TD Asset Management

KNOWLEDGE

The benefits of diversification

TD Asset Management Inc. (TDAM) believes that investing in a diversified portfolio may help provide an investor with more stable returns during times of market volatility compared to investing solely in a single asset class. Chasing the best-performing asset class of the previous year may not guarantee success in the current year. The table below illustrates how a diversified portfolio (in green)[1] has often delivered a steadier performance over the last 10 years, while other single asset classes[2] have experienced larger fluctuations.

Return	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
High	26.9% Low Volatility Equities	21.1% Canadian Equities	28.7% Emerging Markets Equities	7.5% Low Volatility Equities	24.8% U.S. Equities	16.6% Emerging Markets Equities	27.6% U.S. Equities	1.7% Average 1 Year GIC Rate	22.9% U.S. Equities	36.4% U.S. Equities
	21.6% U.S. Equities	13.4% High Yield Bonds	15.2% International Equities	6.5% High Yield Bonds	22.9% Canadian Equities	16.3% U.S. Equities	25.1% Canadian Equities	-2.7% Low Volatility Equities	21.4% International Equities	21.6% Canadian Equities
	20.7% International Equities	8.1% U.S. Equities	13.8% U.S. Equities	4.2% U.S. Equities	21.9% International Equities	14.8% International Equities	21.2% International Equities	-4.8% High Yield Bonds	13.5% Diversified Portfolio	21.6% Low Volatility Equities
	14.4% High Yield Bonds	7.7% Emerging Markets Equities	10.3% Low Volatility Equities	1.4% Canadian Bonds	17.7% Low Volatility Equities	11.0% Diversified Portfolio	13.9% Low Volatility Equities	-5.8% Canadian Equities	11.8% Canadian Equities	18.0% High Yield Bonds
Return	7.7% Diversified Portfolio	6.4% Diversified Portfolio	9.1% Canadian Equities	0.9% Average 1 Year GIC Rate	16.0% Diversified Portfolio	8.7% Canadian Bonds	11.9% Diversified Portfolio	-10.5% Diversified Portfolio	10.4% High Yield Bonds	17.9% Emerging Markets Equities
	3.5% Canadian Bonds	4.4% Low Volatility Equities	8.9% Diversified Portfolio	0.4% International Equities	12.9% Emerging Markets Equities	5.6% Canadian Equities	4.5% High Yield Bonds	-11.7% Canadian Bonds	7.3% Emerging Markets Equities	17.7% Diversified Portfolio
	2.4% Emerging Markets Equities	3.9% International Equities	2.5% Canadian Bonds	-1.0% Diversified Portfolio	8.6% High Yield Bonds	4.3% High Yield Bonds	0.3% Average 1 Year GIC Rate	-12.0% International Equities	6.7% Canadian Bonds	13.8% International Equities
	0.8% Average 1 Year GIC Rate	1.7% Canadian Bonds	0.7% Average 1 Year GIC Rate	-6.5% Emerging Markets Equities	6.9% Canadian Bonds	1.4% Low Volatility Equities	-2.5% Canadian Bonds	-12.2% U.S. Equities	5.2% Low Volatility Equities	4.2% Canadian Bonds
Low	-8.3% Canadian Equities	0.8% Average 1 Year GIC Rate	0.4% High Yield Bonds	-8.9% Canadian Equities	1.3% Average 1 Year GIC Rate	0.7% Average 1 Year GIC Rate	-3.1% Emerging Markets Equities	-13.9% Emerging Markets Equities	4.0% Average 1 Year GIC Rate	4.0% Average 1 Year GIC Rate

Source: TD Asset Management Inc., Morningstar®, December 31, 2024.

[1] The Diversified Portfolio is made up of 40% FTSE Canada Universe Bond Index, 20% S&P/TSX Composite Total Return Index, and 40% MSCI World ex Canada Index GD - C$. FTSE Canada Universe Bond Index measures the performance of fixed-rate, investment grade domestic government and corporate bonds denominated in Canadian dollars with a minimum time to maturity of one year. Coupons are reinvested and the index is rebalanced daily. S&P/TSX Composite Total Return Index is the principal broad market measure for Canadian equity markets, while MSCI World ex Canada Index GD - C$ captures large, mid and small cap representation across global equities outside of Canada including developed and emerging markets. For these equity indexes, dividends are reinvested daily back into the indexes rather than individual securities, and the indexes aim to rebalance quarterly. The returns stated above do not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower.

[2] U.S. Equities are represented by the S&P 500 Total Return Index C$, Canadian Equities are represented by the S&P/TSX Composite Total Return Index, Low Volatility Equities are represented by the MSCI World Minimum Volatility Index C$, International Equities are represented by the MSCI World ex Canada Index GD - C$, Emerging Markets Equities are represented by the MSCI Emerging Markets Total Return Index Gross Dividend C$, Canadian Bonds are represented by the FTSE Canada Universe Bond Index and the High Yield Bonds are represented by the ICE BofA Merrill Lynch U.S. High Yield Master II Index C$. Average 1 Year GIC Rate is represented by the Morningstar index of annualized returns over a 10-year period of the average interest rate of a 1 Year GIC.

Diversification in Action: Key Takeaways

Spreading a portfolio across a number of asset classes and geographic regions can help reduce overall portfolio risk

Diversification may also give your portfolio a built-in ability to potentially benefit from each year's best performers

A diversified portfolio can provide lower levels of volatility and higher risk-adjusted rates of return

For more information, please speak with your investment professional.

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