

Best Performing and Riskiest Sectors, Past 10-Years

Drawdown as a measure of risk. There are several ways to express risk but one way most investors understand is maximum drawdown or the largest peak to trough drop for an asset in a given period.

Information Technology and Consumer Discretionary, top performers, Consumer Staples and Health Care, least risky? While the S&P 500 Index has generated an average calendar year return of almost 15% since 2011. Information Technology and Consumer Discretionary have generated average calendar year returns of 22% and 18%, respectively. In terms of risk, Consumer Staples and Health Care were the two sectors that suffered the least severe calendar year maximum drawdowns on average.

Energy, riskiest sector, worst performer. Over the past 10 calendar years, the energy sector has most often experienced the largest maximum drawdown. On average, the energy sector has suffered a drawdown of 25% each calendar year dating back to 2011 and a negative average return of approximately -1%. Real Estate and Materials also lagged by generating average returns of 9% and 10%, respectively.

How to allocate to reduce risk? Equity investors seeking to limit risk, may want to consider how much they allocate to Energy stocks, the riskiest sector over the past 10 years

	10-Year Average		S&P 500 Sectors - Calendar Year Maximum Drawdown									
	Max Drawdown	Performance	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumer Discretionary	-13.4%	18.4%	-33.7%	-17.1%	-19.1%	-25.8%	-27.6%	-17.4%	-17.5%	-30.4%	-17.8%	-60.6%
Health Care	-12.0%	16.4%	-28.7%	-16.4%	-12.1%	-11.0%	-24.1%	-15.9%	-17.3%	-24.8%	-10.9%	-43.0%
Information Technology	-14.2%	21.8%	-27.7%	-13.3%	-11.7%	-10.6%	-17.3%	-15.1%	-8.8%	-24.7%	-10.4%	-42.4%
Consumer Staples	-10.4%	12.2%	-25.9%	-13.0%	-7.1%	-10.0%	-16.4%	-14.1%	-7.5%	-23.9%	-9.3%	-38.7%
S&P 500 Index	-12.6%	14.5%	-22.4%	-11.8%	-6.9%	-9.2%	-15.8%	-13.6%	-6.9%	-23.8%	-9.2%	-37.0%
Utilities	-13.0%	11.8%	-18.6%	-10.8%	-6.8%	-8.5%	-14.6%	-12.5%	-5.3%	-22.7%	-9.2%	-36.3%
Industrials	-15.6%	13.0%	-18.3%	-10.1%	-6.8%	-8.5%	-14.2%	-12.4%	-4.8%	-20.0%	-8.5%	-33.8%
Materials	-17.3%	10.0%	-18.0%	-9.6%	-5.6%	-7.7%	-12.9%	-12.4%	-4.3%	-19.4%	-7.4%	-32.4%
Real Estate	-15.2%	8.7%	-17.2%	-9.6%	-5.6%	-7.3%	-12.1%	-11.6%	-4.2%	-16.3%	-6.8%	-31.1%
Communication Services	-15.3%	10.8%	-14.5%	-8.5%	-5.4%	-7.3%	-12.0%	-10.3%	-4.1%	-15.3%	-6.6%	-28.6%
Financials	-18.0%	12.3%	-11.5%	-6.5%	-5.4%	-7.2%	-11.5%	-9.5%	-3.8%	-12.6%	-5.4%	-28.4%
Energy	-24.5%	-0.8%	-11.2%	-6.4%	-5.1%	-7.0%	-10.2%	-9.3%	-2.6%	-9.8%	-5.0%	-24.4%

Source: Bloomberg Finance L.P. Data as of 12/31/2020. Investors cannot directly invest in an index.

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