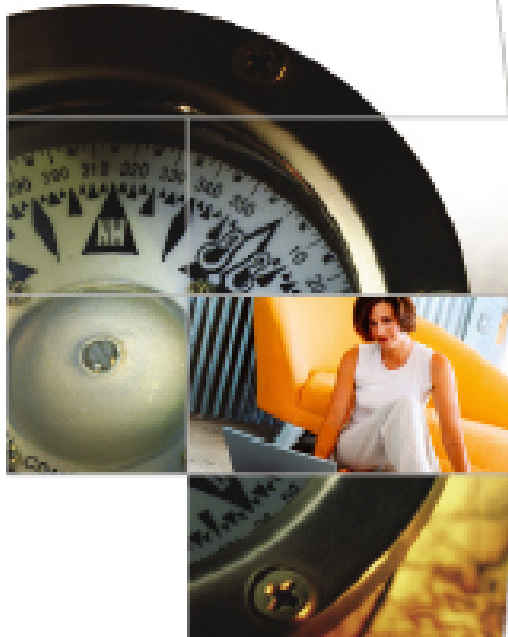


**Wisconsin Deferred  
Compensation Plan  
Fund Performance Review**

*December 31, 2008*



**AdvisedAssetsGroup**

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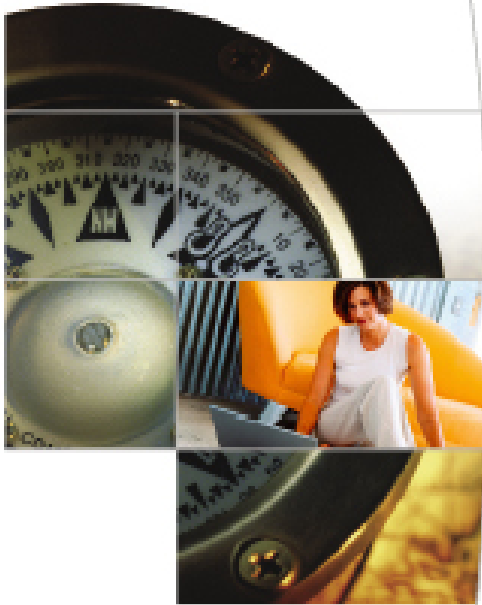
### **V. Economic Overview**

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**Appendix:** Glossary of Terms

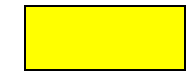
# Executive Summary



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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	-40.38	-4.59	4.81	5.15	70,275.04	0.51
MSCI AC World Ex USA NR USD	-45.53	-6.98	2.56	--	--	--
MSCI EAFE Free NR USD	-43.38	-7.35	1.66	0.80	--	--
Lipper International Funds	-44.24	-7.73	1.27	1.73	--	--
Cat: Foreign Large Blend	-43.99	-7.67	1.21	0.90	2,264.40	1.48
Barclay's EAFE Equity Index Fund W	-42.33	-6.73	2.12	--	--	0.10
MSCI EAFE Ndrtr_D	-43.38	-7.35	1.66	0.80	--	--
DFA U.S. Micro Cap	-36.72	-11.35	-2.71	6.44	2,526.26	0.52
Russell 2000	-33.79	-8.29	-0.93	3.02	--	--
Russell Micro Cap TR	-39.78	-13.57	-5.44	--	--	--
DFA Market Cap Benchmark	-40.18	-12.41	-2.94	5.59	227.90	1.43
Cat: Small Blend	-36.56	-10.07	-1.30	4.39	519.99	1.42
Barclay's Russell 2000 Index Fd	-33.63	-8.28	-0.93	--	--	0.05
Russell 2000	-33.79	-8.29	-0.93	3.02	--	--
T. Rowe Price Mid-Cap Growth	-39.69	-8.83	0.59	3.98	9,848.51	0.78
Lipper Mid Cap Growth	-44.49	-11.15	-2.63	0.14	--	--
Russell Midcap Growth	-44.32	-11.79	-2.33	-0.19	--	--
Standard & Poor's Midcap 400	-36.23	-8.76	-0.08	4.46	--	--
Cat: Mid Growth	-43.77	-10.92	-2.44	0.79	515.98	1.49
Barclay's Mid Cap Equity Index Fund W	-36.06	-8.61	0.06	--	--	0.04
Standard & Poor's Midcap 400	-36.23	-8.76	-0.08	4.46	--	--
Calvert Social Investment Equity I	-35.19	-7.42	-2.26	2.72	843.36	0.67
Standard & Poor's 500	-37.00	-8.36	-2.19	-1.38	--	--
Calvert Social Index	-39.69	-11.34	-4.85	--	76.80	0.21
Lipper MultiCap Core	-38.79	-9.66	-2.61	0.82	--	--
Morningstar Socially Resp Large Cap Index	-38.36	-9.65	-3.06	-0.95	299.04	1.23
Fidelity Contrafund	-37.16	-5.66	2.34	2.83	48,472.62	0.89
Standard & Poor's 500	-37.00	-8.36	-2.19	-1.38	--	--
Lipper Growth Fund Average	-40.70	-10.48	-3.72	-2.92	--	--
Cat: Large Growth	-40.67	-10.28	-3.37	-2.46	2,137.35	1.37



=Actively managed options which have trailed their respective benchmarks over a five year period.

DATA SOURCE:  
Morningstar 12/31/2008

Grey bars indicate fund benchmarks; white indicates current funds

 =Actively managed options which have trailed their respective benchmarks over a five year period.

Name	Tot Ret 1	Tot Ret	Tot Ret	Tot Ret	Total Net Assets \$M	Expense Ratio
	Yr	Annlzd 3 Yr	Annlzd 5 Yr	Annlzd 10 Yr		
Vanguard Inst Index Plus Info	-36.94	-8.32	-2.16	-1.32	49,186.76	0.03
Standard & Poor's 500	-37.00	-8.36	-2.19	-1.38	--	--
Vanguard Wellington Adm	-22.23	-0.99	2.95	4.58	38,363.29	0.16
Lipper Balanced Fund	-26.85	-5.01	-0.62	1.04	--	--
Cat: Moderate Allocation	-28.00	-5.31	-0.60	1.19	2,477.28	1.37
65% S&P Barra Value/35% BarCap US Agg	-25.76	-3.98	0.97	2.05	--	--
Vanguard Long-Term Investment-Grade Adm	2.40	3.08	4.69	5.70	5,903.77	0.12
BarCap US Corp A Long TR	-4.79	0.20	2.81	4.56	--	--
Cat: Long-Term Bond	-3.72	0.38	1.48	3.94	606.35	0.86
Barclay's US Debt Index	5.34	5.57	4.68	--	--	0.05
BarCap US Agg Bond	5.24	5.51	4.65	5.63	--	--
Federated U.S. Govt: 2-5 Yr Instl	10.64	7.67	5.05	5.49	947.88	0.59
Merrill Lynch 3-5 Year Treasury	12.15	8.46	5.61	6.08	--	--
Lipper Short-Inter U.S.	2.00	3.96	3.50	4.59	--	--
Cat: Short Government	4.80	4.85	3.36	4.13	586.18	0.91
Vanguard Adm Money Market	2.10	3.85	3.13	3.31	27,007.30	0.15
iMoneyNet Average Treasury MM	1.13	3.04	2.39	2.67	--	--

Grey bars indicate fund benchmarks; white indicates current funds

DATA SOURCE: Morningstar  
12/31/2008

# Rolling 3 Year Quartile Rankings

Name	2008	2008	2008	2008	2007	2007	2007	2007	2006	2006	2006	2006
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
American Funds EuroPacific Gr R5	90	94	88	91	90	83	81	75	88	86		
Calvert Social Investment Equity I	87	87	59	52	46	34	46	59	59	60		
DFA U.S. Micro Cap	33	37	27	44	29	51	39	44	48	55		
Federated U.S. Govt: 2-5 Yr Instl	99	99	95	99	94	55	39	91	40	34		
Fidelity Contrafund	95	94	95	94	96	94	96	99	98	99		
T. Rowe Price Mid-Cap Growth	72	77	70	73	68	66	78	82	77	83		
Vanguard Institutional Index Instl PI	66	66	55	59	57	57	54	62	74	67		
Vanguard Long-Term Inv Grade Adm	70	29	33	28	72	65	67	68	80	72		
Vanguard Wellington Adm	93	92	95	96	95	92	90	89	91	91		

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

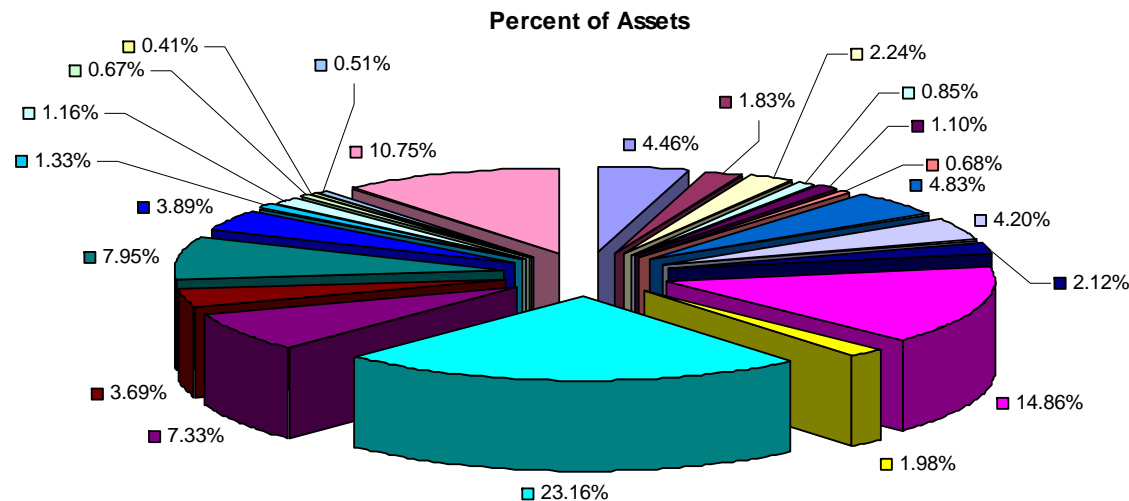
DATA SOURCE: Morningstar  
12/31/2008

# 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	\$70,275,036,573	\$80,944,400.26	0.12%	4.46%	14,313	29.84%
Barclay's EAFE Equity Index Fund W	02/01/2001	N/A	\$33,211,314.23	N/A	1.83%	7,255	15.13%
DFA U.S. Micro Cap	02/01/1997	\$2,526,260,175	\$87,613,060.54	3.47%	4.83%	17,989	37.51%
Barclay's Russell 2000 Index Fd	02/20/2004	N/A	\$15,490,548.14	N/A	0.85%	4,514	9.41%
T. Rowe Price Mid-Cap Growth	02/01/1998	\$9,848,508,344	\$132,858,105.30	1.35%	7.33%	21,589	45.01%
Barclay's Mid Cap Equity Index Fund W	02/01/2001	N/A	\$40,569,070.52	N/A	2.24%	8,612	17.96%
Calvert Social Investment Equity I	04/18/2003	\$843,360,006	\$12,261,594.07	1.45%	0.68%	2,961	6.17%
Fidelity Contrafund	01/31/1994	\$48,472,622,839	\$269,496,882.00	0.56%	14.86%	25,723	53.63%
Vanguard Inst Index Plus Info	09/09/1990	\$49,186,758,768	\$144,199,520.23	0.29%	7.95%	17,917	37.36%
Vanguard Wellington Adm	10/26/2001	\$38,363,286,109	\$194,905,672.07	0.51%	10.75%	18,218	37.99%
Vanguard Long-Term Investment-Grade Adm	10/26/2001	\$5,903,773,125	\$70,632,693.72	1.20%	3.89%	10,388	21.66%
Barclay's US Debt Index	02/01/2001	N/A	\$19,996,005.60	N/A	1.10%	3,394	7.08%
Federated U.S. Govt: 2-5 Yr Instl	02/03/1992	\$947,877,547	\$38,463,578.79	4.06%	2.12%	5,525	11.52%
Vanguard Target Ret Income	07/29/2005	\$1,864,158,497	\$9,204,041.43	0.49%	0.51%	545	1.14%
Vanguard Target Ret 2015	07/29/2005	\$7,051,344,895	\$24,163,001.63	0.34%	1.33%	1,572	3.28%
Vanguard Target Ret 2025	07/29/2005	\$6,801,981,685	\$21,099,409.44	0.31%	1.16%	2,522	5.26%
Vanguard Target Ret 2035	07/29/2005	\$4,351,183,028	\$12,165,723.52	0.28%	0.67%	2,418	5.04%
Vanguard Target Ret 2045	07/29/2005	\$2,191,574,712	\$7,395,221.08	0.34%	0.41%	1,861	3.88%
Vanguard Adm Money Market	10/01/1993	\$27,007,297,116	\$66,904,118.33	0.25%	3.69%	10,585	22.07%
Stable Value Fund	09/01/1996	N/A	\$420,090,037.37	N/A	23.16%	16,001	33.36%
Schwab PCRA	02/17/2000	N/A	\$35,861,066.37	N/A	1.98%	1,509	3.15%
FDIC Option	12/31/1996	N/A	\$76,202,389.77	N/A	4.20%	3,588	7.48%

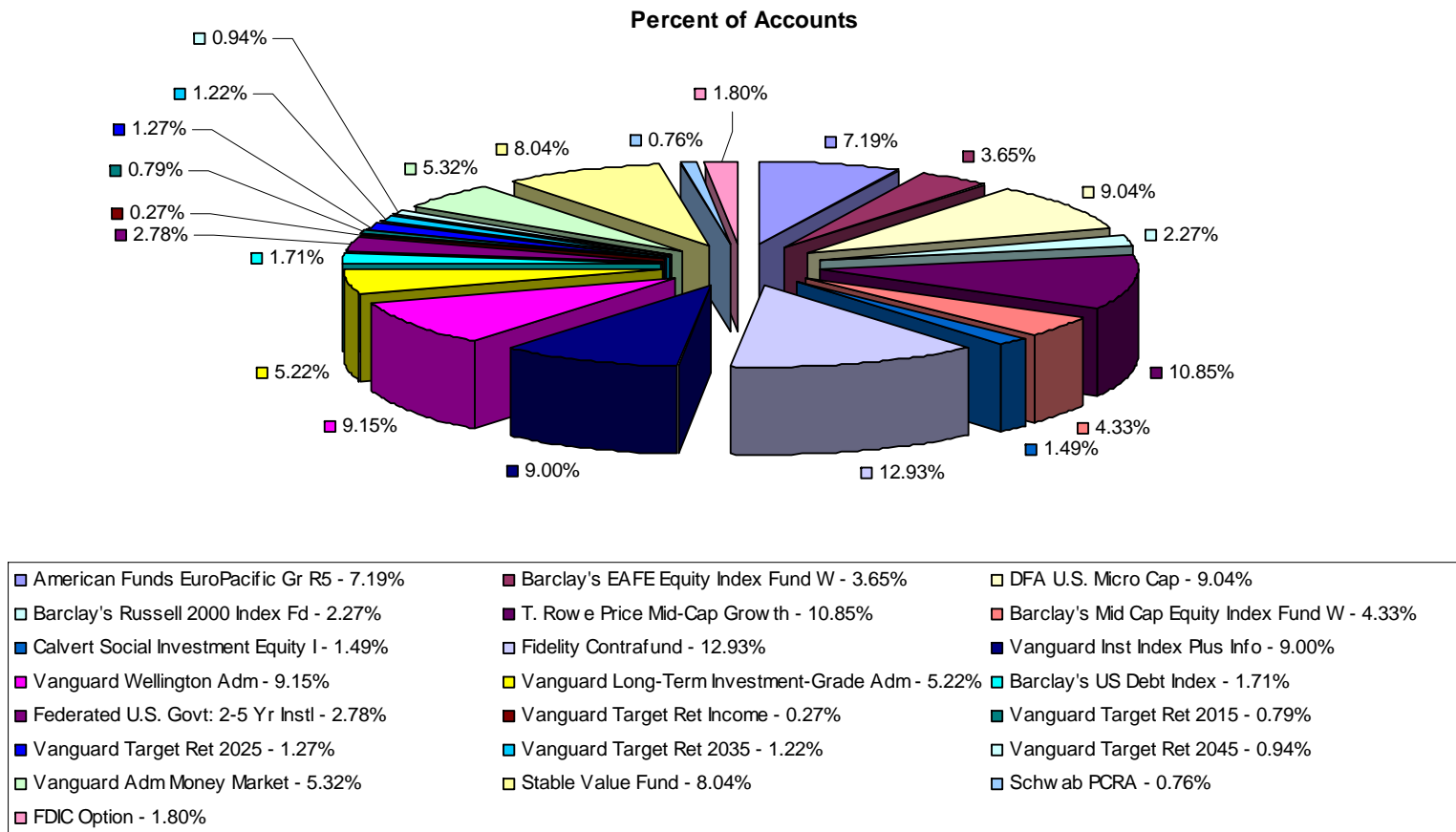


## Total WDC Assets (as of 12/31/2008): \$1,813,727,454.41



American Funds EuroPacific Gr R5 - 4.46%	Barclay's EAFE Equity Index Fund W - 1.83%	Barclay's Mid Cap Equity Index Fund W - 2.24%
Barclay's Russell 2000 Index Fd - 0.85%	Barclay's US Debt Index - 1.10%	Calvert Social Investment Equity I - 0.68%
DFA U.S. Micro Cap - 4.83%	FDIC Option - 4.20%	Federated U.S. Govt: 2-5 Yr Instl - 2.12%
Fidelity Contrafund - 14.86%	Schwab PCRA - 1.98%	Stable Value Fund - 23.16%
T. Rowe Price Mid-Cap Growth - 7.33%	Vanguard Adm Money Market - 3.69%	Vanguard Inst Index Plus Info - 7.95%
Vanguard Long-Term Investment-Grade Adm - 3.89%	Vanguard Target Ret 2015 - 1.33%	Vanguard Target Ret 2025 - 1.16%
Vanguard Target Ret 2035 - 0.67%	Vanguard Target Ret 2045 - 0.41%	Vanguard Target Ret Income - 0.51%
Vanguard Wellington Adm - 10.75%		

## Total Number of WDC Participant Accounts (as of 12/31/2008): 198,999



## Fund Expense v. Category

Name	Expense Ratio
American Funds EuroPacific Gr R5	0.51
Cat: Foreign Large Blend	1.48
Barclay's EAFE Equity Index Fund W	0.10
Morningstar Foreign Large Blend Index	0.79
DFA U.S. Micro Cap	0.52
Cat: Small Blend	1.42
Barclay's Russell 2000 Index Fd	0.05
Morningstar Small Cap Blend Index	0.90
T. Rowe Price Mid-Cap Growth	0.78
Cat: Mid Growth	1.49
Barclay's Mid Cap Equity Index Fund W	0.04
Morningstar Mid Cap Blend Index	0.77
Calvert Social Investment Equity I	0.67
Morningstar Socially Resp Large Cap Index	1.23

Name	Expense Ratio
Fidelity Contrafund	0.89
Cat: Large Growth	1.37
Vanguard Inst Index Plus Info	0.03
Morningstar Large Cap Blend Index	0.58
Vanguard Wellington Adm	0.16
Cat: Moderate Allocation	1.37
Vanguard Long-Term Investment-Grade Adm	0.12
Cat: Long-Term Bond	0.86
Barclay's US Debt Index	0.05
Morningstar Intermediate Bond Index	0.45
Federated U.S. Govt: 2-5 Yr Instl	0.59
Cat: Short Government	0.91
Vanguard Adm Money Market	0.15
Average US Money Market Fund	0.63

- The weighted average return for the ETF participants as of 12/31/2008 was -19.81%
- Much of this can be attributed to a 15% weighting in the Fidelity Contrafund which was down 37%
- Other contributing factors were:
  - 6% exposure to international investments which had an average return of -41.35%
  - An 8% weighting to the Vanguard Index which returned -36.94%
  - An 23% weighting to the Wisconsin Stable Value Fund which returned 5.26%
- Note: Participant weighted average return excludes the self directed brokerage accounts

- From Small Blend universe select funds whose average market cap falls into a range of approximately 50% larger and 50% smaller than DFA
  - In this instance DFA's average market cap is \$381.66 million; Range is approximately \$190 to \$571 million
- Average 1, 3, 5, and 10 year returns for selected group of small cap funds
  - Average returns for the group:
    - 1yr: -40.18
    - 3yr: -12.41
    - 5yr: -2.94
    - 10yr: 5.59

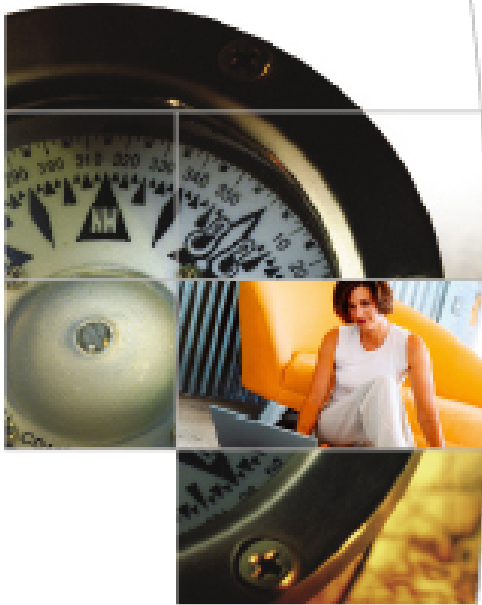
# DFA Benchmark Construction

<b>Name</b>	<b>Average Market Cap (mil)</b>
Wasatch Small Cap Value	647.72
Fidelity Small Cap Retirement	631.85
Hodges Small Cap	627.38
SSgA Enhanced Small Cap	624.80
TCW Relative Value Small Cap N	620.37
Dreyfus Emerging Leaders	619.08
STAAR Smaller Company Stock	618.35
MassMutual Premier Small Cap Value S	614.79
Gabelli Woodland Sm Cp Value A	602.92
DFA Tax-Managed U.S. Small Cap	602.50
SA U.S. Small Company	586.07
<b>Pacific Advisors Small Cap A</b>	<b>565.05</b>
Symons Small Cap Inst	504.88
Columbia Small Cap Core Z	473.98
<b>DFA U.S. Micro Cap I</b>	<b>381.66</b>
TFS Small Cap	365.90
JHancock Small Cap Intrinsic Value A	348.10
Vantagepoint Discovery	345.10
Johnson Disciplined Small-Cap	329.02
Tamarack Enterprise S	326.92
Lord Abbett Micro Cap Value I	272.86
Bridgeway Ultra-Small Company Market	270.54
Westcore Micro Cap Opportunity Retail	263.35
Royce Micro-Cap Invt	253.88
Royce Discovery Svc	229.02
<b>Perritt Micro Cap Opportunities</b>	<b>219.72</b>
Lotsoff Capital Management Micro Cap	158.21
Catalyst Value A	155.45
Perkins Discovery	106.58
Perritt Emerging Opportunities	51.33
Frontier MicroCap	31.47

# DFA Benchmark Construction

Name	Total Ret 1 Yr	Total Ret 3 Yr	Total Ret 5 Yr	Total Ret 10 Yr	Fund Size USD	Expense Ratio
Bridgeway Ultra-Small Company Market	-39.49	-13.91	-4.42	9.44	324,229,700.00	0.66
Catalyst Value A	-23.70				759,905.00	1.96
DFA U.S. Micro Cap I	-36.72	-11.35	-2.71	6.44	2,526,260,175.00	0.52
DFA Tax-Managed U.S. Small Cap	-38.43	-11.23	-2.40	4.49	805,339,726.00	0.53
Dreyfus Emerging Leaders	-39.39	-16.70	-6.34	0.91	133,685,914.00	1.33
MassMutual Premier Small Cap Value S	-42.39	-13.93	-5.66		17,091,091.00	0.87
Gabelli Woodland Sm Cp Value A	-34.24	-8.93	-0.61		4,485,977.00	2.00
JHancock Small Cap Intrinsic Value A	-58.50	-16.20				1.54
Lotsoff Capital Management Micro Cap	-46.99	-19.37	-9.03		37,634,431.00	1.20
Lord Abbett Micro Cap Value I	-39.48	-7.30	3.24		44,281,009.00	1.85
Pacific Advisors Small Cap A	-43.52	-6.81	3.73	5.47	94,043,590.00	2.34
Perkins Discovery	-51.52	-15.23	-5.46	6.36	6,948,369.00	2.52
Perritt Micro Cap Opportunities	-46.93	-14.63	-3.56	6.04	194,731,393.00	1.27
Royce Discovery Svc	-35.07	-11.12	-3.05		2,334,830.00	1.49
Royce Micro-Cap Invt	-40.94	-8.21	-0.03	7.98	586,557,949.00	1.46
SA U.S. Small Company	-36.18	-10.61	-2.56		159,119,925.00	1.20
STAAR Smaller Company Stock	-34.95	-10.40	-3.14	2.79	2,184,652.00	3.38
Columbia Small Cap Core Z	-33.01	-8.13	-0.80	6.59	441,052,151.00	1.01
Symons Small Cap Inst					760,586.00	1.59
Tamarack Enterprise S	-38.03	-11.25	-3.52	5.07	135,857,181.00	1.08
TFS Small Cap	-38.44				1,778,589.00	1.75
TCW Relative Value Small Cap N	-44.51	-15.99	-6.68	5.46	18,986,118.00	1.43
Vantagepoint Discovery	-38.51				126,384,385.00	1.07
Westcore Micro Cap Opportunity Retail					1,103,754.00	1.30
Johnson Disciplined Small-Cap	-46.17	-17.20			5,381,045.00	1.00
Added SSgA Enhanced Small Cap	-37.17	-12.11			26,476,780.00	0.75
<b>Average</b>	<b>-40.18</b>	<b>-12.41</b>	<b>-2.94</b>	<b>5.59</b>	<b>227,898,769.00</b>	<b>1.43</b>
<b>Count</b>	<b>24</b>	<b>21</b>	<b>18</b>	<b>12</b>	<b>25</b>	<b>26</b>

# Fund Highlights and Observations



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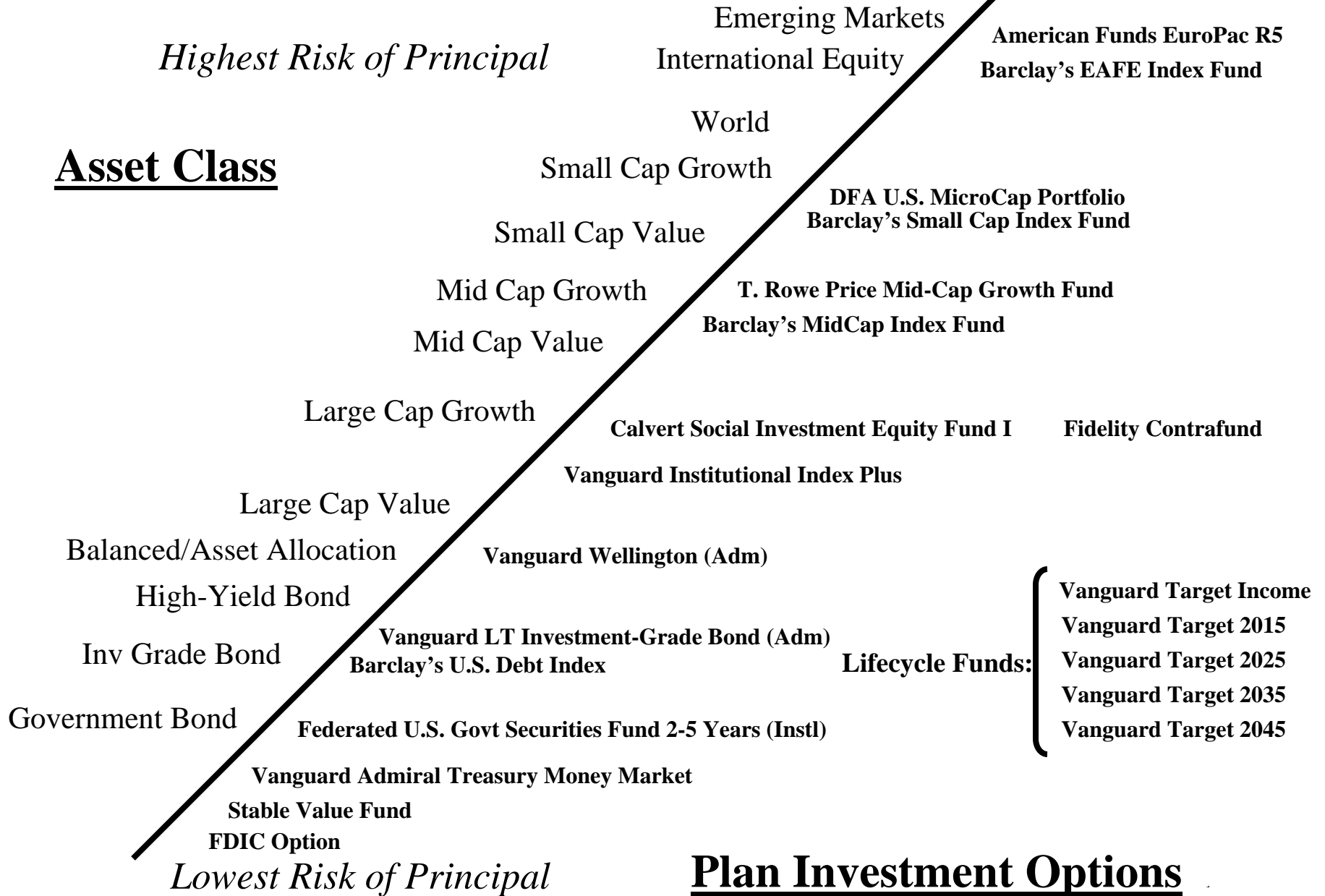
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# Wisconsin Plan Options

*Highest Risk of Principal*

## Asset Class

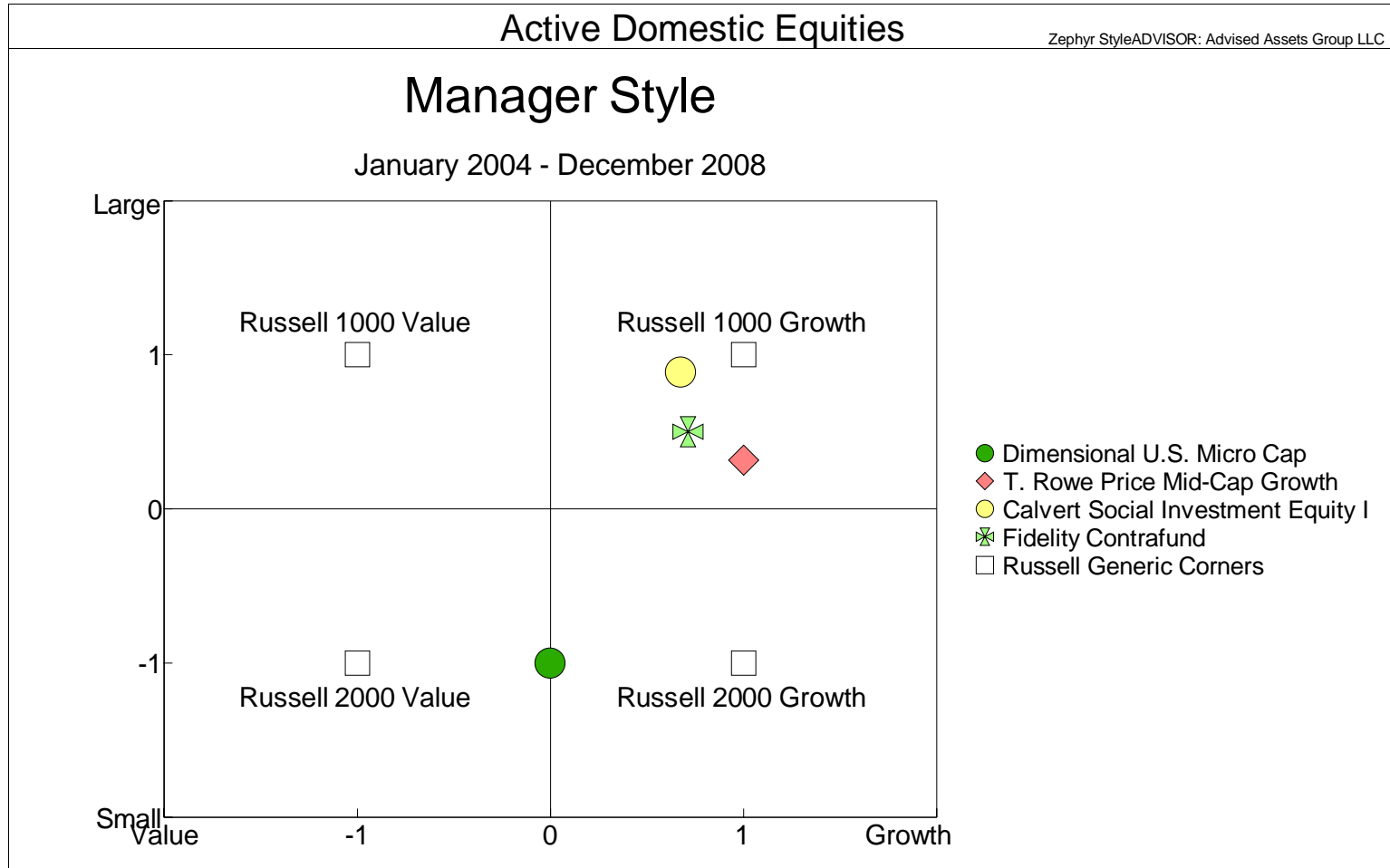


- Lifecycle Funds:**
- Vanguard Target Income
  - Vanguard Target 2015
  - Vanguard Target 2025
  - Vanguard Target 2035
  - Vanguard Target 2045

## Plan Investment Options

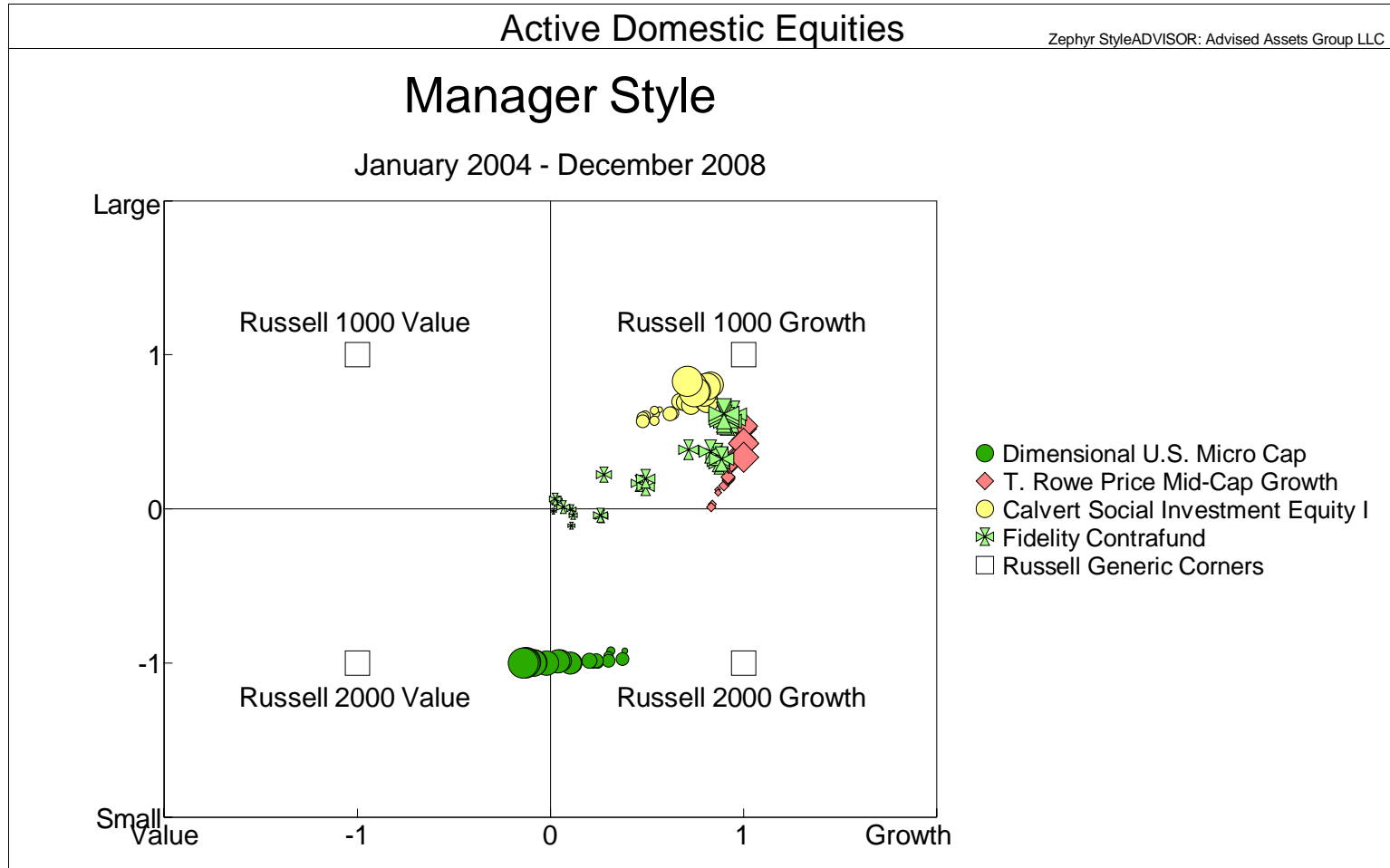
# Manager Style

**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 all time periods. 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 105 bps (net of fees) to the positive 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. Because this fund invests in the smallest stocks which are typically more volatile above average volatility is to be expected.
- **Barclay's Russell 2000 Index Fund** tracked within 16 bps (net of fees) with the index over 1 year.

- **T. Rowe Price Mid Cap Growth** outperforms most of 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 17 bps (net of fees) of the index over 1 year.
- **Calvert Social Investment Equity** outperforms the majority of its benchmarks over all time periods. This concentrated socially conscious fund looks for companies with solid balance sheets and solid profit margins. An underweight in energy provided a positive spin for this fund.
- **Fidelity Contrafund** beat all of its benchmarks across all time periods, with one exception. Will Danoff who manages this fund was named Morningstar Manager of the Year for 2007. A shift into consumer staples and healthcare helped this fund stay on top of its category. This fund continues to keep volatility down and sports a low turnover. A declining market and redemptions have decreased the assets in this fund allowing it to reopen.

- **Vanguard Instl Index Plus Fund** tracks within 6 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 and corporate bond exposure. This fund's large asset base does bear watching.
- **Vanguard Long-Term Bond** posted strong returns over 1, 3, 5 and 10 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. Treasury and Agency bonds within the portfolio helped this fund as a general risk aversion took hold of the market.
- **Barclay's US Debt Index** has tracks within 10 bps (net of fees) over 1 year.

- **Federated U.S. Government: 2-5 Year Institutional** beats most of its benchmarks over the 1, 3, 5, and 10 year periods. The fact that this fund only invests in government and government agency bonds has been a boon to this fund's returns as investors have fled from risk. The fund ranks in the top 1% of its category over the 1 year period.
- **Vanguard Admiral Treasury Money Market Fund** posted a 2.10% return over the 1 year period. It also beat its benchmark over all time periods.
- **FDIC Bank Option** return for the quarter ending 12/31/2008 was 1.50%. For 2008, 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 5.26%, 5.19%, and 5.11% respectively. The fund is managed by Galliard Capital who maintains a very good reputation throughout the industry as a top stable value manager.

# Performance Benchmarking of Active Options



**AdvisedAssetsGroup**

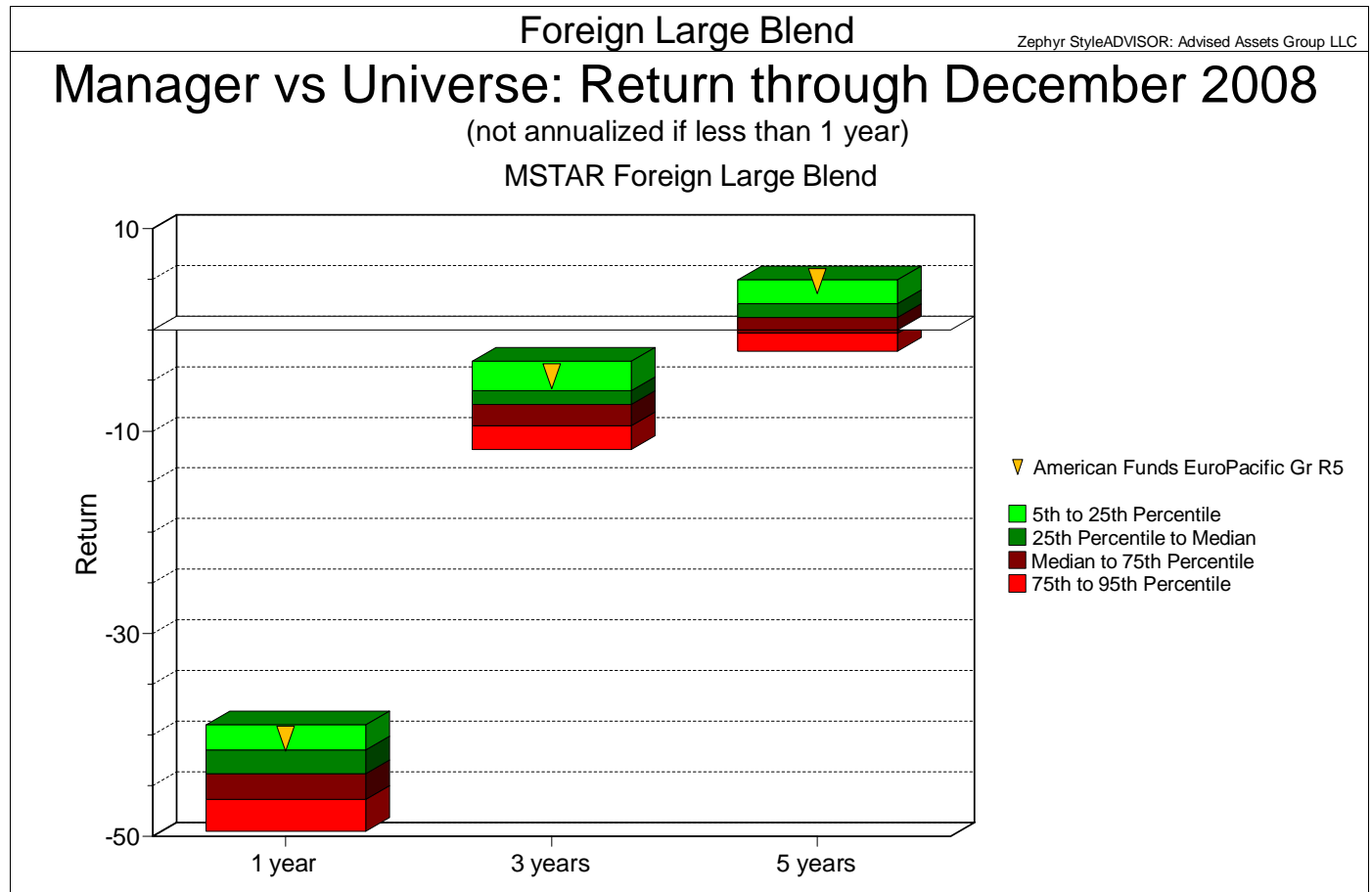
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# Performance Benchmarking

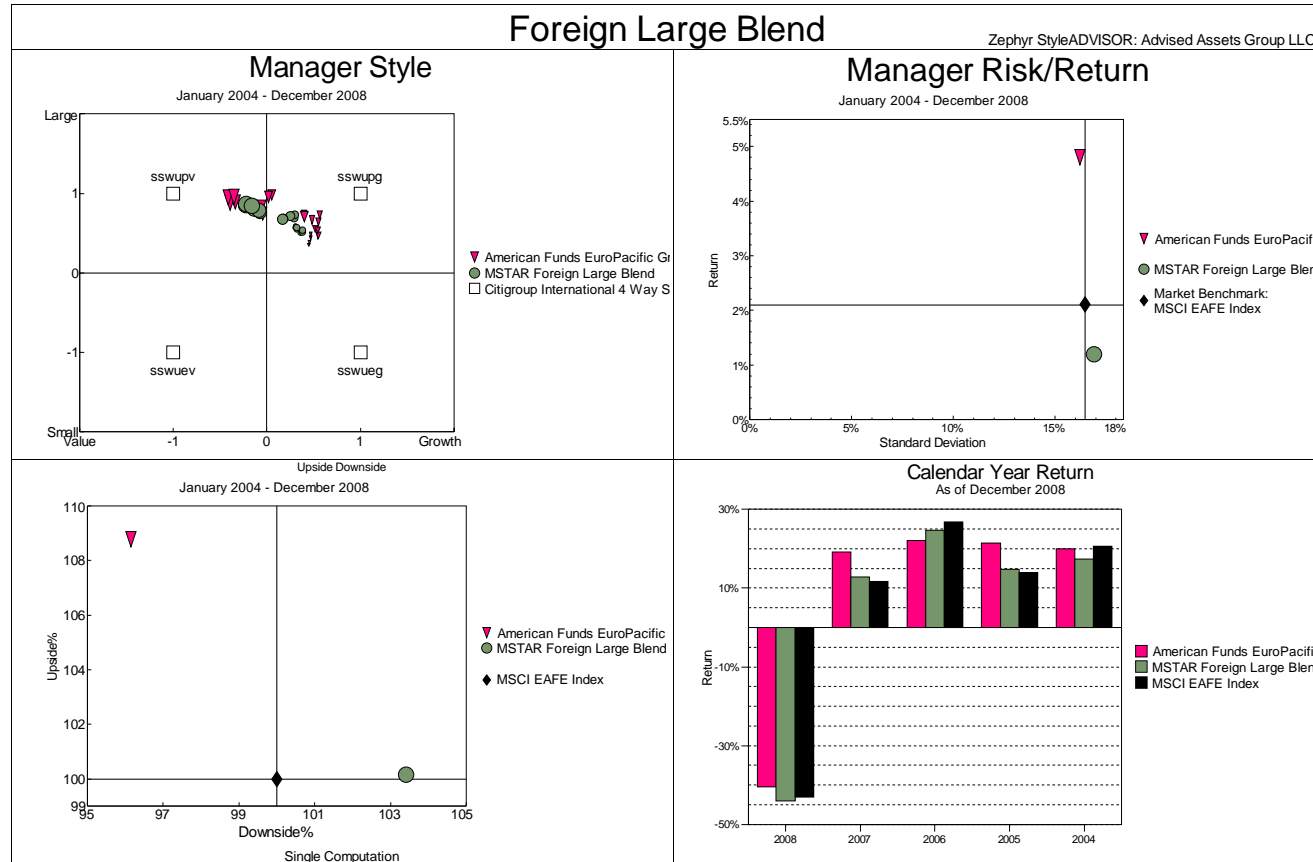
American Funds EuroPacific Growth Fund seeks long-term growth of capital. The fund normally invests at least 65% of assets in equity securities of issuers domiciled in Europe or the Pacific Basin. It may invest up to 20% of assets in securities issued in developing countries. Various factors will be 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.

DATA SOURCE:  
Morningstar  
12/31/2008



	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
American Funds EuroPacific Gr R5	-40.38	-4.59	4.81	10	5	-40.38	19.22	22.17	21.39	19.98
Cat: Foreign Large Blend	-43.99	-7.67	1.21	--	--	-43.99	12.71	24.77	14.72	17.39

# Risk Analysis

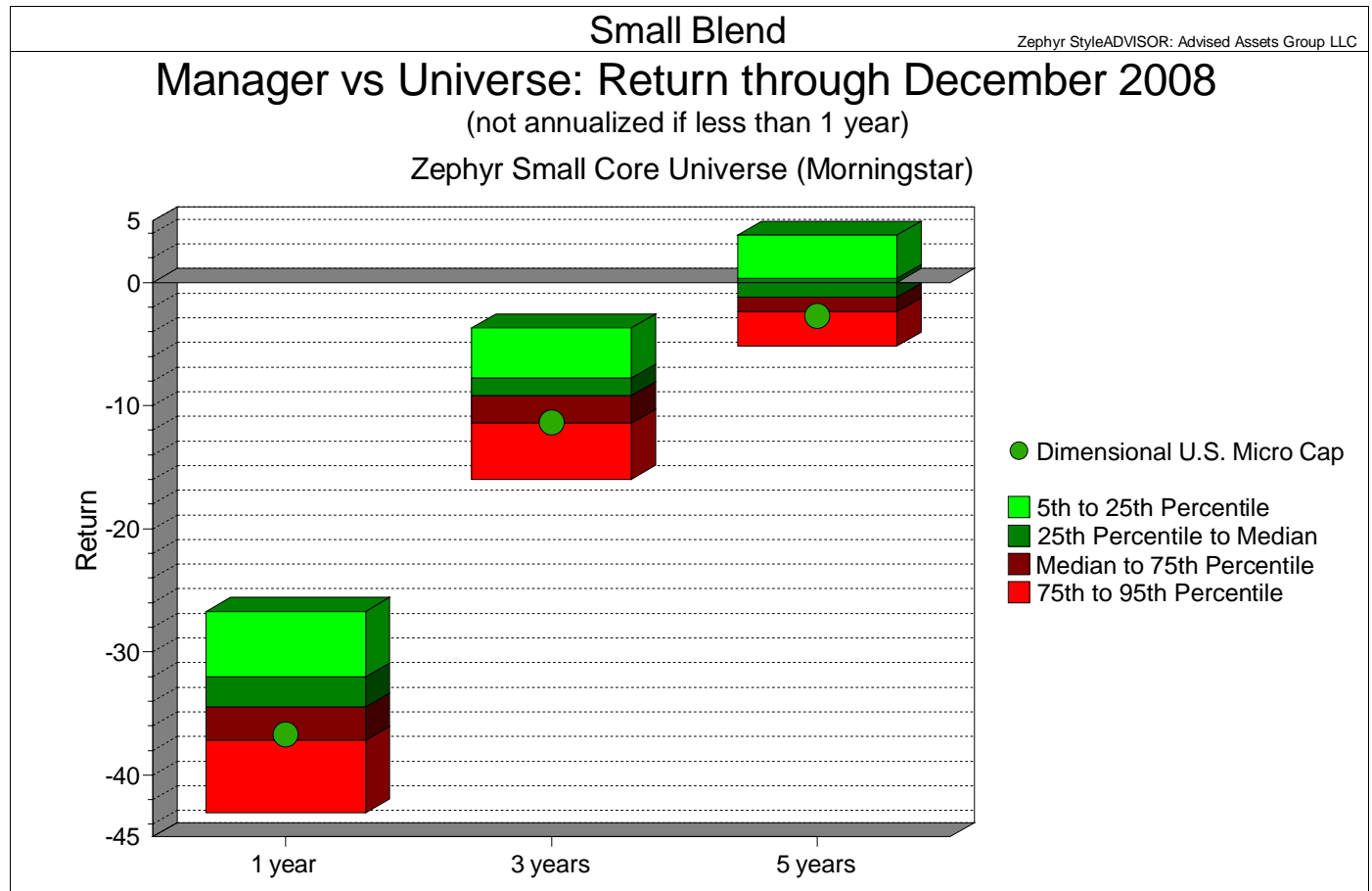


Name	Morningstar		Std Dev 3 Yr	Std Dev 5 Yr	Total Net Assets \$M	% Cash	% Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Rating					Total # of Holdings	in Top 10	Turnover Ratio		
American Funds EuroPacific Gr R5	5		19.09	16.22	70,275.04	9.38	473	19.17	38.00	11	0.51
Cat: Foreign Large Blend	3		20.25	17.08	2,264.40	0.25	741	14.87	83.99	4	1.48

# Performance Benchmarking

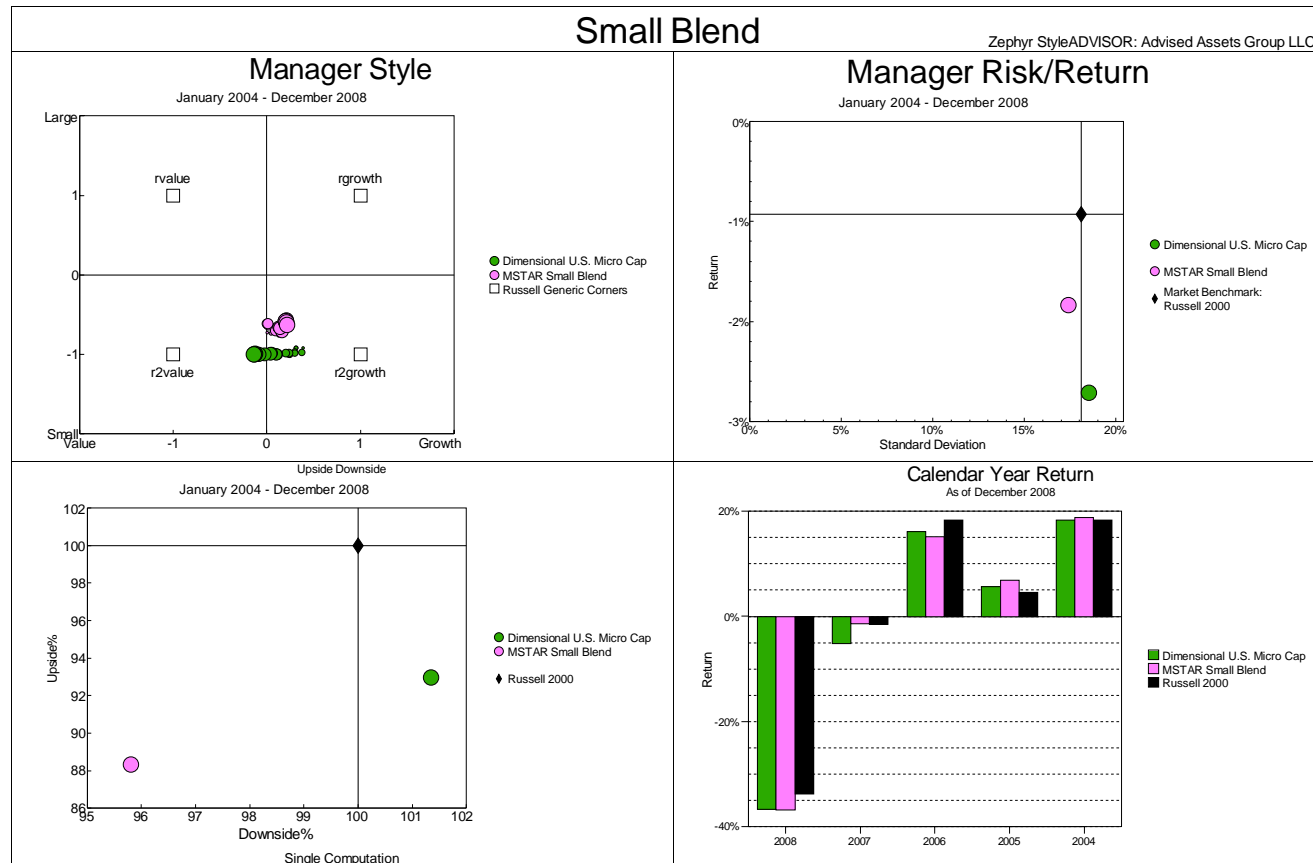
DFA U.S. Microcap seeks long-term capital appreciation. The fund invests in a diverse group of small companies with readily marketable securities. These companies may be traded on the NYSE, the AMEX, or over-the-counter market, but their market capitalizations must be comparable with those in the smallest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

DATA SOURCE:  
Morningstar  
12/31/2008



	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
DFA U.S. Micro Cap	-36.72	-11.35	-2.71	66	72	-36.72	-5.22	16.16	5.69	18.39
Cat: Small Blend	-36.56	-10.07	-1.30	--	--	-36.56	-1.10	15.03	6.75	18.94

# Risk Analysis

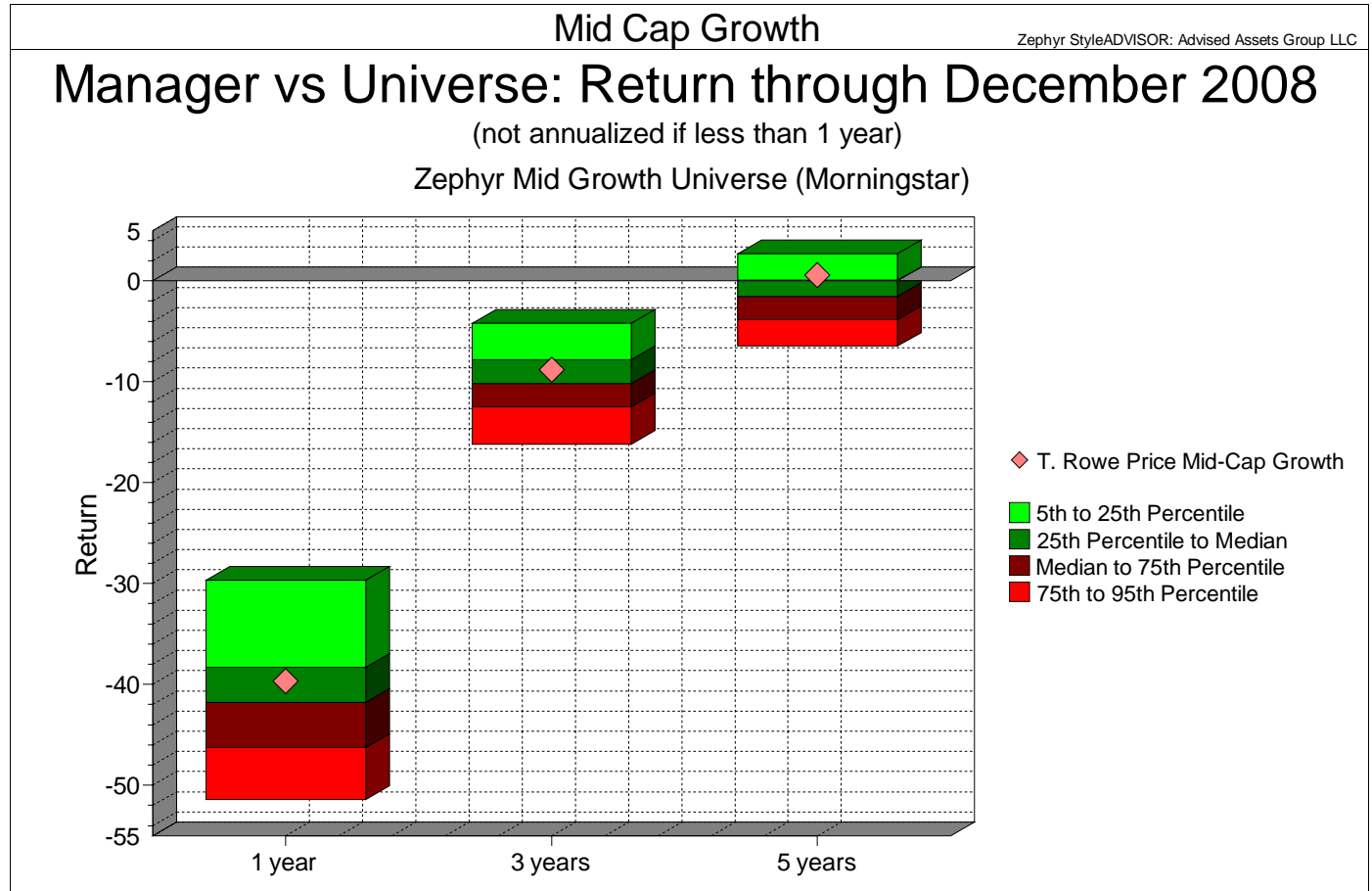


Name	Morningstar			Total Net Assets \$M	% Cash	% Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr			Total # of Holdings	in Top 10	Turnover Ratio		
DFA U.S. Micro Cap	3	20.19	18.50	2,526.26	0.00	2441	3	24.00	7	0.52
Cat: Small Blend	3	20.15	17.83	519.99	3.83	515	17.87	99.46	5	1.42

# Performance Benchmarking

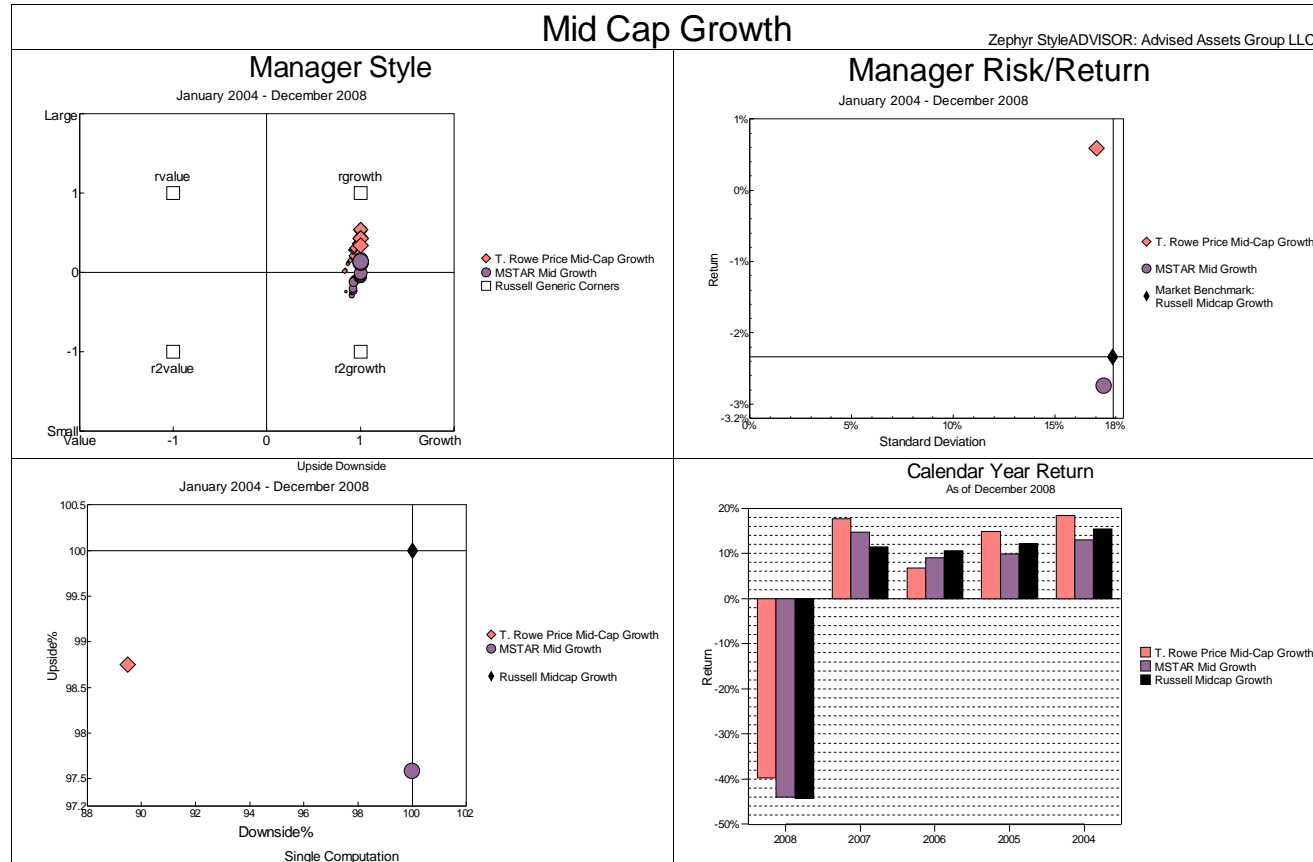
T. Rowe Price Mid Cap Growth Fund seeks long-term capital appreciation. The fund normally invests at least 80% of assets in mid-cap common stocks with above-average growth potential. The advisor seeks companies that offer proven products or services, have an above-average historical record of earnings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

DATA SOURCE:  
Morningstar  
12/31/2008



	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
T. Rowe Price Mid-Cap Growth	-39.69	-8.83	0.59	30	13	-39.69	17.65	6.79	14.82	18.39
Cat: Mid-Cap Growth	-43.77	-10.92	-2.44	--	--	-43.77	15.09	9.00	9.84	13.23

# Risk Analysis

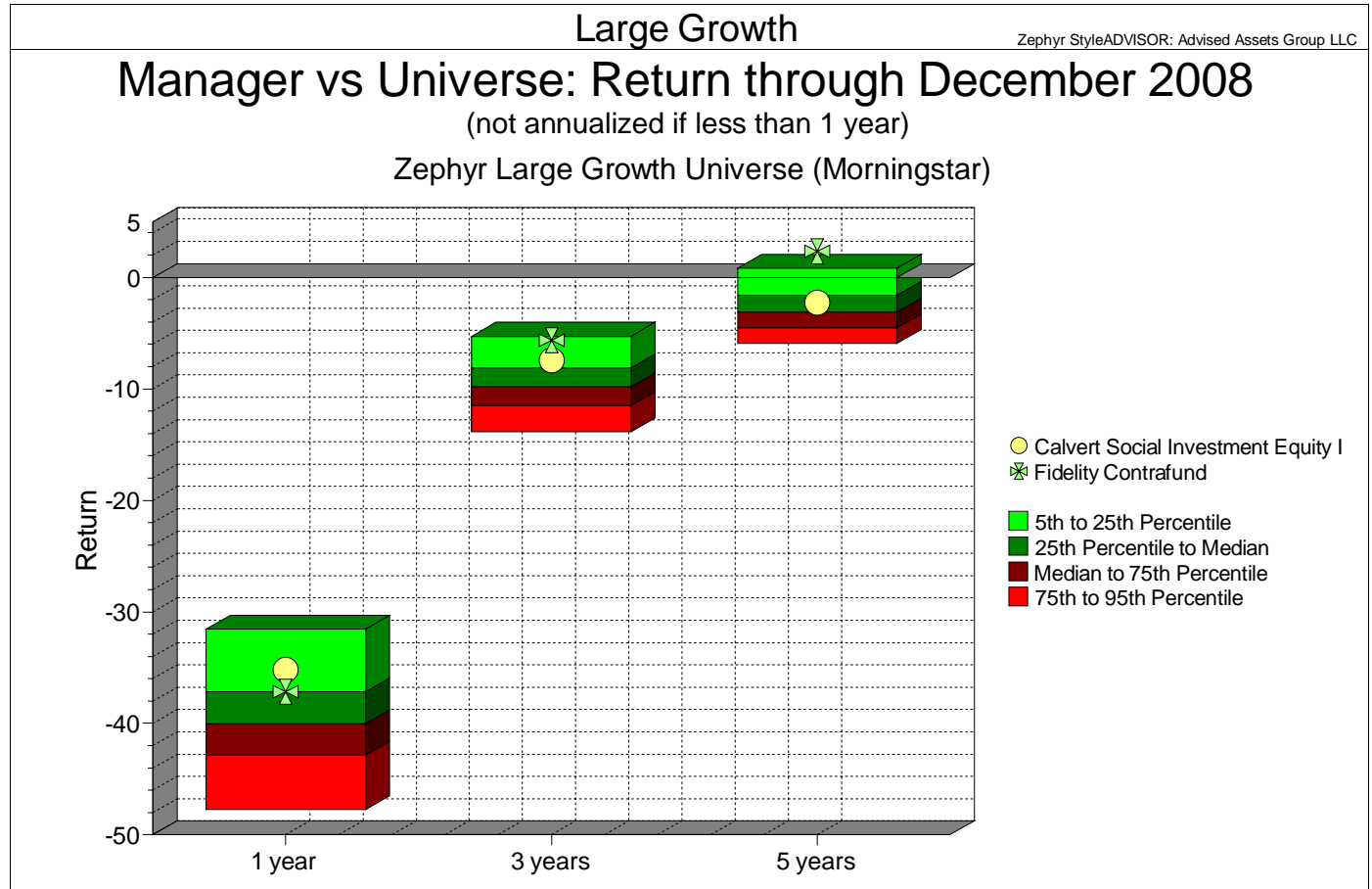


Name	Morningstar			Total Net Assets \$M	% Cash	Total # of Holdings	Assets		Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr				in Top 10	Turnover Ratio		
T. Rowe Price Mid-Cap Growth	4	19.84	17.04	9,848.51	4.95	143	19.74	35.00	17	0.78
Cat: Mid-Cap Growth	3	20.82	18.12	515.98	3.83	598	18.84	123.35	5	1.49

# 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.

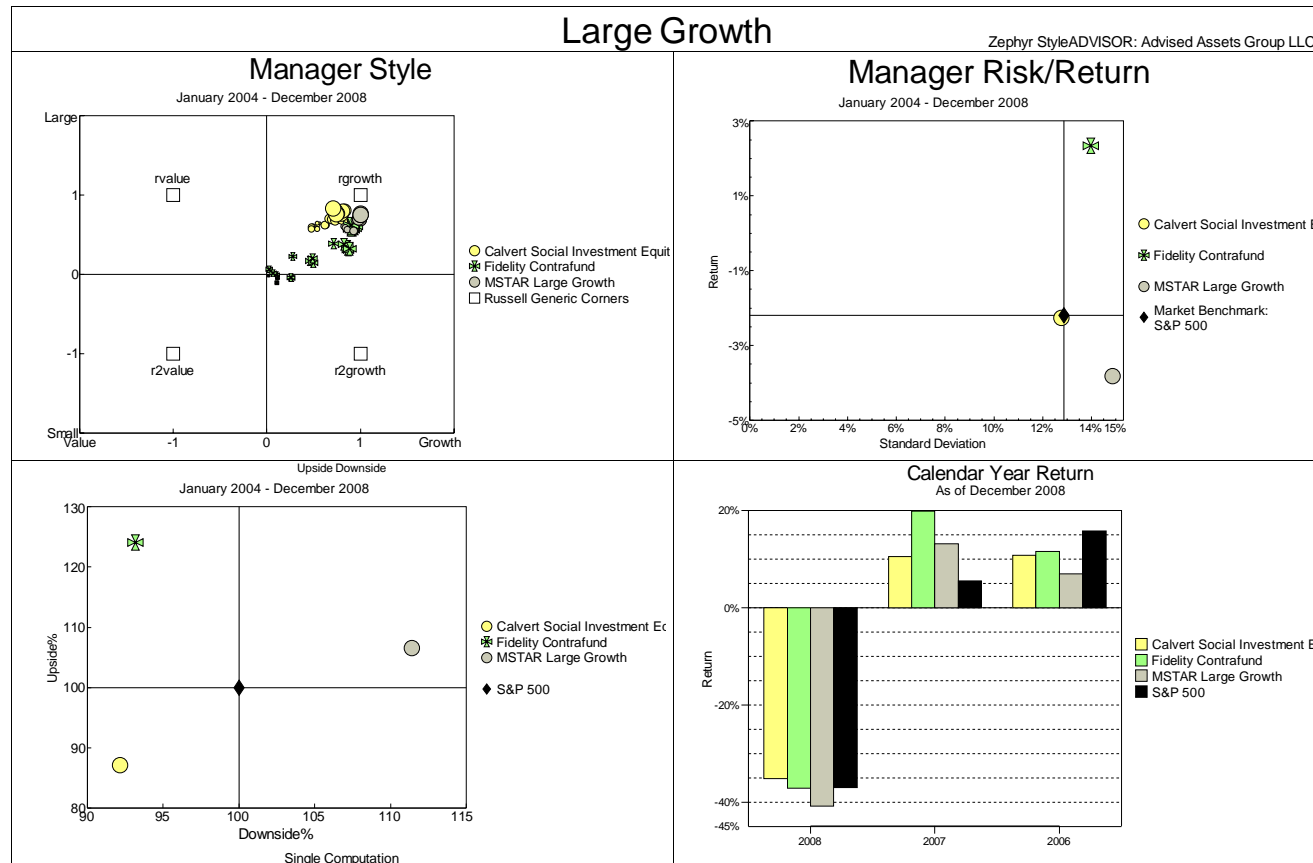
Fidelity Contrafund seeks capital appreciation. The fund invests primarily in the common stocks of companies believed to be undervalued. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as new management team or product launch or companies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



DATA SOURCE: Morningstar 12/31/2008

	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
Calvert Social Investment Equity I	-35.19	-7.42	-2.26	15	28	-35.19	10.53	10.77	4.74	7.33
Fidelity Contrafund	-37.16	-5.66	2.34	6	2	-37.16	19.78	11.54	16.23	15.07
Cat: Large Growth	-40.67	-10.28	-3.37	--	--	-40.67	13.35	7.05	6.71	7.81

# Risk Analysis

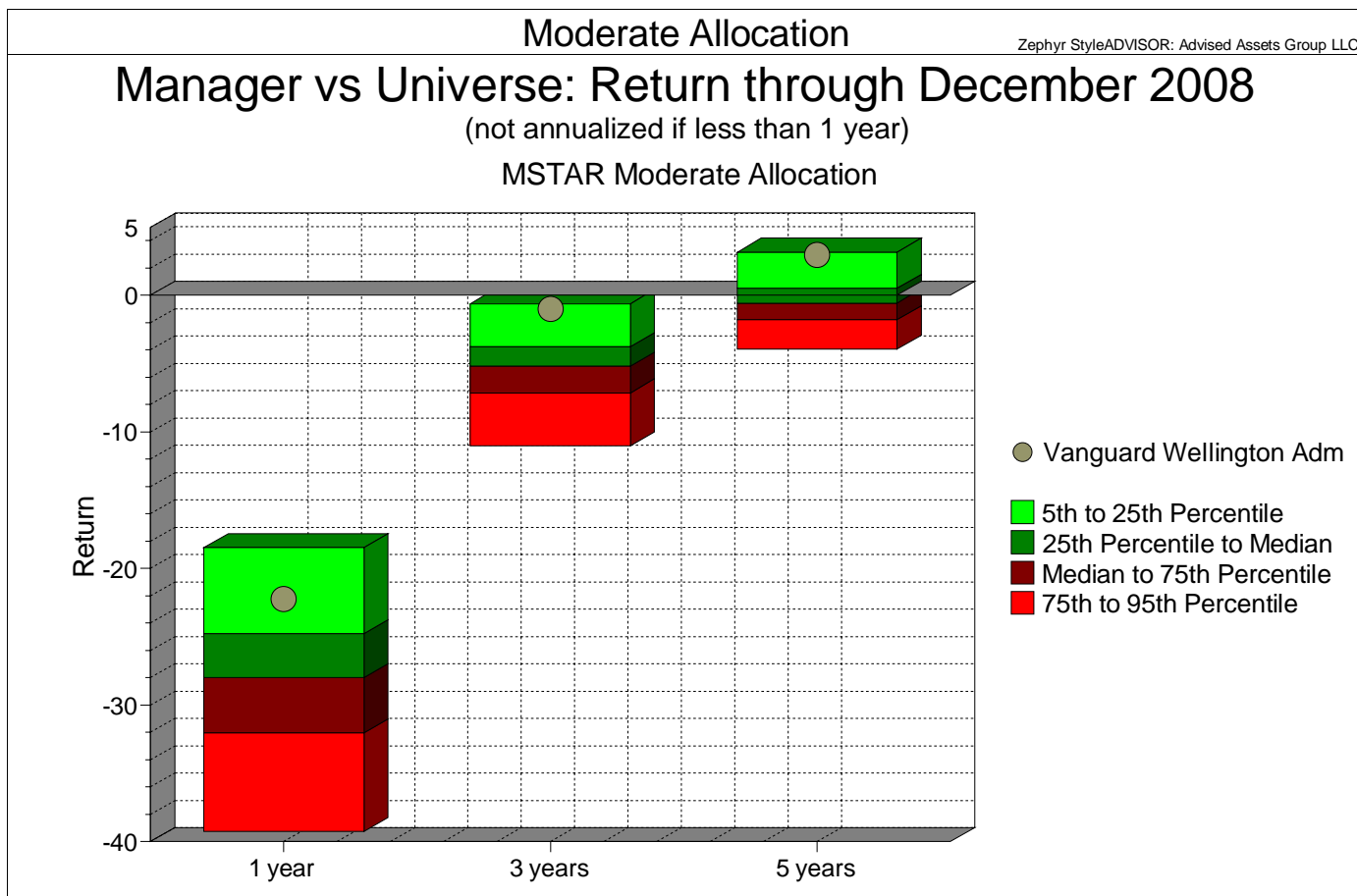


Name	Morningstar		Total Net Assets \$M	% Cash	Total # of Holdings	Assets		Turnover Ratio	Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr				Std Dev 5 Yr	in Top 10			
Calvert Social Investment Equity I	4	15.21	12.77	843.36	3.72	75	35.65	51.00	8	0.67
Fidelity Contrafund	5	16.22	13.97	48,472.62	9.57	308	36.01	56.00	18	0.89
Cat: Large Growth	3	18.02	15.52	2,137.35	0.46	488	35.51	99.52	5	1.37



# Performance Benchmarking

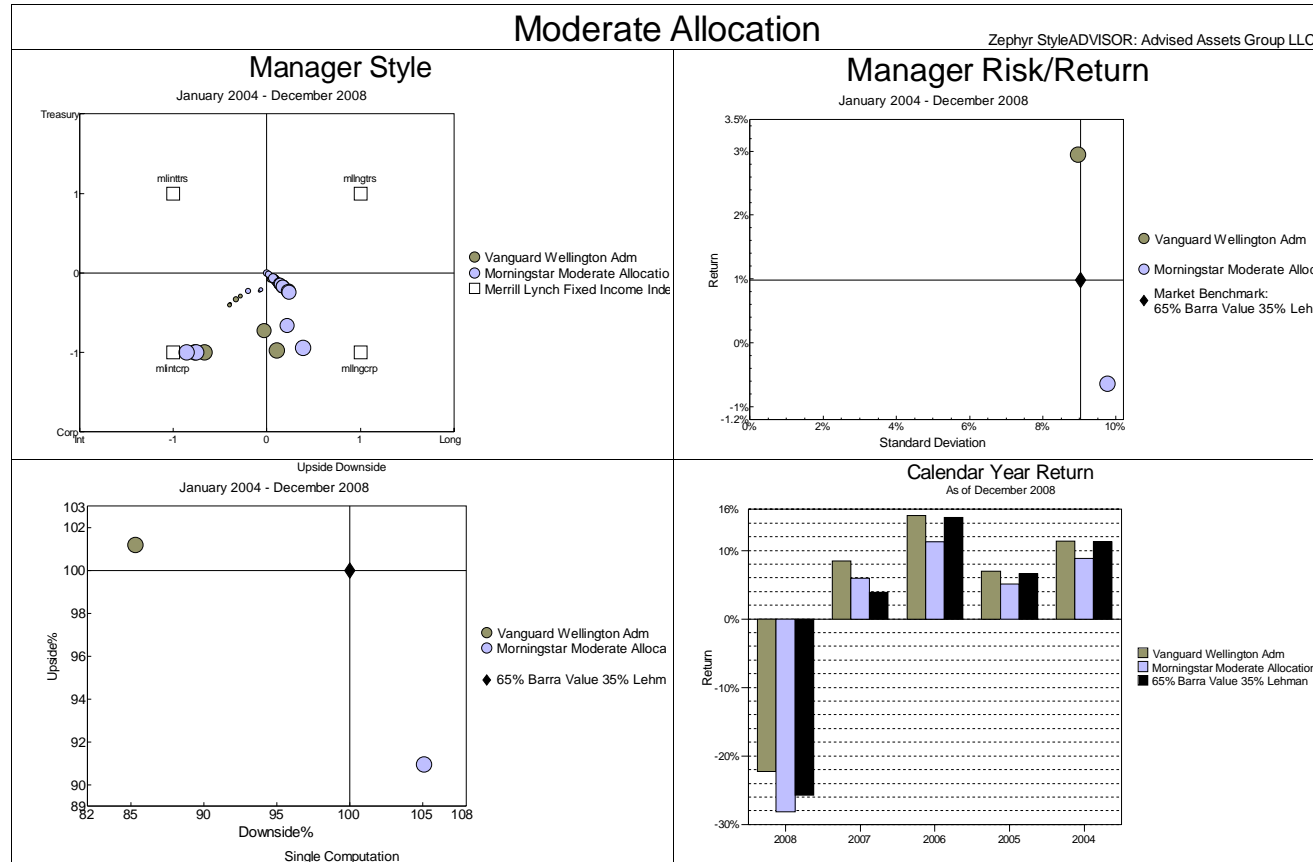
Vanguard Wellington seeks moderate long-term capital growth and current income. The fund invests at least 60-70% of assets in dividend-paying value stocks, and to a lesser extent, non-dividend paying stocks of established medium-size and large-size companies. It may also invest 30-40% of assets in the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



DATA SOURCE:  
Morningstar  
12/31/2008

	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
Vanguard Wellington Adm	-22.23	-0.99	2.95	7	4	-22.23	8.48	15.07	6.99	11.34
Cat: Moderate Allocation	-28.00	-5.31	-0.60	--	--	-28.00	5.99	11.29	5.13	8.86

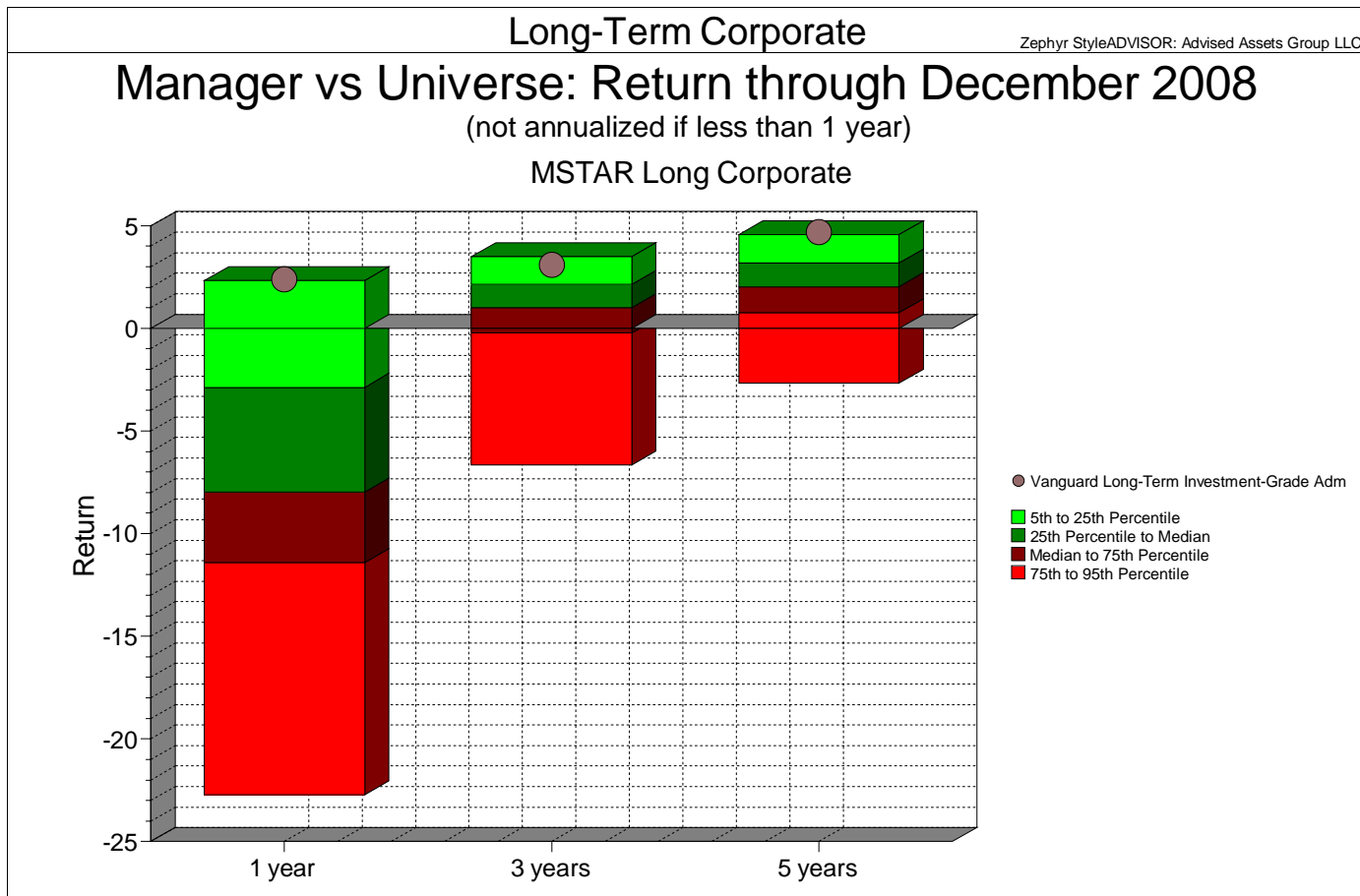
# Risk Analysis



Name	Morningstar		Std Dev		Total Net Assets \$M	% Cash	Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr	Total # of Holdings			% in Top 10	Turnover Ratio			
Vanguard Wellington Adm	5	10.71	8.96	38,363.29	1.76	2366	15.83	23.00	5	0.16	
Cat: Moderate Allocation	3	12.02	10.08	24,477.28	6.49	644	21.25	73.21	4	1.37	

# Performance Benchmarking

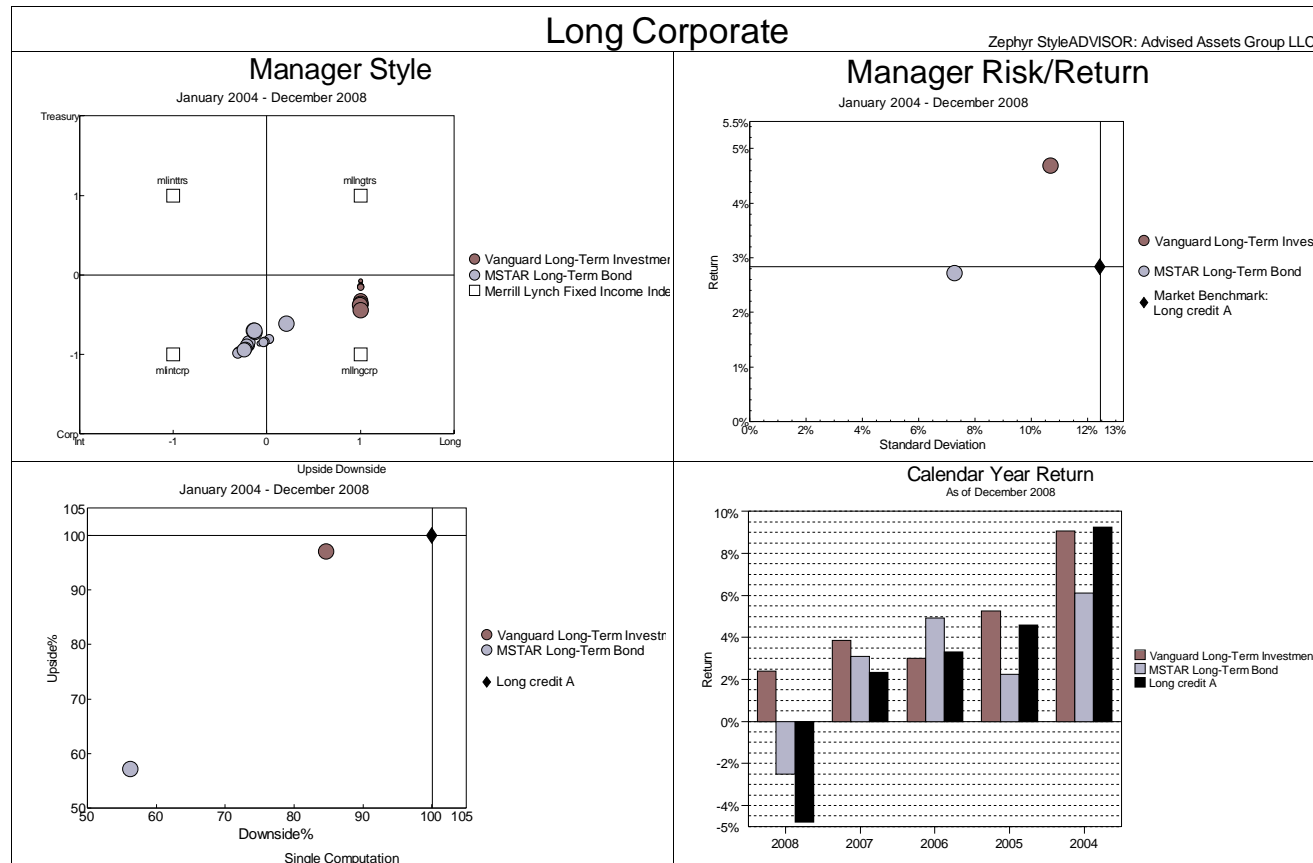
Vanguard Long-Term Investment-Grade Bond Fund seeks current income consistent with maintenance of principal and liquidity. The fund typically invests at least 80% of assets in high-quality corporate bonds; it invests at least 80% of assets in a combination of U.S. government securities and investment-grade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



DATA SOURCE:  
 Morningstar  
 12/31/2008

	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
Vanguard Long-Term Investment-Grade Adm	2.40	3.08	4.69	18	5	2.40	3.86	2.99	5.27	9.06
Cat: Long-Term Bond	-3.72	0.38	1.48	--	--	-3.72	3.10	4.43	2.23	6.47

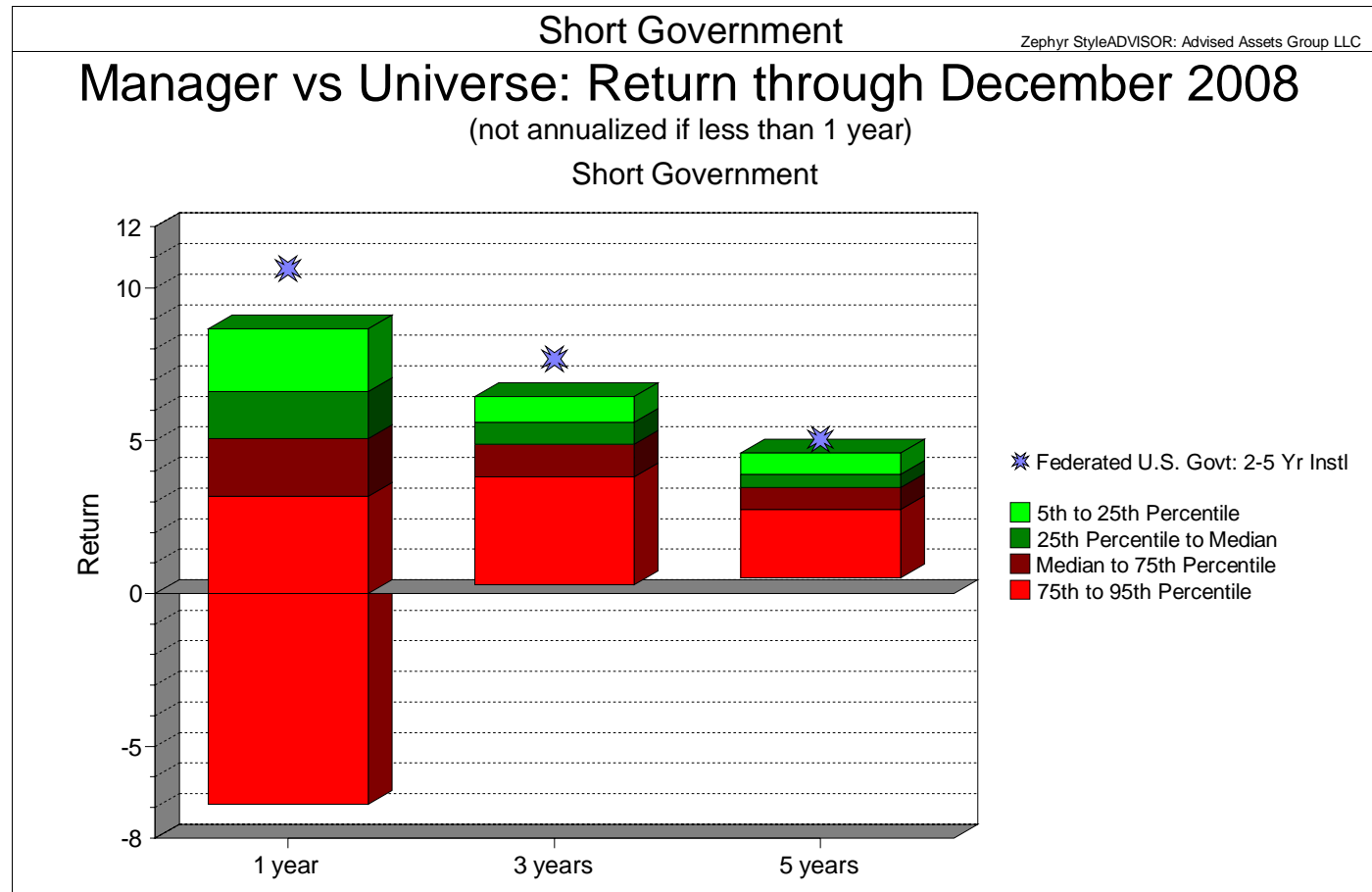
# Risk Analysis



Name	Morningstar			Total Net Assets \$M	% Cash	Total # of Holdings	% Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr				in Top 10	Turnover Ratio			
Vanguard LT Investment-Grade Adm	4	12.32	10.67	5,903.77	1.19	215	17.11	15.00	1	0.12	
Cat: Long-Term Bond	3	9.47	9.39	606.35	4.16	567	25.79	210.92	3	0.86	

# Performance Benchmarking

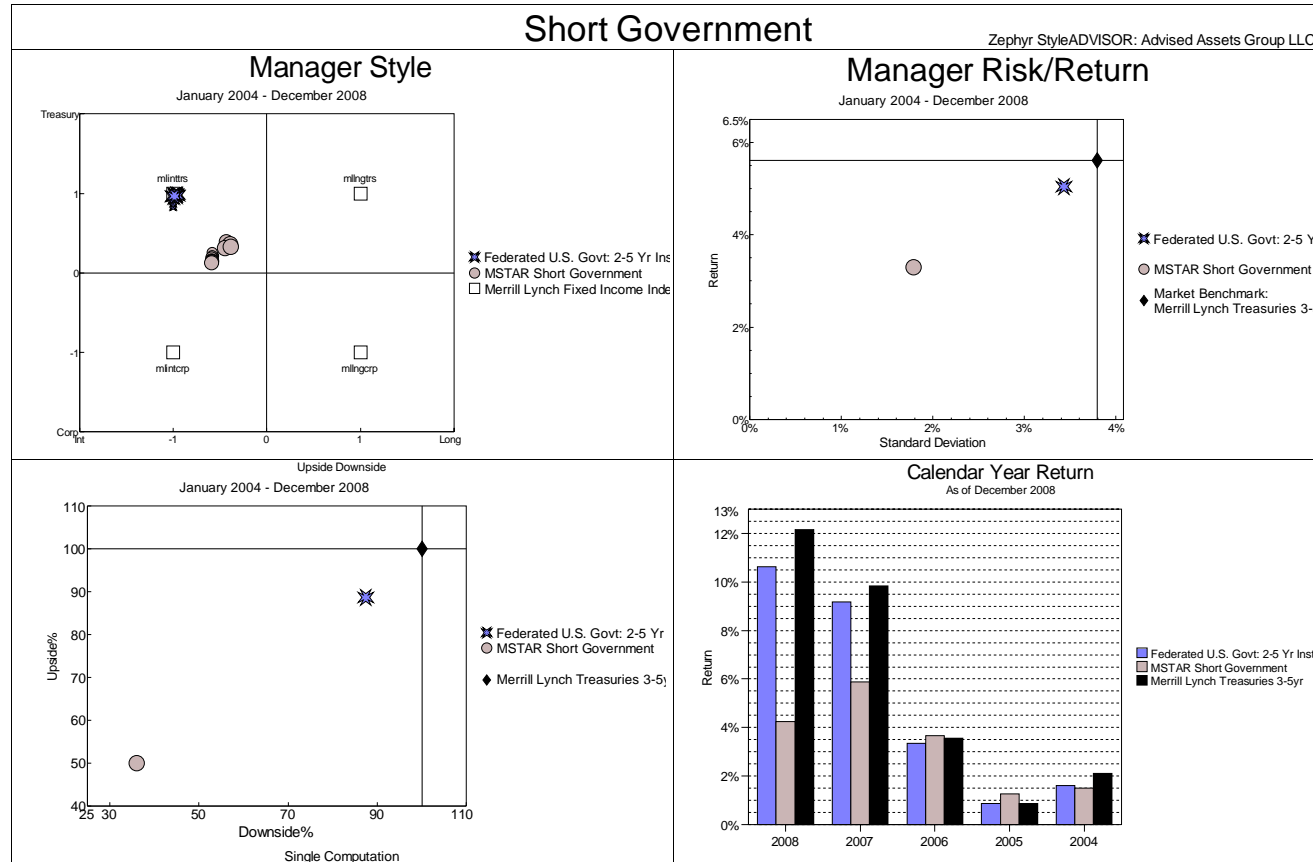
Federated U.S. Government Securities: 2-5 Year Trust seeks current income. The fund invests only in U.S. government securities with a dollar weighted duration between two and five years. It may enter into repurchase agreements.



DATA SOURCE: Morningstar 12/31/2008

	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 (2008)	Annual Return (2007)	Annual Return (2006)	Annual Return (2005)	Annual Return (2004)
Federated U.S. Govt: 2-5 Yr Instl	10.64	7.67	5.05	1	1	10.64	9.18	3.34	0.87	1.60
Cat: Short Government	4.80	4.85	3.36	--	--	4.80	5.87	3.67	1.26	1.46

# Risk Analysis



Name	Morningstar			Total Net Assets \$M	% Cash	% Assets			Mgr Tenure	Expense Ratio
	Rating Overall	Std Dev 3 Yr	Std Dev 5 Yr			Total # of Holdings	in Top 10	Turnover Ratio		
Federated U.S. Govt: 2-5 Yr Instl	5	3.55	3.43	947.88	2.10	28	55.01	104.00	4	0.59
Cat: Short Government	3	2.10	2.03	586.18	18.63	278	47.59	142.12	6	0.91

# Lifecycle Options



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# Lifecycle Option Report Card

Name	Tot Ret 3 Mo	Tot Ret 6 Mo	1 year	3 year	5 year	Annual Return (2008)	Annual Return (2007)	Annual Return (2006)	% Short Term	% US Stocks	% Non US Stocks	% Inv Grade Bond	% High Yield Bond
<b>Vanguard Target Retirement 2015</b>	<b>-12.54</b>	<b>-18.77</b>	<b>-24.06</b>	<b>-3.09</b>	<b>0.81</b>	<b>-24.06</b>	<b>7.55</b>	<b>11.42</b>	<b>0</b>	<b>51</b>	<b>13</b>	<b>36</b>	<b>0</b>
Fidelity Freedom 2015	-15.00	-22.78	-27.15	-4.65	0.13	-27.15	7.82	10.36	7	43	11	33	6
T. Rowe Price Retirement 2015	-17.19	-24.87	-30.22	-5.38		-30.22	6.75	13.73	4.5	55.95	14.05	20.9	4.6
Composite Returns*			-24.45	-3.25	0.73	-24.45	7.50	11.50					
Dow Jones Target 2015	-7.30	-13.72	-16.65	-0.55	3.11	-16.65	7.78	9.49					
<b>Vanguard Target Retirement 2025</b>	<b>-16.48</b>	<b>-23.71</b>	<b>-30.05</b>	<b>-5.19</b>	<b>-0.21</b>	<b>-30.05</b>	<b>7.59</b>	<b>13.24</b>	<b>0</b>	<b>63</b>	<b>16</b>	<b>21</b>	<b>0</b>
Fidelity Freedom 2025	-19.17	-28.26	-33.66	-6.93	-0.84	-33.66	8.64	11.84	0	56	14	22	8
T. Rowe Price Retirement 2025	-20.90	-29.77	-35.90	-7.54		-35.90	6.81	15.44	0	67.75	16.75	11.65	3.85
Composite Returns*			-30.52	-5.36	-0.31	-30.52	7.61	13.38					
Dow Jones Target 2025	-14.54	-22.65	-27.61	-3.74	2.25	-27.61	8.31	13.75					
<b>Vanguard Target Retirement 2035</b>	<b>-19.72</b>	<b>-27.68</b>	<b>-34.66</b>	<b>-6.80</b>	<b>-0.75</b>	<b>-34.66</b>	<b>7.49</b>	<b>15.24</b>	<b>0</b>	<b>72</b>	<b>18</b>	<b>10</b>	<b>0</b>
Fidelity Freedom 2035	-21.65	-31.56	-37.76	-8.42	-1.46	-37.76	9.27	12.94	0	65	17	10	8
T. Rowe Price Retirement 2035	-22.97	-32.48	-38.88	-8.80		-38.88	6.81	16.18	0	74	18.5	5.35	2.15
Composite Returns*			-35.11	-6.96	-0.82	-35.11	7.50	15.44					
Dow Jones Target 2035	-19.98	-29.09	-35.15	-6.49	1.14	-35.15	8.48	16.25					
<b>Vanguard Target Retirement 2045</b>	<b>-19.65</b>	<b>-27.60</b>	<b>-34.56</b>	<b>-6.57</b>	<b>-0.31</b>	<b>-34.56</b>	<b>7.47</b>	<b>15.98</b>	<b>0</b>	<b>72</b>	<b>18</b>	<b>10</b>	<b>0</b>
Fidelity Freedom 2045	-22.52	-32.61	-39.15			-39.15	9.50		0	69	17	4	10
T. Rowe Price Retirement 2045	-22.98	-32.47	-38.83	-8.78		-38.83	6.84	<b>16.15</b>	0	74	18.5	5.35	2.15
Composite Returns*			-35.11	-6.77	-0.40	-35.11	7.50	16.16					
Dow Jones Target 2045	-21.42	-30.76	-37.03	-7.30	0.68	-37.03	8.46	16.64					
<b>Vanguard Target Retirement Income</b>	<b>-5.47</b>	<b>-9.45</b>	<b>-10.93</b>	<b>0.82</b>	<b>2.50</b>	<b>-10.93</b>	<b>8.17</b>	<b>6.38</b>	<b>5</b>	<b>24</b>	<b>6</b>	<b>65</b>	<b>0</b>
Fidelity Freedom Income	-7.23	-10.87	-12.14	-0.68	1.10	-12.14	4.83	6.37	40	20	0	35	5
T. Rowe Price Retirement Income	-9.99	-15.07	-18.38	-1.61	1.46	-18.38	6.10	9.98	30	33.95	8.55	23.55	3.95
Composite Returns*			-11.34	0.67	2.43	-11.34	8.09	6.47					
Dow Jones Target Today	0.67	-2.72	-3.06	3.21	3.69	-3.06	6.48	6.52					

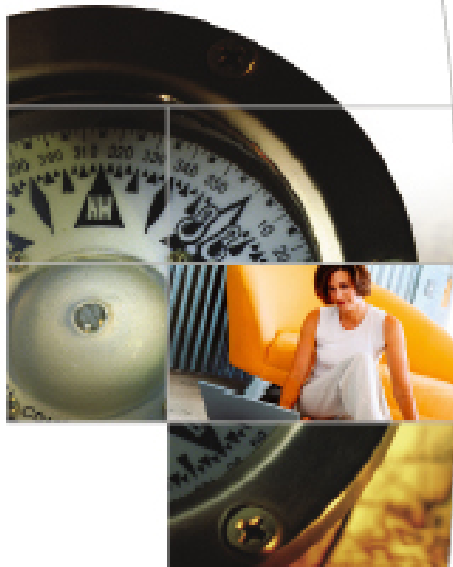
\*Composite returns based on returns of passive benchmarks representative of the asset allocation of each fund.  
 Benchmarks (per Vanguard) are the MSCI US Broad Market Index, Lehman Aggregate, Lehman US Treasury TIPS, 3 Month T-bill MSCI EAFE Index, and MSCI Emerging Markets Index



# 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 outperform their competitors over the 1yr and 3 yr periods.
- Turbulent markets in 2008 caused target date funds with more equity exposure to do worse than funds with less. Funds having exposure to lower grade bonds or high yield were also hurt by the market.
- 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



**AdvisedAssetsGroup**

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# *Economic and Capital Markets Review* Fourth Quarter 2008



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Although economic data and information is derived from a variety of financial publications and economic reporting companies, including Moody's, S&P, etc., we cannot guarantee the completeness or accuracy of data shown

# Economic & Capital Mkts Update



## • Current Economic Conditions

- Economy decreased in the 3<sup>rd</sup> quarter at an annualized rate of 0.5%. Government spending was the only component to see an increase. Both consumer spending and business investment were down.
  - Consensus is that the Year-over-Year 4<sup>th</sup> quarter GDP will be down 4-6%
  - Consumer confidence has plummeted to an all-time low as measured by The Conference Board's Consumer Confidence Index
    - The December index was at 38 in December, down from 44.7 in November (1985=100)
  - December retail sales fell 2.7%, representing a decline for the 6<sup>th</sup> consecutive month
  - Manufacturing activity failed to grow for the fifth consecutive month
- Median housing prices have dropped on average by 18% nationally over the past year with 14 out of 20 metro areas reporting record rates of decline\*
- Unemployment rate rose from 6.7 to 7.2% bringing the year's total job losses to 2.6 million
- The CPI Index fell for a second straight month, 1.7% in November, indicating a potential trend of deflation
- The Federal Reserve cut its Fed Funds target rate to a range of 0-25 basis points in an effort to infuse liquidity into the economy and spur lending activity
- National Bureau of Economic Research released its findings that the U.S. economy has been in recession since December of 2007

Economic data and information derived from a variety of financial publications and economic reporting companies, including Moody's, S&P, etc. Past performance is not a guarantee of future results.

\* Case Shiller 20 City composite index to 10/31/08

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# Economic & Capital Mkts Update



- **Current Sector and Asset Class Conditions**

- Commodities, energy stocks, and emerging market stocks have fallen 50% over the past year
  - As of the year-end, oil prices were under \$45 a barrel. Oil had a high in July at over \$147 a barrel
- High Yield Bond spreads are at record highs over Treasuries
- Foreign and Emerging Markets funds have been negatively impacted by the global economic slowdown
- Money Market Yields have hit record lows
  - Money market funds are seeing record net in-flows reaching \$522 billion from January to November of 2008
  - The government's lowering of short term interest rates caused yields on money markets to decline. This problem was compounded by investors flight to safety
  - Due to the low yields, many firms have recently been closing their treasury money market funds to new investment as a way to protect shareholders
- In past corrections, there was typically somewhere to "hide"
  - The current market correction, coupled with a credit crunch, housing collapse, and a domestic and international recession, has resulted in virtually every equity asset class seeing declines in 2008

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# Economic & Capital Mkts Update



- **Outlook**

- Automakers will receive \$17 billion in loans from the \$700 billion bank bailout fund (TARP)
- Aggressive expansion of the monetary base by the Federal Reserve in an attempt to thwart off a credit-driven economic contraction
  - The Treasury has committed the first \$350 billion component of the TARP directly into troubled financial institutions
- Aggressive fiscal policy with the new administration
  - New administration's proposal for a massive economic stimulus package is being aimed at stimulating the economy and generating over 3 million new jobs
  - Proposal aimed at fixing roads and bridges as well as investments in alternative energy sources, foreclosure prevention, and targeted tax cuts
- Consensus is economy will begin to see positive growth sometime in the second half of 2009
  - Deleveraging is likely to continue at both the consumer level as well as the corporate level
  - In 2008, U.S. households shrank their debt for the first time since 1952

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# Market Update



- Equity Markets were down significantly in 4Q08 and YTD:

	<u>Q4</u>	<u>YTD (12/31)</u>
– DJIA	-18.37%	-31.92%
– S&P 500	-21.94%	-37.00%
– Russell 2000	-26.12%	-33.79%
– MSCI EAFE	-19.95%	-43.38%
– MSCI Emerging	-27.60%	-53.33%

- Bond Markets were mixed:

	<u>Q4</u>	<u>YTD (12/31)</u>
– BarCap US Agg Bond Idx	4.58%	5.24%
– BarCap US Gov't.	8.05%	12.39%
– BarCap US Corp. High Yield	-17.88%	-26.16%
– US Money Market	0.30%	2.00%

Economic data and information derived from a variety of financial publications and economic reporting companies, including Moody's, S&P, etc. Past performance is not a guarantee of future results.

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# Market Update



- Most Indices reached bear market status in early July
- From a sector prospective all major sectors were down in 2008
  - Financial sector led the way, down over 55%
- Bond market YTD (12/31) returns have favored higher quality securities (US Government +12.39%) as opposed to lower quality (High Yield –26.16%)
  - This, in part, as a result of investors fleeing to safety and security of Government securities
- Foreign and emerging markets suffered in 2008 as the financial crisis spilled over into foreign markets
- Heightened volatility
  - Between January 1<sup>st</sup> through September 30<sup>th</sup>, 2008, the S&P was down 19.29%; in the seven weeks that followed, the S&P was down an additional 35.21% followed by an increase of more than 20% between November 21<sup>st</sup> and December 31<sup>st</sup>
  - In 2008, the S&P 500 had 28 trading days that produced a gain or loss of 4% or more; this equaled in 1 year what had previously taken 25 years to produce between the time period of 1983 and 2007

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# Market Outlook



- The stock market and the economy are two different entities
  - The stock market is a leading indicator
  - Historically, the market has been a leading indicator for the economy by about 6 to 9 months
  - Consensus among financial experts is a call for positive GDP growth sometime in the second half of 2009
- Picking a market bottom is notoriously difficult, however, historically, the stock market has rebounded sharply from bear markets
  - Looking back, some of the best times to be in the stock market have been at times of maximum pessimism
  - “The stock market is designed to transfer money from the active to the patient.”–Warren Buffett
- Questions yet unanswered:
  - Are all of the sub-prime and credit issues behind us?
  - How long will the recession last and how deep will it get?

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# Amer Funds EuroPac A

## 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-7.94	-2.35	-18.04	-19.28	-40.53

Trailing	Total Return%	+/- MSCI EAFE	+/- MSCI World exUS	%Rank Cat	Growth of \$10,000
3 Mo	-19.28	0.67	3.06	25	8,072
6 Mo	-33.84	2.57	5.52	13	6,616
1 Yr	-40.53	2.85	5.00	13	5,947
3 Yr Avg	-4.82	2.53	2.16	12	8,623
5 Yr Avg	4.56	2.90	2.00	6	12,498
10 Yr Avg	4.98	4.18	—	7	16,258
15 Yr Avg	7.05	3.53	—	5	27,784

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-8.18	32	1.61	54
5 Yr (estimated)	2.01	17	1.28	56
10 Yr (estimated)	3.17	9	1.14	63

Potential Capital Gain Exposure: -26% of assets

### Morningstar's Take by Arijit Dutta 08-28-08

American Funds EuroPacific Growth is adding to its laurels.

This Analyst Pick continues to display an impressive touch. It finished in the foreign large-value category's top decile in 2007, despite being relatively light on the key red-hot materials and energy sectors. This year's worldwide downturn has the fund showing a 17% loss through August 27, which, while painful, is better than the losses suffered by the vast majority of its rivals. Management earns kudos for some excellent stock selection. The portfolio's energy picks strongly outperformed last year, making up for its underweighting in the sector, and in 2008 several of the portfolio's health-care stocks have shown remarkable resilience amid the market tumble. For example, top holding Roche, a global leader in many key antibiotic drugs, has lost less than 1% for the year, which trounces broad-market and industry benchmarks alike.

These successes point to the strength of

Analyst Pick	Ticker	Status	NAV	Yield	Total Assets	Mstar Category
	AEPGX	Open	\$28.01	2.6%	\$66,362 mil	Foreign Large Blend

Historical Profile	Return	Risk	Rating
Above Avg	Below Avg	★★★★	Above Avg

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08
NAV	26.02	28.40	42.66	31.35	26.87	22.97	30.21	35.63	41.10	46.56	50.87	28.01
Total Return %	9.19	15.54	56.97	-17.84	-12.17	-13.61	32.91	19.69	21.12	21.87	18.96	-40.53
+/-MSCI EAFE	7.41	-4.46	30.00	-3.67	9.27	2.33	-5.68	-0.56	7.58	-4.47	7.79	2.85
+/-MSCI AC World exUS	—	—	—	—	—	1.34	-7.92	-1.22	4.50	-4.78	2.31	5.00
Income Return %	1.78	1.40	1.03	0.50	2.09	0.90	1.35	1.68	2.02	1.88	2.16	1.53
Capital Return %	7.41	14.14	55.94	-18.34	-14.26	-14.51	31.56	18.01	19.10	19.99	16.80	-42.06
Total Rtn % Rank Cat	32	38	17	60	4	20	49	20	7	82	9	13
Income \$	0.45	0.36	0.29	0.19	0.66	0.24	0.31	0.51	0.72	0.77	1.01	0.78
Capital Gains \$	1.93	1.26	1.39	3.74	0.00	0.00	0.00	0.00	1.32	2.71	3.63	1.39
Expense Ratio %	0.90	0.86	0.84	0.84	0.84	0.88	0.90	0.87	0.82	0.76	0.75	0.74
Income Ratio %	1.77	1.64	1.45	0.93	1.89	1.21	1.06	1.08	1.31	1.58	1.54	1.87
Turnover Rate %	26	31	32	29	37	27	29	25	30	35	27	38
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	31,040

Rating and Risk	Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
	1 Yr	-43.95			
	3 Yr	-6.68	Avg	-Avg	★★★★
	5 Yr	3.33	+Avg	-Avg	★★★★
	10 Yr	4.36	+Avg	-Avg	★★★★
	Incept	11.05			

Other Measures	Standard Index	Best Fit Index
Alpha	2.2	2.0
Beta	0.96	0.95
R-Squared	96	96

Standard Deviation	19.10
Mean	-4.82
Sharpe Ratio	-0.36

Portfolio Analysis 09-30-08	Share change since 06-08	Total Stocks:305	Sector	Country	% Assets
Roche Holding Ltd			Health	Switzerland	3.16
Bayer			Ind Mtrls	Germany	3.11
America Movil S.A.B. de			Telecom	Mexico	1.92
Banco Santander			Financial	Spain	1.82
Gazprom OAO (EDR)			Utilities	Russia	1.77
Novo-Nordisk A S			Health	Denmark	1.57
Novartis			Health	Switzerland	1.54
AXA			Financial	France	1.51
Nestle			Goods	Switzerland	1.50
Vodafone Grp			Telecom	U.K.	1.28
Brazilian Petroleum Corp			Energy	Brazil	1.17
SAP			Software	Germany	1.05
HONDA MOTOR			Goods	Japan	1.01
Schneider Electric			Ind Mtrls	France	1.01
Inditex			Goods	Spain	0.99
Koninklijke KPN			Telecom	Netherlands	0.97
Teva Pharmaceutical Indu			Health	Israel	0.96
MTN Grp Ltd			Telecom	South Africa	0.95
Siemens			Ind Mtrls	Germany	0.92
Groupe Danone			Goods	France	0.88

Current Investment Style	Value	Blnd	Growth
Market Cap %			
Giant	58.3		
Large	35.9		
Mid	5.7		
Small	0.1		
Micro	0.0		
Avg \$mil:	30,505		

Value Measures	Rel Category	Price/Earnings	Price/Book	Price/Sales	Price/Cash Flow	Dividend Yield %
Price/Earnings	10.46	1.08	1.52	0.91	5.93	4.67
Price/Book	1.52	1.14				
Price/Sales	0.91	1.20				
Price/Cash Flow	5.93	1.12				
Dividend Yield %	4.67	0.92				

Growth Measures	Rel Category	Long-Term Erngs	Book Value	Sales	Cash Flow	Historical Erngs
Long-Term Erngs	11.17	1.03	12.72	10.42	14.05	16.39
Book Value	12.72	1.36				
Sales	10.42	1.09				
Cash Flow	14.05	1.05				
Historical Erngs	16.39	1.18				

Composition	Cash	Bonds	Other	Foreign (% of Stock)
Cash	9.4	2.4		
Bonds		2.4		
Other			0.1	
Foreign (% of Stock)				99.8

Regional Exposure	% Stock	UK/W. Europe	N. America	Japan	Latin America	Asia X Japan	Other
UK/W. Europe	59						
N. America	3						
Japan	8						
Latin America	7						
Asia X Japan	16						
Other	7						

Country Exposure	% Stock	France	U.K.	Germany	Japan	Switzerland
France	11					
U.K.	8					
Germany	11					
Japan	11					
Switzerland	9					

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Subadvisor: None  
NTF Plans: Federated Tr NTF, Schwab Instl NTF

American's fundamental research. The firm has scores of analysts who not only study companies' books and monitor industry trends, but also do in-depth on site visits to check on the day-to-day operation of the businesses. An even bigger factor at play is the sheer continuity in management staff here. Several of the fund's managers have been around for close to or more than two decades, which means they have deep familiarity with global markets and time-tested ideas about what it takes for a business to succeed.

These strengths, coupled with American's disciplined focus on companies' long-term prospects, have proven a winning recipe over time. We continue to see encouraging signs that management's eye for picking solid businesses remains keen, which bodes well for the fund's future. Also, its low expenses should allow the fund to stay eminently competitive against index choices. This one's good to own.

Minimum Purchase: \$250 Add: \$50 IRA: \$250  
Min Auto Inv Plan: \$0 Add: \$50  
Sales Fees: 5.75%L  
Management Fee: 0.69% mx./0.40% mn.  
Actual Fees: Mgt:0.42% Dist:0.25%  
Expense Projections: 3Yr:\$813 5Yr:\$989 10Yr:\$1497  
Income Distrib:

Sector Weightings	% of Rel MSCI Stocks	3 Year EAFE High Low
Info	20.10	1.71
Software	1.51	2.04 2 0
Hardware	5.56	2.14 10 6
Media	1.13	0.78 3 1
Telecom	11.90	1.70 12 7
Service	35.86	0.86
Health	10.57	1.15 11 9
Consumer	4.75	1.03 6 5
Business	3.37	0.62 4 2
Financial	17.17	0.76 25 17
Mfg	44.04	0.95
Goods	14.02	1.01 18 13
Ind Mtrls	18.19	1.09 20 10
Energy	6.69	0.75 9 6
Utilities	5.14	0.75 6 1

Regional Exposure	% Stock
UK/W. Europe	59
N. America	3
Japan	8
Latin America	7
Asia X Japan	16
Other	7

Country Exposure	% Stock
France	11
U.K.	8
Germany	11
Japan	11
Switzerland	9



# Calvert Soc Inv Equity A

Ticker: CSIEX Status: Open NAV: \$22.91 Yield: 0.0% Total Assets: \$870 mil Mstar Category: Large Growth

## Governance and Management

### Stewardship Grade:

### Portfolio Manager(s)

Lead manager Dan Boone, who called the shots at this fund since subadvisor Atlanta Capital Management took it over in September 1998, retired in December 2007. Richard England, Boone's comanager since July 2006, has taken the lead, and he's supported by Boone's longtime comanagers William Hackney III and Marilyn Irvin along with Atlanta's six-person analyst team. Prior to joining Atlanta in 2004, England garnered eight years of portfolio-management experience at Putnam Investments. A team of researchers at Calvert ensures that each of the fund's holdings

### Strategy

Like manager Dan Boone before him, Richard England 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 England 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 records in areas like the environment and labor practices.

### Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-8.50	2.55	-9.14	-24.39	-35.53

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-24.39	-2.45	-1.60	68	7,561
6 Mo	-31.29	-2.81	1.02	29	6,871
1 Yr	-35.53	1.47	2.91	13	6,447
3 Yr Avg	-7.92	0.44	1.19	20	7,807
5 Yr Avg	-2.80	-0.61	0.62	38	8,676
10 Yr Avg	2.25	3.63	6.52	5	12,492
15 Yr Avg	5.17	-1.29	0.35	35	21,300

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-10.21	38	0.89	41
5 Yr (estimated)	-4.30	54	0.58	34
10 Yr (estimated)	1.17	6	0.58	35

Potential Capital Gain Exposure: -22% of assets

### Morningstar's Take by Harry Milling 12-10-08

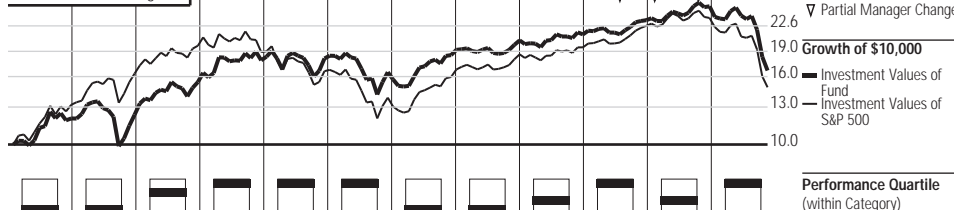
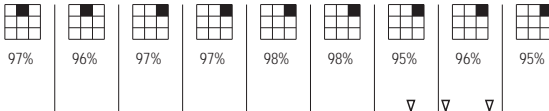
Calvert Social Investment Equity is a contender in and out of the socially responsible arena.

While the fund doesn't invest in companies that derive significant revenue from such things as alcohol, firearms, and tobacco, that mandate hasn't held this fund back. Manager Richard England, who started managing the fund in 2006 and previously had eight years of management experience at Putnam, has kept this fund out of trouble. He builds the portfolio stock by stock, using disciplined balance-sheet analysis and maintaining an emphasis on quality companies. For example, England avoided investing in the poster children of the 2008 credit crisis, like Fannie Mae and Lehman Brothers.

While England is mindful of macro trends, like credit deterioration, his stock-picking process is company-specific. He looks for firms with long-term earnings growth and returns on equity that are better than their peers', but whose stocks look cheap. The fund's buy-and-hold strategy (the typical holding period is three years) steers him to industry

### Historical Profile

Return Above Avg  
Risk Low  
Rating ★★★★★ Above Avg



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	23.28	25.80	29.88	31.72	31.06	26.40	32.29	34.45	35.30	37.30	38.61	22.91	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	-35.53	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	1.47	+/-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	2.91	+/-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	-35.53	Capital Return %
Total Rtn % Rank Cat	91	94	29	4	2	5	87	86	70	22	69	13	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	1.92	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	1.20	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	-0.05	Income Ratio %
Turnover Rate %	93	110	51	49	43	28	29	17	31	35	35	51	Turnover Rate %
Net Assets \$mil	146	157	203	253	312	380	619	783	883	948	978	652	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	-38.59			
3 Yr	-9.40	Avg	Low	★★★★★
5 Yr	-3.74	Avg	Low	★★★★
10 Yr	1.76	High	Low	★★★★★
Incept	5.70			

Other Measures	Standard Index S&P 500	Best Fit Index Russ 1000Gr
Alpha	0.1	-0.2
Beta	0.96	0.90
R-Squared	94	97
Standard Deviation	15.20	
Mean	-7.92	
Sharpe Ratio	-0.72	

### Portfolio Analysis 11-30-08

Share change since 10-08	Total Stocks:50	Sector	PE	Tot Ret%	% Assets
CVS Caremark Corporation		Consumer	13.3	-27.16	4.31
Novartis AG ADR		Health	15.0	-5.57	4.22
Cisco Systems, Inc.		Hardware	12.3	-39.79	3.91
Staples, Inc.		Consumer	15.2	-21.21	3.62
EOG Resources		Energy	7.1	-25.01	3.58
Hewlett-Packard Company		Hardware	11.2	-27.57	3.37
Kohl's Corporation		Consumer	11.6	-20.96	3.35
Apple, Inc.		Hardware	15.9	-56.91	3.28
Procter & Gamble Company		Goods	16.5	-13.77	3.07
Aflac, Inc.		Financial	15.4	-25.48	2.93
Laboratory Corporation o		Health	15.9	-14.72	2.75
Stryker Corporation		Health	14.5	-45.99	2.65
Questar Corporation		Energy	8.1	-38.91	2.58
Google, Inc.		Business	19.4	-55.51	2.56
Bank of New York Mellon		Financial	15.9	-40.33	2.54
Ecolab, Inc.		Ind Mtrls	18.4	-30.51	2.47
Intel Corporation		Hardware	11.7	-43.47	2.44
Sysco Corporation		Consumer	12.5	-23.48	2.34
Charles Schwab Corporati		Financial	15.3	-36.01	2.31
Emerson Electric Co.		Ind Mtrls	11.8	-33.58	2.12

### Current Investment Style

Value	Blind Growth	Market Cap %	Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Large	31.8		Info	18.28	0.94	
Large	45.8		Software	2.15	0.55	7 2
Mid	22.3		Hardware	16.13	1.79	17 10
Small	0.0		Media	0.00	0.00	0 0
Micro	0.0		Telecom	0.00	0.00	0 0
Avg \$mil:	23,584		Service	57.65	1.40	

Value Measures	Rel Category
Price/Earnings	11.88 0.89
Price/Book	2.04 0.88
Price/Sales	1.07 0.80
Price/Cash Flow	7.60 0.94
Dividend Yield %	1.71 1.11
Growth Measures	% Rel Category
Long-Term Erngs	13.22 0.93
Book Value	16.08 1.23
Sales	14.31 1.20
Cash Flow	11.68 0.65
Historical Erngs	16.37 0.83

Composition	%
Cash	3.7
Stocks	95.5
Bonds	0.0
Other	0.8
Foreign (% of Stock)	4.9

giants that tend to post steady gains over the long haul.

One typical holding is Sysco, the largest U.S. food distributor. The company's massive economies of scale have helped it garner a 33% return on equity and steady profit growth, yet its forward price/earnings ratio is about half its five-year average. Holdings like Sysco may not be standouts, but the fund's focus on dependable growth saves it in periods of market declines. In 2008's market slide, the average large-growth fund lost more than 40% for the year to date through Dec. 9, but this fund's slimmer 37% decline placed it among the category's elite. In the 2001 and 2002 bear markets, it ranked similarly. All told, the fund has kept its 10-year annualized return positive while many peers haven't.

The fund may not post high-octane returns, but its prudent approach has served investors well.

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		Income Distrib:					



# DFA U.S. Micro Cap I

Ticker: DFSCX Status: Closed NAV: \$8.31 Yield: 2.8% Total Assets: \$2,562 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-10.27	-3.47	0.05	-26.98	-36.72

Trailing	Total Return%	+/- S&P 500	+/- Russ 2000	%Rank Cat	Growth of \$10,000
3 Mo	-26.98	-5.04	-0.86	69	7,302
6 Mo	-26.94	1.54	0.00	30	7,306
1 Yr	-36.72	0.28	-2.93	58	6,328
3 Yr Avg	-11.35	-2.99	-3.06	66	6,967
5 Yr Avg	-2.71	-0.52	-1.78	72	8,716
10 Yr Avg	6.44	7.82	3.42	19	18,666
15 Yr Avg	8.63	2.17	2.74	27	34,614

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-12.62	61	1.43	45
5 Yr (estimated)	-4.05	68	1.38	43
10 Yr (estimated)	4.45	25	1.87	73

Potential Capital Gain Exposure: -40% of assets

## Morningstar's Take by Marta Norton 08-25-08

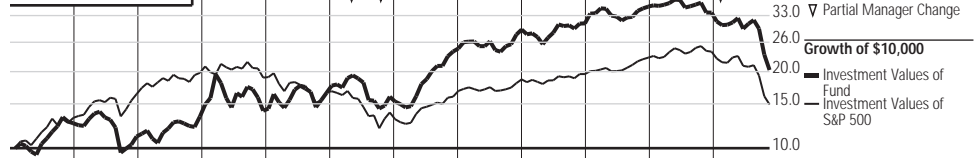
The closed DFA U.S. Microcap is a good fund, but that doesn't mean it's a good choice for everyone.

This passively managed fund tracks the market's smallest 5%. That gives it an average market cap of roughly \$383 million, which is unusually small in the small-blend category, where the typical fund's average market cap is \$1.1 billion. There are a few resulting distinctions. Micro-cap stocks zig and zag far more than even the traditional small-cap space. That means more fits and starts here: in fact, the fund's standard deviation is higher than the category median over the short and long haul. And even though this fund is sold only through selected advisors, we've seen investors struggle to stick with it through its ups and downs. Morningstar Investor Returns, which use asset flows to gauge the returns garnered by the fund's typical investor, lag its total returns. Thus, advisors should ensure their clients can handle this fund before investing.

On a more positive note, a tiny market cap sets the fund up for peer-beating long-term returns. Its

## Historical Profile

Return	Average	99%
Risk	Above Avg	98%
Rating	★★★★	99%
	Neutral	98%



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
------	------	------	------	------	------	------	------	------	------	------	-------	---------

11.78	10.76	12.61	9.64	10.01	8.53	13.32	15.12	14.77	15.70	13.47	8.31	NAV
22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72	18.39	5.69	16.16	-5.22	-36.72	Total Return %
-10.58	-35.90	8.75	5.50	34.66	8.83	32.04	7.51	0.78	0.37	-10.71	0.28	+/-S&P 500
0.42	-4.77	8.53	-0.58	20.28	7.21	13.47	0.06	1.14	-2.21	-3.65	-2.93	+/-Russ 2000
0.23	1.28	3.49	3.89	0.51	0.16	2.42	2.04	2.38	2.02	1.55	1.73	Income Return %
22.55	-8.60	26.30	-7.49	22.26	-13.43	58.30	16.35	3.31	14.14	-6.77	-38.45	Capital Return %
57	72	22	87	9	32	7	53	61	37	74	58	Total Rtn % Rank Cat
0.03	0.15	0.38	0.49	0.05	0.02	0.21	0.27	0.36	0.30	0.24	0.23	Income \$
1.89	0.00	0.89	1.99	1.71	0.14	0.18	0.36	0.84	1.13	1.16	0.00	Capital Gains %
0.60	0.59	0.61	0.56	0.56	0.56	0.56	0.16	0.55	0.53	0.52	—	Expense Ratio %
0.21	0.18	0.30	0.34	0.41	0.24	0.25	0.64	0.48	0.64	0.89	—	Income Ratio %
28	26	23	37	—	—	—	—	—	24	—	—	Turnover Rate %
1,437	1,360	1,452	1,378	1,663	1,533	2,685	3,380	3,912	4,881	4,562	2,562	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	-36.72			
3 Yr	-11.35	Avg	Avg	★★★★
5 Yr	-2.71	-Avg	+ Avg	★★
10 Yr	6.44	+ Avg	High	★★★★
Incept	10.75			

Other Measures	Standard Index	Best Fit Index
Alpha	-0.3	-3.4
Beta	1.19	1.00
R-Squared	80	98

Standard Deviation	Mean	Sharpe Ratio
20.19	-11.35	-0.68

## Portfolio Analysis 09-30-08

Share change since 08-08	Total Stocks:2411	Sector	PE	Tot Ret%	% Assets	
		Raven Industries, Inc.	Hardware	13.6	-33.53	0.36
		Badger Meter, Inc.	Ind Mtrls	18.6	-34.78	0.31
		Sciele Pharma, Inc.	Health	—	—	0.28
		NBT Bancorp, Inc.	Financial	17.2	26.69	0.27
		Premiere Global Services	Business	13.3	-42.02	0.26
		Vital Signs Inc.	Health	—	—	0.25
		Laclede Group, Inc.	Utilities	17.7	41.94	0.24
		Green Mountain Coffee Ro	Goods	44.4	-4.91	0.24
		Sykes Enterprises, Inc.	Software	12.6	6.22	0.23
		Navigators Group	Financial	13.7	-15.52	0.23
		Comed Corporation	Health	15.4	3.59	0.23
		AMCOL International Corp	Ind Mtrls	11.6	-40.35	0.22
		MasTec, Inc.	Telecom	13.8	13.86	0.22
		Coinstar, Inc.	Business	—	-30.69	0.22
		Arch Chemicals, Inc.	Ind Mtrls	9.8	-27.31	0.22
		MTS Systems Corporation	Ind Mtrls	9.9	-36.39	0.21
		California Water Service	Utilities	23.8	29.53	0.21
		Deltic Timber Corporatio	Ind Mtrls	90.1	-10.64	0.21
		Calgon Carbon Corporatio	Ind Mtrls	26.9	-3.34	0.21
		Clayton Williams Energy	Energy	6.1	45.83	0.21

## Current Investment Style

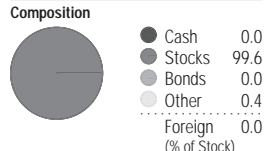
Value	Blind	Growth	Market Cap	%
			Large	0.0
			Mid	0.1
			Small	39.6
			Micro	60.3
			Avg \$mil:	382

Value Measures	Rel Category
Price/Earnings	14.61 1.22
Price/Book	1.38 1.04
Price/Sales	0.66 0.96
Price/Cash Flow	5.04 1.05
Dividend Yield %	1.16 0.65

Growth Measures	% Rel Category
Long-Term Erngs	14.71 1.05
Book Value	3.78 0.55
Sales	0.32 0.06
Cash Flow	-0.22 NMF
Historical Erngs	0.85 0.11

Profitability	% Rel Category
Return on Equity	6.72 0.52
Return on Assets	1.81 0.33
Net Margin	5.40 0.60

Sector Weightings	% of Stocks	Rel S&P 500	3 Yr High Low
Info	17.77	0.91	
Software	5.25	1.34	6 5
Hardware	9.54	1.06	11 10
Media	0.84	0.32	2 1
Telecom	2.14	0.56	2 1
Service	53.30	1.30	
Health	14.32	0.97	16 14
Consumer	9.69	1.21	10 8
Business	12.56	2.53	13 11
Financial	16.73	1.26	17 13
Mfg	28.95	0.73	
Goods	7.13	0.68	7 6
Ind Mtrls	15.60	1.36	18 15
Energy	4.22	0.31	6 4
Utilities	2.00	0.49	2 1



Address:	1299 Ocean Ave Santa Monica, CA 90401 310-633-7885	Minimum Purchase:	Closed	Add:	—	IRA:	—
Web Address:	www.dfafunds.com	Min Auto Inv Plan:	Closed	Add:	—		
Inception:	12-23-81	Sales Fees:	No-load				
Advisor:	Dimensional Fund Advisors Ltd	Management Fee:					
Subadvisor:	None	Actual Fees:	Mgt:0.50%	Dist:	—		
NTF Plans:	N/A	Expense Projections:	3Yr:\$167	5Yr:	\$291	10Yr:	\$653
		Income Distrib:					



# Federated US 2-5 Instl

Ticker: FIGTX Status: Open NAV: \$12.09 Yield: 3.6% SEC Yield: — Total Assets: \$948 mil M-Star Category: Short Government

## Governance and Management

Stewardship Grade: D

### Portfolio Manager(s)

Don Ellenberger is in charge. Ellenberger, co-lead 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	4.13	-1.95	2.04	6.20	10.64

Trailing	Total Return%	+/- LB Aggreg	+/- LB 1-5 YR GOVT	%Rank	Growth of \$10,000
3 Mo	6.20	1.62	1.81	1	10,620
6 Mo	8.37	4.30	2.23	1	10,837
1 Yr	10.64	5.40	2.23	1	11,064
3 Yr Avg	7.67	2.16	0.94	1	12,482
5 Yr Avg	5.05	0.40	0.44	1	12,793
10 Yr Avg	5.49	-0.14	0.25	1	17,065
15 Yr Avg	5.65	-0.53	0.11	1	22,806

Tax Analysis	Tax-Adj Rtn%	%Rank	Tax-Cost Rat	%Rank
3 Yr (estimated)	6.12	1	1.44	64
5 Yr (estimated)	3.60	1	1.38	73
10 Yr (estimated)	3.82	1	1.58	63

Potential Capital Gain Exposure: 0% of assets

### Morningstar's Take by Harry Milling 12-10-08

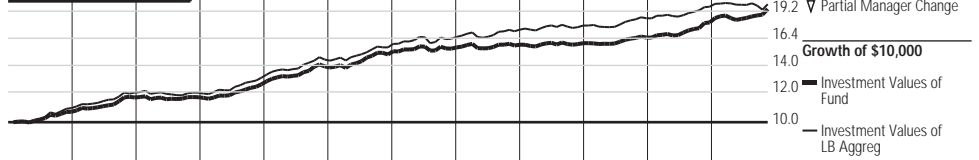
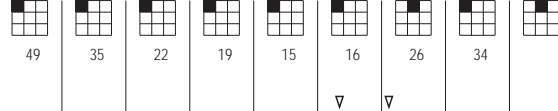
Federated U.S. Government 2-5 Year is boring—in a good way.

This fund strictly follows its pristine edict: Invest in government or government-agency bonds that have maturities between two and five years. It doesn't invest in mortgage-backed securities created by government agencies like Fannie Mae or Freddie Mac, just in the bonds of the agencies themselves. It also doesn't own any nongovernmental issues—even the highest-rated ones. These restrictions set the fund apart from many of its peers that invest in riskier higher-yielding debt, but it's precisely that difference that's given the fund a leg up recently.

The 2008 credit crisis prompted investors to flee stocks and debt that carried even a hint of extra risk, so this fund's 100% government-backed seal made it a classic safe haven. Its trailing one-year gain of 9.3% as of December 9 not only puts it in the top 1% of short-government bond returns for the period but also catapults the fund's three-, five-, and

### Historical Profile

Return: High  
Risk: High  
Rating: ★★★★★ Highest



1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
10.63	10.91	10.35	10.77	11.09	11.67	11.52	11.30	10.97	10.86	11.35	12.09	NAV
7.12	8.11	-0.52	10.16	8.33	9.92	2.22	1.60	0.87	3.34	9.18	10.64	Total Return %
-2.53	-0.58	0.30	-1.47	-0.11	-0.33	-1.88	-2.74	-1.56	-0.99	2.21	5.40	+/-LB Aggreg
0.01	0.46	-2.48	1.07	-0.31	2.23	0.06	0.06	-0.61	-0.67	1.36	2.23	+/-LB 1-5 YR GOVT
5.71	5.40	4.71	5.91	5.33	4.56	3.53	3.54	3.83	4.34	4.51	3.94	Income Return %
1.41	2.71	-5.23	4.25	3.00	5.36	-1.31	-1.94	-2.96	-1.00	4.67	6.70	Capital Return %
27	2	91	8	11	3	12	34	73	73	1	1	Total Rtn % Rank Cat
0.58	0.56	0.50	0.60	0.56	0.50	0.41	0.40	0.43	0.47	0.48	0.44	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	Capital Gains %
0.54	0.54	0.55	0.56	0.57	0.57	0.57	0.57	0.59	0.58	0.58	0.58	Expense Ratio %
5.42	5.58	5.13	4.80	6.23	4.29	4.29	3.44	3.55	3.82	4.35	4.39	Income Ratio %
99	71	126	172	77	66	31	52	66	113	128	104	Turnover Rate %
702	723	627	538	603	764	828	740	666	544	585	814	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	10.64			
3 Yr	7.67	High	High	★★★★★
5 Yr	5.05	High	High	★★★★★
10 Yr	5.49	High	High	★★★★★
Incept	7.23			

Other Measures	Standard Index	Best Fit Index
Alpha	2.6	-0.1
Beta	0.69	1.00
R-Squared	59	98

### Portfolio Analysis 09-30-08

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income: 25				
FHLMC 5.125%	08-23-10	67,400	69,928	8.62
US Treasury Note 4.125%	08-31-12	45,000	47,465	5.85
FNMA 5.125%	11-02-12	46,000	46,515	5.74
US Treasury Note 4.75%	03-31-11	42,000	44,784	5.52
US Treasury Note 4.875%	04-30-11	40,000	42,844	5.28
US Treasury Note 4.25%	11-15-14	40,000	42,559	5.25
FNMA 5%	02-16-12	38,000	39,686	4.89
US Treasury Note 4%	11-15-12	37,000	38,907	4.80
FHLMC 4.75%	01-18-11	37,000	38,247	4.72
FNMA 6%	05-15-11	33,000	35,181	4.34
FNMA 3.25%	02-25-11	35,000	34,379	4.24
US Treasury Note 4.25%	11-15-17	32,600	33,767	4.16
US Treasury Note 3.875%	05-15-10	30,000	31,001	3.82
FHLBA 4.875%	12-13-13	30,125	30,899	3.81
US Treasury Note 3.125%	04-30-13	30,000	30,277	3.73
US Treasury Note 3%	07-15-12	28,744	29,903	3.69
FHLMC 3%	04-01-11	30,000	29,440	3.63
FHLBA	08-13-10	25,000	25,055	3.09
FHLMC 4.75%	03-05-12	20,000	20,704	2.55
FNMA 4.4%	12-22-10	16,000	16,045	1.98

### Current Investment Style

Duration	Short	Int	Long	Quality
High	■	■	■	High
Med	■	■	■	Med
Low	■	■	■	Low

Avg Eff Duration<sup>1</sup>: 3.6 Yrs  
 Avg Eff Maturity: —  
 Avg Credit Quality: AAA  
 Avg Wtd Coupon: 4.39%  
 Avg Wtd Price: 103.48% of par

### Sector Breakdown

	% of assets
US Treasuries	42
TIPS	4
US Agency	46
Mortgage Pass-Throughs	4
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	3

### Composition

	Cash	Stocks	Bonds	Other
	2.1	0.0	96.7	1.2

### Credit Analysis

	% bonds	09-30-08
AAA	100	BB
AA	0	B
A	0	Below B
BBB	0	NR/NA

### Special Securities

Restricted/Illiquid 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: \$0
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% A		
Subadvisor:	None	Actual Fees:	Mgt: 0.40%	Dist: —	
NTF Plans:	Federated Tr NTF, Schwab Instl NTF	Expense Projections:	3Yr: \$268	5Yr: \$466	10Yr: \$1037
		Income Distrib:			

# Fidelity Contrafund

Ticker: FCNTX Status: Open NAV: \$45.26 Yield: 0.5% Total Assets: \$48,473 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. Reflecting the difficulty of trading in a large portfolio, Danoff has reined in the fund's turnover considerably in recent years.

### Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-11.21	3.44	-14.02	-20.43	-37.16

Trailing	Total Return %	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of \$10,000
3 Mo	-20.43	1.51	2.36	13	7,957
6 Mo	-31.58	-3.10	0.73	31	6,842
1 Yr	-37.16	-0.16	1.28	21	6,284
3 Yr Avg	-5.66	2.70	3.45	6	8,396
5 Yr Avg	2.34	4.53	5.76	2	11,226
10 Yr Avg	2.83	4.21	7.10	4	13,219
15 Yr Avg	8.74	2.28	3.92	3	35,143

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-6.62	6	1.02	47
5 Yr (estimated)	1.64	2	0.68	39
10 Yr (estimated)	1.78	5	1.02	59

Potential Capital Gain Exposure: -8% of assets

### Morningstar's Take by Christopher Davis 12-11-08

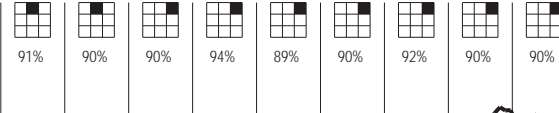
This fund reopens as one of Fidelity's best available core holdings.

As of Dec. 15, 2008, Fidelity Contrafund will be open for new business for the first time in more than two years. Thanks to the falling market and a spate of shareholder redemptions, assets have shrunk, though at \$44.7 billion, the fund is hardly svelte. Still, reopening the fund makes good sense, at least for now. Running a fund when much more money is going out than coming in isn't desirable, especially in a down market. It forces managers to sell when prices are at a low to meet redemptions and distracts them from finding opportunities when prices are most attractive. And it's a lot easier to find money for new ideas when shareholders are sending in cash.

Given the sharp losses the fund has suffered this year, investors might be leery to jump in. We think that's a mistake. Yes, its 39% loss isn't pretty. And yes, manager Will Danoff has made some mistakes this year, especially in energy, where he thought oil

### Historical Profile

Return	High
Risk	Below Avg
Rating	★★★★★ Highest



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08
NAV	46.63	56.81	60.02	49.18	42.77	38.60	49.35	56.74	64.76	65.21	73.11	45.26
Total Return %	23.00	31.57	25.03	-6.80	-12.59	-9.63	27.95	15.07	16.23	11.54	19.78	-37.16
+/-S&P 500	-10.36	2.99	3.99	2.30	-0.70	12.47	-0.73	4.19	11.32	-4.25	14.29	-0.16
+/-Russ 1000Gr	-7.49	-7.14	-8.13	15.62	7.83	18.25	-1.80	8.77	10.97	2.47	7.97	1.28
Income Return %	0.84	0.64	0.50	0.41	0.45	0.12	0.10	0.09	0.41	0.61	0.68	0.29
Capital Return %	22.16	30.93	24.53	-7.21	-13.04	-9.75	27.85	14.98	15.82	10.93	19.10	-37.45
Total Rtn % Rank Cat	85	7	21	40	51	2	39	5	3	14	19	21
Income \$	0.35	0.30	0.28	0.24	0.22	0.05	0.04	0.05	0.23	0.39	0.44	0.21
Capital Gains \$	4.56	4.22	10.22	6.62	0.00	0.00	0.00	0.00	0.97	6.49	4.48	0.65
Expense Ratio %	0.67	0.61	0.62	0.84	0.91	0.99	0.98	0.92	0.88	0.89	0.89	—
Income Ratio %	0.91	0.70	0.48	0.45	0.49	0.14	0.01	0.08	0.46	0.62	0.68	—
Turnover Rate %	144	197	177	166	141	80	67	64	60	76	56	—
Net Assets \$mil	30,809	38,821	46,927	40,220	32,321	27,695	36,051	44,484	60,094	68,576	80,864	45,195

### Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-37.16			
3 Yr	-5.66	High	-Avg	★★★★★
5 Yr	2.34	High	-Avg	★★★★★
10 Yr	2.83	High	Low	★★★★★
Incept	11.88			

### Other Measures

	Standard Index S&P 500	Best Fit Index M* U.S. Grwth TR
Alpha	2.8	3.4
Beta	0.98	0.84
R-Squared	85	95
Standard Deviation	16.22	
Mean	-5.66	
Sharpe Ratio	-0.51	

### Portfolio Analysis 11-30-08

Share change since 10-08	Total Stocks:294	Sector	PE	Tot Ret%	% Assets	
+		Berkshire Hathaway Inc.	Financial	19.1	-31.78	4.28
+		Genentech, Inc.	Health	28.3	23.62	3.59
+		Google, Inc.	Business	19.4	-55.51	3.52
+		Procter & Gamble Company	Goods	16.5	-13.77	3.31
+		Wells Fargo Company	Financial	14.6	1.88	3.07
-		Apple, Inc.	Hardware	15.9	-56.91	2.31
+		Johnson & Johnson	Health	13.6	-7.77	2.25
+		Coca-Cola Company	Goods	17.6	-24.11	2.18
+		McDonald's Corporation	Consumer	15.7	8.55	1.93
+		Gilead Sciences, Inc.	Health	26.7	11.15	1.85
+		Walt Disney Company	Media	9.9	-28.63	1.80
+		Abbott Laboratories	Health	18.3	-2.47	1.68
+		J.P. Morgan Chase & Co.	Financial	15.2	-25.13	1.67
-		Schlumberger, Ltd.	Energy	9.3	-56.46	1.46
-		Hewlett-Packard Company	Hardware	11.2	-27.57	1.42
+		ExxonMobil Corporation	Energy	8.6	-13.14	1.39
+		Colgate-Palmolive Compan	Goods	19.6	-10.09	1.23
-		EnCana Corporation	Energy	5.9	-29.91	1.21
-		Goldcorp, Inc.	Ind Mtrls	46.1	-6.55	1.18
+		Visa, Inc.	Financial	90.1	—	1.10

### Current Investment Style

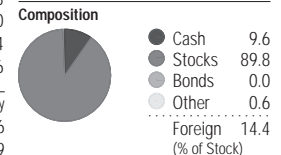
Value	Blind	Growth	Market Cap %
Large			53.5
Large			27.7
Mid			16.4
Small			2.1
Micro			0.2
Avg \$mil:			32,518

### Sector Weightings

% of Stocks	Rel S&P 500	3 Year High Low
Info	15.65	0.81
Software	4.72	1.20 5 2
Hardware	7.53	0.83 16 8
Media	2.91	1.09 3 2
Telecom	0.49	0.13 7 0
Service	51.68	1.26
Health	20.41	1.38 20 10
Consumer	6.32	0.79 6 4
Business	8.39	1.69 11 8
Financial	16.56	1.25 23 9
Mfg	32.67	0.83
Goods	14.70	1.40 15 8
Ind Mtrls	9.08	0.79 19 9
Energy	8.73	0.65 19 8
Utilities	0.16	0.04 2 0

Value Measures	Rel Category
Price/Earnings	13.39 1.01
Price/Book	2.20 0.94
Price/Sales	1.51 1.13
Price/Cash Flow	8.04 0.99
Dividend Yield %	1.76 1.14
Growth Measures	% Rel Category
Long-Term Erngs	12.64 0.89
Book Value	14.82 1.13
Sales	14.21 1.20
Cash Flow	20.47 1.14
Historical Erngs	18.91 0.96

Profitability	% Rel Category
Return on Equity	22.64 0.96
Return on Assets	10.59 0.99
Net Margin	14.68 1.05



Address: 82 Devonshire Street Boston, MA 02109 800-544-9797  
 Web Address: www.fidelity.com  
 Inception: 05-17-67  
 Advisor: Fidelity Mgmt & Research Company (FMR)  
 Subadvisor: Fidelity Research & Analysis Company  
 NTF Plans: Fidelity Retail-NTF, CommonWealth NTF

Minimum Purchase: \$2500 Add: \$250 IRA: \$500  
 Min Auto Inv Plan: \$2500 Add: \$100  
 Sales Fees: No-load  
 Management Fee: 0.71%  
 Actual Fees: Mgt:0.71% Dist: —  
 Expense Projections: 3Yr:\$284 5Yr:\$493 10Yr:\$1096  
 Income Distrib:



# T. Rowe Price Mid Gr

**Ticker** RPMGX **Status** Open **NAV** \$32.67 **Yield** 0.0% **Total Assets** \$9,367 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-10.72	4.56	-13.54	-25.28	-39.69

Trailing	Total Return%	+/- S&P 500	+/- Russ MG	%Rank Cat	Growth of \$10,000
3 Mo	-25.28	-3.34	2.08	33	7,472
6 Mo	-35.40	-6.92	4.86	29	6,460
1 Yr	-39.69	-2.69	4.63	20	6,031
3 Yr Avg	-8.83	-0.47	2.96	30	7,578
5 Yr Avg	0.59	2.78	2.92	13	10,299
10 Yr Avg	3.98	5.36	4.17	16	14,774
15 Yr Avg	9.24	2.78	3.90	4	37,647

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-10.04	30	1.33	52
5 Yr (estimated)	-0.44	15	1.02	49
10 Yr (estimated)	3.15	16	0.80	32

Potential Capital Gain Exposure: -22% of assets

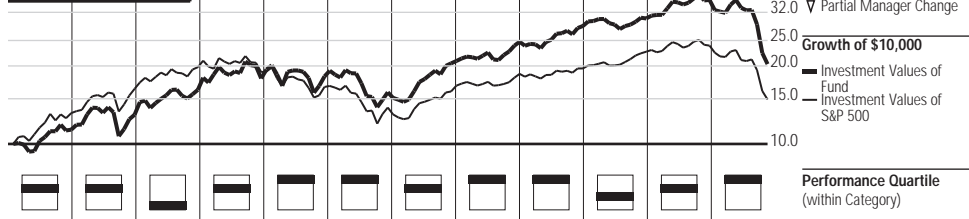
### Morningstar's Take by Hilary Fazzone 12-16-08

We're excited that T. Rowe Price Mid-Cap Growth has reopened its doors.

After being closed for five years, this fund is now available to new investors, and we think it's a great opportunity. The fund's consistency is rooted in manager Brian Berghuis' focus on durable companies. Since its 1992 inception, Berghuis has been looking for companies whose balance sheets demonstrate strong financial positions, whose business models will lead to a rising return on invested capital, and whose management teams he trusts to make good strategic decisions. His valuation discipline sets him apart from other mid-growth managers and limits the risk that stocks he owns will slide deep into the red.

Now may also be a great time to get in the door here. Berghuis executed this strategy well in past bear markets, and that inspires confidence in the fund's prospects when the markets reverse. He skillfully picked growth stocks in the early 2000s' post-tech-bubble bear market, and the fund's

### Historical Profile



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	28.60	34.08	40.13	39.79	39.40	31.04	42.90	49.88	54.14	53.69	57.67	32.67	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	-39.69	Total Return %
+/-S&P 500	-4.21	4.14	-27.51	19.18	19.17	6.19	-4.50	2.91	2.72	-3.87	6.22	4.63	+/-S&P 500
+/-Russ MG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.11	0.00	+/-Russ MG
Income Return %	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21	18.39	14.82	6.64	17.54	-39.69	Income Return %
Capital Return %	47	39	85	26	7	24	33	13	15	64	37	20	Capital Return %
Total Rtn % Rank Cat	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.06	0.00	Total Rtn % Rank Cat
Income \$	0.30	0.73	1.88	3.27	0.00	0.00	0.00	0.90	3.15	4.07	5.33	1.99	Income \$
Capital Gains \$	0.95	0.91	0.87	0.86	0.89	0.88	0.87	0.83	0.80	0.80	0.77	—	Capital Gains \$
Expense Ratio %	-0.14	-0.14	-0.09	-0.09	-0.35	-0.50	-0.44	-0.39	-0.12	0.14	0.10	—	Expense Ratio %
Income Ratio %	43	47	53	54	43	36	30	30	29	34	35	—	Income Ratio %
Turnover Rate %	1,839	3,310	5,243	6,589	6,739	5,713	9,869	12,651	15,187	14,629	16,902	8,936	Turnover Rate %
Net Assets \$mil													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	-39.69			
3 Yr	-8.83	+ Avg	Avg	★★★★
5 Yr	0.59	+ Avg	Avg	★★★★
10 Yr	3.98	+ Avg	-Avg	★★★★
Incept	11.37			

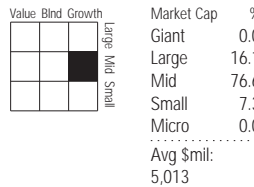
### Other Measures

Alpha	Standard Index		Best Fit Index
	S&P 500	Russ MG	
Beta	1.23	0.94	2.3
R-Squared	89	96	
Standard Deviation	19.84		
Mean	-8.83		
Sharpe Ratio	-0.55		

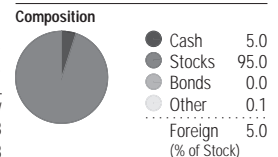
### Portfolio Analysis 09-30-08

Share change since 06-08	Total Stocks:140	Sector	PE	Tot Ret%	% Assets
⊖ Roper Industries, Inc.		Ind Mtrls	14.3	-30.21	2.08
⊖ FLIR Systems, Inc.		Ind Mtrls	26.0	-1.98	1.99
⊖ Ametek, Inc.		Ind Mtrls	12.3	-35.13	1.74
⊕ Rockwell Collins, Inc.		Ind Mtrls	9.4	-44.69	1.71
⊖ Smith International, Inc		Energy	6.4	-68.68	1.64
⊖ Cephalon, Inc.		Health	22.2	7.36	1.59
⊖ Amazon.com, Inc.		Consumer	35.2	-44.65	1.49
⊖ The Western Union Compan		Financial	11.7	-40.77	1.47
⊖ Edwards Lifesciences Cor		Health	31.1	19.48	1.47
⊖ Global Payments, Inc.		Business	15.0	-29.38	1.42
⊖ SAIC, Inc.		Ind Mtrls	18.6	-3.18	1.36
⊖ Juniper Networks, Inc.		Hardware	19.6	-47.26	1.27
⊖ Southwest Airlines, Co.		Business	18.4	-29.24	1.27
⊖ DST Systems, Inc.		Business	9.9	-53.99	1.25
⊖ Alliant Techsystems, Inc		Ind Mtrls	12.5	-24.61	1.23
⊖ Henry Schein, Inc.		Health	12.9	-40.24	1.21
⊖ Lamar Advertising Compan		Business	56.5	-73.87	1.18
⊖ Quanta Services, Inc.		Ind Mtrls	26.1	-24.54	1.11
⊖ Altera Corp.		Hardware	15.3	-12.65	1.08
⊕ American Tower Corporati		Telecom	81.3	-31.17	1.07

### Current Investment Style



Value Measures	Rel Category
Price/Earnings	16.47 1.18
Price/Book	2.42 1.16
Price/Sales	1.32 1.10
Price/Cash Flow	9.01 1.23
Dividend Yield %	0.62 0.67
Growth Measures	% Rel Category
Long-Term Erngs	14.56 0.91
Book Value	10.57 0.77
Sales	14.90 1.51
Cash Flow	11.04 0.74
Historical Erngs	21.91 1.15



Profitability	% Rel Category
Return on Equity	17.05 0.88
Return on Assets	6.79 0.78
Net Margin	9.35 0.85

Address: 100 East Pratt Street  
Baltimore, MD 21202  
800-225-5132

Web Address: www.troweprice.com

Inception: 06-30-92

Advisor: T. Rowe Price Associates, Inc.

Subadvisor: None

NTF Plans: N/A

Minimum Purchase: \$2500  
Add: \$100 IRA: \$1000

Min Auto Inv Plan: \$0  
Add: \$50

Sales Fees: No-load  
Management Fee: 0.66%

Actual Fees: Mgt:0.65%  
Expense Projections: 3Yr:\$249 5Yr:\$433 10Yr:\$966

Income Distrib:



# Vanguard Inst Idx

Ticker VINIX Status Open NAV \$82.54 Yield 3.1% Total Assets \$48,006 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 comprise 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-9.45	-2.73	-8.34	-21.91	-36.95

### Trailing

	Total Return%	+/- S&P 500	+/- Russ 1000	%Rank Cat	Growth of \$10,000
3 Mo	-21.91	0.03	0.57	41	7,809
6 Mo	-28.42	0.06	1.31	31	7,158
1 Yr	-36.95	0.05	0.65	37	6,305
3 Yr Avg	-8.35	0.01	0.31	35	7,698
5 Yr Avg	-2.18	0.01	-0.14	41	8,956
10 Yr Avg	-1.35	0.03	-0.26	49	8,729
15 Yr Avg	6.50	0.04	0.03	24	25,718

### Tax Analysis

	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-8.71	25	0.39	14
5 Yr (estimated)	-2.56	30	0.39	17
10 Yr (estimated)	-1.79	41	0.45	22

Potential Capital Gain Exposure: -28% of assets

## Morningstar's Take by Wenli Tan 11-21-08

Vanguard Institutional Index remains a keeper.

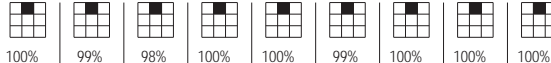
Large-cap stocks are generally considered to be safe bets in turbulent times, as big, industry-leading companies often have steadier revenue streams and pay decent dividends. However, large caps haven't weathered the market's recent storm well. The fund's top holdings General Electric and Bank of America have shed more than half their value year to date. And keeping the portfolio diversified across roughly 500 stocks hasn't helped as everything has sold off. The fund's 47.7% loss in the year ended Nov. 20, 2008, is shocking and painful.

Don't give up on the fund, though. The fund seeks to track the S&P 500 Index, and while that strategy isn't exciting, it's effective in beating the fund's large-blend rivals. It outshone its typical peer in all 121 rolling five-year periods in the 15 years ended October 2008, and its annualized 7.0% gain over that long stretch also trounced rivals.

The fund's low expense hurdle has been a big contributor to that steady showing. Among the

## 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 S&P 500

Performance Quartile (within Category)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	89.56	112.85	134.01	120.72	104.89	80.45	101.78	110.70	114.01	129.59	134.14	82.54	NAV
Total Return %	33.36	28.79	21.17	-8.94	-11.93	-22.03	28.66	10.86	4.91	15.78	5.47	-36.95	Total Return %
+/-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	0.05	+/-S&P 500
+/-Russ 1000	0.51	1.77	0.26	-1.15	0.52	-0.38	-1.23	-0.54	-1.36	0.32	-0.30	0.65	+/-Russ 1000
Income Return %	2.03	1.59	1.35	1.05	1.14	1.35	1.91	2.00	1.86	1.98	1.99	1.90	Income Return %
Capital Return %	31.33	27.20	19.82	-9.99	-13.07	-23.38	26.75	8.86	3.05	13.80	3.48	-38.85	Capital Return %
Total Rtn % Rank Cat	11	14	36	52	36	39	26	34	57	21	49	37	Total Rtn % Rank Cat
Income \$	1.39	1.42	1.51	1.40	1.38	1.41	1.53	2.02	2.05	2.24	2.56	2.52	Income \$
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	Capital Gains \$
Expense Ratio %	0.06	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	Expense Ratio %
Income Ratio %	1.77	1.46	1.25	1.10	1.27	1.57	1.74	2.00	1.87	1.87	1.90	—	Income Ratio %
Turnover Rate %	7	11	14	11	8	10	13	5	9	8	7	—	Turnover Rate %
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	30,552	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	-36.95			
3 Yr	-8.35	Avg	Avg	★★★★
5 Yr	-2.18	Avg	Avg	★★★★
10 Yr	-1.35	Avg	Avg	★★★★
Incept	7.42			

### 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	15.28	
Mean	-8.35	
Sharpe Ratio	-0.74	

## Portfolio Analysis 09-30-08

Share change since 06-08 Total Stocks:509 Sector PE Tot Ret% % Assets

ExxonMobil Corporation	Energy	8.6	-13.14	3.95
General Electric Company	Ind Mtrls	7.7	-53.98	2.49
Procter & Gamble Company	Goods	16.5	-13.77	2.07
Microsoft Corporation	Software	10.3	-44.39	2.05
Johnson & Johnson	Health	13.6	-7.77	1.90
J.P. Morgan Chase & Co.	Financial	15.2	-25.13	1.68
Chevron Corporation	Energy	6.4	-18.31	1.66
AT&T, Inc.	Telecom	12.6	-28.01	1.61
Bank of America Corporat	Financial	12.2	-63.14	1.56
International Business M	Hardware	9.9	-20.76	1.55
Wal-Mart Stores, Inc.	Consumer	16.4	20.00	1.32
Cisco Systems, Inc.	Hardware	12.3	-39.79	1.31
Pfizer Inc.	Health	11.4	-16.85	1.22
Wells Fargo Company	Financial	14.6	1.88	1.22
Hewlett-Packard Company	Hardware	11.2	-27.57	1.11
Citigroup, Inc.	Financial	—	-75.69	1.09
PepsiCo, Inc.	Goods	15.6	-25.97	1.09
ConocoPhillips	Energy	4.3	-39.78	1.09
Intel Corporation	Hardware	11.7	-43.47	1.03
Coca-Cola Company	Goods	17.6	-24.11	1.03

## Current Investment Style

Value	Bind	Growth	Market Cap	%
Large	49.5			
Large	37.8			
Mid	12.5			
Small	0.3			
Micro	0.0			
Avg \$mil:	45,297			

## Value Measures

	Rel Category
Price/Earnings	12.36 1.08
Price/Book	1.95 1.11
Price/Sales	1.12 1.13
Price/Cash Flow	7.31 1.15
Dividend Yield %	2.57 0.96

## Growth Measures

	% Rel Category
Long-Term Erngs	11.15 0.97
Book Value	7.69 0.88
Sales	7.88 0.94
Cash Flow	11.90 1.00
Historical Erngs	9.91 0.83

## Profitability

	% Rel Category
Return on Equity	20.92 0.98
Return on Assets	8.81 1.00
Net Margin	12.56 0.98

## Sector Weightings

	% of Stocks	Rel S&P 500	3 Year High Low
Info	19.26	0.99	
Software	4.02	1.03	4 3
Hardware	9.47	1.05	10 9
Media	2.72	1.02	4 3
Telecom	3.05	0.80	4 3
Service	40.94	1.00	
Health	13.10	0.89	13 12
Consumer	7.45	0.93	8 7
Business	4.74	0.95	5 4
Financial	15.65	1.18	22 14
Mfg	39.81	1.01	
Goods	10.66	1.01	11 8
Ind Mtrls	12.23	1.07	14 12
Energy	13.43	1.00	16 9
Utilities	3.49	0.86	4 3

## Composition

Cash	0.2
Stocks	99.8
Bonds	0.0
Other	0.0
Foreign	0.1 (% of Stock)

Address:	Po Box 2600 Valley Forge, PA 19482 800-997-2798 www.vanguard.com	Minimum Purchase:	\$500000	Add: \$100	IRA: \$0
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$500000	Add: \$50	
Inception:	07-31-90	Sales Fees:	No-load		
Advisor:	The Vanguard Group	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:			

# Vanguard Long-Tm InvGrde

Analyst Pick: **WVWESX** Status: **Open** NAV: **\$8.72** Yield: **5.9%** SEC Yield: **6.05%** Total Assets: **\$4,973 mil** Mstar Category: **Long-Term Bond**

## Governance and Management

Stewardship Grade: **B**

### Portfolio Manager(s)

Veteran manager Earl McEvoy of esteemed subadvisor Wellington Management Company, who managed this fund since March 1994, retired at the end of June 2008. Longtime Wellington manager Lucius T. Hill III, who became comanager in February 2008, has taken over management here.

### Strategy

The fund invests mainly in high-quality corporate bonds, but it may also invest as much as 20% of assets in Treasuries and other government securities. Starting in mid-2001, the fund could invest as much as 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 Barclays Capital 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 of years, the fund's duration has ranged from 9.1 to 11.5 years.

### Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-0.68	-1.27	-6.08	11.07	2.29

Trailing	Total Return%	+/- LB		%Rank	Growth of \$10,000
		Aggreg	LongTerm		
3 Mo	11.07	6.49	8.50	27	11,107
6 Mo	4.32	0.25	2.30	24	10,432
1 Yr	2.29	-2.95	-8.08	43	10,229
3 Yr Avg	2.97	-2.54	-3.43	22	10,918
5 Yr Avg	4.57	-0.08	-2.91	10	12,504
10 Yr Avg	5.62	-0.01	-2.38	29	17,277
15 Yr Avg	6.58	0.40	-1.84	1	26,010

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	0.88	26	2.03	70
5 Yr (estimated)	2.51	9	1.97	60
10 Yr (estimated)	3.28	25	2.22	61

Potential Capital Gain Exposure: of assets

### Morningstar's Take by Michael Herbst 11-25-08

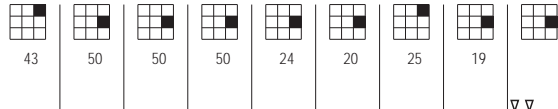
We'd stick with Vanguard Long-Term Investment-Grade.

Trading in the corporate-bond markets has been troublesome lately, due in part to the collapse of broker-dealers such as Lehman Brothers and Bear Stearns. Forced selling by investors who needed to raise cash has also dealt a blow to investment-grade and high-yield bonds alike. Against that backdrop, this fund's 13% loss over the trailing 12 months through Nov. 24, 2008, while painful, is welcome alongside the 30%-35% losses of less-fortunate long-term bond category rivals.

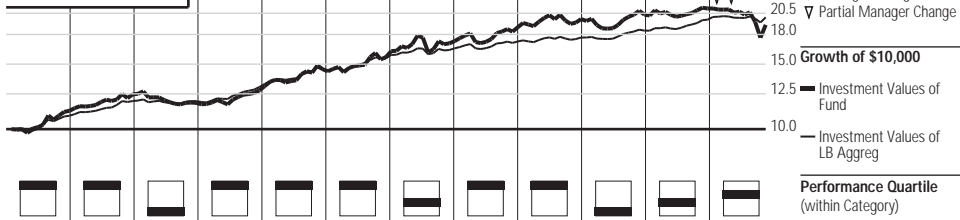
More importantly, we believe the fund's strategy and management bode well for its future. Skipper Lucius Hill took over for longtime manager Earl McEvoy in June 2008, and he intends to employ the same buttoned-up approach as his predecessor. Hill also remains backed by Wellington Management's deep bench of credit analysts, and that support has helped the fund avoid many of the market's recent potholes. Lastly, management's low-turnover style

## Historical Profile

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



Investment Style  
Fixed Income  
Income Rtn % Rank Cat



▼ Manager Change  
▼ Partial Manager Change

### Growth of \$10,000

— Investment Values of Fund  
— Investment Values of LB Aggreg

Performance Quartile (within Category)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	9.26	9.29	8.11	8.45	8.68	9.23	9.27	9.55	9.52	9.25	9.06	8.72	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	2.29	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	-2.95	+/-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	0.29	+/-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	5.84	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	-3.55	Capital Return %
Total Rtn % Rank Cat	12	20	91	18	11	5	53	16	12	90	60	43	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	0.51	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	0.22	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	5.78	Income Ratio %
Turnover Rate %	30	33	43	7	17	39	33	11	16	9	15	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	3,278	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	2.29			
3 Yr	2.97	Avg	Avg	★★★
5 Yr	4.57	+ Avg	Avg	★★★★
10 Yr	5.62	Avg	+ Avg	★★★★
Incept	8.49			

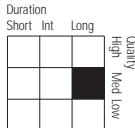
### Other Measures

	Standard Index	Best Fit Index
	LB Aggr	LB LongTerm
Alpha	-5.0	-2.9
Beta	2.83	1.09
R-Squared	88	98
Standard Deviation	12.32	
Mean	2.97	
Sharpe Ratio	0.00	

### Portfolio Analysis 09-30-08

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income:212				
US Treasury Bond 5%		126,500	140,949	2.74
Illinois St Go Bds 5.1%	06-01-33	145,000	136,199	2.65
FHLBA 5.5%	07-15-36	95,000	99,666	1.94
FHLMC 6.25%	07-15-32	75,000	87,436	1.70
FNMA 6.625%	11-15-30	68,000	82,120	1.60
General Elec Cap 6.75%				
U S Treas Bd Stripped Pr	03-15-32	90,000	74,895	1.46
New York Life Ins 144A 5	02-15-36	227,000	69,482	1.35
JPMORGAN CHASE	05-15-33	70,275	66,571	1.29
France Telecom Sa 8.5%	03-01-31	53,175	59,218	1.15
President&Fellow Harvrd	10-01-37	56,345	57,875	1.12
New Jersey Econ Dev Auth	02-15-29	50,002	56,827	1.10
At&T Wireless Svcs 8.75%	03-01-31	50,000	55,856	1.09
Hydro-Quebec 9.4%	02-01-21	40,000	55,246	1.07
Natl Rural Utils Coop Fi	03-01-32	50,000	53,435	1.04
Intl Busn Machs 7%	10-30-25	50,000	53,094	1.03
Wal Mart Stores 7.55%	02-15-30	50,000	53,028	1.03
New York N Y City Transi		51,980	50,080	0.97
Intl Bk For Recon&Dev 7.	01-19-23	38,320	49,620	0.96
BANK AMER CHRLT NC MTN		60,000	47,221	0.92

### Current Investment Style



### Sector Breakdown

	% of assets
US Treasuries	3
TIPS	0
US Agency	7
Mortgage Pass-Throughs	0
Mortgage CMO	0
Mortgage ARM	0
US Corporate	75
Asset-Backed	0
Convertible	0
Municipal	8
Corporate Inflation-Protected	0
Foreign Corporate	5
Foreign Govt	1

Avg Eff Duration<sup>1</sup> 11.1 Yrs  
Avg Eff Maturity 22.3 Yrs  
Avg Credit Quality A  
Avg Wtd Coupon 6.67%  
Avg Wtd Price 95.95% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	27.6	0.7
6% to 8%	63.4	1.3
8% to 10%	9.0	1.0
More than 10%	0.0	0.0

Credit Analysis	% bonds 09-30-08
AAA	17
AA	26
A	42
BBB	14

Special Securities	
Restricted/Illiquid Secs	5
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	Minimum Purchase:	\$3000	Add: \$100	IRA: \$3000
Web Address:	www.vanguard.com	Min Auto Inv Plan:	\$3000	Add: \$50	
Inception:	07-09-73	Sales Fees:	No-load		
Advisor:	Wellington Management	Management Fee:	0.26%		
Subadvisor:	None	Actual Fees:	Mgt:0.19%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$71	5Yr:\$124	10Yr:\$280
		Income Distrib:			

# Vanguard Target Rmt Inc

Analyst Pick

Ticker VTINX

Status Open

NAV \$9.52

Yield 4.4%

Total Assets \$1,793 mil

Mstar Category Target-Date 2000-2014

## Governance and Management

Stewardship Grade: B

### Portfolio Manager(s)

Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds. John Ameriks and the firm's Investment Counseling and Research Group oversee the Target Retirement Fund lineup's asset-allocation policy. Experienced index-fund skipper Duane Kelly manages the fund's day-to-day activities. John Hollyer and Vanguard's Risk Management and Strategy Analysis Group handle risk-management duties.

### Strategy

The Vanguard Target Retirement Funds serve as a one-stop solution for investors planning for retirement. Vanguard Target Retirement Income is the most conservative fund in the lineup. Its portfolio is made up of a 30% weighting in domestic and international stocks, and a 70% weighting in a mix of bonds, inflation-protected securities, and cash.

## Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-0.72	-0.92	-4.21	-5.47	-10.93

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2010	%Rank Cat	Growth of \$10,000
3 Mo	-5.47	7.24	-1.70	9	9,453
6 Mo	-9.45	10.93	-0.22	8	9,055
1 Yr	-10.93	13.82	-0.12	6	8,907
3 Yr Avg	0.82	3.93	-0.39	8	10,248
5 Yr Avg	2.50	0.50	-1.06	10	11,314
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-0.43	3	1.24	42
5 Yr (estimated)	1.24	4	1.23	54
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -10% of assets

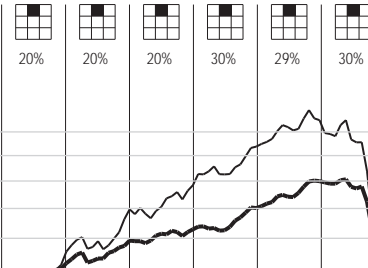
## Morningstar's Take by Michael Herbst 10-15-08

Vanguard Target Retirement Income still brings plenty to the table despite its recent stumble.

This fund's 11% loss over the trailing 12 months through Oct. 14, 2008, certainly stings. That slide reflects the recent sell-off experienced by stock markets around the globe. Although the fund's stumble may be disappointing for investors nearing retirement, the fund has fared better than almost all of its retirement-income-focused peers in the target date 2000-2014 category. We'd urge investors to stick with the fund because those who may be tempted to pull money out due to its recent losses are apt to miss out on its eventual recovery.

More importantly, the fund remains an attractive retirement-income offering. The two fixed-income funds in its portfolio, Vanguard Total Bond Market Index and Vanguard Inflation-Protected Securities, remain Analyst Picks. That's a plus because broad diversification has benefited long-term investors in the former fund, and skillful management has benefited long-term investors in the latter offering.

**Historical Profile**  
 Return High  
 Risk Average  
 Rating ★★★★★ Above Avg



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)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
—	—	—	—	—	—	10.18	10.52	10.44	10.70	11.13	9.52	NAV
—	—	—	—	—	—	—	6.82	3.33	6.38	8.17	-10.93	Total Return %
—	—	—	—	—	—	—	-6.33	-3.92	-5.53	0.15	13.82	+/-DJ Mod
—	—	—	—	—	—	—	-3.94	-0.42	-1.52	0.44	-0.12	+/-DJ Target 2010
—	—	—	—	—	—	—	3.38	3.95	3.79	4.08	3.84	Income Return %
—	—	—	—	—	—	—	3.44	-0.62	2.59	4.09	-14.77	Capital Return %
—	—	—	—	—	—	—	42	62	76	3	6	Total Rtn % Rank Cat
—	—	—	—	—	—	0.05	0.34	0.41	0.39	0.43	0.42	Income \$
—	—	—	—	—	—	0.02	0.00	0.02	0.00	0.00	0.00	Capital Gains \$
—	—	—	—	—	—	—	—	—	—	—	0.19	Expense Ratio %
—	—	—	—	—	—	—	3.62	3.80	4.21	4.03	4.11	Income Ratio %
—	—	—	—	—	—	—	1	—	22	3	14	Turnover Rate %
—	—	—	—	—	—	—	—	—	—	—	—	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	-10.93	—	—	—
3 Yr	0.82	+ Avg	- Avg	★★★★
5 Yr	2.50	High	Avg	★★★★
10 Yr	—	—	—	—
Incept	2.90	—	—	—

Other Measures	Standard Index S&P 500	Best Fit Index DJ Mod
Alpha	0.5	0.5
Beta	0.52	0.52
R-Squared	87	87
Standard Deviation	6.62	—
Mean	0.82	—
Sharpe Ratio	-0.41	—

## Portfolio Analysis 09-30-08

Total Stocks:0	Share change since 06-30-08	Sectors	P/E Ratio	YTD Return %	% Net Assets
—	—	Vanguard Total Bond Market Index	—	—	45.06
—	—	Vanguard Total Stk Market Idx Fd Inc	—	—	24.19
—	—	Vanguard Inflation-Protected Secs	—	—	19.92
—	—	Vanguard European Stock Index	—	—	3.09
—	—	Vanguard Pacific Stock Index	—	—	1.43
—	—	Vanguard Emerging Mkts Stock Idx	—	—	1.13

## 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	Rel Category		Avg Eff Duration	1	5.4 Yrs
Price/Earnings	12.03	1.04	Avg Eff Maturity		7.6 Yrs
Price/Book	1.74	1.08	Avg Credit Quality		AAA
Price/Sales	0.99	1.04	Avg Wtd Coupon		4.52%
Price/Cash Flow	6.59	1.06	Figure provided by fund as of 09-30-08		
Dividend Yield %	2.84	0.90			

Growth Measures	%	Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	11.52	0.99	Info	17.75	—	—
Book Value	6.64	0.80	Software	3.65	—	4 3
Sales	6.93	0.94	Hardware	7.95	—	10 8
Cash Flow	8.46	0.98	Media	2.45	—	3 2
Historical Erngs	6.89	0.67	Telecom	3.70	—	4 3
Market Cap %			Service	42.93	—	—
Giant	43.3	Small	Health	11.89	—	13 10
Large	31.4	Micro	Consumer	6.99	—	9 6
Mid	18.2	Avg \$mil:	Business	5.53	—	6 5
		25,278	Financial	18.52	—	24 17

Composition	%
Cash	6.0
Stocks	29.6
Bonds	64.1
Other	0.3
Foreign	18.9
(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:\$61	5Yr:\$107	10Yr:\$243
		Income Distrib:	—		



# Vanguard Target Rtmt 2015

Analyst Pick: Ticker: VTXVX Status: Open NAV: \$9.55 Yield: 3.8% Total Assets: \$6,772 mil Mstar Category: Target-Date 2015-2029

## Governance and Management

Stewardship Grade: B

### Portfolio Manager(s)

Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds. John Ameriks and the firm's Investment Counseling and Research Group oversee the Target Retirement Fund lineup's asset-allocation policy. Experienced index-fund skipper Duane Kelly manages the fund's day-to-day activities. John Hollyer and Vanguard's Risk Management and Strategy Analysis Group handle risk-management duties.

### Strategy

Vanguard Target Retirement Funds serve as a one-stop solution for investors planning for retirement. Each fund-of-index-funds holds a diversified mix of stocks and bonds. This fund started with 90% of its assets invested in stocks and 10% in bonds. Its allocation has begun to shift gradually toward a 50/50 split by 2015, then onward to a 30% weighting in stocks and 70% weighting in bonds, inflation-protected securities, and cash. Each fund in the lineup ultimately ends up with the same asset mix as Vanguard Target Retirement Income.

### Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-5.21	-1.37	-7.13	-12.54	-24.06

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-12.54	0.17	2.00	13	8,746
6 Mo	-18.77	1.61	3.88	14	8,123
1 Yr	-24.06	0.69	3.55	10	7,594
3 Yr Avg	-3.09	0.02	0.65	11	9,101
5 Yr Avg	0.81	-1.19	-1.44	4	10,412
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-3.87	8	0.80	23
5 Yr (estimated)	0.07	1	0.73	13
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -25% of assets

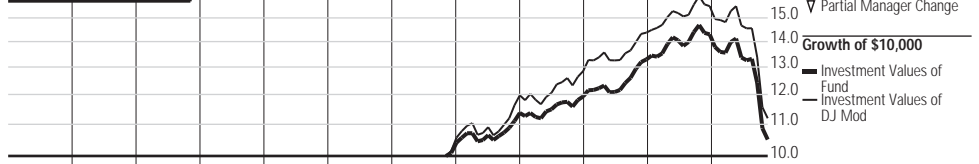
### Morningstar's Take by Michael Herbst 10-15-08

Investors in Vanguard Target Retirement 2015 should keep a long-term perspective. This fund's 24% loss over the trailing 12 months through Oct. 14, 2008, certainly stings. That slide reflects the recent sell-off experienced by stock markets around the globe. Yet the fund has also fared better than three quarters of its target date 2015-2029 category rivals. We'd attribute that showing to the fact that the portfolio's allocation has already begun to shift toward a more conservative mix of stocks and bonds. As a result, its 36% weighting in Vanguard Total Bond Market Index has provided some ballast lately. We'd urge investors to stay put because those tempted to pull money out of the fund due to its recent losses are apt to miss out on its eventual recovery.

More importantly, the fund remains an attractive offering for investors seeking to retire in or around 2015. Its portfolio of index funds avoids some of the issues that can trip up actively managed target-date funds, such as manager turnover and portfolio

## Historical Profile

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



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	—	—	—	—	—	—	10.43	11.17	11.46	12.46	13.06	9.55	NAV
Total Return %	—	—	—	—	—	—	—	9.04	4.94	11.42	7.55	-24.06	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-4.11	-2.31	-0.49	-0.47	0.69	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-5.89	-4.09	-2.33	-0.76	3.55	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.92	2.33	2.71	2.73	2.79	Income Return %
Capital Return %	—	—	—	—	—	—	—	7.12	2.61	8.71	4.82	-26.85	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	46	78	62	32	10	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.20	0.26	0.31	0.34	0.36	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	2.69	3.11	3.04	2.93	3.02	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1	1	15	5	24	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	—	—	—	—	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	50	707	2,293	4,355	7,273	6,772	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	-24.06	—	—	—
3 Yr	-3.09	+ Avg	- Avg	★★★★
5 Yr	0.81	High	- Avg	★★★★★
10 Yr	—	—	—	—
Incept	1.72	—	—	—

### Other Measures

	Standard Index S&P 500	Best Fit Index DJ Mod
Alpha	-0.7	-0.7
Beta	0.90	0.90
R-Squared	97	97
Standard Deviation	10.76	—
Mean	-3.09	—
Sharpe Ratio	-0.59	—

### Portfolio Analysis 09-30-08

Total Stocks:0	Share change since 06-30-08	Sectors	P/E Ratio	YTD Return %	% Net Assets
—	—	Vanguard Total Stk Market Idx Fd Inc	—	—	50.15
—	—	Vanguard Total Bond Market Index	—	—	37.14
—	—	Vanguard European Stock Index	—	—	6.69
—	—	Vanguard Pacific Stock Index	—	—	3.10
—	—	Vanguard Emerging Mkts Stock Idx	—	—	2.59
—	—	Vanguard Total Stock Market ETF	—	—	0.32

### 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	Price/Book	Price/Sales	Price/Cash Flow	Dividend Yield %
12.01	1.02	1.73	1.05	0.99	6.58	2.86
11.53	0.98	6.64	0.81	6.97	0.92	8.49
6.88	0.68	—	—	—	—	—

Growth Measures	% Rel Category	Long-Term Erngs	Book Value	Sales	Cash Flow	Historical Erngs
5.2	—	0.98	6.64	6.97	8.49	6.88
1.9	—	—	—	—	—	—
25,242	—	—	—	—	—	—

### Composition



### Fixed-Income Style

Duration: Inter-Term  
Quality: High

Value Measures	Rel Category	Avg Eff Duration 1	Avg Eff Maturity	Avg Credit Quality	Avg Wtd Coupon
4.5 Yrs	—	4.5 Yrs	7.1 Yrs	AAA	5.50%

Market Cap %	Rel Category	Giant	Small	Large	Mid	Avg \$mil:
5.2	—	43.4	—	31.4	18.1	25,242

### Sector Weightings

% of Stocks	Rel DJ Mod	3 Year High Low
17.73	—	—
3.63	—	4 3
7.92	—	9 8
2.44	—	3 2
3.74	—	4 4
42.88	—	—
11.84	—	12 10
6.97	—	8 6
5.53	—	6 5
18.54	—	24 17
39.39	—	—
10.25	—	10 8
13.37	—	15 12
11.64	—	14 9
4.13	—	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:\$61	5Yr:\$107	10Yr:\$243
—	—	Income Distrib:	—	—	—

# Vanguard Target Rtmt 2025

Analyst Pick: Ticker: VTTVX Status: Open NAV: \$9.27 Yield: 3.5% Total Assets: \$6,490 mil Mstar Category: Target-Date 2015-2029

## Governance and Management

Stewardship Grade: B

### Portfolio Manager(s)

Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds. John Ameriks and the firm's Investment Counseling and Research Group oversee the Target Retirement Fund lineup's asset-allocation policy. Experienced index-fund skipper Duane Kelly manages the fund's day-to-day activities. John Hollyer and Vanguard's Risk Management and Strategy Analysis Group handle risk-management duties.

### Strategy

Vanguard Target Retirement Funds serve as a one-stop solution for investors planning for retirement. Each fund-of-index-funds holds a diversified mix of stocks and bonds. This fund started with 90% of its assets invested in stocks and 10% in bonds. Its allocation has begun to shift gradually toward a 50/50 split by 2025, then onward to a 30% weighting in stocks and 70% weighting in bonds, inflation-protected securities, and cash. Each fund in the lineup ultimately ends up with the same asset mix as Vanguard Target Retirement Income.

## Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-6.92	-1.49	-8.66	-16.48	-30.05

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2025	%Rank Cat	Growth of \$10,000
3 Mo	-16.48	-3.77	-1.94	43	8,352
6 Mo	-23.71	-3.33	-1.06	38	7,629
1 Yr	-30.05	-5.30	-2.44	42	6,995
3 Yr Avg	-5.19	-2.08	-1.45	31	8,522
5 Yr Avg	-0.21	-2.21	-2.46	26	9,895
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-5.79	23	0.63	19
5 Yr (estimated)	-0.81	13	0.60	1
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -31% of assets

## Morningstar's Take by Michael Herbst 10-15-08

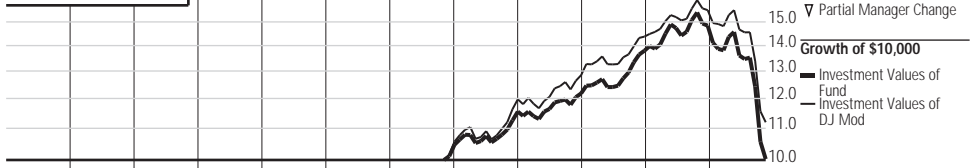
Investors in Vanguard Target Retirement 2025 should keep a long-term perspective.

This fund's 30% loss over the trailing 12 months through Oct. 14, 2008, certainly stings. That slide reflects the recent sell-off experienced by stock markets around the globe. Yet the fund has also fared better than its typical rival in the target date 2015-2029 category. We'd attribute that showing to the fact that the portfolio's allocation has already begun to shift toward a more conservative mix of stocks and bonds. As a result, its 21% weighting in Vanguard Total Bond Market Index has provided some ballast lately. We'd urge investors to stay put because those tempted to pull money out of the fund due to its recent losses are apt to miss out on its eventual recovery.

More importantly, the fund remains an attractive offering for investors seeking to retire in or around 2025. Its portfolio of index funds avoids some of the issues that can trip up actively managed target-date funds, such as manager turnover and portfolio

## Historical Profile

Return Average  
Risk Average  
Rating ★★★ Neutral



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	—	—	—	—	—	—	10.51	11.39	11.77	13.04	13.72	9.27	NAV
Total Return %	—	—	—	—	—	—	—	10.11	5.45	13.24	7.59	-30.05	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-3.04	-1.80	1.33	-0.43	-5.30	+/-DJ Mod
+/-DJ Target 2025	—	—	—	—	—	—	—	-4.82	-3.58	-0.51	-0.72	-2.44	+/-DJ Target 2025
Income Return %	—	—	—	—	—	—	—	1.71	2.11	2.46	2.38	2.35	Income Return %
Capital Return %	—	—	—	—	—	—	—	8.40	3.34	10.78	5.21	-32.40	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	23	66	32	31	42	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.18	0.24	0.29	0.31	0.32	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	2.33	2.84	2.66	2.43	2.59	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	3	2	22	4	17	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	30	708	2,529	4,605	7,309	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	—	—	—	—	6,490	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	-30.05	—	—	—
3 Yr	-5.19	Avg	Avg	★★★
5 Yr	-0.21	Avg	Avg	★★★
10 Yr	—	—	—	—
Incept	0.87	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-1.5	1.2
Beta	1.09	0.82
R-Squared	96	98
Standard Deviation	13.06	—
Mean	-5.19	—
Sharpe Ratio	-0.63	—

## Portfolio Analysis 09-30-08

Total Stocks:0	Share change since 06-30-08	Sectors	P/E Ratio	YTD Return %	% Net Assets
—	—	Vanguard Total Stk Market Idx Fd Inc	—	—	61.83
—	—	Vanguard Total Bond Market Index	—	—	22.12
—	—	Vanguard European Stock Index	—	—	8.39
—	—	Vanguard Pacific Stock Index	—	—	3.85
—	—	Vanguard Emerging Mkts Stock Idx	—	—	3.24
—	—	Vanguard Total Stock Market ETF	—	—	0.57

## Total Fixed-Income:0

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

Equity Style	Fixed-Income Style
Style: Blend Size: Large-Cap	Duration: Interm-Term Quality: High
Value Measures	Rel Category
Price/Earnings 12.00	1.02
Price/Book 1.73	1.05
Price/Sales 0.99	1.04
Price/Cash Flow 6.58	1.03
Dividend Yield % 2.86	0.95
Growth Measures	% Rel Category
Long-Term Erngs 11.53	0.98
Book Value 6.64	0.81
Sales 6.98	0.92
Cash Flow 8.50	0.91
Historical Erngs 6.87	0.68
Market Cap %	
Giant 43.4	Small 5.2
Large 31.4	Micro 1.9
Mid 18.1	Avg \$mil: 25,249
Composition	
Cash 0.6	
Stocks 77.2	
Bonds 21.7	
Other 0.4	
Foreign 19.8	(% of Stock)
Sector Weightings	% of Stocks
Info 17.74	—
Software 3.63	—
Hardware 7.92	—
Media 2.44	—
Telecom 3.75	—
Service 42.88	—
Health 11.84	—
Consumer 6.97	—
Business 5.53	—
Financial 18.54	—
Mfg 39.40	—
Goods 10.25	—
Ind Mtrls 13.38	—
Energy 11.64	—
Utilities 4.13	—

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:\$61	5Yr:\$107	10Yr:\$243
		Income Distrib:	—		

# Vanguard Target Rtmt 2035

Analyst Pick: **VTTHX** Status: **Open** NAV: **\$9.25** Yield: **3.2%** Total Assets: **\$4,120 mil** Mstar Category: **Target-Date 2030+**

## Governance and Management

Stewardship Grade: **B**

### Portfolio Manager(s)

Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds. John Ameriks and the firm's Investment Counseling and Research Group oversee the Target Retirement Fund lineup's asset-allocation policy. Experienced index-fund skipper Duane Kelly manages the fund's day-to-day activities. John Hollyer and Vanguard's Risk Management and Strategy Analysis Group handle risk-management duties.

### Strategy

Vanguard Target Retirement Funds serve as a one-stop solution for investors planning for retirement. Each fund-of-index-funds holds a diversified mix of stocks and bonds. This fund starts with 90% of its assets invested in stocks and 10% in bonds. Twenty-five years prior to 2035, that allocation will begin to shift gradually to a 50/50 split, then onward to a 30% weighting in stocks and 70% weighting in bonds, inflation-protected securities, and cash. Each fund in the lineup ultimately ends up with the same asset mix as Vanguard Target Retirement Income.

## Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-8.14	-1.64	-9.92	-19.72	-34.66

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-19.72	-7.01	1.51	29	8,028
6 Mo	-27.68	-7.30	2.86	20	7,232
1 Yr	-34.66	-9.91	2.14	16	6,534
3 Yr Avg	-6.80	-3.69	0.38	10	8,096
5 Yr Avg	-0.75	-2.75	-1.51	6	9,631
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-7.26	6	0.49	5
5 Yr (estimated)	-1.22	2	0.47	2
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -37% of assets

## Morningstar's Take by Michael Herbst 10-15-08

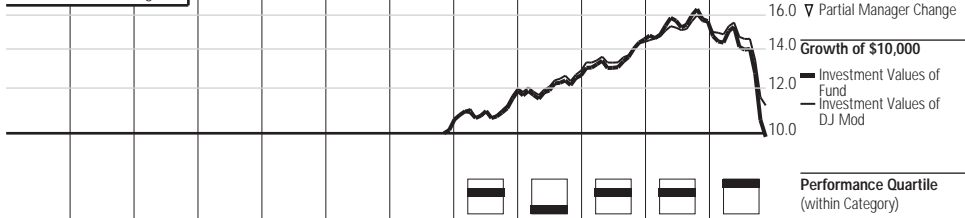
Investors in Vanguard Target Retirement 2035 should keep a long-term perspective.

This fund's 32% loss over the trailing 12 months through Oct. 14, 2008, certainly stings. That slide reflects the recent sell-off experienced by stock markets around the globe. Yet the fund has also fared better than three quarters of its target date 2030-plus category rivals. We'd attribute that showing to two characteristics. First, its portfolio has slightly less exposure to harder-hit international stocks (17% of assets versus the 20% of its average peer). Second, its 10% weighting in Vanguard Total Bond Market Index has provided some ballast. We'd urge investors to stay put because those tempted to pull money out of the fund due to its recent losses are apt to miss out on its eventual recovery.

More importantly, the fund remains an attractive offering for investors seeking to retire in or around 2035. Its portfolio of index funds avoids some of the issues that can trip up actively managed target-date funds, such as manager turnover and portfolio

## Historical Profile

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



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	12-08	History
NAV	—	—	—	—	—	—	10.63	11.73	12.26	13.87	14.62	9.25	NAV
Total Return %	—	—	—	—	—	—	—	11.95	6.30	15.24	7.49	-34.66	Total Return %
+/-DJ Mod	—	—	—	—	—	—	—	-1.20	-0.95	3.33	-0.53	-9.91	+/-DJ Mod
+/-DJ Target 2040	—	—	—	—	—	—	—	-4.66	-5.06	-1.40	-0.99	2.14	+/-DJ Target 2040
Income Return %	—	—	—	—	—	—	—	1.60	1.79	2.12	2.09	2.05	Income Return %
Capital Return %	—	—	—	—	—	—	—	10.35	4.51	13.12	5.40	-36.71	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	43	87	35	38	16	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.06	0.17	0.21	0.26	0.29	0.30	Income \$
Capital Gains \$	—	—	—	—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.19	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	1.70	2.33	2.21	2.09	2.28	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	2	—	14	1	10	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	19	373	1,402	3,050	4,860	4,120	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	-34.66	—	—	—
3 Yr	-6.80	+Avg	-Avg	★★★★
5 Yr	-0.75	+Avg	-Avg	★★★★
10 Yr	—	—	—	—
Incept	0.58	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-1.9	0.7
Beta	1.24	0.93
R-Squared	96	99
Standard Deviation	14.94	—
Mean	-6.80	—
Sharpe Ratio	-0.65	—

## Portfolio Analysis 09-30-08

Total Stocks:0	Share change since 06-30-08	Sectors	P/E Ratio	YTD Return %	% Net Assets
—	—	Vanguard Total Stk Market Idx Fd Inc	—	—	71.51
—	—	Vanguard Total Bond Market Index	—	—	10.04
—	—	Vanguard European Stock Index	—	—	9.60
—	—	Vanguard Pacific Stock Index	—	—	4.49
—	—	Vanguard Emerging Mkts Stock Idx	—	—	3.74
—	—	Vanguard Total Stock Market ETF	—	—	0.61

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	12.00	Rel Category	Avg Eff Duration 1	4.5 Yrs
	Price/Book	1.73		Avg Eff Maturity	7.1 Yrs
	Price/Sales	0.99		Avg Credit Quality	AAA
	Price/Cash Flow	6.58		Avg Wtd Coupon	5.50%
	Dividend Yield %	2.86		*figure provided by fund as of 09-30-08	

Growth Measures	% Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	11.53	Info	17.74	—	—
Book Value	6.64	Software	3.63	—	4 3
Sales	6.98	Hardware	7.92	—	9 8
Cash Flow	8.49	Media	2.44	—	3 2
Historical Erngs	6.88	Telecom	3.75	—	4 4

Market Cap %	Small	Mid	Large
Giant	43.4	18.1	31.4
Small	—	—	5.2
Micro	—	—	1.9
Avg \$mil:	—	—	25,234

Composition	Cash	Stocks	Bonds	Other	Foreign (% of Stock)
—	0.5	89.2	9.9	0.4	19.7

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	Management Fee:	0.00%
Advisor:	The Vanguard Group	Actual Fees:	—	Expense Projections:	3Yr:\$61 5Yr:\$107 10Yr:\$243
Subadvisor:	None	Income Distrib:	—	—	—
NTF Plans:	Vanguard NTF	—	—	—	—

# Vanguard Target Rtmt 2045

Analyst Pick

Ticker VTIVX

Status Open

NAV \$9.57

Yield 3.1%

Total Assets \$2,060 mil

Mstar Category Target-Date 2030+

## Governance and Management

Stewardship Grade: B

### Portfolio Manager(s)

Because this fund is composed of various Vanguard index offerings, shareholders tap into the company's skill at running index funds. John Ameriks and the firm's Investment Counseling and Research Group oversee the Target Retirement Fund lineup's asset-allocation policy. Experienced index-fund skipper Duane Kelly manages the fund's day-to-day activities. John Hollyer and Vanguard's Risk Management and Strategy Analysis Group handle risk-management duties.

### Strategy

Vanguard Target Retirement Funds serve as a one-stop solution for investors planning for retirement. Each fund-of-index-funds holds a diversified mix of stocks and bonds. This fund starts with 90% of its assets invested in stocks and 10% in bonds. Twenty-five years prior to 2045, that allocation will begin to shift gradually to a 50/50 split, then onward to a 30% weighting in stocks and 70% weighting in bonds, inflation-protected securities, and cash. Each fund in the lineup ultimately ends up with the same asset mix as Vanguard Target Retirement Income.

## Performance 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-8.08	-1.66	-9.90	-19.65	-34.56

Trailing	Total Return%	+/- DJ Mod	+/- DJ Target 2040	%Rank Cat	Growth of \$10,000
3 Mo	-19.65	-6.94	1.58	28	8,035
6 Mo	-27.60	-7.22	2.94	19	7,240
1 Yr	-34.56	-9.81	2.24	15	6,544
3 Yr Avg	-6.57	-3.46	0.61	8	8,156
5 Yr Avg	-0.31	-2.31	-1.07	1	9,846
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-7.01	4	0.47	4
5 Yr (estimated)	-0.75	1	0.44	1
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -52% of assets

## Morningstar's Take by Michael Herbst 10-15-08

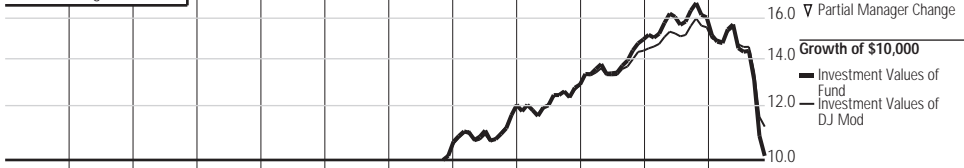
Investors in Vanguard Target Retirement 2045 should keep a long-term perspective.

This fund's 33% loss over the trailing 12 months through Oct. 14, 2008, certainly stings. That slide reflects the recent sell-off experienced by stock markets around the globe. Yet the fund has also fared better than three quarters of its target date 2030-plus category rivals. We'd attribute that showing to two characteristics. First, its portfolio has slightly less exposure to harder-hit international stocks (17% of assets versus the 20% of its average peer). Second, its 10% weighting in Vanguard Total Bond Market Index has provided some ballast. We'd urge investors to stay put because those tempted to pull money out of the fund due to its recent losses are apt to miss out on its eventual recovery.

More importantly, the fund remains an attractive offering for investors seeking to retire in or around 2045. Its portfolio of index funds avoids some of the issues that can trip up actively managed target-date funds, such as manager turnover and portfolio

## Historical Profile

Return High  
Risk Below Avg  
Rating ★★★★★ Highest



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NAV	10.71	11.93	12.57	14.32	15.09	9.57	11.93	12.57	14.32	15.09	9.57	11.93
Total Return %	—	—	—	—	—	—	—	12.89	6.95	15.98	7.47	-34.56
+/-DJ Mod	—	—	—	—	—	—	—	-0.26	-0.30	4.07	-0.55	-9.81
+/-DJ Target 2040	—	—	—	—	—	—	—	-3.72	-4.41	-0.66	-1.01	2.24
Income Return %	—	—	—	—	—	—	—	1.49	1.59	1.99	2.09	1.99
Capital Return %	—	—	—	—	—	—	—	11.40	5.36	13.99	5.38	-36.55
Total Rtn % Rank Cat	—	—	—	—	—	—	—	19	74	23	39	15
Income \$	—	—	—	—	—	—	—	0.07	0.16	0.19	0.25	0.30
Capital Gains \$	—	—	—	—	—	—	—	0.00	0.00	0.01	0.00	0.00
Expense Ratio %	—	—	—	—	—	—	—	—	—	—	—	0.19
Income Ratio %	—	—	—	—	—	—	—	1.38	2.07	2.03	2.08	2.28
Turnover Rate %	—	—	—	—	—	—	—	7	7	3	1	9
Net Assets \$mil	—	—	—	—	—	—	7	142	626	1,446	2,374	2,060

## Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	-34.56	—	—	—
3 Yr	-6.57	+ Avg	- Avg	★★★★
5 Yr	-0.31	High	- Avg	★★★★★
10 Yr	—	—	—	—
Incept	1.16	—	—	—

Other Measures	Standard Index	Best Fit Index
Alpha	-1.6	1.0
Beta	1.25	0.94
R-Squared	96	99
Standard Deviation	14.99	—
Mean	-6.57	—
Sharpe Ratio	-0.63	—

## Portfolio Analysis 09-30-08

Total Stocks:0	Share change since 06-30-08	Sectors	P/E Ratio	YTD Return %	% Net Assets
—	—	Vanguard Total Stk Market Idx Fd Inc	—	—	71.48
—	—	Vanguard Total Bond Market Index	—	—	10.12
—	—	Vanguard European Stock Index	—	—	9.66
—	—	Vanguard Pacific Stock Index	—	—	4.43
—	—	Vanguard Emerging Mkts Stock Idx	—	—	3.66
—	—	Vanguard Total Stock Market ETF	—	—	0.65

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

overlap. We also have high regard for Vanguard's prowess in running the underlying funds that make up this fund's portfolio. (Vanguard European Stock Index and Vanguard Total Bond Market Index remain Analyst Picks.) To be clear, the fund has less exposure to small-cap stocks and emerging markets than some of its more aggressive peers. That trait could temper the fund's longer-term gains. As a result, we believe the fund is most suitable for investors who can afford to contribute more along the way, or those who may be risk-averse.

The fund's rock-bottom 0.19% expense ratio also gives it a leg up on the competition. That levy is one full percentage point cheaper than the category's average, meaning the fund starts out each year ahead of the pack. For investors intending to own this fund for the next 35-plus years, that edge, in addition to Vanguard's skillful management, far outweighs its recent stumble.

Equity Style	Style: Blend	Size: Large-Cap	Value Measures	Rel Category	Fixed-Income Style	Duration: Interm-Term	Quality: High
Price/Earnings	12.00	1.03	Avg Eff Duration	1	4.5 Yrs		
Price/Book	1.73	1.07	Avg Eff Maturity	7.1 Yrs			
Price/Sales	0.99	1.06	Avg Credit Quality	AAA			
Price/Cash Flow	6.58	1.06	Avg Wtd Coupon	5.50%			
Dividend Yield %	2.86	0.95	*figure provided by fund as of 09-30-08				

Growth Measures	%	Rel Category	Sector Weightings	% of Stocks	Rel DJ Mod	3 Year High Low
Long-Term Erngs	11.52	0.98	Info	17.73	—	—
Book Value	6.63	0.78	Software	3.63	—	4 3
Sales	6.97	0.93	Hardware	7.92	—	9 8
Cash Flow	8.49	0.95	Media	2.44	—	3 2
Historical Erngs	6.86	0.67	Telecom	3.74	—	4 4

Market Cap %	Giant	Large	Mid	Small	Micro	Avg \$mil
43.4	31.4	18.1	5.2	1.9	25,261	

Composition	%	Foreign (% of Stock)
Cash	0.5	19.7
Stocks	89.1	
Bonds	10.0	
Other	0.4	

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:\$61	5Yr:\$107	10Yr:\$243
		Income Distrib:	—		

# Vanguard Wellington

## 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 12-31-08

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
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
2008	-3.92	-1.66	-7.94	-10.66	-22.30

Trailing	Total Return%	+/- DJ Mod	+/- DJ US Mod	%Rank Cat	Growth of \$10,000
3 Mo	-10.66	2.05	2.56	11	8,934
6 Mo	-17.76	2.62	0.14	19	8,224
1 Yr	-22.30	2.45	0.30	13	7,770
3 Yr Avg	-1.08	2.03	2.57	8	9,679
5 Yr Avg	2.82	0.82	1.77	5	11,492
10 Yr Avg	4.49	0.57	1.21	5	15,515
15 Yr Avg	8.27	2.29	1.92	6	32,932

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-2.38	7	1.31	40
5 Yr (estimated)	1.50	5	1.28	51
10 Yr (estimated)	2.84	5	1.58	66

Potential Capital Gain Exposure: -8% of assets

### Morningstar's Take by Dan Culloton 10-31-08

You may not feel like a winner in this market, but you are if you own Vanguard Wellington.

This fund has lost more than many people thought a balanced fund ever should this year, but it's still done better than most moderate-allocation funds. The offering lost about a fourth of its value for the year to date and trailing 12 months through Oct. 30, and that was better (or less bad) than four fifths of the category.

The fund has lost less than its peers without resorting to extreme evasive action. It hasn't beaten a retreat into cash or altered its allocation of stock and bonds. Indeed, it has maintained a larger than average helping of equities despite the drubbing they have received. When you consider that corporate bonds, another asset class hit hard by this crash, constitute most of the fund's bond holdings, its steep absolute losses to date even begin to look a little impressive.

Good relative performance won't pay the bills if it's still negative, but this fund's less dismal returns

Analyst Pick	Ticker	Status	NAV	Yield	Total Assets	Mstar Category
	VWELX	Open	\$24.43	4.3%	\$37,181 mil	Moderate Allocation

Historical Profile	Return	Risk	Rating
High	Below Avg	★★★★★	Highest

Performance Quartile (within Category)	History
1997	NAV
1998	Total Return %
1999	+/-DJ Mod
2000	+/-DJ US Mod
2001	Income Return %
2002	Capital Return %
2003	Total Rtn % Rank Cat
2004	Income \$
2005	Capital Gains \$
2006	Expense Ratio %
2007	Income Ratio %
2008	Turnover Rate %
	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	-22.30			
3 Yr	-1.08	High	Avg	★★★★★
5 Yr	2.82	High	-Avg	★★★★★
10 Yr	4.49	High	-Avg	★★★★★
Incept	7.93			

Other Measures	Standard Index	Best Fit Index
Alpha	1.2	1.2
Beta	0.89	0.89
R-Squared	96	96
Standard Deviation	10.71	
Mean	-1.08	
Sharpe Ratio	-0.40	

### Portfolio Analysis 09-30-08

Total Stocks:110	P/E Ratio	YTD Return %	% Net Assets
Share change since 06-30-08			
AT&T, Inc.	12.6	-4.98	2.27
Chevron Corporation	6.4	-1.55	1.82
General Electric Company	7.7	-1.23	1.79
International Business Ma	9.9	0.64	1.75
Bank of America Corporati	12.2	-7.74	1.57
ExxonMobil Corporation	8.6	-2.83	1.56
Total SA ADR	6.6	-3.09	1.47
Eli Lilly & Company	18.3	-4.44	1.27
Medtronic, Inc.	16.1	3.66	1.16

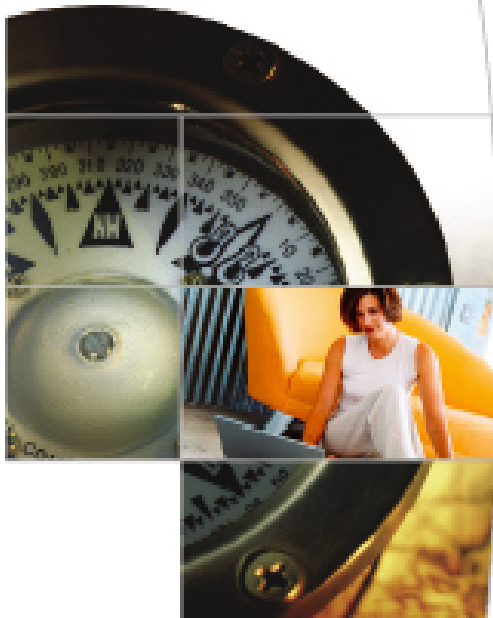
Total Fixed-Income:2230	Date of Maturity	Amount \$000	Value \$000	% Net Assets
US TREASURY NOTE		275,000	277,277	0.63
Illinois St Go Bds 5.1%	06-01-33	109,510	102,863	0.23
UNITED PARCEL SERVICE		88,000	88,327	0.20
SIEMENS FIN NV		89,650	86,974	0.20
Coca Cola 5.35%		85,000	84,890	0.19
Credit Suisse First Bosto		87,750	83,767	0.19
Unilever Cap 7.125%	11-01-10	77,000	82,589	0.19
Japan Fin 4.625%	04-21-15	75,000	76,604	0.17
Hewlett Packard 5.25%		75,000	75,499	0.17

Equity Style	Fixed-Income Style
Style: Value	Duration: Interm-Term
Size: Large-Cap	Quality: High
Value Measures	Rel Category
Price/Earnings	11.55
Price/Book	1.89
Price/Sales	1.04
Price/Cash Flow	6.43
Dividend Yield %	3.07
Growth Measures	% Rel Category
Long-Term Erngs	9.43
Book Value	9.06
Sales	8.93
Cash Flow	15.53
Historical Erngs	10.84
Market Cap %	
Giant	57.5
Large	41.4
Mid	1.2
Small	0.0
Micro	0.0
Avg \$mil:	55,672
Composition	
Cash	1.8
Stocks	64.5
Bonds	33.4
Other	0.3
Foreign	19.6
(% of Stock)	
Sector Weightings	% of Stocks
Info	17.13
Software	2.11
Hardware	6.87
Media	3.67
Telecom	4.48
Service	36.20
Health	12.94
Consumer	4.40
Business	5.19
Financial	13.67
Mfg	46.67
Goods	9.96
Ind Mtrls	15.36
Energy	16.61
Utilities	4.74

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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:0.25%	Dist: —	
NTF Plans:	Vanguard NTF	Expense Projections:	3Yr:\$87	5Yr:\$152	10Yr:\$343
		Income Distrib:			



# Investment Policy Statement and Fund Benchmarks



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**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.

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

# 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.

# Glossary



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## Glossary

**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.



## Glossary

**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.

## Glossary

**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.

## Glossary

**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.

## Glossary

**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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