

DIVERSIFICATION AND THE MEAN REVERSION PRINCIPLE

“Investors who embrace broad diversification understand that there will be market environments where it looks good and other environments where it looks bad.”

Roger Gibson — Author of “Asset Allocation: Balancing Financial Risk”

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Performance	Diversified Emerging Markets 70.75%	Natural Resources 29.98%	Precious Metals 18.74%	Precious Metals 62.72%	Precious Metals 57.92%	Natural Resources 28.02%	Natural Resources 40.16%	Pacific/Asia ex-Japan 46.05%	Pacific/Asia ex-Japan 46.37%	Money Market Government 1.90%
	Pacific/Asia ex-Japan 69.86%	Muni Intern 9.56%	Muni Short Term 4.80%	Muni Intern 8.50%	Diversified Emerging Markets 55.57%	Diversified Emerging Markets 23.37%	Diversified Emerging Markets 31.46%	Diversified Emerging Markets 32.00%	Natural Resources 34.98%	Muni Short Term 0.81%
	Mid-Cap Growth 61.61%	Muni Short Term 5.78%	Muni Intern 4.36%	Muni Short Term 5.02%	Pacific/Asia ex-Japan 54.13%	Foreign Stock 19.62%	Precious Metals 30.61%	Precious Metals 31.51%	Diversified Emerging Markets 34.17%	Muni Intern -2.66%
	Small Growth 60.37%	Money Market Government 5.76%	Money Market Government 3.63%	Money Market Government 1.27%	Small Growth 46.52%	Mid-Cap Growth 13.96%	Pacific/Asia ex-Japan 17.19%	Foreign Stock 26.01%	Precious Metals 23.22%	Precious Metals -28.14%
	Foreign Stock 45.80%	Mid-Cap Growth -2.67%	Diversified Emerging Markets -2.19%	Natural Resources -2.48%	Foreign Stock 38.88%	Pacific/Asia ex-Japan 13.56%	Foreign Stock 16.59%	Natural Resources 12.72%	Mid-Cap Growth 15.04%	Large Growth -40.68%
	Large Growth 38.84%	Small Growth -4.10%	Pacific/Asia ex-Japan -3.32%	Diversified Emerging Markets -5.16%	Mid-Cap Growth 36.12%	Small Growth 12.40%	Mid-Cap Growth 10.01%	Small Growth 10.66%	Large Growth 13.31%	Small Growth -41.62%
	Natural Resources 30.50%	Large Growth -10.56%	Small Growth -8.11%	Pacific/Asia ex-Japan -9.91%	Natural Resources 30.53%	Large Growth 8.51%	Large Growth 7.09%	Mid-Cap Growth 9.21%	Foreign Stock 12.97%	Mid-Cap Growth -43.81%
	Precious Metals 6.63%	Foreign Stock -14.15%	Natural Resources -12.67%	Foreign Stock -14.83%	Large Growth 29.45%	Muni Intern 2.92%	Small Growth 6.19%	Large Growth 7.36%	Small Growth 7.59%	Foreign Stock -46.53%
	Money Market Government 4.59%	Precious Metals -16.53%	Mid-Cap Growth -16.74%	Mid-Cap Growth -25.45%	Muni Intern 4.17%	Muni Short Term 1.17%	Money Market Government 2.65%	Money Market Government 4.46%	Money Market Government 4.64%	Natural Resources -48.22%
	Muni Short Term 0.66%	Pacific/Asia ex-Japan -22.88%	Foreign Stock -19.51%	Large Growth -26.57%	Muni Short Term 2.38%	Money Market Government 0.81%	Muni Intern 1.93%	Muni Intern 3.66%	Muni Short Term 3.32%	Pacific/Asia ex-Japan -53.02%
	Muni Intern -2.43%	Diversified Emerging Markets -28.95%	Large Growth -19.79%	Small Growth -28.05%	Money Market Government 0.63%	Precious Metals -8.25%	Muni Short Term 1.20%	Muni Short Term 2.96%	Muni Intern 2.71%	Diversified Emerging Markets -54.18%

Diversification does not protect an investor from market risks and does not assure a profit. 09-116

Source: Steele & U.S. Global Investors Research



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