

# Why diversification makes sense long term

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Return	Std Dev
TIPS 13.6%	EM 18.2%	US Sm Cap 38.8%	US REITs 30.3%	US REITs 2.5%	US Sm Cap 21.3%	EM 37.3%	T-bills 1.9%	US Lg Cap 31.5%	US Sm Cap 20.0%	US Lg Cap 13.9%	EM 18.4%
US REITs 8.5%	US REITs 18.0%	US Lg Cap 32.4%	US Lg Cap 13.7%	US Lg Cap 1.4%	High Yield Bond 16.6%	Int'l Dev 25.0%	Core Bonds 0.0%	US Sm Cap 25.5%	US Lg Cap 18.4%	US Sm Cap 11.2%	Comm. 17.9%
Core Bonds 7.8%	EM Bonds 17.9%	Int'l Dev 22.8%	Core Bonds 6.0%	EM Bonds 1.3%	US Lg Cap 12.0%	US Lg Cap 21.8%	TIPS -1.3%	US REITs 24.4%	EM 18.3%	US REITs 8.2%	US Sm Cap 15.6%
EM Bonds 7.0%	Int'l Dev 17.3%	Diversified 13.9%	US Sm Cap 4.9%	Core Bonds 0.5%	Comm. 11.4%	Diversified 16.8%	Int'l Dev Bonds -2.1%	Int'l Dev 22.0%	TIPS 11.0%	Diversified 7.1%	Int'l Dev 14.7%
High Yield Bond 6.1%	US Sm Cap 16.3%	High Yield Bond 6.6%	EM Bonds 4.8%	T-bills 0.0%	EM 11.2%	US Sm Cap 14.6%	EM Bonds -2.5%	Diversified 19.5%	Diversified 10.5%	High Yield Bond 6.5%	US Lg Cap 12.3%
Int'l Dev Bonds 4.4%	US Lg Cap 16.0%	US REITs 2.4%	TIPS 3.6%	Int'l Dev -0.8%	EM Bonds 9.9%	Int'l Dev Bonds 10.5%	High Yield Bond -2.6%	EM 18.4%	Int'l Dev Bonds 10.1%	EM Bonds 6.0%	US REITs 12.1%
US Lg Cap 2.1%	High Yield Bond 15.4%	T-bills 0.1%	Diversified 3.2%	TIPS -1.4%	Diversified 8.7%	EM Bonds 8.2%	US REITs -3.8%	Comm. 17.6%	Int'l Dev 7.8%	Int'l Dev 5.5%	Diversified 9.2%
T-bills 0.1%	Diversified 14.1%	Comm. -1.2%	High Yield Bond 2.1%	Diversified -2.3%	US REITs 8.5%	High Yield Bond 6.8%	US Lg Cap -4.4%	High Yield Bond 15.3%	Core Bonds 7.5%	Core Bonds 3.8%	High Yield Bond 7.4%
Comm. -1.2%	TIPS 7.0%	Core Bonds -2.0%	T-bills 0.0%	US Sm Cap -4.4%	TIPS 4.7%	Comm. 5.8%	Diversified -7.2%	EM Bonds 13.1%	EM Bonds 6.5%	TIPS 3.8%	EM Bonds 6.8%
Diversified -2.5%	Core Bonds 4.2%	EM -2.6%	EM -2.2%	High Yield Bond -5.3%	Core Bonds 2.6%	US REITs 4.3%	US Sm Cap -11.0%	Core Bonds 8.7%	High Yield Bond 5.9%	EM 3.6%	TIPS 6.6%
US Sm Cap -4.2%	Int'l Dev Bonds 4.1%	Int'l Dev Bonds -3.1%	Int'l Dev Bonds -3.1%	Int'l Dev Bonds -6.0%	Int'l Dev Bonds 1.5%	Core Bonds 3.5%	Int'l Dev -13.8%	TIPS 8.4%	T-bills 0.6%	Int'l Dev Bonds 2.0%	Int'l Dev Bonds 5.7%
Int'l Dev -12.1%	Comm. 0.1%	EM Bonds -4.1%	Int'l Dev -4.9%	EM -14.9%	Int'l Dev 1.0%	TIPS 3.0%	Comm. -13.8%	Int'l Dev Bonds 5.1%	US REITs -7.5%	T-bills 0.6%	Core Bonds 3.6%
EM -18.4%	T-bills 0.1%	TIPS -8.6%	Comm. -33.1%	Comm. -32.9%	T-bills 0.3%	T-bills 0.8%	EM -14.6%	T-bills 2.3%	Comm. -23.7%	Comm. -8.8%	T-bills 0.8%

Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. Data is from January 1, 2011, to December 31, 2020. Asset class performance is represented by annual total returns for the following indexes: S&P 500® Index (U.S. Large-Cap), Russell 2000® Index (U.S. Small-Cap), MSCI EAFE® Index -Net of Taxes (Int'l Dev), MSCI Emerging Markets IndexSM (EM), S&P US REIT Index (US REITs), S&P GSCI® (Comm.), Bloomberg US Treasury Inflation-Linked Bond Index (TIPS), Bloomberg US Aggregate Bond Index (Core Bonds), Bloomberg VLI High Yield Bond Index (High Yield Bonds), Bloomberg Emerging Markets USD Aggregate Bond Index (EM Bonds), Bloomberg Global Aggregate Ex-US Bond Index (Int'l Dev Bonds), FTSE U.S. 3-month Treasury Bill Index (T-Bills). Returns assume reinvestment of dividends, interest, and capital gains. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. For additional information, please see Schwab.com/IndexDefinitions. **Past performance is no guarantee of future results.**

**Diversification strategies do not ensure a profit and do not protect against losses in declining markets.**

# Disclosures

**Investing involves risk, including loss of principal.** The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

Small-cap stocks are subject to greater volatility than those in other asset categories.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed-income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk.

Treasury Inflation Protected Securities (TIPS) are inflation-linked securities issued by the US Government whose principal value is adjusted periodically in accordance with the rise and fall in the inflation rate. Thus, the dividend amount payable is also impacted by variations in the inflation rate, as it is based upon the principal value of the bond. It may fluctuate up or down. Repayment at maturity is guaranteed by the US Government and may be adjusted for inflation to become the greater of the original face amount at issuance or that face amount plus an adjustment for inflation.

International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, geopolitical risk, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks.

Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

Performance may be affected by risks associated with investments in specific countries or sectors. Additional risks may also include, but are not limited to, investments in foreign securities, especially emerging markets, real estate investment trusts (REITs), commodities, fixed income and small capitalization securities. Each individual investor should consider these risks carefully before investing in a particular security or strategy.

Real Estate Investment Trusts (REITs) Risks of the REITs are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit worthiness of the issuer. Small cap stocks are subject to greater volatility than those in other asset categories.

Data contained herein from third party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed. Supporting documentation for any claims or statistical information is available upon request.

Standard deviation is a statistical measure that calculates the degree to which returns have fluctuated over a given time period. A higher standard deviation indicates a higher level of variability in returns.

The diversified portfolio is a hypothetical portfolio consisting of 18% S&P 500, 10% Russell 2000, 3% S&P U.S. REIT, 12% MSCI EAFE, 8% MSCI EAFE Small Cap, 8% MSCI EM, 2% S&P Global Ex-U.S. REIT, 1% Bloomberg U.S. Treasury 3-7 Yr, 1% Bloomberg US Agency, 6% Bloomberg US Securitized, 2% Bloomberg U.S. Credit, 4% Bloomberg Global Agg Ex-USD, 9% Bloomberg VLI High Yield, 6% Bloomberg EM Aggregate, 2% S&P GCSI Precious Metals, 1% S&P GSCI Energy, 1% S&P GSCI Industrial Metals, 1% S&P GSCI Agricultural, 5% Bloomberg U.S. Short Treasury 1-3 Mo. Including fees and expenses in the diversified portfolio would lower returns. The portfolio is rebalanced annually.

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