

The Power of a Diversified Portfolio

A Tale of Three Investors

Mary and her two brothers, John and Bill, were introduced to their parents' financial advisor to discuss their long-term financial goals. By the end of the discussion, they each agreed to open an account and invest \$10,000 annually for the next 20 years. However, each of them had very different investment methods in mind.

John liked to follow the market trends and invested his \$10,000 in the asset class that performed best over the prior 12 months. Bill, an optimist, believed his portfolio would do well by investing in the asset class that performed worst over the prior 12 months. And Mary, the most disciplined of them all, decided to diversify across several asset classes.

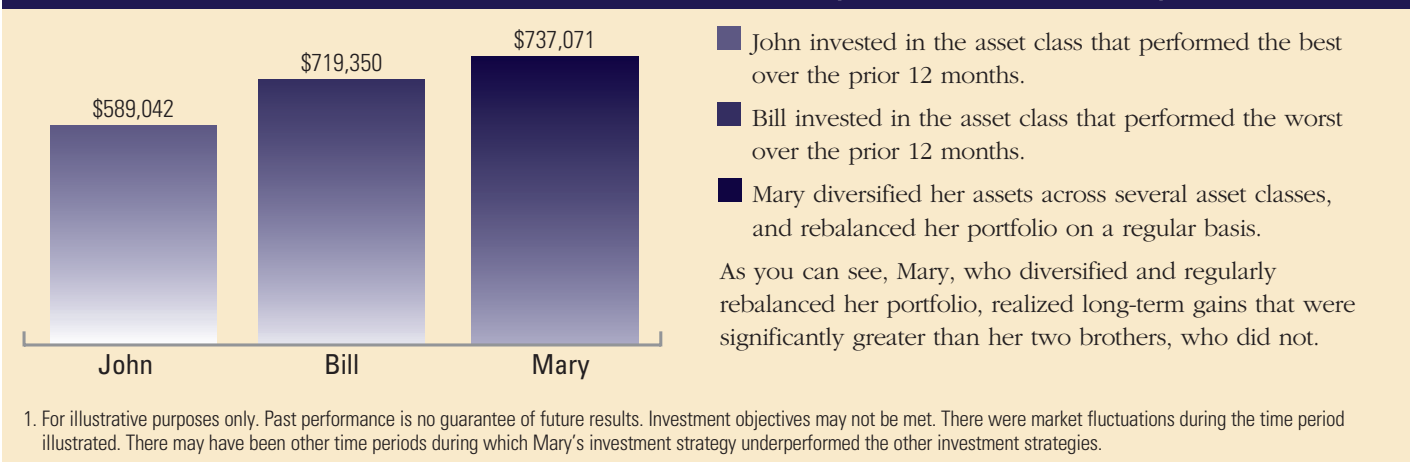
In addition, she rebalanced her portfolio quarterly to ensure that her initial allocations remained constant.

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The Advantage of Maintaining a Diversified Portfolio

Hypothetical results over a 20-year period (1/1/88—12/31/07)¹



Source: MPI Stylus, 12/31/07. Investment returns for the 20-year period from January 1, 1988, through December 31, 2007. For this illustration, six unmanaged indices were used with equal weighting: Russell 1000® Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000® Value Index, which measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. Russell 2500® Growth Index, which measures the small- to mid-cap growth segment of the U.S. equity universe. Russell 2500® Value Index, which measures the small- to mid-cap value segment of the U.S. equity universe. MSCI EAFE® Index, which is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. Lehman Brothers® Aggregate Bond Index, which tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The indices are unmanaged and do not charge fees and expenses. Results assume the reinvestment of all capital gain and dividend distributions.

An investment cannot be made directly into an index. Diversification and rebalancing do not ensure gains or prevent losses from occurring in a portfolio or account.

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