

Asset Diversification: Backing All the Horses in the Race

2003 - 2009

If you set your asset allocation at 50% U.S. Large Cap Equities and 50% U.S. Bonds, you have used only two of at least nine possible asset classes. If those two are out of favor for an extended period, then your portfolio will suffer.

Note how U.S. Large Cap Stocks (the dark blue boxes below) have been near the bottom from 2003 through 2009. (All percentages are index returns.)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Emerging 51.59 % | REITs 33.14 % | Energy 34.37 % | REITs 36.15 % | Energy 37.23% | Aggregate Bonds 5.24% | Emerging 74.50% |
| | Small Core Stocks 47.25 | Energy 33.02 | Emerging 30.31 | Emerging 29.18 | Emerging 36.48 | Healthcare -24.11 | Mid Core Stocks 40.48 |
| | Mid Core Stocks 40.06 | Emerging 22.45 | REITs 14.00 | Foreign Stocks 26.34 | Foreign Stocks 11.17 | Small Core Stocks -33.79 | Foreign Stocks 31.78 |
| | Foreign Stocks 38.59 | Foreign Stocks 20.25 | Foreign Stocks 13.54 | Energy 23.07 | Healthcare 9.57 | Large Core Stocks -37.00 | REITs 28.46 |
| | REITs 36.06 | Mid Core Stocks 20.22 | Mid Core Stocks 12.65 | Small Core Stocks 18.37 | Aggregate Bonds 6.97 | Energy -37.96 | Small Core Stocks 27.17 |
| | Large Core Stocks 28.67 | Small Core Stocks 18.33 | Healthcare 8.15 | Large Core Stocks 15.79 | Mid Core Stocks 5.60 | REITs -39.20 | Large Core Stocks 26.46 |
| | Energy 25.53 | Large Core Stocks 10.87 | Large Core Stocks 4.91 | Mid Core Stocks 15.26 | Large Core Stocks 5.49 | Mid Core Stocks -41.46 | Healthcare 21.29 |
| | Healthcare 19.12 | Aggregate Bonds 4.34 | Small Core Stocks 4.55 | Healthcare 7.89 | Small Core Stocks -1.57 | Foreign Stocks -43.38 | Energy 19.46 |
| | Aggregate Bonds 4.10 | Healthcare 3.93 | Aggregate Bonds 2.43 | Aggregate Bonds 4.33 | REITs -17.56 | Emerging -54.48 | Aggregate Bonds 5.93 |

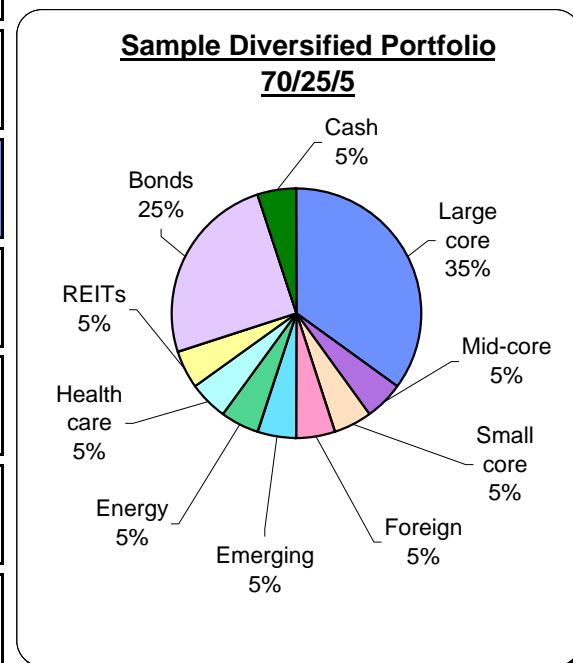
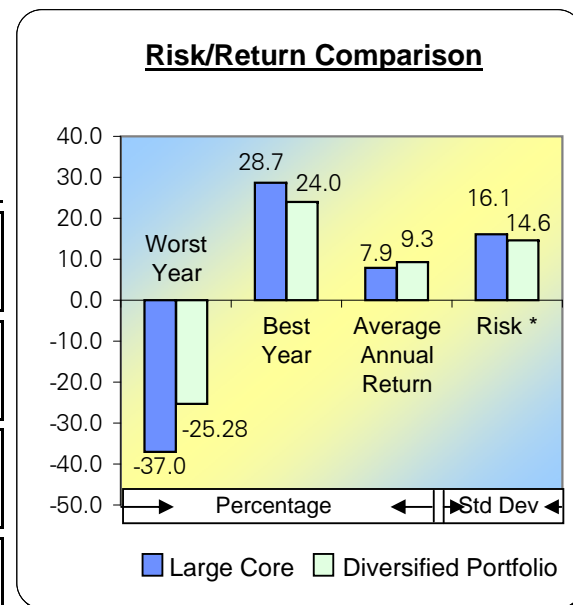
Note: Past performance does not guarantee future results.

A Tale of Two Portfolios

2003 - 2009

In the data shown below, if a target return called for a 7.1% return, a diversified portfolio comprised of multiple asset class would have exceeded the goal, whereas a U.S. Large Cap portfolio would not.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|------------------------------------|-----------------------------------|
| | Emerging 51.59 % | REITs 33.14 % | Energy 34.37 % | REITs 36.15 % | Energy 37.23% | Aggregate Bonds 5.24% | Emerging 74.50% |
| | Small Core Stocks 47.25 | Energy 33.02 | Emerging 30.31 | Emerging 29.18 | Emerging 36.48 | Healthcare -24.11 | Mid Core Stocks 40.48 |
| | Mid Core Stocks 40.06 | Emerging 22.45 | REITs 14.00 | Foreign Stocks 26.34 | Foreign Stocks 11.17 | Diversified Portfolio -25.28 | Foreign Stocks 31.78 |
| | Foreign Stocks 38.59 | Foreign Stocks 20.25 | Foreign Stocks 13.54 | Energy 23.07 | Healthcare 9.57 | Small Core Stocks -33.79 | REITs 28.46 |
| | REITs 36.06 | Mid Core Stocks 20.22 | Mid Core Stocks 12.65 | Small Core Stocks 18.37 | Diversified Portfolio 7.95 | Large Core Stocks -37.00 | Small Core Stocks 27.17 |
| | Large Core Stocks 28.67 | Small Core Stocks 18.33 | Diversified Portfolio 8.37 | Large Core Stocks 15.79 | Aggregate Bonds 6.97 | Energy -37.96 | Large Core Stocks 26.46 |
| | Energy 25.53 | Diversified Portfolio 12.53 | Healthcare 8.15 | Mid Core Stocks 15.26 | Mid Core Stocks 5.60 | REITs -39.20 | Diversified Portfolio 22.91 |
| | Diversified Portfolio 24.02 | Large Core Stocks 10.87 | Large Core Stocks 4.91 | Diversified Portfolio 14.68 | Large Core Stocks 5.49 | Mid Core Stocks -41.46 | Healthcare 21.29 |
| | Healthcare 19.12 | Aggregate Bonds 4.34 | Small Core Stocks 4.55 | Healthcare 7.89 | Small Core Stocks -1.57 | Foreign Stocks -43.38 | Energy 19.46 |
| | Aggregate Bonds 4.10 | Healthcare 3.93 | Aggregate Bonds 2.43 | Aggregate Bonds 4.33 | REITs -17.56 | Emerging -54.48 | Aggregate Bonds 5.93 |



* Assuming a five-year time period.

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