



ADVISED ASSETS  
GROUP

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# Wisconsin Deferred Compensation Plan

*Second Quarter, 2014*



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# Section

## I. Executive Summary

- Plan Compliance Report Card
- Rolling 3 year Quartile Rankings
- Assets Summary
- Expense Ratio Summary
- Weighted Average Return

## II. Fund Highlights and Observations

## III. Performance Benchmarking

- Risk, Style Drift and Portfolio Construction

## IV. Lifecycle Options

## V. Economic Overview

- Morningstar Pages

## VI. Investment Policy Statement and Benchmarks

» **Appendix:** Glossary of Terms





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# EXECUTIVE SUMMARY

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*2Q2014*

# FUND COMPLIANCE REPORT CARD – 6/30/14

Name	Total Ret 3 Mth	Total Ret 1 Yr	Total Ret 3 Yr	Total Ret 5 Yr	Total Ret 10 Yr	Total Net Assets \$M	Expense Ratio
American Funds EuroPacific Gr R6	2.96	22.35	7.40	11.99	8.99	125,362	0.49
Morningstar Foreign Large Blend Average	3.71	20.83	6.62	11.27	6.83	-	1.30
MSCI EAFE Index	4.09	23.57	8.10	11.77	6.93	-	-
MSCI ACWI ex U.S.	5.03	21.75	5.73	11.11	7.75	-	-
Blackrock EAFE Equity Index Coll T	4.25	23.80	8.31	11.98	7.06	-	0.12
MSCI EAFE Index	4.09	23.57	8.10	11.77	6.93	-	-
DFA US Micro Cap I	0.88	25.31	16.86	22.02	8.75	4,967	0.52
Morningstar Small Cap Blend Average	2.31	23.78	14.25	19.87	8.73	-	-
Russell 2000 Index*	2.05	23.64	14.57	20.21	8.70	-	-
Blackrock Russell 2000 Index Coll T	2.08	23.87	14.73	20.34	8.75	-	0.07
Russell 2000 Index	2.05	23.64	14.57	20.21	8.70	-	-
T. Rowe Price Mid-Cap Growth	3.35	26.58	15.10	21.23	11.30	23,242	0.78
Morningstar Mid Cap Growth Average	2.66	23.98	12.59	18.98	8.83	-	-
Russell Mid Cap Growth Index	4.37	26.04	14.54	21.16	9.83	-	-
S&P Midcap 400 Index	4.33	25.24	15.26	21.67	10.50	-	-
Blackrock Midcap Equity Index Coll F	4.33	25.24	15.26	21.67	10.57	-	0.04
S&P MidCap 400 Index	4.33	25.24	15.26	21.67	10.50	-	-
Calvert Equity I	3.31	23.30	12.54	17.22	7.96	2,910	0.68
S&P 500 Index	5.23	24.61	16.58	18.83	7.78	-	-
Morningstar Socially Responsible Large Cap Average**	4.62	24.13	14.83	17.73	7.40	-	-
Morningstar Large Cap Growth Avg	4.18	26.22	14.42	17.64	7.77	-	-
Fidelity Contrafund	3.90	25.69	15.92	18.38	10.02	106,346	0.67
Morningstar Large Cap Growth Average	4.18	26.22	14.42	17.64	7.77	-	-
Russell 1000 Growth Index	5.13	26.92	16.26	19.24	8.20	-	-
S&P 500 Index	5.23	24.61	16.58	18.83	7.78	-	-



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

Gray bars indicate fund benchmarks; white indicates current funds

DATA SOURCE:  
Morningstar  
6/30/2014

# FUND COMPLIANCE REPORT CARD – 6/30/14

Name	Total Ret	Total Ret	Total Ret	Total Ret	Total Ret	Total Net	Expense
	3 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Assets \$M	Ratio
Vanguard Institutional Index Instl PI	5.23	24.59	16.58	18.84	7.81	175,320	0.02
S&P 500 Index	5.23	24.61	16.58	18.83	7.78	-	-
Vanguard Wellington Adm	4.00	17.26	12.41	14.04	8.61	85,666	0.18
Morningstar Moderate Allocation Average	3.60	16.03	9.61	12.57	6.44	-	-
Composite 65% S&P 500 / 35% Barclay's Aggregate	4.12	17.53	12.06	13.94	6.79	-	-
Composite 65% S&P 500 / 35% Barclay's U.S. Credit A or Better Idx	4.27	18.46	12.83	14.92	6.98	-	-
Vanguard Long-Term Investment-Grade Adm	4.65	12.41	9.99	10.69	7.67	15,320	0.12
Barclay's LT Corporate A*	2.47	7.05	5.87	7.64	5.49	-	-
Morningstar Corp Bond	2.96	8.50	6.63	8.79	5.94	-	-
Blackrock US Debt Index Fund Coll W	2.12	4.43	3.73	4.91	4.98	-	0.05
BarCap US Agg Bond TR USD	2.04	4.37	3.66	4.85	4.93	-	-
Federated US Government 2-5 Yr Instl	0.82	1.12	1.04	2.06	3.48	501	0.58
Morningstar Short Government Avg	0.43	0.79	0.67	1.55	2.63	-	-
Barclay's US Treas/Agency 3-5 Yr	0.96	1.73	1.90	3.14	4.17	-	-
BofA Merrill Lynch US Treas 3-5 Yr	0.00	0.00	0.00	0.00	0.00	-	-
Vanguard Admiral Treasury Money Market Inv	0.00	0.01	0.01	0.02	1.54	10,403	0.09
Morningstar Taxable Money Market Average	0.00	0.01	0.02	0.03	1.45	-	-
U.S. Treasury 90-Day T-Bill	0.01	0.04	0.06	0.08	1.52	-	-
iMoney Net Average Treasury MM	0.00	0.00	0.00	0.00	1.17	-	-



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

Gray bars indicate fund benchmarks; white indicates current funds

DATA SOURCE:  
Morningstar  
6/30/2014

# 3 YEAR QUARTILE RANKINGS – 6/30/14

Name	2014	2014	2013	2013	2013	2013	2012	2012	2012	2012	2011	2011
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
American Funds EuroPacific Gr R6	65	67	69	42	47	59	64	69	71	60	79	87
Calvert Equity I	16	30	40	23	46	63	69	51	58	70	61	65
DFA U.S. Micro Cap	87	86	90	92	87	86	89	83	78	77	63	54
Federated U.S. Govt: 2-5 Yr Instl	69	73	78	59	68	86	84	80	79	71	70	91
Fidelity Contrafund	75	71	67	53	52	81	74	78	75	51	46	66
T. Rowe Price Mid-Cap Growth	85	78	75	78	76	75	77	72	81	75	87	87
Vanguard Institutional Index Instl PI	82	79	80	79	84	86	84	85	87	80	75	75
Vanguard Long-Term Inv Grade Adm*	93	94	94	50	58	73	67	60	66	68	56	72
Vanguard Wellington Adm	93	94	91	88	88	88	84	83	81	68	63	87

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

\*As of the 4<sup>th</sup> quarter of 2013, Morningstar changed the peer group that the Vanguard Long-Term Inv Grade Fund is rated against from “Long-Term Bond Peer Group” to “Corporate Bond Peer Group”. The reasoning revolves around the fact that the funds portfolio holds more than 65% of its assets in corporate bonds, while holding less than 40% of its assets in foreign bonds, and less than 35% in high yield bonds, and more importantly the fund also has an effective duration of more than 75% of the Morningstar Core Bond Index. Therefore the peer group was changed to reflect the funds historical positioning of the fund.



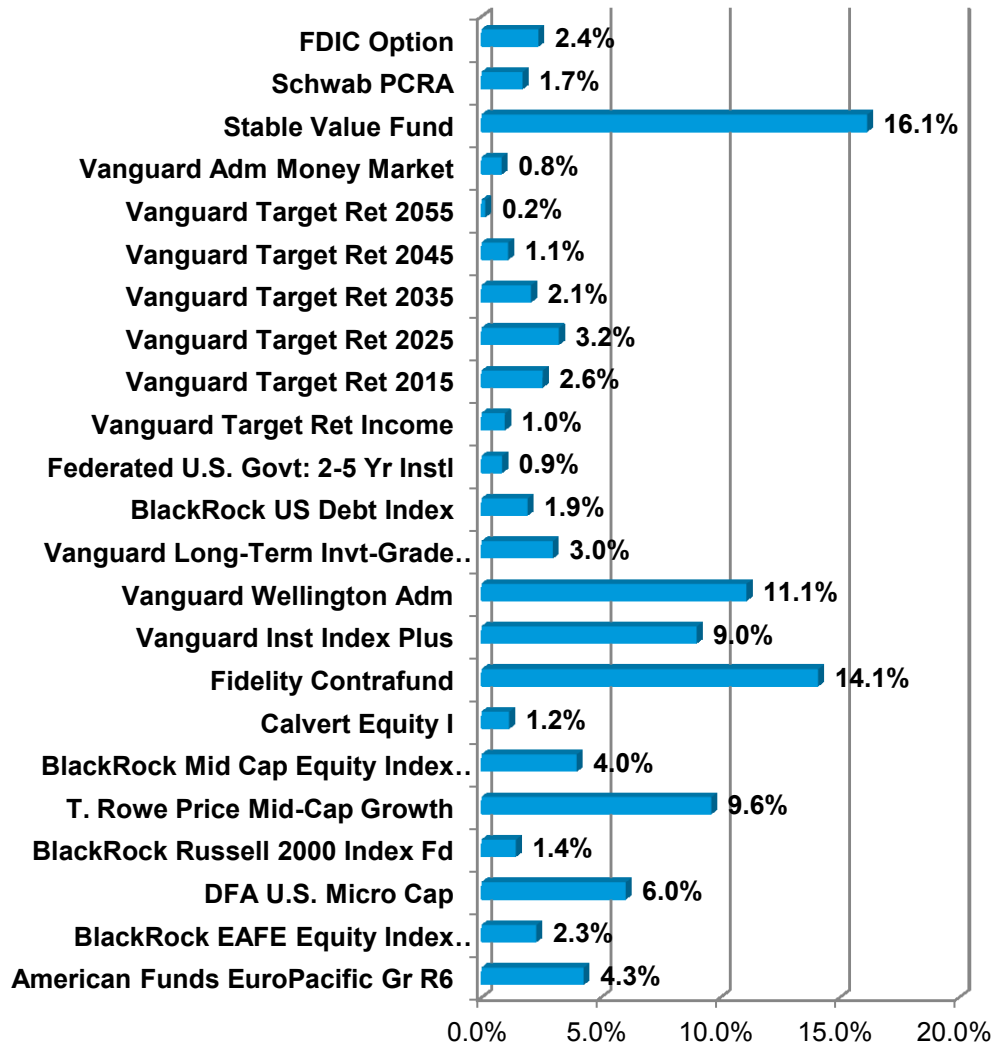
# PLAN ASSET SUMMARY – 6/30/14

Plan Option	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 R6	1/28/2005	\$125,362,428,230	\$161,801,046	0.13%	4.28%	19,104	7.80%
BlackRock EAFE Equity Index Fund W	2/1/2001	N/A	\$86,811,619	N/A	2.29%	13,650	5.57%
DFA U.S. Micro Cap	2/1/1997	\$4,864,954,474	\$228,355,496	4.69%	6.04%	21,924	8.95%
BlackRock Russell 2000 Index Fd	2/20/2004	N/A	\$54,318,196	N/A	1.44%	4,821	1.97%
T. Rowe Price Mid-Cap Growth	2/1/1998	\$23,241,546,737	\$364,130,522	1.57%	9.63%	19,103	7.80%
BlackRock Mid Cap Equity Index Fund W	2/1/2001	N/A	\$150,820,694	N/A	3.99%	15,503	6.33%
Calvert Equity I	4/18/2003	\$2,864,070,339	\$43,604,881	1.52%	1.15%	4,485	1.83%
Fidelity Contrafund	1/31/1994	\$106,346,292,888	\$533,523,725	0.50%	14.10%	22,400	9.15%
Vanguard Inst Index Plus	9/9/1990	\$175,319,586,654	\$340,841,818	0.19%	9.01%	21,492	8.78%
Vanguard Wellington Adm	10/26/2001	\$85,665,586,090	\$419,896,794	0.49%	11.10%	21,895	8.94%
Vanguard Long-Term Invt-Grade Adm	10/26/2001	\$15,320,472,421	\$113,047,668	0.74%	2.99%	11,527	4.71%
BlackRock US Debt Index	2/1/2001	N/A	\$72,870,346	N/A	1.93%	11,057	4.51%
Federated U.S. Govt: 2-5 Yr Instl	2/3/1992	\$501,132,290	\$32,421,634	6.47%	0.86%	5,507	2.25%
Vanguard Target Ret Income	7/29/2005	\$11,149,117,049	\$36,961,288	0.33%	0.98%	1,234	0.50%
Vanguard Target Ret 2015	7/29/2005	\$21,760,226,660	\$96,806,628	0.44%	2.56%	2,924	1.19%
Vanguard Target Ret 2025	7/29/2005	\$31,019,953,849	\$122,453,239	0.39%	3.24%	5,375	2.19%
Vanguard Target Ret 2035	7/29/2005	\$23,528,892,597	\$78,293,600	0.33%	2.07%	4,958	2.02%
Vanguard Target Ret 2045	7/29/2005	\$14,359,986,751	\$42,113,503	0.29%	1.11%	4,253	1.74%
Vanguard Target Ret 2055	8/18/2010	\$1,591,935,779	\$6,074,302	0.38%	0.16%	1,098	0.45%
Vanguard Adm Money Market	10/1/1993	\$10,402,600,000	\$31,964,008	0.31%	0.84%	7,607	3.11%
Stable Value Fund	9/1/1996	N/A	\$610,954,299	N/A	16.15%	20,421	8.34%
Schwab PCRA	2/17/2000	N/A	\$64,979,394	N/A	1.72%	1,340	0.55%
FDIC Option	12/31/1996	N/A	\$90,042,866	N/A	2.38%	3,243	1.32%

\$3,783,087,566

244,921

# ASSET CHART – 6/30/14

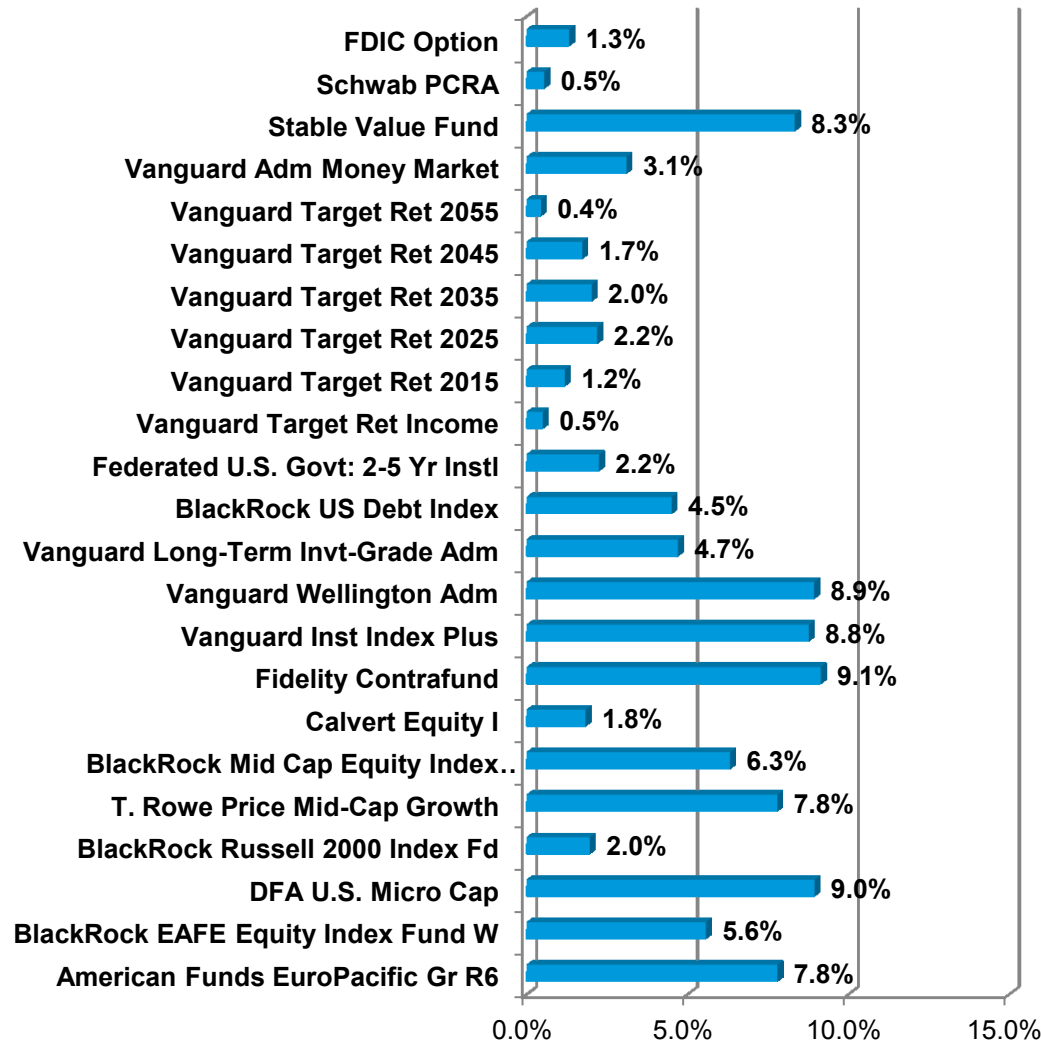


Total WDC Assets  
(as of 6/30/2014)

**\$3,783,087,566**

Domestic Equity	\$1,715,595,332	45%
Intl Equity	\$248,612,665	7%
Asset Allocation	\$802,599,354	21%
Fixed Income	\$218,339,648	6%
Cash Equiv.	\$732,961,173	19%
Self-Directed Brok.	\$64,979,394	2%

# PARTICIPANT ACCOUNT CHART – 6/30/14



Total WDC Participant  
Accounts  
(as of 6/30/2014)

**244,921**

# FUND EXPENSE VS. CATEGORY – 6/30/14

Name	Expense Ratio
American Funds EuroPacific Gr R6	0.49
Cat: Foreign Large Blend	1.30
Blackrock EAFE Equity Index Fund W	0.12
Cat: Foreign Large Blend Index	0.70
DFA U.S. Micro Cap	0.52
Cat: Small Blend	1.32
Blackrock Russell 2000 Index Fd	0.07
Cat: Small Cap Blend Index	0.70
T. Rowe Price Mid-Cap Growth	0.78
Cat: Mid Growth	1.35
Blackrock Mid Cap Equity Index Fund W	0.04
Cat: Mid Cap Blend Index	0.54
Calvert Equity I	0.68
Cat: Socially Resp Large Cap Index	0.81
Fidelity Contrafund	0.67
Cat: Large Growth	1.24
Vanguard Inst Index Plus	0.02
Cat: Large Cap Blend Index	0.59
Vanguard Wellington Adm	0.18
Cat: Moderate Allocation	1.25
Stable Value Fund	0.37
Cat: Stable Value*	0.69

Name	Expense Ratio
Vanguard Target Retirement 2055 Inv	0.18
Cat: Target Date 2050+	1.15
Vanguard Target Retirement 2045 Inv	0.18
Cat: Target Date 2041-2045	1.05
Vanguard Target Retirement 2035 Inv	0.18
Cat: Target Date 2031-2035	0.96
Vanguard Target Retirement 2025 Inv	0.17
Cat: Target Date 2021-2025	1.06
Vanguard Target Retirement 2015 Inv	0.16
Cat: Target Date 2011-2015	0.98
Vanguard Target Retirement Income Inv	0.16
Cat: Retirement Income	1.07
Vanguard Long-Term Investment-Grade Adm	0.12
Cat: Corporate Bond	0.88
Blackrock US Debt Index	0.05
Cat: Intermediate Bond Index	0.40
Federated U.S. Govt: 2-5 Yr Instl	0.58
Cat: Short Government	0.86
Vanguard Adm Money Market	0.09
Average US Taxable Money Market Fund	0.60

**Asset-Weighted Average Expense Ratio: 0.28%**

# FUND RESTRICTIONS – 6/30/14

Name	Category	Restrictions
American Funds EuroPacific Gr R6	Foreign Large Blend	30 day roundtrip restriction on participant initiated exchanges over \$5000
Blackrock EAFE Equity Index Fund W	Foreign Large Blend Index	N/A
DFA U.S. Micro Cap	Small Blend	N/A
Blackrock Russell 2000 Index Fund	Small Cap Blend Index	N/A
T. Rowe Price Mid-Cap Growth	Mid Growth	N/A
Blackrock Mid Cap Equity Index Fund W	Mid Cap Blend Index	N/A
Calvert Equity I	Socially Responsible Large Cap Index	N/A
Fidelity Contrafund	Large Growth	N/A
Vanguard Inst Index Plus	Large Cap Blend Index	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Wellington Adm	Moderate Allocation	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement 2055 Inv	Target Date 2050+	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement 2045 Inv	Target Date 2041-2045	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement 2035 Inv	Target Date 2031-2035	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement 2025 Inv	Target Date 2021-2025	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement 2015 Inv	Target Date 2011-2015	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Target Retirement Income Inv	Retirement Income	60 day roundtrip restriction on all funds for participant initiated exchanges
Vanguard Long-Term Invmt-Grade Adm	Long-Term Bond	60 day roundtrip restriction on all funds for participant initiated exchanges
Blackrock US Debt Index	Intermediate Bond Index	N/A
Federated U.S. Govt: 2-5 Yr Instl	Short Government	N/A
Vanguard Adm Money Market	Average US Taxable Money Market Fund	N/A

# PARTICIPANT WEIGHTED AVERAGE RETURN – 6/30/14

- The 1 year asset-weighted return for the WDC plan as of 6/30/2014 was 18.17%.
- Much of this can be attributed to a 14.1% weighting in Fidelity Contrafund which returned 25.69%.

Other contributing factors were:

- An 9.0% weighting to Vanguard Institutional Index, which had a return of 24.59%
- An 11.1% weighting to the Vanguard Wellington Fund which returned 17.26%.
- An 9.6% weighting to the T. Rowe Price Midcap Growth Fund, which returned 26.58%.
- Note: Participant weighted average return excludes the self directed brokerage accounts

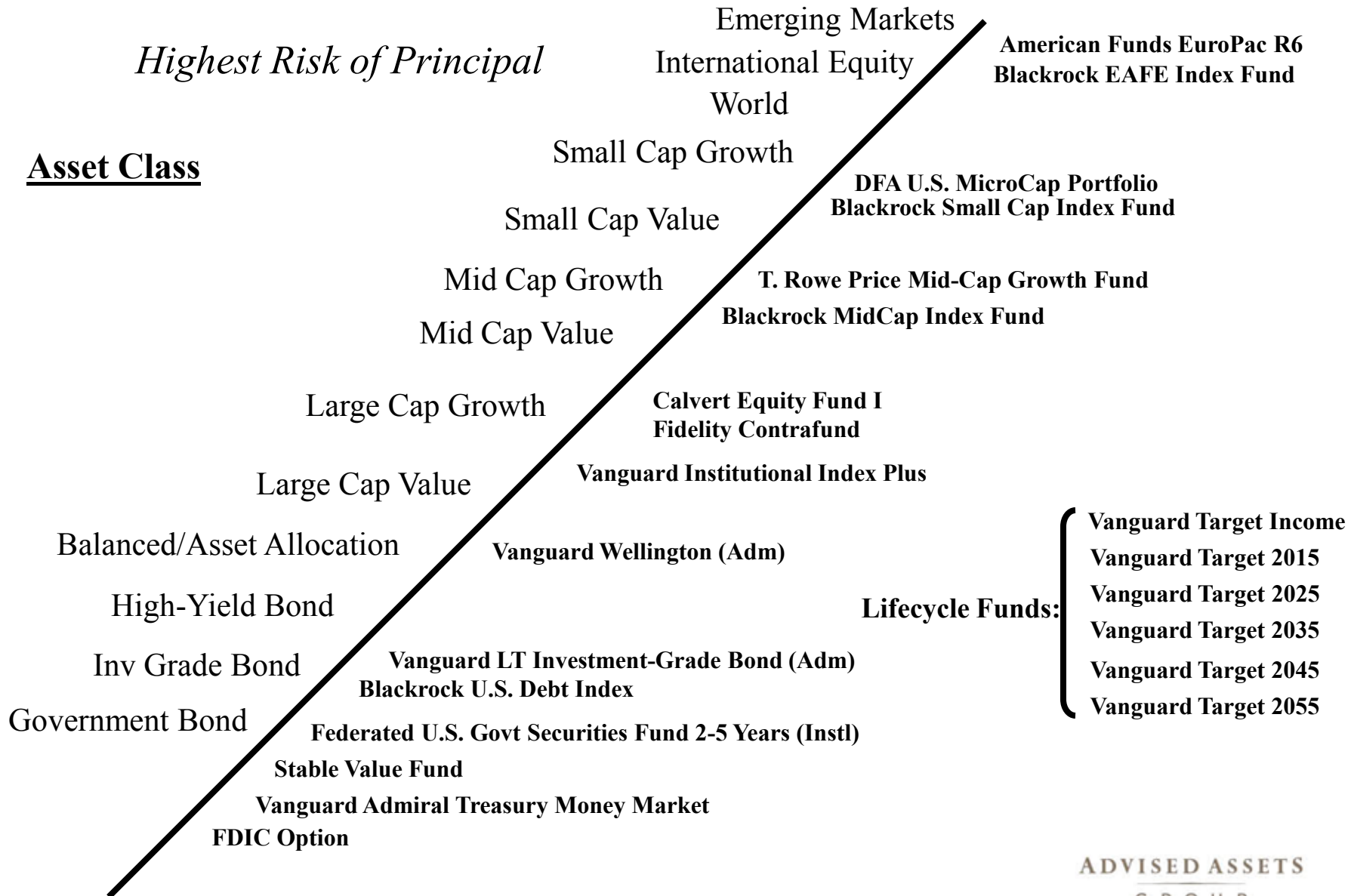


# FUND HIGHLIGHTS & OBSERVATIONS

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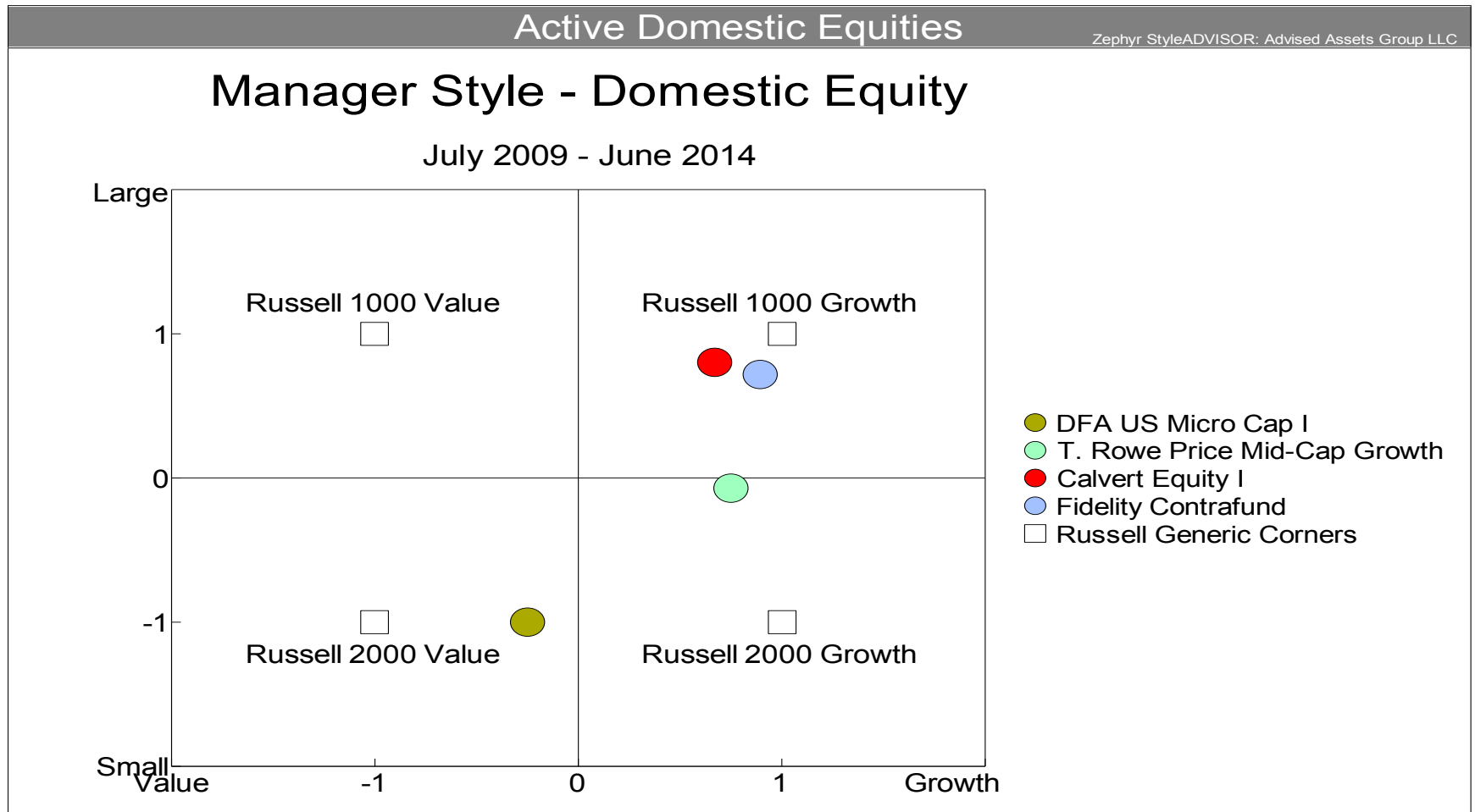
# WISCONSIN PLAN OPTIONS – 6/30/14





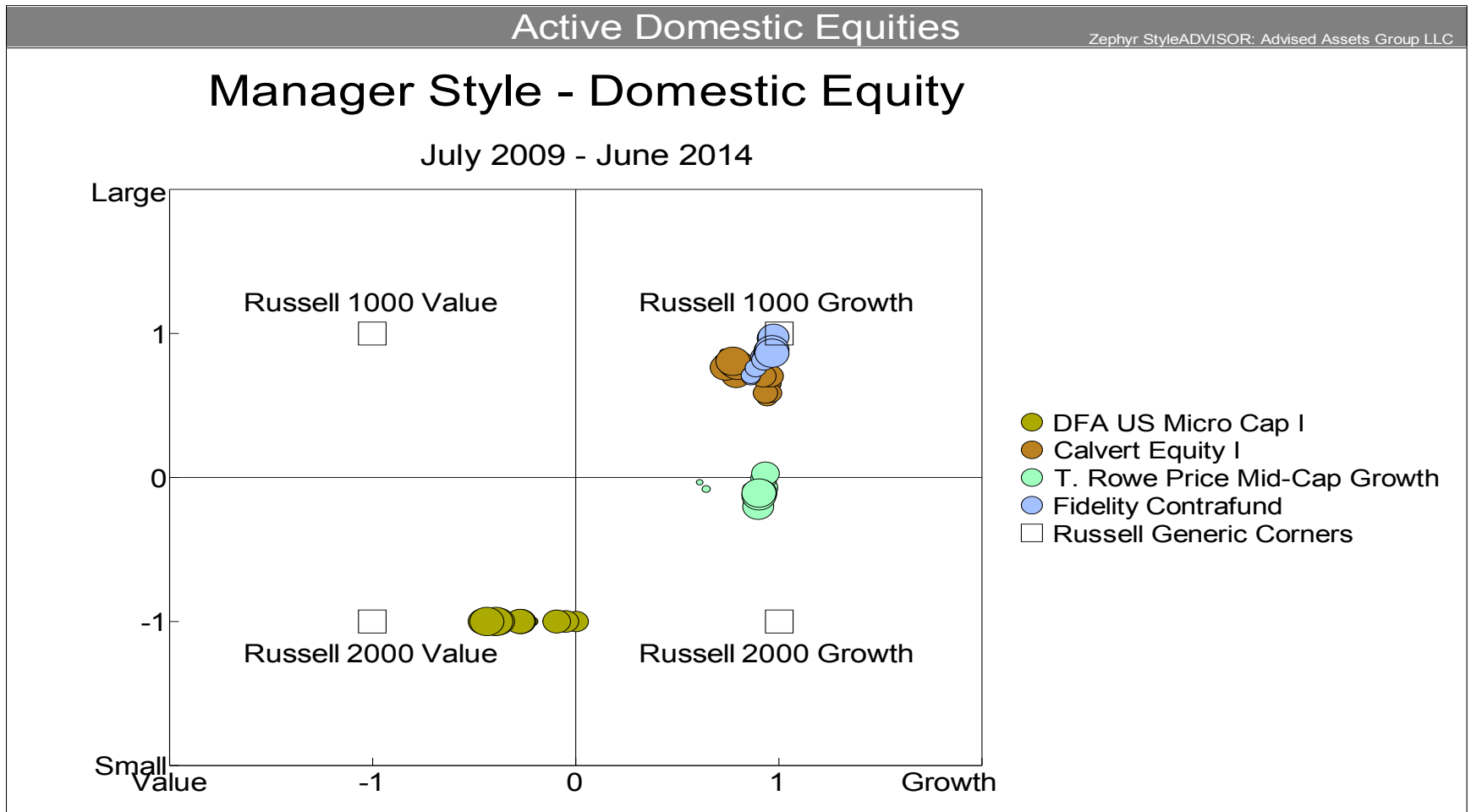
# MANAGER STYLE

**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.



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**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.



## FUND OBSERVATIONS – 6/30/14

- » **American Funds EuroPacific Growth R6** underperformed the Morningstar Foreign Large Blend peer group in the 2<sup>nd</sup> quarter of 2014 with a return of 2.96% vs. 3.89%. The fund, however, outperformed the same peer group across the 1, 3, 5, & 10 year 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. In addition, it sports one of the lowest expense ratios in the category.
- » **Blackrock EAFE Equity Index Fund** outperformed its index by .23 bps (net of fees) over the past 1 year period.
- » **DFA U.S. Microcap** underperformed the Morningstar Small Cap Blend Peer Group in the 2<sup>nd</sup> quarter with a return on 0.88% vs. 2.13%. The fund also underperformed the Russell 2000 Index for the quarter which returned 2.05%. The fund, however, continues to outpace both benchmarks over the past 1, 3, 5, and 10 year time periods. The fund typically invests in the smallest 4% of U.S. exchange listed stocks with an average market cap of \$467 million. The fund contained 1,821 holdings which gives the fund an index like approach to investing.
- » **Blackrock Russell 2000 Index Fund** outperformed its index by .23 bps (net of fees) over the past 12 months.

## FUND OBSERVATIONS – 6/30/14

- » **T. Rowe Price Mid Cap Growth** the fund outperformed its Morningstar Mid Cap peer group in the 2<sup>nd</sup> quarter (3.35% vs. 2.64%); it continues to outperform on a year-to-date basis (6.29% vs. 3.97%). The fund is now outpacing the peer group over the 1, 3, 5, & 10 year time periods. The fund outperformed the S&P 400 Mid Cap Index with a return of 26.58% vs. 25.24% over the past 12 months. The fund will generally offer favorable protection when markets are volatile, however, the style will typically trails when markets advance aggressively.
- » **Blackrock Mid-Cap Equity Index** equaled the performance of the S&P 400 Mid Cap Index with both returning 25.24% (net of fees) over the past 12 months.
- » **Calvert Equity** underperformed the Morningstar Large Growth peer group in the 2<sup>nd</sup> quarter, as well as the past 1, 3, & 5 year time periods. However, while still trailing the Morningstar Socially Responsible Large Cap Fund Average in a 1-year basis, it is outperforming on a 3, 5, & 10-year basis. This concentrated, socially conscious fund looks for companies with solid balance sheets and strong earnings growth while being mindful of valuations. Stock picking has continued to hurt performance in the third quarter. The overweight to the technology sector while underweighting utilities and energy contributed to the funds outperformance in the 4<sup>th</sup> quarter.
- » **Fidelity Contrafund** underperformed the Large Cap Growth peer group in the 2<sup>nd</sup> quarter of 2014. In fact it is currently trailing the peer group on a 1-year basis. That said, it continues to outpace its peer group over the 3, 5, & 10-year time periods. The fund remains one of the best-performing funds in the category over longer-term time periods.

## FUND OBSERVATIONS – 6/30/14

- » **Vanguard Instl Index Plus Fund** equaled the pace of the S&P 500 Index with a return of 5.23 vs. the index's return of 5.23 in the 2<sup>nd</sup> quarter. It continues to slightly underperform the index (net of fees) by .02 basis point over the past 12 months.
- » **Vanguard Wellington** outperformed the Morningstar Moderate Allocation peer group in the 2<sup>nd</sup> quarter, as well as over the 1, 3, 5, & 10 year time periods. This fund practices a value oriented, long-term investing style. The low expense ratio is also a distinct advantage for this fund.
- » **Vanguard Long-Term Investment Grade Bond** outperformed the Morningstar Corporate Bond peer group in the 2<sup>nd</sup> quarter with a return of 4.65% vs. 2.76%; the fund continues to outpace the peer group over the 1, 3, 5, & 10 year time frames. The fund continues to have overweight's in financial, industrials, and utilities.
- » **Blackrock US Debt Index** outperformed its index (net of fees) by 6 bps over the past 12 months.





# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

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*2Q2014*

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

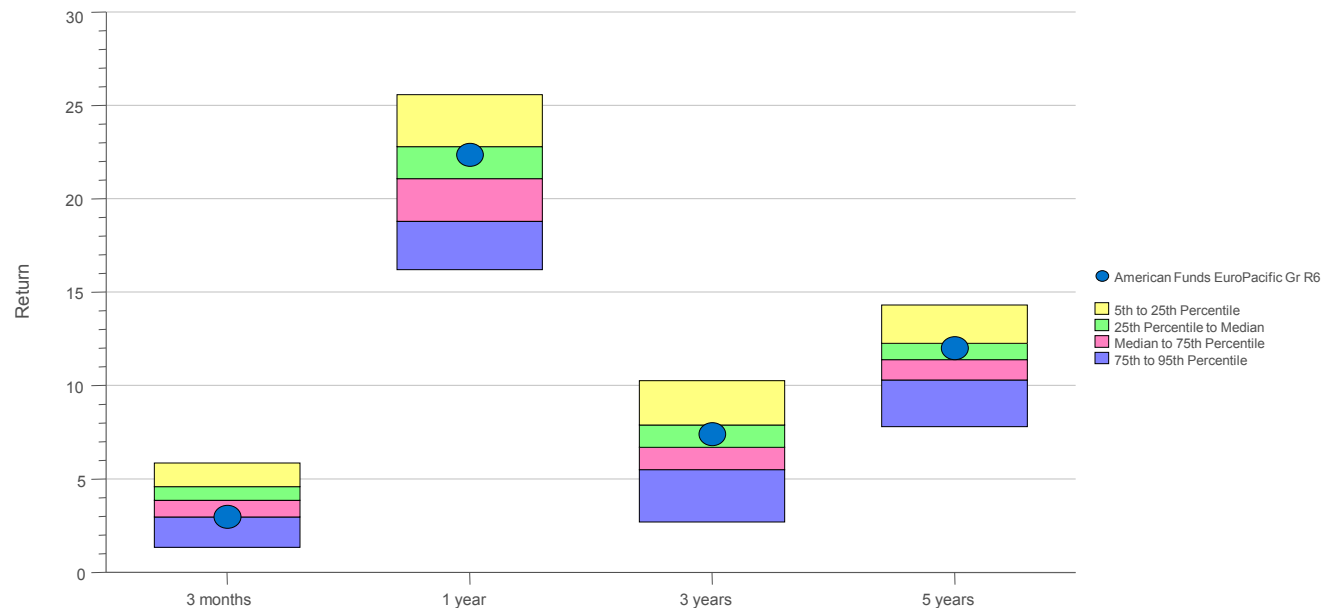
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

## American Funds EuroPacific Growth R6

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.

## Manager vs Morningstar Foreign Large Blend: Return July 2009 - June 2014 (not annualized if less than 1 year)



## Manager vs Benchmark: Return July 2009 - June 2014 (not annualized if less than 1 year)

	3 months	YTD	1 year	3 years	5 years
American Funds EuroPacific Gr R6	2.96%	3.69%	22.35%	7.40%	11.99%
Morningstar Foreign Large Blend	3.71%	3.79%	20.83%	6.862	11.27%

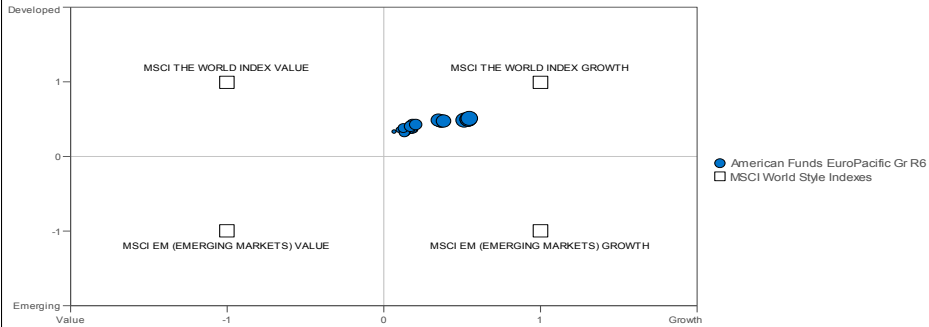


# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

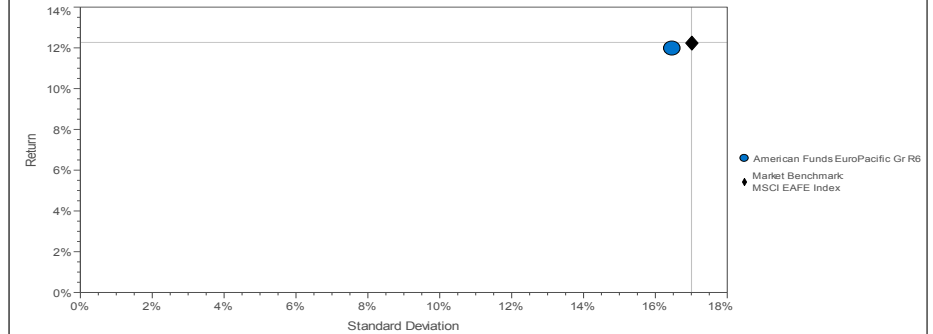
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

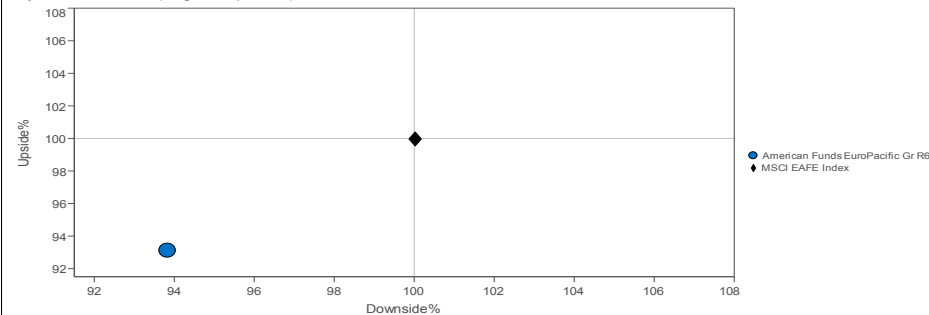
**Manager Style**  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



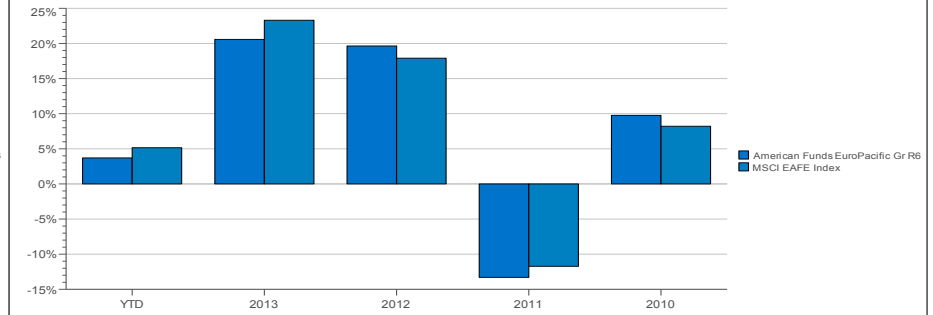
**Risk / Return**  
July 2009 - June 2014 (Single Computation)



**Upside / Downside**  
July 2009 - June 2014 (Single Computation)



**Calendar Year Return**  
As of June 2014



**Portfolio Statistics**  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
American Funds EuroPacific Gr R6	76.15%	0.40%	-7.42%	0.94	1.09	94.94%	83.36%	0.72	16.47%
MSCI EAFE Index	78.35%	0.00%	-6.99%	1.00	1.09	100.00%	78.28%	0.72	17.00%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

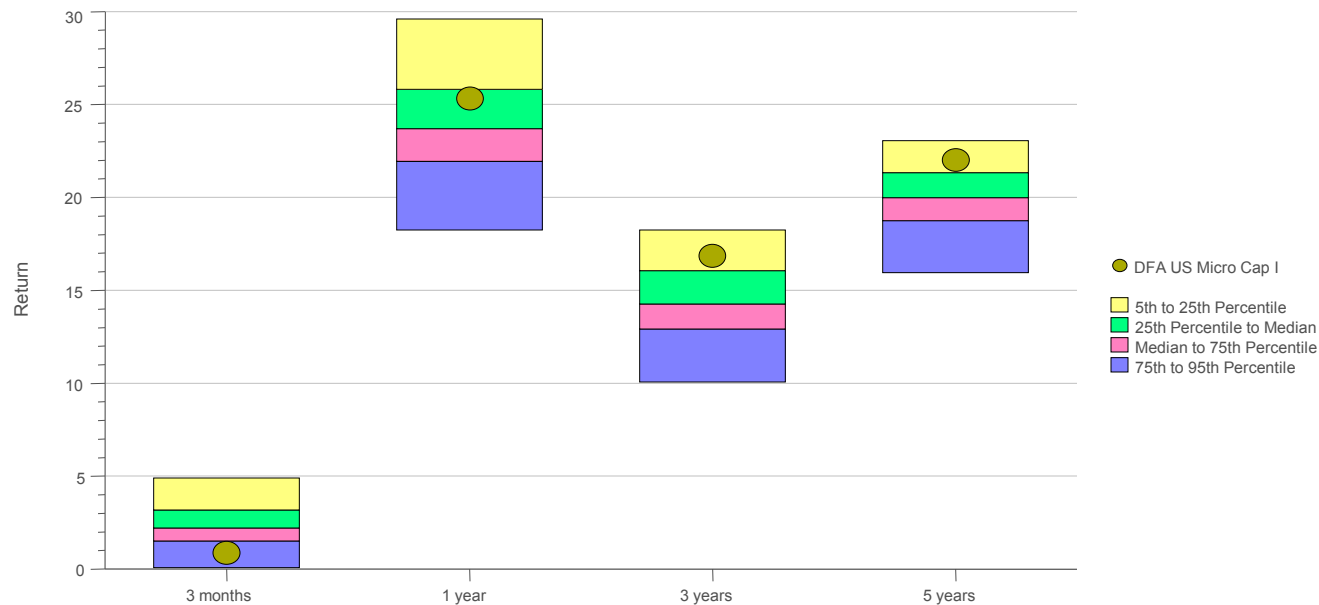
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

## DFA U.S. Microcap I

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.

Manager vs Morningstar Small Blend: Return  
July 2009 - June 2014 (not annualized if less than 1 year)



Manager vs Benchmark: Return  
July 2004 - June 2014 (not annualized if less than 1 year)

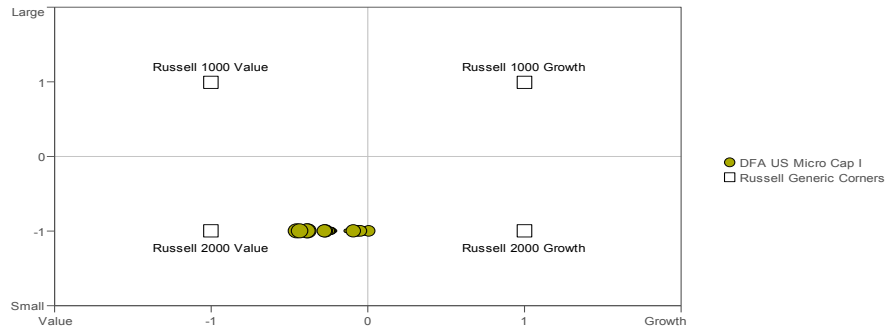
	3 months	YTD	1 year	3 years	5 years	10 years
DFA US Micro Cap I	0.88%	1.46%	25.31%	16.86%	22.02%	8.75%
Morningstar Small Blend	2.31%	3.81%	23.78%	14.25%	19.87%	8.73%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

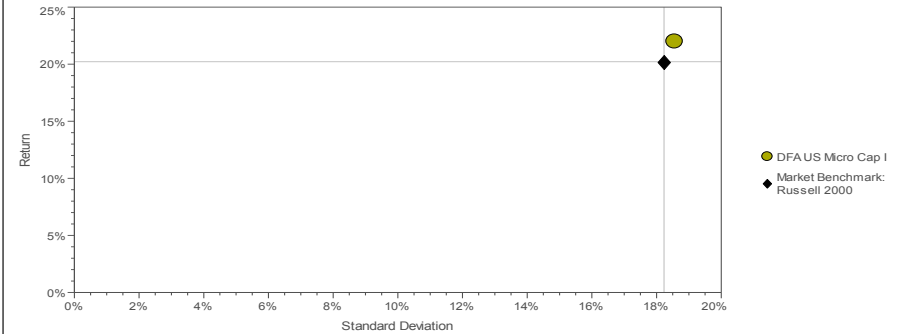
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

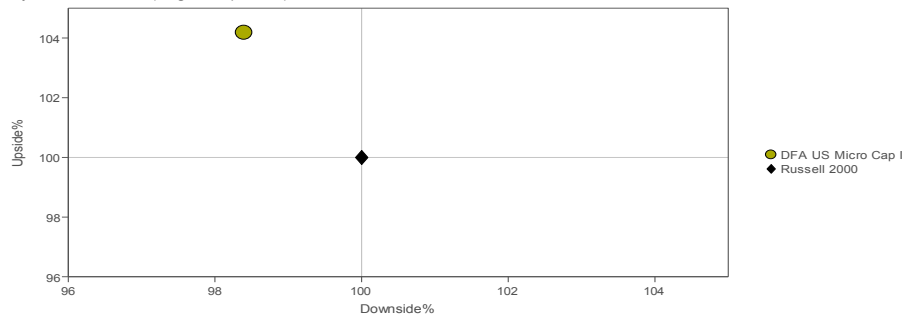
Manager Style  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



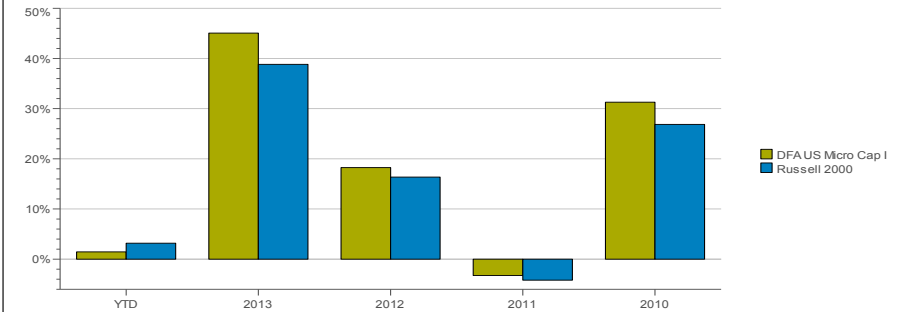
Risk / Return  
July 2009 - June 2014 (Single Computation)



Upside / Downside  
July 2009 - June 2014 (Single Computation)



Calendar Year Return  
As of June 2014



Portfolio Statistics  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
DFA US Micro Cap I	170.54%	1.40%	1.15%	1.01	1.01	98.46%	98.73%	1.18	18.54%
Russell 2000	151.02%	0.00%	-0.02%	1.00	1.00	100.00%	100.00%	1.10	18.23%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

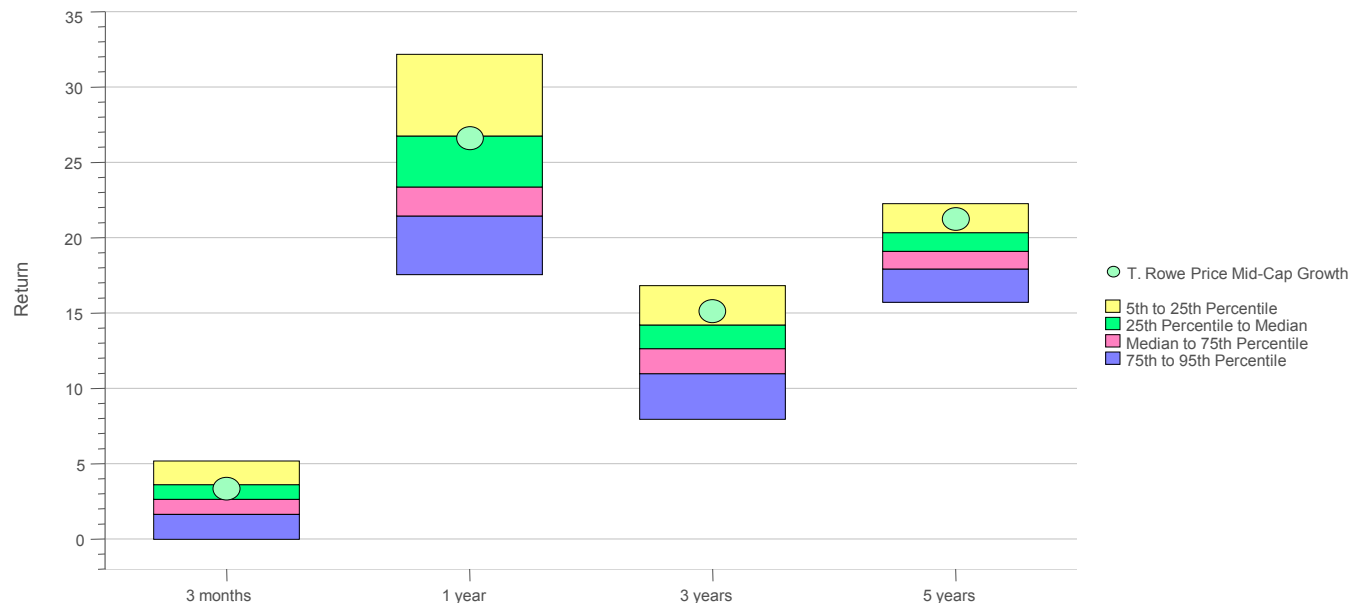
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

## T. Rowe Price Mid-Cap Growth

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.

### Manager vs Morningstar Mid-Cap Growth: Return July 2009 - June 2014 (not annualized if less than 1 year)



### Manager vs Benchmark: Return July 2004 - June 2014 (not annualized if less than 1 year)

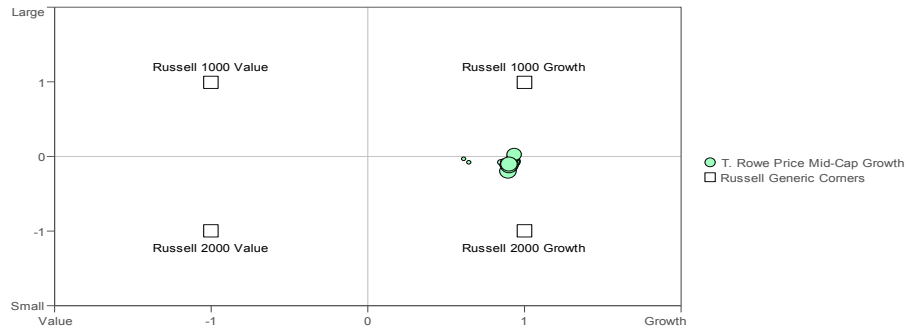
	3 months	YTD	1 year	3 years	5 years	10 years
T. Rowe Price Mid-Cap Growth	3.35%	6.29%	26.58%	15.10%	21.23%	11.30%
Morningstar Mid-Cap Growth	2.66%	3.97%	23.98%	12.59%	18.98%	8.83%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

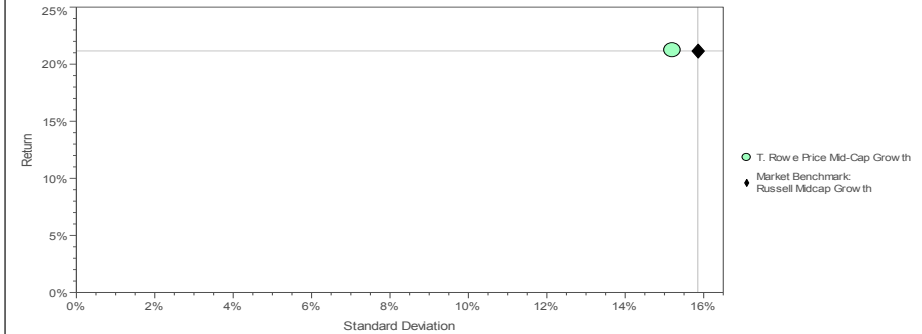
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

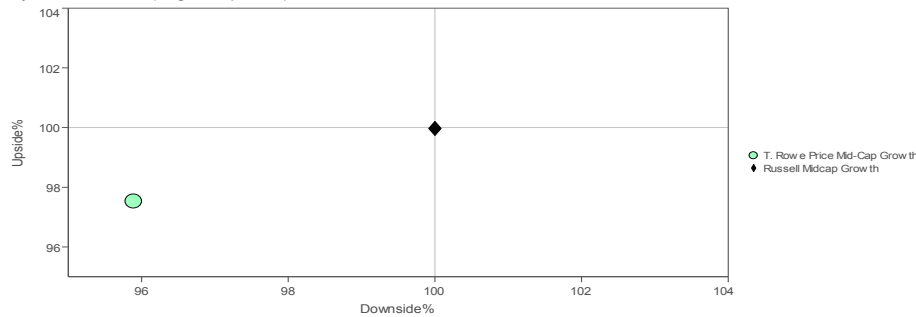
**Manager Style**  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



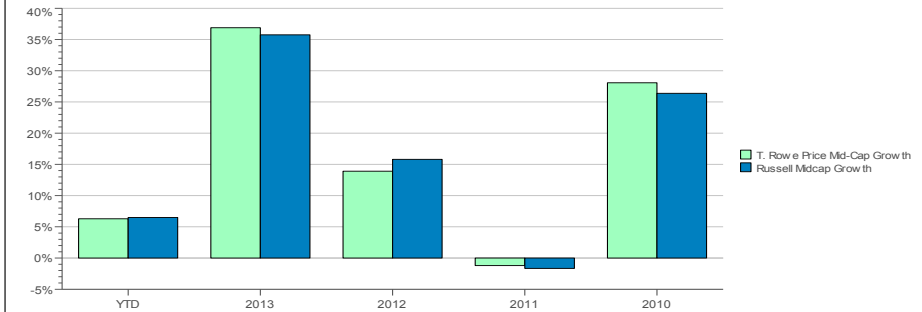
**Risk / Return**  
July 2009 - June 2014 (Single Computation)



**Upside / Downside**  
July 2009 - June 2014 (Single Computation)



**Calendar Year Return**  
As of June 2014



**Portfolio Statistics**  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
T. Rowe Price Mid-Cap Growth	161.87%	1.05%	2.35%	0.95	0.99	97.78%	96.88%	1.39	15.18%
Russell Midcap Growth	161.07%	0.00%	1.16%	1.00	1.00	100.00%	97.69%	1.33	15.85%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

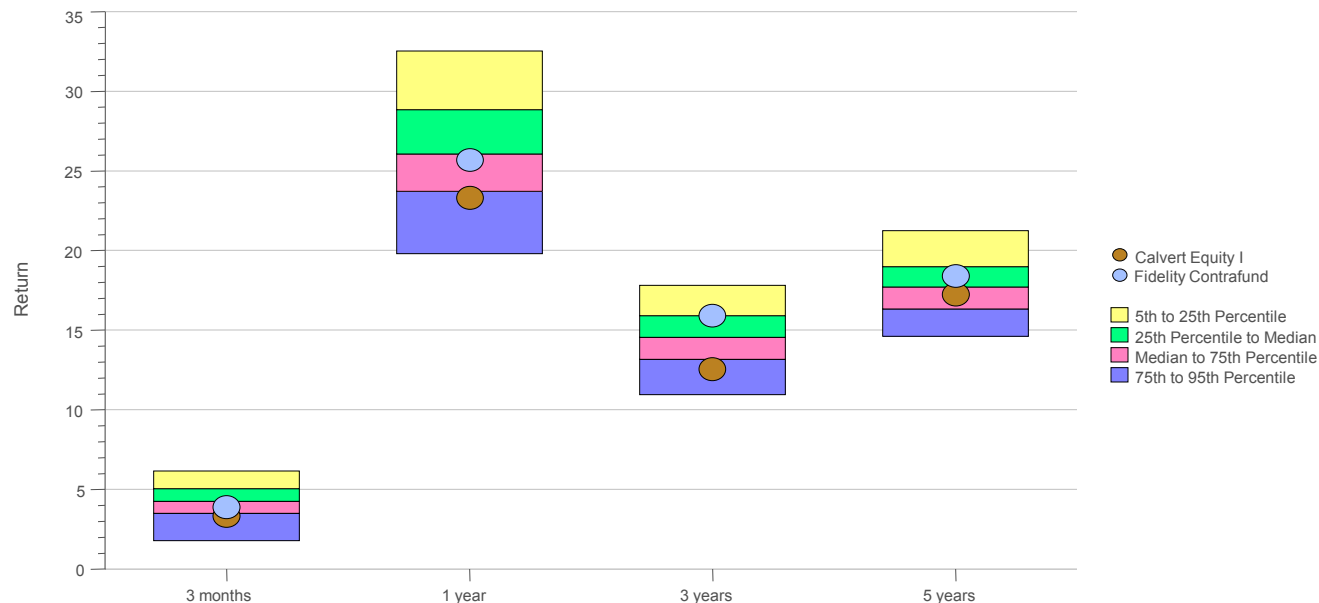
## Calvert Equity I

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

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.

Manager vs Morningstar Large Growth: Return  
July 2009 - June 2014 (not annualized if less than 1 year)



Manager vs Benchmark: Return  
July 2004 - June 2014 (not annualized if less than 1 year)

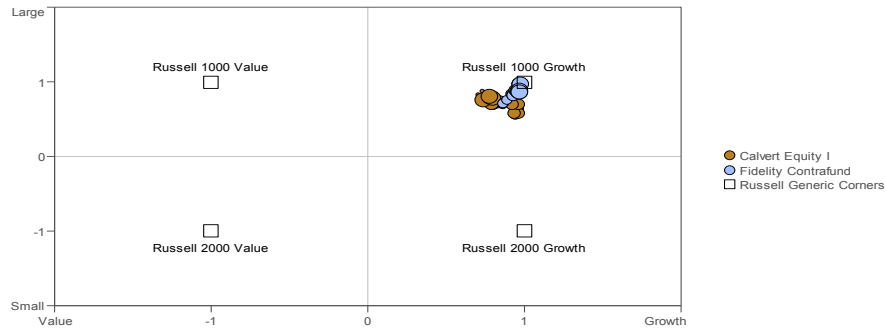
	3 months	YTD	1 year	3 years	5 years	10 years
Calvert Equity I	3.31%	3.39%	23.30%	12.54%	17.22%	7.96%
Fidelity Contrafund	3.90%	4.39%	25.69%	15.92%	18.38%	10.01%
Morningstar Large Growth	4.18%	4.68%	36.22%	14.42%	17.64%	7.77%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

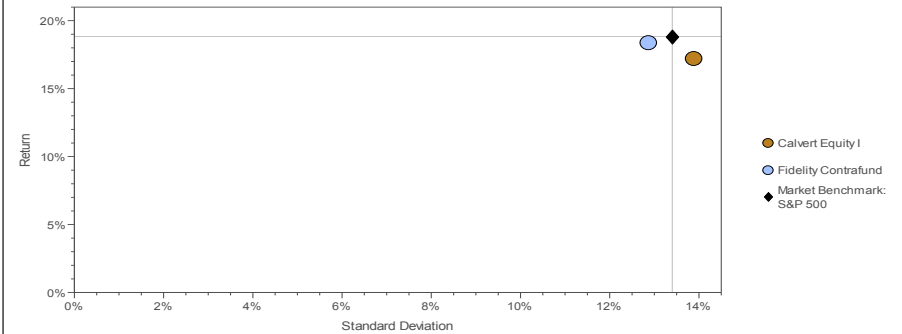
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

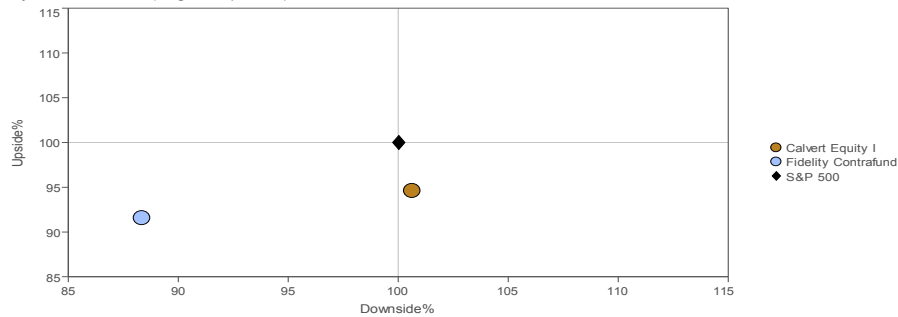
**Manager Style**  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



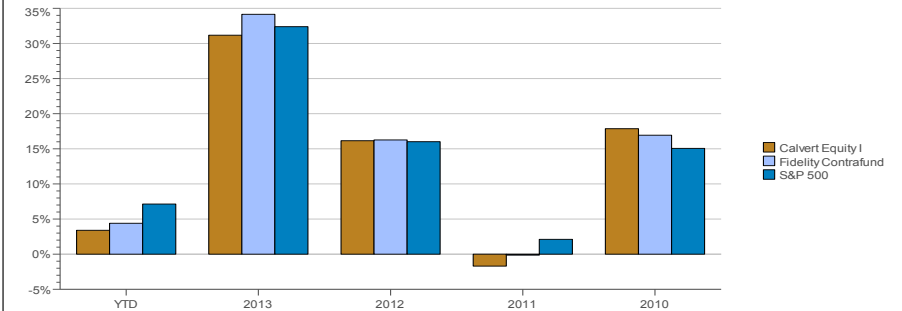
**Risk / Return**  
July 2009 - June 2014 (Single Computation)



**Upside / Downside**  
July 2009 - June 2014 (Single Computation)



**Calendar Year Return**  
As of June 2014



**Portfolio Statistics**  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
Calvert Equity I	121.32%	-1.25%	-1.40%	1.00	1.00	92.65%	95.02%	1.23	13.88%
Fidelity Contrafund	132.49%	1.21%	0.67%	0.91	1.02	89.56%	96.01%	1.42	12.87%
S&P 500	136.98%	0.00%	0.01%	1.00	1.00	100.00%	99.78%	1.40	13.40%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

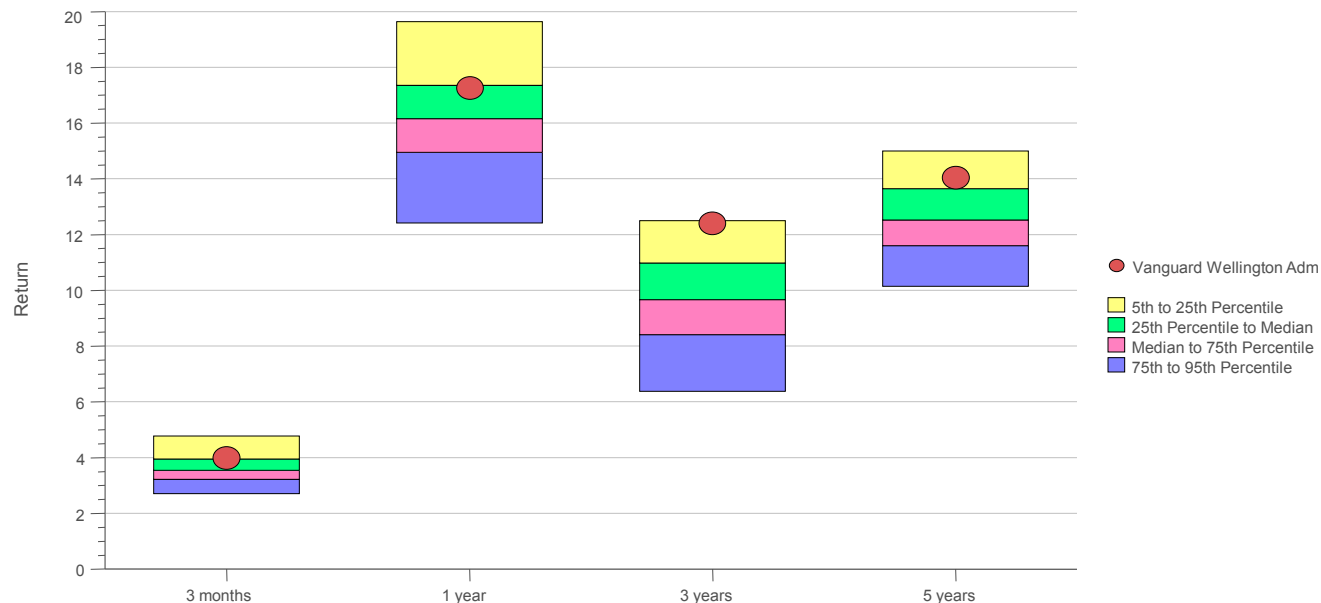
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

## Vanguard Wellington

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.

## Manager vs Morningstar Moderate Allocation: Return July 2009 - June 2014 (not annualized if less than 1 year)



## Manager vs Benchmark: Return July 2004 - June 2014 (not annualized if less than 1 year)

	3 months	YTD	1 year	3 years	5 years	10 years
Vanguard Wellington Adm	4.00%	6.47%	17.26%	12.41%	14.04%	8.61%
Morningstar Moderate Allocation	3.60%	5.41%	16.03%	9.61%	12.257	6.44%

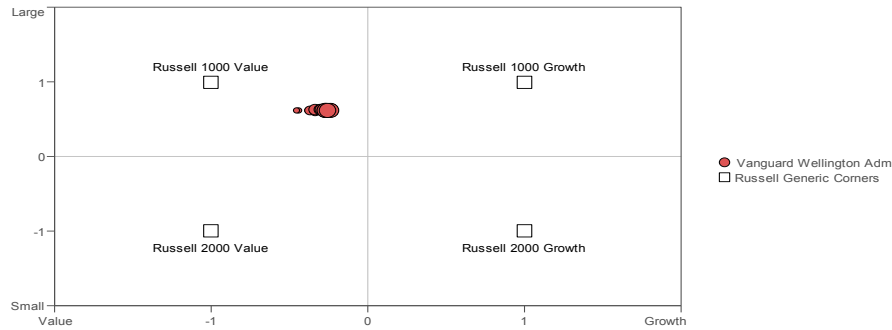


# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

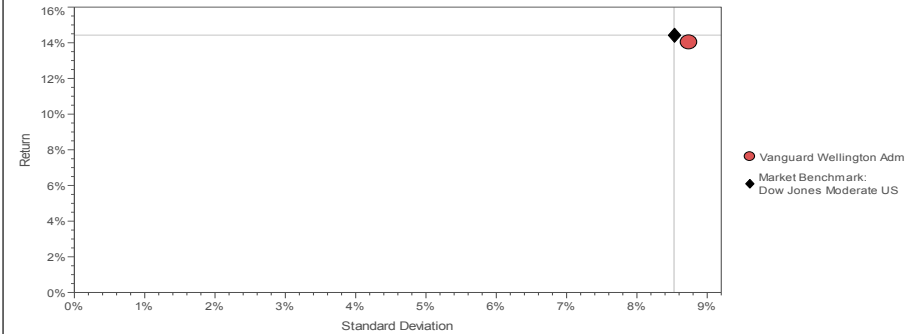
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

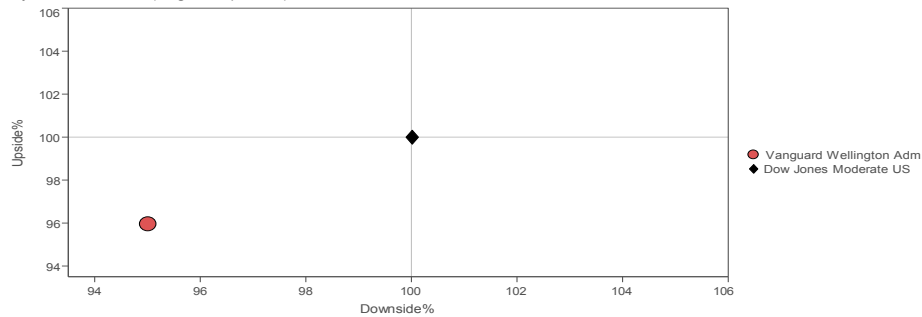
Manager Style  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



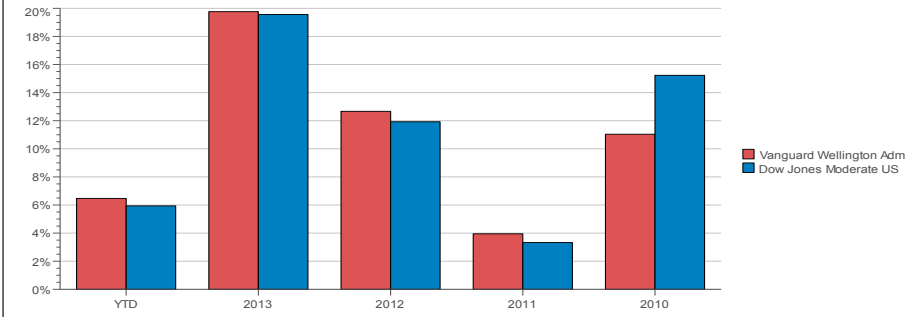
Risk / Return  
July 2009 - June 2014 (Single Computation)



Upside / Downside  
July 2009 - June 2014 (Single Computation)



Calendar Year Return  
As of June 2014



Portfolio Statistics  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
Vanguard Wellington Adm	92.85%	-0.05%	2.02%	0.98	0.99	91.47%	95.67%	1.60	8.74%
Dow Jones Moderate US	96.18%	0.00%	2.87%	1.00	1.00	100.00%	97.87%	1.68	8.53%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

Zephyr StyleADVISOR

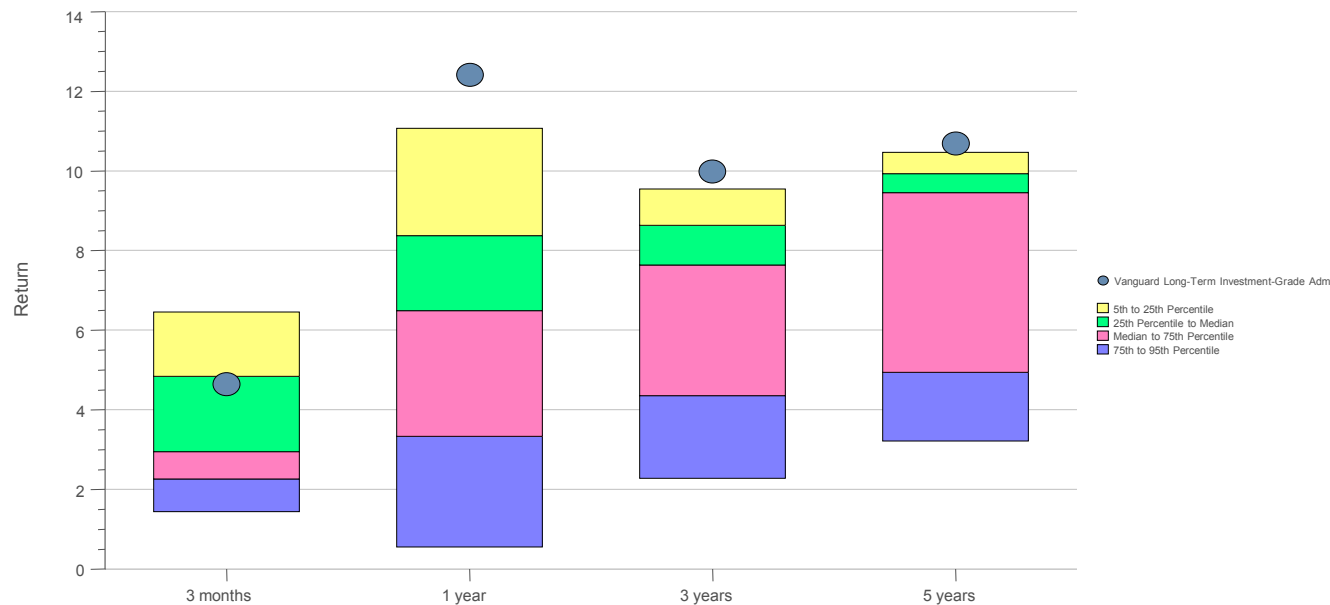
Zephyr StyleADVISOR: Advised Assets Group LLC

## Vanguard Long-Term Investment-Grade Bond Adm

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

## Manager vs Morningstar Long-Term Bond: Return

July 2009 - June 2014 (not annualized if less than 1 year)



## Manager vs Benchmark: Return

July 2004 - June 2014 (not annualized if less than 1 year)

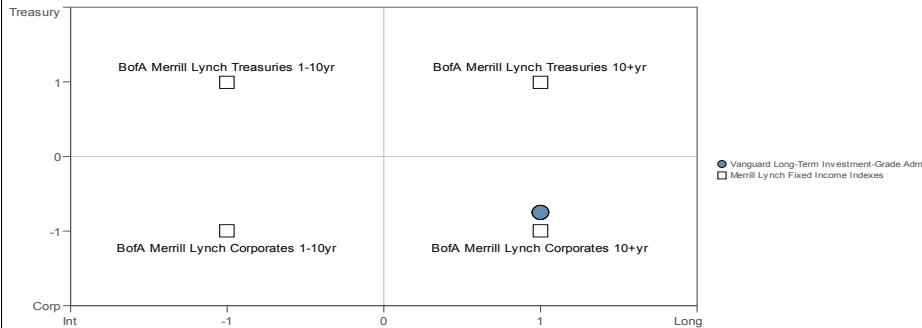
	3 months	YTD	1 year	3 years	5 years	10 years
Vanguard Long-Term Investment-Grade Adm	4.65%	11.31%	12.41%	9.99%	10.69%	7.67%
Morningstar Corporate Bond	2.96%	6.29%	8.50%	6.63%	8.79%	5.94%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

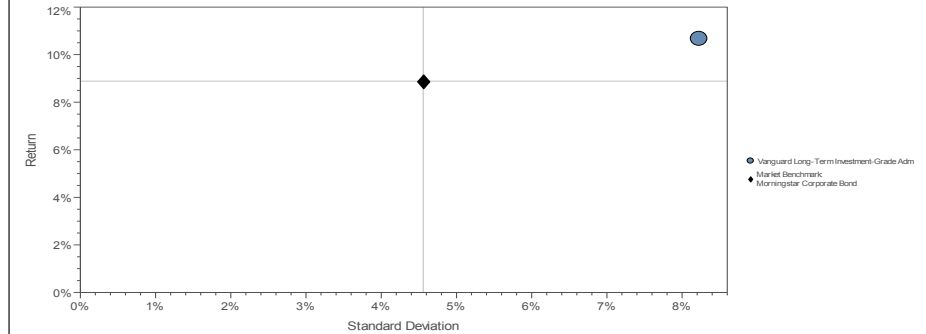
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

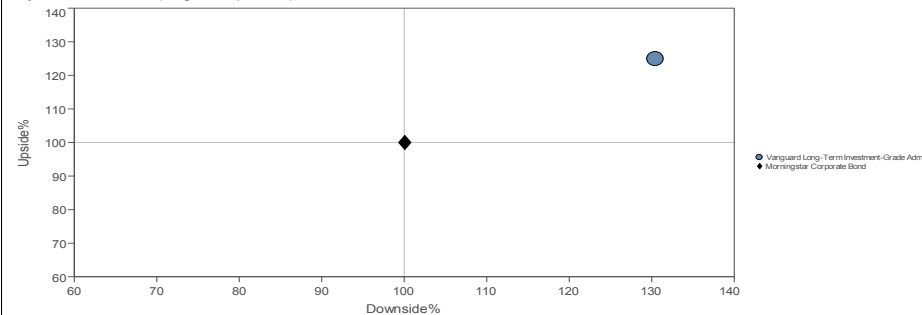
**Manager Style**  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



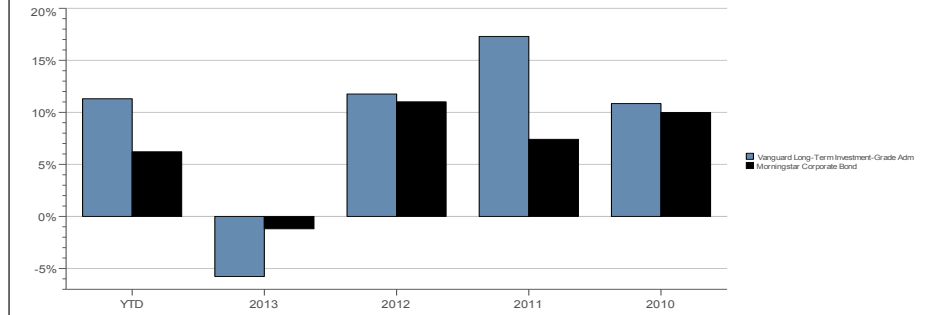
**Risk / Return**  
July 2009 - June 2014 (Single Computation)



**Upside / Downside**  
July 2009 - June 2014 (Single Computation)



**Calendar Year Return**  
As of June 2014



**Portfolio Statistics**  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
Vanguard Long-Term Investment-Grade Adm	66.16%	-2.31%	-0.52%	1.49	1.03	68.00%	97.54%	1.29	8.22%
Morningstar Corporate Bond	53.07%	0.00%	0.17%	1.00	1.05	100.00%	96.66%	1.93	4.56%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

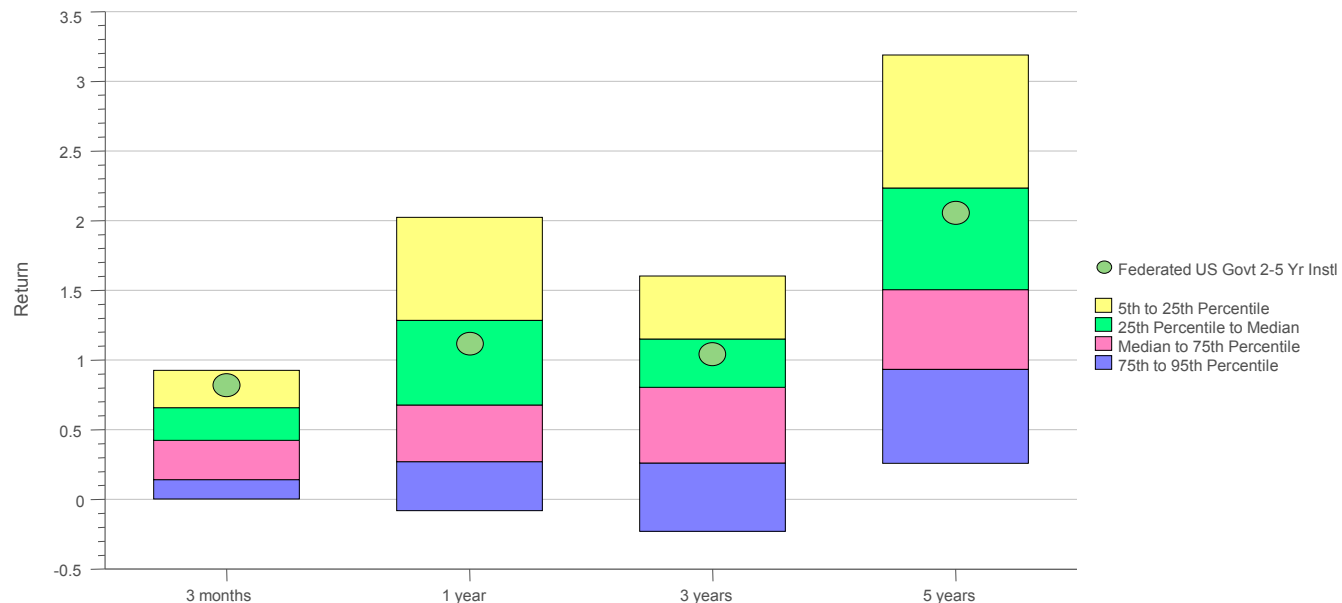
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Advised Assets Group LLC

## Federated US Govt 2-5 Yr Instl

The Federated US Govt 2-5 Yr fund seeks current income. The fund buys and sells portfolio securities based primarily on its market outlook and analysis of how securities may perform under different market conditions. It may also use derivative contracts and/or hybrid instruments to implement elements of its strategies. The fund may also purchase bonds from the U.S. government backed by the FDIC.

## Manager vs Morningstar Short Government: Return July 2009 - June 2014 (not annualized if less than 1 year)



## Manager vs Benchmark: Return July 2004 - June 2014 (not annualized if less than 1 year)

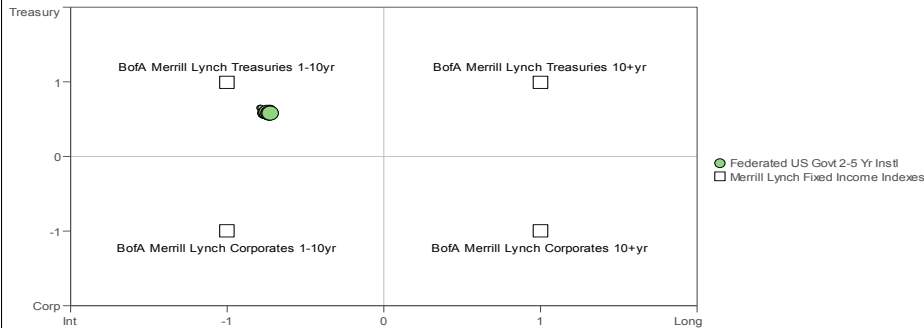
	3 months	YTD	1 year	3 years	5 years	10 years
Federated US Govt 2-5 Yr Instl	0.82%	0.85%	1.12%	1.04%	2.06%	3.48%
Morningstar Short-Term Government Bond	0.43%	0.73%	0.79%	0.67%	1.55%	2.63%

# PERFORMANCE BENCHMARKING OF ACTIVE OPTIONS

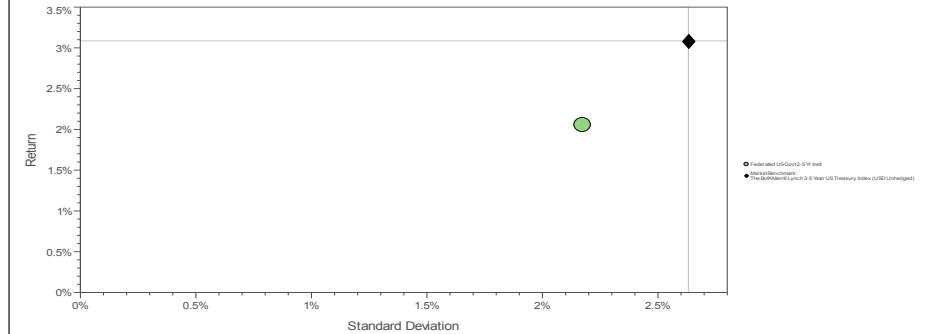
## Risk Analysis

Zephyr StyleADVISOR: Advised Assets Group LLC

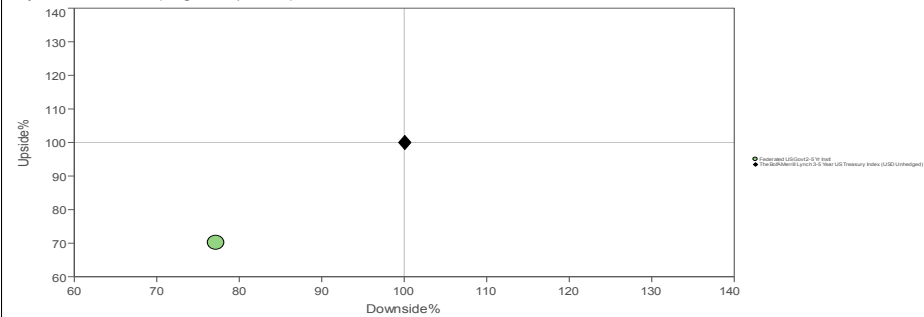
Manager Style  
July 2009 - June 2014 (36-Month Moving Windows, Computed Monthly)



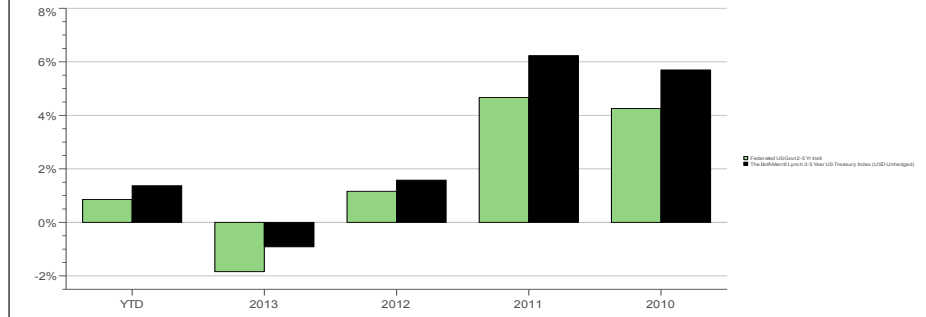
Risk / Return  
July 2009 - June 2014 (Single Computation)



Upside / Downside  
July 2009 - June 2014 (Single Computation)



Calendar Year Return  
As of June 2014



Portfolio Statistics  
July 2009 - June 2014: Summary Statistics

	Cumulative Return	Alpha vs. Market	Alpha vs. Style	Beta vs. Market	Beta vs. Style	R-Squared vs. Market	R-Squared vs. Style	Sharpe Ratio	Standard Deviation
Federated US Govt 2-5 Yr Instl	10.72%	-0.34%	0.17%	0.78	22.68	89.92%	2.11%	0.91	2.17%
BofA Merrill Lynch U.S. Treasuries 3-5 Yrs (USD Unhedged)	16.41%	0.00%	0.63%	1.00	29.33	100.00%	2.40%	1.14	2.63%





ADVISED ASSETS  
GROUP

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# LIFE CYCLE OPTIONS

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*2Q2014*

# LIFE CYCLE OPTIONS – 6/30/2014

Name	3 Mo	1 Yr	3 Yr	5 Yr	Annual Return (2013)	Annual Return (2012)	Annual Return (2011)	% Short-Term	% US Stocks	% Non US Stocks	% Inv Grade Bond	% High Yield Bond
<b>Vanguard Target Retirement Income Inv</b>	<b>2.74</b>	<b>9.73</b>	<b>6.60</b>	<b>8.59</b>	<b>5.87</b>	<b>8.23</b>	<b>5.25</b>	<b>6</b>	<b>21</b>	<b>9</b>	<b>64</b>	<b>0</b>
Fidelity Freedom Income	2.14	7.55	4.53	6.75	4.56	6.40	2.02	21	15	8	50	6
T. Rowe Price Retirement Income	3.16	11.78	6.99	9.65	9.15	10.05	1.43	4	27	12	51	5
Composite Returns*	2.51	9.45	5.76	7.48	6.92	6.85	3.51	-	-	-	-	-
S&P Target Date Retirement Income TR USD	2.56	9.11	6.06	8.17	6.28	7.51	3.98	-	-	-	-	-
<b>Vanguard Target Retirement 2015 Inv</b>	<b>3.46</b>	<b>14.51</b>	<b>8.84</b>	<b>11.87</b>	<b>13.00</b>	<b>11.37</b>	<b>1.71</b>	<b>3</b>	<b>35</b>	<b>16</b>	<b>46</b>	<b>0</b>
Fidelity Freedom 2015	3.30	13.70	7.50	10.91	11.88	10.68	-0.34	10	37	18	29	6
T. Rowe Price Retirement 2015	3.85	16.56	9.55	13.25	15.18	13.81	-0.32	4	38	18	34	6
Composite Returns*	2.96	13.28	7.45	9.62	13.08	8.97	0.95	-	-	-	-	-
S&P Target Date 2015 TR USD	3.19	13.23	8.04	11.10	12.16	10.32	1.53	-	-	-	-	-
<b>Vanguard Target Retirement 2025 Inv</b>	<b>3.99</b>	<b>18.01</b>	<b>10.42</b>	<b>13.78</b>	<b>18.14</b>	<b>13.29</b>	<b>-0.37</b>	<b>2</b>	<b>47</b>	<b>21</b>	<b>30</b>	<b>0</b>
Fidelity Freedom 2025	3.80	17.08	8.98	12.97	16.50	13.15	-2.65	4	47	24	18	6
T. Rowe Price Retirement 2025	4.23	20.41	11.37	15.32	20.78	16.00	-2.06	4	48	24	21	4
Composite Returns*	3.32	16.39	8.82	11.34	18.08	10.67	-1.14	-	-	-	-	-
S&P Target Date 2025 TR USD	3.67	16.52	9.60	13.27	17.03	12.51	-0.28	-	-	-	-	-
<b>Vanguard Target Retirement 2035 Inv</b>	<b>4.46</b>	<b>21.12</b>	<b>11.75</b>	<b>15.44</b>	<b>22.82</b>	<b>15.16</b>	<b>-2.24</b>	<b>1</b>	<b>58</b>	<b>25</b>	<b>16</b>	<b>0</b>
Fidelity Freedom 2035	4.32	19.84	10.02	14.10	20.68	14.45	-4.59	4	58	29	2	7
T. Rowe Price Retirement 2035	4.54	23.00	12.53	16.62	24.86	17.35	-3.26	3	55	28	11	2
Composite Returns*	3.62	19.05	9.98	12.80	22.44	12.13	-3.01	-	-	-	-	-
S&P Target Date 2035 TR USD	4.04	19.12	10.77	14.71	20.84	14.12	-1.71	-	-	-	-	-
<b>Vanguard Target Retirement 2045 Inv</b>	<b>4.60</b>	<b>22.13</b>	<b>12.27</b>	<b>15.80</b>	<b>24.37</b>	<b>15.58</b>	<b>-2.51</b>	<b>1</b>	<b>62</b>	<b>27</b>	<b>10</b>	<b>0</b>
Fidelity Freedom 2045	4.27	20.22	10.21	14.44	21.60	14.79	-5.02	4	58	29	3	6
T. Rowe Price Retirement 2045	4.61	23.69	12.90	16.84	25.93	17.62	-3.47	3	58	30	8	1
Composite Returns*	3.75	20.14	10.45	13.40	24.21	12.72	-3.78	-	-	-	-	-
S&P Target Date 2045 TR USD	4.28	20.73	11.50	15.44	23.14	15.15	-2.56	-	-	-	-	-
<b>Vanguard Target Retirement 2055 Inv</b>	<b>4.60</b>	<b>22.18</b>	<b>12.35</b>		<b>24.33</b>	<b>15.58</b>	<b>-2.27</b>	<b>1</b>	<b>62</b>	<b>27</b>	<b>10</b>	<b>0</b>
Fidelity Freedom 2055 (begun 6/11)	4.30	20.90	10.39		22.71	15.32		4	58	29	3	6
T. Rowe Price Retirement 2055	4.58	23.71	12.90	16.87	25.86	17.60	-3.35	3	58	29	8	1
Composite Returns*	3.74	20.10	10.43	13.37	24.15	12.70	-3.77	-	-	-	-	-
S&P Target Date 2055+ TR USD	4.46	22.12	12.19	15.87	24.96	15.81	-2.87	-	-	-	-	-



# LIFECYCLE OPTIONS OBSERVATIONS – 6/30/2014

- The Vanguard Target Retirement Funds continue to outperform their “Composite” indices over the 1, 3, & 5 year time periods.
- At the end of the 2<sup>nd</sup> quarter of 2014, the Vanguard Target Retirement Funds were outperforming the Fidelity Freedom Fund across the 1, 3, 5, & 10 year time periods. However, when compared to the T. Rowe Price Target Date Funds, Vanguard has trailed across those same time periods. T. Rowe has a much larger equity exposure which means that they will tend to outperformed in a more “Risk” on environment (like 2012 & 2013) while underperforming in “Defensive” environments (like 2011).
- Vanguard’s target allocations give them equity exposure that is in-line with 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.



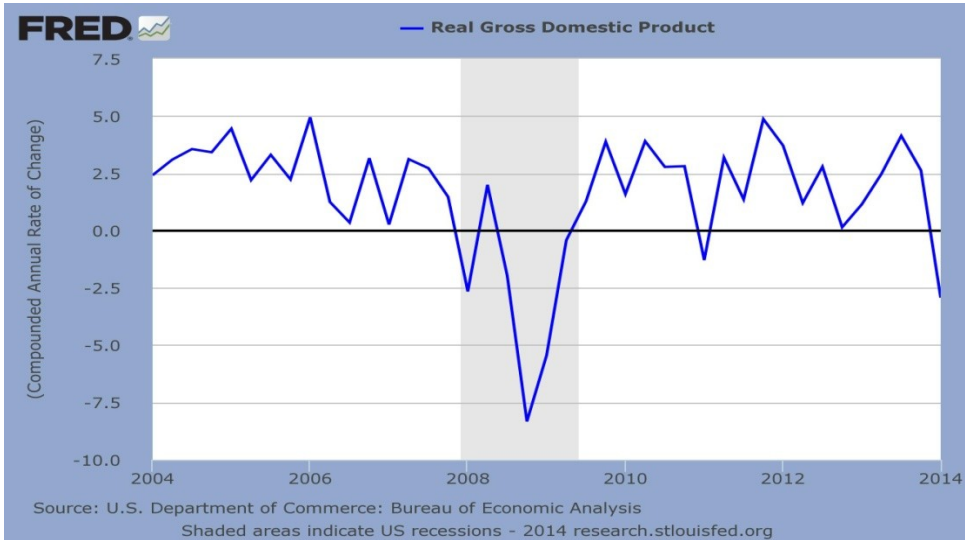


# ECONOMIC & CAPITAL MARKETS UPDATE

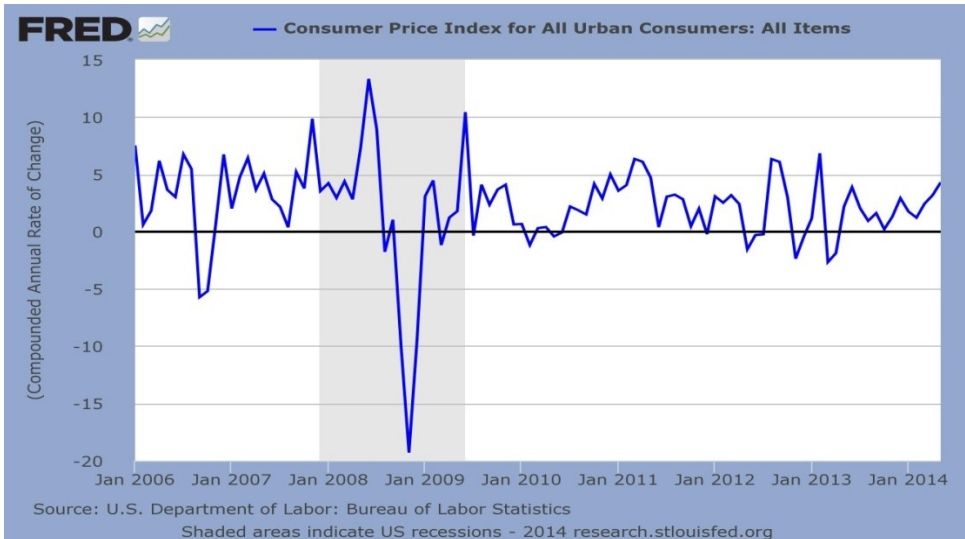
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*2Q2014*

# CURRENT ECONOMIC CONDITIONS



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=GDPC1>



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=CPIAUCSL#>

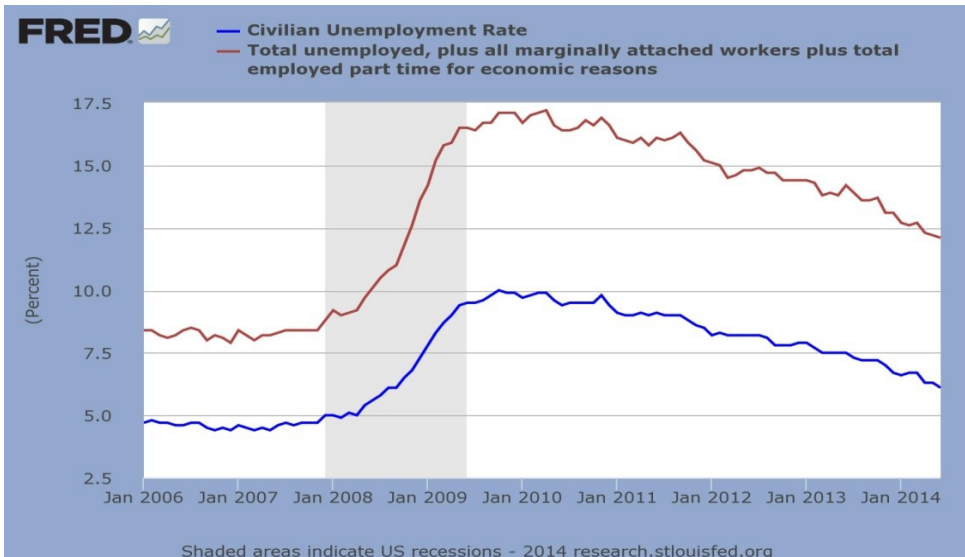
## GDP

- Real Gross Domestic Product decreased at an annual real rate of (2.9)% in the first quarter.<sup>1</sup>
  - The decrease reflected negative contributions from a variety of areas, including private inventory investment, exports, state and local government spending, residential fixed investments, and nonresidential fixed investments.
  - The surprising decrease in the first quarter followed an increase of 2.6% in the fourth quarter of 2013.

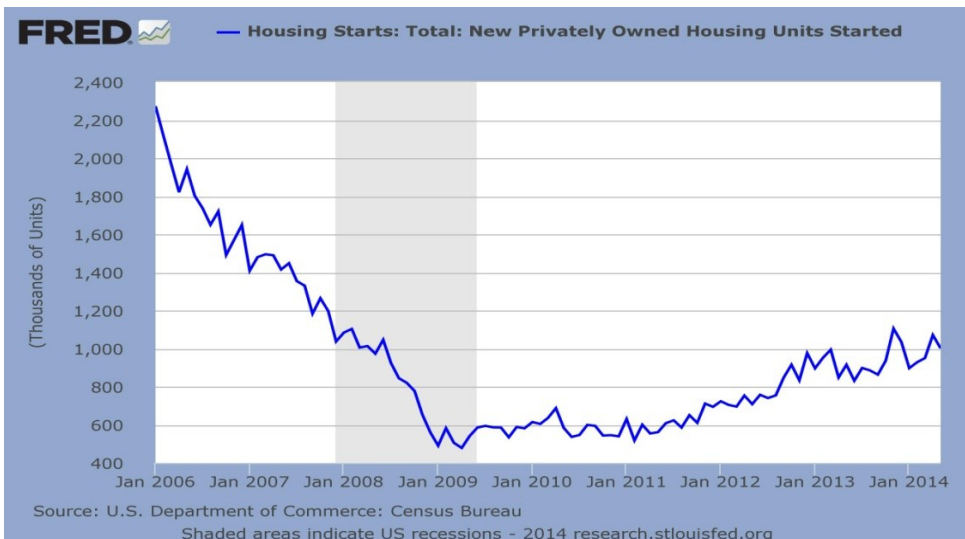
## Inflation

- The Consumer Price Index (CPI) increased 2.1% for the 12 months ending in May.<sup>2</sup>
  - The 12 month change in Core CPI (CPI ex food & energy) was 2.0% over the previous 12 months.
  - The Food Index posted its largest increase since August 2011, rising 0.7% for the month.
  - The Energy Index increased 0.9% in May, due in large part to a 2.3% increase in the Electricity Index. Over the prior 12 months, Electricity has increased 3.6%.
  - The increase in CPI for the month of May was the largest monthly increase since February, 2013.

# CURRENT ECONOMIC CONDITIONS



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=UNRATE>



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=HOUST#>

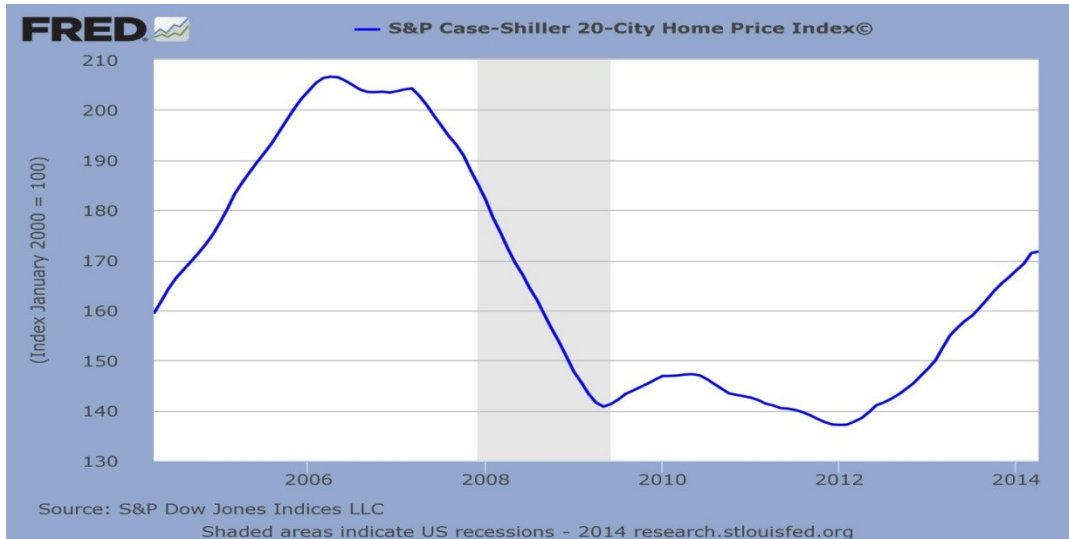
## Employment Statistics

- The official unemployment rate (U-3) declined to 6.1% at the end of June.<sup>3</sup>
  - Non-farm payrolls increased by 288,000 in June. Employment rose in professional and business services, healthcare, food services and drinking places, and retail trade.
  - The “U-6 Rate”, the most comprehensive measure of the nation’s employment situation, stood at 12.1% at the end of June.
  - The Labor Force Participation Rate was at 62.8%, for the third consecutive month. By comparison, the rate was consistently above 66% prior to the financial crisis.

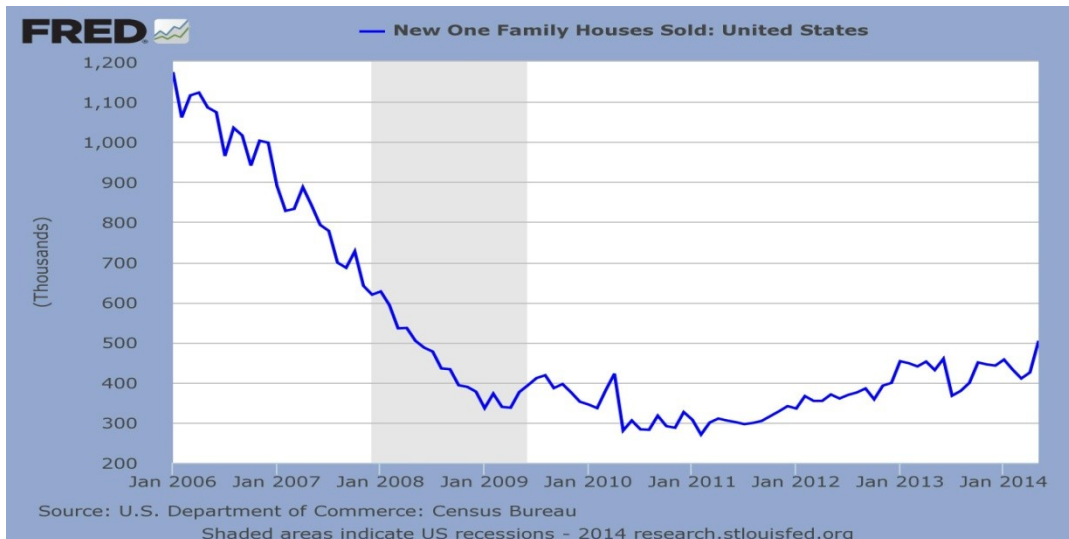
## Housing

- Housing Starts decreased 6.5% in May from the April measure.<sup>4</sup>
  - This number represents a 9.4% increase from the May 2013 measure.
  - Building permits decreased 6.4% from the April figures. This represents a 1.9% decrease over the prior 12 months.
  - Home price indices continue to improve, with prices increasing across the nation.

# Housing Continues to Improve



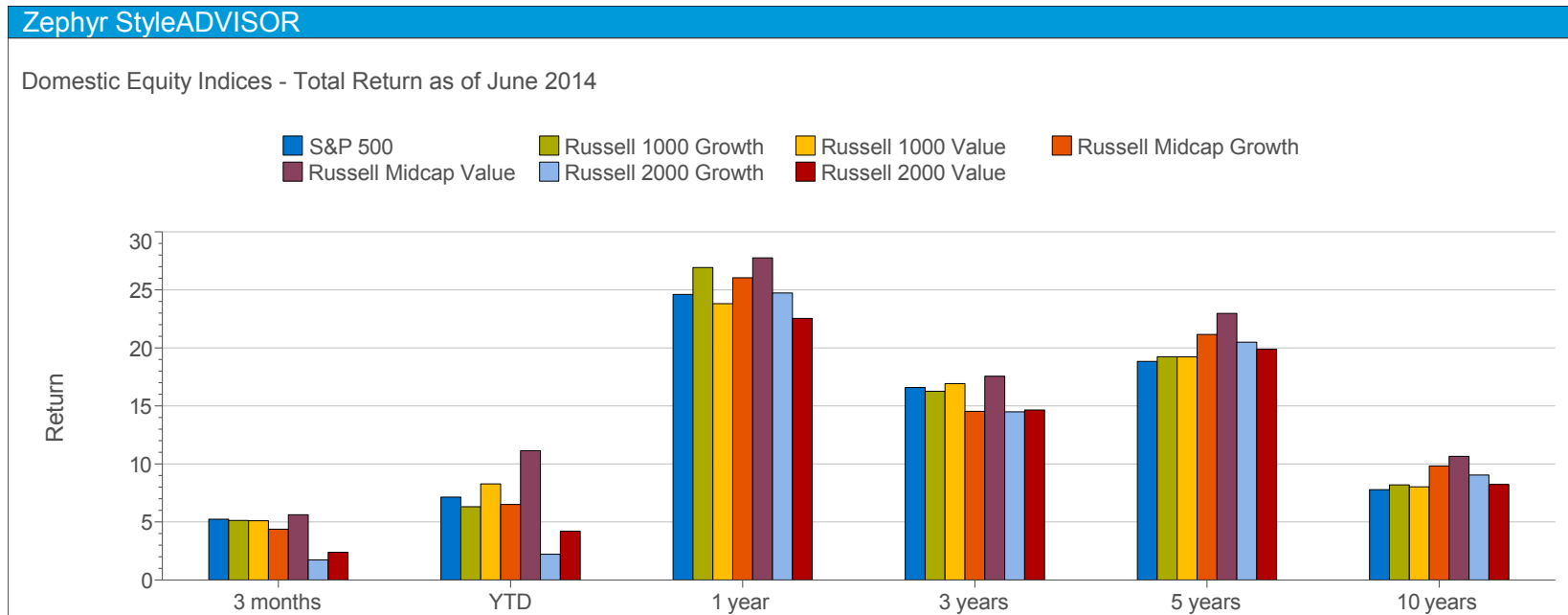
Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/series/SPCS20RSA>



Source: St. Louis Fed, <http://research.stlouisfed.org/fred2/graph/?id=HSN1F>

The U.S. housing market continues to improve. Home prices, as exemplified by the S&P/Case-Shiller Home Price Index (top graph), have made steady improvement since bottoming-out in early 2011. In addition, sales of new one-family homes have improved. As of the end of May, 2014, the index is up 87% from its February, 2011, low. This has been good news to not only homebuilders, but the many other construction-related industries.

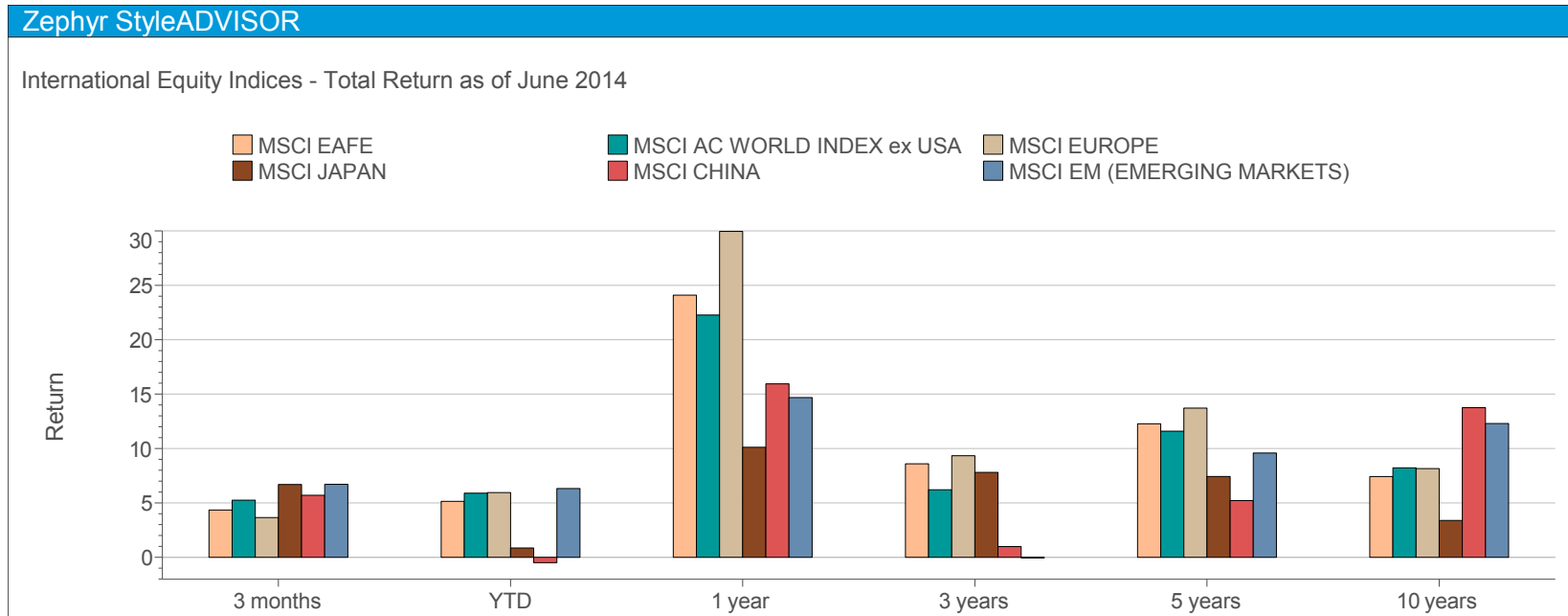
# Market Update – Domestic Equity



Domestic equity markets finished the 2<sup>nd</sup> quarter with solid gains.

- Midcap Value stocks once again led the quarter with gains of more than 5%.
- For the second quarter in a row, value stocks outperformed their growth counterparts during the quarter.
- Small cap stocks trail large and mid cap stocks by a wide margin for the year.

# Market Update – International Equity



International stocks finished the quarter with solid gains.

- Emerging market stocks soundly outperformed developed market stocks for the three months.
- Japanese stocks rebounded well during the second quarter.
- Chinese stocks performed well for the quarter, but it was not enough to bring them into positive territory for the year.

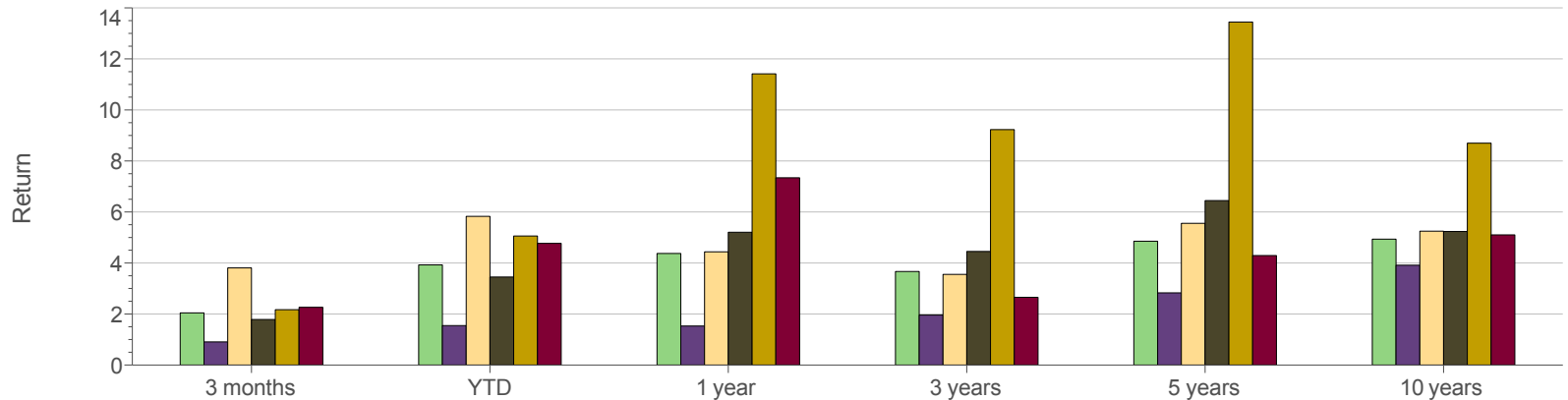


# Market Update – Fixed Income

## Zephyr StyleADVISOR

Fixed Income Returns as of June 2014

■ Barclays Capital U.S. Aggregate     
 ■ Barclays Capital U.S. Government: Intermediate     
 ■ Barclays Capital U.S. Treasury: U.S. TIPS  
■ Barclays Capital U.S. Intermediate Credit     
 ■ Barclays Capital Intermediate U.S. High Yield     
 ■ Citigroup WorldBIG Index

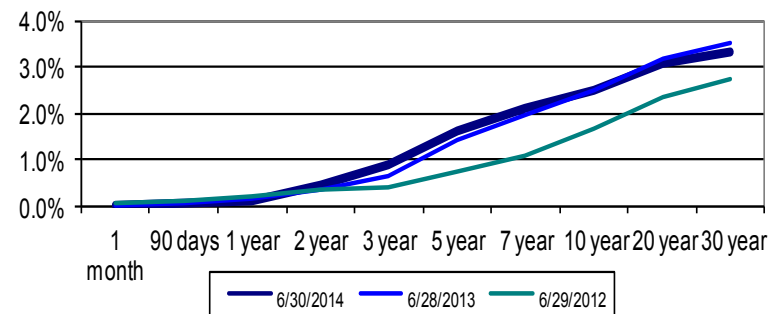


Fixed Income indices also saw good gains for the three months.

- TIPS led the way in performance for the second quarter.
- High Yield bonds continue to show superior performance over most time frames.

## Treasury Yield Curve<sup>5</sup>

[www.treasury.gov](http://www.treasury.gov)



<sup>1</sup> Bureau of Economic Analysis , “National Income and Products Accounts GDP, 1<sup>st</sup> quarter 2014 (third estimate), June 25, 2014  
<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

<sup>2</sup> Bureau of Labor Statistics, U.S. Department of Labor, Economic News Release “Consumer Price Index – May 2014”, June 17, 2014,  
<http://bls.gov/news.release/cpi.nr0.htm>

<sup>3</sup> Bureau of Labor Statistics, U.S. Department of Labor, Economic News Release “Employment Situation Summary”, July 3, 2014.  
<http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>4</sup> U. S. Census Bureau News, New Residential Construction in May 2014 , June 17, 2014  
<http://www.census.gov/construction/nrc/pdf/newresconst.pdf>

<sup>5</sup>U.S. Department of the Treasury, Data and Charts Center 2014, <http://www.treasury.gov/resource-center/data-chart-center/Pages/index.aspx>

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# INVESTMENT POLICY STATEMENT & FUND BENCHMARKS

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*2Q2014*

# INVESTMENT BENCHMARKS

<u>Investment Product</u>	<u>Current Benchmarks</u>
<u>Core Funds</u> American Funds EuroPacific Growth R6	Morningstar Foreign Large Blend Avg MSCI EAFE Index MSCI ACWI ex U.S.
DFA U.S. Microcap Portfolio	Morningstar Small Cap Growth Avg Russell 2000 Index*
T. Rowe Price MidCap Growth Fund	Morningstar Mid Cap Growth Avg Russell Mid Cap Growth Index S&P Midcap 400 Index
Fidelity Contrafund	Morningstar Large Cap Growth Avg Russell 1000 Growth Index S&P 500 Index
Vanguard Wellington Fund (Admiral Shares)	Morningstar Moderate Allocation Avg Composite 65% S&P 500 / 35% Barclay's Aggregate Composite 65% S&P 500 / 35% Barclay's U.S. Credit A or Better Idx
Vanguard Long-Term Investment Grade-Fund Adm	Morningstar Corporate Bond Avg Barclay's LT Corporate A*
Federated U.S. Government Securities Fund 2-5 Years Instl	Morningstar Short Government Avg Barclay's US Treas/Agency 3-5 Yr BofA Merrill Lynch US Treas 3-5 Yr
Vanguard Admiral Treasury Money Market Fund	Morningstar Taxable Money Market Avg U.S. Treasury 90-Day T-Bill iMoneyNet Money Fund Report Avg 100% Treas Fund
Stable Value Fund (Galliard) FDIC Option- M&I Bank of Southern Wisconsin	Five Year Constant Maturity Treas Rate 50% 3-Month LIBOR / 50% 12-Month LIBOR

# INVESTMENT BENCHMARKS

## Index Funds

Blackrock EAFE Equity Index Fund	MSCI EAFE
Blackrock Small Cap Equity Index Fund	Russell 2000 Index
Blackrock MidCap Equity Index Fund	S&P MidCap 400 Index
Vanguard Institutional Index Fund (Plus Shares)	S&P 500 Index
Blackrock U.S. Debt Index Fund	BarCap Aggregate Index

## Specialty Funds

Calvert Social Investment Equity Fund- Institutional Class	Morningstar Socially Resp Large Cap Avg** Morningstar Large Cap Growth Avg S&P 500 Index
Vanguard Lifecycle Funds	S&P Target Date Indexes** Composite benchmarks based on asset allocation of funds

\* Benchmarks that are used by both the Wisconsin ETF Deferred Compensation Board as well as the mutual fund advisor.

\*\* Per the Deferred Compensation Plan's Investment Policy Statement, Specialty Funds (funds chosen for reasons other than performance) are measured only against their peer group. Other benchmarks are included to provide additional monitoring criteria.







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# GLOSSARY

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*2Q2014*

## 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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