Diversification: Address Volatility

Designing a strategy to help your portfolio withstand market volatility can be challenging. Diversification should be your first line of defense.

Diversification means putting money into many different investments to moderate risk. When you own a variety of investments, you reduce the chance that losses from any single investment or investment type will put your entire portfolio in jeopardy.

**Spread It Around**

Spreading your investment money among the three major asset classes — stocks, bonds, and cash alternatives (short-term securities that can be readily converted to cash, such as Treasury bills) — is a good start. But you’ll also need to diversify within each investment type. Your portfolio isn’t adequately diversified if you own stock in only a few companies or only in companies from the same economic sector.

**A Little Help**

Because they hold securities from many different companies, mutual funds provide a measure of diversification. But make sure you avoid owning multiple funds with the same investment styles and objectives. Including stock mutual funds from a variety of economic sectors can help position your portfolio to better withstand market fluctuations. And funds that hold “defensive” stocks from industries that typically aren’t affected by economic changes — such as utilities, food, and pharmaceuticals — may provide a cushion during market declines.

Ask your financial professional for help in choosing a diversified investment mix.

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1 Diversification does not ensure a profit or protect against loss in a declining market.
2 Cash alternative investments may not be federally guaranteed or insured, and it is possible to lose money by investing in them. Returns may not keep pace with inflation, so you could lose purchasing power.
3 You should consider the fund’s investment objectives, charges, expenses, and risks carefully before you invest. The fund’s prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.
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