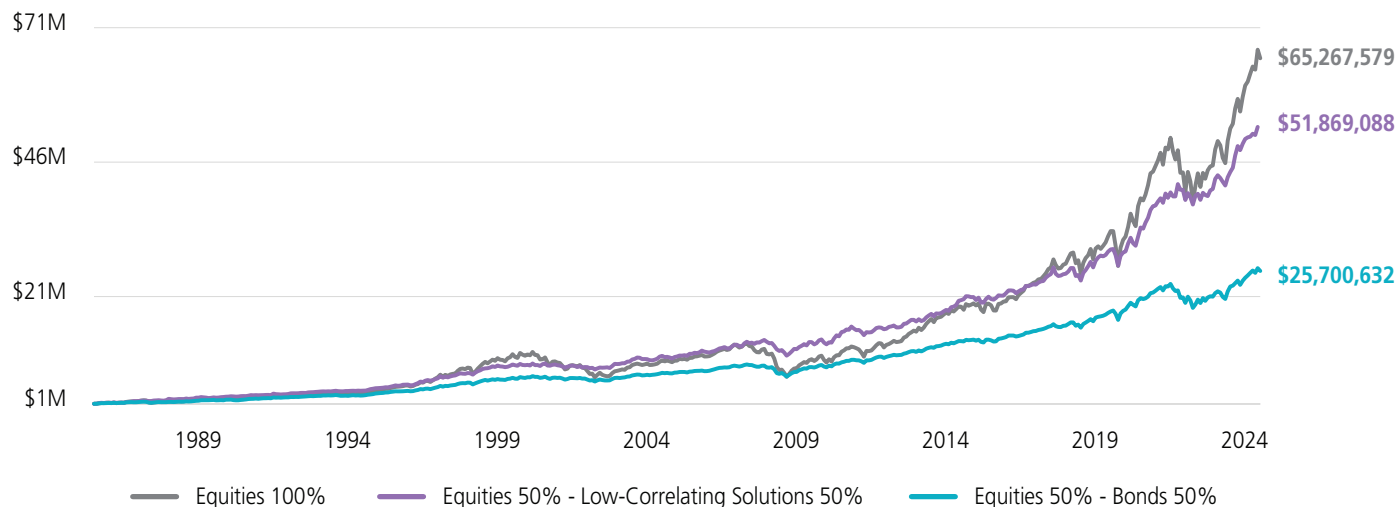


# How to Diversify Equities

Equities can be diversified in a portfolio by adding strategies with low correlation between the assets being a critical consideration. Recently, stock and bond correlation has become significantly positive (i.e., moving together) mitigating the diversification benefits once offered by bonds. To address this, low-correlating solutions can be added to the portfolio. As shown below, a 50/50 portfolio split between equities and low-correlating solutions, grew an initial \$1M investment to approximately \$52M.

## Growth of a Hypothetical \$1 Million Investment | January 1, 1986 – December 31, 2024



## Key Takeaways

- Strategic asset allocation is instrumental to the success of a portfolio.
- Correlation between assets is essential in the portfolio construction process.
- Splitting an allocation evenly between stocks and low-correlating solutions has historically provided a better return than a 50% stock/50% bond allocation.

Source: LoCorr Fund Management and Morningstar Direct. Time period is 1/1/1986-12/31/24. Calculated using monthly data. Equities represented by the S&P 500 Index, Bonds by Bloomberg U.S. Aggregate Bond Index, Low-Correlating Alternatives by CISDM CTA Index. This is a hypothetical example intended for illustrative purposes only. Index performance is not illustrative of Fund performance. One cannot invest directly in an index. **Past performance is not a guarantee of future results.**

The performance of the index is shown for comparison purposes only. The securities and other instruments included in this index is not necessarily included in any LoCorr Fund portfolio and criteria for inclusion in the index is different than those for investment in any such portfolio. The performance of this index was obtained from published sources believed to be reliable, but which are not warranted as to accuracy or completeness. Unless noted otherwise, index returns do not reflect fees or transaction costs and reflect reinvestment of net dividends. **Past performance is not a guarantee of future results.**

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice. There can be no guarantee that any strategy will be successful.

The referenced indices are shown for general market comparisons and are not meant to represent any Fund discussed within. One cannot invest directly in an index.

*Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. Securities in the Funds do not match those in the indexes and performance of the Funds will differ. It is not possible to invest directly in an index. For current Fund performance, please visit <https://locorrfunds.com/investment-solutions/mutual-funds/>.*

**Diversification does not assure a profit or protect against loss in a declining market.** **Correlation** measures how much the returns of two investments move together over time. **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. **CISDM CTA Index** is designed to broadly represent the performance of all CTA programs in the Morningstar database that meet the inclusion requirements.

*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](http://www.LoCorrFunds.com). Read it carefully before investing.*

**Mutual fund investing involves risk. Principal loss is possible. Non-diversified investments may concentrate assets in fewer individual holdings than diversified investments. Therefore, the investments are more**

**exposed to individual stock volatility than diversified funds. The Funds invest in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Funds may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Funds to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Funds may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-Backed, Mortgage-Backed, and Collateralized Mortgage-Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. Investments in small- and medium-capitalization companies involve additional risks such as limited liquidity and greater volatility. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. ETF investments are subject to investment advisory and other expenses, which will be indirectly paid by the Funds. As a result, the cost of investing in the Funds will be higher than the cost of investing directly in ETFs and may be higher than other mutual funds that invest directly in stocks and bonds. ETFs are subject to specific risks, depending on the nature of the ETF. A Fund's real estate portfolio may be significantly impacted by the performance of the real estate market generally, and the Fund may be exposed to greater risk and experience higher volatility than would a more economically diversified portfolio. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural, or technological developments. Investments in Limited Partnerships (including master limited partnerships) involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the Limited Partnership, risks related to potential conflicts of interest between the Limited Partnership and the Limited Partnership's general partner, cash flow risks, tax risk, dilution risks and risks related to the general partner's limited call right. Underlying Funds are subject to management and other expenses, which will be indirectly paid by the Fund. Investments in Real Estate Investment Trusts (REITs) involve additional risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Past performance is not a guarantee of future results. Diversification does not assure a profit nor protect against loss in a declining market.**

The LoCorr Funds are distributed by Quasar Distributors, LLC. © 2025 LoCorr Funds. All rights reserved.