

# Alternating market leadership is a challenge for investors

Leaders in one year could be losers the next year.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
SCV 14.02%	AGG 10.25%	SCG 48.54%	SCV 22.25%	IE 13.54%	IE 26.34%	LCG 11.81%	AGG 5.24%	Converts 49.13%	SCG 29.09%	AGG 7.84%	SCV 18.05%	SCG 43.30%	LCC 13.69%	LCG 5.67%	SCV 31.74%	LCG 30.21%	Cash 1.87%	LCG 36.39%	Converts 46.22%
AGG 8.44%	Cash 1.78%	SCV 46.03%	IE 20.25%	MCC 12.65%	SCV 23.48%	IE 11.17%	Cash 2.06%	MCC 40.48%	MCC 25.48%	LCG 2.64%	LCV 17.51%	MCC 34.76%	LCV 13.45%	LCC 1.38%	LCV 17.34%	IE 25.03%	Converts 0.15%	LCC 31.49%	LCG 38.49%
Cash 4.42%	Converts -8.58%	MCC 40.06%	MCC 20.22%	LCV 7.05%	LCV 22.25%	SCG 7.05%	SCV -28.92%	LCG 37.21%	SCV 24.50%	LCC 2.11%	IE 17.32%	SCV 34.52%	MCC 13.22%	AGG 0.55%	MCC 13.80%	SCG 22.17%	AGG 0.01%	MCC 30.54%	SCG 34.63%
Converts -4.44%	SCV -11.43%	IE 38.59%	LCV 16.49%	LCG 5.26%	LCC 15.79%	AGG 6.97%	Converts -35.73%	SCG 34.47%	Converts 16.77%	LCV 0.39%	MCC 17.28%	LCG 33.48%	LCG 13.05%	Cash 0.05%	LCC 11.96%	LCC 21.83%	LCG -1.51%	SCG 28.48%	LCC 18.40%
LCV -5.59%	LCV -15.52%	LCV 30.03%	SCG 14.31%	LCC 4.91%	MCC 15.26%	MCC 5.60%	LCV -36.85%	IE 31.78%	LCG 16.71%	Cash 0.10%	LCC 16.00%	LCV 32.53%	Converts 9.44%	IE -0.81%	SCG 11.32%	MCC 18.52%	LCC -4.38%	LCV 26.54%	MCC 17.10%
MCC -5.62%	IE -15.94%	LCG 29.75%	LCC 10.88%	SCV 4.71%	SCG 13.35%	LCC 5.49%	LCC -37.00%	LCC 26.46%	LCV 15.51%	MCC -1.55%	LCG 15.26%	LCC 32.39%	AGG 5.97%	SCG -1.38%	Converts 10.43%	Converts 13.70%	LCV -8.27%	Converts 23.15%	IE 7.82%
SCG -9.23%	MCC -16.19%	LCC 28.68%	Converts 9.61%	SCG 4.15%	Converts 12.83%	Cash 5.00%	LCG -38.44%	SCV 20.58%	LCC 15.06%	SCG -2.91%	Converts 14.96%	Converts 24.92%	SCG 5.60%	MCC -2.44%	LCG 7.08%	LCV 13.66%	MCC -9.06%	SCV 22.39%	AGG 7.51%
LCC -11.89%	LCC -22.10%	Converts 27.15%	LCG 6.30%	Cash 3.07%	LCG 9.07%	Converts 4.53%	SCG -38.54%	LCV 19.69%	IE 7.75%	Converts -5.18%	SCG 14.59%	IE 22.78%	SCV 4.22%	Converts -2.99%	AGG 2.65%	SCV 7.84%	SCG -9.31%	IE 22.01%	SCV 4.63%
LCG -20.42%	LCG -27.88%	AGG 4.10%	AGG 4.34%	AGG 2.43%	Cash 4.85%	LCV -0.17%	MCC -41.46%	AGG 5.93%	AGG 6.54%	SCV -5.50%	AGG 4.22%	Cash 0.07%	Cash 0.03%	LCV -3.83%	IE 1.00%	AGG 3.54%	SCV -12.86%	AGG 8.72%	LCV 2.80%
IE -21.44%	SCG -30.26%	Cash 1.15%	Cash 1.33%	Converts 1.01%	AGG 4.33%	SCV -9.78%	IE -43.38%	Cash 0.21%	Cash 0.13%	IE -12.14%	Cash 0.11%	AGG -2.02%	IE -4.90%	SCV -7.47%	Cash 0.33%	Cash 0.86%	IE -13.79%	Cash 2.28%	Cash 0.67%

- **Large-Cap Growth Equities (LCG)** are represented by the Russell 1000 Growth Index, which is an unmanaged index of capitalization-weighted stocks chosen for their growth orientation.
- **Small-Cap Growth Equities (SCG)** are represented by the Russell 2000 Growth Index, which is an unmanaged index of those companies in the Russell 2000 Index chosen for their growth orientation.
- **Large-Cap Value Equities (LCV)** are represented by the Russell 1000 Value Index, which is an unmanaged index of capitalization-weighted stocks chosen for their value orientation.
- **Small-Cap Value Equities (SCV)** are represented by the Russell 2000 Value Index, which is an unmanaged index of those companies in the Russell 2000 Index chosen for their value orientation.
- **Large-Cap Core Equities (LCC)** are represented by the S&P 500 Index, which is an unmanaged index of common stock performance.
- **Mid-Cap Core Equities (MCC)** are represented by the Russell Midcap Index, an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000 Index.
- **Converts** is represented by the ICE BofA U.S. Convertibles Index, which is an unmanaged index of high-yield U.S. convertible securities.
- **International Equities (IE)** are represented by the MSCI EAFE Index (ND), which is an unmanaged index of international stocks from Europe, Australasia, and the Far East.
- **U.S. Bonds (AGG)** are represented by the Bloomberg Barclays U.S. Aggregate Bond Index, which is an unmanaged index used as a general measure of fixed-income securities.
- **Cash** is represented by the ICE BofA U.S. 3-month T-Bill Index, which is an unmanaged index used as a general measure for money market or cash instruments.

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Data is historical. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

# Asset allocation performs well without guesswork

Over time, diversifying across asset classes can help manage risk and potentially boost returns. As shown in the chart of returns for 20-year periods, diversifying has outperformed chasing the leading or the lagging asset classes in 15 of the past 16 years.

## Performance results through 12/31/20

	1 year	5 years	10 years
Russell 1000 Growth	38.49%	21.00%	17.21%
Russell 1000 Value	2.80	9.74	10.50
S&P 500	18.40	15.22	13.88
BB Barclays U.S. Aggregate Bond	7.51	4.44	3.84
Russell 2000 Growth	34.63	16.36	13.48
Russell 2000 Value	4.63	9.65	8.66
MSCI EAFE n-usd	7.82	7.45	5.51
ICE BofA U.S. 3-month T-Bill	0.67	1.20	0.64
Russell Midcap	17.10	13.40	12.41
ICE BofA U.S. Convertible	46.22	17.76	12.59

Source: Putnam Investments.

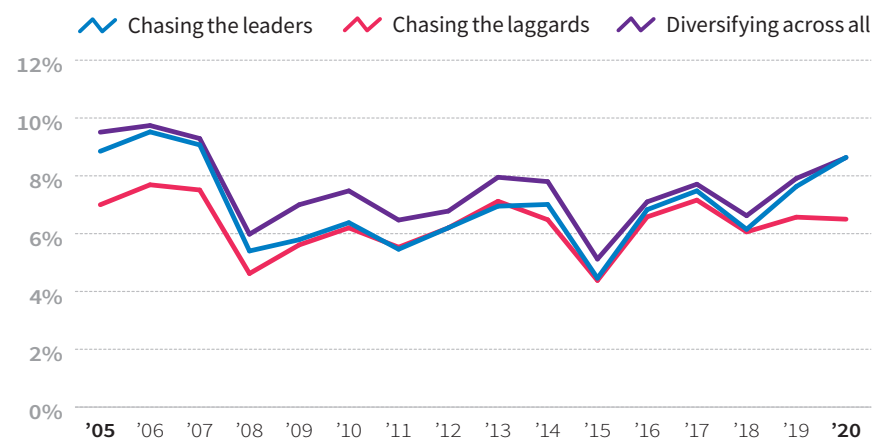
The indexes and corresponding alternating market leadership chart represent various investment styles referred to in the three hypothetical scenarios. The asset allocation scenario represents an investment allocated across all nine indexes shown in the chart at left. It is not possible to invest directly in an index. Returns for the three scenarios are based on 20-year total returns as of December 31 of each year shown, 2005-2020. All indexes are unmanaged and measure common sectors of the stock, growth, value, non-U.S., and bond indexes. Mutual fund performance may differ from the performance of the relevant index(es). Past performance does not indicate future results. This analysis has been figured on an annual basis. More recent returns may be lower or higher than those shown.

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## Returns for 20-year periods, 2005–2020



Source: Putnam Investments.

and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. Diversification does not assure a profit or protect against loss. It is possible to lose money in a diversified portfolio. You can lose money by investing in a fund.

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