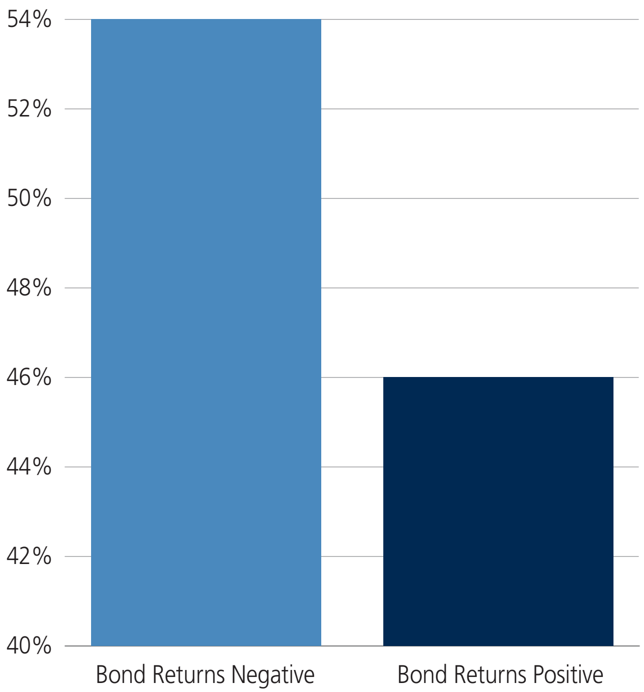
# Recently Equities and Fixed Income Have Been Highly Correlated

The correlation between equities and fixed income plays a critical role in the portfolio construction process. If both stocks and bonds are down at the same time, then the diversification benefits of a portfolio have been compromised and the portfolio needs a diversifier that moves independently of both.

**Stocks have had negative returns in 37% of the months since 1926 (440 out of 1188). How have bonds performed in months when stocks lost money?**




**During recent months, stocks and bonds have both experienced negative returns, losing money for investors.**

| Month | Stock Return | Bond Return |
|---|---|---|
| January 2022 | -5.17% | -2.15% |
| February 2022 | -2.99% | -1.12% |
| April 2022 | -8.72% | -3.79% |
| June 2022 | -8.25% | -1.57% |
| August 2022 | -4.08% | -2.83% |
| September 2022 | -9.21% | -4.32% |
| December 2022 | -5.76% | -0.45% |
| February 2023 | -2.44% | -2.59% |
| August 2023 | -1.59% | -0.64% |
| September 2023 | -4.77% | -2.54% |
| October 2023 | -2.10% | -1.58% |
| April 2024 | -4.08% | -2.53% |
| October 2024 | -0.91% | -2.48% |
| December 2024 | -2.38% | -1.64% |

Source: Morningstar Direct. Stock returns represented by monthly returns of the IA SBBI US Large Stock TR Index from 1/1/1926 – 1/1/1970 and S&P 500 TR Index from 1/1/1970 – 12/31/24. Bond returns were represented by month returns of the IA SBBI US LT Govt TR Index from 1/1/1926 – 1/1/1989 and Bloomberg U.S. Aggregate Bond TR Index from 1/1/1989 to 12/31/24. **Past performance is not a guarantee of future results.**

### Key Takeaways

- Stocks and bonds have lost money in the past 14 of 36 months. This is the longest streak since 1926.
- Fixed income should not be counted on as the only long-term solution for hedging equity market risk.
- Portfolios need a diversifier that moves differently than both stocks and bonds.

**IA SBBI U.S. Large Stock TR Index** tracks the monthly return of S&P 500 Index. The history data from 1926 to 1969 is calculated by Ibbotson. **IA SBBI U.S. Long-Term Government TR Index** measures the performance of a single issue of outstanding U.S. Treasury bond with a maturity term of around 21.5 years. It is calculated by Morningstar and the raw data is from Wall Street Journal. **S&P 500 Index** is a capitalization weighted unmanaged benchmark index that includes the stocks of 500 large capitalization companies in major industries. This total return index includes net dividends and is calculated by adding an indexed dividend return to the index price change for a given period. **Bloomberg U.S. Aggregate Bond Index** is a broad-based bond index comprised of government, corporate, mortgage and asset-back issues rated investment grade or higher.

*The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it carefully before investing.*

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