Three Things to Know About Asset Allocation

1 | Different assets play different roles

While stocks have significant appreciation and wealth-building potential, bonds can generate steady income. Cash can buffer the effect of market losses, while alternative investments can help improve a portfolio's diversification potential.

2 | Markets are unpredictable

Capital markets are dynamic, and today's asset class leader may be tomorrow's laggard. A diversified investment approach that includes a range of asset classes can help investors pursue their long-term financial goals while managing the risks along the way.

3 | The mix matters

Selecting the mix of assets in your portfolio may be the dominant contributor to total return—more so than the choice of individual holdings. In fact, an influential, decade-long study of 82 large pension plans revealed that this asset mix explained, on average, nearly 92% of the variation in total return.[1]

The investment universe is expanding

58
The number of fund categories tracked by Morningstar in **2003**

→

112
The number of fund categories tracked by Morningstar **TODAY**

Today, there are over 100 Morningstar categories, which now include niche styles and alternative investments. This variety of asset classes and specialized managers presents new opportunities for investors.[2]

John Hancock INVESTMENTS

This was originally published by John Hancock Investments in their Portfolio Insight. Asset Allocation | Redefining diversification in your portfolio.

[1] Brinson, Singer, and Beebower, 1991.

[2] Morningstar, as of 12/31/2014. Static categories, those currently without description and without funds, are omitted from this figure.

ACR#143521 05/15