	15.1%
Worst Performer Years	8

Long-Term Avg. Return	5.9%
Risk*	3.6%
Worst Performer Years	20

Long-Term Avg. Return	9.3%
Risk*	6.8%
Worst Performer Years	3

Long-Term Avg. Return	7.4%
Risk*	7.4%
<b>Worst Performer Years</b>	<b>0</b>

The future is unknown. Diversification can be an effective strategy against uncertainty and the inevitable underperformance of one individual strategy.

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 **Diversified Portfolio** is 40% Stocks, 40% Bonds, 20% Alternatives.

The portfolio shown is intended for informational purposes and does 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).

"Good Strategies" are defined as having a positive long-term avg. return. Long-term avg. return measured over the full period of the data (01/01/1990 - 12/31/2020). 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. Portfolio was rebalanced monthly. **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 Diversified Portfolio weighting (40/40/20 Stock/Bond/Alternatives):** In order to demonstrate the risk reduction potential of alternatives, equities was chosen as the funding source from a traditional 60/40 stock/bond portfolio. 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 the 60/40 portfolio as well as two alternate allocations, 45/40/15 (less alternatives) and 35/40/25 (more alternatives), to illustrate the sensitivity of the return and risk results.

### Summary Results for Varying Portfolio Allocations:

January 1, 1990 - December 31, 2020

Allocation (Stocks/Bonds/Alternatives)	Average Total Return (Annualized)	Risk
60/40	7.13%	9.28%
40/40/20	7.40%	7.41%
45/40/15	7.34%	7.86%
35/40/25	7.47%	6.96%

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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