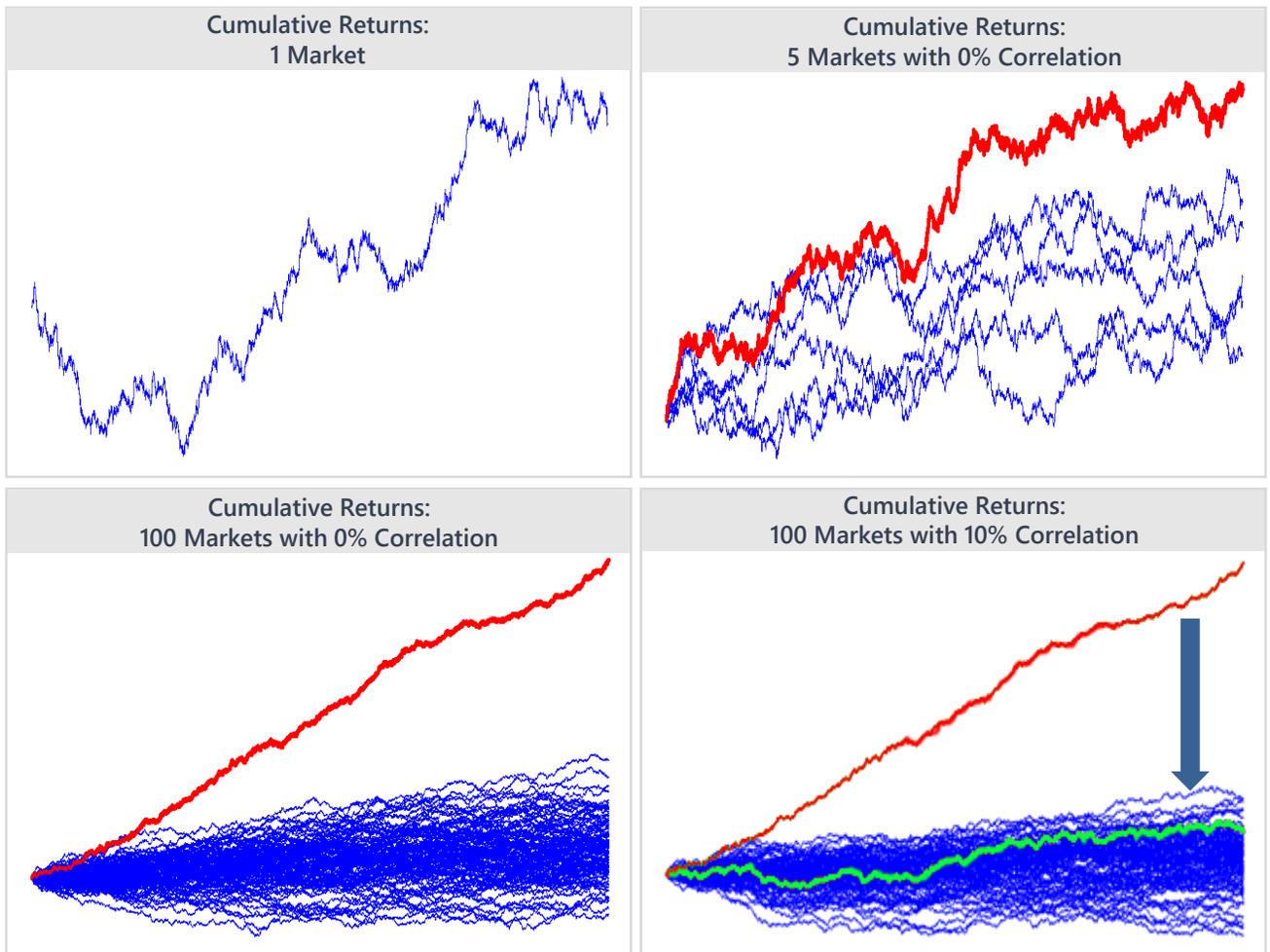


# Portfolio Diversification: The Power of Market Diversification

Diversification has the potential to significantly improve portfolio returns, and running a balanced and diverse portfolio is a goal of many investment strategies. Adding uncorrelated assets increases risk-adjusted returns; however, markets do not necessarily behave independently of one another and therefore the value of trading hundreds of markets becomes questionable. For example, as shown below, if there is a slight correlation (10%) then benefits of diversification are not as pronounced, with cumulative returns decreasing from the red line to the green line, pictured below.



\*Data utilized in this analysis represents the cumulative returns of a simple equally weighted portfolio of simulated markets with an average Sharpe ratio of 0.2. Please refer to disclosures at the end of this document.

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