In an environment of uncertainty and volatility, it becomes even more important to diversify.

COLUMBIA THREADNEEDLE INVESTMENTS

Ask your advisor about the value of asset allocation, strategic risk allocation and diversification in volatile environments.

How you can approach uncertainty and volatility

Distinguish types of portfolio risk. Understand how they may move in tandem or amplify each other.

For many investors, equity exposure is the most significant driver of volatility. It's important to think about the types of investments that behave in a highly correlated fashion with equity (or with each other generally). The goal of asset allocation is to be sure that risks are spread out and to avoid unintended concentrations.

Don't be tempted to abandon diversification in uncertain environments.

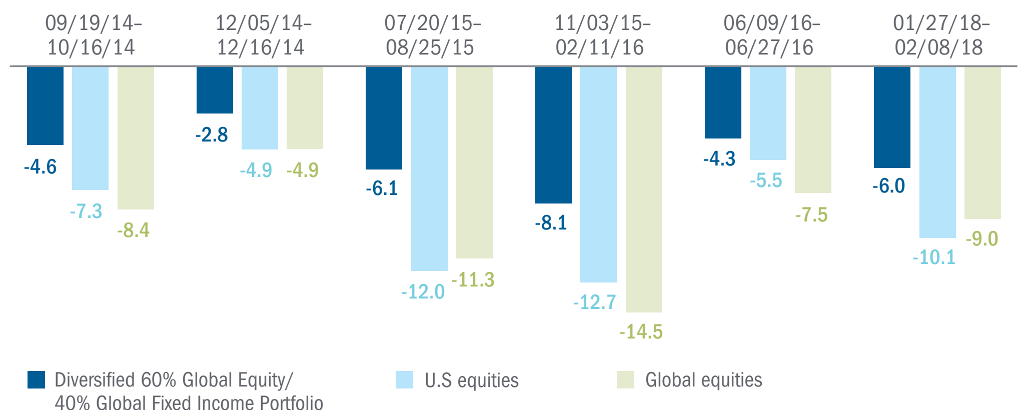
It's tempting to move to a "safe" asset like cash because, for many of us, the prospect of loss drives our decision-making. In many cases, a better approach is to build a resilient strategic portfolio that can help manage risks on the downside. A significant reallocation because of short-term uncertainty rarely pays off in the long term. Instead, consider making tilts when you have high conviction views.

Identify portfolio sensitivities, especially during an election year.

Election years are always unpredictable. Some sectors, such as health care or defense, can be dramatically affected by political decisions. If there's a high degree of uncertainty in a specific area, don't take a risk in that area, especially if there's not an obvious risk premium or additional yield.

A DIVERSIFIED PORTFOLIO CAN LIMIT DRAWDOWN IN A VOLATILE EQUITY MARKET

You may lose less when you have a diversified portfolio versus a more concentrated equity exposure.



Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

Diversification and/or asset allocation does not ensure a profit or protect against loss.

Source: Columbia Management Investment Advisers, LLC. Periods of drawdown were calculated by using the largest peak to trough losses on equities, measured by the S&P 500 Index, since 01/01/14 and comparing the average performance over each of those periods. Past performance does not guarantee future results. U.S. equities are represented by the S&P 500 Index, which tracks the stocks of 500 large-cap U.S. companies. Global equities are represented by the MSCI All Country World Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The 60% equity/40% bond diversified portfolio is represented by the MSCI ACWI and the Bloomberg Barclays Global Aggregate Bond Index, which is a measure of global investment-grade debt from 24 local currency markets and includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance.

Not FDIC insured • No bank guarantee • May lose value

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CTNPKDLY (01/20) 2866799