

**Wisconsin Deferred
Compensation Plan
Fund Performance Review**

December 31, 2007



AdvisedAssetsGroup

Put Our Power Behind YouSM



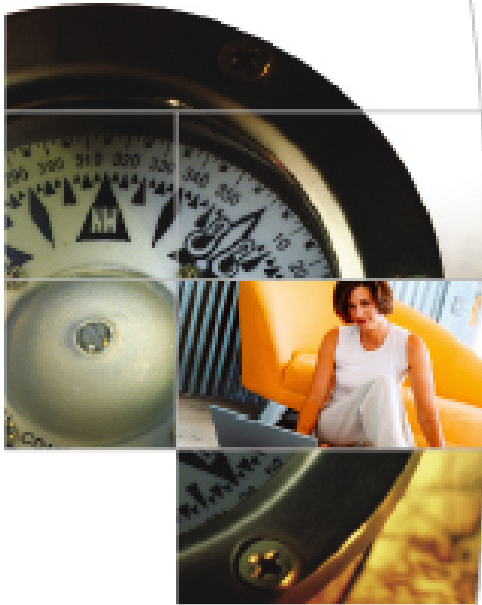
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Appendix: Glossary of Terms

1st Quarter Update



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Fund Compliance Report Card as of 3/31/2008




= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R5	6.64	17.63	23.57	10.01	114,632.24	0.53
MSCI AC World Ex USA NR USD	2.15	16.01	23.54	--	--	--
MSCI EAFE Free NR USD	-2.70	13.32	21.40	6.17	--	--
Lipper International Funds Cat: Foreign Large Blend	-1.33	13.64	20.56	6.31	--	--
Barclay's EAFE Equity Index Fund W	-1.20	13.72	20.16	5.51	3,689.84	1.49
MSCI EAFE Ndr_D	-2.61	13.38	21.34	--	--	--
DFA U.S. Micro Cap	-2.70	13.32	21.40	6.18	--	--
Russell 2000	-16.34	3.72	15.65	8.26	3,996.28	0.52
Russell Micro Cap TR	-13.00	5.06	14.90	4.96	--	--
Cat: Small Blend	-20.16	1.33	13.41	--	--	--
Barclay's Russell 2000 Index Fd	-13.29	4.47	14.63	6.21	685.46	1.43
Russell 2000	-12.95	5.10	14.76	--	--	--
T. Rowe Price Mid-Cap Growth	-13.00	5.06	14.90	4.96	--	--
Lipper Mid Cap Growth	1.74	9.63	16.39	8.67	15,228.53	0.80
Russell Midcap Growth	-2.82	7.55	13.62	4.94	--	--
Standard & Poor's Midcap 400	-4.55	7.77	15.20	5.15	--	--
Cat: Mid Growth	-6.97	7.06	15.10	9.02	--	--
Barclay's Mid Cap Equity Index Fund W	-3.49	7.34	13.62	5.32	832.06	1.51
Standard & Poor's Midcap 400	-6.82	7.18	15.23	--	--	--
Calvert Social Investment Equity I	-6.97	7.06	15.10	9.02	--	--
Standard & Poor's 500	1.78	6.26	10.10	6.26	1,186.65	0.67
Calvert Social Index	-5.08	5.85	11.32	3.50	--	--
Lipper MultiCap Core	-7.42	4.17	9.15	--	84.48	0.21
Morningstar Socially Resp Large Cap Index	-5.57	5.81	11.76	4.60	--	--
Fidelity Contrafund	-6.04	4.73	9.85	3.07	448.11	1.23
Standard & Poor's 500	4.87	11.18	15.71	8.15	71,506.11	0.89
Lipper Growth Fund Average	-5.08	5.85	11.32	3.50	--	--
Cat: Large Growth	-0.12	5.85	9.31	2.29	--	--
	-1.28	6.18	10.32	2.66	3,167.86	1.39

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE:
Morningstar 3/31/2008

Fund Compliance Report Card as of 3/31/2008

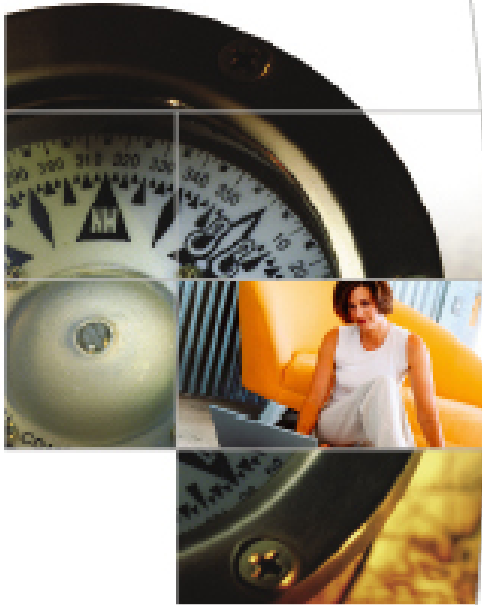

= Options
which have
trailed their
respective
benchmarks
over a five
year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
Vanguard Inst Index Plus Info	-5.07	5.86	11.34	3.58	67,340.04	0.03
Standard & Poor's 500	-5.08	5.85	11.32	3.50	--	--
Vanguard Wellington Adm	3.04	8.85	12.30	7.23	48,900.52	0.16
Lipper Balanced Fund	-1.68	5.42	8.70	4.15	--	--
Cat: Moderate Allocation	-1.99	5.58	9.29	4.45	3,421.74	1.37
65% S&P Barra Value/35% Lehman Agg	-1.85	6.25	10.85	5.73	--	--
Vanguard Long-Term Investment-Grade Adm	2.49	3.56	4.93	6.18	5,730.41	0.12
Lehman Brothers LT Corp A or Better	-0.70	2.54	4.22	5.69	--	--
Cat: Long-Term Bond	2.25	3.82	5.10	5.36	820.72	0.85
Barclay's US Debt Index	7.81	5.53	4.61	--	--	--
Lehman Brothers Aggregate Bond	7.67	5.48	4.58	6.04	--	--
Federated U.S. Govt: 2-5 Yr Instl	11.87	6.19	4.03	5.53	817.93	0.59
Merrill Lynch 3-5 Year Treasury	13.34	6.82	4.53	6.13	--	--
Lipper Short-Inter U.S.	8.54	4.84	3.71	4.93	--	--
Cat: Short Government	6.71	4.43	2.95	4.38	485.93	0.94
Vanguard Adm Money Market	4.34	4.23	3.01	3.57	22,896.30	0.10
iMoneyNet Average Treasury MM	3.44	3.47	2.33	2.95	--	--

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar
3/31/2008

Executive Summary



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= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R5	19.22	20.92	23.10	12.34	124,010.18	0.53
MSCI AC World Ex USA NR USD	16.65	19.88	24.02	--	--	--
MSCI EAFE Free NR USD	11.17	16.83	21.59	8.65	--	--
Lipper International Funds	12.41	17.18	20.83	8.80	--	--
Cat: Foreign Large Blend	12.71	17.22	20.31	7.94	3,867.00	1.51
Barclay's EAFE Equity Index Fund W	11.39	16.96	21.53	--	--	0.10
MSCI EAFE Ndr_D	11.17	16.83	21.59	8.66	--	--
DFA U.S. Micro Cap	-5.22	5.18	17.23	10.58	4,175.88	0.53
Russell 2000	-1.57	6.80	16.25	7.08	--	--
Russell Micro Cap TR	-8.00	3.22	15.87	--	--	--
Cat: Small Blend	-1.10	6.93	15.72	8.30	719.79	1.43
Barclay's Russell 2000 Index Fd	-1.59	6.74	16.08	--	--	0.05
Russell 2000	-1.57	6.80	16.25	7.08	--	--
T. Rowe Price Mid-Cap Growth	17.65	12.99	18.74	11.56	15,902.49	0.80
Lipper Mid Cap Growth	16.48	11.70	16.45	7.78	--	--
Russell Midcap Growth	11.43	11.39	17.90	7.59	--	--
Standard & Poor's Midcap 400	7.98	10.27	16.20	11.19	--	--
Cat: Mid Growth	15.09	11.23	16.33	8.06	883.80	1.52
Barclay's Mid Cap Equity Index Fund W	8.07	10.35	16.30	--	--	0.04
Standard & Poor's Midcap 400	7.98	10.27	16.20	11.19	--	--
Calvert Social Investment Equity I	10.53	8.64	11.10	8.39	1,215.76	0.67
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Calvert Social Index	3.23	6.15	10.98	--	88.74	0.21
Lipper MultiCap Core	6.48	8.68	13.35	7.03	--	--
Morningstar Socially Resp Large Cap Index	5.25	7.33	11.54	5.43	483.59	1.21
Fidelity Contrafund	19.78	15.80	17.99	10.72	72,968.96	0.90
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Lipper Growth Fund Average	14.21	8.66	11.74	5.00	--	--
Cat: Large Growth	13.35	9.11	12.75	5.28	3,368.29	1.40

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE:
Morningstar 12/31/2007


= Options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret Annlzd 10 Yr	Total Net Assets \$M	Expense Ratio
Vanguard Inst Index Plus Info	5.50	8.63	12.84	5.98	68,555.82	0.03
Standard & Poor's 500	5.49	8.62	12.83	5.91	--	--
Vanguard Wellington Adm	8.48	10.12	12.44	8.47	49,110.76	0.17
Lipper Balanced Fund	5.93	7.05	9.63	5.64	--	--
Cat: Moderate Allocation	5.99	7.32	10.24	5.99	3,532.97	1.39
65% S&P Barra Value/35% Lehman Agg	3.86	8.32	11.30	6.69	--	--
Vanguard Long-Term Investment-Grade Adm	3.86	4.03	5.48	6.39	5,738.48	0.12
Lehman Brothers LT Corp A or Better	1.65	3.14	5.08	6.02	--	--
Cat: Long-Term Bond	3.10	3.75	5.86	5.68	633.94	0.84
Barclay's US Debt Index	7.01	4.58	4.44	--	--	0.05
Lehman Brothers Aggregate Bond	6.97	4.56	4.42	5.97	--	--
Federated U.S. Govt: 2-5 Yr Instl	9.18	4.40	3.40	5.25	730.99	0.60
Merrill Lynch 3-5 Year Treasury	9.86	4.68	3.72	5.79	--	--
Lipper Short-Inter U.S.	7.24	3.74	3.32	4.81	--	--
Cat: Short Government	5.87	3.58	2.66	4.31	479.97	0.93
Vanguard Adm Money Market	4.78	4.14	2.91	3.62	20,637.37	0.10
iMoneyNet Average Treasury MM	3.99	3.42	2.26	3.02	--	--

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar
12/31/2007

Rolling 3 Year Quartile Rankings

Name	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
American Funds EuroPacific Gr R5	90	83	81	75	88	86						
Calvert Social Investment Equity I	46	34	46	59	59	60						
DFA U.S. Micro Cap	29	51	39	44	48	55						
Federated U.S. Govt: 2-5 Yr Instl	94	55	39	91	40	34						
Fidelity Contrafund	96	94	96	99	98	99						
T. Rowe Price Mid-Cap Growth	68	66	78	82	77	83						
Vanguard Institutional Index Instl PI	57	57	54	62	74	67						
Vanguard Long-Term Inv Grade Adm	72	65	67	68	80	72						
Vanguard Wellington Adm	95	92	90	89	91	91						

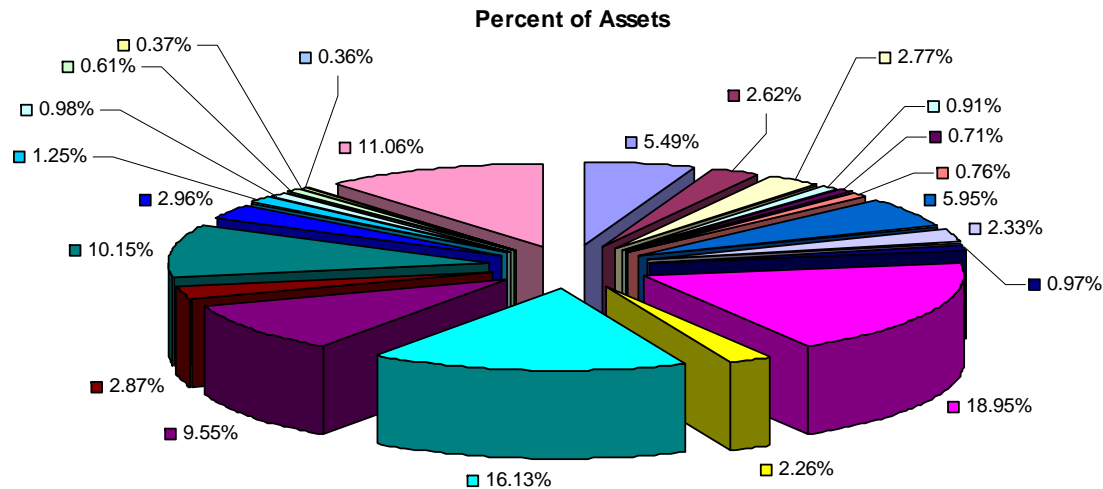
76-100	1st Quartile
51-75	2nd Quartile
26-50	3rd Quartile
1-25	4th Quartile

DATA SOURCE: Morningstar
12/31/2007

Plan Asset Summary

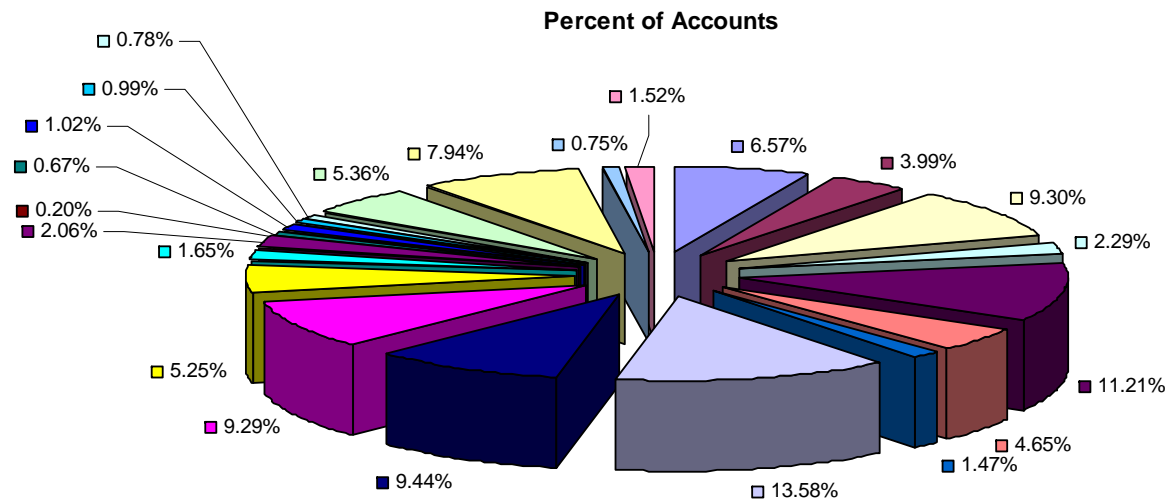
	Plan Inception Date	Fund Net Assets	WDC Assets in Fund	WDC as a Percentage of Fund Assets	Fund as a Percentage of WDC Assets	Number of Participants	Percentage of WDC Participants Utilizing Fund
American Funds EuroPacific Gr R5	01/28/2005	\$114,471,104,347	\$125,901,478.51	0.11%	5.49%	12,709	27.68%
Barclay's EAFE Equity Index Fund W	02/01/2001	N/A	\$60,110,975.85	N/A	2.62%	7,730	16.84%
DFA U.S. Micro Cap	02/01/1997	\$4,175,876,990	\$136,446,560.31	3.27%	5.95%	18,004	39.22%
Barclay's Russell 2000 Index Fd	02/20/2004	N/A	\$20,911,258.28	N/A	0.91%	4,423	9.63%
T. Rowe Price Mid-Cap Growth	02/01/1998	\$15,906,448,640	\$219,174,958.19	1.38%	9.55%	21,700	47.27%
Barclay's Mid Cap Equity Index Fund W	02/01/2001	N/A	\$63,491,754.80	N/A	2.77%	9,001	19.61%
Calvert Social Investment Equity I	04/18/2003	\$1,215,759,097	\$17,430,641.76	1.43%	0.76%	2,847	6.20%
Fidelity Contrafund	01/31/1994	\$72,968,956,723	\$434,894,510.94	0.60%	18.95%	26,289	57.26%
Vanguard Inst Index Plus Info	09/09/1990	\$68,555,823,223	\$232,944,076.56	0.34%	10.15%	18,269	39.79%
Vanguard Wellington Adm	10/26/2001	\$49,110,757,815	\$253,834,691.88	0.52%	11.06%	17,986	39.18%
Vanguard Long-Term Investment-Grade Adm	10/26/2001	\$5,738,484,104	\$67,826,704.37	1.18%	2.96%	10,165	22.14%
Barclay's US Debt Index	02/01/2001	N/A	\$16,193,166.78	N/A	0.71%	3,199	6.97%
Federated U.S. Govt: 2-5 Yr Instl	02/03/1992	\$731,924,778	\$22,189,794.39	3.03%	0.97%	3,989	8.69%
Vanguard Target Ret Income	07/29/2005	\$1,690,443,489	\$8,259,048.48	0.49%	0.36%	382	0.83%
Vanguard Target Ret 2015	07/29/2005	\$7,255,582,031	\$28,774,318.28	0.40%	1.25%	1,306	2.84%
Vanguard Target Ret 2025	07/29/2005	\$7,239,093,649	\$22,577,524.15	0.31%	0.98%	1,974	4.30%
Vanguard Target Ret 2035	07/29/2005	\$4,736,604,936	\$14,085,087.38	0.30%	0.61%	1,910	4.16%
Vanguard Target Ret 2045	07/29/2005	\$2,306,430,354	\$8,465,182.45	0.37%	0.37%	1,507	3.28%
Vanguard Adm Money Market	10/01/1993	\$20,637,373,890	\$65,798,807.28	0.32%	2.87%	10,382	22.61%
Stable Value Fund	09/01/1996	N/A	\$370,269,806.71	N/A	16.13%	15,374	33.49%
Schwab PCRA	02/17/2000	N/A	\$51,880,569.03	N/A	2.26%	1,444	3.15%
FDIC Option	12/31/1996	N/A	\$53,464,778.52	N/A	2.33%	2,940	6.40%

Total WDC Assets (as of 12/31/2007): \$2,294,925,694.90



American Funds EuroPacific Gr R5 - 5.49%	Barclay's EAFE Equity Index Fund W - 2.62%	Barclay's Mid Cap Equity Index Fund W - 2.77%
Barclay's Russell 2000 Index Fd - 0.91%	Barclay's US Debt Index - 0.71%	Calvert Social Investment Equity I - 0.76%
DFA U.S. Micro Cap - 5.95%	FDIC Option - 2.33%	Federated U.S. Govt: 2-5 Yr Instl - 0.97%
Fidelity Contrafund - 18.95%	Schwab PCRA - 2.26%	Stable Value Fund - 16.13%
T. Rowe Price Mid-Cap Growth - 9.55%	Vanguard Adm Money Market - 2.87%	Vanguard Inst Index Plus Info - 10.15%
Vanguard Long-Term Investment-Grade Adm - 2.96%	Vanguard Target Ret 2015 - 1.25%	Vanguard Target Ret 2025 - 0.98%
Vanguard Target Ret 2035 - 0.61%	Vanguard Target Ret 2045 - 0.37%	Vanguard Target Ret Income - 0.36%
Vanguard Wellington Adm - 11.06%		

Total Number of WDC Participant Accounts (as of 12/31/2007): 193,530



American Funds EuroPacific Gr R5 - 6.57%	Barclay's EAFE Equity Index Fund W - 3.99%	DFA U.S. Micro Cap - 9.30%
Barclay's Russell 2000 Index Fd - 2.29%	T. Rowe Price Mid-Cap Growth - 11.21%	Barclay's Mid Cap Equity Index Fund W - 4.65%
Calvert Social Investment Equity I - 1.47%	Fidelity Contrafund - 13.58%	Vanguard Inst Index Plus Info - 9.44%
Vanguard Wellington Adm - 9.29%	Vanguard Long-Term Investment-Grade Adm - 5.25%	Barclay's US Debt Index - 1.65%
Federated U.S. Govt: 2-5 Yr Instl - 2.06%	Vanguard Target Ret Income - 0.20%	Vanguard Target Ret 2015 - 0.67%
Vanguard Target Ret 2025 - 1.02%	Vanguard Target Ret 2035 - 0.99%	Vanguard Target Ret 2045 - 0.78%
Vanguard Adm Money Market - 5.36%	Stable Value Fund - 7.94%	Schwab PCRA - 0.75%
FDIC Option - 1.52%		

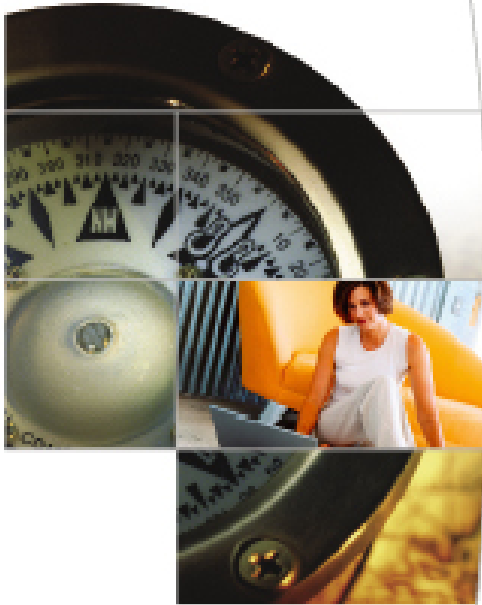
Fund Expense v. Category

Name	Expense Ratio
American Funds EuroPacific Gr R5	0.53
Cat: Foreign Large Blend	1.51
Barclay's EAFE Equity Index Fund W	0.10
Morningstar Foreign Large Blend Index	0.83
DFA U.S. Micro Cap	0.53
Cat: Small Blend	1.43
Barclay's Russell 2000 Index Fd	0.05
Morningstar Small Cap Blend Index	0.86
T. Rowe Price Mid-Cap Growth	0.80
Cat: Mid Growth	1.52
Barclay's Mid Cap Equity Index Fund W	0.04
Morningstar Mid Cap Blend Index	0.85
Calvert Social Investment Equity I	0.67
Morningstar Socially Resp Large Cap Index	1.21

Name	Expense Ratio
Fidelity Contrafund	0.90
Cat: Large Growth	1.40
Vanguard Inst Index Plus Info	0.03
Morningstar Large Cap Blend Index	0.62
Vanguard Wellington Adm	0.17
Cat: Moderate Allocation	1.39
Vanguard Long-Term Investment-Grade Adm	0.12
Cat: Long-Term Bond	0.84
Barclay's US Debt Index	0.05
Morningstar Intermediate Bond Index	0.42
Federated U.S. Govt: 2-5 Yr Instl	0.60
Cat: Short Government	0.93
Vanguard Adm Money Market	0.10
Average US Money Market Fund	0.65

- The weighted average return for the ETF participants as of 12/31/2007 was 10.07%
- Much of this can be attributed to a 18.95% weighting in the Fidelity Contrafund which returned about 20%
- Other contributing factors were:
 - 8% exposure to international investments which had an average return of 15.31%
 - An 10% weighting to the Vanguard Index which returned 5.50%
 - An 16% weighting to the Wisconsin Stable Value Fund which returned 5.11%
- Note: Participant weighted average return excludes the self directed brokerage accounts

Fund Highlights and Observations



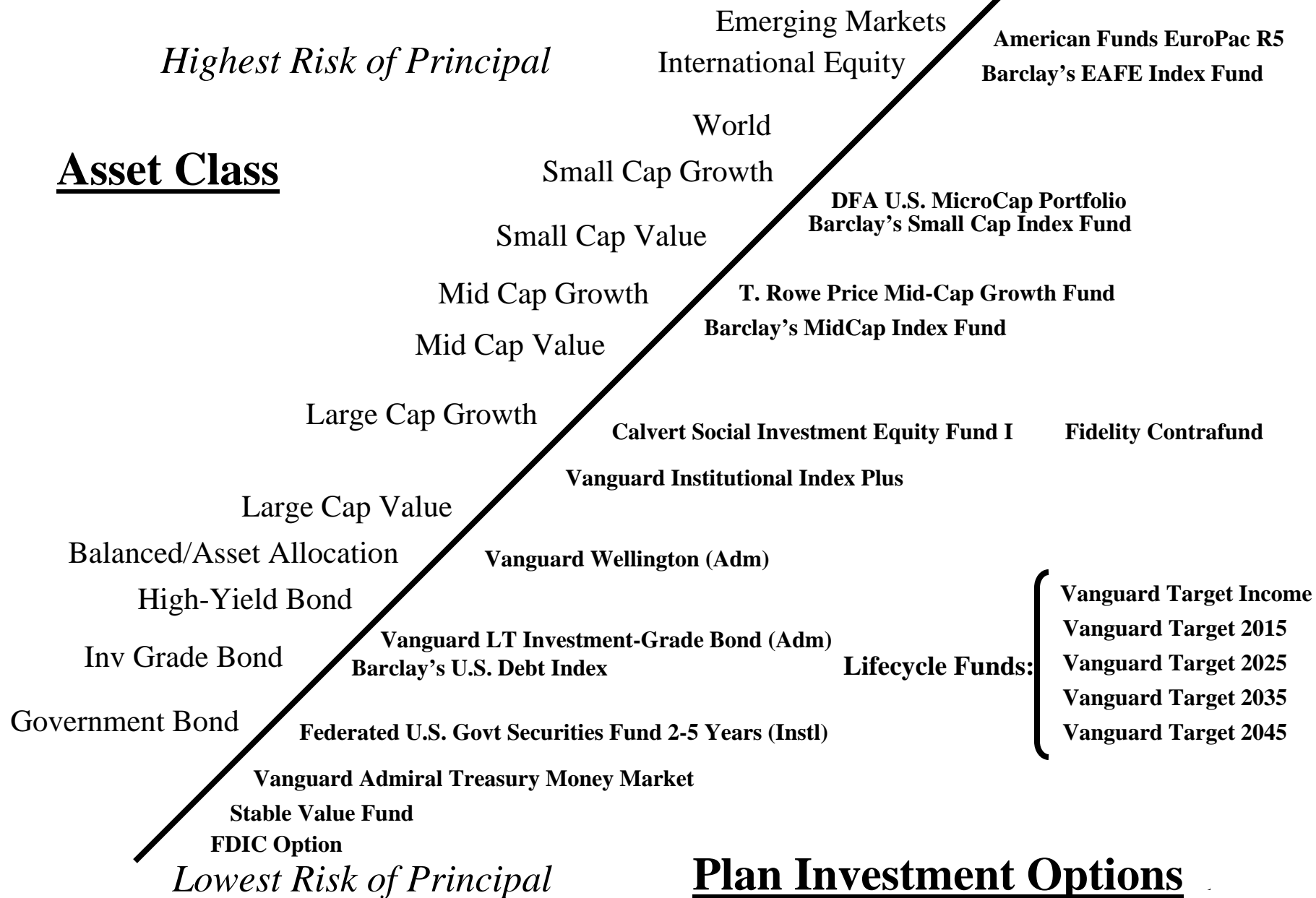
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Wisconsin Plan Options

Highest Risk of Principal

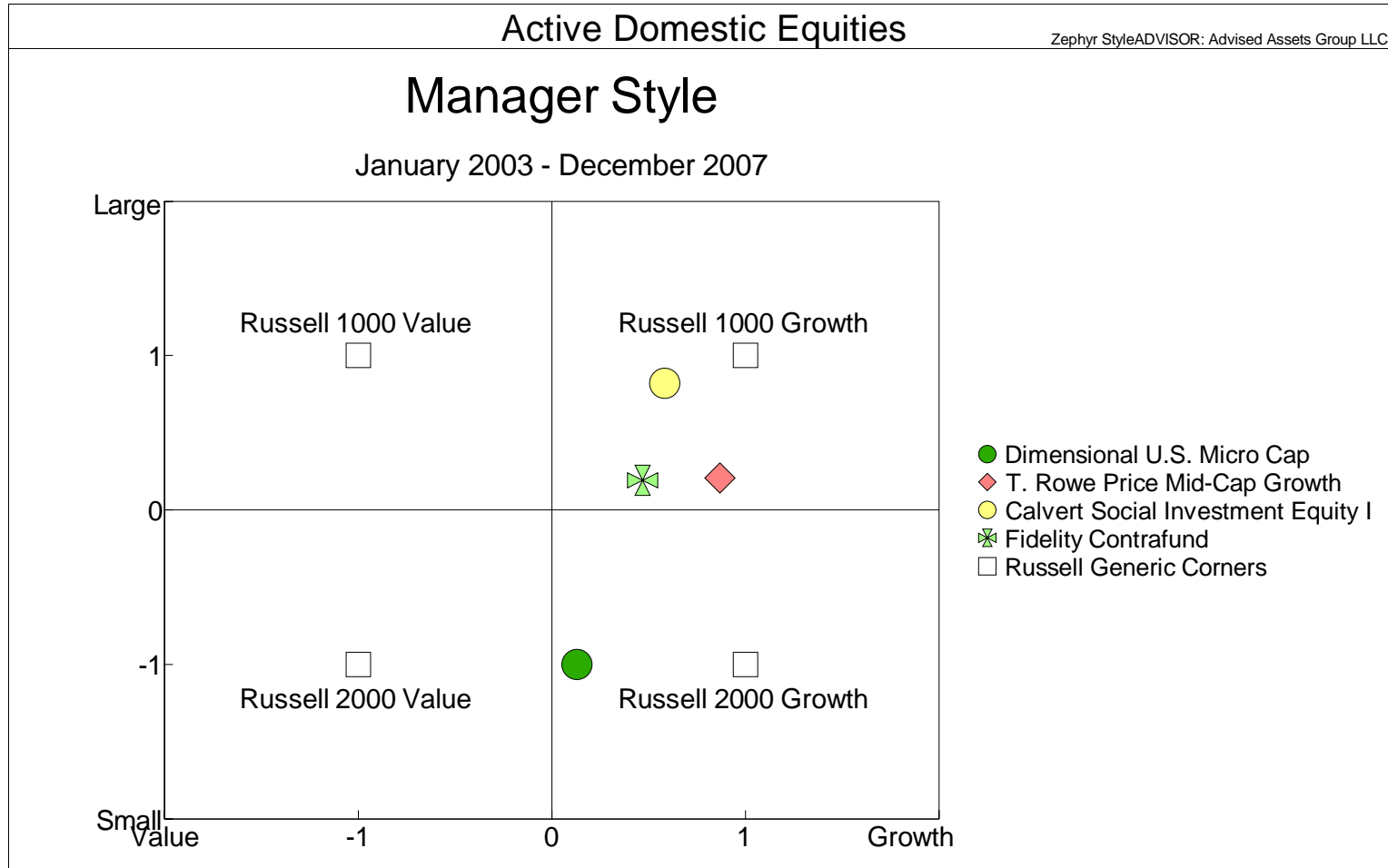
Asset Class



Plan Investment Options

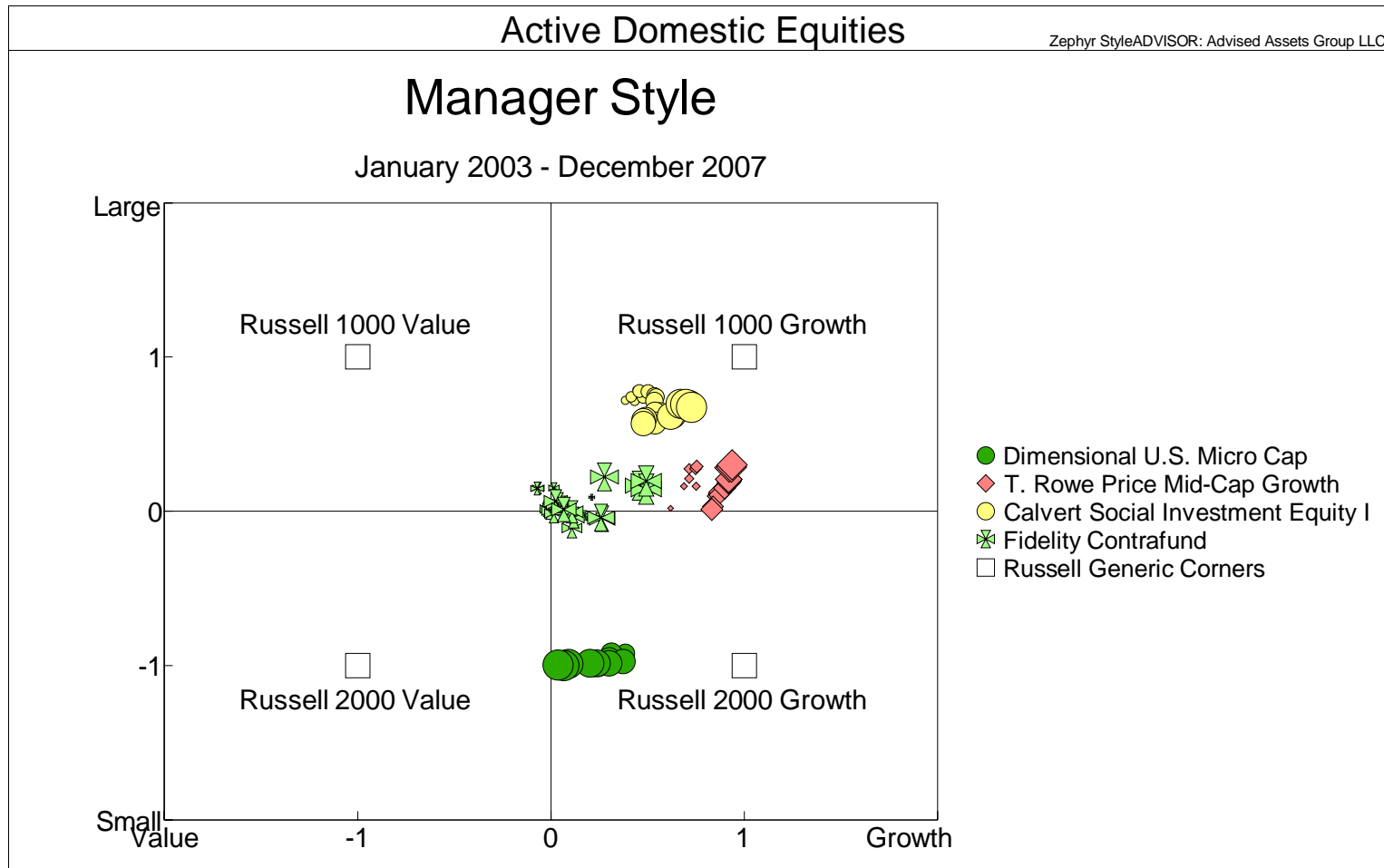
Manager Style

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



Manager Style Drift

Manager Style Graph: Each quadrant of the graph represents one of the four major domestic equity components of the market. From top left working clockwise the quadrants include Large Value, Large Growth, Small Growth and Small Value.



- **American Funds EuroPac R5** continues to beat all of its benchmarks over 1 and 3 years and most of its benchmarks over 5 years. The fund maintains lower than average volatility and expenses. American Funds manages this fund using a multi-manager structure that combines both growth and value investing styles, some exposure to emerging markets, and low turnover.
- **Barclay's EAFE Equity Index Fund** tracked within 22 bps (net of fees) over the 1yr period.
- **DFA U.S. Microcap** invests in the smallest 4% of U.S. exchange listed stocks with an average market cap of just under \$290 million. The fund contains between 2,500 and 3,000 holdings giving it an index approach to investing. This fund carries a higher standard deviation than the Morningstar Category average over 5 years, but has rewarded its shareholders by generating a higher return than the category over that same time period.
- **Barclay's Russell 2000 Index Fund** tracked within 2 bps (net of fees) with the index over 1 year.

- **T. Rowe Price Mid Cap Growth** outperforms its benchmarks over 1,3, 5, and 10 years. This fund's attention to valuation, contrarian investment style, and the manager's willingness to look for opportunity outside of traditional growth areas have kept this fund near the top of the mid cap growth space. The manager's attention to valuation has also helped to limit its downside risk.
- **Barclay's Mid-Cap Equity Index** tracks within 9 bps (net of fees) of the index over 1 year.
- **Calvert Social Investment Equity** outperforms all benchmarks over 1 year, and most of its benchmarks over 3 years. However, it underperforms most of its benchmarks over 5 years. This concentrated socially conscious fund looks for companies with solid balance sheets and solid profit margins. The fund's stock selection in the consumer discretionary and IT sector was a drag on returns.
- **Fidelity Contrafund** beat all of its benchmarks across all time periods. Will Danoff who manages this fund was named Morningstar Manager of the Year for 2007. Good bets in energy and IT have helped the fund maintain strong performance. That said, this fund continues to keep volatility down and sports a low turnover. The fund's large asset base does bear some watching.

- **Vanguard Instl Index Plus Fund** tracks within 1 bp (net of fees) over 1 year.
- **Vanguard Wellington** outperforms its benchmarks over all time periods. This fund practices a value oriented, long-term investing style. The low expense ratio is also a plus for this fund. Helping the fund's returns was a trimmed down financial exposure and continued exposure to the energy sector. This fund's large asset base does bear watching.
- **Vanguard Long-Term Bond** posted strong returns over 1 and 3 years, and beats one of its benchmarks over 5 years. The fund's focus on investing in high quality bonds, rated A3 or better by Moody's, reduces credit risk, and a low expense ratio gives it an advantage over most of its peers. However, investors do face some interest rate risk given the fund's average duration is longer than most of its peers
- **Barclay's US Debt Index** has tracks within 4 bps (net of fees) over 1 year.

- **Federated U.S. Government: 2-5 Year Institutional** beats most of its benchmarks over the 1, 3, and 5 year periods. This fund carries a higher duration than most of its peers, so the rising interest rate environment was particularly hard on this fund's actual and relative returns. As interest rates have fallen this fund's performance has improved. The fund ranks in the top 5% of its category over the 1 year period.
- **Vanguard Admiral Treasury Money Market Fund** posted a 4.78% return over the 1 year period. It also beat its benchmark over all time periods.
- **FDIC Bank Option** return for the quarter ending 12/31/2007 was 4.13%. For 2007, the interest rate is calculated by taking 50% of 12 month LIBOR as of 1/1/2006 less 40 bps plus 50% of the 3 month LIBOR less 40 bps. This blended rate is calculated each quarter.
- **Wisconsin Stable Value Fund** has strong performance over the 1, 3, and 5 year periods returning 5.11%, 5.10%, and 5.09% respectively. The fund is managed by Galliard Capital who maintains a very good reputation throughout the industry as a top stable value manager.

American Funds-

NASD

On August 30, 2006 American Funds was fined \$5 million for directed-brokerage abuses. This is the first regulatory penalty dealt to the fund complex. The ruling from an NASD panel, punishes American Funds for allegedly improper sales agreements it had with brokers from 2001 to 2003. American Funds has stated publicly that they disagree with the panel's findings and intend to appeal the decision.

California Attorney General

In March 2005, the California Attorney General filed a complaint in state court against American Funds Distributors (AFD) and Capital Research and Management Company (CRMC), the investment adviser to American Funds. The complaint relates to the sufficiency of disclosure of additional payments AFD made to broker-dealer firms in recognition of the cost and efforts involved in educating financial advisers about American Funds. On November 22, 2005, the Superior Court of California in the County of Los Angeles dismissed the California Attorney General's complaint. On February 7, 2006, the California Attorney General filed a notice that he will appeal the Court's decision. On January 26, 2007, a California State Court of Appeals panel ruled against the dismissal of the case overturning the Superior Court's earlier decision to dismiss the case. American Funds points out that the decision of the panel focuses strictly on the legality of the California Attorney General pursuing suit against American Funds. On February 15th 2008 the California Attorney General announced the case against American Funds would be dropped. This ends all litigation between the attorney general's office and American Funds.

Private Party Litigation

American Funds is currently involved in a class action suit that alleges the fees charged to shareholders are excessive. American Funds believes the case has no merit, and are in the process of defending themselves.

Performance Benchmarking of Active Options



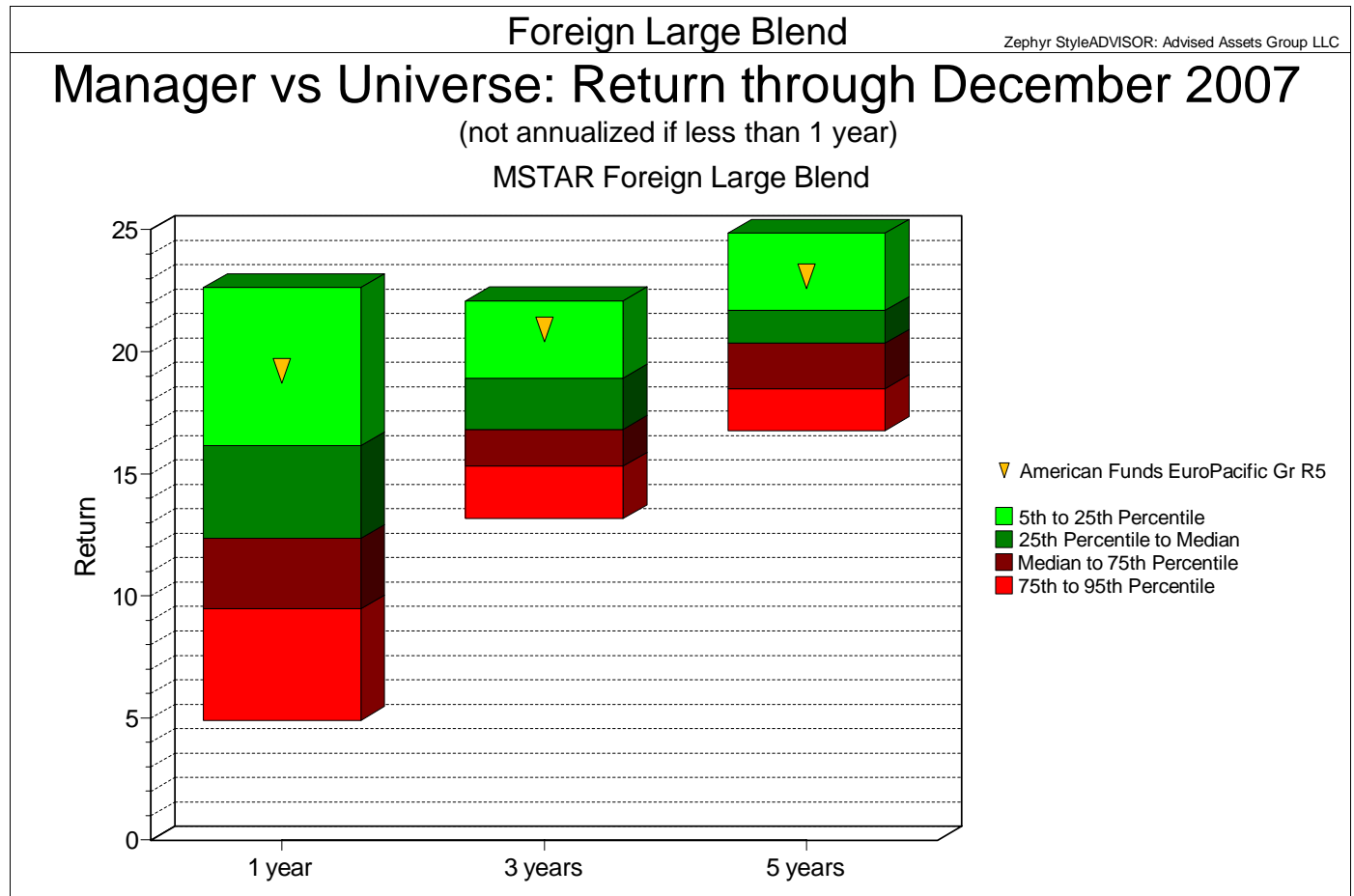
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Performance Benchmarking

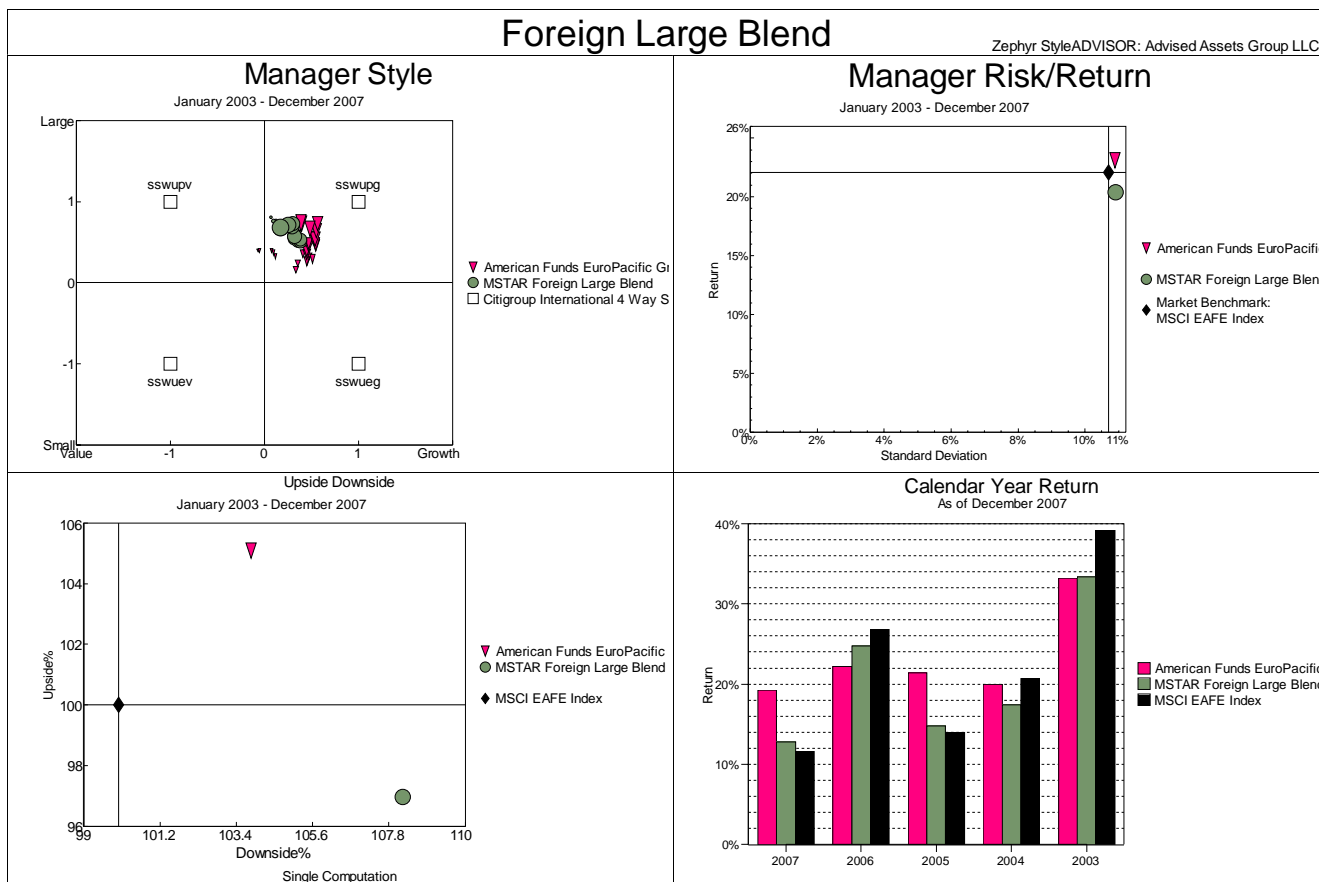
American Funds EuroPacific Growth Fund seeks long-term growth of capital. The fund normally invests at least 65% of assets in equity securities of issuers domiciled in Europe or the Pacific Basin. It may invest up to 20% of assets in securities issued in developing countries. Various factors will be considered when determining whether a country is part of Europe; a country will be considered part of the Pacific Basin if any of its borders touches the Pacific Basin. Note that the A shares are shown to the right for historical purposes. The plan uses the R5 Share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
American Funds EuroPacific Gr R5	19.22	20.92	23.10	10	11	19.22	22.17	21.39	19.98	33.24
Cat: Foreign Large Blend	12.71	17.22	20.31	--	--	12.71	24.77	14.72	17.39	33.58

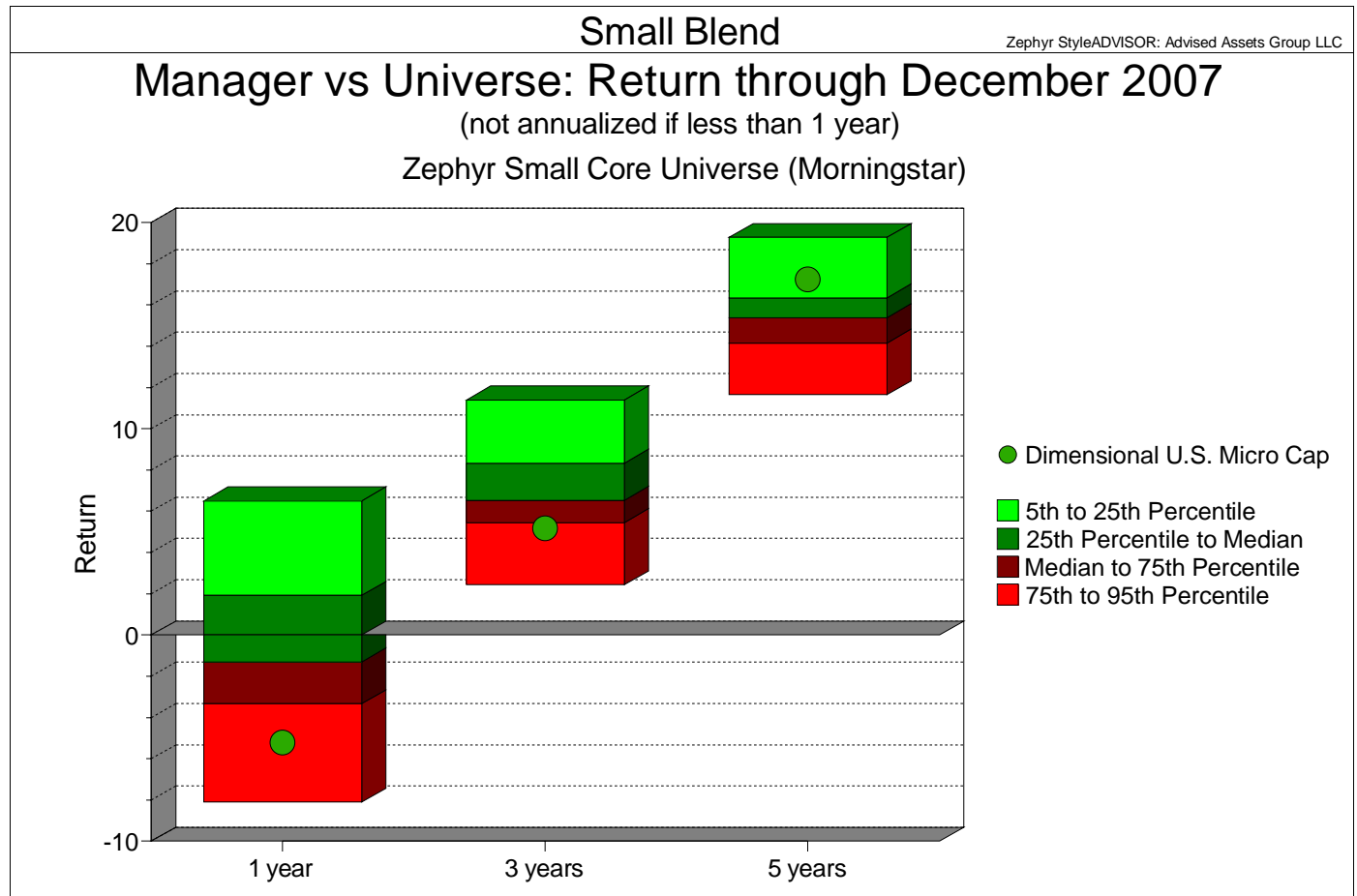
Risk Analysis



Name	Morningstar		Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	% Assets			
	Rating Overall	Rating						in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
American Funds EuroPacific Gr R5	4		10.27	10.89	114,471.10	6.48	469	17.70	27.00	24	0.53
Cat: Foreign Large Blend	3		10.69	11.35	3,675.79	8.62	667	29.74	72.92	4	1.51

Performance Benchmarking

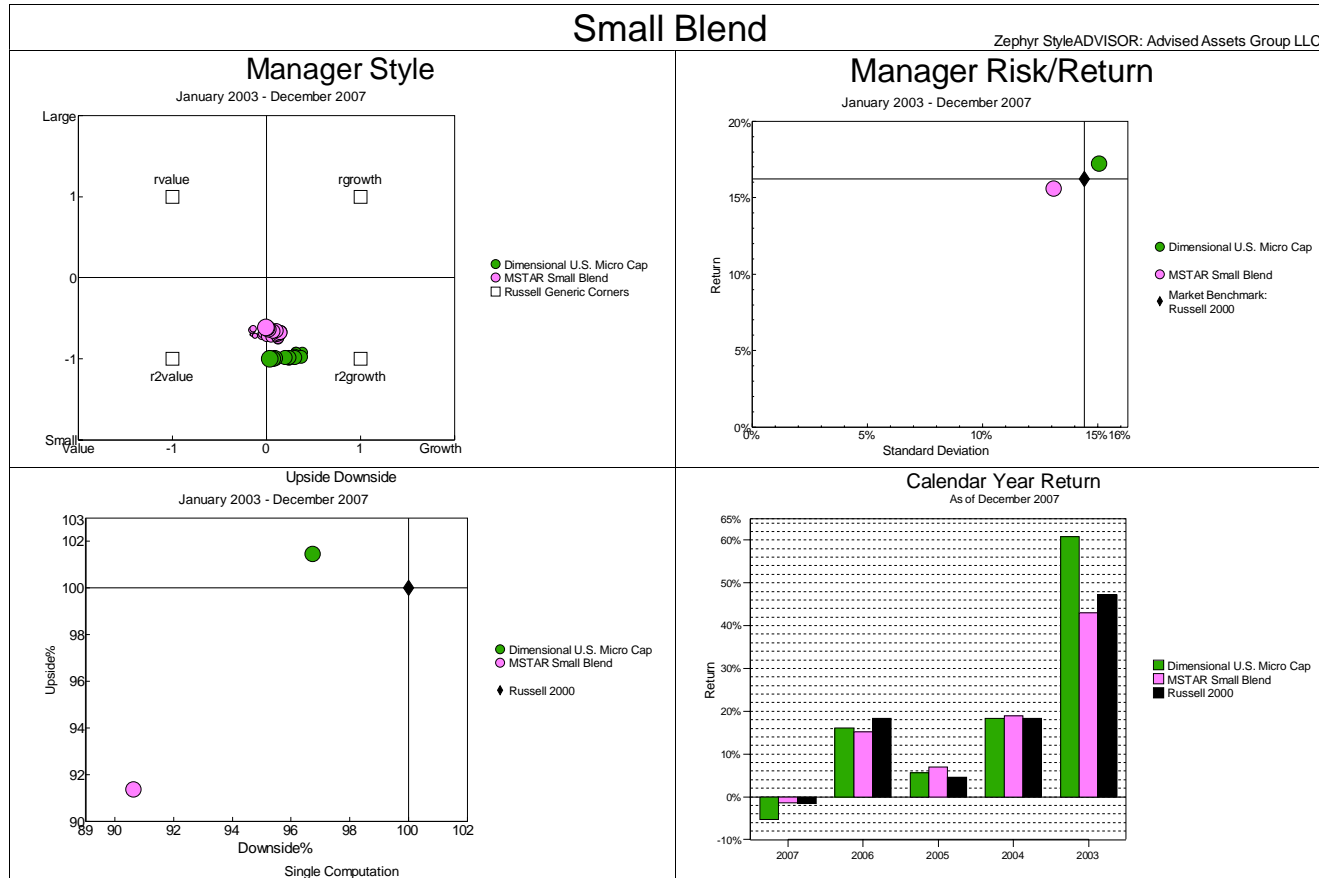
DFA U.S. Microcap seeks long-term capital appreciation. The fund invests in a diverse group of small companies with readily marketable securities. These companies may be traded on the NYSE, the AMEX, or over-the-counter market, but their market capitalizations must be comparable with those in the smallest quartile of the NYSE. The portfolio is re-balanced at least semiannually.



DATA SOURCE:
Morningstar
12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
DFA U.S. Micro Cap	-5.22	5.18	17.23	71	21	-5.22	16.16	5.69	18.39	60.72
Cat: Small Blend	-1.10	6.93	15.72	--	--	-1.10	15.03	6.75	18.94	43.41

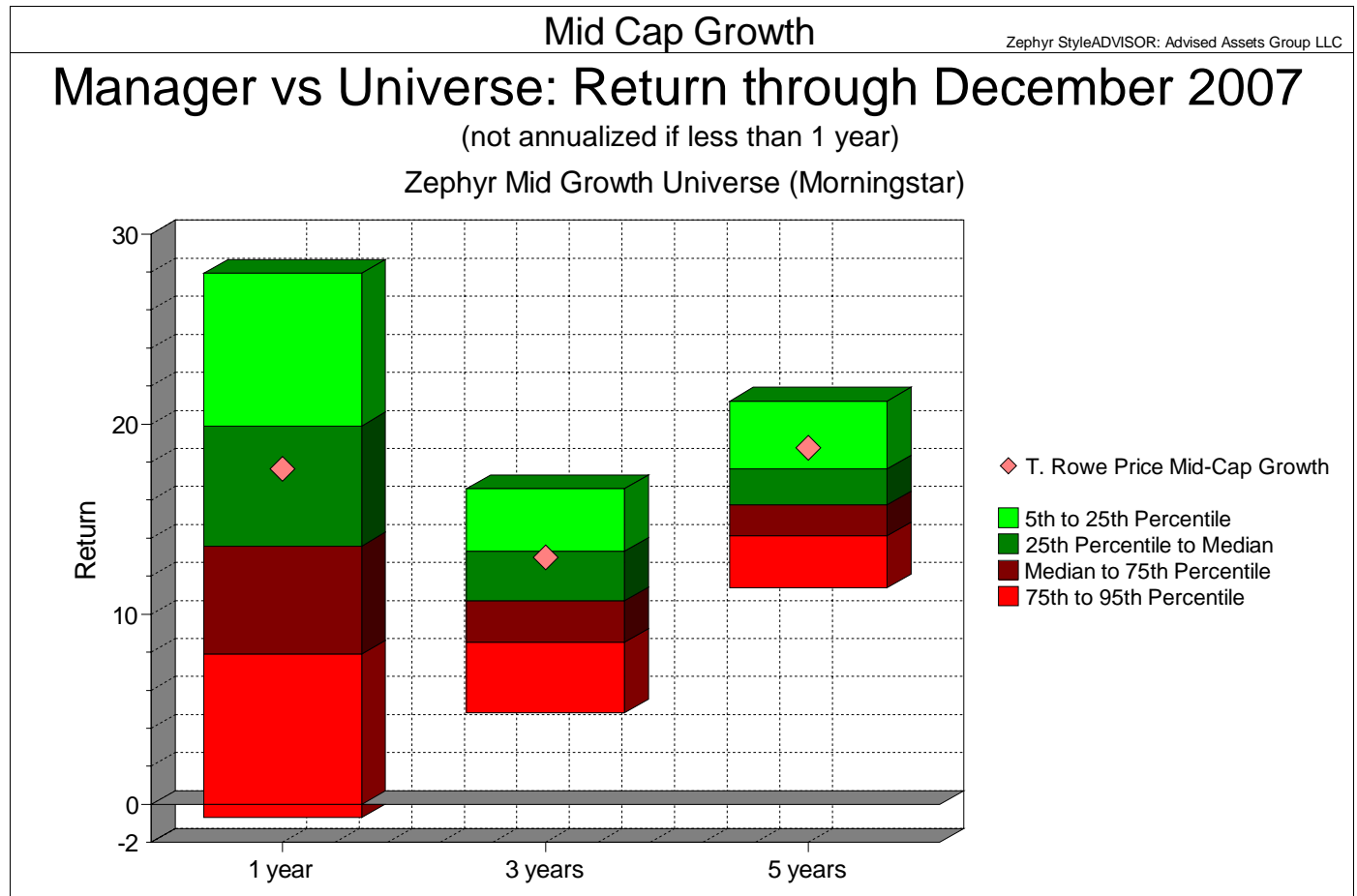
Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings in Top 10				
DFA U.S. Micro Cap	3	13.55	15.07	4,175.88	0.35	1	100	24.00	13	0.53
Cat: Small Blend	3	12.83	13.78	717.83	7.98	502	24.60	84.83	6	1.43

Performance Benchmarking

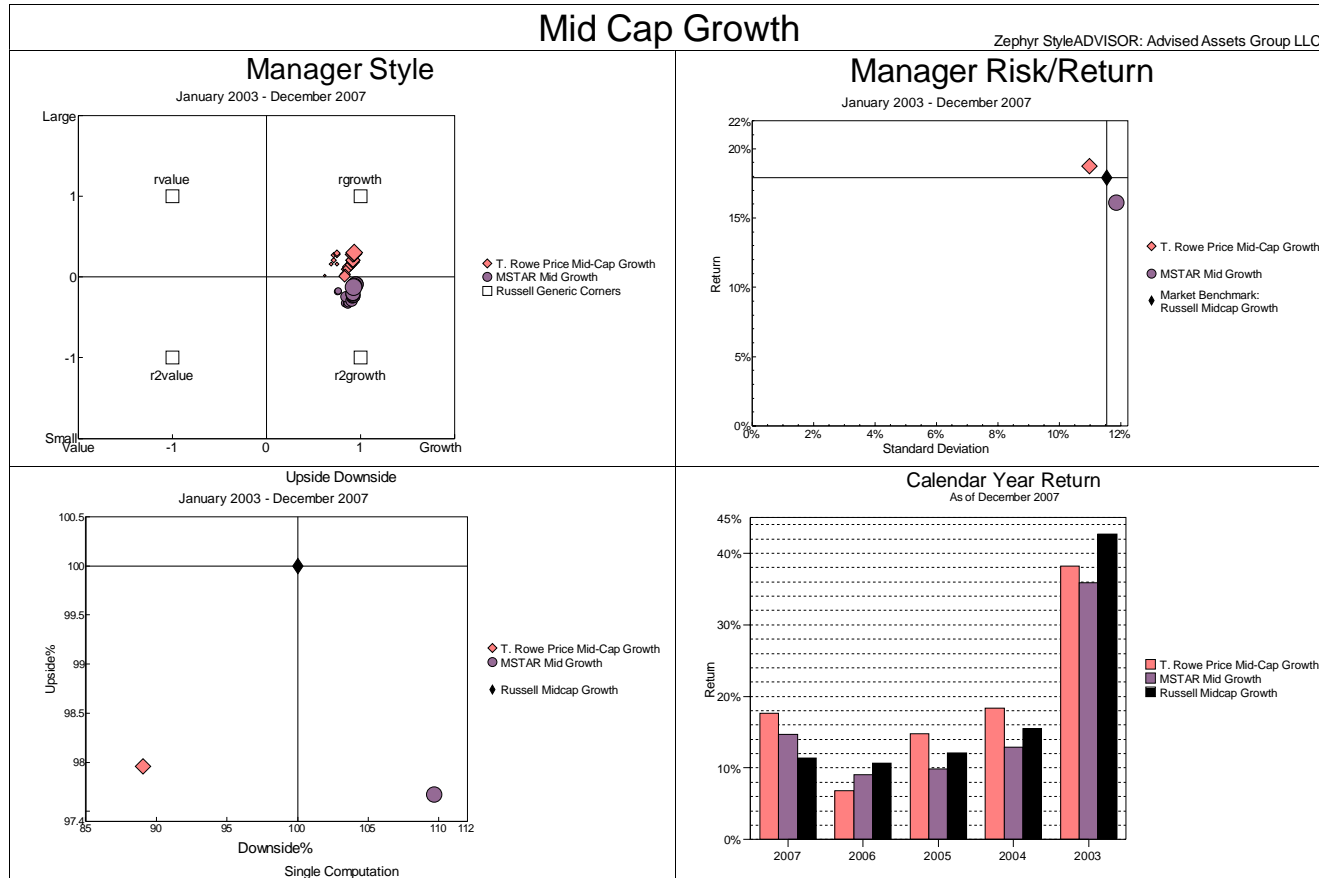
T. Rowe Price Mid Cap Growth Fund seeks long-term capital appreciation. The fund normally invests at least 80% of assets in mid-cap common stocks with above-average growth potential. The advisor seeks companies that offer proven products or services, have an above-average historical record of earnings growth, have the potential for sustaining growth, operate in industries experiencing increasing demand, or are reasonably valued.



DATA SOURCE:
Morningstar
12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
T. Rowe Price Mid-Cap Growth	17.65	12.99	18.74	32	23	17.65	6.79	14.82	18.39	38.21
Cat: Mid-Cap Growth	15.09	11.23	16.33	--	--	15.09	9.00	9.84	13.23	35.96

Risk Analysis

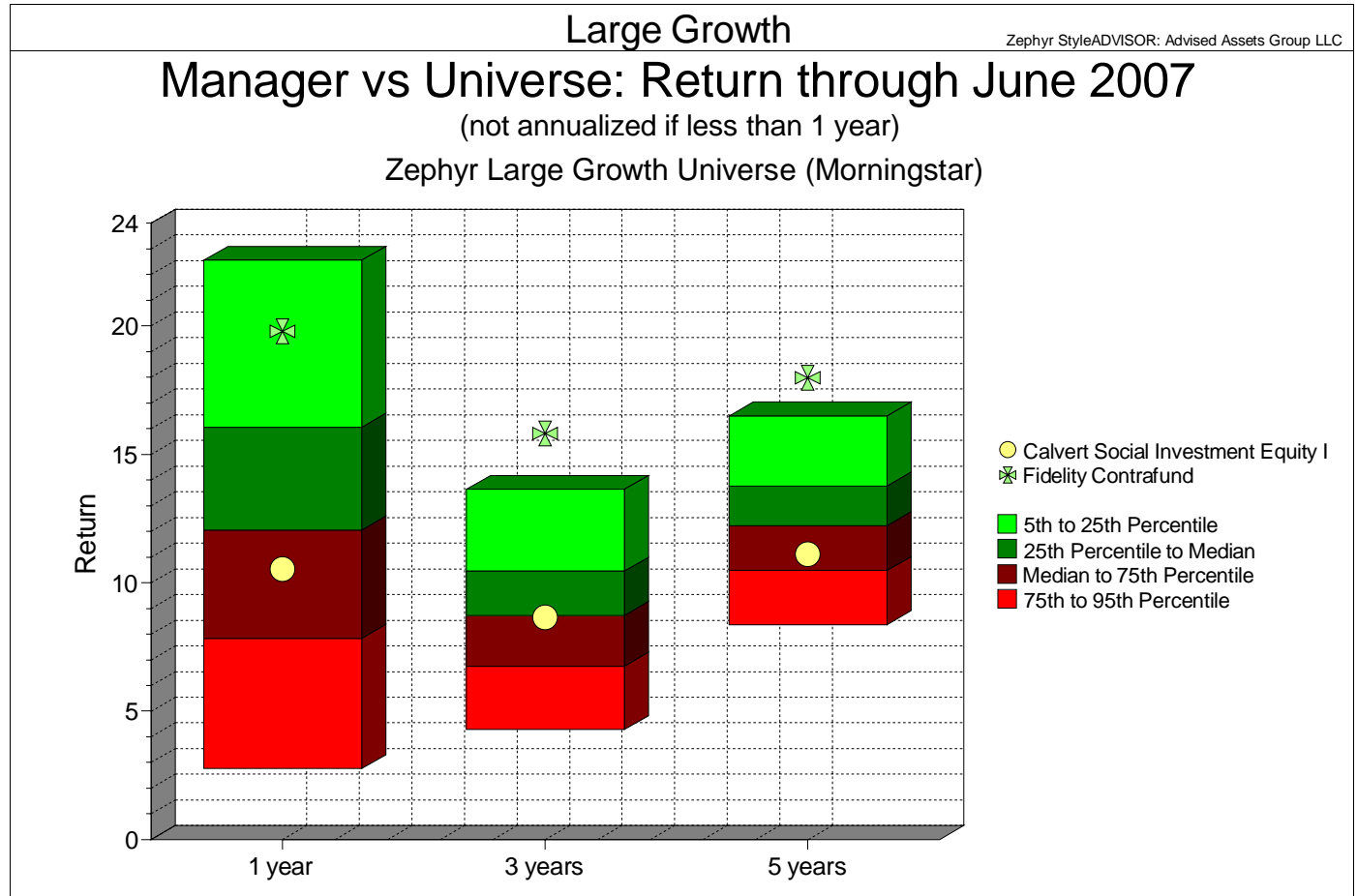


Name	Morningstar		%							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	Assets in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
T. Rowe Price Mid-Cap Growth	4	10.26	10.99	15,906.45	5.57	153	20.12	34.00	16	0.80
Cat: Mid-Cap Growth	3	12.10	12.74	875.43	3.50	661	30.37	112.06	5	1.52

Performance Benchmarking

Calvert Social Investment Fund seeks growth of capital. The fund invests with the philosophy that long-term rewards to investors come from those organizations whose products, services, and methods enhance the human condition and the traditional American values of individual initiative, equality of opportunity, and cooperative effort.

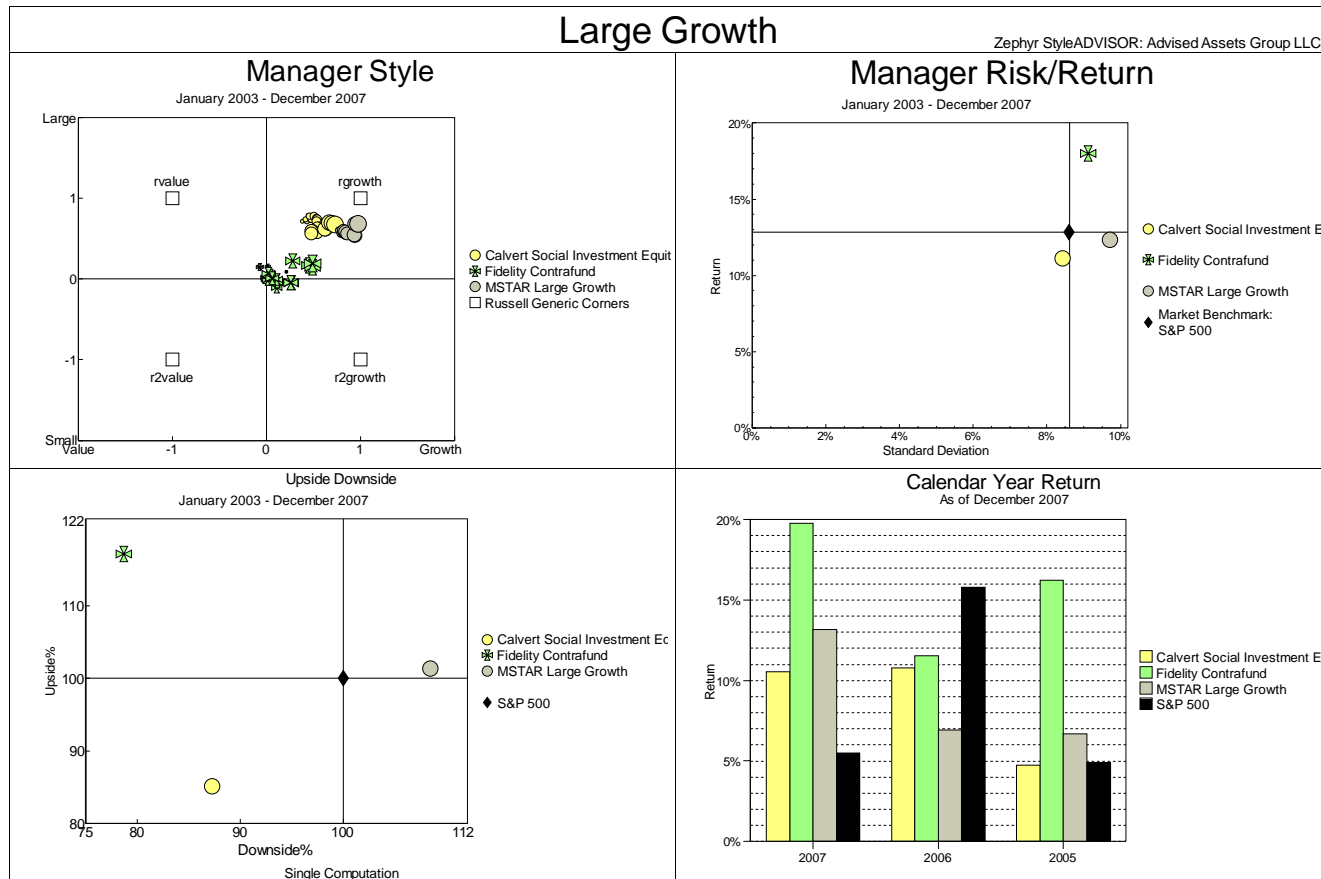
Fidelity Contrafund seeks capital appreciation. The fund invests primarily in the common stocks of companies believed to be undervalued. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as new management team or product launch or companies that are undervalued in relation to securities of other companies in the same industry.



DATA SOURCE: Morningstar 12/31/2007

	Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Calvert Social Investment Equity I	10.53	8.64	11.10	54	71	10.53	10.77	4.74	7.33	23.00
Fidelity Contrafund	19.78	15.80	17.99	4	5	19.78	11.54	16.23	15.07	27.95
Cat: Large Growth	13.35	9.11	12.75	--	--	13.35	7.05	6.71	7.81	28.66

Risk Analysis



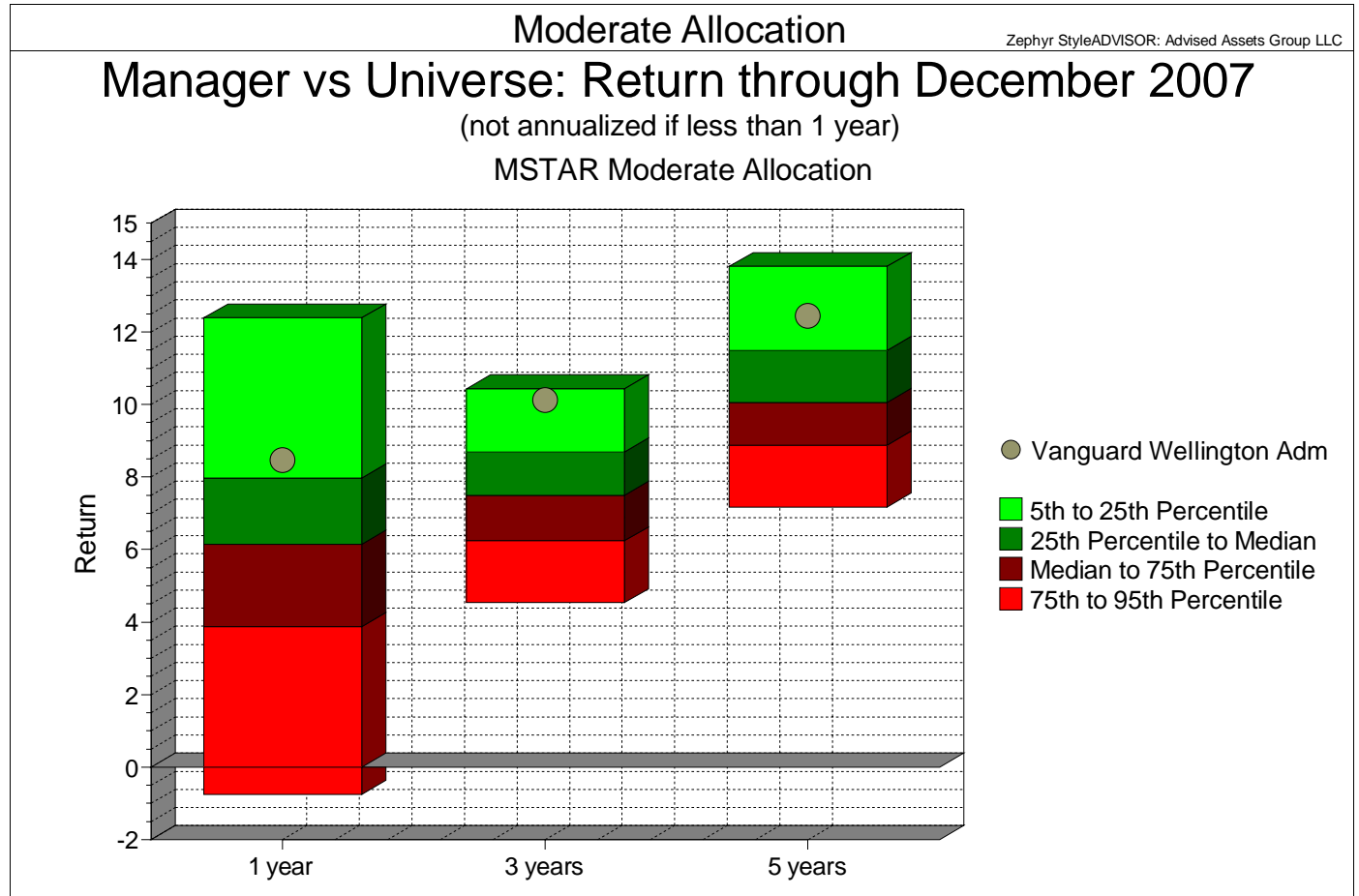
Name	Morningstar		% Assets							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Calvert Social Investment Equity I	3	7.61	8.43	1,215.76	0.00	65	34.32	35.00	9	0.67
Fidelity Contrafund	5	9.14	9.12	72,968.96	10.05	410	35.32	76.00	17	0.90
Cat: Large Growth	3	10.09	10.50	3,227.25	3.83	499	35.92	98.65	6	1.40

Performance Benchmarking

Vanguard Wellington seeks moderate long-term capital growth and current income. The fund invests at least 60-70% of assets in dividend-paying value stocks, and to a lesser extent, non-dividend paying stocks of established medium-size and large-size companies. It may also invest 30-40% of assets in the following securities: high quality intermediate, long-term corporate, and U.S. government bonds with an average maturity of 5 to 15 years.

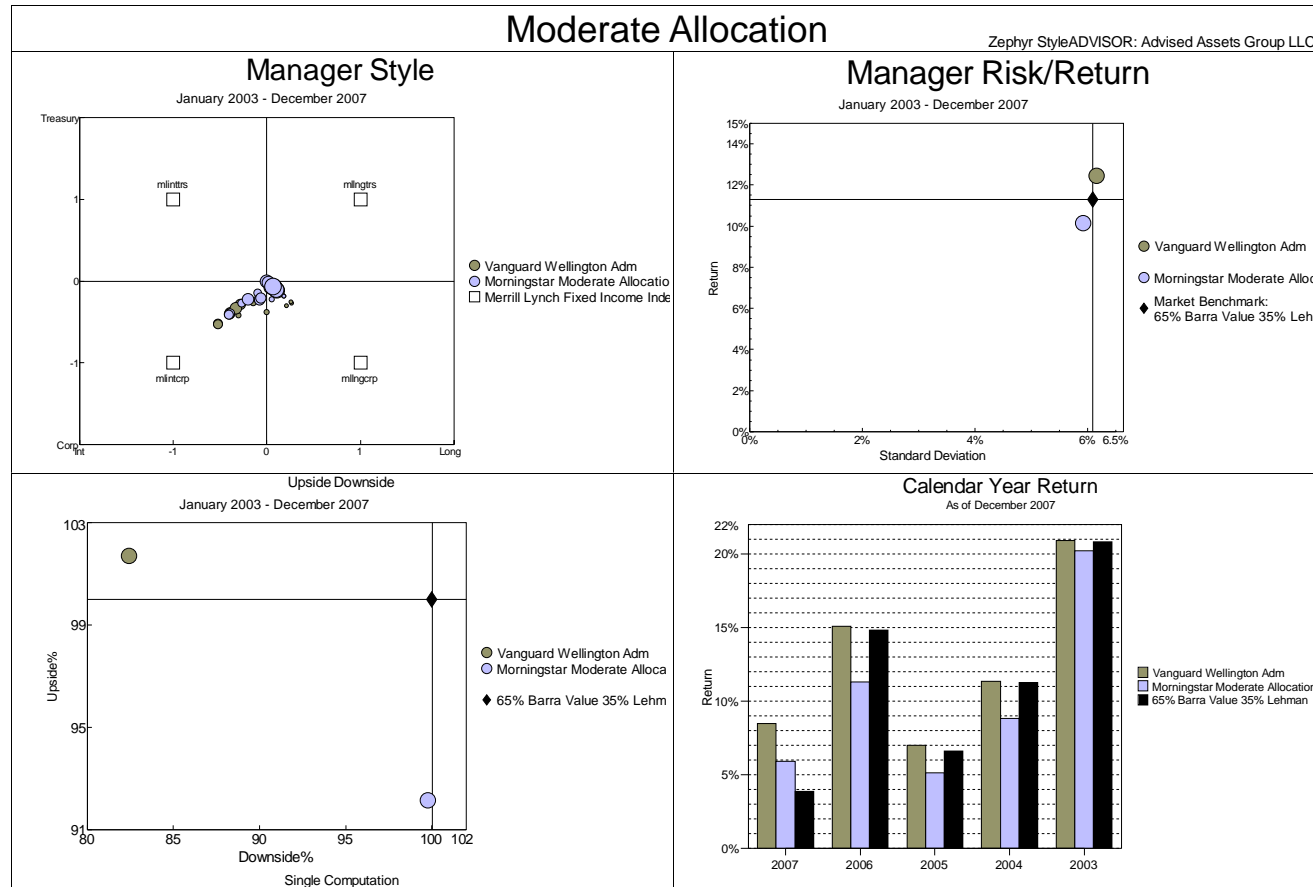
Note that the retail shares are shown to the right for historical purposes. The Plan uses the lower-cost Admiral share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Vanguard Wellington Adm	8.48	10.12	12.44	5	13	8.48	15.07	6.99	11.34	20.90
Cat: Moderate Allocation	5.99	7.32	10.24	--	--	5.99	11.29	5.13	8.86	20.35

Risk Analysis



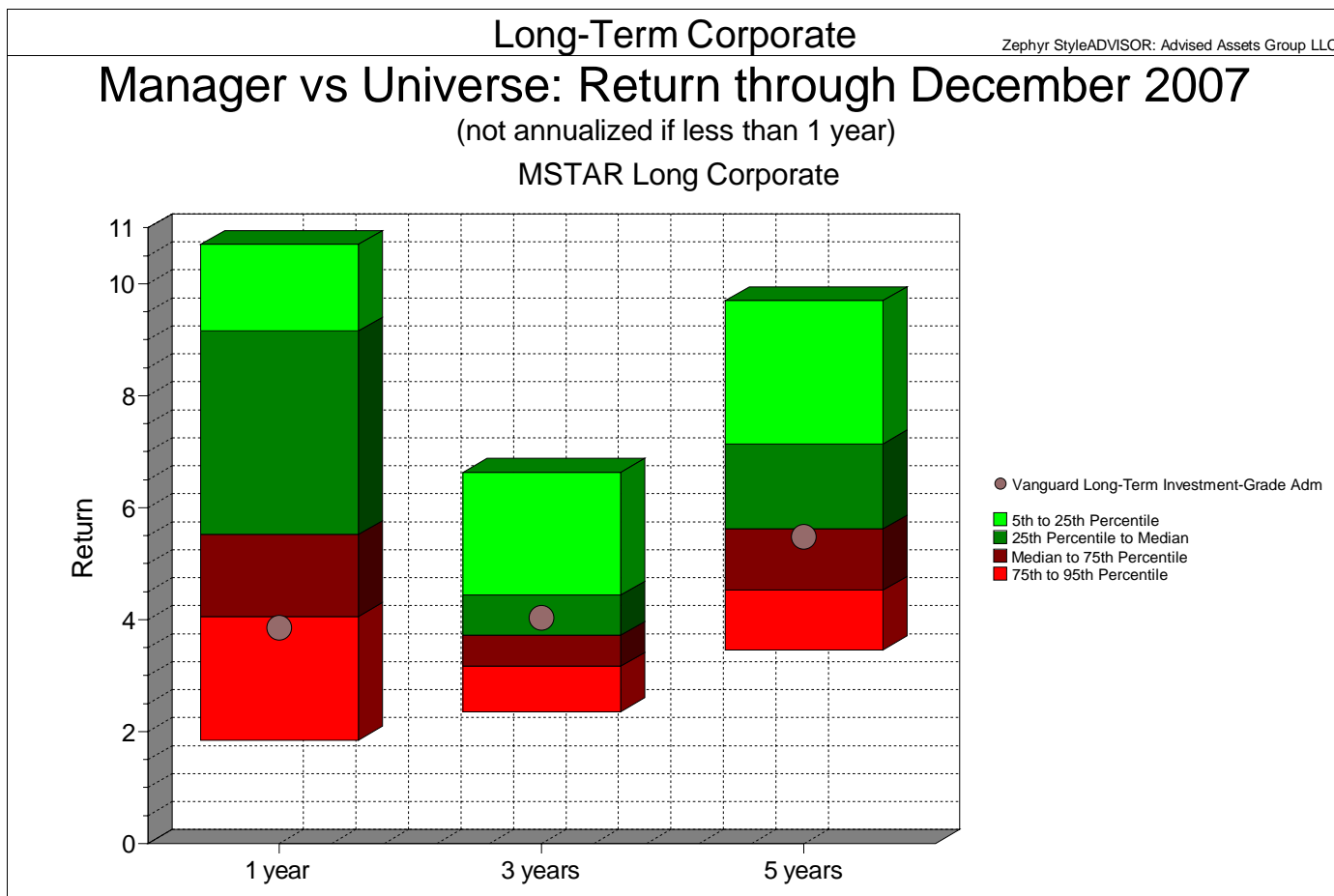
Name	Morningstar		Assets							
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings	% in Top 10	Turnover Ratio	Mgr Tenure	Expense Ratio
Vanguard Wellington Adm	5	5.04	6.16	49,110.76	2.40	2552	17.13	25.00	5	0.17
Cat: Moderate Allocation	3	5.80	6.40	3,458.79	12.45	464	51.87	67.46	6	1.39

Performance Benchmarking

Vanguard Long-Term Investment-Grade Bond Fund seeks current income consistent with maintenance of principal and liquidity. The fund typically invests at least 80% of assets in high-quality corporate bonds; it invests at least 80% of assets in a combination of U.S. government securities and investment-grade corporate bonds. The average weighted maturity generally ranges from 15 to 25 years.

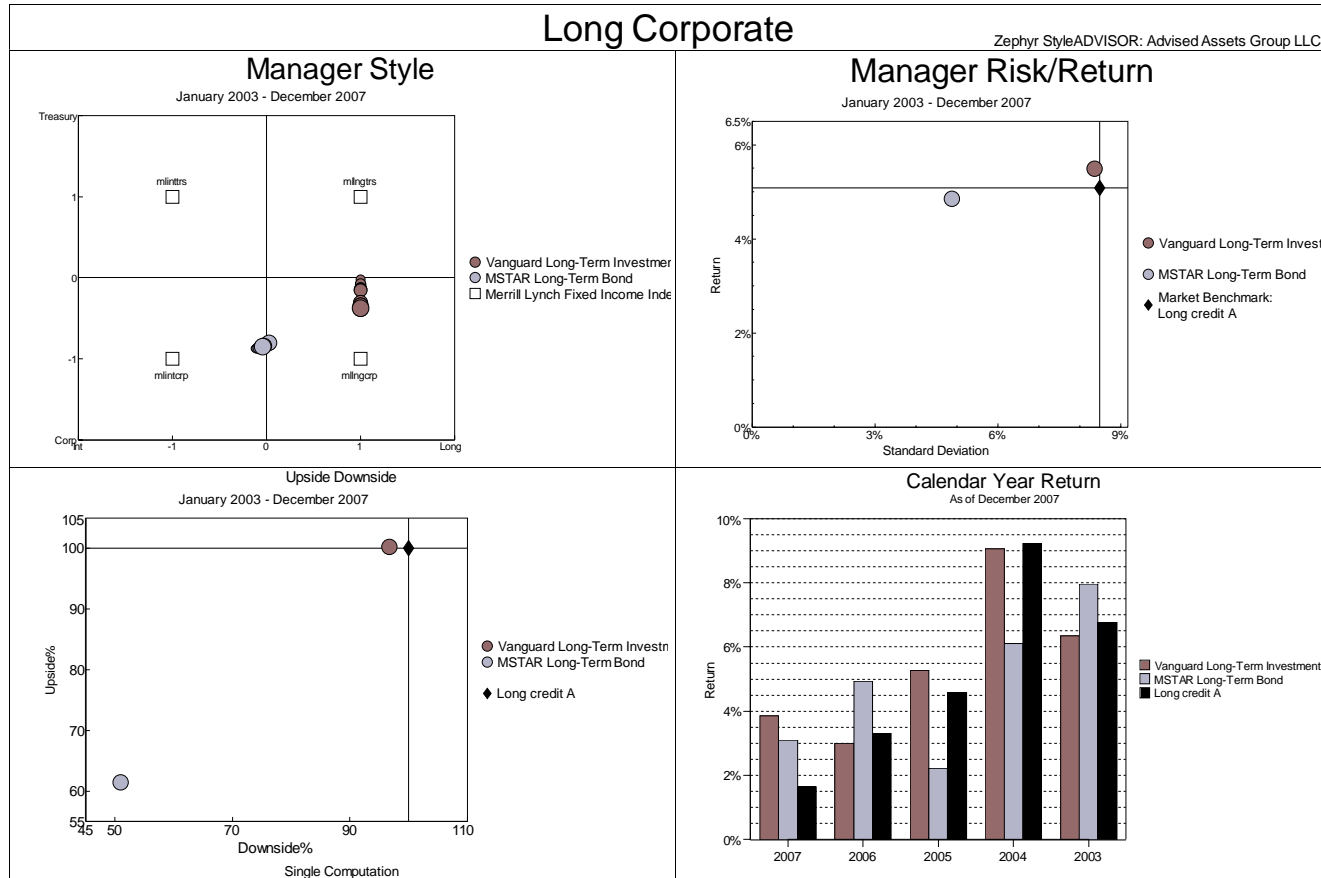
Note that the retail shares are shown to the right for historical purposes. The Plan uses the lower-cost Admiral share class.

DATA SOURCE:
Morningstar
12/31/2007



	Tot Ret Tot Ret 1 Yr	Tot Ret Annlzd 3 Yr	Tot Ret Annlzd 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Vanguard Long-Term Investment-Grade Adm	3.86	4.03	5.48	28	61	3.86	2.99	5.27	9.06	6.36
Cat: Long-Term Bond	3.10	3.75	5.86	--	--	3.10	4.43	2.23	6.47	8.79

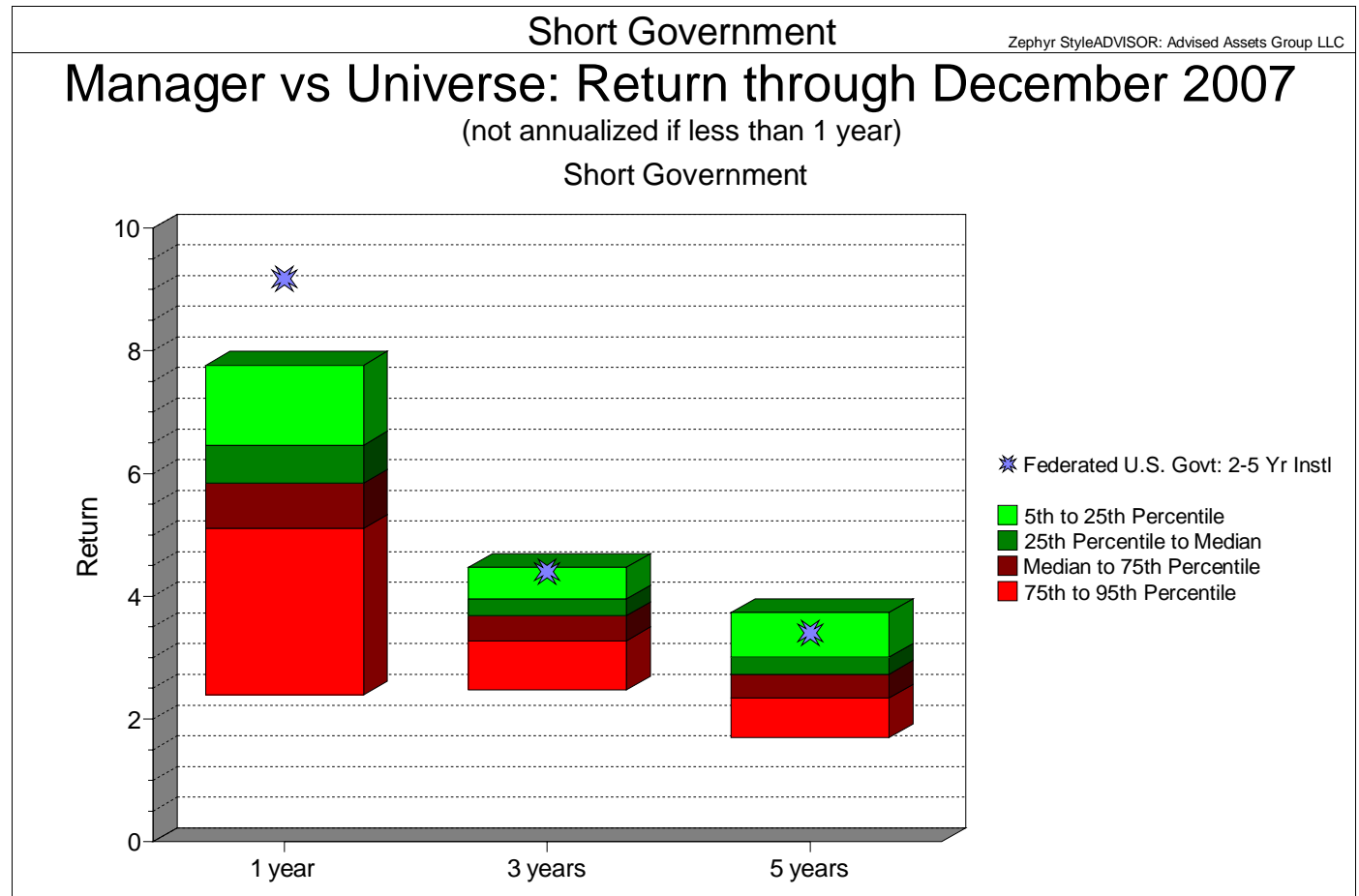
Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings				in Top 10
Vanguard LT Investment-Grade Adm	2	6.80	8.36	5,738.48	0.58	224	15.82	15.00	14	0.12
Cat: Long-Term Bond	3	4.68	6.85	633.96	25.58	561	47.56	155.33	3	0.84

Performance Benchmarking

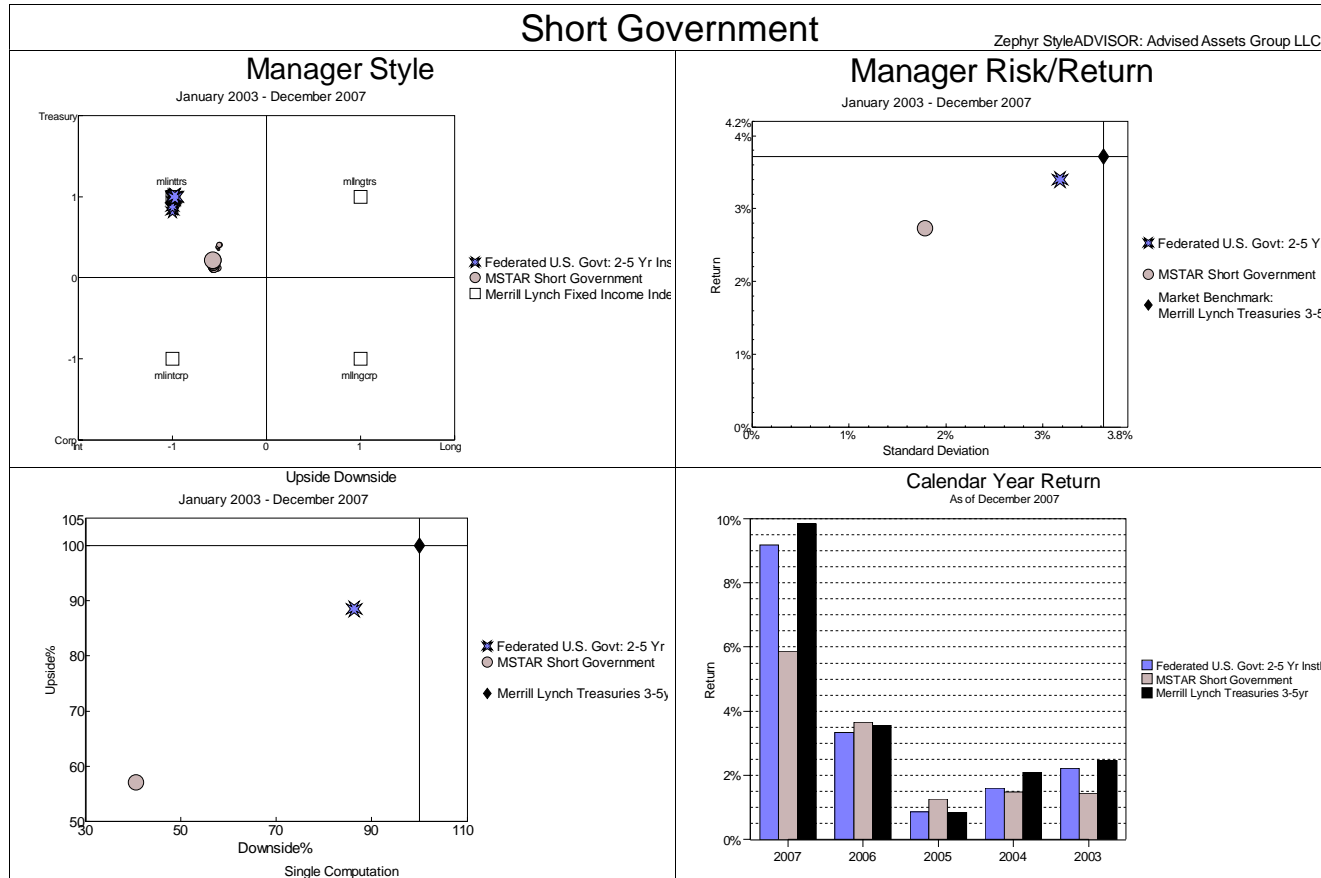
Federated U.S. Government Securities: 2-5 Year Trust seeks current income. The fund invests only in U.S. government securities with a dollar weighted duration between two and five years. It may enter into repurchase agreements.



DATA SOURCE: Morningstar 12/31/2007

	Tot Ret Tot Ret 1 Yr	Tot Ret Annld 3 Yr	Tot Ret Annld 5 Yr	Tot Ret % Rank Cat 3 Yr	Tot Ret % Rank Cat 5 Yr	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)	Annual Return (2003)
Federated U.S. Govt: 2-5 Yr Instl	9.18	4.40	3.40	6	6	9.18	3.34	0.87	1.60	2.22
Cat: Short Government	5.87	3.58	2.66	--	--	5.87	3.67	1.26	1.46	1.45

Risk Analysis



Name	Morningstar		Assets				Turnover Ratio	Mgr Tenure	Expense Ratio	
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	Total # of Holdings				% in Top 10
Federated U.S. Govt: 2-5 Yr Instl	5	2.78	3.18	731.92	5.02	21	66.09	128.00	3	0.60
Cat: Short Government	3	1.46	1.81	480.40	15.55	295	58.91	142.59	8	0.93

Lifecycle Options



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Lifecycle Option Report Card

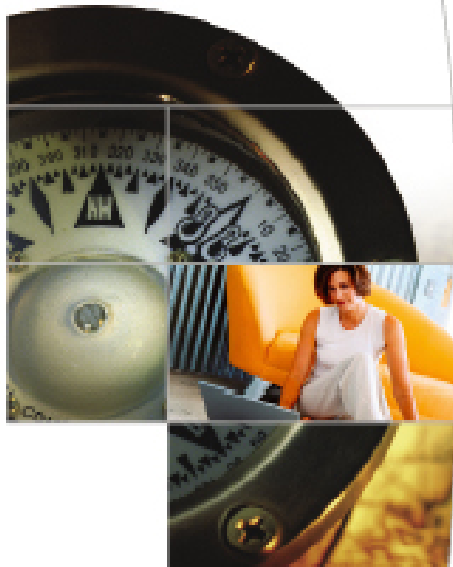
Name	Tot Ret		1 year	3 year	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	% Short Term	% US Stocks	% Non US Stocks	% Inv Grade Bond	% High Yield Bond
	3 Mo	6 Mo										
Vanguard Target Retirement 2015	-0.67	1.75	7.55	7.94	7.55	11.42	4.94	0	51	13	36	0
Fidelity Freedom 2015	-0.78	1.33	7.82	8.39	7.82	10.36	7.01	7	44	11	33	6
T. Rowe Price Retirement 2015	-1.60	-0.04	6.75	9.01	6.75	13.73	6.69	4	59	11.5	20.25	5.25
Composite Returns*			7.50	7.96	7.50							
Dow Jones Target 2015	0.60	3.58	7.78	7.59	7.78	9.49	5.54					
Vanguard Target Retirement 2025	-1.62	0.71	7.59	8.71	7.59	13.24	5.45	0	63	16	21	0
Fidelity Freedom 2025	-1.32	0.88	8.64	9.55	8.64	11.84	8.19	0	56	14	22	8
T. Rowe Price Retirement 2025	-2.30	-1.18	6.81	9.82	6.81	15.44	7.42	0	71	13.5	11.25	4.25
Composite Returns*			7.61	8.79	7.61							
Dow Jones Target 2025	-0.95	1.33	8.31	10.34	8.31	13.75	9.03					
Vanguard Target Retirement 2035	-2.23	-0.14	7.49	9.61	7.49	15.24	6.30	0	72	18	10	0
Fidelity Freedom 2035	-1.83	0.56	9.27	10.40	9.27	12.94	9.04	0	66	17	10	8
T. Rowe Price Retirement 2035	-2.79	-1.70	6.81	10.27	6.81	16.18	8.05	0	76.5	15	5.75	2.75
Composite Returns*			7.50	9.73	7.50							
Dow Jones Target 2035	-2.02	-0.20	8.48	11.90	8.48	16.25	11.10					
Vanguard Target Retirement 2045	-2.29	-0.20	7.47	10.06	7.47	15.98	6.95	0	72	18	10	0
Fidelity Freedom 2045	-2.03	0.51	9.50		9.50			0	68	17	4	10
T. Rowe Price Retirement 2045	-2.83	-1.67	6.84		6.84	16.15		0	76.5	15	5.75	2.75
Composite Returns*			7.50	10.15	7.50							
Dow Jones Target 2045	-2.25	-0.53	8.46	12.11	8.46	16.64	11.36					
Vanguard Target Retirement Income	1.63	4.63	8.17	5.94	8.17	6.38	3.33	5	24	6	65	0
Fidelity Freedom Income	0.08	1.47	4.83	4.99	4.83	6.37	3.78	40	20	0	35	5
T. Rowe Price Retirement Income	-0.10	1.71	6.10	6.96	6.10	9.98	4.87	30	35.25	6.25	24	4.5
Composite Returns*			8.09	5.96	8.09							
Dow Jones Target Today	1.44	4.12	6.48	5.20	6.48	6.52	2.64					

*Composite returns based on returns of passive benchmarks representative of the asset allocation of each fund. Benchmarks (per Vanguard) are the MSCI US Broad Market Index, Lehman Aggregate, Lehman US Treasury TIPS, 3 Month T-bill MSCI EAFE Index, and MSCI Emerging Markets Index

Lifecycle Option Observations

- Vanguard Target Retirement Funds are in-line with their composite indices over the 1 year and 3 year periods.
- Vanguard mostly trails the Dow Jones Indices.
- The Vanguard Target Retirement Funds are in-line with their competitors over the near term periods, but mostly trail over the 3 year period.
- Vanguard's target allocations give them equity exposure that is in-line with their competitors, and international exposure that is greater than most of their competitors.
- Vanguard has a smaller allocation to short term debt than its peers, but a greater allocation to investment grade bonds than its peers.

Economic Overview



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Key Themes:

- Turmoil in credit markets likely to continue in first months of 2008. Ongoing uncertainty surrounding structured products likely to keep stock markets volatile.
- Credit problems are spilling over into the broader economy; lending standards are tightening, impacting both the consumer and business. Investors worry about recession.
- The Fed has become more aggressive, cheering equity markets but providing the bond market with worries about inflation. For the foreseeable future, the Fed is likely to concern itself more with the increasing risks to economic growth rather than inflation.
- While earnings profits for most U.S. corporations are expected to soften further, stock valuations remain quite favorable, especially for larger companies with international exposure. This will help cushion the impact of further stock market volatility.
- Developed international markets are responding in varying degrees to credit problems and U.S. economic slowing. European markets may be peaking, while Japanese stocks look increasingly attractive to analysts.
- Emerging markets are still being propelled by strong growth, although the underlying economies should take a breather as the U.S. and Europe work through the present cycle. Investors should be wary of the possibility that a bubble is forming for the asset class as a whole.
- Long-term changes are taking place in the U.S. global economic structure. Markets will digest new information on a periodic basis, creating an environment more prone to volatility than investors have grown used to over the past few years. A disciplined long-term approach will serve most investors well in this environment.

Investors are concerned about recession in the U.S. as 2008 begins. While a definite risk, it needs to be viewed in perspective. Recent history shows that it's usually the anticipation leading up to a recession that depresses stock prices rather than the actual experience of the recession itself. Stocks normally begin to stabilize within a short period following the official recognition of the recession. In three of the last four recessions, stocks actually gained ground.

A number of analysts are anticipating that, just as the U.S. market led into this down cycle, it is historically likely that it will begin to strengthen before most other markets.

Global Economy

The collapse of the U.S. housing market bubble continues to reverberate, impacting economic activity to varying degrees throughout the world. While **global recession remains unlikely**, the increasing economic slowdown and risk of recession in the U.S. is making itself felt in myriad ways.

Most visible at present, of course, are the **ongoing problems in the credit markets**. Central Banks have been responding both by injecting liquidity directly into the banking system and by providing some easing of broad interest rates. Unfortunately, the sheer scale of the problems in the credit markets – mortgages, bond insurers, private equity and buyout activity, as well as all the uncertainty surrounding structured products – means that the world's large banks have some way to go yet to fully rebuild their capital structures; until that process completes, new credit issuance will remain limited, affecting both business and consumers.

Regions are being affected differently; the **developed economies in Europe are struggling with issues similar to those in the U.S.**, including home price deflation—particularly in Spain and the U.K.—and the unraveling of the structured products market. The business cycle there had not yet advanced as far as in the U.S., so the turmoil in the financial markets was offset to a degree by economic momentum that was still in a strong uptrend. In fact, the European Central Bank has yet to cut interest rates.

The developing economies of **Asia and Latin America are being affected by wholly different dynamics**. Strong internal growth and high savings rates, coupled with negligible participation in the structured products markets, translated to significantly less immediate reaction to the ongoing turmoil in the developed world. The impact there is likely to be felt as a more measured business slowdown. For instance, economies like Taiwan, Singapore and South Korea are already experiencing slowing in key areas such as electronics exports—the U.S. consumer, representing 19% of world economic activity, has pulled back on non-essentials. The cascading effect of this type of business slowdown will in part be the basis for overall slowing in these economies.

Given these effects, **the idea that developed and developing markets have somehow**

“decoupled” seems overblown. Still, the strong internal growth due to ongoing restructuring within both Europe and a large number of developing economies has effectively counterbalanced much of the deflationary effects from the U.S. housing market. “Desynchronization” seems a more accurate depiction of present economic activity, as new dynamics have certainly come into play. Global economic activity is being driven by a widening array of sources, providing a broader base of support. At the same time, economic ties between countries and regions have grown in both complexity and number. It seems more accurate, then, to note that developing economies have gained a measure of independence from the day-to-day impact of short-term economic disruptions in the developed world, but remain tied through longer-term business cycles.

This combination of increased interdependence and visible desynchronization actually complicates the job of central bankers. Their focus and primary influence is domestic, but global pressures increasingly have a countervailing effect that can limit the effectiveness of monetary actions. In the U.S., where growing economic weakness is the central issue, the Fed is under pressure to ease. Continued strong growth outside the U.S., however, means other central banks are more concerned with inflation. Pressure there has been to tighten. Easing in the U.S., then, weakens the dollar against other currencies, and imports inflation as U.S. purchasing power declines. The Fed has been increasingly torn between fighting inflation and stimulating the economy.

Further, **monetary stimulus may have a limited effect in this environment**. Each time the Fed has cut in the past few months, the equity markets have rallied for one day, then resumed their downward trend. This underscores the concern that the economy is facing structural issues that a less restrictive credit environment cannot entirely address.

Unarguably, there are myriad components of high importance to global economic growth. Over the past several months, there has been a slow unwinding of the vast leverage that had gradually grown within the credit markets. The ongoing uncertainty as to how and when this process will ultimately end is affecting both financial markets and business planning.

A strong case can be made that another important component for global growth is the ongoing health of the U.S. consumer. Despite the impressive economic gains being made worldwide, the U.S. remains the primary force in the global economy. *One fifth of world GDP is tied to the U.S. consumer.* In turn, the consumer constitutes an even more elemental force in the U.S. economy: fully 70% of domestic GDP is attributable to this sector.

The slow but constant increase in pressure on the U.S. consumer is a subject under much scrutiny. The deflation in home prices is only the latest challenge. Real income growth has been stagnating for decades. Households initially compensated by adding a second household income as women entered the workforce in record numbers. As the percentage of income taken up by healthcare, education and retirement steadily increased, Americans took on more household debt. Ultimately, of course, they tapped into their most important asset and utilized the equity in their homes. At each stage, **household balance sheets have become less resilient to financial shock.**

U.S. consumer spending has been a closely watched statistic these past few months; indeed, the “resiliency” of this sector has been lauded as one of the important pillars holding up the U.S. economy following the spread of the subprime contagion. Holiday spending was down, however, and the effects were felt from the local mall to Asian manufacturers. While much has been made of the strength in corporate balance sheets, it seems counterintuitive to expect robust overall economic growth when the engine that is the U.S. consumer is sputtering.

Global growth is set to slow to 4.6% in 2008, down from 5% in 2007. This is likely to be a net positive for the global economy, as it will lower inflationary pressure and allow central banks outside the U.S. to begin easing interest rates. Pressure will ease on the U.S. currency and, in turn, the U.S. consumer.

Regions

U.S. – what has long been characterized as a mid-cycle slowdown appears to be developing into a full-blown recession. Factors contributing to the economic slowdown include an ongoing decline in residential construction activity, a flattening of business equipment investment, financial market turbulence, tighter lending standards, a weakening

jobs market, eroding home prices and deteriorating consumer confidence. In the positive column, strong growth in much of the rest of the world, coupled with strong corporate balance sheets and a favorable exchange rate mean that most larger corporate entities will continue to do relatively well.

The Fed has been responding to increased downside economic risks slowly, but as the new year began, promised to move more aggressively “as the situation warrants.” Even with economic growth now at the top of the agenda, inflation remains a central concern. Oil prices continue to wreak havoc on the consumer price index. Even though oil prices are expected to moderate slightly, it seems doubtful that they’ll move back to levels below \$70. Long-term structural changes in the global economy—particularly the voracious energy appetite throughout the developing world—appear to have shifted equilibrium prices for both food and energy into new territory. This inflationary pressure doesn’t just affect the U.S., of course, but the concomitant erosion in U.S. purchasing power represented by the ongoing decline in the dollar makes the Fed’s job extremely difficult.

GDP growth in the U.S. is expected to run well below trend throughout 2008. Expectations run in a range from 0.9% to 1.5%, with the first half of the year possibly running in the negative.

Europe

Eurozone GDP growth was strong throughout the past year, gaining 2.9% in 2007. Business investment was stimulated by a continuing increase in exports. Unlike in the U.S., a robust business environment did not extend to any degree into the Continent’s consumer sector (the U.K. more so), so the expansion appears to have topped out in mid-year. This coincides with the beginning of a tightening cycle by the European Central Bank (ECB), and a currency that continued to gain in strength throughout the year.

The credit crisis extended well into the U.K., Germany and France, the big three economies in Europe. Many of their financial institutions are finding themselves in similar straits to their U.S. brethren, so those economies are also struggling with credit difficulties. Higher energy prices and strong currencies contribute to a less accommodative business environment; **growth throughout the region is expected to slow to 1.9% in 2008.**

Developing Economies

As in the U.S., these factors provide competing priorities for the two central banks to consider. The Bank of England, dealing with softening in both housing and consumer spending, as well as the virtual implosion of a large mortgage lender, has lowered rates. Further cuts may be considered. The ECB, with a more benign environment, remains focused strongly on inflation. Concerns there center around the so-called “second round” effects from the run-up in energy prices; a move to tighten in the first half of 2008 is not out of the question.

Japan

Good strides have been made in the Japanese economy throughout the decade. Excess debt and capacity have been eliminated, paving the way for a self-sustaining recovery beginning in 2003. Business investment and consumer spending both have made positive contributions to growth in the period since, putting in place an expansion that is both more broad-based and resilient than past expansions, which were essentially export-led.

The last three quarters have proved disappointing, however. Housing has been contracting, and both business investment and consumer spending have stalled. Once again, the economy finds itself dependent on exports.

This puts Japan in a difficult position. A slowdown in the U.S. economy clearly affects it, and it is increasingly vulnerable to any pronounced slowdown in China. If there is a silver lining, it is that businesses in Japan have been operating in a difficult environment for the better part of two decades, and they know how to operate “lean and mean.” As the rest of the world cycles into its own more difficult environment, investors are likely to find that Japanese companies have already made the adjustments their competition is now facing.

Still, Japan struggles with deflationary tendencies, and it has few tools to combat it. Interest rates, at 0% for six years, remain at 0.5% going into 2008 – monetary stimulus is clearly not an option. An aging population and an environment where real incomes have not advanced in decades is likely to mean that Japan’s economy and its export-oriented corporations will once again pursue different paths.

GDP for 2008 is expected to be about 1.4%.

Western investors are not used to thinking of the world’s developing economies in terms of “sustainability”; financial crises are still expected at every turn. Since the Asian crisis in 1998, though, a lot of these economies have put in place better economic and political structures. **Globalization has benefited these economies enormously**, and their participation in world trade flows is up commensurately. All of these factors have contributed to the current account surpluses that have been building now for years, culminating in their now becoming the *supplier of capital* to the developed economies as they deal with the self-inflicted pain of the credit crisis.

Most investors need to begin the process of thinking about these economies more broadly. While export is clearly still the major focus, some are exporting raw materials, but others have moved quite far up the chain into sophisticated manufactured products. Nearly all of them have an ongoing focus on building modern infrastructure that will ultimately allow them to compete on any playing field. The bottom line is, they are still big suppliers of raw materials, but they are now major consumers of those very same raw materials. This is a different set of dynamics than existed just a few short years ago.

Growth in most of these economies is likely to moderate in line with the slowing in the more developed economies. On a relative basis, however, look for the developing world to remain an important engine of growth.

Volatility – a fancy word for what happens when we are surprised.

- Robert Schiller

Markets

Volatility characterized markets throughout the world in 2007, and investors should expect more of the same in 2008. This is market reaction to the ongoing uncertainty surrounding the unwinding of the leverage inherent in the structured products market. Both stock and bond markets are affected by the still-extending credit crisis, and inter-day market moves are to be expected.

Sector Name	Q4 2007	YTD
Energy	4.73	34.56
Materials	.09	22.64
Industrials	-4.35	12.80
Consumer Disc	-10.25	-13.44
Consumer Staples	-0.97	14.03
Financials	-14.07	-18.42
Healthcare	0.14	8.02
Information Technology	-0.61	15.43
Media	-3.66	-15.77
Telecomm Services	-5.12	11.87
Transportation (DJ)	-5.17	1.43
Utilities	6.78	16.46

Source: Standard & Poor's

In the U.S., 2007 ushered out the long dominance of value stocks over growth stocks. The aging of both the business cycle and the bull market also shifted investors' focus away from smaller companies. Large companies not only have collective strength in their balance sheets, but benefit more from global trade and currency shifts. Smaller companies tend to be more dependent on the domestic economy.

Uncertainty about the credit crisis on financial markets has also extended to widespread uncertainty about the U.S. economy as a whole, adding new worries for stocks.

There was wide disparity in the performance of market sectors throughout the year, as well. Energy and Materials companies both benefited from the global economic boom, as did Information Technology companies. Healthcare and Utilities managed to stay in positive territory throughout the year, as well.

Index	Asset Class	Q4	YTD
Russell 1000 Growth	Large Cap Growth	-0.77	11.81
Russell 1000 Value	Large Cap Value	-5.80	-0.17
Russell Mid Cap Growth	Mid Cap Growth	-1.70	11.43
Russell Mid Cap Value	Mid Cap Value	-5.97	-1.42
Russell 2000 Growth	Small Cap Growth	-2.10	7.05
Russell 2000 Value	Small Cap Value	-7.28	-9.78

Source: Russell

Not surprisingly, Financials led the pack to the downside. The good news here is that banks and brokerage houses are aggressively writing down their losses and bringing problem instruments directly onto their balance sheets. This is having the desired effect of wringing uncertainty regarding their actual value out of investors' minds. The market is actively pricing this sector, and a degree of comfort is slowly being restored.

Were only the same to be said for the Consumer Discretionary sector. The Housing industry falls within this sector, and analysts still expect more contraction in new residential construction. Most of that negative sentiment is probably already priced into the stocks of builders and suppliers. Still declining home values and increasing job uncertainty appear to be leading households to pull back on their overall spending, which is likely to challenge many manufacturers and retailers, at least over the near term.

Looking forward into 2008, most analysts believe that much of the bad news is already priced into the market. Large companies with solid balance sheets, particularly those with familiar brands and product lines that households routinely purchase, should weather this market downturn fairly well.

Sectors such as Energy and Materials, facing some measure of economic slowing worldwide, are likely to begin a consolidation phase. Few analysts expect past levels of gains to continue, at least for the near term. Orders for IT equipment are beginning to show signs of slowing as well.

Above all, this is most likely to be a "stock picker's market." Broad gains are not expected, but good companies should perform reasonably well. Active management has the opportunity to beat index returns in this environment.

Global stock markets ended the year in positive territory, with the developed markets represented by the EAFE Index (Europe, Australia, Far East) posting combined gains similar to those found in U.S. large and mid-cap growth stocks. Emerging markets, powered by strong economic growth, continued to provide investors with high average returns almost across the board.

	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
MSCI EAFE	11.63	11.63	17.32	22.08	9.04
Emerging Markets	39.78	39.78	35.60	37.46	14.53
S&P 500	5.49	5.49	8.62	12.83	5.91

Source: Zephyr Analytics

Country/Region	YTD	1 Yr	3 Yrs	5 Yrs
United Kingdom	8.39	8.39	15.00	19.15
Germany	35.93	35.93	27.14	31.62
France	14.03	14.03	19.53	23.49
Japan	-4.14	-4.14	8.59	15.11
Hong Kong	41.20	41.20	25.89	28.06
Eastern Europe	25.98	25.98	40.45	43.27
Latin America	50.67	50.67	48.15	51.13
Far East	37.04	37.04	31.38	31.05

Source: Zephyr Analytics

Regionally, market returns provide a good snapshot of which countries are benefiting most from the global themes of economic liberalization, trade globalization and infrastructure development. The U.S. and **U.K.**, long practitioners of liberal economic policies, benefit little internally from the kinds of deregulation happening in formally Socialist and Communist economies. **Japan** has completed a great deal of needed reform, but there are still many areas that hamper internal economic activity.

Germany and France are still enjoying a renaissance as they tear down old barriers, both the economic ones of Socialism and the physical ones represented by the Berlin Wall. As well, German companies in particular find their expertise in advanced-engineering products and services much in demand.

Emerging market countries are now referred to as developing economies, a linguistic shift that quite accurately portrays the sea change that has occurred in many countries of Asia and Latin America. During the 4th quarter, when global banks were busy writing off more than \$35 billion in mortgage-related securities, asset-backed commercial paper fell sharply, interbank lending nearly froze, and the U.S. and European central banks were announcing emergency funding arrangements, **these markets as an asset class still rose 3.6%**.

Looking into 2008, we find a more mixed environment for international markets. There

are few signs that the ongoing credit crisis is truly stabilizing; indeed, more areas continue to be affected. As credit generally contracts, it will likely have a dampening effect on business in developed countries. Some sectors, of course, will be more susceptible than others to this type of credit environment, so, as in the U.S. equities market, careful stock selection will be important.

In addition, the slowing in the key U.S. economy will affect the global business environment as a whole. **European markets** in particular face some headwinds from this combination of factors, and most market analysts expect these markets to struggle a bit this year.

In Asia, investor sentiment is largely dependent on developments in China. At present, China represents 6.8% of global output—greater than Brazil, Russia and India combined—and in 2008 is set to surpass Germany as the world's third largest economy. China's demand for raw materials—from ores and metals to meats and grains and, especially, for hydrocarbons—is the lynchpin for the growth in other emerging economies. Capital outflows from China are expected to continue supporting emerging Asian equities as well as markets rich in natural resources. Bottom line, emerging markets in Asia, which represent about 55% of the asset class, is much better positioned to weather a downturn in the U.S. economy than it was a decade ago.

For all developing economies, the long-term drivers of technology, media, and infrastructure development all remain in place. The market cycle itself, however, faces rising uncertainty. Even with the severe credit contraction taking place throughout the U.S. and European economies, **the developing world remains awash in cash.** Multiple years of high rates of growth have generated capital surpluses looking for a place to work. Petrodollars add to this stockpile, changing the world's financial balance. The rise of Sovereign Wealth funds and the entry into the markets of other newly-wealthy key players is another source of uncertainty that all markets struggle to digest.

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Because of the ongoing strength in the underlying economies of these markets, they are likely to continue to attract investor funds in 2008 and beyond. This creates the potential for bubbles to form, taking on a life of their own. As with the recent bubbles in U.S. residential real estate and the dot.coms before that, there is always the prospect of things turning ugly. Investors should keep this in mind in their asset allocations.

The Fixed Income markets have had a very interesting year. Yield curves in the first half of the year had nearly flattened as investors appeared to be almost indifferent to risk levels. That began to change to a degree in the second quarter, as both the European Central Bank and the Bank of England, responding to strong economic growth, began to raise interest rates. Investors slowly demanded more payment for riskier assets such as high yield corporate bonds and emerging market debt, but it wasn't until June that they seemed to awake fully to the problems in the U.S. subprime mortgage sector.

The action picked up smartly in the third quarter, with the realization that the problems with subprime were distributed fairly generously throughout the system via such structured products as collateralized debt obligations (CDOs) and structured investment vehicles (SIVs). Worse, they were highly leveraged. Thus began the credit contraction that is still affecting the economy and markets alike.

Investors subsequently fled to government bonds, stodgy and safe. Prices rose and yields fell, providing holders of these bonds a stellar two quarters. Holders of other fixed income instruments haven't fared quite as well.

Looking forward, while the Fed appears ready to continue cutting interest rates, the shorter end of the U.S. yield curve seems to have priced much of this in. The longer end is now grappling with worrisome inflation data. Most analysts generally agree that government bonds no longer provide attractive valuations. Many investors are looking now to inflation-protected bonds and, for the more risk tolerant, higher grade corporate bonds.

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Amer Funds EuroPac A

Analyst Pick Ticker AEPGX Load 5.75% NAV \$47.04 Yield 2.0% Total Assets \$114,471 mil Mstar Category Foreign Large Blend

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Like all American Funds, this offering boasts many experienced managers, most of whom have been with the company for more than a decade. Each manager runs his or her portion of assets independently of the others. A portion of the portfolio (less than 25% of assets) is run by the firm's analyst staff.

Strategy

The fund divides assets among several portfolio counselors (managers) whose investment philosophies vary from growth-focused to value-oriented. In the aggregate, the fund's portfolio is well diversified across countries and sectors, and its price multiples usually stay close to the category norms. Several of the managers like to pick up stocks on the cheap and then hold them for the long haul. The fund's turnover is quite low.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-9.66	17.98	9.27	14.13	32.91
2004	6.79	-1.83	0.47	13.63	19.69
2005	0.00	0.79	12.25	7.06	21.12
2006	7.54	-0.68	4.99	8.67	21.87
2007	2.92	8.43	5.23	1.29	18.96

Trailing	Total Return %	+/- MSCI EAFE	+/- MSCI Wd xUS	%Rank Cat	Growth of \$10,000
3 Mo	-11.70	2.50	2.52	10	8,830
6 Mo	-1.01	6.51	5.76	8	9,899
1 Yr	9.16	8.94	7.48	5	10,916
3 Yr Avg	18.01	4.19	3.50	10	16,434
5 Yr Avg	21.68	1.40	0.91	12	26,674
10 Yr Avg	11.06	3.93	3.54	4	28,548
15 Yr Avg	12.55	3.69	3.39	3	58,909

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	14.07	26	1.41	51
5 Yr (estimated)	19.02	30	1.02	53
10 Yr (estimated)	9.18	6	1.11	57

Potential Capital Gain Exposure: 29% of assets

Morningstar's Take by Michael Breen 11-01-07

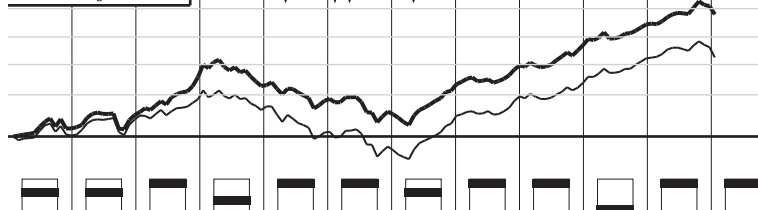
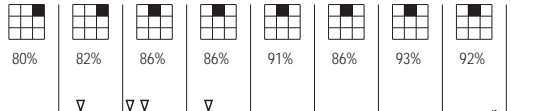
American Funds EuroPacific Growth is still special.

This fund continues to buck conventional wisdom. At more than \$120 billion in assets, it's the largest portfolio in its category by a wide margin: It's 4 times the size of the next-largest foreign large-blend fund. Many would say this makes the fund too big to maneuver. And when the fund took a breather in 2006 after trouncing its competitors in eight of the 10 prior years, some took it as a sign that the fund was permanently slowing down.

Such is not the case. For one, the fund lagged its peers in 2006, but still returned 21.9%—solid by anyone's standards. And its managers remain strong stock-pickers who handle the fund's big asset base with aplomb. Although the fund is underweight in the hot-performing energy sector, its picks have doubled the returns for the index's energy stocks so far in 2007. And several longtime top holdings, such as Bayer and America Mobile, have gained more than 50% in 2007. The fund is up 19.7% for the year to date through October 23, 2007, topping nearly all

Historical Profile

Return	High	80%
Risk	Average	82%
Rating	★★★★★	86%
	Highest	86%



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	26.02	28.40	42.66	31.35	26.87	22.97	30.21	35.63	41.10	46.56	50.87	47.04
Total Return %	9.19	15.54	56.97	-17.84	-12.17	-13.61	32.91	19.69	21.12	21.87	18.96	-7.53
+/-MSCI EAFE	7.41	-4.39	29.94	-3.67	9.27	2.33	-5.68	-0.56	7.58	-4.47	7.79	1.71
+/-MSCI Wd xUS	6.92	-3.15	28.99	-4.49	9.23	2.19	-6.51	-0.69	6.65	-3.84	6.52	1.49
Income Return %	1.78	1.40	1.03	0.50	2.09	0.90	1.35	1.68	2.02	1.88	2.16	0.00
Capital Return %	7.41	14.14	55.94	-18.34	-14.26	-14.51	31.56	18.01	19.10	19.99	16.80	-7.53
Total Rtn % Rank Cat	32	38	17	60	4	20	49	20	7	82	9	12
Income \$	0.45	0.36	0.29	0.19	0.66	0.24	0.31	0.51	0.72	0.77	1.01	0.00
Capital Gains \$	1.93	1.26	1.39	3.74	0.00	0.00	0.00	0.00	1.32	2.71	3.63	0.00
Expense Ratio %	0.90	0.86	0.84	0.84	0.84	0.88	0.90	0.87	0.82	0.76	0.75	—
Income Ratio %	1.77	1.64	1.45	0.93	1.89	1.21	1.06	1.08	1.31	1.58	1.54	—
Turnover Rate %	26	31	32	29	37	27	29	25	30	35	27	—
Net Assets \$mil	18,854	20,798	34,783	31,496	27,153	22,601	29,908	36,920	45,485	56,109	63,433	58,035

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.88			
3 Yr	15.70	+ Avg	Avg	★★★★
5 Yr	20.25	+ Avg	Avg	★★★★
10 Yr	10.41	High	-Avg	★★★★★
Incept	13.59			

Other Measures	Standard Index MSCI EAFE	Best Fit Index MSCI Wd xUS
Alpha	3.9	3.4
Beta	0.98	0.97
R-Squared	92	93
Standard Deviation	11.44	
Mean	18.01	
Sharpe Ratio	1.14	

Portfolio Analysis 09-30-07

Share change since 06-07	Total Stocks:300	Sector	Country	% Assets
+		Roche Holding Ltd	Health Switzerland	3.39
		Bayer	Ind Mtrls Germany	2.46
		Novo-Nordisk A S	Health Denmark	1.89
+		Banco Santander	Financial Spain	1.88
+		America Mobile ADR	Telecom Mexico	1.87
+		Hon Hai Precision Indust	Hardware Taiwan	1.51
		Nestle	Goods Switzerland	1.45
+		Samsung Electronics	Goods Korea	1.44
		Kookmin Bank	Financial Korea	1.40
		AXA	Financial France	1.36
-		Nokia	Hardware Finland	1.27
+		Brazilian Petroleum Corp	Energy Brazil	1.21
		Vodafone Grp	Telecom U.K.	1.17
		Reliance Industries Ltd	Ind Mtrls India	1.02
+		Inditex Grp	Goods Spain	1.01
+		MTN Grp Ltd	Telecom South Africa	0.98
		POSCO	Ind Mtrls Korea	0.92
		Linde	Ind Mtrls Germany	0.92
		Continental	Ind Mtrls Germany	0.89
		Koninklijke KPN	Telecom Netherlands	0.89

Current Investment Style

Value	Blnd	Growth	Market Cap %	Sector Weightings	% of Rel MSCI Stocks	3 Year EAFE High Low
Large	High	High	Giant 57.6	Info 21.72	1.73	
Mid	High	High	Large 37.3	Software 0.80	1.51	1 0
Small	High	High	Mid 5.1	Hardware 8.48	2.17	10 6
Micro	High	High	Small 0.0	Media 1.74	1.05	3 2
			Micro 0.0	Telecom 10.70	1.65	17 7
			Avg \$mil: 38,710	Service 40.61	0.93	
				Health 9.19	1.36	10 9
				Consumer 4.76	0.96	5 5
				Business 4.06	0.79	4 1
				Financial 22.60	0.84	26 22
				Mfg 37.68	0.86	
				Goods 14.25	1.08	18 14
				Ind Mtrls 13.20	0.76	13 10
				Energy 7.71	1.04	9 6
				Utilities 2.52	0.44	3 1

Value Measures	Rel Category	Regional Exposure % Stock
Price/Earnings	14.73 1.00	UK/W. Europe 54 N. America 3
Price/Book	2.24 0.99	Japan 10 Latin America 6
Price/Sales	1.28 1.06	Asia X Japan 22 Other 5
Price/Cash Flow	8.81 0.99	
Dividend Yield %	2.87 0.98	
Growth Measures	% Rel Category	
Long-Term Erngs	14.27 1.06	
Book Value	13.00 1.22	
Sales	10.12 1.04	
Cash Flow	16.50 1.08	
Historical Erngs	16.06 0.74	

Composition	Country Exposure % Stock
Cash 6.5	Germany 10 U.K. 8
Bonds 1.1	France 10 Switzerland 8
Stocks 92.4	Japan 10
Other 0.0	
Foreign (% of Stock)	99.5

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Inception:	04-16-84	Sales Fees:	5.75%L, 0.25%S		
Advisor:	Capital Research & Mgmt Company	Management Fee:	0.69% mx./0.40% mn.		
Subadvisor:	None	Actual Fees:	Mgt:0.43% Dist:0.25%		
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr:\$813 5Yr:\$989 10Yr:\$1497		
		Income Distrib:	Annually		



DFA U.S. Micro Cap I

Ticker: DFSCX Load: None NAV: \$12.44 Yield: 1.8% Total Assets: \$4,176 mil Mstar Category: Small Blend

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

A team of portfolio managers, led by Robert Deere, runs this offering. These folks are focused on implementing the fund's strategy. DFA's investment committee, which includes many famous academics, designed this strategy.

Strategy

The fund invests in the smallest 5% of U.S. exchange-listed stocks to take advantage of the small-cap effect. The portfolio contains anywhere between 2,500 and 3,000 holdings, but it does not contain REITs, newly minted IPOs, or firms that management identifies as merger candidates or too highly leveraged.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.99	27.35	12.56	16.77	60.72
2004	6.46	0.14	-4.32	16.06	18.39
2005	-6.43	3.93	6.78	1.78	5.69
2006	14.39	-7.11	-0.21	9.55	16.16
2007	1.66	4.35	-4.03	-6.91	-5.22

Trailing	Total Return%	+/- S&P 500	+/- Russ 2000	%Rank Cat	Growth of \$10,000
3 Mo	-15.47	-4.92	-1.91	82	8,453
6 Mo	-11.75	-7.43	-4.24	71	8,825
1 Yr	-13.46	-11.15	-3.67	75	8,654
3 Yr Avg	3.87	-3.41	-1.94	72	11,207
5 Yr Avg	15.90	3.86	0.64	26	20,913
10 Yr Avg	9.77	4.63	3.27	22	25,400
15 Yr Avg	12.43	2.45	3.09	19	57,974

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	2.13	61	1.68	43
5 Yr (estimated)	14.34	28	1.35	43
10 Yr (estimated)	7.75	25	1.84	78

Potential Capital Gain Exposure: 7% of assets

Morningstar's Take by Marta Norton 11-01-07

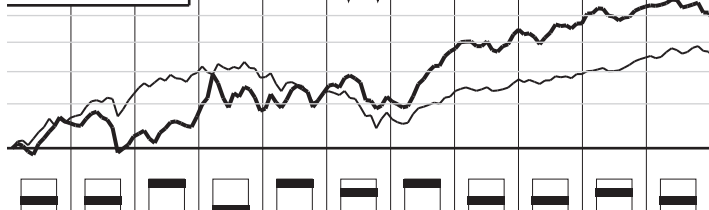
DFA U.S. Micro Cap has considerable appeal, but it's not appropriate for all investors.

Dimensional Fund Advisors bases this fund on economic theory that says small-cap stocks outpace their larger brethren. The fund owns the smallest 5% of exchanged-listed stocks (generally that means somewhere between 2,000 and 3,000 stocks) and stays diversified across industries and sectors. Lately, this approach hasn't borne out as economic theory suggests. The fund's 4.4% gain trails the S&P 500's 10.8% climb for the year-to-date period ending Oct. 15, 2007.

We're not worried by the lagging short-term returns. Small-cap stocks have been due a breather after a long multiyear rally. Plus, the fund has managed to outstrip the broad market over the long haul. Its annualized 13.7% return since its late 1981 inception edges past that of the S&P 500 and that of its typical small-blend rival. A low expense ratio and low transaction costs (the fund minimizes turnover and uses techniques like block trading to keep

Historical Profile

Return	Risk	Rating
Above Avg	Above Avg	Neutral
99%	98%	99%
98%	99%	98%
98%	98%	99%
99%	100%	



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
11.78	10.76	12.61	9.64	10.01	8.53	13.32	15.12	14.77	15.70	13.47	12.44
22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72	18.39	5.69	16.16	-5.22	-7.65
-10.58	-35.90	8.75	5.50	34.66	8.83	32.04	7.51	0.78	0.37	-10.71	-1.65
0.42	-4.77	8.53	-0.58	20.28	7.21	13.47	0.06	1.14	-2.21	-3.65	-0.83
0.23	1.28	3.49	3.89	0.51	0.16	2.42	2.04	2.38	2.02	1.55	0.00
22.55	-8.60	26.30	-7.49	22.26	-13.43	58.30	16.35	3.31	14.14	-6.77	-7.65
57	72	22	87	9	32	7	53	61	37	74	76
0.03	0.15	0.38	0.49	0.05	0.02	0.21	0.27	0.36	0.30	0.24	0.00
1.89	0.00	0.89	1.99	1.71	0.14	0.18	0.36	0.84	1.13	1.16	0.00
0.60	0.59	0.61	0.56	0.56	0.56	0.56	0.16	0.55	0.53		
0.21	0.18	0.30	0.34	0.41	0.24	0.25	0.64	0.48	0.64		
28	26	23	37						24		
1,437	1,360	1,452	1,378	1,663	1,533	2,685	3,380	3,912	4,881	4,562	4,176

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-13.46			
3 Yr	3.87	-Avg	+Avg	★★
5 Yr	15.90	+Avg	+Avg	★★★
10 Yr	9.77	+Avg	+Avg	★★★
Incept	12.77			

Other Measures	Standard Index	Best Fit Index
Alpha	-3.8	-1.8
Beta	1.38	1.01
R-Squared	69	97

Standard Deviation	Mean	Sharpe Ratio
14.10	3.87	0.03

Portfolio Analysis 10-31-07

Share change since 09-07	Total Stocks:0	Sector	PE	Tot Ret%	% Assets
Dimensional U.S. Micro C					100.00

trading efficient) have helped in that regard.

The higher long-term returns are attractive, but we'd suggest that investors do a gut check before investing here. Tiny companies are often in the early stages of development and while that gives them tremendous growth potential, they can also easily go bankrupt or, at the very least, face serious financial problems. As a result, this fund is much more volatile than the S&P 500 and the typical small-value fund. Moreover, the fund has been particularly hard hit in years like 1998, when small-cap stocks sold off sharply. Indeed, that year the typical small cap lost 3%, while this fund dropped more than 7%.

Thus, while this well-structured fund can be a good diversifier for investors with plenty of large-cap exposure, we recommend it only to those who can handle the fits and starts. Even then, we suggest investors limit it to a small portion, say 5%, of their total portfolios.

Current Investment Style

Value	Blind	Growth	Market Cap	%
			Giant	0.0
			Large	0.0
			Mid	0.3
			Small	39.8
			Micro	59.9
			Avg \$mil:	444

Value Measures	Rel Category	Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Price/Earnings	15.34	Info	20.45	1.03	
Price/Book	1.94	Software	5.76	1.44	6 6
Price/Sales	0.92	Hardware	11.14	1.18	11 10
Price/Cash Flow	7.17	Media	1.28	0.44	2 1
Dividend Yield %	0.77	Telecom	2.27	0.65	2 1
Growth Measures	% Rel Category	Service	50.13	1.19	
Long-Term Erngs	14.39	Health	15.53	1.28	16 15
Book Value	3.48	Consumer	9.13	1.29	10 9
Sales	-24.78	Business	11.44	2.57	13 11
Cash Flow	-19.46	Financial	14.03	0.76	16 13
Historical Erngs	-14.91	Mfg	29.42	0.77	
		Goods	6.25	0.68	7 6
		Ind Mtrls	17.61	1.34	18 15
		Energy	4.02	0.33	5 4
		Utilities	1.54	0.42	2 1

Profitability	% Rel Category	Composition	
Return on Equity	5.79	Cash	0.3
Return on Assets	1.21	Stocks	99.5
Net Margin	5.38	Bonds	0.0
		Other	0.1
		Foreign	0.0
		(% of Stock)	

Address:	1299 Ocean Ave Santa Monica, CA 90401 310-633-7885	Minimum Purchase:	\$0	Add: \$0	IRA: \$0
Web Address:	www.dfafunds.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	12-23-81	Sales Fees:	No-load		
Advisor:	Dimensional Fund Advisors Ltd	Management Fee:	—		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	N/A	Expense Projections:	3Yr:\$170	5Yr:\$296	10Yr:\$665
		Income Distrib:	Quarterly		



T. Rowe Price Mid Gr

Ticker: RPMGX Load: Closed NAV: \$52.73 Yield: 0.1% Total Assets: \$15,906 mil Mstar Category: Mid-Cap Growth

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

Brian Berghuis has run this offering since its June 1992 inception. He is assisted by comanager John Wakeman, and the two draw ideas from T. Rowe's strong corp of research analysts. Berghuis was named Morningstar's Domestic-Stock Manager of the Year for 2004.

Strategy

Manager Brian Berghuis looks for companies with sound business models that are growing rapidly. But unlike some other mid-growth managers, he pays close attention to valuations: The fund's average P/E is well below that of its typical rival. He also keeps the fund well diversified across sectors and does not let individual positions in the portfolio become too significant.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-1.32	19.62	4.20	12.36	38.21
2004	3.36	4.22	-2.14	12.32	18.39
2005	-2.25	4.12	8.17	4.28	14.82
2006	6.22	-4.69	-0.05	5.54	6.79
2007	3.24	11.53	3.45	-1.23	17.65

Trailing	Total Return%	+/- S&P 500	+/- Russ MG	%Rank Cat	Growth of \$10,000
3 Mo	-12.52	-1.97	-0.76	37	8,748
6 Mo	-4.84	-0.52	0.61	49	9,516
1 Yr	4.93	7.24	5.96	28	10,493
3 Yr Avg	10.97	3.69	1.63	26	13,665
5 Yr Avg	17.00	4.96	0.81	20	21,924
10 Yr Avg	10.55	5.41	3.66	13	27,264
15 Yr Avg	14.00	4.02	4.38	5	71,379

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	9.60	26	1.23	44
5 Yr (estimated)	16.06	20	0.80	41
10 Yr (estimated)	9.75	10	0.72	25

Potential Capital Gain Exposure: 26% of assets

Morningstar's Take by Bridget Hughes 12-07-07

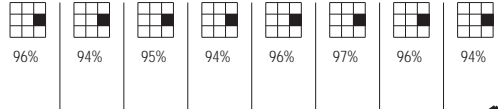
No surprise: The remarkably steady T. Rowe Price Mid-Cap Growth remains a favorite.

This fund is a model of consistency. That's true not only in its performance figures—it regularly lands in the mid-growth category's best third or better—but its Morningstar risk scores are below average, suggesting a stable ride. Its predictability extends to other areas. Manager Brian Berghuis has been with the fund since its mid-1992 inception. His 15-plus year tenure is more than three times as long as that of the average mutual fund manager—mid-cap growth or otherwise. Another member of this fund's investment advisory committee, John Wakeman, has worked with Berghuis for as long on the fund.

The portfolio's characteristics have also been reliable. Berghuis' unwavering commitment to his criteria—strong management teams, good business models, steady growth, and reasonable valuations—has produced a diversified portfolio, albeit with some emphases on health-care,

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★
Above Avg



Investment Style

Equity
Stock %

▼ Manager Change
▼ Partial Manager Change

Growth of \$10,000

Investment Values of Fund
Investment Values of S&P 500

Performance Quartile (within Category)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	28.60	34.08	40.13	39.79	39.40	31.04	42.90	49.88	54.14	53.69	57.67	52.73	NAV
Total Return %	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.79	17.65	-8.57	Total Return %
+/- S&P 500	-15.03	-6.58	2.74	16.53	10.91	0.88	9.53	7.51	9.91	-9.00	12.16	-2.57	+/- S&P 500
+/- Russ MG	-4.21	4.14	-27.51	19.18	19.17	6.19	-4.50	2.91	2.72	-3.87	6.22	-0.62	+/- Russ MG
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.11	0.00	Income Return %
Capital Return %	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.64	17.54	-8.57	Capital Return %
Total Rtn % Rank Cat	47	39	85	26	7	24	33	13	15	64	37	44	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.06	0.00	Income \$
Capital Gains \$	0.30	0.73	1.88	3.27	0.00	0.00	0.00	0.90	3.15	4.07	5.33	0.00	Capital Gains \$
Expense Ratio %	0.95	0.91	0.87	0.86	0.89	0.88	0.87	0.83	0.80	0.80	—	—	Expense Ratio %
Income Ratio %	-0.14	-0.14	-0.09	-0.09	-0.35	-0.50	-0.44	-0.39	-0.12	0.14	—	—	Income Ratio %
Turnover Rate %	43	47	53	54	43	36	30	30	29	34	—	—	Turnover Rate %
Net Assets \$mil	1,839	3,310	5,243	6,589	6,739	5,713	9,869	12,651	15,187	14,629	16,905	15,213	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.93			
3 Yr	10.97	+ Avg	- Avg	★★★★
5 Yr	17.00	+ Avg	- Avg	★★★★
10 Yr	10.55	+ Avg	- Avg	★★★★
Incept	15.11			

Other Measures

	Standard Index	Best Fit Index
Alpha	3.1	1.8
Beta	1.18	0.94
R-Squared	78	93
Standard Deviation	11.39	
Mean	10.97	
Sharpe Ratio	0.60	

Portfolio Analysis 12-31-07

Share change since 09-07	Total Stocks:151	Sector	PE	Tot Ret%	% Assets	
		Smith International, Inc	Energy	17.5	-30.40	1.87
		⊖ Roper Industries, Inc.	Ind Mtrls	22.1	-10.46	1.81
		⊖ Amazon.com, Inc.	Consumer	89.3	-16.13	1.69
		⊖ VeriSign, Inc.	Software	—	-9.81	1.63
		⊖ Consol Energy, Inc.	Energy	35.8	1.80	1.61
		Ametek, Inc.	Ind Mtrls	22.0	-6.13	1.52
		EOG Resources	Energy	22.5	-1.67	1.51
		Juniper Networks, Inc.	Hardware	50.3	-18.22	1.49
		⊖ Rockwell Collins, Inc.	Ind Mtrls	17.9	-11.87	1.42
		DST Systems, Inc.	Business	5.7	-13.39	1.39
		International Game Tech.	Consumer	28.3	-2.50	1.24
		⊕ FLIR Systems, Inc.	Ind Mtrls	35.7	-3.16	1.23
		⊕ Harman International Ind	Goods	10.5	-36.97	1.14
		⊕ Lamar Advertising Compan	Business	87.7	-10.30	1.12
		⊕ Cephalon, Inc.	Health	—	-8.54	1.11
		⊕ The Western Union Compan	Business	20.8	-8.24	1.09
		⊖ Crown Castle Internation	Telecom	—	-13.32	1.05
		⊖ Chipotle Mexican Grill,	Consumer	49.5	-22.19	1.03
		SAIC, Inc.	Ind Mtrls	21.5	-6.06	1.02
		Seagate Technology	Hardware	7.6	-21.87	1.00

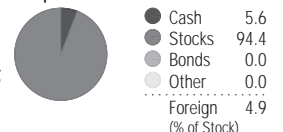
Current Investment Style

Value	Blind	Growth	Market Cap	%
			Giant	0.7
			Large	20.5
			Mid	69.5
			Small	9.2
			Micro	0.0
			Avg \$mil:	6,261

Value Measures	Rel Category
Price/Earnings	16.87 0.80
Price/Book	3.01 0.90
Price/Sales	1.69 0.92
Price/Cash Flow	13.12 1.04
Dividend Yield %	0.46 0.85
Growth Measures	% Rel Category
Long-Term Erngs	15.33 0.94
Book Value	10.06 0.67
Sales	14.55 1.61
Cash Flow	11.76 0.84
Historical Erngs	22.75 0.93

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Info	24.92	1.26	
Software	6.38	1.59	7 6
Hardware	11.41	1.21	13 10
Media	2.70	0.94	4 2
Telecom	4.43	1.27	6 4
Service	46.32	1.10	
Health	15.13	1.24	19 15
Consumer	13.75	1.94	14 11
Business	12.87	2.89	15 13
Financial	4.57	0.25	10 5
Mfg	28.77	0.76	
Goods	2.48	0.27	3 2
Ind Mtrls	15.11	1.15	15 9
Energy	11.18	0.93	11 8
Utilities	0.00	0.00	0 0

Composition



Profitability	% Rel Category
Return on Equity	17.44 0.94
Return on Assets	6.48 0.77
Net Margin	8.54 0.74

Address:	100 East Pratt Street Baltimore, MD 21202 800-225-5132	Minimum Purchase:	Closed	Add: —	IRA: —
Web Address:	www.troweprice.com	Min Auto Inv Plan:	Closed	Add: —	
Inception:	06-30-92	Sales Fees:	No-load		
Advisor:	Price Rowe T Services Inc /ta	Management Fee:	0.66%		
Subadvisor:	None	Actual Fees:	Mgt:0.66%	Dist: —	
NTF Plans:	N/A	Expense Projections:	3Yr:\$255	5Yr:\$444	10Yr:\$990
		Income Distrib:	Annually		

Calvert Soc Inv Equity A

Ticker: CSIEX Load: 4.75% NAV: \$35.91 Yield: 0.0% Total Assets: \$1,216 mil Mstar Category: Large Growth

Governance and Management
Stewardship Grade:
Portfolio Manager(s)

Dan Boone is a manager for subadvisor Atlanta Capital Management, and he has run this fund since September 1998. Boone is assisted by three other portfolio managers, as well as a team of industry-specific analysts at his firm. Calvert does the fund's social screening.

Strategy

Lead manager Dan Boone and his team invest in 40-60 stocks with solid earnings histories and business franchises, as well as healthy balance sheets. Such firms tend to fetch a high price, but Boone attempts to buy them when they're trading at below-average valuations relative to their histories. The portfolio is screened according to Calvert's social-investment criteria, which eliminate alcohol, tobacco, gambling, and weapons companies, as well as firms with poor environmental records and poor labor practices.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-4.28	14.25	1.94	9.72	22.31
2004	-0.81	2.12	-3.30	8.92	6.69
2005	-2.21	2.49	2.46	1.42	4.16
2006	3.80	-2.46	3.92	4.71	10.16
2007	-0.64	5.45	5.04	-0.11	9.94

Trailing

	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-9.26	1.29	2.26	5	9,074
6 Mo	-0.99	3.33	2.16	28	9,901
1 Yr	0.90	3.21	0.39	48	10,090
3 Yr Avg	6.36	-0.92	-0.62	56	12,032
5 Yr Avg	9.84	-2.20	-1.00	68	15,988
10 Yr Avg	6.83	1.69	4.14	16	19,361
15 Yr Avg	7.97	-2.01	0.00	51	31,590

Tax Analysis

	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	4.05	74	0.57	26
5 Yr (estimated)	8.40	79	0.35	22
10 Yr (estimated)	5.82	16	0.46	24

Potential Capital Gain Exposure: 21% of assets

Morningstar's Take by Annie Sorich 11-21-07

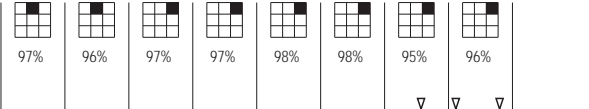
A manager change at Calvert Social Investment Equity is disappointing, but not a reason to abandon ship.

This fund's long-tenured manager, Dan Boone of subadvisor Atlanta Capital Management, will retire at the end of December, leaving Richard England at the helm. Although England has only been a manager since July 2006, he joined the firm in 2004, and Atlanta created a succession plan in 2001 (and sold 70% to asset manager Eaton Vance). Boone will remain at the firm managing high-net-worth portfolios and will contribute to the firm's research process. This isn't England's first stint as a portfolio manager, either. He worked as a comanager at Putnam Investors from 1996 to 2004 and as a manager of Putnam Health Sciences from mid-1997 through 2001. Along with England, William Hackney III and Marilyn Irvin will remain as comanagers, keeping the analyst team intact.

Much of the fund's success hinges on stock-picking ability. Management invests in

Historical Profile

Return Average Low
 Risk Low
 Rating ★★★ Neutral



Investment Style
 Equity
 Stock %

▼ Manager Change
 ▽ Partial Manager Change

Growth of \$10,000
 Investment Values of Fund
 Investment Values of S&P 500

Performance Quartile (within Category)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	23.28	25.80	29.88	31.72	31.06	26.40	32.29	34.45	35.30	37.30	38.61	35.91	NAV
Total Return %	19.33	10.89	23.17	11.61	0.67	-14.93	22.31	6.69	4.16	10.16	9.94	-6.99	Total Return %
+/- S&P 500	-14.03	-17.69	2.13	20.71	12.56	7.17	-6.37	-4.19	-0.75	-5.63	4.45	-0.99	+/- S&P 500
+/- Russ 1000Gr	-11.16	-27.82	-9.99	34.03	21.09	12.95	-7.44	0.39	-1.10	1.09	-1.87	0.81	+/- Russ 1000Gr
Income Return %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income Return %
Capital Return %	-19.33	-10.89	-23.17	-11.61	-0.67	-14.93	-22.31	-6.69	-4.16	-10.16	-9.94	-6.99	Capital Return %
Total Rtn % Rank Cat	91	94	29	4	2	5	87	86	70	22	69	20	Total Rtn % Rank Cat
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Income \$
Capital Gains %	3.36	0.01	1.83	1.63	0.88	0.02	0.00	0.00	0.59	1.59	2.43	0.00	Capital Gains %
Expense Ratio %	1.20	1.16	1.22	1.13	1.24	1.29	1.29	1.24	1.25	1.23	1.21	—	Expense Ratio %
Income Ratio %	0.03	-0.14	-0.28	-0.20	-0.07	-0.12	-0.26	-0.32	0.08	-0.06	-0.01	—	Income Ratio %
Turnover Rate %	93	110	51	49	43	28	29	17	31	35	35	—	Turnover Rate %
Net Assets \$mil	146	157	203	253	312	380	619	783	883	948	978	903	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-3.90			
3 Yr	4.65	-Avg	Low	★★
5 Yr	8.78	-Avg	Low	★★
10 Yr	6.31	+Avg	-Avg	★★★★
Incept	7.88			

Other Measures

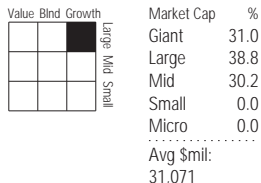
	Standard Index S&P 500	Best Fit Index Russ 1000Gr
Alpha	-0.7	-0.3
Beta	0.95	0.86
R-Squared	87	95
Standard Deviation	8.62	
Mean	6.36	
Sharpe Ratio	0.26	

Portfolio Analysis 12-31-07

Share change since 11-07 Total Stocks:46 Sector PE Tot Ret% % Assets

⊕ Cisco Systems, Inc.	Hardware	19.4	-9.86	4.22
Microsoft Corporation	Software	18.5	-8.43	3.98
Procter & Gamble Company	Goods	20.7	-9.91	3.56
FMC Technologies, Inc.	Energy	23.3	-15.06	3.55
Colgate-Palmolive Compan	Goods	24.3	-0.96	3.49
Aflac, Inc.	Financial	19.2	-2.47	3.27
Medtronic, Inc.	Health	18.8	-7.27	3.19
Cooper Industries, Ltd.	Ind Mtrls	12.9	-15.94	3.16
Emerson Electric Company	Ind Mtrls	19.1	-10.48	2.96
Respironics Inc.	Health	37.9	0.05	2.93
⊕ EOG Resources	Energy	22.5	-1.67	2.66
Dover Corporation	Ind Mtrls	12.7	-12.50	2.58
Air Products and Chemica	Ind Mtrls	18.6	-8.96	2.58
Bank of New York Mellon	Financial	20.7	-4.03	2.55
*FHLBA	—	—	—	2.54
Kohl's Corporation	Consumer	12.8	-0.59	2.48
Stryker Corporation	Health	29.5	-10.18	2.34
Questar Corporation	Energy	17.9	-5.56	2.26
Texas Instruments, Inc.	Hardware	17.8	-7.21	2.24
SEI Investments Company	Business	20.8	-13.70	2.16

Current Investment Style



Sector Weightings

Sector	% of Stocks	Rel S&P 500	3 Year High Low
Info	22.95	1.16	
Software	7.18	1.79	7 2
Hardware	15.77	1.67	16 10
Media	0.00	0.00	0 0
Telecom	0.00	0.00	0 0
Service	46.15	1.09	
Health	17.52	1.44	21 15
Consumer	12.85	1.81	19 13
Business	6.15	1.38	14 5
Financial	9.63	0.52	15 10
Mfg	30.90	0.81	
Goods	7.31	0.80	7 4
Ind Mtrls	14.80	1.12	17 11
Energy	8.79	0.73	9 5
Utilities	0.00	0.00	0 0

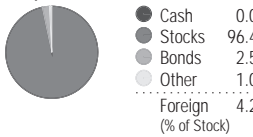
Value Measures

Value Measure	Rel Category
Price/Earnings	18.69 0.94
Price/Book	3.84 1.07
Price/Sales	1.84 0.92
Price/Cash Flow	12.86 0.97
Dividend Yield %	0.93 1.04
Growth Measures	% Rel Category
Long-Term Erngs	14.13 0.96
Book Value	10.71 0.74
Sales	13.18 1.15
Cash Flow	13.25 0.91
Historical Erngs	19.73 0.84

Profitability

	% Rel Category
Return on Equity	25.16 1.12
Return on Assets	11.21 1.15
Net Margin	14.73 1.03

Composition



Address:	4550 Montgomery Ave Bethesda, MD 20814 800-368-2748	Minimum Purchase:	\$1000	Add:	\$250	IRA:	\$1000
Web Address:	www.calvert.com	Min Auto Inv Plan:	\$0	Add:	—		
Inception:	08-24-87	Sales Fees:	4.75%L, 0.25%S, 2.00%R				
Advisor:	Calvert Asset Management Co., Inc.	Management Fee:	0.50%, 0.20%A				
Subadvisor:	Atlanta Capital Management Co.	Actual Fees:	Mgt:0.70%	Dist:0.25%			
NTF Plans:	DATALynx NTF, Federated Tr NTF	Expense Projections:	3Yr:\$841	5Yr:\$1108	10Yr:\$1871		
		Income Distrib:	Annually				

Fidelity Contrafund

Ticker: FCNTX Load: Closed NAV: \$66.16 Yield: 0.6% Total Assets: \$72,969 mil Mstar Category: Large Growth

Governance and Management

Stewardship Grade: C

Portfolio Manager(s)

Will Danoff has been at the helm since September 1990 and is backed by Fidelity's deep research staff. He has adapted his style to the fund's size by holding more large caps, and he has cut the fund's turnover in recent years. He has also run Fidelity Advisor New Insights since its July 2003 inception.

Strategy

Call it forced evolution: As this fund's asset base grew in the 1990s, manager Will Danoff had to move away from mid-caps and small caps and adopt a growth-at-a-reasonable-price philosophy. He continues to own a substantial stake in mid-caps, but it is now dominated by larger fare. It has been more conservative than most of its large-growth rivals in recent years, with big underweightings in racy sectors such as technology. Danoff has reined in the fund's turnover considerably in recent years.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-2.15	11.83	5.02	11.34	27.95
2004	3.75	2.36	-0.63	9.04	15.07
2005	0.33	2.95	8.41	3.79	16.23
2006	4.75	-0.77	0.79	6.46	11.54
2007	1.41	7.50	7.16	2.53	19.78

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-11.65	-1.10	-0.13	31	8,835
6 Mo	0.27	4.59	3.42	18	10,027
1 Yr	6.10	8.41	5.59	16	10,610
3 Yr Avg	12.51	5.23	5.53	5	14,242
5 Yr Avg	16.37	4.33	5.53	5	21,341
10 Yr Avg	9.65	4.51	6.96	4	25,124
15 Yr Avg	12.64	2.66	4.67	3	59,620

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.36	6	1.02	46
5 Yr (estimated)	15.64	5	0.63	39
10 Yr (estimated)	8.38	5	1.16	64

Potential Capital Gain Exposure: 26% of assets

Morningstar's Take by Greg Carlson 01-03-08

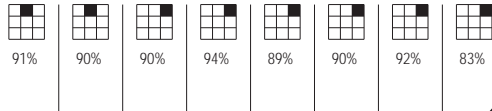
The veteran manager of Fidelity Contrafund is Morningstar's Domestic-Stock Manager of the Year, but can its future be as good as its past?

This closed large-growth fund isn't a perfect fit in its category. Manager Will Danoff, who's run the fund since 1990, employs a flexible approach. He likes firms with improving prospects, rather than potential turnaround situations, but he'll buy anything that fits that definition, from Internet-search leader Google to oil giant ExxonMobil. Thus, its performance is best measured against its benchmark, the S&P 500.

Versus the S&P, the fund rebounded strongly from a subpar 2006--it crushed the S&P by 14.3 percentage points in 2007. That success owes to solid picks such as Apple and oil-services provider Schlumberger. Apple is an instructive case--Danoff owned only a very tiny position when the firm was struggling through the bear market, but once its fortunes started improving in 2003, he slowly built it into a significant holding and has ridden the stock's

Historical Profile

Return	High	91%
Risk	Below Avg	90%
Rating	★★★★★	90%
	Highest	94%



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Investment Values of Fund	46.63	56.81	60.02	49.18	42.77	38.60	49.35	56.74	64.76	65.21	73.11
Investment Values of S&P 500	23.00	31.57	25.03	-6.80	-12.59	-9.63	27.95	15.07	16.23	11.54	19.78

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
NAV	46.63	56.81	60.02	49.18	42.77	38.60	49.35	56.74	64.76	65.21	73.11
Total Return %	-7.49	2.99	3.99	2.30	-0.70	12.47	-0.73	4.19	11.32	-4.25	14.29
+/-S&P 500	-7.49	-7.14	-8.13	15.62	7.83	18.25	-1.80	8.77	10.97	2.47	7.97
+/-Russ 1000Gr	0.84	0.64	0.50	0.41	0.45	0.12	0.10	0.09	0.41	0.61	0.68
Income Return %	22.16	30.93	24.53	-7.21	-13.04	-9.75	27.85	14.98	15.82	10.93	19.10
Capital Return %	85	7	21	40	51	2	39	5	3	14	19
Total Rtn % Rank Cat	0.35	0.30	0.28	0.24	0.22	0.05	0.04	0.05	0.23	0.39	0.44
Income \$	4.56	4.22	10.22	6.62	0.00	0.00	0.00	0.00	0.97	6.49	4.48
Capital Gains \$	0.67	0.61	0.62	0.84	0.91	0.99	0.98	0.92	0.88	0.89	—
Expense Ratio %	0.91	0.70	0.48	0.45	0.49	0.14	0.01	0.08	0.46	0.62	—
Income Ratio %	144	197	177	166	141	80	67	64	60	76	—
Turnover Rate %	30,809	38,821	46,927	40,220	32,321	27,695	36,051	44,484	60,094	68,576	80,864
Net Assets \$mil	—	—	—	—	—	—	—	—	—	—	—

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	6.10			
3 Yr	12.51	High	Avg	★★★★★
5 Yr	16.37	High	Avg	★★★★★
10 Yr	9.65	High	Low	★★★★★
Incept	13.17			

Other Measures	Standard Index	Best Fit Index
Alpha	4.6	1.4
Beta	1.13	0.80
R-Squared	77	87
Standard Deviation	10.97	
Mean	12.51	
Sharpe Ratio	0.74	

Portfolio Analysis 12-31-07

Share change since 11-07	Total Stocks:347	Sector	PE	Tot Ret%	% Assets	
+		Google, Inc.	Business	44.0	-18.39	5.42
		Apple, Inc.	Hardware	34.5	-31.66	3.71
-		Berkshire Hathaway Inc.	Financial	15.2	-3.95	3.19
+		ExxonMobil Corporation	Energy	12.4	-8.84	2.92
+		Hewlett-Packard Company	Hardware	16.3	-13.35	2.86
		Procter & Gamble Company	Goods	20.7	-9.91	2.10
+		Schlumberger, Ltd.	Energy	18.8	-23.08	1.79
-		America Mobile ADR	Telecom	26.7	-2.69	1.75
+		Genentech, Inc.	Health	27.4	4.61	1.54
		Walt Disney Company	Media	13.3	-5.82	1.34
-		Research in Motion, Ltd.	Hardware	84.8	-17.21	1.32
		Merck & Co., Inc.	Health	18.8	-20.30	1.27
+		Coca-Cola Company	Goods	25.2	-3.86	1.25
+		PepsiCo, Inc.	Goods	18.3	-10.66	1.21
		EnCana Corporation	Energy	10.9	-2.75	1.15
+		Brazilian Petroleum Corp	Energy	19.0	-3.58	1.00
+		Danaher Corporation	Ind Mtrls	19.7	-14.93	0.96
		Gilead Sciences, Inc.	Health	—	-0.70	0.92
-		Jacobs Engineering Group	Business	29.1	-20.05	0.85
		Cooper Industries, Ltd.	Ind Mtrls	12.9	-15.94	0.84

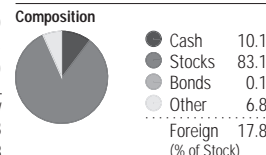
Current Investment Style

Value	Blind Growth	Market Cap	%
		Giant	57.5
		Large	25.2
		Mid	14.9
		Small	2.2
		Micro	0.2
		Avg \$mil:	50,930

Value Measures	Rel Category
Price/Earnings	18.70 0.94
Price/Book	3.02 0.84
Price/Sales	2.15 1.08
Price/Cash Flow	13.48 1.02
Dividend Yield %	0.78 0.88
Growth Measures	% Rel Category
Long-Term Erngs	13.45 0.91
Book Value	14.50 1.01
Sales	10.35 0.90
Cash Flow	16.43 1.13
Historical Erngs	28.07 1.20

Profitability	% Rel Category
Return on Equity	23.05 1.03
Return on Assets	10.61 1.08
Net Margin	15.53 1.09

Sector Weightings	% of Stocks	Rel S&P 500	3 Yr High Low
Info	23.07	1.16	
Software	3.24	0.81	4 2
Hardware	15.21	1.61	16 5
Media	1.76	0.61	3 2
Telecom	2.86	0.82	7 3
Service	38.28	0.91	
Health	11.06	0.91	16 11
Consumer	4.10	0.58	9 4
Business	11.16	2.51	11 5
Financial	11.96	0.65	23 12
Mfg	38.64	1.02	
Goods	9.41	1.03	10 7
Ind Mtrls	14.30	1.09	18 10
Energy	14.07	1.17	18 8
Utilities	0.86	0.24	1 0



Address:	82 Devonshire Street Boston, MA 02109 800-544-9797	Minimum Purchase:	Closed	Add: —	IRA: —
Web Address:	www.fidelity.com	Min Auto Inv Plan:	Closed	Add: —	
Inception:	05-17-67	Sales Fees:	No-load		
Advisor:	Fidelity Mgmt & Research (FMR)	Management Fee:	0.71%		
Subadvisor:	Fidelity Mgmt & Rsrch Far East Inc	Actual Fees:	Mgt:0.71%	Dist: —	
NTF Plans:	Fidelity Retail-NTF, CommonWealth NTF	Expense Projections:	3Yr:\$287	5Yr:\$498	10Yr:\$1108
		Income Distrib:	Semi-Annually		



Vanguard Wellington

Analyst Pick Ticker Load NAV Yield Total Assets Mstar Category
 None \$31.69 3.3% \$49,111 mil Moderate Allocation

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

John Keogh has been the lead fixed-income manager since 2006 but has been with Wellington Management, this fund's subadvisor, since 1983 and worked as a backup on this fund since 2004. Ed Bousa, who took over the equity portfolio at the end of 2002, did a solid job managing Putnam Equity Income from late 1992 through early 2000. He also runs Hartford Dividend & Growth.

Strategy

This fund's fixed-income and equity portfolios follow disciplined strategies. The bond portfolio typically emphasizes high-quality issues, but it has often taken on a modest amount of interest-rate risk. On the stock side, Ed Bousa looks for dividend-paying companies with modest valuations and decent fundamentals. The fund is typically light on technology stocks and has plenty of exposure to value-oriented fare.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.35	12.55	1.37	9.50	20.75
2004	2.19	0.41	1.65	6.58	11.17
2005	-0.53	1.71	4.22	1.31	6.82
2006	2.99	0.69	5.07	5.51	14.97
2007	1.14	4.91	3.01	-0.88	8.34

Trailing	Total Return%	+/- DJ Mod	+/- DJ US Mod	%Rank Cat	Growth of \$10,000
3 Mo	-4.64	1.82	1.27	11	9,536
6 Mo	0.67	1.43	2.10	14	10,067
1 Yr	4.54	1.30	4.36	12	10,454
3 Yr Avg	9.38	1.18	2.89	5	13,086
5 Yr Avg	12.14	-0.52	1.50	9	17,734
10 Yr Avg	7.97	0.41	1.10	7	21,529
15 Yr Avg	10.74	1.98	2.10	5	46,192

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	7.81	4	1.44	52
5 Yr (estimated)	10.75	9	1.24	57
10 Yr (estimated)	6.05	9	1.78	73

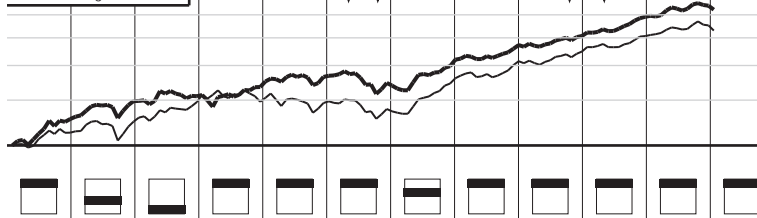
Potential Capital Gain Exposure: -6% of assets

Morningstar's Take by Dan Culloton 12-13-07

Vanguard Wellington, once again, has done its job. Investors usually sign up for this fund for a few simple reasons; stability is paramount among them. Recently the markets gave the fund a chance to demonstrate its ability to stay calm while the rest of the world trembled, and it delivered. When the broad equity market fell 4.5% in November and the typical moderate-allocation fund fell nearly as far, this fund shed 1.3%. Throughout this volatile year this fund also has held up well. Its more than 9% year-to-date gain through Dec. 12 beats both the broad stock and bond market and 80% of the moderate-allocation category.

Some prescient moves set the stage for the fund's strong showing. On the stock side of the portfolio, manager Ed Bousa trimmed the fund's exposure to financial stocks prior to 2007 because he saw many red flags, not the least of which was the mortgage and housing bubble. Bousa also stuck with big energy stocks, because he thinks tight supply and increasing demand will support their

Historical Profile	Return	Risk	Rating
Above Avg	64%	68%	66%
Below Avg	66%	66%	65%
Highest	65%	65%	66%



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	29.45	29.35	27.96	28.21	27.26	24.56	28.81	30.19	30.35	32.44	32.62	31.69
Total Return %	23.23	12.06	4.41	10.40	4.19	-6.90	20.75	11.17	6.82	14.97	8.34	-2.85
+/-DJ Mod	12.42	1.61	-13.59	12.56	6.70	0.15	-6.42	-1.98	-0.43	3.06	0.32	0.83
+/-DJ US Mod	4.03	-0.33	-8.44	5.96	4.03	3.66	-3.31	0.00	0.83	4.78	3.47	0.23
Income Return %	4.34	3.89	3.94	3.88	3.41	3.12	3.15	3.07	3.01	3.27	3.37	0.00
Capital Return %	18.89	8.17	0.47	6.52	0.78	-10.02	17.60	8.10	3.81	11.70	4.97	-2.85
Total Rtn % Rank Cat	19	56	80	11	5	10	43	17	20	8	22	23
Income \$	1.12	1.13	1.14	1.07	0.95	0.84	0.77	0.88	0.90	0.98	1.08	0.00
Capital Gains \$	1.57	2.44	1.50	1.48	1.12	0.00	0.00	0.91	0.97	1.40	1.42	0.00
Expense Ratio %	0.29	0.31	0.30	0.31	0.36	0.36	0.36	0.31	0.29	0.30	—	—
Income Ratio %	3.97	3.68	3.74	3.77	3.42	3.18	3.00	2.99	2.93	3.10	—	—
Turnover Rate %	27	29	22	33	33	25	28	24	24	25	—	—
Net Assets \$mil	21,812	25,761	25,529	22,799	21,724	19,495	24,326	28,328	26,251	29,675	30,979	30,036

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.54			
3 Yr	9.38	High	-Avg	★★★★★
5 Yr	12.14	+Avg	Avg	★★★★★
10 Yr	7.97	+Avg	-Avg	★★★★★
Incept	8.33			

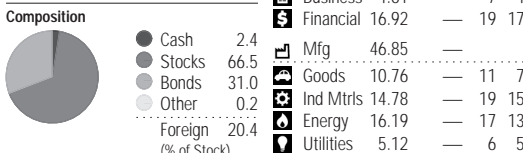
Other Measures	Standard Index DJ Mod	Best Fit Index S&P 500
Alpha	1.7	3.0
Beta	0.83	0.58
R-Squared	85	88
Standard Deviation	5.33	
Mean	9.38	
Sharpe Ratio	0.91	

Portfolio Analysis 09-30-07

Total Stocks:113	Sectors	P/E Ratio	YTD Return %	% Net Assets
AT&T, Inc.	Telecom	21.6	-10.06	2.55
General Electric Company	Ind Mtrls	16.6	-8.39	2.04
Chevron Corporation	Energy	11.4	-14.97	1.80
Bank of America Corporati	Financial	9.4	2.18	1.75
ExxonMobil Corporation	Energy	13.6	-12.22	1.68
International Business Ma	Hardware	16.2	-4.71	1.61
Total SA ADR	Energy	11.1	-15.54	1.57
Citigroup, Inc.	Financial	7.9	-10.58	1.40
Exelon Corporation	Utilities	20.2	-4.41	1.37

Total Fixed-Income:2414	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Illinois St Go Bds 5.1%	06-01-33	109,510	102,579	0.20
FHLBA 4.875%		94,400	95,118	0.19
SIEMENS FIN NV		89,650	90,095	0.18
Unilever Cap 7.125%	11-01-10	77,000	81,706	0.16
Household Fin 6.375%	10-15-11	75,000	77,296	0.15
Hbos Plc Medium Tm Sb Nts	11-01-33	80,500	77,018	0.15
Hewlett Packard 5.25%		75,000	75,473	0.15
Goldman Sachs Grp 5.3%		75,000	74,974	0.15
State Str 5.375%		76,315	74,453	0.15

Equity Style	Style: Blend	Size: Large-Cap	Fixed-Income Style	Duration: Inter-M Term	Quality: High
Value Measures	Price/Earnings	15.37	Avg Eff Duration	5.5 Yrs	
	Price/Book	2.67	Avg Eff Maturity	8.8 Yrs	
	Price/Sales	1.64	Avg Credit Quality	AA	
	Price/Cash Flow	9.93	Avg Wtd Coupon	5.71%	
	Dividend Yield %	2.10	Figure provided by fund as of 09-30-07		
Growth Measures	Long-Term Erngs	9.78	Sector Weightings	% of Stocks	Rel DJ Mod
	Book Value	9.80	Info	16.41	—
	Sales	6.56	Software	2.02	3 2
	Cash Flow	9.26	Hardware	5.62	6 4
	Historical Erngs	14.70	Media	3.61	5 4
	Market Cap %		Telecom	5.16	5 4
	Giant	62.5	Service	36.74	—
	Large	34.5	Health	10.80	11 9
	Mid	2.9	Consumer	4.41	5 3
	Avg \$mil:	75,494	Business	4.61	7 4
			Financial	16.92	19 17
			Mfg	46.85	—
			Goods	10.76	11 7
			Ind Mtrls	14.78	19 15
			Energy	16.19	17 13
			Utilities	5.12	6 5



Address:	PO Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$10000	Add: \$100	IRA: \$10000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$10000	Add: \$50	
Inception:	07-01-29	Sales Fees:	No-load		
Advisor:	Wellington Management	Management Fee:	0.28%		
Subadvisor:	None	Actual Fees:	Mgt:0.28%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$97	5Yr:\$169	10Yr:\$381
		Income Distrib:	Quarterly		



Vanguard Long-Tm InvGrde

Analyst Pick: **WVESX** Load: None NAV: \$9.02 Yield: 5.8% SEC Yield: 5.82% Total Assets: \$5,738 mil Mstar Category: Long-Term Bond

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

Earl McEvoy of esteemed subadvisor Wellington Management Company has managed this fund since March 1994. McEvoy also runs Vanguard High-Yield Corporate and the bond portion of Vanguard Wellesley Income's balanced portfolio, where he has posted impressive results.

Strategy

The fund invests mainly in high-quality corporate bonds, but it may also invest up to 20% of assets in Treasuries and other government securities. Starting in mid-2001, the fund could invest up to 5% of assets in high-yield debt, but it has barely endeavored to do so yet. The fund's duration is kept within 20% of the Lehman Brothers Long Credit A or Better Index's, meaning that it tends to be more sensitive to interest-rate shifts than are many of its long-term bond peers. Over the past couple years, the fund's duration has ranged from 9.1 to 11.5 years.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	1.96	6.48	-2.18	0.04	6.26
2004	4.90	-5.01	6.48	2.67	8.94
2005	0.70	6.97	-3.22	0.86	5.13
2006	-3.63	-1.88	7.25	1.42	2.86
2007	0.64	-1.97	2.29	2.82	3.75

Trailing	Total Return%	+/- LB Aggreg	+/- LB LongTerm	%Rank Cat	Growth of \$10,000
3 Mo	1.12	-2.68	-1.45	64	10,112
6 Mo	4.58	-2.24	2.56	56	10,458
1 Yr	4.43	-4.38	-5.94	55	10,443
3 Yr Avg	3.02	-1.90	-3.38	68	10,934
5 Yr Avg	5.34	0.59	-2.14	67	12,971
10 Yr Avg	6.19	0.18	-1.81	25	18,232
15 Yr Avg	7.20	0.74	-1.22	1	28,374

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	1.02	68	1.94	75
5 Yr (estimated)	3.30	70	1.94	53
10 Yr (estimated)	3.76	23	2.29	87

Potential Capital Gain Exposure: 1% of assets

Morningstar's Take by Lawrence Jones 01-07-08

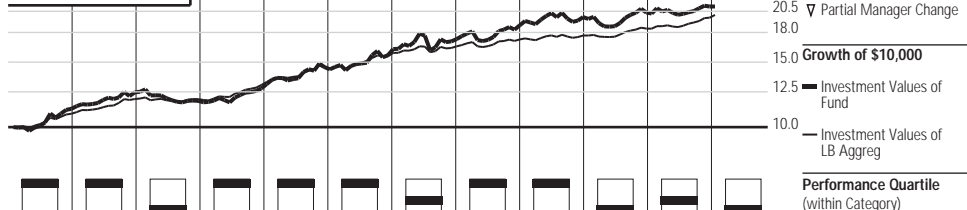
Vanguard Long-Term Investment Grade weathered 2007 and is well positioned for 2008.

The risks this fund faced over the past year changed dramatically, but we're impressed with management's ability to stay one step ahead of them. In early 2007, veteran manager Earl McEvoy was worried about leveraged buyout risk (widespread at the time), which can hurt corporate-heavy funds such as this one, as the added leverage used to finance a deal can impair firm ability to pay obligations. However, instead of retreating to the financials sector (often seen as less prone to buyouts) as many others did, McEvoy shifted assets to taxable munis and agency debt (recently near 9% and 6% of assets, respectively). Later in the year this had the effect of insulating returns from trouble in the financials sector, as the subprime mortgage meltdown and liquidity crisis hit that region of the market hard.

Moreover, as the liquidity crisis has depressed bond prices in various areas of the market, McEvoy

Historical Profile

Return: Average
Risk: Above Avg
Rating: ★★★ Neutral



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	9.26	9.29	8.11	8.45	8.68	9.23	9.27	9.55	9.52	9.25	9.06	9.02	NAV
Total Return %	13.78	9.21	-6.23	11.76	9.57	13.22	6.26	8.94	5.13	2.86	3.75	0.05	Total Return %
+/-LB Aggreg	4.13	0.52	-5.41	0.13	1.13	2.97	2.16	4.60	2.70	-1.47	-3.22	-1.63	+/-LB Aggreg
+/-LB LongTerm	-0.74	-2.56	1.42	-4.40	2.29	-1.59	0.39	0.38	-0.20	0.15	-2.85	-1.95	+/-LB LongTerm
Income Return %	7.21	6.56	6.25	7.30	6.86	6.60	5.85	5.77	5.53	5.61	5.81	0.49	Income Return %
Capital Return %	6.57	2.65	-12.48	4.46	2.71	6.62	0.41	3.17	-0.40	-2.75	-2.06	-0.44	Capital Return %
Total Rtn % Rank Cat	12	20	91	18	11	5	53	16	12	90	60	84	Total Rtn % Rank Cat
Income \$	0.61	0.59	0.56	0.57	0.56	0.56	0.53	0.52	0.52	0.52	0.52	0.04	Income \$
Capital Gains %	0.07	0.21	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains %
Expense Ratio %	0.28	0.32	0.30	0.30	0.30	0.32	0.31	0.28	0.25	0.25	0.25	0.25	Expense Ratio %
Income Ratio %	7.06	6.87	6.26	6.59	7.02	6.48	6.24	5.64	5.58	5.35	5.73	—	Income Ratio %
Turnover Rate %	30	33	43	7	17	39	33	11	16	9	15	—	Turnover Rate %
Net Assets \$mil	3,637	4,153	3,724	3,704	3,550	3,753	3,851	4,213	4,224	4,187	4,273	4,112	Net Assets \$mil

Rating and Risk

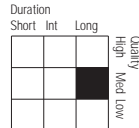
Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	4.43			
3 Yr	3.02	-Avg	High	★★
5 Yr	5.34	-Avg	+ Avg	★★★
10 Yr	6.19	Avg	Avg	★★★★
Incept	8.66			

Other Measures	Standard Index	Best Fit Index
Alpha	-2.2	-1.3
Beta	2.04	1.02
R-Squared	79	97
Standard Deviation	6.66	
Mean	3.02	
Sharpe Ratio	-0.17	

Portfolio Analysis 09-30-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income:223				
Illinois St Go Bds 5.1%	06-01-33	145,000	135,823	2.37
FNMA 6.625%	11-15-30	100,000	118,041	2.06
FHLMC 6.25%	07-15-32	100,000	113,525	1.98
General Elec Cap 6.75%	03-15-32	95,975	106,316	1.86
FHLBA 5.5%		100,000	103,138	1.80
Deutsche Telekom Intl Fi	06-15-30	59,000	72,613	1.27
New York Life Ins 144A 5	05-15-33	70,275	68,403	1.19
At&T Wireless Svcs 8.75%	03-01-31	52,725	66,806	1.17
France Telecom Sa 8.5%	03-01-31	48,175	62,114	1.08
Natl Rural Utils Coop Fi	03-01-32	50,000	59,524	1.04
President&Fellow Harvard	10-01-37	55,000	58,112	1.01
Hutchison Whampoa Intl 1	11-24-33	50,000	56,334	0.98
Intl Busn Machs 7%	10-30-25	50,000	55,287	0.96
Hydro-Quebec 9.4%	02-01-21	40,000	54,730	0.96
New Jersey Econ Dev Auth	02-15-29	44,857	54,163	0.95
BANK AMER CHRLT NC MTN		55,000	53,955	0.94
Intl Bk For Recon&Dev 7.	01-19-23	43,320	53,816	0.94
Appalachian Pwr 6.7%		50,000	52,389	0.91
Wal Mart Stores 7.55%	02-15-30	45,000	52,047	0.91
Northn Sts Pwr 6.2%		50,000	51,579	0.90

Current Investment Style



Avg Eff Duration¹: 11.4 Yrs
Avg Eff Maturity: 22.3 Yrs
Avg Credit Quality: A
Avg Wtd Coupon: 6.68%
Avg Wtd Price: 105.80% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	28.4	0.7
6% to 8%	61.9	1.4
8% to 10%	9.7	0.8
More than 10%	0.0	0.0

1.00=Category Average

Credit Analysis	% bonds 09-30-07
AAA	14
AA	27
A	43
BBB	14

Sector Breakdown

	% of assets
US Treasuries	0
TIPS	0
US Agency	6
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	81
Asset-Backed	0
Convertible	0
Municipal	7
Corporate Inflation-Protected	0
Foreign Corporate	5
Foreign Govt	1

Composition

Cash	0.6	Bonds	99.4
Stocks	0.0	Other	0.0

Special Securities

Restricted/Illiquid Secs	7
Exotic Mortgage-Backed	0
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Address: PO Box 2600 Valley Forge, PA 19482 800-662-2739 www.vanguard.com
Web Address: www.vanguard.com
Inception: 07-09-73
Advisor: Wellington Management Company, LLP
Subadvisor: None
NTF Plans: Vanguard NTF

Minimum Purchase: \$3000 Add: \$100 IRA: \$0
Min Auto Inv Plan: \$3000 Add: \$50
Sales Fees: No-load
Management Fee: 0.26%
Actual Fees: Mgt:0.22% Dist: —
Expense Projections: 3Yr:\$80 5Yr:\$141 10Yr:\$318
Income Distrib: Monthly

Federated US 2-5 Instl

Ticker: FIGTX Load: None NAV: \$11.60 Yield: 4.2% SEC Yield: — Total Assets: \$732 mil Mstar Category: Short Government

Governance and Management

Stewardship Grade: D

Portfolio Manager(s)

Don Ellenberger is in charge. Ellenberger, head of government bonds at Federated, joined the fund in June 2005 but has been at Federated since 1996. Previously, he was a portfolio manager at Mellon Bank.

Strategy

This fund stands apart from most in the short-term government category because it does not invest in mortgage-backed securities. Instead, it holds a mix of Treasuries and agency bonds. Duration is usually relatively long for its group, as the fund stays within 20% of the Merrill Lynch 3-5 Year Treasury Index. The fund's approach typically results in added interest-rate sensitivity relative to the peer group.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	0.99	1.67	-0.04	-0.40	2.22
2004	2.06	-2.44	2.02	0.02	1.60
2005	-1.05	2.18	-0.71	0.47	0.87
2006	-0.49	0.31	2.85	0.66	3.34
2007	1.63	-0.22	3.65	3.88	9.18

Trailing	Total Return%	+/- LB Aggr	+/- LB 1-5 YR GOVT	%Rank Cat	Growth of \$10,000
3 Mo	5.99	2.19	2.79	1	10,599
6 Mo	8.79	1.97	3.01	1	10,879
1 Yr	12.00	3.19	4.66	1	11,200
3 Yr Avg	5.31	0.39	0.90	1	11,679
5 Yr Avg	3.96	-0.79	0.37	3	12,143
10 Yr Avg	5.37	-0.64	0.16	1	16,872
15 Yr Avg	5.47	-0.99	-0.03	6	22,230

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	3.78	1	1.45	66
5 Yr (estimated)	2.55	2	1.36	69
10 Yr (estimated)	3.63	1	1.65	51

Potential Capital Gain Exposure: 3% of assets

Morningstar's Take by Miriam Sjoblom 09-13-07

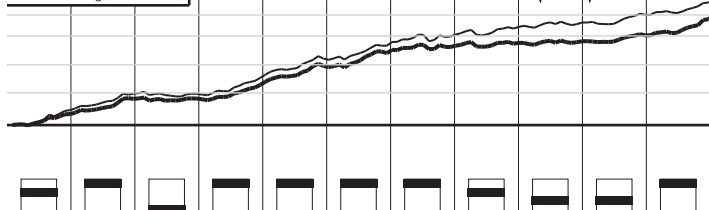
Federated U.S. Government: 2-5 Year is behaving itself.

We'd be concerned if this short-term government-bond fund weren't performing well right now amid very favorable conditions. With worries about subprime defaults spilling over into other sectors of the bond and equity markets, investors have been flocking to the safety of U.S. Treasury bonds. While increased demand has pushed Treasury prices higher, this fund, which invests strictly in Treasury and agency bonds, has gone to the head of its class, with a 5.41% return year to date as of September 10, 2007.

As recent performance demonstrates, this fund can clearly offer protection in times of market unrest. However, conditions won't always work in its favor. Whereas this fund avoids mortgage bonds of any type, many funds in this category have a sizable stake in agency mortgage bonds, which have little to no credit risk. This lack of mortgage exposure has been a boon for this fund lately, but it

Historical Profile

Return High
Risk High
Rating ★★★★★
Highest



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	10.63	10.91	10.35	10.77	11.09	11.67	11.52	11.30	10.97	10.86	11.35	11.60
Total Return %	7.12	8.11	-0.52	10.16	8.33	9.92	2.22	1.60	0.87	3.34	9.18	2.57
+/-LB Aggr	-2.53	-0.58	0.30	-1.47	-0.11	-0.33	-1.88	-2.74	-1.56	-0.99	2.21	0.89
+/-LB 1-5 YR GOVT	0.01	0.46	-2.48	1.07	-0.31	2.23	0.06	0.06	-0.61	-0.67	1.36	-4.90
Income Return %	5.71	5.40	4.71	5.91	5.33	4.56	3.53	3.54	3.83	4.34	4.51	0.37
Capital Return %	1.41	2.71	-5.23	4.25	3.00	5.36	-1.31	-1.94	-2.96	-1.00	4.67	2.20
Total Rtn % Rank Cat	27	2	91	8	11	3	12	34	73	73	1	1
Income \$	0.58	0.56	0.50	0.60	0.56	0.50	0.41	0.40	0.43	0.47	0.48	0.04
Capital Gains \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.54	0.54	0.55	0.56	0.57	0.57	0.57	0.57	0.59	0.58	0.58	—
Income Ratio %	5.42	5.58	5.13	4.80	6.23	4.29	4.29	3.44	3.55	3.82	4.35	—
Turnover Rate %	99	71	126	172	77	66	31	52	66	113	128	—
Net Assets \$mil	702	723	627	538	603	764	828	740	666	544	585	641

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	12.00			
3 Yr	5.31	High	High	★★★★★
5 Yr	3.96	High	High	★★★★★
10 Yr	5.37	High	High	★★★★★
Incept	7.18			

Other Measures	Standard Index	Best Fit Index
Alpha	0.4	-0.2
Beta	0.95	1.05
R-Squared	82	99
Standard Deviation	3.05	
Mean	5.31	
Sharpe Ratio	0.30	

Portfolio Analysis 12-31-07

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income: 19				
FHLMC 5.125%	08-23-10	67,400	69,972	10.48
FNMA 5.125%	11-02-12	46,000	46,817	7.01
US Treasury Note 4.125%	08-31-12	45,000	46,295	6.93
US Treasury Note 4.75%	03-31-11	42,000	44,030	6.59
US Treasury Note 4.875%	04-30-11	40,000	42,101	6.30
US Treasury Note 4.25%	11-15-14	40,000	41,266	6.18
FNMA 5%	02-16-12	38,000	39,561	5.92
FHLMC 4.75%	01-18-11	37,000	38,117	5.71
US Treasury Note 4%	11-15-12	37,000	37,966	5.68
FNMA 6%	05-15-11	33,000	35,335	5.29
US Treasury Note 3.875%	05-15-10	30,000	30,577	4.58
FNMA 5.4%	04-02-12	30,000	30,084	4.50
US Treasury Note 3%	07-15-12	26,732	28,976	4.34
FHLMC 4.625%	10-25-12	27,000	27,787	4.16
FHLMC 4.75%	03-05-12	20,000	20,640	3.09
FHLBA 5.25%	01-14-09	16,000	16,190	2.42
FHLBA	10-27-11	15,000	15,354	2.30
US Treasury Note 4.25%	11-15-17	12,600	12,822	1.92
US Treasury Note 4.75%	05-31-12	10,000	10,543	1.58

Current Investment Style

Duration	Short	Int	Long
Quality	High	Med	Low

1 figure provided by fund

Avg Eff Duration ¹	3.0 Yrs
Avg Eff Maturity	3.9 Yrs
Avg Credit Quality	AAA
Avg Wtd Coupon	4.71%
Avg Wtd Price	103.57% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	100.0	1.2
6% to 8%	0.0	0.0
8% to 10%	0.0	0.0
More than 10%	0.0	0.0

1.00=Category Average

Sector Breakdown % of assets

US Treasuries	40
TIPS	4
US Agency	51
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	0
Asset-Backed	0
Convertible	0
Municipal	0
Corporate Inflation-Protected	0
Foreign Corporate	0
Foreign Govt	0

Composition

Cash	5.0	Bonds	95.0
Stocks	0.0	Other	0.0

Credit Analysis % bonds 12-31-07

AAA	100	BB	0
AA	0	B	0
A	0	Below B	0
BBB	0	NR/NA	0

Special Securities

Restricted/Illicit Secs	0
Exotic Mortgage-Backed	—
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Address:	5800 Corporate Drive Pittsburgh, PA 15237-7000 800-341-7400	Minimum Purchase:	\$25000	Add: \$0	IRA: \$25000
Web Address:	www.federatedinvestors.com	Min Auto Inv Plan:	\$0	Add: —	
Inception:	02-18-83	Sales Fees:	No-load		
Advisor:	Federated Investment Mgmt Comp	Management Fee:	0.40%, 0.15%		
Subadvisor:	None	Actual Fees:	Mgt: 0.40%	Dist: —	
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr: \$265	5Yr: \$460	10Yr: \$1025
		Income Distrib:	Monthly		



Vanguard Inst Idx

Ticker: VINIX Load: None NAV: \$126.08 Yield: 2.0% Total Assets: \$68,556 mil Mstar Category: Large Blend

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

Donald Butler, who joined Vanguard in 1992, has been involved with the day-to-day management of this fund since 2000 and has been lead manager since 2005.

Strategy

The core of the fund's strategy is simple: Manager Donald Butler buys and holds the stocks that compose the S&P 500 Index. Butler attempts to add value on the margins by opportunistically buying futures contracts, among other strategies, and he actively pursues ways to reduce trading costs.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	-3.15	15.41	2.63	12.16	28.66
2004	1.69	1.72	-1.87	9.23	10.86
2005	-2.14	1.37	3.60	2.08	4.91
2006	4.21	-1.44	5.66	6.69	15.78
2007	0.63	6.27	2.05	-3.35	5.47

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000	%Rank Cat	Growth of \$10,000
3 Mo	-10.57	-0.02	0.02	40	8,943
6 Mo	-4.34	-0.02	-0.07	43	9,566
1 Yr	-2.33	-0.02	0.12	43	9,767
3 Yr Avg	7.27	-0.01	-0.50	39	12,343
5 Yr Avg	12.02	-0.02	-0.57	37	17,639
10 Yr Avg	5.18	0.04	-0.28	37	16,570
15 Yr Avg	10.01	0.03	-0.06	28	41,829

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.97	24	0.28	10
5 Yr (estimated)	11.68	27	0.30	15
10 Yr (estimated)	4.71	29	0.45	19

Potential Capital Gain Exposure: 18% of assets

Morningstar's Take by Dan Culloton 01-22-08

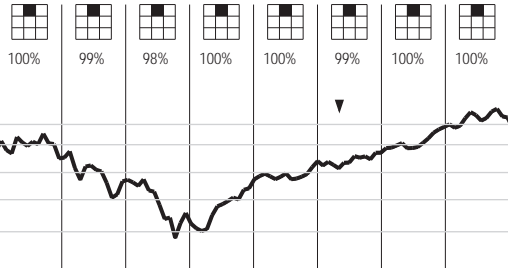
Vanguard Institutional Index, which tries to approximate the market average, is anything but.

This fund's recent results may not make you clamor to chase its returns, but it's a better core fund option than most of its large-blend peers. The fund's trailing annualized returns through early January 2008 are just north of mediocre. Part of the blah showing is a hangover from the past few years when small-cap stocks, which are in short supply here, did better than large-cap fare. The fund also hasn't owned enough of the aggressive-growth stocks that roared in 2007, such as Apple, to completely make up for suffering value-oriented holdings, such as Citigroup.

This fund, however, remains as solid as it ever was. It passively tracks the S&P 500 Index, which may not be the perfect gauge of the broad domestic-stock market because of its lack of small-cap exposure and more-subjective construction methods. The index and fund, however, are diversified across big, solid, market-leading U.S.

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08
NAV	89.56	112.85	134.01	120.72	104.89	80.45	101.78	110.70	114.01	129.59	134.14	126.08
Total Return %	33.36	28.79	21.17	-8.94	-11.93	-22.03	28.66	10.86	4.91	15.78	5.47	-6.01
+/-S&P 500	0.00	0.21	0.13	0.16	-0.04	0.07	-0.02	-0.02	0.00	-0.01	-0.02	-0.01
+/-Russ 1000	0.51	1.77	0.26	-1.15	0.52	-0.38	-1.23	-0.54	-1.36	0.32	-0.30	-0.01
Income Return %	2.03	1.59	1.35	1.05	1.14	1.35	1.91	2.00	1.86	1.98	1.99	0.00
Capital Return %	31.33	27.20	19.82	-9.99	-13.07	-23.38	26.75	8.86	3.05	13.80	3.48	-6.01
Total Rtn % Rank Cat	11	14	36	52	36	39	26	34	57	21	49	38
Income \$	1.39	1.42	1.51	1.40	1.38	1.41	1.53	2.02	2.05	2.24	2.56	0.00
Capital Gains \$	0.71	0.90	0.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05	—
Income Ratio %	1.77	1.46	1.25	1.10	1.27	1.57	1.74	2.00	1.87	1.87	—	—
Turnover Rate %	7	11	14	11	8	10	13	5	9	8	—	—
Net Assets \$mil	15,348	22,338	28,918	26,406	24,165	20,361	29,458	34,990	39,154	45,243	45,847	43,486

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-2.33			
3 Yr	7.27	Avg	Avg	★★★★
5 Yr	12.02	Avg	Avg	★★★★
10 Yr	5.18	Avg	Avg	★★★★
Incept	10.31			

Other Measures	Standard Index S&P 500	Best Fit Index S&P 500
Alpha	0.0	0.0
Beta	1.00	1.00
R-Squared	100	100
Standard Deviation	8.52	
Mean	7.27	
Sharpe Ratio	0.36	

Portfolio Analysis 09-30-07

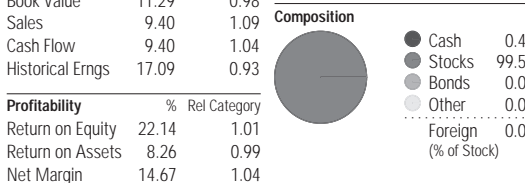
Share change since 06-07	Total Stocks:507	Sector	PE	Tot Ret%	% Assets
⊖ ExxonMobil Corporation		Energy	12.4	-8.84	3.79
⊕ General Electric Company		Ind Mtrls	15.9	-4.27	3.14
⊕ AT&T, Inc.		Telecom	20.0	-6.44	1.91
⊖ Microsoft Corporation		Software	18.5	-8.43	1.76
⊕ Citigroup, Inc.		Financial	7.6	-3.23	1.72
⊕ Bank of America Corporat		Financial	10.0	7.08	1.65
⊕ Procter & Gamble Company		Goods	20.7	-9.91	1.62
⊕ Cisco Systems, Inc.		Hardware	19.4	-9.86	1.49
⊕ Chevron Corporation		Energy	10.2	-10.56	1.48
⊕ Johnson & Johnson		Health	17.8	-5.00	1.41
⊖ American International G		Financial	9.6	-5.68	1.28
⊕ Pfizer Inc.		Health	23.1	3.07	1.25
⊕ International Business M		Hardware	16.1	-0.57	1.18
⊖ J.P. Morgan Chase & Co.		Financial	10.3	9.15	1.15
⊕ Intel Corporation		Hardware	20.2	-20.67	1.12
⊕ Altria Group Inc.		Goods	13.2	0.16	1.08
⊕ ConocoPhillips		Energy	12.5	-9.12	1.06
⊕ Apple, Inc.		Hardware	34.5	-31.66	0.99
⊕ Google, Inc.		Business	44.0	-18.39	0.97
⊕ Verizon Communications I		Telecom	19.3	-10.35	0.95

Current Investment Style

Value	Blind	Growth	Market Cap %
Large	52.2		52.2
Large	36.7		36.7
Mid	11.0		11.0
Small	0.1		0.1
Micro	0.0		0.0
Avg \$mil:	57,509		

Value Measures	Rel Category
Price/Earnings	15.72 1.00
Price/Book	2.68 1.03
Price/Sales	1.52 1.06
Price/Cash Flow	10.84 1.05
Dividend Yield %	1.76 1.09
Growth Measures	% Rel Category
Long-Term Erngs	10.61 0.91
Book Value	11.29 0.98
Sales	9.40 1.09
Cash Flow	9.40 1.04
Historical Erngs	17.09 0.93

Sector Weightings	% of Stocks	Rel S&P 500	3 Yr High Low
Info	20.96	1.06	
Software	3.61	0.90	4 3
Hardware	10.44	1.10	10 9
Media	3.16	1.10	4 3
Telecom	3.75	1.08	4 3
Service	42.50	1.01	
Health	11.70	0.96	13 12
Consumer	7.23	1.02	9 7
Business	3.89	0.87	4 3
Financial	19.68	1.07	22 20
Mfg	36.53	0.96	
Goods	8.69	0.95	9 8
Ind Mtrls	12.81	0.97	13 12
Energy	11.54	0.96	12 9
Utilities	3.49	0.96	4 3



Address:	Po Box 2600 Valley Forge, PA 19482 800-997-2798	Minimum Purchase:	\$500,000	Add: \$100	IRA: \$0
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$500,000	Add: \$50	
Inception:	07-31-90	Sales Fees:	No-load		
Advisor:	Vanguard Advisers, Inc.	Management Fee:	0.05%		
Subadvisor:	None	Actual Fees:	Mgt:0.05%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$16	5Yr:\$28	10Yr:\$64
		Income Distrib:	Quarterly		

Vanguard Target Rtmt Inc

Analyst Pick: **None** Ticker: **VTINX** Load: **None** NAV: **\$11.09** Yield: **3.9%** Total Assets: **\$1,690 mil** Mstar Category: **Target-Date 2000-2014**

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because the components here all are index offerings, shareholders tap into Vanguard's skill at running index funds.

Strategy

This fund seeks to provide current income and, to a lesser extent, capital appreciation. It is heavily weighted toward fixed-income securities. As of the end of October 2007, it had 45% invested in Vanguard Total Bond Market Index and 20% in TIPS through Vanguard Inflation-Protected Securities. With 5% stored in cash, the remaining 30% of the portfolio's assets are devoted to equities, with 24% invested in Vanguard Total Stock Market Index.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	3.15	-1.72	2.16	3.15	6.82
2005	-0.76	2.79	0.47	0.81	3.33
2006	0.19	-0.47	3.82	2.76	6.38
2007	1.77	1.58	2.95	1.63	8.17

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2010	%Rank Cat	Growth of \$10,000
3 Mo	-0.27	6.19	0.60	6	9,973
6 Mo	4.35	5.11	0.54	3	10,435
1 Yr	7.18	3.94	0.40	2	10,718
3 Yr Avg	5.88	-2.32	-0.63	28	11,870
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	4.55	30	1.26	53
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

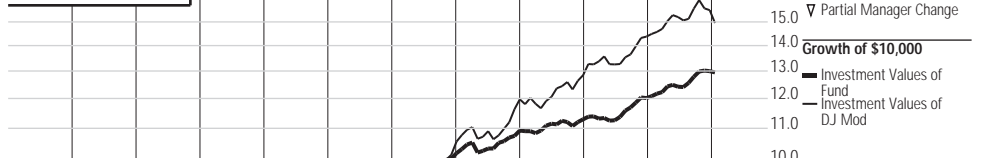
Vanguard Target Retirement Income is a good way to keep investing simple.

There are plenty of target-retirement fund providers out there, but Vanguard's lineup still manages to stand out. Unlike many competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. Moreover, as can be expected from Vanguard, expenses are kept admirably low. Indeed, this particular fund has a 0.21% expense ratio, which gives it a significant advantage over its pricier competitors.

One complaint investors might have is the conservative asset allocation. A few years after their target dates, the funds in the series will fold into this fund and adopt its 30%/70% split between stocks and bonds. Others, such as those from T. Rowe Price, stick with stocks for much longer. The bigger stake in bonds limits the bumps in the road, but it also hurts return potential, because stocks

Historical Profile

Return: **Average**
Risk: **Below Avg**
Rating: **★★★ Neutral**



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.18	10.52	10.44	10.70	11.13	11.09	NAV
Total Return %	—	—	—	—	—	—	—	6.82	3.33	6.38	8.17	-0.36	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-6.33	-3.92	-5.53	0.15	3.32	+/-DJ Mod
+/-DJ Target 2010	—	—	—	—	—	—	—	-3.94	-0.42	-1.52	0.44	0.35	+/-DJ Target 2010
Income Return %	—	—	—	—	—	—	—	3.38	3.95	3.79	4.08	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	3.44	-0.62	2.59	4.09	-0.36	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	42	62	76	3	11	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.05	0.34	0.41	0.39	0.43	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.02	0.00	0.02	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	3.62	3.80	4.21	4.03	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	1	—	22	3	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	47	407	734	897	1,555	1,690	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	7.18	—	—	—
3 Yr	5.88	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	6.29	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	0.3	0.3
Beta	0.30	0.30
R-Squared	41	41
Standard Deviation	2.78	—
Mean	5.88	—
Sharpe Ratio	0.53	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Bond Market Index	—	—	—	—	44.98
Vanguard Total Stock Mkt Idx	—	—	—	—	23.38
Vanguard Inflation-Protected Secs	—	—	—	—	19.91
Vanguard European Stock Index	—	—	—	—	3.62
Vanguard Pacific Stock Index	—	—	—	—	1.63
Vanguard Emerging Mkts Stock Idx	—	—	—	—	1.06
Vanguard Total Stock Market ETF	—	—	—	—	0.70

Total Fixed-Income:0	Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—	—

Equity Style	Fixed-Income Style
Style: Blend	Duration: Interm-Term
Size: Large-Cap	Quality: High
Value Measures	Rel Category
Price/Earnings 15.62	1.00
Price/Book 2.48	1.02
Price/Sales 1.38	1.01
Price/Cash Flow 10.07	1.01
Dividend Yield % 1.93	1.01
Growth Measures	% Rel Category
Long-Term Erngs 14.40	1.17
Book Value 10.05	0.94
Sales 0.20	0.07
Cash Flow 4.08	1.72
Historical Erngs 17.36	0.94
Market Cap %	
Giant 44.6	Small 5.0
Large 30.8	Micro 1.7
Mid 17.9	Avg \$mil: 31,602

Composition	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Cash 6.0	Info 19.36	—	—	—
Stocks 30.1	Software 3.20	—	4	3
Bonds 63.8	Hardware 8.97	—	10	8
Other 0.1	Media 2.89	—	4	3
Foreign 20.6	Telecom 4.30	—	4	3
(% of Stock)	Service 43.47	—	—	—
	Health 10.50	—	13	10
	Consumer 6.94	—	10	7
	Business 5.23	—	5	5
	Financial 20.80	—	24	20
	Mfg 37.15	—	—	—
	Goods 8.94	—	9	7
	Ind Mtrls 13.94	—	14	11
	Energy 10.49	—	10	8
	Utilities 3.78	—	4	3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Quarterly		

Vanguard Target Rtmt 2015

Analyst Pick

Ticker VTXVX

Load None

NAV \$12.59

Yield 2.7%

Total Assets \$7,256 mil

Mstar Category Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this is a fund composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it had 35.5% of assets in Vanguard Total Bond Market Index, 51.5% in Vanguard Total Stock Market Index, 7.3% in Vanguard European Stock Index, 3.2% in Vanguard Pacific Stock Index, and 2.5% in Vanguard Emerging Markets Stock Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.78	-0.56	0.75	5.89	9.04
2005	-1.16	2.26	2.21	1.57	4.94
2006	2.44	-1.11	4.22	5.53	11.42
2007	1.77	3.86	2.43	-0.67	7.55

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-6.19	0.27	1.62	12	9,381
6 Mo	-0.32	0.44	1.51	15	9,968
1 Yr	2.52	-0.72	0.06	9	10,252
3 Yr Avg	6.95	-1.25	-2.40	42	12,233
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.18	29	0.72	11
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 3% of assets

Morningstar's Take by Marta Norton 12-13-07

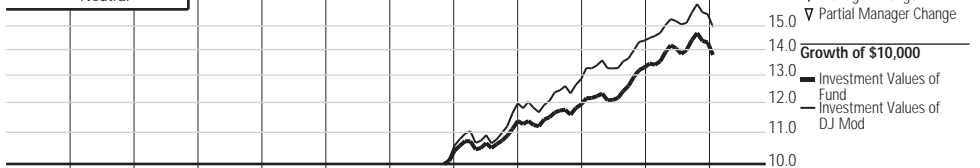
Vanguard Target Retirement 2015 is worthy of serious consideration.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are kept admirably low. This particular fund has a 0.21% expense ratio, which gives it a significant advantage over its pricier competitors.

Impressive underlying funds add to the lineup's appeal. Vanguard Total Stock Market, the core equity holding that claims 52% of this fund's assets, is well diversified and benefits from the expertise of a longtime manager. Core bond holding Vanguard Total Bond Market, which has 36% of the fund's assets, has similar advantages. Aside from 2002's slipup, its management has closely tracked its benchmark. Plus, we're pleased with the other

Historical Profile

Return Average
Risk Low
Rating ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.43	11.17	11.46	12.46	13.06	12.59	NAV
Total Return %	—	—	—	—	—	—	—	9.04	4.94	11.42	7.55	-3.60	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-4.11	-2.31	-0.49	-0.47	0.08	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-5.89	-4.09	-2.33	-0.76	0.81	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.92	2.33	2.71	2.73	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	7.12	2.61	8.71	4.82	-3.60	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	46	78	62	32	20	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.20	0.26	0.31	0.34	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	2.69	3.11	3.04	2.93	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	1	1	15	5	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	50	707	2,293	4,355	7,273	7,256	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.52	—	—	—
3 Yr	6.95	Avg	Low	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	7.97	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.6	0.5
Beta	0.83	0.58
R-Squared	88	91
Standard Deviation	5.24	—
Mean	6.95	—
Sharpe Ratio	0.49	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	49.50
Vanguard Total Bond Market Index	—	—	—	—	36.35
Vanguard European Stock Index	—	—	—	—	7.31
Vanguard Pacific Stock Index	—	—	—	—	3.26
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.31
Vanguard Total Stock Market ETF	—	—	—	—	1.26

Total Fixed-Income:0	Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—	—

Equity Style	Style: Blend	Size: Large-Cap	Fixed-Income Style	Duration: Interm-Term	Quality: High
Value Measures	Price/Earnings	15.63	Avg Eff Duration 1	4.6 Yrs	
	Price/Book	2.48	Avg Eff Maturity	7.3 Yrs	
	Price/Sales	1.38	Avg Credit Quality	AAA	
	Price/Cash Flow	10.08	Avg Wtd Coupon	5.52%	
	Dividend Yield %	1.92	*figure provided by fund as of 09-30-07		
Growth Measures	% Rel Category		Sector Weightings	% of Stocks	Rel DJ Mod
Long-Term Erngs	14.50	1.12	Info	19.41	—
Book Value	10.06	0.95	Software	3.22	3
Sales	0.15	0.07	Hardware	9.00	9
Cash Flow	4.05	4.31	Media	2.89	4
Historical Erngs	17.46	0.97	Telecom	4.30	4
Market Cap %			Service	43.47	—
Giant	44.5	Small	Health	10.53	12
Large	30.8	Micro	Consumer	6.96	9
Mid	17.9	Avg \$mil:	Business	5.23	5
		31,555	Financial	20.75	24
Composition			Mfg	37.13	—
	Cash	1.1	Goods	8.91	10
	Stocks	63.1	Ind Mtrls	13.92	14
	Bonds	35.5	Energy	10.52	11
	Other	0.3	Utilities	3.78	4
	Foreign	20.1			
	(% of Stock)				

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2025

Analyst Pick

Ticker VTTVX

Load None

NAV \$13.05

Yield 2.4%

Total Assets \$7,239 mil

Mstar Category Target-Date 2015-2029

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it had 20.5% of assets in Vanguard Total Bond Market Index, 63.4% in Vanguard Total Stock Market Index, 9.0% in Vanguard European Stock Index, 4.0% in Vanguard Pacific Stock Index, and 3.1% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.85	-0.28	0.37	6.95	10.11
2005	-1.32	2.14	2.79	1.78	5.45
2006	3.23	-1.32	4.34	6.55	13.24
2007	1.84	4.89	2.37	-1.62	7.59

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-8.47	-2.01	-0.66	48	9,153
6 Mo	-2.10	-1.34	-0.27	46	9,790
1 Yr	0.94	-2.30	-1.52	34	10,094
3 Yr Avg	7.35	-0.85	-2.00	32	12,371
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	6.72	15	0.59	1
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

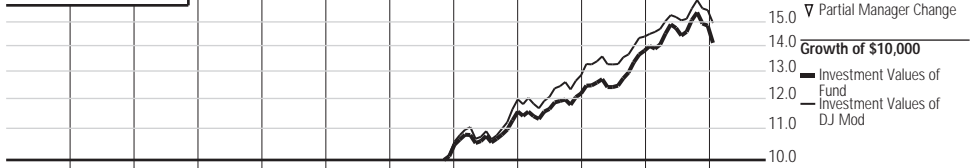
Vanguard Target Retirement 2025 is among the market's best one-size-fits-all funds.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it a big edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns, because stocks tend to earn more over the long haul. But because investors interested in risking more volatility for higher returns can simply

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



Investment Style

Equity
Stock %

▼ Manager Change
▽ Partial Manager Change

Growth of \$10,000

Investment Values of Fund
Investment Values of DJ Mod

Performance Quartile (within Category)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.51	11.39	11.77	13.04	13.72	13.05	NAV
Total Return %	—	—	—	—	—	—	—	10.11	5.45	13.24	7.59	-4.88	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-3.04	-1.80	1.33	-0.43	-1.20	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-4.82	-3.58	-0.51	-0.72	-0.47	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.71	2.11	2.46	2.38	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	8.40	3.34	10.78	5.21	-4.88	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	23	66	32	31	56	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.18	0.24	0.29	0.31	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	2.33	2.84	2.66	2.43	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	3	2	22	4	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	30	708	2,529	4,605	7,309	7,239	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	0.94	—	—	—
3 Yr	7.35	Avg	Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	8.62	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.9	0.4
Beta	1.04	0.73
R-Squared	88	94
Standard Deviation	6.52	—
Mean	7.35	—
Sharpe Ratio	0.47	—

Portfolio Analysis 09-30-07

Total Stocks:0	Share change since 06-30-07	Sectors	P/E Ratio	YTD Return %	% Net Assets
Vanguard Total Stock Mkt Idx	—	—	—	—	61.42
Vanguard Total Bond Market Index	—	—	—	—	20.87
Vanguard European Stock Index	—	—	—	—	9.10
Vanguard Pacific Stock Index	—	—	—	—	4.03
Vanguard Emerging Mkts Stock Idx	—	—	—	—	2.89
Vanguard Total Stock Market ETF	—	—	—	—	1.69

Total Fixed-Income:0

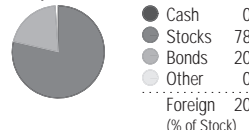
Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.63 1.00
Price/Book	2.48 1.02
Price/Sales	1.38 1.03
Price/Cash Flow	10.08 1.02
Dividend Yield %	1.92 1.02
Growth Measures	% Rel Category
Long-Term Erngs	14.51 1.13
Book Value	10.06 0.95
Sales	0.15 0.07
Cash Flow	4.05 4.31
Historical Erngs	17.47 0.97
Market Cap %	
Giant	44.5 Small 5.0
Large	30.8 Micro 1.7
Mid	17.9 Avg \$mil: 31,557

Composition



Fixed-Income Style

Duration: Interm-Term
Quality: High

Value Measures	Rel Category	Avg Eff Duration 1	4.6 Yrs
Avg Eff Maturity	—	—	7.3 Yrs
Avg Credit Quality	—	—	AAA
Avg Wtd Coupon	—	—	5.52%
*figure provided by fund as of 09-30-07			
Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Info	19.41	—	—
Software	3.22	—	3 3
Hardware	9.00	—	9 8
Media	2.89	—	4 3
Telecom	4.30	—	4 4
Service	43.46	—	—
Health	10.52	—	12 10
Consumer	6.96	—	9 7
Business	5.23	—	5 5
Financial	20.75	—	24 21
Mfg	37.13	—	—
Goods	8.91	—	10 8
Ind Mtrls	13.92	—	14 12
Energy	10.52	—	11 8
Utilities	3.78	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2035

Analyst Pick: **VTTHX** Ticker: **VTTHX** Load: **None** NAV: **\$13.78** Yield: **2.1%** Total Assets: **\$4,737 mil** Mstar Category: **Target-Date 2030+**

Governance and Management

Stewardship Grade: **B**

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund emphasizes capital growth and income. As of the end of October 2007, it invested 9.8% of assets in Vanguard Total Bond Market Index, 72% in Vanguard Total Stock Market Index, 10.2% in Vanguard European Stock Index, 4.5% in Vanguard Pacific Stock Index, and 3.5% in Vanguard Emerging Markets Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.92	0.46	-0.64	8.98	11.95
2005	-1.62	1.82	4.00	2.04	6.30
2006	4.49	-1.41	4.35	7.20	15.24
2007	1.87	5.66	2.14	-2.23	7.49

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-10.09	-3.63	1.23	19	8,991
6 Mo	-3.35	-2.59	1.44	23	9,665
1 Yr	-0.19	-3.43	-0.17	27	9,981
3 Yr Avg	8.12	-0.08	-2.34	32	12,639
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	7.62	14	0.46	2
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 4% of assets

Morningstar's Take by Marta Norton 12-13-07

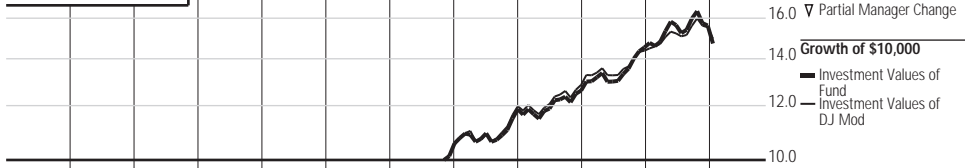
Vanguard Target Retirement 2035 is an excellent way to keep it simple.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike many competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it an edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns because stocks tend to earn more over the long haul. We don't consider this a sticking point, however, because investors interested in

Historical Profile

Return: Average
Risk: Below Avg
Rating: **★★★**
Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.63	11.73	12.26	13.87	14.62	13.78	NAV
Total Return %	—	—	—	—	—	—	—	11.95	6.30	15.24	7.49	-5.75	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-1.20	-0.95	3.33	-0.53	-2.07	+/-DJ Mod
+/-DJ Target 2040	—	—	—	—	—	—	—	-4.66	-5.06	-1.40	-0.99	0.64	+/-DJ Target 2040
Income Return %	—	—	—	—	—	—	—	1.60	1.79	2.12	2.09	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	10.35	4.51	13.12	5.40	-5.75	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	43	87	35	38	24	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.17	0.21	0.26	0.29	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1.70	2.33	2.21	2.09	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	2	—	14	1	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	19	373	1,402	3,050	4,860	4,737	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-0.19	—	—	—
3 Yr	8.12	Avg	-Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	9.74	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.9	0.7
Beta	1.24	0.88
R-Squared	91	96
Standard Deviation	7.72	—
Mean	8.12	—
Sharpe Ratio	0.50	—

Portfolio Analysis 09-30-07

Total Stocks:0	Sectors	P/E Ratio	YTD Return %	% Net Assets
Share change since 06-30-07	—	—	—	—
Vanguard Total Stock Mkt Idx	—	—	—	69.86
Vanguard European Stock Index	—	—	—	10.33
Vanguard Total Bond Market Index	—	—	—	9.95
Vanguard Pacific Stock Index	—	—	—	4.60
Vanguard Emerging Mkts Stock Idx	—	—	—	3.30
Vanguard Total Stock Market ETF	—	—	—	1.96

Total Fixed-Income:0	Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—	—

Equity Style	Fixed-Income Style
Style: Blend	Duration: —
Size: Large-Cap	Quality: —
Value Measures	Rel Category
Price/Earnings	15.63
Price/Book	2.48
Price/Sales	1.38
Price/Cash Flow	10.08
Dividend Yield %	1.92
Growth Measures	% Rel Category
Long-Term Erngs	14.53
Book Value	10.06
Sales	0.15
Cash Flow	4.05
Historical Erngs	17.49
Market Cap %	
Giant	44.5
Large	30.8
Mid	17.9
Small	5.0
Micro	1.7
Avg \$mil:	31,549

Composition	Sector Weightings
Cash	0.6
Stocks	89.2
Bonds	9.8
Other	0.3
Foreign (% of Stock)	20.1
Info	19.41
Software	3.22
Hardware	9.00
Media	2.89
Telecom	4.30
Service	43.46
Health	10.52
Consumer	6.96
Business	5.23
Financial	20.75
Mfg	37.13
Goods	8.91
Ind Mtrls	13.92
Energy	10.52
Utilities	3.78

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Vanguard Target Rtmt 2045

Analyst Pick: Ticker: VTIVX Load: None NAV: \$14.23 Yield: 2.1% Total Assets: \$2,306 mil Mstar Category: Target-Date 2030+

Governance and Management

Stewardship Grade: B

Portfolio Manager(s)

A team led by experienced index-fund manager Duane Kelly oversees this and other Vanguard Target Retirement Funds. Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds.

Strategy

This fund holds a diverse mix of stocks and bonds. As of the end of October 2007, it had 71.9% of assets in Vanguard Total Stock Market Index, 10.3% in Vanguard European Stock Index, 4.5% in Vanguard Pacific Stock Index, and 3.4% in Vanguard Emerging Markets Index. The remaining 9.9% was devoted to bonds through Vanguard Total Bond Market Index. Allocation to fixed-income securities will increase gradually as the fund nears its target date.

Performance 01-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2003	—	—	—	—	—
2004	2.89	0.82	-1.17	10.11	12.89
2005	-1.76	1.62	4.70	2.32	6.95
2006	5.25	-1.44	4.29	7.20	15.98
2007	1.89	5.69	2.14	-2.29	7.47

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-10.09	-3.63	1.23	19	8,991
6 Mo	-3.38	-2.62	1.41	24	9,662
1 Yr	-0.19	-3.43	-0.17	27	9,981
3 Yr Avg	8.69	0.49	-1.77	9	12,840
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	8.22	2	0.43	1
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -10% of assets

Morningstar's Take by Marta Norton 12-13-07

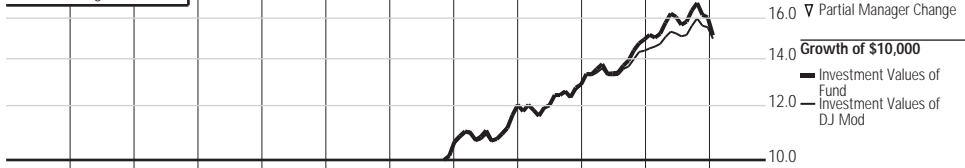
Young investors looking for simplicity should consider Vanguard Target Retirement 2045.

In the crowded target-retirement space, Vanguard's lineup stands out. Unlike competitors, it relies solely on index funds. That means asset bloat isn't much of an issue, because index funds are better suited to a growing asset base than actively managed funds. And as can be expected from Vanguard, expenses are admirably low. This particular fund has a 0.21% expense ratio, which gives it an edge over pricier competitors.

Some might take issue with the lineup's conservative asset allocation. A few years after their target dates, the funds in the series will fold into Vanguard Target Retirement Income and adopt its 30%/70% split between stocks and bonds. Rivals such as T. Rowe Price stick with stocks for much longer. More in bonds limits volatility, but it can also hurt returns, because stocks tend to earn more over the long haul. We don't consider this a sticking point, however, because investors interested in

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★ Highest



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	01-08	History
NAV	—	—	—	—	—	—	10.71	11.93	12.57	14.32	15.09	14.23	NAV
Total Return %	—	—	—	—	—	—	—	12.89	6.95	15.98	7.47	-5.70	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-0.26	-0.30	4.07	-0.55	-2.02	+/-DJ Mod
+/-DJ Target 2040	—	—	—	—	—	—	—	-3.72	-4.41	-0.66	-1.01	0.69	+/-DJ Target 2040
Income Return %	—	—	—	—	—	—	—	1.49	1.59	1.99	2.09	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	11.40	5.36	13.99	5.38	-5.70	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	19	74	23	39	22	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.07	0.16	0.19	0.25	0.30	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.01	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.21	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1.38	2.07	2.03	2.08	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	7	7	3	1	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	7	142	626	1,446	2,374	2,306	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-0.19	—	—	—
3 Yr	8.69	+ Avg	- Avg	★★★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	10.49	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-0.6	1.0
Beta	1.31	0.89
R-Squared	92	97
Standard Deviation	8.05	—
Mean	8.69	—
Sharpe Ratio	0.55	—

Portfolio Analysis 09-30-07

Total Stocks:0	Sectors	P/E Ratio	YTD Return %	% Net Assets
Share change since 06-30-07	—	—	—	—
Vanguard Total Stock Mkt Idx	—	—	—	69.89
Vanguard European Stock Index	—	—	—	10.49
Vanguard Total Bond Market Index	—	—	—	9.98
Vanguard Pacific Stock Index	—	—	—	4.62
Vanguard Emerg Markets Stk Idx Fd	—	—	—	3.18
Vanguard Total Stock Market ETF	—	—	—	1.83

Total Fixed-Income:0

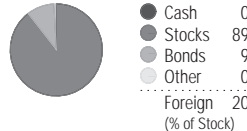
Date of Maturity	Amount \$000	Value \$000	% Net Assets
—	—	—	—

Equity Style

Style: Blend
Size: Large-Cap

Value Measures	Rel Category
Price/Earnings	15.63 1.00
Price/Book	2.48 1.02
Price/Sales	1.38 1.04
Price/Cash Flow	10.08 1.03
Dividend Yield %	1.92 1.02
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Long-Term Erngs	14.42 1.09
Book Value	10.05 0.95
Sales	0.16 0.12
Cash Flow	4.05 15.00
Historical Erngs	17.37 0.94
Market Cap %	
Giant	44.6 Small 5.0
Large	30.8 Micro 1.7
Mid	17.9 Avg \$mil: 31,593

Composition



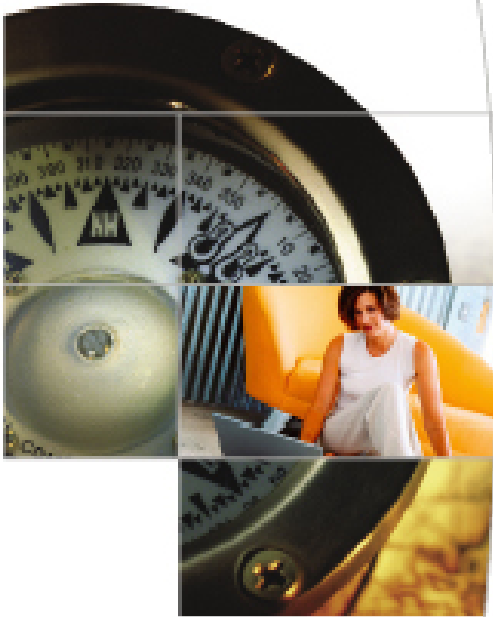
Fixed-Income Style

Duration: —
Quality: —

Value Measures	Rel Category		
Avg Eff Duration 1	—		
Avg Eff Maturity	—		
Avg Credit Quality	—		
Avg Wtd Coupon	—		
*figure provided by fund			
Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Info	19.40	—	—
Software	3.21	—	3 3
Hardware	9.00	—	9 8
Media	2.89	—	4 3
Telecom	4.30	—	4 4
Service	43.48	—	—
Health	10.53	—	12 10
Consumer	6.96	—	9 7
Business	5.23	—	5 5
Financial	20.76	—	24 21
Mfg	37.13	—	—
Goods	8.92	—	10 8
Ind Mtrls	13.92	—	14 12
Energy	10.51	—	11 8
Utilities	3.78	—	4 3

Address:	P.O. Box 2600 Valley Forge, PA 19482 800-662-6273	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	10-27-03	Sales Fees:	No-load		
Advisor:	The Vanguard Group	Management Fee:	0.00%		
Subadvisor:	None	Actual Fees:	—	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$68	5Yr:\$118	10Yr:\$268
		Income Distrib:	Annually		

Investment Policy Statement and Fund Benchmarks



AdvisedAssetsGroup

Put Our Power Behind You™

Investment Benchmarks

Investment Product	2007 Performance Benchmarks
American Funds EuroPacific Growth R5	1 MSCI EAFE Free Index* 2 Lipper International Funds Average* 3 MSCI All Country World Index ex-USA* 4 Morningstar Foreign Large Cap Blend Category Average**
Barclay's EAFE Equity Index Fund	1 MSCI EAFE*
DFA U.S. Microcap Portfolio	1 Russell 2000 Index* 2 Russell Microcap Index** 3 Morningstar Small Blend Category Average**
Barclay's Small Cap Equity Index Fund	1 Russell 2000 Index*
T. Rowe Price MidCap Growth Fund	1 Lipper Mid Cap Growth Funds Average* 2 Russell Mid Cap Growth Index* 3 S&P 400 Mid Cap Index* 4 Morningstar Mid Cap Growth Category Average**
Barclay's MidCap Equity Index Fund	1 S&P MidCap 400 Index*
Calvert Social Investment Equity Fund- Institutional Class	1 S&P 500 Index* 2 Lipper Multi-Cap Core Funds Average* 3 Calvert Social Index** 4 Morningstar Socially Responsible Large Cap Fund Average**
Fidelity Contrafund	1 S&P 500 Index* 2 Lipper Growth Fund Average* 3 Morningstar Large Growth Category Average**
Vanguard Institutional Index Fund (Plus Shares)	1 S&P 500 Index*
Vanguard Wellington Fund (Admiral Shares)	1 Lipper Balanced 2 Morningstar Moderate Allocation Funds Average** 3 Composite 65% S&P 500/35% Lehman Aggregate Index**
Vanguard Long-Term Investment Grade-Fund (Admiral Shares)	1 Lehman Brothers LT Corporate A * 2 Morningstar LT Corporate Category Average**
Barclay's U.S. Debt Index Fund	1 Lehman Brothers Aggregate Bond Index*
Federated U.S. Government Securities Fund 2-5 Years (Instl)	1 Merrill Lynch 3-5 Year Treasury Index* 2 Lipper Short-Intermediate U.S. Government Average* 3 Morningstar Short-term Government Category**
Vanguard Admiral Treasury Money Market Fund	1 iMoneyNet Money Fund Report Average 100% Treasury Fund*
Stable Value Fund (Galliard)	1 Five Year Constant Maturity Treasury Rate (CMT)* 2 Hueler Analytics Pooled Fund Universe Average*
FDIC Option- M&I Bank of Southern Wisconsin	1 50% 3-Month LIBOR/50% 12-Month LIBOR
Vanguard Lifecycle Funds	1 Composite benchmarks based on asset allocation of funds

*Represent benchmarks used by the fund. **Represent benchmarks used by the Board.

Wisconsin Deferred Compensation Program
Deferred Compensation Board
Investment Policy Statement
Approved by the Deferred Compensation Board November 1998
Revision for February 2005

Objective

The Wisconsin Deferred Compensation Program (WDC) will provide participants with the ability to invest pre-tax income in a broad range of investment alternatives with diverse risk and return characteristics. The Deferred Compensation Board's goal is to ensure the WDC offers sufficient investment choices to meet participants' needs when establishing their personal retirement savings portfolio.

Investment Spectrum

The Board will maintain a core investment spectrum, normally between eight and twenty options, to ensure sufficient choices are available and are reasonable in number to allow the average participant to decide which options best meet their personal needs. The spectrum will be comprised of fixed options and publicly traded mutual fund options from the following categories:

1. *Fixed income/cash investments - FDIC insured bank account option, stable value fund, or money market mutual fund.*
2. *Bond mutual funds - government or corporate bond funds, domestic or international, active or passive management.*
3. *Balanced mutual fund – combining equity and bond investments in one option.*
4. *Domestic large cap equity mutual funds – including both active and passive (index) investments; funds with investment objectives that may include: growth and income, growth, aggressive growth, value, and blend of growth and value.*
5. *Domestic small and mid cap equity mutual funds – growth, value or blend.*
6. *International or foreign equity mutual funds – growth, value or blend.*
7. *Lifecycle funds – age-based portfolios for multiple time horizons.*

Selection Process

The Board may from time to time provide additional investment alternatives and may change the categories of funds offered to maintain a broad spectrum to address participants' changing needs or changes to the investment industry. The Board has established minimum criteria for selecting and evaluating the options offered by the WDC.

Mutual fund options are selected from the universe of publicly traded funds through a comprehensive search process. For an option to be considered for the WDC, it must meet the established minimum requirements in regard to: asset size, years in operation, costs (expense

ratio and sales fees), and historical performance. Once the initial screening has occurred, options are further analyzed based on criteria that includes, but is not limited to: short and long term performance as compared to peer group average and benchmarks, risk/return measurements, manager tenure, and industry ratings (such as *Morningstar*). Fixed income investments must also meet minimum criteria established by the Board (see attachment 1) and are selected from a competitive request for proposal process.

Evaluation Process

To ensure options continue to be suitable for offering to WDC participants and are consistent with the established investment policy, the Board completes a comprehensive evaluation each year.

Performance benchmarks are specifically established for each investment option and include a comparison to their peer group average, an appropriate index measurement, and an internal benchmark identified by the fund manager. Volatility is also measured by an analysis of risk versus return.

If the Board determines an option is no longer acceptable for continued offering, the Board may close the investment to new participant elections or initiate the process to phase the option out of the WDC and require participants to move account balances to an alternate choice. The steps in the review process are as follows:

- 1. A determination is made that a fund is unacceptable for offering. The Board can either close the fund to new elections and proceed with step 2, or initiate the phase out process to remove the fund from the WDC and skip step 2 and 3 and go directly to step 4.*
- 2. As a result of the next year's annual review, if it is determined to once again be acceptable, the fund is re-opened to participant elections.*
- 3. If improvements have occurred but it is not completely meeting all established criteria and/or there are remaining questions about its performance in can be continued in it's current closed status for an additional year.*
- 4. If the review demonstrates that the fund continues to be unacceptable for offering, the Board can initiate the process to phase it out of the WDC over a minimum of a one-year period (as required in Wisconsin Administrative Code ETF 70.08(3)).*
- 5. Participants are instructed to re-direct deferrals to an alternate choice within a period of not less than six-months from the original notification. If this action is not taken, deferrals being directed into the option being removed will automatically be redirected to an alternate option as designated by the Board.*
- 6. Participants are instructed to transfer existing balances to an alternate choice within a period of not less than one year from the original notification. If this action is not taken, account balances not exchanged out of the option being removed will automatically be redirected to an alternate option as designated by the Board.*

Responsibilities

Deferred Compensation Board – The Board is responsible for selecting appropriate investment options for offering by the WDC and monitoring the selections to ensure they continue to be acceptable for long-term retirement savings.

Investment Providers – The companies contracted to provide an investment option to the WDC are responsible for following the investment objectives that were either, identified during the competitive bid process (for fixed income options) or stated in their fund prospectus (for mutual funds).

Department of Employee Trust Funds and Administrative Services Provider Staff – Staff is responsible for completing the annual evaluation to monitor the WDC investment choices and providing sufficient analysis and information on which the Board can base decisions regarding maintaining, removing or adding investment options to the WDC. Staff is also responsible for providing sufficient information about the available investment choices and how to structure a retirement savings portfolio to enable participants to make informed decisions.

Participants – Investment decisions are the full responsibility of participants and their beneficiaries. Although the Board monitors the options that are being made available, participants are responsible for deciding which, if any, of the available choices are the most appropriate for their supplemental retirement savings needs.

Minimum Criteria for Selecting and Evaluating Fixed Income Options	
Bank Option	<ul style="list-style-type: none"> • FDIC insured • Capital ratio as required by US government to maintain FDIC coverage • Minimum size - \$1 billion in assets
Insurance Option	<ul style="list-style-type: none"> • Top rating received by at least 2 rating agencies • No rating below a Double A or equivalent • Total capital (equivalent to total assets minus total liabilities) equal to at least 5% of invested assets • High risk assets (non-investment grade bonds and non-performing real estate loans and investments) under 200% of total capital • Performance returns compared to blended 5-year Treasury rates, or other index as appropriate
Stable Value Fund Manager	<ul style="list-style-type: none"> • Minimum five years experience managing stable value assets • Minimum \$2 billion in discretionary assets under management • Investment guidelines and performance benchmark as approved by Board
Minimum Criteria for Selecting and Evaluating Mutual Fund Options	
Selection Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Minimum 5 year operating history – may be waived for index funds • Expense ratio [internal expense charge plus any 12(b)1 fee] not greater than the mean for the appropriate peer group • 5-year rolling average performance must equal or exceed appropriate benchmark or index • Minimum total asset size of \$400 million – may be waived for certain categories of funds • Anticipated WDC assets not greater than 5% of total fund (determined by comparing current WDC asset levels in a comparable fund) • No loads or sales charges unless they are waived for the WDC • Not a sector fund
Monitoring Criteria: <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> • Performance must meet or exceed one or more of established benchmarks – benchmarks used include, but are not limited to 1) peer group average, 2) appropriate index as determined by Board, and 3) internal benchmark assigned by fund manager. • For specialty funds selected for reasons other than performance (e.g., socially responsive funds or lifecycle funds), performance will only be evaluated based on a comparison to the funds peer group of funds with same specialty objective. [Participants will be fully advised that fund is selected for reasons other than investment returns.] • WDC assets in fund no greater than 10% of the total mutual fund assets • After 5 years in WDC, minimum of 3% of participants or 3% of assets.

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12b-1 Fee The maximum annual charge deducted from fund assets to pay for distribution and marketing costs. Although usually set on a percentage basis, this amount will occasionally be a flat figure.

Actively managed fund A fund manager buys and sells securities attempting to outperform the market as a whole.

Adjustable Bonds A bond whose coupon is reset periodically—usually every six months to three years. At the reset date, the coupon is set equal to some base index, such as the one-year constant Treasury rate, plus a spread (or margin). When interest rates are falling, these bonds do better than an in-year Treasury, but when interest rates rise, they can lag Treasury yields.

Aggressive Growth (Objective) Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Alpha A measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta.

Annual Returns Total returns calculated on a calendar-year basis. The annual return for a fund will be the same as its trailing 12-month total return only at year-end.

Annualized Returns Returns for periods longer than one year are expressed as "annualized returns." This is equivalent to the compound rate of return which, over a certain period of time, would produce a fund's total return over that same period.

Asset Allocation (Objective) Income and capital appreciation are dual goals for funds in this objective. Managers often use a flexible combination of stocks, bonds, and cash. Managers may shift assets based on analysis of business-cycle trends.

Average Credit Quality Gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio.

Average Effective Duration A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

Average Effective Maturity Used for taxable fixed-income funds only, this figure takes into consideration all mortgage prepayments, puts, and adjustable coupons; it does not, however, account for call provisions. The number listed is a weighted average of all the maturities of the bonds in the portfolio, computed by weighing each maturity date (the date the security comes due) by the market value of the security.

Balanced (Objective) Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Basis Point One-hundredth of a percentage point. For example, 50 basis points equals .50%.

Beta A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Beta is calculated by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

Bonds Interest-bearing certificates of indebtedness or IOUs. While bonds' rates of return remain fixed, bond prices change in relation to interest rates — when interest rates go up, bond prices go down, and vice versa. However, bond funds are variable funds and fluctuate with market conditions.

Bond funds Contrary to individual bonds, which offer a guaranteed rate of return, bond funds are variable funds and their returns may rise or fall depending on market conditions. Funds with 70% or more of their assets invested in bonds are classified as Bond Funds. Bond funds are divided into two main groups: Taxable Bond and Municipal Bond. Taxable Bond Fund categories include the following: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort-Bond, International-Bond, High-Yield Bond, Emerging-Markets Bond and Multisector Bond.

Breakpoint The investment amount at which investors in a load fund qualify for a discount on the fund's sales charges.

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Broker A firm or individual that acts as an intermediary between a buyer and a seller of securities, thereby earning a commission on the transaction. Unlike a broker-dealer, a broker does not own the securities that he or she sells.

Callable Bond A bond that can be repaid early, at the issuer's discretion. A callable bond allows an issuer to refinance debt at a lower rate, should interest rates drop below the coupon rate on the bond. If interest rates have dropped significantly since the date of issue, a callable bond will trade as though its maturity were shortened to the call date, which is the earliest time at which the bond can be redeemed.

Capital Appreciation The taxable income generated when a security is sold. The amount of appreciation is measured by subtracting the purchase price from the sale price.

Capital Gains Taxable income generated only when a security is sold. This figure is calculated by subtracting the purchase price from the sale price. Under IRS regulations, funds must distribute 98% of their capital gains each year to avoid paying taxes on them. Shareholders pay taxes on these distributions, even if the gains are reinvested. Further capital gains can be generated by selling shares in a fund for more than the original purchase price.

Capitalization The total dollar value of all stock issued by a company. Small-cap stocks are issued by companies with market cap less than \$1 billion. Mid-cap stocks are issued by medium-sized companies with market cap anywhere from \$1 billion to \$5 billion. Large-cap stocks include companies with market cap greater than \$5 billion.

CMOs Collateralized mortgage obligations are derivative securities, created by chopping up mortgage pass-throughs or whole loans into various slices in order to redistribute the cash flows (both principal and interest payments) from the underlying bonds. The CMO group, except for adjustable-rate mortgage funds, includes PACs (planned amortization class bonds), floating- and inverse-floating-rate CMOs, and accrual or Z-tranche bonds, among other varieties.

Consumer Price Index (CPI) This index measures the changes in prices of goods and services purchased by urban households. Many pension and employment contracts are tied to changes in consumer prices, as protection against inflation and reduced purchasing power.

Corporate Bond--General (Objective) Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

Corporate Bond--High Quality (Objective) Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

Corporate Bond--High Yield (Objective) Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

Current income Results when a stock pays a dividend or a bond makes an interest payment. This is the value of your investment increased. With current income, you get a fairly stable pattern of income — which generally means reduced volatility. (Stock dividends must be declared, and are not predictable.)

Diversification Spreading your money over many different types of investments. Contrary to putting all your eggs in one basket, diversification can help protect your savings because when one investment is doing poorly, another may be doing well. This does not guarantee against loss of value in your investments.

Dividends The distribution of earnings to stockholders by a company. Dividends are usually paid out from current earnings.

Domestic equity funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large median market capitalization.

Domestic Hybrid Category Used for funds with stock holdings of greater than 20% but less than 70% of the portfolio.

Dow Jones Industrial Average Computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value--one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities.

Duration A time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

Equity-Income (Objective) Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

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Equity style box is a matrix that shows a fund's investment style. Nine boxes represent two variables: the size of the companies invested in (small-cap, mid-cap, large-cap), and whether a fund is growth, value, or blend oriented. Morningstar recalculates the style of each fund on a monthly basis. The equity style box is shown below (areas are shaded according to risk — the darker the area, the higher the risk associated with the investment).

Value	Blend	Growth	
1	2	3	Large
4	5	6	Medium
7	8	9	Small

Excess Returns A component found in Morningstar Return, Morningstar Risk, and the Morningstar Rating. This figure is calculated by subtracting the monthly returns of the three-month Treasury-bill from the monthly returns of the fund during the same time period.

Exchange-Traded Funds (ETFs) are not mutual funds in the traditional sense; rather, they are hybrid instruments combining aspects of common stocks and mutual funds and offering many the benefits of both. ETFs are products that trade like stocks. They mimic stock indexes and are passively managed just like an index fund. Because ETFs trade throughout the day just like a stock, investors have the ability to choose the timing and know the price of the transaction.

Expense Ratio The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.

FHLMC mortgages The Federal Home Loan Mortgage Commission, a federally-sponsored corporation that packages huge pools of individual mortgages and carves these pools up as mortgage-backed securities. This provides diversification, and consequently lower risk for mortgage investors. Although FHLMC securities are not directly backed by the federal government, it is implicitly recognized that the government would step in were there a likelihood that they would default.

Fixed-income style box is similar to the equity style box. Fixed income style boxes represent a bond fund's investment style. A fixed-income style would be the intersection of its duration (short, intermediate, and long) and the quality of the bonds selected for the portfolio (high, medium, low). Listed below is the matrix using the fixed-income style groupings (again, the darker the shading, the higher the risk).

Short	Int.	Long	
1	2	3	High
4	5	6	Medium
7	8	9	Low

Flagship Fund Not to be confused with the Flagship Family of funds, a flagship fund is typically the oldest of a management company's funds, or one that boasts the largest number of assets. Such funds often bear the management company's name.

Foreign Stock Category An international fund having no more than 10% of stocks invested in the United States.

Fund of Funds A fund that specializes in buying shares in other mutual funds rather than individual securities. Quite often this type of fund is not discernible from its name alone, but rather through prospectus wording (i.e.: the fund's charter).

Geometric Mean Return A compounded and annualized rate of return.

GNMA mortgages These are mortgage pass-through securities issued by the Government National Mortgage Association. These bonds are backed by the full faith and credit of the U.S. government.

Government Bond--General (Objective) Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

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Government Bond--Mortgage (Objective) Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury (Objective) Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth (Objective) Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income (Objective) Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Certificate Fund All money deposited into a certificate during a "deposit period" earns a guaranteed rate of return, credited daily until maturity. Backed by the general assets of the certificate issuer.

High-Yield Bond Category A fund with at least 65% or more of bond assets in bonds rated below BBB.

Index Fund A fund that tracks a particular index and attempts to match returns. While an index typically has a much larger portfolio than a mutual fund, the fund's management may study the index's movements to develop a representative sampling, and match sectors proportionately.

Individual Retirement Account (IRA) A personal retirement plan. Taxes on earnings are deferred until money from the account is withdrawn.

Industrial Cyclical Sector Includes aerospace and aerospace industries, building supplies, industrial-building products, business equipment, chemicals, machinery (both light and industrial), metals fabrication (iron, steel, coal, and rare metals), paper and packaging, and photo equipment. Some examples of companies in this sector include Boeing, Canon, Caterpillar, Eastman Kodak, Georgia Pacific, Potash, and Sherwin-Williams.

Information Ratio The information ratio is a measure of the consistency of excess return. This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return.

Institutional Fund Any fund that meets one of the following qualifications:

a) has the word "institutional" in its name.

b) has a minimum initial purchase of \$100,000 or more.

c) states in its prospectus that it is designed for institutional investors or those purchasing on a fiduciary basis.

International Equity Funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include Europe, Japan, International Hybrid, Latin America, Diversified Pacific, Pacific ex. Japan, Specialty Precious Metals, Diversified Emerging Markets, World Stock, and Foreign Stock. Foreign investments involve special risks, including currency fluctuations and political developments.

Lehman Brothers 1-3 Year Government Bond Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Aggregate Index Composed of the Lehman Brothers Govt/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Credit Listed for corporate bond-general and high-quality funds. This index tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Government Bond Index Listed for government-bond general and Treasury funds. Because it tracks the returns of U.S. Treasuries, agency bonds, and one- to three-year U.S. government obligations, this index is effective for tracking portfolios holding non-mortgage government securities. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Govt/Credit Represents a combination of the Government and Corporate Bond indices. The returns published for the index are total returns, which include reinvestment of dividends. For more information, view the Lehman Brothers Web site or call 212-526-1000.

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Lehman Brothers Intermediate Government Index Includes those indexes found in the LB Government Index which have a maturity of one to three years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Government/Corporate Index Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Intermediate Treasury This index includes treasury bonds with maturates of at least one year and up to 10 years with an outstanding par value of at least 100 million. They include fixed-rate debt issues, rated investment grade or higher by Moody's Investor Services, Standard & Poor's Corporation, or Fitch Investor's Service (in that order). Treasuries include all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Credit Serves as a measure of all public-issued nonconvertible investment-grade corporate debts that have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Long Term Government Index Includes those indexes found in the LB Government index which have a maturity of 10 years or more. The returns published for the index are total returns, which include reinvestment of dividends.

Lehman Brothers Mortgage-Backed Securities Includes 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA). The returns published for the index are total returns, which include reinvestment of dividends.

Life Cycle These funds are geared toward investors of a certain age or with a specific time horizon for investing. Typically they are grouped together in sets (i.e. conservative, moderate, and aggressive portfolios).

Linear Scale Linear graphs are scaled so that equal vertical distances represent the same absolute dollar value change. A drop from \$10,000 to \$9,000, for example, is represented in the same way as a drop from \$100,000 to \$99,000.

Logarithmic Scale Used for graphs, a scale that reveals percentage changes. A given percentage move takes up the same amount of space as another move of equal percentage. A change from 100 to 200, for example, is presented in the same way as a change from 1000 to 2000.

Maturity Short-term bonds mature (or come due) in less than four years. Intermediate-term bonds mature in four to ten years. Long-term bonds mature more than ten years from the date of purchase. The longer the term, the higher the risk and the rate of potential return.

Management Fees The management fee is the percentage deducted from fund assets to pay an advisor or subadvisor. Often, as the fund's net assets grow, the percentage deducted for management fees decreases. For example, a particular fund may report a management fee of 0.40% on the first \$500 million in assets, 0.35% on all assets between \$500 million and \$1 billion, and 0.30% on assets in excess of \$1 billion. Thus, if the fund contains \$1.5 billion in total net assets, the advisor scales back its management fees accordingly. Alternatively, the fund may compute the fee as a flat percentage of average net assets. The management fee might also come in the form of a group fee (G), a performance fee (P), or a gross income fee (I). Note: The management fee is just one (albeit a major) component of a fund's costs. The overall expense ratio is the most useful number for investors. Actual fees are also noted in this section.

Market-Neutral Funds These are funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. Funds in this group match the characteristics of their long and short portfolios, keeping factors such as price-to-earnings and industry exposure similar. Stock picking, rather than broad market moves, should drive a market-neutral fund's performance.

Median Market Capitalization The median market capitalization of a fund's equity portfolio gives you a measure of the size of the companies in which the fund invests. It is the trimmed mean of the market capitalizations of the stocks in the fund's portfolio.

Modern Portfolio Theory (MPT) Statistics Alpha, beta, and R-squared are modern-portfolio-theory measures of a fund's relative risk, based on least-squares regression of a fund's excess returns on the excess returns of a market index. Standard deviation is not considered an MPT statistic because it is not generated through the same formula or mathematical analysis as the other three statistics.

Money market funds Best described as short-term versions of bonds. These relatively low-risk variable funds hold very short-term securities such as U.S. government securities, certificates of deposit, cash and cash equivalents. Investments in Money Market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at \$1 per share, it is possible to lose money in Money Market funds.

Glossary

Morley Stable Value Index A hypothetical portfolio comprised of a weighted blend of 50% five-year stable value contracts, 30% three-year stable value contracts and 20% 30-day prime commercial paper. The five-year component consists of 60 hypothetical five-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 60 months. The three-year component consists of 36 hypothetical three-year stable value contracts, one purchased at the prior month end's illustrative rate at the beginning of each month for the prior 36 months.

Morningstar was founded in 1984 to provide investors with useful information for making intelligent, informed investment decisions. The company's first product, originally named the Mutual Fund Sourcebook, proved to be innovative in its ability to tap into an underserved market. Soon a demand grew for an even more in-depth and analytical publication, leading to the launch of Morningstar Mutual Funds in late 1986.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, we estimate where it will fall before assigning a more permanent category. When necessary, we may change a category assignment based on current information.

MSCI EAFE Ndrtr_D Listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns published for the index are total returns, which include reinvestment of dividends.

MSCI Europe Ndrtr_D Listed for Europe stock funds. This index measures the performance of stock markets in Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, Ireland, Portugal, and the United Kingdom. Total returns date back to December 1981. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

MSCI Pacific Ndrtr_D Formerly known as MS Pacific, this index is listed for Pacific stock funds and measures the performance of stock markets in Australia, Hong Kong, Japan, New Zealand, and Singapore, and Malaysia. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty. The returns we publish for the index are total returns, which include reinvestment of dividends.

MSCI World Ndrtr_D Includes all 23 MSCI developed market countries. Ndrtr_D indexes are calculated daily and take into account actual dividends reinvested daily before withholding taxes, but exclude special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

Mutual fund An investment option that pools money from many shareholders and invests it in a group of stocks, bonds, or other securities. Also known as an open-end investment management company, mutual funds are securities required to be registered with the SEC.

NASD (National Association of Securities Dealers) A self-regulatory organization for the securities industry with jurisdiction over certain broker-dealers. The NASD enforces broker-dealers' compliance with securities regulations, including the requirement that they maintain sufficient levels of net operating capital. It also conducts market surveillance of the over-the-counter (OTC) securities market.

NAV Stands for net asset value, which is the fund's share price. Funds compute this value by dividing the total net assets by the total number of shares.

NASDAQ Composite Index Measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures.

Net Assets The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

Ndrtr_D: Noted for various Morgan Stanley indexes, Ndrtr_D indicates that the index is listed in US dollars, with net dividends reinvested. Ndrtr_D indexes take into account actual dividends before withholding taxes, but excludes special tax credits declared by companies. In addition, Ndrtr_D indexes subtract withholding taxes retained at the source, for foreigners who do not benefit from a double taxation treaty.

NYSE (New York Stock Exchange Composite) Serves as a comprehensive measure of the market trend for the benefit of investors who are concerned with general stock market price movements. The index is a composite of all common stocks listed on the NYSE and four sub-groups--Industrial, Transportation, Utility, and Finance.

Options/Futures/Warrants Options and futures may be used speculatively, to leverage a portfolio, or cautiously, as a hedge against risk.

Glossary

OTC (over the counter) A name for a security that is not listed on an exchange. The OTC is the major trading market for all US bonds, as well as many small- and large-capitalization stocks. Whereas non-OTC stocks trade on the floor of actual stock exchanges, OTC issues are traded via telephone and computer networks connecting dealers in stocks and bonds. The dealer may or may not be a member of a securities exchange, but he or she must be a member of the NASD.

Price/Book Ratio The weighted average of the price/book ratios of all the stocks in a fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

Price/Earnings Ratio The weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents, so that larger positions have proportionately greater influence on the fund's final P/E.

Price/Cash Flow This represents the weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency. Because accounting conventions differ among nations, reported earnings (and P/E ratios) may not be comparable across national boundaries. Price/cash-flow attempts to provide an internationally-standard measure of a firm's stock price relative to its financial performance.

Prospectus A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Prospectus Objective Indicates a particular fund's investment goals, based on the wording in a fund's prospectus.

R-Squared Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Regression A mathematical tool used to study the way that two sets of numbers interact with each other. Regression measures how much of one number's changes might be caused by or linked to how much another number changes.

Returns Based Style Analysis In 1988, William F. Sharpe, Nobel Laureate and Professor of Finance at Stanford University, wrote an article for the Investment Analyst Review entitled "Determining a Fund's Effective Asset Mix". In this article, he demonstrated that a manager's style could be determined by analyzing portfolio returns, as opposed to holdings. This was done mathematically by comparing the manager's returns to the returns of a number of style indexes. This discovery revolutionized style and performance analysis and provided the basis for the StyleADVISOR suite of software.

Since its debut in 1993, StyleADVISOR has been the style analysis package of choice for the large institutional marketplace. Our client list has grown to include over 250 plan sponsors, consultants, and money managers. They use StyleADVISOR to determine, for themselves, using only monthly or quarterly returns, the style and consistency of managers and funds. They create custom style benchmarks, do performance, risk-return, upside downside market capture analyses, manager to peer universe comparisons, asset allocation, and much more. StyleADVISOR also enables them to perform manager searches, create custom universes, evaluate competitors, and monitor aggregate portfolios.

Risk Basically there are four types of risk: 1) inflation risk means your money may not earn enough in the long run because as prices go up the value of your money goes down; 2) market risk means you could lose money because the price of a stock may go down; 3) credit risk means a company or organization that borrowed your money may not be able to pay it back; and 4) interest rate risk means you could lose money because as interest rates go up the value of bond investments goes down.

Risk-Free Rate of Return Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Risk/Return Graph The Manager Risk/Return Graph displays the risk/return characteristics of a manager and compares them to a benchmark, universe or other managers. It plots Return on the vertical axis and a Risk Statistic on the horizontal axis.

The chart has crosshairs that provide a basis for comparison by dividing the graph into four quadrants. The crosshairs are centered at either the Market Benchmark, the Style Benchmark or the median of the Universe, depending on the options you select. A relatively aggressive manager, for example, is likely to fall in the Northeast corner relative to the crosshairs centered at the universe median, with both more risk and more return.

Glossary

Russell 1000 Consists of the 1000 largest companies within the Russell 3000 index. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 1000 Growth Market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 1000 Value Market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 includes the largest 1000 firms in the Russell 3000, which represents approximately 98% of the investable US equity market.

Russell 2000 Consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization. The returns published for the index are total returns, which include reinvestment of dividends.

Russell 2000 Growth Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 2000 Value Market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2000 firms from the Russell 3000 Index with the smallest market capitalizations. The Russell 3000 Index represents 98% of the of the investable US equity market.

Russell 3000 Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The returns published for the index are total returns, which include reinvestment of dividends.

S&P 500/BARRA Growth Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as growth make up the S&P 500/BARRA Growth Index. In general, growth companies tend to have high price-to-earnings (P/E) ratios, low dividend yields, and above-average earnings growth rates.

S&P 500/BARRA Value Index A subset of the Standard & Poor's 500 Index®. Each year, all the stocks in the S&P 500® are classified as either growth or value. The stocks classified as value make up the S&P 500/BARRA Value Index. In general, value companies tend to have low P/E ratios, high dividend yields, and below-average earnings growth rates.

S&P 400 MidCap Index The S&P 400 MidCap Index consists of 400 U.S. companies that have market capitalization from \$1 billion to \$5 billion. The index includes approximately 312 industrial companies, 10 transportation companies, 41 utilities, and 37 financial companies.

S&P 500 Index® Standard & Poor's 500 Index® is a benchmark for the United States stock market. It's a list of the 500 largest publicly traded companies, which include 400 industrial companies, 20 transportation companies, 40 utilities, and 40 financial companies.

S&P Small Cap 600 Index The Standard & Poor's SmallCap 600 Index consists of 600 U.S. companies that have market capitalization less than \$1 billion. The index includes approximately 499 industrial companies, 18 transportation companies, 27 utilities, and 56 financial companies. Equity securities of companies with small market capitalization may be more volatile than securities of larger, more established companies.

SEC Yield A calculation based on a 30-day period ending on the last of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Share Classes Shares of the same fund that offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee, such as 1.00%). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

Sharpe Ratio A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a fund's annualized excess returns by its annualized standard deviation.

Glossary

Socially Conscious Any fund that invests according to non-economic guidelines. Such funds may make investments based on such issues as environmental responsibility, human rights, or religious views. A socially conscious fund may take a pro-active stance by selectively investing in, for example, environmentally-friendly companies, or firms with good employee relations. This group also includes funds that avoid investing in companies involved in promoting alcohol, tobacco, or gambling, or in the defense industry.

Standard Deviation A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Stocks Ownership in a company. Stocks are sold by the company and then bought/sold among investors. Risks involved include the company not performing up to expectations or that the price of your stock will fall.

Style Benchmark The concept of the style benchmark was first introduced by Nobel Laureate William F. Sharpe in 1988 and referred to as the "Effective Asset Mix". A quadratic optimizer is used to find a combination of the selected indices that would best track (have the highest correlation to) a given return series. For example, if a domestic equity manager optimization found that a weighted composite of 20% Russell Large Value, 10% Russell Large Growth, 60% Russell Small Value, 5% Russell Small Growth, and 5% T-bills had a 92% R-squared to that manager's returns, it could be said that 92% of this manager's performance may be attributed to his "style". The remaining 8% is unexplained variance due to stock selection, etc.

Tax-deferred earnings You don't have to pay taxes on any earnings in your 401(k) until you withdraw your money. The money in a 401(k) can grow faster than with other types of savings plans, because the earnings you accumulate, if any, are also tax-deferred.

Treynor Ratio The Treynor Ratio is a measure of performance per unit of market risk. It is the portfolio's excess return over the risk-free rate divided by the portfolio's beta to the selected benchmark. Also known as the Reward to Volatility Ratio.

Turnover Ratio The turnover rate of a fund is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in that fund. If a fund consistently showed a 20% turnover ratio, for example, it would suggest that--on average--that fund holds a security for five years before selling it. A fund with a 200% turnover ratio pretty much changes its portfolio wholesale every six months.

Upside / Downside Market Capture Graph StyleADVISOR's Upside / Downside Market Capture graph displays the percentage of benchmark movement captured by a manager in both up and down markets. The graph plots the manager's upside capture ratio (vertical axis) against the downside capture ratio (horizontal axis). The capture ratio is the manager's return divided by the benchmark's return, or the percentage of the benchmark's return that was "captured" by the manager. The Upside capture ratio is computed for periods when the market has a positive return. The Downside capture ratio is computed for periods when the market has a negative return.

Variable funds Investments that fluctuate with market conditions. Unlike guaranteed investments, such as bonds or CDs, variable funds don't guarantee a specific rate of return. They do offer potential for higher earnings in return for higher degree of market risk.

Wilshire 4500 Listed for small-company funds, measures the performance of all U.S. common equity securities excluding the stocks in the S&P 500. The returns published for the index are total returns, which include reinvestment of dividends.

Wilshire 5000 Measures the performance of all U.S. common equity securities, and so serves as an index of all stock trades in the United States. The returns published for the index are total returns, which include reinvestment of dividends.

World Stock Category An international fund having more than 10% of stocks invested in the US. Also known as global funds. Foreign Investments involve special risks, including currency fluctuations and political developments.

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