Portfolio construction could be difficult for most. Too often when we sit down with potential clients, we find out that the way they chose their securities for their portfolio was based on previous years' returns. We tend to ask people to shy away from that. And one of the charts that we like to use when we sit down with individuals is to get them to understand that the returns of the market and the different indexes are completely random.

The way this chart reads is that each square represents a different index of the market. And going across the top of the page, we look at 2002 all the way out to 2021, and we just rank what was the best index from best to worse in each of those years. And you can see that the colors on the chart are all over the place, right?

There's no continuity in the best performers, every single year is pretty much random. What we tend to ask clients to focus more on is their tolerance for risk and their goals. As returns are random, risk is much more predictable. Same chart, same year is going across the top of the page, but the highest risk assets you can see pretty much are the highest risk assets every single year during this timeframe. And the lowest risk assets are always at the low end of this chart every single year.

So when you think about building a portfolio, and you're risk-adverse, we tend to like to own more things at the bottom of the chart and a little bit less towards the top. And if you're more on the aggressive side, then you would want to own more of the top end of this chart and minimize your exposure to the lower end of this chart. So hopefully this is good information. If this is a PDF that we can send to you or if you think a conversation would be helpful, please don't hesitate to reach out as we'd be more than happy to send this to you.