

Asset Classes Move In and Out of Favour

Annual Returns Over the Last 20 Years (with dividends reinvested)

YEAR	Canadian Bonds	Canadian Large Caps	Canadian Small Caps	U.S. Large Caps	U.S. Small Caps	Global Equity	Foreign Equities	Emerging Market Equities
1988	9.80	11.10	-5.50	3.20	14.60	13.80	18.00	28.70
1989	12.80	21.40	-10.70	23.50	12.90	13.80	7.60	60.10
1990	7.50	-14.80	-27.30	-6.40	-19.40	-16.30	-23.10	-10.40
1991	22.10	12.00	18.50	25.80	45.50	18.50	12.10	59.30
1992	9.80	-1.40	13.00	14.90	30.50	4.90	-3.10	22.40
1993	18.10	32.60	52.30	11.50	23.70	28.30	38.30	82.30
1994	-4.30	-0.20	-9.20	4.30	4.10	11.90	14.60	-1.80
1995	20.70	14.50	12.60	30.50	25.00	18.10	8.50	-7.80
1996	12.30	28.40	27.50	20.70	17.10	14.40	6.90	6.60
1997	9.60	15.00	2.60	36.70	27.70	21.30	6.50	-7.70
1998	9.20	-1.60	-21.50	35.70	4.30	33.70	28.80	-19.90
1999	-1.10	31.70	16.40	12.70	14.30	18.20	20.00	57.20
2000	10.30	7.40	-4.30	-6.60	0.80	-9.50	-10.60	-28.20
2001	8.10	-12.60	4.10	-7.70	8.90	-11.50	-16.70	3.80
2002	8.70	-12.40	-2.50	-22.90	-21.30	-20.40	-16.50	-7.00
2003	6.75	26.70	46.30	5.90	21.10	9.40	13.80	27.80
2004	7.15	14.50	14.12	2.81	18.33	6.85	11.91	16.80
2005	5.20	24.10	19.68	7.40	4.55	4.00	4.50	9.80
2006	1.90	17.30	16.60	13.60	18.37	20.60	26.80	32.10
2007	3.10	9.80	2.00	9.80	-14.00	-7.10	-5.30	38.70
Average	8.89	11.18	8.24	10.77	11.85	8.65	7.15	18.14

BOLD number in year row indicates the highest asset class for the year.

Data Sources: (in Canadian dollars)

Canada Bonds - Scotia Capital Markets Universe Total Bond Return Index
 Canadian Large Caps - S&P/TSX Total Return Index
 Canadian Small Caps - Nesbitt Burns Small Cap Index Total Return Index
 Emerging Market Equities - MSCI Emerging Markets Free Total Return Index

US Large Caps - S&P 500 Total Return Index
 US Small Caps - Russell 2500 Total Return Index
 Global Equity - MSCI World Total Return Index
 Foreign Equities - MSCI EAFE Total Return Index

Average Rate of Return of all Asset Classes for 20 year period was 10.61%

Diversify Using Assets with Low Correlations

Historical Correlations

ASSET CLASS	LARGE STOCKS	INTL STOCKS	SMALL STOCKS	REITS	HIGH YIELD BONDS	INV. GRADE BONDS
LARGE STOCKS	1.00	0.73	0.82	0.46	0.55	0.24
INTL STOCKS		1.00	0.59	0.35	0.33	0.17
SMALL STOCKS			1.00	0.62	0.70	0.08
EQUITY REITS				1.00	0.64	0.28
HIGH YIELD BONDS					1.00	0.35
INV GRADE BONDS						1.00

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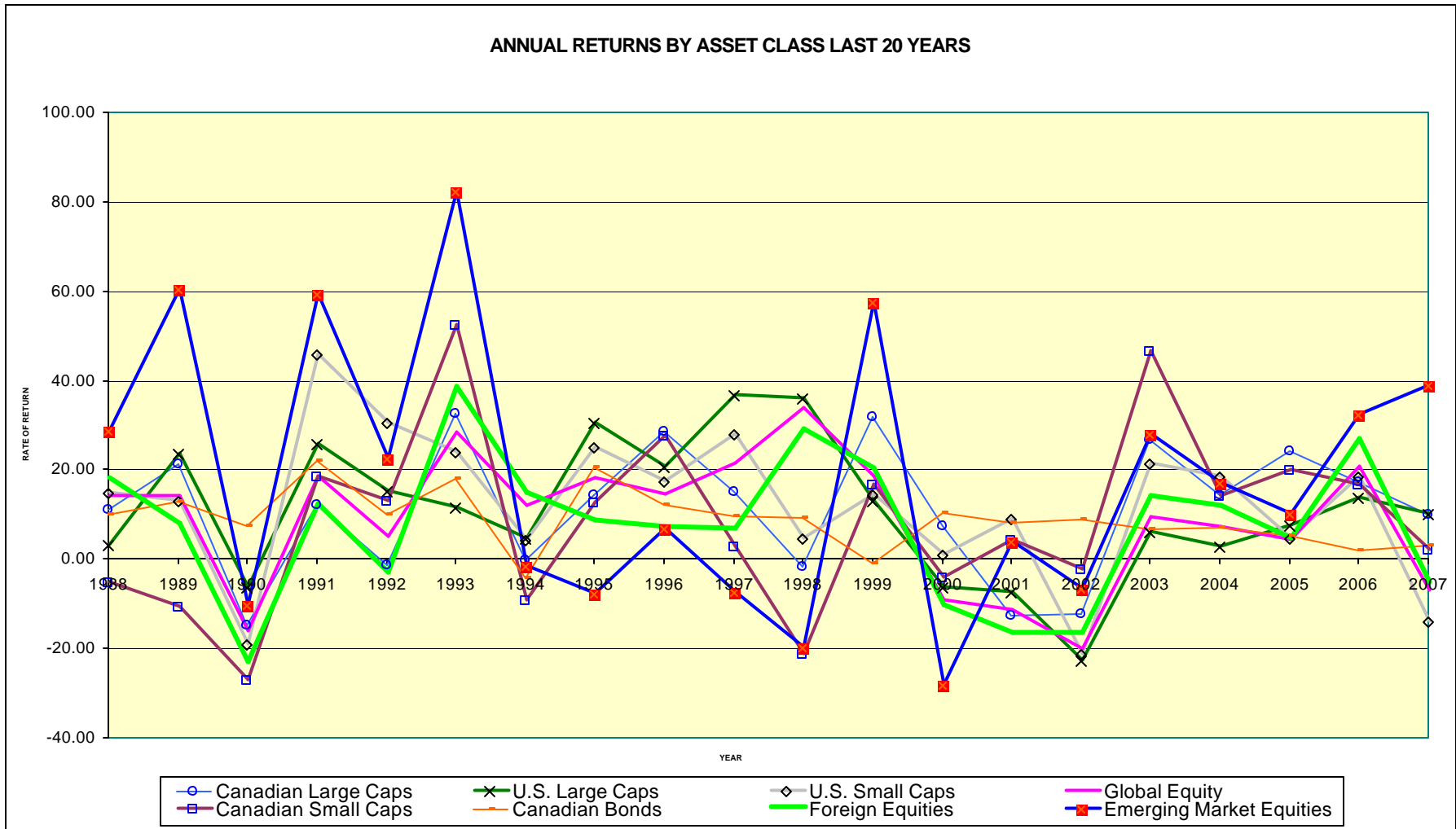
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The Need For Diversification



The purpose of this chart is to illustrate that there is so much diversification of returns from one year to the next that it is necessary to diversify the investment portfolio -

amongst asset classes. The average rate of return of all of the Asset Classes over the 20 year period was 10.61%

See Asset Class table for reference sources.

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