

One Of The Original Asset Allocation Models

4 Major Asset Classes - Top Annual Returns

Equity REITs		S&P 500		Long-Term Gov't Bonds		Gold (per oz)	
Year	Return	Year	Return	Year	Return	Year	Return
1987	20.12%	1995	37.43%	2003	37.13%	2011	28.23%
1988	16.81%	1996	35.27%	2004	31.58%	2012	19.70%
1989	31.49%	1997	33.36%	2005	18.36%	2013	32.39%
1990	6.18%	1998	28.58%	2006	35.06%	2014	28.03%
1991	35.70%	1999	21.04%	2007	31.35%	2015	2.83%
1992	14.59%	2000	26.37%	2008	25.87%	2016	11.96%
1993	19.65%	2001	13.93%	2009	27.99%	2017	21.83%
1994	3.17%	2002	24.80%	2010	29.67%	2018	-0.57%

Source: Ibbotson Associates/Morningstar, Bloomberg and Nareit. Returns are total returns except Gold, which is price-only return. Past performance is no guarantee of future results.

View from the Observation Deck

1. An ongoing request we get from investors is to see our latest asset allocation ideas. As one might imagine, the possibilities seem almost endless.
2. The explosion of new investment products in recent years, particularly in the ETF space, allows investors to diversify over a much broader spectrum of opportunities, in our opinion.
3. Today, we would like to take investors back to a simpler time when the focus tended to be on just four major asset classes: stocks, government bonds, real estate and gold.
4. One of the primary goals in employing asset allocation is that it can potentially help investors manage risk more effectively.
5. Many investors may still be apprehensive about assuming market risk considering we have endured two punishing bear markets in stocks since 2000.
6. The simple takeaway from the chart is that, with the exception of 2018, at least one of the four major asset classes featured managed to post a positive return in 31 of the past 32 years.
7. From 1987 through 2018, on annual basis, the price of gold bullion was down 14 times, while Long-Term Government Bonds, Equity REITs and the S&P 500 Index were down 8 times, 7 times and 6 times, respectively.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance. The FTSE NAREIT Equity REITs Index is a free float adjusted market capitalization-weighted index that includes all tax qualified REITs listed on the major U.S. exchanges. Gold bullion price obtained from COMEX (Commodity Exchange) gold futures. The Ibbotson Associates SBBI U.S. Long-Term Government Bond Index is an unmanaged index representing the U.S. long-term government bond market.

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