

Quality Asset Management

Grow Your Wealth with Peace of Mind

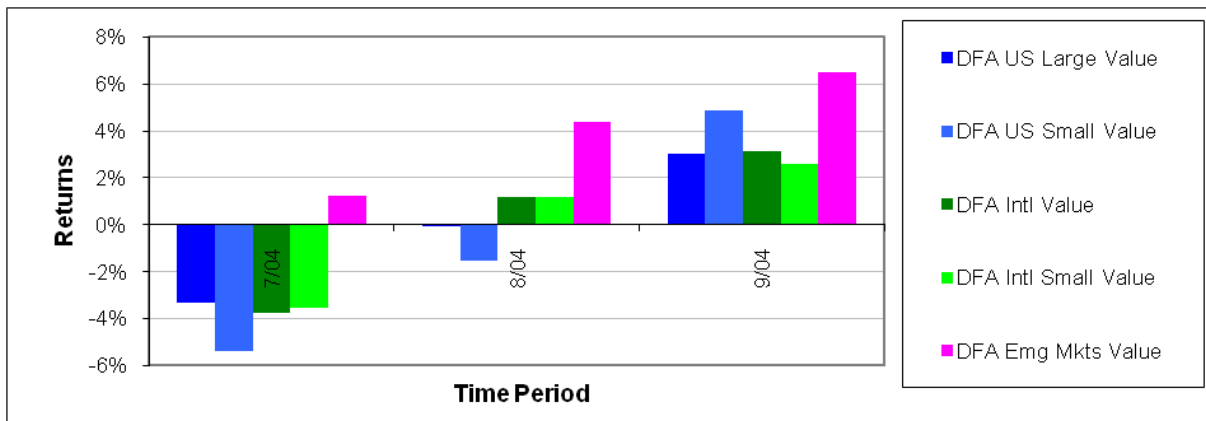
Q3 2004: Diversification at Work!

By Gil Hanoch, October 6, 2004

US Stock funds with diversified positions lost 2.76% percent in the third quarter, based on preliminary figures from fund-research firm Lipper.

A portfolio of globally diversified stock funds (Long-Term Component by Quality Asset Management - QAM) achieved positive returns of 3.58%. If you are thinking that sophisticated prediction of the quarter was involved, you are giving too much credit to Dimensional Fund Advisors (the mutual fund company) or QAM. These are mutual funds that hold over 6,000 companies throughout the world, representing the different asset classes. Similar to index funds, they include all stocks that fall into set criteria that define the asset class, with no preference to one over the other.

What is the secret, then? Simple global diversification. As you can see in the chart below, different asset classes went up at different times. Specifically, emerging markets showed high returns, while international stocks went slightly higher, all which offset the negative performance of US stocks for the quarter.



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