

Heritage Investment Group - Comprehensive Diversification

The chart below illustrates the need for diversification among a wide array of asset classes. The various asset classes are ranked from highest return to lowest return for each of the last ten calendar years. This chart clearly shows that leading asset classes rotate from year to year and that a diversified portfolio comprised of all of the asset classes (represented by the black box) will provide excellent returns with much lower volatility.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Highest Return	S&P 500 29%	Emer. Mkts 66%	Commodity 32%	Small Value 14%	Commodity 26%	Int'l Small 58%	Real Estate 33%	Emer. Mkts 35%	Real Estate 36%	Emer. Mkts 40%
	Int'l Large 20%	Int'l Large 27%	Real Estate 31%	Real Estate 12%	Fixed Inc. 10%	Emer. Mkts 56%	Int'l Small 28%	Int'l Small 24%	Emer. Mkts 32%	Commodity 15%
	Lg. Value 16%	Commodity 24%	Small Value 23%	Fixed Inc. 10%	Real Estate 4%	Small Cap 47%	Emer. Mkts 26%	Commodity 21%	Int'l Large 27%	Int'l Large 12%
	Fixed Inc. 8%	Small Cap 21%	Fixed Inc. 9%	Small Cap 2%	Emer. Mkts -6%	Small Value 46%	Small Value 22%	Int'l Large 14%	Small Value 23%	Fixed Inc. 6%
	Int'l Small 5%	S&P 500 21%	Lg. Value 7%	Emer. Mkts -2%	Diversified Port. -6%	Int'l Large 39%	Int'l Large 21%	Diversified Port. 13%	Lg. Value 22%	S&P 500 5%
	Diversified Port. 0%	Diversified Port. 18%	Diversified Port. 4%	Diversified Port. -4%	Int'l Small -10%	Diversified Port. 37%	Diversified Port. 19%	Real Estate 13%	Diversified Port. 20%	Diversified Port. 5%
	Small Cap -3%	Int'l Small 18%	Small Cap -3%	Lg. Value -6%	Small Value -11%	Real Estate 36%	Small Cap 18%	Lg. Value 7%	Small Cap 18%	Int'l Small 2%
	Small Value -6%	Lg. Value 7%	Int'l Small -9%	S&P 500 -12%	Int'l Large -16%	Lg. Value 30%	Lg. Value 16%	S&P 500 5%	Int'l Small 17%	Lg. Value 0%
	Real Estate -17%	Fixed Inc. 0%	S&P 500 -9%	Int'l Small -14%	Lg. Value -16%	S&P 500 29%	S&P 500 11%	Small Cap 5%	S&P 500 16%	Small Cap -2%
	Emer. Mkts -25%	Small Value -1%	Int'l Large -14%	Commodity -20%	Small Cap -20%	Commodity 24%	Commodity 9%	Small Value 5%	Fixed Inc. 4%	Small Value -10%
Lowest Return	Commodity -27%	Real Estate -3%	Emer. Mkts -31%	Int'l Large -21%	S&P 500 -22%	Fixed Inc. 7%	Fixed Inc. 4%	Fixed Inc. 1%	Commodity 2%	Real Estate -18%

Comprehensive Diversification Periodic Table: The individual asset classes are represented by corresponding indices as follows: Lg. Value – Russell 1000 Value Index, Small Cap – Russell 2000 Index, Small Value – Russell 2000 Value Index, Commodity – Dow Jones AIG Total Return Commodity Index, Real Estate – Dow Jones Wilshire REIT (Full Cap) Index, Int'l Large – MSCI EAFE Index (Gross Dividends), Int'l Small – MSCI EAFE Small Cap (Price Only) Index, Emer. Mkts – MSCI EM Free Index, and Fixed Income – Lehman Brothers Credit Bond Index Intermediate. The Diversified Portfolio (Div. Port.) is an annual simple average of the other 10 asset classes. (updated 1/08)

Past performance does not guarantee future results