

# Alternating market leadership is a challenge for investors

Leaders in one year could be losers the next year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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%	LCC 28.71%	Cash 1.46%
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%	SCV 28.27%	LCV -7.54%
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%	LCG 27.60%	AGG -13.01%
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 25.16%	IE -14.45%
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 22.58%	SCV -14.48%
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%	IE 11.26%	MCC -17.32%
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%	Converts 6.34%	LCC -18.11%
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%	SCG 2.83%	Converts -18.71%
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%	Cash 0.05%	SCG -26.36%
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%	AGG -1.54%	LCG -29.14%

- **Large-Cap Growth Equities (LCG)** are represented by the Russell 1000® Growth Index, which is an unmanaged index of those companies in the large-cap Russell 1000 Index 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 small-cap 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 those companies in the large-cap Russell 1000 Index 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 small-cap 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, which is an unmanaged index that measures the performance of the 800 smallest companies in the Russell 1000® Index.
- **Convertible securities (Converts)** are represented by the ICE BofA U.S. Convertible Index, which tracks the performance of publicly issued U.S. dollar-denominated convertible securities of U.S. companies.
- **International equities (IE)** are represented by the MSCI EAFE Index (ND), which is an unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.
- **U.S. bonds (AGG)** are represented by the Bloomberg U.S. Aggregate Bond Index, which is an unmanaged index of U.S. investment-grade fixed income securities.
- **Cash** is represented by the ICE BofA U.S. 3-Month Treasury 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 asset allocation chart on the right, diversifying a portfolio has outperformed chasing the leading or the lagging asset classes over the past 14 years.

## Performance results through 12/31/22

	1 year	5 years	10 years
Russell 1000 Growth Index	-29.14%	10.96%	14.10%
Russell 1000 Value Index	-7.54	6.67	10.29
Russell 2000 Growth Index	-26.36	3.51	9.20
Russell 2000 Value Index	-14.48	4.13	8.48
Russell Midcap Index	-17.32	7.10	10.96
S&P 500 Index	-18.11	9.42	12.56
MSCI EAFE Index (ND)	-14.45	1.54	4.67
Bloomberg U.S. Aggregate Bond Index	-13.01	0.02	1.06
ICE BofA U.S. 3-Month Treasury Bill Index	1.46	1.26	0.76
ICE BofA U.S. Convertible Index	-18.71	9.29	10.01

Source: Putnam Investments.

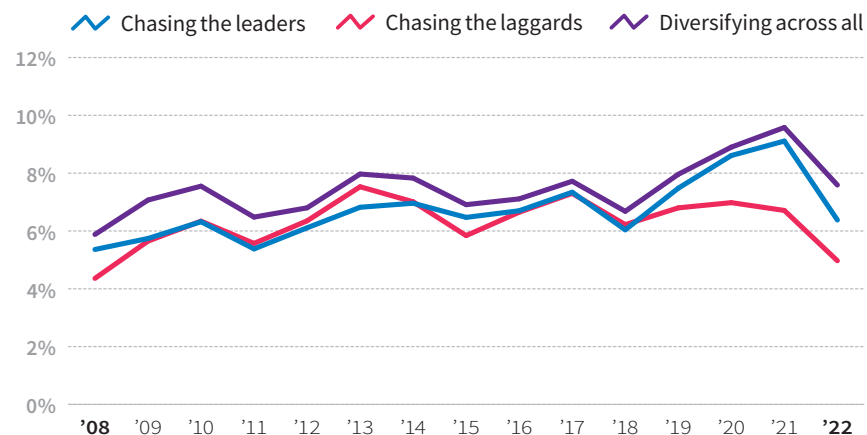
The indexes and corresponding alternating market leadership chart represent various investment styles referred to in the three hypothetical scenarios. The asset allocation scenario represents an investment allocated across the 10 indexes shown in the table at left. It is not possible to invest directly in an index. Returns for the three scenarios are based on 20-year total returns as of December 31 of each year shown, 2008–2022. 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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## Asset allocation outperforms chasing annual leaders and laggards



Source: Putnam Investments.

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