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## In This Issue

- Don't Miss Out
- Client Story
- Upcoming Events
- Closing Thoughts



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## Don't Miss Out

Welcome to our newsletter Volume 2! In this edition, we explore the power of diversification with a client story, delve into Modern Portfolio Theory, and share a quote from renowned economist Harry Markowitz.

## Client Story

Once upon a time in New York City, successful investor Mr. Thompson met with his advisor, Mr. Matthews, to discuss his portfolio. Comparing his beautifully diversified academic based portfolio to the S&P 500, Mr. Thompson expressed his satisfaction.

Mr. Matthews explained that Mr. Thompson's portfolio was diversified among over 20 distinct asset classes, providing broader exposure compared to the S&P 500's focus on US Large Cap Growth stocks. Furthermore, Mr. Thompson's portfolio had over 25,000 unique holdings, far surpassing the 500 companies in the S&P 500.

They discussed the challenging "Dead Decade" from 2000 to 2010



when the S&P 500 remained flat, while Mr. Thompson's diversified portfolio generated consistent returns. They also addressed the dominance of tech stocks in the market, which posed risks due to their concentration and vulnerability to factors like rising interest rates.

Mr. Matthews stressed the importance of diversification and prudent investing. He explained that while the S&P 500's tech stocks were currently driving market gains, relying too heavily on a few stocks or a single sector increased the risk of market instability.

Leaving the meeting, Mr. Thompson felt reassured. He understood the value of owning equities, diversifying his investments, and regularly rebalancing his portfolio. His well-diversified academic based portfolio was designed to withstand market fluctuations and protect his wealth.

## Upcoming Events

### American Dream Experience

July 20-21, 2023 (Virtual)

Unlike any financial training on the market, this is your opportunity to discover what investing really is, how it works, and how it can fulfill on your purpose for your life. You will have the opportunity, over two days, to alter your relationship to money and investing in a way that leaves you and those you care about powerfully pursuing your dreams.

Register using the link below:

<https://sretirement.com/events/>

## Closing Thoughts

Modern Portfolio Theory (MPT) is an investment approach that emphasizes diversification to optimize returns and minimize risk. It suggests that by constructing a portfolio of assets with different levels of risk and return, an investor can achieve a more efficient balance between risk and reward, ultimately maximizing long-term gains.

"Diversification is the only free lunch."  
- Harry Markowitz