WHY BALANCED?
FOR RETURNS AND MANAGING RISK.

It's close to impossible to predict what assets will perform the best (or worst) over time in any market. As a result, investors spread their savings across many asset classes and many countries or regions, according to their ability or willingness to take risk. This spreading out of assets is called "diversification".

The colourful table below shows the returns of different assets over time. The chart puts the highest return at the top and the lowest return at the bottom, and different assets are colour-coded so it is easy to track where different assets rank in terms of top performers.

With only one exception, the chart shows that the same assets rarely perform in the same part of the chart year-over-year. The top performing assets one year are the worst in some years, and vice versa. By spreading your money across different asset classes and investing for the long term, investors experience the returns generated by the highest performing asset classes, without needing to guess which ones they might be.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
Global Govt Bonds 9.6%	Global HY Bonds 58.2%	Canadian Equity 17.6%	Canadian Govt Bonds 10.2%	Global HY Bonds 19.5%	US Equity 41.3%	US Equity 23.9%	US Equity 21.6%	Canadian Equity 21.1%	Asian Equity 23.0%	US Equity 4.2%	Canadian Equity 13.4%
Canadian Govt Bonds 9.0%	Floating Rate Loans 50.2%	Global HY Bonds 15.1%	Canadian Corp Bonds 8.2%	European Equity 16.5%	European Equity 33.6%	Canadian Equity 10.6%	Asian Equity 17.6%	Global HY Bonds 15.7%	European Equity 17.3%	Global Govt Bonds 1.9%	US Equity 9.6%
Global Bonds 5.7%	Canadian Equity 35.1%	Asian Equity 10.9%	Global Govt Bonds 6.4%	Asian Equity 14.2%	Asian Equity 19.5%	Global Govt Bonds 9.4%	European Equity 16.5%	Floating Rate Loans 9.9%	US Equity 13.8%	Canadian Govt Bonds 1.5%	Canadian Neutral Balanced 7.9%
Canadian Corp Bonds 0.2%	Global Neutral Balanced 17.7%	Floating Rate Loans 10.1%	Global Bonds 6.3%	US Equity 13.4%	Canadian Equity 13.0%	Canadian Govt Bonds 9.3%	Global Neutral Balanced 4.4%	US Equity 8.1%	Canadian Equity 9.1%	Canadian Corp Bonds 1.1%	Global HY Bonds 7.9%
Canadian Neutral Balanced -16.0%	Asian Equity 16.8%	US Equity 9.1%	US Equity 4.6%	Floating Rate Loans 10.4%	Global Neutral Balanced 11.7%	Asian Equity 9.0%	Canadian Govt Bonds 3.8%	Canadian Neutral Balanced 7.6%	Global HY Bonds 7.5%	Global Bonds 1.1%	European Equity 7.4%
Global Neutral Balanced -18.8%	Canadian Corp Bonds 16.3%	Canadian Neutral Balanced 8.8%	Global HY Bonds 3.3%	Global Neutral Balanced 7.4%	Canadian Neutral Balanced 10.5%	Canadian Neutral Balanced 8.8%	Canadian Corp Bonds 2.7%	Global Neutral Balanced 4.3%	Global Neutral Balanced 6.7%	Floating Rate Loans -0.5%	Global Neutral Balanced 7.1%
US Equity -21.2%	Canadian Neutral Balanced 15.6%	Global Neutral Balanced 8.6%	Floating Rate Loans 2.1%	Canadian Equity 7.2%	Global HY Bonds 7.9%	Global Bonds 8.6%	Global Govt Bonds 1.9%	Global Bonds 3.7%	Canadian Neutral Balanced 5.6%	Global HY Bonds -2.8%	Canadian Corp Bonds 5.7%
Asian Equity -27.3%	European Equity 15.3%	Canadian Corp Bonds 7.3%	Global Neutral Balanced -0.6%	Global Bonds 6.5%	Floating Rate Loans 6.2%	Global Neutral Balanced 8.5%	Global Bonds 1.6%	Canadian Corp Bonds 3.7%	Floating Rate Loans 3.6%	Global Neutral Balanced -3.7%	Canadian Govt Bonds 5.5%
Global HY Bonds -29.2%	US Equity 7.4%	Canadian Govt Bonds 6.5%	Canadian Neutral Balanced -0.9%	Canadian Corp Bonds 6.2%	Global Govt Bonds 1.0%	Canadian Corp Bonds 7.6%	Canadian Neutral Balanced -0.2%	Global Govt Bonds 3.6%	Canadian Corp Bonds 3.4%	Canadian Neutral Balanced -4.5%	Floating Rate Loans 5.0%
Floating Rate Loans -30.7%	Global Bonds 5.0%	Global Bonds 5.0%	Canadian Equity -8.7%	Canadian Neutral Balanced 6.0%	Canadian Corp Bonds 0.8%	Global HY Bonds 3.3%	Floating Rate Loans -0.5%	Asian Equity 1.3%	Global Bonds 2.6%	Asian Equity -5.7%	Global Bonds 4.1%
European Equity -33.0%	Canadian Govt Bonds 1.6%	Global Govt Bonds 3.8%	European Equity -8.9%	Global Govt Bonds 5.4%	Global Bonds 0.6%	Floating Rate Loans 2.5%	Global HY Bonds -2.0%	Canadian Govt Bonds 0.9%	Canadian Govt Bonds 2.2%	European Equity -7.2%	Global Govt Bonds 4.0%
Canadian Equity -33.0%	Global Govt Bonds 1.2%	European Equity -1.5%	Asian Equity -13.0%	Canadian Govt Bonds 2.6%	Canadian Govt Bonds -2.0%	European Equity 2.3%	Canadian Equity -8.3%	European Equity -3.8%	Global Govt Bonds 1.8%	Canadian Equity -8.9%	Asian Equity 3.8%

Source: Morningstar Direct, as at May 31, 2019, in CAD.

Seek broad exposures for consistent performance

Simply diversifying your portfolio evenly across asset classes may improve returns and lower risk in your portfolio relative to trying to pick winners. A slightly better choice is to purchase a balanced fund, which shows consistent performance near the middle of the chart in every time period. The main reason for this consistency is that balanced funds invest across all of the different asset classes – equities, bonds and cash – and so gains exposure to high-performing assets when they do well.

Balanced funds have two advantages over simple diversification:

1) They give the most risky assets less money than the less risky assets.
2) Balanced funds allocate money to the assets where market opportunities are the best relative to the risks in those assets.

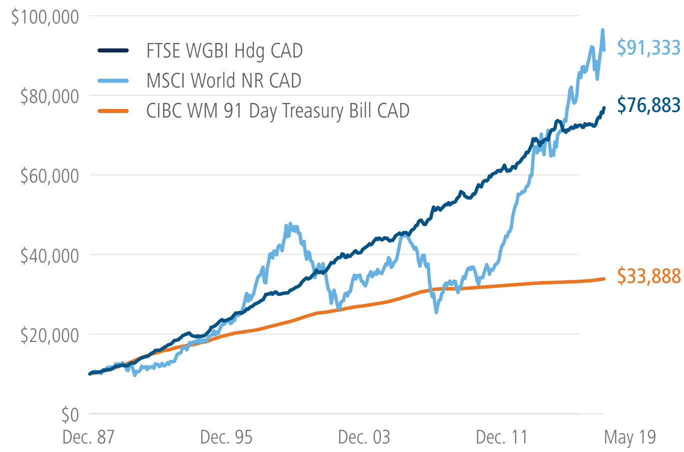
Balanced funds can be used as an anchor for the rest of your portfolio, or as an easy solution for do-it-yourself investors who prefer to have professionals manage allocation across assets. In either case, balanced funds can act as the core of a portfolio to help grow the hard-earned capital of an investor.

Balancing risk and return is tricky

Over time, the exposure to risk from global equity markets has produced larger returns for investors, but it has not been without major drawdowns of returns, sometimes losing as much as 50%. On the flip side, current low interest rates mean that cash returns are less than 1%, which is lower than the rate of inflation. Prices of groceries and other consumer goods are rising by far more than the interest we are getting on deposits.

To ensure that investors have enough retirement savings, or for whatever their financial goals are, they need to invest in more risky equities, income-paying bonds and more stable cash assets. The balance between these assets depends on how much risk the investor wants to take.

Growth of $10k
FTSE WGBI Hdg vs MSCI World vs CIBC WM 91 Day T-bill



Source: Morningstar Direct, as at May 31, 2019.

Balanced funds will invest in equities, bonds and cash in a way that reflects a consistent risk profile over time. This helps to maintain a consistent client experience. Investors should consider purchasing balanced funds to have professional money managers provide a consistent risk profile so they can pay attention to the parts of their life that are more important.

Talk to your financial advisor about how Mackenzie Balanced Funds can help your portfolio.

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