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# Stocks and Bonds

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Fall 2020

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Accura Wealth Advisors

Wells Fargo Advisors Financial Network, LLC

**Investments and Insurance Products Are:**

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

# Investing in Stocks and Bonds

## **Stocks**

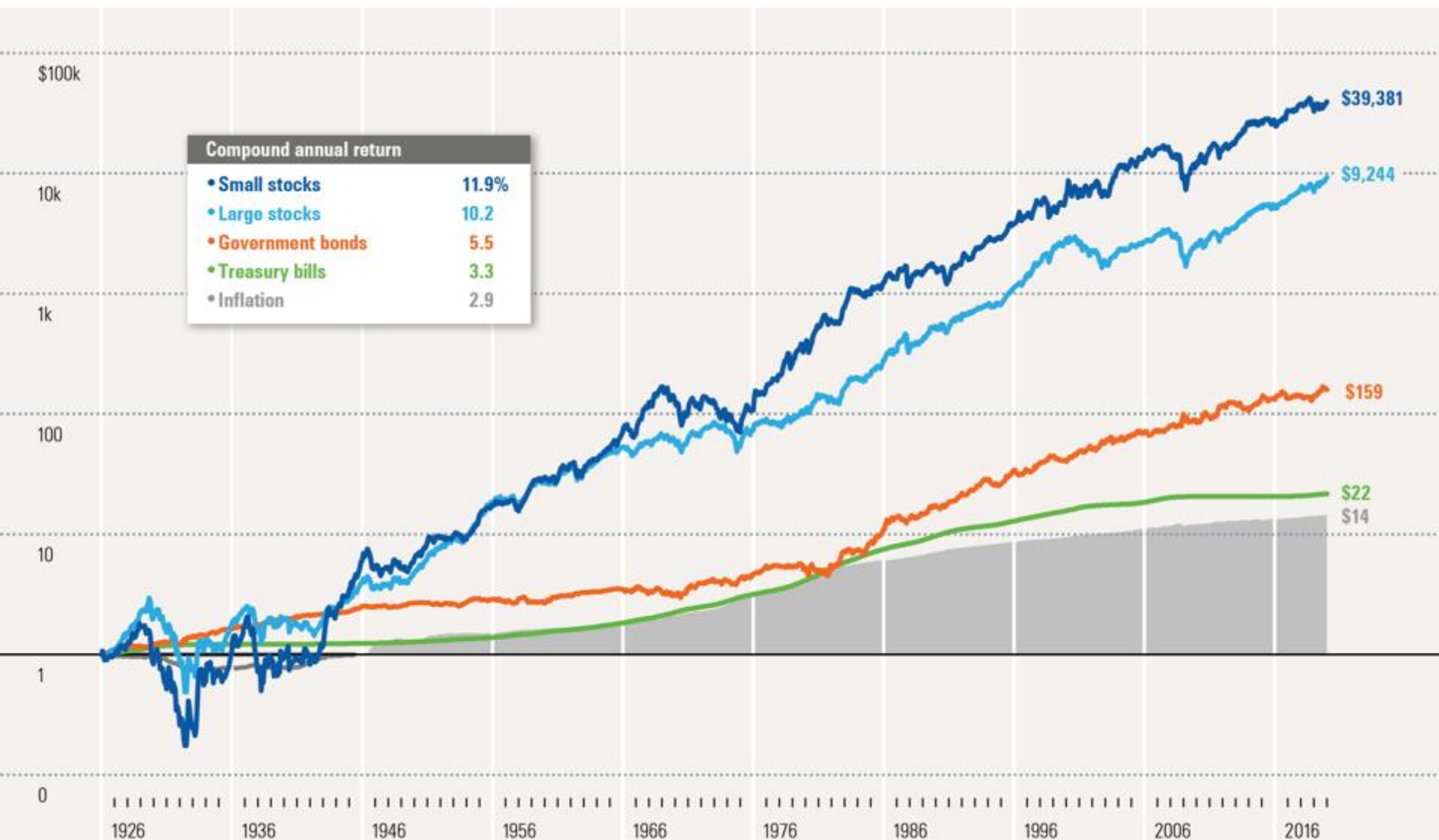
- ▶ Ownership in a corporation
- ▶ Voting rights
- ▶ Historically higher returns
- ▶ More risk

## **Bonds**

- ▶ Potential growth
- ▶ Historically lower risk
- ▶ Income generation

# Ibbotson® SBBI®

## Stocks, Bonds, Bills, and Inflation 1926–2019



**Past performance is no guarantee of future results.** Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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# Ibbotson® SBBI®

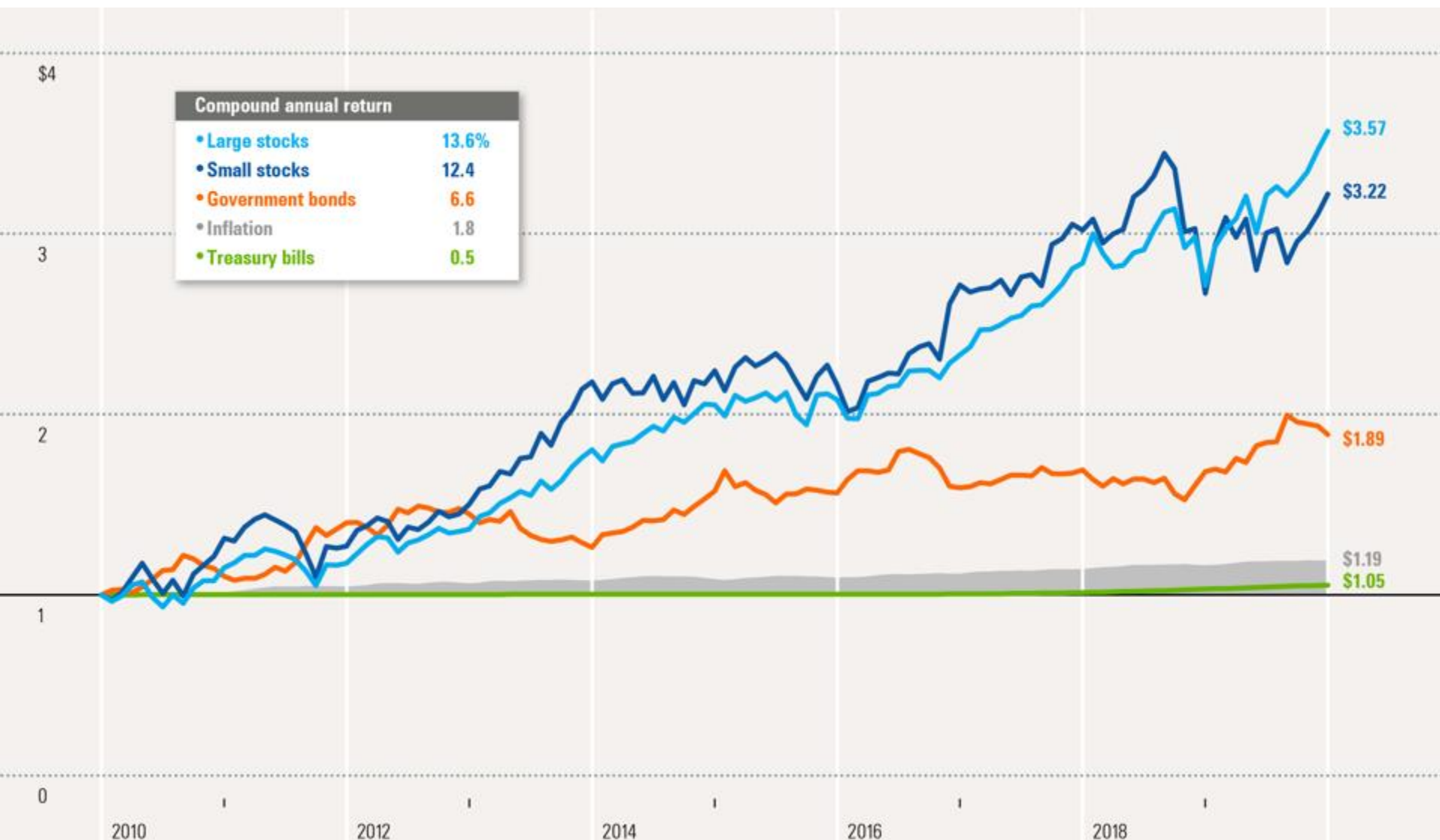
## Stocks, Bonds, Bills, and Inflation 2000–2019



**Past performance is no guarantee of future results.** Hypothetical value of \$1 invested at the beginning of 2000. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index ©Morningstar 2020. All Rights Reserved.

# The Past 10 Years

## 2000-2019



**Past performance is no guarantee of future results.** Hypothetical value of \$1 invested at the beginning of 2010. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©Morningstar 2020. All Rights Reserved.

# Stocks, Commodities, REITs, and Gold

## 1980-2019

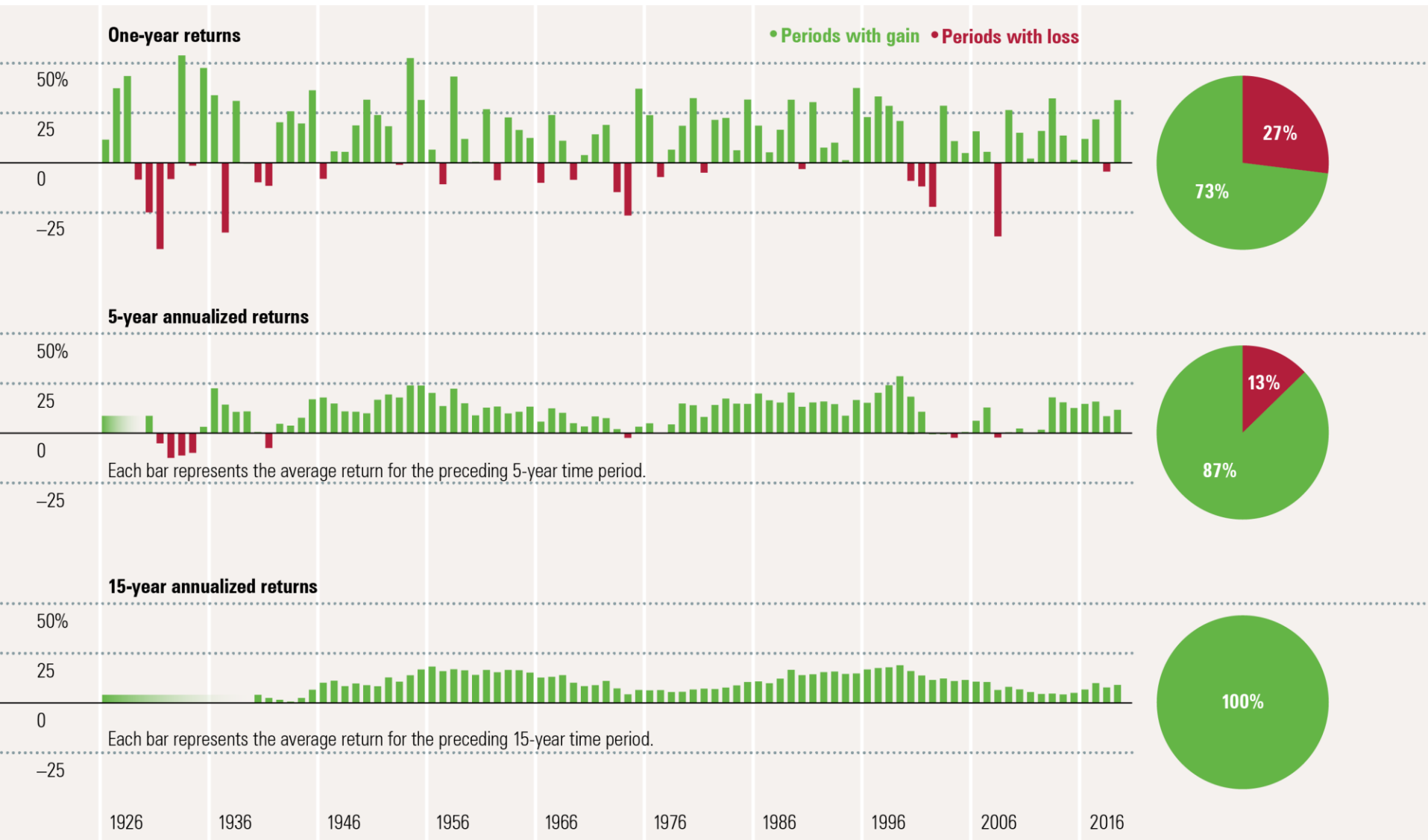


**Past performance is no guarantee of future results.** Hypothetical value of \$1 invested at the beginning of 1980. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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# Risk of Stock Market Loss Over Time

## 1926-2019



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# Bond Market Performance 1986-2019



**Past performance is no guarantee of future results.** Hypothetical value of \$1 invested at the beginning of 1986. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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# Relationship Between Bond Prices and Yields

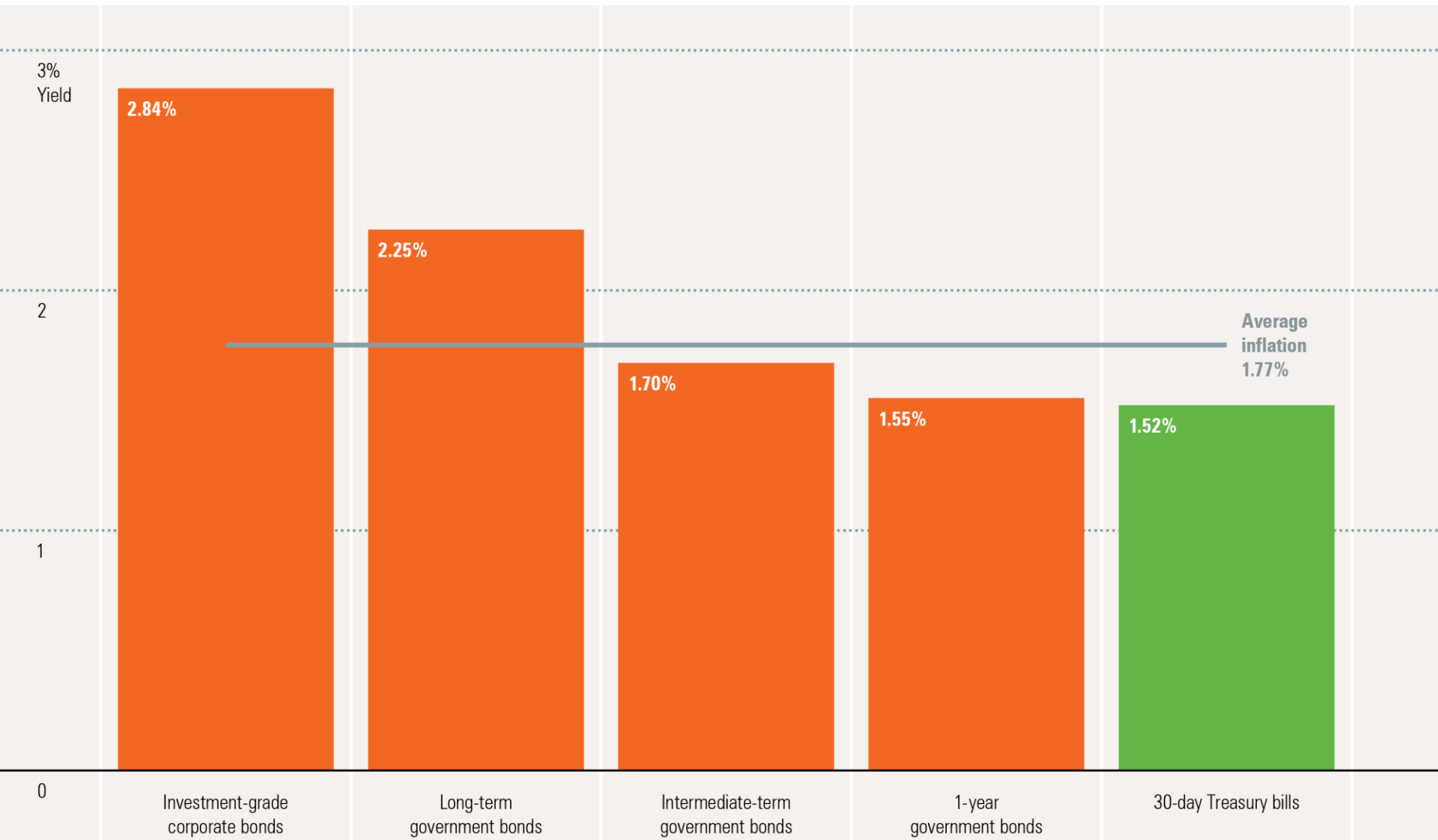
When Yields Increase, Bond Prices Decrease



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# Fixed-Income Yields Versus Average 10-Year Inflation

## As of December 2019

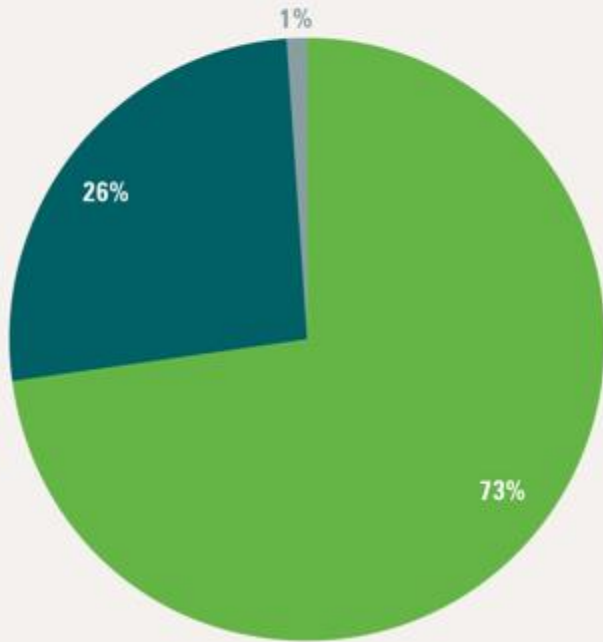


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# Bonds Produced Greater Income

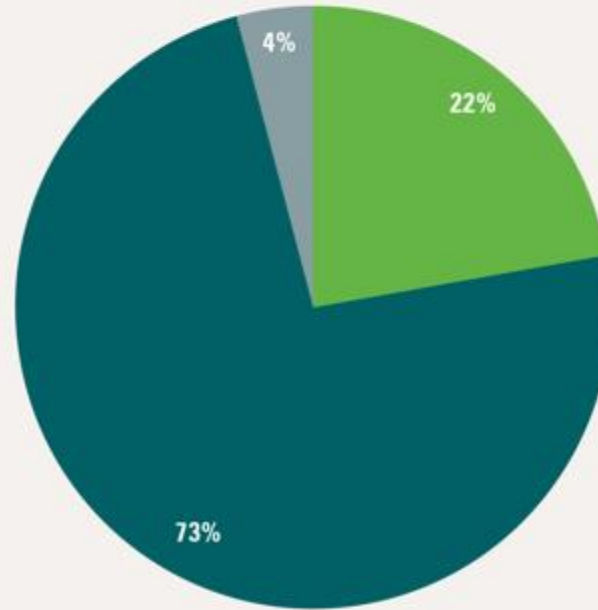
## Percentage of Total Return 1970-2019

Stocks



Percentages may not add up to 100% due to rounding.

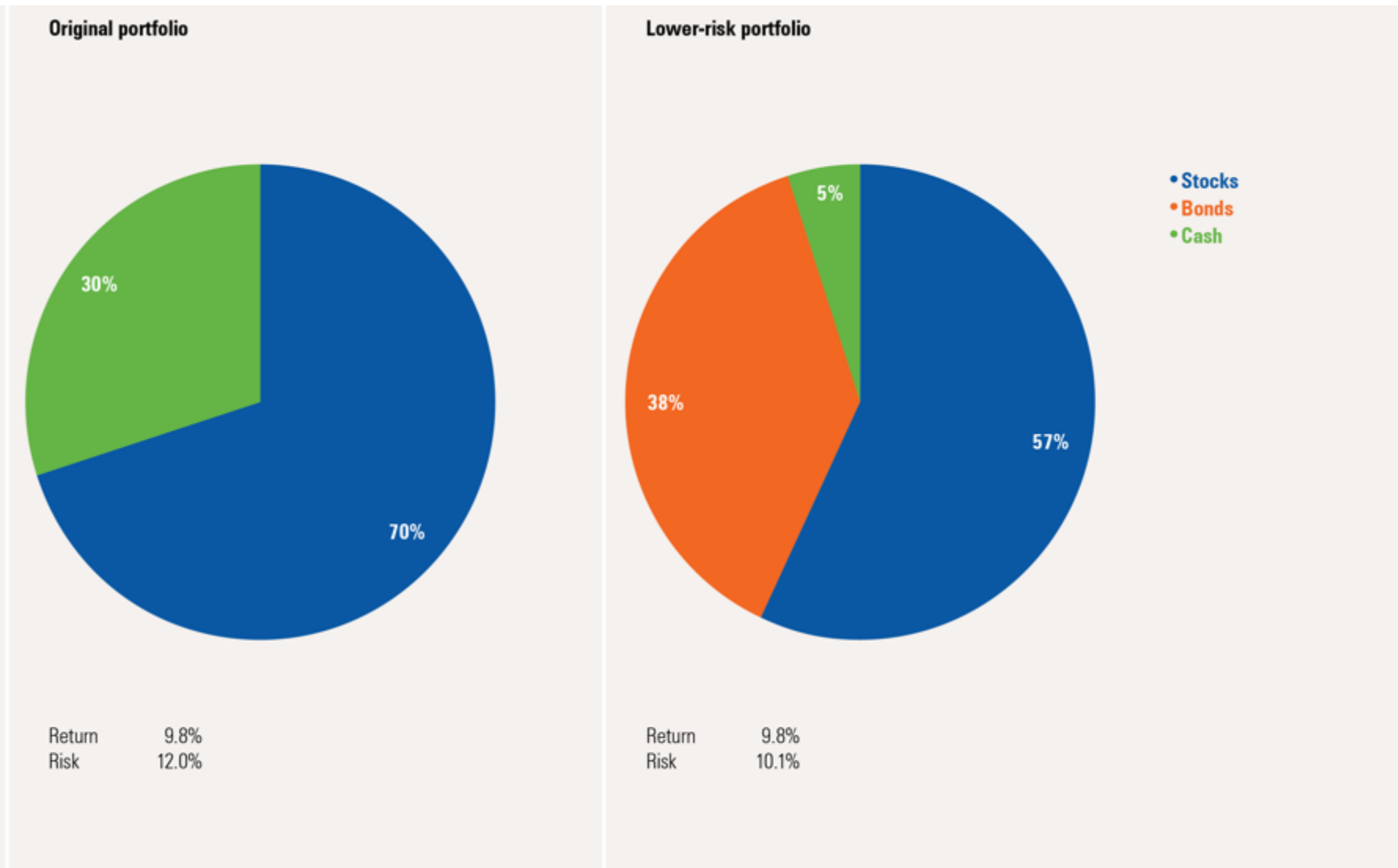
Bonds



- Capital appreciation
- Income
- Reinvestment of income

# Adding a Bond Allocation to Diversify

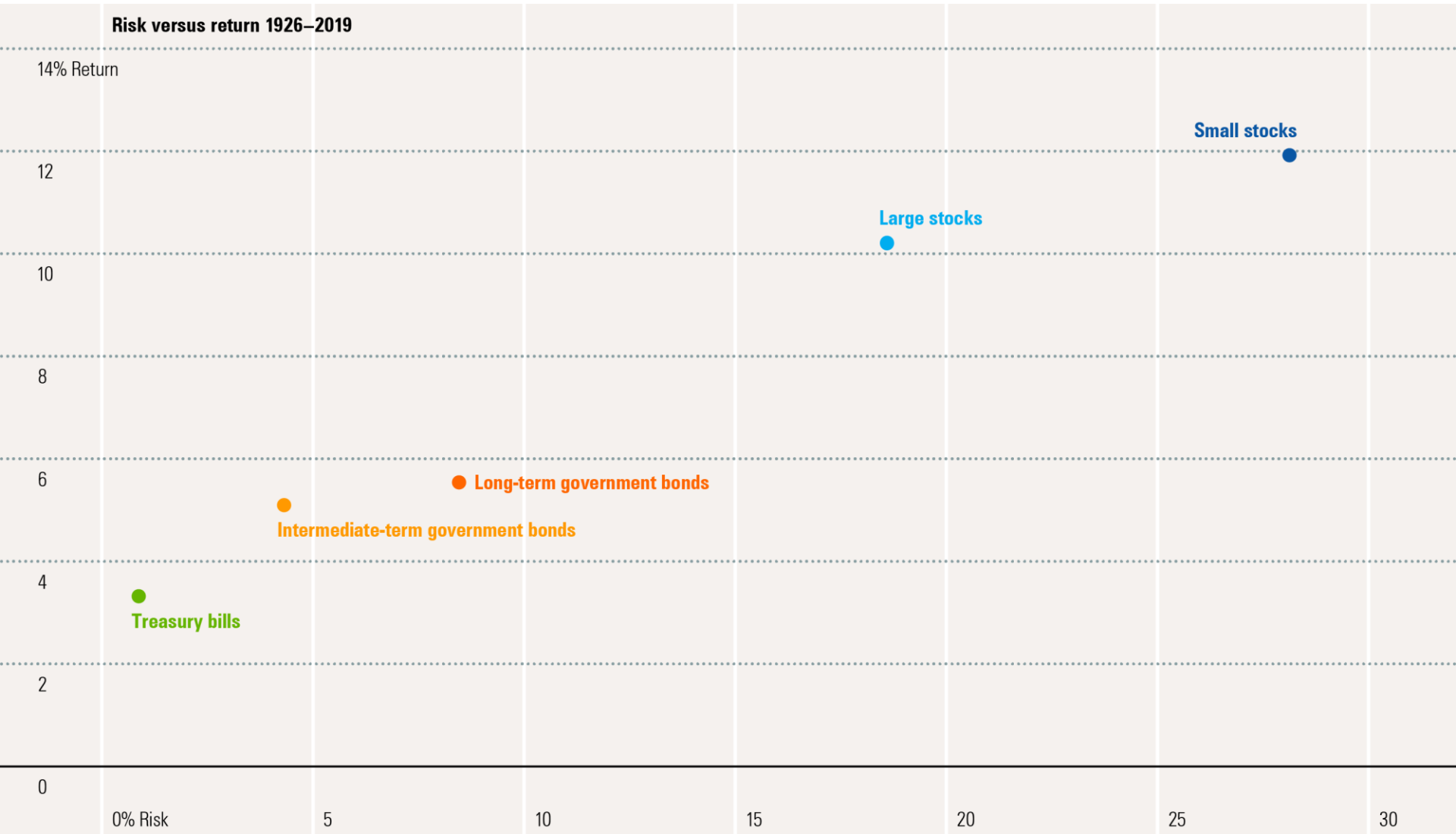
## 1970-2019



**Past performance is no guarantee of future results.** Risk is measured by standard deviation. Risk and return are based on annual data. Portfolios presented are based on modern portfolio theory. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©Morningstar 2020. All Rights Reserved.

# Risk Versus Return

## Stocks, Bonds, Bills, and Inflation 1926-2019



**Past performance is no guarantee of future results.** Risk and return are measured by monthly annualized standard deviation and compound annual return, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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# Asset Class Winners and Losers

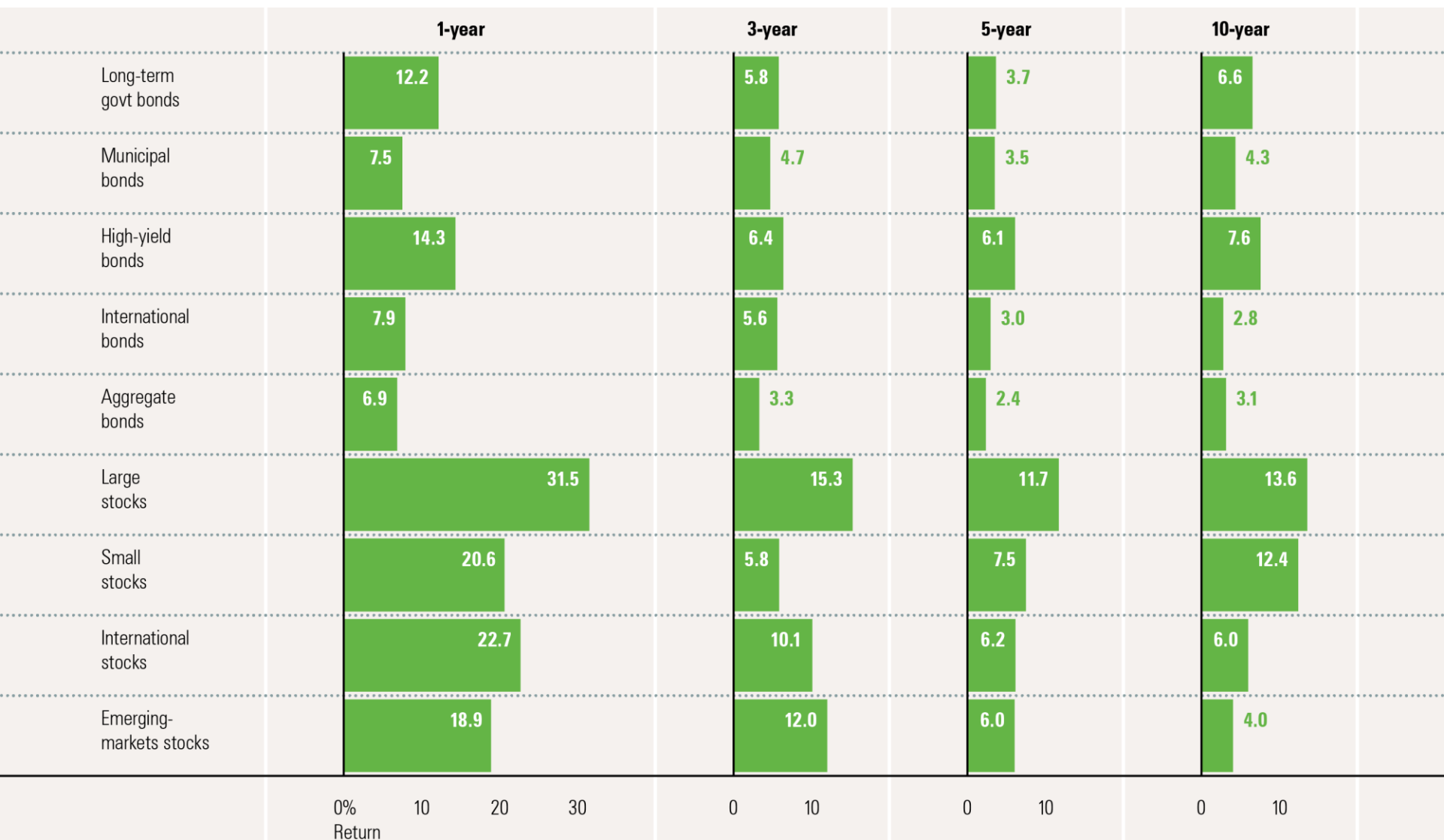
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Highest return (%)	21.5	22.8	17.8	60.7	20.2	13.5	26.3	11.2	25.9	31.8	31.3	27.1	18.2	45.1	24.7	1.4	25.6	25.0	1.8	31.5
	5.9	3.8	1.6	38.6	18.4	7.8	16.2	9.9	1.6	28.1	15.1	2.8	17.3	32.4	13.7	0.0	12.0	21.8	-0.6	22.0
	0.1	3.7	-6.4	28.7	11.8	7.0	15.8	5.5	-17.9	26.5	12.9	2.1	16.0	22.8	7.3	-0.7	8.1	13.0	-4.4	20.6
	-3.6	-0.6	-13.3	26.1	10.9	5.7	12.9	5.2	-36.7	14.3	10.1	0.0	11.0	17.5	2.9	-0.7	1.8	11.2	-5.7	17.7
	-9.1	-11.9	-15.9	1.4	8.5	4.9	4.8	4.7	-37.0	0.1	7.8	-3.3	3.4	0.0	0.0	-0.8	1.0	6.2	-11.6	12.2
Lowest return (%)	-14.2	-21.4	-22.1	1.0	1.2	3.0	1.2	-5.2	-43.4	-14.9	0.1	-12.1	0.1	-12.8	-4.9	-3.6	0.2	0.8	-13.8	2.1

• Small stocks
• Large stocks
• International stocks
• Long-term government bonds
• Treasury bills
• Diversified portfolio

**Past performance is no guarantee of future results.** This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. The diversified portfolio is equally weighted between small stocks, large stocks, long-term government bonds, Treasury bills, and international stocks (20% each). ©Morningstar 2020. All Rights Reserved.

# Stocks and Bonds Snapshots




## Returns Over Various Time Periods as of December 2019



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# Stock and Bond Portfolios

## Probability of Gain or Loss Over One-, Five-, and 10-year Rolling Periods, 1970–2019

			Large loss		Large gain	
			< -10%	-10% to 0%	0% to 10%	> 10%
 <b>Aggressive portfolio</b>	Year(s)	1	8%	12%	20%	60%
		5	0%	0%	38%	62%
		10	0%	0%	45%	55%
 <b>Moderate portfolio</b>	Year(s)	1	6%	10%	28%	56%
		5	0%	0%	40%	60%
		10	0%	0%	44%	56%
 <b>Conservative portfolio</b>	Year(s)	1	0%	12%	46%	42%
		5	0%	0%	78%	22%
		10	0%	0%	75%	25%

Percentages are rounded to the nearest whole; may not add up to 100% exactly.



# Glossary of Indices

The indices are presented to provide you with an understanding of their historic long-term performance, and are not presented to illustrate the performance of any security. Investors cannot directly purchase an index. Past performance is not indicative of future results. Individual investor results will vary.

**Barclays U.S. Corporate Index** is an unmanaged index considered representative of publicly issued, fixed-rate, nonconvertible, investment-grade debt securities.

**Barclays U.S. Corporate High-Yield Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index excludes emerging-markets debt.

**Citigroup Non-U.S. Dollar World Government Bond Index** is an unmanaged, market-capitalization-weighted index that tracks 10 government bond indices, excluding the United States.

**Consumer Price Index (CPI)** from the U.S. Bureau of Labor Statistics tracks changes in the prices paid by urban consumers for a representative basket of goods and services.

**DFA U.S. Micro Cap Portfolio** is a no-load mutual fund designed to capture the returns and diversification benefits of a broad cross section of U.S. small companies on a market-cap-weighted basis. The portfolio invests in securities of U.S. companies with market capitalizations within the smallest 5% of the market universe or smaller than the 1,500th largest U.S. company, whichever results in a higher market capitalization break. The market universe primarily comprises companies listed on the New York Stock Exchange, American Stock Exchange and NASDAQ Global Market.

**FTSE NAREIT All Equity REITs Index** is a free float-adjusted market-capitalization-weighted index that includes all tax-qualified REITs listed in the New York Stock Exchange, American Stock Exchange and NASDAQ National Market.

**House Price Index (HPI)** from the Federal Housing Finance Agency is a broad measure of the movement of single-family house prices. The HPI is a weighted, repeat-sales index; it measures average price changes in repeat sales or refinancings on the same properties. This information is obtained by reviewing repeat mortgage transactions on single-family properties whose mortgages have been purchased or securitized by Fannie Mae or Freddie Mac since January 1975.

**Ibbotson Large Company Stocks Index** is represented by the S&P 500 Composite Index (S&P 500) from 1957 to present, and the S&P 90 from 1926 to 1956.

**Ibbotson Long-Term Corporate Bonds Index** is represented by the Salomon Brothers long-term, high-grade corporate bond total return index.

**Ibbotson Small Company Stocks Index** is represented by the fifth capitalization quintile of stocks on the NYSE from 1926 to 1981 and the performance of the Dimensional Fund Advisors (DFA) Micro Cap Fund thereafter.

**International Finance Corporation (IFC) Investable Index** is designed to measure the type of returns foreign portfolio investors might receive from investing in emerging-market stocks that are legally and practically available to them.

**International Monetary Fund (IMF) Coordinated Portfolio Investment Survey (CPIS)** is conducted on an annual basis under the auspices of the IMF's Statistics Department. Participation in the CPIS is voluntary, and some 75 economies currently participate.

# Glossary of Indices (continued)

**IMF International Financial Statistics (IFS)** comprises approximately 32,000 time series covering more than 200 countries starting in 1948. It includes exchange rates, fund accounts, and the main global and country economic indicators.

**IMF World Economic Outlook Databases** comprise time series data for GDP growth, inflation, unemployment, payments balances, exports, imports, external debt, capital flows and commodity prices.

**JPMorgan Emerging Markets Bond Index Plus** is an unmanaged index that tracks debt securities of emerging markets.

**Mergent's Bond Record** offers a comprehensive review of over 68,000 issues. It provides coverage on corporate, government, municipal, industrial development/environmental control revenue and international bonds, plus structured finance and equipment trust issues, medium-term notes, convertible issues, preferred stocks and commercial paper issues.

**Morningstar Dividend Composite Index** captures the performance of all stocks in the U.S. Market Index.

**Morningstar Dividend Leaders Index** captures the performance of the 100 highest-yielding stocks.

**Morningstar Long-Only Commodity Index** is a fully collateralized commodity futures index that is long all eligible commodities.

**Morningstar Style Index** family consists of 16 indexes that track the U.S. market by capitalization and investment style using a comprehensive, rules-based, 10-factor methodology.

**Morningstar Technology Sector Index** tracks the performance of publicly traded companies engaged in the design, development, and support of computer operating systems and applications.

**Morningstar TIPS Index** includes all Treasury Inflation-Protected Securities, or TIPS, with at least one year remaining to maturity.

**MSCI AC (All Country) Asia Except Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. The index comprises the following developed and emerging market country indices: China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

**MSCI Canada Index** is designed to measure the performance of the large and mid cap segments of the Canada market. With 91 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Canada.

**MSCI Country Indices** (Australia, Brazil, Canada, Chile, Czech Republic, Egypt, Japan, Korea, Malaysia, Mexico, Thailand, United Kingdom) are constructed by identifying every listed security in the market. Securities are free float-adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.

**MSCI Emerging Markets Index** is a free float-adjusted market capitalization index designed to measure equity market performance of emerging markets. The index comprises these economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. Statistics are shown in U.S. dollars and local currency.

**MSCI Emerging Markets Latin America Index** is a free float-adjusted market-capitalization index that measures equity market performance in Latin America.

**MSCI Europe, Australasia, Far East (EAFE®) Index** is a free float-adjusted market capitalization index designed to measure developed-market equity performance excluding the United States and Canada.

# Glossary of Indices (continued)

**MSCI Europe Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in Europe. The index comprises the following country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**MSCI Europe ex UK Index** captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe\*. With 342 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

**MSCI Japan Index** is an unmanaged index considered representative of Japanese stocks. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

**MSCI Pacific Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of the developed markets in the Pacific region. The index comprises the following: Australia, Hong Kong, Japan, New Zealand and Singapore.

**MSCI United Kingdom Index** is designed to measure the performance of the large and mid cap segments of the UK market. With 102 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.

**S&P 90** was a value-weighted index based on 90 stocks.

**S&P 500** comprises 500 stocks chosen for market size, liquidity and industry group representation. It is a market-value-weighted index; each stock's weight in the index is proportionate to its market value. It is one of the most widely used benchmarks of U.S. equity performance.

**The S&P/IFCI Composite** is a liquid and investable leading emerging market index designed to be sufficiently investable to support index tracking portfolios. It is a subset of the S&P Emerging Plus Broad Market Index, with the addition of South Korea. The S&P/IFCI Asia, Europe, Latin America and Middle East/Africa TR Indices are subsets of the S&P/IFCI Composite. These asset class indices are designed to be sufficiently investable to support index tracking portfolios and are segmented by country/region, size (large, mid, small), GICS&reg (sector/industry), and style (value/growth).

**U.S. Treasury Bills Index** is tracked by Lipper to provide performance for the three-month US Treasury bill.

# Important Disclosures

**Asset allocation:** Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.

**Fixed income securities:** Investing in fixed income securities involves certain risks, such as market risk if sold prior to maturity and credit risk, especially if investing in high-yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments are subject to availability and change in price and may be worth less than original cost upon redemption or maturity. In addition to market risk, there are certain other risks associated with an investment in fixed income funds, such as default risk, the risk that the company issuing debt securities will be unable to repay principal and interest, and interest rate risk, the risk that the security may decrease in value if interest rates increase.

**International/emerging market securities or funds:** Investing in international securities or funds that invest in these securities takes on special risk. These risks include, but are not limited to, currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets normally accentuates these risks.

**Sector funds or portfolios:** The investor should note that funds or portfolios that invest exclusively in one sector or industry carry additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

**Non-diversified funds or portfolios:** Non-diversified funds or portfolios that invest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of increased concentration of investments.

**Small-cap securities or funds:** The prices of small- and mid-cap company stocks are generally more volatile than large-company stocks. They often involve higher risks because small- and mid-cap companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

**High-yield bonds or bond funds:** Investing in lower-rated debt securities (commonly referred to as junk bonds) or funds that invest in such securities involves additional risk because of the security's or fund portfolio's lower credit quality. These securities or funds are subject to a higher level of volatility and increased risk of default, or loss of principal. In addition to market risk, there are certain other risks associated with an investment in a convertible bond, such as default risk, the risk that the company issuing debt securities will be unable to repay principal and interest, and interest rate risk, the risk that the security may decrease in value if interest rates increase.

**Real estate investment trusts (REITS):** Investing in REITS involves special risks, including the potential for illiquidity of REIT securities if they are not listed on an exchange. REITS have limited historical data, and their historical behavior has varied over time.

**Government bonds and Treasury bills:** Government bonds and Treasury bills are guaranteed by the U.S. government, and if held to maturity, offer a fixed rate of return and principal.

**Stocks:** Stocks are not guaranteed, represent ownership in a company and offer long-term growth potential but may fluctuate more and provide less current income than other investments.

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