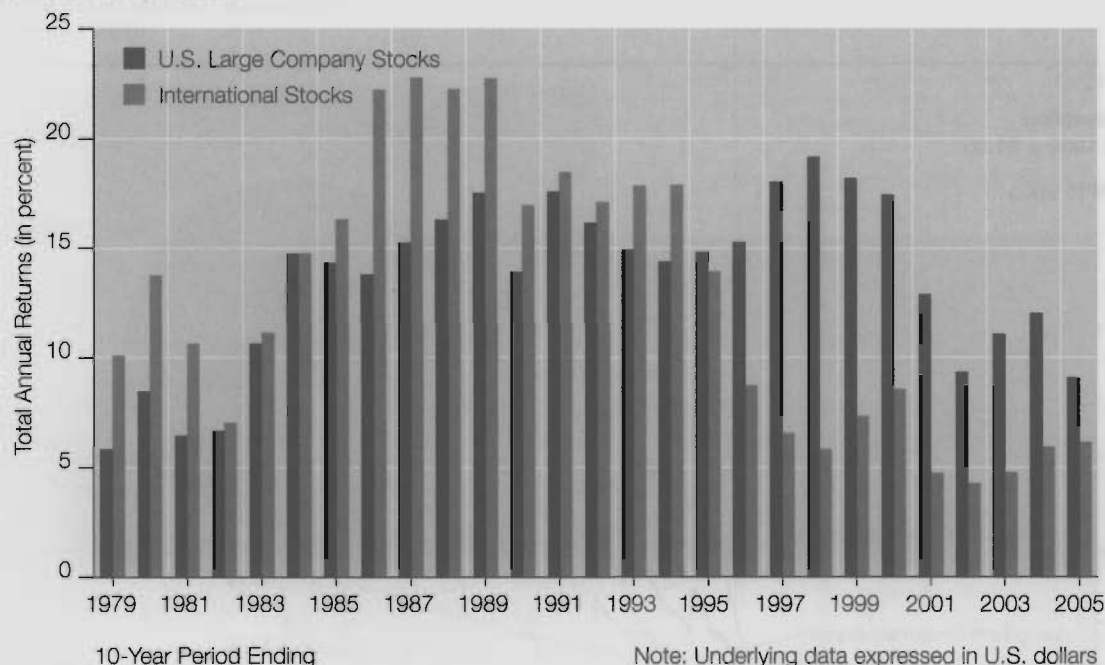


The analysis of longer holding periods indicates that international stocks have exceeded domestic stocks. Graph 12-3 compares the performance of international and U.S. large company stocks over rolling 10-year holding periods from 1970 through 2005. International stocks outperformed their domestic counterparts in 16 out of the 27 ten-year holding periods shown. The recent performance of U.S. large company stocks over 10-year holding periods, however, is superior to that of International stocks.

Graph 12-3

Total Return of U.S. Large Company Stocks and International Stocks
10-Year Rolling Periods



Diversification

Diversification can be another important benefit of international investing. By spreading risks among foreign and U.S. stocks, investors can potentially lower overall investment risk and/or improve investment returns. Fluctuations may occur at different times for different markets, and if growth is slow in one country, international investing provides a means of seeking healthier prospects elsewhere. Investing abroad may help an investor balance such fluctuations. Since it is almost impossible to forecast which markets will be top performers in any given year, it can be very valuable to be invested in a portfolio diversified across several countries.