

Why Is My Portfolio Not Beating the S&P 500 This Year?



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August 6, 2013

Since the market crash of 2008, stocks and bonds have rebounded tremendously. Most portfolios that held both U.S and International investments performed well as appreciation was easy to find. However, 2013 tells a different story. The S&P 500 (index of the 500 largest U.S stocks) has appreciated 20% YTD (as of 7/31/2013). In contrast, other major asset classes that outpaced the S&P 500 over the past ten years have lagged behind in 2013. The following example takes a closer look at the ten year total return of four major asset classes commonly used in a globally diversified portfolio (period ending 12/31/2012):

- Bonds: Vanguard Intermediate Bond Index: +84.8%
- US Large Stocks: Vanguard S&P 500 Index: +96.4%
- International Stocks: Vanguard Total Intl Index: +145.7%
- Emerging Markets: Vanguard Emerging Markets Index: +387.9%

Emerging market and International stocks outperformed the S&P over the past 10 years, with bonds trailing the S&P by a small margin. The story changed in 2013. Let's review year to date returns for the same asset classes (as of 7/31/2013):

- Bonds: Vanguard Intermediate Bond Index: -3.21%
- US Large Stocks: Vanguard S&P 500 Index: +19.51%
- International Stocks: Vanguard Total Intl Index: +4.05%
- Emerging Markets: Vanguard Emerging Markets Index: -10.02%

The S&P has led world markets and outperformed emerging markets by almost 30% this year. Bonds, the perceived safe asset, lost value. So what does this mean to you? If you have a globally diversified portfolio of stocks, you may not have outperformed the S&P 500 this year. For those who invest primarily in bonds, it's possible your portfolio has losses this year. Bonds performed very well over the past 10 years as a result of falling interest rates, which may be unlikely over the next 10 years. It's important not to judge your portfolio based on an isolated period such as the last six months as it may not be indicative of overall performance. What's important is to ensure your portfolio meets your long-term objectives and that you have reviewed your strategy with an expert advisor that understands your goals.

** All data contained in this article is from Morningstar, obtained on July 31, 2013*