

## **LOSAP Portfolio Review**

***Prepared for: Beacon, City of LOSAP***

**Prepared by:**

David M Rogers, Senior Portfolio Manager  
RBC Wealth Management

**Data and Analytics**

**Provided by:**  
Morningstar



**RBC Wealth Management®**

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May 09, 2018

# Portfolio Snapshot

## Beacon, City of LOSAP: CITY OF BEACON

### Portfolio Value

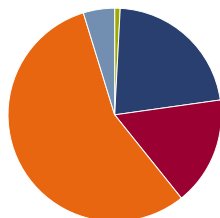
\$681,636.66

### Benchmark

DJ Moderately Conservative TR USD (USD)

300-00914 060

Analysis 04-30-2018




#### Asset Allocation

- Cash
- US Stocks
- Non-US Stocks
- Bonds
- Other/Not Clsfd

	Portfolio Net %	Bmark Net %
Cash	0.83	0.00
US Stocks	21.94	16.56
Non-US Stocks	16.48	3.86
Bonds	56.00	0.00
Other/Not Clsfd	4.74	79.59

#### Morningstar Equity Style Box %

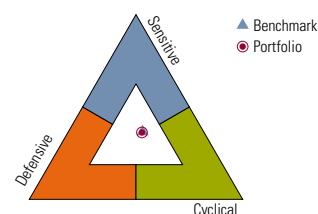
28	27	24	Large	Total Stock Holdings	
7	6	4		Mid	4,093
2	1	1			% Not Classified
				0	
Value	Blend	Growth			
					
0-10	10-25	25-50	>50		

#### Morningstar Fixed Income Style Box %

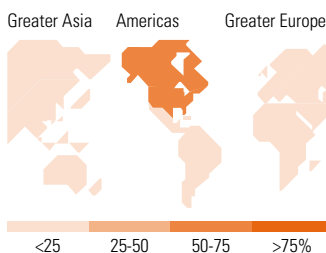
2	0	0	High	Total Bond Holdings
0	0	0	Med	11,242
61	0	0	Low	% Not Classified
Ltd	Mod	Ext		37
<div><div></div><div></div><div></div></div>				
<div>0-1010-2525-50&gt;50</div>				

Stock Analysis 04-30-2018

#### Stock Sectors

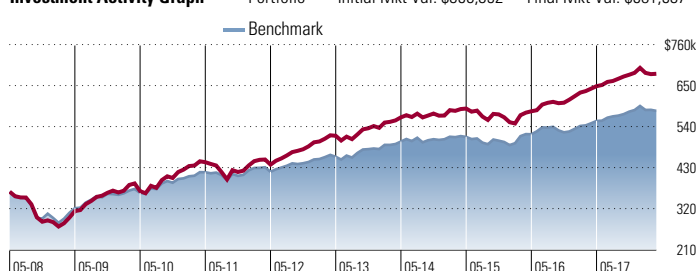


#### World Regions



Performance 04-30-2018

#### Investment Activity Graph



#### Trailing Returns\*

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	-2.29	6.20	5.11	5.70	6.47
Benchmark Return	-2.21	6.06	4.21	4.64	4.84
+/- Benchmark Return	-0.08	0.14	0.90	1.06	1.63

\*Full return history is not available for all securities. Please see Return Participation disclosure.

#### Best/Worst Time Periods

	Best %	Worst %
3 Months	15.20 ( Mar 2009-May 2009 )	-18.53 ( Sep 2008-Nov 2008 )
1 Year	36.58 ( Apr 2009-Mar 2010 )	-18.72 ( May 2008-Apr 2009 )
3 Years	18.03 ( Mar 2009-Feb 2012 )	3.12 ( Mar 2013-Feb 2016 )

#### Portfolio Yield ( 04-30-2018 )

12-Month Yield

Yield %

#### Portfolio-Level Performance Disclosure

The portfolio-level performance shown is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. The performance data reflects monthly portfolio rebalancing.

	Portfolio (%)	Bmark (%)
<b>Cyclical</b>	<b>37.29</b>	<b>37.54</b>
Basic Matls	4.73	4.78
Consumer Cycl	11.34	12.35
Financial Svs	16.95	16.36
Real Estate	4.27	4.05
<b>Sensitive</b>	<b>39.89</b>	<b>40.74</b>
Commun Svs	3.77	2.79
Energy	7.76	5.41
Industrials	12.53	11.38
Technology	15.83	21.16
<b>Defensive</b>	<b>22.82</b>	<b>21.72</b>
Consumer Def	8.25	7.33
Healthcare	11.66	11.64
Utilities	2.91	2.75
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

	Portfolio (%)	Bmark (%)
<b>Americas</b>	<b>61.72</b>	<b>73.64</b>
North America	60.50	73.62
Latin America	1.22	0.02
<b>Greater Europe</b>	<b>21.87</b>	<b>0.41</b>
United Kingdom	5.69	0.15
Europe-Developed	14.72	0.26
Europe-Emerging	0.87	0.00
Africa/Middle East	0.59	0.00
<b>Greater Asia</b>	<b>16.41</b>	<b>25.95</b>
Japan	6.77	15.26
Australasia	2.06	3.77
Asia-Developed	4.50	6.34
Asia-Emerging	3.08	0.58
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

Holdings 04-30-2018

#### Top 8 holdings out of 8

BlackRock Multi-Asset Income Instl (USD)  
 Guggenheim Macro Opportunities Instl (USD)  
 Schwab US Broad Market ETF™ (USD)  
 Schwab International Equity ETF™ (USD)  
 Janus Henderson Strategic Income I (USD)  
 PIMCO Income I2 (USD)  
 BlackRock Total Emerging Markets Instl (USD)  
 US Fund Money Market - Taxable (USD)

Symbol	Type	Holding Value \$	% Assets
BICX	MF	169,932	24.93
GIOX	MF	139,271	20.43
SCHB	ETF	106,226	15.58
SCHF	ETF	74,090	10.87
HFAIX	MF	69,554	10.20
PONPX	MF	69,111	10.14
BEEIX	MF	32,986	4.84
\$FOCA\$TM\$\$	CA	20,468	3.00



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# Portfolio Snapshot

## Beacon, City of LOSAP: CITY OF BEACON

### Portfolio Value

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300-00914 060

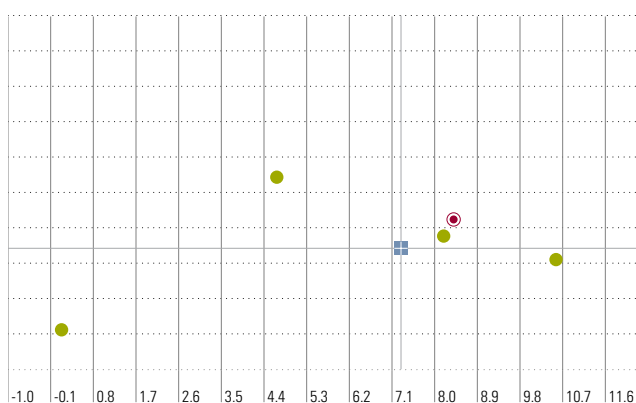
### Benchmark

DJ Moderately Conservative TR USD (USD)

### Risk Analysis 04-30-2018

#### Risk/Reward Scatterplot

● Portfolio ● Holdings ■ Bmark 10 Year Mean



#### Performance History Graph

■ Portfolio Quarterly returns +/- Benchmark in %



#### Risk and Return Statistics\*

	3 Yr		5 Yr		10 Yr	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	4.90	4.49	4.89	4.50	8.40	7.29
Mean	5.11	4.21	5.70	4.64	6.47	4.84
Sharpe Ratio	0.93	0.81	1.11	0.96	0.77	0.65

#### MPT Statistics\*

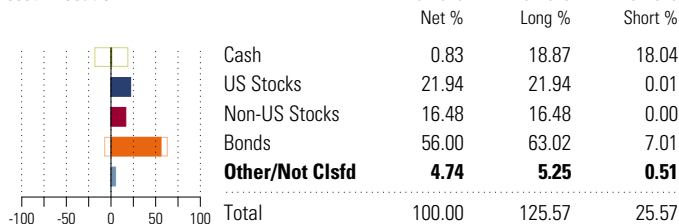
	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	0.94	1.05	1.32
Beta	0.98	0.99	1.07
R-Squared	81.44	83.92	86.09

#### Portfolio-Level Performance Disclosure

The portfolio-level performance shown is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown. The performance data reflects monthly portfolio rebalancing.

### Fundamental Analysis 04-30-2018

#### Asset Allocation



#### Market Maturity

	Portfolio	Bmark
% of Stocks		
Developed Markets	94.47	99.42
Emerging Markets	5.53	0.58
<b>Not Available</b>	<b>0.00</b>	<b>0.00</b>
<b>Valuation Multiples</b>		
Price/Earnings	17.00	18.73
Price/Book	2.17	2.32
Price/Sales	1.51	1.69
Price/Cash Flow	10.44	11.73

#### Geometric Avg Capitalization (\$Mil)

Portfolio	39,197.43
Benchmark	46,273.34

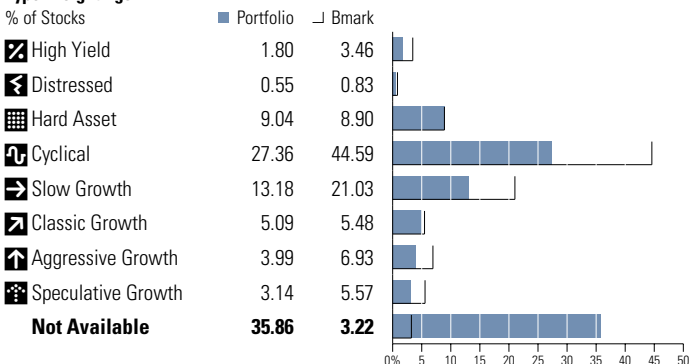
#### Credit Quality Breakdown

	% of Bonds
AAA	7.50
AA	3.52
A	7.35
BBB	8.62
BB	10.65
B	9.86
Below B	5.68
NR	46.82

#### Interest Rate Risk

	Bonds	% Not Available
Avg Eff Maturity	5.71	22.09
Avg Eff Duration	1.58	22.09
Avg Wtd Coupon	4.11	1.60

#### Type Weightings



#### Profitability

	Portfolio	Bmark
% of Stocks	2018-04	2018-04
Net Margin	14.17	13.59
ROE	18.42	17.88
ROA	6.35	6.24
Debt/Capital	39.30	38.93

#### Fund Statistics

Potential Cap Gains Exposure	4.38
Avg Net Expense Ratio	0.54
Avg Gross Expense Ratio	0.63

\*Full return history is not available for all securities. Please see Return Participation disclosure.

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RBC Wealth Management

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**Portfolio Value**

\$681,636.66

**Benchmark**

DJ Moderately Conservative TR USD (USD)

300-00914 060

**Standardized and Tax Adjusted Returns**

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end please visit <http://advisor.morningstar.com/familyinfo.asp>.

Standardized Returns assume reinvestment of dividends and capital gains. They depict performance without adjusting for the effects of taxation, but are adjusted to reflect sales charges and ongoing fund expenses.

If adjusted for taxation, the performance quoted would be significantly reduced. For variable annuities, additional expenses will be taken into account, including M&E risk charges, fund-level expenses such as management fees and operating fees, contract-level administration fees, and charges such as surrender, contract, and sales charges. The maximum redemption fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase.

After-tax returns are calculated using the highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or an IRA. After-tax returns exclude the effects of either the alternative minimum tax or phase-out of certain tax credits. Any taxes due are as of the time the distributions are made, and the taxable amount and tax character of each distribution are as specified by the fund on the dividend declaration date. Due to foreign tax credits or realized capital losses, after-tax returns may be greater than before-tax returns. After-tax returns for exchange-traded funds are based on net asset value.

**Money Market Fund Disclosures**

If money market fund(s) are included in the Standardized Returns table below, each money market fund's name will be followed by a superscripted letter that links it to the applicable disclosure below:

**Institutional Money Market Funds (designated by an "S"):**

You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

**Government Money Market Funds that have chosen to rely on the ability to impose liquidity fees and suspend redemptions (designated by an "L") and****Retail Money Market Funds (designated by an "L"):**

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

**Government Money Market Funds that have chosen not to rely on the ability to impose liquidity fees and suspend redemptions (designated by an "N"):**

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

**Annualized returns 03-31-2018**

Standardized Returns (%)	7-day Yield Subsidized as of date	7-day Yield Unsubsidized as of date	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %	Redemption %
BlackRock Multi-Asset Income Instl	—	—	4.48	4.58	—	5.62	04-07-2008	NA	NA	0.57 <sup>1</sup>	0.70	NA
BlackRock Total Emerging Markets Instl	—	—	13.15	—	—	3.22	05-16-2013	NA	NA	0.91 <sup>2</sup>	1.09	NA
Guggenheim Macro Opportunities Instl	—	—	3.65	4.25	—	6.18	11-30-2011	NA	NA	0.95 <sup>3</sup>	1.12	NA
Janus Henderson Strategic Income I	—	—	3.11	4.44	—	4.70	04-29-2011	NA	NA	0.75 <sup>4</sup>	0.78	NA

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RBC Wealth Management

Annualized returns 03-31-2018													
Standardized Returns (%)	7-day Yield Subsidized as of date	7-day Yield Unsubsidized as of date	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %	Redemption %	Max
PIMCO Income I2	—	—	5.17	5.62	9.04	8.99	04-30-2008	NA	NA	0.60	0.63	NA	NA
Schwab International Equity ETF <sup>TM</sup> -NAV	—	—	14.88	6.38	—	6.18	11-03-2009	NA	NA	0.06	0.06	NA	NA
Schwab International Equity ETF <sup>TM</sup> -Market	—	—	15.52	6.47	—	6.31	11-03-2009	NA	NA	0.06	0.06	NA	NA
Schwab US Broad Market ETF <sup>TM</sup> -NAV	—	—	13.82	13.00	—	14.18	11-03-2009	NA	NA	0.03	0.03	NA	NA
Schwab US Broad Market ETF <sup>TM</sup> -Market	—	—	13.77	13.01	—	14.10	11-03-2009	NA	NA	0.03	0.03	NA	NA
<b>BBgBarc US Agg Bond TR USD</b>			<b>1.20</b>	<b>1.82</b>	<b>3.63</b>	—	—						
<b>BBgBarc US Credit TR USD</b>			<b>2.59</b>	<b>2.83</b>	<b>5.15</b>	—	—						
<b>BBgBarc US Universal TR USD</b>			<b>1.52</b>	<b>2.19</b>	<b>4.01</b>	—	—						
<b>Citi WGBI NonUSD USD</b>			<b>12.93</b>	<b>1.36</b>	<b>1.82</b>	—	—						
<b>DJ Moderately Conservative TR USD</b>			<b>7.68</b>	<b>5.01</b>	<b>5.10</b>	—	<b>01-31-1983</b>						
<b>ICE BofAML US High Yield TR USD</b>			<b>3.69</b>	<b>5.01</b>	<b>8.12</b>	—	—						
<b>ICE BofAML USD 3M Dep OR CM TR USD</b>			<b>1.21</b>	<b>0.55</b>	<b>0.74</b>	—	—						
<b>Morningstar Mod Agg Tgt Risk TR USD</b>			<b>12.00</b>	<b>8.42</b>	—	—	—						
<b>Morningstar Mod Tgt Risk TR USD</b>			<b>9.09</b>	<b>6.69</b>	—	—	—						
<b>MSCI ACWI Ex USA NR USD</b>			<b>16.53</b>	<b>5.89</b>	<b>2.70</b>	—	—						
<b>MSCI EAFE NR USD</b>			<b>14.80</b>	<b>6.50</b>	<b>2.74</b>	—	—						
<b>MSCI EM NR USD</b>			<b>24.93</b>	<b>4.99</b>	<b>3.02</b>	—	—						
<b>Russell 1000 TR USD</b>			<b>13.98</b>	<b>13.17</b>	<b>9.61</b>	—	—						
<b>Russell 3000 TR USD</b>			<b>13.81</b>	<b>13.03</b>	<b>9.62</b>	—	—						
<b>S&amp;P 500 TR USD</b>			<b>13.99</b>	<b>13.31</b>	<b>9.49</b>	—	—						
<b>S&amp;P/LSTA Leveraged Loan TR</b>			<b>4.43</b>	<b>3.89</b>	<b>5.62</b>	—	—						
<b>US Fund Money Market - Taxable</b>			<b>0.67</b>	<b>0.17</b>	<b>0.21</b>	—	—						
<b>USTREAS T-Bill Auction Ave 3 Mon</b>			<b>1.23</b>	<b>0.37</b>	<b>0.32</b>	—	—						

1. Contractual waiver; Expires 11-30-2018
2. Contractual waiver; Expires 02-28-2019
3. Contractual waiver; Expires 02-01-2019; Dividend expense 0.03%
4. Contractual waiver; Expires 11-01-2018

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares				
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception	
BlackRock Multi-Asset Income Instl	2.30	2.28	—	3.70	04-07-2008	2.55	2.44	—	3.53	
BlackRock Total Emerging Markets Instl	11.16	—	—	2.37	05-16-2013	7.85	—	—	2.08	
Guggenheim Macro Opportunities Instl	2.22	2.12	—	4.05	11-30-2011	2.08	2.25	—	3.83	
Janus Henderson Strategic Income I	1.91	2.77	—	2.98	04-29-2011	1.78	2.63	—	2.86	
PIMCO Income I2	2.82	2.93	—	6.25	04-30-2008	2.94	3.05	—	5.88	
Schwab International Equity ETF <sup>TM</sup> -NAV	13.73	5.47	—	5.30	11-03-2009	8.75	4.62	—	4.53	
Schwab US Broad Market ETF <sup>TM</sup> -NAV	12.98	12.27	—	13.43	11-03-2009	8.13	10.08	—	11.42	



# Portfolio Snapshot

Beacon, City of LOSAP: CITY OF BEACON

**Portfolio Value**

\$681,636.66

300-00914 060

**Benchmark**

DJ Moderately Conservative TR USD (USD)

**Non-Load Adjusted Returns**

Total 8 holdings as of 04-30-2018	Symbol	Type	Holdings Date	% of Assets	Holding Value \$	30-day SEC Yield Subsidized as of date	30-day SEC Yield Unsubsidized as of date	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %
BlackRock Multi-Asset Income Instl (USD)	BIICX	MF	03-2018	24.93	169,932	5.03 04-30-2018	4.91 04-30-2018	3.67	3.59	4.31	5.53
Guggenheim Macro Opportunities Instl (USD)	GIOIX	MF	02-2018	20.43	139,271	2.87 04-30-2018	2.75 04-30-2018	3.30	4.47	4.03	—
Schwab US Broad Market ETF <sup>TM</sup> (USD)	SCHB	ETF	05-2018	15.58	106,226	1.63 01-31-2018	1.63 01-31-2018	13.07	10.12	12.71	—
Schwab International Equity ETF <sup>TM</sup> (USD)	SCHF	ETF	05-2018	10.87	74,090	2.40 01-31-2018	2.40 01-31-2018	14.71	5.30	5.88	—
Janus Henderson Strategic Income I (USD)	HFAIX	MF	02-2018	10.20	69,554	2.59 04-30-2018	2.46 05-31-2017	1.91	3.44	4.08	4.20
PIMCO Income I2 (USD)	PONPX	MF	12-2017	10.14	69,111	3.93 04-30-2018	—	3.97	5.28	5.10	8.86
BlackRock Total Emerging Markets Instl (USD)	BEEIX	MF	03-2018	4.84	32,986	1.90 04-30-2018	1.67 04-30-2018	8.05	3.52	—	—
US Fund Money Market - Taxable (USD)	\$FOCA\$TM\$\$	CA	03-2018	3.00	20,468	—	—	0.74	0.31	0.19	0.23

**Return Participation 04-30-2018**

This portfolio report includes securities for which return data is not available for the entire history represented. When return is not available for a security, the remaining securities returns are reweighted to maintain consistent proportions for the securities that do have returns. The reweighting impacts trailing return data, as well as statistics that are calculated using return, including standard deviation, mean, Sharpe ratio, alpha, beta and R-squared. The following securities do not have 120 months of return data reflected in the report.

**Security**

BlackRock Total Emerging Markets Instl (USD, BEEIX)  
 Guggenheim Macro Opportunities Instl (USD, GIOIX)  
 Schwab US Broad Market ETF<sup>TM</sup> (USD, SCHB)  
 Schwab International Equity ETF<sup>TM</sup> (USD, SCHF)

**Start Date**

06-30-2013  
 12-31-2011  
 12-31-2009  
 12-31-2009

**Performance Disclosure**

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**See Disclosure Page for Standardized Returns.**



# BlackRock Multi-Asset Income Instl (USD)

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	0.63	2.35	3.05	0.55	6.71
2017	2.94	2.43	1.70	1.67	9.02
2018	-1.35	—	—	—	-0.98
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.67	3.59	4.31	—	5.62
Std 03-31-2018	4.48	—	4.58	—	5.62
Total Return	3.67	3.59	4.31	5.53	5.62
+/- Std Index	-4.41	-2.11	-2.10	-0.30	—
+/- Cat Index	-7.39	-3.50	-3.84	-0.96	—
% Rank Cat	77	50	46	14	—
No. in Cat	296	242	182	75	—

7-day Yield 05-04-2018	Subsidized	Unsubsidized
30-day SEC Yield 04-30-2018	8.67 <sup>1</sup>	—
	5.03 <sup>1</sup>	4.91
1. Contractual waiver; Expires 11-30-2018		

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-441-7762 or visit [www.blackrock.com](http://www.blackrock.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.51
12b1 Expense %	NA
Gross Expense Ratio %	0.70

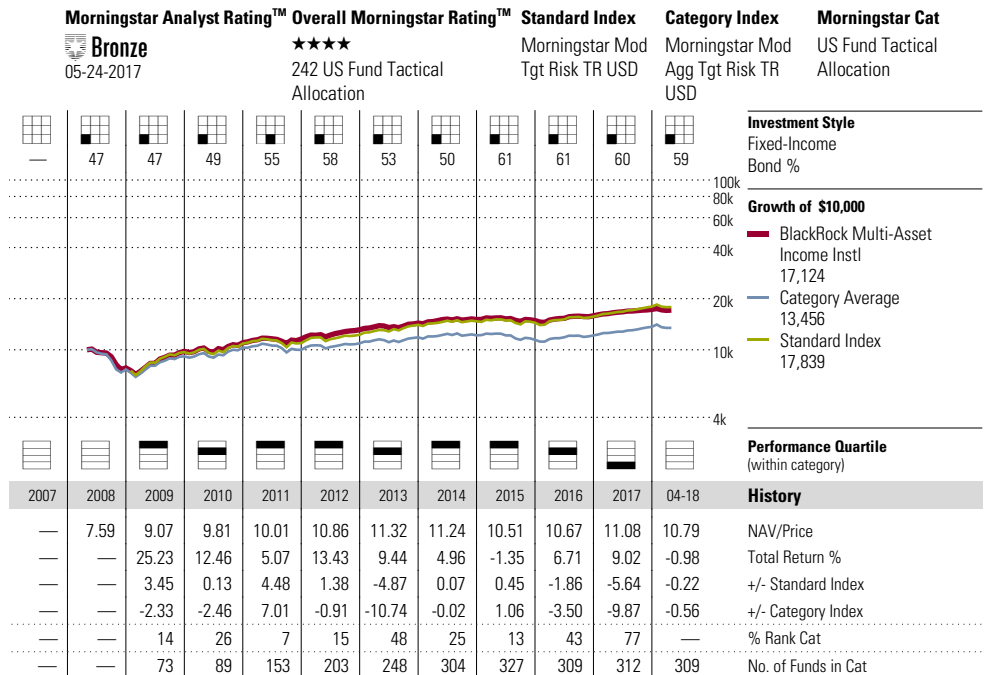
### Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	3★	5★
Morningstar Risk	Low	Low	-Avg
Morningstar Return	Avg	Avg	+Avg
Standard Deviation	4.27	4.39	8.19
Mean	3.59	4.31	5.53
Sharpe Ratio	0.70	0.89	0.66

MPT Statistics	Standard Index	Best Fit Index
		Morningstar Mod Tgt Risk TR USD
Alpha	-0.36	-0.36
Beta	0.65	0.65
R-Squared	91.57	91.57
12-Month Yield		4.79%
Potential Cap Gains Exp		-2.69%

### Operations

Family:	BlackRock
Manager:	Multiple
Tenure:	6.5 Years
Objective:	Income



## Portfolio Analysis 03-31-2018

Asset Allocation %	Net %	Long %	Short %	Share Chg since 02-2018	Share Amount	Holdings :	Net Assets %
Cash	0.49	2.68	2.19			460 Total Stocks , 5,101 Total Fixed-Income, 75% Turnover Ratio	
US Stocks	20.07	20.07	0.00			iShares iBoxx \$ High Yield Corp Bd	2.58
Non-US Stocks	11.56	11.56	0.00			SPDR® Blmgb Barclays High Yield Bd	0.66
Bonds	60.36	60.37	0.01			Houston Center	0.48
Other/Not Clsfd	7.52	7.52	0.00	✱		Credit Suisse Group AG FXD-FRN ALT	0.45
Total	100.00	102.20	2.20			Enterprise Products Partners LP	0.42
Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat			
Value Blend Growth	P/E Ratio TTM	16.3	0.93	0.92	⊕	4 mil Energy Transfer Partners LP	0.38
	P/C Ratio TTM	10.6	0.97	0.91		63 mil HSBC Holdings plc FXD-FRN ALT TIER	0.38
	P/B Ratio TTM	2.3	1.05	0.97	✱	55 mil Royal Bank of Scotland Group plc F	0.37
	Geo Avg Mkt Cap \$mil	40937	1.28	0.77		2 mil MPLX LP Partnership Units	0.36
						970,382 Magellan Midstream Partners LP	0.34
Fixed-Income Style							
Ltd Mod Ext	Avg Eff Maturity			7.66	⊖	1 mil Cisco Systems Inc	0.33
	Avg Eff Duration			2.29		545,336 Philip Morris International Inc	0.33
	Avg Wtd Coupon			4.80	⊕	57 mil Westpac Banking Corporation FXD-FR	0.32
	Avg Wtd Price			139.80	⊕	47 mil Societe Generale S.A. FXD-FRN ALT	0.32
					⊕	2 mil Plains All American Pipeline LP	0.32

## Credit Quality Breakdown 03-31-2018

	Bond %
AAA	11.20
AA	1.94
A	8.11
BBB	16.72
BB	29.06
B	18.23
Below B	8.66
NR	6.09

## Regional Exposure

	Stocks %	Rel Std Index
Americas	66.4	0.99
Greater Europe	23.3	1.47
Greater Asia	10.3	0.59

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>31.8</b>	<b>0.76</b>
Basic Materials	1.4	0.24
Consumer Cyclical	10.0	0.87
Financial Services	13.5	0.73
Real Estate	6.9	1.16
<b>Sensitive</b>	<b>42.3</b>	<b>1.16</b>
Communication Services	5.7	1.77
Energy	12.9	2.03
Industrials	13.3	1.15
Technology	10.4	0.67
<b>Defensive</b>	<b>25.9</b>	<b>1.20</b>
Consumer Defensive	9.3	1.19
Healthcare	14.3	1.35
Utilities	2.3	0.70



# BlackRock Total Emerging Markets Instl (USD)

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	8.87	4.69	5.33	-5.70	13.20
2017	7.58	4.09	6.18	1.90	21.15
2018	0.47	—	—	—	-1.80

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	8.05	3.52	—	—	2.69
Std 03-31-2018	13.15	—	—	—	3.22
Total Return	8.05	3.52	—	—	2.69
+/- Std Index	-7.86	-1.49	—	—	—
+/- Cat Index	-13.67	-2.48	—	—	—
% Rank Cat	97	80	—	—	—
No. in Cat	820	672	—	—	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 04-30-2018	1.90 <sup>1</sup>	1.67
1. Contractual waiver; Expires 02-28-2019		

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-441-7762 or visit [www.blackrock.com](http://www.blackrock.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.75
12b1 Expense %	NA
Gross Expense Ratio %	1.09

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	2★	—	—
Morningstar Risk	Low	—	—
Morningstar Return	-Avg	—	—

	3 Yr	5 Yr	10 Yr
Standard Deviation	11.67	—	—
Mean	3.52	—	—
Sharpe Ratio	0.30	—	—

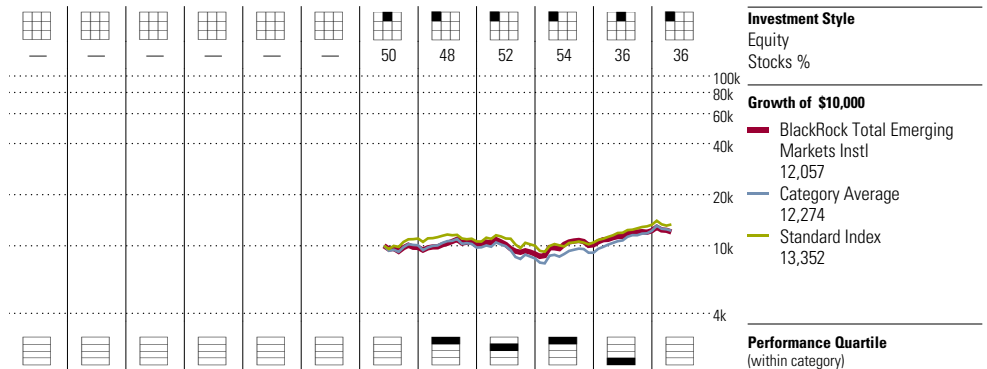
MPT Statistics	Standard Index	Best Fit Index
		MSCI EM NR USD
Alpha	0.07	-0.82
Beta	0.68	0.67
R-Squared	50.88	83.57
12-Month Yield	—	1.50%
Potential Cap Gains Exp	—	2.48%

**Overall Morningstar Rating™**  
★★  
672 US Fund Diversified  
Emerging Mkts

**Standard Index**  
MSCI ACWI Ex  
USA NR USD

**Category Index**  
MSCI EM NR USD

**Morningstar Cat**  
US Fund Diversified  
Emerging Mkts



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	04-18	
NAV/Price	—	—	—	—	—	—	9.17	9.38	8.23	9.10	10.53	10.34	
Total Return %	—	—	—	—	—	—	—	3.01	-11.13	13.20	21.15	-1.80	
+/- Standard Index	—	—	—	—	—	—	—	6.87	-5.47	8.71	-6.04	-2.20	
+/- Category Index	—	—	—	—	—	—	—	5.19	3.78	2.02	-16.13	-2.77	
% Rank Cat	—	—	—	—	—	—	—	6	31	17	96	—	
No. of Funds in Cat	—	—	—	—	—	—	—	749	840	813	806	867	

## Portfolio Analysis 03-31-2018

Asset Allocation %	Net %	Long %	Short %	Share Chg since 02-2018	Share Amount	Holdings :	Net Assets %
Cash	-18.05	38.37	56.42			197 Total Stocks, 326 Total Fixed-Income, 140% Turnover Ratio	
US Stocks	0.25	0.25	0.00				
Non-US Stocks	56.77	56.77	0.00	⊖	152,200	Tencent Holdings Ltd	2.08
Bonds	61.03	61.04	0.01		184,400	Mexico (United Mexican States) 4.5%	1.71
Other/Not Clsfd	0.00	0.00	0.00		6 mil	Lithuania Republic 7.38%	1.67
Total	100.00	156.43	56.43	⊕	2,691	Samsung Electronics Co Ltd	1.62
					5 mil	Lithuania Republic 6.62%	1.60

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat	Share Chg since 02-2018	Share Amount	Holdings :	Net Assets %
Value Blend Growth	P/E Ratio TTM	13.4	0.90	0.88	⊕	86,047	PJSC Lukoil ADR	1.55
	P/C Ratio TTM	7.2	0.82	0.70		380,141	Itau Unibanco Holding SA	1.53
	P/B Ratio TTM	1.6	0.99	0.76		5 mil	Lithuania Republic 6.12%	1.44
	Geo Avg Mkt Cap \$mil	9849	0.27	0.30		114,500	Banco Central de Chile 3%	1.44
					⊖	7 mil	CTBC Financial Holding Co Ltd	1.36
					⊖	2 mil	Uni-President Enterprises Corp	1.34
					⊖	49,472	LG Electronics Inc	1.33
					⊕	440,200	Hypera SA	1.25
						5 mil	China Petroleum & Chemical Corp H	1.24
					⊕	202,653	Anglo American PLC	1.23

Fixed-Income Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat	Share Chg since 02-2018	Share Amount	Holdings :	Net Assets %
Ltd Mod Ext	Avg Eff Maturity	—	—	—				
	Avg Eff Duration	—	—	—				
	Avg Wtd Coupon	—	—	—				
	Avg Wtd Price	—	—	—				

Credit Quality Breakdown	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stocks %	Rel Std Index
Americas	13.9	1.38
Greater Europe	24.2	0.52
Greater Asia	61.9	1.43

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>42.1</b>	<b>0.92</b>
Basic Materials	12.4	1.48
Consumer Cyclical	8.0	0.71
Financial Services	17.2	0.75
Real Estate	4.6	1.41
<b>Sensitive</b>	<b>47.3</b>	<b>1.39</b>
Communication Services	4.5	1.06
Energy	7.2	1.01
Industrials	10.0	0.92
Technology	25.7	2.15
<b>Defensive</b>	<b>10.6</b>	<b>0.53</b>
Consumer Defensive	4.2	0.44
Healthcare	5.0	0.67
Utilities	1.4	0.46

## Operations

Family:	BlackRock	Base Currency:	USD	Incept:	05-16-2013
Manager:	Multiple	Ticker:	BEEIX	Type:	MF
Tenure:	5.0 Years	Minimum Initial Purchase:	\$2 mil	Total Assets:	\$318.79 mil
Objective:	Growth and Income	Purchase Constraints:	A		



# Guggenheim Macro Opportunities Instl (USD)

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	0.31	3.44	4.03	2.52	10.66
2017	1.99	0.97	1.10	1.14	5.30
2018	0.38	—	—	—	0.41

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.30	4.47	4.03	—	6.10
Std 03-31-2018	3.65	—	4.25	—	6.18
Total Return	3.30	4.47	4.03	—	6.10
+/- Std Index	3.62	3.40	2.57	—	—
+/- Cat Index	2.00	3.66	3.45	—	—
% Rank Cat	34	11	1	—	—
No. in Cat	320	264	159	—	—

	Subsidized	Unsubsidized
7-day Yield 05-03-2018	4.35 <sup>1</sup>	—
30-day SEC Yield 04-30-2018	2.87 <sup>1</sup>	2.75

1. Contractual waiver; Expires 02-01-2019

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## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.89
12b1 Expense %	NA
Gross Expense Ratio %	1.12

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	5★	—
Morningstar Risk	Avg	Avg	—
Morningstar Return	+Avg	High	—

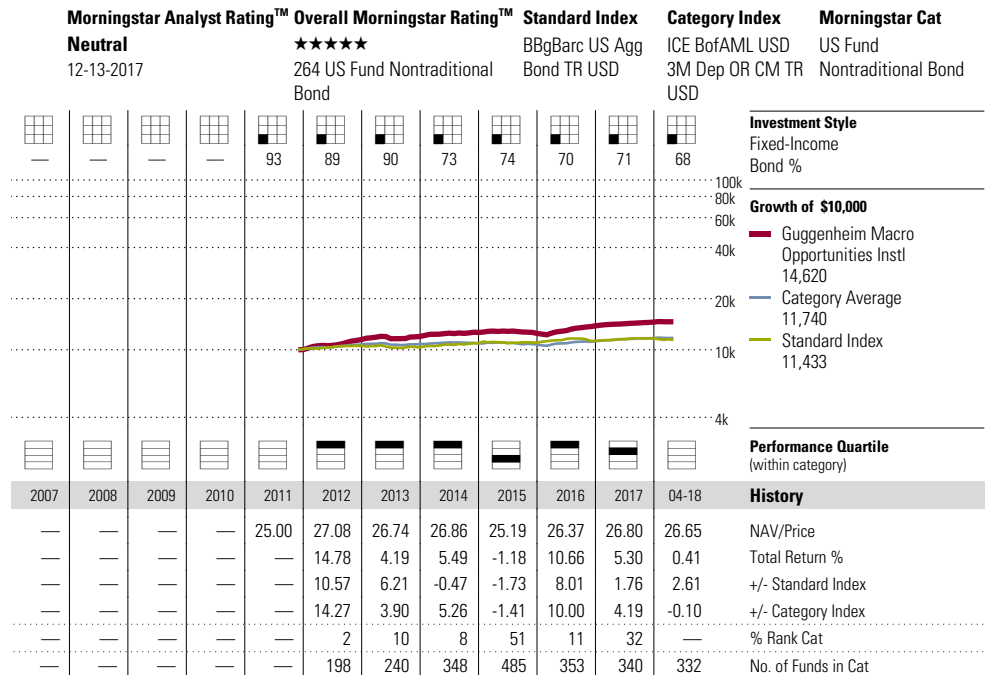
	3 Yr	5 Yr	10 Yr
Standard Deviation	2.68	2.91	—
Mean	4.47	4.03	—
Sharpe Ratio	1.41	1.24	—

MPT Statistics	Standard Index	Best Fit Index S&P/LSTA Leveraged Loan TR
Alpha	3.74	0.71
Beta	0.09	0.92
R-Squared	0.81	81.71

12-Month Yield	3.26%
Potential Cap Gains Exp	-0.62%

## Operations

Family:	Guggenheim Investments
Manager:	Multiple
Tenure:	6.5 Years
Objective:	Multisector Bond



## Portfolio Analysis 02-28-2018

Asset Allocation %	Net %	Long %	Short %	Share Chg since 01-2018	Share Amount	Holdings :	Net Assets %
Cash	14.21	14.37	0.16			430 Total Stocks, 1,158 Total Fixed-Income, 61% Turnover Ratio	
US Stocks	5.97	6.00	0.03	⊕	12 mil	Guggenheim Limited Duration Instl	4.48
Non-US Stocks	0.91	0.91	0.00		6 mil	Guggenheim Alpha Opportunity Instl	2.60
Bonds	69.55	70.64	1.09	⊕	4 mil	Guggenheim Strategy II	1.48
Other/Not Clsfd	9.36	11.80	2.44	⊕	4 mil	Guggenheim Managed Futures Strateg	1.32
Total	100.00	103.72	3.72	✱	72 mil	Republic Of Italy	1.31
<b>Equity Style</b>							
Value Blend Growth							
P/E Ratio TTM	14.5	—	1.16	⊖	82 mil	LSTAR SECURITIES INVESTMENT LTD AB	1.22
P/C Ratio TTM	8.0	—	1.92	⊕	3 mil	Guggenheim Strategy III	1.17
P/B Ratio TTM	1.9	—	1.58	⊖	66 mil	Kdac Aviation Finance Cayman Limit	0.98
Geo Avg Mkt Cap \$mil	9716	—	1.40	⊖	63 mil	AASET TRUST 2017-1 3.967% PIDI MBS	0.94
					63 mil	Fortress Cr Opportunities Ix Clo L	0.94
<b>Fixed-Income Style</b>							
Ltd Mod Ext							
Avg Eff Maturity			3.75	⊖	62 mil	Shackleton 2015-VIII Clo Limited O	0.93
Avg Eff Duration			0.44		53 mil	Lstar Sec Fin Veh I 2017 FRN	0.79
Avg Wtd Coupon			4.13	⊖	54 mil	Raspro Trust FRN 01/03/2024 USD100	0.78
Avg Wtd Price			96.48	⊖	50 mil	Cim Trust 2017-2 0% BDS 25/12/2057	0.76
				⊖	49 mil	LSTAR SECS INVEST LTD 2017-8 ABS 2	0.73

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>22.9</b>	—
Basic Materials	3.3	—
Consumer Cyclical	7.3	—
Financial Services	7.2	—
Real Estate	5.1	—
<b>Sensitive</b>	<b>48.2</b>	—
Communication Services	2.2	—
Energy	8.0	—
Industrials	19.4	—
Technology	18.6	—
<b>Defensive</b>	<b>29.0</b>	—
Consumer Defensive	10.8	—
Healthcare	10.9	—
Utilities	7.2	—

Base Currency:	USD	Incept:	11-30-2011
Ticker:	GIOIX	Type:	MF
Minimum Initial Purchase:	\$2 mil	Total Assets:	\$7,033.34 mil
Purchase Constraints:	—		

# Janus Henderson Strategic Income I (USD)

**Morningstar Analyst Rating™**  
**Bronze**  
 10-04-2017

**Overall Morningstar Rating™**  
 ★★★★★  
 267 US Fund World Bond

**Standard Index**  
 BBgBarc US Agg  
 Bond TR USD

**Category Index**  
 Citi WGBI NonUSD  
 USD

**Morningstar Cat**  
 US Fund World Bond

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	1.43	1.68	3.66	-0.66	6.20
2017	2.03	1.87	1.04	0.86	5.93
2018	-0.68	—	—	—	-0.92

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	1.91	3.44	4.08	—	4.61
Std 03-31-2018	3.11	—	4.44	—	4.70
Total Return	1.91	3.44	4.08	4.20	4.61

+/- Std Index	2.23	2.37	2.61	0.62	—
+/- Cat Index	-6.51	-0.08	3.44	2.26	—

% Rank Cat	75	9	1	23	—
No. in Cat	305	267	239	136	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield 04-30-2018	2.59 <sup>1</sup>	2.46
1. Contractual waiver; Expires 11-01-2018		

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 877-335-2687 or visit [www.janus.com](http://www.janus.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.55
12b1 Expense %	NA
Gross Expense Ratio %	0.78

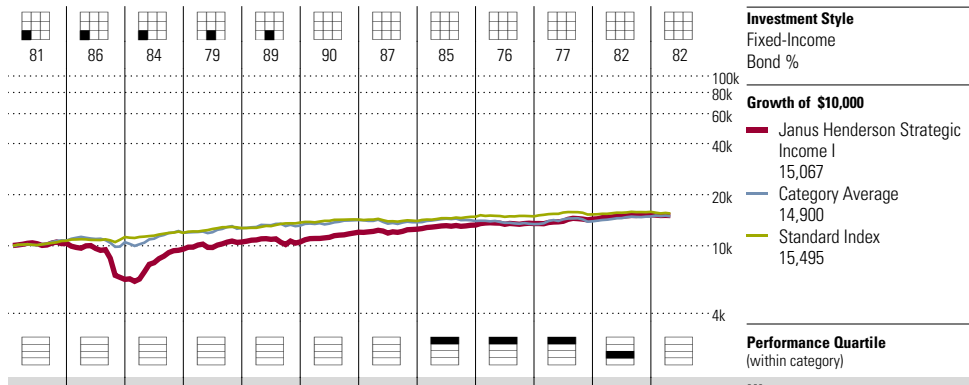
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	5★	5★	3★
Morningstar Risk	-Avg	-Avg	High
Morningstar Return	High	High	+Avg

	3 Yr	5 Yr	10 Yr
Standard Deviation	2.89	3.27	10.56
Mean	3.44	4.08	4.20
Sharpe Ratio	0.96	1.12	0.41

MPT Statistics	Standard Index	Best Fit Index
Alpha	2.50	1.90
Beta	0.63	0.61
R-Squared	35.28	58.50

12-Month Yield	2.67%
Potential Cap Gains Exp	-0.53%



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	04-18	
NAV/Price	—	—	—	—	8.37	9.10	9.02	9.06	8.93	9.23	9.49	9.33	
Total Return %	3.36	-38.69	50.75	10.17	0.12	14.06	4.17	5.79	2.07	6.20	5.93	-0.92	
+/- Standard Index	-3.60	-43.93	44.82	3.63	-7.72	9.84	6.19	-0.17	1.52	3.56	2.38	1.28	
+/- Category Index	-8.09	-48.80	46.36	4.96	-5.05	12.55	8.73	8.47	7.61	4.40	-4.41	-2.80	
% Rank Cat	—	—	—	—	—	—	—	15	2	17	63	—	
No. of Funds in Cat	—	—	—	—	—	—	—	385	367	339	303	329	

## Portfolio Analysis 02-28-2018

Asset Allocation %	Net %	Long %	Short %
Cash	11.44	11.44	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	82.09	82.88	0.78
Other/Not Clsfd	6.47	6.47	0.00
Total	100.00	100.78	0.78

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	—	—	—
	P/C Ratio TTM	—	—	—
	P/B Ratio TTM	—	—	—
	Geo Avg Mkt Cap \$mil	—	—	—

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
Ltd Mod Ext	—	—	—	—
	—	—	—	—
	—	—	—	—
	—	—	—	—

Credit Quality Breakdown	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stocks %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

## Top Holdings 03-31-2018

Share since 01-2018	Share Amount	Holdings :	Net Assets %
		0 Total Stocks, 175 Total Fixed-Income, 112% Turnover Ratio	
✱	37 mil	Aust 10y Bond Fut Jun18 Xsfe 20180	4.22
✱	15 mil	Euro-Bund Future Jun18 Xeur 201806	3.45
	39 mil	Australian Government Sr Unsecured	3.43
	35 mil	Australian Government Sr Unsecured	3.11
⊕	38 mil	Canada (Government of) 1%	3.00
	29 mil	Australian Government Sr Unsecured	2.60
✱	17 mil	Us 10yr Note (Cbt)jun18 Xcxb 20180	2.37
⊕	161 mil	Swedish Government Bonds 05/28 0.75	2.18
✱	12 mil	Us Long Bond(Cbt) Jun18 Xcxb 20180	2.08
	21 mil	Canada (Government of) 0.5%	1.78
	10 mil	Wachovia Capital Trust III 5.57%	1.17
	10 mil	US Treasury Note 2%	1.14
	11 mil	Australia(Cmnwlt) 2%	0.96
	9 mil	Visa Inc 2.75%	0.96
	8 mil	Diamond 1 Finance Corporation/Diam	0.93

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
<b>Sensitive</b>	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
<b>Defensive</b>	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

## Operations

Family:	Janus Henderson
Manager:	Multiple
Tenure:	9.4 Years
Objective:	Multisector Bond

Base Currency:	USD
Ticker:	HFAIX
Minimum Initial Purchase:	\$1 mil
Purchase Constraints:	—

Incept:	04-29-2011
Type:	MF
Total Assets:	\$741.68 mil

# PIMCO Income I2 (USD)

Morningstar Analyst Rating™	Overall Morningstar Rating™	Standard Index	Category Index	Morningstar Cat
Silver	★★★★★	BBgBarc US Agg Bond TR USD	BBgBarc US Universal TR USD	US Fund Multisector Bond
05-31-2017	251 US Fund Multisector Bond			

Performance 04-30-2018					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	1.75	2.42	2.82	1.36	8.61
2017	2.86	2.24	2.06	1.08	8.49
2018	-0.29	—	—	—	-0.75
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.97	5.28	5.10	—	8.86
Std 03-31-2018	5.17	—	5.62	—	8.99
Total Return	3.97	5.28	5.10	8.86	8.86
+/- Std Index	4.29	4.21	3.63	5.29	—
+/- Cat Index	3.96	3.74	3.27	4.93	—
% Rank Cat	13	2	1	1	—
No. in Cat	320	251	203	122	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 888-877-4626 or visit [www.pimco.com](http://www.pimco.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.60
12b1 Expense %	NA
Gross Expense Ratio %	0.63

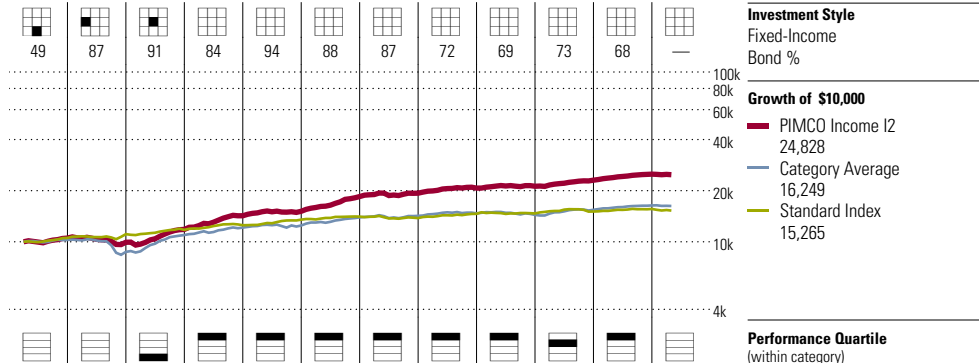
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	251 funds	203 funds	122 funds
Morningstar Rating™	5★	5★	5★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	High	High	High
	3 Yr	5 Yr	10 Yr
Standard Deviation	2.30	2.94	4.67
Mean	5.28	5.10	8.86
Sharpe Ratio	1.96	1.57	1.76

MPT Statistics	Standard Index	Best Fit Index
	ICE BofAML US High	Yield TR USD
Alpha	4.37	3.12
Beta	0.38	0.33
R-Squared	19.98	61.68
12-Month Yield	—	—
Potential Cap Gains Exp	—	0.34%

## Operations

Family:	PIMCO
Manager:	Multiple
Tenure:	11.2 Years
Objective:	Multisector Bond



History	NAV/Price	Total Return %	+/- Standard Index	+/- Category Index	% Rank Cat	No. of Funds in Cat
2007	—	—	—	—	—	—
2008	8.91	-5.57	-10.81	-7.95	—	—
2009	9.84	13.16	13.81	10.48	83	242
2010	11.04	20.35	13.81	13.18	1	268
2011	10.85	6.28	-1.57	-1.13	7	250
2012	12.36	22.07	17.85	16.54	1	283
2013	12.26	4.72	6.75	6.07	19	308
2014	12.33	7.09	1.13	1.53	7	276
2015	11.73	2.53	1.98	2.10	3	304
2016	12.06	8.61	5.96	4.70	33	299
2017	12.41	8.49	4.95	4.40	11	321
04-18	12.10	-0.75	1.45	1.32	—	329

## Portfolio Analysis 12-31-2017

Asset Allocation %	Net %	Long %	Short %	Share Chg since 09-2017	Share Amount	Holdings : 19 Total Stocks , 6,053 Total Fixed-Income, 190% Turnover Ratio	Net Assets %
Cash	-46.73	98.38	145.11				
US Stocks	0.37	0.37	0.00				
Non-US Stocks	0.00	0.00	0.00	✱	29,639 mil	IRS USD 2.00000 06/20/18-5Y CME_Pay	-27.02
Bonds	144.64	210.80	66.16	⊕	1,618,463 mil	IRS JPY 0.45000 03/20/19-10Y LCH_P	-13.33
Other/Not Clsfd	1.72	1.75	0.03	✱	10,000 mil	CIRS USD 5.25Y MAT 2.30% 1/2018 GL	9.25
Total	100.00	311.31	211.31	✱	8,000 mil	CIRS USD 5.33Y MAT 2.2% 1/2018 GLM	7.38

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	—	—	—
	P/C Ratio TTM	19.2	—	1.81
	P/B Ratio TTM	28.4	—	11.94
	Geo Avg Mkt Cap \$mil	6155	—	0.16
Fixed-Income Style				
Ltd Mod Ext	Avg Eff Maturity	6.08		
	Avg Eff Duration	2.39		
	Avg Wtd Coupon	—		
	Avg Wtd Price	—		

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stocks %	Rel Std Index
Americas	100.0	—
Greater Europe	0.0	—
Greater Asia	0.0	—

Sector Weightings	Stocks %	Rel Std Index
Cyclical	98.9	—
Basic Materials	0.0	—
Consumer Cyclical	38.5	—
Financial Services	0.0	—
Real Estate	60.4	—
Sensitive	1.0	—
Communication Services	0.0	—
Energy	1.0	—
Industrials	0.0	—
Technology	0.0	—
Defensive	0.1	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	0.1	—

## Schwab International Equity ETF™ (USD)

Overall Morningstar Rating™  
★★★  
608 US Fund Foreign Large Blend

Standard Index  
MSCI ACWI Ex  
USA NR USD

Category Index  
MSCI ACWI Ex  
USA NR USD

Morningstar Cat  
US Fund Foreign Large  
Blend

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	-1.84	-0.96	6.58	-0.71	2.88
2017	7.32	6.11	5.54	4.70	25.83
2018	-2.02	—	—	—	0.41
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-18	15.52	—	6.47	—	6.31
Std NAV 03-31-18	14.88	—	6.38	—	6.18
Mkt Total Ret	14.71	5.30	5.88	—	6.42
NAV Total Ret	15.15	5.28	5.97	—	6.43
+/- Std Index	-0.76	0.27	0.51	—	—
+/- Cat Index	-0.76	0.27	0.51	—	—
% Rank Cat	29	37	42	—	—
No. in Cat	758	608	533	—	—

30-day SEC Yield 01-31-2018	Subsidized	Unsubsidized
	2.40	2.40

## Performance Disclosure

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## Fees and Expenses

## Fund Expenses

Management Fees %	0.06
Expense Ratio %	0.06
12b1 Expense %	NA

## Risk and Return Profile

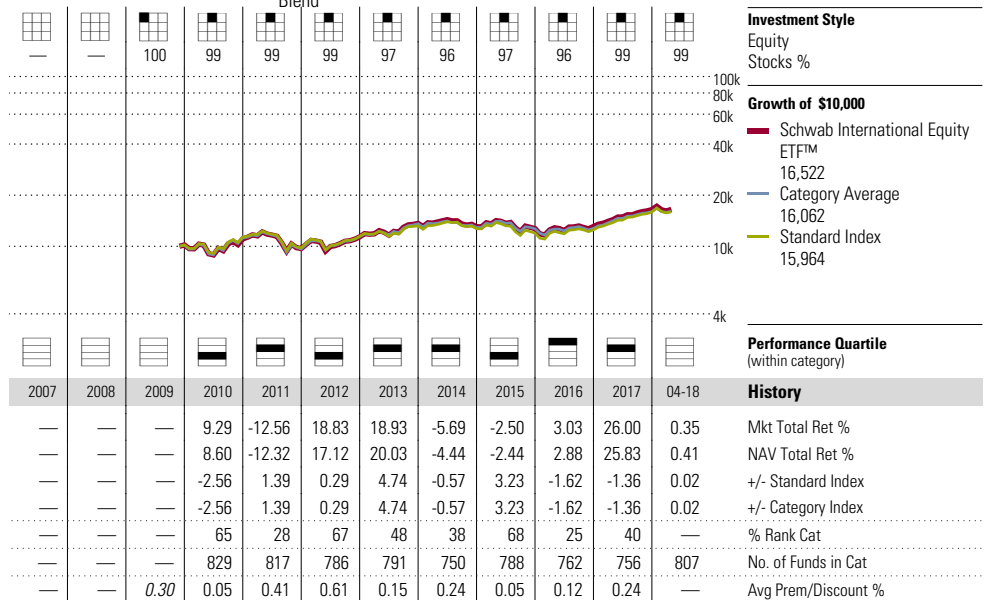
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	3★	—
Morningstar Risk	+Avg	+Avg	—
Morningstar Return	Avg	Avg	—
Standard Deviation NAV	11.90	11.56	—
Standard Deviation MKT	11.16	11.27	—
Mean NAV	5.28	5.97	—
Mean MKT	5.30	5.88	—
Sharpe Ratio	0.44	0.53	—

MPT Statistics	Standard Index	Best Fit Index
NAV	MSCI EAFE NR USD	
Alpha	0.41	0.40
Beta	0.96	0.98
R-Squared	97.25	99.34

12-Month Yield	2.34%
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	FTSE Dv Ex US NR USD

## Operations

Family:	Schwab ETFs
Manager:	Multiple
Tenure:	5.4 Years
Total Assets:	\$15,361.6 mil
Shares Outstanding:	449.30 mil



## Portfolio Analysis 05-07-2018

Asset Allocation % 05-04-2018	Net %	Long %	Short %
Cash	0.62	0.62	0.00
US Stocks	2.32	2.32	0.00
Non-US Stocks	96.70	96.70	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.35	0.35	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—

## Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Mid	—	—
Low	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stocks %	Rel Std Index
Americas	8.1	0.81
Greater Europe	54.0	1.16
Greater Asia	37.9	0.87

## Top Holdings 05-04-2018

Share Chg since 05-2018	Share Amount	Holdings : 1,348 Total Stocks , 0 Total Fixed-Income, 5% Turnover Ratio	Net Assets %
3 mil		Nestle SA	1.32
163,347		Samsung Electronics Co Ltd GDR	1.29
17 mil		HSBC Holdings PLC	1.08
2 mil		Toyota Motor Corp	0.95
2 mil		Novartis AG	0.94
4 mil		Royal Dutch Shell PLC Class A	0.90
603,192		Roche Holding AG Dividend Right Ce	0.89
16 mil		BP PLC	0.81
2 mil		Total SA	0.80
3 mil		Royal Dutch Shell PLC B	0.75
⊕ 53,750		Msci Eafe Jun18 Ifus 20180615	0.71
2 mil		British American Tobacco PLC	0.67
1 mil		Royal Bank of Canada Inc	0.61
379,403		Allianz SE	0.59
2 mil		The Toronto-Dominion Bank	0.58

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>44.5</b>	<b>0.97</b>
Basic Materials	8.2	0.99
Consumer Cyclical	11.8	1.05
Financial Services	21.2	0.92
Real Estate	3.2	0.97
<b>Sensitive</b>	<b>33.2</b>	<b>0.97</b>
Communication Services	3.7	0.89
Energy	6.8	0.96
Industrials	13.8	1.27
Technology	8.9	0.74
<b>Defensive</b>	<b>22.3</b>	<b>1.12</b>
Consumer Defensive	10.3	1.09
Healthcare	8.9	1.18
Utilities	3.1	1.04

## Schwab US Broad Market ETF™ (USD)

Overall Morningstar Rating™

Standard Index

Category Index

Morningstar Cat

★★★★

S&amp;P 500 TR USD

Russell 1000 TR

US Fund Large Blend

1,177 US Fund Large Blend

## Performance 04-30-2018

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	0.97	2.61	4.34	4.12	12.56
2017	5.81	3.02	4.54	6.34	21.18
2018	-0.61	—	—	—	-0.25
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-18	13.77	—	13.01	—	14.10
Std NAV 03-31-18	13.82	—	13.00	—	14.18
Mkt Total Ret	13.07	10.12	12.71	—	14.01
NAV Total Ret	13.05	10.14	12.70	—	14.08
+/- Std Index	-0.22	-0.43	-0.26	—	—
+/- Cat Index	-0.12	-0.11	-0.14	—	—
% Rank Cat	38	28	22	—	—
No. in Cat	1,364	1,177	1,056	—	—

	Subsidized	Unsubsidized
30-day SEC Yield 01-31-2018	1.63	1.63

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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## Fees and Expenses

Fund Expenses	
Management Fees %	0.03
Expense Ratio %	0.03
12b1 Expense %	NA

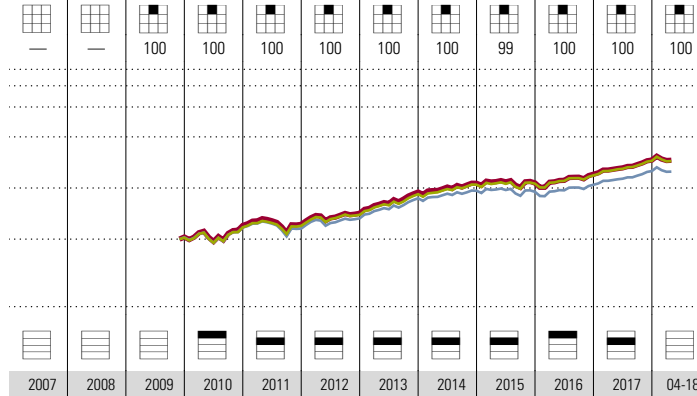
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	—
Morningstar Risk	Avg	Avg	—
Morningstar Return	+Avg	+Avg	—
Standard Deviation NAV	10.35	9.98	—
Standard Deviation MKT	10.41	10.00	—
Mean NAV	10.14	12.70	—
Mean MKT	10.12	12.71	—
Sharpe Ratio	0.93	1.21	—

MPT Statistics	Standard Index	Best Fit Index
NAV	USD	Russell 3000 TR
Alpha	-0.42	-0.05
Beta	1.00	1.00
R-Squared	98.99	99.99
12-Month Yield	—	1.71%
Potential Cap Gains Exp	—	—
Leveraged	No	—
Leverage Type	—	—
Leverage %	—	100.00
Primary Prospectus Benchmark	DJ US Broad Stock	Market TR USD

## Operations

Family:	Schwab ETFs
Manager:	Multiple
Tenure:	8.0 Years
Total Assets:	\$11,846.4 mil
Shares Outstanding:	183.00 mil



## Investment Style

Equity  
Stocks %

## Growth of \$10,000

Schwab US Broad Market ETF™  
29,136  
Category Average  
24,974  
Standard Index  
28,807

Performance Quartile  
(within category)

## History

Mkt Total Ret %	-0.36
NAV Total Ret %	-0.25
+/- Standard Index	0.13
+/- Category Index	0.10
% Rank Cat	—
No. of Funds in Cat	1439
Avg Prem/Discount %	—

## Portfolio Analysis 05-07-2018

Asset Allocation % 05-04-2018	Net %	Long %	Short %
Cash	0.12	0.12	0.00
US Stocks	98.90	98.90	0.00
Non-US Stocks	0.98	0.98	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—

## Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Mid	—	—
Low	—	—

## Credit Quality Breakdown

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stocks %	Rel Std Index
Americas	99.0	1.00
Greater Europe	0.5	1.43
Greater Asia	0.5	0.95

## Top Holdings 05-04-2018

Share Chg since 05-2018	Share Amount	Holdings : 2,293 Total Stocks, 0 Total Fixed-Income, 4% Turnover Ratio	Net Assets %
+	2 mil	Apple Inc	3.39
+	3 mil	Microsoft Corp	2.66
+	170,799	Amazon.com Inc	2.31
+	1 mil	Facebook Inc A	1.54
+	817,740	Berkshire Hathaway Inc B	1.37
+	1 mil	JPMorgan Chase & Co	1.35
+	1 mil	Johnson & Johnson	1.21
+	2 mil	Exxon Mobil Corp	1.18
+	129,258	Alphabet Inc C	1.16
+	126,724	Alphabet Inc A	1.14
+	4 mil	Bank of America Corporation	1.02
+	2 mil	Intel Corp	0.90
+	810,716	Chevron Corp	0.87
+	770,483	Visa Inc Class A	0.84
+	2 mil	Wells Fargo & Co	0.84

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>35.7</b>	<b>1.05</b>
Basic Materials	3.2	1.20
Consumer Cyclical	12.4	1.03
Financial Services	16.6	0.98
Real Estate	3.6	1.60
<b>Sensitive</b>	<b>41.8</b>	<b>1.00</b>
Communication Services	2.9	0.92
Energy	6.0	0.95
Industrials	10.9	1.06
Technology	22.0	1.00
<b>Defensive</b>	<b>22.5</b>	<b>0.92</b>
Consumer Defensive	6.6	0.88
Healthcare	13.1	0.93
Utilities	2.9	0.99



# US Insurance Money Market - Taxable (USD)

**Standard Index**  
USTREAS T-Bill  
Auction Ave 3  
Mon

**Category Index**  
ICE BofAML USD  
3M Dep OR CM TR  
USD

Performance 04-30-2018					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2016	0.02	0.02	0.03	0.03	0.09
2017	0.05	0.10	0.17	0.17	0.48
2018	0.24	—	—	—	0.35
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	
Total Return	0.75	0.31	0.19	0.21	
+/- Std Index	-0.56	-0.33	-0.21	-0.12	
+/- Cat Index	-0.55	-0.50	-0.40	-0.53	
No. in Cat	518	446	426	359	

## Performance Disclosure

Morningstar Categories are unmanaged and cannot be invested in directly by investors.

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.

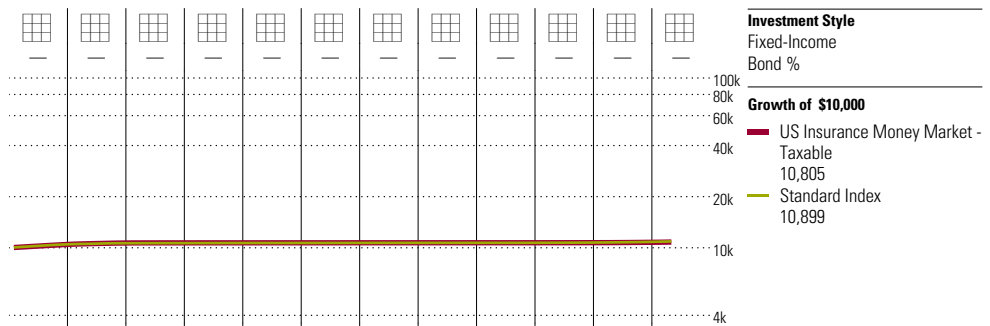
Current performance may be lower or higher than return data quoted herein.

## Fees and Expenses

Fund Expenses	
Management Fees %	NA
12b1 Expense %	NA
<b>Gross Expense Ratio %</b>	<b>0.56</b>

Risk and Return Profile			
	3 Yr	5 Yr	10 Yr
Standard Deviation	0.10	0.09	0.13
Mean	0.31	0.19	0.21
Sharpe Ratio	-5.00	-3.06	-1.81

MPT Statistics	Standard Index	Cat Index
Alpha	—	—
Beta	—	—
R-Squared	—	—
12-Month Yield	—	—
Potential Cap Gains Exp	—	—



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	04-18	History
4.63	2.00	0.17	0.04	0.02	0.03	0.02	0.01	0.02	0.09	0.48	0.35	Total Return %
-0.14	0.50	0.00	-0.10	-0.03	-0.06	-0.05	-0.02	-0.03	-0.25	-0.50	-0.21	+/- Standard Index
-0.98	-1.82	-0.83	-0.30	-0.25	-0.48	-0.27	-0.22	-0.21	-0.57	-0.63	-0.16	+/- Category Index
1015	1054	1005	986	1016	960	943	927	863	492	518	538	No. of Funds in Cat

## Portfolio Analysis 03-31-2018

Asset Allocation %	Net %	Long %	Short %	Sector Weightings	Stocks %	Rel Std Index
Cash	72.13	72.72	0.58	<b>Cyclical</b>	<b>14.5</b>	—
US Stocks	0.01	0.01	0.00	Basic Materials	2.1	—
Non-US Stocks	0.00	0.00	0.00	Consumer Cyclical	4.1	—
Bonds	25.02	25.03	0.01	Financial Services	7.9	—
Other/Not Clsfd	2.84	2.97	0.13	Real Estate	0.4	—
Total	100.00	100.72	0.72	<b>Sensitive</b>	<b>13.9</b>	—

Equity Style	Portfolio Statistics	Cat Avg	Rel Index
Value Blend Growth	P/E Ratio TTM	14.6	—
Large Mid Small	P/C Ratio TTM	12.0	—
	P/B Ratio TTM	2.6	—
	Geo Avg Mkt Cap \$mil	108681	—
Fixed-Income Style	Avg Eff Maturity	0.35	—
Ltd Mod Ext	Avg Eff Duration	1.21	—
	Avg Wtd Coupon	—	—
	Avg Wtd Price	99.14	—

Credit Quality Breakdown 03-31-2018		Bond %
AAA		61.19
AA		30.13
A		6.19
BBB		1.49
BB		0.00
B		0.00
Below B		0.00
NR		0.99

Regional Exposure	Stocks %	Rel Std Index
Americas	85.5	—
Greater Europe	8.8	—
Greater Asia	5.7	—

## Operations

Tenure:	—	Incept:	—	Holdings:	24% Turnover Ratio
Base Currency:	USD	Type:	CA		

# Portfolio Snapshot Report

## Disclosure Statement

### General

Investment portfolios illustrated in this report can be scheduled or unscheduled. With an unscheduled portfolio, the user inputs only the portfolio holdings and their current allocations. Morningstar calculates returns using the given allocations assuming monthly rebalancing. Taxes, loads, and sales charges and any applicable trading commissions or short-term trading fees are not taken into account.

With scheduled portfolios, the user inputs the date and amount for all investments into and withdrawals from each holding, as well as tax rates, loads, and other factors that would have affected portfolio performance. A hypothetical illustration is one type of scheduled portfolio.

Both scheduled and unscheduled portfolios are theoretical, for illustrative purposes only, and are not reflective of an investor's actual experience. For both scheduled and unscheduled portfolios, the performance data given represents past performance and should not be considered indicative of future results. Performance data does not include the effects of any applicable trading commissions or short-term trading fees. Principal value and investment return of stocks, mutual funds, and variable annuity/life products will fluctuate, and an investor's shares/units, when redeemed, will be worth more or less than the original investment. Stocks, mutual funds, and variable annuity/life products are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Portfolio statistics change over time.

Used as supplemental sales literature, the Portfolio Snapshot report must be preceded or accompanied by the fund/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Portfolio Snapshot report. Morningstar is not itself a FINRA-member firm.

The underlying holdings of the portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by any financial institution. Investing in securities involves investment risks, including possible loss of principal and fluctuation in value.

The information contained in this report is from the most recent information available to Morningstar as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

### Comparison of Fund Types

Funds, including closed-end funds, exchange-traded funds (ETFs), money market funds, open-end funds, and unit investment trusts (UITs), have many similarities, but also many important differences. In general, publicly-offered funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Funds pool money from their investors and manage it according to an investment strategy or objective, which can vary greatly from fund to fund. Funds have the ability to offer diversification and professional management, but also involve risk, including the loss of principal.

A closed-end fund is an investment company, which typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if

they are trading at a price below their NAV, they are said to be trading at a discount. A closed-end mutual fund's expense ratio is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Closed-end funds may also have 12b-1 fees. Income distributions and capital gains of the closed-end fund are subject to income tax, if held in a taxable account.

An ETF is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. ETFs are not actively managed, so their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to vary from that of its underlying index. The expense ratio of an ETF is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. ETFs do not have 12b-1 fees or sales loads. Capital gains from funds held in a taxable account are subject to income tax. In many, but not all cases, ETFs are generally considered to be more tax-efficient when compared to similarly invested mutual funds.

Holding company depository receipts (HOLDRs) are similar to ETFs, but they focus on narrow industry groups. HOLDRs initially own 20 stocks, which are unmanaged, and can become more concentrated due to mergers, or the disparate performance of their holdings. HOLDRs can only be bought in 100-share increments. Investors may exchange shares of a HOLDR for its underlying stocks at any time.

A money-market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution.

An open-end fund is an investment company that issues shares on a continuous basis. Shares can be purchased from the open-end mutual fund itself, or through an intermediary, but cannot be traded on a secondary market, such as the New York Stock Exchange. Investors pay the open-end mutual fund's current net asset value plus any initial sales loads. Net asset value is calculated daily, at the close of business. Open-end mutual fund shares can be redeemed, or sold back to the fund or intermediary, at their current net asset value minus any deferred sales loads or redemption fees. The expense ratio for an open-end mutual fund is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Open-end funds may also have 12b-1 fees. Income distributions and capital gains of the open-end fund are subject to income tax, if held in a taxable account.

A unit investment trust (UIT) is an investment company organized under a trust agreement between a sponsor and trustee. UITs typically purchase a fixed portfolio of securities and then sell units in the trust to investors. The major difference between a UIT and a mutual fund is that a mutual fund is actively managed, while a UIT is not. On a periodic basis, UITs usually distribute to the unit holder their pro rata share of the trust's net investment income and net realized capital gains, if any. If the trust is one that invests only in tax-free securities, then the income from the trust is also tax-free. UITs generally make one public offering of a fixed number of units. However, in some cases, the



sponsor will maintain a secondary market that allows existing unit holders to sell their units and for new investors to buy units. A one-time initial sales charge is deducted from an investment made into the trust. UIT investors may also pay creation and development fees, organization costs, and/or trustee and operation expenses. UIT units may be redeemed by the sponsor at their net asset value minus a deferred sales charge, and sold to other investors. UITs have set termination dates, at which point the underlying securities are sold and the sales proceeds are paid to the investor. Typically, a UIT investment is rolled over into successive trusts as part of a long-term strategy. A rollover fee may be charged for the exercise of rollover purchases. There are tax consequences associated with rolling over an investment from one trust to the next.

### Comparison of Other Security Types

Variable annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account guaranteed by the insurance company, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. Any such guarantee does not affect or apply to the investment return or principal value of the separate account and its subaccount. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. The insurance company offering a variable life contract will charge several fees to investors, including annual contract charges that compensate the insurance company for the cost of maintaining and administering the variable life contract, mortality and expense risk (M&E Risk) charges based on a percentage of a subaccount's assets to cover costs associated with mortality and expense risk, and administration fees that are based on a percentage of a subaccount's assets to cover the costs involved in offering and administering the subaccount. A variable life investor will also be charged a front-end load by the insurance company on their initial contribution, ongoing fees related to the management of the fund, and surrender charges if the investor makes a withdrawal prior to a specified time. If the variable annuity subaccount is invested in a money-market fund, the money market fund is not FDIC-insured, may lose money, and is not guaranteed by a bank or other financial institution.

Variable life insurance is a cash-value life insurance that has a variable cash value and/or death benefit depending on the investment performance of the subaccount into which premium payments are invested. Unlike traditional life insurance, variable life insurance has inherent risks associated with it, including market volatility, and is not viewed as a short-term liquid investment. For more information on a variable life product, including each subaccount, please read the current prospectus. Please note, the financial ratings noted on the report are quoted for an insurance company and do not apply to the separate account and its subaccount.

Fixed annuities have a predetermined rate of return an investor earns and a fixed income payout that is guaranteed by the issuing investment company, and may be immediate or deferred. Payouts may last for a specific period or for the life of the investor. Investments in a deferred fixed annuity grow tax-deferred with income tax incurred upon withdrawal, and do not depend on the stock market. However, the insurance company's guaranteed rate of return and payments depends on the claims-paying ability of the insurance company. Fixed annuities typically do not have cost-of-living payment adjustments. Fixed annuities often have surrender charges if the event you need to withdraw your investment early. Fixed annuities are regulated by state insurance commissioners.

Fixed indexed annuities, also called equity index annuities, are a combination of the characteristics of both fixed and variable annuities. Fixed indexed annuities

offer a predetermined rate of return like a fixed annuity, but they also allow for participation in the stock market, like a variable annuity. Fixed indexed annuities are typically riskier and offer the potential for greater return than fixed annuities, but less so than a variable annuity. Investments in a fixed indexed annuity grow tax-deferred with income tax incurred upon withdrawal. The insurance company's guaranteed rate of return and ability to make payments depends on the claims-paying ability of the insurance company. While fixed indexed annuities may limit an investor's gains in an up market, they are also designed to help limit losses in a down market. Fixed indexed annuities can be complicated and an investor in a fixed indexed annuity should carefully read the insurance company's offering material to understand how a specific annuity's return will be determined. Fixed indexed annuities often have surrender charges in the event you need to withdraw your investment early and are regulated by state insurance commissioners.

A stock is an ownership interest in a company. When an investor purchases a stock, they become a business owner, and the value of their ownership stake will rise and fall according to the underlying business. Stockholders are entitled to the profits, if any, generated by the company after everyone else – employees, vendors, lenders – get paid. Companies usually pay out their profits to investors in the form of dividends, or they reinvest the money back into the business. Stocks trade on exchanges throughout the day, through a brokerage firm who will charge a commission for the purchase or sale of shares. Income distributions and capital gains of the stock are subject to income tax upon their sale, if held in a taxable account.

A bond is a debt security. When an investor purchases a bond, the purchase amount is lent to a government, municipality, corporation or other entity known as an issuer. The issuer promises to pay a specified rate of interest during the life of the bond and repay the face value of the bond when it matures. U.S. Treasuries can be purchased directly from the Treasury or through a brokerage firm. Most other newly issued bonds are offered through an underwriter. Older bonds are traded throughout the day on the secondary market and can be purchased through a brokerage firm, who will charge transaction fees and commission for the purchase or sale. Price evaluations are provided by Interactive Data Corporation (IDC).

Preferred stock usually offers a fixed dividend payment, which is paid out before variable dividends that may be paid to investors in a company's common stock. Therefore, preferred stock is typically less risky in terms of principal loss, but there is also less potential for return when compared to a company's common stock. If a company fails, their obligations to preferred stockholders must be met before those of the company's common stock holders, but after bondholders are reimbursed.

A separate account is a portfolio of securities (such as stocks, bonds, and cash) that follows a specified investment strategy and is managed by an investment professional. The securities in the portfolio are directly owned by the separate account's owner. Separate accounts are unregistered investment vehicles; therefore they do not have the same performance and holding reporting responsibilities that registered securities have. Separate account performance data is reported to Morningstar from the investment manager as a composite of similarly managed portfolios. As such, investors in the same separate account may have slightly different portfolio holdings because each investor has customized account needs, tax considerations and security preferences. The method for calculating composite returns can vary. The composite performance for each separate account manager may differ from actual returns in specific client accounts during the same period for a number of reasons. Different separate account managers may use different methods in constructing or computing performance figures. Thus, performance and risk figures for different separate account managers may not be fully comparable to each other. Likewise, performance and risk information of certain separate account

managers may include only composites of larger accounts, which may or may not have more holdings, different diversification, different trading patterns and different performance than smaller accounts with the same strategy. Finally, composite performance of the separate account offered by the money manager may or may not reflect the reinvestment of dividends and capital gains. Gross returns are collected on a monthly and quarterly basis for separate accounts and commingled pools. This information is collected directly from the asset management firm running the product(s). Morningstar calculates total returns, using the raw data (gross monthly and quarterly returns), collected from these asset management firms. The performance data reported by the separate account managers will not represent actual performance net of management fees, brokerage commissions or other expenses. Management fees as well as other expenses a client may incur will reduce individual returns for that client. Because fees are deducted regularly, the compounding effect will increase the impact of the fee deduction on gross account performance by a greater percentage than that of the annual fee charged. For example, if an account is charged a 1% management fee per year and has gross performance of 12% during that same period, the compounding effect of the quarterly fee assessments will result in an actual return of approximately 10.9%. Clients should refer to the disclosure document of the separate account manager and their advisor for specific information regarding fees and expenses. The analysis in this report may be based, in part, on adjusted historical returns for periods prior to an insurance group separate account's (IGSA's) actual inception. When pre-inception data are presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics. These calculated returns reflect the historical performance of the oldest share class of the underlying fund, adjusted to reflect the management fees of the current IGSA. While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of an IGSA based on the underlying fund's performance, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the IGSA itself. Morningstar % Rank within Morningstar Category does not account for a separate account's sales charge (if applicable).

A collective investment trust (CIT) may also be called a commingled or collective fund. CITs are tax-exempt, pooled investment vehicles maintained by a bank or trust company exclusively for qualified plans, including 401(k)s, and certain types of government plans. CITs are unregistered investment vehicles subject to banking regulations of the Office of the Comptroller of the Currency (OCC), which means they are typically less expensive than other investment options due to lower marketing, overhead, and compliance-related costs. CITs are not available to the general public, but are managed only for specific retirement plans.

A 529 Portfolio is a specific portfolio of securities created from a 529 plan's available investments. In general, the data presented for a 529 Portfolio uses a weighted average of the underlying holdings in the portfolio. Most 529 plans are invested in open-end mutual funds; however, other investment types are possible such as stable value funds, certificates of deposit, and separate accounts.

Before investing, an investor should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 qualified tuition program.

Offshore funds are funds domiciled in a country outside the one the investor resides in. Many banks have offshore subsidiaries that are under the standards and regulations of the particular country, which can vary considerably. Companies may establish headquarters offshore because of lower tax rates.

Offshore funds are not regulated by the SEC and may have tax implications.

Hedge funds are aggressively managed portfolios which make extensive use of unconventional investment tools such as derivatives as well as long and short positions. Managers of hedge-funds typically focus on specific areas of the market and/or trading strategies. Strategies may include the use of arbitrage, derivatives, leverage, and short selling, and may hold concentrated positions or private securities, which can make them riskier than other investment types. Hedge funds are typically pooled investment vehicles available to sophisticated investors that meet high investing minimums. Many hedge funds are unregistered and are not subject to the same regulations as registered investment vehicles, such as mutual funds. Funds of hedge funds are pooled investment vehicles that invest in multiple unregistered hedge funds, and may be registered with the SEC. Registered funds of hedge funds typically have lower investment minimums than hedge funds, but they are usually not registered on an exchange and can be illiquid. Fund of hedge fund fees are generally higher than those of other pooled investments (like mutual funds) and may have tax consequences.

Cash is a short-term, highly liquid investment. Cash typically doesn't earn as much as other investments, such as stocks or bonds, but is less risky.

Indexes are unmanaged and not available for direct investment. Indexes are created to measure a specified area of the stock market using a representative portfolio of securities. If a security is not available in Morningstar's database, your financial professional may choose to show a representative index. Please note that indexes vary widely, and it is important to choose an index that has similar characteristics to the security it is being used to represent. In no way should the performance of an index be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for an index and may include an individual client incurring a loss. Past performance is no guarantee of future results.

Morningstar assigns each security in its database to a Morningstar Category using the underlying securities in the security's portfolio. If a security is not available in Morningstar's database, your financial professional may choose to show the security's category. Please note that a category will not be an exact match to your securities. In no way should the performance of a category be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for a category and may include an individual client incurring a loss. Past performance is no guarantee of future results.

### Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's list of holdings and again on the standardized returns page. When pre-inception data is presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary

from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

### Scheduled Portfolio Trailing Returns

Scheduled Portfolios are customized by the user to account for loads, taxes, cash flows and specific investment dates. Scheduled portfolios use the portfolio's investment history to calculate final market values and returns. For scheduled portfolios, both individual holdings and portfolio returns are internal-rate-of-return calculations that reflect the timing and dollar size of all purchases and sales. For stocks and mutual funds, sales charges and tax rates are taken into account as specified by the user (except in the pre-tax returns, which reflect the impact of sales charges but not taxes). Note that in some scheduled portfolio illustrations, dividends and capital gains distributions, if applicable, are reinvested at the end of the month in which they are made at the month-end closing price. This can cause discrepancies between calculated returns and actual investor experience.

The trailing returns for scheduled portfolios commence at the end of the day on the investment start date. All front-load fees and beginning of period asset-based fees are deducted at the start of the day, therefore these fees will not be incorporated within the trailing return time period that matches the whole investment time period. For example, an investor pays \$10,000 for security A with a 5% front-load and generates a 5-year Hypothetical Illustration that shows an end value of \$12,500. Assuming no cash inflows or outflows aside from the initial investment and end value, the whole investment time period return will be 4.56%  $((12,500 / \$10,000)^{(1/5)} - 1)$  while the 5-year trailing return will be 5.64%  $((\$12,500 / \$9,500)^{(1/5)} - 1)$ .

### Scheduled Portfolio Returns-Based Performance Data

For scheduled portfolios, the monthly returns used to calculate alphas, betas, R-squareds, standard deviations, Sharpe ratios and best/worst time-period data are internal rates of return.

### Important VA Disclosure for Scheduled Portfolios

For variable annuity products, policy level charges (other than front-end loads, if input by the advisor) are not factored into returns. When withdrawals and liquidations are made, increases in value over the purchase price are taxed at the capital gains rate that is currently in effect. This is not reflective of the actual tax treatment for these products, which requires the entire withdrawal to be taxed at the income tax rate. If adjusted for sales charges and the effects of taxation, the subaccount returns would be reduced.

### Scheduled Portfolio Investment Activity Graph

The historic portfolio values graphed are those used to track the portfolio when calculating returns.

### Unscheduled Portfolio Returns

Monthly total returns for unscheduled portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (ie. due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions. Inception dates are listed in the Disclosure for Standardized and Tax Adjusted Returns. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Unscheduled portfolio returns thus assume monthly rebalancing. Returns for individual holdings are simple time-weighted trailing returns. Neither portfolio returns nor holding returns are adjusted for loads or taxes, and if they were, the returns stated would be reduced. The returns stated assume the reinvestment of dividends and capital gains. Mutual fund returns include all ongoing fund expenses. VA/VL returns

reflect subaccount level fund expenses, including M&E expenses, administration fees, and actual ongoing fund-level expenses.

### Unscheduled Portfolio Investment Activity Graph

The historic performance data graphed is extrapolated from the ending portfolio value based on monthly returns.

### Benchmark Returns

Benchmark returns may or may not be adjusted to reflect ongoing expenses such as sales charges. An investment's portfolio may differ significantly from the securities in the benchmark.

Returns for custom benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Custom benchmark returns thus assume monthly rebalancing.

### Standardized Returns

For mutual funds, standardized return is total return adjusted for sales charges, and reflects all ongoing fund expenses. Following this disclosure statement, standardized returns for each portfolio holding are shown.

For money-market mutual funds, standardized return is total return adjusted for sales charges and reflects all ongoing fund expenses. Current 7-day yield more closely reflects the current earnings of the money-market fund than the total return quotation.

For VA subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees and actual ongoing fund-level expenses.

For ETFs, the standardized returns reflect performance, both at market price and NAV price, without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

The charges and expenses used in the standardized returns are obtained from the most recent prospectus and/or shareholder report available to Morningstar. For mutual funds and VAs, all dividends and capital gains are assumed to be reinvested. For stocks, stock acquired via divestitures is assumed to be liquidated and reinvested in the original holding.

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

For money-market funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the money-market returns would be reduced.

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load,

maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

The investment(s) returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns will be reduced if additional advisory fees are incurred such as deferred loads, redemption fees, wrap fees, or other account charges.

### Asset Allocation

The weighting of the portfolio in various asset classes, including "Other", is shown in this graph and table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks. "Not classified" represents the portion of the portfolio that Morningstar could not classify at all, due to missing data.

In the graph and table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These new portfolio statistics help investors look "under the hood" of a portfolio. These statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

### Investment Style

The Morningstar Style Box reveals a fund's investment style as of the date

noted on this report.

For equity funds, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, core, or growth).

For fixed-income funds, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g. quarterly). In compiling credit rating information Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations (NRSROs). For a list of all NRSROs, please visit <http://www.sec.gov/divisions/marketreg/ratingagency.htm>. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating, and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO or rating agency ratings can change from time to time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

### Stock Regions

This section provides the allocation of the portfolio's long stock positions to the



world regions, in comparison with a benchmark.

### Risk and Return

Standard deviation is a statistical measure of the volatility of a portfolio's returns around its mean.

Mean represents the annualized geometric return for the period shown.

Sharpe ratio uses a portfolio's standard deviation and total return to determine reward per unit of risk.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its beta and the actual returns of the benchmark index. Alpha is often seen as a measurement of the value added or subtracted by a portfolio's manager.

Beta is a measure of the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than its benchmark index.

R-squared reflects the percentage of a portfolio's movements that is explained by movements in its benchmark index, showing the degree of correlation between the portfolio and a benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

### Portfolio Yield

The dividend yield produced for the most recent 12 months is presented.

### Fundamental Analysis

The below referenced data elements are a weighted average of the long equity holdings in the portfolio.

The median market capitalization of a subaccount's equity portfolio gives you a measure of the size of the companies in which the subaccount invests.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a subaccounts portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of all the stocks in the underlying 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.

The Price/Earnings ratio is calculated by dividing the market value of the equity assets by the trailing 12 month earnings. The 12 month earnings value comes from multiplying the number of shares and the adjusted trailing 12 months' earnings per share for each equity asset and summing the results.

The Price/Sales ratio is a weighted average of the price/sales ratios of the stocks in the underlying fund's portfolio. The P/S ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' revenues per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The return on assets (ROA) is the percentage a company earns on its assets in a given year. The calculation is net income divided by end-of-year total assets, multiplied by 100.

The Return on Equity (ROE) is the percentage a company earns on its shareholders' equity in a given year. The calculation is net income divided by end-of-year net worth, multiplied by 100.

Market Maturity shows the percentage of a holding's long common stocks that are domiciled in developed and emerging markets.

The data elements listed below are a weighted average of the long fixed income holdings in the portfolio.

Average maturity is used for holdings in the taxable fixed-income category. This is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security.

Credit quality breakdowns are shown for corporate-bond holdings and depict the quality of bonds in the underlying portfolio. The report shows the percentage of fixed-income securities that fall within each credit quality rating as assigned by an NRSRO. Bonds not rated by an NRSRO are included in the not rated (NR) category.

Debt as a percentage of capital is calculated by dividing long-term debt by total capitalization (the sum of common equity plus preferred equity plus long-term debt). This figure is not provided for financial companies.

Duration is a time measure of a bond's interest-rate sensitivity.

Net Margin is a measure of profitability. It is equal to annual net income divided by revenues from the same period for the past five fiscal years, multiplied by 100.

Type Weightings divide the stocks in a given holding's portfolio into eight type designations, each of which defines a broad category of investment characteristics. Not all stocks in a given holding's portfolio are assigned a type. These stocks are grouped under NA.

The data elements listed below are a weighted average of the total holdings in the portfolio.

The average expense ratio is the percentage of assets deducted each year for operating expenses, management fees, and all other asset-based costs incurred by the fund, excluding brokerage fees. Please note for mutual funds, variable annuities/life, ETFs and closed-end funds, we use the gross prospectus ratio as provided in the prospectus. Separate accounts and stocks are excluded from the average expense ratio.

Potential capital gains exposure is the percentage of a holding's total assets that represent capital appreciation.

## Fixed Annuity and Fixed Indexed Annuity Holdings Proxy Disclosure

When reviewing or recommending a portfolio, your financial advisor analyses the investments in the portfolio along with their fees and expenses. Your financial advisor may choose to rely on a proxy to estimate this information. If included in this report, the Holding Type will be "PROXY".

If a proxy is used in this report, the data shown may not be an accurate representation of the data for the actual portfolio and should not be viewed as such. The actual portfolio data may be higher or lower than what is shown in

this report, and will vary depending on the actual investments in the portfolio and the allocation of those investments.

For Fixed Annuity or Fixed Indexed Annuity proxies included in this report, the performance of the proxy will be zero (0.00) over all time periods. A portfolio yield will not be calculated and all Risk and Return and MPT Statistics will be shown as zero (0.00). Your financial advisor should explain to you how an actual Fixed Annuity or Fixed Indexed Annuity will impact the portfolio shown in this report any other limitations or disclosures that may be material to your decision-making process.

Morningstar has not reviewed or verified any information input by your financial advisor, nor can Morningstar guarantee the completeness or accuracy of this data. Morningstar shall have no liability for any errors, omissions, or interruptions. Morningstar makes no warranty, express or implied, as to the results obtained by any person or entity from the use of a proxy or the data included therein. Morningstar makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the proxies or any data included therein. Without limiting any of the foregoing, in no event shall Morningstar have any liability for any special, punitive, indirect or consequential damages (including lost profits) even if notified of the possibility of such damages.

Morningstar makes no representation or warranty, express or implied, regarding the advisability of investing in securities generally or the ability of a proxy to approximate data of a specific security or security type. Before selecting a proxy you and your financial advisor should, among other factors, carefully consider the proxy and its applicability. There is no guarantee that a proxy will achieve any objective.

The proxy used in this report is provided for informational and educational purposes only to help your financial advisor illustrate and document a portfolio to you. Morningstar is not responsible for any trading decisions, damages, or other losses resulting from or related to a proxy, assumptions made in choosing a proxy, or the information noted herein. Any security noted is not an offer or solicitation by Morningstar to buy or sell that security.

In no way should the information about a proxy shown within this report be considered indicative or a guarantee of an actual portfolio. Actual results may differ substantially from that shown.

***Please note: If a proxy is used in this report, you should not use it as the sole basis for your investment decisions.***

## Mutual Fund Detail Report Disclosure Statement

The Mutual Fund Detail Report is supplemental sales literature, and therefore must be preceded or accompanied by the mutual fund's current prospectus or an equivalent statement. Please read this information carefully. In all cases, this disclosure statement should accompany the Mutual Fund Detail Report. Morningstar is not itself a FINRA-member firm.

All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the fund's portfolio. There is no assurance that the data will remain the same.

Unless otherwise specified, the definition of "funds" used throughout this Disclosure Statement includes closed-end funds, exchange-traded funds, grantor trusts, index mutual funds, open-ended mutual funds, and unit

investment trusts. It does not include exchange-traded notes or exchange-traded commodities.

Prior to 2016, Morningstar's methodology evaluated open-end mutual funds and exchange-traded funds as separate groups. Each group contained a subset of the current investments included in our current comparative analysis. In this report, historical data presented on a calendar-year basis and trailing periods ending at the most-recent month-end reflect the updated methodology.

Risk measures (such as alpha, beta, r-squared, standard deviation, mean, or Sharpe ratio) are calculated for securities or portfolios that have at least a three-year history.

Most Morningstar rankings do not include any adjustment for one-time sales charges, or loads. Morningstar does publish load-adjusted returns, and ranks such returns within a Morningstar Category in certain reports. The total returns for ETFs and fund share classes without one-time loads are equal to Morningstar's calculation of load-adjusted returns. Share classes that are subject to one-time loads relating to advice or sales commissions have their returns adjusted as part of the load-adjusted return calculation to reflect those loads.

### Comparison of Fund Types

Funds, including closed-end funds, exchange-traded funds (ETFs), money market funds, open-end funds, and unit investment trusts (UITs), have many similarities, but also many important differences. In general, publically-offered funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Funds pool money from their investors and manage it according to an investment strategy or objective, which can vary greatly from fund to fund. Funds have the ability to offer diversification and professional management, but also involve risk, including the loss of principal.

A closed-end fund is an investment company, which typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. A closed-end mutual fund's expense ratio is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Closed-end funds may also have 12b-1 fees. Income distributions and capital gains of the closed-end fund are subject to income tax, if held in a taxable account.

An ETF is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. ETFs are not actively managed, so their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to vary from that of its underlying index. The expense ratio of an ETF is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. ETFs do not have 12b-1 fees or sales loads. Capital gains from funds held in a taxable account are subject to income tax. In many, but not all cases, ETFs are generally considered to be more tax-efficient when compared to similarly

invested mutual funds.

Holding company depository receipts (HOLDRs) are similar to ETFs, but they focus on narrow industry groups. HOLDRs initially own 20 stocks, which are unmanaged, and can become more concentrated due to mergers, or the disparate performance of their holdings. HOLDRs can only be bought in 100-share increments. Investors may exchange shares of a HOLDR for its underlying stocks at any time.

A money-market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution.

An open-end fund is an investment company that issues shares on a continuous basis. Shares can be purchased from the open-end mutual fund itself, or through an intermediary, but cannot be traded on a secondary market, such as the New York Stock Exchange. Investors pay the open-end mutual fund's current net asset value plus any initial sales loads. Net asset value is calculated daily, at the close of business. Open-end mutual fund shares can be redeemed, or sold back to the fund or intermediary, at their current net asset value minus any deferred sales loads or redemption fees. The expense ratio for an open-end mutual fund is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Open-end funds may also have 12b-1 fees. Income distributions and capital gains of the open-end fund are subject to income tax, if held in a taxable account.

A unit investment trust (UIT) is an investment company organized under a trust agreement between a sponsor and trustee. UITs typically purchase a fixed portfolio of securities and then sell units in the trust to investors. The major difference between a UIT and a mutual fund is that a mutual fund is actively managed, while a UIT is not. On a periodic basis, UITs usually distribute to the unit holder their pro rata share of the trust's net investment income and net realized capital gains, if any. If the trust is one that invests only in tax-free securities, then the income from the trust is also tax-free. UITs generally make one public offering of a fixed number of units. However, in some cases, the sponsor will maintain a secondary market that allows existing unit holders to sell their units and for new investors to buy units. A one-time initial sales charge is deducted from an investment made into the trust. UIT investors may also pay creation and development fees, organization costs, and/or trustee and operation expenses. UIT units may be redeemed by the sponsor at their net asset value minus a deferred sales charge, and sold to other investors. UITs have set termination dates, at which point the underlying securities are sold and the sales proceeds are paid to the investor. Typically, a UIT investment is rolled over into successive trusts as part of a long-term strategy. A rollover fee may be charged for the exercise of rollover purchases. There are tax consequences associated with rolling over an investment from one trust to the next.

## Performance

The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when sold, may be worth more or less than the original investment. Fund portfolio statistics change over time. Funds are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.

Morningstar calculates after-tax returns using the highest applicable federal marginal income tax rate plus the investment income tax and Medicare surcharge. As of 2018, this rate is 37% plus 3.8% investment income plus 0.9%

Medicare surcharge, or 41.7%. This rate changes periodically in accordance with changes in federal law.

## Pre-Inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the inception of the share class of the fund shown in this report ("Report Share Class"). If pre-inception returns are shown, a performance stream consisting of the Report Share Class and older share class(es) is created. Morningstar adjusts pre-inception returns downward to reflect higher expenses in the Report Share Class, we do not hypothetically adjust returns upwards for lower expenses. For more information regarding calculation of pre-inception returns please see the Morningstar Extended Performance Methodology.

**When pre-inception data is presented in the report, the header at the top of the report will indicate this. In addition, the pre-inception data included in the report will appear in italics.**

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. The underlying investments in the share classes used to calculate the pre-performance string will likely vary from the underlying investments held in the fund after inception. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

## 12b1 Expense %

A 12b-1 fee is a fee used to pay for a mutual fund's distribution costs. It is often used as a commission to brokers for selling the fund. The amount of the fee is taken from a fund's returns.

## Alpha

Alpha is a measure of the difference between a security or portfolio's actual returns and its expected performance, given its level of risk (as measured by beta.) Alpha is often seen as a measure of the value added or subtracted by a portfolio manager.

## Asset Allocation

Asset Allocation reflects asset class weightings of the portfolio. The "Other" category includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks, or cannot be classified by Morningstar as a result of missing data. Morningstar may display asset allocation data in several ways, including tables or pie charts. In addition, Morningstar may compare the asset class breakdown of the fund against its three-year average, category average, and/or index proxy.

Asset allocations shown in tables may include a breakdown among the long, short, and net (long positions net of short) positions. These statistics summarize what the fund's managers are buying and how they are positioning the fund's portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the fund's exposure and risk. Long positions involve buying the security outright and selling it later, with the hope the security's price rises over time. Short positions are taken with the hope of benefitting from anticipated price declines. The investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale,



the investor will have sold high and can buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience a loss buying it at a higher price than the sale price.

Most fund portfolios hold fairly conventional securities, such as long positions in equities and bonds. Morningstar may generate a colored pie chart for these portfolios. Other portfolios use other investment strategies or securities, such as short positions or derivatives, in an attempt to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics. Portfolios that incorporate investment strategies resulting in short positions or portfolio with relatively exotic derivative positions often report data to Morningstar that does not meet the parameters of the calculation underlying a pie chart's generation. Because of the nature of how these securities are reported to Morningstar, we may not always get complete portfolio information to report asset allocation. Morningstar, at its discretion, may determine if unidentified characteristics of fund holdings are material. Asset allocation and other breakdowns may be rescaled accordingly so that percentages total to 100 percent. (Morningstar used discretion to determine if unidentified characteristics of fund holdings are material, pie charts and other breakdowns may rescale identified characteristics to 100% for more intuitive presentation.)

Note that all other portfolio statistics presented in this report are based on the long (or long rescaled) holdings of the fund only.

#### **Average Effective Duration**

Duration is a time measure of a bond's interest-rate sensitivity. Average effective duration is a weighted average of the duration of the fixed-income securities within a portfolio.

#### **Average Effective Maturity**

Average Effective Maturity is a weighted average of the maturities of all bonds in a portfolio.

#### **Average Weighted Coupon**

A coupon is the fixed annual percentage paid out on a bond. The average weighted coupon is the asset-weighted coupon of each bond in the portfolio.

#### **Average Weighted Price**

Average Weighted Price is the asset-weighted price of bonds held in a portfolio, expressed as a percentage of par (face) value. This number reveals if the portfolio favors bonds selling at prices above or below par value (premium or discount securities respectively.)

#### **Best Fit Index**

Alpha, beta, and R-squared statistics are presented for a broad market index and a "best fit" index. The Best Fit Index identified in this report was determined by Morningstar by calculating R-squared for the fund against approximately 100 indexes tracked by Morningstar. The index representing the highest R-squared is identified as the best fit index. The best fit index may not be the fund's benchmark, nor does it necessarily contain the types of securities that may be held by the fund or portfolio.

#### **Beta**

Beta is a measure of a security or portfolio's sensitivity to market movements (proxied using an index.) A beta of greater than 1 indicates more volatility than the market, and a beta of less than 1 indicates less volatility than the market.

#### **Credit Quality Breakdown**

Credit Quality breakdowns are shown for corporate-bond holdings in the fund's portfolio and depict the quality of bonds in the underlying portfolio. It shows the percentage of fixed-income securities that fall within each credit-quality rating as assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). Bonds not rated by an NRSRO are included in the Other/Not-Classified category.

#### **Deferred Load %**

The back-end sales charge or deferred load is imposed when an investor redeems shares of a fund. The percentage of the load charged generally declines the longer the fund's shares are held by the investor. This charge, coupled with 12b-1 fees, commonly serves as an alternative to a traditional front-end load.

#### **Expense Ratio %**

The expense ratio is the annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as front-end or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund's average net assets, is accrued on a daily basis. The gross expense ratio, in contrast to the net expense ratio, includes interest and dividends on borrowed securities but does not reflect any fee waivers in effect during the time period.

#### **Front-end Load %**

The initial sales charge or front-end load is a deduction made from each investment in the fund and is generally based on the amount of the investment.

#### **Geometric Average Market Capitalization**

Geometric Average Market Capitalization is a measure of the size of the companies in which a portfolio invests.

#### **Growth of 10,000**

For funds, this graph compares the growth of an investment of 10,000 (in the base currency of the fund) with that of an index and/or with that of the average for all funds in its Morningstar Category. The total returns are not adjusted to reflect sales charges or the effects of taxation but are adjusted to reflect actual ongoing fund expenses, and they assume reinvestment of dividends and capital gains. If adjusted, effects of sales charges and taxation would reduce the performance quoted. If pre-inception data is included in the analysis, it will be graphed.

The index in the Growth of 10,000 graph is an unmanaged portfolio of specified securities and cannot be invested in directly. The index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index. The index is chosen by Morningstar.

#### **Management Fees %**

The management fee includes the management and administrative fees listed in the Management Fees section of a fund's prospectus. Typically, these fees represent the costs shareholders paid for management and administrative services over the fund's prior fiscal year.

#### **Maximum Redemption Fee %**

The Maximum Redemption Fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase (for example, 30, 180, or 365 days).

#### **Mean**

Mean is the annualized geometric return for the period shown.

### Morningstar Analyst Rating™

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/).

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

### Morningstar Category

Morningstar Category is assigned by placing funds into peer groups based on their underlying holdings. The underlying securities in each portfolio are the primary factor in our analysis as the investment objective and investment strategy stated in a fund's prospectus may not be sufficiently detailed for our proprietary classification methodology. Funds are placed in a category based on their portfolio statistics and compositions over the past three years. Analysis of performance and other indicative facts are also considered. If the fund is new and has no portfolio history, Morningstar estimates where it will fall before giving it a permanent category assignment. Categories may be changed based on recent changes to the portfolio.

### Morningstar Rank

Morningstar Rank is the total return percentile rank within each Morningstar Category. The highest (or most favorable) percentile rank is zero and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of a fund at the time of calculation.

### Morningstar Rating™

The Morningstar Rating™ for funds, or "star rating", is calculated for funds and separate accounts with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. For more information about the Morningstar Rating for funds, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/).

The Morningstar Return rates a fund's performance relative to other managed products in its Morningstar Category. It is an assessment of a product's excess return over a risk-free rate (the return of the 90-day Treasury Bill) in comparison with the products in its Morningstar category. In each Morningstar category, the top 10% of products earn a High Morningstar Return (High), the next 22.5% Above Average (+Avg), the middle 35% Average (Avg), the next 22.5% Below Average (-Ave), and the bottom 10% Low (Low). Morningstar Return is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

### Morningstar Risk

Morningstar Risk evaluates a fund's downside volatility relative to that of other products in its Morningstar Category. It is an assessment of the variations in monthly returns, with an emphasis on downside variations, in comparison with the products in its Morningstar category. In each Morningstar category, the 10% of products with the lowest measured risk are described as Low Risk (Low), the next 22.5% Below Average (-Avg), the middle 35% Average (Avg), the next 22.5% Above Average (+Avg), and the top 10% High (High). Morningstar Risk is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

### Morningstar Style Box™

The Morningstar Style Box™ reveals a fund's investment strategy as of the date noted on this report.

For equity funds, the vertical axis shows the market capitalization of the long stocks owned, and the horizontal axis shows the investment style (value, blend, or growth.) A darkened square in the style box indicates the weighted average style of the portfolio.

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest-rate sensitivity as measured by a bond's effective duration. Morningstar seeks credit rating information from fund companies on a periodic basis (for example, quarterly). In compiling credit rating information, Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations. For a list of all NRSROs, please visit <http://www.sec.gov/divisions/marketreg/ratingagency.htm>. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/ agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating; and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings.

Please Note: Morningstar, Inc. is not an NRSRO nor does it issue a credit rating on the fund. NRSRO or rating agency ratings can change from time to time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low," "medium," or "high" based on their average credit quality. Funds with a "low" credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; "medium" are those less than "AA-", but greater or equal to "BBB-"; and "high" are those with a weighted-average credit quality of "AA-" or higher.

When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index, which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCB's average effective duration; funds whose average effective duration is between 75% to 125% of the MCB will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCB will be classified as Extensive.

For municipal-bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases, static breakpoints are used. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-U.S. taxable and non-U.S. domiciled fixed-income funds, static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: more than 3.5 years but less than or equal to 6 years; (iii) Extensive: more than 6 years.

Interest-rate sensitivity for non-U.S. domiciled funds (excluding funds in convertible categories) may be measured with modified duration when effective duration is not available.

#### **P/B Ratio TTM**

The Price/Book Ratio (or P/B Ratio) for a fund is the weighted average of the P/B Ratio of the stocks in its portfolio. Book value is the total assets of a company, less total liabilities. The P/B ratio of a company is calculated by dividing the market price of its outstanding stock by the company's book value, and then adjusting for the number of shares outstanding. Stocks with negative book values are excluded from this calculation. It shows approximately how much an investor is paying for a company's assets based on historical valuations.

#### **P/C Ratio TTM**

The Price/Cash Flow Ratio (or P/C Ratio) for a fund is the weighted average of the P/C Ratio of the stocks in its portfolio. The P/C Ratio of a stock represents the amount an investor is willing to pay for a dollar generated from a company's operations. It shows the ability of a company to generate cash and acts as a gauge of liquidity and solvency.

#### **P/E Ratio TTM**

The Price/Earnings Ratio (or P/E Ratio) for a fund is the weighted average of the P/E Ratios of the stocks in its portfolio. The P/E Ratio of a stock is the stock's current price divided by the company's trailing 12-month earnings per share. A high P/E Ratio usually indicates the market will pay more to obtain the company's earnings because it believes in the company's abilities to increase their earnings. A low P/E Ratio indicates the market has less confidence that the company's earnings will increase, however value investors may believe such stocks have an overlooked or undervalued potential for appreciation.

#### **Percentile Rank in Category**

Percentile Rank is a standardized way of ranking items within a peer group, in this case, funds within the same Morningstar Category. The observation with the largest numerical value is ranked zero the observation with the smallest numerical value is ranked 100. The remaining observations are placed equal

distance from one another on the rating scale. Note that lower percentile ranks are generally more favorable for returns (high returns), while higher percentile ranks are generally more favorable for risk measures (low risk).

#### **Performance Quartile**

Performance Quartile reflects a fund's Morningstar Rank.

#### **Potential Capital Gains Exposure**

Potential Capital Gains Exposure is an estimate of the percent of a fund's assets that represent gains. It measures how much the fund's assets have appreciated, and it can be an indicator of possible future capital gains distributions. A positive potential capital gains exposure value means that the fund's holdings have generally increased in value while a negative value means that the fund has reported losses on its book.

#### **Quarterly Returns**

Quarterly Return is calculated applying the same methodology as Total Return except it represents return through each quarter-end.

#### **R-Squared**

R-squared is the percentage of a security or portfolio's return movements that are explained by movements in its benchmark index, showing the degree of correlation between the security or portfolio and the benchmark. This figure is helpful in assessing how likely it is that beta and alpha are statistically significant. A value of 1 indicates perfect correlation between the security or portfolio and its benchmark. The lower the R-squared value, the lower the correlation.

#### **Regional Exposure**

The regional exposure is a display of the portfolio's assets invested in the regions shown on the report.

#### **Sector Weightings**

Super Sectors represent Morningstar's broadest classification of equity sectors by assigning the 11 equity sectors into three classifications. The Cyclical Super Sector includes industries significantly impacted by economic shifts, and the stocks included in these sectors generally have betas greater than 1. The Defensive Super Sector generally includes industries that are relatively immune to economic cycles, and the stocks in these industries generally have betas less than 1. The Sensitive Super Sector includes industries that ebb and flow with the overall economy, but not severely so. Stocks in the Sensitive Super Sector generally have betas that are close to 1.

#### **Share Change**

Shares Change represents the number of shares of a stock bought or sold by a fund since the previously reported portfolio of the fund.

#### **Sharpe Ratio**

Sharpe Ratio uses standard deviation and excess return (a measure of a security or portfolio's return in excess of the U.S. Treasury three-month Treasury Bill) to determine the reward per unit of risk.

#### **Standard Deviation**

Standard deviation is a statistical measure of the volatility of the security or portfolio's returns. The larger the standard deviation, the greater the volatility of return.

#### **Standardized Returns**

Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if

applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the security was purchased at the beginning of the period and sold at the end, incurring transaction charges.

### Total Return

Total Return, or "Non Load-Adjusted Return", reflects performance without adjusting for sales charges (if applicable) or the effects of taxation, but it is adjusted to reflect all actual ongoing security expenses and assumes reinvestment of dividends and capital gains. It is the return an investor would have experienced if the fund was held throughout the period. If adjusted for sales charges and the effects of taxation, the performance quoted would be significantly reduced.

Total Return +/- indicates how a fund has performed relative to its peers (as measure by its Standard Index and/or Morningstar Category Index) over the time periods shown.

### Trailing Returns

Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the fund was purchased at the beginning of the period and sold at the end, incurring transaction charges.

Load-Adjusted Monthly Return is calculated applying the same methodology as Standardized Return, except that it represents return through month-end. As with Standardized Return, it reflects the impact of sales charges and ongoing fund expenses, but not taxation. If adjusted for the effects of taxation, the performance quoted would be significantly different.

Trailing Return +/- indicates how a fund has performed relative to its peers (as measure by its Standard Index and/or Morningstar Category Index) over the time periods shown.

## ETF Detail Report Disclosure Statement

The Exchange-Traded Fund (ETF) Detail Report is supplemental sales literature, and therefore must be preceded or accompanied by the mutual fund's current prospectus or an equivalent statement. Please read this information carefully. In all cases, this disclosure statement should accompany the ETF Detail Report. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the fund's portfolio. There is no assurance that the data will remain the same.

Unless otherwise specified, the definition of "funds" used throughout this Disclosure Statement includes closed-end funds, exchange-traded funds, grantor trusts, index mutual funds, open-ended mutual funds, and unit investment trusts. It does not include exchange-traded notes or exchange-traded commodities.

Prior to 2016, Morningstar's methodology evaluated open-end mutual funds and exchange-traded funds as separate groups. Each group contained a subset of the current investments included in our current comparative analysis. In this report, historical data presented on a calendar-year basis and trailing periods ending at the most-recent month-end reflect the updated methodology.

Risk measures (such as alpha, beta, r-squared, standard deviation, mean, or Sharpe ratio) are calculated for securities or portfolios that have at least a three-year history.

Most Morningstar rankings do not include any adjustment for one-time sales charges, or loads. Morningstar does publish load-adjusted returns, and ranks such returns within a Morningstar Category in certain reports. The total returns for ETFs and fund share classes without one-time loads are equal to Morningstar's calculation of load-adjusted returns. Share classes that are subject to one-time loads relating to advice or sales commissions have their returns adjusted as part of the load-adjusted return calculation to reflect those loads.

### Comparison of Fund Types

Funds, including closed-end funds, exchange-traded funds (ETFs), money market funds, open-end funds, and unit investment trusts (UITs), have many similarities, but also many important differences. In general, publicly-offered funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Funds pool money from their investors and manage it according to an investment strategy or objective, which can vary greatly from fund to fund. Funds have the ability to offer diversification and professional management, but also involve risk, including the loss of principal.

A closed-end fund is an investment company, which typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. A closed-end mutual fund's expense ratio is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Closed-end funds may also have 12b-1 fees. Income distributions and capital gains of the closed-end fund are subject to income tax, if held in a taxable account.

An ETF is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount. ETFs are not actively managed, so their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to vary from that of its underlying index. The expense ratio of an ETF is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. ETFs do not have 12b-1 fees or sales loads. Capital gains from funds held in a taxable account are subject to income tax. In many, but not all cases, ETFs are generally considered to be more tax-efficient when compared to similarly invested mutual funds.

Holding company depository receipts (HOLDRs) are similar to ETFs, but they focus on narrow industry groups. HOLDRs initially own 20 stocks, which are unmanaged, and can become more concentrated due to mergers, or the disparate performance of their holdings. HOLDRs can only be bought in 100-share increments. Investors may exchange shares of a HOLDR for its underlying stocks at any time.



A money-market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution.

An open-end fund is an investment company that issues shares on a continuous basis. Shares can be purchased from the open-end mutual fund itself, or through an intermediary, but cannot be traded on a secondary market, such as the New York Stock Exchange. Investors pay the open-end mutual fund's current net asset value plus any initial sales loads. Net asset value is calculated daily, at the close of business. Open-end mutual fund shares can be redeemed, or sold back to the fund or intermediary, at their current net asset value minus any deferred sales loads or redemption fees. The expense ratio for an open-end mutual fund is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Open-end funds may also have 12b-1 fees. Income distributions and capital gains of the open-end fund are subject to income tax, if held in a taxable account.

A unit investment trust (UIT) is an investment company organized under a trust agreement between a sponsor and trustee. UITs typically purchase a fixed portfolio of securities and then sell units in the trust to investors. The major difference between a UIT and a mutual fund is that a mutual fund is actively managed, while a UIT is not. On a periodic basis, UITs usually distribute to the unit holder their pro rata share of the trust's net investment income and net realized capital gains, if any. If the trust is one that invests only in tax-free securities, then the income from the trust is also tax-free. UITs generally make one public offering of a fixed number of units. However, in some cases, the sponsor will maintain a secondary market that allows existing unit holders to sell their units and for new investors to buy units. A one-time initial sales charge is deducted from an investment made into the trust. UIT investors may also pay creation and development fees, organization costs, and/or trustee and operation expenses. UIT units may be redeemed by the sponsor at their net asset value minus a deferred sales charge, and sold to other investors. UITs have set termination dates, at which point the underlying securities are sold and the sales proceeds are paid to the investor. Typically, a UIT investment is rolled over into successive trusts as part of a long-term strategy. A rollover fee may be charged for the exercise of rollover purchases. There are tax consequences associated with rolling over an investment from one trust to the next.

## Performance

The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when sold, may be worth more or less than the original investment. Fund portfolio statistics change over time. Funds are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.

The market price noted on the ETF Detail Report is the price of the fund as of the close of trading on the last business day at month-end. This date is listed at the top of the ETF Detail Report.

Morningstar calculates after-tax returns using the highest applicable federal marginal income tax rate plus the investment income tax and Medicare surcharge. As of 2018, this rate is 37% plus 3.8% investment income plus 0.9% Medicare surcharge, or 41.7%. This rate changes periodically in accordance with changes in federal law.

## 12 Month Yield

12 Month Yield is derived by summing the trailing 12-months' income

distributions and dividing the sum by the last month's ending NAV, plus any capital gains distributed over the same period. Income refers only to interest payments from fixed-income securities and dividend payoffs from common stocks.

## 12b1 Expense %

A 12b-1 fee is a fee used to pay for a mutual fund's distribution costs. It is often used as a commission to brokers for selling the fund. The amount of the fee is taken from a fund's returns.

## 30-Day SEC Yield

The 30-day SEC Yield is a calculation based on a 30-day period ending on the last day 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. The figure listed lags by one month. When a dash appears, the yield available is more than 30 days old. This information is taken from fund surveys.

## Alpha

Alpha is a measure of the difference between a security or portfolio's actual returns and its expected performance, given its level of risk (as measured by beta.) Alpha is often seen as a measure of the value added or subtracted by a portfolio manager.

## Asset Allocation

Asset Allocation reflects asset class weightings of the portfolio. The "Other" category includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks, or cannot be classified by Morningstar as a result of missing data. Morningstar may display asset allocation data in several ways, including tables or pie charts. In addition, Morningstar may compare the asset class breakdown of the fund against its three-year average, category average, and/or index proxy.

Asset allocations shown in tables may include a breakdown among the long, short, and net (long positions net of short) positions. These statistics summarize what the fund's managers are buying and how they are positioning the fund's portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the fund's exposure and risk. Long positions involve buying the security outright and selling it later, with the hope the security's price rises over time. Short positions are taken with the hope of benefitting from anticipated price declines. The investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience a loss buying it at a higher price than the sale price.

Most fund portfolios hold fairly conventional securities, such as long positions in equities and bonds. Morningstar may generate a colored pie chart for these portfolios. Other portfolios use other investment strategies or securities, such as short positions or derivatives, in an attempt to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while other have unique return and risk characteristics. Portfolios that incorporate investment strategies resulting in short positions or portfolio with relatively exotic derivative positions often report data to Morningstar that does not meet the parameters of the calculation underlying a pie chart's generation. Because of the nature of how these securities are reported to Morningstar, we may not always get complete portfolio information to report asset allocation. Morningstar, at its discretion, may determine if unidentified characteristics of fund holdings are material. Asset allocation and other breakdowns may be rescaled accordingly so that

percentages total to 100 percent. (Morningstar used discretion to determine if unidentified characteristics of fund holdings are material, pie charts and other breakdowns may rescale identified characteristics to 100% for more intuitive presentation.)

Note that all other portfolio statistics presented in this report are based on the long (or long rescaled) holdings of the fund only.

### Average Effective Duration

Duration is a time measure of a bond's interest-rate sensitivity. Average effective duration is a weighted average of the duration of the fixed-income securities within a portfolio.

### Average Effective Maturity

Average Effective Maturity is a weighted average of the maturities of all bonds in a portfolio.

### Average Weighted Coupon

A coupon is the fixed annual percentage paid out on a bond. The average weighted coupon is the asset-weighted coupon of each bond in the portfolio.

### Average Weighted Price

Average Weighted Price is the asset-weighted price of bonds held in a portfolio, expressed as a percentage of par (face) value. This number reveals if the portfolio favors bonds selling at prices above or below par value (premium or discount securities respectively.)

### Best Fit Index

Alpha, beta, and R-squared statistics are presented for a broad market index and a "best fit" index. The Best Fit Index identified in this report was determined by Morningstar by calculating R-squared for the fund against approximately 100 indexes tracked by Morningstar. The index representing the highest R-squared is identified as the best fit index. The best fit index may not be the fund's benchmark, nor does it necessarily contain the types of securities that may be held by the fund or portfolio.

### Beta

Beta is a measure of a security or portfolio's sensitivity to market movements (proxied using an index.) A beta of greater than 1 indicates more volatility than the market, and a beta of less than 1 indicates less volatility than the market.

### Credit Quality Breakdown

Credit Quality breakdowns are shown for corporate-bond holdings in the fund's portfolio and depict the quality of bonds in the underlying portfolio. It shows the percentage of fixed-income securities that fall within each credit-quality rating as assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). Bonds not rated by an NRSRO are included in the Other/Not-Classified category.

### Expense Ratio %

The expense ratio is the annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as front-end or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund's average net assets, is accrued on a daily basis. The gross expense ratio, in contrast to the net expense ratio, includes interest and dividends on borrowed securities but does not reflect any fee waivers in effect during the time period.

### Geometric Average Market Capitalization

Geometric Average Market Capitalization is a measure of the size of the companies in which a portfolio invests.

### Growth of 10,000

For funds, this graph compares the growth of an investment of 10,000 (in the base currency of the fund) with that of an index and/or with that of the average for all funds in its Morningstar Category. The total returns are not adjusted to reflect sales charges or the effects of taxation but are adjusted to reflect actual ongoing fund expenses, and they assume reinvestment of dividends and capital gains. If adjusted, effects of sales charges and taxation would reduce the performance quoted. If pre-inception data is included in the analysis, it will be graphed.

The index in the Growth of 10,000 graph is an unmanaged portfolio of specified securities and cannot be invested in directly. The index does not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index. The index is chosen by Morningstar.

### Management Fees %

The management fee includes the management and administrative fees listed in the Management Fees section of a fund's prospectus. Typically, these fees represent the costs shareholders paid for management and administrative services over the fund's prior fiscal year.

### Maximum Redemption Fee %

The Maximum Redemption Fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase (for example, 30, 180, or 365 days).

### Mean

Mean is the annualized geometric return for the period shown.

### Morningstar Analyst Rating™

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/).

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

### Morningstar Category

Morningstar Category is assigned by placing funds into peer groups based on

their underlying holdings. The underlying securities in each portfolio are the primary factor in our analysis as the investment objective and investment strategy stated in a fund's prospectus may not be sufficiently detailed for our proprietary classification methodology. Funds are placed in a category based on their portfolio statistics and compositions over the past three years. Analysis of performance and other indicative facts are also considered. If the fund is new and has no portfolio history, Morningstar estimates where it will fall before giving it a permanent category assignment. Categories may be changed based on recent changes to the portfolio.

### Morningstar Rank

Morningstar Rank is the total return percentile rank within each Morningstar Category. The highest (or most favorable) percentile rank is zero and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of a fund at the time of calculation.

### Morningstar Rating™

The Morningstar Rating™ for funds, or "star rating", is calculated for funds and separate accounts with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. For more information about the Morningstar Rating for funds, including its methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/).

### Morningstar Return

The Morningstar Return rates a fund's performance relative to other managed products in its Morningstar Category. It is an assessment of a product's excess return over a risk-free rate (the return of the 90-day Treasury Bill) in comparison with the products in its Morningstar category. In each Morningstar category, the top 10% of products earn a High Morningstar Return (High), the next 22.5% Above Average (+Avg), the middle 35% Average (Avg), the next 22.5% Below Average (-Avg), and the bottom 10% Low (Low). Morningstar Return is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

### Morningstar Risk

Morningstar Risk evaluates a fund's downside volatility relative to that of other products in its Morningstar Category. It is an assessment of the variations in monthly returns, with an emphasis on downside variations, in comparison with the products in its Morningstar category. In each Morningstar category, the 10% of products with the lowest measured risk are described as Low Risk (Low), the next 22.5% Below Average (-Avg), the middle 35% Average (Avg), the next 22.5% Above Average (+Avg), and the top 10% High (High). Morningstar Risk is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

### Morningstar Style Box™

The Morningstar Style Box™ reveals a fund's investment strategy as of the date

noted on this report.

For equity funds, the vertical axis shows the market capitalization of the long stocks owned, and the horizontal axis shows the investment style (value, blend, or growth.) A darkened square in the style box indicates the weighted average style of the portfolio.

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest-rate sensitivity as measured by a bond's effective duration. Morningstar seeks credit rating information from fund companies on a periodic basis (for example, quarterly). In compiling credit rating information, Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations. For a list of all NRSROs, please visit <http://www.sec.gov/divisions/marketreg/ratingagency.htm>. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/ agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating; and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings.

Please Note: Morningstar, Inc. is not an NRSRO nor does it issue a credit rating on the fund. NRSRO or rating agency ratings can change from time to time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low," "medium," or "high" based on their average credit quality. Funds with a "low" credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; "medium" are those less than "AA-", but greater or equal to "BBB-"; and "high" are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index, which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal-bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases, static breakpoints are used. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-U.S. taxable and non-U.S. domiciled fixed-income funds, static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: more than 3.5 years but less than or equal to 6 years; (iii) Extensive: more than 6 years.

Interest-rate sensitivity for non-U.S. domiciled funds (excluding funds in



convertible categories) may be measured with modified duration when effective duration is not available.

### P/B Ratio TTM

The Price/Book Ratio (or P/B Ratio) for a fund is the weighted average of the P/B Ratio of the stocks in its portfolio. Book value is the total assets of a company, less total liabilities. The P/B ratio of a company is calculated by dividing the market price of its outstanding stock by the company's book value, and then adjusting for the number of shares outstanding. Stocks with negative book values are excluded from this calculation. It shows approximately how much an investor is paying for a company's assets based on historical valuations.

### P/C Ratio TTM

The Price/Cash Flow Ratio (or P/C Ratio) for a fund is the weighted average of the P/C Ratio of the stocks in its portfolio. The P/C Ratio of a stock represents the amount an investor is willing to pay for a dollar generated from a company's operations. It shows the ability of a company to generate cash and acts as a gauge of liquidity and solvency.

### P/E Ratio TTM

The Price/Earnings Ratio (or P/E Ratio) for a fund is the weighted average of the P/E Ratios of the stocks in its portfolio. The P/E Ratio of a stock is the stock's current price divided by the company's trailing 12-month earnings per share. A high P/E Ratio usually indicates the market will pay more to obtain the company's earnings because it believes in the company's abilities to increase their earnings. A low P/E Ratio indicates the market has less confidence that the company's earnings will increase, however value investors may believe such stocks have an overlooked or undervalued potential for appreciation.

### Percentile Rank in Category

Percentile Rank is a standardized way of ranking items within a peer group, in this case, funds within the same Morningstar Category. The observation with the largest numerical value is ranked zero the observation with the smallest numerical value is ranked 100. The remaining observations are placed equal distance from one another on the rating scale. Note that lower percentile ranks are generally more favorable for returns (high returns), while higher percentile ranks are generally more favorable for risk measures (low risk).

### Performance Quartile

Performance Quartile reflects a fund's Morningstar Rank.

### Potential Capital Gains Exposure

Potential Capital Gains Exposure is an estimate of the percent of a fund's assets that represent gains. It measures how much the fund's assets have appreciated, and it can be an indicator of possible future capital gains distributions. A positive potential capital gains exposure value means that the fund's holdings have generally increased in value while a negative value means that the fund has reported losses on its book.

### Quarterly Returns

Quarterly Return is calculated applying the same methodology as Total Return except it represents return through each quarter-end.

### R-Squared

R-squared is the percentage of a security or portfolio's return movements that are explained by movements in its benchmark index, showing the degree of correlation between the security or portfolio and the benchmark. This figure is helpful in assessing how likely it is that beta and alpha are statistically significant. A value of 1 indicates perfect correlation between the security or portfolio and its benchmark. The lower the R-squared value, the lower the correlation.

### Regional Exposure

The regional exposure is a display of the portfolio's assets invested in the regions shown on the report.

### Sector Weightings

Super Sectors represent Morningstar's broadest classification of equity sectors by assigning the 11 equity sectors into three classifications. The Cyclical Super Sector includes industries significantly impacted by economic shifts, and the stocks included in these sectors generally have betas greater than 1. The Defensive Super Sector generally includes industries that are relatively immune to economic cycles, and the stocks in these industries generally have betas less than 1. The Sensitive Super Sector includes industries that ebb and flow with the overall economy, but not severely so. Stocks in the Sensitive Super Sector generally have betas that are close to 1.

### Share Change

Shares Change represents the number of shares of a stock bought or sold by a fund since the previously reported portfolio of the fund.

### Sharpe Ratio

Sharpe Ratio uses standard deviation and excess return (a measure of a security or portfolio's return in excess of the U.S. Treasury three-month Treasury Bill) to determine the reward per unit of risk.

### Standard Deviation

Standard deviation is a statistical measure of the volatility of the security or portfolio's returns. The larger the standard deviation, the greater the volatility of return.

### Standardized Returns

Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the security was purchased at the beginning of the period and sold at the end, incurring transaction charges.

### Total Return

Total Return, or "Non Load-Adjusted Return", reflects performance without adjusting for sales charges (if applicable) or the effects of taxation, but it is adjusted to reflect all actual ongoing security expenses and assumes reinvestment of dividends and capital gains. It is the return an investor would have experienced if the fund was held throughout the period. If adjusted for sales charges and the effects of taxation, the performance quoted would be significantly reduced.

Total Return +/- indicates how a fund has performed relative to its peers (as measure by its Standard Index and/or Morningstar Category Index) over the time periods shown.

### Trailing Returns

Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the fund was purchased at the beginning of the period and sold at the end, incurring transaction charges.

Load-Adjusted Monthly Return is calculated applying the same methodology as Standardized Return, except that it represents return through month-end. As

with Standardized Return, it reflects the impact of sales charges and ongoing fund expenses, but not taxation. If adjusted for the effects of taxation, the performance quoted would be significantly different.

Trailing Return +/- indicates how a fund has performed relative to its peers (as measure by its Standard Index and/or Morningstar Category Index) over the time periods shown.

## Morningstar Category Detail Report Disclosure Statement

The Morningstar Category Detail Report displays summary information reflecting the average behavior of all funds included in a particular Morningstar Category.

**Morningstar Categories are unmanaged and cannot be invested in directly by investors. This report is made available for informational purposes only.**

Morningstar is not itself a FINRA-member firm. Portfolio information is based on the most recent information available to Morningstar.

### Performance

The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares when redeemed may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Standardized Total Return is reflected as of month- and quarter-end time periods. It depicts performance without adjusting for the effects of taxation, but is adjusted for sales charges, all ongoing fund expenses, and assumes reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the performance quoted would be reduced. The sales charge used in the calculation was obtained from the fund's most recent prospectus and/or shareholder report available to Morningstar. Standardized returns never include pre-inception history.

Load-Adjusted Monthly Return is calculated applying the same methodology as Standardized Returns, except that it represents return through month-end. As with Standardized Returns, it reflects the impact of sales charges and ongoing fund expenses, but not taxation. If adjusted for the effects of taxation, the performance quoted would be significantly reduced.

### Growth of \$10,000

This graph compares the theoretical growth of an investment of 10,000 in the Category (in the base currency of the category) with that of the standard index and the category index. The total returns are not adjusted to reflect sales charges or the effects of taxation, but are adjusted to reflect actual ongoing fund expenses, and assume reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted. The category and indexes are an unmanaged portfolio of specified securities and cannot be invested in directly. The indexes and the category average do not reflect any

initial or ongoing expenses. The category's portfolio may differ significantly from the securities in the index. The indexes are chosen by Morningstar.

### Risk Measures

The risk measures below are calculated for categories with at least a three-year history. Standard deviation is a statistical measure of the volatility of the average returns for the funds in the category. Mean represents the annualized geometric return for the period shown.

The Sharpe ratio uses standard deviation and excess return to determine reward per unit of risk.

Alpha measures the difference between a category's actual returns and its expected performance, given its level of risk (as measured by beta). Alpha is often seen as a measure of the value added or subtracted by a portfolio manager.

Beta is a measure of an investment's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

R-squared reflects the percentage of an investment's movements that is explained by movements in its benchmark index, showing the degree of correlation between the fund and the benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

### Asset Allocation

The weighting of the portfolio in various asset classes, including "Other" is shown in the table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks.

In the table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics. Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock

positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

Note that all other portfolio statistics presented in this report are based on the long holdings of the fund only.

### Style Analysis

The Morningstar Style Box reveals a fund's investment style as of the date noted on this report. For equity style box the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth).

For fixed-income holdings, the vertical axis shows the credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's effective duration.

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations (NRSROs). For a list of all NRSROs, please visit <http://www.sec.gov/divisions/marketreg/ratingagency.htm>. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating, and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings.

PLEASE NOTE: Morningstar, Inc. is not itself a NRSRO nor does it issue a credit rating on the fund. A NRSRO or rating agency ratings can change from time-to-time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low", "medium", or "high" based on their average credit quality. Funds with a low credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; medium are those less than "AA-", but greater or equal to "BBB-"; and high are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index (MCBI), which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases static breakpoints are utilized. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-US taxable and non-US domiciled fixed income funds static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: greater than 3.5 and less than equal to 6 years; (iii) Extensive: greater than 6 years.

### Equity Portfolio Statistics

The referenced data elements below are a weighted average of the equity holdings in the portfolio.

The Price/Earnings ratio is a weighted average of the price/earnings ratios of the stocks in the underlying 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.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a fund's portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of

all the stocks in the underlying 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.

The geometric average market capitalization of a fund's equity portfolio offers a measure of the size of the companies in which the mutual fund invests.

### Fixed-Income Portfolio Statistics

The referenced data elements below are a weighted average of the fixed income holdings in the portfolio.

Duration is a time measure of a bond's interest rate sensitivity. Average effective duration is a weighted average of the duration of the underlying fixed income securities within the portfolio.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security.

Average weighted coupon is generated from the fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio. Coupons are fixed percentages paid out on a fixed-income security on an annual basis.

Average weighted price is generated from the fund's portfolio by weighting the price of each bond by its relative size in the portfolio. This number reveals if the fund favors bonds selling at prices above or below face value (premium or discount securities, respectively). A higher number indicates a bias toward premiums. This statistic is expressed as a percentage of par (face) value.

Credit quality breakdowns are shown for corporate-bond holdings and depict the quality of bonds in the underlying portfolio. The report shows the percentage of fixed-income securities that fall within each credit quality rating as assigned by a NRSRO. Bonds not rated by a NRSRO are included in the not rated (NR) category.

Turnover Ratio 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 the fund. As turnover increases, a fund's brokerage costs typically rise as well.

### Operations

Potential capital gains exposure is the percentage of a mutual fund's total assets that represent capital appreciation.

The inception date shown reflects the earliest date as of which Morningstar has return data for the category.

### Fees and Expenses

Prospectus Gross Expense Ratio reflects the annual percentage of a fund's assets paid out in expenses. Expenses include management, 12B-1, transfer agent and all other asset-based fees associated with the fund's daily operations and distribution, with the exception of brokerage commissions. It does not reflect expenses that have been reimbursed by the investment advisor, reductions from brokerage service arrangements or other expense-offset arrangements.

Prospectus Net Expense Ratio reflects actual expenses paid by the fund as well as any voluntary waivers, reductions from brokerage service arrangements and any other expense offset arrangements.

### Investment Risk

International/Emerging Market Equities: Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Strategies: Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small Cap Equities: Portfolios that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Equities: Portfolios that invest in companies with market capitalization below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

Tax-Free Municipal Bonds: The investor should note that the income from tax free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

HOLDERS: The investor should note that these are narrow, industry-focused products that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDER might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high. These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest.

Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/gearing ratio is the amount of excess return that a leveraged investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to limit further losses.

Long-Short: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Liquidity Risk: Closed-end fund, ETF, and HOLDER trading may be halted due to market conditions, impacting an investors ability to sell a fund.

Market Price Risk: The market price of ETFs, HOLDERS, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investors value.

Market Risk: The market prices of ETFs and HOLDERS can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.



**Target-Date Funds:** Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

**High double- and triple-digit returns:** High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.

## Investment Risks

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**Market Price Risk:** The market price of ETFs, HOLDRs, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

**Market Risk:** The market prices of ETFs and HOLDRs can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

**Target-Date Funds:** Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

High double- and triple-digit returns: High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.

## Benchmark Disclosure

### BBgBarc US Agg Bond TR USD

This index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns we publish for the index are total returns, which includes the daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Core US Aggregate Bond ETF.

### BBgBarc US Credit TR USD

Tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC-registered, investment-grade corporate debt. The constituents displayed for this index are from the following proxy: iShares US Credit Bond ETF.

### BBgBarc US Universal TR USD

BarCap U.S. Universal Bond Index: The U.S. Universal Index mirrors the increasingly popular "Core Plus" choice set used by many U.S.-dollar investors. It is the union of the U.S. Aggregate Index, the U.S. High Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non-ERISA portion of the CMBS Index, and the CMBS High Yield Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The constituents displayed for this index are from the following proxy: iShares Core Total USD Bond Market ETF.

### Citi WGBI NonUSD USD

A market-capitalization weighted index consisting of the government bond markets of the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, and United Kingdom. Country eligibility is determined based upon market capitalization and investability criteria. The index includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US\$25 million. Government securities typically exclude floating or variable rate bonds.

### DJ Moderately Conservative TR USD

This risk-based index consists stocks, bonds, and cash and is intended to represent 40% of the risk and return of the 100% Global Portfolio Index.

### ICE BofAML US High Yield TR USD

The US High Yield Master II Index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market. "Yankee" bonds are included in the Index provided the issuer is domiciled in a country having an investment grade foreign currency long-term debt rating. 144a issues are not included in the index until they are exchanged for registered securities. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million.

### ICE BofAML USD 3M Dep OR CM TR USD

The BofA Merrill Lynch USD LIBOR 3 Month Constant Maturity Index represents the London intrabank offered rate (LIBOR) with a constant 3-month average maturity. LIBOR is a composite of the rates of interest at which banks borrow from one another in the London market.

### Morningstar Mod Agg Tgt Risk TR USD

The Morningstar Moderately Aggressive Target Risk Index represents a portfolio of global equities, bonds and traditional inflation hedges such as commodities and TIPS. This portfolio is held in a static allocation appropriate for U.S. investors who seek a slightly above-average exposure to equity market risk and returns.

### Morningstar Mod Tgt Risk TR USD

The Morningstar Moderate Target Risk Index represents a portfolio of global equities, bonds and traditional inflation hedges such as commodities and TIPS. This portfolio is held in a static allocation appropriate for U.S. investors who seek average exposure to equity market risk and returns.

### MSCI ACWI Ex USA NR USD

The MSCI AC World ex USA is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The index consists of 48 developed and emerging market country indices. The returns we publish for the index are total returns, which include reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares MSCI ACWI ETF.

### MSCI EAFE NR USD

This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

This disclosure applies to all MSCI indices: Certain information included herein is derived by Morningstar in part from MSCI's Index Constituents (the "Index Data"). However, MSCI has not reviewed any information contained herein and does not endorse or express any opinion such information or analysis. MSCI does not make any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event will MSCI have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

### MSCI EM NR USD

Description unavailable. The constituents displayed for this index are from the following proxy: iShares MSCI Emerging Markets ETF.

### Russell 1000 TR USD

Consists of the 1000 largest companies within the Russell 3000 index, which represents approximately 98% of the investable US equity market. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose. The constituents displayed for this index are from the following proxy: iShares Russell 1000 ETF.

### Russell 3000 TR USD

Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market. The constituents displayed for this index are from the following proxy: iShares Russell 3000 ETF.

### S&P 500 TR USD

A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Core S&P 500 ETF.

### S&P/LSTA Leveraged Loan TR

Description unavailable.

**US Insurance Money Market - Taxable**

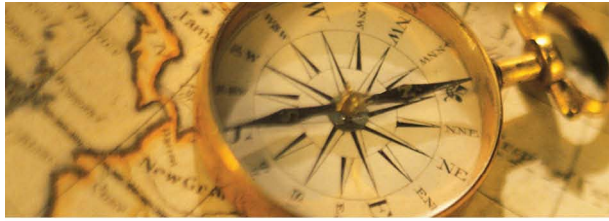
These funds invest in short-term money market securities in order to provide a level of current income that is consistent with the preservation of capital.

**USTREAS T-Bill Auction Ave 3 Mon**

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. Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.







## Portfolio Review

Period Ending April 30, 2018

### **CITY OF BEACON**

ONE MUNICIPAL PLAZA  
BEACON, NY, 12508  
USA

Program: PORTFOLIO FOCUS

Date Run: 5/9/2018

Account #: xxxx0914

### **Financial Advisor**

DAVID ROGERS & GARY MAZZARELLI  
RBC WEALTH MANAGEMENT  
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**Wealth  
Management**

## Disclosure

### Service

This consolidated report is for informational purposes only, and may contain assets held outside of RBC Wealth Management. This report is not a substitute for account statements, confirmations and source documents provided by firms holding your assets.

This consolidated report contains information and security valuations which have been obtained from sources we believe to be reliable, but cannot be guaranteed as to accuracy and do not purport to be complete. Assets held outside of RBC Wealth Management, and included in the consolidated report, contain unverified information, may not be covered by SIPC, and may be outside of your Financial Advisor's area of expertise. A CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates. For the most updated account information, please contact the customer service department of the firm holding your assets. If you find discrepancies in this report, please consult your Financial Advisor or Branch Director.

### Performance Calculations

The performance data quoted represents past performance and should not be considered indicative of future results. Performance figures can be calculated by Daily Valuation Time-Weighted Rate of Return (TWR) or Dollar-Weighted Rate of Return (IRR) methodologies. The TWR methodology annualizes returns greater than one year. The IRR methodology does not annualize returns greater than one year. Based on the availability of data, historical performance may include returns calculated monthly using the Modified Dietz time-weighted return method. Where applicable, returns will reflect the reinvestment of dividends and capital gains. Performance reporting includes foreign reclaimable tax withholdings and is reported as income in income reporting and cash flow analysis. Reclaimable income may be recaptured with your year-end tax filing. Performance returns either include, or are net of, investment advisory program fees, unless otherwise specified. For those accounts that have elected to have fees invoiced, performance returns will be shown gross of all applicable fees. This Consolidated Portfolio Review may include closed portfolio performance data. Due to

rounding, certain components may report percentages greater than or less than 100%. Calculations are supplied by Morningstar.

The dates used to calculate performance in this report may be different from the inception date(s) for your account(s). Returns shown may vary depending on the date(s) selected by your Financial Advisor. If you have questions regarding the time periods used in this report, please contact your Financial Advisor or Branch Manager.

### Asset Classification Methodology

Morningstar asset classification methodology is used for reporting, with the exception of securities not covered by Morningstar or individual fixed income holdings. Securities not covered by Morningstar and fixed income holdings are classified according to RBC Wealth Management asset classification methodology. The default methodology employed by RBC is a "one-to-many" allocation whereby some securities (e.g., mutual funds) are mapped to more than one asset class based on the underlying holdings. Please refer to the Reference Guide, Report Options, to view the report selection(s).

### Benchmark Returns

Benchmark returns are provided by Morningstar and may or may not be adjusted to reflect ongoing expenses such as sales charges. Investor's portfolios may differ significantly from the securities in the benchmark. Annual Investment Goal benchmarks are a fixed annual rate benchmark while Performance Adjusted benchmarks are a standard market index plus a fixed annual rate. Not all benchmarks are priced daily; however, benchmark information contained in the reports reflects the most current price information as provided by the vendor. Returns for blended benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Blended benchmark returns thus assume monthly rebalancing. Although used as benchmarks for informational purposes, individual benchmarks are not available for direct investment. For a detailed explanation of the benchmarks referenced, please refer to the Reference Guide section of this report.

### Tax Advice

RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in connection with your independent tax or legal advisor. This report does not constitute a replacement for your 1099 Form or your RBC Wealth Management statement.

### Cost Basis

If you did not purchase the securities represented in this report at RBC Wealth Management, the "cost basis" was provided by you and we have not verified this figure. Due to the complexity of calculating cost basis when multiple lots of a security are purchased, your report may reflect the average cost basis for multiple purchases (especially in the case of mutual fund transactions). To determine the actual cost basis for tax reporting purposes, please consult with your tax advisor.

### Estimated Income

The Estimated Annualized Income (EAI) for certain securities could include coupon payments that are contingent upon market factors or a return of principal or capital gains, in which case EAI depicted on reports would be overstated. EAI is only an estimate of income generated by the investment; the actual income may be higher or lower. In the event the investment matures, is sold or called, the full EAI may not be realized. EAI may also include income generated by securities not held at RBC Wealth Management, LLC.

### Accrued Interest

Accrued interest for fixed income securities that is explicitly displayed or included in calculated values (e.g., total portfolio value, rate of return) may include pending coupon payments. Pending coupons may include return of principal in addition to fully accrued interest.

### Mutual Fund Pre-inception Returns

The analysis in the Fund Performance report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. When pre-inception data are presented in the report, the mutual fund returns will appear in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structure of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

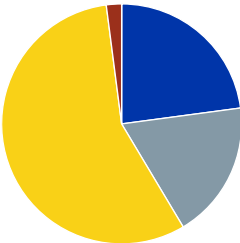
# Portfolio Performance Summary

As of April 30, 2018

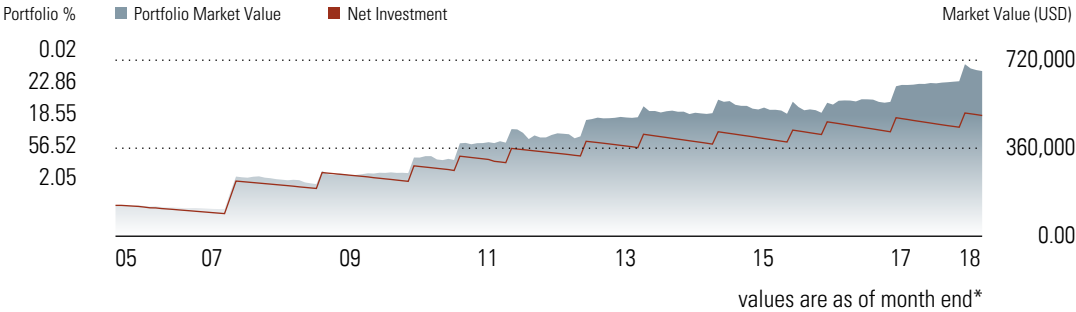
**Primary Benchmark**  
xxxx0914 Primary Blended Benchmark

**Return Type**  
Time-Weighted Rate of Return (TWR)

**Asset Allocation**



- Asset Class
- Cash
  - US Equities
  - International Equities
  - Fixed Income
  - Other



	QTD 4/1/2018 - 4/30/2018	YTD 1/1/2018 - 4/30/2018	1-Yr 5/1/2017 - 4/30/2018	3-Yr 5/1/2015 - 4/30/2018	5-Yr 5/1/2013 - 4/30/2018	10-Yr 5/1/2008 - 4/30/2018	Since Perf Start 10/31/2005 - 4/30/2018
<b>Portfolio Return (%)</b>	<b>-0.04</b>	<b>-0.73</b>	<b>6.09</b>	<b>2.94</b>	<b>1.81</b>	<b>3.37</b>	<b>4.32</b>
xxxx0914 Primary Blended Benchmark (%)	-0.12	-1.31	4.67	3.43	4.11	4.45	5.32

**Portfolio Changes**

Beginning Value (USD)	679,641.94	634,026.97	620,043.49	517,286.12	486,713.18	230,835.18	0.00
Beginning Accrued Interest (USD)	0.00	0.00	0.00	0.00	0.00	189.14	0.00
Net Cash Flow (USD)	-3,687.86	47,904.54	20,196.64	101,410.10	131,516.09	289,182.81	493,804.19
Investment G/L plus Income (USD)	-245.24	-6,222.67	35,468.71	57,012.62	57,479.57	155,501.71	181,904.65
Ending Value (USD)	675,708.84	675,708.84	675,708.84	675,708.84	675,708.84	675,708.84	675,708.84
Ending Accrued Interest (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

As of April 30, 2018 you have Funds Available of \$16,965.52.

For a detailed explanation of the indices, as selected by your Financial Advisor, please refer to the Reference Guide section of this report.

# Trailing and Calendar Year Returns

As of April 30, 2018

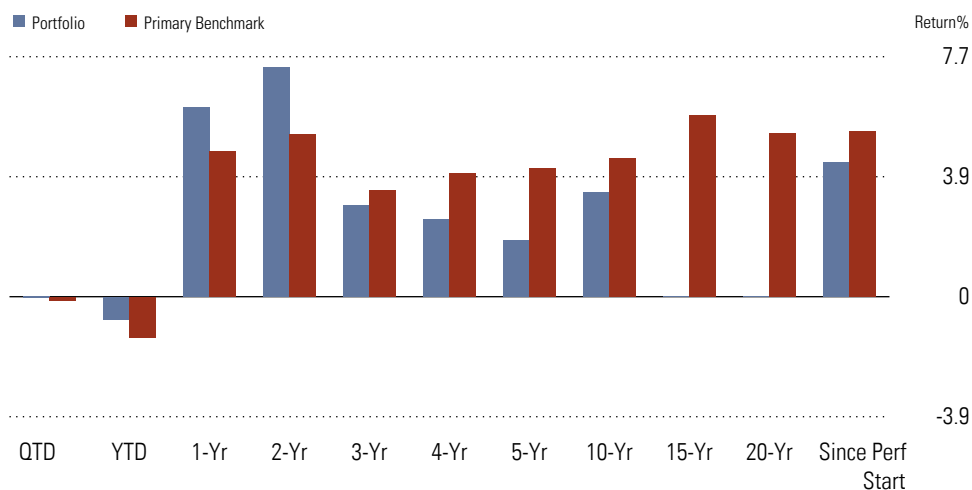
## Primary Benchmark

xxxx0914 Primary Blended Benchmark

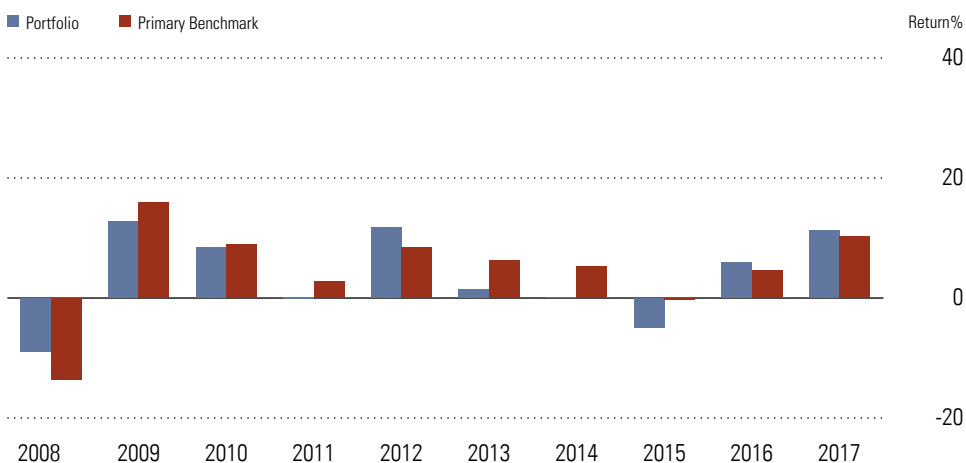
## Return Type

Time-Weighted Rate of Return (TWR)

### Trailing Returns



### Calendar Returns



Trailing Returns	QTD (%)	YTD (%)	1-Yr (%)	2-Yr (%)	3-Yr(%)	4-Yr (%)	5-Yr (%)	10-Yr (%)	15-Yr (%)	20-Yr (%)	Since Perf Start (%) 10/31/2005
<b>CITY OF BEACON</b>											
xxxx0914	-0.04	-0.73	6.09	7.37	2.94	2.48	1.81	3.37	—	—	4.32
xxxx0914 Primary Blended Benchmark	-0.12	-1.31	4.67	5.22	3.43	3.95	4.11	4.45	5.82	5.25	5.32

Calendar Returns	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>CITY OF BEACON</b>										
xxxx0914	-8.88	12.82	8.39	0.17	11.74	1.39	0.03	-4.90	5.87	11.23
xxxx0914 Primary Blended Benchmark	-13.55	15.88	8.91	2.73	8.39	6.21	5.33	-0.25	4.63	10.28

# Portfolio Holdings: Consolidated Tax Lots

As of April 30, 2018

Securities Held Here	Quantity	Moody's/ S&P	Accrued Income (USD)	Purchase Date	Unit Cost (USD)	Net Cost (USD)	Market Price (USD)	Market Value (USD)	Unrealized G/L (USD)	Current Yield %	Est. Annual Income (USD)	% of Portfolio
<b>Cash, Money Markets and Bank Deposits</b>			—			<b>16,965.52</b>		<b>16,965.52</b>	<b>0.00</b>		<b>0.00</b>	<b>2.51</b>
RBC INSURED DEPOSITS <sup>1</sup>	16,965.5200	—	—	—	1.00	16,965.52	1.00	16,965.52	0.00	0.00	—	2.51
NOT SIPC COVERED												
Ticker: BDP-1, CUSIP: 123456790												
<b>US Large Cap Value Equities</b>			—			<b>33,906.17</b>		<b>33,984.08</b>	<b>77.91</b>		<b>813.44</b>	<b>5.03</b>
VANGUARD INDEX FUNDS	328.0000	—	—	3/27/2018	103.37	33,906.17	103.61	33,984.08	77.91	2.39	813.44	5.03
VANGUARD VALUE ETF												
Ticker: VTV, CUSIP: 922908744												
<b>US Large Cap Core Equities</b>			—			<b>218,471.62</b>		<b>230,678.96</b>	<b>12,207.34</b>		<b>8,601.07</b>	<b>34.14</b>
BLACKROCK MULTI ASSET INCOME	13,860.3290	—	—	10/28/2013	11.06	153,268.60	10.79	149,552.95	-3,715.65	4.82	7,207.37	22.13
PORTFOLIO FD INSTITUTIONAL CL												
Ticker: BIICX, CUSIP: 09256H336												
SCHWAB STRATEGIC TR	1,267.0000	—	—	11/3/2015	51.46	65,203.02	64.03	81,126.01	15,922.99	1.72	1,393.70	12.01
US BROAD MKT ETF												
Ticker: SCHB, CUSIP: 808524102												
<b>International Equities</b>			—			<b>72,416.04</b>		<b>90,022.27</b>	<b>17,606.23</b>		<b>2,106.40</b>	<b>13.32</b>
SCHWAB STRATEGIC TR	2,633.0000	—	—	2/11/2016	27.50	72,416.04	34.19	90,022.27	17,606.23	2.34	2,106.40	13.32
INTL EQUITY ETF												
Ticker: SCHF, CUSIP: 808524805												
<b>Emerging Markets Equities</b>			—			<b>31,805.40</b>		<b>33,103.17</b>	<b>1,297.77</b>		<b>512.23</b>	<b>4.90</b>
BLACKROCK FDS TOTAL EMERGING	3,201.4670	—	—	4/4/2017	9.93	31,805.40	10.34	33,103.17	1,297.77	1.55	512.23	4.90
MARKETS FUND INSTITUTIONAL CL												
Ticker: BEEIX, CUSIP: 091936427												
<b>US Taxable Fixed Income</b>			—			<b>203,043.23</b>		<b>203,163.61</b>	<b>120.39</b>		<b>8,058.13</b>	<b>30.07</b>
GUGGENHEIM FDS TR	5,084.6830	—	—	1/6/2015	26.45	134,490.36	26.65	135,506.80	1,016.44	3.26	4,423.67	20.05
MACRO OPPORTUNITIES FD INSTL												
Ticker: GIOIX, CUSIP: 40168W582												



# Portfolio Holdings: Consolidated Tax Lots

As of April 30, 2018

Securities Held Here	Quantity	Moody's/ S&P	Accrued Income (USD)	Purchase Date	Unit Cost (USD)	Net Cost (USD)	Market Price (USD)	Market Value (USD)	Unrealized G/L (USD)	Current Yield %	Est. Annual Income (USD)	% of Portfolio
PIMCO FDS	5,591.4720	—	—	4/4/2017	12.26	68,552.87	12.10	67,656.81	-896.06	5.37	3,634.46	10.01
INCOME FD CL I 2												
Ticker: PONPX, CUSIP: 72201M719												
International Fixed Income			—			64,399.99		67,791.23	3,391.24		1,816.49	10.03
JANUS INVT FD	7,265.9410	—	—	10/7/2015	8.86	64,399.99	9.33	67,791.23	3,391.24	2.68	1,816.49	10.03
HENDERSON STRTGC INCM FD CL I												
Ticker: HFAIX, CUSIP: 47103Y839												
Securities Held Here Total			0.00			641,007.96		675,708.84	34,700.88		21,907.76	100.00

The actual income received may be lower or higher than the estimated amount. Future income payments are subject to change. Does not include interest earned from the RBC Wealth Management Money Market Fund Cash Sweep Options, RBC Insured Deposits, RBC Cash Plus or Credit Interest Program.

1 RBC Insured Deposits balances are not covered by SIPC. RBC Insured Deposits Balances are FDIC insured up to certain amounts which may vary from time to time. For additional information refer to the RBC Insured Deposits Disclosure Statement.

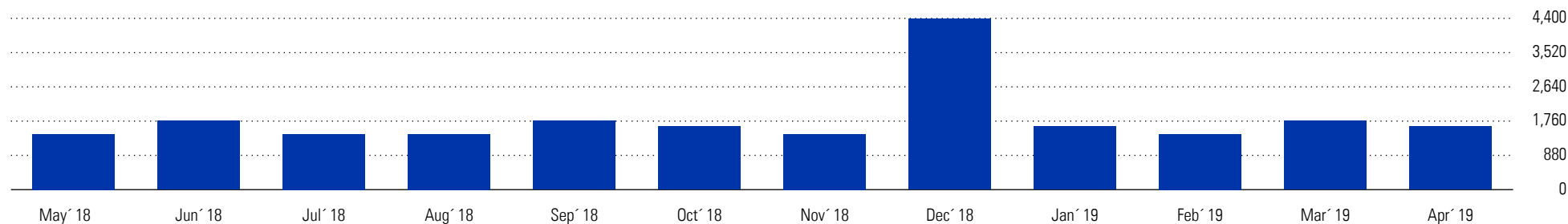
# Income Forecast Summary

As of May 08, 2018

## Estimated Monthly Income Summary

■ Taxable ■ Tax-Exempt

Estimated Income in (USD)



Months

Month	Taxable (USD)	Tax-Exempt (USD)	Total (USD)
May 2018	1,423.50	0.00	1,423.50
June 2018	1,771.92	0.00	1,771.92
July 2018	1,423.50	0.00	1,423.50
August 2018	1,423.50	0.00	1,423.50
September 2018	1,771.92	0.00	1,771.92
October 2018	1,626.86	0.00	1,626.86
November 2018	1,423.50	0.00	1,423.50
December 2018	4,390.56	0.00	4,390.56
January 2019	1,626.86	0.00	1,626.86
February 2019	1,423.50	0.00	1,423.50
March 2019	1,771.92	0.00	1,771.92
April 2019	1,626.86	0.00	1,626.86
<b>Total Estimated Income</b>	<b>21,704.40</b>	<b>0.00</b>	<b>21,704.40</b>

The actual income received may be lower or higher than the estimated amount. Future income payments are subject to change. Does not include income earned from the RBC Wealth Management Money Market Fund Cash Sweep Options, RBC Insured Deposits, RBC Cash Plus or Credit Interest Program. Monthly numbers may not add up exactly to the annual total due to rounding.

# Fund Performance

As of April 30, 2018

Name	Ticker	QTD %	YTD %	1-Yr %	3-Yr %	5-Yr %	10-Yr %	Since Fund Inception %	Fund Inception Date
<b>US Fund Large Blend</b>									
SCHWAB STRATEGIC TR US BROAD MKT ETF	SCHB	0.38	-0.36	13.07	10.12	12.71	—	14.08	11/2/2009
<i>Russell 1000 TR USD</i>		<i>0.34</i>	<i>-0.35</i>	<i>13.17</i>	<i>10.25</i>	<i>12.84</i>	<i>9.10</i>	—	—
<b>US Fund Multisector Bond</b>									
PIMCO FDS INCOME FD CL I 2	PONPX	-0.45	-0.75	3.97	5.28	5.10	8.86	8.86	4/30/2008
<i>BBgBarc US Universal TR USD</i>		<i>-0.67</i>	<i>-2.06</i>	<i>0.01</i>	<i>1.54</i>	<i>1.83</i>	<i>3.93</i>	—	—
<b>US Fund Diversified Emerging Mkts</b>									
BLACKROCK FDS TOTAL EMERGING MARKETS FUND INSTITUTIONAL CL	BEEIX	-2.27	-1.80	8.05	3.52	—	—	2.69	5/16/2013
<i>MSCI EM NR USD</i>		<i>-0.44</i>	<i>0.97</i>	<i>21.71</i>	<i>6.00</i>	<i>4.74</i>	<i>2.17</i>	—	—
<b>US Fund Nontraditional Bond</b>									
GUGGENHEIM FDS TR MACRO OPPORTUNITIES FD INSTL	GIOIX	0.03	0.41	3.30	4.47	4.03	—	6.10	11/30/2011
<i>ICE BofAML USD 3M Dep OR CM TR USD</i>		<i>0.18</i>	<i>0.51</i>	<i>1.30</i>	<i>0.81</i>	<i>0.59</i>	<i>0.74</i>	—	—
<b>US Fund Foreign Large Blend</b>									
SCHWAB STRATEGIC TR INTL EQUITY ETF	SCHF	1.42	0.35	14.71	5.30	5.88	—	6.43	11/2/2009
<i>MSCI ACWI Ex USA NR USD</i>		<i>1.60</i>	<i>0.40</i>	<i>15.91</i>	<i>5.01</i>	<i>5.46</i>	<i>2.26</i>	—	—
<b>US Fund Large Value</b>									
VANGUARD INDEX FUNDS VANGUARD VALUE ETF	VTV	0.42	-1.98	11.37	9.67	11.85	8.03	8.01	1/26/2004
<i>Russell 1000 Value TR USD</i>		<i>0.33</i>	<i>-2.51</i>	<i>7.50</i>	<i>7.66</i>	<i>10.52</i>	<i>7.30</i>	—	—
<b>US Fund Tactical Allocation</b>									
BLACKROCK MULTI ASSET INCOME PORTFOLIO FD INSTITUTIONAL CL	BIICX	0.37	-0.98	3.67	3.59	4.31	5.53	5.62	4/7/2008
<i>Morningstar Mod Agg Tgt Risk TR USD</i>		<i>0.36</i>	<i>-0.42</i>	<i>11.06</i>	<i>7.09</i>	<i>8.15</i>	<i>6.49</i>	—	—
<b>Unclassified</b>									
JANUS INVT FD HENDERSON STRTGC INCM FD CL I	HFAIX	—	—	—	—	—	—	—	—

# Fund Performance

As of April 30, 2018

The performance figures provided have been obtained from sources we believe to be reliable, but cannot be guaranteed as to accuracy and do not purport to be complete. They do not reflect the actual performance of your account. These figures represent past performance and do not guarantee future results. Mutual fund returns appearing in italics are based, in part, on adjusted historical returns for periods prior to the fund's actual inception. See disclosure report for more information. For a detailed explanation of the indices, as selected by Morningstar, please refer to the Reference Guide section of this report.

# Reference Guide

## Return Type - Time-Weighted Rate of Return (TWR)

Time-Weighted Rate of Return (TWR) is a measure of the compound rate of growth in a portfolio. Because this method eliminates the distorting effects created by inflows of new money, it is used to compare the returns of investment managers.

This is also called the "geometric mean return", as the reinvestment is captured by using the geometric total and mean, rather than the arithmetic total and mean. It is assumed that all cash distributions are reinvested in the portfolio and the exact same periods are used for comparisons. When calculating time-weighted rate of return, the effect of varying cash inflows is eliminated by assuming a single investment at the beginning of a period and measuring the growth or loss of market value to the end of that period.

## Benchmark Indices

### Blended Benchmarks

xxxx0914 Primary Blended Benchmark	%
BBgBarc US Agg Bond TR USD	63.00
ICE BofAML US 3M Trsy Bill TR USD	2.00
MSCI ACWI NR USD	35.00

### BBgBarc US Agg Bond TR USD

This index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns we publish for the index are total returns, which include reinvestment of dividends.

### BBgBarc US Universal TR USD

BarCap U.S. Universal Bond Index: The U.S. Universal Index mirrors the increasingly popular "Core Plus" choice set used by many U.S.-dollar investors. It is the union of the U.S. Aggregate Index, the U.S. High Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non-ERISA portion of the CMBS Index, and the CMBS

High Yield Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index.

### ICE BofAML US 3M Trsy Bill TR USD

This index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

### Morningstar Mod Agg Tgt Risk TR USD

The Morningstar Target Risk Index family is designed to meet the needs of investors who would like to maintain a target level of equity exposure through a portfolio diversified across equities, bonds and inflation-hedged instruments. The Morningstar Moderately Aggressive Target Risk Index seeks approximately 80% exposure to global equity markets.

### MSCI ACWI Ex USA NR USD

MSCI All Country World Ex-USA Represents stock market indices from 22 developed and 24 emerging countries. The benchmark is often used as a measure of common stock performance in both developed and emerging countries around the world, excluding the United States. Free float-adjusted, market capitalization-weighted. Net total return indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

### MSCI ACWI NR USD

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey\*. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

### MSCI EM NR USD

MSCI Emerging Markets Represents stock market indices from 24 emerging countries (Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia,

Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey). Securities in closed markets and those shares in otherwise free markets that are not purchasable by foreigners are excluded. The benchmark is often used as a measure of common stock performance in emerging countries around the world. Free float-adjusted, market capitalization-weighted.

### Russell 1000 TR USD

Consists of the 1000 largest companies within the Russell 3000 index, which represents approximately 98% of the investable US equity market. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.

### Russell 1000 Value TR USD

Tracks the companies within the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

### Asset Class Descriptions

Asset allocation reports give an indication of market exposure, which may include an illustration of underlying holdings within investment companies and not actual individual holdings.

### Cash, Money Markets and Bank Deposits

Investments of high liquidity and safety with a known market value and a very short-term maturity. For investment companies with underlying holdings (e.g., mutual funds, ETFs) the Morningstar methodology is used to determine the Cash, Money Markets and Bank Deposits asset class.

### Emerging Markets Equities

Investments in securities of companies domiciled in developing (emerging) countries outside of the United States.

### International Equities

Investments in securities of companies domiciled in developed countries outside of the United States.

### International Fixed Income

Investments in the debt securities (bonds) of non-U.S. corporations and other non-U.S. fixed income issuers. Debt securities are an obligation issued by a borrower that requires them to make payments to the lender (investor). These payments can be interest, principal or both and can be according to a fixed or variable interest rate. The income from these bonds is subject to taxation.



US Large Cap Core Equities

Investments in the stocks of the largest U.S. companies by market capitalization. "Core" stocks possess characteristics of both "Value" and "Growth" stocks.

US Large Cap Value Equities

Investments in the stocks of the largest U.S. companies by market capitalization. "Value" is defined generally based on low price-to-book valuations.

US Taxable Fixed Income

Investments in the debt securities (bonds) of U.S. corporations and other U.S. fixed income issuers. Debt securities are an obligation issued by a borrower that requires them to make payments to the lender (investor). These payments can be interest, principal or both and can be according to a fixed or variable interest rate. The income from these bonds is subject to taxation.

Funds Available

This value includes funds classified as deposits in Money Market Sweep Accounts, the RBC Cash Plus, the RBC Insured Deposits, and uninvested cash.

Fixed Income Analysis

Weighted Average Coupon

The average rate of interest payable per annum, weighted by the amount of each bond's principal.

Weighted Average Maturity

The average time it takes for securities in a portfolio to mature, weighted by the holding quantities. This calculation looks at only the stated final maturity of each bond and doesn't take into consideration call features or current levels of interest rates. Typically, a WAM will indicate the greater possibility of portfolio price volatility.

Weighted Average Purchase Yield

The average of projected yields for fixed income securities at the time of purchase weighted by percentage of the total fixed income value of your portfolio. Only those fixed income securities with a purchase yield will be included in the calculation of this statistic.

Maturity Distribution Chart

Maturity Distribution Chart reflects the dollar value of Fixed Income securities, distributed over time, based on effective maturity. Effective maturity is the date to which a bond is priced taking into effect embedded options (call or pay-down features). Call or average life dates are

substituted for maturity dates on bonds priced to a call for portfolio average calculations.

Credit Quality Ratings

Bonds are evaluated for credit risk based on the financial performance of the issuer, both past and present. This Portfolio Review utilizes both Moody's ratings and Standard & Poor's ratings. Investment Grade bonds are those bonds whose risk of defaulting on the interest and principal payments is unlikely based on evaluating the issuer's current and projected financial performance. Bonds rated below Investment Grade, sometimes referred to as "High Yield Bonds", are from issuers whose current financial position is either speculative or uncertain in their ability to make principal and interest payments.

Credit Ratings - by Moody's/Standard & Poor's Non-Rated

NR/WR Not being rated by the rating agencies; does not necessarily reflect credit worthiness

Investment Grade

Aaa/AAA Highest possible rating; principal and interest payments are considered very secure. Includes Moody's rating #Aaa.

Aa1 to Aa3/AA+ to AA High quality; differs from highest rating only in the degree of protection provided to bondholders. Includes Moody's ratings P-1, MIG1, VMIG1 and S&P ratings A-1+, A-1 and SP-1+.

A1 to A3/A+ to A- Good ability to pay principal and interest; more susceptible to adverse effects due to changing conditions. Includes Moody's ratings MIG2 and VMIG2 and S&P rating SP-1.

Baa1 to Baa3/BBB+ to BBB- Adequate ability to pay principal and interest; more susceptible to adverse effects due to changing conditions. Includes Moody's ratings P-2, VMIG3, MIG3 and P-3 and S&P ratings A-2, A-3 and SP-2.

Speculative Grade

Ba1 to Ba3/BB+ to BB- Faces ongoing uncertainties or exposure to adverse business, financial or economic conditions

Ba to B3/B+ to B- Great vulnerability to default, but currently meeting debt service. Includes Moody's ratings NP and SG and S&P rating SP-3.

Caa to C/CCC to C Currently identifiable risk or default (For Moody's, may already be in default)

Report Options

Report

Selection

Portfolio Performance Summary

Return Type Time-Weighted Rate of Return (TWR)  
Include Gross of Fees Performance Off  
Asset Allocation One to Many  
Include Net Cash Flow Details Off  
Larger Font Report Off

Trailing and Calendar Year Returns

Return Type Time-Weighted Rate of Return (TWR)  
Include Gross of Fees Performance Off

Portfolio Holdings

Sort Options Detailed Asset Class  
Security Description Detailed  
Amortization & Accretion On  
Tax Lots Consolidated  
Custody Held Here  
Cost Reinvest Cost

Proposed sample

# **Investment Policy Statement**

City of Beacon

## **Defined Benefit Length of Service Award Program**

Retirement Plan – Directed by

Board of Trustees

**Approved May, 2018**

**RBC Wealth Management, a division of RBC Capital Markets Corporation,  
Member NYSE/FINRA/SIPC**

This Investment Policy Statement should be reviewed from time to time with the Sponsoring Board's Investment Advisor. Any change to this policy should be communicated in writing and on a timely basis to the Investment Advisor. If any term or condition of this Investment Policy Statement conflicts with any trust and/or plan document, the document shall control, as long as such term or condition is consistent with the law

# Executive Summary

<b>Type of Client:</b>	<b>Non ERISA LOSAP Plan – Board Directed</b>
<b>Plan Name:</b>	<b>City of Beacon</b> LOSAP Defined Benefit Plan
<b>Client Sub-type:</b>	ERISA Exempt
<b>Fiduciary Standard of Care:</b>	Other - Prudent Man Rule
<b>Tax Id:</b>	<b>14-6002076</b>
<b>Current Assets:</b>	\$ 690,000
<b>Time Horizon:</b>	Long - More than 5 years
<b>Modeled Return:</b>	<b>5.5%</b>

**Allocation Range Legend**

LL: Lower Limit

SA: Strategic Allocation

UL: Upper Limit

<b>Broad Asset Class</b>	<b>Peer Group</b>	<b>LL</b>	<b>SA</b>	<b>UL</b>
Fixed Income - Broad Fixed Income	Multi-sector Bond	5.0	10.0	30.0
Fixed Income - Global Fixed Income	World Bond	5.0	10.0	30.0
	Emerging Mkts Bond	0.0	0.0	20.0
	Currency	0.0	0.0	30.0
Fixed Income – Int. Fixed Income	Inflation-Protected Bond	0.0	0.0	30.0
	Intermediate-Term Bond	10.0	20.0	50.0
Fixed Income – Short Fixed Income	Short-Term Bond	10.0	20.0	100.0
	Bank Loan	0.0	0.0	30.0
Fixed Income – High Yield	High Yield	0.0	0.0	10.0
Convertible Bond	Convertible	0.0	0.0	10.0
International Equity - Diversified	World Stock	3.0	10.0	20.0
	Diversified Emerging Mkts	0.0	0.0	10.0
Large Cap Equity	Large Blend	5.0	10.0	30.0
Mid Cap Equity	Mid-Cap Blend	0.0	0.0	10.0
Money Market	Money Market Taxable As needed for cash payouts	0.0	5.0	100.0
Other	Conservative Allocation	0.0	5.0	30.0
	Moderate Allocation	0.0	5.0	30.0
	Other/Alternative/Multi-Asset	0.0	0.0	30.0
	Specialty-Natural Res	0.0	0.0	20.0
	Commodities/Mgd Futures	0.0	0.0	10.0
	Specialty-Real Estate	0.0	0.0	10.0
	World Allocation	0.0	5.0	40.0
Small Cap	Small Blend	0.0	0.0	5.0

# Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Sponsoring (Board) in effectively supervising, monitoring and evaluating the investment of the Town's Length of Service Award Plan (Plan) assets. The Plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Board's attitudes, expectations, objectives and guidelines for the investment of all of the Plan's assets.
2. Encouraging effective communications between the Board and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option on a regular basis.
4. Setting forth an investment structure for managing the Plan's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.
5. Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so all Plan assets are managed in accordance with stated objectives.

# Statement of Objectives

## Background

The Plan is a defined benefit plan established in 2001 and currently covers 66 participants. Plan size is currently \$ 690,000 and annual contributions should total \$ 61,722. The purpose of the plan is to retain and recruit active volunteer firefighters.

This IPS has been arrived at upon consideration by the Board by a wide range of policies, and describes the prudent investment process the Board deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

The objectives of the Plan are:

1. Have the ability to pay all benefit and expense obligations when due.
2. Control costs of administering the plan and managing the investments.
3. Maximize return within reasonable and prudent levels of risk in order to minimize contributions.



**Time Horizon**

The investment guidelines are based upon an investment horizon of greater than five years. The Plan's strategic asset allocation is also based on this long-term perspective. Short-term liquidity requirements are anticipated to be covered by the plans assets.

**Risk Tolerances**

The Board recognizes that some risk must be assumed in order to achieve the investment objectives of the plan. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered.

A 1-yr loss limit of -9.5% has been calculated for the portfolio. Statistically speaking, there is a 5% chance (once in every twenty years) that the 1-year return will actually be lower than -9.5%.

In summary, The Plan's long time horizon, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

**Performance Expectations**

The desired investment objective is a long-term rate of return on assets that is at least 5.50%. The target rate of return for the Plan has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS.

The Board realizes market performance varies and a 6.00% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in the "Monitoring" section.

## **Duties and Responsibilities**

**LOSAP Sponsoring Board**

As fiduciaries under the Plan, the primary responsibilities of the Board are:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the Plan's assets to meet an agreed upon risk/return profile.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the Plan.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

**Custodian**

Custodians are responsible for the safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the Plan.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall Plan since the previous report.
5. Maintain separate accounts by legal registration.

**Investment Advisor**

The Investment Advisor serves as an objective, third-party professional retained to assist the Board in managing the overall investment process. The Advisor is responsible for managing the assets and guiding the Board through a disciplined and rigorous investment process to enable the Board to meet the fiduciary responsibilities outlined above.

## **Asset Class Guidelines**

The Board believes long-term investment performance, in large part, is primarily a function of asset class mix. The Board has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

Historically while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting given the Plan's long time horizon.

The following asset classes were selected and ranked in ascending order of "risk" (least to most) according to the most recent quarter's median 3-year Standard Deviation values.

Money Market Taxable  
Short-Term Bond  
Intermediate-Term Bond  
Conservative Allocation  
Multi-sector Bond  
Inflation-Protected Bond  
Moderate Allocation  
World Bond  
World Allocation  
Large Blend  
Foreign Large Blend  
Mid-Cap Blend  
Small Blend  
Specialty-Real Estate  
Specialty-Natural Res  
Other

*The performance expectations (both risk and return) of each broad asset class are contained in Appendix A.*

### **Rebalancing of Strategic Allocation**

The percentage allocation to each asset class may vary depending upon market conditions. Please reference the allocation table in the Executive Summary for the lower and upper limits for each asset class. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed quarterly.

If the Board judges cash flows to be insufficient to bring the Plan within the target allocation ranges, the Board shall decide whether to effect transactions to bring the allocation of Plan assets within the threshold ranges.

## **Implementation**

The Board will apply the following due diligence criteria in selecting each money manager or mutual fund.

1. Regulatory oversight: Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered investment adviser.
2. Correlation to style or peer group: The investment option should be highly correlated to the asset class being implemented. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the investment option to the appropriate peer group.
3. Performance relative to a peer group: The investment option's performance should be evaluated against the peer group's median manager return, for 1-, 3- and 5-year cumulative periods.
4. Performance relative to assumed risk: The investment option's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.
5. Minimum track record: The investment option should have sufficient history so that performance statistics can be properly calculated.
6. Assets in the product: The investment option should have sufficient assets so that the portfolio manager can properly trade the account.
7. Holdings consistent with style: The underlying securities of the investment option should be consistent with the associated broad asset class.
8. Expense ratios/fees: The investment option's fees should be fair and reasonable. Core/Satellite approach can be implemented to control expenses. This is the recognition that passive management and index funds should be used for the more efficient asset classes combined with active management for less efficient asset classes.
9. Stability of the organization: There should be no perceived organizational problems.

# Monitoring

## Performance Objectives

The Board acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Board intends to evaluate investment performance from a long-term perspective.

The Board is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Board's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than annually, the Board will meet to review whether each investment option continues to conform to the search criteria outlined in the implementation section; specifically:

1. The investment option's adherence to the watch list criteria;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment options organization.

## Benchmarks

The Board has determined it is in the best interest of the Plan's participants that performance objectives be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Peer Group	Index
Conservative Allocation	Dow Jones U.S. Moderately Conservative
Foreign Large Blend	MSCI World ex US NDTR_D
Inflation-Protected Bond	Lehman Brothers U.S. Treasury TIPS
Intermediate-Term Bond	Lehman Brothers 5-10 Yr Govt/Credit Bond
Large Blend	Russell 1000
Mid-Cap Blend	Standard & Poors Midcap 400 PR
Moderate Allocation	Dow Jones U.S. Moderate Portfolio
Money Market Taxable	3 Month T-Bill

Multisector Bond	Lehman Brothers U.S. Universal Bond
Other	
	3 Month T-Bill
Short-Term Bond	Lehman Brothers 1-5 Yr Govt/Credit Bond
Small Blend	Russell 2000
Specialty-Natural Res	Goldman Sachs Natural Resources
Specialty-Real Estate	DJ Wilshire REIT
World Allocation	MSCI World NDTR_D
World Bond	Citigroup Non-USD WGBI USD

### **Watch List Criteria**

An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted, when:

1. An investment option performs below median for their peer group over a 1-, 3- and/or 5-year cumulative period.
2. An investment option's 3-year risk adjusted return (Alpha and/or Sharpe) falls below the peer group's median risk adjusted return.
3. There is a change in the professionals managing the investment option.
4. There is a significant decrease or increase in the investment option's assets.
5. There is an indication the investment option is deviating from the stated style and/or strategy.
6. There is an increase in the investment option's fees and expenses.
7. Any extraordinary event occurs that may interfere with the investment option's ability to prudently manage investment assets.

The decision to retain or terminate an investment option cannot be made by a formula. It is the Board's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.



## Measuring Costs

The Board will review at least annually all costs associated with the management of the Plan, including:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the Plan, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the Portfolio.

## Investment Policy Review

The Board will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

**Prepared by:**

David M Rogers  
RBC Wealth Management

**Signature**

**Date**

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**Approved by:**

**LOSAP Sponsoring Board**

Mayor

\_\_\_\_\_

Date

\_\_\_\_\_

## Appendix A

Asset Allocation Model	Return	Risk	Yield	Dividend	Turnover
Cash	2.00%	2.00%	2.00%	0.00%	100.00%
CDs	2.50%	3.00%	2.50%	0.00%	100.00%
Fixed Annuities	2.50%	3.50%	0.00%	0.00%	5.00%
Intermediate-Term Fixed Income	4.75%	6.00%	4.75%	0.00%	60.00%
Long-Term Fixed Income	5.25%	8.00%	5.25%	0.00%	40.00%
Intermediate-Term Tax Exempt	3.25%	4.00%	3.25%	0.00%	60.00%
Long-Term Municipal	3.75%	8.00%	3.75%	0.00%	40.00%
Corporate Fixed Income	5.50%	8.50%	5.50%	0.00%	40.00%
Mortgage Backed Fixed Income	5.00%	7.50%	5.00%	0.00%	40.00%
High Yield Fixed Income	8.25%	16.00%	8.25%	0.00%	40.00%
Large Value Equities	8.50%	13.25%	0.00%	2.50%	40.00%
Large Growth Equities	9.60%	16.00%	0.00%	1.75%	40.00%
Small Value Equities	10.00%	18.75%	0.00%	2.25%	40.00%
Small Growth Equities	11.10%	22.00%	0.00%	1.50%	40.00%
Mid Cap Equities	9.75%	18.00%	0.00%	2.00%	40.00%
Balanced Funds	6.25%	11.00%	2.00%	0.50%	60.00%
Real Estate	6.50%	14.00%	5.50%	0.00%	10.00%
Futures/Commodities	7.00%	30.00%	0.00%	0.00%	100.00%
Venture Capital/Ltd.Partnerships.	11.50%	35.25%	0.00%	0.00%	10.00%
International Equities	10.00%	22.25%	0.00%	1.75%	40.00%
International Fixed Income	6.00%	13.25%	6.00%	0.00%	40.00%
Emerging Equities	10.50%	40.25%	0.00%	0.75%	40.00%

**Asset Class Volatility Risk and Estimated Expected Return Rate Assumptions<sup>®</sup>**