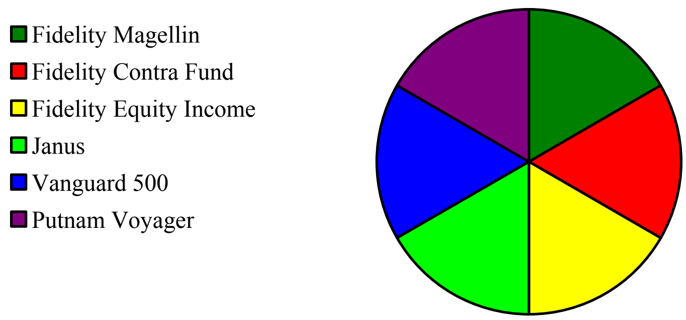
WJM FINANCIAL, LLC
Newsletter

HOW WELL DIVERSIFIED IS YOUR PORTFOLIO?

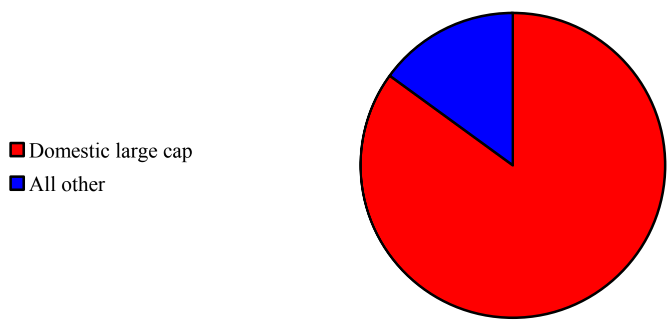
Most investors are aware of the benefits of diversifying their portfolios among different asset classes. They have heard academics and investment professionals preach that proper diversification can reduce investment related risks and that asset class diversification may determine more than 90% of a portfolio's performance. Whether or not you are familiar with the statistical underpinning of asset allocation and Modern Portfolio Theory, it's not hard to understand the merits of "don't put all your eggs in one basket."

Unfortunately, many investors are putting more of their eggs in the same basket than they realize. This is primarily because diversification across asset classes is much different than diversifying across mutual funds. For instance, which of the following investment portfolios do you think is better diversified?

A portfolio comprised of 6 equally weighted mutual funds



A portfolio that allocates 85% of its assets to a single asset class



Surprisingly, these are the exact same portfolios. Do you think that this investor intentionally allocated 85% of his money to the same asset class? Probably not, but this mistake – investing in numerous mutual funds that have similar strategies – is a common mistake that can subject an investor to a great deal more investment risk than they bargained for. So how well diversified is *your* portfolio? If your portfolio can benefit from an objective analysis, please call us and we will analyze your portfolio for:

- Asset class diversification
- Asset ownership strategy
- Average expense ratios
- Expected return characteristics
- Stock overlap
- Tax efficiency
- Liquidity levels
- Exposure to sectors, companies, and countries
- Fund selection and appropriateness
- Embedded tax liabilities