

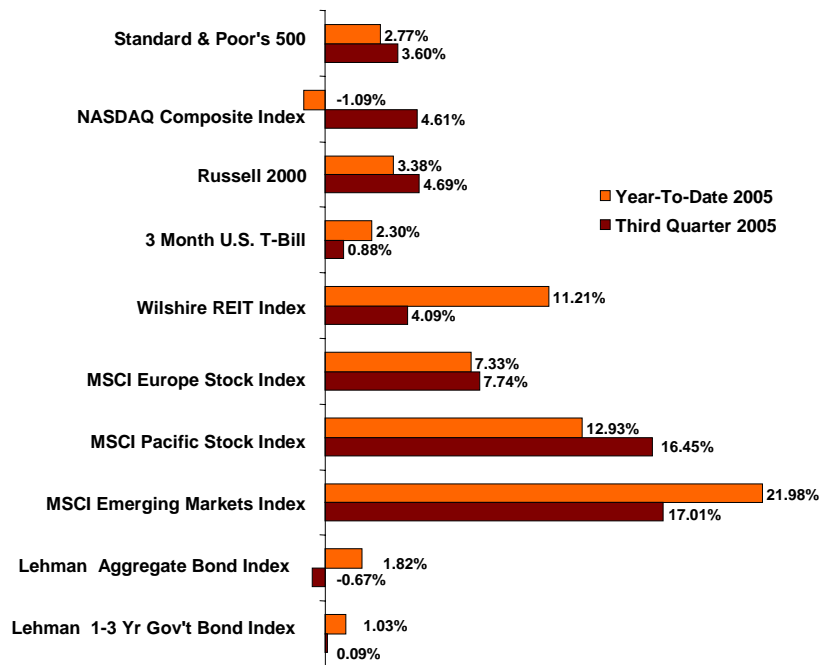
## WORLD MARKET SURVEY

### The Quarter in Review

Investors may wonder why company share prices fluctuate as much as they do. Recent market activity has been quite volatile, and provides a case study of the factors that may influence stock prices. Starting in July, oil prices moved past \$60/barrel, and stocks slumped. Later, the Labor Department reported steady job creation and low wage inflation, and stocks surged. Towards the end of the month, both the NASDAQ and S&P 500 reached four year highs, reflecting the continued strength of the U.S. economy. Then China revalued the Yuan. Market reaction was mixed as US investors pondered whether potentially higher inflation due to higher import costs was more or less important than China's movement towards a more market-oriented system.

*(Continued on page 6)*

### Returns from Market Indices: Year-to-Date 2005 & Third Quarter



## MANAGING RISK AND RETURN: THE MECHANICS OF PORTFOLIO REBALANCING

When we raise the issue of portfolio rebalancing, clients' eyes tend to glaze over. Isn't rebalancing simply restoring the portfolio's actual asset allocation to the established target percentages, in the process controlling risk by means of selling high and buying low? What more could anyone need to know about it? Yet a host of factors make the rebalancing process more complex than it might seem, with implications more significant than one might expect. This article will explain the mechanics of rebalancing and will discuss the various decisions, and benefits, that are involved in the process.

### WHY REBALANCE?

The primary arguments for rebalancing are to:

- 1) Preserve portfolio diversification.
- 2) Maintain consistent portfolio risk through time.
- 3) Reduce the likelihood of large losses to overly concentrated positions.
- 4) Enhance portfolio return.

Though simple and compelling, these objectives are not uncontroversial. In fact, rebalancing has been discussed for years in the academic literature. To obtain a broader perspective, we refer the reader to

"Risk, Return and Rebalancing", a white paper by our own Patrick Collins and Josh Stampfli (the entire paper is available at [www.schultzcollins.com](http://www.schultzcollins.com)). The paper provides a detailed survey of the literature on the topic. Perhaps more interestingly, it summarizes the results of a series of computer models that test the efficacy of various rebalancing regimens. Using a technique called Monte Carlo simulation, the models compile thousands of hypothetical possible outcomes of the application of various rebalancing regimens, under disparate scenarios. This simulation-based approach supports a probabilistic

## MECHANICS OF PORTFOLIO REBALANCING

*Why is rebalancing controversial?*

tic analysis of the relative merits of different rebalancing regimens under randomized economic conditions, rather than simply identifying which approach would have been most effective in a given specific historical economic environment. The simulations test the effects of various rebalancing systems on wealth accumulation, downside risk, and the probability that a portfolio will support established income and wealth transfer objectives (we provide a sample of model results on page 5).

### Rebalancing Incurs Costs

Why is rebalancing controversial? One reason is that it subjects the portfolio to several layers of costs. The most obvious are transaction costs and capital gains taxes. Less obvious is the loss of potential portfolio performance entailed by the partial liquidation of assets exhibiting a strong and extended upward trend. Since rebalancing requires the sale of a portfolio's best-performing assets, at the margin it generally tends to reduce returns (at least in the short run), by reducing exposure to positive trends before they top out. But this is a two-edged sword because the positive effects of drift in a rising market are accompanied by increases in portfolio risk. Recall the performance of the S&P 500 Index in the late 1990s, when for five consecutive years its returns were significantly higher than the long-term average. However prudent it was to trim positions in S&P 500 funds during that extended bull market, the trimming reduced portfolio returns over the short run. Though rebalancing was a painful procedure at the time, in retrospect – i.e., after the bull market ended in 2000 with the inevitable, and in this case particularly vicious, correction – investors who had regularly rebalanced were glad to have done so.

Does rebalancing provide sufficient benefits to offset the costs incurred? Over time, the answer is generally yes. Correcting drift in the asset allocation of a portfolio involves liquidating a portion of the best performing portfolio assets and purchasing a like amount of the portfolio's poorest performing investments. In other words, it involves systematically selling high and buying low, a classic formula for generating wealth.

*Does rebalancing provide sufficient benefits to offset the costs incurred?*

### Different Rebalance Approaches

There are several approaches to portfolio rebalancing. Some use calendar-based rules (e.g., rebalancing to target every twelve months). Others use limits on drift from the target allocation as thresholds for rebalancing. The regimen may call for only a partial rebalancing, allowing drift to occur within ranges. Still other approaches base adjustments on aggregate risk measures, or use derivatives to rebalance continuously. However, these more complex techniques are economical only for truly massive institutional portfolios. This article discusses the mechanics of rebalancing techniques that are economical and practical for portfolios ranging from \$1 million to \$10 million.

Based on our research and experience, at Schultz Collins we generally follow a calendar-based rule set for rebalancing private client accounts during the wealth accumulation phase. Absent cash flows in or out of the portfolio, we recommend rebalancing to the target asset allocation annually, provided that the drift in a given asset class – and thus, the concomitant reduction in overall portfolio risk rebalancing will yield – is significant enough to make the attendant trading costs and capital gains taxes economical. Our simulations demonstrate that, relative to other rebalancing regimens, an annual rebalancing frequency is highly effective in managing downside risk (i.e., minimizing the risk of portfolio degradation during acute market downturns). The strategy only modestly reduces the upside potential from trending asset performance that otherwise might result from portfolio drift.

### PLAYING CHESS ON SEVERAL BOARDS AT ONCE

A number of issues come to bear on the rebalancing process. The following paragraphs discuss these factors, in the order we typically use in determining how portfolio asset mix should be adjusted.

### Controlling the Ratio of Equities to Fixed Income

Portfolio risk control begins with maintaining the appropriate ratio of stocks to bonds and cash. Suppose a portfolio has a specified equity to fixed income ratio of 70/30. Follow-

## MECHANICS OF PORTFOLIO REBALANCING

ing a period when stocks have performed well relative to bonds and cash, the portfolio may have drifted to a 73/27 ratio. Economists refer to the difference in portfolio returns attributable to drift as tracking error. While a drift of only three percentage points may seem trivial, the mathematics of tracking error demonstrate that it can be significant. When a portfolio has drifted from its target allocation by 2%, the tracking error will be four times greater than if the drift were just 1%. A drift differential of 3% causes tracking error to be nine times higher than a 1% drift. Thus, tracking error increases geometrically with drift. Why do we care about tracking error? Drift from the selected asset allocation subjects the portfolio to unintended risk, and thus compromises progress toward client goals and objectives. Therefore, significant tracking error should generally be avoided.

### Internal Portfolio Asset Allocation

The next level of analysis addresses asset allocation within the portfolio's equity and fixed income components. The equity allocation as a whole may be close to target, yet categories of equity may be disproportionate with respect to each other (academics sometimes refer to a disproportionate allocation as "bloated fractional representation"). In recent years, for example, returns from small stocks, both domestic and international, have far outpaced returns from large company stocks, causing pronounced drift in the equity component in favor of the small stock asset class. Since small stocks tend to be more volatile than large cap stocks, such disproportionate allocations increase expected portfolio risk. In such a case, the rebalancing process would call for a partial liquidation of the small stock position, with the proceeds allocated partly to fixed income, so as to restore the macro allocation to equities in general, and partly to large company stocks, so as to correct the internal allocation of the equity component.

### Minimizing the Impact of Taxes

Once we have settled on the ideal rebalancing trades, we evaluate them in light of their anticipated transaction costs and taxes. For example, a typical client portfolio might consist of a taxable living trust account, a self-directed corporate retirement plan ac-

count and two IRAs. In three of these four accounts, trades are not taxable events. We would therefore try to execute rebalancing transactions in those tax-exempt accounts. In some cases, however, asset positions in a client's taxable account increase to the point where a partial liquidation is called for. In such an instance, we compile an unrealized capital gain/loss report, constructed from the transaction data maintained on our portfolio tracking system, showing the tax basis and the accrued unrealized capital gain of each taxable asset in the portfolio. We use these data to calculate the tax liability involved in a partial liquidation of each of the investment vehicles under review. All else held equal, tax minimization would then guide our selection of the fund positions to be trimmed. Interestingly, full rebalancing on an annual basis generates a slightly lower overall tax drag, even on fully taxable portfolios, than other rebalancing regimens (see page 25 of the Collins/Stampfli white paper).

### Harvesting Tax Losses

Given the random nature of financial markets, it is possible at any time that some portfolio assets will have declined in value from their initial purchase price, especially when purchases were recent. In a taxable account, this represents an opportunity to "capture a loss," by selling the asset and replacing it with a similar, but not identical, investment. This preserves the asset allocation of the portfolio, while allowing the client to apply the loss against current capital gains (and even some earned income), and to carry forward any unused losses to future tax years. The unrealized capital gain/loss report allows us to determine whether tax loss harvesting opportunities exist in a portfolio, and whether they are large enough to justify the transaction costs involved. Where significant portfolio bloat exists, and rebalancing seems called for, a capital gains tax analysis is a component of the annual portfolio evaluation. The analysis may also be conducted during year-end tax planning, or it may be triggered by market conditions.

### Managing Transaction Costs

Transaction costs are typically imposed by brokerage firms, such as Charles Schwab, Fidelity, and T. D. Waterhouse, to compensate

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## MECHANICS OF PORTFOLIO REBALANCING

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for providing account maintenance services to our clients. Since the low cost index, asset class, and exchange traded funds we recommend to clients generally provide no revenue sharing compensation to the brokerage firms, transaction fees are usually their sole source of compensation on our client accounts. Several brokerage firms have told us that our client accounts tend to generate less transaction revenue, per dollar invested, than accounts supervised by other advisors – a win for our clients. We seek to minimize transaction costs incurred in the rebalancing process wherever possible. One way to control costs is to set the minimum trade so that the transaction fee does not exceed a pre-determined percentage of the transaction. This calculation will normally eliminate smaller transactions from the rebalance schedule, so that only the more economical transactions remain. We then adjust the larger transactions to achieve our primary rebalancing objectives.

### Rebalancing to Improve Asset Mix

Each year, we analyze and evaluate the investments we generally recommend to clients. While we rarely remove index and structured asset class funds from our recommended list, we are nonetheless diligent in monitoring the recommended funds, using carefully considered quantitative metrics and qualitative criteria. We are also on the alert for new investment vehicles that may contribute to portfolio diversification. An annual adjustment of the portfolio asset mix allows for the addition of useful new investment vehicles and the elimination of those that are no longer performing as intended. The process considers the overall asset allocation objectives of the portfolio and the transaction and tax costs of portfolio modifications.

### OTHER FACTORS COMPLICATING THE REBALANCING PROCESS

Thus far, we have discussed rebalancing in the relatively simplistic context of a portfolio in the accumulation phase with a fixed allocation and no cash flows in or out of the portfolio. But real portfolios operate in a dynamic environment: client circumstances can change suddenly, and almost always evolve over time; demands for portfolio income can fluctuate; and client risk tolerance can change with increasing investment experience. How can the portfolio rebalancing process help clients manage change in an uncertain environment?

### Managing Cash Flow

During the accumulation phase, investors often make both regular and unscheduled deposits to their portfolio accounts. These portfolio contributions provide a convenient and cost effective method of rebalancing the portfolio when used to acquire additional shares of under-weighted assets. Since the deployment of new dollars will incur transaction costs anyway, these expenses can serve double duty by paying for the rebalancing as well. While portfolio additions help minimize portfolio rebalancing costs, they also require an updated analysis of the portfolio asset allocation. The size and frequency of portfolio contributions determines the number of analyses we perform for the client each year.

The portfolio decumulation phase also drives rebalancing, as over-weighted assets are liquidated to fund distributions. In such cases we devise rebalancing trades with due consideration to evolving client circumstances, future demands for income and wealth accumulation targets, etc. Portfolio distributions also necessitate a tax analysis to determine the most appropriate assets for liquidation and the more favorable tax year in which to realize capital gains. We work with clients to evaluate possible large portfolio distributions during the final quarter of the year, to preserve tax planning flexibility.

### SUMMARY

Portfolio rebalancing is central to what we call “active portfolio management.” “Active” refers, not to stock picking or market timing activities, but to the process of continually aligning a portfolio with the client’s evolving circumstances, taking into account changing economic and market conditions, new investment opportunities, and the critical objective of minimizing taxes and expenses. The rebalancing process, as we practice it, does not depend on macroeconomic or market forecasting. It relies on rules that are intended to maintain consistent risk levels while systematically incorporating a sell high / buy low function. The approach results in portfolios better able to withstand shocks to the financial system, while providing to the investor attractive risk-adjusted returns.

## REBALANCING TO CONTROL RISK

To provide insight into how portfolio rebalancing helps to control downside risk, Collins et. al. (Collins, P. & Stampfli, J., "Risk, Return and Rebalancing", www.schultzcollins.com, May 2005) developed a series of simulations that tested various portfolio rebalancing strategies. One series assumed a portfolio in the accumulation phase with a 30-year investment horizon. The model further assumed the investor was subject to taxes and paid realistic portfolio management fees and transaction costs. The test portfolio was weighted 70% to stocks and 30% to bonds. Investment positions were proxied by established market indices. The portfolio evolved over 30 years according to 5,000 simulated economic conditions. The primary driver of the simulations was the monthly change in US inflation.

Nine different rebalancing systems were subjected to the simulations (see Table 1), including a calendar-based approach and several formulae where portfolio positions were rebalanced, either partly or fully, upon exceeding a threshold. The rebalancing systems were then compared to a portfolio that had been allowed to drift without constraint. To illustrate

downside risk, two potential outcomes were measured:

- 1) Probability of a decline in portfolio value greater than 15% in any 12 month period; and,
- 2) Probability of a 20% decline, from peak to trough, that would occur in a severe market downturn.

How well did portfolio rebalancing control downside risk? The chart below demonstrates how rebalancing limits the probability of a negative outcome. Observe that a portfolio that is not subject to periodic rebalancing (first yellow bar) has a 51% probability of incurring a 15% decline in value in any given year, while a portfolio that is fully rebalanced annually (second yellow bar) has less than a 27% chance of incurring a 15% loss. While some investors may be more willing to incur risk as their portfolio increases in value, the majority will prefer to limit the downside to the extent possible. Observe that the various threshold formulae incur greater downside risk than the portfolios rebalanced on a calendar basis. The increase in risk is accompanied by better upside potential (not shown) over the long term.

*How well did portfolio rebalancing control downside risk? A portfolio that is not subject to periodic rebalancing has a 51% probability of incurring a 15% decline in value in any given year, while a portfolio that is fully rebalanced annually has less than a 27% chance of incurring a 15% loss.*

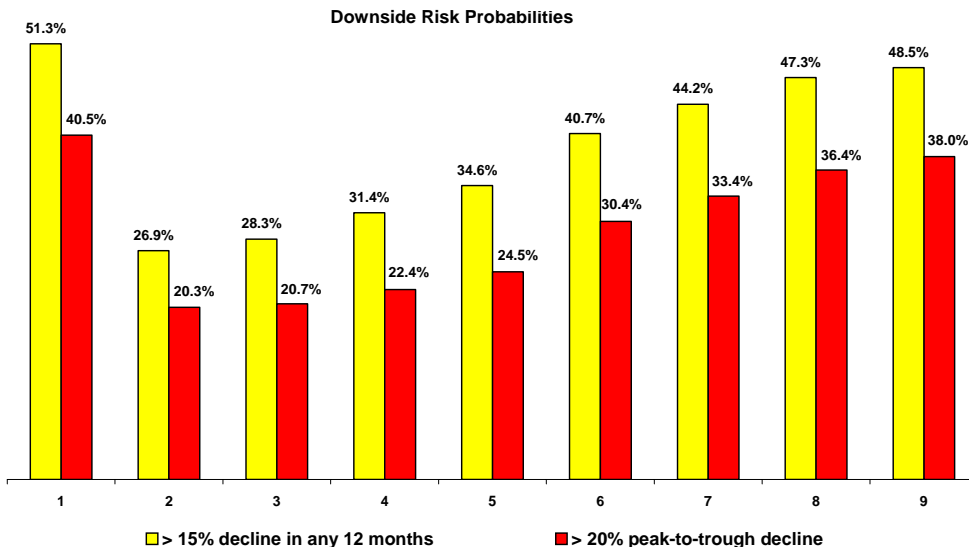


Table 1. Legend for Rebalancing Strategies

1. Drifting Mix (no rebalancing)
2. Rebalancing yearly to target asset allocation
3. Rebalancing yearly halfway to target allocation
4. Rebalancing to target allocation when an asset position is off by 5%
5. Rebalancing halfway to target allocation when an asset positions is off by 5%
6. Rebalancing to target allocation when an asset positions is off by 10%
7. Rebalancing halfway to target allocation when an asset position is off by 10%
8. Rebalancing to target allocation when an asset positions is off by 15%
9. Rebalancing halfway to target allocation when an asset positions is off by 15%

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*(Continued from page 1)*

In August, the Federal Reserve continued its steady tightening policy, by increasing short-term interest rates ¼ point to 3.50%. Retail behemoth Wal-Mart reported that higher energy prices were limiting consumer spending, stocks dropped. At the end of the month, Hurricane Katrina devastated New Orleans and the Gulf Coast, leading to fears that the storm's destructive effects and the massive reconstruction costs could derail the national economy. Following a brief downward blip, the stock market rallied slightly.

September brought fears of another hurricane—Rita—and the specter of even higher energy costs if the storm further damaged the Gulf Coast's oil and gas refining capabilities. But Rita's punch was relatively mild, and the stock market rallied. Following the storms, many investors hoped that the Federal Reserve would defer the next rate increase, or at least indicate a willingness to pause in the future. Instead, the Fed raised rates another ¼ point, to 3.75%. Fed Chairman Alan Greenspan reported that in 2004, homeowners had borrowed \$600 billion against their home equity, representing additional consumer spending equal to 7% of disposable income. Chairman Greenspan warned that higher interest rates could limit future borrowing, thereby constraining consumer spending. The market swooned.

### US Equities

Despite all this excitement, US equities performed reasonably well for the third quarter overall. The benchmark S&P 500 Index rose 3.6%, the widely followed Dow Jones Industrial Average gained 2.9%, the small cap Russell 2000 Index jumped 4.7% and the tech-stock heavy NASDAQ composite increased 4.6%. Once again, energy stocks represented the best performing market sector, gaining 17.8% in the third quarter, and 40.0% year-to-date. Consumer discretionary stocks lost 1.1% in the third quarter and are off 8.1% year-to-date, representing the weakest sector overall. Analysts predict that higher energy costs will force consumers to reduce discretionary spending in other areas.

### Foreign Equities

Most equity markets around the rest of the world rallied strongly in the third quarter. The Dow Jones World Stock Index (excluding

the US) gained 11.1% in the third quarter, and the MSCI EAFE Index rose 10.4%. Asian stocks performed particularly well, with Japan's Nikkei Index up 17.2% and South Korea's Kospi Index up 21.1%. European stocks also performed well. The Dow Jones Stoxx 600 Index gained 7.8%, representing the fourth consecutive positive quarter for the broad European Index. Germany's DAX rose almost 10.0%, France's CAC-40 gained 8.8% and London's FTSE increased 7.1%. Analysts attributed the relatively strong performance of international stocks to a belief that many foreign economies are less sensitive than the US to rising energy prices. Net energy exporters, such as Australia, performed well, with Australia's S&P/ASX 200 Index setting a new record high and gaining 8.5% for the quarter. US investors in foreign equities further benefited from relatively flat currency markets; while the US dollar did not generally strengthen against most foreign currencies, neither did investors suffer the currency losses that curtailed foreign returns during the first six months of the year.

Emerging markets equities also posted a strong quarter. In Latin America, Brazil's Bovespa Index gained 24.6% in US dollar terms, while the Bolsa de Mexico rose 17.5%. India's Sensex jumped 20.0%. Conversely, the Indonesian stock market lost 3.3% in local terms, and 8.2% against the US dollar. The broad MSCI Emerging Markets Index gained 17.0% for the quarter (excluding dividends).

### Fixed Income

The big story in US fixed income markets continues to be the flattening yield curve. As of September 30, 10-year US Treasury bonds yielded just 4.3%, down from 4.5% at the end of the first quarter, and not materially higher than the 3.75% target short-term rate set by the Federal Reserve. Investment theory indicates that longer-term investments should offer a higher yield than short-term instruments with similar default risk, due simply to the longer required holding period for return of principal, and the concomitant increase in risk. However, fixed income markets have recently been severely discounting this theoretical risk. Immediately prior to Hurricane Katrina, the yield difference between two year and ten year Treasuries was just 0.1%. Following the hurricane, and the perceived possibility of increasing

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*The big story in US fixed income markets continues to be the flattening yield curve.*

*(Continued on page 8)*

**SURVEY OF INDICES & FUND AVERAGES**  
PERIOD AND ANNUALIZED COMPOUND RETURNS IN PERCENT

	Third Quarter 2005	Year to Date 9/30/05	3 Years Ending 9/30/05	5 Years Ending 9/30/05	10 Years Ending 9/30/05
<b>Inflation Index &amp; Risk Free Rate</b>					
Consumer Price Index	0.98	3.21	2.76	2.49	2.52
U.S. 3-Month Treasury Bills	0.88	2.30	1.71	2.35	3.81
<b>U.S. Stock Market (Large Companies)</b>					
Standard & Poor's (S & P) 500 Index	3.60	2.77	16.71	<b>-1.49</b>	9.48
S & P/Barra Large Cap Growth Index	3.78	1.98	13.36	<b>-5.46</b>	8.70
S & P/Barra Large Cap Value Index	3.44	3.54	20.17	2.31	9.83
Average Large Cap Blend Fund ‡	4.06	3.49	15.72	<b>-1.17</b>	8.23
<b>U.S. Stock Market (Small Companies)</b>					
Russell 2000 Index	4.69	3.38	24.12	6.45	9.37
Dimensional US Micro Cap Fund	6.78	3.84	28.10	12.11	13.34
Russell 2000 Growth Index	6.32	2.51	23.23	<b>-2.54</b>	4.67
Russell 2000 Value Index	3.09	4.02	24.89	15.18	13.33
Average Small Cap Blend Fund ‡	5.25	5.52	23.25	10.07	11.77
<b>Real Estate</b>					
Wilshire REIT Index	4.09	11.21	26.51	19.66	15.54
<b>Fixed Income (Bond) Markets</b>					
Lehman Government Bond Index	<b>-0.94</b>	1.97	2.85	6.28	6.34
Average Intermediate Gov't Bond Fund ‡	<b>-0.53</b>	1.45	2.47	5.34	5.41
Lehman Municipal Bond Index	<b>-0.12</b>	2.77	4.18	6.34	6.06
Avg. California Intermed/Short Muni Bond ‡	<b>-0.10</b>	1.38	2.14	4.32	4.54
CSFB High Yield Bond Index	0.91	1.68	15.55	8.56	7.37
Average High Yield Bond Fund ‡	1.30	1.62	13.93	5.81	5.64
Citigroup World Gov't Bond Index	<b>-1.12</b>	<b>-5.05</b>	8.03	8.24	5.50
Average World Bond Fund ‡	<b>-0.20</b>	<b>-2.20</b>	8.20	7.71	6.37
<b>International Stocks</b>					
MSCI EAFE Foreign Stock Index	10.38	9.08	24.61	3.13	5.83
Average Foreign Large Blend Stock Fund ‡	11.08	9.69	22.03	1.15	6.25
MSCI Europe Stock Index	7.74	7.33	25.84	3.65	9.53
MSCI Pacific Stock Index	16.45	12.93	21.66	1.91	0.74
MSCI Emerg Mkt Index (excl. dividends)	17.01	21.98	35.45	11.37	3.56
Average Emerging Markets Fund ‡	17.33	23.34	36.80	14.08	6.70

‡ Source: Morningstar Principia 9/30/05

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inflation, the yield differential rose to 0.32%, still well below the average historical difference of about 0.75%. Based on the pricing difference between Treasury Inflation-Protected Securities (TIPS) and standard Treasury bonds, investors expect future inflation to run at approximately 2.6% per year. If inflation is greater than 2.6% per year, TIPS investors should do better than investors purchasing standard Treasury bonds.

In this environment, investors have driven up the prices of many riskier fixed income issues, seeking higher yields from more esoteric instruments. As prices rise, yields fall. The average emerging market bond now yields just 2.5% more than a comparable Treasury bond. However, certain US high yield corporate bonds have dropped as energy prices rise. The hardest hit bonds were from issuers that are particularly dependent on oil and other raw materials, such as auto parts makers, paper makers and airlines. The spread between high yield corporate bonds and Treasury bonds rose to 3.8% at the end of the quarter, up from 3.3% in early August.

On a total return basis, most US fixed income categories posted small losses during the third quarter, as paltry yields were insufficient to overcome capital losses stemming from rising rates. The Lehman Government Bond Index dropped 0.94%, while the Lehman Credit Index dropped 1.00%. Higher yielding junk bonds fared better, with the CSFB High Yield Index gaining 0.91% for the quarter. Year-to-date, total return from most fixed income categories is just one to two percent. Interestingly, the Lehman Municipal Bond Index represents one of the better performing areas, with year-to-date total return of 2.77%. Traditionally, municipal bonds pay lower coupons than other bonds, reflecting the tax-preferenced nature of these issues.

### Real Estate

Defying predictions of an impending correction, the Wilshire REIT index gained 4.09% for the third quarter, and is up 11.21% year-to-date. This index is up almost 20% per year across the past five years, and more than 25% per year over the past three years.

### Individual Country Returns Third Quarter 2005

	U.S. Dollar	Local Currency
<b>North America</b>		
United States	3.54%	3.54%
Canada	17.60	11.44
<b>Latin America</b>		
Brazil	34.66	26.69
Chile	17.19	6.99
Mexico	17.68	17.71
Venezuela	<b>-2.07</b>	<b>-3.23</b>
<b>Africa</b>		
South Africa	25.23	19.30
<b>Europe</b>		
Austria	11.31	11.77
Belgium	7.61	8.05
Denmark	8.95	9.56
Finland	6.15	6.59
France	9.02	9.47
Germany	9.70	10.16
Ireland	2.47	2.89
Great Britain	5.65	7.04
Italy	7.04	7.48
Netherlands	2.75	3.18
Norway	15.24	15.00
Portugal	5.54	5.97
Spain	9.87	10.33
Sweden	10.99	9.86
Switzerland	10.06	10.77
<b>Asia</b>		
Australia	9.55	9.35
Hong Kong	8.14	7.92
Indonesia	<b>-8.24</b>	<b>-3.26</b>
Japan	17.62	20.31
New Zealand	1.66	2.02
Philippines	1.11	1.32
Singapore	4.02	4.16
South Korea	21.66	22.61
Taiwan	<b>-6.05</b>	<b>-1.39</b>
Thailand	8.96	8.29

Source: Dow Jones Global Indexes

### INVESTMENT QUARTERLY

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### SCHULTZ COLLINS LAWSON CHAMBERS

### INVESTMENT COUNSEL

455 MARKET STREET, SUITE 1450  
SAN FRANCISCO, CA 94105

877.291.2205 Fax 415.291.3015

1912 SUNDERLAND PLACE NW  
WASHINGTON, D.C. 20036

202.429.0200 Fax 202.331.3803

22 WEST PENNSYLVANIA AVENUE  
SUITE 606 TOWSON, MD 21204

410.583.5800 Fax 410.339.7833

[www.schultzcollins.com](http://www.schultzcollins.com)

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