

historical perspectives

Going up?

For more than a decade we have watched as almost every investment sector has seen highs and lows. These ups and downs, illustrated below, reinforce the importance of incorporating a variety of investments chosen from different asset classes into your portfolio. Through diversification you may position your portfolio to work with, not against, these fluctuating cycles and increase your assets' potential growth.

Large Cap U.S. Growth Stocks	U.S. Aggregate Bonds
Large Cap U.S. Value Stocks	Cash (T-Bills)
Small Cap U.S. Growth Stocks	International Stocks
Small Cap U.S. Value Stocks	International Bonds
High Yield Bonds	Emerging Market Stocks

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Large Growth 23.1	Large Value 35.2	Large Growth 38.7	Emerging Market 66.4	Small Value 22.8	Small Value 14.0	Int'l Bonds 22.0	Emerging Market 56.3	Emerging Market 26.0	Emerging Market 34.5	Emerging Market 32.6	Emerging Market 39.8
Large Value 21.6	Small Value 31.8	Int'l Stocks 20.0	Small Growth 43.1	US Agg Bonds 11.6	US Agg Bonds 8.4	US Agg Bonds 10.3	Small Growth 48.5	Small Value 22.3	Int'l Stocks 14.0	Int'l Stocks 26.9	Large Growth 11.8
Small Value 21.4	Large Growth 30.5	Int'l Bonds 17.8	Large Growth 33.1	Large Value 7.0	High Yield Bonds 5.3	Cash 1.7	Small Value 46.0	Int'l Stocks 20.7	Large Value 7.1	Small Value 23.5	Int'l Stocks 11.6
Small Growth 11.3	Small Growth 13.0	Large Value 15.6	Int'l Stocks 30.0	Cash 6.1	Cash 5.2	High Yield Bonds -1.4	Int'l Stocks 39.2	Large Value 16.5	Large Growth 5.3	Large Value 22.3	Int'l Bonds 11.5
High Yield Bonds 11.1	High Yield Bonds 12.8	US Agg Bonds 8.7	Large Value 7.4	Int'l Bonds -2.6	Emerging Market -2.4	Emerging Market -6.0	Large Value 30.0	Small Growth 14.3	Small Value 4.7	Small Growth 13.4	Small Growth 7.1
Int'l Stocks 6.1	US Agg Bonds 9.7	Cash 4.9	Cash 4.9	High Yield Bonds -5.9	Int'l Bonds -3.5	Small Value -11.4	Large Growth 29.8	Int'l Bonds 12.1	Small Growth 4.2	High Yield Bonds 11.9	US Agg Bonds 7.0
Emerging Market 6.0	Cash 5.2	High Yield Bonds 1.9	High Yield Bonds 2.4	Int'l Stocks -14.2	Large Value -5.6	Large Value -15.5	High Yield Bonds 29.0	High Yield Bonds 11.1	Cash 3.1	Large Growth 9.1	Cash 4.7
Cash 5.0	Int'l Stocks 1.8	Small Growth 1.2	US Agg Bonds -0.8	Large Growth -22.4	Small Growth -9.2	Int'l Stocks -15.9	Int'l Bonds 18.5	Large Growth 6.3	High Yield Bonds 2.7	Int'l Bonds 6.9	High Yield Bonds 1.9
Int'l Bonds 4.1	Int'l Bonds -4.3	Small Value -6.5	Small Value -1.5	Small Growth -22.4	Large Growth -20.4	Large Growth -27.9	US Agg Bonds 4.1	US Agg Bonds 4.3	US Agg Bonds 2.4	Cash 4.8	Large Value -0.2
US Agg Bonds 3.6	Emerging Market -11.6	Emerging Market -25.3	Int'l Bonds -5.1	Emerging Market -30.6	Int'l Stocks -21.4	Small Growth -30.3	Cash 1.2	Cash 1.3	Int'l Bonds -9.2	US Agg Bonds 4.3	Small Value -9.8

Source: Morgan Stanley Capital Indices (MSCI), S&P AIM/Micropal. The illustrated indices are unmanaged and can't be invested into directly. International investing entails greater risk compared to U.S. investing. These risks include political and economic uncertainties of foreign countries, as well as, the risk of currency fluctuations and differences in accounting standards. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics. Past performance is no guarantee of future results. The market for all securities is subject to fluctuation such that upon sale an investor may lose principal.



why risk it all?



INDEX DISCLOSURES

Large Company U.S. Growth Stocks - Russell 1000® Growth Index – This index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Large Company U.S. Value Stocks - Russell 1000® Value Index – This index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000® Index - Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately \$14.1 billion; the median market capitalization was approximately \$4.1 billion. The smallest company in the index had an approximate market capitalization of \$1.6 billion.

Small Company U.S. Growth Stocks - Russell 2000® Growth Index – This index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Small Company U.S. Value Stocks - Russell 2000® Value Index – This index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index - Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately \$580 million; the median market capitalization was approximately \$466 million. The largest company in the index had an approximate market capitalization of \$1.5 billion.

International Stocks – Morgan Stanley EAFE- This is an index of approximately 1,045 equity securities issued by companies located in 19 countries and listed on the stock exchanges of Europe, Australia, and the Far East. All values are expressed in U.S. dollars.

Emerging Market Stocks - MSCI Emerging MarketsSM – This Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007 the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan,

Every asset class comes with a certain amount of risk because the economy is subject to many variables such as political shifts, corporate mergers, or product development. By broadening your investment mix, you can seek to balance your growth and risk characteristics.

Your financial advisor has answers. Understanding how these fluctuations may positively or adversely affect the markets is just part of the value they provide. Talk to your advisor today to begin building the right diversified portfolio for your financial needs.

Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

U.S. Aggregate Bonds - Lehman Bros. Aggregate Bond Index – This index is representative of the entire universe of taxable fixed-income investments. It includes issues of the U.S. Government and any agency thereof, corporate issues of investment grade quality (Baa/BBB or better), and mortgage-backed securities.

High Yield Bonds - Lehman Bros. High Yield Bond Index – This index includes fixed rate, public nonconvertible issues that are rated Ba1 or lower by Moody's Investor Service. If a Moody's Rating is unavailable, the bonds must be rated BB+ or lower by Standard & Poor's.

International Bonds - Salomon Bros. Non \$ World Govt. Bond Index (Unhedged) – This index covers the available market for domestic government bonds in 13 countries: Japan, Germany, France, UK, Canada, Italy, Australia, Belgium, Denmark, Netherlands, Spain, Sweden and Austria.

T. Bills - Treasury Bills are short-term government securities usually sold with three-, six-, or twelve-month maturities. They are available in \$10,000 minimum amounts and additional multiples of \$5,000. They are issued at a discount and mature at face value. The difference between issue price and maturation value is interest earned.

IMPORTANT DISCLOSURES: Treasury bonds and bills are backed by the full faith and credit of the United States. Please note that the value of bonds generally have an inverse relationship to interest rates. Stocks will experience market fluctuations which can include loss of principal value while bonds offer a fixed-rate of return. Small-cap stocks may be subject to a higher degree of market risk than large-cap stocks, and the illiquidity of the small-cap market may adversely effect the value of these investments so that when redeemed, shares may be worth more or less than their original cost. High-yield securities inherently have a higher degree of market risk and there are credit risks associated with the underlying issuers. In addition, the lack of liquidity associated with high-yield securities may impair their value. International and emerging market securities are also subject to additional risk such as currency fluctuations and political instability. Prior to investing in any security, consult with your financial professional. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-balanced portfolio. Diversification does not ensure against market risk.

This research material has been prepared by LPL Financial.

The LPL Financial family of affiliated companies includes LPL Financial, UVEST Financial Services Group, Inc., IFMG Securities, Inc., Mutual Service Corporation, Waterstone Financial Group, Inc., and Associated Securities Corp., each of which is a member of FINRA/SIPC.

Not FDIC or NCUA/NCUSIF Insured | No Bank or Credit Union Guarantee | May Lose Value | Not Guaranteed by any Government Agency | Not a Bank/Credit Union Deposit