

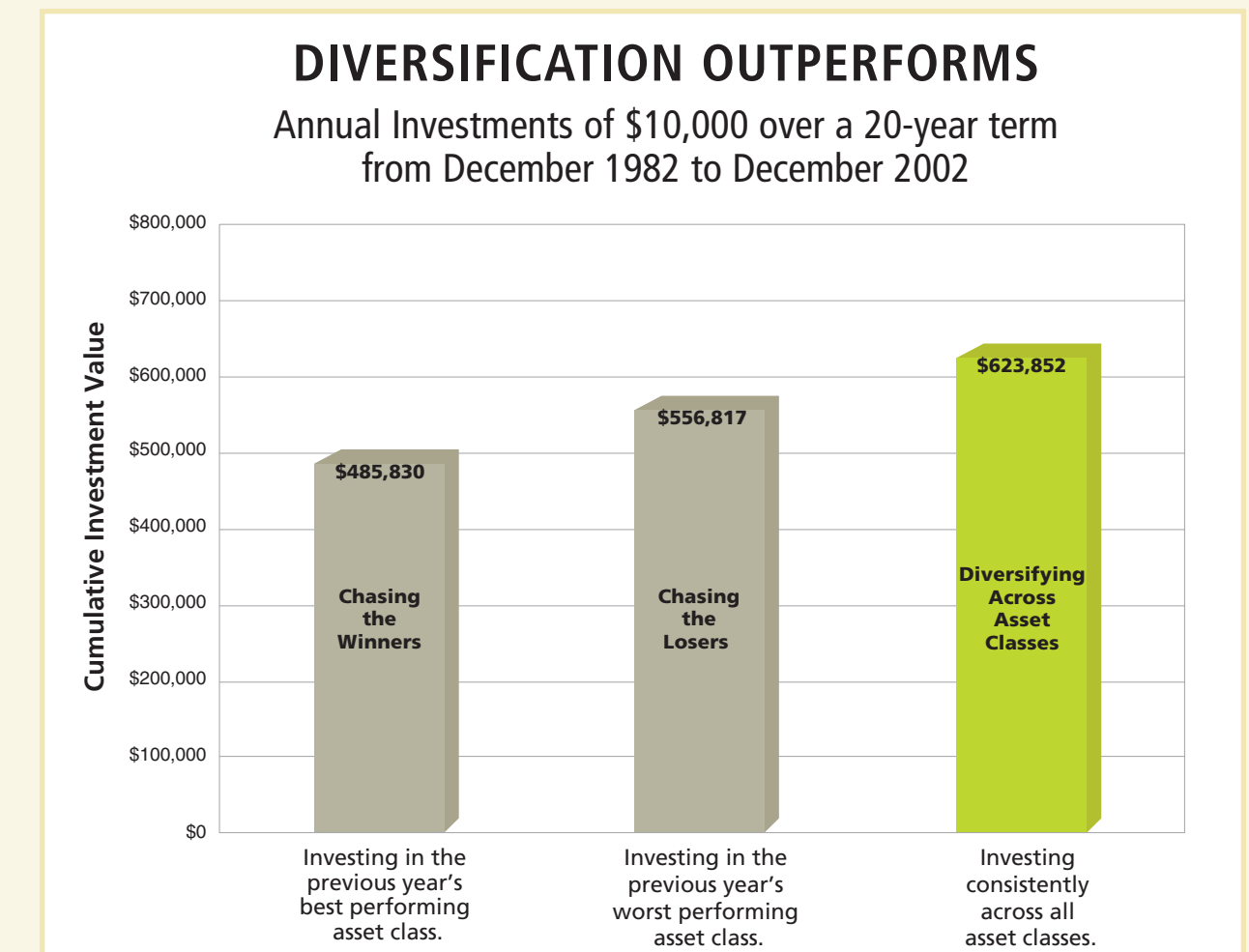
# Why Diversify?

## To Participate and Protect.

By diversifying across asset classes, you can reduce your portfolio risk and volatility, while investing in the top performing asset classes for consistent returns.

### 1982-2002: Annual returns of key indices

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BEST	Canadian Bonds 35.4%	Canadian Small Caps 44.3%	Foreign Equities 15.1%	Foreign Equities 65.1%	Foreign Equities 67.8%	Foreign Equities 17.6%	Emerging Market Equities 28.7%	Emerging Market Equities 60.1%	Canadian Bonds 7.5%	Emerging Market Equities 59.3%	U.S. Small Caps 30.5%	Emerging Market Equities 82.3%	Foreign Equities 14.5%	U.S. Large Caps 33.9%	Canadian Large Caps 28.4%	U.S. Large Caps 39.2%	U.S. Large Caps 37.7%	Emerging Market Equities 57.2%	Canadian Bonds 10.3%	U.S. Small Caps 8.8%	Canadian Bonds 8.7%
	U.S. Small Caps 29.5%	Canadian Large Caps 35.5%	Canadian Bonds 14.7%	Global Equities 49.3%	Global Equities 41.0%	Global Equities 9.9%	Foreign Equities 18.0%	U.S. Large Caps 27.8%	U.S. Large Caps (2.9%)	U.S. Small Caps 45.5%	Emerging Market Equities 22.4%	Canadian Small Caps 52.3%	Global Equities 11.9%	U.S. Small Caps 24.9%	Canadian Small Caps 27.5%	U.S. Small Caps 27.7%	Global Equities 33.7%	Canadian Large Caps 31.7%	Canadian Large Caps 7.4%	Canadian Bonds 8.1%	Canadian Small Caps (2.5%)
	U.S. Large Caps 26.0%	U.S. Small Caps 30.8%	U.S. Large Caps 13.4%	Canadian Small Caps 39.0%	U.S. Large Caps 17.2%	Canadian Large Caps 5.9%	U.S. Small Caps 14.7%	Canadian Large Caps 21.4%	Emerging Market Equities (10.4%)	U.S. Large Caps 29.9%	U.S. Large Caps 18.4%	Foreign Equities 38.5%	U.S. Large Caps 7.4%	Canadian Bonds 20.7%	U.S. Large Caps 23.4%	Global Equities 21.3%	Foreign Equities 28.9%	Foreign Equities 20.1%	U.S. Small Caps 0.8%	Canadian Small Caps 4.1%	Emerging Market Equities (7.0%)
	Global Equities 15.3%	Foreign Equities 26.2%	Global Equities 12.9%	U.S. Large Caps 38.7%	Canadian Bonds 14.7%	Canadian Bonds 4.0%	Global Equities 13.8%	Global Equities 13.8%	Canadian Large Caps (14.8%)	Canadian Bonds 22.1%	Canadian Small Caps 13.0%	Canadian Large Caps 32.6%	U.S. Small Caps 4.0%	Global Equities 18.1%	U.S. Small Caps 16.9%	Canadian Large Caps 15.0%	Canadian Bonds 9.2%	Global Equities 18.2%	Canadian Small Caps (4.3%)	Emerging Market Equities 3.8%	Canadian Large Caps (12.4%)
	Canadian Large Caps 5.5%	Global Equities 24.8%	U.S. Small Caps (1.1%)	U.S. Small Caps 38.0%	Canadian Small Caps 12.3%	U.S. Large Caps (0.9%)	Canadian Large Caps 11.1%	U.S. Small Caps 12.8%	Global Equities (16.3%)	Canadian Small Caps 18.5%	Canadian Bonds 9.8%	Global Equities 28.3%	Canadian Large Caps (0.2%)	Canadian Large Caps 14.5%	Global Equities 14.4%	Canadian Bonds 9.6%	U.S. Small Caps 4.4%	Canadian Small Caps 16.4%	U.S. Large Caps (5.5%)	U.S. Large Caps (6.5%)	Foreign Equities (16.5%)
	Canadian Small Caps 4.6%	U.S. Large Caps 24.1%	Canadian Small Caps (2.3%)	Canadian Large Caps 25.1%	Canadian Large Caps 9.0%	Canadian Small Caps (5.5%)	Canadian Bonds 9.8%	Canadian Bonds 12.8%	U.S. Small Caps (19.3%)	Global Equities 18.5%	Global Equities 4.9%	U.S. Small Caps 23.9%	Emerging Market Equities (1.8%)	Canadian Small Caps 12.5%	Canadian Bonds 12.3%	Foreign Equities 6.5%	Canadian Large Caps (1.6%)	U.S. Small Caps 14.4%	Global Equities (9.5%)	Global Equities (11.4%)	Global Equities (20.4%)
	Foreign Equities 2.8%	Canadian Bonds 11.5%	Canadian Large Caps (2.4%)	Canadian Bonds 21.2%	U.S. Small Caps 4.3%	U.S. Small Caps (14.1%)	U.S. Large Caps 7.0%	Canadian Small Caps 10.7%	Foreign Equities (23.0%)	Foreign Equities 12.0%	Canadian Large Caps (1.4%)	Canadian Bonds 18.1%	Canadian Bonds (4.3%)	Foreign Equities 8.6%	Foreign Equities 6.7%	Canadian Small Caps 2.6%	Emerging Market Equities (19.9%)	U.S. Large Caps 14.2%	Foreign Equities (10.6%)	Canadian Large Caps (12.6%)	U.S. Small Caps (21.3%)
WORST	N/A	N/A	N/A	N/A	N/A	N/A	Canadian Small Caps 5.5%	Foreign Equities 7.6%	Canadian Small Caps (27.3%)	Canadian Large Caps 12.0%	Foreign Equities (3.0%)	U.S. Large Caps 14.7%	Canadian Small Caps (9.2%)	Emerging Market Equities (7.8%)	Emerging Market Equities 6.6%	Emerging Market Equities (7.7%)	Canadian Small Caps (21.5%)	Canadian Bonds (1.1%)	Emerging Market Equities (28.2%)	Foreign Equities (16.4%)	U.S. Large Caps (22.9%)

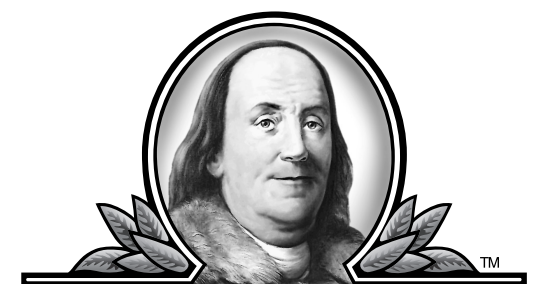


Source: Franklin Templeton Investments

- Indices:**
- Foreign Equities: MSCI EAFE Total Return Index (\$CDN)
  - Global Equities: MSCI World Total Return Index (\$CDN)
  - U.S. Small Caps: Russell 2000 Total Return Index (\$CDN)
  - U.S. Large Caps: S&P 500 Total Return Index (\$CDN)
  - Canadian Large Caps: S&P/TSX Total Return Index
  - Canadian Bonds: Scotia Capital Markets Universe Bond Total Return Index
  - Canadian Small Caps: Nesbitt Burns Small Cap Total Return Index
  - Emerging Market Equities: MSCI Emerging Market Free Total Return Index (\$CDN)

For more information on portfolio diversification, visit [www.franklintempleton.ca](http://www.franklintempleton.ca).

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