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Why diversify? Because winners rotate.

Perhaps nothing better illustrates the need for an asset allocation plan than the chart below, which shows how various asset classes performed on a year-by-year basis from 2002 through 2021. The best-performing asset class for each calendar year is at the top of each column. Please remember, past performance does not guarantee future results.

Annual total returns of key asset classes 2002–2021¹

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Best	Global Bonds 19.49%	Emerging Market Stocks 56.28%	Emerging Market Stocks 25.95%	Emerging Market Stocks 34.54%	Emerging Market Stocks 32.55%	Emerging Market Stocks 39.82%	Global Bonds 10.89%	Emerging Market Stocks 79.02%	Small Growth Stocks 29.09%	Bonds 7.84%	Emerging Market Stocks 18.63%	Small Growth Stocks 43.30%	Large Growth Stocks 14.89%	Large Growth Stocks 5.52%	Small Value Stocks 31.74%	Emerging Market Stocks 37.75%	Bonds 0.01%	Large Value Stocks 31.93%	Small Growth Stocks 34.63%	Large Growth Stocks 32.01%	Best
	Bonds 10.26%	Small Growth Stocks 48.54%	Small Value Stocks 22.25%	Foreign Stocks 14.02%	Foreign Stocks 26.86%	Foreign Stocks 11.63%	Bonds 5.24%	High Yield Bonds 54.22%	Small Value Stocks 24.50%	Global Bonds 6.35%	Small Value Stocks 18.05%	Small Value Stocks 34.52%	Large Value Stocks 12.36%	Bonds 0.55%	High Yield Bonds 18.25%	Large Growth Stocks 27.44%	Large Growth Stocks -0.01%	Large Growth Stocks 31.13%	Large Growth Stocks 33.47%	Small Value Stocks 28.27%	
	High Yield Bonds 3.10%	Small Value Stocks 46.03%	Foreign Stocks 20.70%	Asset Allocation Portfolio 7.23%	Small Value Stocks 23.48%	Global Bonds 10.95%	High Yield Bonds -26.17%	Small Growth Stocks 34.47%	Emerging Market Stocks 19.20%	High Yield Bonds 5.47%	Foreign Stocks 17.90%	Large Growth Stocks 32.75%	Bonds 5.97%	Foreign Stocks -0.39%	Large Value Stocks 17.40%	Foreign Stocks 25.62%	Global Bonds -0.84%	Small Growth Stocks 28.48%	Emerging Market Stocks 18.69%	Large Value Stocks 24.90%	
	Emerging Market Stocks -6.00%	Foreign Stocks 39.17%	Large Value Stocks 15.71%	Large Value Stocks 5.82%	Large Value Stocks 20.80%	Large Growth Stocks 9.13%	Asset Allocation Portfolio -27.54%	Foreign Stocks 32.46%	Asset Allocation Portfolio 15.25%	Large Growth Stocks 4.65%	Large Value Stocks 17.68%	Large Value Stocks 31.99%	Small Growth Stocks 5.60%	Small Growth Stocks -1.38%	Emerging Market Stocks 11.60%	Small Growth Stocks 22.17%	High Yield Bonds -2.37%	Foreign Stocks 22.66%	Asset Allocation Portfolio 13.80%	Foreign Stocks 11.78%	
	Asset Allocation Portfolio -8.33%	Asset Allocation Portfolio 32.71%	Asset Allocation Portfolio 14.63%	Small Value Stocks 4.71%	Asset Allocation Portfolio 16.71%	Asset Allocation Portfolio 8.93%	Small Value Stocks -28.92%	Large Growth Stocks 31.57%	Large Value Stocks 15.10%	Large Value Stocks -0.48%	High Yield Bonds 14.71%	Foreign Stocks 23.29%	Asset Allocation Portfolio 4.24%	Large Value Stocks -3.13%	Asset Allocation Portfolio 11.44%	Asset Allocation Portfolio 17.14%	Asset Allocation Portfolio -6.88%	Small Value Stocks 22.39%	Global Bonds 10.11%	Asset Allocation Portfolio 10.51%	
	Small Value Stocks -11.43%	Large Value Stocks 31.79%	Small Growth Stocks 14.31%	Small Growth Stocks 4.15%	Small Growth Stocks 13.35%	Small Growth Stocks 7.05%	Large Growth Stocks -34.92%	Asset Allocation Portfolio 31.33%	Large Growth Stocks 15.05%	Asset Allocation Portfolio -1.61%	Large Growth Stocks 14.61%	Asset Allocation Portfolio 18.34%	Small Value Stocks 4.22%	Asset Allocation Portfolio -3.27%	Small Growth Stocks 11.32%	Large Value Stocks 15.36%	Large Value Stocks -8.95%	Asset Allocation Portfolio 20.46%	Foreign Stocks 8.28%	High Yield Bonds 5.50%	
	Foreign Stocks -15.66%	High Yield Bonds 27.94%	High Yield Bonds 11.95%	Large Growth Stocks 4.00%	High Yield Bonds 11.92%	Bonds 6.97%	Small Growth Stocks -38.54%	Large Value Stocks 21.18%	High Yield Bonds 14.42%	Small Growth Stocks -2.91%	Small Growth Stocks 14.59%	High Yield Bonds 7.53%	High Yield Bonds 1.86%	Global Bonds -3.57%	Large Growth Stocks 6.89%	Small Value Stocks 7.84%	Small Growth Stocks -9.31%	Emerging Market Stocks 18.90%	Bonds 7.51%	Small Growth Stocks 2.83%	
	Large Value Stocks -20.85%	Large Growth Stocks 25.66%	Global Bonds 10.35%	Bonds 2.43%	Large Growth Stocks 11.01%	High Yield Bonds 2.65%	Large Value Stocks -39.22%	Small Value Stocks 20.58%	Foreign Stocks 8.21%	Small Value Stocks -5.50%	Asset Allocation Portfolio 13.56%	Bonds -2.02%	Global Bonds -0.48%	High Yield Bonds -4.93%	Bonds 2.65%	Global Bonds 7.49%	Small Value Stocks -12.86%	High Yield Bonds 14.00%	High Yield Bonds 5.48%	Bonds -1.54%	
	Large Growth Stocks -23.59%	Global Bonds 14.91%	Large Growth Stocks 6.13%	High Yield Bonds 2.26%	Global Bonds 6.12%	Large Value Stocks 1.99%	Foreign Stocks -43.06%	Bonds 5.93%	Bonds 6.54%	Foreign Stocks -11.73%	Bonds 4.21%	Emerging Market Stocks -2.27%	Emerging Market Stocks -1.82%	Small Value Stocks -7.47%	Global Bonds 1.60%	High Yield Bonds 7.03%	Foreign Stocks -13.36%	Bonds 8.72%	Small Value Stocks 4.63%	Emerging Market Stocks -2.22%	
Worst	Small Growth Stocks -30.26%	Bonds 4.10%	Bonds 4.34%	Global Bonds -6.88%	Bonds 4.33%	Small Value Stocks -9.78%	Emerging Market Stocks -53.18%	Global Bonds 2.55%	Global Bonds 5.17%	Emerging Market Stocks -18.17%	Global Bonds 1.65%	Global Bonds -4.00%	Foreign Stocks -4.48%	Emerging Market Stocks -14.60%	Foreign Stocks 1.51%	Bonds 3.54%	Emerging Market Stocks -14.25%	Global Bonds 5.90%	Large Value Stocks 1.36%	Global Bonds -6.97%	Worst

1. Source: Morningstar. Large growth stocks are represented by the S&P Growth Index; Large value stocks are represented by the S&P 500 Value Index; Small growth stocks are represented by the Russell 2000 Growth Index; Small value stocks are represented by the Russell 2000 Value Index; Foreign stocks are represented by the MSCI EAFE Index; Bonds are represented by the Bloomberg U.S. Aggregate Bond Index; High yield bonds are represented by the Credit Suisse High Yield Index; Emerging market stocks are represented by the MSCI Emerging Markets Index; Global bonds are represented by the FTSE World Government Bond Index; and Asset allocation portfolio reflects an equal investment at the start of the year in each of the nine asset classes. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges. **Past performance is no guarantee of future results.**

Diversification does not guarantee a profit or protect against loss.

Certain asset classes carry relatively higher risks. Small capitalization stocks can be more volatile than large capitalization stocks. High-yield bonds have a higher risk of default and loss of principal compared to U.S. investment grade bonds. Foreign investing involves special risks, including currency fluctuations, and political and economic uncertainty. Emerging markets stocks involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investment in hedge strategies are speculative investments, entail significant risk and should not be considered a complete investment program.

The indexes above do not represent the performance of any Franklin Templeton fund. For current performance of any Franklin Templeton fund, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

To take advantage of the strong returns of each year's "winners," it is important to develop a well-balanced portfolio with investments across all asset classes. Franklin Templeton, one of the largest independent asset managers in the world, offers a variety of professionally managed mutual funds and ETFs that cover every major asset class.

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Does asset allocation really work?

Yes. In addition to helping reduce overall volatility and improving your chances to earn more consistent returns over time, keeping assets properly allocated helps avoid the temptation to try and time the market. Consider the three scenarios below, illustrating different strategies used by investors. Of course, past performance can't guarantee future results.

Growth of \$10,000 invested annually between 2002–2021²

	Total investment	Value of portfolio	Average annual total return
1. Chasing the Winners Investing in last year's best-performing asset class ^{2,3}	\$200,000	\$464,031	7.47%
2. Bottom-Fishing Investing in last year's worst-performing asset class ^{2,4}	\$200,000	\$420,070	6.63%
3. Asset Allocation Investing consistently across several asset classes in equal proportion each year ^{2,5}	\$200,000	\$537,388	9.44%

This chart is for illustrative purposes only. It is important to note that an asset allocation strategy does not ensure results superior to other investment strategies and also does not guarantee a profit or protect against a loss. The chart does not represent the performance of any Franklin Templeton fund. For the current performance of any Franklin Templeton fund listed, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

For more information on Franklin Templeton funds, please contact your financial professional.

All investments involve risks, including possible loss of principal. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial professional, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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Indexes are unmanaged and one cannot invest directly in an index. This illustration assumes that indexes are reasonable representations of asset classes and their returns. However, investment manager performance relative to the different asset class indexes has varied widely during the past 20 years.

2. Source: © 2022 Morningstar. The three scenarios above included **large growth stocks**, represented by the S&P 500 Growth Index; **large value stocks**, represented by the S&P 500 Value Index; **small growth stocks**, represented by the Russell 2000 Growth Index; **small value stocks**, represented by the Russell 2000 Value Index; **foreign stocks**, represented by the MSCI EAFE Index; **bonds**, represented by the Bloomberg U.S. Aggregate Bond Index; **high yield bonds**, represented by the Credit Suisse High Yield Index; **emerging market stocks**, represented by the MSCI Emerging Markets Index; **global bonds**, represented by the FTSE World Government Bond Index. Important data provider notices and terms available at www.franklintempletondatasources.com.

3. Annual investments are made into the best-performing asset class index of the previous calendar year.

4. Annual investments are made into the worst-performing asset class index of the previous calendar year.

5. Annual investments are distributed evenly among all 10 asset class indexes each calendar year and the portfolio is rebalanced annually.



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