

## What the Experts Say About Asset Allocation:

"Investment Policy (asset allocation) is the foundation upon which portfolios should be constructed and managed."

*Charles Ellis*

"We can extrapolate from the study that for the long term individual investor who maintains a consistent asset allocation and leans toward index funds, asset allocation determines about 100% of performance."

*Roger Ibbotson, Ibbotson Associates*

"Investment policy describes an institutional or individual's investor's overall approach to management of their portfolio: goals, asset mix, stock selection and investment strategy. But it does not deal with turbulence, outliers or statistical events and major changes, and is sluggish by its nature. In the climate of the late 1990s, investment policy, founded as it is on a long-term commitment to equities, looks fine after a long bull market. But does investment policy take adequate account of the new opportunities of the 1990s and the next millennium? Global investing, emerging markets, internet investing were, only a relative short time ago, never conceived of as investment ideas.

*From The Ultimate Investor*

"On average, 90 percent of the variability of returns and 100 percent of the absolute level of return is explained by asset allocation."

*Roger Ibbotson and Paul D. Kaplan*

"Ninety-seven percent of performance variation is due to asset class structure - Study by of 31 institutional pension funds during a range of six-to-12-year periods,"

*Eugene F. Fama, Jr.*

"The essence of effective portfolio construction is the use of a large number of poorly correlated assets."

*William Bernstein*

"Style drift is a serious problem for investors because it distorts asset allocation and undermines performance when styles rotate. Value managers who have drifted over the past three years (1998-2000) toward more favored growth stocks are regretting those moves, but not as much as their investors."

*Ron Surz, President, PPCA, Inc.*

"Investment planning is about structuring exposure to risk factors."

*Gene Fama Jr.*

"One thing is clear: Style drift happens to a sizable percentage of mutual funds... for investors or planners seeking to create portfolios tapping into consistently different equity styles, style drift presents a significant

concern."

*Craig L. Israelsen, Ph.D*

"Approximately 94 percent of variability of a fund's investment return is due to asset allocation - Study of 91 large pension funds over a 10-year period."

*Gary P. Brinson, L. Randolph Hood and Gilbert L. Beebower*

"If we could choose only one family of funds for the ideal 401(k) plan, it would be Dimensional Fund Advisors. We believe DFA's institutional index funds are the best, and employees whose plans include them are fortunate... In 2001, a portfolio of DFA funds weighted equally among the asset classes we listed above would have appreciated by 1 percent. Doesn't seem like much but it's much better than the 12 percent loss in the Standard & Poor's 500 Index and the 23 percent decline by the average large-company growth fund."

*Paul Merriman*

"90 percent of what passes for brilliance or incompetence in investing is the ebb and flow of investment style - growth, value, small, foreign."

*Jeremy Grantham, Investment Manager, GMO*

"We really introduced, I think, the concept of...a multi-manager mix, diversified by style, which makes sense in an efficient market, where it's quite important to spread your bets."

*George Russell, Jr.*