



WERNER FINANCIAL
CUSTOMIZED INVESTMENT SOLUTIONS

DIVERSIFICATION OVER TIME



Diversification is an investment strategy that involves investing in a variety of different asset classes to reduce risk. Diversification involves holding a range of assets with varying performances over time, without over investing in any sector. This strategy helps protect against significant losses that could result from a concentrated portfolio. For stock investing, a diversified portfolio would include 20-30 (or more) different stocks from various industries. However, a diversified portfolio could also consist of other assets such as Bonds, Real Estate, Commodities, Mutual Funds/ETFs, Cash/ Cash equivalents and Alternative Investments. As you can see in the chart below, different assets and/or sectors perform differently in any given year. Diversification will allow an investor to avoid being over allocated or concentrated in an underperforming sector over a specific time period.

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Return	Std Dev
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 REITs 43.1%	US Lg Cap 16.6%	Comm. 23.4%
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%	Comm. 40.4%	US Sm Cap 13.2%	EM 16.8%
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 Lg Cap 28.7%	US REITs 11.2%	US REITs 16.2%
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%	US Sm Cap 14.8%	Diversified 8.5%	US Sm Cap 14.5%
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%	Int'l Dev 11.3%	Int'l Dev 8.0%	Int'l Dev 13.2%
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%	Diversified 11.1%	High Yield Bond 6.3%	US Lg Cap 12.2%
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%	TIPS 6.0%	EM 5.5%	Diversified 8.5%
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%	High Yield Bond 4.5%	EM Bonds 5.1%	High Yield Bond 7.5%
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%	T-Bills 0.0%	TIPS 3.1%	EM Bonds 7.2%
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%	Core Bonds -1.5%	Core Bonds 2.9%	Int'l Dev Bonds 6.3%
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%	EM Bonds -1.7%	Int'l Dev Bonds 0.8%	TIPS 5.7%
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%	EM -2.5%	T-Bills 0.6%	Core Bonds 3.7%
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%	Int'l Dev Bonds -7.0%	Comm. -5.5%	T-Bills 0.8%

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