Stay the course

Even in these uncertain economic times, keeping your money in the market may be the right choice in the long run.

Special Report

Wall Street woes and an unpredictable economy sometimes rattle even the most confident investors. Here is some information on managing your investment strategy during market fluctuations.

Time, not timing, is key

Predicting the market is not like predicting the weather. There are no high-tech gadgets or radar systems to predict the highs and lows that may lie ahead. Without knowing the exact moment to buy or sell, it is easy to miss the market, which could prove costly. Sticking to an investment strategy can keep your returns in line with long-term market performance. However, past performance doesn't guarantee or predict future returns.

Asset allocation

Asset Allocation is a strategy that spreads your investment options around, seeking to take advantage of the potential features that stocks, bonds and other asset classes may offer. Although asset allocation cannot assure a profit or protect against loss, it can help you design a plan to reach your goals.

Asset allocation vs. Diversification

Diversification

A risk management technique that mixes a wide variety of investment options within a portfolio. It is designed to help reduce the impact of any one security on overall portfolio performance.

Asset allocation

The process of dividing a portfolio among major asset categories, such as bonds, stocks, or cash. The purpose of asset allocation is to help reduce risk by diversifying the portfolio.

What does history tell us about the market?

Historically, when one asset class falls out of favor with investors, generally another takes its place. For instance, when international stocks drop, domestic equities may emerge as winners. When stocks fall, bonds may rise. This diagram below shows two decades worth of the top performing asset classes moving in and out of favor. Rarely does the same asset class occupy the top slot two years in a row.

2008	2009	2010	2015	2016	2017	2018	2019	2020	2021	2022
U.S. Treas 20+ 33.7	Emerging Mkts 93.5	Mid Cap 26.6	S&P 500 1.4	Small Cap 26.6	Emerging Mkts 37.8	Global Bond -1.2	S&P 500 31.5	Emerging Mkts 18.7	Global REITs 32.6	High Yield -11.20
Global Bond 4.8	High Yield 58.2	Small Cap 26.3	Global REITs 0.1	Mid Cap 20.7	MSCI EAFE 25.6	U.S. Treas 20+ -2.0	Mid Cap 26.2	S&P 500 18.4	S&P 500 28.7	Mid Cap -13.1
Corp Bonds -4.9	Global REITs 41.3	Global REITs 20.0	MSCI EAFE -0.4	High Yield 17.1	S&P 500 21.8	High Yield -2.1	Global REITs 23.1	U.S. Treas 20+ 18.1	Small Cap 26.8	MSCI EAFE -14.0
Global AA -24.8	Mid Cap 37.4	High Yield 15.1	Corp Bonds -0.7	S&P 500 12.0	Mid Cap 16.2	Corp Bonds -2.5	Small Cap 22.8	Mid Cap 13.7	Mid Cap 24.8	Corp Bonds -15.8
High Yield -26.2	MSCI EAFE 32.5	S&P 500 15.1	U.S. Treas 20+ -1.6	Emerging Mkts 11.6	Global AA 15.6	S&P 500 -4.4	MSCI EAFE 22.7	Small Cap 11.3	MSCI EAFE 11.8	Small Cap -16.1
Small Cap -31.1	Global AA 31.9	Global AA 14.5	Global AA -1.8	Global AA 10.4	Small Cap 13.2	Global REITs -4.7	Global AA 19.6	Global AA 10.6	Global AA 11.2	Global Bond -16.2
Mid Cap -36.2	S&P 500 26.5	Emerging Mkts 9.8	Small Cap -2.0	Corp Bonds 6.1	Global REITs 11.4	Global AA -6.4	Emerging Mkts 18.9	Corp Bonds 9.9	High Yield 5.3	Global AA -18.0
S&P 500 -37.0	Small Cap 25.6	U.S. Treas 20+ 9.4	Mid Cap -2.2	Global REITs 5.0	U.S. Treas 20+ 9.0	Small Cap -8.5	U.S. Treas 20+ 15.1	Global Bond 9.2	Corp Bonds -1.0	S&P 500 -18.1
MSCI EAFE -43.1	Corp Bonds 18.7	Corp Bonds 9.0	Global Bond -3.2	Global Bond 2.1	High Yield 7.5	Mid Cap -11.1	Corp Bonds 14.5	MSCI EAFE 8.3	Emerging Mkts -2.2	Emerging Mkts -19.7
Global REITs -48.9	Global Bond 6.9	MSCI EAFE 8.2	High Yield -4.5	MSCI EAFE 1.5	Global Bond 7.4	MSCI EAFE -13.4	High Yield 14.3	High Yield 7.1	U.S. Treas 20+ -4.4	Global REITs -24.4
Emerging Mkts -59.3	U.S. Treas 20+ -21.4	Global Bond 5.5	Emerging Mkts -14.6	U.S. Treas 20+ 1.4	Corp Bonds 6.4	Emerging Mkts -14.2	Global Bond 6.8	Global REITs -8.2	Global Bond -4.7	U.S. Treas 20+ -31.1

Source: FactSet, Voya Investment Management. As of 21/31/2020

"Global AA" includes 10 asset classes, equally weighted: S&P 500, S&P MidCap 400, S&P SmallCap 600, MSCI U.S. REIT Index (pre-2006), FTSE EPRA/NAREIT Global Real Estate Index (post 2005), MSCI EAFE, MSCI BRIC, Bloomberg Barclays U.S. Corporate Bonds, Bloomberg Barclays U.S. Treasury 20+ Year Bonds, Bloomberg Barclays Global Aggregate Bonds, Bloomberg Barclays U.S. High Yield Bonds. For illustration only. Past performance is not a guarantee of future results. Investors cannot directly invest in an index.

Rebalancing

Investors may wish to review their asset allocation strategy on a regular basis. Any gains experienced in one investment can skew an investor's portfolio to the point where it's more aggressive than originally intended, or vice versa. Periodic portfolio rebalancing helps keep it in check with the investor's objectives.

The impact of trying to outguess the market

Investors sometimes try to outguess the market by choosing to invest in the previous year's best performers. The chart above demonstrates that trying to pick "Winners" and outguessing the market rarely pays off.

General risk(s) to investments

Domestic Equity: Exposure to financial and market risks that accompany investments in equities. Markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Small cap stocks may be more volatile and less liquid than stocks of larger more established companies.

Fixed Income: Exposure to financial, market, prepayment, credit and interest rate risks. The value of an investment in a fund is not guaranteed and will fluctuate. Higher-yielding bonds are subject to greater volatility and credit risks. A fund may invest in securities guaranteed by the U.S. Government as to timely payment of interest and principal, but a fund's shares are not insured or guaranteed. Bonds have fixed principal and return if held to maturity, but may fluctuate in the interim. Generally, when interest rates rise, bond prices fall. Bonds with longer maturities tend to be more sensitive to changes in interest rates.

International: In addition to the general risks of investing in equities and fixed income securities, investing in foreign securities poses special risks, including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets.

REITs: Real Estate Investment Trusts may be sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit-worthiness of the issuer. REITs may also be affected by tax and regulatory requirements.

The Callan Periodic Table of Investment Returns 2008 - 2022

Callan's Periodic Table of Investment Returns depicts annual returns for 8 asset classes, ranked from best to worst performance for each calendar year. The asset classes are color-coded to enable easy tracking over time. We describe the well-known, industrystandard market indices that we use as proxies for each asset class in the text below.

- **Large Cap Equity (S&P 500)** measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.
- **Small Cap Equity (Russell 2000)** measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-valueweighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.
- **Non-U.S. Equity (MSCI World ex USA)** is an international index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.
- **Emerging Market Equity (MSCI Emerging Markets)** is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.
- **U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index)** includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.
- **High Yield (Bloomberg Barclays High Yield Bond Index)** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.
- **Non-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index)** is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.
- **Real Estate (FTSE EPRA/NAREIT Developed REIT Index)** is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.
- **Cash Equivalent (3-month Treasury Bill)** is a short-term debt obligation backed by the Treasury Department of the U.S. government with a maturity of less than one year.

Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional clients with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan advises on more than $2 trillion in total fund sponsor assets, which makes it among the largest independently owned investment consulting firms in the U.S. We use a clientfocused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. Learn more at www.callan.com.

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Additional information

While each of these investment strategies can be useful to investors, they can't assure nor guarantee better performance and they can't protect against loss in declining markets.

Monitoring the market during fluctuations and being aware of risk management strategies can help investors choose whether to stay the course as they work toward their retirement objectives.