

High-risk portfolio

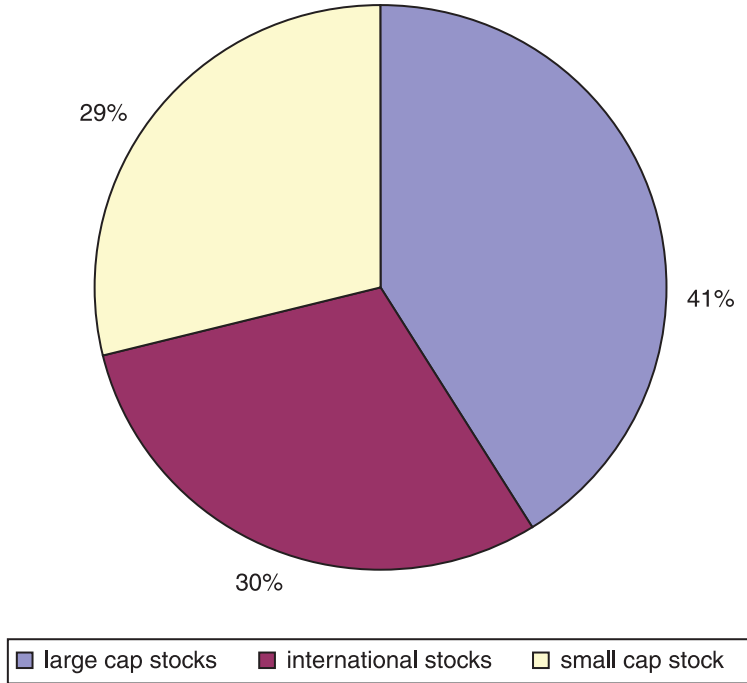


Fig. 1 Even though this portfolio is “diversified,” it is considered high risk because it contains only stocks.

Medium-risk portfolio

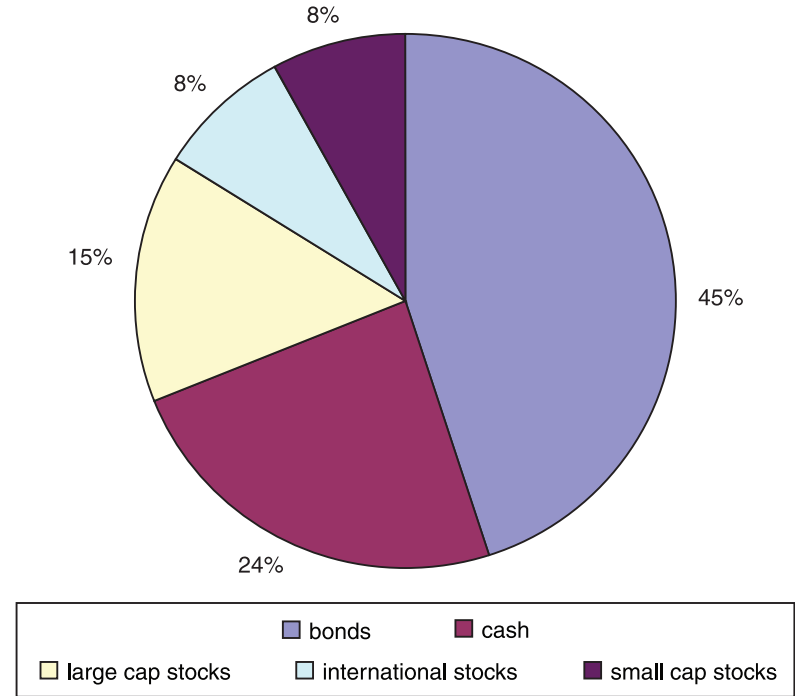


Fig. 2 By adding bonds and cash to the mix, the investor lowers risk through true diversification.