

# UPDATING MY FAVORITE PERFORMANCE CHART FOR 2020



BY BEN CARLSON, CFA  
A WEALTH OF COMMON SENSE  
JANUARY 5, 2021

Here is the asset allocation quilt for the past 10 years with an update for 2020:

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10 Years
TIPS 13.3%	EM 19.1%	Small Cap 41.0%	REITs 30.4%	REITs 2.4%	Small Cap 26.6%	EM 37.3%	Cash 1.7%	Large Cap 31.2%	Large Cap 18.3%	Large Cap 13.8%
REITs 8.6%	Int'l Stocks 18.8%	Mid Cap 35.2%	Large Cap 13.5%	Large Cap 1.3%	Mid Cap 20.5%	Int'l Stocks 25.1%	Bonds 0.1%	REITs 28.9%	EM 17.0%	Small Cap 11.8%
Bonds 7.7%	REITs 17.6%	Large Cap 32.3%	Mid Cap 9.4%	Bonds 0.5%	Comdty 12.9%	Large Cap 21.7%	TIPS -1.4%	Mid Cap 25.8%	Mid Cap 13.5%	Mid Cap 11.2%
Large Cap 1.9%	Large Cap 16.0%	Int'l Stocks 21.4%	Bonds 6.0%	Cash -0.1%	Large Cap 12.0%	Mid Cap 15.9%	Large Cap -4.6%	Small Cap 22.6%	Small Cap 11.4%	REITs 8.7%
Small Cap 1.1%	Small Cap 15.7%	EW 10.7%	Small Cap 5.5%	Int'l Stocks -1.0%	EM 10.9%	Small Cap 13.1%	REITs -6.0%	Int'l Stocks 22.0%	TIPS 10.8%	EW 5.7%
Cash 0.0%	Mid Cap 15.2%	REITs 2.3%	EW 4.0%	TIPS -1.8%	EW 10.0%	EW 12.6%	EW -7.2%	EM 18.2%	EW 7.8%	Int'l Stocks 5.4%
EW -1.4%	EW 11.0%	Cash -0.1%	TIPS 3.6%	Small Cap -1.8%	REITs 8.6%	REITs 4.9%	Small Cap -8.6%	EW 17.5%	Int'l Stocks 7.6%	Bonds 3.7%
Mid Cap -1.5%	TIPS 6.4%	Bonds -2.0%	Cash -0.1%	Mid Cap -2.5%	TIPS 4.7%	Bonds 3.6%	Mid Cap -11.3%	Bonds 8.5%	Bonds 7.5%	TIPS 3.7%
Int'l Stocks -12.3%	Bonds 3.8%	EM -3.7%	EM -3.9%	EW -4.7%	Bonds 2.4%	TIPS 2.9%	Comdty -13.1%	TIPS 8.4%	Cash 0.4%	EM 2.9%
Comdty -14.0%	Cash 0.0%	TIPS -8.5%	Int'l Stocks -6.2%	EM -16.2%	Int'l Stocks 1.4%	Comdty 0.7%	Int'l Stocks -13.8%	Comdty 7.6%	Comdty -4.1%	Cash 0.5%
EM -18.8%	Comdty -2.1%	Comdty -11.1%	Comdty -18.6%	Comdty -28.2%	Cash 0.1%	Cash 0.7%	EM -15.3%	Cash 2.0%	REITs -4.6%	Comdty -7.8%

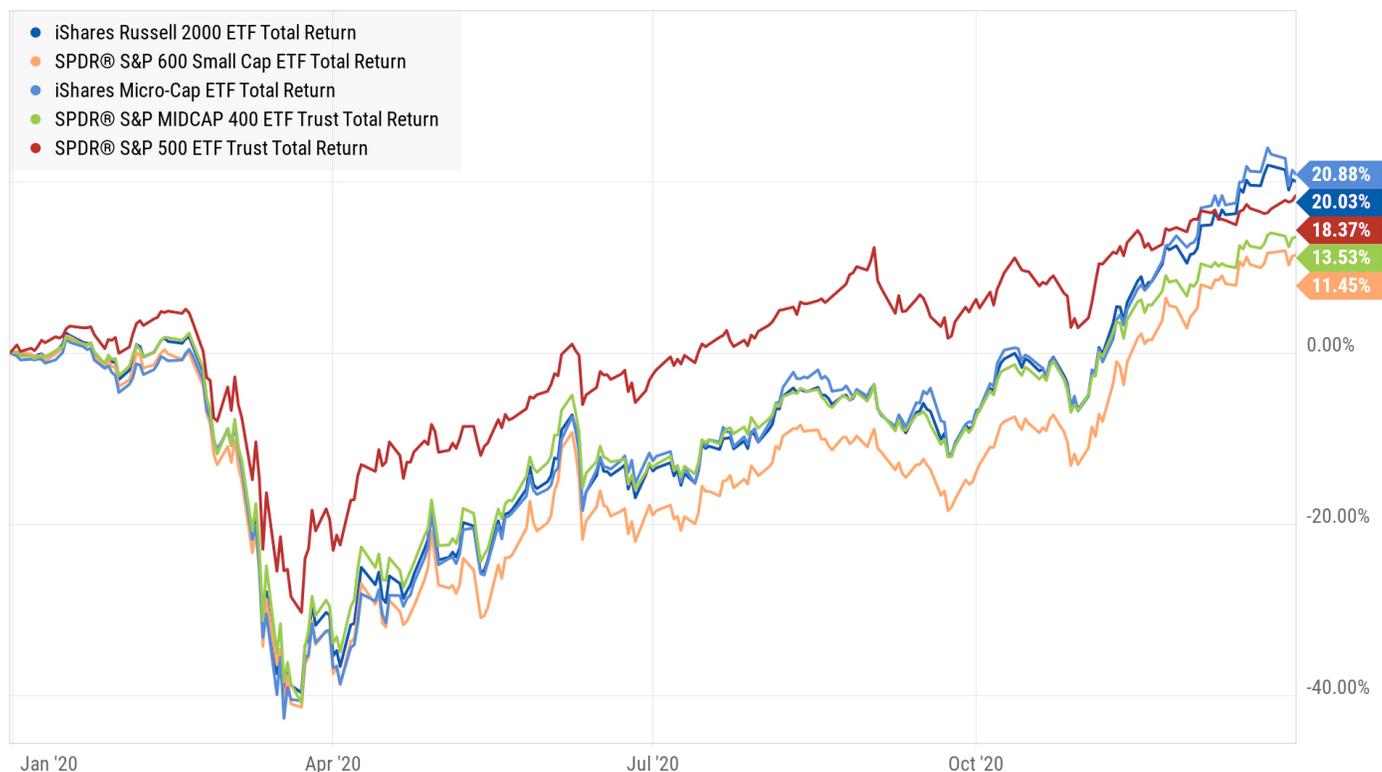
Past performance is not indicative of future results. Funds: EEM, VNQ, MDY, SLY, SPY, EFA, TIP, AGG, DJP, BIL. EW = an equal-weighted portfolio of every asset on the quilt. Source: YCharts.

Some thoughts:

**2020 was a weird year.** One of the more surprising moves in 2020 to me was the fact that the Russell 2000® Index of small companies outperformed the S&P 500® Index. Yet, you'll notice on the asset allocation quilt that small caps underperformed large caps by quite a bit.

What gives?

The Russell 2000 outperformed the S&P SmallCap 600® Index by nearly 9%. This is getting into wonk territory, but the Russell 2000 holds more microcaps than the S&P 600. And, micro caps actually outperformed small caps, mid caps, and large caps in 2020.



Past performance is not indicative of future results. As of 1/5/21. Source: YCharts.

It was a weird year in the markets.

**It's been a tough run for commodities.** A diversified basket of commodities has been the worst or second-worst performer on this list nine out of the past 10 years. The best showing was third from last in 2018. There are many reasons for this, but the simple fact is we haven't had much inflation, so commodity prices have suffered. A loss of close to 8% per year over a decade equates to a total return from 2011-2020 of -55%.

**The consistency of the S&P 500 is impressive.** The S&P 500 is basically the opposite of commodities. For this entire 10-year period, large-cap U.S. stocks have been in the top three of these asset classes every single year, including the top slot the past two years.

And, the crazy thing about the outperformance is that the volatility of annual returns is lower for the S&P than its equity counterparts:

- S&P 500: 12.3%
- Small caps: 14.7%
- Mid caps: 14.0%
- Foreign stocks: 14.8%
- Emerging markets: 18.8%

Commodities even had slightly higher volatility than the S&P 500 from 2011-2020 (12.4% to 12.3%). So, large caps in the U.S. are outperforming and doing so with lower volatility. The S&P 500 is now up 16 out of the past 18 years, with the only down years in 2008 (-37%) and 2018 (-5%). That's a pretty good run for big U.S. corporations.

**What a difference a year makes.** You can always change someone's mind about the markets by simply changing the start and end dates for your return series.

I've been tracking this data since 2008. It's interesting to see how the annual numbers change when you go back 13 years (2008-2020) and 12 years (2009-2020) for these asset classes.

Even with 2008 included, returns across market capitalizations in U.S. stocks have been strong, but you can see how big that jump up is when the huge down year falls off.

No big takeaways from this data, beyond the fact that plus or minus one year here and there can make a large difference when it comes to performance.

**Where's bitcoin?** Every year someone asks me this. Yes, bitcoin destroyed all of these asset classes in 2020, rising more than 300%. It would have also had the best return in 2019, the worst return in 2018, and the best return in 2017.

But, the asset allocation quilt committee is rejecting bitcoin's application at this time because it was basically impossible for any "normal" investor to put money into it before, I don't know, 2015?

Unless you knew someone in the tech space or were a tech savant yourself, all of those glorious returns from the low prices of the early 2010s were for people who truly understood how it worked.

We will be reassessing in 2025.

13 Years	12 Years
Small Cap 10.0%	Small Cap 14.2%
Mid Cap 9.9%	Large Cap 13.3%
Large Cap 9.7%	Mid Cap 13.2%
REITs 7.0%	REITs 12.3%
<b>EW 4.9%</b>	<b>EW 7.4%</b>
TIPS 3.9%	EM 7.0%
Bonds 3.7%	Int'l Stocks 6.6%
Int'l Stocks 2.4%	TIPS 3.4%
EM 2.3%	Bonds 3.3%
Cash 0.5%	Cash 0.4%
Comdty -7.0%	Comdty -3.5%

**Past performance is not indicative of future results.** Funds: EEM, VNQ, MDY, SLY, SPY, EFA, TIP, AGG, DJP, BIL. EW = an equal-weighted portfolio of every asset on the quilt. Source: YCharts.



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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 **Russell 2000® Index** is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **S&P SmallCap 600® Index** seeks to measure the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. All investments carry a certain degree of risk, including possible loss of principal.

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