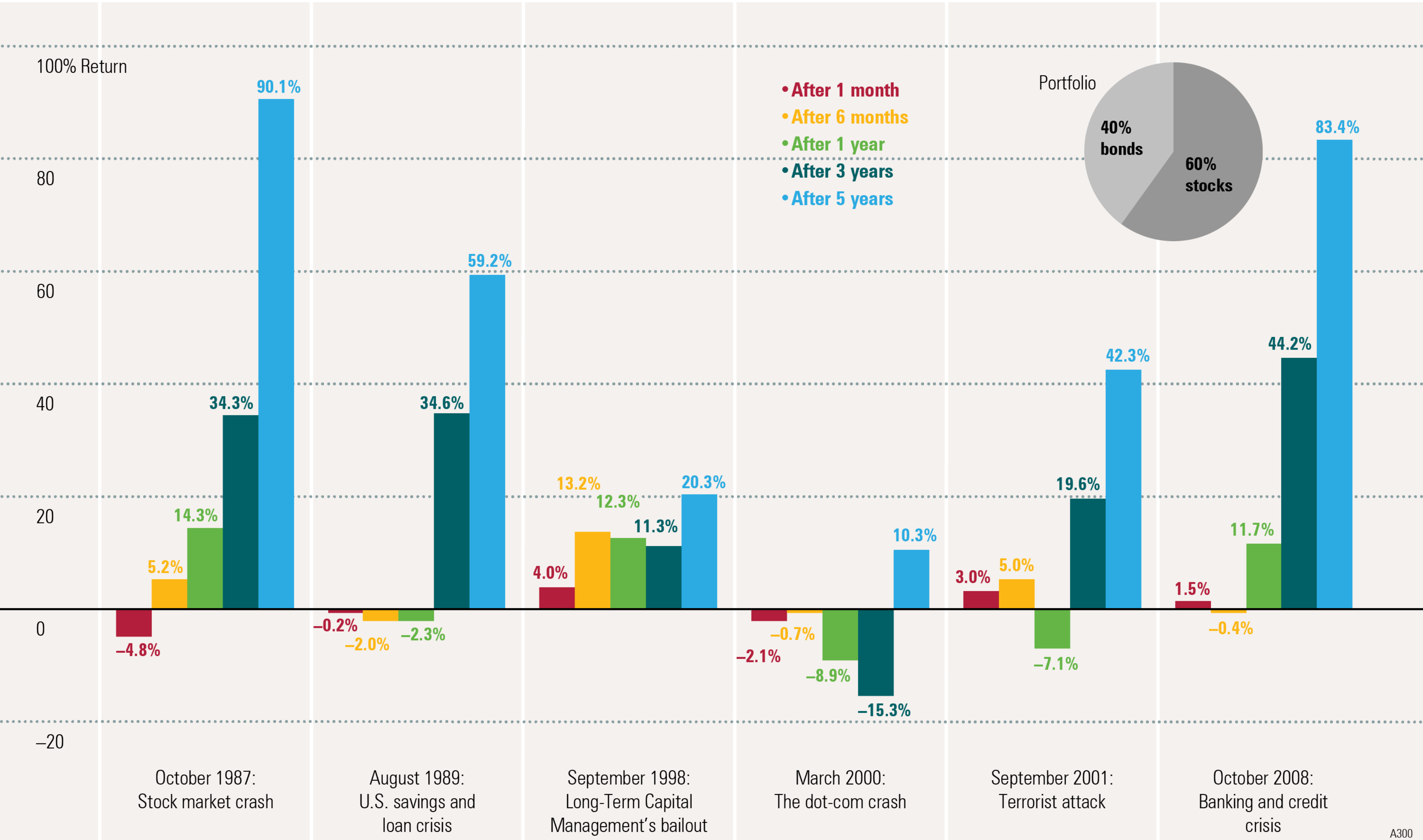
U.S. Market Recovery After Financial Crises
Cumulative return of balanced portfolio after various events



Past performance is no guarantee of future results. Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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U.S. Market Recovery After Financial Crises: Balanced Portfolio

Stock prices suffer during financial crises. However, a balanced portfolio can help mitigate some of the risk. This image illustrates the cumulative returns of a balanced (60% stock/40% bond) portfolio after six historical U.S. financial crises. In the short term, uncertainty from such external shocks can create sudden drops in value. For example, the balanced portfolio posted a negative return in the month following three of the six analyzed crises. Over longer periods of time, however, returns were much more attractive, and investors who stayed the course reaped considerable rewards.

Fear and uncertainty might lead investors to sell their investments during tough times, putting downward pressure on prices. Trading because of these emotions can be detrimental to a portfolio's value. By selling during downward price pressures, investors might realize short-term losses. Furthermore, this is compounded as investors wait and hesitate to get back into the market, possibly missing some or all of the potential recovery. The lesson here is that patience can pay dividends.

Diversification can also limit losses during turbulent market conditions. One of the main advantages of diversification is reducing risk over the long run, not necessarily increasing return. While stocks offer the potential for higher returns, the downside risk can also be extreme. A diversified portfolio can help mitigate such extreme swings in value.

Diversification does not eliminate the risk of experiencing investment losses. Government bonds are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed. Stocks have been more volatile than bonds.

About the data

Stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the 20-year U.S. government bond. Calculations are based on monthly data. Data assumes reinvestment of all income and does not account for taxes or transaction costs. For the U.S. savings and loan crisis, August 1989 was chosen because that was the month the Financial Institutions Reform, Recovery and Enforcement Act of 1989 was signed into law. For Long-Term Capital Management, September 1998 was chosen because that was the month the hedge fund was bailed out by various financial institutions. For the banking and credit crisis, October 2008 was chosen because that was the month the Emergency Economic Stabilization Act was signed into law.