

INVESTMENT PERSPECTIVES

May 2017

In April, The Vanguard Group published a report that included some important information about the importance of comprehensive investment diversification. Here is a brief summary of some of the key points discussed in that report. The full report may be viewed at www.vanguard.com The report is titled, "Vanguard's Principles For Investment Success."

- ▶ While investment diversification does not insure against investment loss, diversification is a powerful strategy for managing investment risk. An undiversified portfolio has a greater potential to suffer catastrophic losses.
- ▶ Market leadership whether it is in the bond market or the stock market changes often. As a result it is important to consider diversifying between stocks and bonds and between various segments of the market; such as, government bonds and corporate bonds, large-capitalization equity investments, mid-capitalization equity investments and small-capitalization equity investments - between value investments, blended investments and growth investments.
- ▶ Owning a portfolio of investments with at least some exposure to many or all key market components seeks to provide an investor of some participation in stronger segments of the market while aiming to reduce the impact of weaker segments of the market.
- ▶ Investment diversification can be a powerful tool in working towards your goal of investment success. A portfolio's diversification will determine a large portion of its return and the majority of its volatility risk. Broad diversification reduces a portfolio's exposure to specific risks while providing the opportunity to benefit from the markets' current leaders.

Additional information about investment diversification may be found on this website under the tab titled, "Advisory Mutual Funds" and the "Morningstar Reports" for Individual Clients.

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