

# The benefits of diversification

TD Asset Management Inc. (TDAM) believes that investing in a diversified portfolio may help provide an investor with more stable returns during times of market volatility compared to investing solely in a single asset class. Chasing the best-performing asset class of the previous year may not guarantee success in the current year. The table below illustrates how a diversified portfolio (in green)<sup>1</sup> has often delivered a steadier performance over the last 10 years, while other single asset classes<sup>2</sup> have experienced larger fluctuations.

High

Return

Low

| 2015                                 | 2016                                 | 2017                                  | 2018                                  | 2019                                  | 2020                                  | 2021                                  | 2022                                   | 2023                                 | 2024                                  |
|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|--------------------------------------|---------------------------------------|
| 26.9%<br>Low Volatility<br>Equities  | 21.1%<br>Canadian<br>Equities        | 28.7%<br>Emerging<br>Markets Equities | 7.5%<br>Low Volatility<br>Equities    | 24.8%<br>U.S.<br>Equities             | 16.6%<br>Emerging<br>Markets Equities | 27.6%<br>U.S.<br>Equities             | 1.7%<br>Average 1 Year<br>GIC Rate     | 22.9%<br>U.S.<br>Equities            | 36.4%<br>U.S.<br>Equities             |
| 21.6%<br>U.S.<br>Equities            | 13.4%<br>High Yield<br>Bonds         | 15.2%<br>International<br>Equities    | 6.5%<br>High Yield<br>Bonds           | 22.9%<br>Canadian<br>Equities         | 16.3%<br>U.S.<br>Equities             | 25.1%<br>Canadian<br>Equities         | -2.7%<br>Low Volatility<br>Equities    | 21.4%<br>International<br>Equities   | 21.6%<br>Canadian<br>Equities         |
| 20.7%<br>International<br>Equities   | 8.1%<br>U.S.<br>Equities             | 13.8%<br>U.S.<br>Equities             | 4.2%<br>U.S.<br>Equities              | 21.9%<br>International<br>Equities    | 14.8%<br>International<br>Equities    | 21.2%<br>International<br>Equities    | -4.8%<br>High Yield<br>Bonds           | 13.5%<br>Diversified<br>Portfolio    | 21.6%<br>Low Volatility<br>Equities   |
| 14.4%<br>High Yield<br>Bonds         | 7.7%<br>Emerging<br>Markets Equities | 10.3%<br>Low Volatility<br>Equities   | 1.4%<br>Canadian<br>Bonds             | 17.7%<br>Low Volatility<br>Equities   | 11.0%<br>Diversified<br>Portfolio     | 13.9%<br>Low Volatility<br>Equities   | -5.8%<br>Canadian<br>Equities          | 11.8%<br>Canadian<br>Equities        | 18.0%<br>High Yield<br>Bonds          |
| 7.7%<br>Diversified<br>Portfolio     | 6.4%<br>Diversified<br>Portfolio     | 9.1%<br>Canadian<br>Equities          | 0.9%<br>Average 1 Year<br>GIC Rate    | 16.0%<br>Diversified<br>Portfolio     | 8.7%<br>Canadian<br>Bonds             | 11.9%<br>Diversified<br>Portfolio     | -10.5%<br>Diversified<br>Portfolio     | 10.4%<br>High Yield<br>Bonds         | 17.9%<br>Emerging<br>Markets Equities |
| 3.5%<br>Canadian<br>Bonds            | 4.4%<br>Low Volatility<br>Equities   | 8.9%<br>Diversified<br>Portfolio      | 0.4%<br>International<br>Equities     | 12.9%<br>Emerging<br>Markets Equities | 5.6%<br>Canadian<br>Equities          | 4.5%<br>High Yield<br>Bonds           | -11.7%<br>Canadian<br>Bonds            | 7.3%<br>Emerging<br>Markets Equities | 17.7%<br>Diversified<br>Portfolio     |
| 2.4%<br>Emerging<br>Markets Equities | 3.9%<br>International<br>Equities    | 2.5%<br>Canadian<br>Bonds             | -1.0%<br>Diversified<br>Portfolio     | 8.6%<br>High Yield<br>Bonds           | 4.3%<br>High Yield<br>Bonds           | 0.3%<br>Average 1 Year<br>GIC Rate    | -12.0%<br>International<br>Equities    | 6.7%<br>Canadian<br>Bonds            | 13.8%<br>International<br>Equities    |
| 0.8%<br>Average 1 Year<br>GIC Rate   | 1.7%<br>Canadian<br>Bonds            | 0.7%<br>Average 1 Year<br>GIC Rate    | -6.5%<br>Emerging<br>Markets Equities | 6.9%<br>Canadian<br>Bonds             | 1.4%<br>Low Volatility<br>Equities    | -2.5%<br>Canadian<br>Bonds            | -12.2%<br>U.S.<br>Equities             | 5.2%<br>Low Volatility<br>Equities   | 4.2%<br>Canadian<br>Bonds             |
| -8.3%<br>Canadian<br>Equities        | 0.8%<br>Average 1 Year<br>GIC Rate   | 0.4%<br>High Yield<br>Bonds           | -8.9%<br>Canadian<br>Equities         | 1.3%<br>Average 1 Year<br>GIC Rate    | 0.7%<br>Average 1 Year<br>GIC Rate    | -3.1%<br>Emerging<br>Markets Equities | -13.9%<br>Emerging<br>Markets Equities | 4.0%<br>Average 1 Year<br>GIC Rate   | 4.0%<br>Average 1 Year<br>GIC Rate    |

Source: TD Asset Management Inc., Morningstar®, December 31, 2024.

<sup>1</sup>The Diversified Portfolio is made up of 40% FTSE Canada Universe Bond Index, 20% S&P/TSX Composite Total Return Index, and 40% MSCI World ex Canada Index GD - C\$. FTSE Canada Universe Bond Index measures the performance of fixed-rate, investment grade domestic government and corporate bonds denominated in Canadian dollars with a minimum time to maturity of one year. Coupons are reinvested and the index is rebalanced daily. S&P/TSX Composite Total Return Index is the principal broad market measure for Canadian equity markets, while MSCI World ex Canada Index GD - C\$ captures large, mid and small cap representation across global equities outside of Canada including developed and emerging markets. For these equity indexes, dividends are reinvested daily back into the indexes rather than individual securities, and the indexes aim to rebalance quarterly. The returns stated above do not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower.

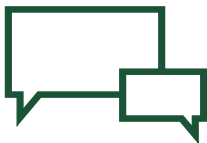
<sup>2</sup>U.S. Equities are represented by the S&P 500 Total Return Index C\$, Canadian Equities are represented by the S&P/TSX Composite Total Return Index, Low Volatility Equities are represented by the MSCI World Minimum Volatility Index C\$, International Equities are represented by the MSCI World ex Canada Index GD - C\$, Emerging Markets Equities are represented by the MSCI Emerging Markets Total Return Index Gross Dividend C\$, Canadian Bonds are represented by the FTSE Canada Universe Bond Index and the High Yield Bonds are represented by the ICE BofA Merrill Lynch U.S. High Yield Master II Index C\$. Average 1 Year GIC Rate is represented by the Morningstar index of annualized returns over a 10-year period of the average interest rate of a 1 Year GIC.

# Diversification in Action: Key Takeaways

Spreading a portfolio across a number of asset classes and geographic regions can help reduce overall portfolio risk

Diversification may also give your portfolio a built-in ability to potentially benefit from each year’s best performers

A diversified portfolio can provide lower levels of volatility and higher risk-adjusted rates of return



For more information, please speak with your **investment professional**.



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