

Another Reason for Asset Allocation

We recently completed a report concerning the erroneous assumption that actively managed funds cannot beat the unmanaged S&P 500 Index. While finishing that report, we realized that one of the study's findings also helps support the value of asset allocation.

The following chart lists the average annual return rank — not the annual return — of 38 different fund categories for the 29-year period 1988-2016. Many investors think that the top performing category must have an annual average return rank close to 1; however, no single category has the answer all of the time. In fact, the top performing mutual fund category during this period is mid cap with an annual average return ranking of 13. Also note that the S&P 500 Index fund category was beaten by no less than seven other fund categories during the study. *So you can't beat the S&P 500, huh?*

	Category	Average Annual Rank
1	Mid Cap	13.2
2	Health/Biotechnology	14.2
3	Real Estate	14.8
4	Technology	14.9
5	Small Cap	15.3
6	Growth	15.7
7	Financial Services	15.7
8	S&P 500 Index	15.9
9	Emerging Market Income	16.3
10	Growth & Income	16.5
11	Equity Income	16.8
12	Utilities	17.1
13	Convertible Securities	17.8
14	Global Equity	18.0
15	Energy	18.8
16	Corp-High Yield	18.8
17	Balanced	19.2
18	Asset Allocation	19.5
19	Latin America	20.0

	Category	Average Annual Rank
20	General Bond-Long	20.2
21	Emerging Market Equity	20.7
22	Non-US Equity	21.2
23	US Government-Long	21.2
24	Corporate-Investment Grade	21.5
25	Municipal Bond-High-Yield	21.9
26	Loan Participation	21.9
27	US Treasury	22.0
28	Multi-Sector Bond	22.5
29	General Bond-Investment Grade	23.0
30	General Bond-Short/Intermediate	23.0
31	Municipal Bond-Insured	23.2
32	US Government-Agency	23.4
33	Global Income	23.6
34	Precious Metals	23.7
35	Municipal Bond-National	24.1
36	Mortgage	24.2
37	US Government-Short/Intermediate	24.7
38	Japan Region	25.1