

The simplest and truest reason as to why we diversify is that we don't know what assets will do very well in the future, and which assets will do poorly. Diversification is the evidence that we cannot accurately and consistently forecast the future.

When we invest during a period where one asset vastly outperforms all others, it can be very frustrating to remain diversified. We may be tempted to sell the underperformers and invest more heavily in that which is outperforming. Despite these inclinations, there is strong evidence to suggest that diversification is the best strategy.

Evidence #1

Over the past 10 years (2015 – 2024), technology stocks performed best – by a significant margin. Energy was the worst performer. But did you know that from 2000-2014, energy was the best performer? Any guess to what was the worst performer? Yep, it was technology. So, what asset class will perform best and worst over the next 10-15 years? No one knows. That's why we diversify.

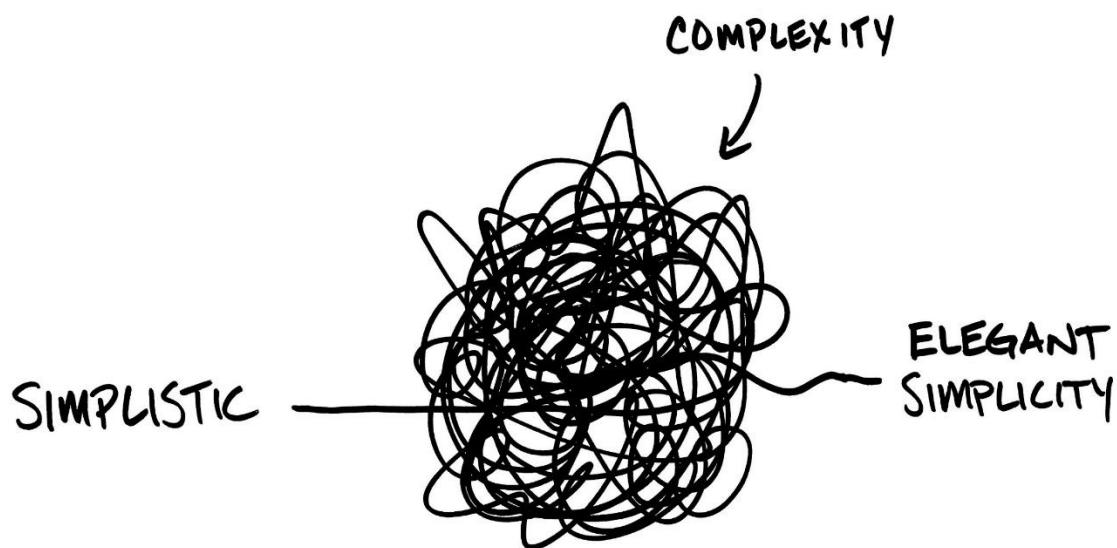
Evidence #2

JP Morgan recently published an in-depth analysis of the Russell 3000 index (comprises 98% of US stocks) over the past 35 years. Since 1980, they found that 40% of the stocks in the index were extreme losers - suffering a catastrophic loss of 70% or more from their highs and never recovered. And as far as the extreme winners...the ones we all wish we owned from the beginning? Extreme winners were only 7% of the stocks.

How do you make sure you own those extreme winners? It's very difficult, if not impossible, to do without being diversified. We diversify to help us own the extreme winners that drive a lot of the stock market gains.

Final Thoughts

Diversification works very well over market cycles, but when we evaluate performance in the short term, we may become disappointed and discouraged. That is why investing is a journey. I am here to help you take the long view and make the best decisions in line with your long-term goals and aspirations.



BEHAVIOR | GAP

^[1] A Wealth of Common Sense, *The 2024 Sector Quilt*, Jan 15, 2025.

^[1] JPMorgan, *The Agony & Ecstasy: The Pros and Cons of Concentrated Positions*.

David J. Miller, ChFC®, CFP®
Managing Director, Financial Advisor
Senior Portfolio Management Director
The David Miller Group at Morgan Stanley
7500 Dallas Parkway, Ste 500 | Plano, TX 75024
Direct: 972-943-7238
Mobile: 972-837-3258
Fax: 972-943-7299
David6.miller@ms.com

Forbes America's Best-in-State Wealth Advisors 2018, 2019, 2020, 2021, 2022, 2023, 2024
Forbes America's Next Generation Wealth Advisors 2017, 2018, 2019, 2020, 2021, 2023, 2024
Five Star Wealth Manager 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2024

For more information please [visit our website](#)

Connect with me on [Linked In](#)

Morgan Stanley Smith Barney LLC, member SIPC

2018, 2019, 2020, 2021, 2022, 2023, 2024 Forbes Best-In-State Wealth Advisors

Source: Forbes.com (Awarded 2018, 2019, 2020, 2021, 2022, 2023, 2024). Data compiled by SHOOK Research LLC based 12-month time period concluding in June of year prior to the issuance of the award. [Awards Disclosures](#)

2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024 Forbes America's Top Next-Gen Wealth Advisors & Top Next-Gen Wealth Advisors Best-in-State (formerly referred to as Forbes America's Top Next-Gen Wealth Advisors, Forbes Top 1,000 Next-Gen Wealth Advisors, Forbes Top 500 Next Generation Wealth Advisors) [Awards Disclosures](#)

Source: Forbes.com (Awarded 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024). Data compiled by SHOOK Research LLC based on 12-month period concluding in Mar of the year the award was issued. [Awards Disclosures](#)

2015-2023 Five Star Wealth Manager Award [Awards Disclosures](#)

Source: fivestarpromotional.com (Awarded 2015-2023) These awards were determined through an evaluation process conducted by Five Star Professional, based on objective criteria, during the following periods:

2015 Award - 11/30/14 - 5/18/15

2016 Award - 11/30/15 - 5/18/16

2017 Award - 9/26/16 - 4/28/17

2018 Award - 10/24/17 - 5/21/18

2019 Award - 10/22/18 - 5/3/19

2020 Award - 10/27/19 - 4/24/20

2021 Award - 11/30/20 - 6/25/21

2022 Award - 12/31/21 - 6/10/22

2023 Award - 11/14/22 - 5/31/23

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be appropriate for all investors. Morgan Stanley Wealth Management recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

CRC 4228544 02/2025

Diversification does not guarantee a profit or protect against loss in a declining financial market. **Indices are unmanaged. An investor cannot invest directly in an index.** For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions> Morgan Stanley Smith Barney LLC. Member SIPC.