Hello. Today I'm going to talk about how diversifying
your portfolio can mitigate risk.

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Risk is an inherent part of investing.

After all, no one can control the losses
or gains of a particular asset sector
or market as a whole.

But you can take steps to help manage
your risk by diversifying your portfolio.

Here's a look at what diversification is
and why it matters
and how you can incorporate it today.

So what is diversification?

Diversification is a technique that can reduce risk and volatility
in your investment portfolio.

The idea is to invest across various asset
classes, industries and categories in an effort to reduce losses
if a particular investment does poorly.

Let me explain more about asset classes.

Different types of assets
come with varying levels of risk.

For example, stocks have high growth
potential and are relatively low, while bonds tend to offer less growth
but are generally less risk.

You can strengthen your approach
by diversifying within asset classes.

You may want to buy stocks in companies
across sectors such as technology, industrials,
or consumer staples.

You may also consider buying companies
of different sizes and across geographies.

Lastly, let me share more
about the role of mutual funds
exchange traded funds and index funds,
and now how they can mitigate risk.

Mutual funds, exchange traded funds
and index funds or other options especially if the thought of selecting
a diverse mix of investments yourself.

Sounds intimidating.

Mutual funds allow you to pull your money
with other investors in a collective fund that is invested in a pre-selected
mix of assets. These can include stocks, bonds,
commodities, and other securities.

Index funds and ETFs,
or similar to mutual funds in that they hold a diverse basket of investments.

However, they are managed differently.

Mutual funds are typically managed
by professional portfolio manager who actively select securities to invest
in with a goal of beating the market.

This is what's referred
to as active management.

In closing,
diversification does not eliminate risk
or prevent investment losses entirely,
but it does offer some protection
against potential downturns
by ensuring your portfolio includes investments that continue to grow
while others may be declining.

If you have any questions,
we would love to continue the conversation.

Until next time.