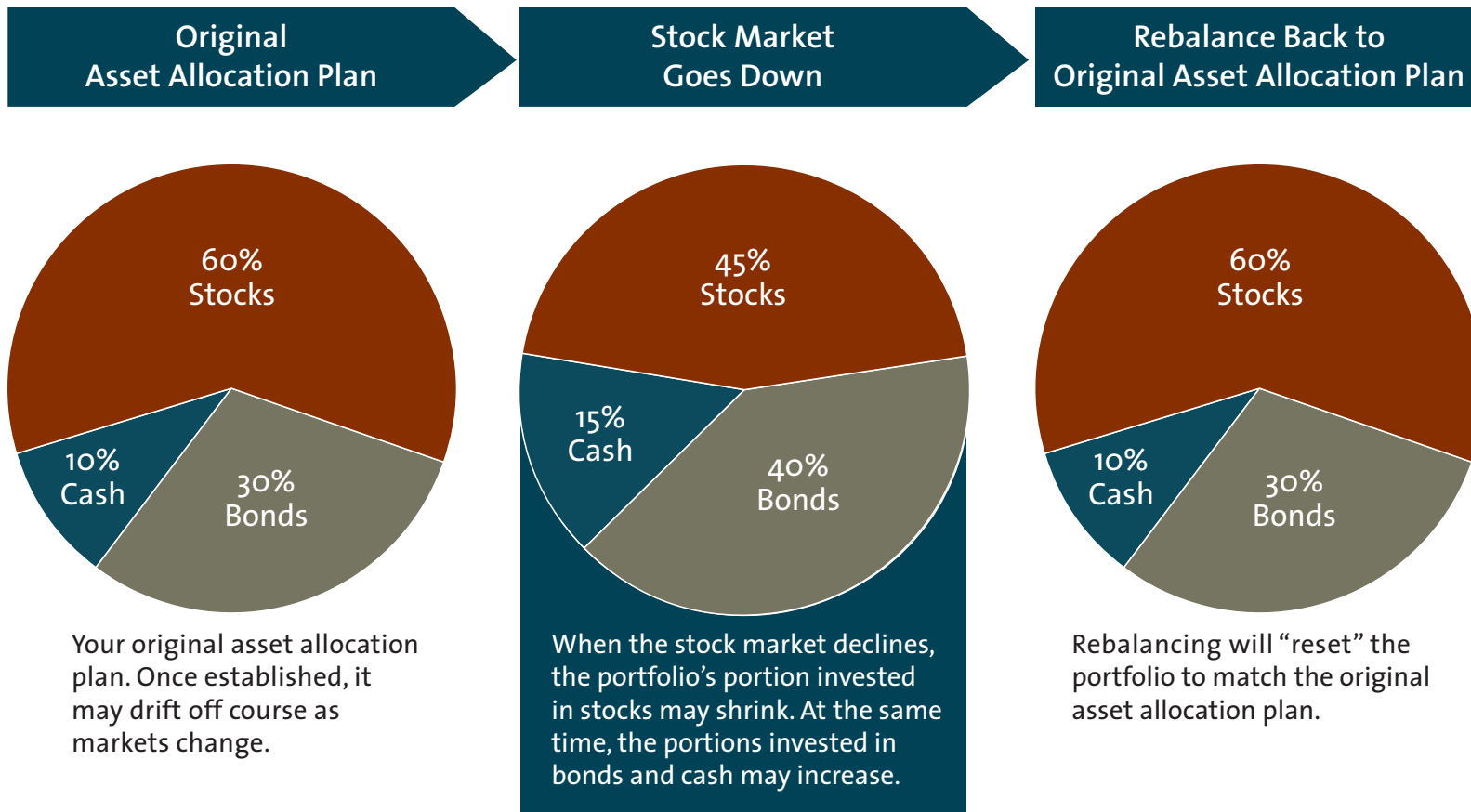


Market Volatility Can Throw Off Your Asset Allocation Plan

It's a good idea to revisit asset allocations periodically and rebalance if markets have significantly altered asset proportions.



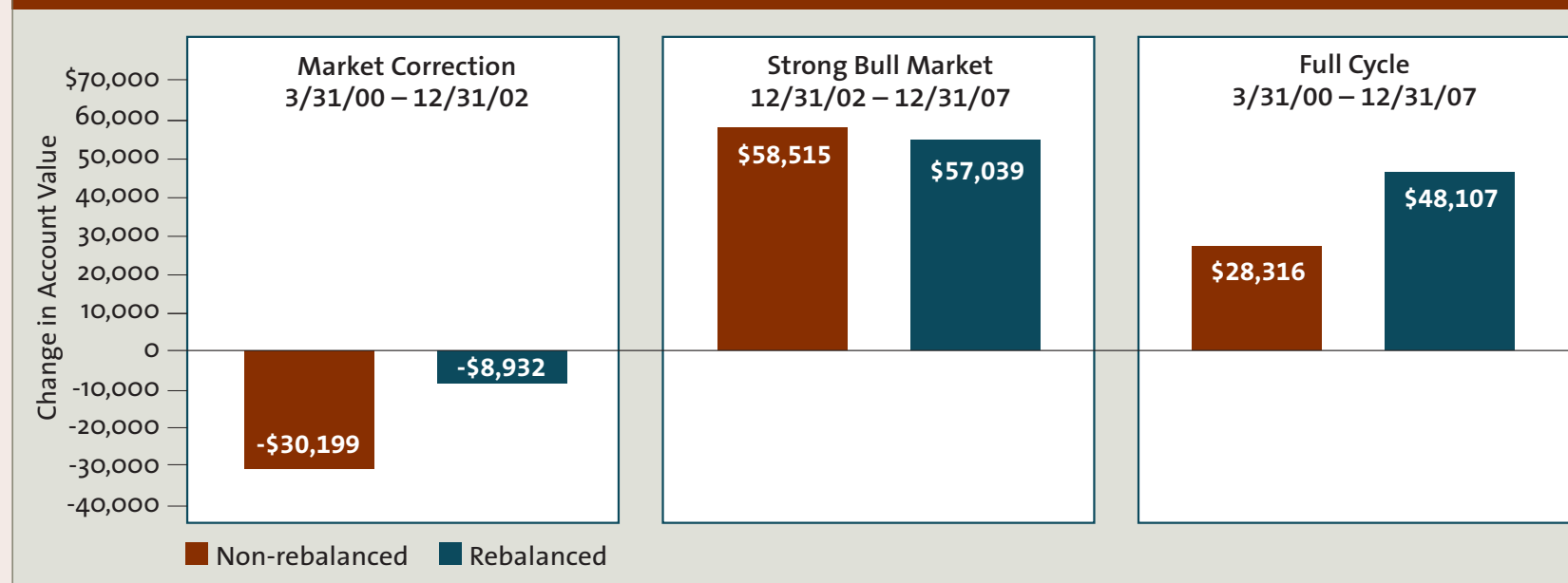
This illustration is hypothetical and does not represent the returns of any security. Past performance cannot guarantee future results.

Rebalancing Can Help Ease Losses

One way to mitigate portfolio losses during a bear market is to rebalance more frequently. Keep in mind that frequent rebalancing in a taxable account can result in capital gains.

The Benefits of Rebalancing Through a Full Market Cycle

Beginning account value \$100,000 (bars represent change in account value)



The initial investment of \$100,000 was made on March 31, 2000. The initial investment mix was 60% stocks, 30% bonds, and 10% cash. Note that while the rebalanced portfolio underperformed slightly during the bull market, it ended the full 2000–2007 period well ahead of the non-rebalanced portfolio.

Rebalancing back to the original allocation took place at the end of every year in which one of the asset classes deviated at least five percentage points from the initial target allocation. Stocks are represented by the S&P 500 Index, which tracks the performance of 500 large-company U.S. stocks. Bonds are represented by the Lehman Brothers U.S. Aggregate Index, which tracks investment-grade corporate and government bonds and 30-day Treasury bills. Unlike stocks, government bonds and Treasury bills are guaranteed as to the timely payment of interest and principal.

This illustration is hypothetical and does not represent the returns of any security. Past performance cannot guarantee future results. Investors cannot invest directly in an index.

Sources: T. Rowe Price and Ibbotson Associates.