

# Diversification

MAY HELP LOWER PORTFOLIO VOLATILITY

True to their inherent characteristics, different asset classes react differently to changing market and economic conditions, moving in and out of favor as market and economic cycles rotate.

Given the unpredictability of these performance trends, trying to gauge the market's next winners or losers is virtually impossible and may lead to uncomfortable levels of portfolio volatility. If you are seeking to reduce volatility, the best approach may be to diversify your assets. Diversification across multiple investment types can help you achieve steadier returns, as losses in one investment type may be offset by gains in another.

BEST

WORST

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Short Term Bond	9.68%	51.19%	29.14%	32.94%	8.06%	38.13%	23.96%	36.52%	42.16%	43.09%	22.83%	14.02%	9.84%	48.54%	22.25%	14.02%	26.86%	11.63%	5.08%	37.38%
Int. Term Bond	9.16%	50.10%	18.41%	23.77%	3.13%	37.53%	22.95%	33.35%	28.60%	28.25%	8.96%	6.28%	6.28%	47.25%	20.70%	12.56%	23.48%	9.13%	4.97%	34.47%
Large Cap Growth	0.20%	46.04%	11.91%	18.88%	1.31%	36.99%	21.99%	32.25%	20.33%	27.30%	8.78%	-11.43%	-11.43%	46.03%	18.33%	6.43%	20.80%	7.98%	-28.16%	32.46%
Large Cap Blend	-3.11%	41.70%	10.53%	18.60%	-0.90%	31.04%	21.37%	31.78%	19.11%	20.33%	8.08%	2.49%	-14.45%	39.17%	16.48%	6.33%	18.37%	7.39%	-28.92%	31.57%
Mid Cap Blend	-5.12%	38.37%	9.86%	14.72%	0.55%	30.95%	19.20%	29.98%	14.67%	21.03%	6.09%	-0.60%	-14.51%	35.62%	15.71%	4.91%	15.78%	7.05%	-33.79%	27.17%
Large Cap Value	-6.85%	32.80%	7.77%	13.95%	-0.64%	28.45%	16.49%	22.36%	12.96%	17.15%	0.21%	-3.52%	-15.66%	31.81%	14.31%	4.71%	14.87%	6.83%	-34.92%	26.46%
Diversified Portfolio	-8.13%	30.40%	7.61%	13.37%	-1.54%	27.38%	15.62%	22.25%	8.44%	14.72%	-3.02%	-9.23%	-20.48%	31.79%	13.58%	4.55%	13.35%	5.49%	-36.23%	24.03%
Small Cap Growth	-17.41%	22.56%	7.17%	10.06%	-1.82%	25.75%	11.26%	12.95%	6.96%	12.72%	-9.10%	-11.71%	-20.85%	28.67%	10.87%	4.15%	11.01%	4.70%	-36.99%	21.18%
Small Cap Blend	-19.48%	14.62%	6.36%	8.79%	-1.93%	15.33%	6.36%	7.87%	1.23%	3.15%	-13.96%	-11.88%	-22.09%	25.67%	6.15%	3.46%	10.32%	1.99%	-38.54%	20.58%
Small Cap Value	-21.77%	12.50%	5.07%	5.56%	-2.43%	11.55%	5.14%	6.66%	-2.55%	0.39%	-22.08%	-12.73%	-23.59%	4.31%	3.04%	1.77%	4.25%	-1.57%	-39.22%	5.24%
Foreign Stocks	-23.20%	11.84%	-11.85%	1.68%	-3.58%	10.97%	4.05%	2.06%	-6.45%	-1.49%	-22.43%	-21.21%	-30.26%	2.81%	1.30%	1.58%	4.08%	-9.78%	-43.06%	3.83%

- Large Cap Blend: S&P 500® Index** Measures the performance of large-capitalization U.S. stocks. The S&P 500 Index is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the index performance directly proportional to that company's market value.
- Foreign Stocks: MSCI EAFE® Index** Measures the performance of the developed stock markets of Europe, Australasia and the Far East.
- Large Cap Growth: S&P 500/Citi Growth Index**
- Large Cap Value: S&P 500/Citi Value Index** Measures the performance of the growth and value styles of investing in large-cap U.S. stocks by using an exhaustive, multifactor methodology style series covering the entire market capitalization of the S&P 500. Prior to 6/30/06, returns were measured by the S&P/Barras 500® Growth Index and the S&P/Barras 500® Value Index.
- Small Cap Blend: Russell 2000® Index** Measures the performance of small-capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ.

- Small Cap Value: Russell 2000® Value Index**
- Small Cap Growth: Russell 2000® Growth Index** Measures the performance of growth and value styles of investing in small-cap U.S. stocks. The Value Index contains those Russell 2000 securities with less-than-average growth orientation, while the Growth Index contains those securities with greater-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-to-earnings ratios than those in the Growth Index.
- Mid Cap Blend: S&P MidCap 400 Index** Measures the performance of medium-capitalization U.S. stocks. The S&P MidCap 400 is an unmanaged market-capitalization-weighted index.
- Short Term Bond: Barclays 1-3 Year Gov't/Credit Bond Index** An asset weighted composite of all publicly issued, fixed-rate, investment-grade domestic debt issues with maturities between one and three years. (Prior to 12/31/08) Lehman Brothers 1-3 Year Gov't/Credit Index.)
- Intermediate Term Bond: Barclays Intermediate U.S. Gov't/Credit Bond Index** Measures the performance of government and investment-grade corporate fixed rate debt issues with

maturities between one and 10 years. The Barclay Intermediate U.S. Gov't/Credit Bond Index is an unmanaged market-value-weighted index. (Prior to 12/31/08 Lehman Brothers Intermediate Gov't/Credit Bond Index.)

**Diversified Portfolio** The "diversified portfolio" was constructed by allocating an equally-weighted percentage (10%) across each of the 10 asset classes listed in the legend. There is no guarantee this method will work for you. Diversification does not guarantee a profit nor protect against a loss.

**Past performance does not guarantee future results.** This chart is for illustrative and educational purposes only and does not represent the performance of any of the BB&T Funds. International investing involves a greater degree of volatility and risk. Small-company stocks typically carry additional risks since smaller companies generally have a higher risk of failure. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value. Because mutual funds are managed portfolios, the securities owned will not completely match those in an index. Securities in an index may change from time to time. Index returns do not reflect any fees, expenses or sales charges associated with mutual fund investing. Investors cannot invest directly in an index. Source: Lipper, Inc., 2010.

An investor should consider the funds' investment objectives, risks and charges and expenses carefully before investing or sending money. This and other important information about an investment company can be found in the BB&T Funds' prospectus. To obtain a prospectus, please visit [www.bbtfunds.com](http://www.bbtfunds.com) or call 1-800-228-1872. Please read it carefully before investing. The Funds are distributed by BB&T AM Distributors, Inc., which is not affiliated with Branch Banking and Trust Company or its affiliates.