

Periodic Table of Asset Class Returns

Demonstrating the Importance of Portfolio Diversification

Canadian investors, similar to most investors around the world, tend to have a “home bias,” meaning they generally invest a large portion of their portfolio in domestic markets. Investing globally, however, can help reduce the overall risk of your portfolio and, at the same time, offer increased opportunities for returns. By limiting your investment universe to Canada you may actually be increasing your portfolio’s risk profile, versus diversifying globally across asset classes.

The Periodic Table of Asset Class Returns ranks performance – from 2007 to 2016 – of select asset class returns as measured by global market indices. It clearly demonstrates, for example, why a portfolio invested primarily in Canadian large-cap stocks can be at a disadvantage. Canadian large-cap returns – and small-cap returns for that matter – both outperformed and underperformed other global market indices over this period. Further, Canadian-focused portfolios may be missing out on certain global sector investment opportunities that are not available through investing only in Canada. That being said, asset class returns can vary from one calendar year to another, making timing investment in top performing asset classes each year a difficult task.

As the Periodic Table of Asset Class Returns demonstrates, your portfolio should be well-diversified amongst global asset classes to enhance return and reduce risk.

To discuss the value of diversification, please contact your BMO Nesbitt Burns Investment Advisor – who has access to a range of investment opportunities across global asset classes.

Periodic Table of Asset Class Returns

Annual returns for various asset classes – ranked in order of performance (from best to worst) – from 2007 to 2016 (CAD)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Best	Emerging Markets Equities 18.5	Global Bonds 31.1	Canadian Small Cap 62.4	Canadian Small Cap 35.1	Canadian Bonds 9.7	Emerging Markets Equities 16.0	U.S. Small Cap 48.1	U.S. Large Cap 23.9	U.S. Large Cap 21.6	Canadian Small Cap 38.5
	Canadian Large Cap 9.8	Canadian Bonds 6.4	Emerging Markets Equities 52.0	U.S. Small Cap 20.2	Global Bonds 8.3	International Equities 15.3	U.S. Large Cap 41.3	U.S. Small Cap 14.3	International Equities 19.5	Canadian Large Cap 21.1
	Canadian Bonds 3.7	U.S. Small Cap 17.2	Canadian Large Cap 35.1	Canadian Large Cap 17.6	U.S. Large Cap 4.6	U.S. Small Cap 13.8	International Equities 31.6	Canadian Large Cap 10.6	Global Bonds 16.2	U.S. Small Cap 17.1
	Canadian Small Cap 0.9	U.S. Large Cap 21.2	International Equities 12.5	Emerging Markets Equities 13.0	U.S. Small Cap 1.8	U.S. Large Cap 13.4	Canadian Large Cap 13.0	Global Bonds 9.7	U.S. Small Cap 14.6	U.S. Large Cap 8.1
	International Equities -5.3	International Equities 28.8	U.S. Small Cap 8.0	U.S. Large Cap 9.1	Canadian Large Cap 8.7	Canadian Large Cap 7.2	Canadian Small Cap 7.6	Canadian Bonds 8.8	Canadian Bonds 3.5	Emerging Markets Equities 7.7
	Global Bonds 7.1	Canadian Large Cap 33.0	U.S. Large Cap 7.4	Canadian Bonds 6.7	International Equities 9.5	Canadian Bonds 3.6	Emerging Markets Equities 4.3	Emerging Markets Equities 7.0	Emerging Markets Equities 2.4	Canadian Bonds 1.6
	U.S. Large Cap 10.5	Emerging Markets Equities -41.4	Canadian Bonds 5.4	International Equities 2.6	Emerging Markets Equities 16.1	Global Bonds 2.0	Global Bonds 3.9	International Equities 4.1	Canadian Large Cap 8.3	International Equities 2.0
Worst	U.S. Small Cap 16.5	Canadian Small Cap -45.5	Global Bonds 9.2	Global Bonds 0.0	Canadian Small Cap 16.4	Canadian Small Cap 2.2	Canadian Bonds 1.2	Canadian Small Cap 2.3	Canadian Small Cap 13.3	Global Bonds 1.4

Indices

U.S. Large Cap - S&P 500 Index

U.S. Small Cap - Russell 2000 Index

International Equities - MSCI EAFE Index

Emerging Markets Equities - MSCI Emerging Markets Index

Canadian Large Cap - S&P/TSX Composite Index

Canadian Small Cap - S&P/TSX Small Cap Index

Canadian Bonds - FTSE TMX Universe Bond Index

Global Bonds - Barclays Global Aggregate Bond Index



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