

Perspectives on Risk, Diversification and Discipline

Investment Considerations

- Reduce expenses.
- Diversify systematically.
- Minimize taxes and turnover.
- Think long-term.
- Apply discipline.
- Hold low-cost funds.
- Maintain asset allocation.

The Stock Market's Reaction

As Measured by the Dow Jones Industrial Average

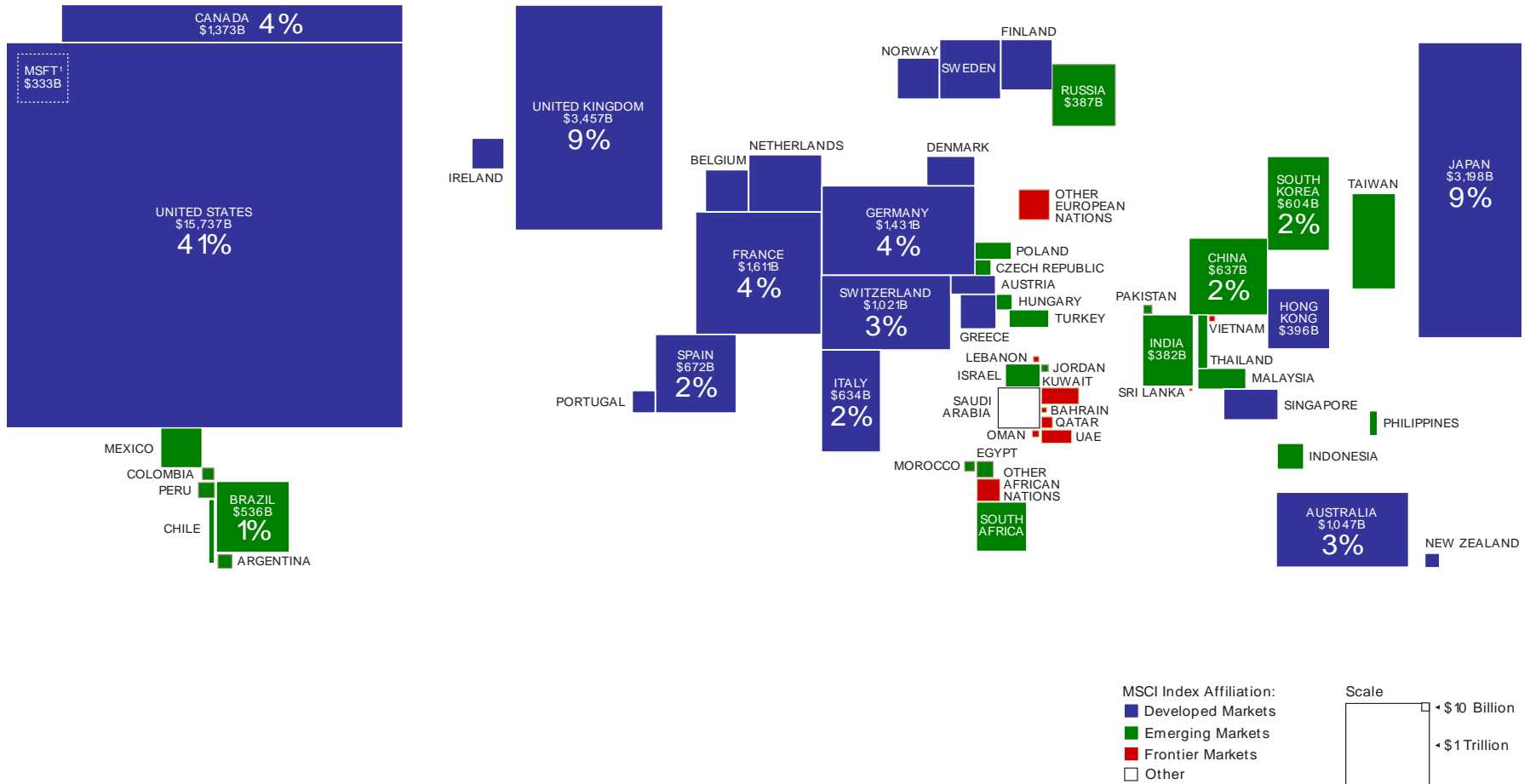
Date	Event	Prior Day Close	First Trading Session Response			Subsequent Market Behavior		
			Close	Change	Percent Change	One Month	Six Months	One Year
September 11, 2001	World Trade Center towers destroyed	9,605.51	8,920.70	-684.81	-7.13%	-3.66%	11.12%	-8.71%
January 16, 1991	US launches bombing attack on Iraq	2,508.91	2,623.51	114.60	4.57%	16.97%	18.93%	29.52%
August 2, 1990	Iraq invades Kuwait	2,899.26	2,864.60	-34.66	-1.20%	-8.74%	-4.67%	4.95%
March 30, 1981	President Reagan shot by John Hinckley Jr.	994.78	992.16	-2.62	-0.26%	1.95%	-14.33%	-16.90%
August 9, 1974	President Nixon resigns	784.89	777.30	-7.59	-0.97%	-14.71%	-8.87%	5.98%
November 22, 1963	President Kennedy assassinated in Dallas	732.64	711.48	-21.16	-2.89%	6.57%	15.37%	24.99%
October 22, 1962	Cuban missile crisis	568.60	558.06	-10.54	-1.85%	15.55%	27.41%	33.89%
September 24, 1955	President Eisenhower heart attack	487.44	455.55	-31.89	-6.54%	0.04%	12.48%	5.72%
June 25, 1950	North Korea invades South Korea	224.30	213.90	-10.40	-4.64%	-4.49%	7.34%	15.13%
December 7, 1941	Japan attacks Pearl Harbor, Hawaii	115.90	112.52	-3.38	-2.92%	-0.86%	-6.19%	2.88%

Dow Jones data provided by Dow Jones Indexes.

Past performance is not a guarantee of future results. Values change frequently and past performance may not be repeated. There is always the risk that an investor may lose money.

World Market Capitalization

\$37.4 Trillion as of December 31, 2007



In US dollars. Map reflects countries in the MSCI Provisional All Country World Index, MSCI All Country World Small Cap Index, and MSCI Frontier Markets Index. Market cap data is free-float adjusted. MSCI data copyright MSCI 2008, all rights reserved. Saudi Arabia data provided by S&P/Citigroup Global Markets Inc. Many small nations not displayed. Totals may not equal 100% due to rounding. 1. An example large cap stock provided for comparison.

The Randomness of Returns

Annual Return (%)

Highest Return



Lowest Return

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	74.86	22.00	40.09	37.05	36.94	28.58	66.42	31.04	40.59	7.62	74.48	37.96	34.54	35.97	39.78
	46.87	16.15	37.58	22.96	33.75	22.97	33.13	8.96	18.04	5.11	70.17	33.16	19.54	32.96	8.16
	45.64	15.91	30.63	22.36	33.36	11.95	32.83	8.28	12.35	3.58	69.06	33.08	19.33	32.59	6.85
	34.39	3.38	26.66	19.97	25.79	11.72	28.41	7.33	8.44	3.39	60.87	30.58	15.07	27.76	6.76
	28.61	2.66	13.39	17.43	19.66	9.15	21.04	3.95	7.28	2.02	57.81	27.33	13.82	25.62	6.31
	24.52	2.48	12.71	10.21	7.27	8.41	20.30	1.63	6.44	-3.70	56.26	25.95	9.70	21.87	6.17
	20.16	1.32	12.24	7.67	7.12	7.75	6.99	-3.08	-2.37	-6.00	36.43	19.15	5.61	21.70	5.95
	15.14	-0.33	10.27	6.04	5.93	5.91	4.37	-6.40	-2.71	-11.72	36.18	17.74	4.91	17.08	5.49
	10.07	-0.63	7.92	5.53	0.30	-2.33	4.04	-9.10	-7.16	-14.01	28.69	10.88	4.45	15.80	-2.61
	8.15	-0.79	3.94	5.49	-11.59	-10.04	3.55	-11.38	-11.89	-19.87	2.04	2.66	3.08	4.32	-12.24
	6.91	-2.03	2.66	4.54	-16.38	-17.01	1.90	-12.26	-15.44	-22.10	1.96	1.35	2.36	4.09	-17.55
	3.68	-7.32	-5.19	4.40	-16.85	-25.33	-2.58	-30.60	-17.81	-30.28	1.47	0.83	1.34	3.75	-18.38

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US Large Cap	10.07	1.32	37.58	22.96	33.36	28.58	21.04	-9.10	-11.89	-22.10	28.69	10.88	4.91	15.80	5.49
US Large Cap Value	24.52	-0.33	40.09	19.97	33.75	11.95	6.99	-6.40	-2.71	-30.28	36.43	17.74	9.70	21.87	-12.24
US Small Cap	20.16	-2.03	30.63	17.43	25.79	-2.33	28.41	-12.26	18.04	-19.87	57.81	19.15	5.61	17.08	-2.61
US Small Cap Value	28.61	3.38	26.66	22.36	36.94	-10.04	4.37	-3.08	40.59	-11.72	74.48	27.33	4.45	21.70	-18.38
US Real Estate	15.14	2.66	12.24	37.05	19.66	-17.01	-2.58	31.04	12.35	3.58	36.18	33.16	13.82	35.97	-17.55
International Large Cap Value	46.87	16.15	10.27	10.21	0.30	22.97	32.83	3.95	-15.44	-14.01	69.06	30.58	15.07	32.96	6.85
International Small Cap	34.39	15.91	2.66	4.40	-16.85	9.15	33.13	-11.38	-17.81	-3.70	60.87	33.08	19.54	25.62	6.17
International Small Cap Value	45.64	22.00	3.94	5.53	-16.38	11.72	20.30	1.63	-7.16	2.02	70.17	37.96	19.33	27.76	6.76
Emerging Markets	74.86	-7.31	-5.19	6.04	-11.59	-25.33	66.42	-30.60	-2.37	-6.00	56.26	25.95	34.54	32.59	39.78
One-Year US Fixed	3.68	2.48	7.92	5.49	5.93	5.91	4.04	7.33	7.28	3.39	1.47	0.83	2.36	4.32	5.95
Five-Year US Government Fixed	6.91	-0.79	12.71	4.54	7.12	7.75	1.90	8.96	8.44	7.62	2.04	1.35	1.34	3.75	8.16
Five-Year Global Fixed	8.15	-0.63	13.39	7.67	7.27	8.41	3.55	8.28	6.44	5.11	1.95	2.66	3.08	4.09	6.31

US Large Cap is the S&P 500 Index. US Large Cap Value is the Fama/French Large Value Index (ex utilities). US Small Cap is the Fama/French US Small Cap Index. US Small Cap Value is the Fama/French Small Value Index (ex utilities). US Real Estate is the Dow Jones Wilshire REIT Index. International Large Cap Value is the Fama/French International Value Index. International Small Cap and International Small Cap Value are compiled by Dimensional from StyleResearch securities data; they include securities of MSCI EAFE countries in the 10%-1% of ME range; market-capitalization weighted; each country capped at 50%; value defined as the top 30% of book-to-market; rebalanced semiannually. Emerging Markets is the MSCI Emerging Markets Index (gross dividends). One-Year US Fixed is the Merrill Lynch One-Year US Treasury Note Index. Five-Year US Government Fixed is the Lehman Brothers Treasury Bond Index 1-5 Years. Five-Year Global Fixed is the Citigroup World Government Bond Index 1-5 Years (hedged). The S&P data are provided by Standard & Poor's Index Services Group. Fama/French data provided by Fama/French. CRSP data provided by the Center for Research in Security Prices, University of Chicago. Dow Jones Wilshire data provided by Dow Jones Indexes. MSCI data copyright MSCI 2008, all rights reserved; see MSCI disclosure page for additional information. The Merrill Lynch indices are used with permission; copyright 2008 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Lehman Brothers data provided by Lehman Brothers, Inc. Citigroup bond indices copyright 2008 by Citigroup.

Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Equity Returns of Developed Markets

Annual Return (%)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Highest Return	Norway 80.44	H.K. 46.99	Austria 176.27	Spain 121.22	Japan 43.00	Belg. 53.61	Austria 102.04	UK 10.29	H.K. 49.51	H.K. 32.29	H.K. 116.67	Norway 23.57	Switz. 44.11	Spain 40.05	Switz. 44.25	Belg. 67.76	Sing. 99.42	Switz. 5.83	Austria 5.62	Austria 5.62	Austria 5.02	Austria 74.52	Can. 28.31	Spain 49.36	H.K. 41.20
	Den. 68.28	Spain 39.05	Ger. 135.23	Italy 108.31	Spain 36.91	Den. 52.70	Ger. 46.28	H.K. 9.18	Austria 22.65	Switz. 17.24	Sing. 67.97	Japan 21.44	US 37.14	US 37.14	Italy 35.50	Italy 52.53	Can. 4.85	Den. 4.85	Austria 5.62	Austria 5.62	Spain 55.70	Belg. 43.53	Japan 25.52	Sing. 46.71	Ger. 35.21
	Australia 16.88	Japan 131.71	Italy 99.41	Japan 35.07	UK 35.07	Sweden 42.40	Norway 45.50	Norway 0.66	US 30.07	US 6.39	Switz. 45.75	Sweden 22.65	Sweden 22.65	H.K. 33.07	Den. 34.54	Spain 49.90	Japan 61.54	Den. 3.47	Belg. -10.90	Norway 7.25	Norway 54.73	Norway 24.64	Austria 24.50	Norway 43.30	Norway 34.42
	Sweden 10.98	Belg. 11.36	Switz. 105.76	Belg. 78.39	Den. 13.23	Norway 42.40	Den. 43.92	Den. 0.66	Sing. 24.94	Sing. 6.29	Norway 45.75	Neth. 11.70	Spain 29.83	Spain 29.83	US 33.38	France 41.53	H.K. 59.51	Norway 0.66	Spain -11.34	Italy 7.25	Switz. 54.73	Sweden 24.50	Den. 24.50	Den. 43.30	Can. 29.57
	Neth. 36.44	Neth. 10.23	France 82.03	France 78.36	Can. 11.66	France 37.86	Sing. 42.29	Den. -0.91	France 17.83	France 2.80	Sweden 33.07	Italy 11.55	Neth. 27.72	Neth. 27.51	Spain 25.43	US 30.14	Can. 51.77	Italy -1.31	Norway -4.10	US -12.39	Japan -10.30	Can. 54.63	Italy 32.49	Den. 38.77	Sing. 28.35
	France 31.92	Italy 8.11	Belg. 76.60	Sweden 0.35	Austria 0.35	Austria 36.40	France 36.14	US -3.15	Neth. 17.81	Neth. 2.30	Ger. 35.67	Belg. 8.23	Belg. 25.88	UK 27.44	Ger. 24.58	Ger. 29.44	Norway 21.68	Neth. -4.10	US -12.39	Switz. -10.30	Den. 52.27	Den. 30.82	Switz. 16.33	Belg. 36.66	Austria 28.34
	Sing. 31.75	UK 5.31	Norway 59.62	H.K. 56.10	Belg. 7.86	Japan 35.38	Neth. 35.78	Neth. -3.19	Den. 16.55	Belg. -1.46	Neth. 35.28	Sing. 6.70	H.K. 22.58	Can. 26.34	Neth. 23.77	Switz. 23.53	France 29.26	UK -4.32	UK -14.06	Sing. -11.05	Italy 20.24	Austria 16.02	Austria 26.54	Den. 25.59	
	Can. 29.10	US 4.46	Den. 60.30	Sing. 45.18	Neth. 7.06	Sing. 33.35	Sweden -6.22	Switz. 16.02	UK -3.67	Australia 25.48	Australia 5.40	UK 21.26	US 23.24	US 22.61	UK 23.22	US 21.92	Australia 0.64	Australia -14.80	Den. -13.21	Can. 20.24	Norway 28.93	Spain 28.93	Sing. 14.37	Spain 23.95	
	Japan 24.53	France 4.32	Neth. 59.62	Austria 42.20	Norway 5.62	US 28.10	US 30.01	Ger. -9.36	Switz. 15.75	Ger. -10.28	Den. 32.81	Ger. 4.66	Den. 18.78	Den. 21.80	Belg. -13.56	UK 17.82	UK 20.03	UK -11.54	H.K. -18.61	UK -14.96	Italy 38.19	H.K. 24.98	Neth. 13.85	France 34.48	Neth. 20.59
	Belg. 23.52	Norway 5.62	Sweden 59.62	Neth. 40.73	US 2.91	Ger. 20.60	Switz. 26.20	Belg. -10.97	Spain 15.62	Austria 29.76	Spain 3.76	Den. 16.41	France 21.19	France 21.19	Sweden 11.94	Sweden 8.98	Australia 12.44	Australia -12.84	Can. -21.36	UK -15.29	France 35.90	Sing. 22.20	Switz. 9.92	Italy 31.38	France 13.24
	Ger. 23.29	Austria -4.92	Spain 54.73	Ger. 35.29	Sing. 2.29	US 14.61	UK 21.87	Sing. -11.68	UK 14.42	Australia -10.84	Italy 28.53	Switz. 3.54	Can. 16.09	France 16.47	France 11.94	Den. 8.98	Den. 12.44	US -12.84	Switz. -21.36	Spain -15.29	Japan 35.90	Can. 22.20	Ger. 9.92	Neth. 31.38	UK 8.36
	US 20.38	Ger. -5.70	UK 53.04	Austria 24.75	Austria 50.23	Can. 14.25	Can. 21.36	France -13.84	Belg. 13.76	Belg. -14.22	Australia 28.00	US 1.13	France 14.12	France 13.57	Can. 11.20	Can. 6.07	Australia 12.08	Den. -14.75	Neth. -22.11	Den. -16.04	Belg. 32.31	UK 19.57	France 9.88	Italy 30.86	Italy 6.06
	Switz. 18.11	Can. -10.91	H.K. 51.68	Switz. 33.37	Neth. 14.17	Italy 19.41	Spain -13.84	Japan 8.91	Switz. 25.45	Japan -1.61	UK 14.40	UK 12.59	UK 14.40	Italy 12.59	Norway 5.03	Japan 6.88	Neth. -15.59	Ger. -22.36	France -17.79	H.K. 31.26	UK 18.48	France 9.05	UK 30.61	US 5.44	
	UK 15.67	Switz. -11.95	Japan 43.03	UK 26.96	H.K. -4.12	Spain 13.55	Belg. 17.30	Can. -15.32	Can. 8.29	Japan -21.45	UK 24.43	Spain -4.82	Spain 6.47	Spain 12.03	Belg. 5.03	Australia 0.34	Australia 4.83	Spain -15.86	Ger. -22.39	Neth. -20.84	H.K. 29.93	Ger. 16.17	H.K. 8.40	H.K. 30.35	Switz. 5.29
	Italy 2.95	Australia -10.91	US 31.08	US 16.28	Switz. -9.46	Italy 11.46	Spain 9.75	Australia -17.52	Ger. 8.15	Spain -21.86	Belg. 23.51	Can. -4.86	Can. 5.03	France 4.54	Australia 10.42	H.K. -2.90	Italy -0.26	Italy -16.85	Belg. -23.42	Sing. -21.19	France 29.04	Switz. 15.86	UK 7.35	Switz. 27.40	Australia 62.17
	Austria -2.08	Switz. -10.91	Australia 10.55	Can. 7.44	France -13.82	Switz. 6.17	Italy -19.20	Italy -1.83	Italy -22.22	Italy 20.90	France -5.18	France 1.05	France 2.27	France -23.28	Switz. -7.43	Switz. -7.03	Switz. -26.60	Italy -26.60	US -23.09	US 28.41	US 14.96	US 5.14	Can. 17.80	Can. 0.62	
	H.K. -2.84	Sing. -26.92	Can. 12.24	Den. 1.25	Italy -21.31	UK 5.93	H.K. 8.38	Sweden 0.20	Australia 0.20	Norway 0.20	Can. 15.10	Can. 0.20	Japan 0.70	Japan -6.88	Japan -23.67	Sing. -12.86	Australia 0.44	Sing. -27.73	Sing. -27.73	Switz. 28.22	Neth. 12.24	Spain 4.41	US 14.67	Belg. -2.73	
Lowest Return	Spain -7.12	Den. -35.82	Sing. -22.18	Norway -2.52	Ger. -24.75	Austria 0.59	Japan 1.72	Japan -36.11	Norway -15.50	Den. -28.25	US 9.15	H.K. -28.91	Australia -4.72	Japan -15.50	Sing. -30.05	Norway -20.06	Belg. -14.27	Japan -28.16	Japan -29.41	Ger. -33.19	Neth. 22.80	US 10.14	Italy 1.90	Japan 6.24	Japan -4.23

In US dollars.

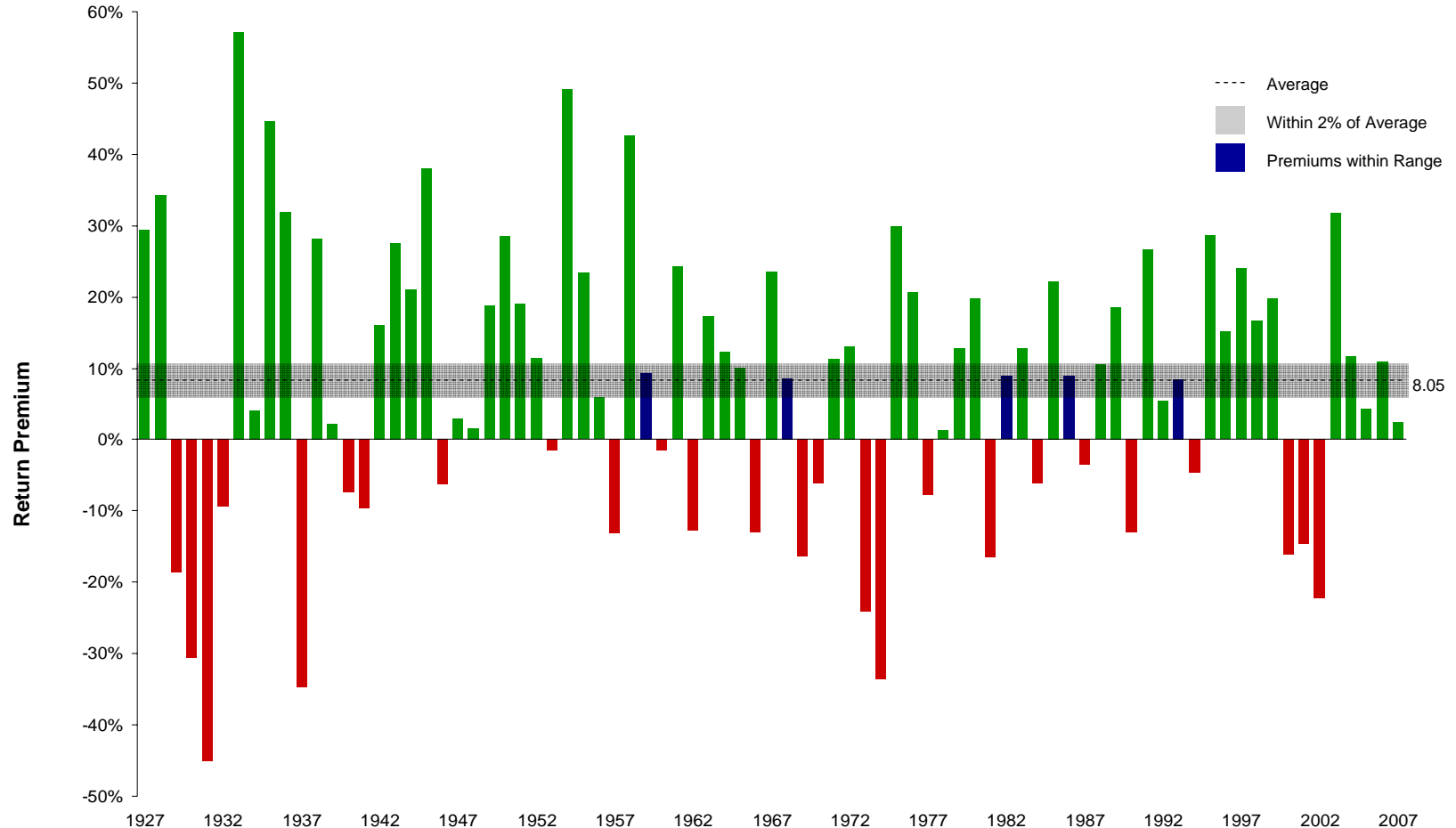
Source: MSCI developed markets country indices (net dividends) with at least twenty-five years of data. MSCI data copyright MSCI 2008, all rights reserved; see MSCI disclosure page for additional information.

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Yearly Observations of the US Market Premium Market minus One-Month Treasury Bills

1927-2007

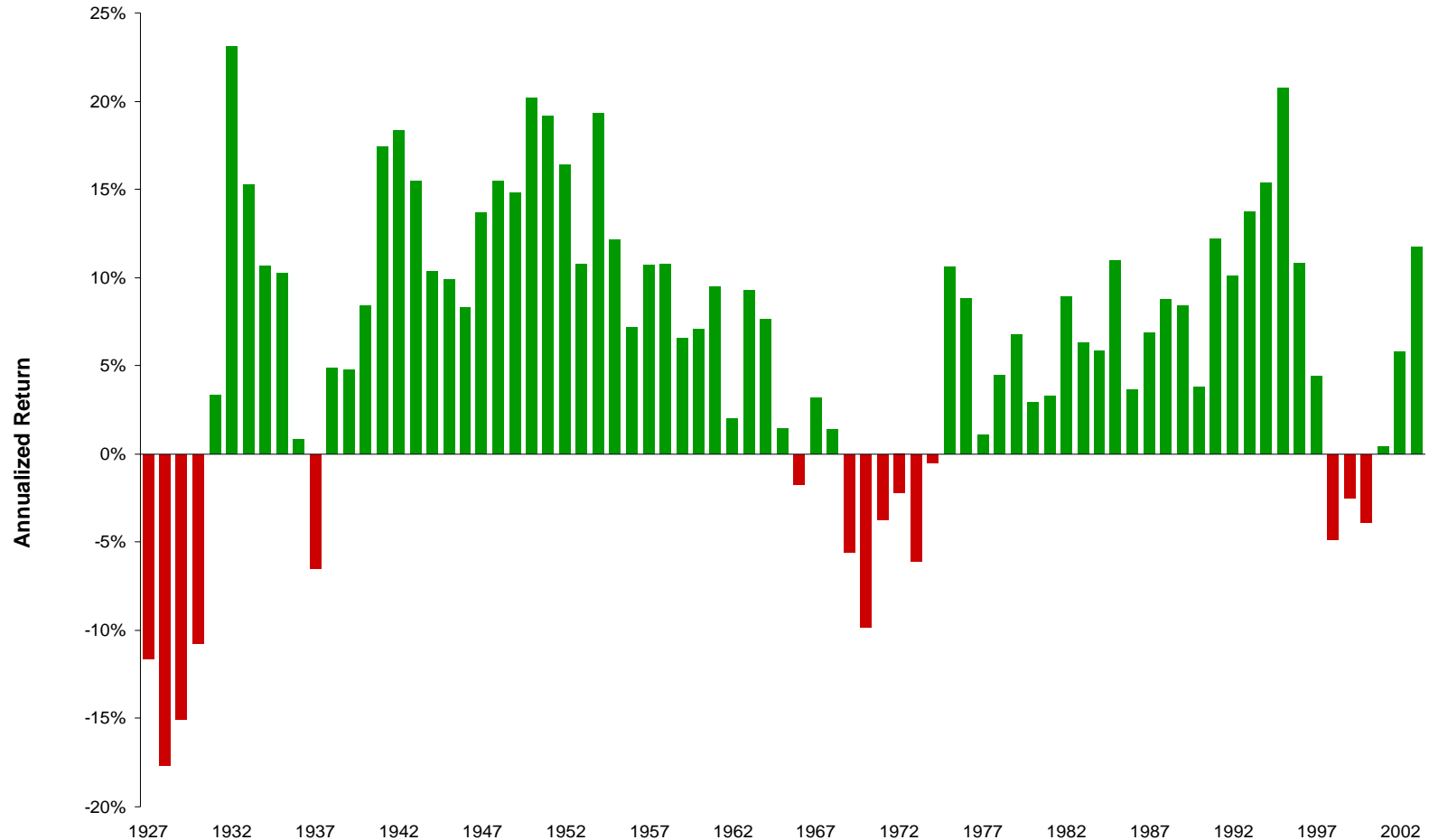


Data provided by Fama/French. Total US Market Research Factor (total market minus one-month Treasury bills).

Past performance is not a guarantee of future results. Values change frequently and past performance may not be repeated. There is always the risk that an investor may lose money. Securities of small firms are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price. Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the funds that own them, to rise or fall. Because the value of investments will fluctuate, there is a risk that investors will lose money.

Five-Year Moving Average of the US Market Premium

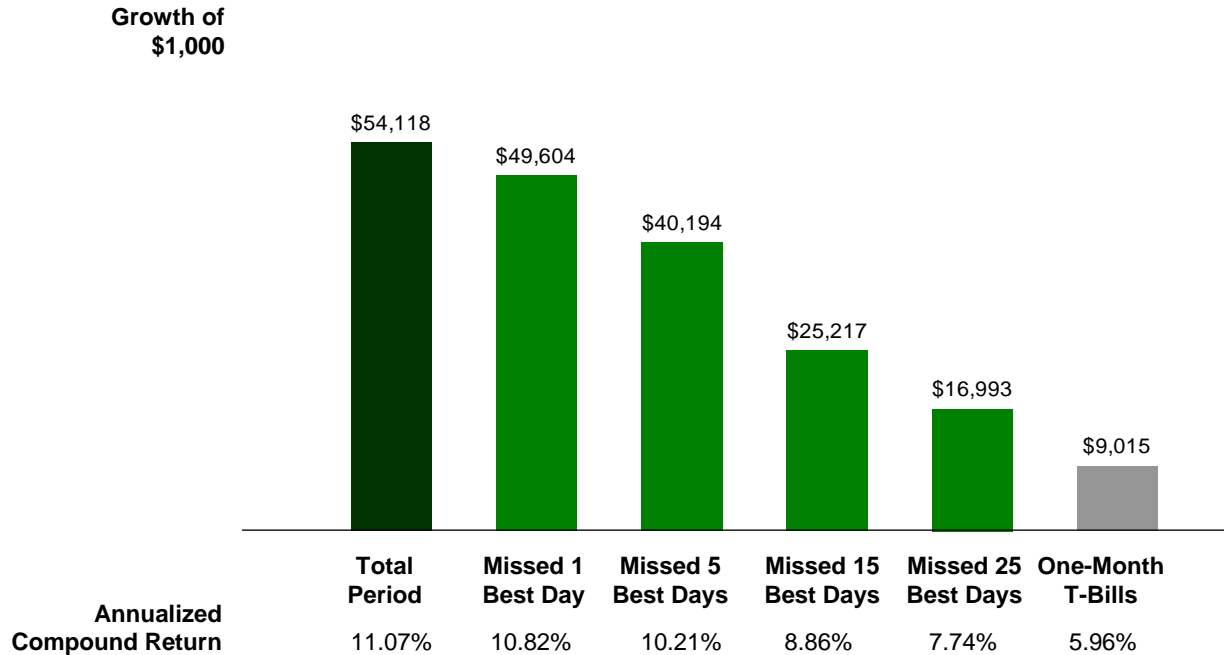
Annual: 1927-2007



Data provided by Fama/French. Total US Market Research Factor (total market minus one-month Treasury bills).

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Performance of the S&P 500 Index January 1970-December 2007



The S&P data are provided by Standard & Poor's Index Services Group.

US bonds and bills data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

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Comparison of Market Returns, Fund Returns, and Investor Returns Annual: 1983 - 2003

Measure	Annual Return	Growth of \$1
Stock Market Return	13.00%	\$11.50
Average Equity Fund Return	10.30%	\$7.10
Gap between Average Fund & Market	2.70%	\$4.40
Estimated Equity Fund Investor Return	7.90%	\$4.57
Gap between Average Investor & Average Fund	2.40%	\$2.53
Total Gap between Average Investor & Market	5.10%	\$6.93

Estimated Equity Fund Investor Return calculation based on a comparison of time-weighted returns with the dollar-weighted returns earned by the fund investors for 600 general equity funds during 1983-2003.

Source: John C. Bogle, "The Mutual Fund Industry 60 Years Later: For Better or Worse," *Financial Analysts Journal* 61, no. 1 (2005): 15.

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