ASSET ALLOCATION

Rethinking DC Portfolio Diversification

August 25, 2023

Most DC portfolios today rely on varying mixes of traditional market exposures to drive growth during the accumulation phase and to mitigate bad investment outcomes in the years before and after retirement. This simple stock/bond formula worked well in recent decades characterised by falling yields and low, stable inflation. But what if stock/bond diversification ain't what it used to be? Even supposedly lower risk DC portfolios suffered substantial losses in 2022, as equity and bond markets sold off together. Prospects for stock/bond portfolio returns and diversification look bleaker than the rosy past.

Where else can DC investors find returns and diversification that they can access now? We make the case for an allocation to liquid alternatives as a viable and versatile complement to existing DC portfolios.

eliminate the risk of experiencing investment losses.

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