It's not always easy to do the right thing

This tells us that trend-following and contrarian strategies are double-edged swords; while they may offer a better chance of outperforming many asset classes and diversified portfolios, they also impose a higher probability of significantly underperforming. Meanwhile, the relative stability conferred by a diversified strategy may help to avoid significant losses while reducing the overall volatility of the investment experience. And portfolios that can avoid extreme losses while enjoying lower volatility tend to outperform in the long run. This is why we continue to preach diversification: it may seem boring, but the past 10 years of performance illustrate that diversified strategies have offered benefits that the other approaches have failed to provide.

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Emerging Equity 18.2%	US Small Cap 38.8%	Long Duration 19.3%	Short Duration 1.0%	US Small Cap 21.3%	Emerging Equity 37.3%	Cash 2.1%	US Large Cap 30.7%	US Small Cap 20.0%	US Large Cap 28.2%
International Equity 17.3%	US Large Cap 31.5%	US Large Cap 13.0%	US Large Cap 0.7%	High Yield 17.5%	International Equity 25.0%	Short Duration 1.5%	US Small Cap 25.5%	Emerging Equity 18.3%	Commodities 27.1%
Emerging Debt 17.1%	International Equity 22.8%	Core Fixed 6.0%	Core Fixed 0.5%	Commodities 11.8%	US Large Cap 21.1%	TIPS 0.4%	International Equity 22.0%	US Large Cap 17.8%	US Small Cap 14.8%
US Small Cap 16.3%	High Yield 7.4%	US Small Cap 4.9%	Cash 0.2%	US Large Cap 11.2%	US Small Cap 14.6%	Core Fixed 0.0%	Long Duration 19.6%	Long Duration 16.1%	International Equity 11.3%
High Yield 15.5%	Cash 0.2%	High Yield 2.5%	TIPS -0.1%	Emerging Equity 11.2%	Emerging Debt 12.7%	High Yield -2.3%	Emerging Equity 18.4%	International Equity 7.8%	TIPS 5.5%
US Large Cap 15.2%	Short Duration -0.2%	Short Duration 1.2%	International Equity -0.8%	Emerging Debt 10.0%	Long Duration 10.7%	Long Duration -4.7%	High Yield 14.4%	Core Fixed 7.5%	High Yield 5.3%
Long Duration 8.8%	TIPS -2.0%	Emerging Debt 0.9%	Long Duration -3.3%	Long Duration 6.7%	High Yield 7.5%	US Large Cap -4.9%	Emerging Debt 14.3%	High Yield 6.1%	Cash 0.2%
Core Fixed 4.2%	Core Fixed -2.0%	Cash 0.2%	US Small Cap -4.4%	TIPS 3.1%	Core Fixed 3.5%	Emerging Debt -5.2%	Core Fixed 8.7%	TIPS 5.7%	Short Duration -1.1%
TIPS 2.7%	Emerging Equity -2.6%	TIPS -1.1%	High Yield -4.6%	Core Fixed 2.6%	Commodities 1.7%	US Small Cap -11.0%	Commodities 7.7%	Short Duration 4.3%	Core Fixed -1.5%
Short Duration 0.9%	Emerging Debt -7.1%	Emerging Equity -2.2%	Emerging Debt -6.9%	Short Duration 1.1%	Cash 1.1%	Commodities -11.2%	TIPS 5.1%	Emerging Debt 4.0%	Long Duration -2.5%
Cash 0.5%	Long Duration -8.8%	International Equity -4.9%	Emerging Equity -14.9%	International Equity 1.0%	TIPS 0.8%	International Equity -13.8%	Short Duration 4.2%	Cash 1.1%	Emerging Equity -2.5%
Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash 0.7%	Short Duration 0.7%	Emerging Equity -14.6%	Cash 2.6%	Commodities -3.1%	Emerging Debt -5.3%

Source: SEI/Bloomberg

Chart disclosures

Asset-class returns are based on the same indexes as indicated below. Performance begins 1/1/2012 and continues through 12/31/2022. In each of these years, "Trend Following" uses the current-year return of the best-performing asset class of the previous year. "Contrarian" uses the current year return of the worst-performing asset class of the previous year. "Diversified" uses a return equal to the return of a portfolio of equally weighted asset-class returns in each year.