The power of diversifying your investments

Do you try to predict which investment funds will be the big winners this year?

Do you invest based on funds you think will do the best each year?

Do you want to reduce volatility in your investment portfolio?

If you've ever planned a family picnic around the weather, you'll appreciate how difficult it is to predict. Rain, wind and temperatures are constantly changing. Even if you look at current and historical weather statistics, you can't guarantee what the weather will be like.

The situation

It’s hard to predict performance

Even if you have investment data, it’s impossible to predict performance. Each year, the highest returns fluctuate between bonds, equities, foreign or domestic investments due to political issues, interest rates, currency, market cycle, etc.

The solution

Diversify your portfolio

In order to take advantage of this varying performance, you should consider a portfolio that includes a diversified group of asset classes. With proper asset allocation, you can help ease the impact of market movements and have the potential to earn more consistent returns over time. You’ll benefit when certain categories of investments are outperforming others. When certain categories under perform, you won’t be completely exposed.

Diversified portfolios can also outperform other investment strategies. Investing your money across various asset class can prove to be more beneficial than trying to chase last year’s winners, pick out the losers or simply stay invested in cash.

If you look at the performance for various investment categories over time, you'll notice the returns vary from year-to-year. As a result, it's difficult to predict which type of investment will provide the greatest return for a particular year.

Winning asset class

Trailing asset class

Year	Canadian Equities (%)	U.S. Equities (%)	International Equities (%)	Canadian Bond (%)	Canadian T-bills (%)	Portfolio of equally-weighted asset classes
1992	-1.4%	7.7%	-5.8%	9.9%	7.1%	3.5%
1993	32.6%	10.1%	29.5%	18.1%	5.5%	19.2%
1994	-0.2%	1.3%	-1.8%	-4.3%	5.3%	0.1%
1995	14.5%	37.6%	9.8%	20.7%	7.4%	18.0%
1996	28.4%	23.0%	11.6%	12.3%	5.0%	16.1%
1997	15.0%	33.4%	13.8%	9.6%	3.2%	15.0%
1998	-1.6%	28.6%	12.6%	9.2%	4.8%	10.7%
1999	31.7%	21.0%	33.8%	-1.2%	4.7%	18.0%
2000	7.4%	-9.1%	-7.1%	10.2%	5.5%	1.4%
2001	-12.6%	-11.9%	-16.0%	8.1%	4.7%	-5.5%
2002	-12.5%	-22.1%	-25.8%	8.7%	2.5%	-9.8%
2003	26.7%	28.7%	20.8%	6.7%	2.9%	17.2%
2004	14.5%	10.9%	13.1%	7.1%	2.3%	9.6%
2005	24.1%	4.9%	29.5%	6.5%	2.6%	13.5%
2006	17.3%	15.8%	16.9%	4.0%	4.0%	11.6%
2007	9.8%	5.5%	4.0%	3.7%	4.4%	5.5%
2008	-33.0%	-37.0%	-39.9%	6.4%	3.3%	-20.0%
2009	35.1%	26.4%	25.4%	5.4%	0.6%	18.6%
2010	17.6%	15.1%	5.3%	6.7%	0.6%	9.0%
2011	-8.7%	2.1%	-11.8%	9.7%	1.0%	-1.5%
20-year returns	**8.7%**	**7.8%**	**4.0%**	**7.7%**	**3.9%**	**6.4%**

*Returns reflect currency effect and are based on Canadian dollar. Please note unit values and investment returns will fluctuate and past performance is not necessarily indicative of future performance.
Source: Ibbotson, 2012

Canada Life segregated fund policies offer you a wide-range of investment options.
Contact your advisor to help you create a diversified portfolio built for your risk tolerance.

For more information about Canada Life and its products visit www.canadalife.com or talk to your advisor.

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies; and to an advisor in group insurance/annuity plans for group products.

A description of the key features of the segregated fund policy is contained in the information folder.

Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.

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