



Diversification isn't working!

Such has been the widespread complaint among many investors.

For years, a strong equity bull market, particularly in U.S. large caps, has meant consistent underperformance from diversified portfolios of stocks and bonds. Higher returns are appealing, but the wrong lesson here is to chase returns, maximize risk, and abandon diversification.

The right lesson is appreciating that an unpredictable future means building portfolios tailored to one's personal goals and risk tolerance—even when that means underperforming the hottest corner of the market, frustrating as that might be. Diversification remains—and always will—the smart approach to taking and managing investment risk.

Calendar Year Returns for Different Asset Allocations (as of 9/30/18)										
Portfolio Mix (Stocks/Bonds)		2012	2013	2014	2015	2016	2017	2018 YTD	2012–2018 Annualized	
All Stocks	100/0	16.0%	32.4%	13.7%	1.4%	12.0%	21.8%	10.6%	15.7%	Best ↑ Performance
	80/20	13.7%	24.8%	12.2%	1.4%	10.1%	18.0%	8.1%	12.9%	
	60/40	11.3%	17.6%	10.6%	1.3%	8.3%	14.2%	5.6%	10.1%	
All Bonds	40/60	9.0%	10.7%	9.1%	1.1%	6.4%	10.6%	3.2%	7.4%	↓ Worst
	20/80	6.6%	4.2%	7.5%	0.9%	4.6%	7.0%	0.8%	4.6%	
	0/100	4.2%	-2.0%	6.0%	0.5%	2.6%	3.5%	-1.6%	1.9%	

To find more issues of **1000 Words**, visit Virtus.com, follow us on twitter @Virtus, or call 1-800-243-4361

Past performance is not indicative of future results.

Source: Virtus Performance Analytics. Stocks are represented by the **S&P 500® Index**; bonds are represented by the **Bloomberg Barclays U.S. Aggregate Bond Index**. The S&P 500® Index is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The Bloomberg Barclays U.S. Aggregate Bond Index measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio, or that diversification among different asset classes reduces risk. Blends are shown for illustrative purposes only and are not representative of any Virtus portfolio.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

Distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.