

Don't Judge Diversification by Its Short-Term Performance



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By solely looking at the second-quarter data, it's easy to assume that diversification didn't work. The average large-cap stock mutual fund ended the quarter flat, while the average mid-cap fund lost 0.2%. Short-term bond funds—both government and general—were also modestly down. High-yield corporate bonds were unchanged. Real estate sector stock funds fell by 9.0%, while long-term government bond funds lost 8.2%.

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