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# Plan *Sponsor News*

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## Diversification Stands the Test of Time

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Some of the most successful investors for the past year were invested in U.S. Treasuries, commodities and Treasury Inflation Protected Securities (TIPs). It was the perfect environment for intermediate-term Treasuries with declining rates and a flight to quality, which led to returns of 12%. The Dow Jones AIG Commodity Index returned 21.8%, benefiting from continued strong global demand and other market forces. TIPs, as measured by the Citigroup Inflation-Linked Securities Index, enjoyed a return of 14.6%, driven by falling real yields and strong inflation accruals. By contrast, the S&P 500 Index returned -5.1%, while the MSCI EAFE Index returned -2.3%. But how many investors predicted the events of the past year and were invested in only the winning asset classes? Probably very few, if any. Even though many experts predicted a slowing economy and a continued weak housing market, no one could have accurately predicted the swiftness and depth of deterioration in the credit markets and subsequent fallout. It is in these extreme market conditions that underscore the benefits of diversification.

Consider the following hypothetical portfolio results ending March 31, 2008. While there have been periods when the S&P 500 Index was the leading market benchmark, over the long-term, a well diversified portfolio would have rewarded investors with a higher return and substantially lower risk. For the most recent one year period, the rewards are even more dramatic.

	Annualized Returns			Risk
	1 Year	5 Years	10 Years	5 Year Std. Dev.
S&P 500 Index	-5.1%	11.3%	3.5%	9.2%
Target Allocation Benchmark*	-0.9%	10.4%	4.9%	6.4%
*60% S&P 500/ 30% Lehman Agg/ 10% MSCI EAFE	5.2%	12.2%	6.9%	5.8%
More Diversified Benchmark**				
**35% S&P 500/ 10% Lehman Agg/ 10% TIPs/ 10% Foreign Bond/ 10% MSCI EAFE/ 10% DJAIG Commodity/ 10% HFN Fund of Funds/ 5% MSCI EM				

All returns are for the past year ending March 31, 2008 unless indicated otherwise.

These are uncertain times for sure. The fixed income markets experienced a credit dislocation never before seen precipitated by a housing market collapse and record foreclosures, and with oil prices at \$130 a barrel and headlines of corporate bankruptcies and significant write-downs for financial firms, a well diversified portfolio can be an investor's best defense.

An important cornerstone of DiMeo Schneider & Associates is ensuring our clients are informed about diversification opportunities and their appropriateness to their specific plans. While these asset classes present opportunities in tough market environments, they also carry specific risks not discussed above. Contact your consultant at DiMeo Schneider & Associates with any questions.