

# 20 Years of the Best and Worst – A Case for Diversification



Everyone wants to be in the best-performing asset class every year. The thing is, few people are savvy enough to consistently choose the best. That's why diversification is key. This chart shows annual returns for eight broad-based asset classes, cash and a diversified portfolio ranked from best to worst. Notice how the "leadership" changes from year to year, and how competitively the diversified portfolio performed over 20 years (see the "annualized return" column).

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	ANNUALIZED RETURN
BEST	REITs 30.41%	Commodities 21.36%	REITs 34.35%	Commodities 16.23%	Bonds 5.24%	Large Cap Growth 37.21%	REITs 27.58%	Bonds 7.84%	REITs 20.14%	Small/Mid Cap 36.80%	REITs 27.15%	Large Cap Growth 5.67%	Small/Mid Cap 17.59%	Large Cap Growth 30.21%	Cash 1.86%	Large Cap Growth 36.39%	Large Cap Growth 38.49%	REITs 39.88%	Commodities 16.09%	Large Cap Growth 42.68%	Large Cap Growth 11.29%
	International 20.25%	International 13.54%	International 26.34%	Large Cap Value 11.81%	Global 4.79%	Small/Mid Cap 34.39%	Small/Mid Cap 26.71%	REITs 7.28%	Small/Mid Cap 17.88%	Large Cap Value 33.48%	Large Cap Value 13.45%	REITs 2.29%	Large Cap Value 17.34%	International 25.03%	Bonds 0.01%	REITs 28.07%	Small/Mid Cap 19.99%	Large Cap Growth 27.60%	Cash 1.50%	International 18.24%	Small/Mid Cap 9.08%
	Small/Mid Cap 18.29%	REITs 8.29%	Large Cap Value 22.25%	International 11.17%	Cash 1.80%	International 31.78%	Commodities 16.83%	Global Bonds 5.64%	Large Cap Value 17.51%	Large Cap Value 32.53%	Large Cap Growth 13.05%	Bonds 0.55%	Commodities 11.77%	Small/Mid Cap 16.81%	Global Bonds -1.20%	Small/Mid Cap 27.77%	Diversified Portfolio 10.58%	Commodities 27.11%	Large Cap Value -7.54%	Small/Mid Cap 17.42%	Large Cap Value 7.99%
	Large Cap Value 16.49%	Small/Mid Cap 8.11%	Small/Mid Cap 16.17%	Global Bonds 9.48%	Diversified Portfolio -27.54%	REITs 27.45%	Large Cap Growth 16.71%	Large Cap Growth 2.64%	International 17.32%	International 22.78%	Small/Mid Cap 7.07%	Cash 0.03%	REITs 9.28%	Large Cap Value 13.66%	Large Cap Growth -1.51%	Large Cap Value 26.54%	Global Bonds 9.20%	Large Cap Value 25.16%	Bonds -13.01%	Diversified Portfolio 12.81%	REITs 7.73%
	Diversified Portfolio 14.48%	Diversified Portfolio 7.92%	Diversified Portfolio 15.02%	Bonds 6.97%	Commodities -35.65%	Diversified Portfolio 23.72%	Diversified Portfolio 15.73%	Large Cap Value 0.39%	Large Cap Value 15.26%	Diversified Portfolio 13.41%	Bonds 5.97%	International -0.81%	Diversified Portfolio 8.72%	Diversified Portfolio 13.21%	REITs -4.10%	International 22.01%	International 7.82%	Small/Mid Cap 18.18%	Diversified Portfolio -13.61%	REITs 11.48%	Diversified Portfolio 6.48%
	Global Bonds 9.27%	Large Cap Value 7.05%	Large Cap Growth 9.07%	Cash 4.74%	Small/Mid Cap -36.79%	Large Cap Value 19.69%	Large Cap Value 15.51%	Cash 0.08%	Diversified Portfolio 12.02%	REITs 3.21%	Diversified Portfolio 5.32%	Small/Mid Cap -2.90%	Large Cap Growth 7.08%	REITs 9.27%	Diversified Portfolio -5.98%	Diversified Portfolio 20.33%	Bonds 7.51%	Diversified Portfolio 17.45%	International -14.45%	Large Cap Value 11.46%	International 5.59%
	Commodities 9.15%	Large Cap Growth 5.26%	Global Bonds 6.64%	Diversified Portfolio 4.69%	Large Cap Value -36.85%	Commodities 18.91%	International 7.75%	Diversified Portfolio -0.16%	Global Bonds 4.32%	Cash 0.05%	Global Bonds 0.59%	Global Bonds -3.15%	Bonds 2.65%	Global Bonds 7.39%	Large Cap Value -8.27%	Bonds 8.72%	Large Cap Value 2.80%	International 11.26%	Global Bonds -16.25%	Global Bonds 5.72%	Bonds 3.17%
	Large Cap Growth 6.30%	Cash 3.00%	Cash 4.76%	Small/Mid Cap 1.38%	REITs -37.34%	Global Bonds 6.93%	Bonds 6.54%	Small/Mid Cap -2.51%	Bonds 4.21%	Bonds -2.02%	Cash 0.03%	Diversified Portfolio -3.33%	Global Bonds 2.09%	Bonds 3.54%	Small/Mid Cap -10.00%	Commodities 7.69%	Cash 0.58%	Cash 0.05%	Small/Mid Cap -18.37%	Bonds 5.53%	Global Bonds 2.40%
	Bonds 4.34%	Bonds 2.43%	Bonds 4.33%	Large Cap Value -0.17%	Large Cap Growth -38.44%	Bonds 5.93%	Global Bonds 5.54%	International -12.14%	Cash 0.07%	Global Bonds -2.60%	International -4.90%	Large Cap Value -3.83%	International 1.00%	Commodities 1.70%	Commodities -11.25%	Global Bonds 6.84%	Commodities -3.12%	Bonds -1.54%	REITs -25.10%	Cash 5.26%	Cash 1.42%
WORST	Cash 1.24%	Global Bonds -4.49%	Commodities 2.07%	REITs -17.83%	International -43.38%	Cash 0.16%	Cash 0.13%	Commodities -13.32%	Commodities -1.06%	Commodities -9.52%	Commodities -17.01%	Commodities -24.66%	Cash 0.27%	Cash 0.84%	International -13.79%	Cash 2.25%	REITs -5.86%	Global Bonds -4.71%	Large Cap Growth -29.14%	Commodities -7.91%	Commodities -0.13%

MARKET SEGMENT	REPRESENTED BY	STANDARD DEVIATION	MARKET SEGMENT	REPRESENTED BY	STANDARD DEVIATION
■ Cash	FTSE 3-month T-bill Index <sup>1</sup>	0.50	■ Large Cap Growth stocks	Russell 1000 <sup>®</sup> Growth Index <sup>5</sup>	16.00
■ Bonds	Bloomberg US Aggregate Bond Index <sup>2</sup>	4.14	■ Commodities	Bloomberg Commodity Index <sup>6</sup>	16.24
■ Global bonds	Bloomberg Global Aggregate Index (Unhedged) <sup>3</sup>	6.01	■ International stocks	MSCI EAFE Index <sup>7</sup>	16.73
■ Diversified portfolio	Equal allocations of all segments disclosed herein, excluding cash	11.72	■ Small/Mid Cap stocks	Russell 2500 <sup>™</sup> Index <sup>8</sup>	18.79
■ Large Cap Value stocks	Russell 1000 <sup>®</sup> Value Index <sup>4</sup>	15.41	■ REITs	FTSE NAREIT All REITs Total Return Index <sup>9</sup>	21.28

Source: FactSet SPAR. Returns are in USD, and net for MSCI EAFE and gross for all other asset classes. Annualized return and standard deviation (annualized) is for the 20-year period ending December 31, 2023. The diversified portfolio is rebalanced quarterly to maintain the equal allocations throughout the period. Standard deviation reflects a portfolio's total return volatility, which is based on a minimum of 36 monthly returns. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Diversification does not guarantee a profit or protect against a loss.

## IMPORTANT RISK CONSIDERATIONS

**International:** Investing in foreign and/or emerging market securities involves interest rate, currency exchange rate, economic, and political risks. These risks are magnified in emerging or developing markets as compared with domestic markets. **Small/Mid Cap stocks:** Investing in small and/or mid-sized companies involves more risk than that customarily associated with investing in more-established companies. **Bonds:** Bonds, if held to maturity, provide a fixed rate of return and a fixed principal value. Bond funds will fluctuate and, when redeemed, may be worth more or less than their original cost. **Commodity:** Commodity-related investments can be more volatile than investments in equity securities or debt instruments and can be affected by changes in overall market movements, commodity index volatility, changes in interest rates, currency fluctuations, or factors affecting a particular industry or commodity, and demand/supply imbalances in the market for the commodity. Events that affect the financial services sector may have a significant adverse effect on the portfolio. **Real Estate:** Real estate-related investments can be volatile because of general, regional, and local economic conditions, fluctuations in interest rates and property tax rates; shifts in zoning laws, environmental regulation and other governmental actions; increased operation expenses; lack of availability of mortgage funds; losses due to natural disasters; changes in property values and rental rates; overbuilding; losses due to casualty or condemnation, cash flows; the management skill and creditworthiness of the REIT manager, and other factors.

The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS<sup>®</sup> investment product. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results. The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional. For more information on any MFS product, including performance, please visit [mfs.com](https://www.mfs.com).

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See next page for important information.

# Make diversification work for you

## Strike the proper balance

Diversification — spreading your assets among investment types, styles and markets — is one of the few time-tested strategies for investors with long-term financial goals. A well-diversified portfolio of stock and bond holdings may help reduce your exposure to the downside risks of individual holdings. As you can see in the charts to the right, stocks and bonds have historically performed differently over time.

## Stick to your plan

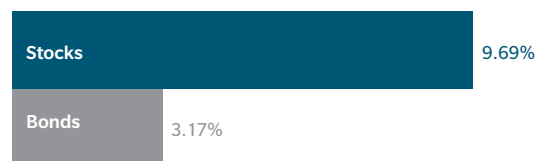
When tempted by current market conditions, investors should stay true to a long-term financial plan. We know the stock market buzz never stops. But desire and impulse are never good substitutes for rational thought and a disciplined plan. Look no further than the dot-com phenomenon to see a hot bubble burst.

Does this mean that you should put all of your money in just stocks? Or just bonds? No. Just because an investment type or style outperforms one year, there is no guarantee that it will outperform the next. Stay diversified.

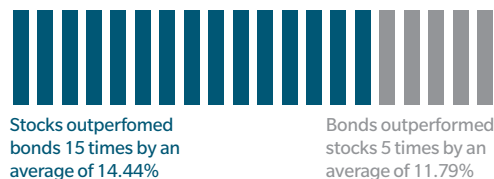
## Stocks vs. bonds over the past 20 years

(2004 - 2023)

Annualized return



Calendar year outperformance



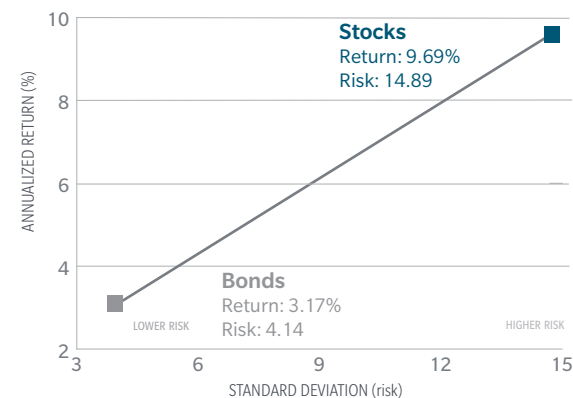
Stocks are represented by the **S&P 500 Index**, which measures the broad US stock market. Bonds are represented by the **Bloomberg US Aggregate Bond Index**, which measures the US bond market. The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS investment product. Index performance does not take into account fees and expenses.

**Past performance is no guarantee of future results.**

Source: SPAR, FactSet Research Systems Inc. As of 12/31/23.

## Risk/return profile: Stocks and bonds

(2004 - 2023)



**Standard deviation** is an indicator of the portfolio's total return volatility, which is based on a minimum of 36 months. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Past performance is no guarantee of future results.

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**Past performance is no guarantee of future results.**

Source: SPAR, FactSet Research Systems Inc. As of 12/31/23.

Keep in mind that all investments carry a certain amount of risk including possible loss of the principal amount invested.

No investment strategy, including diversification and asset allocation, guarantees a profit or protects against a loss.

**Stock:** Stock markets and investments in individual stocks are volatile and can decline significantly in response to issuer, market, economic, industry, political, regulatory, geopolitical, environmental, public health, and other conditions. **Bond:** Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall), therefore the Fund's share price may decline during rising rates. Funds that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. At times, and particularly during periods of market turmoil, all or a large portion of segments of the market may not have an active trading market. As a result, it may be difficult to value these investments and it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.

**1 FTSE 3-month Treasury Bill Index** tracks the daily performance of 3-month US Treasury bills. **2 Bloomberg U.S. Aggregate Bond Index** measures the US bond market. **3 Bloomberg Global Aggregate Index (Unhedged)** provides a broad-based measure of the global investment-grade fixed income markets. **4 Russell 1000® Value Index** measures large-cap US value stocks. **5 Russell 1000® Growth Index** measures US large-cap growth stocks. **6 Bloomberg Commodity Index** is composed of futures contracts on physical commodities. **7 MSCI EAFE Index** measures the non-US stock market. **8 Russell 2500 Index** measures small- and mid-cap US stocks. **9 FTSE NAREIT All REITs Total Return Index** tracks the performance of commercial real estate across the US economy. It is not possible to invest directly in an index.