

# Best-Performing Asset Classes

According to Yale University's Crash Confidence Index, only about 40% of investors are confident the stock market will not crash sometime during the next six months.<sup>1</sup>

If fear leads investors to avoid the entire investment class, they may limit their potential returns. For example, for most of the 10-year period ended 2023, stocks outperformed both cash and the 10-year treasury. Cash pulled ahead twice, once in 2018 and again in 2022. The 10-year treasury pulled ahead only once, in 2015.<sup>2</sup>

But the stock market is volatile. Between February 12, 2020, and March 23, 2020, the Dow lost 37% of its value due to the onset of the COVID-19 pandemic. Fortunately, recovery was swift, and by November 2020, US markets had returned to their pre-pandemic highs.<sup>3</sup>

If the impulse to be safe keeps investors out of the stock market, it may also keep them from taking advantage of the potential returns the stock market has to offer.

A sound investing strategy considers short-term volatility without losing sight of long-term objectives.

A sound strategy can involve diversifying capital between different classes of investments. That way, under-performance in one type of asset may be offset by the performance of another.

Bear in mind, though, that diversification and asset allocation are approaches to help manage investment risk. They do not eliminate the risk of loss if a security price declines. The asset class that performs best one year may not do so the next. Diversifying your holdings among several different investment types and understanding that asset classes can move in and out of favor may help you manage the risk in your investment portfolio.

## Changing Lead

The asset class that performs best one year doesn't necessarily do so the next.<sup>2</sup>

1. Yale University, 2024

2. PortfolioVisualizer, 2024. Cash is represented by 3-month Treasury Bills. 10-Year Treasury Bond is represented by data from the Federal Reserve Economic Data. Stocks are represented by the Vanguard Total Stock Market Index Fund, which is an unmanaged fund that is generally considered representative of the U.S. stock market. Index performance is not indicative of past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. *Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.*

3. Finance.Yahoo.com, 2024

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