ASSET LINEUP

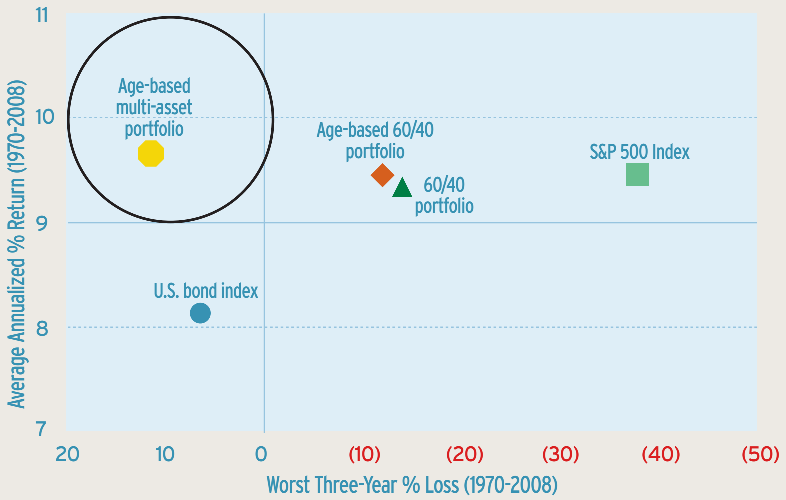
Here's how seven different assets and three portfolios performed over the past 39 years.

1970-2008	Large U.S. Stock	Small U.S. Stock	Non-U.S. Stock	U.S. Bond Index	Cash	Real Estate	Commodities	60% Stock/ 40% Bond Portfolio	Age-Based 60/40 Portfolio	Age-Based Multi-Asset Portfolio
39-Year Average Annualized % Return	9.48	10.25	8.97	8.13	6.17	10.62	9.92	9.35	9.40	9.65
39-Year Standard Deviation of Annual Returns	18.20	22.72	23.08	5.36	3.13	20.09	25.56	11.47	10.70	6.12
Worst One-Year % Return	(37.00)	(33.79)	(43.38)	(1.75)	1.05	(39.20)	(46.49)	(18.03)	(16.76)	(3.36)
Worst Three-Year % Loss	(37.61)	(42.24)	(43.32)	6.43	4.22	(31.85)	(39.72)	(13.92)	(13.29)	11.66

Source: Raw data obtained from Morningstar Principia

UPPER-LEFT QUADRANT

Graphing the risk and return of the age-based multi-asset portfolio places it inside the desirable northwest corner (as shown by the purple hexagon).



Source: Raw data obtained from Morningstar Principia

portfolio, while at the same time exposing the investor to less risk than a 100% bond portfolio. Graphing the risk and return of the age-based multi-asset portfolio places it inside the desirable northwest corner (as shown by the purple hexagon in "Upper-Left Quadrant," above).

Based on historical performance since 1970, building a portfolio that has upside potential as well as downside protection requires two vital elements. First, the portfolio must have adequate asset diversification. It needs to include more than two asset classes. The traditional 60% stock and 40% bond portfolio provides insufficient diversification. Utilizing seven different assets (in this case equally weighted) provides the needed level of diversification.

Second, the portfolio must have an age-appropriate asset allocation model through time. As the investor ages, the portion of the portfolio allocated to bonds (or some other low-risk asset) must increase. Combining a multi-asset portfolio with an age-based allocation to bonds achieves this second objective.

Finally, how did the age-based multi-asset portfolio perform in 2008? Assuming that the investor was 63 years old that year, the portfolio lost 3.4% (only its second annual loss in the 39-year period). Assuming the investor was 45 years old, the portfolio lost 10%. By comparison, a traditional two-asset 60/40 portfolio lost 18% in 2008, while the S&P 500 lost 37%.

Investors and advisors want portfolios that can reside in the upper-left quadrant. Building an age-based multi-asset approach can deliver that. FP

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