

Market Unpredictability

Annual Returns for Market Indexes 2013-2022

If you knew that in any given time period a certain area of the stock or bond markets would outperform, investing would be easy. But it's almost impossible to predict future market returns with any consistency. This chart shows how different stock and bond indexes have performed since 2012, ranked from the highest to lowest performers. Do you see any noticeable patterns? Probably not!

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Small Growth 43.30%	Large Value 13.45%	Large Growth 5.67%	Small Value 31.74%	Large Growth 30.21%	Cash 1.87%	Large Growth 36.39%	Large Growth 38.49%	Small Value 28.27%	Cash 1.46%
Small Value 34.52%	Large Growth 13.05%	Balanced 1.00%	Large Value 17.34%	Developed Int'l 25.03%	Bonds 0.01%	Small Growth 28.48%	Small Growth 34.63%	Large Growth 27.60%	Large Value -7.54%
Large Growth 33.48%	Balanced 10.36%	Bonds 0.55%	Small Growth 11.32%	Small Growth 22.17%	Large Growth -1.51%	Large Value 26.54%	Balanced 16.29%	Large Value 25.16%	Bonds -13.01%
Large Value 32.53%	Bonds 5.97%	Cash 0.05%	Balanced 8.37%	Balanced 14.13%	Balanced -2.59%	Small Value 22.39%	Developed Int'l 7.82%	Balanced 14.62%	Developed Int'l -14.45%
Developed Int'l 22.78%	Small Growth 5.60%	Developed Int'l -0.81%	Large Growth 7.08%	Large Value 13.66%	Large Value -8.27%	Balanced 22.16%	Bonds 7.51%	Developed Int'l 11.26%	Small Value -14.48%
Balanced 17.95%	Small Value 4.22%	Small Growth -1.38%	Bonds 2.65%	Small Value 7.84%	Small Growth -9.31%	Developed Int'l 22.01%	Small Value 4.63%	Small Growth 2.83%	Balanced -16.41%
Cash 0.07%	Cash 0.03%	Large Value -3.83%	Developed Int'l 1.00%	Bonds 3.54%	Small Value -12.86%	Bonds 8.72%	Large Value 2.80%	Cash 0.05%	Small Growth -26.36%
Bonds -2.02%	Developed Int'l -4.90%	Small Value -7.47%	Cash 0.33%	Cash 0.86%	Developed Int'l -13.79%	Cash 2.28%	Cash 0.67%	Bonds -1.54%	Large Growth -29.14%

- **Large Growth** (large-cap growth U.S. stocks, represented by Russell 1000 Growth Index)
- **Large Value** (large-cap value U.S. stocks, represented by Russell 1000 Value Index)
- **Small Growth** (small-cap growth U.S. stocks, represented by Russell 2000 Growth Index)
- **Small Value** (small-cap value U.S. stocks, represented by Russell 2000 Value Index)
- **Developed Int'l** (developed market stocks excluding U.S. and Canada, represented by MSCI EAFE Index (Net))
- **Bonds** (investment-grade U.S. fixed-income securities, represented by Bloomberg U.S. Aggregate Bond Index)
- **Balanced** (60% Russell 1000 Index and 40% Bloomberg U.S. Aggregate Bond Index)
- **Cash** (ICE BofA US Treasury Bill 3-Month Index)

Source: Morningstar Direct. Past performance does not guarantee future returns. It is not possible to invest directly in an index.

What can we learn? When a certain area of the market, or the stock or bond markets as a whole, is performing higher than their long-term historical averages, it may last for a while. But it's reasonable to assume it won't continue and may even be followed by underperformance. Conversely, performance that's well below average often gets better. The result is that, over long periods of time, returns tend to revert back to long-term averages.

Instead of trying to predict when the markets will turn up or down, consider investing in a diversified portfolio that gives you exposure to several areas of the market, with proportions most likely to meet your investment goals with a level of risk suitable for you. You might achieve this through one or two highly diversified funds or through selecting several complementary funds. Diversification will not ensure against losses but it can limit extreme losses and help reduce your overall volatility.

To learn more, contact your MissionSquare representative.