SCHULTZ COLLINS
INVESTMENT COUNSEL

Building Blocks Chart with Hypothetical 60/40 Portfolio

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Our annually updated Asset Class Building Blocks Chart ranks the more important asset classes by their performance for each of the trailing 20 calendar years, with the best performing asset class for each year appearing at the top of its column, and the worst at the bottom.

Asset Class Building Blocks

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
26.37%	13.93%	19.49%	61.55%	33.90%	35.19%	35.11%	40.28%	10.89%	81.03%	30.32%	8.28%	19.70%	43.37%	28.03%	5.38%	21.44%	37.89%	2.31%	31.49%
10.12%	13.13%	9.84%	57.16%	31.58%	25.17%	35.06%	11.63%	5.08%	49.42%	27.95%	6.35%	18.89%	32.39%	13.69%	2.83%	11.96%	32.09%	0.88%	28.66%
6.27%	8.96%	3.82%	51.55%	28.11%	14.02%	26.86%	10.95%	2.01%	43.43%	22.91%	5.80%	18.60%	27.25%	4.33%	1.38%	10.79%	25.62%	-0.84%	25.45%
3.14%	3.63%	2.02%	39.17%	21.09%	12.16%	24.98%	7.39%	-22.60%	32.46%	20.64%	2.11%	18.33%	23.29%	3.13%	1.07%	10.68%	21.83%	-4.04%	22.66%
1.59%	1.77%	-2.11%	37.13%	20.70%	8.43%	16.19%	5.49%	-37.00%	27.99%	15.06%	0.18%	17.90%	20.79%	2.69%	0.30%	8.63%	16.67%	-4.38%	18.09%
-4.52%	1.37%	-3.94%	28.68%	13.49%	6.77%	15.79%	5.30%	-37.56%	26.46%	11.78%	-3.86%	16.00%	2.86%	0.12%	-0.39%	5.51%	12.98%	-6.64%	13.35%
-9.10%	-0.99%	-8.57%	28.09%	10.88%	4.91%	15.08%	4.61%	-37.73%	20.87%	8.21%	-3.94%	12.46%	0.12%	-0.48%	-1.61%	2.08%	8.67%	-11.04%	6.80%
-11.06%	-11.40%	-15.66%	14.91%	10.35%	3.59%	6.12%	3.26%	-43.06%	5.24%	5.89%	-11.73%	3.89%	-0.57%	-1.12%	-3.57%	1.60%	7.49%	-13.36%	5.90%
-13.96%	-11.89%	-21.64%	4.31%	3.04%	1.58%	4.94%	0.02%	-46.98%	2.55%	5.17%	-13.64%	1.65%	-0.86%	-4.48%	-6.93%	1.51%	2.14%	-14.22%	2.11%
-31.76%	-21.21%	-22.10%	1.25%	1.82%	-6.88%	4.08%	-15.69%	-53.74%	0.47%	0.31%	-19.03%	0.17%	-4.00%	-5.81%	-12.38%	0.60%	1.16%	-18.77%	0.23%

The table depicts ten asset class "building blocks" from which investors can design portfolios. The color coding is as follows:

- 1-Year T-Bills
- U.S. Large Company Stocks
- U.S. Small Company Stocks
- 60% Stock / 40% Bond
- Foreign Large Company Stocks
- Foreign Small Company Stock
- Emerging Markets Stock
- Securitized Real Estate
- U.S. Intermediate-term Bonds
- World Government Bonds

DISCLAIMER
This report is prepared using index performance data from Morningstar, Inc. and Ibbotson, Inc. Although Schultz Collins believes these data sources to be reliable, Schultz Collins has not independently verified the accuracy of any data reported.

The chart includes the performance of a hypothetical portfolio macro-allocated according to a 60% equity / 40% fixed income split. The 60/40 hypothetical portfolio invites a closer scrutiny of the asset classes on the chart. After only a cursory examination, a number of observations – some of them quite counterintuitive – leap out at us:

1. The 60/40 Portfolio consistently hovers near the middle of the pack, year after year. This is exactly what one wants from a diversified portfolio. Indeed, it is the reason to have a diversified portfolio in the first place: it is less volatile, vis-à-vis all its alternatives, than any of those alternatives, even though it is composed of them, and so enjoys their riskier returns.

2. Putting the same point another way: if you trace the path of any one asset class over the whole period covered by the chart, it is rather shocking to see how each and every one of them jinks about so crazily from one year to the next.
3. 2018 was a lousy year for investors in everything: the top performing asset class was … 1-Year Treasury Bills! Yes, that's right: the 2.31% risk free return thrashed all comers.
4. We were recently asked, "Why not just put everything in the S&P 500, since it's been doing so relatively well lately?"
    a. The last time we heard this question was in 1999, just before the Tech Crash of 2000 and 9/11. We heard it a lot that year. As you can see from the chart, that Index subsequently suffered a massive repudiation by investors, and did not begin to climb back until 2003.
    b. The S&P 500 has not actually been doing that well lately, compared to other asset classes. Not that we're complaining – it's been doing great – but in 2017 it was trounced by Emerging Markets (!), in 2016 by US Small Company Stock, in 2015 by Foreign Small Stocks (!) … you get the drift.

There are many more such fascinating insights to be gleaned from this terrific chart. Fascinating to finance nerds like us, anyway. Not only are they interesting, they are important.