

The Benefit of a Diversified Portfolio

Asset Class Volatility (January, 2000 – December, 2008)

Perhaps nothing better illustrates the importance of implementing and maintaining a diversified portfolio than seeing how allocations to multiple asset classes compare. The chart below ranks the best to worst performing asset classes selected - from top to bottom - for each calendar period shown based on total returns. Through graphical depictions of

past performance fluctuations, this demonstrates the historical trend of alternating leadership in the financial markets, as well as highlights the potential dangers associated with attempts to chase last year's or predict next year's winners. In short, this chart helps support the case for an asset allocation plan that is customized to include a blend of asset classes.

2000	2001	2002	2003	2004	2005	2006	2007	December 2008
Municipal Bonds 11.7%	Taxable Bonds 8.4%	Taxable Bonds 10.3%	Small Cap Stocks 47.3%	International Stocks 20.7%	International Stocks 14.0%	International Stocks 26.9%	Large Cap Growth Stocks 11.8%	Taxable Bonds 5.2%
Taxable Bonds 11.6%	High Yield Bonds 5.8%	Municipal Bonds 9.6%	Mid Cap Stocks 40.1%	Mid Cap Stocks 20.2%	Mid Cap Stocks 12.7%	Large Cap Value Stocks 22.2%	International Stocks 11.6%	Cash and Money Markets 1.8%
Mid Cap Stocks 8.2%	Municipal Bonds 5.1%	High Yield Bonds 3.1%	International Stocks 39.2%	Small Cap Stocks 18.3%	Large Cap Value Stocks 7.1%	Small Cap Stocks 13.4%	Taxable Bonds 7.0%	Municipal Bonds -2.5%
Large Cap Value Stocks 7.0%	Cash and Money Markets 4.1%	Cash and Money Markets 1.7%	Large Cap Value Stocks 30.0%	Large Cap Value Stocks 16.5%	Custom Asset Class Blend 6.5%	Mid Cap Stocks 15.3%	Custom Asset Class Blend 6.5%	Custom Asset Class Blend -23.2%
Cash and Money Markets 6.0%	Small Cap Stocks 2.5%	Custom Asset Class Blend -7.4%	Large Cap Growth Stocks 29.7%	High Yield Bonds 12.0%	Large Cap Growth Stocks 5.3%	Custom Asset Class Blend 13.4%	Mid Cap Stocks 5.6%	High Yield Bonds -26.2%
Custom Asset Class Blend 0.9%	Custom Asset Class Blend -3.6%	Large Cap Value Stocks -15.5%	High Yield Bonds 27.9%	Custom Asset Class Blend 11.4%	Small Cap Stocks 4.6%	High Yield Bonds 11.9%	Cash and Money Markets 4.7%	Small Cap Stocks -33.8%
Small Cap Stocks -3.0%	Large Cap Value Stocks -5.6%	International Stocks -15.7%	Custom Asset Class Blend 22.6%	Large Cap Growth Stocks 6.3%	Municipal Bonds 3.5%	Large Cap Growth Stocks 9.1%	Municipal Bonds 3.4%	Large Cap Value Stocks 36.8%
High Yield Bonds -5.2%	Mid Cap Stocks -5.6%	Mid Cap Stocks -16.2%	Municipal Bonds 5.3%	Municipal Bonds 4.5%	Cash and Money Markets 3.0%	Municipal Bonds 4.9%	High Yield Bonds 2.7%	Large Cap Growth Stocks -38.4%
International Stocks -14.0%	Large Cap Growth Stocks -20.4%	Small Cap Stocks -20.5%	Taxable Bonds 4.1%	Taxable Bonds 4.3%	Taxable Bonds 2.4%	Cash and Money Markets 4.8%	Large Cap Value Stocks -0.2%	Mid Cap Stocks -41.5%
Large Cap Growth Stocks -22.4%	International Stocks -21.2%	Large Cap Growth Stocks -27.9%	Cash and Money Markets 1.1%	Cash and Money Markets 1.2%	High Yield Bonds 2.3%	Taxable Bonds 4.3%	Small Cap Stocks -1.6%	International Stocks -43.1%



RBC Wealth Management®

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- **Cash and Money Markets** – Represents performance of cash and money markets in the United States as measured by the Citigroup 3-Month Treasury Bill Index. Money market funds are not federally guaranteed. It is possible to lose money.
- **High Yield Bonds** – Represents tradable below-investment-grade fixed-rate debt obligations, including cash-pay, deferred-interest, step-up, payment-in-kind and defaulted bonds, with remaining maturities of at least 1 year as measured by the CSFB High Yield Bond Index.
- **International Stocks** – Represents stock market performance in 21 developed countries around the world, excluding Canada and the United States, as measured by the MSCI EAFE (Europe, Australasia and Far East) Index.
- **Large Cap Growth Stocks** – Represents stock market performance of those companies in the Russell 1000 Index with an above-average growth orientation based on price-to-book ratios and long-term earnings growth forecasts as measured by the Russell 1000 Growth Index.
- **Large Cap Value Stocks** – Represents stock market performance of those companies in the Russell 1000 Index with a below-average growth orientation based on price-to-book ratios and long-term earnings growth forecasts as measured by the Russell 1000 Value Index.
- **Mid Cap Stocks** – Represents stock market performance of the 800 smallest companies in the Russell 1000 Index based on total market capitalization as measured by the Russell Midcap Index.
- **Municipal Bonds** – Represents tax-exempt investment-grade fixed-rate debt obligations of U.S. municipalities, including general obligation, revenue, insured and prerefunded bonds, as measured by the Lehman Municipal Bond Index.
- **Small Cap Stocks** – Represents stock market performance of the 2,000 smallest companies in the Russell 3000 Index based on total market capitalization as measured by the Russell 2000 Index.
- **Taxable Bonds** – Represents taxable investment-grade fixed-rate debt obligations (Treasuries, Agencies, Corporates, Mortgage-Backed Securities, Asset-Backed Securities and Commercial Mortgage-Backed Securities) as measured by the Lehman Aggregate Bond Index.
- **Custom Asset Class Blend** – 12% Large Cap Growth Stocks • 17% Large Cap Value Stocks • 8% Mid Cap Stocks • 6% Small Cap Stocks • 3% Cash and Money Markets • 17% International Stocks • 37% Taxable Bonds • Allocations are rebalanced to their respective target weightings at the beginning of each quarter.

Sources: Bloomberg, Morningstar and Zephyr Associates. The historical data contained herein has been compiled from sources deemed to be reliable, but its accurateness and completeness are not guaranteed. It has been prepared for general information purposes only and is made available on an "as is" basis without warranty. All servicemarks, trademarks and registered trademarks are the property of their respective owners. Indices are unmanaged and their returns do not reflect deductions for expenses, fees, commissions, taxes or other costs that would be associated with actual investments in the individual securities that they track. It is not possible to invest directly in unmanaged indices. Total returns are based on U.S. dollars and, unless otherwise noted, assume reinvestment of all dividend, interest and capital gain distributions, if any. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

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Page 2 of 2

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