



Combined Funds, Inc.

CARPENTERS' COMBINED FUNDS, INC.

THE RISKS OF STOCK FUNDS

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Submitted by: PNC Advisors

Learn To Manage the Risks of Owning Stock Funds

You probably had a lot to smile about if you invested some of your retirement plan portfolio in stock funds in 1999. It was the last year in an impressive five-year run for the stock market.

However, just as the Yankees can't keep winning the World Series or Green Bay can't keep making the playoffs, the stock market does not always head higher. It's not smart to assume that stocks will keep delivering the type of returns they delivered in 1999. If you invested some of your retirement plan portfolio in stock funds in 2000, you probably learned that lesson. Many investors were disappointed when they saw negative signs for the first time in years.

That doesn't mean you should sell your stock funds. It simply means that you should be aware of the risks of owning stocks and stock funds. You can use three strategies to manage some of the risks that come with owning stock funds.

Be Prepared For Bad News

Don't be tempted to automatically sell your stock funds when prices start falling. We know from the past that many price declines did not last very long. Moreover, large gains in prices over short periods have followed many past market drops. You'll miss out on these gains if you are sitting on the sidelines holding cash. Remember, past performance cannot predict the future performance of any group of securities.

Diversify Your Account

Diversification is a tried and tested risk-management strategy. Spread your plan portfolio among different types of securities - like stocks, bonds and money market funds. These asset classes do not necessarily rise or fall at the same time. If you hold bond and money market funds, diversification may offer you some protection when the stock market falls.

Make Investment Changes Gradually

If you read that, for example, international funds are delivering good returns, don't be tempted to switch most of your portfolio into an international fund. (Note: not all plans offer international funds.) If you want to change your asset allocation, consider moving gradually from a fund whose performance is not satisfactory to you to the fund of your choice.

While no strategy is foolproof, these strategies may help you manage the risks that come with holding volatile investments like stock and stock funds.