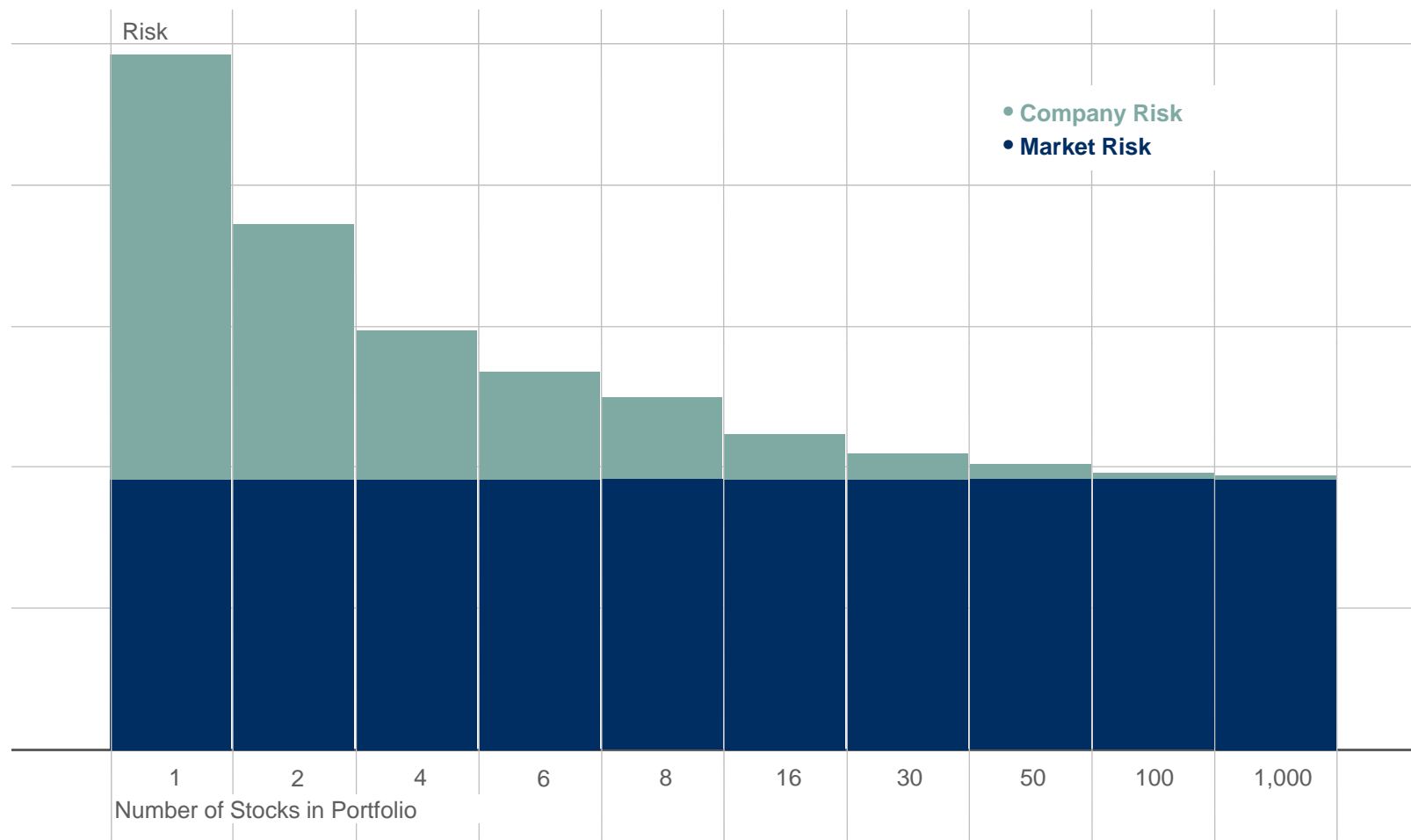

RISK AND VOLATILITY

TYPES OF RISK



STOCK DIVERSIFICATION



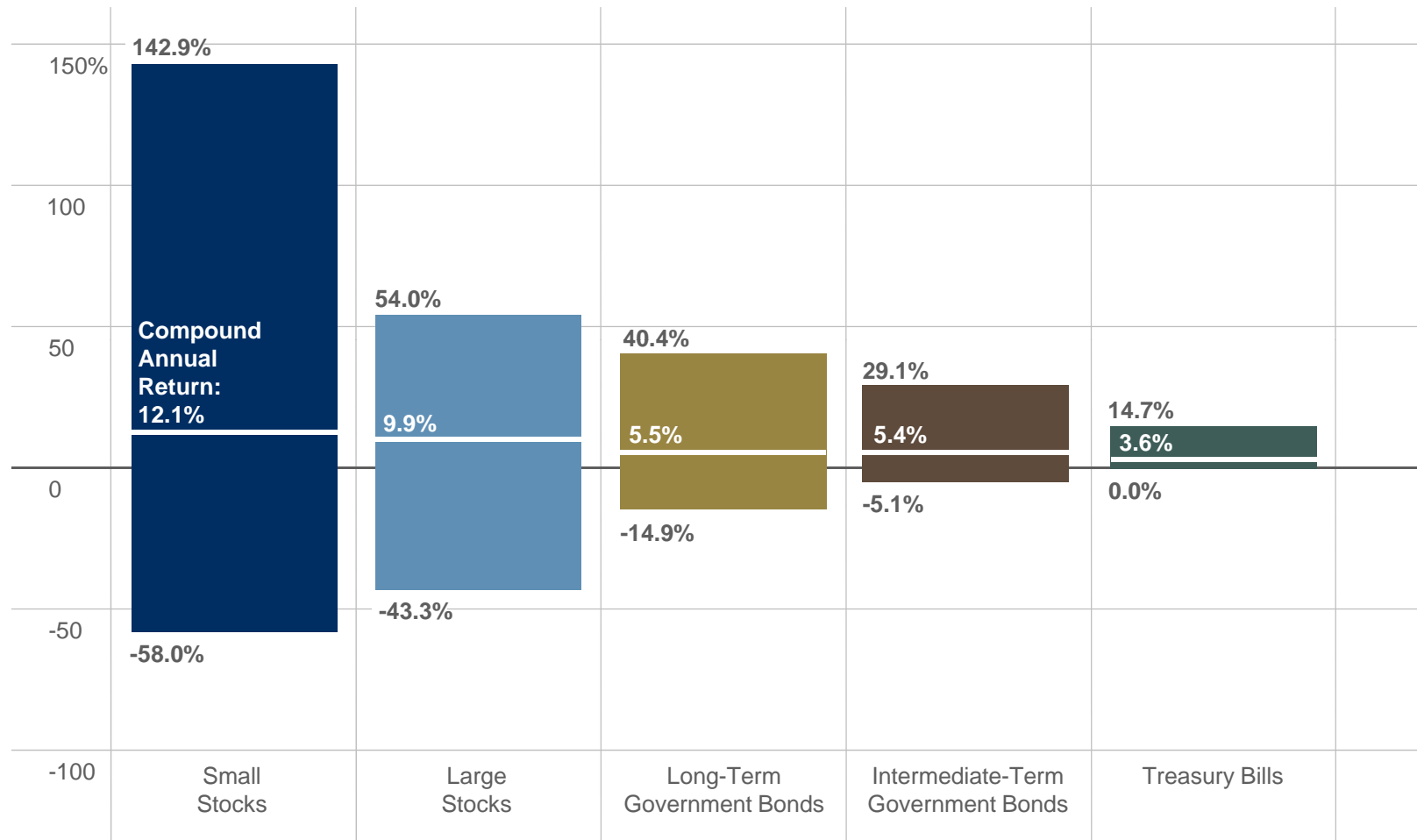
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RISK TOLERANCE SPECTRUM



ASSET CLASS RETURNS

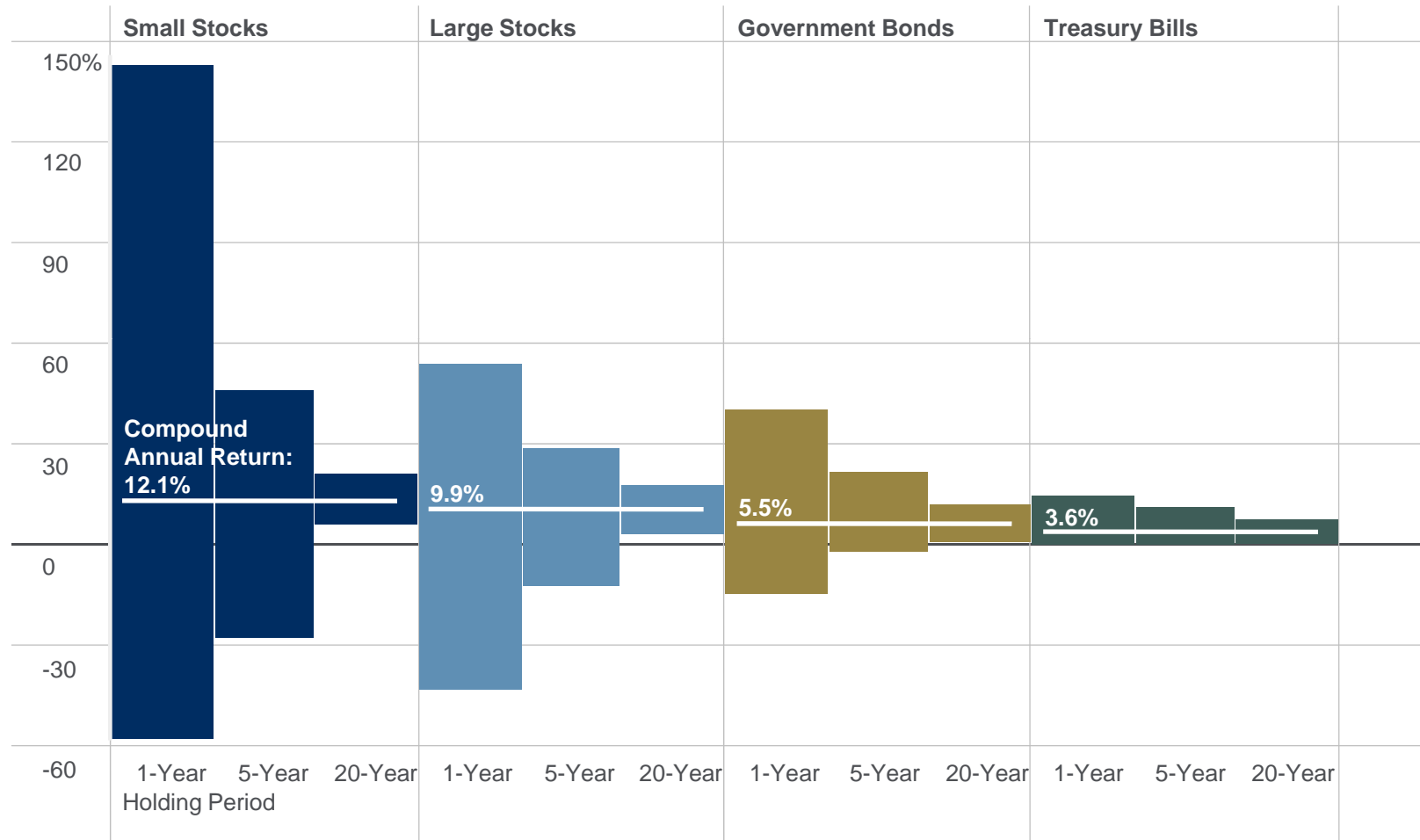
HIGHS AND LOWS: 1926 – 2010



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REDUCTION OF RISK OVER TIME

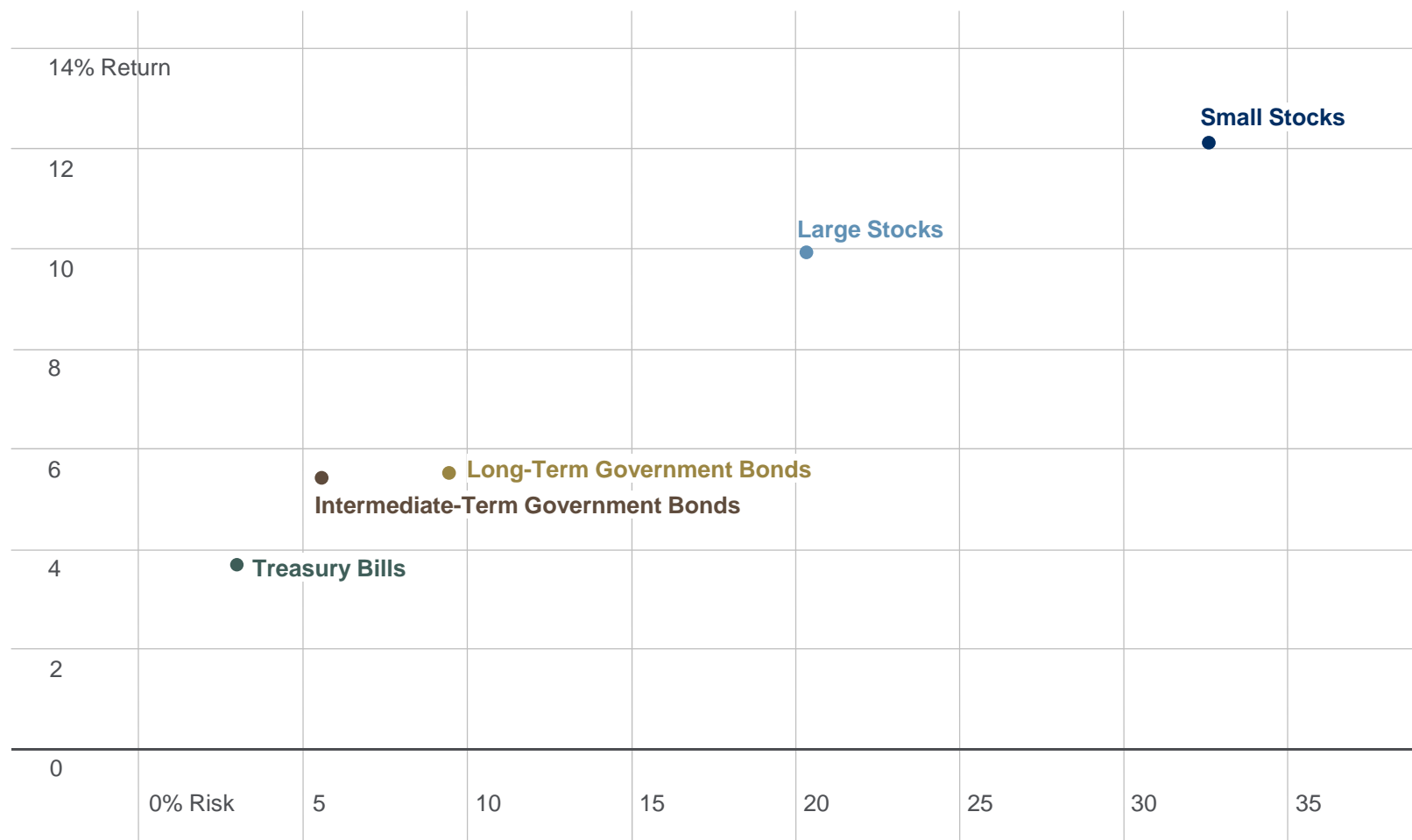
1926 – 2010



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RISK VERSUS RETURN

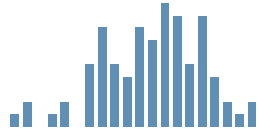
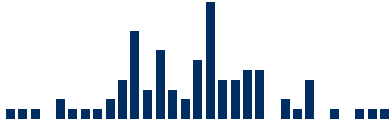
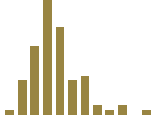


STOCKS, BONDS AND BILLS 1926 – 2010



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SUMMARY STATISTICS 1926 – 2010

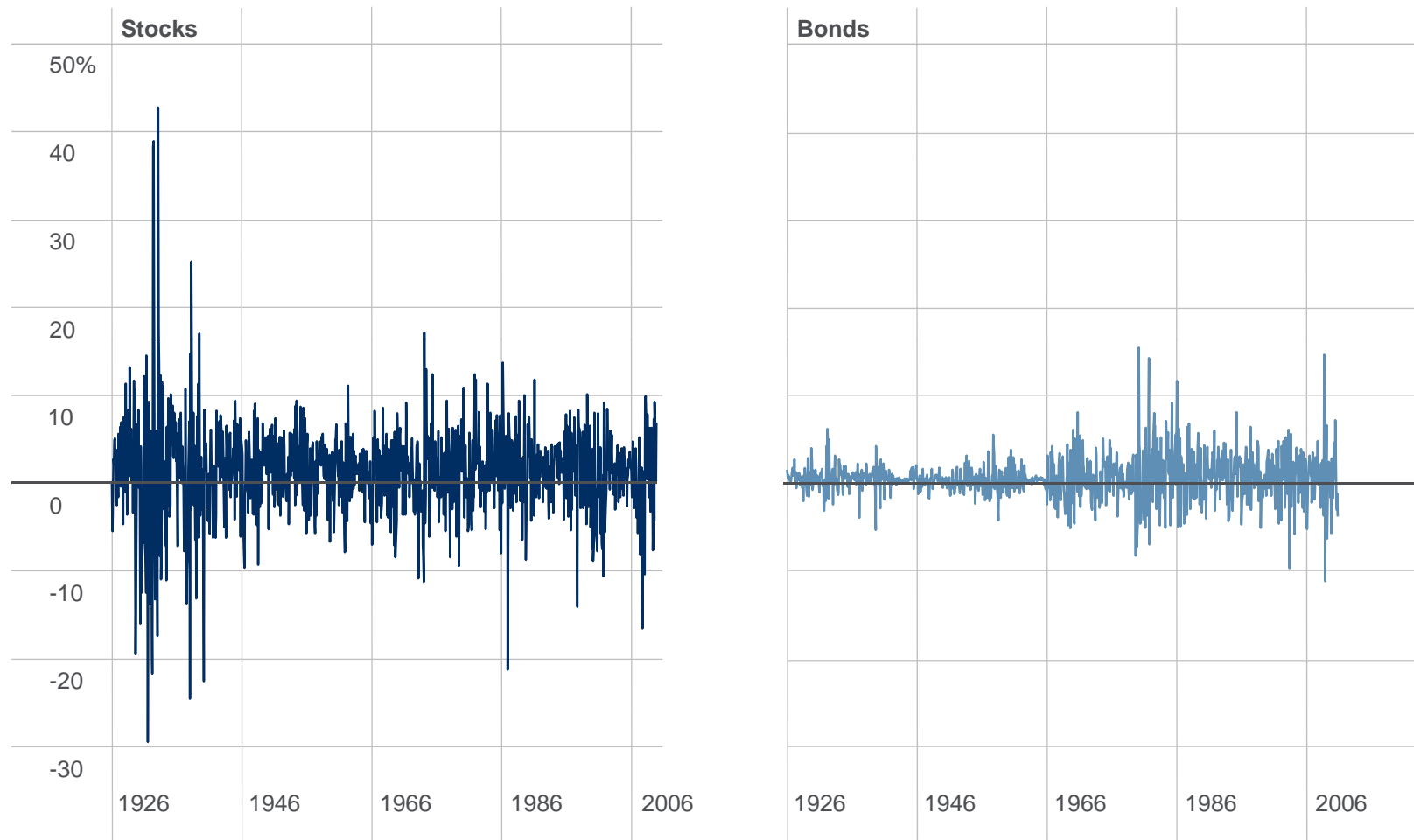
	Compound Annual Return	Arithmetic Annual Return	Risk (Standard Deviation)	
Large Stocks	9.9%	11.9%	20.4%	
Small Stocks*	12.1%	16.7%	32.6%	
Government Bonds	5.5%	5.9%	9.5%	
Treasury Bills	3.6%	3.7%	3.1%	
Inflation	3.0%	3.1%	4.2%	

-90 ← 0 → 90

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STOCK AND BOND VOLATILITY VARIES

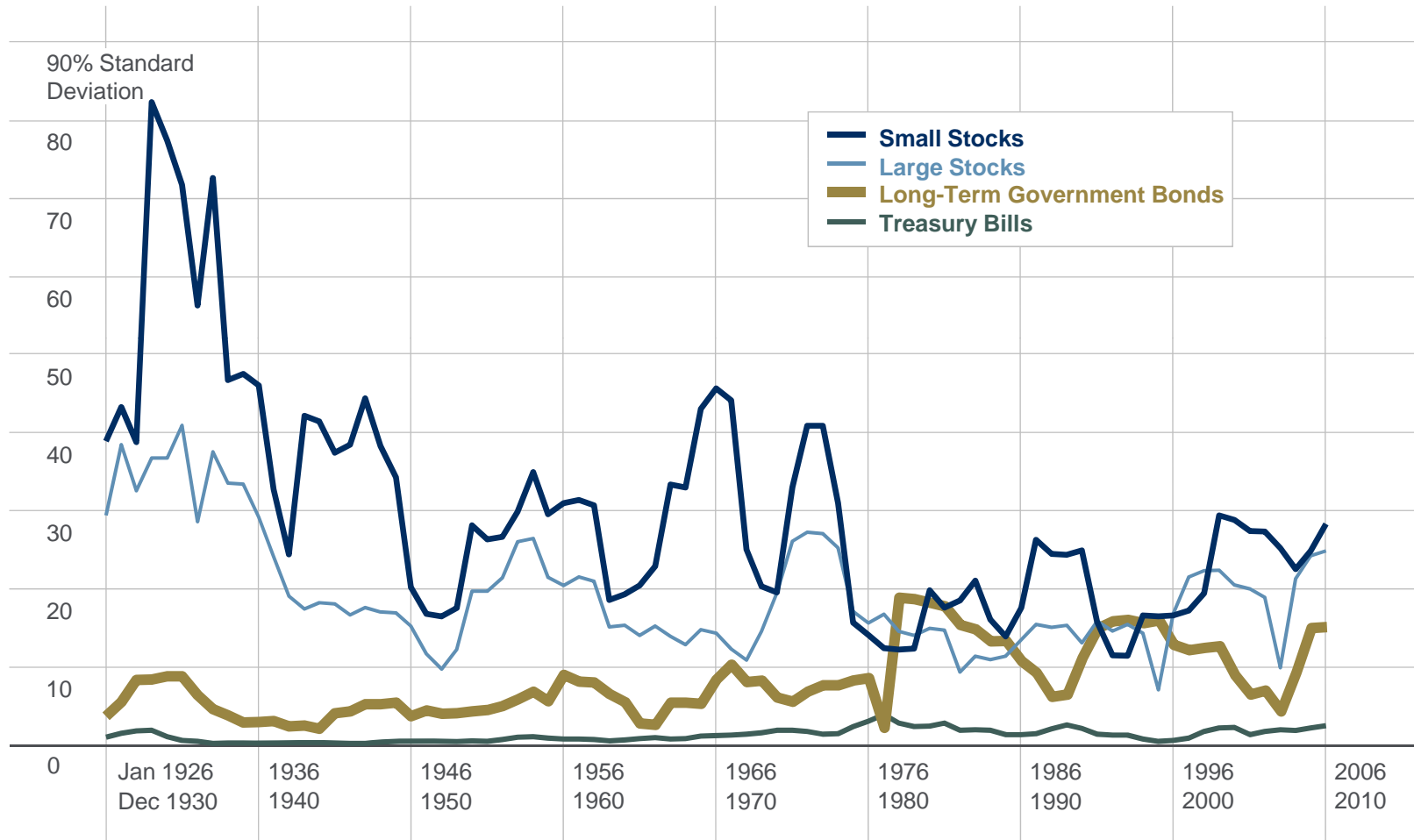
1926 – 2010



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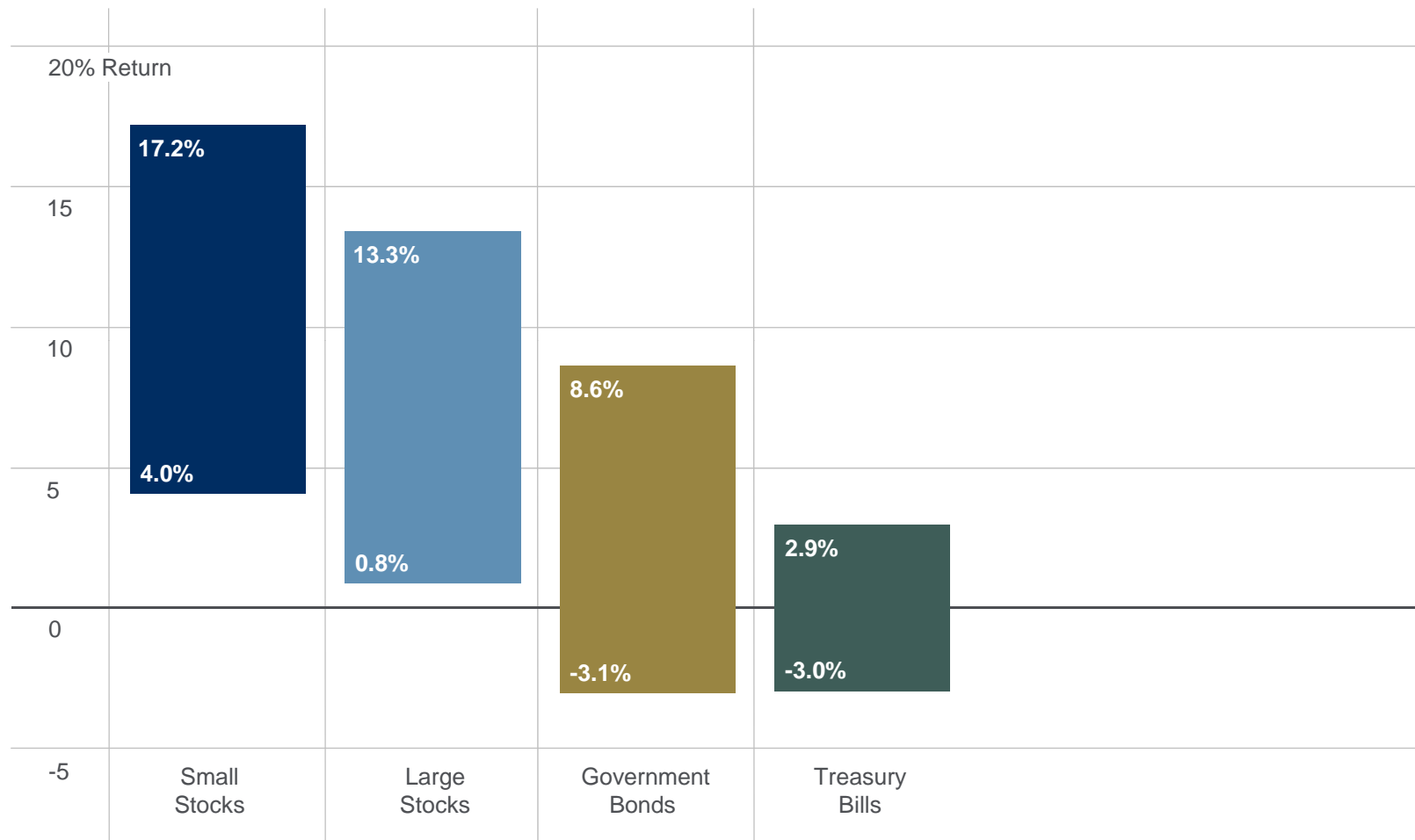
RISK CHANGES OVER TIME

FIVE-YEAR ROLLING PERIODS 1926 – 2010



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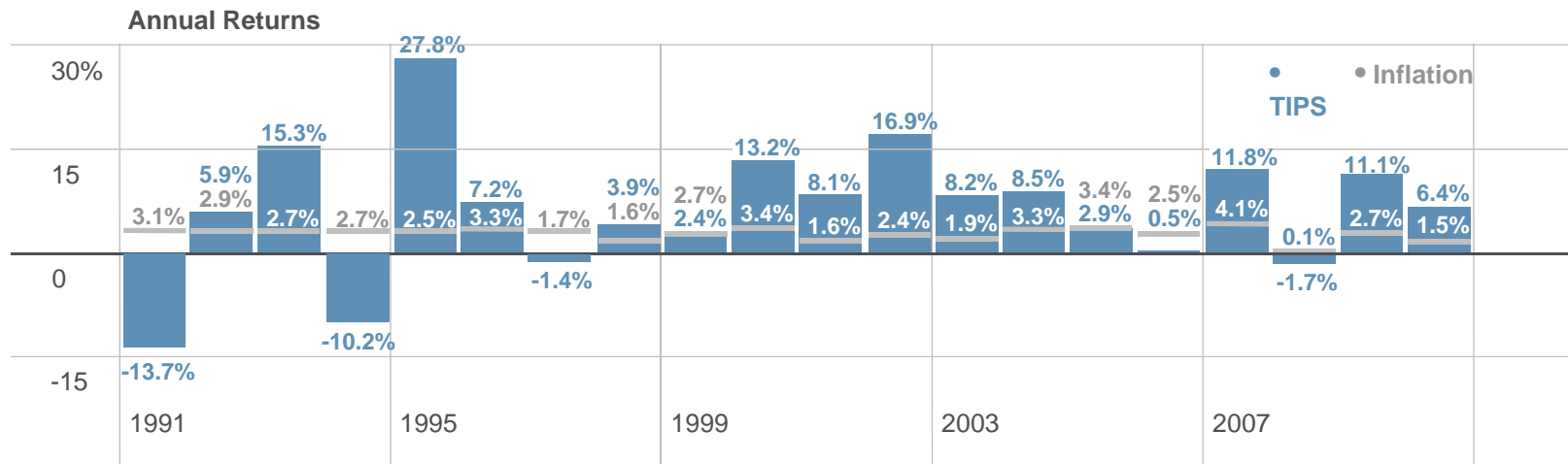
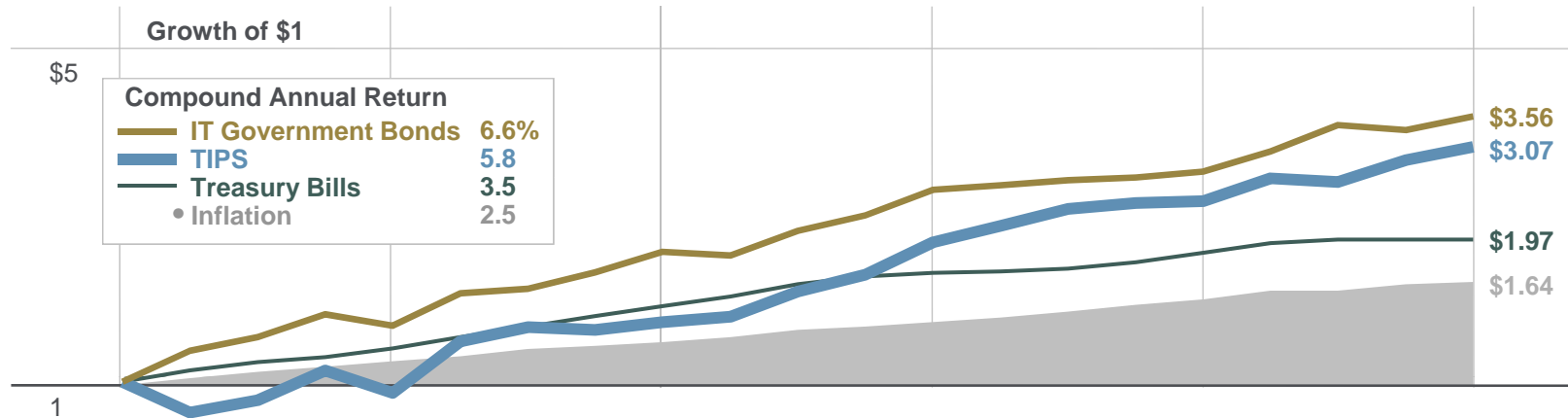
INFLATION RISK: STOCKS VERSUS FIXED INCOME RANGE OF AVERAGE INFLATION-ADJUSTED RETURNS OVER 20-YEAR PERIODS 1926 – 2010



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TREASURY INFLATION-PROTECTED SECURITIES (TIPS)

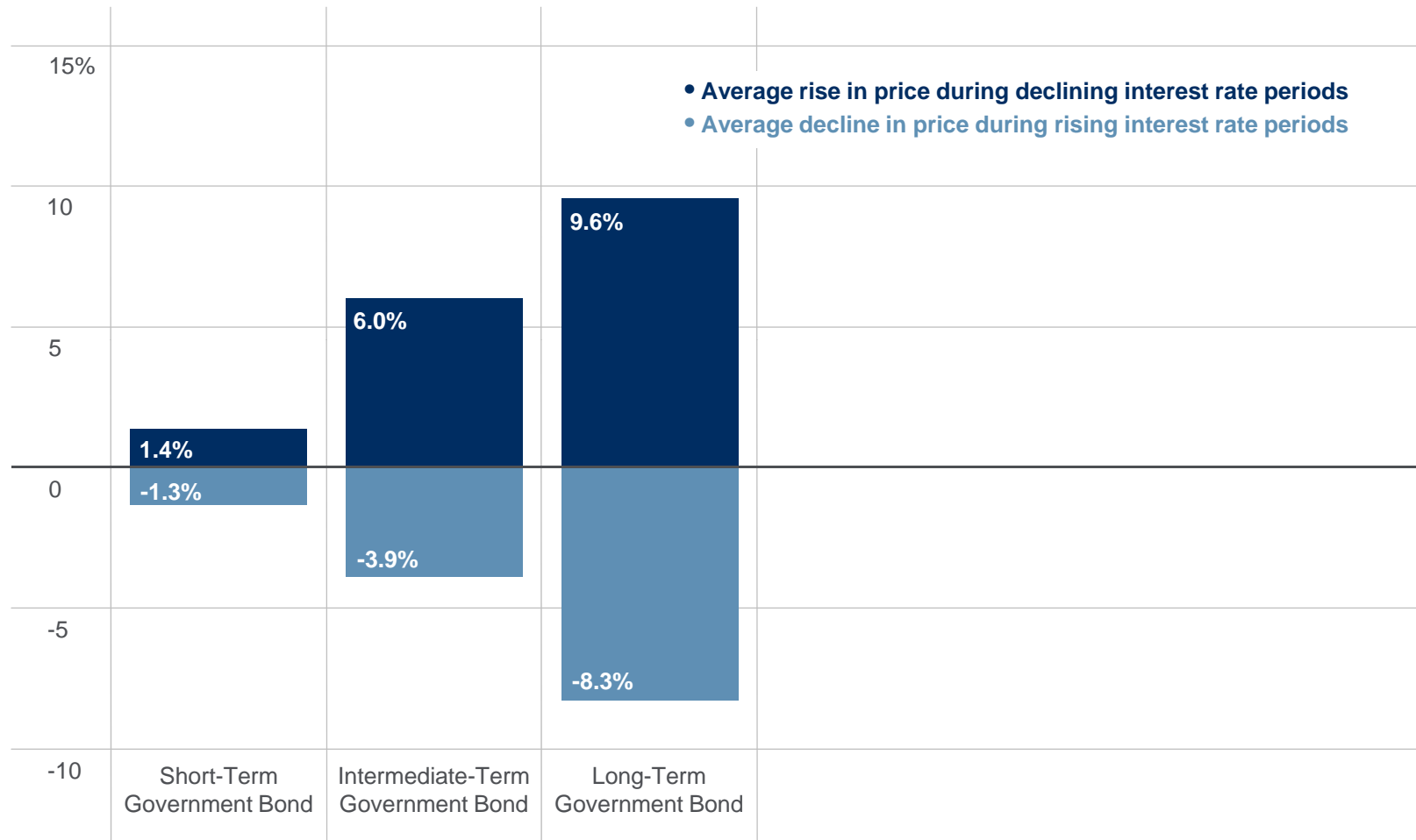
A HEDGE AGAINST INFLATION 1991 – 2010



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FIXED INCOME MATURITY RISK

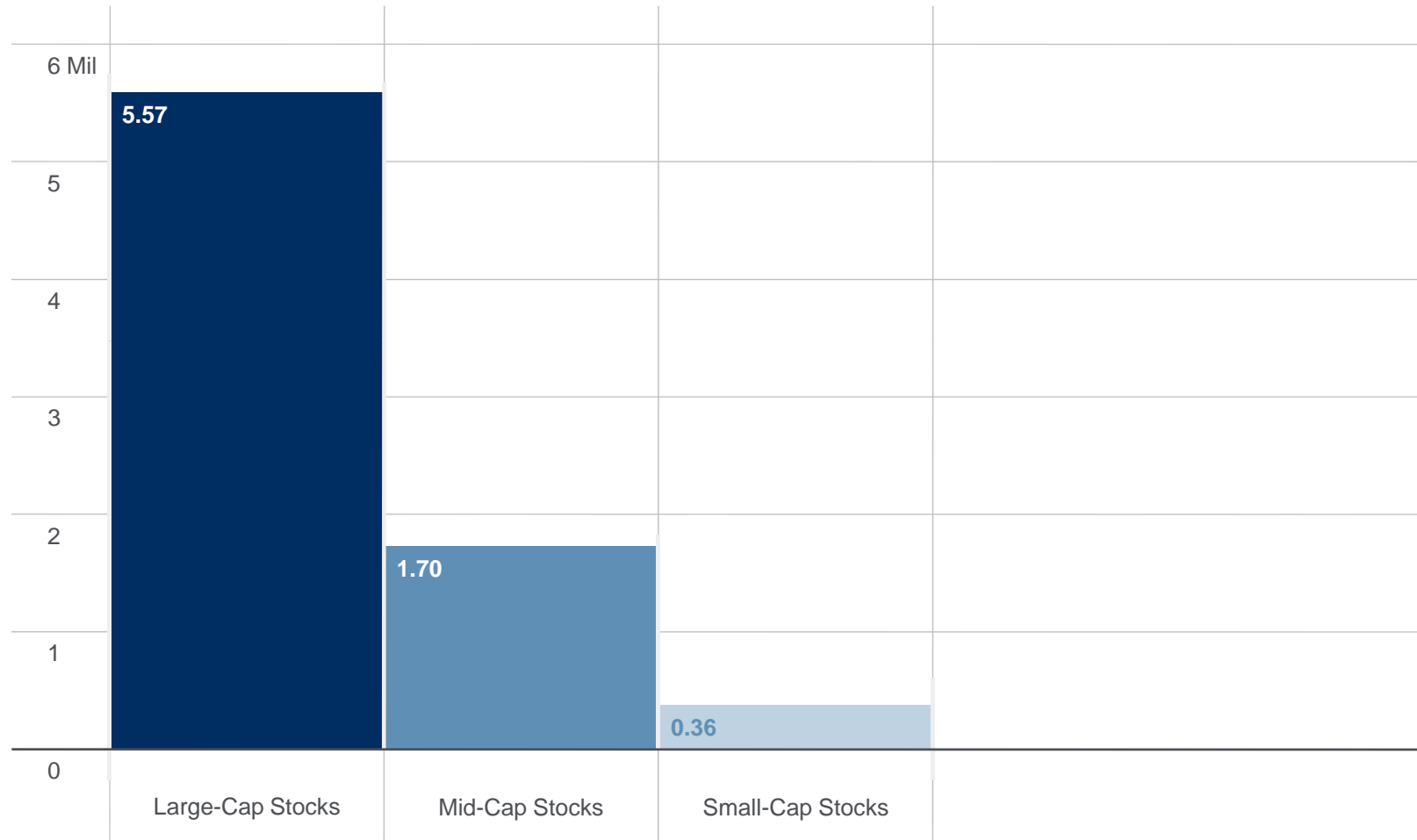
1970 – 2010



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LIQUIDITY RISK

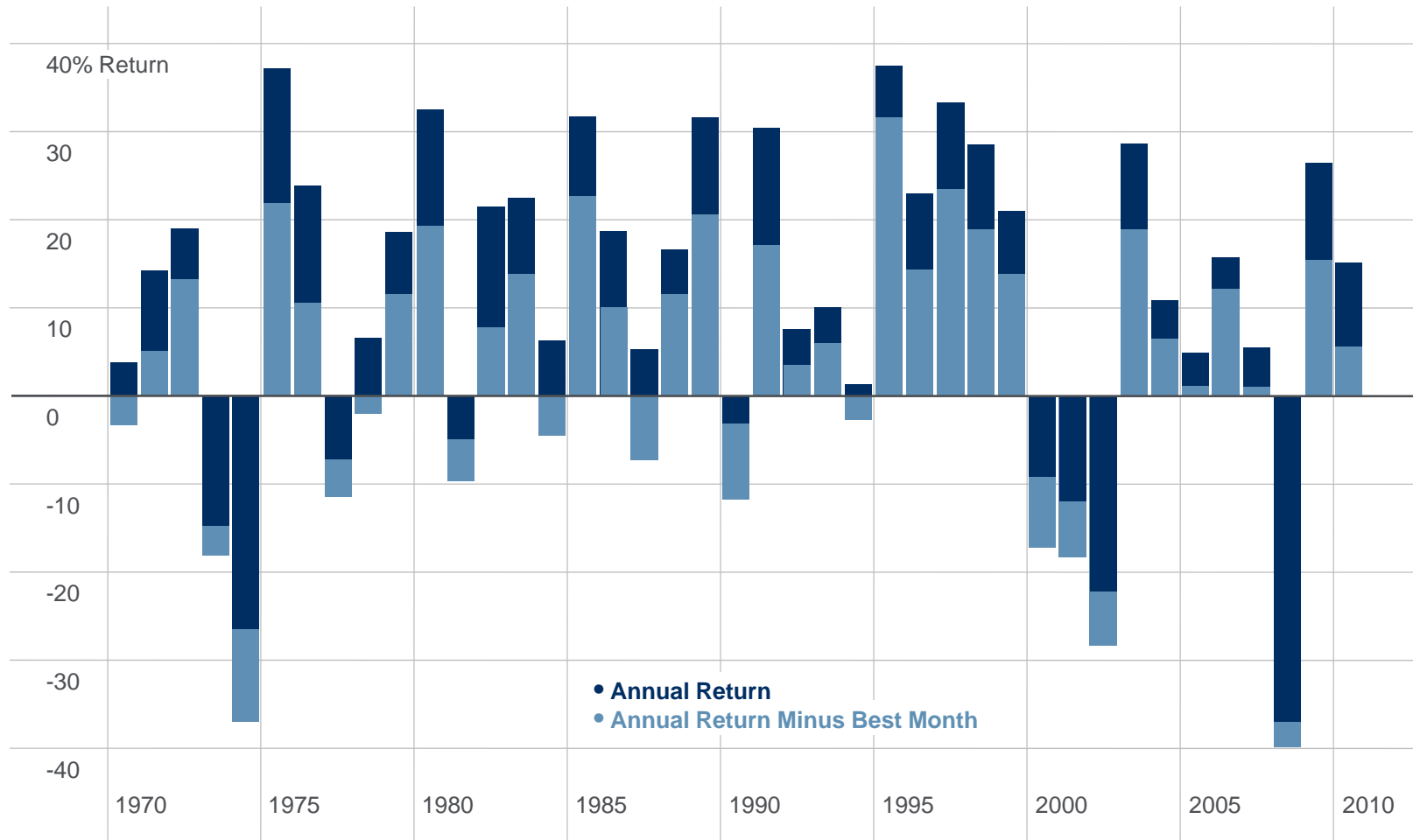
AVERAGE DAILY STOCK TRADING VOLUME AS OF YEAR-END 2010



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MARKET-TIMING RISK

THE EFFECTS OF MISSING THE BEST MONTH OF ANNUAL RETURNS 1970 – 2010



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DISCLOSURES

- Investing in small-cap stocks generally involves greater risks and, therefore, may not be appropriate for every investor.
- Please note that international investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.
- U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.
- Treasury Inflation-Protected Securities, or TIPS, are government-issued bonds that can act as a hedge against inflation, giving investors a fairly consistent real rate of return over time. TIPS are guaranteed by the full faith and credit of the U.S. government as to timely payment of principal and interest. TIPS are subject to unique risks, most notably liquidity risk and inflation risk.

Continued on next slide

DISCLOSURES (CONTINUED)

- The S&P 500 is an unmanaged index of 500 widely held stocks. Investors cannot invest directly in an index.
- There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise.
- Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.
- Standard deviation measures the fluctuation of returns around the arithmetic average return of investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns.
- Asset allocation and diversification do not ensure a profit or protect against a loss.