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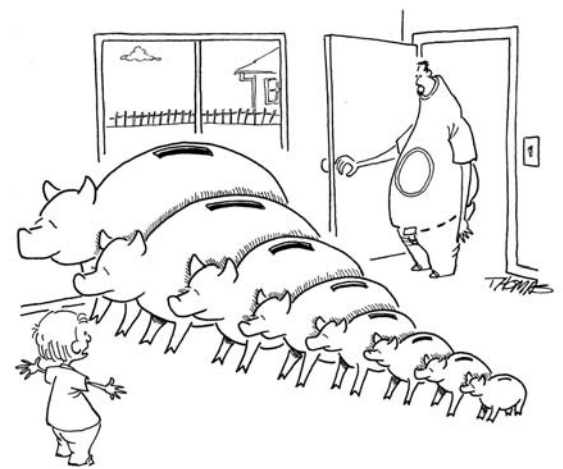
"Morningstar's Best Client Newsletter"

Two Types of Diversification

- ▶ Diversification is a basic risk reduction technique that COMPASS employs in structuring client portfolios.
- ▶ We first establish an appropriate asset allocation (i.e., the mix of stocks and bonds) and then diversify within those broad asset categories, such as by company size, economic sector representation, security type, and geographic location.

Diversification works on the principle that not all asset classes react the same way to market events. For example, when stocks go down, bonds have a tendency to go up, and vice versa. This way, by combining various assets in a portfolio, investors may be able to protect themselves from extreme market fluctuations.

Classic diversification involves combining different asset classes: stocks, bonds, cash, gold, and so on. However, it is also possible to diversify within a certain asset class; by size, for example. Within the stock portion of a portfolio, an investor could combine large-, small-, and mid-cap stocks and obtain potential diversification benefits, because stocks may behave differently based on their market capitalization.



"I'm trying to diversify my portfolio."



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More about COMPASS Wealth Management, LLC

COMPASS Wealth Management, LLC is a client-focused wealth management firm dedicated to providing superior advice to individuals, families, and corporate retirement plans.

Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

We take pride in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is our business and we take that responsibility very seriously.

For details on the selection criteria used to determine the recipients of the FIVE STAR Wealth Manager award, please visit our web site.

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