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JULY 2010

More Options Help Investors Counter Rising Correlations

Expanded menu of mainstream asset categories

- While globalization and financial system turmoil have caused many traditional asset categories to perform more closely in tandem during the past decade, the improved liquidity and accessibility of newer investment categories has given investors more options to construct portfolios.

Performance has varied from decade to decade

- All asset classes are susceptible to short-term fluctuations, but investors should be mindful of longer-term performance rotations as well. For example:

- Large-cap foreign developed-country stocks (+22.8%) led the way in the 1980s and large-cap U.S. stocks (18.2%) topped the charts in the 1990s, but both categories significantly lagged all other assets in the 2000s, including newer categories such as emerging-market debt (10.9%) and TIPS (+7.7%).

Individual investors may have greater opportunities to achieve diversification than ever before

- Achieving diversification benefits, such as lower performance volatility, can be enhanced by having access to multiple assets with imperfect performance correlations.

- While the 2000s might have been a "lost decade" for large-cap U.S. stocks, eight different asset classes had average annual returns above 5%, and three surpassed 10%.

- Longtime assets that have exhibited imperfect correlations with one another (e.g. high-grade bonds and stocks) today can be complemented with a larger array of asset categories with different risk exposures and growth prospects that could lead to more desirable risk-adjusted returns.

Exhibit 1: As more asset classes have become accessible during the past few decades, individual investors have had greater opportunity to broaden a portfolio's exposure to various return and risk characteristics.

Legend	Asset Category Performance By Decade (%) (Average Annual Returns: 1930-2009)							
( ) denotes year of index inception	30s	40s	50s	60s	70s	80s	90s	00s
Investment-Grade Bonds (1926)	5.4 IG Bonds	20.7 U.S. SmCaps	19.4 U.S. LgCaps	15.5 U.S. SmCaps	21.3 Commodities	22.8 For. Devlpd	18.2 U.S. LgCaps	10.9 EM Debt
U.S. Small Caps (1926)	1.4 U.S. SmCaps	9.2 U.S. LgCaps	16.9 U.S. SmCaps	7.8 U.S. LgCaps	11.5 U.S. SmCaps	17.6 U.S. LgCaps	15.1 U.S. SmCaps	10.6 REITs
U.S. Large Caps (1926)	-0.1 U.S. LgCaps	2.1 IG Bonds	1.2 IG Bonds	2.9 IG Bonds	10.1 For. Devlpd	15.8 U.S. SmCaps	11.2 HY Bonds	10.1 EM Stocks
Commodities (1970)					7.0 IG Bonds	15.6 REITs	11.0 EM Stocks	7.7 TIPS
Foreign Developed-Country Stocks (1970)					5.9 U.S. LgCaps	12.4 IG Bonds	9.1 REITs	6.5 HY Bonds
REITs (1972)						10.7 Commodities	7.7 IG Bonds	6.3 IG Bonds
High-Yield Bonds (1986)							7.3 For. Devlpd	6.3 U.S. SmCaps
Emerging-Market Stocks (1988)							3.9 Commodities	5.1 Commodities
Emerging-Market Debt (1994)								1.6 For. Devlpd
TIPS (1997)								-1.0 U.S. LgCaps

Dark outlined boxes denote first full calendar decade of history for each index.
Note: Category performance expressed as average annual percentage rate for each decade.

Asset class performance from 1/1/30 to 12/31/09. Investment-Grade Bonds - Barclay's Capital (BC) Aggregate Bond Index from 1976-2009; from 1926-1976 bonds are represented by a weighted composite of the Ibbotson Associates (IA) Long-term Corporate Bond Index (34%) and the IA Intermediate-term Government Bond Index (66%). U.S. Small-Capitalization Stocks - IA SBBI U.S. Small Stock Index. U.S. Large-Cap Stocks - Standard and Poor's (S&P) 500 Index. Commodities - S&P GSCI Commodities Total Return Index. Foreign Developed-Country Stocks - Morgan Stanley Capital International (MSCI) Europe, Australasia & Far East (EAFE) Index. Real Estate Investment Trusts (REITs) - FTSE NAREIT Equity REITs. High-Yield Bonds - Merrill Lynch (ML) U.S. HY Master II Index. Emerging-Market (EM) Stocks - MSCI Emerging Market Index. Emerging-Market (EM) Debt - J.P. Morgan EMBI+ Index. Treasury Inflation-Protected Securities - BC U.S. TIPS Index. Source: Ibbotson Associates, FMRCo. (MARE) as of 7/16/2010.

Past performance is no guarantee of future results. *You cannot invest directly in an index.*

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. In general, the bond market is volatile and bond funds entail interest rate risk (as interest rates rise bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Bond funds also entail the risk of issuer default, issuer credit risk, and inflation risk. Diversification does not ensure a profit or guarantee against loss.

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