TOWN OF TRUMBULL
PENSION BOARD
Meeting

In accordance with Sec. 1-19 of the General Statutes Right-to-Know Law, the Pension Board will have a meeting on Tuesday, January 28, 2020 at 7:00 P.M. in the **Long Hill Room** at the Town Hall.

A G E N D A

Call to Order

Investment Update – 4tht Quarter – Beirne Wealth Consulting

Approval of Pension Benefits

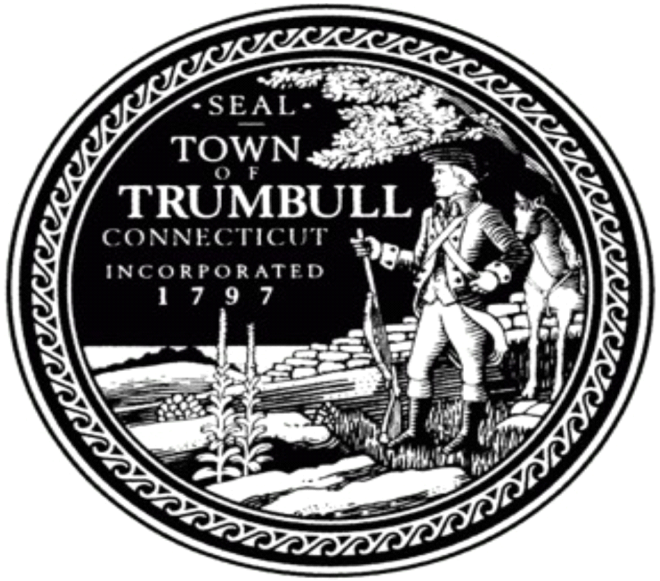
Noreen Violetta	9/1/2019	$ 436.37
Barbara Crandall	1/2/2020	$1,388.84
Susan Clark	1/1/2020	$ 143.25
Rosalie Cisero	1/1/2020	$1,272.92

Review of Annual First Selectman's Letter – 2020

Approval of Minutes – October 29, 2019

Attorney Litigation – Executive Session

Adjournment



Town of Trumbull Retirement Plan

Quarter Ending 12/31/19

Prepared by:

John Beirne, CIMA
Founding Partner / CIO
203-701-8974
JBeirne@BeirneWealth.com

John-Oliver Beirne, CRPC, MBA
Partner / President
203-701-8976
JOBeirne@BeirneWealth.com

Lindsey Allard, AWMA, MBA
Managing Director / Advisor
203-951-0305
Lallard@BeirneWealth.com

Beirne Wealth Consulting Services, LLC

Beirne Wealth Consulting Services, LLC
3 Enterprise Drive, Suite 410
Shelton, CT 06484

CONTENTS

1 Market Performance

2 Total Plan Overview

7 Total Plan Investment Analysis

12 Cash Flow Analysis

13 Fee Schedule

14 Glossary

Total Plan

Market Performance

As of December 31, 2019

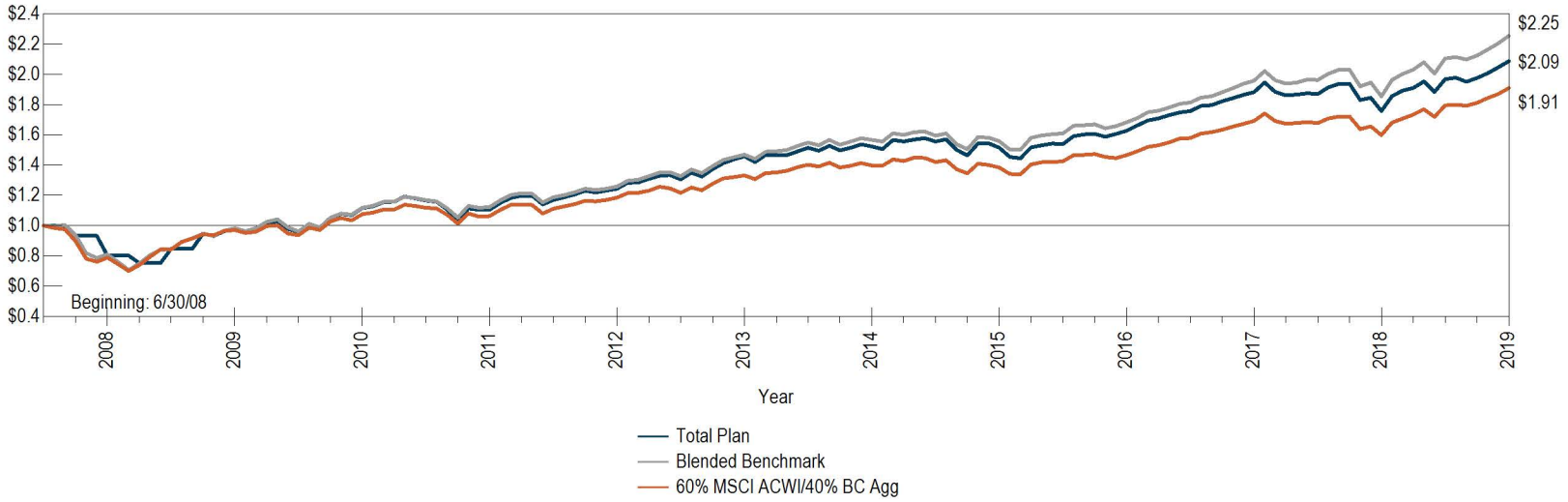
Name	Last 3 Months	YTD	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Periods Ending 12/31/19										
US Equity											
Russell 3000	9.1	31.0	31.0	-5.2	21.1	12.7	0.5	12.6	33.6	16.4	1.0
S&P 500	9.1	31.5	31.5	-4.4	21.8	12.0	1.4	13.7	32.4	16.0	2.1
Russell 1000	9.0	31.4	31.4	-4.8	21.7	12.1	0.9	13.2	33.1	16.4	1.5
Russell 1000 Growth	10.6	36.4	36.4	-1.5	30.2	7.1	5.7	13.0	33.5	15.3	2.6
Russell 1000 Value	7.4	26.5	26.5	-8.3	13.7	17.3	-3.8	13.5	32.5	17.5	0.4
Russell MidCap	7.1	30.5	30.5	-9.1	18.5	13.8	-2.4	13.2	34.8	17.3	-1.5
Russell 2000	9.9	25.5	25.5	-11.0	14.6	21.3	-4.4	4.9	38.8	16.3	-4.2
Russell 2000 Growth	11.4	28.5	28.5	-9.3	22.2	11.3	-1.4	5.6	43.3	14.6	-2.9
Russell 2000 Value	8.5	22.4	22.4	-12.9	7.8	31.7	-7.5	4.2	34.5	18.0	-5.5
International Equity											
MSCI ACWI	9.0	26.6	26.6	-9.4	24.0	7.9	-2.4	4.2	22.8	16.1	-7.3
MSCI World ex USA	7.9	22.5	22.5	-14.1	24.2	2.7	-3.0	-4.3	21.0	16.4	-12.2
MSCI EAFE	8.2	22.0	22.0	-13.8	25.0	1.0	-0.8	-4.9	22.8	17.3	-12.1
MSCI Emerging Markets	11.8	18.4	18.4	-14.6	37.3	11.2	-14.9	-2.2	-2.6	18.2	-18.4
Fixed Income											
91 Day T-Bills	0.4	2.1	2.1	1.9	0.9	0.3	0.0	0.0	0.0	0.1	0.0
BBgBarc US Aggregate TR	0.2	8.7	8.7	0.0	3.5	2.6	0.5	6.0	-2.0	4.2	7.8
BBgBarc US Govt/Credit TR	0.0	9.7	9.7	-0.4	4.0	3.0	0.1	6.0	-2.4	4.8	8.7
BBgBarc US Municipal TR	0.7	7.5	7.5	1.3	5.4	0.2	3.3	9.1	-2.6	6.8	10.7
BBgBarc US High Yield TR	2.6	14.3	14.3	-2.1	7.5	17.1	-4.5	2.5	7.4	15.8	5.0
FTSE WGBI TR	-0.4	5.9	5.9	-0.8	7.5	1.6	-3.6	-0.5	-4.0	1.6	6.4
FTSE WGBI ex US TR	-0.1	5.3	5.3	-1.8	10.3	1.8	-5.5	-2.7	-4.6	1.5	5.2
Real Estate											
FTSE NAREIT All REIT	0.5	28.1	28.1	-4.1	9.3	9.3	2.3	27.1	3.2	20.1	7.3
NCREIF Property Index	--	--	--	6.7	7.0	8.0	13.3	11.8	11.0	10.5	14.3
Alternatives											
HFRI Fund of Funds Composite Index	3.0	8.3	8.3	-4.0	7.8	0.5	-0.3	3.4	9.0	4.8	-5.7
Inflation											
Consumer Price Index	0.1	2.3	2.3	1.9	2.1	2.1	0.7	0.8	1.5	1.7	3.0

Total Plan

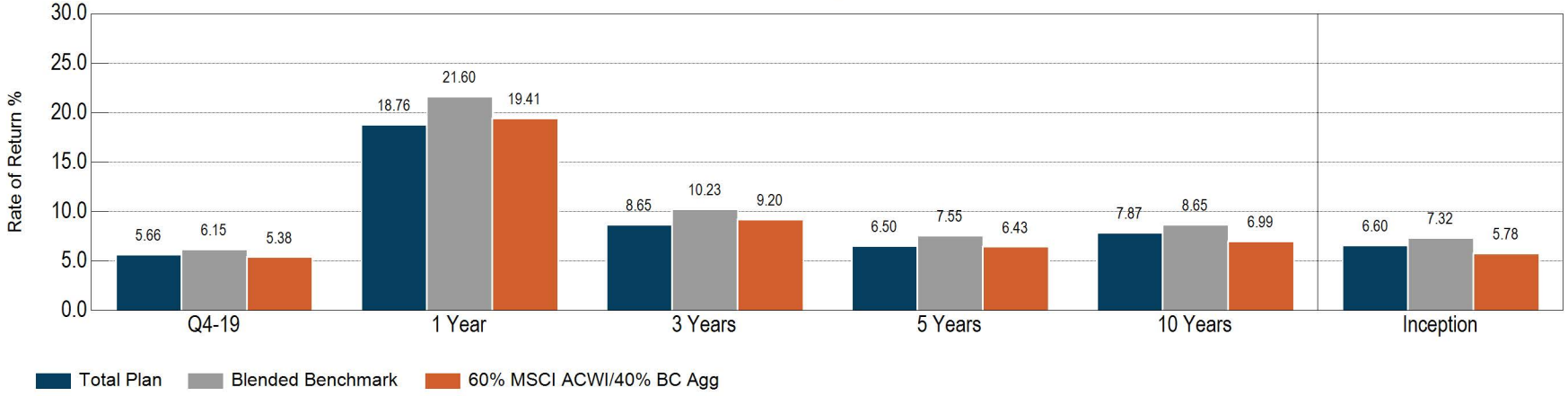
Total Plan Information

As of December 31, 2019

Growth of a Dollar



Return Summary (%)



Total Plan

Total Plan Performance

As of December 31, 2019

	Market Value 9/30/19 ($)	3 Mo Net Cash Flows ($)	Market Value 12/31/19 ($)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Plan	**38,166,247**	**123,826**	**40,444,449**	**100.00**	**5.66**	**18.76**	**8.65**	**6.50**	**7.67**	**7.87**	**6.60**	**Jul-08**
Blended Benchmark					*6.15*	*21.60*	*10.23*	*7.55*	*8.68*	*8.65*	*7.32*	*Jul-08*
Over/Under					-0.49	-2.84	-1.58	-1.05	-1.01	-0.78	-0.72	
60% MSCI ACWI/40% BC Agg					*5.38*	*19.41*	*9.20*	*6.43*	*7.04*	*6.99*	*5.78*	*Jul-08*
Total Equity	**22,426,382**	**-56,808**	**24,341,951**	**60.19**	**8.81**	**26.68**	**11.63**	**--**	**--**	**--**	**12.43**	**Jun-16**
Domestic Equities	**16,363,798**	**-48,254**	**17,688,359**	**43.73**	**8.41**	**27.70**	**12.05**	**--**	**--**	**--**	**12.76**	**Jun-16**
Vanguard Institutional Index(VINIX)	6,264,256	0	6,831,794	16.89	9.06	31.46	15.24	11.67	14.70	13.53	14.16	Nov-09
S&P 500					*9.07*	*31.49*	*15.27*	*11.70*	*14.73*	*13.56*	*14.19*	*Nov-09*
Over/Under					-0.01	-0.03	-0.03	-0.03	-0.03	-0.03	-0.03	
Diamond Hill Large Cap(DHLYX)	2,432,624	0	2,629,404	6.50	8.09	32.34	12.97	10.43	13.93	--	12.18	Apr-11
Russell 1000 Value					*7.41*	*26.54*	*9.68*	*8.29*	*12.20*	*11.80*	*10.94*	*Apr-11*
Over/Under					0.68	5.80	3.29	2.14	1.73		1.24	
AQR Large Cap Multi-Sytle(QCELX)	1,092,110	0	1,177,275	2.91	7.80	24.34	--	--	--	--	11.38	Nov-18
Russell 1000					*9.04*	*31.43*	*15.05*	*11.48*	*14.60*	*13.54*	*17.83*	*Nov-18*
Over/Under					-1.24	-7.09					-6.45	
Vanguard Mid Cap Index Adm(VIMAX)	1,283,173	0	1,371,409	3.39	6.88	31.03	12.34	--	--	--	12.34	Dec-16
CRSP US Mid Cap TR USD					*6.88*	*31.09*	*12.39*	*9.29*	*13.33*	*13.25*	*12.39*	*Dec-16*
Over/Under					0.00	-0.06	-0.05				-0.05	
ACA-Eastbay	106,444	-48,254	57,625	0.14	-3.89	-35.93	-21.47	--	--	--	-21.47	Dec-16
Russell 2000					*9.94*	*25.52*	*8.59*	*8.23*	*11.65*	*11.83*	*8.59*	*Dec-16*
Over/Under					-13.83	-61.45	-30.06				-30.06	
Vanguard Small-Cap Index Fund Adm(VSMAX)	4,179,805	0	4,520,093	11.18	8.14	27.37	10.29	--	--	--	10.29	Dec-16
CRSP US Small Cap TR USD					*8.12*	*27.35*	*10.31*	*8.86*	*12.47*	*12.99*	*10.31*	*Dec-16*
Over/Under					0.02	0.02	-0.02				-0.02	
AQR Small Cap Multi-Sytle(QSMLX)	1,005,387	0	1,100,758	2.72	9.49	20.42	--	--	--	--	6.31	Nov-18
Russell 2000					*9.94*	*25.52*	*8.59*	*8.23*	*11.65*	*11.83*	*9.76*	*Nov-18*
Over/Under					-0.45	-5.10					-3.45	

Total Plan

Total Plan Performance

As of December 31, 2019

	Market Value 9/30/19 ($)	3 Mo Net Cash Flows ($)	Market Value 12/31/19 ($)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
International Equities	**6,062,584**	**-8,554**	**6,653,592**	**16.45**	**9.89**	**24.03**	**10.21**	**--**	**--**	**--**	**11.31**	**Jun-16**
American Funds EuroPacific Growth(RERGX)	3,739,281	0	4,116,710	10.18	10.09	27.40	12.45	7.41	7.73	6.73	7.19	Nov-09
MSCI ACWI ex USA Growth					*9.58*	*27.34*	*12.89*	*7.30*	*6.94*	*6.24*	*6.72*	*Nov-09*
Over/Under					0.51	0.06	-0.44	0.11	0.79	0.49	0.47	
AQR International Multi-Style(QICLX)	1,085,189	0	1,168,538	2.89	7.68	20.42	--	--	--	--	13.97	Nov-18
MSCI ACWI ex USA					*8.92*	*21.51*	*9.87*	*5.51*	*5.44*	*4.97*	*14.69*	*Nov-18*
Over/Under					-1.24	-1.09					-0.72	
Vanguard Emerging Markets(VWO)	615,978	-8,554	680,391	1.68	11.86	20.82	--	--	--	--	15.39	Nov-18
FTSE Emerging Markets					*11.81*	*20.55*	*11.59*	*5.99*	*3.94*	*4.15*	*16.01*	*Nov-18*
Over/Under					0.05	0.27					-0.62	
AQR Emerging Markets(QEELX)	622,136	0	687,953	1.70	10.58	14.82	--	--	--	--	10.20	Nov-18
MSCI Emerging Markets					*11.84*	*18.44*	*11.57*	*5.61*	*3.26*	*3.68*	*14.03*	*Nov-18*
Over/Under					-1.26	-3.62					-3.83	
Fixed Income	**9,775,177**	**0**	**9,898,353**	**24.47**	**1.26**	**9.39**	**3.72**	**--**	**--**	**--**	**3.41**	**Jun-16**
Western Asset Core Plus Bond(WAPSX)	3,321,666	0	3,363,962	8.32	1.27	12.32	5.80	4.67	--	--	4.62	Nov-14
BBgBarc US Aggregate TR					*0.18*	*8.72*	*4.03*	*3.05*	*2.72*	*3.75*	*3.11*	*Nov-14*
Over/Under					1.09	3.60	1.77	1.62			1.51	
Vanguard Total Bond Market Index(VBTLX)	3,299,340	0	3,300,263	8.16	0.03	8.72	--	--	--	--	9.82	Nov-18
BBgBarc US Aggregate TR					*0.18*	*8.72*	*4.03*	*3.05*	*2.72*	*3.75*	*9.85*	*Nov-18*
Over/Under					-0.15	0.00					-0.03	
PIMCO Income Instl(PIMIX)	3,154,171	0	3,234,128	8.00	2.53	8.03	--	--	--	--	4.63	Jan-18
BBgBarc US Universal TR					*0.45*	*9.29*	*4.30*	*3.44*	*3.04*	*4.12*	*5.13*	*Jan-18*
Over/Under					2.08	-1.26					-0.50	
Inflation Protection & Alternatives	**3,376,763**	**51,335**	**3,476,297**	**8.60**	**1.42**	**10.65**	**7.90**	**--**	**--**	**--**	**--**	**Jun-16**
Boyd Watterson GSA Fund, LP	2,084,448	-29,013	2,075,995	5.13	1.00	8.12	--	--	--	--	8.12	Dec-18
Boyd Watterson State Govt Fund, LP	775,011	-11,014	791,636	1.96	3.62	--	--	--	--	--	7.47	May-19
Longford Capital Fund II, LP ($2 million)	517,304	91,362	608,666	1.50	0.00	9.00	--	--	--	--	-3.55	Jul-17
Cash & Equivalents												
Wells Fargo Gov MMK(GVIXX)	2,587,925	129,299	2,727,848	6.74	0.43	2.57	1.74	1.09	0.78	0.55	0.54	Nov-09
91 Day T-Bills					*0.39*	*2.07*	*1.64*	*1.05*	*0.76*	*0.56*	*0.55*	*Nov-09*
Over/Under					0.04	0.50	0.10	0.04	0.02	-0.01	-0.01	

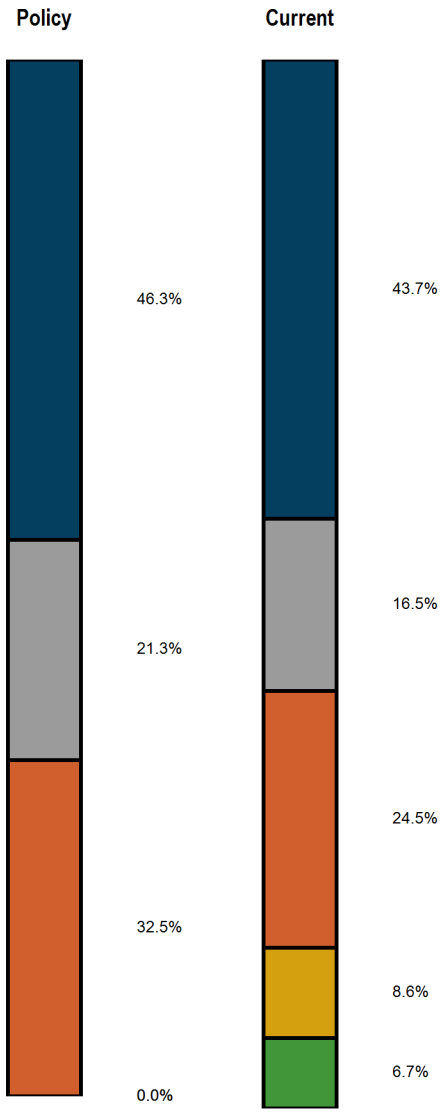
- Blended Benchmark = BBgBarc US Aggregate TR 32.5% / S&P 500 25% / Russell 1000 Growth 8% / Russell 1000 Value 8% / Russell 2000 5.3% / MSCI ACWI ex USA 21.3%

- 60% MSCI ACWI/40% BC Agg = MSCI ACWI 60% / BBgBarc US Aggregate TR 40%

Total Plan

Total Plan Allocation

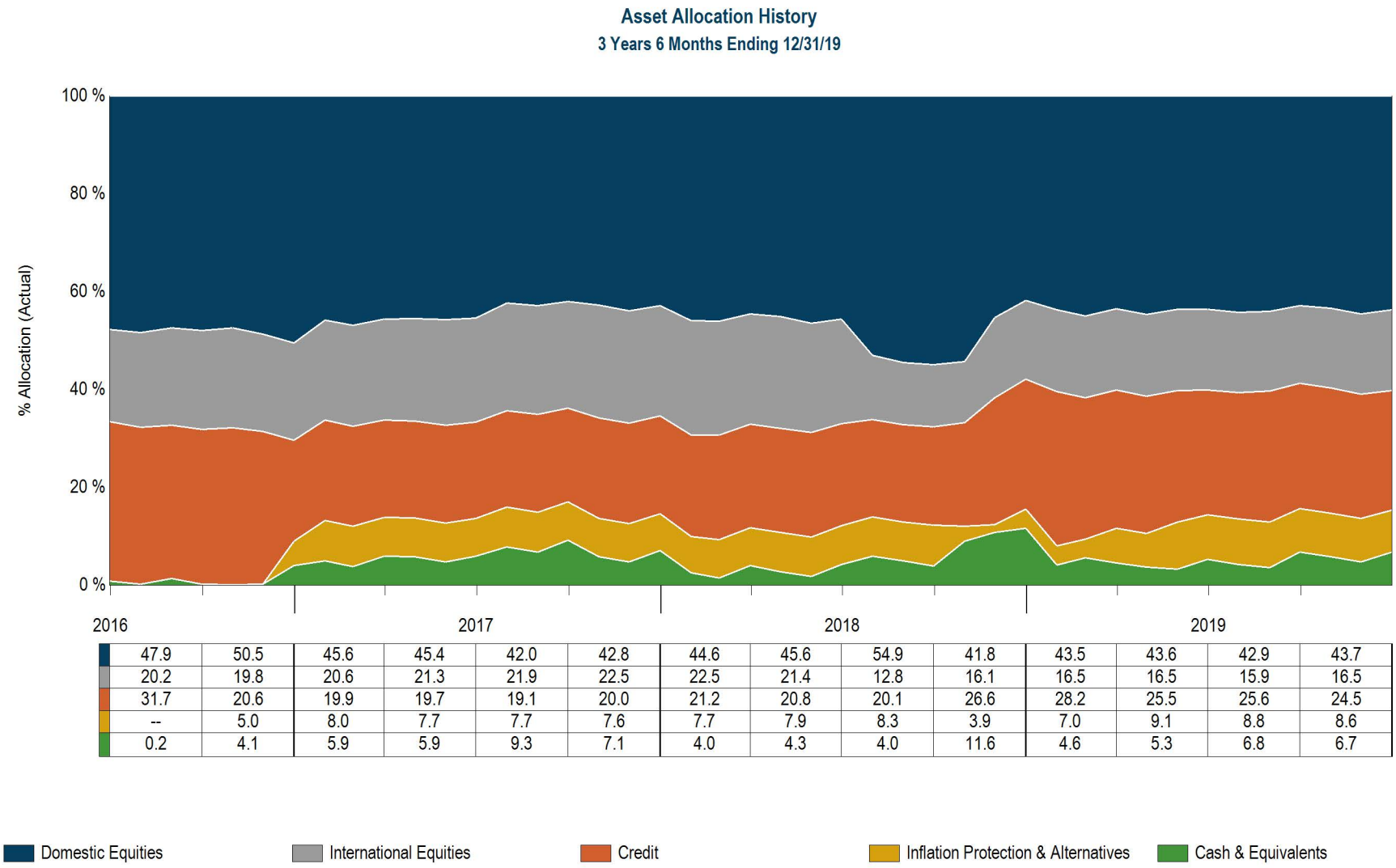
As of December 31, 2019



	Current Balance	Current Allocation	Policy	Policy Range	Difference	Within IPS Range?
Domestic Equities	$17,688,359	43.7%	46.3%	25.0% - 65.0%	-2.5%	Yes
International Equities	$6,653,592	16.5%	21.3%	10.0% - 30.0%	-4.8%	Yes
Credit	$9,898,353	24.5%	32.5%	20.0% - 50.0%	-8.0%	Yes
Inflation Protection & Alternatives	$3,476,297	8.6%	0.0%	0.0% - 10.0%	8.6%	Yes
Cash & Equivalents	$2,727,848	6.7%	0.0%	0.0% - 5.0%	6.7%	No
Total	**$40,444,449**	**100.0%**	**100.0%**			

Total Plan Allocation History

As of December 31, 2019



47.9	50.5	45.6	45.4	42.0	42.8	44.6	45.6	54.9	41.8	43.5	43.6	42.9	43.7
20.2	19.8	20.6	21.3	21.9	22.5	22.5	21.4	12.8	16.1	16.5	16.5	15.9	16.5
31.7	20.6	19.9	19.7	19.1	20.0	21.2	20.8	20.1	26.6	28.2	25.5	25.6	24.5
--	5.0	8.0	7.7	7.7	7.6	7.7	7.9	8.3	3.9	7.0	9.1	8.8	8.6
0.2	4.1	5.9	5.9	9.3	7.1	4.0	4.3	4.0	11.6	4.6	5.3	6.8	6.7

Total Fund

The Town of Trumbull Retirement Plan ended the 4th quarter with $40.44 million in assets, up from $38.17 million in September. Relative to policy targets, the portfolio segments are within +/- 9% of policy. The Fund has an overweight to Inflation Protections & Alternatives and to Cash. Conversely, The Fund has an underweight to Credit and to Domestic & International Equities. The Total Fund returned +5.7% for the quarter, 49 basis points below the policy but ranking above the median (34th percentile) of the InvMetrics Public DB Net Universe. For the year, The Fund trails the benchmark and ranks just below the median (53rd percentile) of the same universe. Overweights to the Inflation Protection & Alternatives and to the Cash segments dampened relative performance during the quarter. Also, Domestic Equities underperformance of their respective benchmark (*Domestic Equity Benchmark*)* pulled down relative performance.

Watch List (due to underperformance for the past three consecutive quarters)

AQR Large Cap Multi-Style (QCELX)
AQR Emerging Markets (QCEEX)

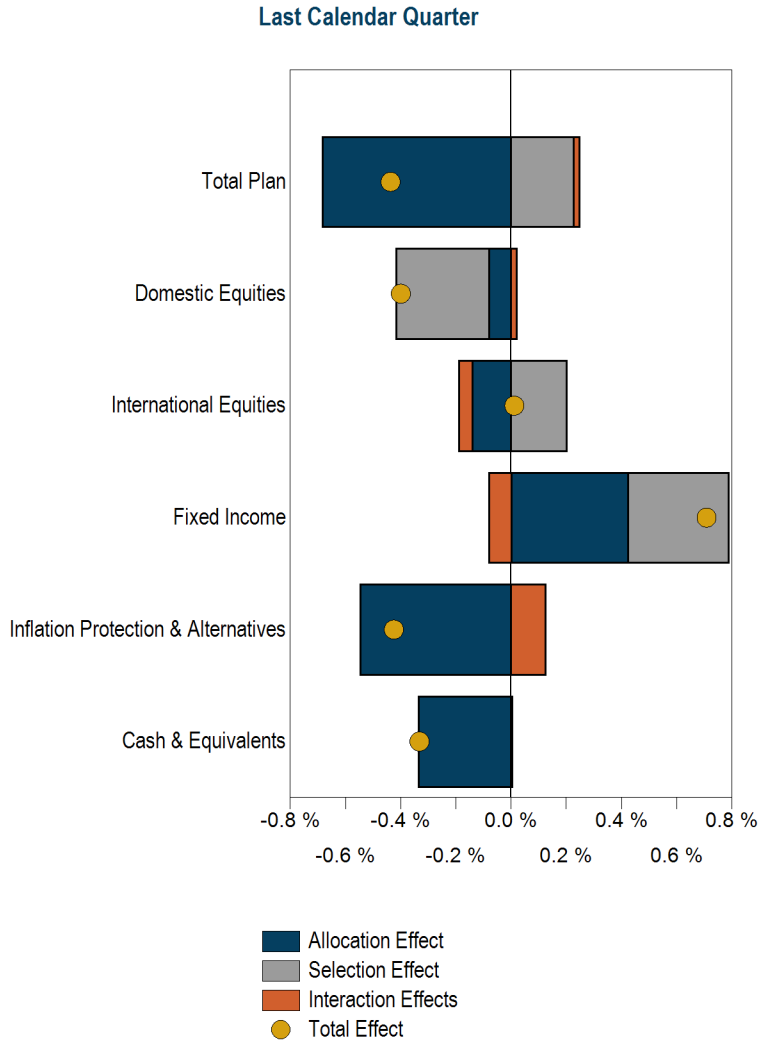
**Domestic Equity Benchmark is 54% SP500, 17% Russell 1000 Growth, 17% Russell 1000 Value & 12% Russell 2000.*

**Approximately 2% of portfolio is unvalued as of 12/31.

Total Plan

Total Plan Attribution Analysis

As of December 31, 2019

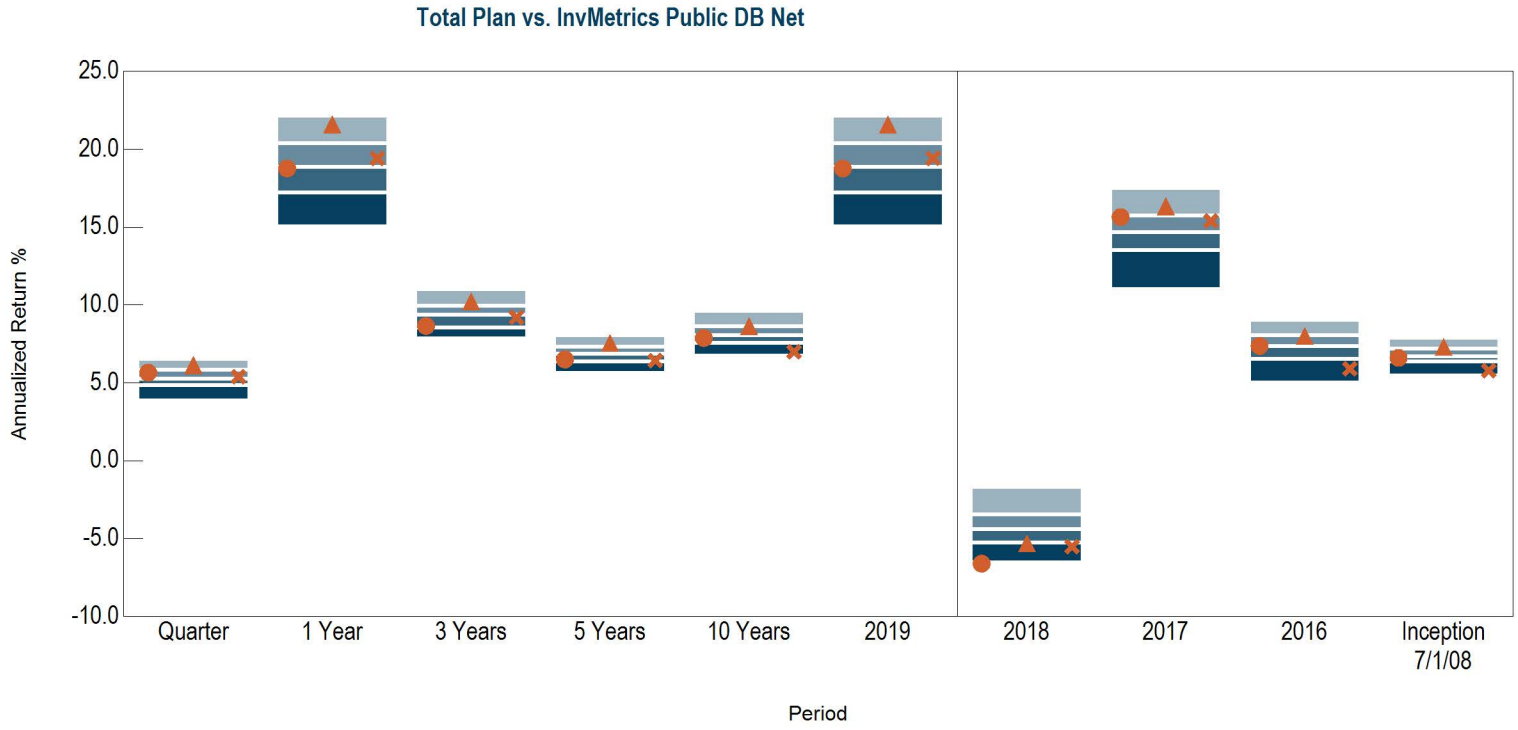


Last Calendar Quarter

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Domestic Equities	8.41%	9.15%	-0.74%	-0.34%	-0.08%	0.02%	-0.40%
International Equities	9.89%	8.92%	0.97%	0.20%	-0.14%	-0.05%	0.01%
Fixed Income	1.26%	0.18%	1.08%	0.36%	0.42%	-0.08%	0.71%
Inflation Protection & Alternatives	1.42%	0.08%	1.33%	0.00%	-0.55%	0.12%	-0.42%
Cash & Equivalents	0.43%	0.39%	0.04%	0.00%	-0.33%	0.00%	-0.33%
Total	**5.70%**	**6.14%**	**-0.44%**	**0.23%**	**-0.68%**	**0.02%**	**-0.44%**

Total Plan Universe Performance

As of December 31, 2019

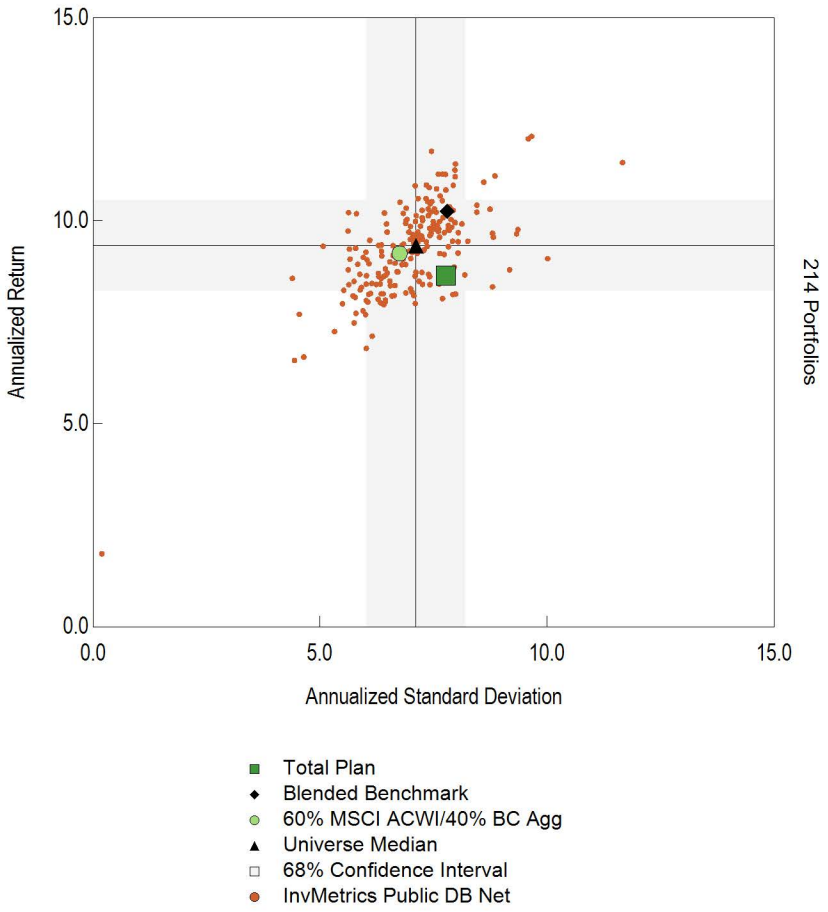


	Return (Rank)																			
5th Percentile	6.52		22.15		11.00		8.02		9.61		22.15		-1.71		17.50		9.02		7.89	
25th Percentile	5.86		20.40		9.98		7.32		8.67		20.40		-3.42		15.76		8.10		7.20	
Median	5.27		18.90		9.39		6.89		8.10		18.90		-4.39		14.68		7.39		6.72	
75th Percentile	4.87		17.23		8.59		6.40		7.60		17.23		-5.24		13.55		6.58		6.39	
95th Percentile	3.89		15.06		7.88		5.65		6.75		15.06		-6.53		11.06		5.05		5.51	
# of Portfolios	222		219		214		202		155		219		496		269		269		149	
● **Total Plan**	5.66	(34)	18.76	(53)	8.65	(73)	6.50	(71)	7.87	(62)	18.76	(53)	-6.61	(96)	15.64	(30)	7.37	(52)	6.60	(61)
▲ **Blended Benchmark**	6.15	(12)	21.60	(10)	10.23	(17)	7.55	(11)	8.65	(26)	21.60	(10)	-5.32	(77)	16.34	(18)	8.00	(29)	7.32	(18)
× **60% MSCI ACWI/40% BC Agg**	5.38	(46)	19.41	(44)	9.20	(58)	6.43	(73)	6.99	(91)	19.41	(44)	-5.52	(81)	15.41	(35)	5.92	(88)	5.78	(93)

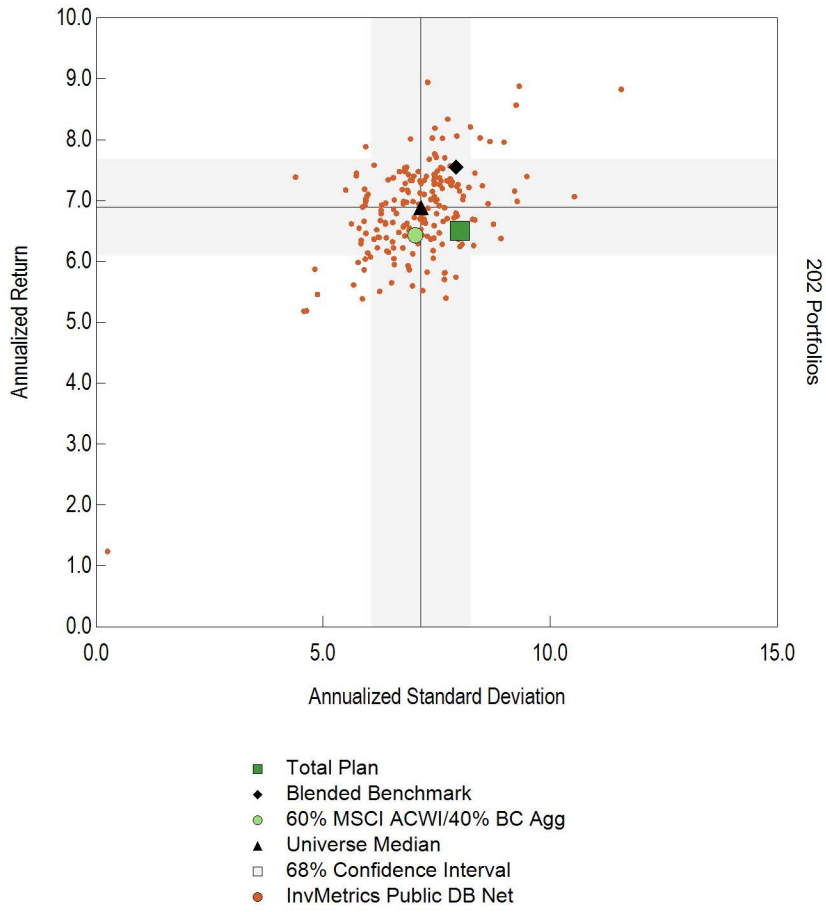
Total Plan Risk/Return

As of December 31, 2019

3 Year Risk/Return



5 Year Risk/Return



Total Plan Risk Statistics

As of December 31, 2019

3 Year Risk Statistics

	Annualized Return (%)	Annualized Standard Deviation	Annualized Alpha (%)	Beta	Tracking Error	Up Market Capture Ratio (%)	Down Market Capture Ratio (%)	Sharpe Ratio	Information Ratio
Total Plan	8.65	7.77	-1.48	0.99	0.86	91.65	105.10	0.90	-1.85
Blended Benchmark	10.23	7.80	0.00	1.00	0.00	100.00	100.00	1.10	--
Vanguard Institutional Index(VINIX)	15.24	12.10	-0.04	1.00	0.01	99.86	100.05	1.12	-3.22
S&P 500	15.27	12.10	0.00	1.00	0.00	100.00	100.00	1.13	--
Diamond Hill Large Cap(DHLYX)	12.97	13.10	2.64	1.07	2.78	120.20	100.10	0.86	1.18
Russell 1000 Value	9.68	12.02	0.00	1.00	0.00	100.00	100.00	0.67	--
Vanguard Mid Cap Index Adm(VIMAX)	12.34	13.00	-0.05	1.00	0.03	99.83	100.12	0.82	-1.67
CRSP US Mid Cap TR USD	12.39	12.99	0.00	1.00	0.00	100.00	100.00	0.83	--
ACA-Eastbay	-21.47	20.02	-21.69	0.03	25.33	-21.74	92.96	-1.15	-1.19
Russell 2000	8.59	15.93	0.00	1.00	0.00	100.00	100.00	0.44	--
Vanguard Small-Cap Index Fund Adm(VSMAX)	10.29	14.93	-0.02	1.00	0.05	99.96	100.05	0.58	-0.30
CRSP US Small Cap TR USD	10.31	14.93	0.00	1.00	0.00	100.00	100.00	0.58	--
American Funds EuroPacific Growth(RERGX)	12.45	12.25	-0.88	1.03	2.14	103.70	107.78	0.88	-0.20
MSCI ACWI ex USA Growth	12.89	11.66	0.00	1.00	0.00	100.00	100.00	0.96	--
Western Asset Core Plus Bond(WAPSX)	5.80	3.45	1.64	1.03	1.71	124.95	82.15	1.20	1.04
BBgBarc US Aggregate TR	4.03	2.91	0.00	1.00	0.00	100.00	100.00	0.82	--
Wells Fargo Gov MMK(GVIXX)	1.74	0.31	-0.19	1.18	0.24	106.31	--	0.33	0.42
91 Day T-Bills	1.64	0.17	0.00	1.00	0.00	100.00	--	0.00	--

Total Plan

Cash Flow Analysis

As of December 31, 2019

	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Oct-19	Nov-19	Dec-19
Employee Contributions	$ 982,549	$ 999,857	$ 249,340	$ 239,112	$ 212,087	$ 229,760	$ 95,573	$ 59,917	$ 74,270
Town Contributions	$ 4,645,500	$ 5,098,200	$ 1,287,000	$ 1,287,000	$ 1,676,491	$ 1,306,750	$ -	$ -	$ 1,306,750
Total Contributions	**$ 5,628,049**	**$ 6,098,057**	**$ 1,536,340**	**$ 1,526,112**	**$ 1,888,578**	**$ 1,536,510**	**$ 95,573**	**$ 59,917**	**$ 1,381,020**
Benefit Payments	$ (5,211,020)	$ (5,490,071)	$ (1,389,251)	$ (1,477,633)	$ (1,508,580)	$ (1,422,672)	$ (482,711)	$ (469,741)	$ (470,219)
Plan Expenses	$ (76,064)	$ (66,955)	$ (7,416)	$ (19,633)	$ (19,924)	$ (20,003)	$ (14,811)	$ (2,591)	$ (2,601)
Total Payments & Expenses	**$ (5,287,084)**	**$ (5,557,026)**	**$ (1,396,667)**	**$ (1,497,266)**	**$ (1,528,504)**	**$ (1,442,675)**	**$ (497,522)**	**$ (472,332)**	**$ (472,821)**
Net Cashflows	$ 340,964	$ 541,031	$ 139,673	$ 28,846	$ 360,074	$ 93,835	$ (401,950)	$ (412,415)	$ 908,199
Market Value	$ 35,308,983	$ 33,488,531	$ 36,536,404	$ 37,718,124	$ 38,166,247	$ 40,421,487	$ 38,385,096	$ 38,742,865	$ 40,421,487
Net Contributions Annual Rate*	0.97%	1.62%	0.38%	0.08%	0.94%	0.23%	-1.05%	-1.06%	2.25%

Differences in Flows is from timing of ACA Distributions

Total Plan

Fee Schedule

As of December 31, 2019

Account	Fee Schedule	Market Value As of 12/31/2019	% of Portfolio	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Vanguard Institutional Index(VINIX)	0.04% of Assets	$6,831,794	16.9%	$2,733	0.04%
Diamond Hill Large Cap(DHLYX)	0.55% of Assets	$2,629,404	6.5%	$14,462	0.55%
AQR Large Cap Multi-Sytle(QCELX)	0.44% of Assets	$1,177,275	2.9%	$5,180	0.44%
Vanguard Mid Cap Index Adm(VIMAX)	0.05% of Assets	$1,371,409	3.4%	$686	0.05%
ACA-Eastbay	2.00% of Assets	$57,625	0.1%	$1,153	2.00%
Vanguard Small-Cap Index Fund Adm(VSMAX)	0.05% of Assets	$4,520,093	11.2%	$2,260	0.05%
AQR Small Cap Multi-Sytle(QSMLX)	0.65% of Assets	$1,100,758	2.7%	$7,155	0.65%
American Funds EuroPacific Growth(RERGX)	0.49% of Assets	$4,116,710	10.2%	$20,172	0.49%
AQR International Multi-Style(QICLX)	0.60% of Assets	$1,168,538	2.9%	$7,011	0.60%
Vanguard Emerging Markets(VWO)	0.12% of Assets	$680,391	1.7%	$816	0.12%
AQR Emerging Markets(QEELX)	0.75% of Assets	$687,953	1.7%	$5,160	0.75%
Western Asset Core Plus Bond(WAPSX)	0.42% of Assets	$3,363,962	8.3%	$14,129	0.42%
Vanguard Total Bond Market Index(VBTLX)	0.05% of Assets	$3,300,263	8.2%	$1,650	0.05%
PIMCO Income Instl(PIMIX)	0.50% of Assets	$3,234,128	8.0%	$16,171	0.50%
Boyd Watterson GSA Fund, LP	1.25% of Assets	$2,075,995	5.1%	$25,950	1.25%
Boyd Watterson State Govt Fund, LP	1.25% of Assets	$791,636	2.0%	$9,895	1.25%
Longford Capital Fund II, LP ($2 million)	2.00% of Assets	$608,666	1.5%	$12,173	2.00%
Wells Fargo Gov MMK(GVIXX)	0.20% of Assets	$2,727,848	6.7%	$5,456	0.20%
Investment Management Fee		**$40,444,449**	**100.0%**	**$152,211**	**0.38%**

© 2019 Beirne Wealth Consulting Services, LLC (BWC). All rights reserved.

For more information, please visit www.beirnewealth.com or call BWC at ***888-231-6372.*** This contains confidential and proprietary information of BWC and is intended for the exclusive use of the parties to whom it was provided by BWC. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without BWC's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of BWC and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. BWC's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, BWC has not sought to verify it independently. As such, BWC makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages) for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that BWC may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your BWC representative.

ABSENCE OF VALUE:
AN ANALYSIS OF INVESTMENT ALLOCATION DECISIONS BY INSTITUTIONAL PLAN SPONSORS

Scott D. Stewart, CFA
John J. Neumann
Christopher R. Knittel
Jeffrey Heisler, CFA

FORTHCOMING: *Financial Analysts Journal, Nov/Dec 2009*

February 2006
Revised March 2009

The authors thank the following for useful comments: two anonymous referees, Michael Salinger, Don Smith, participants at the following meetings: 2002 Chicago Quantitative Alliance, 2006 Eastern Finance Association, 2006 Financial Management Association, 2006 Academy of Finance and the December 2007 Boston QWAFAFEW. All errors remain the responsibility of the authors.

Stewart: Department of Finance and Economics, Boston University School of Management, sstewart@bu.edu, 617-353-2353.
Neumann: Department of Economics and Finance, St. John's University Tobin College of Business, neumannj@stjohns.edu, 718-990-5554.
Knittel: Department of Economics, University of California at Davis and NBER, crknittel@ucdavis.edu, 530-752-3344.
Heisler: Venus Capital Management, Inc. Boston, MA 02110

Keywords: Manager Selection, Asset Allocation, Performance Attribution, Pension Plans, Foundations, Endowments

ABSENCE OF VALUE:
AN ANALYSIS OF INVESTMENT ALLOCATION DECISIONS BY INSTITUTIONAL PLAN SPONSORS

Abstract

Institutional plan sponsors are charged with investing over $10 trillion in assets for pension plans, endowments and foundations, yet there has been no comprehensive study examining whether or not their investment decisions contribute to their asset values. This paper utilizes a dataset covering 80,000 yearly observations of institutional investment product assets, accounts and returns over the period 1984-2007 to study this question. Results document that plan sponsors may not be acting in their stakeholders' best interests when they make rebalancing or reallocation decisions. Investment products receiving contributions subsequently underperform products experiencing withdrawals over 1, 3 and 5-year periods. For investment decisions among equity, fixed income and balanced products, most of the underperformance can be attributed to product selection decisions. Tests suggest these results are not due to survivorship and other biases. Much like individual investors, who seem to switch mutual funds at the wrong time, institutional investors do not appear to create value from their investment decisions. In fact, the study estimates that over $170 billion were lost over the period examined.

1. INTRODUCTION

Institutional plan sponsors include those responsible for pension plans, endowments, foundations and other large pools of assets. These assets are very large, estimated at over $10 trillion in December, 2006, yet there has been limited research on institutional investors. This includes Heisler, Knittel, Neumann and Stewart (2007) which documented the importance of historical performance measures, performance trends and product attributes in determining plan sponsors' decisions to allocate assets among professional money managers' investment products. Del Guercio and Tkac (2002) and Lakonishok, Shleifer, and Vishny (1992) also studied the institutional investment decision making process. However, the question remains whether these decisions are adding value for the ultimate beneficiaries or stakeholders on whose behalf the plan sponsors are acting. This question is important due to the size of institutional plans and the relative level of sophistication their sponsors possess relative to individual investors. Pension plans, endowments and foundations are typically staffed with professionals with years of experience and advanced degrees. Working on their own or with the aid of consultants, institutional sponsors devote considerable time and resources to selecting asset classes and products that are expected to perform well in the future.

The central goals of this study are to document whether these efforts pay off by exploring the economic significance of allocation decisions and to attribute components of performance to individual product selection and asset class or style category allocation decisions. While we do not observe performance of the plans directly, we can observe the allocation of their assets to investment products through time. The data we utilize are available in the PSN Database which includes 80,000 institutional product annual returns as well as annual assets, accounts and descriptive information between 1984 and 2007. Our analysis finds that new allocations often underperform prior allocations as measured over the 1, 3, and 5-year periods after these decisions

are made. We show that these decisions have cost stakeholders in the institutional plans over $170 billion in the aggregate, gross of any transaction costs. Further, underperformance is driven more by the selection of new investment products rather than the new asset class or style mix.

The remainder of this paper is organized as follows. Section 2 provides a brief survey of the related literature. In Section 3, we describe the dataset and in Section 4 the methodology including asset flow measures, portfolio construction techniques and performance calculations. A summary of historical asset levels and fund flows is also provided. Investment products are ranked into quintiles by the percentage of asset inflows and outflows captured, and performance is evaluated in Section 5. Post-flow returns for a portfolio of products receiving the largest inflows are means tested against returns for a portfolio of products experiencing the largest outflows. We also analyze allocation decisions among the equity, fixed income, and balanced products in the dataset by creating flow-weighted portfolios and attribute active performance to multiple sources. Data integrity, including survivorship bias is discussed in Section 3 and tested in Section 6, including a confirmation of asset-flow performance results using account-flows. We conclude the paper in Section 7 with a discussion of the results and a presentation of their economic significance.

2. LITERATURE SURVEY

Heisler et al. (2007) determined that long-term total returns and a track record of consistent positive or negative benchmark-relative returns factor heavily into institutional plan sponsors' decisions to allocate assets to, or pull them from, equity products. Sizeable negative short-term total returns play a modest but statistically significant role in decisions to shift assets away from products. Movement of an entire account from one product to another is subjected to

a higher hurdle that includes both the sign and level of longer-term benchmark-relative returns. Style benchmarks reflecting the growth or value style strategy that the product pursued are as important as the S&P500 index in product selection. Extremeness of style, as measured by betas relative to style indexes, is not as important in determining flows, suggesting a limit to the sophistication of pension plan, endowment and foundation sponsors. In addition to favoring attractive past performance, these investors also tend to prefer smaller investment products and those with longer track records.

The results of this study are consistent in spirit with recent work by Goyal and Wahal (2008), who use a matched sample of manager hiring and firings in the institutional market over a 3-year period. They find that fired managers outperformed newly-hired managers subsequent to this replacement. The bulk of their firings sample is from a short period, the post tech bubble of 2000-2003, and the 3-year returns of matched hire/fire transitions total 129 observations. Our study explores 80,000 observations over 22 years and focuses on 1, 3 and 5-year performance periods.

Prior research on individual stock and mutual fund investors report mixed findings. The Quantitative Analysis of Investor Behavior (2005) by DALBAR, Inc. suggests that the tendency for mutual fund investors' to chase (or flee) recent performance produces lower long-term returns relative to a dollar cost averaging strategy. Odean (1998) examines the trades of discount brokerage clients and finds that unprofitable trades were held longer than profitable trades. In addition, the profitable stocks that were sold generally outperformed comparable stocks by 2.35% while the unprofitable stock positions that were held underperformed by 1.06%.

Gruber (1996) examines the quarterly cash flows of 227 mutual funds and finds positive post-flow alpha for funds experiencing positive cash flows as well as positive alpha savings by

disinvesting from negative cash flow portfolios. With annual cash flows, however, the alpha is negative on new cash inflows and positive on outflows. Zheng (1999) calculates a Grinblatt and Titman (1993) measure to detect evidence of selection ability by mutual fund investors in the aggregate and finds that weight changes in each fund relative to all funds produces a positive return difference over the succeeding month. The author then calculates excess market returns, one-factor and Fama-French three-factor models for a series of eight portfolios constructed with funds receiving new money flows. These tests find weak evidence of a "smart money effect" – smart buying and selling decisions – until the data are segmented into large and small funds. However, three-factor model results suggest that the apparent smart money effect is primarily due to money flows into and from small funds, and is very short-lived[1].

Several studies discuss the importance of investment style in evaluating the behavior of investments. Barberis and Shleifer (2003) note that investment styles follow specific life cycles and propose that investors allocate assets based on style, with assets moving to the style which has recently performed well. Looking at the return of individual stocks, their evidence suggests that short-term returns trend, but longer-term returns reverse. Teo and Woo (2004) also study this style effect, utilizing mutual funds instead of individual stocks, and find evidence of style return reversal.

3. DATA

While we do not have direct access to the decisions made by institutional investors, we can observe the results of their decisions through a database of the managers they hire. This

[1]This may appear contrary to our finding in the institutional market, but we don't study subsequent 1-month returns since they are not available in the PSN database.

database provides an opportunity to measure asset and account flows between products and analyze the performance of those products.

3.1 PSN Database

The PSN Investment Manager Database is compiled by Effron Enterprises, Inc. and provides historical information on thousands of investment products, including annual summary information about each product, quarterly performance, and assets and number of accounts under management. The information, self-reported by the investment product managers, includes the asset class and product style and is used by both the managers for comparisons to their peers and by plan sponsors and pension consultants to identify candidate investment managers. Product clients include retirement plans, foundations and endowments. Products exclude hedge funds, real estate, private equity and other alternative asset classes. The PSN universes include:

- Domestic equities including growth, value, growth at a reasonable price (GARP) and core
- International and global equities
- Domestic, global and international fixed income
- Domestic balanced

The analysis of asset and account flow and post-flow performance in this paper covers the 1984-2007 period.

Assets and number of products are summarized in Table 1. As of December 2006, the PSN database included 6,120 products totaling $13.5 trillion in domestic and international equity, domestic and international fixed income and balanced products. Net of mutual fund assets, the remaining $10 trillion exceeds the $6.5 trillion figure provided in Pensions and Investments for the top 1000 pension plans in 2006[2] in the United States. This indicates that the

[2] Pensions and Investments reports the assets of the 100 largest endowments and 100 largest foundations together total $500 billion as of December 2006. The remaining $3 trillion represents smaller funds, foreign plan sponsors and non-public funds including churches, private foundations and non-pension corporate assets.

PSN database represents a very large sample of investment products and in turn, institutional assets. These levels have grown dramatically since 1984 with the growth in the investment industry. The figures in Table 1 suggest asset growth rates appear to be cyclical, with strong growth in the late 1980's, the early 1990's, the late 1990's and 2003-2004. This is undoubtedly related to stock market performance. The growth rate in the number of products reflects a steady decline as the absolute number increases, with up-ticks in 1992, 1996 and 2001. The two growth series are related, with a correlation of 0.488.

3.2 Data Quality

3.2.1 Impact of Mutual Fund Data

The PSN database includes only institutional products offered in separate account or pooled vehicles. Performance information includes only the gross returns of these products. Products which are exclusively offered in mutual fund format are excluded, but the level of product assets may include assets from the institutional product's corresponding mutual fund. Given that mutual fund assets are 15.5% of total database assets (14.8% of assets among the post-flow 1-year sample products), we run our tests including and excluding products with significant mutual fund assets and find no material difference in our results. This evidence is discussed later in the paper.

3.2.2 Survivorship Bias

Bias can take two forms: one in which "old" data is purged from a database after the product is liquidated or the manager stops reporting, and the second when the time series of reported data is interrupted. The vendor reports that once submitted to PSN, all records are retained, whether or not they have been updated, so that the records of expired products survive. Our investigation finds that between 24% and 37% of products which first report assets and

returns data in years from 1984 to 1994 continued to report through 2007. The fact that this number is not (close to) 100% in any year suggests that data purges are not a concern.

Instances of interruption in the time series of reported data could be one-time, temporary, or permanent. The overall impact of interruptions is unlikely to be large due to the structure of the source database and our sample sizes. If a product is missing from the database in any year, it may be because it was liquidated, or because the manager did not report its information. If the product was liquidated and its assets were distributed among existing products, then we pick up those distribution decisions in the inflow portfolios and the defunct product is excluded from outflow portfolios. If the product was transformed into another new product and its assets transferred, then both products are excluded from the respective inflow and outflow portfolios in that year since the outflow product lacks a post-flow return and the inflow product is new and lacks flows in that initial year.

Importantly, there is no requirement by PSN that the final quarter of a liquidated product's performance is reported by the manager, or that a product that continues to exist but is no longer actively marketed is reported to PSN. The concern here is that poorly performing products which continue to do poorly are not advertised and are not in the database, biasing upward the subsequent returns of portfolios of products which have lost assets (due in part to poor investment performance). This is relevant only if poorly performing products never resume reporting since performance records may be added to the PSN database at any time. While the average attrition rate of products which begin to report assets and returns data but discontinue one or both pieces of information in some future year is only 3.23%[3], we calculate excess returns for these products in their last reporting year and observe these to be noticeably lower than

[3] This closely matches the figure based on a non-survivor-biased sample in Busse, Goyal, and Wahal (2006)

excess returns calculated across the entire database in roughly half the years covered by our sample.

To explore the possible impact of this bias on the results, we conduct our tests in two ways and compare the results. In the first approach, for each 5-year rolling period, we include an investment product in each post-flow period (1-year, 3-year, 5-year) if it carries sufficient data for that test, regardless of whether the data is available to include it in other post-flow periods. In the second approach, we restrict the sample to products that existed for all five years of any 5-year post-flow period and so is eligible for all three post-flow period tests. This ensures that a product with inflows or outflows continues to report data for at least five years after the flows are calculated, thereby eliminating survivorship problems for the 1-year and 3-year tests. That there is little difference in results between the two approaches suggests that survivor bias is not the source of our main result -- that institutional plan sponsors do not create value through manager and asset allocation/equity-style rotation. All results are discussed in detail in Sections 5 and 6.

4. METHODOLOGY

We calculate asset flows for every product in the PSN database and collect performance subsequent to these flows. The goal is to determine whether products with significant inflows perform differently than products with significant outflows and if different, to examine the source of these performance differences. Similar analyses are conducted with account gains and losses.

4.1 Description of Flows Measures

Consistent with almost all of the investment literature that studies asset flows, including that reviewed in Section 2, we calculate product *i*'s dollar flows from year-end *t-1* to *t* as

$$DollarFlows_{i,t} = Assets_{i,t} - Assets_{i,t-1} \cdot (1+R_{i,t}) \ , \qquad (1)$$

where $R_{i,t}$ is product *i*'s return between year-ends *t-1* and *t*. This approach is designed to capture the change in assets from one year to another, adjusted for the return earned on those assets.

In our initial tests, we rank products into flow quintiles based on the measure introduced in Heisler et al. (2007). This measure of *captured flows* scales dollar flows by the total amount of dollar flows among all products within the dataset that year. For a specific product, this measures the percentage of aggregate flow activity captured (or lost) by that product in that year, and is defined as

$$Asset\ Flows_{i,t} = \frac{DollarFlows_{i,t}}{\sum_{j} |\text{Assets}_{j,t} - \text{Assets}_{j,t-1}(1+R_{j,t})|} \ . \qquad (2)$$

In later tests, we create portfolios each year which consist solely of either products with inflows or products with outflows. To calculate the flow-weighted portfolio returns, each product's weight is taken as its inflows or outflows relative to the total inflows and outflows in a given year:

$$w_{i,t} = \frac{DollarFlows_{i,t}}{\sum_{j=1}^{N} DollarFlows_{j,t}} \ , \qquad (3)$$

where $w_{i,t}$ represents the weight of product *i* at end-of-year *t* with aggregate products *N*. The equation provides the opportunity to build flow-weighted portfolios and measure the subsequent performance of aggregate investors' decisions to move assets between products from one year to the next. The returns of decisions within categories are also explored by including only products within a particular category.

4.2 Summary of Flows

Table 2 contains dollar inflows and outflows, and their proportions by product style category for the products in the database from 1985 to 2006 for which flows can be derived and subsequent performance can be measured. In order to compute the dollar flow calculation (1), a product must exist for at least two consecutive year-end periods with a full year's return in between[4]. This restriction results in a smaller sample size than the total PSN database, on average 21% fewer products and 11% lower assets. Dollar Flows are calculated annually using expression (1) and asset flows are calculated relative to total assets among all products in our test sample. Annual inflows range from 9.0 to 16.4% of sample assets, with an average of 12.5%. Outflows are lower, averaging 10.3% per year, thereby reflecting net contributions to the investment management universe, ranging from 5.0% to 15.8%. Flow activity in domestic equity and domestic fixed income, the largest overall allocations, represent the bulk of allocation changes. On average, international equity and the combination of global equity, global fixed income and international fixed income investments experience net inflows at the expense of domestic equity, domestic balanced and domestic fixed income mandates. Activity (and assets, though not shown here) in balanced mandates shrinks through time, reflecting the transition by plan sponsors to specialist managers over the last 22 years.

4.3 Performance Calculations

We compute the performance of investment decisions using several techniques. The first involves ranking and assigning individual products into quintiles based on their captured flows and examining the 1-year, 3-year and 5-year performance of the extreme quintile portfolios

[4] Note that flows are not implied to have been directed to new products when they appear in the database with assets for the first time.

commencing immediately after the flows occur. This approach is straightforward and facilitates statistical testing.

To confirm these results and facilitate performance attribution, we also construct two separate asset flow-weighted portfolios of all products, one of products with net outflows and one of products with net inflows in each year, and then compare the post-flow performance of these two competing portfolios over the subsequent 1, 3, and 5-year periods. Similar tests are run using account flow data, to confirm that the asset flow results are not biased by a small group of large plans. Constructing and comparing portfolios based on flows this way is similar to the portfolio construction in Zheng (1999). It is also similar to the positive and negative cash flow portfolios in Gruber (1996).

Finally, the differences in performance between the inflows and outflows portfolios are subject to a Brinson attribution technique. The goal is to explore the source of the difference in returns between products receiving and losing assets. The analysis calls for performance evaluation by comparison to one or more benchmark-based portfolios. We assign the portfolios of outflow products, those consisting of products from which plan sponsors withdrew money each year, as the benchmarks for the inflow portfolios, those consisting of products experiencing dollar contributions. A negative active return corresponds with a loss of value due to plan sponsor investment decisions. This technique provides the opportunity to identify the impact of product selection within asset class and equity style categories and the impact of allocation between those categories. The asset class and equity style category reallocation effect in our tests is calculated as:

$$(\textit{inflow portfolio weight} - \textit{outflow portfolio weight}) \cdot \textit{outflow portfolio return.} \qquad (4)$$

The investment product selection component is calculated by employing the outflow portfolio weights in a calculation including the performance difference between the new portfolio and the benchmark portfolio:

$$(\textit{inflow portfolio return} - \textit{outflow portfolio return}) \cdot \textit{outflow portfolio weight.} \qquad (5)$$

The remaining unattributed portion of the return differences between the inflow and outflow portfolios is the interaction component:

$$(\textit{inflow weight} - \textit{outflow weight}) \cdot (\textit{inflow return} - \textit{outflow return}). \qquad (6)$$

5. RETURNS FOR PRODUCTS EXPERIENCING INFLOWS AND OUTFLOWS

The underlying assumption of the portfolio construction method used is that assets which flow out of one set of products are redirected into the set of products receiving inflows. We note that this is a simplification. As Table 2 demonstrates, inflows and outflows are not the same each year. In addition to attracting money from their competitors, asset managers can gain flows either because plan sponsors place new plan contributions with them or reallocate existing money from investment products in private equity and other asset classes not included in the PSN database. These, too, however, are active selection decisions by the sponsor and will help determine flow proportions. Similarly, lost flows are not necessarily reinvested with another product in the database. They can be withdrawn from the PSN universe altogether either because the funds are needed to meet some liability or because the sponsor reallocates out of public markets and into other asset classes. These decisions also represent active choices by the sponsor, who has decided to pull assets from the products observed to lose flows. The value of all these decisions is evaluated in this section.

5.1 Ranked Quintiles

We begin with a simple calculation of the subsequent, post-flow performance of investment products which received the most inflows and the products which lost the most outflows. For this initial test, products are ranked by their captured asset flows (equation 2) and placed into quintiles each year. Note that sorting products in a given year by this measure is equivalent to sorting by dollar flows. Average annual gross returns over the subsequent 1, 3, and 5-year horizons for each quintile are calculated, and a t-test of equivalence is performed between the means of quintile 1 (largest flow gainers) and quintile 5 (largest flow losers). This is essentially testing the equivalence of post-flow performance of equally-weighted portfolios of the 20% of products which attracted the greatest inflows or lost the most outflows in each year.

Table 3 reports the results of this analysis. The t-statistics in Panels A and B report the results of the means tests between quintiles 1 and 5 using the gross returns in the 1, 3, or 5-year post-flow periods. In 14 of the 17 formation periods where post-flow 1-year performance is measured prior to the tech bubble burst in 2002, the quintile portfolio of products receiving the most inflows performed worse than the quintile portfolio of products experiencing the largest outflows. This difference is statistically significant at the 5% level in ten of those years. This result suggests that plan sponsors' asset allocation decisions did not benefit their stakeholders after one year. Among the five post-flow 1-year periods following the tech-bubble burst, the quintile 1 return was significantly larger four times, suggesting that plan sponsors did add some value in the intermediate term. The wealth effect of these 1-year post-flow return differences is displayed in Figure 1 and shows a cumulative negative impact from yearly investment changes.

In 16 of the 20 post-flow 3-year periods, the largest flow gainers underperformed the largest flow losers, with the difference significant for ten of the periods. Over the post-flow 5-

year horizons, the mean return difference is negative in all but two of the eighteen formation periods, with nine outflow quintile returns significantly better than the inflow quintile returns.

The test results suggest that on average, decisions made by plan sponsors to direct money from one group of investment products (quintile 5) to a second group of products (quintile 1) did not benefit their stakeholders. In most cases, the products which received the largest inflows significantly unperformed over the post-flow horizons. The mean return difference for the 1-year post-return periods is reported in Table 3 as -1.059%, significant at the 5% level. Moreover, this negative performance persists over 3 or more years, and does not appear to entirely reverse, as reflected by the annualized mean differences of -0.760% over 3 years and -0.635% over 5 years, both of which are statistically significant (t = -2.38 and t = -6.92, respectively) at the 5% level.[5] This performance is examined more closely in the remainder of this paper.

5.2 Weighted Inflow and Outflow Portfolios

The test utilizing quintile portfolios is straightforward, but the mean return difference calculation excludes performance for the 60% of products in quintiles 2, 3, and 4 and equal weights the product returns within the quintile portfolios. To address these issues, and to facilitate a performance attribution analysis, an alternative technique is used. Each year, portfolios of products either exclusively receiving inflows or suffering outflows are formed. Portfolio weights are determined at the beginning of each period based on a product's flows relative to total portfolio inflows or outflows (equation 3). This technique harnesses all of the reporting products in the sample and places more importance on those products which the

[5] When calculating the standard errors for the 3- and 5-year returns we account for autocorrelation by using Newey-West heteroskedastic and autocorrelation consistent standard errors. An alternative non-regression-based technique is the Fama-MacBeth estimator. Skoulakis (2008) presents simulation evidence that in cases like ours, a large cross-section and relative small time-series, both estimators yield reliable standard error estimates. For all three cases we report t-statistics in Table 3 using only the annual differences. When we conduct the tests across the entire sample,

sponsors themselves deemed most important as revealed by their dollar flow allocation decisions. Weighting returns by the size of the flow accurately measures the impact of the aggregate annual investment decisions made by the institutional investors using the products in the PSN universe. Table 4, Panel A reports that the post-flow 1-year average performance difference between the inflow and outflow portfolios (the "In-Out" mean) is -1.124%, very similar to the average difference of -1.059% between quintiles 1 and 5. This is consistent with the earlier conclusion that institutional investment decisions did not add value to their plans over the sample period. The 3- and 5-year differences, reported in Table 4, Panel B are -0.861 and -0.671, respectively.[6]

5.3 Performance Attribution for Category and Product Decisions

The flow-weighted portfolio construction technique facilitates attribution of performance from institutional investor active decisions. Consider Table 2 which contains annual aggregate dollar flows from 1985 to 2006 for products in the PSN database and percentages of the aggregate flows based on their equity, fixed-income, balanced or other asset class designation. Expressing the flow activity by asset class offers some insights in an aggregate sense into what sponsors were thinking in any given year. For example, following the equity market decline and simultaneous interest rate decline beginning in 2000, there were spikes in outflows from domestic equities in 2000 and 2001 and from domestic fixed income in 2002. Domestic fixed income also attracted a larger share of inflows in 2001 and 2002 than in years before or after. Following the strong performance of balanced strategies in the 1987 domestic equity market crash, balanced mandates experienced a one year spike in contributions at the expense of

---

the serial correlation-corrected t-stats are -4.7, -4.3, and – 4.2 for the 1, 3, and 5-year post-flow period return differences, respectively.

domestic equity, before beginning a secular decline in flow activity. This hints of a certain amount of inter-class re-allocation in addition to intra-class movement.

Because the analysis in Table 3 employs only product information, there is room to argue that the superior post-flow performance of the "outflow portfolios" could be due partly to asset class or equity style allocation decisions as well as investment product (or manager) selection. To quantify the contributions from the two sources, we use the Brinson attribution approach to decompose inflow and outflow portfolio flow-weighted performance differences into their category allocation, product selection, and interaction components. By using all reporting products with their classification into one of the ten PSN categories, we are able to capture the effect of flow decisions between and across investment categories and asset classes. The return differences and decompositions are reported in Table 4.

The results in Table 4 clearly indicate that most of the post-flow underperformance of the inflow asset class portfolios is due to product selection, not the category reallocation decisions. For mean return differences over the 1, 3 and 5-year post-flow periods, the portion attributed to product selection is more negative than the difference due to category allocation and the interaction effect (displayed in the table for 1-year period only) combined. Interestingly, the variability of the category allocation effect is greater than the product selection effect, for all three periods. This is likely due to the greater diversification in selecting many individual managers relative to a limited number of asset classes or equity styles. There does not appear to be a clear pattern relating sign or magnitude of the selection and allocation effects. The largest 1-year return attributed to category allocation was 7.3% following 1985 when the product selection return was -2.3%, while the largest product selection return was -3.7% in the following

[6] The 1-year difference is statistically significant at the 10% level, while the 3- and 5-year differences are significant at the 5% level.

year when the category allocation return was -2.0%. Put another way, of the fifteen negative post-flow 1-year return differences, product selection is the highest contributor six times, category allocation four times, and in four other years both sources were significant contributors. In fact, the correlation between the two effects is zero for the 1-year and 3-year periods and slightly negative for the 5-year period.

5.4 Allocation Decisions Between and Within Category

Another way to view performance attribution is to construct asset flow portfolios within asset classes or equity styles by including only the products within the relevant category. The difference in performance between the inflow and outflow portfolios will provide a measure of the product selection decision within asset class or equity style and identify whether there is value added from the decisions within each category. The results of this analysis are presented in Table 5 which reports performance of flow-weighted portfolios in 10 PSN-designated categories.

One, 3 and 5-year average post-flow returns for inflow and outflow portfolios are reported for 5 domestic equity styles and 5 additional asset classes. The average of the 22 post-flow 1-year period returns for inflow portfolios is lower than the outflow portfolio returns for all ten categories. The mean underperformance across these groups (not displayed in the table) is -0.960%. For eight of the 10 groups, the average of the 20 post-flow 3-year inflow portfolio returns is lower than that of the outflow portfolios. The difference in the average returns of the inflow and outflow portfolios for the 18 post-flow 5-year periods is also negative for eight of the ten categories[7]. The only positive return differences (two in the 3-year and two in the 5-year

[7] It should be noted that almost all of the mean return differences are more negative, favoring the outflow portfolios, when the restriction that a product had to exist for all five years in any rolling period is enforced, based on the techniques described in Section 6.

results) are calculated for global equity, international fixed income and global fixed income products, all of which reflect low levels of assets. Overall, the performance figures in Table 5 confirm the results presented in Table 4, showing broad value destruction from institutional investment decisions.

The performance of investment decisions is determined by both skill and luck. The information ratio is a risk-return measure of skill, equal to the ratio of benchmark-relative active return to active risk. If institutional investors exhibit the same skill level[8] in investment selection in every category, they should display higher absolute return differences for higher volatility categories. This pattern is observed in Table 5. The higher volatility categories of Domestic Growth and International Equity reflect the largest levels of underperformance (-1.777% and -1.705% over one year) and the lowest underperformance is observed for the lowest volatility Domestic Fixed Income category (-0.296%).

6. CONFIRMATION OF RESULTS

The description of the PSN dataset in Section 3 introduced the concerns that the results presented in Tables 3 through 5 are affected by two potential data biases. The first is potential survivor bias, due to the possibility of poorly performing products which continue to perform poorly, dropping out of the sample or failing to report in years with poor performance. If institutional investors reduce their allocation to these products and our analysis excludes them, the negative performance differences we compute may be exaggerated or even of the wrong sign.

To test for this bias, we repeat the tests reported in Table 3 for a subsample that includes only products which exist for all five years of a given 5-year post-flow period. This sample excludes products which disappear from the dataset or fail to report required data within a five

year period. The results are reported in Table 6 under the heading "Existing for 5 Years" alongside the results from Table 3 which are summarized under the column heading "Full Sample". The 5-year requirement limits the 1-year and 3-year return periods to end following the 2002 flow year. The similarity of the results indicates that survivor bias is not the source of the underperformance from institutional investors reported in Tables 3, 4 and 5. In fact, the mean return difference is actually more negative for the subsample than for the full sample, and the sign of the return difference in each year is the same for all 1-year return periods and the same in all but one of the 3-year return periods. The average 1-year return difference for the subsample is -1.682% compared with the full sample average difference of -1.574% for the post-flow periods following flow years 1985 to 2002. For the 3-year post-flow periods the mean return difference is -0.962% for the subsample and -0.891% for the full sample for the 1985-2002 flow periods. The 1 and 3-year mean differences are all significant at the 5% level.

The second potential bias involves the presence of mutual fund assets in the dataset. While all products are offered as institutional separate accounts and commingled pools and returns are gross of fees, some observations include mutual fund assets. While this represents a small portion of assets in the full dataset, we construct a new subsample excluding all products in a given year with mutual fund assets greater than 10% of total assets, a threshold we believe to be appropriate given that it reduces the proportion of mutual fund assets to less than 0.6% of the aggregate assets, compared to 15.5% for the full dataset. Return differences for this new subsample are presented in Table 6 under the heading "Limits Mutual Funds". Over the full 1985-2006 sample period, the 1-year post-flow return difference for the subsample is -0.999% compared to a return difference of -1.059% for the full sample. Three and 5-year return differences are also very similar for both samples, suggesting that mutual fund asset flows are

[8]For discussions of investment decisions, skill and value-added see Grinold (1989) and Stewart (1998).

not influencing the observed return differences. The negative performance displayed from changing investment allocations through time appear to be due to the decisions of institutional plan sponsors, not retail mutual fund investors.

The PSN records include the number of accounts for each product in addition to asset levels. As a further check on the asset flow results, and to ensure that a few very large plans are not biasing our results, return differences are examined for portfolios formed based on changes in the number of accounts. Similar to the asset flow test, an account change-weighted portfolio of products whose account totals grew is compared to a similarly-formed portfolio of products which lost accounts. Table 7 reports the subsequent performance differences of these portfolios under the heading "Account-Weight," alongside the asset flows-weighted portfolio figures from Table 4 under the heading "Asset-Weight". These results confirm our previous conclusions. Not only are the signs and return differences for the asset flow-weighted and account-weighted portfolios similar in a majority of the subsequent return periods, but the averages of the annual return differences are more negative for the account-weighted portfolios than for the asset flow-weighted portfolios: -2.167%, -1.719%, and -1.703% over the 1, 3, and 5-year post-flow periods.

These results complement the conclusions from Heisler et al (2007). It was shown that products which experience especially poor results lose accounts in addition to assets. Interestingly, it is the performance of these products that experience especially strong performance subsequent to being fired.

7. DISCUSSION

The preceding analyses document that plan sponsors are not acting in their stakeholders' best interests when they make rebalancing or reallocation decisions with plan assets. Portfolios

of products to which they allocate money underperform relative to the products from which assets are withdrawn. Performance is lower over 1 and 3-year periods and shows no signs of reversal even after two more years. When post-flow performance is decomposed into allocations between asset categories and product selection within categories, product selection detracts more from performance than asset allocation, though both sources detract. Tests for biases in the PSN database confirm these results.

The economic significance of these findings may be gauged by measuring the dollar impact of the return differences between portfolios of products that received inflows and products which experienced outflows. This quantifies the value that was added or foregone by sponsors' decisions regarding their plan assets. Table 8 shows that the value foregone by placing assets with the inflow portfolio products instead of the outflow portfolio products has been considerable, totaling $56.2 billion from the first year following investment decisions. The annual figures vary widely, especially as total assets grow to over $10 trillion, with dollar impacts of $51 billion lost in the year following allocation changes made in 2000 and $45 billion gained in the year after 2002. Table 8 also displays 3 and 5-year performance impacts for each year assuming static product portfolios. In order to avoid double counting in the total estimate of longer-term results, we assume sponsors reallocate a portion of assets at the end of years 1 and 3. The resulting 5-year weighted[9] average impact, without compounding, sums to $170.2 billion for the full sample period, a significant figure for the institutional investment industry.

Although only estimates, these figures most likely underestimate the economic impact since we exclude the transactions costs required to implement the allocation changes; the

[9] Over the sample period, inflows represent on average 12.5% of product assets. We assume a constant reallocation rate with 12.5% of the reallocated capital earning the 1-year performance impact, 25% the 3-year impact and 62.5% the 5-year impact. Different weighting schemes yield similar totals.

estimated dollar impact over 1-year periods would double assuming 100 bp round-trip transaction costs. Clearly, plan sponsors could have saved hundreds of billions of dollars in assets if they had simply held course.

The results prompt several questions. The largest asks why plan sponsors appear to fail in their goal of increasing the value of plan assets. Heisler et al. (2007) demonstrate that institutional investors are sophisticated in their use of historical track records to help determine where to allocate their money. Perhaps investment officers, either because they believe it themselves, or their supervisors do, find comfort in extrapolating past performance when in fact excess performance is random or cyclical. Randomness would lead to zero performance impact while reversion would lead to negative results.

There are several experiments we can suggest to better understand this behavior. The first is to study the PSN database in more detail, perhaps documenting mean reversion in product returns relative to benchmarks following extended periods of excess return. Heisler et al. (2007) suggests that institutional investors on average do not seem to fully understand "extremeness of style", for example the difference between deep value and relative value equity styles. Perhaps mistakes are made as a result of this misunderstanding. Another approach would be to survey investment officers, to learn about their process and identify common mistakes. There are no fool-proof methods for manager selection, though Stewart (1998) presents a quantitative technique shown to be effective with large samples of managers. Treynor (1990) offers a qualitative approach, listing 10 key questions to ask of a prospective manager. With pension plans, foundations and endowments continuing to receive billions of dollars in contributions annually for the foreseeable future, and given the billions that have been lost in the past, clearly the process of selecting investment managers needs review.

Table 1.
Summary Information on PSN Database
Year-end assets, number of products and number of accounts, 1985-2006.

Year-End	$B Assets	% Asset Growth	Mutual Fund Assets % of Total	Products	% Product Growth	Accounts (000)	% Account Growth
1985	$ 319.7	-	0.3%	542	-	39.0	-
1986	$ 485.9	52.0%	0.2%	720	32.8%	67.6	73.3%
1987	$ 585.9	20.6%	0.2%	971	34.9%	47.8	-29.3%
1988	$ 742.1	26.7%	0.3%	1,246	28.3%	49.1	2.8%
1989	$ 984.2	32.6%	0.4%	1,556	24.9%	58.7	19.6%
1990	$ 1,002.3	1.8%	0.7%	1,777	14.2%	74.5	27.0%
1991	$ 1,378.5	37.5%	1.1%	2,027	14.1%	92.7	24.4%
1992	$ 1,701.3	23.4%	1.2%	2,560	26.3%	141.5	52.6%
1993	$ 2,252.5	32.4%	1.7%	2,963	15.7%	165.3	16.9%
1994	$ 2,460.8	9.2%	2.1%	3,285	10.9%	162.5	-1.7%
1995	$ 3,333.9	35.5%	2.4%	3,658	11.4%	186.2	14.6%
1996	$ 4,094.6	22.8%	3.4%	4,140	13.2%	240.4	29.1%
1997	$ 5,508.3	34.5%	4.4%	4,476	8.1%	279.0	16.1%
1998	$ 6,573.7	19.3%	7.1%	4,839	8.1%	340.4	22.0%
1999	$ 8,500.3	29.3%	7.5%	5,230	8.1%	383.2	12.6%
2000	$ 8,130.6	-4.3%	9.0%	5,371	2.7%	538.8	40.6%
2001	$ 7,979.8	-1.9%	12.4%	5,856	9.0%	728.7	35.2%
2002	$ 7,892.8	-1.1%	20.0%	6,364	8.7%	1,098.2	50.7%
2003	$ 10,268.3	30.1%	20.2%	6,481	1.8%	1,251.2	13.9%
2004	$ 11,719.7	14.1%	20.8%	6,483	0.0%	1,582.8	26.5%
2005	$ 12,403.6	5.8%	21.6%	6,349	-2.1%	1,783.7	12.7%
2006	$ 13,537.9	9.1%	25.8%	6,120	-3.6%	1,689.7	-5.3%

Table 2.
Asset Flow Summary
All products, by year and product category, 1986-2006.
Percentage flow as proportion of assets; portion of flow sums to 100%.

Panel A: INFLOWS

Flow Year	Flows: Dollars in (million's)	Flows: Percentage Flow[a]	Portion of Flow: Domestic Balanced	Domestic Equity	Domestic Fixed Inc	International Equity	Other[b]
1985	$14,569	12.5%	10.8%	39.8%	31.5%	13.3%	4.7%
1986	$31,981	12.3%	20.6%	44.8%	29.5%	3.7%	1.5%
1987	$33,921	9.7%	14.9%	39.2%	35.5%	6.3%	4.1%
1988	$44,435	9.1%	23.0%	23.3%	41.0%	10.2%	2.5%
1989	$59,058	9.0%	8.8%	40.7%	27.1%	14.2%	9.1%
1990	$78,420	10.3%	13.2%	36.6%	29.6%	14.2%	6.4%
1991	$118,717	11.1%	9.1%	47.8%	27.8%	9.0%	6.2%
1992	$155,631	12.4%	8.0%	37.8%	36.5%	13.9%	3.8%
1993	$277,109	14.6%	9.3%	27.7%	36.6%	15.9%	10.5%
1994	$283,095	13.2%	5.0%	32.4%	39.2%	16.6%	6.9%
1995	$375,200	13.1%	3.8%	37.2%	36.4%	14.6%	7.9%
1996	$555,330	15.4%	5.0%	32.9%	30.6%	22.0%	9.5%
1997	$784,125	16.4%	2.1%	32.7%	28.2%	19.0%	18.1%
1998	$751,666	12.5%	1.6%	39.3%	34.8%	14.0%	10.3%
1999	$890,718	12.6%	1.0%	43.5%	30.8%	16.5%	8.1%
2000	$895,444	11.9%	0.9%	47.0%	25.7%	18.2%	8.3%
2001	$1,028,015	13.9%	2.4%	37.5%	39.6%	13.5%	6.9%
2002	$997,562	14.1%	1.3%	38.9%	37.8%	10.5%	11.4%
2003	$1,225,925	13.1%	2.0%	39.9%	29.6%	13.5%	15.0%
2004	$1,313,969	12.4%	1.3%	41.7%	23.3%	18.4%	15.4%
2005	$1,446,709	12.6%	1.0%	37.0%	28.2%	17.6%	16.2%
2006	$1,519,014	12.1%	0.7%	33.4%	31.2%	16.2%	18.6%
Mean		12.5%	6.6%	37.8%	32.3%	14.1%	9.1%

Panel B: OUTFLOWS

Flows: Dollars in (millions)	Flows: Percentage Flow[a]	Portion of Flow: Domestic Balanced	Domestic Equity	Domestic Fixed Inc	Internationa Equity	Other[b]
-$10,358	-8.9%	25.1%	42.5%	31.8%	0.4%	0.2%
-$12,950	-5.0%	21.4%	55.5%	9.9%	10.2%	3.0%
-$29,077	-8.3%	13.6%	61.0%	18.5%	6.2%	0.7%
-$53,189	-10.9%	10.1%	60.3%	25.3%	3.0%	1.3%
-$84,490	-12.8%	17.6%	39.8%	36.4%	3.6%	2.5%
-$87,709	-11.5%	25.7%	37.3%	31.8%	3.7%	1.4%
-$108,328	-10.1%	19.9%	34.9%	37.4%	4.9%	2.9%
-$179,735	-14.3%	10.7%	27.9%	27.3%	6.4%	27.7%
-$149,559	-7.9%	12.9%	45.0%	29.9%	9.6%	2.5%
-$198,604	-9.2%	14.6%	33.0%	37.9%	4.8%	9.7%
-$328,761	-11.4%	10.8%	30.5%	43.7%	9.9%	5.1%
-$383,349	-10.6%	12.4%	32.3%	43.4%	8.6%	3.4%
-$444,234	-9.3%	12.2%	48.3%	22.3%	10.7%	6.5%
-$609,653	-10.1%	8.9%	44.7%	25.9%	12.1%	8.5%
-$842,677	-12.0%	5.7%	54.2%	22.0%	12.6%	5.5%
-$1,189,611	-15.8%	5.1%	56.4%	26.2%	8.0%	4.3%
-$931,655	-12.6%	4.8%	53.9%	27.4%	6.2%	7.7%
-$789,397	-11.1%	4.2%	26.3%	53.9%	9.3%	6.5%
-$807,270	-8.6%	4.2%	43.3%	28.1%	15.8%	8.6%
-$907,154	-8.5%	3.5%	50.5%	25.5%	15.4%	5.1%
-$975,080	-8.5%	2.1%	47.1%	26.4%	18.3%	6.1%
-$1,190,117	-9.5%	1.6%	43.9%	19.0%	20.7%	14.8%
	-10.3%	11.2%	44.0%	29.5%	9.1%	6.1%

[a] Percentage of assets using $Percentage\ Flow_t = \frac{DollarFlow\ s_t}{\sum_{j=1}^{N} Assets_{j,t}} \bullet 100\%$

[b] Global equity and fixed income, international fixed income

Table 3.
Post-Flow Returns

Post-flow 1, 3, and 5-year annualized gross returns averaged across all products in the flows quintiles formed in the year shown. The t-statistics report the result of an equality of (equally-weighted portfolio) means test between the portfolio of products in quintile 1 (largest flow gainers) and the portfolio of products in quintile 5 (largest flow losers).

PANEL A: Subsequent One-Year Returns

Flow Year	Quintile 1[a] (Greatest Inflows)	Quintile 5 (Greatest Outflows)	Q1-Q5	t-stat[b]
1985	21.154	17.097	4.056	***1.644***
1986	3.915	7.977	-4.062	**-2.945**
1987	13.115	13.557	-0.442	-0.472
1988	21.076	22.980	-1.904	***-1.776***
1989	-0.770	0.564	-1.334	-1.436
1990	25.221	26.206	-0.985	-0.821
1991	6.144	8.977	-2.833	**-4.477**
1992	17.643	16.276	1.367	1.277
1993	-0.471	-0.506	0.035	0.094
1994	23.029	23.794	-0.765	-1.021
1995	13.541	14.755	-1.215	**-2.060**
1996	14.991	17.851	-2.860	**-3.566**
1997	10.436	14.432	-3.996	**-5.508**
1998	17.322	23.010	-5.688	**-3.765**
1999	-0.405	1.920	-2.325	**-3.181**
2000	-6.740	-1.207	-5.533	**-8.646**
2001	-9.928	-7.891	-2.037	**-3.004**
2002	26.669	24.484	2.185	**2.863**
2003	13.107	12.103	1.004	**3.000**
2004	9.198	7.946	1.252	**3.505**
2005	14.201	13.661	0.540	1.329
2006	9.662	7.419	2.243	**5.070**
Mean	11.005	12.064	-1.059	**-1.951**

PANEL B: Ann. Subsequent Three and Five-Year Returns

	Subsequent Three-Year		Subsequent Five-Year	
Flow Year	Q1-Q5	t-stat[b]	Q1-Q5	t-stat[b]
1985	3.043	**2.552**	-0.071	-0.100
1986	-2.049	**-2.701**	-1.371	**-2.282**
1987	-1.220	**-2.221**	-0.589	-0.967
1988	-2.594	**-3.599**	-1.321	**-3.075**
1989	-2.151	**-3.664**	-0.645	**-2.344**
1990	-0.289	-0.565	-0.234	-0.573
1991	-0.664	***-1.842***	-0.849	**-2.123**
1992	-0.043	-0.114	-0.196	-0.435
1993	-0.500	-1.201	-1.190	**-2.238**
1994	-0.060	-0.089	0.730	1.115
1995	-2.580	**-4.242**	-1.558	**-3.401**
1996	-1.426	**-2.167**	-1.044	**-3.435**
1997	-2.274	**-6.230**	-0.065	-0.25
1998	-0.562	***-1.709***	-0.209	-0.719
1999	-0.264	-0.408	-1.294	**-3.323**
2000	-2.997	**-7.832**	-1.759	**-6.134**
2001	-0.146	-0.507	-0.043	-0.143
2002	0.744	***1.643***	0.284	0.701
2003	0.388	1.165		
2004	0.437	1.276		
Mean	-0.760	**-2.380**	-0.635	**-6.920**

[a] Quintiles ranked by flows using equation 2

[b] **Bold** designating t-statistic significant at 5% level, ***bold italics*** designating significant at the 10% level

Figure 1.
Cumulative Returns of Outflow and Inflow Portfolios
Growth of initial $1 in investments in quintile 1 (largest flow gainers) and quintile 5 (largest flow losers) using the post-flow 1-year returns shown in Table 3 from 1986 to 2007.

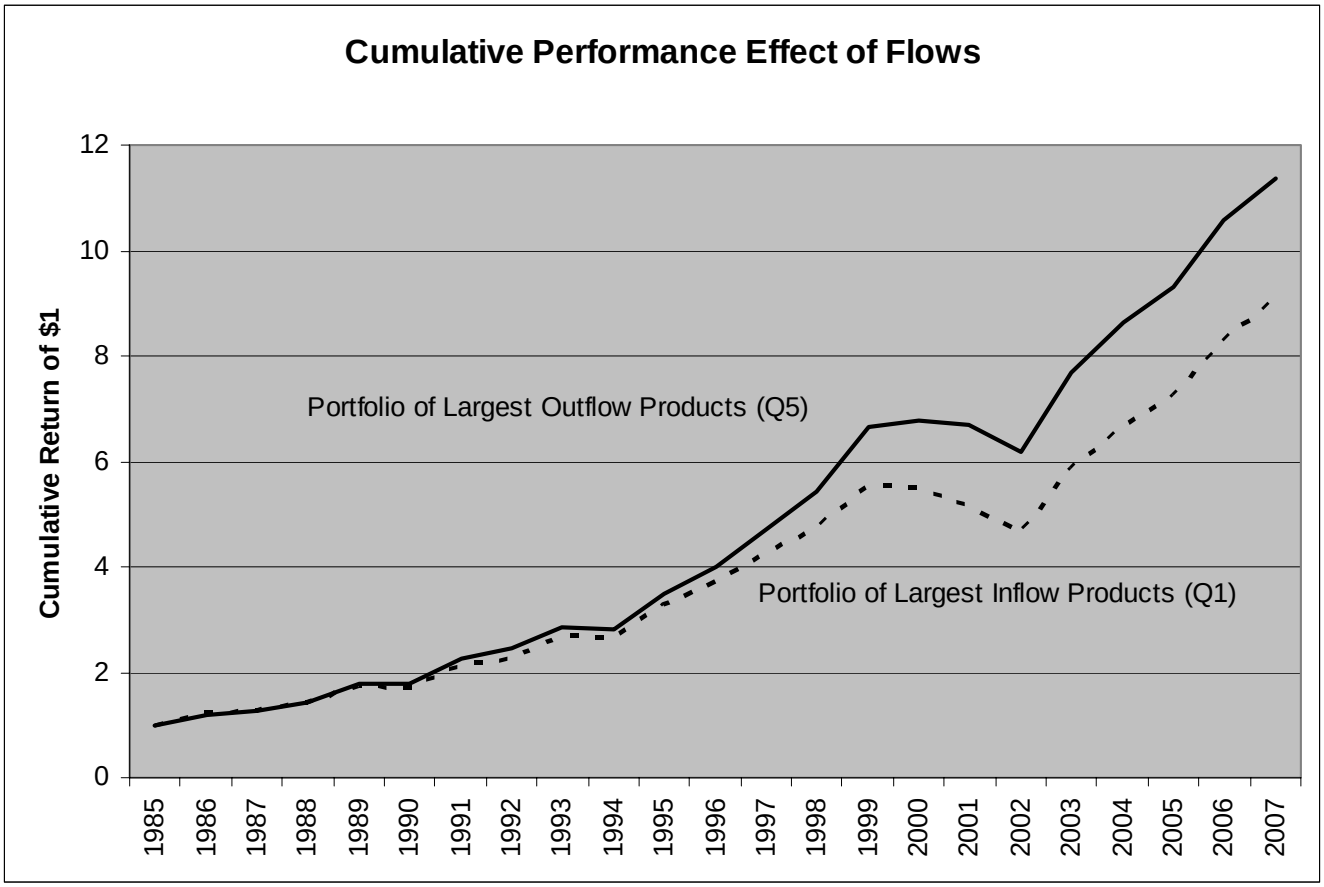


Table 4.
Flow-weighted Portfolio Post-flow Returns and Brinson Attribution

Flow-weighted portfolio[a] return differences decomposed into category and product selection components over 3 post-flow periods

PANEL A: Subsequent 1-Year Returns

	----------Returns----------			----------Sources[b]----------		
Flow Year	Inflow	Outflow	In-Out	Category	Product	Interaction
1985	22.447	17.100	5.347	7.328	-2.298	0.316
1986	4.587	9.033	-4.446	-1.963	-3.660	1.176
1987	13.539	13.221	0.319	-1.508	2.366	-0.540
1988	18.247	26.025	-7.778	-4.417	-2.709	-0.652
1989	-1.227	1.958	-3.185	-2.247	-1.156	0.217
1990	24.491	24.941	-0.450	-0.533	0.068	0.014
1991	6.430	8.675	-2.245	-0.625	-1.175	-0.445
1992	15.526	18.025	-2.499	-0.790	-0.271	-1.438
1993	-0.776	0.438	-1.215	0.138	-1.140	-0.213
1994	22.517	24.391	-1.874	-1.831	0.484	-0.527
1995	12.839	12.900	-0.061	1.232	-1.139	-0.154
1996	14.637	15.589	-0.952	-2.542	1.086	0.505
1997	12.034	17.692	-5.658	-1.805	-2.714	-1.140
1998	18.433	17.150	1.283	-0.143	0.660	0.767
1999	-1.821	0.655	-2.476	-0.677	-2.453	0.654
2000	-8.609	-2.940	-5.669	-2.748	-2.021	-0.900
2001	-8.337	-8.002	-0.336	1.915	-2.741	0.491
2002	21.789	17.260	4.529	5.061	-0.301	-0.231
2003	12.343	11.547	0.797	0.114	0.884	-0.202
2004	8.578	7.839	0.739	0.301	0.559	-0.121
2005	13.390	13.802	-0.413	-0.267	-0.435	0.289
2006	8.901	7.386	1.516	0.140	1.935	-0.559
Mean	10.453	11.577	-1.124	-0.267	-0.735	-0.122
Std Dev	*9.756*	*9.067*	*3.124*	*2.547*	*1.648*	*0.642*

PANEL B: Annualized Subsequent Three and Five-Year Returns

Subsequent 3-Year				Subsequent 5-Year		
-Return-	------Sources[b]------			-Return-	------Sources[b]------	
In-Out	Category	Product		In-Out	Category	Product
3.231	2.721	-0.630		0.091	0.629	-1.286
-2.994	-2.170	-1.534		-1.549	-1.200	-0.231
-1.299	-0.753	-0.338		-1.405	-1.241	-0.165
-4.214	-2.412	-1.926		-2.109	-1.176	-0.577
-1.865	-1.461	-0.470		-0.145	-0.076	-0.119
-0.796	-0.024	-0.764		-0.987	-0.253	-0.806
-0.819	0.293	-0.894		-0.428	0.250	-1.048
-0.686	-0.056	-0.099		-0.424	-0.153	0.110
-1.445	-2.540	0.617		-2.024	-3.171	0.583
-1.149	-1.505	0.343		0.859	1.341	-0.088
-0.514	0.899	-1.535		-1.539	-0.419	-1.241
-1.150	-1.538	0.288		-0.963	-1.508	0.197
-2.415	-1.437	-1.034		0.309	0.389	-0.011
0.155	-0.085	0.239		0.156	0.148	0.036
-0.106	1.096	-1.479		-1.768	-0.161	-1.708
-2.711	-0.814	-1.371		-1.250	0.114	-0.920
-0.536	0.738	-0.597		-0.618	0.621	-0.233
2.150	2.600	-0.281		1.724	2.316	-0.384
0.198	0.106	0.187				
-0.258	0.327	-0.467				
-0.861	-0.301	-0.587		-0.671	-0.197	-0.438
1.662	*1.490*	*0.730*		*1.040*	*1.200*	*0.608*

[a] Inflow and outflow portfolio weights calculated using (3) $w_{i,t} = \frac{DollarFlow\ s_{i,t}}{\sum_{j=1}^{N} DollarFlow\ s_{j,t}}$

[b] Sources calculated using equations (4), (5) and (6)

Table 5.
Performance of Flow-Weighted Portfolios, by Product Category, Over Subsequent Time Periods
Average returns over the 22 1-year, 20 3-year, and 18 5-year post-flow periods of flow-weighted portfolios formed using products which either received inflows or lost outflows. Returns of the two portfolios within each PSN product category are weighted by products' annual flows relative to total inflows or outflows[a].

	------- One Year Returns------			---Ann. Three Year Returns---			----- Ann. Five Year Returns---		
Category	**Inflow**	**Outflow**	**In-Out**	**Inflow**	**Outflow**	**In-Out**	**Inflow**	**Outflow**	**In-Out**
Domestic Growth	12.870	14.647	-1.777	12.224	13.743	-1.518	12.179	13.414	-1.235
Domestic GARP	13.745	14.539	-0.794	12.883	13.425	-0.543	12.361	13.125	-0.764
Domestic Balanced	10.672	11.361	-0.689	10.440	11.018	-0.578	10.349	11.020	-0.672
Domestic Value	12.981	14.265	-1.285	13.051	13.729	-0.678	12.948	13.368	-0.420
Domestic Core	12.940	13.304	-0.364	12.454	12.917	-0.462	12.215	12.766	-0.550
Global Equity[b]	11.477	12.715	-1.239	10.691	11.991	-1.299	10.781	10.771	0.009
International Equity	13.287	14.991	-1.705	10.015	10.915	-0.900	8.656	8.881	-0.225
Domestic Fixed	7.720	8.016	-0.296	7.553	7.839	-0.287	7.719	8.015	-0.296
Global Fixed[c]	7.842	8.579	-0.736	7.829	7.500	0.330	7.742	7.491	0.251
International Fixed	12.560	13.272	-0.711	11.398	11.135	0.262	10.765	11.077	-0.313

[a] using equation (3), portfolio weights defined by $w_{i,t} = \frac{DollarFlows_{i,t}}{\sum_{j=1}^{N} DollarFlows_{j,t}}$

[b] There are no Global Equity outflow products in 1985, so returns begin with 1986 portfolio

[c] There are no Global Fixed Income outflow products in 1985 and 1986, so returns begin with 1987 portfolio

Table 6.
Analysis of Influence of Survivorship Bias and Mutual Fund Exposure
Return differences from Table 3 ("Q1-Q5") compared with return differences from two subsamples:
Products in the dataset with 5 or more consecutive post-flow return years and products with less than 10% of assets in mutual funds

	Panel A			Panel B			Panel C	
	Subsequent One-Year Returns			***Subsequent 3-Year Ann. Returns***			***Sub.. 5-Yr Ann. Rets.***	
Flow Year	**Full Sample**	Existing for 5 Years[a]	Limits Mutual Funds[b]	**Full Sample**	Existing for 5 Years[a]	Limits Mutual Funds[b]	**Full Sample**	Limits Mutual Funds[b]
1985	4.056	4.056	4.320	3.043	3.043	3.090	-0.071	0.110
1986	-4.062	-4.062	-4.062	-2.049	-2.049	-2.049	-1.371	-1.371
1987	-0.442	-0.408	-0.262	-1.220	-1.235	-1.305	-0.589	-0.670
1988	-1.904	-1.895	-1.889	-2.594	-2.612	-2.490	-1.321	-1.298
1989	-1.334	-1.329	-1.308	-2.151	-2.104	-2.019	-0.645	-0.603
1990	-0.985	-0.952	-0.668	-0.289	-0.295	-0.114	-0.234	-0.086
1991	-2.833	-3.390	-2.893	-0.664	-0.861	-0.732	-0.849	-0.926
1992	1.367	0.888	1.606	-0.043	-0.185	0.035	-0.196	-0.092
1993	0.035	0.063	0.133	-0.500	-0.625	-0.450	-1.190	-1.117
1994	-0.765	-0.838	-0.802	-0.060	0.094	-0.236	0.730	0.697
1995	-1.215	-1.329	-1.382	-2.580	-2.859	-2.622	-1.558	-1.605
1996	-2.860	-2.626	-2.929	-1.426	-1.291	-1.254	-1.044	-0.970
1997	-3.996	-4.398	-3.639	-2.274	-2.503	-2.209	-0.065	0.042
1998	-5.688	-6.006	-5.517	-0.562	-0.901	-0.446	-0.209	-0.044
1999	-2.325	-3.055	-1.747	-0.264	-0.568	-0.043	-1.294	-1.205
2000	-5.533	-5.016	-5.121	-2.997	-2.940	-2.743	-1.759	-1.566
2001	-2.037	-1.909	-2.696	-0.146	-0.305	-0.257	-0.043	0.144
2002	2.185	1.932	3.055	0.744	0.871	0.902	0.284	0.389
2003	1.004		0.680	0.388		0.411		
2004	1.252		0.938	0.437		0.364		
2005	0.540		0.557					
2006	2.243		1.640					
Mean 85-02	-1.574	-1.682	-1.433	-0.891	-0.962	-0.830	-0.635	-0.565
Full Mean	-1.059		-0.999	-0.760		-0.708	-0.635	-0.565

[a] Includes only products which existed for five or more years subsequent to flow year
[b] Includes only products with less than 10% of assets in mutual funds

Table 7.
Account Flow-weighted versus Asset Flow-weighted Post-flow Returns

Post-flow return differences between inflow and outflow portfolios formed by asset flow weights ("In-Out" columns in Table 4) compared to portfolios formed by account change weights. A negative sign indicates that the asset inflow (account increase) portfolio under-performed the asset outflow (account decrease) portfolio.

	PANEL A *One-Year "In-Out" Returns*		*PANEL B* *Three-Year "In-Out" Returns*		*PANEL C* *Five-Year "In-Out" Returns*	
Flow Year	**Asset Weight[a]**	**Account Weight[b]**	**Asset Weight[a]**	**Account Weight[b]**	**Asset Weight[a]**	**Account Weight[b]**
1985	5.347	0.361	3.231	0.397	0.091	-0.459
1986	-4.446	-4.812	-2.994	-2.171	-1.549	-1.803
1987	0.319	0.334	-1.299	-1.452	-1.405	-1.001
1988	-7.778	-1.426	-4.214	0.622	-2.109	-0.349
1989	-3.185	-4.921	-1.865	-0.455	-0.145	0.092
1990	-0.45	8.269	-0.796	0.511	-0.987	0.171
1991	-2.245	-1.599	-0.819	-3.055	-0.428	-0.808
1992	-2.499	-6.581	-0.686	-1.246	-0.424	1.599
1993	-1.215	-0.779	-1.445	-0.599	-2.024	-1.446
1994	-1.874	0.092	-1.149	-0.883	0.859	-1.19
1995	-0.061	3.122	-0.514	1.523	-1.539	-0.834
1996	-0.952	2.187	-1.15	4.886	-0.963	-0.049
1997	-5.658	0.406	-2.415	-1.688	0.309	-2.865
1998	1.283	-17.326	0.155	-2.556	0.156	-2.578
1999	-2.476	-10.497	-0.106	-9.732	-1.768	-7.628
2000	-5.669	-15.39	-2.711	-8.081	-1.25	-4.933
2001	-0.336	0.811	-0.536	-0.157	-0.618	-1.267
2002	4.529	-2.651	2.15	-3.646	1.724	-5.311
2003	0.797	-4.512	0.198	-4.301		
2004	0.739	-0.318	-0.258	-2.289		
2005	-0.413	3.372				
2006	1.516	4.183				
Mean	-1.124	-2.167	-0.861	-1.719	-0.671	-1.703

[a] Portfolio weights based on asset flows (equation 3), returns from Table 4
[b] Portfolio weights based on account flows

Table 8.
Economic Significance of Performance Differences, 1985 to 2006
Opportunity cost in dollar returns calculated by applying the subsequent return differences between inflow and outflow portfolios in Table 4 to the inflows, from Table 2.

		|---------- $ Million Performance Impact ----------|			
		|----------Static Product Portfolio----------|			|-Reallocation-|
Flow Year	Inflows, in billions	Subsequent 1-Year[a]	Subsequent 3-Years[b]	Subsequent 5-years[b]	Subsequent 5-years[c]
1985	$14.6	$779	$1,795	$104	$611
1986	$32.0	($1,422)	($3,780)	($4,109)	($3,691)
1987	$33.9	$108	($1,650)	($3,976)	($2,884)
1988	$44.4	($3,456)	($7,468)	($7,675)	($7,096)
1989	$59.1	($1,881)	($4,018)	($602)	($1,616)
1990	$78.4	($353)	($2,490)	($6,509)	($4,735)
1991	$118.7	($2,665)	($3,334)	($3,982)	($3,656)
1992	$155.6	($3,890)	($4,069)	($5,511)	($4,948)
1993	$277.1	($3,366)	($14,961)	($46,270)	($33,080)
1994	$283.1	($5,305)	($13,432)	$22,416	$9,989
1995	$375.2	($229)	($7,540)	($45,379)	($30,276)
1996	$555.3	($5,284)	($25,620)	($36,064)	($29,606)
1997	$784.1	($44,369)	($68,963)	$13,346	($14,445)
1998	$751.7	$9,647	$3,755	$7,006	$6,523
1999	$890.7	($22,054)	($2,500)	($87,997)	($58,380)
2000	$895.4	($50,759)	($74,538)	($66,232)	($66,374)
2001	$1,028.0	($3,450)	($18,843)	($43,180)	($32,130)
2002	$997.6	$45,181	$80,057	$127,887	$105,591
2003	$1,225.9	$9,767	$8,970		
2004	$1,314.0	$9,710	($12,340)		
2005	$1,446.7	($5,971)			
2006	$1,519.0	$23,026			
Total	$12,880.6	($56,237)			($170,202)

[a] year dollar flow times following 1-year return difference; negative indicates loss in value
[b] year dollar flow times subsequent multi-year difference; assumes static portfolio
[c] % inflow-weighted average of 1, 3 and 5-year $ impact; We assume a constant reallocation rate with 12.5% of the reallocated capital earning the 1-year performance impact, 25% the 3-year impact and 62.5% the 5-year impact.

REFERENCES

Barberis, Nicholas, and Andrei Shleifer (2003). "Style investing." *Journal of Financial Economics*, Vol. 68 (May): 161-199.

Busse, Jeffrey, Amit Goyal and Sunil Wahal (2006). "Performance Persistence in Institutional Investment Management." Working Paper, Arizona State University.

DALBAR, Inc. *QAIB 2005: Quantitative Analysis of Investor Behavior*. Boston: DALBAR, Inc., 2005.

Del Guercio, Diane, and Paula A. Tkac (2002). "The determinants of the flow of funds of managed portfolios: mutual funds versus pension funds." *Journal of Financial and Quantitative Analysis*, Vol. 37 (December): 523-557.

Fama, Eugene F., and Kenneth R. French (1992). "The Cross-section of expected stock returns." *Journal of Finance*, Vol. 47 (June): 427-465.

Goyal, Amit and Sunil Wahal (2008). "The Selection and Termination of Investment Management Firms by Plan Sponsors." *Journal of Finance*, Vol. 63 (August): 1805-1847.

Grinblatt, Mark, and Sheridan Titman (1993). "Performance measurement without benchmarks: An examination of mutual fund returns." *Journal of Business*, Vol. 66 (January): 47-68.

Grinblatt, Mark, and Sheridan Titman (1994). "A study of monthly mutual fund returns and performance evaluation techniques." *Journal of Financial and Quantitative Analysis*, Vol. 29 (September): 419-444.

Grinold, Richard (1989). "The Fundamental Law of Active Management." *Journal of Portfolio Management*, Vol. 15, No. 3 (Spring): 30-37.

Gruber, Martin J. (1996). "Another puzzle: the growth in actively managed mutual funds." *Journal of Finance*, Vol. 51 (July): 783-810.

Heisler, Jeffrey, Christopher R. Knittel, John J. Neumann, and Scott D. Stewart (2007). "Why do institutional plan sponsors hire and fire their investment managers?" *Journal of Business and Economic Studies*, Vol. 13 (Spring): 88-115.

Lakonishok, Josef, Andrei Shleifer, and Robert W. Vishny (1992). "The structure and performance of the money management industry." *Brookings Papers: Microeconomics*, 339-391.

Odean, Terrance (1998). "Are Investors Reluctant to Realize Their Losses?" *Journal of Finance*, Vol. 53 (October): 1775-1798.

Skoulakis, Georgios. 2008. “Panel Data Inference in Finance: Least-Squares vs. Fama-MacBeth.” Mimeo, University of Maryland.

Stewart, Scott (1998). “Is consistency of performance a good measure of manager skill?” *Journal of Portfolio Management*, Vol. 24, No. 3 (Spring): 22-32.

Teo, Melvyn, and Sung-Jun Woo (2004). “Style effects in the cross-section of stock returns.” *Journal of Financial Economics*, Vol. 74 (November): 367-398.

Treynor, Jack (1990). “The ten most important questions to ask in selecting a money manager.” *Financial Analysts Journal*, (May/June): 4-5.

Zheng, Lu (1999). “Is Money Smart? A Study of Mutual Fund Investors' Fund Selection Ability.” *Journal of Finance*, Vol. 54 (June): 901-933.

CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE

January 2013, Number 13-1

HOW DO EMPLOYERS' 401(k) MUTUAL FUND SELECTIONS AFFECT PERFORMANCE?

By Edwin J. Elton, Martin J. Gruber, and Christopher R. Blake*

Introduction

Defined contribution plans, predominantly 401(k)s, are the primary source of personal retirement savings for American workers, making the investment decisions within these accounts a salient policy concern.[1] These decisions are a result of two separate actions: the mutual fund options selected by the employer's plan administrator and the specific funds chosen by the participant.

While considerable research has examined 401(k) participant decisions in isolation, surprisingly little attention has been focused on the choices made by plan administrators. The administrator's role is clearly influential, particularly if, as indicated by prior research, 401(k) participants themselves do not make good choices. This *brief*, based on a prior study, addresses this research gap by focusing on the fund choices of 401(k) plan administrators and participants' reactions to these choices.[2]

The discussion proceeds as follows. The first section reviews existing research on 401(k) investment decisions. The second section explains the data and the metric used to analyze how employer and employee fund choices affect investment performance. The third section explores how well plan administrators do in choosing mutual funds. The fourth section assesses how well participants do. The fifth section concludes that employers select mutual funds that perform better than comparable, randomly selected, funds but worse than passive index funds, and participants do not add any value through their own decisions.

401(k) Investment Decisions: What We Know

Due to the growing influence of 401(k)s, researchers have examined numerous aspects of the investment choices made by plan participants. Virtually all the findings suggest that the individual investor does not make very good decisions. One study found that participants restrict their investing to three or four mutual funds – regardless of how many funds their employer offers.[3] Other research finds that employees simply divide their savings evenly among the number of funds (N) their employers offer – a strategy known as the 1/N Rule.[4] Other studies examining asset allocation find that plan participants infrequently adjust their allocations; that their ages and cohorts influence their stock allocations; and that they over-invest in their employer's stock, which reduces diversification.[5] In short, the consistent message is that participants often make poor choices.

* Edwin J. Elton and Martin J. Gruber are both professors emeriti and scholars in residence at New York University (NYU)'s Stern School of Business. Christopher R. Blake is a professor of finance and Joseph S. Keating, SJ, Distinguished Professor of Business at Fordham University. This *brief* is based on Elton, Gruber, and Blake (2007).

All of these previous studies examined participant decisions only. But plan administrators also have a major role as they select a limited menu of mutual funds to offer participants from the large number of available funds. One study that did examine administrator choices found that about one half of plans do not provide sufficient categories of investments to their participants.[6] This *brief* builds on this study by examining whether, given the categories of investments offered, the fund choices selected by plan administrators are good investments per se, and how participants react to the choices.[7]

Data and Methodology

The main data source for both the employer and employee analyses is the 11-K report that an employer files annually with the Securities and Exchange Commission if its 401(k) plan offers the company's own stock as an investment option.[8] The period of analysis covers 1994-1999; data after 1999 were unavailable due to a change in the Securities and Exchange Commission's electronic filing requirements.

Mutual fund selections and performance are analyzed for each plan in the sample; plans are eliminated if they provide data only by broad investment categories such as stocks, bonds, or a specific mutual fund family. This process leaves a sample of 43 plans with individual mutual fund data and an average asset size of $310 million.[9]

Three other types of data are also required. Monthly investment returns for individual mutual funds are from the University of Chicago's Center for Research in Securities Prices (CRSP). Monthly returns for indexes, which are used as benchmarks for performance comparisons, are obtained from CRSP, Morningstar, and a private website. Finally, when a risk-free interest rate is required in the analysis, the yield on 30-day U.S. Treasury bills is used.

The key metric used to gauge investment performance is "alpha," which is the rate of return above or below what would have been earned on a passive portfolio of indexes with the same risk profile. Alpha can be computed for each mutual fund offered and these fund-specific alphas can then be combined to compute an alpha for each employer's 401(k) plan. A positive alpha indicates that the mutual funds in a plan outperformed their benchmark indexes; a negative alpha indicates their performance did not keep pace.[10] Alpha, on average, is negative, because "active" funds managed by stock pickers generally underperform their relevant market indexes.[11] "Passive" mutual funds typically have a negative alpha as well due simply to the fees charged to manage the fund.

The analysis summarized below reports two measures: 1) an alpha for the combined funds in each 401(k) plan relative to a passive portfolio of indexes; and 2) a "differential alpha," which is the difference between the alpha for each 401(k) plan and the average alpha for a randomly selected sample of similar funds.[12]

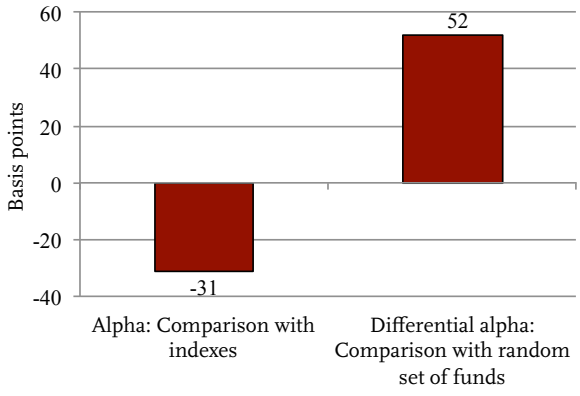
Performance of Plan Administrators

The performance of administrators is evaluated in two ways: 1) by how well each plan's mutual funds do compared to the benchmark indexes (alpha) and to a random sample of similar funds (differential alpha); and 2) by how well funds that were added or dropped perform both before and after the switch.[13]

How Well Do Funds Perform?

The results for the sample plans show that the average alpha over three years of investment performance is -31 basis points annually (see Figure 1). The negative alpha, as expected, confirms that the plans' performance falls below the performance of comparable indexes.[14] The size of this negative alpha is larger than normal expenses for low-cost index funds, suggesting that performance would be improved if passive funds had been substituted for the active funds that were selected.

Figure 1. Performance of Sample 401(k) Plans Based on Alpha and Differential Alpha, in Basis Points Per Year



Note: Results assume equal weighting of each fund within an employer's 401(k) plan.
Source: Elton, Gruber, and Blake (2007).

The average differential alpha for the sample 401(k) plans, however, was +52 basis points annually. This result shows that plan administrators, overall, chose mutual funds that outperformed the randomly selected set of funds by about one-half of 1 percentage point annually.

Lower investment fees are a large part of the explanation for the superior performance of the employer selections compared to the random set of funds. Lower fees, by definition, improve returns by leaving more money in the investor's account. The fees in the employer-selected mutual funds were 23 basis points per year lower than the fees for the random set of funds, accounting for almost half of plan administrators' superior results.

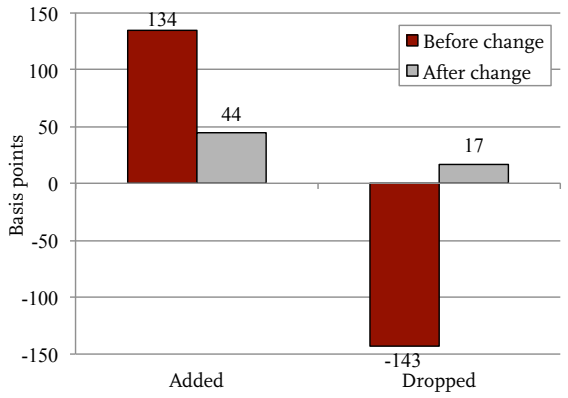
Do Fund Changes Improve Performance?

401(k) investment performance can also be influenced by changes in mutual fund offerings over time. During the period analyzed, the employers in the sample added 215 mutual funds and dropped 45 funds. Many of the additions seem to be motivated by a desire to add a new type of fund, as over half were selected from an investment category not held by the plan at the time of the addition.

The analysis looked at the performance of the added and dropped funds for three years *before* the change was made and three years *after* the change. Not surprisingly, newly added funds outperformed randomly selected funds before the change was made: the differential alpha of the added funds is +134 basis points annually for three years prior to being added to the sample's 401(k) plans. In contrast, before the dropped funds were dropped, they under-performed the random funds by -143 basis points annually. Thus, the added funds outperformed the dropped funds by a total of 277 basis points annually prior to when the changes were made (see Figure 2).

Interestingly, though, this performance bonus essentially disappeared *after* the fund changes were made as the added funds did worse while the dropped funds did better. The differential alphas after the changes are +44 basis points for the added funds and +17 for the dropped funds, and the difference between them is not statistically significantly different from zero. This finding suggests that plan managers were chasing returns, but their efforts to tinker with their fund selections had essentially no impact on overall performance. The outcome underscores the traditional investor's caveat that "past performance does not predict future returns."

Figure 2. Performance of Added Funds and Dropped Funds Based on Differential Alpha, in Basis Points Per Year, Before and After Change



Note: The gap between the added and dropped funds after the changes were made (indicated by the gray bars) is not statistically significant.
Source: Elton, Gruber, and Blake (2007).

Performance of Plan Participants

This section turns to the performance of 401(k) participants to see whether their behavior is consistent with that depicted in the existing literature and to assess whether they add value to the decisions made by plan administrators. The first exercise evaluates whether participants rebalance their portfolio in response to market fluctuations or, instead, chase returns. The second exercise compares the participants' investment strategies, at an aggregate level for each plan, to naïve investment strategies.

Do Participants Chase Returns?

Three factors influence asset allocation: annual returns, participant contributions,[15] and participant transfers. For all sample plans, the median change in the percent of assets allocated to particular investments over all the years analyzed is 3.8 percentage points for investment returns, 1.6 percentage points for participant contributions, and 3.1 percentage points for participant transfers. These numbers indicate how the distribution of assets between mutual funds changes over time. While investment performance has the largest impact on the weightings, participants also have a significant impact when they alter their contributions or transfer assets.

The next step is to determine whether participants' actions magnify or offset the change in allocations caused by investment returns. A regression analysis relates the combined effect of participants' contributions and transfers to the effect of returns for each of the sample plans. The results show that participants' contributions and transfers magnify the change in allocations caused by returns by 57 percent. That is, participants shift their assets toward the best-performing funds and decrease their holdings in the funds that do not perform as well, causing the fund allocations to diverge further from the plans' initial weightings.

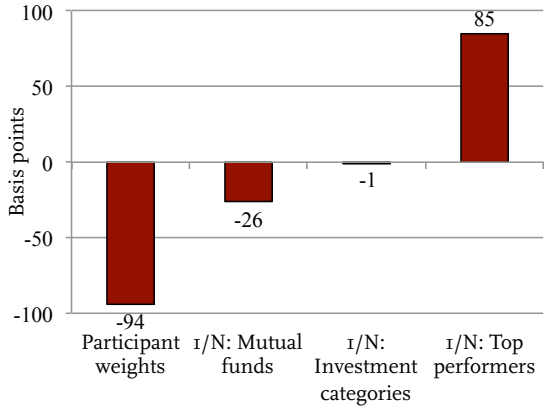
Do Participants Outperform Naive Investment Strategies?

The final analysis examines whether participants' decisions, in aggregate, improve or worsen their 401(k) investment performance. Participants' impact on performance is gauged through a comparison with what their returns would have been if they had instead adopted the simple 1/N Rule, in which investors spread their assets evenly across all of the funds.

The alpha measure is calculated for participants' returns based on their actual investment choices. This measure is then compared to three versions of the 1/N rule: 1) the simple 1/N Rule in which equal allocations are made to each fund; 2) a 1/N Rule in which equal allocations are made to each *investment category*; and 3) a 1/N Rule using only mutual funds with investment performance that fell in the top half of all the funds available.

The results in Figure 3 show that the participants' actual selections performed no better than any of the 1/N strategies. In fact, the participants' results were lower in all cases, though only the difference with the "top performers" strategy was statistically significant at the 5-percent level. These results suggest that participants in aggregate do not add value to the investment performance of their 401(k) through their own decisions, underscoring the importance of the choices made by plan administrators.

Figure 3. Performance Using Participants' Own Fund Weightings and Three 1/N Rules Based on Alpha, in Basis Points Per Year



Note: Estimates are for one-year performance.
Source: Elton, Gruber, and Blake (2007).

Conclusion

The mutual funds that 401(k) administrators select achieve investment returns that are worse than comparable indexes but superior to the returns of comparable, randomly selected funds. A significant part of this latter result is explained by choosing funds that charge lower fees. When making changes to a plan's funds, administrators chase returns and do not end up improving investment performance.

Like their employers, 401(k) plan participants also tend to chase returns, transferring assets into higher-performing funds, rather than rebalancing to restore their original asset allocations. And their investment performance is no better than they would have achieved using variations on the 1/N rule to allocate assets among funds.

Endnotes

1 According to data from the Federal Reserve's *Flow of Funds*, defined contribution plans held over $4 trillion in 2012, with an additional $5 trillion in individual retirement accounts (IRAs) that mostly represents rollovers from defined contribution plans.

2 Elton, Gruber, and Blake (2007).

3 Huberman and Jiang (2006).

4 Benartzi and Thaler (2001).

5 For frequency of allocation changes, see Mitchell et al. (2005) and Madrian and Shea (2001). For impact of employee ages on allocations, see Agnew and Balduzzi (2004). For investment in company stock, see Huberman and Jiang (2006).

6 Elton, Gruber, and Blake (2006).

7 A recently published study by Brown and Harlow (2012) also examined plan administrator choices. It reinforces two of the key findings in the study summarized in this *brief* (Elton, Gruber, and Blake 2007), specifically that the options employers offer to their plan participants do not outperform index funds and do outperform actively-managed mutual funds.

8 One advantage of 11-K filings is that a number of years of data are available to show participant behavior and plans offered by fund families. The disadvantage is that only aggregate – rather than individual – 401(k) participant impacts can be examined.

9 This amount compares with the average $411 million asset size for data used by Liang and Weisbenner (2002).

10 The three-year alpha calculations begin with the date on each employer's 11-K report. For the index benchmarks, alphas are calculated over the three years following the end of each fund's fiscal year.

11 See, for example, Blake, Elton, and Gruber (1993), Elton, Gruber, and Blake (1996), and Grinblatt and Titman (1989).

12 For the purposes of this analysis, a "similar" fund is one in the same Investment Company Data, Inc. (ICDI) investment-objective category and of similar size.

13 This *brief* covers only selected portions of the full analysis presented in Elton, Gruber, and Blake (2007).

14 This *brief* presents results on the alpha and differential alpha for three years of investment returns and assumes that each mutual fund in the 401(k) plan has an equal weight. Elton, Gruber, and Blake (2007) also estimate the differential alpha for a one-year period and for an alternative weighting assumption that weights each fund in a plan according to participants' actual allocations to each fund. The results for these alternative assumptions are broadly similar to those presented here.

15 Employers also make contributions to participants' 401(k) plans. The results for participant contributions are reported separately here as the focus is on participant decisions, and the allocation of employer contributions is sometimes determined by the plan itself rather than by participants. For results that include employer contributions, see Elton, Gruber, and Blake (2007).

References

Agnew, Julie and Pierluigi Balduzzi. 2004. "Large, Small, International: Equity Portfolio Choices in a Large 401(k) Plan." Chestnut Hill, MA: Center for Retirement Research at Boston College.

Bernatzi, Shlomo and Richard Thaler. 2001. "Naïve Diversification Strategies in Retirement Savings Plans." *American Economic Review* 91(1): 78-98.

Brown, Keith C. and W. Van Harlow. 2012. "How Good Are the Investment Options Provided by Defined Contribution Plan Sponsors?" *International Journal of Portfolio Analysis and Management* (1): No. 1.

Blake, Christopher R., Edwin J. Elton, and Martin J. Gruber. 1993. "The Performance of Bond Mutual Funds?" *Journal of Business* 66(3): 371-403.

Elton, Edwin J., Martin J. Gruber, and Christopher R. Blake. 2007. "Participant Reaction and the Performance of Funds offered by 401(k) Plans." *Journal of Financial Intermediation* (16): 249-271.

Elton, Edwin J., Martin J. Gruber, and Christopher R. Blake. 2006. "The Adequacy of Investment Choices Offered by 401(k) Plans." *Journal of Public Economics* (90): 1299–1314.

Elton, Edwin J., Martin J. Gruber, and Christopher R. Blake. 1996. "The Persistence of Risk-Adjusted Mutual Fund Performance." *Journal of Business* 69(2): 133-157.

Grinblatt, Mark and Sheridan Titman. 1989. "Mutual Fund Performance: An Analysis of Quarterly Portfolio Holdings." *Journal of Business* 62(3): 393-416.

Huberman, Gur and Wei Jiang. 2006. "Offering Versus Choice in 401(k) Plans: Equity Exposure and Number of Funds." *Journal of Finance* (61): 763-801.

Liang, J. Nellie and Scott Weisbenner. 2002. "Investor Behavior and the Purchase of Company Stock in 401(k) Plans: The Importance of Plan Design." Unpublished manuscript. University of Illinois.

Madrian, Brigitte and Dennis F. Shea. 2001. "The Power of Suggestion: Inertia in 401(k) Participants' Savings." *Quarterly Journal of Economics* 116 (4): 1149-1187.

Mitchell, Olivia, Gary Mottola, Stephen Utkus, and Takeshi Yamaguchi. 2005. "The Inattentive Participant: Portfolio Trading Behavior in 401(k) Plans." Working Paper 2006-2. Philadelphia, PA: Pension Research Council.

U.S. Board of Governors of the Federal Reserve System. 2012. *Flow of Funds Accounts of the United States*. Washington DC.

CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

About the Center

The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and educational tools and forge a strong link between the academic community and decision-makers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

Affiliated Institutions

The Brookings Institution
Massachusetts Institute of Technology
Syracuse University
Urban Institute

Contact Information

Center for Retirement Research
Boston College
Hovey House
140 Commonwealth Avenue
Chestnut Hill, MA 02467-3808
Phone: (617) 552-1762
Fax: (617) 552-0191
E-mail: crr@bc.edu
Website: http://crr.bc.edu

The Center for Retirement Research thanks AARP, Advisory Research, Inc. (an affiliate of Piper Jaffray & Co.), Citigroup, Invesco℠, Mercer, National Reverse Mortgage Lenders Association, Prudential Financial, State Street, TIAA-CREF Institute, T. Rowe Price, and USAA for support of this project.

© 2013, by Trustees of Boston College, Center for Retirement Research. All rights reserved. Short sections of text, not to exceed two paragraphs, may be quoted without explicit permission provided that the authors are identified and full credit, including copyright notice, is given to Trustees of Boston College, Center for Retirement Research.

The research reported herein was supported by the Center's Partnership Program. The findings and conclusions expressed are solely those of the authors and do not represent the views or policy of the partners or the Center for Retirement Research at Boston College.

The fi360 Fiduciary Score® methodology

Updated March 1, 2012

What is the fi360 Fiduciary Score?	**2**
Calculating the fi360 Fiduciary Score	**2**
Calculating the fi360 Fiduciary Score Average	**2**
Calculation timeline	**4**
The fi360 Fiduciary Score criteria	**5**
Interpreting the Score	**7**
Appendix	**8**

What is the fi360 Fiduciary Score?

The fi360 Fiduciary Score ("Score") is an investment rating system born out of Practice 3.1 in the *Prudent Practices for Investment Fiduciaries* handbook series. It helps quickly identify a short list of investments that merit continued research in the selection process. It also facilitates the ongoing monitoring process by highlighting investments that contain potential deficiencies.

The Score evaluates investments on nine different criterion across a spectrum of quantitative data points to determine if the investment meets a minimum fiduciary standard of care. The nine criteria include: regulatory oversight, track record, assets in the investment, stability of the organization, composition consistent with asset class, style consistency, expense ratio/ fees relative to peers, risk-adjusted performance relative to peers, and performance relative to peers.

The Score is a flash-report on a selected investment. It is a useful tool for investment decision-makers to identify and monitor investments in the course of their due diligence process. **The fi360 Fiduciary Score represents a suggested course of action and is not intended, nor should it be used as the sole source of information for reaching an investment decision.**

Calculating the fi360 Fiduciary Score

The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The fi360 Fiduciary Score is calculated on a monthly basis for investments with at least a three year history. The Score is calculated for open end mutual funds, exchange-traded funds ("ETFs"), and Group Retirement Plan Annuities ("GRPAs").

The fi360 Fiduciary Score is calculated by first combining open end mutual fund and ETF databases (data source: Morningstar). Each investment is then evaluated against the individual criterion (factors and thresholds) and point system identified in the Criteria section of this document. If an investment fails a criterion, points are allotted. Next, the points are totaled and the total for each investment is ordered from lowest to highest within each peer group. Each investment is then given a percentile ranking based on its placement in the distribution of their peer group. GRPAs are ranked relative to their corresponding mutual fund/ETF peer group. Investments with 0 points are automatically given an fi360 Fiduciary Score of 0. Every other investment is given a Score of 1-100 representing their percentile ranking.

For example, an investment with an fi360 Fiduciary Score of 37 would place it in the 37th percentile of its peers. An fi360 Fiduciary Score of 0 is most favorable. It represents that an investment meets or exceeds all of fi360's recommended due diligence thresholds. A Score of 100 is least favorable.

Calculating the fi360 Fiduciary Score Average

The fi360 Fiduciary Score Average is a one-, three-, five- or ten-year rolling average of an investment's fi360 Fiduciary Score. The Average Score is also calculated on a monthly basis.

Since the Average Score is a rolling average of the historical fi360 Fiduciary Score, an investment needs to have the requisite amount of history for each Average Score. If an investment doesn't have the required history, then the investment will not receive an Average Score. This is first determined by examining the inception date of the investment's parent share class. If the investment has been in existence for 3 years PLUS the number of historical years used for the average, then the investment will also have an Average Score. For example if an investment has been in existence for 4 years, then the investment will have a fi360 Fiduciary Score Average (1 year).

Copyright © 2003-2012 fi360 Inc.

Missing historical fi360 Fiduciary Score data

Since the averaging process requires an investment to have 12(one year) to 120(ten year) consecutive data points, a missing period policy has been instituted to ensure that a missed data period will not eliminate the calculation of an individual Average Score for an extended length of time.

fi360 Fiduciary Score Average	Missing periods allowed
1 year	1
3 year	2
5 year	3
10 year	4

Calculation Transition

On March 1, 2012, fi360 switched the calculation frequency of the fi360 Fiduciary Score and fi360 Fiduciary Score Average from quarterly to monthly. With this transition, the calculation methodology of the Average Score will accommodate both historical quarterly and monthly Score calculations for a period of time. This transition is required so that the Average Score calculation can be continued without interruption.

- To manage this transition, a Factor will be introduced to correctly weight all historical quarterly calculations as monthly calculations. This will ensure that the averaging process always includes the same amount of weighted score data points.
    - 1 year – 12 weighted score data points required
    - 3 year – 36 weighted score data points required
    - 5 year – 60 weighted score data points required
    - 10 year – 120 weighted score data points required
- For monthly periods after the January 2011 data period, the Factor will always be 1.
- Prior to the January 2011 data period, each Score will have a Factor of 3, except for the following condition.
    - If the current month end is the first month in a quarter (ex. Jan 31, 2012)
        - Factor for the oldest score included will be a 2
    - If the current month end is the second month in a quarter (ex. Feb 29, 2012)
        - Factor for the oldest score included will be a 1

Period contribution = (Factor * fi360 Fiduciary Score)/ Sum of Factors

Summing all the individual period contributions will calculate the average as of the most recent month end. A calculation of the fi360 Fiduciary Score Average (1 year) for a fictitious investment will help to illustrate the process.

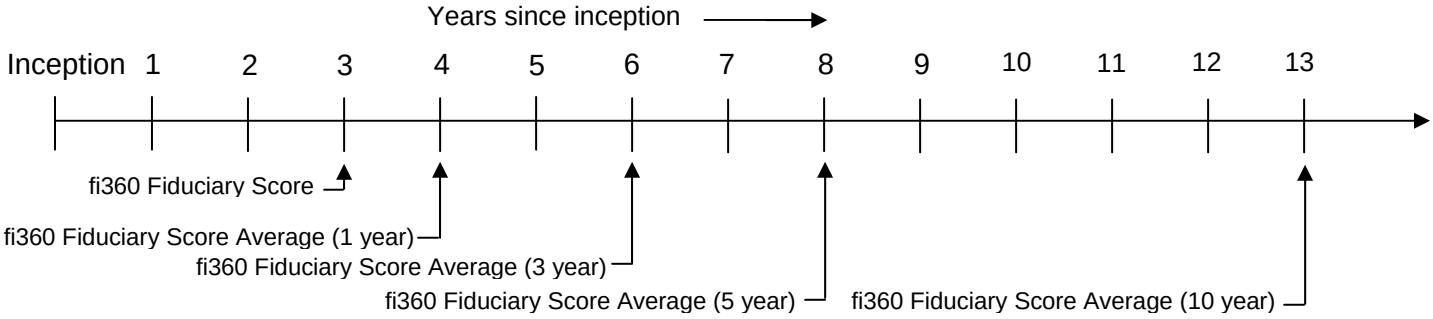
Period	March, 2011	June, 2011	September, 2011	December, 2011	January, 2012
fi360 Fiduciary Score	15	10	10	20	0
Factor	2	3	3	3	1
Period contribution	1.66	5	2.5	2.5	0

Summing all periods and rounding to the next highest value results in a fi360 Fiduciary Score Average (1 year) of 12. (1.66 + 5 + 2.5 + 2.5 + 0)

Copyright © 2003-2012 fi360 Inc.

Calculation timeline

The minimum track record criterion states that an investment must have three years of history before the fi360 Fiduciary Score can be calculated. Once that threshold has been passed, the fi360 Fiduciary Score will be available, and the history required for the Average will also begin to accrue. After an investment accrues one year of Fiduciary Score history, the fi360 Fiduciary Score Average (1 year) will be available. This pattern extends to the other Average calculations, as shown below.



Calculation notes

- The fi360 Fiduciary Score process relies upon peer group comparison. Determining an investment's appropriate peer group or asset class is subjective. There are no industry standards for determining a money manager's investment style or peer group, which makes it difficult to track some investments across different databases. Fi360 utilizes Morningstar data in the calculation of the fi360 Fiduciary Score and therefore uses the Morningstar Category™ as the investment's peer group.

- To make the peer group analysis meaningful, the data set should be substantial enough to draw comparisons. With that in mind, fi360 requires at least five distinct investments with a three year history in order to calculate a Score for the investments in a peer group. Investments within peer groups that do not meet the requirement will not receive a Score.

- Fi360 also utilizes Morningstar Extended Performance data in its calculations. Mutual fund share classes that don't have the history to receive a fi360 Fiduciary Score will receive a Quarter Score using their parent share class data adjusted for expenses. Regardless of the length of existence, an investment will only receive an Average Score after the appropriate amount of Score calculations have been tracked. Extended performance data will not "back-date" an Average Score for a brand new fund share class. *Note: Extended Performance data was introduced with the 12.31.2010 calculations.*

- When evaluating Group Retirement Plan Annuities (GRPAs), the combined mutual fund/ETF peer group data is used as the backdrop to rank the GRPAs. The GRPA database is limited in size and since these investments are used interchangeably in the marketplace with mutual funds, the combined mutual fund/ETF peer groups provide a better analysis of the GRPAs data.

Copyright © 2003-2012 fi360 Inc.

The fi360 Fiduciary Score Criteria

- ***Regulatory oversight**:* The investment should be managed by: (a) a bank, (b) an insurance company, (c) a registered investment company (mutual fund), or (d) a registered investment adviser.
    - Unregistered investments are excluded from fi360's calculations.

- ***Minimum track record*:** The investment should have at least three years of history so that performance statistics can be properly calculated.

- ***Stability of the organization:*** The same portfolio management team should be in place for at least two years. In a management team setting, the most senior manager's tenure should be at least two years.
    - 5 points if there has been manager turnover in the past two years
    - 10 points if there has been manager turnover in the past year

- ***Assets in the investment*:** The investment should have at least $75 million under management (across all share classes.)
    - 5 points if the investment has less than $75 million in assets
    - 10 points if the investment has less than $50 million in assets

- ***Composition consistent with asset class:*** At least 80% of the investment's underlying securities should be consistent with the broad asset class. For example, a Large-Cap Growth investments should not hold more than 20% in cash, fixed income and/or international securities (Only applicable to certain peer groups – see the Appendix for more information.)
    - 10 points if more than 20% of the portfolio is inconsistent with the broad asset class

  Note: The broad asset classes used in the composition criterion include: U.S. Stocks, U.S. Bonds and Non-U.S. Stocks. The Long-Short peer group is evaluated on the U.S. Stock and Cash composition.

- ***Style consistency:*** The investment must be highly correlated to the asset class of the investment option. This means the Morningstar Style Box™ for the current period must match the peer group of the investment. (Only applicable to certain peer groups – see the Appendix for more information.)
    - 10 points if the investment is not correlated to its peer group

- ***Expense ratios/fees relative to peers:*** The investments fees should not be in the bottom quartile (most expensive) of their peer group. The Prospectus Net Expense Ratio is used for the evaluation of mutual funds and ETFs. It includes all fund management costs, 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. If the investment is purchased within a group annuity product, any recordkeeping fees added to the underlying fund expense ratios by the group annuity provider are not included in this ratio. The management fee is used in the evaluation of GRPAs. It is the maximum percentage deducted from an investment's average net assets to pay an advisor or sub-advisor.
    - 10 points if the investment's expense ratio is in the bottom quartile

Copyright © 2003-2012 fi360 Inc.

- ***Risk-adjusted performance relative to peers:*** The investments risk-adjusted performance (Alpha and Sharpe Ratio – see Appendix for more information) should be above the peer group median manager's risk-adjusted performance. (Alpha is not evaluated for Money Market and Money Market Taxable peer groups.)
    - 2.5 points if the risk-adjusted performance is in the third quartile
    - 5.0 points if the risk-adjusted performance is in the fourth quartile
    - 7.5 points if the risk-adjusted performance is in the bottom decile
    - 7.5 points if not calculated

- ***Performance relative to peers:*** The investments performance should be above the peer group's median manager return for 1-, 3- and 5-year cumulative periods.
    - One-year performance relative to the median value for the peer group:
        - 2.5 points if in the third quartile
        - 5.0 points if in the fourth quartile
        - 7.5 points if in the bottom decile
        - 7.5 points if not calculated
    - Three-year performance relative to the median value for the peer group:
        - 5.0 points if in the third quartile
        - 7.5 points if in the fourth quartile
        - 10.0 points if in the bottom decile
        - 10.0 points if not calculated
    - Five-year performance relative to the median value for the peer group:
        - 7.5 points if in the third quartile
        - 10.0 points if in the fourth quartile
        - 12.5 points if in the bottom decile
        - If the investment does not have a five-year performance history:
            - 7.5 points if the three-year performance is in the third quartile
            - 10.0 points if the three-year performance is in the fourth quartile
            - 12.5 points if the three-year performance is in the bottom decile
            - 12.5 points if the three-year performance not calculated

Copyright © 2003-2012 fi360 Inc.

Interpreting the fi360 Fiduciary Score

The fi360 Fiduciary Score bar charts provide a visual representation of the investment's Score. The following thresholds provide the user with an easy to view assessment of the investment and a suggested course of action.

fi360 Fiduciary Score: 0
No fiduciary due diligence shortfalls.

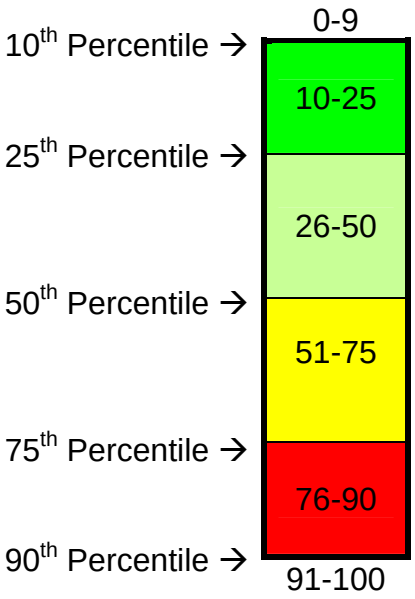
fi360 Fiduciary Score: 1–25
The investment may be an appropriate choice for use in a fiduciary account.

fi360 Fiduciary Score: 26–50
The investment has noteworthy shortfalls. It may not be an appropriate choice if being considered in a search. However, if already in use, the investment may not need to be replaced.

fi360 Fiduciary Score: 51–75
The investment has considerable shortfalls. It may not be an appropriate choice if being considered in a search. However, if already in use, the investment may not need to be replaced.

fi360 Fiduciary Score: 76–100
The investment has significant shortfalls and may not be appropriate for use in a fiduciary account. Strongly consider replacing the investment if already in use.

Bar Chart Example:



Appendix

Composition consistent with asset class

This criterion is only applied to investments in the following peer groups: Large Value, Large Blend, Large Growth, Mid-Cap Value, Mid-Cap Blend, Mid-Cap Growth, Small Value, Small Blend, Small Growth, Long Government, Long-term Bond, Intermediate Government, Intermediate-term Bond, Muni National Long, Muni Single State Long, Muni National Interm, Diversified Emerging Mkts, Europe Stock, Diversified Pacific/Asia, Pacific/Asia ex-Japan Stk, Japan Stock, Latin America Stock, Foreign Large Value, Foreign Large Blend, Foreign Large Growth, Foreign Small/Mid Value, Foreign Small/Mid Growth, China Region, Muni California Long, Muni California Intermediate, Muni New York Intermediate, Muni New York Long, Muni New York Intermediate, Muni Single State Interm, Inflation-Protected Bond and Long-Short.

Style consistency

This criterion is only applied to investments in the following peer groups: Large Value, Large Blend, Large Growth, Foreign Large Value, Foreign Large Blend, Foreign Large Growth, Foreign Small/Mid Value, Foreign Small/Mid Growth, Mid-Cap Value, Mid-Cap Blend, Mid-Cap Growth, Small Value, Small Blend, Small Growth, Long Government, Intermediate Government, Short Government, Long-term Bond, Intermediate-term Bond, Short-term Bond, High Yield Bond, Muni California Long, Muni California Intermediate, Muni National Long, Muni National Interm, Muni Short, Muni New York Long, Muni New York Intermediate, Muni Single State Long, Muni Single State Interm, and Inflation-Protected Bond.

Risk-adjusted performance relative to peers

Morningstar calculates the Alpha and Sharpe Ratios used in the evaluation. Alpha is calculated using one of the six broad asset class indexes shown below.

Broad Asset Class	Broad Asset Class Index
U.S. Stock	S&P 500 TR
International Stock	MSCI EAFE NR USD
Municipal Bond	BarCap Municipal TR USD
Balanced	Morningstar Moderate Target Risk
Taxable Bond	BarCap US Agg Bond TR USD
Commodities	Morningstar Long-Only Commodity TR
Alternative	ML USD LIBOR 3 Mon CM

The broad asset classes shown above correspond to the peer groups in the following manner:

U.S. Stock
Communications
Consumer Discretionary
Consumer Staples
Equity Energy
Financial
Health
Industrials
Large Blend
Large Growth
Large Value
Leveraged Net Long
Mid-Cap Blend
Mid-Cap Growth
Mid-Cap Value
Miscellaneous Sector
Natural Resources
Real Estate
Small Blend
Small Growth
Small Value
Technology
Utilities

International Stock
China Region
Diversified Emerging Mkts
Diversified Pacific/Asia
Europe Stock
Foreign Large Blend
Foreign Large Growth
Foreign Large Value
Foreign Small/Mid Growth
Foreign Small/Mid Value
Global Real Estate
Japan Stock
Latin America Stock
Pacific/Asia ex-Japan Stk
World Stock

Taxable Bond
Inflation-Protected Bond
Intermediate Government
Intermediate-Term Bond
Long Government
Long-Term Bond
Short Government
Short-Term Bond
Bank Loan
Emerging Markets Bond
High Yield Bond
Multisector Bond
Stable Value
Ultrashort Bond
World Bond

Municipal Bond
High Yield Muni
Muni California Intermediate
Muni California Long
Muni Massachusetts
Muni Minnesota
Muni National Interm
Muni National Long
Muni New Jersey
Muni New York Intermediate
Muni New York Long
Muni Ohio
Muni Pennsylvania
Muni Short
Muni Single State Interm
Muni Single State Long

Alternative
Bear Market
Currency
Equity Precious Metals
Long-Short
Market Neutral

Balanced
Aggressive Allocation
Conservative Allocation
Convertibles
Moderate Allocation
Retirement Income
Target-Date 2000-2010
Target-Date 2011-2015
Target-Date 2016-2020
Target-Date 2021-2025
Target-Date 2026-2030
Target-Date 2031-2035
Target-Date 2036-2040
Target-Date 2041-2045
Target-Date 2050+
World Allocation

Commodities
Commodities Agriculture
Commodities Broad Basket
Commodities Energy
Commodities Industrial Metals
Commodities Miscellaneous
Commodities Precious Metals

Copyright © 2003-2012 fi360 Inc.

MORNINGSTAR®

FundInvestor℠

Research and recommendations for the serious fund investor

January 2013

Volume 21
Number 5

Where to Invest in 2013 and Beyond

Another good investing year is behind us. For all the angst, the typical U.S.-stock fund gained about 15% and the typical bond fund gained about 8%. Foreign-stock funds gained about 18%. The U.S. economy has shown signs of further growth as employment has gained steam, but Europe remains shaky.

So, where does that leave us? At the risk of being boring, my ideas for 2013 are a lot like my thoughts for 2012 because stocks are not cheaper and bonds have gotten even less attractive. So, I like stock funds, relatively conservative funds, inflation hedges, and short-term bond funds simply to keep some powder dry. I like some Asia and Europe funds for their yield and diversification value, and I also like some hidden gems.

Today just about every type of bond has been milked dry. Whether high-yield or Treasury, there's very little value out there. Treasuries are among the least attractive given their meager yields.

These are ideas designed for the long haul that happen to be attractive now. Let's start with some conservative funds of various stripes that won't get clobbered in a correction. (You can see more ideas with our Buy the Unloved strategy in the Contrarian.)

FPA Crescent FPACX remains a great way to get most of the market's upside with less of the downside. True, the fund underperformed in 2012, but that follows 11 straight years of outperformance. So, that makes me feel even better about this fund's prospects. Steve Romick's fondness for energy has held the fund back, but there's little reason to think energy will continue to lag the broader market. I appreciate Romick's willingness to hold cash, short a few stocks, and buy healthy low-debt companies.

PIMCO All Asset All Authority PAUDX is a wider-ranging fund but one that shares Crescent's cautious streak. Manager Rob Arnott allocates among a variety of asset classes, and he does so in a pretty conservative fashion. Wary of U.S. equities and bonds, Arnott has favored emerging-markets stocks and bonds, but he also will go into short positions or long funds that have some of PIMCO's tail-risk hedging strategies. His goal is to beat inflation by 6.5% annualized over a full market cycle. The fund holds more than 40 PIMCO funds, and so far Arnott has guided it to outstanding results.

Fidelity Small Cap Value FCPVX is fully invested, so it's not as defensive as the two names above. However, Chuck Myers is a strong investor who is much choosier than his Fidelity brethren. Myers is one part Joel Tillinghast and one part Warren Buffett, as he builds a portfolio of quality small-value stocks with more concentration than you'd expect from a Fidelity manager. Myers has more than doubled his benchmark's return since taking the helm in 2008, and he's done so with wonderfully steady returns rather than by striking it big in one year.

Vanguard Dividend Growth VDIGX fishes in a high-quality pond. It has a decent yield, and it owns stocks with good balance sheets because that's required if you want rising dividends. Its superlow

Continued on Page 2

Russel Kinnel,
Director of Fund Research and Editor

Fund Reports 4
PIMCO Inflation Response
Sequoia
Fidelity Small Cap Value

Morningstar Research 7
Managers of the Year for 2012

The Contrarian 10
Buy the Unloved

Red Flags 11
These Funds Are Moatless

Market Overview 12

Leaders & Laggards 13

Manager Changes and News 14

FundInvestor Focused 10 16

Tracking Morningstar Analyst Ratings 18

Income Strategist 20

FundInvestor 500 22

FundInvestor 500 Spotlight 23

Follow Russ on Twitter
@RussKinnel

Be Our Guest

Morningstar invites you to attend the World MoneyShow Orlando on Jan. 30–Feb. 2.

To learn more about the event and receive your complimentary passes, please call **1-800-970-4355** and mention priority code **030168**.

expense ratio means you get to keep most of that yield. Wellington and Vanguard both are excellent stewards who should ensure that this fund is a keeper.

Sequoia SEQUX is open only to investors who buy directly, but it's worth the effort. The managers' long-term focus enables them to avoid bad risks in order to serve short-term goals. They invest in the Buffett style, looking for great companies with big moats and low multiples. This is a fund you can easily hold for the next 10 or 20 years. Bob Goldfarb and David Poppe have been with the firm for 40 and 13 years, respectively, so they are steeped in the fund's fine tradition.

Keep Your Powder Dry

The next bear market could happen at any time, so I wouldn't go entirely into equities even though they are more attractive than bonds. About the best you can hope for is to simply have some short-term bond funds or money market funds that won't get smacked even though yields are paltry.

I like **T. Rowe Price Tax-Free Short Intermediate** PRFSX, **Fidelity Municipal Income 2015** FMLCX, and **Vanguard Short-Term Tax-Exempt** VWSTX because they are well-run muni funds. Munis have generally higher yields than Treasuries, and at least you don't have to pay taxes on their meager yields.

Europe and Asia

Today Europe is a deep-value play and Asia is a growth play—each with the inherent risks and rewards of those styles. But both have some decent-yielding opportunities that can add to your income and provide some nice return potential, too.

Matthews Asia Dividend MAPIX and **Matthews Asian Growth & Income** MACSX have slightly different paths to income, but both represent relatively cautious ways to play Asia while collecting some yield. Both include Japan and Australia in their universe, so they are not pure emerging-markets plays. Asia Dividend invests exclusively in dividend-paying stocks, while Growth & Income puts about one fifth of its

Details on Our Choices for 2013

						Total Return									
Name	Ticker	Morningstar Analyst Rating	Morningstar Category	Manager Tenure (Longest)	Expense Ratio	1 Yr	% Rank Cat 1 Yr	Annlzd 3 Yr	% Rank Cat 3 Yr	Annlzd 5 Yr	% Rank Cat 5 Yr	Annlzd 10 Yr	% Rank Cat 10 Yr	Annlzd 15 Yr	% Rank Cat 15 Yr
Vanguard European Stock Index Adm	VEUSX	Gold	Europe Stock	4.42	0.14	20.99	60	3.99	55	-3.85	46	8.67	57		
Vanguard Short-Term Tx-Ex	VWSTX	Silver	Muni National Short	16.08	0.20	0.99	80	1.18	80	2.06	79	2.21	73	2.81	78
Vanguard Dividend Growth Inv	VDIGX	Gold	Large Blend	6.92	0.31	10.39	90	10.41	25	4.05	4	8.84		4.82	
Fidelity Municipal Income 2015	FMLCX		Muni National Short	1.67	0.40	2.08	37								
T. Rowe Price Tax-Free Shrt-Interm	PRFSX	Gold	Muni National Short	15.08	0.50	2.15	34	2.94	24	3.80	14	3.14	25	3.73	26
LKCM Equity Instl	LKEQX	Silver	Large Growth	17.08	0.81	15.69	43	12.07	10	4.04	9	7.83	29	5.86	22
Sequoia	SEQUX	Gold	Large Blend	14.58	1.03	15.68	42	16.09	2	5.67	2	7.41	22	7.55	5
Matthews Asia Dividend Investor	MAPIX	Gold	Diversified Pacific/Asia	6.25	1.10	21.63	56	10.37	1	7.99	1				
Matthews Asian Growth & Inc Investor	MACSX	Silver	Pacific/Asia ex-Japan Stk	3.75	1.12	26.90	24	10.57	20	5.37	1	14.27	52	14.27	5
Fidelity Small Cap Value	FCPVX	Silver	Small Value	4.67	1.13	20.13	19	13.13	17	6.63	8				
Harbor Commodity Real Return ST Adm	HCMRX	Gold	Commodities Broad Basket	4.33	1.19	4.96	5	6.02	9						
Berwyn	BERWX	Silver	Small Blend	28.67	1.22	18.67	18	15.29	6	7.37	4	11.73	8	7.30	41
PIMCO Inflation Response Multi-Asst D	PDRMX	Silver	Conservative Allocation	1.42	1.25	6.26	87								
FPA Crescent	FPACX	Gold	Moderate Allocation	19.58	1.25	10.33	79	8.39	30	5.37	2	9.17	2	8.47	3
Ariel Discovery Investor	ARDFX	Bronze	Small Value	2.00	1.50	15.65	53								
PIMCO All Asset All Authority D	PAUDX	Gold	World Allocation	9.25	1.58	17.32	6	9.85	8	7.83	1				

Data as of Dec. 31, 2012.

assets in convertible bonds, corporate bonds, government bonds, and preferreds.

Vanguard European Stock Index VEUSX is naturally the more contrarian play. Yet, with a decent yield and a beaten-down equity market, I like the diversification it brings to the table. Of course, that depends on how much European exposure you already have. If you have a number of foreign-stock funds, be sure to check how much you already have in Europe. Yes, Europe has some big issues to sort out, but remember this is a market-cap-weighted index fund with familiar brand names in the top holdings, such as **Nestle** NESN, **HSBC** HSBA, **Vodafone** VOD, and **Novartis** NOVN. Only two of the top 10 holdings are in the eurozone.

Inflation Hedges

While there's nearly universal agreement that Treasuries are unattractive, there's a pretty fierce debate about whether inflation is about to spike. To me, it makes sense to have some protections against a surge in inflation, particularly if you have a bond-heavy portfolio. Two of my favorite hedges are managed by PIMCO.

PIMCO Inflation Response MultiAsset PIRMX (Retail shares: PDRMX) is a great one-stop shop for inflation hedges. You get Treasury Inflation-Protected Securities, commodities, emerging-markets currencies, REITs, and gold all in one package. It even has a bit of tail-risk hedging. So, you can buy this and make it, say, a 5% position without cluttering your portfolio with a bunch of different inflation hedges. Mihir Worah, who heads PIMCO's real return group, has proved an adept manager in a variety of strategies.

Speaking of which, Worah also runs **Harbor Commodity Real Return Strategy** HACMX, which provides exposure to commodities and TIPS. It's been a great performer, but be prepared for lots of volatility.

Under the Radar

It's always a good time to seek out hidden gems that can make the most of the flexibility conferred by a small asset base. Some funds get so big that they can no longer do the things that produced their good performance in the first place. Not a problem for these funds.

Ariel Discovery ARDFX is an excellent value play run by David Maley and Ken Kuhrt. They run a focused small-value portfolio at this relatively new fund, and it's off to a promising start. They seek out companies with low debt but cheap valuations based on their price/book. The duo comes up with an estimate of what a private market buyer would pay for the business and, as a result, occasionally has a stock bought out. Although Maley has a strong 10-year record at a separate account, this mutual fund has a mere $10 million in assets.

Silver-rated **LKCM Equity** LKEQX is wonderfully old-fashioned. This $165 million fund has beaten the S&P and most of its peers since it was launched in 1995 thanks to patient stock-picking. Management looks for great companies that produce strong returns on equity. For some reason, investors have paid more attention to **LKCM Small Cap Equity** LKSCX, which has more than $800 million and has also produced strong returns. The fund is led by a stable four-person team of Luther King Jr., Scot Hollmann, Mason King, and Steven Purvis.

Berwyn Fund BERWX is a distinctive small-cap fund, but it has less than $350 million in assets. Robert Killen and Lee Grout buy little niche companies that tend to be in the tech and industrials sectors. Their tech stocks tend to be slower-growing and cheaper than the Apples of the world, and their industrials tend to be faster-growing and less vulnerable than you'd see in a deep-value portfolio. The fund lost much less than its peers in 2008 and even eked out a 2.1% gain in 2011. So, it won't make a killing in big rallies, but it's a nice steady play. FI

Data through December 31, 2012

PIMCO Inflation Response MultiAsst Instl

Ticker	Status	Yield	Total Assets	Mstar Category
PIRMX	Open	1.7%	$148 mil	Conservative Allocation

Morningstar Analyst Rating 10-12-12

Silver

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Neutral
Price	Neutral

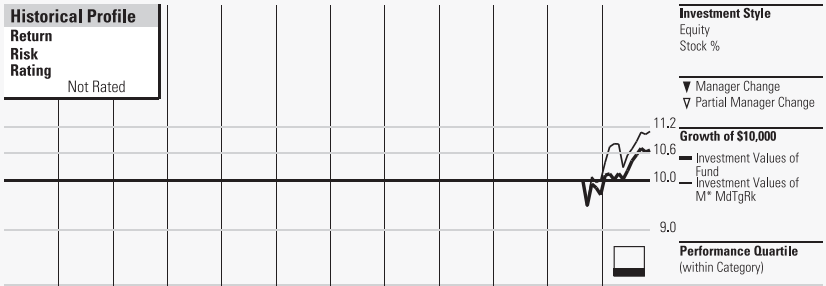
Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum
Positive | Negative | Neutral

Historical Profile

Return
Risk
Rating
Not Rated



Investment Style
Equity
Stock %

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of M* MdTgRk

Performance Quartile
(within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-12	History
—	—	—	—	—	—	—	—	—	—	—	10.03	NAV
—	—	—	—	—	—	—	—	—	—	—	7.42	Total Return %
—	—	—	—	—	—	—	—	—	—	—	-4.64	+/-M* MdTgRk
—	—	—	—	—	—	—	—	—	—	—	-2.27	+/-Mstr Md Cn Rk
—	—	—	—	—	—	—	—	—	—	—	1.81	Income Return %
—	—	—	—	—	—	—	—	—	—	—	5.61	Capital Return %
—	—	—	—	—	—	—	—	—	—	—	79	Total Rtn % Rank Cat
—	—	—	—	—	—	—	—	—	—	—	0.17	Income $
—	—	—	—	—	—	—	—	—	—	—	0.07	Capital Gains $
—	—	—	—	—	—	—	—	—	—	—	0.67	Expense Ratio %
—	—	—	—	—	—	—	—	—	—	—	0.00	Income Ratio %
—	—	—	—	—	—	—	—	—	—	—	235	Turnover Rate %
—	—	—	—	—	—	—	—	—	—	29	130	Net Assets $mil

Performance 12-31-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	—	—	—	—	—
2009	—	—	—	—	—
2010	—	—	—	—	—
2011	—	—	—	—	— *
2012	—	—	—	2.30	—

Trailing	Total Return%	+/- M* MdTgRk	+/- Mstr Md Cn Rk	%Rank Cat	Growth of $10,000
3 Mo	-2.55	-3.89	-3.41	99	9,745
6 Mo	2.13	-4.14	-2.62	92	10,213
1 Yr	7.42	-4.64	-2.27	79	10,742
3 Yr Avg	—	—	—	—	—
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

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

Potential Capital Gain Exposure: 2% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	7.42			
3 Yr	—	—	—	—
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	3.11			

Other Measures	Standard Index M* MdTgRk	Best Fit Index
Alpha	—	—
Beta	—	—
R-Squared	—	—

Standard Deviation	—
Mean	—
Sharpe Ratio	—

Portfolio Analysis 09-30-12

Total Stocks:2 Share change since 06-30-12	Sectors	P/E Ratio	YTD Return %	% Net Assets
Prologis Inc	Real Est	—	2.49	0.26
Entertainment Properties	Real Est	20.7	0.15	0.26

Total Fixed-Income:29	Date of Maturity	Amount $000	Value $000	% Net Assets
US Treasury Note	07-15-22	10,562	11,558	13.82
US Treasury Note	04-15-17	5,952	6,416	7.67
US Treasury Bond 2.375%	01-15-25	2,674	3,637	4.35
Trs 1ml+11/Dwrtft Index R	08-30-13	1	3,474	4.15
US Treasury Bond 3.625%	04-15-28	2,125	3,378	4.04
Trs 1ml+14/Dwrtft Index R	02-28-13		2,398	2.87
Irs Brl Zcs R 8.825/Cdi 0	01-02-15	5,000	2,062	2.47
FNMA 0.5%	05-27-15	2,000	2,008	2.40
Mexican Udibonos Bd	12-10-20	221	1,897	2.27

Equity Style
Style: Value
Size: Mid-Cap

Value Measures		Rel Category
Price/Earnings	30.96	2.19
Price/Book	1.34	0.73
Price/Sales	6.76	5.32
Price/Cash Flow	18.33	2.78
Dividend Yield %	4.66	1.65

Growth Measures	%	Rel Category
Long-Term Erngs	—	—
Book Value	-3.81	NMF
Sales	3.37	0.78
Cash Flow	-40.97	NMF
Historical Erngs	115.49	9.19

Market Cap %			
Giant	0.0	Small	49.3
Large	50.7	Micro	0.0
Mid	0.0	Avg $mil:	5,873

Composition - Net

Cash	-5.6
Stocks	0.5
Bonds	55.4
Other	49.7
Foreign (% of Stock)	-4.0

Fixed-Income Style
Duration: —
Quality: —

Avg Eff Duration ¹	3.0 Yrs
Avg Eff Maturity	4.5 Yrs
Avg Credit Quality	—
Avg Wtd Coupon	2.25%

¹figure provided by fund as of 09-30-12

Sector Weightings	% of Stocks	Rel M* MdTgRk	3 Year High	3 Year Low
Cyclical	100.00	2.70		
BasicMat	0.00	0.00	—	—
CnsmrCyc	0.00	0.00	—	—
FinanSvs	0.00	0.00	—	—
Real Est	100.00	27.25	—	—
Sensitive	0.00	0.00		
CommSrvs	0.00	0.00	—	—
Energy	0.00	0.00	—	—
Industrl	0.00	0.00	—	—
Technlgy	0.00	0.00	—	—
Defensive	0.00	0.00		
CnsmrDef	0.00	0.00	—	—
Hlthcare	0.00	0.00	—	—
Utilities	0.00	0.00	—	—

Morningstar's Take by Michelle Canavan 10-12-12

PIMCO Inflation Response Multi-Asset fund's short track record should not be confused with a lack of experience.

Despite being launched just over a year ago, this fund has a lot going for it. For one, it's led by proven manager Mihir Worah and housed within PIMCO's well-established Real Return team. The team has demonstrated strong execution and generated superior results with a number of strategies, including PIMCO Real Return PRRIX and PIMCO CommoditiesPlus PCLIX. Strategies managed similarly to those well-regarded funds are core components of the multiasset approach here.

Worah and his team seek to provide an all-in-one real return solution by tactically allocating among five inflation-related asset classes. U.S. Treasury Inflation-Protected Securities form the largest component, followed by commodities, emerging-markets currencies, REITs, and gold. Worah adjusts the fund's positioning based on PIMCO's macroeconomic outlook and real asset views and targets a tracking error of roughly 3% versus its custom benchmark. The team also expects to spend roughly 50 basis points each year to implement its tail-risk hedging strategy, using derivatives such as options, futures, and swaps, to try to limit losses to 15% in any calendar year.

Of late, PIMCO's bullish outlook on real assets has translated to a modest overweight to gold, REITs, and emerging-markets currencies. Moreover, the fund has been consistently overweighted in gold and other precious metals in anticipation of further quantitative easing. And in fact, those commodities rallied following the Fed's September announcement of a third round of quantitative easing, giving a boost to the fund's relative performance. Since its August 2011 inception, the fund has gained 6.4% versus 3.1% for its custom benchmark through Sept. 30.

Despite a solid start, this offering is still very young and has yet to face an inflationary environment. But the unique design, flexible approach, and proven skills backing it make this fund worth a look.

Address:	PIMCO Funds Stamford, CT 06902 888-877-4626	Minimum Purchase:	$1000000	Add: $0 IRA: $1000000
Web Address:	www.pimco-funds.com	Min Auto Inv Plan:	$0	Add: —
Inception:	08-31-11	Sales Fees:	No-load	
Advisor:	Pacific Investment Management Co LLC	Management Fee:	0.65%, 0.25%A	
Subadvisor:	None	Actual Fees:	Mgt:0.90%	Dist: —
NTF Plans:	N/A	Expense Projections:	3Yr:$277	5Yr:$489 10Yr:$1099
		Income Distribution:	Quarterly	

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Data through December 31, 2012

Sequoia

Ticker	Status	Yield	Total Assets	Mstar Category
SEQUX	Closed	0.0%	$5,744 mil	Large Blend

Morningstar Analyst Rating 11-15-12

Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral

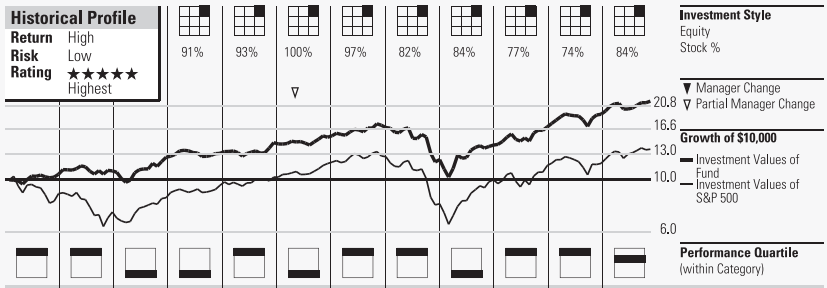
Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum
Gold Silver Bronze Neutral Negative

Pillar Spectrum
Positive Negative Neutral

Historical Profile

Return	High
Risk	Low
Rating	★★★★★ Highest



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-12	History
130.24	126.63	147.61	154.27	155.45	152.75	139.12	95.27	109.90	129.29	145.50	168.31	NAV
10.52	-2.64	17.12	4.66	7.78	8.34	8.40	-27.03	15.38	19.50	13.19	15.68	Total Return %
22.41	19.46	-11.56	-6.22	2.87	-7.45	2.91	9.97	-11.08	4.44	11.08	-0.32	+/-S&P 500
22.97	19.01	-12.77	-6.74	1.51	-7.12	2.63	10.57	-13.05	3.40	11.69	-0.74	+/-Russ 1000
0.81	0.01	0.00	0.00	0.00	0.00	0.31	0.31	0.02	0.29	0.00	0.00	Income Return %
9.71	-2.65	17.12	4.66	7.78	8.34	8.09	-27.34	15.36	19.21	13.19	15.68	Capital Return %
2	1	99	99	24	97	25	3	97	7	1	42	Total Rtn % Rank Cat
0.97	0.01	0.00	0.00	0.00	0.00	0.45	0.42	0.02	0.31	0.00	0.00	Income $
3.38	0.16	0.61	0.21	10.64	15.60	27.12	6.72	0.00	1.65	0.82	0.00	Capital Gains $
1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.01	1.00	1.00	—	Expense Ratio %
0.80	-0.30	-0.50	-0.40	-0.50	-0.50	0.30	0.30	0.01	0.00	-0.34	—	Income Ratio %
7	8	3	6	8	14	13	12	15	23	3	—	Turnover Rate %
4,230	3,905	—	—	3,761	3,600	3,513	2,486	2,868	3,511	4,895	5,744	Net Assets $mil

Performance 12-31-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	0.60	5.19	1.82	0.61	-27.03
2009	-4.91	-5.39	1.34	-19.96	15.38
2010	-8.37	11.50	12.23	0.63	19.50
2011	8.00	-3.69	8.22	6.16	13.19
2012	10.44	1.06	-9.92	12.58	15.68

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000	%Rank Cat	Growth of $10,000
3 Mo	3.20	3.58	3.08	7	10,320
6 Mo	9.88	3.93	3.44	7	10,988
1 Yr	15.68	-0.32	-0.74	42	11,568
3 Yr Avg	16.09	5.22	4.97	2	15,645
5 Yr Avg	5.67	4.01	3.75	2	13,175
10 Yr Avg	7.41	0.31	-0.11	22	20,438
15 Yr Avg	7.55	3.08	2.80	5	29,796

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	15.95	1	0.12	16
5 Yr (estimated)	5.37	1	0.28	26
10 Yr (estimated)	6.72	22	0.64	56

Potential Capital Gain Exposure: 44% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	15.68			
3 Yr	16.09	High	Low	★★★★★
5 Yr	5.67	High	Low	★★★★★
10 Yr	7.41	+Avg	Low	★★★★
Incept	14.26			

Other Measures	Standard Index S&P 500	Best Fit Index S&P 400 TR
Alpha	7.9	7.2
Beta	0.67	0.58
R-Squared	83	86

Standard Deviation	11.32
Mean	16.09
Sharpe Ratio	1.37

Portfolio Analysis 09-30-12

Share change since 06-12 Total Stocks:44

	Sector	PE	Tot Ret%	% Assets
Valeant Pharmaceuticals	Hlth care	—	28.01	11.00
TJX Companies	Cnsmr Cyc	18.0	32.89	8.09
Berkshire Hathaway Inc C	Finan Svs	16.6	16.82	7.56
Fastenal Company	Industrl	33.8	9.81	5.25
Mohawk Industries, Inc.	Cnsmr Cyc	27.6	51.16	3.74
Idexx Laboratories	Hlth care	30.3	20.58	3.53
Berkshire Hathaway Inc C	Finan Svs	15.9	17.56	3.47
Miscellaneous Securities	—	—	—	3.44
Advance Auto Parts Inc	Cnsmr Cyc	13.8	4.25	3.01
Rolls-Royce Holdings PLC	Industrl	—	—	2.96
Precision Castparts Corp	Industrl	20.9	15.02	2.72
O'Reilly Automotive Inc	Cnsmr Cyc	19.7	11.84	2.44
MasterCard Incorporated	Finan Svs	28.6	32.14	2.37
Google, Inc. Class A	Technology	22.0	9.52	2.15
⊕ World Fuel Services Corp	Energy	15.0	-1.57	1.93
International Business M	Technology	13.8	5.97	1.74
Target Corp	Cnsmr Def	13.1	18.10	1.64
Praxair, Inc.	Industrl	19.5	4.44	1.26
QinetiQ Group PLC	Industrl	—	—	1.25
Waters Corporation	Hlth care	18.5	17.65	1.23

Current Investment Style

Value	Blnd	Growth	
		■	Large
			Mid
			Small

Market Cap	%
Giant	20.1
Large	42.5
Mid	34.0
Small	3.4
Micro	0.0

Avg $mil: 22,655

Value Measures		Rel Category
Price/Earnings	19.27	1.41
Price/Book	2.75	1.40
Price/Sales	0.97	0.82
Price/Cash Flow	12.53	0.22
Dividend Yield %	0.91	0.42

Growth Measures	%	Rel Category
Long-Term Erngs	12.30	1.16
Book Value	8.07	2.25
Sales	16.69	5.90
Cash Flow	8.68	1.00
Historical Erngs	7.07	0.81

Profitability	%	Rel Category
Return on Equity	22.88	1.12
Return on Assets	9.89	1.20
Net Margin	9.90	0.76

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High	3 Year Low
Cyclical	44.35	1.54		
BasicMat	1.31	0.43	3	0
CnsmrCyc	23.63	2.75	26	21
FinanSvs	19.41	1.24	25	18
Real Est	0.00	0.00	—	—
Sensitive	29.59	0.68		
CommSrvs	0.00	0.00	—	—
Energy	2.52	0.24	3	0
Industrl	20.18	1.77	25	20
Technlgy	6.89	0.39	8	0
Defensive	26.06	0.94		
CnsmrDef	3.65	0.30	9	3
Hlthcare	22.41	1.90	27	11
Utilities	0.00	0.00	—	—

Composition - Net

Cash	16.0
Stocks	84.1
Bonds	0.0
Other	0.0
Foreign (% of Stock)	23.6

Morningstar's Take by Kevin McDevitt, CFA 11-15-12

Sequoia again acts in shareholders' best interests.

This excellent fund proactively addressed its growing asset base by initiating a soft close in January. This isn't the first time. Recall that the fund had been closed for 25 years before reopening in 2008. After collecting $930 million in 2011, the fund closed to new investors who purchase shares through intermediaries such as Schwab, which accounted for the bulk of inflows. New investors must now buy shares through the fund's transfer agent. However, existing shareholders may continue to buy shares through brokerage platforms. As a result of the close, it has experienced modest outflows since January.

While this soft close should preserve the fund's flexibility, capacity is not really an issue here anyway. Granted, the fund has long been one of the category's more concentrated offerings. A growing asset base is not always compatible with a concentrated portfolio, especially if a fund delves into small/mid-cap issues.

But the fund remains sufficiently small to delve into mid-cap stocks, which have often been a fourth of assets. That said, such stocks are not critical to the strategy. That's because the stocks with strong franchises and high returns on capital that the fund prefers tend to be large cap. Plus, management has improved capacity by diversifying the portfolio over the past 10 years. The top-10 holdings have dropped as a percentage of assets from more than 95% to just more than 50% today.

Management's decision to close the fund owed more to a dearth of opportunities. Comanagers Bob Goldfarb and David Poppe put cash to work in fall 2011 and again this past spring but not in sufficient volume to offset inflows. As a result, cash has hovered close to 20% over the past 12 months. The fund has added more than 10 new stocks since June 2011, but prices did not stay low long enough for the fund to build meaningful positions. This is a credit to the team's valuation discipline but can hamper returns during rallies. That has been the case so far in 2012.

But this isn't a concern. A talented team with dry powder leave this fund well positioned.

Address:	767 Fifth Ave Suite 4701 New York, NY 10153-4798 800-686-6884	Minimum Purchase:	Closed	Add: — IRA: —
Web Address:	www.sequoiafund.com	Min Auto Inv Plan:	Closed	Add: —
Inception:	07-15-70	Sales Fees:	No-load	
Advisor:	Ruane, Cunniff & Goldfarb Inc	Management Fee:	1.00%	
Subadvisor:	None	Actual Fees:	Mgt:1.00%	Dist: —
NTF Plans:	N/A	Expense Projections:	3Yr:$328	5Yr:$569 10Yr:$1259
		Income Distribution:	Annually	

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at mfb.morningstar.com. To order reprints, call 312-696-6100.

Data through December 31, 2012

Fidelity Small Cap Value

Ticker	Status	Yield	Total Assets	Mstar Category
FCPVX	Open	0.7%	$3,139 mil	Small Value

Morningstar Analyst Rating 11-21-12

Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum
Gold Silver Bronze Neutral Negative

Pillar Spectrum
Positive Negative Neutral

Performance 12-31-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	3.14	7.13	-5.42	-3.26	-30.27
2009	-11.84	-4.84	6.86	-22.23	36.57
2010	-12.23	25.31	20.37	3.17	25.08
2011	9.07	-8.39	10.79	12.98	-3.64
2012	5.96	-3.14	-20.18	17.63	20.13

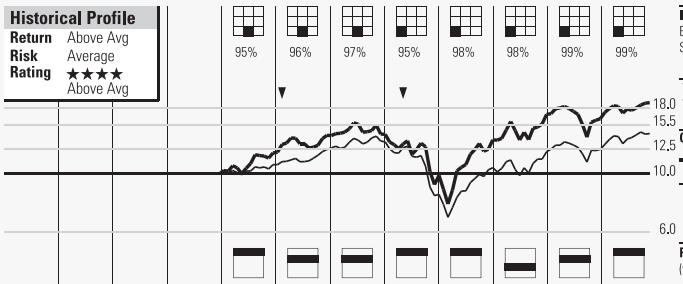
Trailing	Total Return%	+/- S&P 500	+/- Russ 2000 VI	%Rank Cat	Growth of $10,000
3 Mo	6.61	6.99	3.39	6	10,661
6 Mo	10.41	4.46	1.34	24	11,041
1 Yr	20.13	4.13	2.08	19	12,013
3 Yr Avg	13.13	2.26	1.56	17	14,479
5 Yr Avg	6.63	4.97	3.08	8	13,785
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	12.31	16	0.73	73
5 Yr (estimated)	6.05	9	0.55	73
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 21% of assets

Historical Profile

Return	Above Avg
Risk	Average
Rating	★★★★ Above Avg



▼ Manager Change
▽ Partial Manager Change

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

Performance Quartile (within Category)

History

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-12	History
—	—	—	11.16	12.75	14.00	13.60	9.32	12.68	15.61	13.98	16.18	NAV
—	—	—	—	17.61	15.65	1.10	-30.27	36.57	25.08	-3.64	20.13	Total Return %
—	—	—	—	12.70	-0.14	-4.39	6.73	10.11	10.02	-5.75	4.13	+/-S&P 500
—	—	—	—	12.90	-7.83	10.88	-1.35	15.99	0.58	1.86	2.08	+/-Russ 2000 VI
—	—	—	—	0.10	0.00	0.00	0.56	0.49	0.81	0.16	0.83	Income Return %
—	—	—	—	17.51	15.65	1.10	-30.83	36.08	24.27	-3.80	19.30	Capital Return %
—	—	—	—	2	43	30	11	22	60	42	19	Total Rtn % Rank Cat
—	—	—	0.01	0.01	0.00	0.00	0.08	0.05	0.10	0.02	0.11	Income $
—	—	—	0.00	0.36	0.68	0.56	0.11	0.00	0.13	0.93	0.47	Capital Gains $
—	—	—	—	0.99	1.06	1.11	1.13	1.20	1.17	1.13	1.13	Expense Ratio %
—	—	—	—	-0.08	0.06	-0.15	0.22	1.01	0.39	0.37	0.41	Income Ratio %
—	—	—	—	60	93	67	149	51	49	22	27	Turnover Rate %
—	—	—	161	688	1,106	1,210	1,017	1,588	2,017	1,628	1,980	Net Assets $mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	20.13			
3 Yr	13.13	+Avg	Avg	★★★★
5 Yr	6.63	+Avg	Avg	★★★★
10 Yr	—	—	—	—
Incept	9.63			

Other Measures	Standard Index S&P 500	Best Fit Index Mstar Small Value
Alpha	1.1	0.1
Beta	1.14	0.97
R-Squared	86	96
Standard Deviation	18.80	
Mean	13.13	
Sharpe Ratio	0.75	

Portfolio Analysis 10-31-12

Share change since 07-12 Total Stocks:64

	Sector	PE	Tot Ret%	% Assets
⊕ TCF Financial Corporatio	Finan Svs	—	19.67	2.84
⊕ Superior Energy Services	Energy	8.8	-27.14	2.70
DCT Industrial Trust, In	Real Est	—	32.23	2.67
Hanesbrands Inc	Cnsmr Cyc	28.6	63.86	2.66
Platinum Underwriters Ho	Finan Svs	7.5	35.80	2.60
Wesco International, Inc	Industrl	14.8	27.20	2.59
HNI Corporation	Industrl	27.8	18.81	2.57
⊕ Berry Petroleum Co	Energy	—	-19.40	2.56
⊕ GrafTech International L	Industrl	9.1	-31.21	2.47
⊕ CapitalSource Inc	Finan Svs	4.1	21.19	2.35
⊕ Aspen Insurance Holdings	Finan Svs	7.9	23.55	2.35
⊕ Washington Federal Inc.	Finan Svs	13.1	22.87	2.16
⊕ Alterra Capital Holdings	Finan Svs	12.7	21.84	2.15
United Stationers Inc.	Industrl	12.1	-3.19	1.99
Associated Banc-Corp	Finan Svs	13.5	19.52	1.97
⊕ Waddell & Reed Financial	Finan Svs	21.7	47.64	1.96
⊕ Regis Corporation	Cnsmr Cyc	—	3.69	1.96
⊖ Team Health Holdings Inc	Industrl	31.3	30.36	1.96
⊕ Tech Data Corporation	Technology	9.8	-7.85	1.95
Highwoods Properties Inc	Real Est	57.5	18.47	1.92

Morningstar's Take by Katie Rushkewicz Reichart, CFA 11-21-12

Fidelity Small Cap Value is getting a new comanager.

Manager Chuck Myers is one of Fidelity's rising stars. He's amassed a category-topping record during his nearly seven years at small-blend charge Fidelity Small Cap Discovery and has gotten off to a strong start here. Since taking over in mid-2008, the fund's 6.6% annualized gain (through Nov. 15) has surpassed the Russell 2000 Value Index by nearly 5 percentage points and topped more than 93% of its peers.

The result of Myers' success has been asset growth. When he took over this fund in 2008, he ran $1.3 billion in assets between the two funds. By October 2012, that number had climbed to $6 billion. The two funds use different benchmarks, which has resulted in some portfolio distinctions since Myers follows a sector-neutral approach. However, there was 70% overlap in holdings between the two funds as of the most recently disclosed portfolios, meaning Myers is running a considerable sum in the same style--a feat that can be particularly difficult in the small-cap space.

Instead of making plans to close either fund at a certain asset level, Fidelity has instead appointed Derek Janssen to assist Myers on this fund as of Jan. 1. (He'll continue running Small Cap Discovery solo.) Janssen has worked closely with Myers since joining Fidelity's dedicated small-cap team as an analyst in 2007, and Fidelity says they have similar value philosophies.

This change won't have a huge impact up front, as Myers will still be in charge. Over time, it's possible the portfolio holdings for the two funds will diverge more, especially as Janssen contributes more ideas here. The bigger question is whether the fund, which has been relatively compact at 60 to 70 holdings, will need to expand to accommodate its growth, and whether its size will limit the managers' flexibility. Myers prefers to run a low-turnover portfolio, but his opportunistic moves during the 2008-09 bear market (which coincided with higher turnover) paid off handsomely. Those concerns bear watching, but for now, the fund remains in capable hands.

Investment Style
Equity
Stock %

Current Investment Style

Value Blnd Growth	Market Cap	%
Large	Giant	0.0
Mid	Large	0.0
Small	Mid	19.7
	Small	71.6
	Micro	8.7

Avg $mil: 1,546

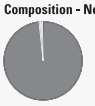
Value Measures		Rel Category
Price/Earnings	13.26	0.99
Price/Book	1.25	1.01
Price/Sales	0.56	0.85
Price/Cash Flow	6.69	1.17
Dividend Yield %	1.35	0.73

Growth Measures	%	Rel Category
Long-Term Erngs	10.75	0.96
Book Value	3.07	4.87
Sales	3.61	2.73
Cash Flow	-4.97	NMF
Historical Erngs	0.07	0.05

Profitability	%	Rel Category
Return on Equity	10.63	1.14
Return on Assets	3.07	0.82
Net Margin	8.00	0.99

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High	3 Year Low
Cyclical	51.02	1.77		
BasicMat	1.86	0.61	2	0
CnsmrCyc	13.55	1.58	17	13
FinanSvs	26.92	1.72	28	25
Real Est	8.69	5.95	11	7
Sensitive	38.00	0.87		
CommSrvs	0.00	0.00	1	0
Energy	5.36	0.50	7	3
Industrl	19.73	1.74	18	14
Technlgy	12.91	0.74	14	10
Defensive	10.96	0.40		
CnsmrDef	2.75	0.23	5	2
Hlthcare	4.00	0.34	6	4
Utilities	4.21	1.17	7	5

Composition - Net



Cash	0.5
Stocks	98.2
Bonds	0.0
Other	1.3
Foreign (% of Stock)	3.2

Address:	Fidelity Securities Fund Boston, MA 02109 800-544-8544	Minimum Purchase:	$2500	Add: $0 IRA: $2500
		Min Auto Inv Plan:	$2500	Add: —
		Sales Fees:	No-load, 1.50%R	
Web Address:	advisor.fidelity.com	Management Fee:	0.45%	
Inception:	11-03-04	Actual Fees:	Mgt:0.85%	Dist: —
Advisor:	Fidelity Management & Research Company	Expense Projections:	3Yr:$359	5Yr:$622 10Yr:$1375
Subadvisor:	FMR Co., Inc. (FMRC)	Income Distribution:	None	
NTF Plans:	Fidelity Retail-NTF, CommonWealth NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Morningstar's Fund Managers of the Year for 2012

Morningstar Research | Michael Herbst

Despite a steady stream of harrowing news—euro crisis, faltering economy, midyear market swoon, fiscal cliff—the markets had another strong year in 2012. Stocks continued to rally, as emerging-markets equities (as measured by the MSCI Emerging Markets Index) led the way with an 18% gain. International developed-markets and domestic stocks weren't far behind, with the MSCI Emerging Markets Index and S&P 500 up 17% and 16%, respectively. Investors' thirst for income and yield fueled strong returns for riskier debt, with emerging markets, high yield, and investment-grade corporate fare posting high-single-digit to nearly 20% gains and trumping government bonds.

No single bets propelled our Fund Managers of the Year to the top of their categories, but if there is a unifying trait, it's that they're generally more willing to protect investors on the downside than to try to wring out that last penny of gains amid rising risks. Historically we've offered FMOY awards for managers investing in domestic stocks, international stocks, and fixed income. This year we introduce awards in two new categories—alternatives and allocation (for managers investing across multiple asset classes)—recognizing investors' growing interest in those areas.

Beyond a great year, our winners must be Morningstar Medalists, have generated strong long-term risk-adjusted returns, and be strong stewards of investor capital. While our FMOY awards are recognition of past contributions rather than predictions of future results, we're confident in each one's long-term prospects, due in part to their deep research resources and willingness to stick with their discipline in good times and bad.

Domestic-Stock FMOY 2012

Bill Frels and Mark Henneman

Mairs & Power Growth MPGFX

Morningstar Category: Large Blend

2012 Return/Category Return Rank: 21.9%/3

Morningstar Analyst Rating: Silver

This $2.5 billion fund scored big wins in two of the tougher sectors in 2012—basic materials and industrials—with long-held positions such as **Valspar** VAL, **Toro** TTC, **Pentair** PNR, and **H.B. Fuller** FUL. Yet strong performance came across sectors, including wins with **Baxter** BAX and **MTS Systems** MTSC.

Skippers Bill Frels and Mark Henneman have a penchant for companies located within a stone's throw of their St. Paul, Minn., office, yet many of those have a national or global footprint. The duo values first-hand interaction with company management teams, but ultimately they seek profitable growers with sustainable competitive advantages and sell when valuations look rich. The fund is generally heavier on the basic materials, health-care, and industrials sectors versus its S&P 500 Index benchmark. It's also lighter in technology and consumer cyclical stocks and offers little or no exposure to energy, telecom, or real estate.

Those traits and management's ken for the slow and steady mean the fund might not keep up in sharp equity market rallies, but strong downside protection is one of its hallmarks. The fund held up better than most of its large-blend rivals in late 2012's swoon, and over the trailing decade it has captured only 85% of the S&P 500's losses. Because of that protection and management's strong stock selection, the fund has outpaced the S&P 500 in more than 90% of the rolling five-year periods over the trailing decade through December 2012. Its cumulative return since Jan. 1, 2000, is 198% compared with 31% for the S&P 500.

International-Stock FMOY 2012

Rajiv Jain

Virtus Emerging Markets Opportunities HEMZX

Morningstar Category: Diversified Emerging Markets

2012 Return/Category Return Rank: 19.6%/39

Morningstar Analyst Rating: Silver

Virtus Foreign Opportunities JVIAX

Morningstar Category: Foreign Large Growth

2012 Return/Category Return Rank: 19.8%/28
Morningstar Analyst Rating: Silver

Rajiv Jain plies a similar approach at his two charges: fairly concentrated, little overlap with his benchmarks (less than 15% as of late), and a relatively cautious growth style. In both the $6.7 billion Virtus Emerging Markets Opportunities and $1.3 billion Virtus Foreign Opportunities, he holds 50–60 positions, with roughly 40% of assets parked in his top 10. He favors a mix of consumer-leading Indian stocks and global firms with a big emerging-markets footprint. In Foreign Opportunities, he keeps one foot in emerging markets (nearly 20% of assets as of Sept. 30, 2012) but maintains a broader mix of consumer staples, financial services, and health-care stocks.

Jain's emphasis on India was a tailwind this year, as the average India-equity fund gained 27.5% in 2012. Yet a number of his largest Indian positions far surpassed that average, such as **ITC** ITC, **Housing Development Finance** HDFC, and **Hindustan Unilever** HINDUNILVR. In addition, both his funds did relatively well in 2011 when owning India was a huge headwind, which is a further testament to his picks. Lastly, wins from non-India stocks such as **SABMiller** SAB and **HSBC** HSBA rounded out Emerging Opportunities' gains, as did **UBS** UBS, **Novo Nordisk** NOVO B, and **Anheuser-Busch** ABI for Foreign Opportunities.

The funds' valuation metrics such as price/earnings tend to land above his benchmarks' and average category peers' (reflecting a dose of price risk), but Jain's preference for conservative accounting and his aversion to speculative growth stories have kept both funds in good stead over the long haul. On both an absolute and Morningstar Risk-Adjusted basis, his two funds beat 90% of their peers over the trailing three-year period, two thirds of the competition over the trailing five-year period, and four fifths of their rivals over the trailing 10-year period.

Fixed-Income FMOY 2012

Mark Kiesel
PIMCO Investment Grade Corporate Bond PBDAX
Morningstar Category: Intermediate-Term Bond
2012 Return/Category Return Rank: 15.0%/2
Morningstar Analyst Rating: Silver

This fund focuses on investment-grade corporate bonds more than many of its intermediate-term bond peers do, and the credit selection of skipper Mark Kiesel and his analyst team was a driving force behind the fund's stellar 2012. Kiesel's long-standing positions in banks and overweighting to the energy sector relative to his Barclays U.S. Credit Index benchmark both paid off. Yet the fund's top performers crossed sectors and security types, including contingent capital securities issued by **Lloyds** LLOY, bonds from **Weyerhaeuser** WY, **Gazprom** GAZP, and **TNK-BP** TNBP, and enhanced equipment trust certificates issued by **AMR** AAMRQ.

Despite the fund's emphasis on corporate credit, Kiesel can lean on other sectors—including mortgage, developed sovereign, and emerging-markets sovereign debt—to mitigate risk or scoop up opportunities. For instance, he added exposure to short-maturity Italian and Spanish government bonds last summer, after the ECB announced its support for that part of the market, which he thought presented better value than corporate debt in those countries. Such moves in part reflect PIMCO's top-down firmwide views, but this past year and over the long term, Kiesel has managed that top-down/bottom-up balance extremely well.

There are a handful of intermediate-term bond funds that offer "purer" investment-grade corporate-bond exposure, yet Kiesel outpaced virtually all of them on an absolute basis—and beat all of them on a Morningstar Risk-Adjusted basis—over the trailing three-, five-, and 10-year periods through December 2012. If corporate-bond yields continue to shrink, this fund's deep research resources across sectors and extra dose of flexibility should be welcome.

Allocation FMOY 2012

David Giroux
T. Rowe Price Capital Appreciation PRWCX
Morningstar Category: Moderate Allocation
2012 Return/Category Return Rank: 14.7%/8
Morningstar Analyst Rating: Gold

This is the first year we've considered allocation funds for FMOY honors, and manager David Giroux has found success in adjusting this fund's overall allocation and tweaking its asset mix. He generally keeps 55%–65% of assets in stocks, with a single-digit stake in non-U.S. stocks. (As of Sept. 30, the fund's stock sleeve weighed in at 62% of its $13.7 billion assets.) On the fixed-income side, he's favored convertible bonds in the past, but more recently he's leaned on leveraged bank loans to the tune of roughly 10% of assets. Giroux tends to not hold a big cash stake, but he'll hold cash in lieu of more-attractive opportunities, as he's done lately (11.2% of assets). He also generates a dash of income by writing covered calls on a number of holdings.

Each of the fund's sleeves contributed to its performance in 2012. Bank loans had a strong showing, with the average bank-loan fund notching a 9.4% gain for the year, and this fund getting a big boost from its bank-loan position in **Dunkin Brands** DNKN in particular. Wins on the stock side came from multiple sectors, including top holdings **Thermo Fisher Scientific** TMO, **Apple** AAPL, **Walt Disney** DIS, and **Invesco** IVZ. The fund's cash stake buffered the portfolio during the fourth quarter's dip.

In spirit, the fund could be viewed as a largely domestic-stock fund with ample breathing room to dial up or dial down equity risk, so its S&P 500 benchmark is a decent but not perfect yardstick. The fund's fixed-income and cash exposure mean it's likely to lag that bogy in sharp equity market rallies, but Giroux has done an admirable job since taking the helm in June 2006. Over the trailing five-year period through December 2012, the fund's 5.5% annualized gain outpaced the S&P 500's 1.7%, with one-fifth less volatility. Over that stretch, it captured 69% of the S&P 500's downside—on par with its average moderate-allocation peers—but 84% of its upside, or 14 percentage points more than its typical rival.

Alternatives FMOY 2012

Eric Newman, Kevin Gates, Larry Eiben, Richard Gates, Chao Chen, and Yan Liu

TFS Market Neutral TFSMX

Morningstar Category: Market Neutral

2012 Return/Category Return Rank: 7.8%/1

Morningstar Analyst Rating: Gold

These managers are the recipients of our first Alternatives FMOY award, as the team far outpaced its market-neutral category rivals on both an absolute and risk-adjusted basis (as measured by its Sharpe ratio). The skippers ply a long/short strategy focusing on small-cap stocks and exchange-traded funds—and to a much lesser degree, long-only positions in closed-end funds. It maintains a $1 long/$0.66 short ratio and aims to keep the fund's beta at or under 0.3 relative to the S&P 500. Those traits set the fund's strategy apart from some of its market-neutral peers who target a 0.0 beta, but the fund's beta relative to the Russell 2000 (a more appropriate benchmark given the fund's small-cap focus) weighed in at 0.4 in 2012, meaning its net equity market exposure didn't give the fund a huge boost this past year.

That's not to say the fund's slightly different take on market neutrality is flawless. For instance, its bottom-decile loss in 2008 stemmed in part from its net market exposure and holdings that sold off en masse that year. Yet, thus far, the fund's 7.9% annualized gain since its September 2004 inception through December 2012 tops the category on a Morningstar Risk-Adjusted basis and bests both the Russell 2000 and S&P 500, with roughly half the volatility (as measured by standard deviation).

The fund stands apart from many of its alternatives rivals in other ways as well. The fund's advisor, TFS Capital, mandates that each portfolio manager invests at least 50% of his liquid net worth in TFS funds; that requirement means its skippers are paying the same high 2.5% expense ratio as fund shareholders. Management has also done right by current shareholders by closing the fund to new investors several times. (At $1.8 billion in assets, it is currently closed.) Investors seeking less-correlated long/short strategies should keep this one on their radar should it reopen in the future. MI

Contact Michael Herbst at michael.herbst@morningstar.com

Buy the Unloved 2013

The Contrarian | Katie Reichart

Our Contrarian Approach
I go against the grain to find overlooked funds that may be ready to rally.

Each year we look at the equity categories that have experienced the greatest outflows and inflows to gauge which areas of the market are unloved or overheated. The idea is to use fund flows as a contrarian indicator, buying into categories that have seen investors leaving in droves while trimming exposure to those that have experienced a lot of interest. We have tracked this strategy since the early 1990s, and this research indicates that holding funds in the unpopular categories for at least three to five years is an effective approach that yields strong results.

Using fund flows data for the year to date through November (the most recent available), the most popular equity categories in 2012 were diversified emerging markets (inflows of $20.6 billion), foreign large-value (inflows of $5.3 billion), and real estate (inflows of $3.8 billion). Those looking across asset classes might want to be cautious about sending new money to intermediate-term bond (inflows of $104.9 billion), short-term bond (inflows of $31.7 billion), and high-yield bond (inflows of $24.5 billion), particularly as interest rates have nowhere to go but up.

The most unloved equity categories are also the most unpopular overall: large-growth (outflows of $34 billion), large-value (outflows of $19.7 billion), and mid-growth (outflows of $9.1 billion). These categories have seen outflows despite posting double-digit gains for the year to date through mid-December. The money leaving these categories reflects a broader trend of investors fleeing equity funds while piling into fixed-income offerings and passive exchange-traded-funds. Some of these categories have endured outflows for a while: Large-growth has had annual net outflows since 2004, large-value since 2007, and mid-growth since 2008. Below, we'll look at some fund picks in these categories that could serve as good long-term holdings.

Harbor Capital Appreciation HACAX is a reliable large-growth option. Longtime manager Sig Segalas and team have produced strong long-term results by focusing on steady blue chips and more-aggressive names whose sales growth is growing faster than the S&P 500. Over time it has held up well in market downturns.

Investors looking for higher growth might instead opt for **Primecap Odyssey Growth** POGRX or **Primecap Odyssey Stock** POSKX. These Gold-rated funds often invest in small- and mid-cap stocks and make sector bets, so it can look out of sync from peers at times, but both have stellar long-term records.

Vanguard Growth Index VIGAX is a low-cost, passive way to gain access to large-growth stocks. A recent change in index (from the MSCI US Prime Market Growth Index to the CRSP US Large Cap Growth Index) means there could even be more cost savings for investors down the road.

On the large-value side, **Sound Shore** SSHFX is a good choice. Despite a middling three-year record, it has generated an enviable record under its management team, which has been in place for more than 25 years.

Dodge & Cox Stock DODGX is also proving it's worth sticking with; after its financial stake hurt results in 2011, it was back in top form in 2012.

Mid-growth investors might opt for Gold-rated **Westport** WPFRX, whose longtime manager has excelled with a low-turnover, high-quality approach that's made the fund less volatile than its peers.

Silver-rated **Champlain Mid Cap**'s CIPMX record dates back only to 2008, but Scott Brayman and team have used the same strategy that's worked well at **Champlain Small Company** CIPSX and previously at **Sentinel Small Company** SAGWX. Their cautious, valuation-driven approach won't do well in huge rallies, but the fund has held up better than peers in down markets. M

Contact Katie Reichart at katie.reichart@morningstar.com

Funds Missing Moats

Red Flags | Janet Yang

What is Red Flags?
Red Flags is designed to alert you to funds' hidden risks. Such risks can take many forms, including asset bloat, the departure of a solid manager, or a focus on an overhyped asset class. Not every fund featured in Red Flags is a sell, and in fact, some are good long-term holdings. But investors should be prepared for a potentially bumpier ride in the near future.

We've wrapped up another great year for the market, but 2013 may be a time when risk gets punished. During those times, certain firms tend to hold up better than the rest—and portfolios that invest in stalwarts with defensible competitive advantages, durable revenue streams, and a strong command of their market spaces tend to leave behind their comparatively less well-positioned peers.

Morningstar equity analysts give moat ratings (wide, narrow, or none) to companies based on these sorts of characteristics, and in May, the Morningstar Wide Moat Index outpaced the Morningstar No Moat Index by more than 250 basis points. As questions over fiscal cliffs, a China slowdown, and European austerity measures—among other geopolitical and economic concerns—continue to loom over market expectations, we look at funds with among the lowest allocations to firms with either a wide or narrow moat. Such strategies are among the most vulnerable to negative future macro developments.

TCW Dividend Focused TGIGX

The competitive advantages conferred upon companies with economic moats are often at the forefront of dividend-seeking investors' minds—such characteristics protect the profits that firms can then pass on to shareholders. It's somewhat of a surprise, then, that this eponymous fund has almost a third of its holdings in no-moat companies (the S&P 500 Index, by comparison, has only an 8% weighting in firms with a no-moat rating).

Despite the fund's name, portfolio manager Diane Jaffee looks at total return (dividend plus price appreciation) rather than dividends alone. Jaffee's process pays particular attention to relative valuation and growth prospects. As a result, it's not unusual for holdings here to have no moat and low or no dividends—oil and gas drilling firm **Nabors Industries** NBR is one example of this type of stock. The firm currently stands as the fund's sole non-dividend-payer. Morningstar analysts justify their no-moat rating by citing the industry's extremely low barriers to entry in a fragmented market, which gives "tremendous bargaining power" to the firm's customers.

Janus Contrarian JSVAX

Portfolio manager Daniel Kozlowski has an affinity for companies in the midst of controversy that have seen their share prices battered down. The fund's low proportion of companies with either wide or narrow moats, then, shouldn't be too surprising. Since Kozlowski took over the fund a year ago, though, he's actually improved the portfolio's quality and increased its allocation to companies with a moat. Of the fund's holdings with a moat rating, about one fourth have no moat. In June 2011, right before Kozlowski took over, more than 40% had no moat (though the fund was also more focused on smaller-cap names at the time and thus had an overall lower percentage of moat-rated stocks). Few firms have faced more investor controversy than no-moat firm **United Continental Holdings** UAL, which stands as this fund's second-largest holding at 6.9% of assets.

Fidelity Independence FDFFX

Portfolio manager Robert Bertelson takes an aggressive approach to investing and searches for firms with large upside opportunities. But big gains frequently come with big risks, and that's certainly been the case here. The portfolio typically ranks among the most leveraged in the large-growth group; its current average debt/capital ratio stands at 41% versus the typical peer's 29%. That leverage has led to predictably extreme results: In up markets over the past five years through November 2012, the fund shines, outpacing its typical peers more than 70% of the time. Without the protection offered by narrow and wide moats, though, the fund has also struggled mightily in down markets, where it trails the typical rival more than 70% of the time. MI

Contact Janet Yang at janet.yang@morningstar.com

A Strong Year for Stocks and Bonds

Market Overview | Kailin Liu

After a lackluster 2011, the markets made nifty gains in 2012. Although continued concerns over the eurozone and uncertainty about the U.S. political climate caused big swings, economic growth and some progress on Europe's debt issues helped pull the markets upward. The S&P 500 posted a respectable 16% return and 0.91% gain for December. The Russell 2000 climbed 16.35% for 2012 and 3.56% for December.

Although all U.S. stock sectors made gains in 2012, financial-services and consumer cyclical stocks did particularly well. The consumer cyclical stock fund category gained 22.64% this year, while the financial-services stock fund category was slightly ahead with a 24.77% return. **Fidelity Capital Appreciation** FDCAX held almost 3 times its average peers' allocation to consumer cyclical stocks and ended the year with a 2012 22.45% return—better than 95% of its category. **Oakmark** OAKMX and **Oakmark Select** OAKLX had overweightings in both consumer cyclical and financials stocks and ended the year with a 20.97% and 21.74% gain, respectively.

Developed and emerging markets ended the year neck and neck. The MSCI Emerging Markets Index gained 18.63% for the year, compared with 17.90% for the MSCI EAFE Index. Despite concerns over the eurozone crisis and the sustainability of China's growth, China-region and Europe-stock funds managed to gain 18.36% and 20.94%, respectively.

All bond categories gained in 2012. Taxable bonds outperformed muni bonds, and high-yield and long-term bond funds beat out short-term and high-quality portfolios. The intermediate-term bond category gained 7.00% compared with 5.62% for intermediate-term muni-bond funds. M

Contact Kailin Liu at kailin.liu@morningstar.com

Benchmark Performance

Total Return % Through 12-31-12	1Mo	YTD	ANNUALIZED 3Yr	5Yr	10Yr
Large Growth	0.5	15.2	9.0	0.7	6.4
Large Blend	1.2	14.9	8.9	0.6	6.3
Large Value	1.6	14.6	8.9	0.1	6.3
Mid-Cap Growth	1.6	14.0	10.9	1.2	8.4
Mid-Cap Blend	2.4	15.9	10.9	2.5	8.8
Mid-Cap Value	2.3	16.5	10.9	2.9	8.8
Small Growth	2.3	13.2	11.5	1.7	8.4
Small Blend	3.0	15.3	11.5	2.9	9.1
Small Value	3.5	16.0	11.8	4.1	9.4
Aggressive Allocation	1.6	13.4	7.5	1.1	6.7
Conservative Allocation	0.7	9.2	6.9	3.6	5.1
Moderate Allocation	1.1	11.9	7.6	2.1	6.0
Communications	1.7	16.2	9.7	-1.1	8.8
Financials	3.9	24.7	5.7	-4.2	3.1
Global Real Estate	4.4	31.5	11.3	0.0	10.6
Health	0.1	21.5	12.3	5.9	9.2
Natural Resources	2.6	4.2	2.0	-4.3	10.9
Precious Metals	-3.1	-8.7	1.0	2.0	12.8
Real Estate	3.5	17.6	16.9	4.0	10.9
Technology	1.6	13.2	7.8	2.1	8.9
Utilities	1.0	7.2	8.9	-0.1	10.0
S&P 500	0.9	16.0	10.9	1.7	7.1
S&P MidCap 400	2.2	17.9	13.6	5.2	10.5
Russell 2000	3.6	16.4	12.3	3.6	9.7
Diversified Asia/Pac. Stock	4.4	20.2	4.9	-2.4	9.6
Diversified Emerg. Mkts.	5.0	18.1	4.0	-2.4	14.9
Europe Stock	3.6	20.9	4.0	-4.3	8.7
Foreign Large Blend	3.6	18.3	3.9	-3.8	7.6
Foreign Large Growth	3.0	18.1	5.6	-2.7	8.4
Foreign Large Value	4.0	16.5	2.9	-4.0	7.8
Foreign Small/Mid Growth	2.7	21.5	8.3	-0.8	12.6
Foreign Small/Mid Value	4.4	20.2	6.7	-1.8	10.1
World Stock	2.5	15.7	6.4	-1.3	8.0
MSCI EAFE	3.2	17.3	3.6	-3.7	8.2
MSCI World	1.9	15.8	6.9	-1.2	7.5
MSCI Emerging Markets	4.8	15.2	2.2	-3.3	13.7
MSCI Europe	2.8	19.1	3.3	-4.3	8.4
MSCI Latin America	6.1	5.4	-2.7	-2.9	19.1
MSCI Pacific	4.1	14.4	4.6	-2.0	8.0
High-Yield Bond	1.5	14.7	10.4	7.4	8.4
Inflation-Protected Bond	-0.47	6.42	7.6	5.75	5.50
Intermediate-Term Bond	0.1	6.9	6.8	5.6	4.7
Muni National Long	-1.6	8.9	7.0	5.5	4.5
World Bond	0.4	7.8	5.9	5.7	6.0
BarCap US Agg Bond TR USD	-0.1	4.2	6.2	6.0	5.2
BofAML US HY Master II TR	1.6	15.6	11.6	10.0	10.4
BarCap Municipal TR USD	-1.2	6.8	6.6	5.9	5.1

Mairs & Power and Dodge & Cox Lead the Way

Leaders & Laggards | Kailin Liu

Ten Best-Performing Funds

Fund Name	YTD Cat Rank %
Artisan Global Opportunit	1
Artisan International Sma	1
Dodge & Cox Balanced	1
Fairholme	1
Mairs & Power Balanced In	1
Schneider Small Cap Value	1
T. Rowe Price Retirement	1
Calamos Market Neutral In	2
Harbor Commodity Real Ret	2
PIMCO Investment Grade Co	2

Ten Worst-Performing Funds

Fund Name	YTD Cat Rank %
CGM Realty	100
Brandywine	99
Brandywine Blue	99
Dynamic US Growth I	99
Fairholme Focused Income	99
Hussman Strategic Total R	99
Queens Road Small Cap Val	99
Westport Select Cap R	99
Artisan Small Cap Value I	98
Turner Midcap Growth Inve	97

Leaders

Mairs & Power Growth MPGFX

This large-blend fund gained 21.91% in 2012, landing among its category's top performers. Managers Bill Frels and Mark Henneman buy and tend to hold well-managed, wide-moat companies and keep the portfolio in fewer than 50 names. Frels and Henneman prefer to meet frequently with senior management, resulting in a portfolio heavily concentrated in stocks located near the firm's headquarters in Minnesota. In 2012 the pair's selection process paid off handsomely, as did their dramatic underweighting in energy stocks. Big winners included **Valspar Corporation** VAL, **Pentair** PNR, and **Graco Incorporated** GGG, all of which gained more than 20% during the year.

Dodge & Cox Balanced DODBX

This allocation fund pushed to the top of its peer group with a 18.32% return. The management team runs the equity sleeve like sibling fund **Dodge & Cox Stock** DODGX, buying stocks with attractive valuations, as well as strong management, industry position, and growth potential. The team does not make top-down bets, but stock picks can pool in particular sectors such as financials and health care. On the bond side, the team relies on security selection and invests primarily in investment-grade corporate bonds. In 2012 the team held 70% in stocks because it believed that stocks would outperform bonds, and that choice paid off handsomely. Also, the team's financial-services picks rebounded smartly, and a number of communications and health-care picks also boosted performance.

American Funds New Perspective ANWPX

This world-stock fund bested 83% of its category peers with a 20.77% return. Eight different managers put together the portfolio by finding multinational large-cap companies trading at a discount. The managers exercise caution by limiting the fund's stake in emerging-markets companies to 7% of assets and holding a bit more cash than peers. Many of the stock picks did well this year, especially in the technology, health-care, and industrials sectors. For instance, **Novo Nordisk** NVO, **Amazon.com** AMZN, and **Apple** AAPL all enjoyed double-digit returns. The fund's overweighting in health-care stocks also helped as that sector outperformed.

Laggards

Vanguard Health Care VGHCX

This fund lagged more than 80% of its category peers with a 15.11% return in 2012. Managers Ed Owens and Jean Hynes use a value-oriented stock-picking strategy, in contrast to the sector's largely growth-leaning tendencies. The fund's size also restricts it to large-cap stocks like pharmaceutical companies, and the stake in biotech companies tends to be very low. The scant weighting to biotech hurt the fund this year as that industry posted impressive gains.

Fidelity Floating Rate High Income FFRHX

This fund gained 6.80% in 2012, lagging 93% of other bank-loan funds. Manager Christine McConnell's conservative approach explains the fund's lackluster showing this year, though the same approach protects it in volatile credit markets. McConnell prefers to buy higher-quality issues than other bank-loan managers and shies away from bonds rated CCC and below. The fund also tends to hold bonds from larger, more-liquid issuers and can also hold cash.

Royce Low Priced Stock RYLPX

This recently reopened small-blend fund gained 4.48% this year, scraping the bottom of its peer group. Managers Whitney George and Chip Skinner buy companies with healthy balance sheets, high returns on invested capital, and earnings stability that are trading at a healthy discount to their valuation estimate. The portfolio also tends to hold more non-U.S. stocks and micro-caps than competitors. The managers don't mold the fund to look like its benchmark, so its sector weightings can be very different from peers'. While these idiosyncrasies have worked out well in the long run, the sector weightings hurt in 2012. In particular, overweightings to basic-materials and energy stocks dragged on performance. MI

Fund Manager Changes

Calamos Funds CCVIX, CVTRX, CVGRX, CCVIX | Impact: Negative | 08-20-12

Nick Calamos, who served as lead manager on most Calamos funds and co-chief investment officer, has stepped down. Calamos has not named a replacement manager, but the firm did hire Gary Black to serve as co-chief investment officer. Black led Janus' effort to rebound from poor performance in the 2000–02 bear market. He vastly expanded Janus' coverage of stocks and improved the compensation system, and performance improved while he was there. However, Janus did suffer from manager departures under Black, though it seems likely that some departures were unavoidable. | Our Take: It's a real blow for Calamos to lose its top manager. Black will help shore up analysts' work, and his emphasis on fundamentals seems to be in sync with Calamos' balance-sheet-focused growth investing approach.

Laudus Growth Investors LGILX | Impact: Negative | 12-05-12

Lead manager Lawrence Kemp has left subadvisor UBS. The reins of the fund were handed to two experienced analysts: Peter Bye and Sam Console. | Our Take: Losing Kemp is a big blow as he built a great record and his team had been a model of stability. UBS has seen departures in other areas, so we're a little wary of this fund now. Thus, we have lowered the rating to Neutral from Bronze. If UBS can keep the rest of the team together, this fund may yet prove to be a winner, but Kemp's departure is worrisome.

Loomis Sayles Bond LSBRX | Impact: Negative | 10-21-12

Kathleen Gaffney has left the firm to join Eaton Vance. Managers Dan Fuss, Matt Eagan, and Elaine Stokes remain in charge. | Our Take: It's a blow to lose Gaffney, but the fund remains in capable hands. We are keeping the fund rated Gold because we believe the fund has sufficient depth to withstand Gaffney's departure.

T. Rowe Price Small Value PRSVX | Impact: Neutral | 06-30-14

T. Rowe Price announced that Preston Athey will step down in 2014 and be replaced by David Wagner, who runs a small-cap strategy for T. Rowe that is not available in mutual fund form. | Our Take: We don't yet have an opinion on Wagner, but he'll work closely with Athey to become very well-versed in the strategy and the companies in the portfolio. Over that time, investors can get to know Wagner and learn whether he intends to alter the strategy.

Vanguard Global Equity VHGEX | Impact: Neutral | 12-11-12

Lead manager Jeremy J. Hosking will retire on Dec. 11, 2012. Hosking has advised the fund since its inception in 1995. Neil M. Ostrer and William J. Arah, who have also advised the fund since inception, will remain as portfolio managers for Marathon's portion of the fund. Marathon manages 44% of the fund. In addition, Vanguard fired AllianceBernstein and handed its 6% of the fund over to Baillie Gifford, which now runs 19% of the fund. | Our Take: Overall it's neutral because Hosking was a key contributor, even though experienced managers are ready to fill in. Moving 6% from AllianceBernstein to Baillie Gifford is definitely a positive; Baillie Gifford has a much better track record and greater stability.

Vanguard Health Care VGHCX | Impact: Negative | 12-31-12

Ed Owens, manager of Vanguard Health Care VGHCX for 28 years, retired at the end of 2012. Owens' successor, Jean Hynes, has comanaged the fund with Owens since 2007 but has worked with him for far longer. She has been on subadvisor Wellington Management's health-care team since 1992. Along with the rest of Wellington's four-person team, Hynes has helped run Hartford Healthcare HGHAX with success since its 2000 inception, employing a similar approach to Owens'. In addition, Hynes has vowed to keep the strategy unchanged. | Our Take: It's a blow to lose a great investor like Owens, but having the manager and analysts who contributed to its success for years gives us confidence in the fund.

Fund News

Fidelity Lowers Investment Minimums

Fidelity is lowering the investment minimums for 22 of the firm's index and enhanced index funds. The investment minimums for the Investor share classes of these funds will drop to $2,500 from $10,000. In addition, the less expensive Advantage share class of the firm's Spartan index funds will also become more accessible, with minimum investment amounts falling to $10,000 from $100,000. (Qualifying investors in the Investor share classes will automatically be converted to the cheaper Advantage shares.)

The decreased minimums for the Advantage shares make the Spartan index funds as accessible as many of Vanguard's less-expensive Admiral shares (Vanguard lowered its minimum investment for a suite of Admiral shares to $10,000 in October 2010), although **Charles Schwab** SCHW still holds the title for lowest minimum investment at $100.

Fidelity's index funds will become more attractively priced as well: Fees will be cut at eight of the firm's Spartan index funds, with total net costs decreasing between 1 and 8 basis points.

Fund Fee Changes at Year-End

Some funds' expense ratios have changed. **Vanguard Windsor** VWNDX reports a new expense ratio of 0.35%, down from 0.39%. Meantime, two Fidelity funds have higher expense ratios because improved three-year performance led to higher performance fees. They are **Fidelity Value** FDVLX and **Fidelity Stock Selector Small Cap** FDSCX, where fees rose by 9 basis points and 21 basis points, respectively.

Clarification on December Cover Story

In the December cover story, "Where to Invest $10,000 or $100,000," I included a couple of funds below their minimum investment. I should have mentioned that **PIMCO Inflation Response Multi-Asset**'s I shares PIRMX have a $100,000 minimum but also have a D share PDRMX with a $2,500

minimum. In addition, **Fidelity Tax-Free Bond** FTABX has a $25,000 minimum. **Fidelity Municipal Income** FHIGX with a $10,000 minimum is an excellent substitute. I apologize for the confusion.

RS Capital Appreciation Being Merged Away

RS plans to merge **RS Capital Appreciation** RCAPX into **RS Growth** RSGRX in March. The managers of RS Growth have taken the helm. It's a sad ending for the former Oak Value fund whose managers sold the fund to RS in hopes of drawing assets. However, the fund did not attract much money at RS and now stands just below $100 million.

Mutual Fund Directors Charged by SEC

Eight former members of the board of directors overseeing bond funds run by Regions Morgan Keegan have been charged by the SEC for failure to comply with federal securities law. According to the SEC order, the board members failed to establish a methodology for valuing below-investment-grade debt securities in the funds they oversaw. This oversight in turn allowed the net asset values of four closed-end funds and three open-end funds to be materially misstated between 2007 and 2009 when the subprime mortgages backing the debt securities were declining in value. In 2010, the SEC charged the funds' managers with fraud, and in 2011, the firms agreed to pay $200 million to settle the charges and two employees also agreed to pay penalties (with one being barred from the securities industry).

Longleaf Plans Global Fund

Longleaf Partners plans to launch a global fund. It has domestic stock and international stock, but it did not have a global fund. However, it has run separate accounts in this strategy for years. The fund will charge a rather steep 1.65%.

Acquisition Moves Forward

Carlyle Group's CG planned acquisition of TCW Group from **Societe Generale** GLE will not be sidetracked by an arbitration case filed by a former TCW unit. The acquisition would place 60% of TCW in Carlyle hands and leave the other 40% of the firm's equity in the hands of management and employees. A TCW spin-off, EIG Global Energy Partners, had sought to block the sale.

After separating from TCW in December 2010, EIG retained its interest in a joint venture with TCW responsible for running a $4 billion energy investment fund. When the proposed TCW takeover was announced in August, EIG filed a suit to block the transaction. EIG's suit claims the acquisition could provide Carlyle—a competitor with rival energy funds—access to otherwise sensitive and proprietary information about EIG's portfolio of investments.

EIG's arbitration case remains outstanding. However, on Nov. 30, U.S. District Judge Christina Snyder in Los Angeles issued a ruling allowing the sale of TCW to Carlyle to proceed. TCW and EIG's joint venture fund will be placed into a trust until EIG's arbitration claims are settled.

Will Danoff Is a Fan of Facebook

Shares of Facebook have rebounded from their lows of $17.55 to trade around $26 though still well short of their IPO price. While many funds bailed on the stock, Will Danoff of **Fidelity Contrafund** FCNTX and Steve Wymer of **Fidelity Growth Company** FDGRX were adding as of Oct. 31. Contrafund bought 2.5 million shares and Growth Company bought 550,000 shares. Contrafund's total stake is 18.7 million, tops for any fund, though just 0.5% of assets.

Not everyone at Fidelity is on board, though. Jeff Feingold sold 1.3 million shares in that same time, taking **Fidelity Magellan**'s FMAGX stake down by two thirds. MI

A Big Rebound for Fairholme

The FundInvestor Focused 10 | Christopher Davis

Until 2011, **Fairholme** FAIRX delivered peer-topping results year after year. But when big stakes in top holdings **American International Group** AIG, **Sears** SHLD, and **Bank of America** BAC suffered 50%-plus losses that year, Fairholme turned in its worst showing ever. The fund placed last in the large-value category, slumping 32%. In absolute terms, the fall was even worse than its 29% drop in the 2008 financial crisis, when the fund still finished ahead of more than 90% of its rivals.

These bracing losses led shareholders to wonder whether manager Bruce Berkowitz, a one-time Morningstar Domestic-Stock Fund Manager of the Year and Fund Manager of the Decade, had lost his golden touch. Investors yanked $6.8 billion from the fund in 2011 and another $1.9 billion through November 2012, totaling $8.7 billion over the period. To put this number in context, that's nearly half of the $18.9 billion the fund held in assets at the start of 2011.

Many portfolio managers meet redemptions by selling holdings across their portfolios, but Berkowitz did so by whittling his once-hefty cash stake (it stood near 25% in December 2010) to near-zero levels and by ditching a slew of smaller positions, including **Berkshire Hathaway** BRK.B, **Morgan Stanley** MS, **Citigroup** C, and **Goldman Sachs** GS. Berkowitz believed the remaining holdings—especially his 2011 problem children—had been severely punished for reasons unrelated to their long-term fundamentals. AIG had faltered on worries the U.S. government would shed its 77% ownership stake at cut-rate prices, he argued. Investors had ignored Sears chairman Eddie Lampert's additional $150 million investment in the company. And they appeared not to have noticed Bank of America's healthy cash flows and that it had set aside sizable reserves for legal and regulatory issues.

As Berkowitz axed more peripheral picks, his portfolio became far more concentrated in his favorites. Between February 2011 and February 2012, Fairholme's combined weighting in AIG and subsidiary AIA soared to 42% of assets from 12%. By October, the fund had ditched AIA and held AIG alone, with its stake in the company accounting for a smaller though still heavy 37% of the portfolio. Over the stretch, the fund's exposure to Sears also grew to 10% from 6% and Bank of America holdings increased to 9% from 6%.

Shareholders sharing Berkowitz's unflappability were rewarded nicely in 2012. Fairholme's heavy concentration left it spring-loaded for success: AIG and Sears were up nearly 50% through mid-December and Bank of America around 100%, propelling the fund to a 32% gain for the year, by far the best showing in the large-value group.

A Low Hurdle

Had financials not recovered so sharply in 2012, Berkowitz may have been forced to liquidate his most-troubled holdings at fire-sale prices. The sector's rebound was no fait accompli. The economy remained fragile and Europe remains on knife's edge. A very different scenario could've easily played out.

Berkowitz, though, didn't bet on a rosy outcome. A disciple of value-investing patron saint Benjamin Graham, he seeks stocks trading at a sharp discount to their intrinsic worth, giving him a big margin of error in case he's wrong. Berkowitz, for instance, believes AIG trades at half of its book value. And his underlying growth assumptions have been modest. In Fairholme's 2011 shareholder letter, Berkowitz said he expected AIG's book value to rise to $55 per share from $45 in the "near future." The company has easily exceeded Berkowitz's forecast; book value per share has clocked in at $69 for the trailing 12 months.

Even after 2012's big runup, Berkowitz's portfolio still reflects modest expectations, averaging 9 times prospective 12-month earnings versus 12.4 for the large-value category and 14.4 for the S&P 500 Index. Relatively low valuations don't rule out the possibility of steep declines, of course, but they at least imply

The FundInvestor Focused 10

Fund Name	Category	Manager Name (Tenure)	5-Yr Total Return %	5-Yr Cat Rank %	# of Stock Holdings	Turn-over %	Expense Ratio	Top Three Holdings
Brown Capital Mgmt BCSIX	Small Growth	Management Team (20.50)	7.95	1	38	21.00	1.35	Tyler Tech, Medidate Solutions, FEI
Clipper CFIMX	Large Blend	Davis; Feinberg (7.00)	-1.76	90	27	15.00	0.75	American Express, Costco, Berkshire Hathaway
Fairholme FAIRX	Large Value	Berkowitz (13.08)	2.39	14	11	43.95	1.02	AIG, Sears, Bank of America
FMI Large Cap FMIHX	Large Blend	Management Team (11.08)	4.25	3	27	21.00	0.97	3M, Berkshire Hathaway, BNY Mellon
FPA Crescent FPACX	Mod Allocation	Romick (19.58)	5.37	2	42	32.00	1.25	Aon, CVS Caremark, Covidien
Jensen Quality Growth JENSX	Large Growth	Management Team (20.00)	2.84	19	29	15.80	0.91	P&G, Pepsico, Oracle
Longleaf Partners LLPFX	Large Blend	Hawkins; Cates (25.75)	0.25	63	23	23.55	0.91	Loews, Chesapeake Energy, Aon
Mairs & Power Growth MPGFX	Large Blend	Frels; Henneman (13.08)	4.78	3	45	2.78	0.72	Valspar, 3M, Target
Oakmark Select OAKLX	Large Blend	Nygren (16.17)	6.49	1	20	32.00	1.07	Discovery, Capital One, TE Connectivity
Sequoia SEQUX	Large Blend	Goldfarb; Poppe (14.58)	5.67	2	45	3.00	1.03	Valeant, TJX, Berkshire Hathaway

Data through Dec. 31, 2012.

We shine the spotlight on 10 funds from the FundInvestor 500 that follow a focused, low-turnover strategy.

the portfolio holdings won't need to deliver eye-popping results to turn in respectable returns.

Risks Abound

In fact, Berkowitz's valuation discipline has drawn him to other risks. To load up on what he sees as cheap stocks, he's tolerated much more extreme concentration. In early 2011, Fairholme held about half of its assets in its top 10 holdings. Today, that stands at 85%, more than any other large-value fund. Moreover, no other fund holds a larger position in a single stock than Fairholme does in AIG.

Such concentration makes Fairholme the largest shareholder of its top holdings. Some of this is by design. The fund owns 25% of **St. Joe**'s JOE shares, for example, enabling Berkowitz to control the board and serve as its chairman although it's only a 5.8% position in the fund. His firm also owns 17% of Sears, second only to Lampert's 35% stake through ESL Investments. Fairholme's AIG holdings aren't as hefty, though it's the largest institutional holder of the stock, with roughly 5% of the company's shares. While Berkowitz can use such control to push for changes benefiting Fairholme shareholders, he wouldn't be able to back away from these positions quickly, at least not without drastically affecting their share prices.

These risks aren't entirely new. When financials stocks crashed in the early 1990s, for instance, the sector accounted for 80% of Berkowtiz's stock holdings, a bit more than 77% today. He has also bet big on individual stocks, albeit not to the extent he's done so with AIG. What's different, though, from one-time large holdings like MCI in 2004 and **Canadian Natural Resources** CNQ in 2006 or **Pfizer** PFE in 2008 is that while those stocks may have been out of favor, their balance sheets were more sound. What's also different is that the fund usually has operated with a cash stake north of 20% versus 14% today. Still, that's much higher than it was two years ago.

Hang On Tight

None of this is an argument against this Silver-rated fund. Indeed, while the fund's more-recent travails weakened its three-year returns, it's worth noting they've done little to tarnish its sterling long-term record. Berkowitz hasn't changed the intrepid style that's led to that record.

However, Fairholme's first-to-worst-to-first showing demonstrates the inherent volatility of its approach. It remains worthwhile, but it requires shareholders as intrepid as its manager. MI

Contact Christopher Davis at christopher.davis@morningstar.com

Fidelity Intermediate Bond Fund Earns a Bronze Rating

Tracking Morningstar Analyst Ratings | Morningstar Analysts

What Are Morningstar Analyst Ratings?
Our ratings are chosen for long-term success. Analysts assess a fund's competitive advantages by analyzing people, process, parent, performance, and price. They do rigorous analysis and then submit their ratings to a committee that vets their work for thoroughness and consistency.

It's been a busy couple of months for Morningstar's ratings committee. In addition to the initiation of new ratings on a number of funds, we also regularly review existing ratings and make adjustments when there are changes in fundamentals or we gain new insight into a portfolio. Some recent highlights from the Morningstar 500 follow.

Newly Initiated Ratings

Fidelity Intermediate Bond FTHRX has much in common with its highly rated Fidelity taxable-bond peers, including a sensible, risk-conscious approach, an experienced manager, and a deep analyst staff. Although its somewhat restrained profile has led to muted returns relative to more-aggressive peers in recent years, its performance looks better on a risk-adjusted basis. Add in reasonable expenses—another feature of the Fidelity bond lineup—and this fund merits a Bronze rating.

T. Rowe Price International Bond RPIBX has stayed true to its benchmark with large weightings in Western Europe and Japan and sizable exposures to the euro and yen. While poor performance from the European holdings is partly to blame for the fund's recent disappointing results relative to the diverse world-bond category, the fund also has slightly lagged its bogy during manager Ian Kelson's 11-year tenure. This fund has its strengths: Kelson heads an experienced team of macro strategists and has added analyst resources to better follow the evolving European debt crisis. But for now, it merits a Neutral rating.

Upgrades

American Funds Capital World Growth & Income CWGIX was elevated to Gold from Silver on the strength of its excellent performance. The change was driven in part by an upgrade in the Performance pillar to Positive. While the fund has turned in several middling showings in recent years, its long-term record remains impressive, particularly on a risk-adjusted basis. It bounced back a bit in 2012, too, with a near top-quartile year-to-date return.

The $1 billion **Aston/Tamro Small Cap** ATASX has quietly assembled an impressive record during lead manager Philip Tasho's 12-year tenure, prompting an upgrade to Silver from Bronze. Its 10% annualized gain over that span trumps the Russell 2000 Index by more than 3 percentage points and beats all of its small-growth peers. Tasho's flexible strategy combines market leaders, turnaround plays, and innovators in a relatively concentrated portfolio of 50 to 70 stocks, yet the fund hasn't been any more volatile than its average peer. It's closed to new investors.

Downgrades

Longtime manager Preston Athey announced he will step down from **T. Rowe Price Small-Cap Value** PRSVX in June 2014, leading to the fund's downgrade to Bronze. The long lead time is admirable, allowing a lengthy transition for successor David Wagner. However, Athey had driven the fund's peer-beating record during his 21 years at the helm, so his departure is a loss. Wagner has served as the fund's associate portfolio manager since 2005 and knows many of the holdings. He's also run a small/mid-cap strategy available for sale outside of the United States, but Wagner's management skills aren't proven enough to keep the fund at Silver.

Bogle Small Cap Growth BOGLX looks strong on two key fronts. For one, lead manager John Bogle Jr. has 25 years of experience in quantitative investing, first at State Street Global Advisors and Numeric Investors and then at his own firm, Bogle Investment Management, which he launched in 1999. And unlike most quant fund rivals, this fund's process has helped it recover from the 2007–09 bear market more quickly, helping it generate more-consistent outperformance versus its peers and the Russell 2000 Index. That said, it hasn't fared as well on a risk-adjusted basis compared with Morningstar analysts' favorites in the small-blend category, which triggered a downgrade in its rating to Silver from Gold. M

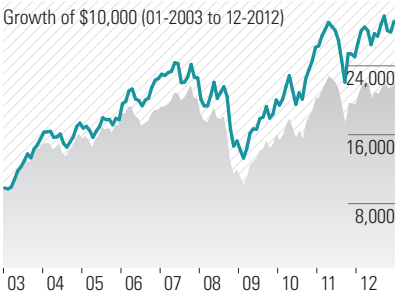
Tracking Gold-Rated Funds

Asset Group	Trailing 10 Years Batting Average	% Picks in Top Quartile	Trailing 5 Years Batting Average	% Picks in Top Quartile	Trailing 3 Years Batting Average	% Picks in Top Quartile
US Stock	68.38	56.0%	69.43	38.1%	62.53	38.7%
Taxable Bond	82.03	81.8%	85.54	60.0%	69.33	37.8%
International Stock	72.05	47.7%	74.11	12.8%	75.4	24.4%
Municipal Bond	93.75	76.0%	89.74	56.3%	60.64	22.2%
Balanced	89.87	60.5%	91.12	40.6%	88.82	53.3%

Data through Dec. 31, 2012. Batting Average and % picks in top quartiles are for Gold/Picks funds only. The results are compared with category average.

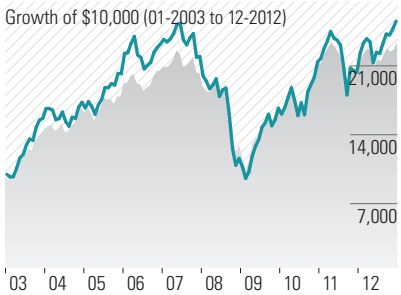
Funds With New Ratings

ASTON/TAMRO Small Cap Fund Class N ATASX | ★★★★ | Silver



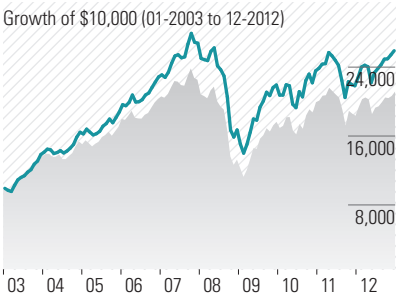
Fund Return (%)	198.72
Category Return (%)	124.23
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

Bogle Small Cap Growth Fund Investor Class BOGLX | ★★★ | Silver



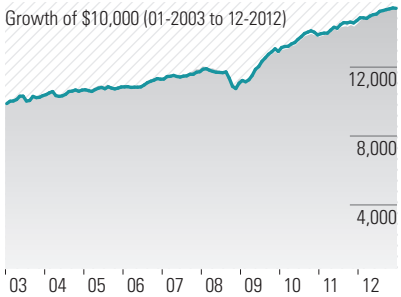
Fund Return (%)	161.67
Category Return (%)	138.71
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

American Funds Capital World Growth and Income CWGIX | ★★★ | Gold



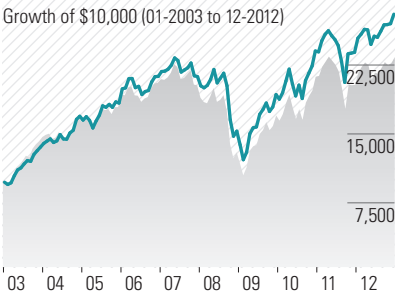
Fund Return (%)	164.91
Category Return (%)	115.24
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Fidelity Intermediate Bond Fund FTHRX | ★★★ | Bronze



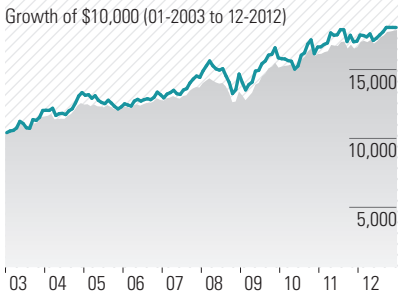
Fund Return (%)	57.87
Category Return (%)	58.71
Process	Neutral
Performance	Positive
People	Neutral
Parent	Positive
Price	Positive

T. Rowe Price Small-Cap Value Fund PRSVX | ★★★★ | Bronze



Fund Return (%)	187.44
Category Return (%)	138.71
Process	Positive
Performance	Neutral
People	Positive
Parent	Positive
Price	Positive

T. Rowe Price International Bond Fund RPIBX | ★★★ | Neutral



Fund Return (%)	81.64
Category Return (%)	79.68
Process	Positive
Performance	Positive
People	Neutral
Parent	Neutral
Price	Neutral

Return Data through Dec. 31, 2012.

A Great Year for Risk

Income Strategist | Miriam Sjoblom

In 2012, the bond market spoils generally have gone to managers who were willing to take risk, particularly credit and nondollar risk. High-yield and emerging-markets bond benchmarks have returned between 13% and 18% so far this year, for instance. Nonagency residential mortgages, for which there isn't a reliable index, are reportedly up even more than that. Within those sectors, the riskiest bonds have outperformed. Within emerging markets, that means the likes of Venezuela and smaller frontier markets, and in high-yield, that means CCCs. Meanwhile, a host of currencies in Asia, Latin America, and Eastern Europe appreciated against the greenback. The Polish zloty had the year's best run, appreciating 11% against the dollar, while the Mexican peso (up 8%) was a more popular trade among bond managers.

None of these areas is represented in the widely followed Barclays U.S. Aggregate Bond Index, which is up a relatively modest 4%. Many funds in the intermediate-term bond category have increasingly ventured beyond their U.S. government-heavy benchmark, so it's not surprising to see more than 80% of the category beat the index in 2012. What has worked for funds in 2012 didn't work in 2011, though, when more than 80% of the category lagged the Aggregate Bond Index.

Can bond-fund investors expect a repeat of 2012's robust rewards for risk-taking? That doesn't look likely. At the beginning of the year, investors were concerned about an escalating eurozone sovereign debt crisis, worries that were reflected in the relatively wide yield spreads offered by credit-sensitive sectors when compared with government bonds. As policy actions calmed those fears, and low yields on high-quality bonds pushed investors to take more risk, spreads across many sectors have shrunk back to their historic norms. Absolute yields also have dropped over the course of the year, to a surprising extent in some cases. Conventional wisdom has held that high-yield investors generally lose their appetites for junk bonds once the sector's average yield sinks below 7%, but it blew through that level this summer and now hovers near 6.5%.

In a yield-starved market where nothing looks cheap, it's not out of the question that the push to take more risk will continue to prove relatively rewarding in 2013, although not in the same magnitude. Still, many portfolio managers note that risks are mounting, and they've gotten more conservative. With yields touching all-time lows, there's less of an income cushion to protect against rising interest rates than ever before. Investors are also likely grabbing for a sliver of extra yield wherever they can get it. There's some evidence of that in mutual fund flow patterns. High-yield and emerging-markets bond funds are on pace to receive record net inflows in excess of $20 billion each in 2012.

It also seems that investors are letting their appetites for yield drive their decision-making in areas typically prized for safety. For instance, more than a fourth of the net $37 billion taken into short-term bond funds during the past year went to one fund, **Lord Abbett Short Duration Income** LALDX, which has the second-highest 12-month yield in the category, more than twice the group median at 4%. Muni funds are another area where investors seem to be making a mad grab for yield, stashing unprecedented sums in high-yield muni funds and favoring funds with the fattest payouts, but also the riskiest portfolios.

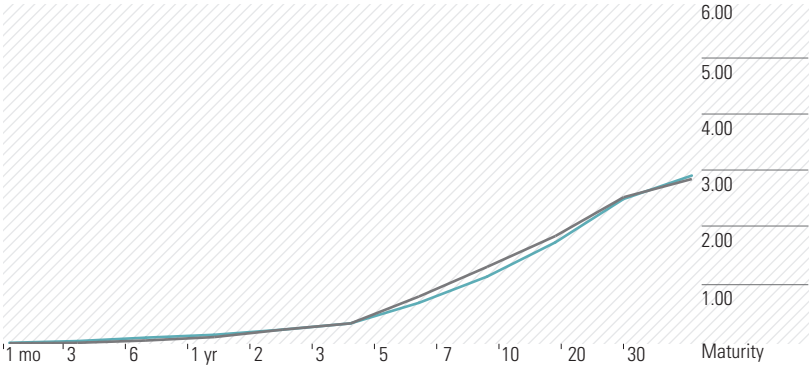
T. Rowe Price's fixed-income director Mike Gitlin also recently noted that the nonstop flows into bond funds since 2008's financial crisis has coincided with a retreat from the broker-dealer community, a factor that could hurt market liquidity when investor sentiment reverses. Overall, there's a mismatch between the near-universal note of caution we're hearing from bond managers and investors' continued enthusiasm for bond funds. That's reason enough for investors to think twice before loading up on bond market risk. M

Contact Miriam Sjoblom at miriam.sjoblom@morningstar.com

Bond-Market Snapshot

Treasury Yield Curve (%)

Yield to maturity of current bills, notes, and bonds ■ Current (12-31-12) ■ One Year Ago (12-31-11)

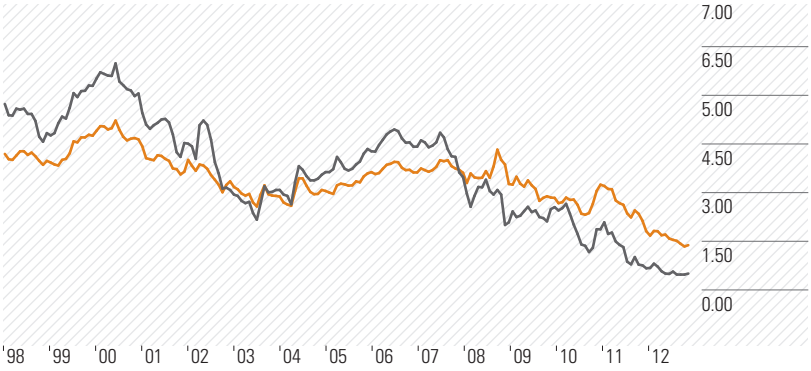


Interest-Rate Review

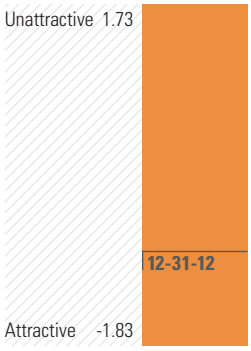
Riskier bond categories, which were 2012's biggest overall winners, continued to eke out modest gains in December. Hard-currency emerging-markets bonds finished the year up 19%, ahead of every other category, but returned just 0.9% for the month. High-yield corporate bonds and commercial mortgage-backed securities, which also posted double-digit returns for the year, rose in December by 1.6% and 0.4%, respectively. High-yield munis, another of the year's top performers, were flat in December. Although every fixed-income category ended 2012 in the black, most other government bond indexes slid in the final month of the year. Intermediate-term Treasuries lost 0.8% while long-term Treasuries lost 2.0%. Intermediate-term and long-term munis fell by 1.1 and 1.9%, respectively.

Treasury and Municipal-Bond Yields

■ Vanguard Interm-Term Tax-Exempt ■ Vanguard Interm-Term U.S. Treasury



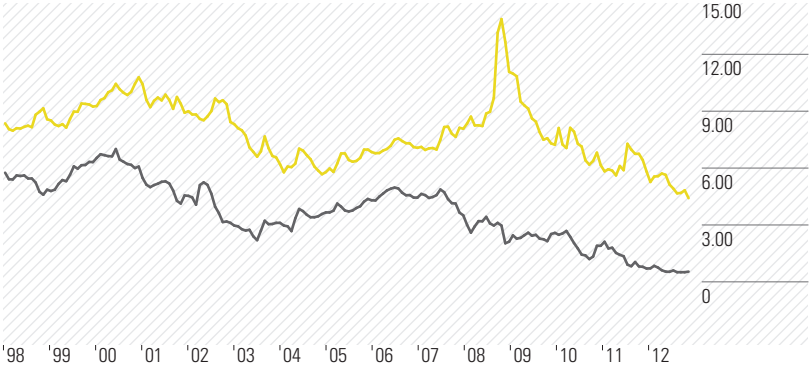
Municipal-Bond Spread Snapshot



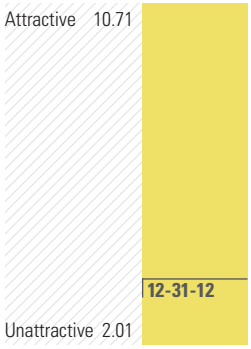
Dec. 31, 2012	**-0.86**
High	1.73
Low	-1.83
Average	0.21
Last Month (11-30-12)	-0.85
A Year Ago (12-31-11)	-1.35

High-Yield and Treasury-Bond Yields

■ Vanguard High-Yield Corporate ■ Vanguard Interm-Term U.S. Treasury



High-Yield Bond Spread Snapshot



Dec. 31, 2012	**3.81**
High	10.71
Low	2.01
Average	4.12
Last Month (11-30-12)	4.25
A Year Ago (12-31-11)	5.54

Data as of Dec. 31, 2012. Yield Spread: The difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. For municipal bonds, a smaller spread is attractive because munis typically pay smaller yields than Treasuries. For high-yield bonds, a wider spread is more attractive because junk bonds typically pay higher yields than Treasuries.

Janus Flexible Bond Joins 500

Changes to the 500 | Russel Kinnel

What is Morningstar FundInvestor 500?
The Morningstar FundInvestor 500 features the industry's best and most notable funds. Use the list to get new investment ideas and track the funds you already own. *FundInvestor* subscribers have access to one-page monthly reports on all 500 funds on mfi.morningstar.com. Just type in the name or ticker of the fund in the search box.

We are adding four new funds to the Morningstar 500.

The Silver-rated **Janus Flexible Bond** JAFIX has enjoyed strong performance over the long term, landing in the category's top quintile for the trailing five-, 10-, and 15-year periods. Managers Gibson Smith and Darrell Watters focus on corporate credit and rotate among corporate debt, U.S. Treasuries, and agency mortgage-backed securities depending on market conditions. The managers usually keep 10%–20% of assets in high-yield debt, though they remain cautious by keeping much of this exposure in BB rated issues.

In light of its peer-beating record, it may be easy to overlook the strategy's risks. The fund takes on more credit risk than most intermediate-term bond funds. Also, given the fund's dependence on sector rotation, a mistimed market call could cause performance to tumble. Nonetheless, the fund has skillfully picked securities and moved among sectors with the help of strong research.

Also, we are adding **Fidelity OTC** FOCPX. Gavin Baker has managed this Bronze-rated large-growth fund since July 2009. The fund underperformed in 2012 but has outperformed its category peers since Baker took the reins. This fund tries to beat the Nasdaq Composite Index, so it holds a smaller-cap portfolio with more technology and health-care stocks than other large-growth funds. Baker follows a disciplined stock-picking strategy to find companies with strong growth prospects and also considers valuations and momentum. Nonetheless, sector allocation relative to peers has helped more than stock selection since the beginning of Baker's tenure, particularly as the fund avoided underperforming areas like energy.

Like Fidelity OTC, Bronze-rated **FMI Focus** FMIOX is a worthy fund that hit a performance slump in 2012. Lead manager Rick Lane and his team pick from small- and mid-cap stocks that are trading at a discount, have good growth potential, and have a secure position in their respective markets. The managers will also hold cash if they don't find compelling investment ideas. The fund's cash stake, ranging from the midteens to high teens, held the fund back in 2012 as the stock market made gains.

Finally, Silver-rated **IVA International** IVIOX is joining the Morningstar 500. Lead manager Charles de Vaulx and Charles de Lardemelle started the fund in 2008 after many years at First Eagle. IVA International follows the same value-oriented strategy de Vaulx and de Lardemelle used at First Eagle. The managers primarily invest in stocks with a large discount to their estimate of intrinsic value and make no attempt to follow benchmark weightings. The fund also includes bonds, a stake in gold and gold-mining stocks, and a cash stake in the low teens or higher. The managers' stock-picking and asset allocation have protected the fund in down markets, such as 2011 and 2008, although the fund doesn't fully capture up markets like 2012.

In exchange for these additions, we are cutting four funds: **Fidelity Intermediate Government** FSTGX, **Homestead Value**, HOVLX, **Marsico International Opportunities** MIOFX, and **RS Capital Appreciation** RCAPX.

RS Capital Appreciation is being merged into RS Growth in January. It's a sad end to the former Oak Value fund, which never was able to gather many assets on its own or as part of RS.

Summary of Changes

Add	Drop
Fidelity OTC	Fidelity Intermediate Government
FMI Focus	Homestead Value
IVA International	Marsico International Opp
Janus Flexible Bond	RS Capital Appreciation

Data through December 31, 2012

FMI Focus

Ticker	Status	Yield	Total Assets	Mstar Category
FMIOX	Open	0.0%	$600 mil	Small Blend

Morningstar Analyst Rating 12-07-12

Bronze

Morningstar Pillars

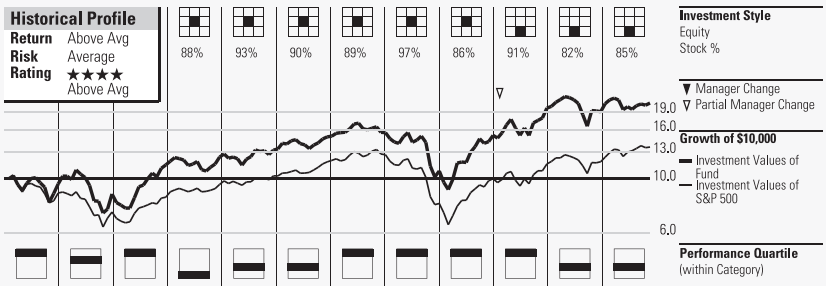
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum
Gold Silver Bronze Neutral Negative

Pillar Spectrum
Positive Negative Neutral

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



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-12	History
29.54	22.97	34.02	34.75	32.50	32.29	31.07	16.73	23.42	30.34	28.13	30.98	NAV
2.53	-22.24	48.11	7.05	4.93	12.78	3.38	-30.47	40.16	29.55	-3.37	13.33	Total Return %
14.42	-0.14	19.43	-3.83	0.02	-3.01	-2.11	6.53	13.70	14.49	-5.48	-2.67	+/-S&P 500
0.04	-1.76	0.86	-11.28	0.38	-5.59	4.95	3.32	12.99	2.70	0.81	-3.02	+/-Russ 2000
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00	Income Return %
2.53	-22.24	48.11	7.05	4.93	12.78	3.38	-30.47	39.99	29.55	-3.37	13.33	Capital Return %
22	27	23	98	67	71	19	12	18	13	51	74	Total Rtn % Rank Cat
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	Income $
0.00	0.00	0.00	1.55	3.72	4.30	2.40	4.99	0.00	0.00	1.20	0.85	Capital Gains $
1.46	1.46	1.47	1.43	1.48	1.50	1.52	1.53	1.40	1.30	1.26	1.26	Expense Ratio %
-0.60	-0.60	-0.71	-0.87	-0.61	-0.38	-0.17	-0.37	0.12	-0.47	-0.48	-0.34	Income Ratio %
165	93	53	64	63	49	41	72	58	59	78	55	Turnover Rate %
353	599	1,229	1,156	1,025	922	850	352	371	508	501	600	Net Assets $mil

Performance 12-31-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	3.84	8.98	-4.68	-4.16	-30.47
2009	-9.62	1.10	-0.18	-23.77	40.16
2010	-7.71	17.49	25.25	3.21	29.55
2011	10.50	-9.51	12.60	15.06	-3.37
2012	8.37	-0.12	-22.23	14.79	13.33

Trailing	Total Return%	+/- S&P 500	+/- Russ 2000	%Rank Cat	Growth of $10,000
3 Mo	5.35	5.73	3.50	7	10,535
6 Mo	8.14	2.19	0.94	45	10,814
1 Yr	13.33	-2.67	-3.02	74	11,333
3 Yr Avg	12.36	1.49	0.11	42	14,185
5 Yr Avg	6.69	5.03	3.13	7	13,824
10 Yr Avg	10.37	3.27	0.65	21	26,823
15 Yr Avg	12.05	7.58	6.16	1	55,103

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	11.98	37	0.34	57
5 Yr (estimated)	5.69	8	0.94	93
10 Yr (estimated)	9.10	27	1.14	77

Potential Capital Gain Exposure: 15% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	13.33			
3 Yr	12.36	Avg	+Avg	★★★
5 Yr	6.69	High	Avg	★★★★
10 Yr	10.37	+Avg	Avg	★★★★
Incept	15.13			

Other Measures	Standard Index S&P 500	Best Fit Index Mstar Small Cap TR
Alpha	-1.1	-1.3
Beta	1.30	1.04
R-Squared	90	97
Standard Deviation	20.94	
Mean	12.36	
Sharpe Ratio	0.66	

Portfolio Analysis 09-30-12

Share change since 06-12 Total Stocks:82

	Sector	PE	Tot Ret%	% Assets
MedAssets, Inc.	Technology	84.0	81.30	2.57
Fifth & Pacific Companie	Cnsmr Cyc	13.1	44.26	2.43
Interpublic Group of Cos	Cnsmr Cyc	14.4	15.72	2.18
Winnebago Industries	Cnsmr Cyc	11.1	132.11	2.11
Healthsouth Corp	Hlth care	13.9	19.47	2.11
Royal Caribbean Cruises,	Cnsmr Cyc	16.6	39.04	2.06
SPX Corporation	Industrl	19.1	18.05	1.92
Zions Bancorporation	Finan Svs	20.9	31.70	1.92
MDC Partners, Inc. Class	Cnsmr Cyc	—	-11.24	1.89
Hexcel Corporation	Industrl	16.4	11.36	1.77
Urban Outfitters Inc.	Cnsmr Cyc	29.6	42.82	1.73
Molex, Inc. Class A	Technology	14.6	17.19	1.65
Whiting Petroleum Corpor	Energy	13.1	-7.11	1.65
B/E Aerospace Inc	Industrl	23.5	27.62	1.64
Robert Half Internationa	Industrl	23.1	13.91	1.63
Greatbatch, Inc.	Hlth care	87.0	5.16	1.61
Ancestry.com Inc.	Technology	19.2	39.59	1.57
Hologic Inc	Hlth care	—	14.28	1.57
Parexel International Co	Hlth care	26.2	42.67	1.53
Universal Health Service	Hlth care	11.7	25.97	1.48

Current Investment Style

Value	Blnd	Growth
	■	

Large Mid Small

Market Cap	%
Giant	0.0
Large	0.0
Mid	42.9
Small	41.2
Micro	15.9
Avg $mil: 1,945	

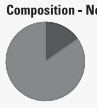
Value Measures		Rel Category
Price/Earnings	16.61	1.11
Price/Book	1.69	1.06
Price/Sales	0.82	0.98
Price/Cash Flow	7.65	1.11
Dividend Yield %	0.90	0.64

Growth Measures	%	Rel Category
Long-Term Erngs	13.30	1.05
Book Value	3.78	1.74
Sales	4.58	2.79
Cash Flow	1.57	15.70
Historical Erngs	8.11	1.44

Profitability	%	Rel Category
Return on Equity	15.17	1.30
Return on Assets	4.53	0.91
Net Margin	6.51	0.77

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High	3 Year Low
Cyclical	36.35	1.26		
BasicMat	3.99	1.30	9	3
CnsmrCyc	22.70	2.65	23	16
FinanSvs	9.66	0.62	13	6
Real Est	0.00	0.00	—	—
Sensitive	50.98	1.17		
CommSrvs	0.00	0.00	—	—
Energy	5.02	0.47	6	3
Industrl	26.35	2.32	31	22
Technlgy	19.61	1.12	24	17
Defensive	12.66	0.46		
CnsmrDef	0.00	0.00	1	0
Hlthcare	12.66	1.07	14	11
Utilities	0.00	0.00	—	—

Composition - Net



Cash	15.1
Stocks	84.9
Bonds	0.0
Other	0.0
Foreign (% of Stock)	3.0

Morningstar's Take by Michelle Canavan 12-07-12

2012 aside, FMI Focus' long-term record remains one of the category's best.

Lead manager Rick Lane completed his fifteenth year managing this fund in October. During his tenure through Nov. 30, the fund has returned an annualized 11.8%, topping every small-blend peer that has been around as long by 2 percentage points or more. The fund's five- and 10-year trailing returns also land in the top third of the small-blend category, and the team has proved effective in both up and down markets. Strong execution of a prudent investment approach is the reason behind this fund's long-term success.

The team is patient and disciplined, adhering strictly to a process that revolves around five characteristics a stock must meet to make it into the portfolio: strong business traits, defensible market positions, high growth potential, capable management, and most importantly, an attractive valuation. The team is opportunistic and contrarian, willing to pounce on what they consider fundamentally sound companies when a quarterly earnings miss or market overreaction creates an attractive entry point. Recently, that included Robert Half International RHI. Lane said that investor concern about the economy had unduly punished the well-managed staffing company's stock price, providing an opportunity to invest at what they felt was a steep discount.

Another cornerstone of the process is the team's ability to raise cash when there's a lack of attractive opportunities. The team has been cautious in 2012, given market valuations and the uncertainty created by the U.S. presidential election and the European fiscal crisis. The cash stake stood at 18% of assets as of Sept. 30, and that positioning has worked against the fund as equity markets have posted robust gains this year. As of Dec. 5, the fund's 8.4% year-to-date gain lags more than 80% of its small-blend peers.

Over time, however, this patient and prudent approach has served shareholders well. Investors are in good hands with Lane and his team.

Address:	FMI Funds Inc Milwaukee, WI 53202 800-811-5311	Minimum Purchase:	$1000	Add: $100	IRA: $1000
		Min Auto Inv Plan:	$1000	Add: $50	
		Sales Fees:	No-load		
Web Address:	www.fmifunds.com	Management Fee:	1.00%		
Inception:	12-16-96	Actual Fees:	Mgt:1.00%	Dist: —	
Advisor:	Fiduciary Management, Inc. of Milwaukee	Expense Projections:	3Yr:$400	5Yr:$692	10Yr:$1523
Subadvisor:	Broadview Advisors, LLC	Income Distribution:	Annually		
NTF Plans:	Fidelity Retail-NTF, Schwab OneSource				

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at mfb.morningstar.com. To order reprints, call 312-696-6100.

Morningstar 500

Domestic Equity	Morningstar Analyst Rating	Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
			Historical Performance											Historical Risk		
Large Growth		—	**15.2**	**15.2**	**9.0**	**0.7**	**6.4**	—	—	—	—	—	**0.5**	**17.3**	**(91)**	—
Amana Trust Growth AMAGX	Silver	★★★★★	11.2	11.2	8.2	3.3	**11.7**	89	89	70	13	2	0.3	14.21	(96)	Low
American Century Growth Inv TWCGX	Bronze	★★★★	13.9	13.9	9.9	2.3	7.5	63	63	37	29	37	0.9	16.64	(96)	Avg
American Century Ultra Inv TWCUX	Bronze	★★★	14.2	14.2	10.4	1.2	5.9	60	60	27	49	77	0.5	17.40	(94)	Avg
American Funds AMCAP A AMCPX	Gold	★★★	15.7	15.7	9.8	2.8	7.4	43	43	39	19	39	0.4	15.71	(98)	-Avg
American Funds Growth Fund of Amer A AGTHX	Bronze	★★★	20.5	20.5	8.8	1.1	8.2	7	7	59	53	22	0.8	16.04	(96)	-Avg
American Funds New Economy A ANEFX	Gold	★★★	**24.0**	**24.0**	9.9	2.3	9.6	2	2	37	28	9	0.6	16.86	(93)	Avg
ASTON/Montag & Caldwell Growth N MCGFX	Gold	★★★	12.7	12.7	8.0	1.9	6.4	77	77	72	35	66	0.9	13.29	(95)	Low
Brandywine Blue BLUEX	Neutral	↓★	6.7	6.7	**4.4**	**-7.0**	4.8	99	99	98	99	93	0.0	18.81	(89)	+Avg
Calamos Growth A CVGRX	Bronze	★	9.3	9.3	6.1	-2.0	7.6	96	96	92	93	35	0.0	18.73	(88)	+Avg
Chase Growth N CHASX	—	★★★	13.4	13.4	8.1	-1.0	5.9	69	69	70	83	77	0.3	14.32	(92)	Low
ClearBridge Aggressive Growth A SHRAX	Bronze	↑★★★	18.5	18.5	14.2	2.6	7.8	17	17	3	22	30	0.0	19.11	(92)	High
Dynamic US Growth I DWUGX	—	★★★★★	**6.6**	**6.6**	**18.9**	—	—	99	99	1	—	—	0.0	21.02	(57)	High
Fidelity FFIDX	—	★★★	16.6	16.6	9.3	-0.3	6.8	33	33	49	73	54	1.4	16.07	(97)	-Avg
Fidelity Blue Chip Growth FBGRX	Neutral	★★★★	17.8	17.8	11.1	4.1	7.1	23	23	19	8	46	0.5	18.40	(93)	+Avg
Fidelity Capital Appreciation FDCAX	—	↑★★★★★	22.5	22.5	12.2	2.7	9.5	4	4	9	21	10	0.6	16.78	(90)	Avg
Fidelity Contrafund FCNTX	Silver	★★★★	16.3	16.3	10.7	2.0	9.7	36	36	24	35	9	0.3	14.43	(93)	Low
Fidelity Export & Multinational FEXPX	—	↓★★	16.0	16.0	7.8	-0.6	7.7	38	38	76	78	31	0.8	15.85	(98)	-Avg
Fidelity Growth Company FDGRX	Silver	★★★★★	18.5	18.5	12.9	3.7	11.0	17	17	7	10	3	0.2	18.18	(91)	+Avg
Fidelity Growth Discovery FDSVX	Neutral	★★★	14.5	14.5	12.6	-0.3	6.8	56	56	8	74	55	0.4	17.93	(94)	+Avg
Fidelity Independence FDFFX	—	★★	20.0	20.0	9.3	-1.0	7.7	9	9	47	84	31	0.2	22.05	(88)	High
Fidelity Magellan FMAGX	Neutral	★	18.0	18.0	5.5	-3.5	**4.3**	21	21	95	97	96	1.4	18.06	(96)	+Avg
Fidelity New Millennium FMILX	Bronze	★★★★	15.7	15.7	12.1	3.4	9.4	44	44	9	12	11	1.1	16.22	(96)	-Avg
✶ Fidelity OTC FOCPX	Bronze	★★★★	11.3	11.3	10.0	3.1	9.9	89	89	35	15	8	0.5	20.15	(89)	High
Harbor Capital Appreciation Instl HACAX	Gold	★★★★	15.7	15.7	9.1	3.0	8.0	43	43	51	16	25	0.4	17.27	(90)	Avg
Janus Growth & Income T JAGIX	Neutral	★★	16.7	16.7	7.6	-0.1	6.2	33	33	77	71	70	1.7	17.46	(95)	Avg
Janus Research T JAMRX	Neutral	★★★★	16.6	16.6	10.7	1.5	8.6	33	33	24	43	18	0.7	16.94	(94)	Avg
Janus T JANSX	Neutral	★★★	17.7	17.7	7.2	0.4	6.4	24	24	82	64	65	0.6	15.84	(94)	-Avg
Janus Twenty T JAVLX	Neutral	↓★★★	22.3	22.3	6.3	0.0	10.0	5	5	90	70	7	0.7	19.00	(91)	+Avg
Jensen Quality Growth J JENSX	Gold	↑★★★★	13.5	13.5	7.9	2.8	5.5	67	67	74	19	86	1.1	14.32	(95)	Low
Laudus Growth Investors US Large Cap Gr LGILX	Neutral	★★★★★	18.2	18.2	11.0	5.0	10.2	20	20	20	5	6	0.1	17.69	(89)	Avg
Litman Gregory Masters Equity Instl MSEFX	—	★★	13.8	13.8	9.1	0.0	6.0	64	64	51	70	74	0.1	17.26	(93)	Avg
Litman Gregory Masters Focused Opp Instl MSFOX	—	↑★★★★	17.6	17.6	11.9	1.2	—	25	25	11	50	—	1.0	14.81	(95)	Low
LKCM Equity Instl LKEQX	Silver	↑★★★★★	15.7	15.7	12.1	4.0	7.8	43	43	10	9	29	0.7	15.60	(96)	-Avg
Madison Mosaic Investors Y MINVX	—	★★★	14.1	14.1	8.0	2.3	5.6	61	61	72	27	83	0.8	14.16	(97)	Low
Marsico Focus MFOCX	Neutral	★★★	11.8	11.8	8.8	-0.1	7.0	86	86	59	71	49	0.1	18.04	(92)	+Avg
Marsico Growth MGRIX	Neutral	★★★	12.6	12.6	10.0	-0.3	6.8	79	79	36	75	54	0.2	17.92	(93)	+Avg
Morgan Stanley Focus Growth A AMOAX	Gold	★★	14.0	14.0	10.8	2.3	7.3	62	62	22	28	41	0.0	19.21	(77)	High
PRIMECAP Odyssey Growth POGRX	Gold	★★★★	16.8	16.8	9.6	4.1	—	32	32	42	8	—	0.6	17.53	(92)	Avg
T. Rowe Price Blue Chip Growth TRBCX	Silver	★★★★	18.4	18.4	11.9	2.7	7.9	18	18	11	20	28	0.3	17.99	(93)	+Avg
T. Rowe Price Growth & Income PRGIX	—	★★★	14.9	14.9	9.3	1.6	6.7	52	52	48	42	57	1.3	15.09	(99)	Low
T. Rowe Price Growth Stock PRGFX	Bronze	★★★★	18.9	18.9	11.3	2.6	8.3	14	14	18	22	22	0.2	18.03	(93)	+Avg
T. Rowe Price New America Growth PRWAX	Gold	↓★★★★	13.6	13.6	10.5	4.5	9.0	67	67	26	6	13	0.5	16.50	(96)	Avg
T. Rowe Price Spectrum Growth PRSGX	Silver	★★★	18.1	18.1	10.0	1.9	8.9	20	20	35	37	15	1.3	17.50	(98)	Avg
Touchstone Sands Capital Select Growth Z PTSGX	Bronze	★★★★★	22.9	22.9	16.1	**6.3**	10.4	4	4	2	3	5	0.0	18.53	(82)	+Avg
Vanguard Capital Opportunity Inv VHCOX	Gold	★★★★	18.4	18.4	7.2	2.3	11.0	18	18	82	29	3	1.1	18.25	(94)	+Avg
Vanguard FTSE Social Index Inv VFTSX	—	↑★★★	17.8	17.8	10.2	0.8	5.4	23	23	31	57	87	1.7	15.92	(98)	-Avg
Vanguard Growth Equity Inv VGEQX	—	★★★	15.0	15.0	10.6	-1.1	6.8	50	50	25	86	53	1.0	16.04	(94)	-Avg
Vanguard Growth Index Adm VIGAX	Silver	★★★★	17.0	17.0	11.8	3.3	7.5	30	30	12	13	36	1.5	16.49	(97)	Avg
Russell 1000 Growth Index			**15.3**	**15.3**	**11.4**	**3.1**	**7.5**									
S&P 500 Index			**16.0**	**16.0**	**10.9**	**1.7**	**7.1**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

✶ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

	Current Portfolio Style									Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**17.0**	**3.0**	**39,305**	27	17	13	—	**72**	**3**	**96**	**0**	**0**	**7**	—	**1.22**	—	**1,652**	—
AMAGX		15.0	2.9	32,450	44	18	12	70	12	6	94	0	0	19	NL	1.13	26.89	2,155	Kaiser/Klimo (18.9/0.3)
TWCGX		17.2	3.6	54,354	30	16	15	122	79	0	99	0	1	1	Clsd	0.98	26.88	8,805	LeGard/Woodhams (13.8/15.3)
TWCUX		16.8	3.5	56,146	34	15	15	78	13	0	99	0	1	6	NL	0.99	26.04	6,319	Lee/Li (4.0/4.0)
AMCPX		16.2	2.3	25,157	22	18	12	242	31	11	85	0	3	4	5.75	**0.73**	21.69	25,033	Management Team
AGTHX		16.5	2.5	39,542	19	16	16	446	18	10	89	0	1	16	5.75	**0.71**	34.35	113,162	Management Team
ANEFX		15.4	2.3	16,326	23	22	19	196	45	8	89	0	3	33	5.75	0.85	28.43	7,800	Management Team
MCGFX		17.5	3.2	72,913	29	19	17	39	63	7	93	0	0	2	NL	1.06	23.84	4,269	Ronald Canakaris (18.2)
BLUEX		15.0	2.4	27,106	36	15	14	37	256	4	96	0	0	8	NL	1.08	24.54	489	Management Team
CVGRX		19.5	3.5	34,172	41	14	12	86	57	3	96	0	1	12	4.75	1.29	47.04	6,306	Management Team
CHASX		15.0	3.3	44,170	21	21	16	36	47	3	97	0	0	2	NL	1.33	13.45	125	Management Team
SHRAX		16.8	2.1	18,371	35	17	15	60	8	0	100	0	0	12	5.75	1.27	126.44	5,883	Management Team
DWUGX		37.5	6.6	8,093	43	25	23	24	324	0	100	0	0	0	NL	0.95	20.35	53	Noah Blackstein (3.8)
FFIDX		15.1	2.1	52,875	16	15	14	144	102	2	98	0	0	9	NL	**0.58**	35.81	5,184	John Avery (10.9)
FBGRX		17.6	3.0	41,610	32	21	16	280	95	0	100	0	0	8	NL	0.89	49.05	16,914	Sonu Kalra (3.5)
FDCAX		15.5	2.3	25,663	32	15	15	69	169	16	84	0	0	7	NL	0.95	29.38	6,278	J. Shiel (7.2)
FCNTX		17.4	2.9	47,543	24	20	15	373	55	2	97	0	0	11	NL	**0.81**	77.57	84,534	William Danoff (22.3)
FEXPX		15.5	2.4	31,624	15	14	13	97	97	5	95	0	0	13	NL	**0.82**	21.89	1,910	Heather Carrillo (2.9)
FDGRX		18.6	3.4	26,883	34	16	16	307	36	0	100	0	0	9	Clsd	**0.84**	93.38	42,587	Steven Wymer (16.0)
FDSVX		19.2	3.8	28,790	28	17	16	144	74	2	98	0	0	11	NL	**0.80**	15.58	920	Jason Weiner (5.9)
FDFFX		17.4	2.9	17,890	28	17	15	148	93	0	100	0	0	11	NL	**0.70**	25.92	3,469	Robert Bertelson (6.2)
FMAGX		15.4	2.3	41,275	21	15	14	201	99	2	98	0	0	8	NL	**0.53**	73.27	14,199	Jeffrey Feingold (1.3)
FMILX		14.8	1.7	17,928	21	15	12	202	69	2	98	1	0	9	NL	0.99	30.33	2,006	John Roth (6.5)
FOCPX		18.2	2.5	18,773	54	18	13	209	149	0	100	0	0	8	NL	0.90	60.59	7,023	Gavin Baker (3.5)
HACAX		20.4	3.9	43,131	33	22	15	73	53	0	100	0	0	11	NL	**0.66**	42.52	17,036	Spiros Segalas (22.7)
JAGIX		14.6	2.6	36,681	20	13	12	87	60	2	92	3	4	13	NL	0.90	34.15	3,449	Marc Pinto (5.2)
JAMRX		16.4	3.1	28,769	30	21	12	103	64	2	98	0	1	5	NL	0.95	32.56	3,347	James Goff (6.9)
JANSX		17.2	3.5	35,327	27	21	14	81	46	5	95	0	0	16	NL	**0.78**	31.95	7,942	Coleman/Wilson (5.2/1.7)
JAVLX		17.3	3.2	56,870	29	29	16	33	12	3	97	0	0	17	Clsd	**0.81**	62.06	8,382	Ron Sachs (5.0)
JENSX		16.0	3.8	38,236	27	23	21	30	16	2	98	0	0	0	NL	0.91	29.76	3,881	Management Team
LGILX		19.9	3.8	44,317	32	18	11	49	96	0	99	1	0	6	NL	**0.78**	14.42	1,454	Management Team
MSEFX		14.2	1.6	15,250	26	20	13	84	71	0	97	0	3	14	NL	1.26	13.88	275	Management Team
MSFOX		13.0	1.5	43,344	37	16	14	20	33	0	100	0	0	20	NL	1.34	11.60	58	Management Team
LKEQX		16.7	2.5	23,429	18	16	15	79	20	5	95	0	0	0	NL	**0.80**	17.62	161	Management Team
MINVX		15.9	2.5	45,203	20	18	16	35	36	7	93	0	0	6	NL	0.99	18.56	35	Halford/Sekelsky (2.7/22.9)
MFOCX		18.3	2.2	51,996	25	19	17	35	66	3	97	0	0	1	NL	1.34	17.32	835	Marsico/Witter (15.0/2.2)
MGRIX		18.4	3.5	39,328	34	12	12	58	65	1	97	0	2	8	NL	1.35	20.34	613	Marsico/Witter (15.0/2.2)
AMOAX		23.9	3.1	42,583	43	15	11	34	32	1	98	0	1	24	5.25	0.96	38.32	1,517	Management Team
POGRX		18.3	2.8	14,153	45	27	8	118	12	5	95	0	0	11	NL	**0.67**	17.34	2,221	Management Team
TRBCX		19.2	3.5	46,950	28	24	14	141	44	1	99	0	0	3	NL	**0.77**	45.63	15,431	Larry Puglia (19.5)
PRGIX		15.1	2.3	43,154	15	14	14	103	9	0	99	0	0	4	NL	**0.71**	22.57	1,169	Thomas Huber (5.9)
PRGFX		20.0	3.9	48,419	33	22	14	114	30	3	96	0	1	5	NL	**0.70**	37.78	30,514	Robert Bartolo (5.2)
PRWAX		17.7	2.9	18,758	30	23	18	132	32	8	92	0	1	4	NL	**0.81**	35.92	3,620	Joseph Milano (10.5)
PRSGX		13.2	1.8	24,999	16	15	15	12	13	3	96	0	1	32	NL	**0.80**	19.40	3,253	Charles Shriver (1.7)
PTSGX		21.4	4.4	46,333	38	23	13	30	19	2	98	0	0	4	NL	1.32	12.52	3,540	Frank Sands, Jr. (12.4)
VHCOX		16.5	2.3	19,561	37	32	11	124	9	2	98	0	0	14	Clsd	**0.48**	33.62	7,557	Management Team
VFTSX		14.7	1.8	36,589	24	22	16	342	45	0	100	0	0	1	NL	**0.29**	8.59	619	Christine Franquin (1.0)
VGEQX		18.7	3.3	32,287	31	19	13	87	40	3	97	0	0	7	NL	**0.54**	12.28	715	Brewis/McCarragher (4.7/4.0)
VIGAX		16.4	3.4	49,258	30	16	12	411	23	0	100	0	0	1	NL	**0.10**	36.64	27,075	Gerard O'Reilly (18.0)
		14.3	**1.9**	**40,421.1**															

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Sectors

- Cyclical
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate
- Sensitive
- Communication Svs
- Energy
- Industrials
- Technology
- Defensive
- Consumer Def
- Healthcare
- Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating	Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
Large Growth (cont'd)		—	**15.2**	**15.2**	**9.0**	**0.7**	**6.4**	—	—	—	—	—	**0.5**	**17.3**	**(91)**	—
Vanguard Morgan Growth Inv VMRGX	Neutral	★★★★	15.1	15.1	10.0	1.2	7.8	50	50	35	50	30	1.0	17.85	(95)	Avg
Vanguard PRIMECAP Core Inv VPCCX	Gold	★★★★	14.6	14.6	9.3	4.2	—	55	55	49	8	—	1.7	15.66	(97)	-Avg
Vanguard PRIMECAP Inv VPMCX	Gold	★★★★	15.3	15.3	8.5	3.0	9.9	48	48	65	16	8	1.4	16.03	(97)	-Avg
Large Blend		—	**14.9**	**14.9**	**8.9**	**0.6**	**6.3**	—	—	—	—	—	**1.2**	**16.1**	**(96)**	—
Amana Trust Income AMANX	Silver	★★★★★	9.7	9.7	7.8	3.5	**11.1**	93	93	71	6	1	1.6	12.83	(95)	Low
American Funds Fundamental Investors A ANCFX	Gold	↓★★★	17.1	17.1	9.4	1.1	9.1	19	19	45	45	4	1.6	16.00	(98)	Avg
American Funds Invmt Co of America A AIVSX	Silver	★★★	15.6	15.6	8.0	0.9	6.6	43	43	70	49	48	2.4	15.16	(98)	-Avg
BBH Core Select N BBTEX	Silver	★★★★★	18.7	18.7	12.9	6.5	9.3	9	9	4	1	4	0.6	12.42	(95)	Low
Bridgeway Blue Chip 35 Index BRLIX	Silver	★★★	15.2	15.2	9.5	2.1	6.3	52	52	43	19	63	2.9	14.59	(98)	-Avg
CGM Focus CGMFX	Neutral	★	14.2	14.2	**-0.5**	**-10.8**	10.6	65	65	100	99	1	0.0	25.89	(76)	High
Clipper CFIMX	Gold	↑★★	12.3	12.3	9.7	-1.8	2.9	81	81	40	90	99	2.0	13.20	(94)	Low
Columbia Value and Restructuring Z UMBIX	Neutral	★★	13.9	13.9	6.7	-1.2	8.8	68	68	85	84	7	1.2	21.43	(92)	High
Davis NY Venture A NYVTX	Gold	★★	12.7	12.7	6.4	-1.0	6.6	78	78	90	83	50	1.3	15.24	(97)	-Avg
Domini Social Equity Inv DSEFX	Neutral	★★★	11.3	11.3	8.4	1.4	5.7	86	86	63	33	80	0.6	15.76	(96)	Avg
Dreyfus Appreciation DGAGX	Silver	↓★★★★	10.2	10.2	11.0	2.3	6.3	92	92	13	17	63	1.7	13.67	(95)	-Avg
Fidelity Dividend Growth FDGFX	Silver	★★	18.7	18.7	9.6	2.5	5.9	9	9	42	12	74	1.0	20.11	(97)	High
Fidelity Large Cap Stock FLCSX	Bronze	★★★	20.7	20.7	12.0	2.1	7.3	4	4	7	20	24	1.0	18.18	(98)	High
Fidelity Spartan 500 Index Inv FUSEX	Gold	★★★★	15.9	15.9	10.8	1.6	7.0	36	36	15	28	32	2.1	15.30	(100)	Avg
Fidelity Spartan Total Market Index Inv FSTMX	—	★★★★	16.3	16.3	11.3	2.1	7.8	29	29	10	19	16	1.9	15.91	(100)	Avg
First Eagle US Value A FEVAX	Silver	★★★★	10.7	10.7	9.5	4.7	9.4	88	88	44	3	3	0.7	10.88	(95)	Low
FMI Large Cap FMIHX	Gold	★★★★★	14.9	14.9	9.1	4.3	9.7	58	58	52	3	3	1.1	14.04	(95)	-Avg
Gabelli Asset AAA GABAX	—	★★★★★	16.3	16.3	12.5	3.2	9.7	29	29	5	7	2	1.2	15.98	(96)	Avg
Janus Contrarian T JSVAX	—	↑★★★	**23.8**	**23.8**	5.0	-3.8	10.5	2	2	96	97	1	0.9	17.52	(85)	+Avg
Legg Mason Cap Mgmt Value A LGVAX	Neutral	★	16.0	16.0	6.5	*-5.2*	*2.5*	35	35	89	*98*	*99*	1.5	16.78	(95)	+Avg
Longleaf Partners LLPFX	Gold	★	16.5	16.5	10.1	0.3	6.3	25	25	33	63	63	0.9	18.43	(87)	High
MainStay MAP I MUBFX	Bronze	★★★★	16.2	16.2	9.6	1.5	8.9	30	30	41	30	6	1.3	16.12	(98)	Avg
Mairs & Power Growth Inv MPGFX	Silver	★★★★★	21.9	21.9	13.0	4.8	8.6	3	3	4	3	8	1.6	15.34	(90)	Avg
Manning & Napier Equity EXEYX	Gold	★★★	13.4	13.4	6.7	1.5	8.2	73	73	87	30	12	0.2	17.00	(97)	+Avg
MFS Research A MFRFX	Bronze	★★★★	17.2	17.2	10.3	2.1	7.9	18	18	27	19	14	0.8	16.14	(99)	Avg
Muhlenkamp MUHLX	—	★	12.5	12.5	4.4	-2.3	5.3	79	79	98	93	88	0.6	13.81	(93)	Low
Mutual Beacon A TEBIX	Bronze	★★	16.1	16.1	7.9	-0.7	6.7	33	33	71	80	44	1.5	13.72	(94)	Low
Oakmark I OAKMX	Gold	★★★★	21.0	21.0	11.4	6.2	7.8	4	4	9	2	16	0.8	16.19	(97)	Avg
Oakmark Select I OAKLX	Gold	↑★★★★	21.7	21.7	12.1	6.5	7.1	3	3	6	1	30	0.1	17.66	(91)	High
Parnassus Equity Income - Inv PRBLX	Bronze	★★★★★	15.4	15.4	9.0	5.2	8.1	47	47	54	3	12	2.5	13.46	(94)	Low
PRIMECAP Odyssey Stock POSKX	Gold	★★★★	13.6	13.6	9.1	3.6	—	70	70	54	6	—	1.5	14.19	(97)	-Avg
Royce Special Equity Multi-Cap Service RSEMX	Bronze	NR	11.6	11.6	—	—	—	85	85	—	—	—	0.8	—	(—)	
Schwab S&P 500 Index SWPPX	—	★★★★	15.9	15.9	10.8	1.7	7.1	37	37	15	27	32	2.2	15.25	(100)	-Avg
Schwab Total Stock Market Index SWTSX	Silver	★★★★	16.3	16.3	11.4	2.4	7.9	29	29	9	14	15	2.1	15.78	(100)	Avg
Selected American Shares D SLADX	Gold	★★	13.2	13.2	7.0	-0.3	*6.8*	74	74	83	74	*40*	1.7	15.11	(97)	-Avg
Sequoia SEQUX	Gold	★★★★★	15.7	15.7	**16.1**	5.7	7.4	42	42	2	2	22	0.0	11.32	(83)	Low
T. Rowe Price Dividend Growth PRDGX	Silver	★★★★	14.9	14.9	10.4	2.5	7.4	58	58	24	12	22	1.7	14.56	(99)	-Avg
Thornburg Value A TVAFX	Neutral	↑★★	10.7	10.7	1.5	-2.4	6.2	89	89	99	94	66	0.0	20.06	(89)	High
Torray TORYX	—	★★	**8.4**	**8.4**	8.4	-0.1	4.4	96	96	63	70	95	1.4	12.49	(93)	Low
Vanguard 500 Index Admiral VFIAX	Gold	★★★★	16.0	16.0	10.9	1.7	7.1	35	35	15	26	31	2.2	15.31	(100)	Avg
Vanguard Capital Value Inv VCVLX	Bronze	★★	22.3	22.3	8.2	3.3	8.2	3	3	67	6	12	1.8	22.19	(93)	High
Vanguard Dividend Appreciation Idx Inv VDAIX	—	★★★★★	11.5	11.5	10.7	3.5	—	85	85	19	6	—	2.3	12.88	(95)	Low
Vanguard Dividend Growth Inv VDIGX	Gold	★★★★★	10.4	10.4	10.4	4.1	8.8	91	91	25	4	—	2.2	12.18	(95)	Low
Vanguard Growth & Income Inv VQNPX	—	★★★	16.9	16.9	11.1	0.9	6.5	21	21	11	49	56	2.1	15.46	(99)	Avg
Vanguard Tax-Managed Capital App Adm VTCLX	Gold	★★★★	16.4	16.4	11.0	2.0	7.8	28	28	12	22	16	1.9	15.92	(100)	Avg
Russell 1000 Value Index			**17.5**	**17.5**	**10.9**	**0.6**	**7.4**									
S&P 500 Index			**16.0**	**16.0**	**10.9**	**1.7**	**7.1**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

	Current Portfolio Style															Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Recent Composition (% of Assets) Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**17.0**	**3.0**	**39,305**	**27**	**17**	**13**	—	**72**	**3**	**96**	**0**	**0**	**7**	—	**1.22**	—	**1,652**	—
VMRGX		16.6	3.2	33,466	33	15	13	323	49	2	98	0	0	5	NL	**0.40**	19.90	8,717	Management Team
VPCCX		15.3	2.7	39,764	30	25	15	140	10	2	98	0	0	16	Clsd	**0.50**	14.93	4,652	Management Team
VPMCX		15.5	2.7	45,385	32	31	13	122	6	3	97	0	0	12	Clsd	**0.45**	69.49	29,254	Management Team
	—	**13.7**	**2.0**	**42,003**	**16**	**15**	**12**	—	**65**	**2**	**94**	**2**	**1**	**9**	—	**1.12**	—	**2,674**	—
AMANX		13.8	2.9	38,133	27	18	17	66	3	1	98	0	0	21	NL	1.20	34.24	1,279	Kaiser/Klimo (23.0/0.3)
ANCFX		14.6	2.2	41,920	16	14	14	282	28	5	94	0	2	22	5.75	**0.63**	40.78	51,505	Management Team
AIVSX		13.3	2.0	65,480	16	15	15	315	28	8	88	1	3	10	5.75	**0.61**	30.16	57,427	Management Team
BBTEX		15.3	2.3	58,872	22	21	17	35	17	10	90	0	0	15	NL	1.00	17.35	3,789	Management Team
BRLIX		13.9	2.0	134,842	24	17	14	38	33	0	100	0	0	0	NL	**0.15**	8.31	242	Management Team
CGMFX		14.6	1.5	19,600	46	23	11	21	496	1	114	-15	0	0	NL	1.05	29.30	1,446	G. Heebner (15.3)
CFIMX		13.4	1.4	33,589	56	19	10	28	15	2	98	0	0	14	NL	0.75	68.86	1,020	Davis/Feinberg (7.0/7.0)
UMBIX		14.1	1.9	63,486	20	19	16	79	64	0	98	0	2	4	NL	0.94	43.98	2,298	Pope/Smith (3.9/3.9)
NYVTX		14.8	1.6	39,463	37	15	10	77	11	0	100	0	0	17	4.75	0.90	34.78	19,367	Davis/Feinberg (17.3/14.7)
DSEFX		13.3	2.3	31,750	22	12	11	150	94	1	99	0	0	7	NL	1.25	32.94	761	Donald Tunnell (3.7)
DGAGX		13.1	2.6	110,557	31	20	14	61	3	6	94	0	0	16	NL	0.97	43.93	5,458	Management Team
FDGFX		14.5	1.9	17,551	20	12	12	519	63	0	99	0	0	15	NL	0.91	29.90	7,247	Lawrence Rakers (4.3)
FLCSX		13.3	1.7	42,800	22	16	15	208	64	1	99	0	0	8	NL	1.02	20.49	1,271	Matthew Fruhan (7.7)
FUSEX		14.2	2.0	55,795	18	14	12	505	5	1	99	0	0	2	NL	**0.10**	50.49	49,041	Management Team
FSTMX		14.5	2.0	31,473	17	14	12	3,310	17	2	98	0	0	2	NL	**0.10**	41.22	14,435	Management Team
FEVAX		13.4	1.8	23,044	19	19	16	85	19	22	70	2	6	6	5.00	1.18	17.88	3,011	Management Team
FMIHX		14.2	2.2	34,760	20	19	16	29	21	8	92	0	0	12	NL	0.96	17.10	6,233	Management Team
GABAX		14.8	2.0	13,571	23	20	17	508	8	0	100	0	0	18	NL	1.37	51.87	2,777	Management Team
JSVAX		12.5	2.4	11,185	23	18	18	44	53	5	95	0	0	21	NL	0.74	15.11	2,489	Daniel Kozlowski (1.5)
LGVAX		12.4	1.8	54,389	19	19	17	49	40	0	98	0	2	4	5.75	1.03	43.07	2,168	Gay/Peters (6.8/2.2)
LLPFX		13.3	1.4	20,713	34	13	12	30	24	7	88	0	5	7	NL	0.91	26.39	7,703	Cates/Hawkins (18.8/25.8)
MUBFX		12.7	1.7	46,293	17	15	13	194	44	3	97	0	0	15	NL	0.89	35.34	2,049	Management Team
MPGFX		15.0	2.5	13,984	36	18	13	46	3	3	97	0	0	0	NL	0.72	83.95	2,494	Frels/Henneman (13.1/7.0)
EXEYX		16.8	1.9	14,986	25	14	12	75	63	4	96	0	0	2	NL	1.05	17.14	1,182	Management Team
MFRFX		14.7	2.0	43,343	17	15	13	134	61	1	98	0	1	4	5.75	0.90	28.57	2,921	Joseph MacDougall (4.7)
MUHLX		11.7	1.7	23,583	21	20	18	49	43	1	100	0	-1	6	NL	1.25	52.22	428	Ronald Muhlenkamp (24.1)
TEBIX		12.8	1.2	24,079	21	15	13	155	51	10	83	5	2	33	5.75	1.14	13.28	3,743	Correa/Hormozi (5.9/3.1)
OAKMX		12.6	1.4	46,024	26	20	17	56	27	6	94	0	0	7	NL	1.03	48.53	7,329	Grant/Nygren (12.8/12.8)
OAKLX		12.6	1.1	25,700	27	26	14	21	32	6	94	0	0	10	NL	1.05	30.97	3,231	William Nygren (16.2)
PRBLX		18.9	2.8	18,713	22	21	15	38	63	8	92	0	0	8	NL	0.94	29.20	5,028	Ahlsten/Allen (11.7/0.7)
POSKX		15.0	2.5	33,215	31	19	13	112	11	8	92	0	0	14	NL	0.66	15.98	1,612	Management Team
RSEMX		13.3	2.6	21,264	26	24	23	37	5	3	97	0	0	0	NL	1.39	11.68	109	Charles Dreifus (2.0)
SWPPX		13.8	2.0	56,417	18	13	12	503	3	2	98	0	0	2	NL	**0.09**	22.19	12,759	Management Team
SWTSX		14.0	1.9	32,401	18	13	12	2,275	1	1	99	0	0	2	NL	**0.09**	25.76	2,266	Hong/Mano (0.9/13.6)
SLADX		15.1	1.7	37,138	35	18	10	82	11	6	94	0	0	18	NL	**0.61**	41.68	5,328	Davis/Feinberg (18.1/14.7)
SEQUX		19.3	2.8	22,655	24	22	20	46	3	16	84	0	0	20	Clsd	1.00	168.31	5,744	Goldfarb/Poppe (14.5/6.7)
PRDGX		15.1	2.5	36,588	16	14	13	122	10	4	96	0	0	3	NL	0.68	26.34	2,688	Thomas Huber (12.8)
TVAFX		12.0	1.4	21,363	21	19	16	51	54	3	95	0	2	19	4.50	1.32	32.42	1,619	Browne/Maran (6.9/6.9)
TORYX		12.7	2.0	35,074	23	22	15	33	13	8	92	0	0	0	NL	1.17	33.00	332	Torray/Fialco (22.1/4.7)
VFIAX		14.2	2.1	58,821	19	13	12	517	4	0	100	0	0	1	NL	**0.05**	131.37	118,503	Michael Buek (21.0)
VCVLX		11.4	1.1	10,568	20	18	14	138	123	0	97	0	3	12	Clsd	**0.47**	11.09	684	Higgins/Palmer (4.5/3.0)
VDAIX		14.7	3.0	42,697	27	24	12	134	14	0	100	0	0	0	NL	**0.25**	23.82	14,618	Ryan Ludt (6.7)
VDIGX		13.9	2.6	60,417	18	18	16	53	13	0	96	0	4	10	NL	**0.31**	16.64	11,753	Donald Kilbride (6.9)
VQNPX		13.5	1.9	58,743	18	15	12	845	102	2	98	0	0	1	NL	**0.36**	30.31	4,278	Management Team
VTCLX		14.3	2.1	41,785	18	13	12	626	2	0	100	0	0	0	NL	**0.12**	71.17	4,019	Michael Buek (18.3)
		14.3	**1.9**	**40,421.1**															

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Sectors

- Cyclical
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate
- Sensitive
- Communication Svs
- Energy
- Industrials
- Technology
- Defensive
- Consumer Def
- Healthcare
- Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating	Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
			Historical Performance											Historical Risk		
Large Blend (cont'd)		—	**14.9**	**14.9**	**8.9**	**0.6**	**6.3**	—	—	—	—	—	**1.2**	**16.1**	**(96)**	—
Vanguard Tax-Managed Growth & Inc Adm VTGLX	Gold	★★★★	15.9	15.9	10.8	1.6	7.1	37	37	16	28	31	2.1	15.30	(100)	Avg
Vanguard Total Stock Mkt Idx Adm VTSAX	Gold	★★★★	16.4	16.4	11.3	2.3	7.9	27	27	10	16	14	2.1	16.00	(100)	Avg
Weitz Value WVALX	Silver	★★★	13.2	13.2	12.9	1.7	5.6	75	75	4	25	82	0.1	13.69	(93)	-Avg
Yacktman Focused Svc YAFFX	Silver	★★★★★	10.6	10.6	9.9	**10.6**	11.0	90	90	35	1	1	0.8	11.40	(90)	Low
Yacktman Svc YACKX	Gold	★★★★★	11.5	11.5	10.5	9.7	10.6	85	85	24	1	1	1.3	11.90	(92)	Low
Large Value		—	**14.6**	**14.6**	**8.9**	**0.1**	**6.3**	—	—	—	—	—	**1.6**	**15.8**	**(94)**	—
Allianz NFJ Large Cap Value D PNBDX	—	★★	13.7	13.7	9.0	**-2.3**	5.9	64	64	51	90	75	1.0	14.93	(97)	-Avg
American Beacon Lg Cap Value Inv AAGPX	Bronze	★★★★	18.7	18.7	9.6	0.2	8.1	10	10	41	51	10	2.0	16.58	(98)	Avg
American Century Equity Income Inv TWEIX	Silver	★★★★★	11.5	11.5	9.4	3.3	7.4	84	84	45	7	26	2.5	10.64	(94)	Low
American Century Value Inv TWVLX	Silver	★★★★	14.6	14.6	9.3	2.7	7.1	53	53	45	11	34	1.6	13.93	(96)	-Avg
American Funds American Mutual A AMRMX	Gold	★★★★	12.3	12.3	9.7	3.0	7.2	77	77	38	9	33	2.4	11.98	(97)	Low
American Funds Washington Mutual A AWSHX	Gold	★★★	12.5	12.5	10.9	1.7	6.7	76	76	15	24	52	2.3	13.20	(96)	-Avg
Ariel Focus Investor ARFFX	—	★★	11.4	11.4	5.5	0.3	—	84	84	96	50	—	1.2	17.91	(93)	+Avg
Artisan Value Fund Investor Shares ARTLX	Silver	★★★★	13.7	13.7	10.1	2.5	—	65	65	29	13	—	0.8	14.69	(93)	-Avg
Auxier Focus Inv AUXFX	—	★★★★	**8.7**	**8.7**	8.1	**3.5**	7.5	95	95	68	4	24	1.3	11.02	(94)	Low
Columbia Dividend Income Z GSFTX	Silver	★★★★★	11.2	11.2	10.4	2.9	8.2	86	86	23	10	9	2.6	12.86	(96)	-Avg
Diamond Hill Large Cap A DHLAX	Silver	★★★★	12.3	12.3	7.9	1.5	9.3	78	78	72	27	2	1.3	14.58	(96)	-Avg
Dodge & Cox Stock DODGX	Gold	★★★	22.0	22.0	9.9	-0.2	7.3	2	2	34	61	28	1.6	17.66	(97)	+Avg
Fairholme FAIRX	Silver	↓★★	**35.8**	**35.8**	**4.8**	2.4	**10.0**	1	1	98	14	1	0.0	24.13	(65)	High
Fidelity Equity Dividend Income FEQTX	Neutral	★★	14.7	14.7	8.2	-1.1	**5.5**	52	52	67	78	83	2.4	17.18	(96)	+Avg
Fidelity Equity-Income FEQIX	Neutral	★★	17.2	17.2	8.8	-0.6	6.1	20	20	57	67	70	2.8	17.27	(97)	+Avg
GoodHaven GOODX	Neutral	NR	19.5	19.5	—	—	—	5	5	—	—	—	1.3	—	(—)	
Invesco Comstock A ACSTX	Silver	★★★	18.9	18.9	10.5	2.3	7.4	8	8	21	15	26	1.5	16.49	(97)	Avg
Invesco Growth and Income A ACGIX	Silver	★★★	14.6	14.6	8.1	1.3	7.3	53	53	68	33	29	1.6	15.99	(97)	Avg
MainStay ICAP Equity I ICAEX	—	★★★★	15.1	15.1	10.3	1.3	8.0	47	47	24	33	11	2.0	15.94	(97)	Avg
MainStay ICAP Select Equity I ICSLX	—	↑★★★★★	15.4	15.4	10.1	1.5	9.7	43	43	30	28	1	1.6	15.98	(97)	Avg
Mutual Shares A TESIX	Bronze	★★★	14.8	14.8	7.9	-0.1	6.6	51	51	73	58	54	1.9	13.36	(95)	-Avg
Perkins Large Cap Value T JPLTX	—	★★★	13.1	13.1	8.0	—	—	71	71	70	—	—	1.4	14.05	(98)	-Avg
Sound Shore SSHFX	Silver	★★★	19.3	19.3	7.9	0.5	7.1	6	6	73	48	36	0.9	17.70	(94)	+Avg
T. Rowe Price Equity Income PRFDX	Gold	★★★★	17.3	17.3	10.3	1.6	7.2	20	20	25	26	31	2.1	15.68	(97)	Avg
T. Rowe Price Value TRVLX	Neutral	↑★★★★	19.5	19.5	10.7	2.3	8.0	6	6	18	15	13	1.7	17.23	(97)	+Avg
TCW Dividend Focused N TGIGX	Neutral	★★★	20.4	20.4	12.0	0.9	7.2	3	3	7	40	33	1.8	18.12	(98)	+Avg
Vanguard Equity-Income Inv VEIPX	Silver	★★★★★	13.5	13.5	**13.0**	3.1	8.1	67	67	2	8	10	2.8	13.04	(95)	-Avg
Vanguard High Dividend Yield Index Inv VHDYX	Silver	★★★★	12.6	12.6	12.3	2.4	—	75	75	5	14	—	3.1	12.88	(94)	-Avg
Vanguard US Value Inv VUVLX	—	★★★	19.1	19.1	11.9	1.0	6.5	7	7	8	37	57	2.5	15.94	(98)	Avg
Vanguard Value Index Adm VVIAX	Silver	★★★★	15.2	15.2	10.1	0.5	7.5	45	45	30	49	25	2.7	15.02	(97)	-Avg
Vanguard Windsor II Inv VWNFX	Silver	★★★★	16.7	16.7	9.9	1.3	7.8	25	25	36	32	17	2.3	15.75	(98)	Avg
Vanguard Windsor Inv VWNDX	Neutral	★★★	20.8	20.8	10.0	1.1	7.1	2	2	32	36	36	2.0	17.54	(98)	+Avg
Wasatch Large Cap Value Investor FMIEX	—	★★★★	10.6	10.6	5.7	0.2	8.6	89	89	95	52	5	1.3	15.86	(97)	Avg
Mid-Cap Growth		—	**14.0**	**14.0**	**10.9**	**1.2**	**8.4**	—	—	—	—	—	**0.2**	**18.4**	**(85)**	—
Akre Focus Retail AKREX	Bronze	★★★★★	16.0	16.0	15.4	—	—	29	29	8	—	—	0.3	10.99	(81)	Low
Artisan Mid Cap Inv ARTMX	Silver	★★★★	19.5	19.5	**15.5**	5.3	11.0	7	7	7	12	15	0.0	18.88	(82)	Avg
Baron Asset Retail BARAX	Neutral	★★★	15.3	15.3	10.7	1.2	9.3	38	38	58	57	44	0.0	17.53	(91)	Avg
Baron Growth Retail BGRFX	Bronze	★★★★	16.4	16.4	13.5	3.6	10.0	25	25	18	29	34	0.2	16.69	(88)	-Avg
Brandywine BRWIX	Neutral	★	**5.3**	**5.3**	**2.3**	**-8.4**	**4.0**	99	99	99	99	99	0.0	21.02	(85)	+Avg
Buffalo Mid Cap BUFMX	Bronze	★★★	13.9	13.9	10.1	3.8	10.3	53	53	66	27	28	0.1	19.40	(86)	Avg
Champlain Mid Cap Adv CIPMX	Silver	★★★	11.5	11.5	11.1	—	—	74	74	51	—	—	0.0	15.19	(89)	Low
Columbia Acorn Select Z ACTWX	Neutral	★★	17.2	17.2	6.4	0.3	8.6	21	21	94	65	58	0.0	21.39	(86)	High
Russell 1000 Value Index			**17.5**	**17.5**	**10.9**	**0.6**	**7.4**									
Russell MidCap Growth Index			**15.8**	**15.8**	**12.9**	**3.2**	**10.3**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

	Current Portfolio Style										Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**13.7**	**2.0**	**42,003**	**16**	**15**	**12**	—	**65**	**2**	**94**	**2**	**1**	**9**	—	**1.12**	—	**2,674**	—
VTGLX		14.2	2.1	58,822	19	13	12	504	6	0	100	0	0	1	NL	**0.12**	63.89	2,516	Michael Perre (6.5)
VTSAX		14.5	2.0	32,918	18	13	12	3,276	5	0	100	0	0	1	NL	**0.05**	35.65	210,370	Gerard O'Reilly (18.0)
WVALX		16.6	2.2	37,579	26	19	12	33	31	27	73	0	0	8	NL	1.20	34.05	898	Management Team
YAFFX		14.3	2.3	55,371	40	19	16	44	2	16	84	0	0	1	NL	1.25	20.52	7,308	Management Team
YACKX		14.1	2.2	53,239	36	18	17	47	3	16	84	0	0	1	NL	0.80	19.12	8,670	Management Team
	—	**12.4**	**1.6**	**42,048**	**20**	**13**	**13**	—	**78**	**3**	**95**	**0**	**1**	**8**	—	**1.16**	—	**1,733**	—
PNBDX		11.2	1.5	43,335	19	17	15	61	27	1	99	0	0	4	NL	1.11	15.44	626	Management Team
AAGPX		11.3	1.3	48,571	27	13	13	186	90	6	94	0	1	16	NL	0.95	20.54	8,168	Management Team
TWEIX		13.3	1.7	44,115	20	19	13	110	115	2	70	1	26	8	Clsd	0.95	7.82	9,621	Management Team
TWVLX		12.6	1.5	38,583	22	17	16	127	62	2	97	0	2	9	NL	1.01	6.37	2,178	Management Team
AMRMX		14.5	2.3	44,814	20	14	13	215	22	7	88	3	3	5	5.75	**0.63**	28.36	22,763	Management Team
AWSHX		13.6	2.4	69,338	23	13	13	168	22	4	95	0	2	8	5.75	**0.62**	31.21	54,999	Management Team
ARFFX		11.6	1.7	30,687	34	15	15	29	32	0	100	0	0	0	NL	1.25	10.81	42	Bobrinskoy/Fidler (7.5/7.5)
ARTLX		11.2	1.4	29,621	29	25	16	37	66	9	87	0	4	10	NL	1.06	11.27	866	Management Team
AUXFX		13.3	2.0	33,041	38	20	12	188	8	18	74	6	2	14	NL	1.25	16.63	253	J. Jeffrey Auxier (13.5)
GSFTX		13.9	2.5	63,122	15	14	13	89	23	4	96	0	0	6	NL	**0.75**	14.75	7,037	Management Team
DHLAX		13.4	1.3	46,416	21	18	15	50	16	3	97	0	0	0	5.00	1.12	16.54	1,667	Management Team
DODGX		13.4	1.4	46,216	20	20	19	82	16	0	99	0	1	18	NL	**0.52**	121.90	39,908	Management Team
FAIRX		9.1	0.3	22,739	75	13	8	26	44	14	86	1	0	0	NL	1.01	31.44	7,253	Bruce Berkowitz (13.0)
FEQTX		14.1	2.0	52,435	14	13	13	161	82	1	99	0	0	10	NL	**0.67**	19.48	5,014	Scott Offen (1.2)
FEQIX		12.5	1.7	46,872	18	14	14	301	80	2	92	1	5	13	NL	**0.67**	47.06	8,323	Management Team
GOODX		14.9	1.3	11,694	33	26	20	28	12	17	77	2	4	8	NL	1.10	23.76	231	Pitkowsky/Trauner (1.7/1.7)
ACSTX		12.2	1.4	52,272	23	15	13	73	17	4	96	0	0	15	5.50	0.88	17.81	8,661	Management Team
ACGIX		13.4	1.7	48,643	25	15	13	77	25	8	92	0	0	8	5.50	0.83	20.94	6,850	Management Team
ICAEX		12.2	1.7	58,311	19	19	15	44	74	1	99	0	0	15	NL	0.90	40.46	892	Management Team
ICSLX		12.4	1.7	65,518	21	15	14	32	71	1	99	0	0	12	NL	0.90	38.54	3,861	Management Team
TESIX		12.4	1.2	27,279	20	18	12	187	29	12	82	4	1	25	5.75	1.16	22.31	13,423	Management Team
JPLTX		13.2	1.5	41,378	23	18	11	107	52	13	86	0	1	11	NL	1.00	13.73	149	Perkins/Preloger (4.0/4.0)
SSHFX		13.1	1.2	33,814	27	19	14	42	61	2	98	0	0	11	NL	0.94	34.91	1,498	Management Team
PRFDX		12.8	1.7	34,303	20	13	13	129	15	5	94	1	1	5	NL	**0.68**	26.45	24,188	Brian Rogers (27.2)
TRVLX		12.6	1.6	38,198	23	19	9	120	53	1	99	0	0	4	NL	0.85	26.38	13,395	Mark Finn (3.0)
TGIGX		13.3	1.6	29,066	20	14	14	57	23	0	100	0	0	8	NL	1.14	12.10	701	Diane Jaffee (11.1)
VEIPX		13.0	2.1	63,785	16	14	13	162	26	5	95	0	0	8	NL	**0.30**	24.15	9,690	Management Team
VHDYX		13.6	2.2	63,083	20	13	13	440	11	0	100	0	0	1	NL	**0.20**	19.54	5,896	Michael Perre (6.2)
VUVLX		11.3	1.5	29,497	22	17	11	188	69	1	99	0	0	2	NL	**0.29**	11.86	625	Management Team
VVIAX		12.7	1.5	48,006	21	15	13	429	23	0	100	0	0	1	NL	**0.10**	22.93	18,428	Gerard O'Reilly (18.0)
VWNFX		12.2	1.6	49,742	20	16	13	270	22	3	97	0	0	8	NL	**0.35**	29.38	37,428	Management Team
VWNDX		11.8	1.3	25,672	25	16	13	133	68	3	97	0	0	20	NL	**0.35**	15.10	12,764	Management Team
FMIEX		12.0	1.6	30,420	19	16	16	70	14	3	97	0	0	6	NL	1.10	14.23	1,192	Shive/Shinnick (16.3/4.1)
	—	**19.2**	**2.8**	**6,503**	**20**	**19**	**19**	—	**89**	**3**	**96**	**0**	**1**	**6**	—	**1.31**	—	**917**	—
AKREX		18.1	1.8	14,442	47	21	12	32	13	11	87	0	2	2	NL	1.40	15.30	1,222	Charles Akre, Jr. (3.3)
ARTMX		23.9	3.8	8,664	32	18	17	77	46	5	95	0	0	6	Clsd	1.22	37.54	6,609	Management Team
BARAX		22.6	3.5	7,058	24	21	16	58	13	1	98	0	0	2	NL	1.33	48.88	2,134	Andrew Peck (9.5)
BGRFX		21.2	2.6	3,198	27	19	14	97	14	4	95	0	1	5	NL	1.32	53.66	5,733	Ronald Baron (18.0)
BRWIX		17.3	2.7	9,470	31	18	18	71	256	2	98	0	0	8	NL	1.08	23.47	913	Management Team
BUFMX		21.4	2.4	4,848	26	22	21	48	31	3	97	0	0	2	NL	1.01	16.97	612	Management Team
CIPMX		16.8	2.1	5,881	19	18	17	70	41	0	100	0	0	7	NL	1.30	11.60	458	Management Team
ACTWX		15.8	1.6	3,876	30	17	13	58	21	0	100	0	0	15	NL	0.97	25.57	979	Andrews/Chalupnik (8.8/1.7)

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Sectors

Cyclical
Basic Materials
Consumer Cyclical
Financial Services
Real Estate
Sensitive
Communication Svs
Energy
Industrials
Technology
Defensive
Consumer Def
Healthcare
Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating	Morningstar Rating vs. Category 5=Best	Historical Performance: Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Historical Risk: Standard Deviation	(R^2)	Risk Relative to Category
Mid-Cap Growth (cont'd)		—	**14.0**	**14.0**	**10.9**	**1.2**	**8.4**	—	—	—	—	—	**0.2**	**18.4**	**(85)**	—
Columbia Acorn Z ACRNX	Bronze	★★★★	17.9	17.9	12.3	4.0	11.6	16	16	34	26	7	0.5	19.31	(91)	Avg
FAM Value Inv FAMVX	Bronze	★★★	11.4	11.4	9.1	2.5	6.5	75	75	75	39	89	0.1	14.34	(88)	Low
Fidelity Mid-Cap Stock FMCSX	Bronze	★★★	14.9	14.9	11.5	2.4	9.0	42	42	46	40	51	1.1	18.98	(92)	Avg
FPA Perennial FPPFX	Gold	★★★	15.0	15.0	11.0	4.5	9.6	42	42	54	20	41	0.0	19.31	(85)	Avg
Janus Enterprise T JAENX	Bronze	★★★★	17.6	17.6	13.2	3.4	11.5	18	18	21	32	9	0.0	15.95	(91)	-Avg
Meridian Growth MERDX	Neutral	★★★★★	12.3	12.3	14.2	7.2	11.4	67	67	12	2	9	0.3	17.65	(87)	Avg
Meridian Value MVALX	Neutral	↓★★★	17.4	17.4	10.7	2.3	8.6	19	19	59	42	58	0.3	17.20	(93)	-Avg
Neuberger Berman Genesis Inv NBGNX	Silver	★★★★	9.9	9.9	11.8	3.5	10.9	86	86	42	31	16	0.5	15.79	(85)	-Avg
PRIMECAP Odyssey Aggressive Growth POAGX	Gold	★★★★★	**21.2**	**21.2**	13.6	**7.6**	—	4	4	16	2	—	0.0	19.31	(86)	Avg
Rainier Small/Mid Cap Equity Original RIMSX	Neutral	★★	13.9	13.9	11.5	-1.6	10.0	53	53	46	89	35	0.0	20.70	(91)	+Avg
Royce Premier Invmt RYPRX	Gold	★★★★	11.5	11.5	11.8	6.0	**12.6**	74	74	42	7	2	1.2	18.76	(85)	Avg
T. Rowe Price Mid-Cap Growth RPMGX	Gold	↓★★★★	13.9	13.9	13.0	4.8	11.6	53	53	24	17	8	0.0	17.25	(92)	-Avg
Turner Midcap Growth Investor TMGFX	Neutral	↑★★★	6.0	6.0	7.3	-1.2	8.8	97	97	90	87	53	0.0	20.21	(88)	+Avg
Vanguard Mid Cap Growth Inv VMGRX	Bronze	★★★★	14.8	14.8	12.9	3.8	10.4	44	44	25	27	26	0.4	17.50	(90)	Avg
Wasatch Heritage Growth WAHGX	—	★★★★	9.5	9.5	10.9	4.0	—	88	88	55	25	—	0.1	15.50	(87)	Low
Westport R WPFRX	Gold	★★★★★	12.3	12.3	11.6	5.1	10.8	67	67	44	13	18	0.0	16.36	(92)	-Avg
Westport Select Cap R WPSRX	Silver	★★★	5.7	5.7	8.7	2.2	7.8	99	99	79	43	73	0.0	20.04	(80)	+Avg
Mid-Cap Blend		—	**15.9**	**15.9**	**10.9**	**2.5**	**8.8**	—	—	—	—	—	**0.7**	**18.8**	**(89)**	—
Ariel Appreciation Investor CAAPX	Bronze	★★	19.4	19.4	9.8	5.0	7.9	18	18	70	8	72	0.7	22.38	(93)	+Avg
Ariel Investor ARGFX	Bronze	★★	20.3	20.3	10.4	2.6	**6.9**	15	15	66	49	88	1.0	24.14	(89)	High
ASTON/Fairpointe Mid Cap N CHTTX	Silver	★★★	16.5	16.5	10.2	4.9	11.5	50	50	66	10	7	0.9	20.77	(89)	+Avg
Fidelity Leveraged Company Stock FLVCX	Silver	★★★	**28.8**	**28.8**	12.8	0.8	**15.3**	3	3	26	79	1	0.4	22.59	(90)	High
Fidelity Low-Priced Stock FLPSX	Silver	★★★★	18.5	18.5	12.7	4.9	11.2	26	26	28	12	9	1.2	16.26	(95)	-Avg
Fidelity Spartan Extended Mkt Index Inv FSEMX	Gold	★★★★	18.0	18.0	13.4	4.2	10.7	30	30	11	25	13	1.7	19.00	(93)	+Avg
First Eagle Fund of America Y FEAFX	—	★★★★★	21.2	21.2	13.3	4.9	9.6	12	12	15	10	37	0.0	14.86	(87)	-Avg
Longleaf Partners Small-Cap LLSCX	Gold	★★★★	23.0	23.0	15.3	5.1	11.4	9	9	3	7	9	0.1	17.50	(81)	-Avg
Osterweis OSTFX	Gold	★★★★	13.7	13.7	**6.9**	2.6	8.5	73	73	90	50	60	2.2	13.01	(92)	Low
Royce Value Svc RYVFX	Silver	★★★★	**9.6**	**9.6**	8.2	3.8	13.2	90	90	84	31	4	0.9	20.05	(83)	+Avg
RS Value A RSVAX	—	★★★	13.8	13.8	8.3	**0.4**	11.5	71	71	83	81	8	1.1	19.05	(89)	Avg
Vanguard Extended Market Idx Adm VEXAX	—	★★★★	18.5	18.5	13.4	4.2	10.7	26	26	13	23	12	1.6	19.27	(93)	+Avg
Vanguard Mid Cap Index Adm VIMAX	Gold	↓★★★	16.0	16.0	12.6	3.2	10.0	55	55	29	40	26	1.4	17.71	(95)	-Avg
Vanguard Strategic Equity Inv VSEQX	—	★★★	18.9	18.9	13.5	2.4	9.1	21	21	11	53	45	1.6	19.28	(93)	+Avg
Weitz Hickory WEHIX	Silver	↑★★★★★	19.0	19.0	**18.8**	6.0	9.9	20	20	1	6	27	0.0	16.37	(83)	-Avg
Weitz Partners Value WPVLX	Gold	★★★★	17.9	17.9	15.4	4.6	7.0	31	31	3	18	87	0.0	15.37	(89)	-Avg
Westwood SMidCap Institutional WHGMX	Bronze	★★★★	12.9	12.9	11.7	**6.3**	—	76	76	48	4	—	1.5	17.99	(89)	Avg
Mid-Cap Value		—	**16.5**	**16.5**	**10.9**	**2.9**	**8.8**	—	—	—	—	—	**0.9**	**17.8**	**(91)**	—
American Century Mid Cap Value Inv ACMVX	Silver	★★★★★	16.4	16.4	11.4	6.3	—	51	51	39	9	—	1.8	13.82	(95)	Low
Appleseed APPLX	Bronze	★★★	13.3	13.3	**5.0**	**8.7**	—	78	78	97	2	—	1.8	12.59	(75)	Low
Artisan Mid Cap Value Investor ARTQX	Gold	★★★★★	11.4	11.4	10.7	6.5	**12.2**	86	86	61	8	1	0.6	14.98	(93)	Low
Delafield Fund DEFIX	—	★★★	20.2	20.2	**12.0**	6.3	11.9	13	13	29	9	3	0.0	22.05	(88)	High
Fairholme Allocation FAAFX	—	NR	**9.6**	**9.6**	—	—	—	96	96	—	—	—	0.6	—	(—)	
Fidelity Value FDVLX	Neutral	★★	**21.9**	**21.9**	11.6	1.4	8.9	9	9	35	69	56	1.3	19.24	(96)	+Avg
FPA Capital FPPTX	Silver	★★★	9.7	9.7	11.2	6.6	10.2	95	95	44	6	30	0.0	19.51	(81)	+Avg
Franklin Balance Sheet Investment A FRBSX	—	★★	15.7	15.7	9.7	**0.7**	**7.7**	62	62	74	81	87	1.5	18.39	(91)	Avg
Perkins Mid Cap Value T JMCVX	Gold	★★★★	10.3	10.3	7.3	3.2	10.2	91	91	88	48	29	0.7	14.63	(95)	Low
T. Rowe Price Mid-Cap Value TRMCX	Gold	★★★★	19.6	19.6	9.9	4.9	10.8	15	15	72	18	14	1.3	16.20	(96)	-Avg
Vanguard Selected Value Inv VASVX	Gold	★★★★	15.3	15.3	11.5	4.1	10.1	68	68	35	30	32	2.1	15.88	(95)	-Avg
Russell MidCap Growth Index			**15.8**	**15.8**	**12.9**	**3.2**	**10.3**									
S&P MidCap 400 Index			**17.9**	**17.9**	**13.6**	**5.2**	**10.5**									
Russell MidCap Value Index			**18.5**	**18.5**	**13.4**	**3.8**	**10.6**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

	Current Portfolio Style										Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**19.2**	**2.8**	**6,503**	**20**	**19**	**19**	—	**89**	**3**	**96**	**0**	**1**	**6**	—	**1.31**	—	**917**	—
ACRNX		18.8	2.3	3,125	23	18	16	369	18	0	99	0	1	11	NL	**0.76**	30.45	17,517	McQuaid/Mohn (17.0/9.0)
FAMVX		15.8	1.9	6,501	32	23	22	44	8	6	94	0	0	4	NL	1.22	48.88	732	Fox/Putnam (12.7/26.0)
FMCSX		19.0	2.1	4,142	15	14	13	200	52	2	97	1	0	8	NL	**0.85**	29.38	6,374	John Roth (1.9)
FPPFX		15.7	2.4	3,477	36	30	16	36	5	9	91	0	0	13	5.25	1.00	41.09	249	Ende/Geist (17.3/16.4)
JAENX		20.1	3.4	7,235	31	27	18	75	14	4	95	0	0	15	NL	**0.94**	65.95	2,472	Brian Demain (5.2)
MERDX		19.9	3.1	5,577	20	20	19	58	25	3	97	0	0	5	NL	**0.85**	39.78	2,027	Management Team
MVALX		17.8	2.1	4,674	38	18	11	54	20	2	98	0	0	7	NL	1.14	32.86	666	England/O'Connor (11.0/8.0)
NBGNX		18.6	2.8	2,497	21	14	13	150	15	3	95	0	1	6	NL	1.03	34.02	11,500	Management Team
POAGX		25.9	2.7	3,686	43	29	11	116	14	8	92	0	0	6	NL	**0.68**	19.48	1,688	Management Team
RIMSX		15.4	2.4	3,659	20	14	14	124	111	0	100	0	0	7	Clsd	1.26	36.27	2,078	Management Team
RYPRX		15.6	1.9	2,305	27	15	15	78	18	4	96	0	0	14	Clsd	1.09	19.16	6,692	Management Team
RPMGX		21.1	2.7	6,192	25	25	18	143	31	6	94	0	1	7	Clsd	**0.80**	56.47	18,060	Brian Berghuis (20.5)
TMGFX		20.9	3.3	6,678	26	24	13	75	121	0	100	0	0	9	NL	1.18	33.66	501	Christopher McHugh (16.3)
VMGRX		19.8	2.8	6,365	23	23	17	116	97	7	93	0	0	3	NL	**0.54**	20.37	2,201	Management Team
WAHGX		19.1	3.4	5,848	30	27	14	46	26	7	93	0	0	10	NL	**0.95**	12.47	110	Bowen/Snow (8.6/8.6)
WPFRX		16.3	2.7	8,943	25	24	10	52	9	12	88	0	0	3	NL	1.25	26.09	586	Edmund Nicklin, Jr. (15.0)
WPSRX		14.7	2.0	3,200	27	15	15	33	2	0	100	0	0	0	NL	1.36	18.72	434	Knuth/Nicklin, Jr. (15.0/15.0)
	—	**14.4**	**1.8**	**5,549**	**18**	**16**	**14**	—	**67**	**5**	**93**	**0**	**0**	**4**	—	**1.23**	—	**1,033**	—
CAAPX		13.1	1.9	6,989	33	25	14	43	28	1	99	0	0	0	NL	1.17	41.02	1,283	Fidler/Rogers, Jr. (3.2/10.3)
ARGFX		14.4	1.7	2,866	27	18	16	38	27	1	99	0	0	0	NL	1.06	51.21	1,625	Management Team
CHTTX		13.8	1.8	4,218	28	25	15	46	11	2	98	0	0	1	NL	1.14	33.39	3,142	Management Team
FLVCX		10.9	1.4	9,120	21	16	13	136	29	11	87	1	0	13	NL	0.85	32.22	4,084	Thomas Soviero (9.5)
FLPSX		10.4	1.2	3,865	27	18	13	886	19	7	92	0	0	35	NL	0.88	39.50	34,943	Management Team
FSEMX		16.1	1.7	2,547	17	16	14	3,048	11	0	100	0	0	2	NL	**0.10**	39.91	7,194	Management Team
FEAFX		12.4	2.5	9,943	26	24	22	38	68	6	92	0	2	9	Clsd	1.43	28.79	1,702	Levy/Cohen (25.8/23.0)
LLSCX		24.5	1.7	2,798	45	16	14	24	37	13	87	0	0	4	Clsd	0.92	28.88	3,404	Cates/Hawkins (18.0/23.0)
OSTFX		15.3	1.8	11,931	22	14	13	34	31	9	91	0	0	18	NL	0.98	28.05	843	Management Team
RYVFX		12.5	1.5	2,315	22	20	14	66	35	3	96	0	1	15	NL	1.44	11.34	1,334	Management Team
RSVAX		15.2	1.9	6,303	16	14	13	42	40	4	96	0	0	4	4.75	1.28	25.93	1,085	Management Team
VEXAX		16.0	1.8	2,397	17	16	15	3,032	14	0	100	0	0	2	NL	**0.10**	45.87	23,519	Donald Butler (15.0)
VIMAX		15.5	2.0	6,521	16	15	14	456	22	0	100	0	0	2	NL	**0.10**	101.97	32,028	Donald Butler (14.6)
VSEQX		12.3	1.9	3,537	16	16	14	393	67	1	99	0	0	3	NL	**0.29**	21.45	3,288	Management Team
WEHIX		14.8	1.6	2,747	34	11	10	39	38	34	66	0	0	0	NL	1.27	45.88	367	Weitz/Weitz (1.0/10.0)
WPVLX		14.6	1.8	13,659	21	16	16	41	31	26	74	0	0	3	NL	1.20	24.81	735	Hinton/Weitz (6.4/29.6)
WHGMX		14.2	1.7	3,184	20	18	16	67	62	1	99	0	0	1	Clsd	0.96	14.35	389	Management Team
	—	**13.2**	**1.5**	**7,165**	**20**	**15**	**13**	—	**75**	**4**	**96**	**0**	**1**	**6**	—	**1.24**	—	**902**	—
ACMVX		14.0	1.5	8,638	23	16	12	124	82	0	97	0	3	9	NL	1.01	13.03	2,779	Management Team
APPLX		13.0	1.4	6,742	26	18	14	34	76	11	72	0	17	29	NL	1.25	12.80	239	Management Team
ARTQX		11.5	1.5	6,652	25	22	22	59	28	7	93	0	0	5	Clsd	1.20	20.79	8,035	Management Team
DEFIX		13.0	1.5	2,777	34	26	21	65	38	16	84	0	0	6	NL	1.23	30.54	1,427	Delafield/Sellecchia (19.1/19.1)
FAAFX		8.9	0.5	5,129	75	11	8	15	42	13	84	4	0	6	NL	**0.75**	9.36	256	Bruce Berkowitz (2.0)
FDVLX		13.2	1.4	7,365	20	13	12	305	77	2	98	0	0	12	NL	**0.68**	76.34	6,396	Management Team
FPPTX		9.4	1.3	4,217	45	28	11	24	15	31	69	0	0	7	Clsd	**0.84**	44.85	1,191	Management Team
FRBSX		11.7	0.9	3,416	35	16	11	70	8	4	96	0	0	9	5.75	0.99	42.11	1,274	Management Team
JMCVX		13.7	1.6	10,307	21	14	12	146	54	11	89	0	0	9	NL	**0.83**	21.34	12,148	Kautz/Perkins (14.4/14.4)
TRMCX		15.7	1.4	5,972	23	12	11	114	54	8	92	0	0	5	Clsd	**0.81**	24.04	9,290	David Wallack (12.0)
VASVX		11.6	1.3	7,544	28	16	11	69	18	10	90	0	0	7	NL	**0.38**	20.98	4,398	Management Team

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Sectors

Cyclical
Basic Materials
Consumer Cyclical
Financial Services
Real Estate
Sensitive
Communication Svs
Energy
Industrials
Technology
Defensive
Consumer Def
Healthcare
Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating	Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
			Historical Performance											Historical Risk		
Small Growth		—	**13.2**	**13.2**	**11.5**	**1.7**	**8.4**	—	—	—	—	—	**0.2**	**20.3**	**(84)**	—
Artisan Small Cap Investor ARTSX	Bronze	★★★★	17.8	17.8	15.0	4.2	9.8	10	10	14	27	35	0.0	17.71	(80)	Low
ASTON/TAMRO Small Cap N ATASX	Silver	★★★★	16.7	16.7	13.6	5.3	11.6	17	17	32	13	5	0.0	20.20	(88)	Avg
Baron Small Cap Retail BSCFX	Bronze	★★★★	18.0	18.0	12.8	3.0	10.3	9	9	42	45	24	0.0	18.42	(87)	-Avg
Brown Capital Mgmt Small Co Inv BCSIX	Gold	★★★★★	17.5	17.5	13.0	8.0	11.8	11	11	38	1	4	0.0	19.16	(78)	-Avg
Buffalo Small Cap BUFSX	Bronze	★★★★	**19.9**	**19.9**	10.1	5.2	11.4	5	5	74	15	7	0.0	21.00	(85)	Avg
Century Small Cap Select Inv CSMVX	Silver	↓★★★	12.7	12.7	14.3	3.2	8.4	57	57	22	43	72	0.0	20.31	(85)	Avg
Champlain Small Company Adv CIPSX	Silver	★★★★★	10.7	10.7	12.6	6.1	—	78	78	43	7	—	0.0	15.95	(87)	Low
Columbia Acorn USA Z AUSAX	—	★★★★	19.0	19.0	11.7	3.7	10.4	6	6	54	36	20	0.6	21.43	(90)	+Avg
Conestoga Small Cap CCASX	Silver	★★★★	11.0	11.0	12.9	6.2	10.0	75	75	39	6	30	0.1	18.12	(83)	-Avg
Janus Triton T JATTX	Silver	★★★★★	16.5	16.5	16.2	7.0	—	19	19	5	4	—	0.2	16.62	(89)	Low
Janus Venture T JAVTX	Silver	★★★★	17.1	17.1	14.9	2.6	11.8	14	14	15	52	4	0.0	17.63	(86)	Low
Kalmar Growth-with-Value Small Cap KGSCX	Bronze	★★★★	13.6	13.6	15.4	4.1	9.6	48	48	10	28	39	0.0	19.98	(85)	Avg
Litman Gregory Masters Smlr Coms Instl MSSFX	—	★★★	18.5	18.5	13.3	3.9	—	7	7	34	32	—	0.0	19.60	(90)	Avg
LKCM Small Cap Equity Instl LKSCX	Silver	★★★★	9.7	9.7	15.1	4.2	10.2	84	84	13	26	25	0.5	19.48	(85)	Avg
Loomis Sayles Small Cap Growth Retail LCGRX	—	★★★★	10.0	10.0	14.1	3.2	11.0	83	83	24	41	11	0.0	18.53	(88)	-Avg
Royce Low Priced Stock Svc RYLPX	Silver	↑★★★	**4.5**	**4.5**	**5.5**	2.9	9.7	95	95	95	46	37	1.1	22.36	(82)	+Avg
Royce Pennsylvania Mutual Invmt PENNX	Silver	↑★★★★	14.6	14.6	10.8	3.9	10.5	37	37	65	33	19	1.3	19.27	(89)	-Avg
Royce Value Plus Svc RYVPX	Neutral	★★★★	15.3	15.3	7.5	0.7	**12.8**	29	29	90	77	2	0.0	20.39	(86)	Avg
T. Rowe Price Diversified Sm Cap Growth PRDSX	—	★★★★★	15.7	15.7	16.2	6.6	10.3	26	26	5	5	24	0.2	20.67	(91)	Avg
T. Rowe Price New Horizons PRNHX	Bronze	★★★★★	16.2	16.2	**18.6**	**8.0**	12.7	22	22	1	1	2	0.0	18.29	(90)	-Avg
T. Rowe Price Small-Cap Stock OTCFX	Silver	★★★★	18.0	18.0	16.0	7.6	10.5	9	9	6	2	17	0.3	19.87	(91)	Avg
Turner Small Cap Growth TSCEX	—	★★★	12.4	12.4	11.2	1.9	10.4	60	60	60	59	20	0.0	22.09	(90)	+Avg
Vanguard Explorer Inv VEXPX	Neutral	★★★	14.9	14.9	12.8	3.1	9.2	33	33	41	43	50	0.3	19.91	(92)	Avg
Vanguard Small Cap Growth Index Admiral VSGAX	Silver	☆☆☆☆	17.7	17.7	*14.8*	*5.2*	*11.0*	11	11	*16*	*14*	*11*	1.0	—	(—)	
Wasatch Core Growth WGROX	—	★★★★	19.2	19.2	16.1	4.8	9.6	6	6	5	19	39	0.0	15.78	(85)	Low
Wasatch Small Cap Growth WAAEX	Gold	★★★★★	17.0	17.0	14.6	5.5	9.7	14	14	18	12	38	0.0	17.04	(86)	Low
Wasatch Ultra Growth WAMCX	—	★★	12.5	12.5	13.1	**0.0**	**6.3**	60	60	37	84	96	0.0	17.19	(83)	Low
William Blair Small Cap Growth N WBSNX	—	★★	18.2	18.2	6.0	1.4	9.6	9	9	94	66	39	0.0	21.50	(87)	Avg
Small Blend		—	**15.3**	**15.3**	**11.5**	**2.9**	**9.1**	—	—	—	—	—	**0.6**	**20.3**	**(88)**	—
Artisan Small Cap Value Investor ARTVX	Gold	★★★	**6.1**	**6.1**	6.5	5.3	10.6	98	98	96	18	19	0.8	18.81	(88)	-Avg
ASTON/River Road Select Value N ARSMX	Bronze	★★★★	15.6	15.6	12.0	4.1	—	48	48	48	33	—	1.4	15.27	(89)	Low
ASTON/River Road Small Cap Value N ARSVX	Bronze	★★★	13.4	13.4	9.7	2.2	—	73	73	84	70	—	1.6	15.92	(85)	Low
Berwyn BERWX	Silver	★★★★	18.7	18.7	15.3	7.4	11.7	18	18	6	4	8	0.2	21.80	(85)	+Avg
Bogle Small Cap Growth Inv BOGLX	Silver	★★★	**26.0**	**26.0**	15.6	3.1	10.1	4	4	5	52	27	0.0	22.62	(90)	High
Bridgeway Ultra-Small Company Market BRSIX	Bronze	★★★	19.8	19.8	11.3	1.0	9.5	13	13	61	83	42	2.7	21.67	(88)	+Avg
DFA US Micro Cap I DFSCX	Gold	★★★	18.2	18.2	14.5	4.0	10.4	21	21	10	35	20	1.5	20.62	(89)	+Avg
DFA US Small Cap I DFSTX	Gold	★★★★	18.4	18.4	14.4	5.5	10.8	19	19	11	16	16	1.5	20.71	(90)	+Avg
Dreyfus Opportunistic Small Cap DSCVX	—	★★★★	20.7	20.7	11.0	8.9	**14.3**	10	10	68	2	1	0.0	25.87	(88)	High
Fidelity Small Cap Discovery FSCRX	Silver	★★★★★	24.0	24.0	**18.1**	**12.5**	12.5	5	5	2	1	5	0.9	19.87	(86)	Avg
Fidelity Small Cap Stock FSLCX	—	★★	13.0	13.0	**5.5**	1.7	9.0	77	77	99	75	59	0.4	22.98	(92)	+Avg
Fidelity Stock Selector Sm Cp FDSCX	Neutral	★★	12.1	12.1	13.5	**0.5**	**8.0**	83	83	25	87	79	0.5	20.48	(92)	Avg
✶ FMI Focus FMIOX	Bronze	↑★★★★	13.3	13.3	12.4	6.7	10.4	74	74	42	7	21	0.0	20.94	(90)	+Avg
Royce Micro-Cap Invmt RYOTX	Bronze	★★★	8.0	8.0	7.3	2.6	11.4	96	96	94	64	11	0.0	20.60	(80)	Avg
Royce Special Equity Invmt RYSEX	Gold	★★★★	15.4	15.4	11.4	7.3	9.4	50	50	60	4	47	2.1	15.68	(87)	Low
Royce Total Return Invmt RYTRX	Bronze	★★★★	14.4	14.4	11.6	3.8	8.9	61	61	57	37	62	1.7	15.72	(92)	Low
Stratton Small-Cap Value STSCX	Bronze	★★★★	15.1	15.1	12.4	4.4	11.2	54	54	42	29	12	0.2	17.60	(92)	-Avg
T. Rowe Price Small-Cap Value PRSVX	Bronze	★★★★	17.8	17.8	13.6	5.8	11.1	23	23	23	12	13	1.4	18.75	(88)	-Avg
Russell MidCap Value Index			**18.5**	**18.5**	**13.4**	**3.8**	**10.6**									
Russell 2000 Growth Index			**14.6**	**14.6**	**12.8**	**3.5**	**9.8**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

✶ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

	Current Portfolio Style										Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**19.7**	**2.4**	**1,602**	**23**	**21**	**16**	—	**94**	**3**	**96**	**0**	**0**	**5**	—	**1.43**	—	**600**	—
ARTSX		27.6	3.3	2,355	39	21	13	68	70	5	95	0	0	3	NL	1.28	20.74	717	Management Team
ATASX		19.2	2.2	1,638	23	17	17	58	47	2	98	0	0	1	Clsd	1.29	19.29	1,022	Holland/Tasho (2.9/12.1)
BSCFX		23.4	2.7	2,547	25	22	20	101	28	3	96	0	1	4	NL	1.31	26.22	4,184	Clifford Greenberg (15.3)
BCSIX		27.6	3.3	1,294	66	21	6	39	21	6	94	0	0	0	NL	1.21	50.59	1,520	Management Team
BUFSX		24.7	3.0	1,687	35	23	12	56	24	7	93	0	0	3	Clsd	**1.00**	28.17	2,884	Management Team
CSMVX		17.6	2.2	1,275	25	19	16	62	75	5	95	0	1	5	NL	1.48	26.06	400	Thorndike/Callahan (13.1/11.1)
CIPSX		18.4	1.8	1,592	24	16	15	94	37	6	94	0	0	4	Clsd	1.38	13.67	805	Management Team
AUSAX		18.5	2.2	2,022	22	22	17	164	20	0	100	0	0	4	NL	**1.00**	29.45	1,596	Robert Mohn (16.3)
CCASX		29.4	3.5	1,051	40	30	11	48	16	3	97	0	0	2	NL	1.10	24.98	317	Martindale, Jr./Mitchell (10.3/10.3)
JATTX		21.0	3.1	2,463	30	19	16	88	35	10	90	0	0	4	NL	**0.94**	18.02	3,633	Meade/Schaub (6.5/6.5)
JAVTX		23.3	2.7	1,336	29	20	18	88	51	10	90	0	0	4	NL	**0.94**	54.33	1,786	Meade/Schaub (2.5/2.5)
KGSCX		20.1	2.3	1,614	27	26	21	82	42	8	92	0	0	4	NL	1.44	16.20	435	Draper Jr./Walker (15.7/15.7)
MSSFX		15.3	1.6	1,824	24	18	15	70	125	0	96	0	4	3	NL	1.54	15.30	71	Management Team
LKSCX		18.7	2.3	1,537	21	20	20	94	50	2	98	0	0	3	NL	**0.95**	22.69	856	Management Team
LCGRX		23.1	2.9	1,414	27	21	19	105	77	5	95	0	0	4	NL	1.25	18.10	834	Burns/Slavik (8.0/7.8)
RYLPX		14.4	1.4	1,192	22	20	17	166	22	2	95	0	3	31	NL	1.49	13.84	3,059	George/Skinner III (11.0/8.0)
PENNX		15.7	1.8	1,562	28	19	17	475	20	1	98	0	0	7	NL	**0.90**	11.50	5,903	Management Team
RYVPX		18.3	2.0	1,787	20	20	16	117	49	5	94	0	1	17	NL	1.42	13.83	1,437	Skinner III/George (10.0/11.6)
PRDSX		19.2	2.8	2,326	23	21	19	314	17	1	99	0	0	3	NL	1.10	17.44	393	Sudhir Nanda (6.3)
PRNHX		26.8	3.2	2,346	31	19	18	243	44	6	92	0	2	8	NL	**0.81**	33.17	9,676	Henry Ellenbogen (2.8)
OTCFX		19.3	1.9	1,548	20	18	15	328	24	8	92	0	1	2	NL	**0.92**	34.03	7,331	Gregory McCrickard (20.4)
TSCEX		18.1	2.6	1,717	23	21	17	115	100	2	98	0	0	3	NL	1.25	33.65	226	Bill McVail (14.6)
VEXPX		17.3	2.2	2,355	21	20	19	590	59	3	96	0	0	6	NL	**0.49**	79.47	8,978	Management Team
VSGAX		19.2	2.5	1,612	21	21	18	928	40	0	100	0	0	1	NL	**0.10**	31.30	9,700	Gerard O'Reilly (8.0)
WGROX		17.8	3.0	1,893	31	23	15	60	28	7	93	0	0	9	NL	1.23	43.10	631	Lambert/Taylor (7.9/12.0)
WAAEX		22.4	3.1	1,763	28	27	20	90	20	8	92	0	0	20	Clsd	1.24	41.29	1,829	Jeff Cardon (26.1)
WAMCX		24.0	2.9	1,053	37	18	14	99	43	1	93	0	6	19	NL	1.32	19.73	134	Management Team
WBSNX		19.7	2.2	835	27	17	16	87	97	3	97	0	0	6	NL	1.50	23.68	398	Balkin/Brewer (4.5/13.0)
	—	**15.0**	**1.6**	**1,394**	**21**	**15**	**15**	—	**59**	**3**	**95**	**1**	**0**	**4**	—	**1.29**	—	**673**	—
ARTVX		14.0	1.3	1,211	34	23	12	92	28	4	96	0	0	2	Clsd	1.22	15.35	2,507	Management Team
ARSMX		14.1	1.5	1,526	25	19	15	82	48	4	96	0	0	3	NL	1.42	8.23	156	Management Team
ARSVX		14.7	1.4	1,109	23	22	14	84	42	5	95	0	0	3	NL	1.37	13.44	296	Management Team
BERWX		15.7	1.5	515	24	24	16	44	30	8	92	0	0	0	NL	1.21	32.02	302	Management Team
BOGLX		11.9	1.5	980	20	18	15	151	289	1	99	0	0	7	NL	1.35	23.53	116	John Bogle Jr. (13.3)
BRSIX		13.1	1.2	175	25	16	16	637	31	0	100	0	0	0	NL	**0.75**	12.50	278	Management Team
DFSCX		15.2	1.5	525	18	17	17	1,995	14	0	100	0	0	1	NL	**0.52**	14.60	3,537	Management Team
DFSTX		15.2	1.6	1,015	21	18	16	2,318	23	0	100	0	0	1	NL	**0.37**	22.67	4,719	Management Team
DSCVX		16.6	1.7	1,352	31	21	20	76	86	0	100	0	0	1	Clsd	1.19	27.43	641	Management Team
FSCRX		13.8	1.4	1,450	27	19	16	72	20	1	99	0	0	3	NL	1.07	24.07	3,880	Charles Myers (6.8)
FSLCX		15.7	1.8	1,869	23	17	15	149	104	4	96	0	0	10	NL	1.10	18.09	2,768	Lionel Harris (1.1)
FDSCX		16.8	1.7	1,549	18	15	15	202	61	2	98	0	0	5	NL	1.06	20.10	1,319	Management Team
FMIOX		16.6	1.7	1,945	26	23	20	83	55	15	85	0	0	3	NL	1.26	30.98	600	Management Team
RYOTX		15.4	1.3	366	19	18	15	196	35	4	95	0	1	34	NL	1.50	14.78	974	Management Team
RYSEX		14.6	1.8	1,564	32	27	18	55	23	12	88	0	0	0	Clsd	1.15	21.13	2,929	Charles Dreifus (14.7)
RYTRX		14.1	1.6	2,007	24	21	14	503	21	5	95	0	0	7	NL	1.12	13.63	4,437	Management Team
STSCX		16.2	1.8	2,166	21	18	17	67	16	1	98	0	1	0	NL	1.20	55.38	830	Gerald Van Horn (12.4)
PRSVX		16.3	1.7	1,080	25	17	12	330	6	4	94	0	2	1	NL	**0.82**	39.17	7,617	Preston Athey (21.4)

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Sectors

- Cyclical
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate
- Sensitive
- Communication Svs
- Energy
- Industrials
- Technology
- Defensive
- Consumer Def
- Healthcare
- Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
				Historical Performance											Historical Risk		
Small Blend (cont'd)			—	**15.3**	**15.3**	**11.5**	**2.9**	**9.1**	—	—	—	—	—	**0.6**	**20.3**	**(88)**	—
Vanguard Explorer Value Inv VEVFX	—		NR	18.7	18.7	—	—	—	18	18	—	—	—	1.2	—	(—)	
Vanguard Small Cap Index Adm VSMAX	Gold		★★★★	18.2	18.2	13.7	5.1	11.0	21	21	19	20	15	1.9	20.05	(93)	Avg
Vanguard Tax-Managed Small Cap Adm VTMSX	Gold		★★★★	16.0	16.0	14.0	5.2	10.5	40	40	16	20	20	1.5	19.22	(91)	Avg
Small Value			—	**16.0**	**16.0**	**11.8**	**4.1**	**9.4**	—	—	—	—	—	**0.8**	**19.8**	**(86)**	—
Allianz NFJ Small Cap Value D PNVDX	Silver		★★★★★	10.4	10.4	12.1	5.1	11.1	90	90	38	34	15	1.2	15.60	(90)	Low
American Beacon Small Cp Val Inv AVPAX	Neutral		★★★	16.1	16.1	11.7	5.0	10.4	47	47	44	36	33	0.9	20.86	(91)	+Avg
American Century Small Cap Value Inv ASVIX	Silver		★★★★	16.7	16.7	10.6	6.3	10.6	41	41	67	11	28	1.3	18.73	(90)	-Avg
Ariel Discovery Investor ARDFX	Bronze		NR	15.7	15.7	—	—	—	53	53	—	—	—	0.0	—	(—)	
Diamond Hill Small Cap A DHSCX	Gold		↓★★★	12.9	12.9	8.8	4.2	10.8	74	74	82	53	24	0.3	15.88	(88)	Low
Fidelity Small Cap Value FCPVX	Silver		★★★★	20.1	20.1	13.1	**6.6**	—	19	19	17	8	—	0.7	18.80	(86)	Avg
Perkins Small Cap Value T JSCVX	Gold		★★★★	9.0	9.0	7.5	5.8	10.0	95	95	91	21	50	1.3	15.32	(89)	Low
Queens Road Small Cap Value QRSVX	—		★★★★	**4.8**	**4.8**	**7.1**	4.4	9.8	99	99	95	50	56	0.3	13.79	(86)	Low
Royce Opportunity Invmt RYPNX	Bronze		★★	22.6	22.6	12.6	4.7	12.0	7	7	26	44	5	0.0	25.14	(88)	High
Schneider Small Cap Value SCMVX	—		↑★★	**35.4**	**35.4**	10.8	2.3	**12.5**	1	1	62	89	2	0.0	29.09	(85)	High
Skyline Special Equities SKSEX	—		★★★	19.3	19.3	**13.8**	6.2	10.1	22	22	9	12	43	0.0	21.67	(90)	+Avg
Third Avenue Small Cap Value Instl TASCX	Bronze		↓★★	16.8	16.8	8.9	**1.1**	**8.4**	40	40	81	97	93	0.9	15.87	(92)	Low
Vanguard Small Cap Value Index Admiral VSIAX	Silver		☆☆☆	18.8	18.8	*12.5*	*4.7*	*9.6*	26	26	*28*	*43*	*61*	2.6	—	(—)	
Allocation			—	**8.9**	**8.9**	**5.5**	**1.1**	**4.4**	—	—	—	—	—	**1.5**	**9.5**	**(79)**	—
American Funds American Balanced A ABALX	Silver	MA	★★★	14.2	14.2	10.3	3.8	7.1	13	13	6	13	27	1.9	10.10	(98)	Avg
American Funds Inc Fund of Amer A AMECX	Silver	MA	★★★★	12.0	12.0	9.8	3.2	7.9	52	52	8	25	8	3.8	9.76	(93)	-Avg
Berwyn Income BERIX	Silver	CA	★★★★★	8.0	8.0	7.0	**7.5**	7.8	73	73	53	1	6	2.8	5.31	(89)	-Avg
Calamos Growth & Income A CVTRX	Bronze	MA	↓★★	8.4	8.4	6.4	2.7	7.6	91	91	82	43	15	2.2	12.67	(92)	High
Calamos Market Neutral Income A CVSIX	Bronze	NE	↓★★★	5.8	5.8	4.4	2.3	3.8	2	2	4	16	23	1.2	5.36	(93)	+Avg
Caldwell & Orkin Market Opportunity COAGX	Neutral	LO	★★★	9.8	9.8	2.6	-0.1	**2.8**	21	21	45	51	77	0.0	4.82	(0)	Low
Davis Appreciation & Income A RPFCX	—	AL	★★	8.4	8.4	6.5	1.2	6.5	93	93	86	45	58	1.7	16.14	(88)	High
Dodge & Cox Balanced DODBX	Gold	MA	★★★	**18.3**	**18.3**	9.3	2.2	6.8	1	1	14	61	37	2.1	13.30	(96)	High
Fidelity Balanced FBALX	Neutral	MA	★★★★	12.9	12.9	9.3	2.8	8.2	30	30	14	40	5	1.7	9.95	(98)	Avg
Fidelity Puritan FPURX	Bronze	MA	★★★★	13.8	13.8	9.3	3.2	7.2	17	17	14	25	25	1.8	10.73	(97)	Avg
Fidelity Strategic Real Return FSRRX	Bronze	CA	★★★	8.2	8.2	7.8	4.3	—	70	70	31	34	—	3.0	7.45	(82)	Avg
FPA Crescent FPACX	Gold	MA	★★★★★	10.3	10.3	8.4	5.4	9.2	79	79	30	2	2	0.4	9.59	(91)	-Avg
Franklin Income A FKINX	Bronze	CA	★★★★	13.7	13.7	9.7	4.4	8.8	6	6	7	31	2	6.2	9.91	(88)	High
Gateway A GATEX	Silver	LO	★★★	4.5	4.5	4.1	0.7	4.4	56	56	34	35	59	1.7	5.85	(91)	-Avg
Greenspring GRSPX	—	MA	↑★★★★★	9.1	9.1	6.4	4.2	8.3	88	88	83	7	4	3.7	8.21	(87)	Low
Hussman Strategic Total Return HSTRX	Bronze	CA	★★★★	**1.1**	**1.1**	4.0	4.9	6.5	99	99	91	21	22	0.5	3.49	(1)	Low
Invesco Equity and Income A ACEIX	Bronze	MA	★★★	12.9	12.9	7.8	3.1	7.1	30	30	47	31	26	2.1	11.94	(93)	+Avg
Janus Balanced T JABAX	Silver	MA	★★★★	13.0	13.0	7.2	5.4	7.7	29	29	64	2	11	2.2	10.31	(96)	Avg
Leuthold Asset Allocation Retail LAALX	Bronze	AL	↓★★	8.0	8.0	4.1	0.3	—	96	96	98	72	—	3.5	11.32	(94)	Low
Leuthold Core Investment Retail LCORX	Silver	AL	★★★★	8.3	8.3	**2.0**	**-0.4**	9.1	95	95	99	85	1	1.9	11.86	(94)	Low
Mairs & Power Balanced Inv MAPOX	—	MA	★★★★★	17.3	17.3	**11.6**	5.9	8.3	1	1	2	1	4	2.7	9.86	(92)	Avg
Manning & Napier Pro-Blend Cnsrv Term S EXDAX	Gold	CA	★★★★	8.8	8.8	6.8	5.1	5.8	62	62	57	17	42	1.5	4.69	(86)	-Avg
Manning & Napier Pro-Blend Mod Term S EXBAX	Gold	CA	★★★★	11.3	11.3	7.2	3.6	7.0	24	24	48	53	11	1.0	8.57	(97)	+Avg
Merger MERFX	Silver	NE	★★★★	3.6	3.6	2.9	2.9	4.3	19	19	18	7	12	1.6	2.78	(37)	Low
MFS Total Return A MSFRX	Bronze	MA	★★	11.3	11.3	7.6	2.7	6.0	66	66	51	44	61	2.5	9.03	(97)	-Avg
Oakmark Equity & Income I OAKBX	Silver	MA	★★★★	9.1	9.1	6.3	3.8	8.3	88	88	84	12	4	0.9	10.94	(91)	Avg
Russell 2000 Index				**16.4**	**16.4**	**12.3**	**3.6**	**9.7**									
Russell 2000 Value Index				**18.1**	**18.1**	**11.6**	**3.6**	**9.5**									
S&P 500 Index				**16.0**	**16.0**	**10.9**	**1.7**	**7.1**									
BarCap US Agg Bond TR USD				**4.2**	**4.2**	**6.2**	**6.0**	**5.2**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

AL Aggressive Allocation
CA Conservative Allocation
LO Long-Short
MA Moderate Allocation
MR Miscellaneous Sector
NE Market Neutral
RI Retirement Income
SC Communications
SF Financial
SH Health
SN Natural Resources
SP Equity Precious Metals
SR Real Estate
ST Technology
SU Utilities
TA Target-Date 2000-2010
TD Target Date 2011-2015
TE Target Date 2016-2020
TG Target Date 2021-2025
TH Target Date 2026-2030
TI Target Date 2031-2035
TJ Target Date 2036-2040
TK Target Date 2041-2045
TL Target Date 2050+

	Current Portfolio Style										Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**15.0**	**1.6**	**1,394**	**21**	**15**	**15**	—	**59**	**3**	**95**	**1**	**0**	**4**	—	**1.29**	—	**673**	—
VEVFX		13.6	1.4	1,806	23	19	17	177	38	6	94	0	0	3	NL	**0.59**	24.46	130	Management Team
VSMAX		16.1	1.7	1,501	18	15	13	1,741	17	0	100	0	0	1	NL	**0.10**	38.76	27,764	Michael Buek (21.0)
VTMSX		18.2	1.8	1,202	18	17	16	603	40	0	100	0	0	0	NL	**0.12**	31.16	2,307	Michael Buek (13.8)
	—	**13.4**	**1.2**	**1,312**	**21**	**19**	**14**	—	**70**	**5**	**95**	**0**	**0**	**3**	—	**1.38**	—	**694**	—
PNVDX		12.8	1.6	2,248	24	13	13	138	26	6	93	0	1	3	Clsd	1.18	29.23	6,874	Management Team
AVPAX		12.8	1.2	1,431	26	20	14	535	59	4	96	0	0	6	NL	1.17	20.77	3,471	Management Team
ASVIX		14.5	1.4	1,137	23	16	13	331	120	2	97	0	1	1	Clsd	1.24	8.51	1,795	Giele/John (14.4/0.6)
ARDFX		16.6	1.1	405	28	24	22	34	33	5	95	0	0	0	NL	1.50	10.42	10	Maley/Kuhrt (1.9/1.9)
DHSCX		9.1	1.2	1,900	26	26	11	67	28	11	89	0	0	1	5.00	1.33	24.95	783	Management Team
FCPVX		13.3	1.3	1,546	27	20	14	67	27	1	98	0	1	3	NL	1.13	16.18	3,139	Charles Myers (4.6)
JSCVX		16.5	1.4	1,660	27	15	10	100	62	17	83	0	0	1	Clsd	1.04	21.02	2,658	Management Team
QRSVX		12.3	1.2	1,063	28	20	15	56	14	25	73	0	2	0	NL	1.24	18.48	71	Steve Scruggs (10.6)
RYPNX		15.0	1.2	605	23	22	19	297	35	6	91	0	3	1	NL	1.16	11.95	1,845	Zaino/Hench (14.8/8.7)
SCMVX		11.3	1.0	917	33	18	11	71	68	4	94	1	1	9	NL	1.15	18.61	69	Arnold Schneider III (14.4)
SKSEX		13.5	1.3	1,048	30	19	15	73	45	5	95	0	0	3	NL	1.32	26.23	208	Management Team
TASCX		11.4	1.1	1,624	22	21	15	70	34	16	83	0	1	10	NL	1.15	22.37	632	Curtis Jensen (15.8)
VSIAX		14.0	1.3	1,399	22	16	15	1,026	30	0	99	0	0	1	NL	**0.10**	31.20	7,824	Michael Buek (14.6)
	—	**13.9**	**1.8**	**24,163**	**15**	**14**	**12**		**149**	**19**	**48**	**26**	**5**	**17**	—	**1.36**	—	**1,345**	—
ABALX		13.9	2.1	68,489	18	15	12	744	47	4	70	25	2	11	5.75	0.62	20.40	55,627	Management Team
AMECX		15.0	2.1	40,492	16	12	12	1,500	41	6	64	25	4	21	5.75	0.59	18.06	74,855	Management Team
BERIX		12.5	1.5	9,486	26	21	13	81	71	22	26	23	29	3	NL	0.65	13.15	1,447	Management Team
CVTRX		16.4	2.9	55,613	38	11	11	105	43	4	43	16	37	15	4.75	1.09	31.75	4,175	Management Team
CVSIX		14.0	2.4	96,217	22	14	12	296	83	10	36	19	35	6	Clsd	**1.13**	12.65	2,485	Management Team
COAGX		17.5	2.0	12,311	37	18	12	83	517	43	55	0	2	7	NL	**1.26**	21.34	245	Management Team
RPFCX		16.4	1.4	13,204	18	17	15	50	20	0	57	7	35	7	4.75	0.93	27.23	337	Davis/Sabol (19.9/7.3)
DODBX		13.3	1.4	46,033	21	20	19	339	19	6	71	23	1	14	NL	0.53	78.06	12,372	Management Team
FBALX		14.4	1.9	42,700	20	14	12	1,246	155	4	65	28	3	9	NL	0.59	20.18	20,661	Management Team
FPURX		15.4	2.2	42,397	20	14	14	1,247	141	4	68	29	0	8	NL	0.59	19.41	19,690	Management Team
FSRRX		35.9	2.0	6,373	95	4	1	369	15	2	13	35	50	1	NL	0.73	9.64	1,373	Management Team
FPACX		11.8	1.2	33,182	21	20	19	90	32	34	56	4	6	15	NL	1.18	29.29	9,796	Steven Romick (19.6)
FKINX		12.6	1.5	54,464	29	15	14	458	33	4	40	45	11	22	4.25	0.64	2.24	68,903	Management Team
GATEX		13.7	2.1	61,131	18	13	12	259	3	4	96	0	0	1	5.75	**0.94**	27.12	6,996	Management Team
GRSPX		12.4	1.3	2,537	27	26	17	83	58	10	48	25	16	4	NL	0.91	23.23	653	Charles Carlson (26.0)
HSTRX		16.3	1.6	12,269	63	21	16	42	78	53	5	42	1	45	NL	0.63	12.11	2,182	John Hussman (10.3)
ACEIX		13.4	1.7	48,577	25	14	13	402	21	6	62	20	12	8	5.50	0.80	9.19	10,428	Management Team
JABAX		14.8	2.7	35,964	21	14	13	375	84	3	56	41	1	10	NL	0.83	26.23	8,866	Pinto/Smith (7.7/7.7)
LAALX		11.8	1.7	18,635	17	16	13	333	133	5	66	22	6	19	NL	1.34	10.33	449	Management Team
LCORX		12.7	2.0	17,146	24	16	15	310	149	6	66	22	6	16	NL	1.14	16.63	709	Paschke/Ramsey (1.9/1.9)
MAPOX		13.4	2.2	25,212	31	16	14	209	9	9	59	31	1	2	NL	0.79	70.83	287	Frels/Kaliebe (20.5/7.0)
EXDAX		16.3	2.1	26,358	14	13	13	818	54	8	32	59	1	15	NL	0.88	13.38	1,364	Management Team
EXBAX		16.9	1.9	19,217	18	13	11	667	47	2	46	52	1	22	NL	1.07	13.19	1,354	Management Team
MERFX		16.0	1.8	8,476	20	18	16	147	48	42	60	1	-3	10	NL	1.33	15.83	4,420	Behren/Shannon (6.0/6.0)
MSFRX		13.1	1.8	51,853	22	16	16	658	23	2	60	36	2	10	5.75	0.77	15.21	5,754	Management Team
OAKBX		14.2	2.1	18,852	24	20	18	133	29	15	70	13	2	13	NL	0.78	28.50	18,718	Clyde McGregor (17.2)
		14.3	**1.9**	**40,421.1**															

Equity Style Box

Val	Blnd	Grth	
			Lrg
			Mid
			Sm

Sectors

- Cyclical
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate
- Sensitive
- Communication Svs
- Energy
- Industrials
- Technology
- Defensive
- Consumer Def
- Healthcare
- Utilities

Bold # = Cheapest Quintile

Morningstar 500

Domestic Equity	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
			Historical Performance												Historical Risk		
Allocation (cont'd)			—	**8.9**	**8.9**	**5.5**	**1.1**	**4.4**	—	—	—	—	—	**1.5**	**9.5**	**(79)**	—
Pax World Balanced Individual Inv PAXWX	—	AL	★★★	11.3	11.3	6.9	0.6	5.7	80	80	75	63	79	1.6	13.03	(96)	Avg
Permanent Portfolio PRPFX	Neutral	CA	★★★★★	6.9	6.9	9.2	7.3	10.2	84	84	11	1	1	0.6	10.17	(67)	High
PIMCO Inflation Response MultiAsst Instl PIRMX	Silver	CA	NR	7.4	7.4	—	—	—	79	79	—	—	—	1.7	—	(—)	
T. Rowe Price Balanced RPBAX	—	MA	★★★★	14.0	14.0	9.0	3.5	7.5	15	15	20	18	17	2.2	11.40	(99)	+Avg
T. Rowe Price Capital Appreciation PRWCX	Gold	MA	★★★★★	14.7	14.7	10.5	5.5	9.3	8	8	4	2	1	1.8	10.85	(93)	Avg
T. Rowe Price Personal Strat Growth TRSGX	—	AL	★★★★	17.6	17.6	10.0	2.7	8.5	3	3	8	10	4	1.6	15.50	(98)	+Avg
T. Rowe Price Personal Strat Income PRSIX	—	CA	★★★★	12.5	12.5	8.2	4.8	7.4	12	12	23	21	9	2.4	9.06	(99)	+Avg
T. Rowe Price Retirement 2015 TRRGX	Gold	TD	↓★★★	13.8	13.8	8.9	3.4	—	1	1	1	11	—	2.1	11.67	(99)	High
Vanguard Balanced Index Adm VBIAX	Gold	MA	★★★★★	11.5	11.5	9.6	4.3	7.2	62	62	9	7	25	2.2	9.09	(97)	-Avg
Vanguard LifeStrategy Income Inv VASIX	Gold	CA	★★★	6.5	6.5	6.5	3.9	5.4	86	86	65	45	63	2.3	3.33	(82)	Low
Vanguard STAR Inv VGSTX	Silver	MA	★★★★	13.8	13.8	8.6	3.7	7.7	17	17	26	16	13	2.3	10.67	(99)	Avg
Vanguard Target Retirement 2025 Inv VTTVX	Gold	TG	★★★★	13.3	13.3	8.7	2.3	—	43	43	18	21	—	2.2	12.04	(99)	Avg
Vanguard Tax-Managed Balanced Adm VTMFX	Gold	CA	★★★★	10.9	10.9	8.5	4.5	6.5	29	29	18	28	20	2.3	7.26	(93)	Avg
Vanguard Wellesley Income Inv VWINX	Gold	CA	★★★★★	10.1	10.1	10.1	6.9	7.2	44	44	6	4	10	3.1	4.97	(74)	-Avg
Vanguard Wellington Inv VWELX	Gold	MA	★★★★★	12.6	12.6	9.1	4.3	8.2	38	38	18	7	5	2.8	9.81	(96)	-Avg
U.S. Specialty Funds																	
Allianz RCM Technology Instl DRGTX	Silver	ST	★★★★	12.4	12.4	9.2	1.5	12.2	52	52	34	68	14	0.0	19.18	(77)	Avg
CGM Realty CGMRX	—	SR	★★★	10.6	10.6	13.1	0.7	19.3	100	100	98	93	1	0.9	22.06	(75)	High
Cohen & Steers Realty Shares CSRSX	Bronze	SR	★★★★	15.7	15.7	16.0	6.3	12.7	76	76	78	17	8	2.0	18.48	(69)	Avg
Davis Financial A RPFGX	Gold	SF	★★★★	18.2	18.2	6.1	-1.0	5.9	81	81	54	23	19	1.1	15.40	(93)	-Avg
Fidelity Real Estate Investment FRESX	—	SR	★★★	18.0	18.0	18.4	6.4	11.4	25	25	15	15	44	1.4	18.96	(69)	+Avg
Fidelity Select Energy FSENX	—	EE	★★★	4.6	4.6	5.8	-4.3	12.6	14	14	8	50	43	0.9	25.82	(78)	Avg
Fidelity Select Health Care FSPHX	—	SH	★★★	21.4	21.4	15.3	6.4	9.0	33	33	23	37	47	0.3	13.84	(75)	Avg
Fidelity Select Technology FSPTX	Neutral	ST	★★★	17.2	17.2	10.3	4.6	10.5	26	26	25	19	39	0.0	20.96	(84)	+Avg
Franklin Utilities A FKUTX	Gold	SU	↓★★★	5.7	5.7	10.5	2.7	10.4	50	50	31	12	37	3.6	9.28	(30)	Low
Harbor Commodity Real Return ST Instl HACMX	Gold	BB	★★★★★	5.2	5.2	6.3	—	—	2	2	5	—	—	1.5	19.01	(93)	Avg
JPMorgan US Real Estate A SUSIX	Silver	SR	★★	15.1	15.1	16.7	3.7	11.1	92	92	60	78	48	1.9	18.32	(65)	Avg
Oppenheimer Gold & Special Minerals A OPGSX	Silver	SP	★★★	-9.1	-9.1	1.4	2.6	15.7	59	59	49	38	9	0.0	29.58	(19)	+Avg
PIMCO Commodity Real Ret Strat D PCRDX	Silver	BB	↑★★★★★	4.9	4.9	6.0	-1.3	7.1	7	7	11	6	10	2.0	19.20	(93)	+Avg
T. Rowe Price Global Technology PRGTX	—	ST	★★★★	19.2	19.2	12.9	7.7	12.7	18	18	8	2	6	0.0	21.62	(87)	+Avg
T. Rowe Price Health Sciences PRHSX	Gold	SH	★★★★★	31.9	31.9	19.4	9.9	14.2	12	12	8	16	10	0.3	16.01	(70)	Avg
T. Rowe Price Media & Telecommunications PRMTX	Silver	SC	★★★★★	22.7	22.7	15.9	7.0	17.7	10	10	7	1	1	0.5	17.40	(90)	Avg
T. Rowe Price New Era PRNEX	Neutral	SN	★★★	4.0	4.0	2.2	-4.5	11.4	49	49	57	63	51	1.2	24.20	(83)	Avg
T. Rowe Price Real Estate TRREX	Gold	SR	★★★	17.0	17.0	17.7	5.5	11.9	43	43	30	36	29	2.2	18.78	(68)	+Avg
T. Rowe Price Science & Tech PRSCX	—	ST	↑★★★	6.3	6.3	7.2	3.0	8.2	92	92	66	41	70	0.0	21.42	(84)	+Avg
Third Avenue Real Estate Value Instl TAREX	Gold	GR	↑★★★★	36.2	36.2	12.0	1.5	10.0	26	26	38	24	80	3.3	18.38	(90)	Avg
Vanguard Energy Inv VGENX	Gold	EE	★★★★★	2.7	2.7	4.6	-2.0	14.6	36	36	30	8	11	2.2	23.54	(83)	-Avg
Vanguard Health Care Inv VGHCX	Gold	SH	★★★★	15.1	15.1	10.9	6.1	9.5	86	86	57	40	43	1.9	10.44	(68)	Low
Vanguard Precious Metals and Mining Inv VGPMX	Gold	SP	↑★★★	-13.0	-13.0	-2.2	-6.2	12.7	87	87	91	95	60	4.4	30.34	(53)	+Avg
Vanguard REIT Index Adm VGSLX	Silver	SR	★★★	17.7	17.7	18.0	6.1	11.7	29	29	24	23	35	3.6	18.29	(68)	Avg
S&P 500 Index				**16.0**	**16.0**	**10.9**	**1.7**	**7.1**									
BarCap US Agg Bond TR USD				**4.2**	**4.2**	**6.2**	**6.0**	**5.2**									
Dow Jones Moderate Portfolio Index				**11.2**	**11.2**	**8.3**	**3.4**	**8.3**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

BB Commodities Broad Basket
CA Conservative Allocation
EE Equity Energy
GR Global Real Estate
LO Long-Short
MA Moderate Allocation
SC Communications
SF Financial
SH Health
SN Natural Resources
SP Equity Precious Metals
SR Real Estate
ST Technology
SU Utilities
TA Target-Date 2000-2010
TD Target Date 2011-2015
TE Target Date 2016-2020
TG Target Date 2021-2025
TH Target Date 2026-2030
TI Target Date 2031-2035
TJ Target Date 2036-2040
TK Target Date 2041-2045
TL Target Date 2050+
RI Retirement Income

	Current Portfolio Style										Recent Composition (% of Assets)					Costs		Operations		
	Current Equity Style Box	Price/ Earn Ratio	Price/ Book Ratio	Average Market Cap ($Mil)	Top Three Sectors (% of Stock)			Total # of Hold-ings	Turn-over %	Cash	Stock	Bond	Other	Foreign	Sales Charge %	Expense Ratio %	NAV ($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**13.9**	**1.8**	**24,163**	**15**	**14**	**12**		**149**	**19**	**48**	**26**	**5**	**17**	—	**1.36**	—	**1,345**	—
PAXWX		15.1	2.5	34,940	26	17	15	321	38	3	69	28	1	15	NL	0.95	23.73	1,839	Christopher Brown (14.7)
PRPFX		15.7	1.8	18,458	20	20	19	156	9	19	32	23	27	8	NL	0.71	48.64	16,841	Michael Cuggino (9.7)
PIRMX		31.0	1.3	5,873	100	— —	— —	52	235	-6	1	55	50	17	NL	0.67	10.03	148	Mihir Worah (1.3)
RPBAX		13.6	1.8	37,513	16	14	14	1,338	58	3	64	32	1	24	NL	0.63	20.64	3,358	Charles Shriver (1.7)
PRWCX		14.4	2.2	41,997	18	16	15	230	81	14	59	19	8	7	NL	0.71	22.25	13,683	David Giroux (6.5)
TRSGX		13.5	1.9	29,187	17	15	14	1,313	51	2	85	13	1	31	NL	0.73	25.58	1,166	Charles Shriver (1.7)
PRSIX		13.5	1.9	29,190	17	15	15	1,404	62	15	44	40	1	27	NL	0.48	17.24	1,105	Charles Shriver (1.7)
TRRGX		13.4	1.9	28,047	16	15	12	19	26	6	61	33	1	27	NL	**0.66**	12.88	7,414	Jerome Clark (8.9)
VBIAX		14.5	2.0	32,971	18	13	12	9,325	67	4	58	38	0	6	NL	**0.10**	23.76	17,210	Davis/Perre (7.7/12.0)
VASIX		13.6	1.7	27,362	15	15	12	4	8	7	20	74	0	16	NL	**0.13**	14.21	2,783	Feeder Fund of Partners Fund VI (18.3)
VGSTX		13.5	1.7	29,800	19	16	14	12	12	4	60	35	1	27	NL	**0.34**	20.80	15,029	Duane Kelly (3.5)
VTTVX		13.6	1.7	27,350	15	15	12	4	9	3	71	26	0	25	NL	**0.18**	13.59	21,269	Duane Kelly (9.2)
VTMFX		14.4	2.0	37,776	18	13	12	1,484	12	1	48	50	0	0	NL	**0.12**	22.25	1,015	Kobs/Perre (4.4/13.0)
VWINX		13.2	2.1	66,752	17	17	15	1,379	33	4	37	59	0	16	NL	**0.25**	24.11	32,343	Keogh/Reckmeyer III (4.5/5.0)
VWELX		12.7	1.8	74,374	17	16	14	1,236	38	1	65	32	1	15	NL	**0.27**	33.84	64,706	Bousa/Keogh (12.0/9.0)
DRGTX		17.4	3.0	43,937	75	11	6	109	176	7	94	0	-1	11	NL	1.23	46.83	943	Chen/Price, Jr. (17.0/17.0)
CGMRX		42.5	2.2	6,175	100	0	— —	27	69	1	99	0	0	0	NL	**0.88**	29.37	1,417	G. Heebner (18.7)
CSRSX		38.8	2.2	9,644	96	3	1	56	90	1	99	0	0	2	NL	0.96	64.57	4,799	Management Team
RPFGX		12.4	1.3	24,750	83	5	4	27	12	5	95	0	0	21	4.75	**0.91**	30.41	516	Kenneth Feinberg (15.7)
FRESX		40.2	2.2	10,301	100	0	— —	50	26	1	99	0	0	0	NL	**0.84**	32.14	3,710	Steve Buller (15.0)
FSENX		12.0	1.6	26,242	97	2	0	81	90	2	98	0	0	17	NL	**0.82**	50.81	2,035	John Dowd (6.4)
FSPHX		19.2	2.7	14,183	86	7	4	101	130	3	97	0	0	12	NL	**0.80**	134.05	2,483	Edward Yoon (4.3)
FSPTX		17.8	2.7	24,396	84	5	4	332	196	5	95	0	0	16	NL	**0.81**	101.31	2,111	Charlie Chai (6.0)
FKUTX		16.1	1.6	13,932	89	7	3	57	1	2	96	2	0	6	4.25	**0.76**	13.62	4,397	Kohli/Schmicker (14.0/3.0)
HACMX		—	—	—	— —	— —	— —	—	581	6	0	76	17	15	NL	0.94	7.12	353	Mihir Worah (4.3)
SUSIX		41.6	2.2	11,622	99	1	— —	29	67	0	100	0	0	0	5.25	1.17	15.87	824	Management Team
OPGSX		11.2	1.6	5,875	100	0	— —	66	44	0	100	0	0	85	5.75	1.18	31.51	3,006	Shanquan Li (15.5)
PCRDX		—	—	—	— —	— —	— —	—	177	-28	0	103	25	24	NL	1.19	6.54	19,514	Mihir Worah (5.0)
PRGTX		16.1	2.5	50,194	91	4	3	82	110	5	94	0	2	19	NL	**0.98**	10.12	703	Joshua Spencer (0.6)
PRHSX		23.0	3.5	7,367	89	7	2	231	23	4	95	0	1	20	NL	**0.82**	41.22	4,978	Kris Jenner (13.0)
PRMTX		19.7	2.7	41,761	49	32	17	60	41	4	95	0	1	18	NL	**0.83**	53.30	2,306	Daniel Martino (3.3)
PRNEX		10.7	1.6	15,169	58	24	7	100	26	4	96	0	0	29	NL	**0.67**	41.91	4,300	Timothy Parker (2.5)
TRREX		41.1	2.4	8,643	96	4	— —	41	5	7	92	0	1	0	NL	**0.78**	21.01	3,591	David Lee (15.2)
PRSCX		18.0	1.7	16,939	91	6	2	71	77	5	94	0	2	16	NL	**0.90**	27.21	2,509	Kennard Allen (4.0)
TAREX		20.6	1.0	5,603	87	8	5	46	4	22	77	1	0	51	NL	1.15	25.37	1,756	Winer/Wolf (14.3/2.3)
VGENX		11.3	1.4	42,288	95	4	1	146	24	4	96	0	0	42	NL	**0.34**	59.22	11,521	Management Team
VGHCX		14.4	2.2	30,012	95	2	2	92	8	4	94	0	2	22	NL	**0.35**	143.27	23,100	Jean Hynes (4.6)
VGPMX		10.8	1.4	3,390	95	5	— —	52	22	1	99	0	0	84	NL	**0.29**	15.95	3,239	French/Vaight (16.6/5.0)
VGSLX		39.2	2.1	8,100	100	— —	— —	113	10	1	99	0	0	0	NL	**0.10**	93.24	29,709	Gerard O'Reilly (16.7)
		14.3	**1.9**	**40,421.1**															

Equity Style Box

Val Blnd Grth
Lg Mid Sm

Sectors

- Cyclical
- Basic Materials
- Consumer Cyclical
- Financial Services
- Real Estate
- Sensitive
- Communication Svs
- Energy
- Industrials
- Technology
- Defensive
- Consumer Def
- Healthcare
- Utilities

Bold # = Cheapest Quintile

Morningstar 500

International Equity

	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
				Historical Performance											Historical Risk		
Foreign Stock			—	**18.9**	**18.9**	**5.8**	**-2.3**	**9.8**	—	—	—	—	—	**1.9**	**19.6**	**(91)**	—
American Beacon Intl Equity Inv AAIPX	Bronze	FV	★★★★	21.2	21.2	4.3	-2.7	8.9	11	11	26	18	26	2.2	21.03	(98)	+Avg
American Funds EuroPacific Gr A AEPGX	Gold	FB	★★★★	19.2	19.2	4.1	-1.4	10.0	31	31	46	13	12	1.7	18.91	(96)	-Avg
American Funds Intl Gr And Inc A IGAAX	Gold	FB	★★★★	18.9	18.9	6.1	—	—	35	35	12	—	—	2.7	17.03	(96)	Low
Artio International Equity A BJBIX	Bronze	FB	★★	14.9	14.9	-1.6	**-8.0**	7.2	86	86	98	96	65	0.5	19.74	(90)	Avg
Artio International Equity II A JETAX	Bronze	FB	★★	16.5	16.5	-0.7	-6.2	—	74	74	96	88	—	2.3	19.78	(91)	Avg
Artisan International Inv ARTIX	Silver	FB	★★★★	25.4	25.4	7.2	-1.8	9.3	4	4	6	19	21	1.1	20.64	(91)	+Avg
Artisan International Small Cap Investor ARTJX	Gold	FR	★★★★	**34.7**	**34.7**	9.3	0.1	**15.8**	1	1	50	44	9	1.0	19.75	(81)	Avg
Artisan International Value Investor ARTKX	Gold	FB	★★★★★	22.8	22.8	**10.7**	**4.8**	14.4	7	7	1	1	1	1.0	17.00	(95)	Low
Causeway International Value Inv CIVVX	Gold	FV	★★★★	24.2	24.2	7.5	-1.0	9.8	2	2	4	8	15	1.9	21.81	(97)	High
Columbia Acorn International Select A LAFAX	Silver	FR	↓★★★	22.1	22.1	10.0	0.1	12.9	47	47	44	42	40	6.3	15.94	(81)	Low
Columbia Acorn International Z ACINX	Silver	FR	★★★★	21.6	21.6	8.6	0.9	14.4	56	56	59	27	16	2.1	18.05	(90)	-Avg
Dodge & Cox International Stock DODFX	Gold	FB	↑★★★★	21.0	21.0	5.0	-1.9	11.6	16	16	29	20	5	2.2	21.00	(97)	+Avg
Fidelity Diversified International FDIVX	Neutral	FB	↓★★★	19.4	19.4	4.1	-4.0	8.8	28	28	44	58	27	1.5	19.66	(97)	Avg
Fidelity International Discovery FIGRX	Bronze	FB	★★★★	21.9	21.9	4.7	-3.6	9.5	11	11	33	50	18	1.7	20.22	(97)	+Avg
Fidelity International Small Cap FISMX	—	FR	★★★	18.9	18.9	8.0	-0.4	14.4	84	84	66	52	18	0.7	19.43	(90)	Avg
Fidelity Spartan International Index Inv FSIIX	Silver	FB	★★★	18.7	18.7	3.9	-3.3	8.3	40	40	50	43	39	2.8	19.98	(99)	Avg
First Eagle Overseas A SGOVX	Silver	FB	↑★★★★★	14.0	14.0	8.7	4.1	12.6	90	90	3	1	2	1.2	12.04	(88)	Low
Harbor International Growth Inv HIIGX	Neutral	FG	★★	16.6	16.6	3.7	-5.0	**6.8**	67	67	82	85	90	5.7	19.79	(91)	Avg
Harbor International Instl HAINX	Gold	FB	★★★★	20.9	20.9	6.4	-0.9	12.0	17	17	11	10	4	2.0	21.23	(96)	High
Harding Loevner International Eq Inv HLMNX	Silver	FG	★★★★★	19.7	19.7	8.1	1.4	*9.6*	30	30	19	3	*37*	0.5	18.04	(95)	-Avg
★ IVA International A IVIOX	Silver	FQ	★★★★	**10.2**	**10.2**	8.0	—	—	89	89	46	—	—	2.8	9.94	(90)	Low
Janus Overseas T JAOSX	Silver	FG	★★	12.4	12.4	**-3.4**	-5.4	11.9	88	88	97	90	6	3.3	25.93	(74)	High
Litman Gregory Masters Intl Instl MSILX	Gold	FB	★★★★	20.0	20.0	5.2	-2.5	9.9	23	23	25	31	14	0.5	20.55	(95)	+Avg
Longleaf Partners International LLINX	Bronze	FB	★★	21.2	21.2	3.2	-4.0	6.9	14	14	69	56	71	1.7	21.62	(90)	High
MainStay ICAP International I ICEUX	—	FV	★★★★★	16.8	16.8	3.9	-2.5	10.1	48	48	34	15	9	2.1	19.46	(96)	-Avg
Manning & Napier World Opportunities A EXWAX	Gold	FB	★★★★	18.8	18.8	2.9	-1.9	9.8	37	37	74	20	15	1.6	21.38	(96)	High
Neuberger Berman International Inv NBISX	Bronze	FB	★★★★★	18.4	18.4	7.3	-1.8	10.5	45	45	6	20	8	1.0	17.84	(93)	-Avg
Oakmark International I OAKIX	Gold	FB	★★★★★	29.2	29.2	8.9	3.5	11.2	2	2	3	2	7	2.1	20.16	(93)	+Avg
Oakmark International Small Cap I OAKEX	Bronze	FQ	★★★	18.4	18.4	6.3	1.8	12.4	64	64	70	9	31	1.5	19.86	(89)	Avg
Oppenheimer International Growth A OIGAX	Silver	FG	★★★★	21.6	21.6	8.8	0.7	11.9	14	14	7	7	3	1.2	19.06	(95)	Avg
Scout International UMBWX	Silver	FG	★★★★	21.3	21.3	6.4	0.2	10.5	16	16	52	14	21	1.6	19.03	(96)	Avg
T. Rowe Price International Discovery PRIDX	Bronze	FR	★★★★	26.0	26.0	9.3	0.3	14.8	11	11	50	36	14	1.1	18.42	(90)	Avg
T. Rowe Price International Stock Fd PRITX	Silver	FG	★★★	18.7	18.7	6.0	-1.2	8.3	43	43	57	38	60	1.3	20.27	(94)	Avg
T. Rowe Price Intl Gr & Inc TRIGX	Neutral	FV	★★★	15.4	15.4	4.4	-3.4	9.0	65	65	25	26	24	2.4	20.62	(98)	Avg
TCW International Small Cap I TGICX	Bronze	FR	NR	14.6	14.6	—	—	—	95	95	—	—	—	5.9	—	(—)	
Third Avenue International Value Instl TAVIX	Silver	FA	★★★	21.5	21.5	4.6	-0.6	10.6	37	37	71	36	32	0.9	17.46	(89)	Low
Thornburg International Value A TGVAX	Silver	FG	★★★	15.3	15.3	4.4	-2.8	10.5	76	76	74	63	22	1.0	17.94	(95)	-Avg
Tweedy, Browne Global Value TBGVX	Silver	FV	★★★★★	18.4	18.4	8.9	1.9	9.4	30	30	1	2	20	1.4	11.19	(91)	Low
USAA International USIFX	Bronze	FG	★★★★	22.1	22.1	6.6	0.7	9.7	12	12	49	7	35	1.3	20.07	(97)	Avg
Vanguard Developed Markets Index Admiral VDMAX	Gold	FB	☆☆☆	18.9	18.9	*4.1*	*-3.3*	*8.4*	35	35	*44*	*43*	*37*	3.6	—	(—)	
Vanguard FTSE All-Wld ex-US Idx Admiral VFWAX	Silver	FB	☆☆☆	18.5	18.5	*4.4*	*-2.5*	—	44	44	*39*	*30*	—	3.0	—	(—)	
Vanguard International Explorer Inv VINEX	Bronze	FQ	★★★	17.9	17.9	5.1	-1.9	12.1	68	68	87	51	39	2.8	20.36	(93)	Avg
Vanguard International Growth Inv VWIGX	Silver	FG	★★★	20.0	20.0	6.2	-1.4	9.6	25	25	54	40	37	1.8	21.15	(94)	+Avg
Vanguard International Value Inv VTRIX	Bronze	FV	★★★	20.2	20.2	3.3	-3.0	9.5	16	16	49	21	16	2.6	20.69	(98)	Avg
Vanguard Tax-Managed Intl Adm VTMGX	Gold	FB	★★★	18.6	18.6	4.0	-3.3	8.5	42	42	50	43	35	3.0	20.10	(99)	Avg
Vanguard Total Intl Stock Index Admiral VTIAX	Gold	FB	☆☆☆☆	18.2	18.2	*3.9*	*-3.0*	*9.4*	49	49	*51*	*39*	*20*	3.0	—	(—)	
William Blair International Growth N WBIGX	Bronze	FG	★★★	23.7	23.7	8.3	-3.0	9.9	4	4	14	64	32	3.0	18.58	(92)	-Avg
World Stock			—	**15.7**	**15.7**	**6.4**	**-1.3**	**8.0**	—	—	—	—	—	**1.3**	**17.7**	**(88)**	—
American Funds Capital World G/I A CWGIX	Gold		★★★	19.1	19.1	5.9	-0.7	10.2	26	26	66	52	20	2.7	17.24	(96)	Avg
American Funds New Perspective A ANWPX	Gold		★★★★	20.8	20.8	8.0	1.5	10.0	17	17	32	18	24	1.1	16.55	(93)	-Avg
MSCI EAFE Index				**17.3**	**17.3**	**3.6**	**-3.7**	**8.2**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

FA Foreign–Small/Mid Value
FB Foreign–Large Blend
FG Foreign–Large Growth
FQ Foreign Small/Mid Blend
FR Foreign–Small/Mid Growth
FV Foreign–Large Value
SC Communications
SF Financial
SH Health
SN Natural Resources
SP Equity Precious Metals
SR Real Estate
SU Utilities
ST Technology

	Current Portfolio Style															Costs		Operations		
	Current Equity Style Box	Price/ Cash Flow	Average Market Cap ($Mil)	**Regional Exposure** (% of Stock) UK/W. Europe	North Amer	Latin Amer	Japan	Asia ex-Japan	Other	Total # of Holdings	Turnover %	**Recent Composition** (% of Assets) Cash	Stock	Bond	Other	Sales Charge %	Expense Ratio%	NAV($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**5.4**	**13,397**	**53**	**8**	**3**	**16**	**18**	**3**	—	**58**	**3**	**95**	**0**	**2**	—	**1.44**	—	**1,115**	—
AAIPX		4.5	26,973	74	2	0	13	11	0	180	33	6	91	0	3	NL	1.07	16.48	1,530	Management Team
AEPGX		4.3	32,174	50	3	3	10	28	5	453	24	8	90	1	1	5.75	0.84	41.22	101,612	Management Team
IGAAX		5.3	29,538	57	6	3	6	24	4	168	24	3	93	1	3	5.75	0.93	31.70	5,390	Management Team
BJBIX		5.3	26,956	52	6	3	15	14	10	220	41	7	89	0	4	Clsd	1.29	25.26	1,212	Pell/Younes (17.8/17.8)
JETAX		5.7	31,944	55	7	0	15	12	10	156	51	8	91	0	1	NL	1.28	10.83	910	Pell/Younes (7.7/7.7)
ARTIX		8.3	33,995	55	9	1	12	23	0	89	55	1	98	0	1	NL	1.19	24.59	10,152	Management Team
ARTJX		11.9	2,259	58	0	5	8	29	1	58	42	2	96	0	2	Clsd	1.50	22.38	735	Yockey/Hamker (11.0/0.9)
ARTKX		9.0	12,619	71	17	0	12	1	0	53	20	11	87	0	2	Clsd	1.17	30.38	7,175	Samra/O'Keefe (10.3/6.2)
CIVVX		4.8	21,539	74	0	0	15	11	0	65	21	3	97	0	0	NL	1.24	13.08	1,966	Management Team
LAFAX		3.6	4,659	10	15	6	13	50	6	45	44	0	98	0	2	5.75	1.51	25.61	381	Christopher Olson (11.3)
ACINX		7.5	2,424	29	8	5	17	35	7	251	32	0	98	0	2	NL	**0.95**	40.84	6,745	Egan/Mendes (9.7/9.7)
DODFX		2.4	31,164	60	6	6	11	7	10	99	16	0	99	0	1	NL	**0.64**	34.64	39,191	Management Team
FDIVX		5.1	31,211	59	9	2	15	14	1	246	35	6	94	0	0	NL	0.99	29.94	22,923	William Bower (11.8)
FIGRX		3.8	21,278	61	4	1	17	13	3	185	68	2	98	0	0	NL	0.98	33.07	8,818	William Kennedy (8.2)
FISMX		6.5	1,306	49	2	1	28	18	2	340	68	4	94	0	2	NL	**1.22**	20.35	744	Management Team
FSIIX		3.8	30,526	64	0	0	19	15	1	963	9	2	98	0	0	NL	**0.11**	34.28	9,402	Management Team
SGOVX		7.3	7,032	35	6	4	39	14	2	164	12	22	70	0	7	5.00	1.14	22.02	11,867	Management Team
HIIGX		7.6	25,837	55	10	5	12	13	4	62	112	5	95	0	0	NL	1.23	11.49	233	Gendelman/Malhotra (8.9/1.8)
HAINX		8.2	46,050	70	4	3	10	13	0	102	12	4	94	0	2	NL	**0.77**	62.12	38,968	Management Team
HLMNX		10.3	29,424	50	10	5	14	15	6	56	15	0	98	0	2	NL	1.25	15.91	2,412	Management Team
IVIOX		5.4	4,369	43	1	0	36	18	1	120	30	29	58	9	4	Clsd	1.27	15.57	2,820	de Lardemelle/de Vaulx (4.3/4.3)
JAOSX		1.8	11,926	20	18	14	7	41	0	56	26	0	100	0	0	NL	**0.74**	34.19	6,140	Brent Lynn (12.0)
MSILX		1.6	14,596	57	9	7	10	13	4	65	127	0	92	0	8	NL	1.11	15.02	1,450	Management Team
LLINX		8.0	8,433	60	13	2	6	20	0	22	49	10	83	0	7	NL	1.37	14.04	1,507	Management Team
ICEUX		2.5	42,586	70	8	0	18	4	0	36	62	1	99	0	0	NL	**0.95**	30.10	1,077	Management Team
EXWAX		6.5	15,946	65	16	3	9	6	1	83	52	6	94	0	0	NL	1.09	7.75	6,935	Management Team
NBISX		4.0	9,036	62	10	1	14	9	4	114	29	2	96	0	3	Clsd	1.73	17.62	266	Benjamin Segal (9.0)
OAKIX		1.3	19,030	65	6	0	25	4	0	56	38	3	93	0	4	NL	1.06	20.93	11,076	Herro/Taylor (20.3/4.0)
OAKEX		5.5	1,595	57	0	0	29	12	2	56	33	4	94	0	2	NL	1.41	13.98	1,602	Herro/Manelli (17.2/1.7)
OIGAX		9.5	11,086	82	3	1	5	8	0	122	19	3	97	0	0	5.75	1.32	30.88	7,609	Dunphy/Evans (0.8/16.8)
UMBWX		6.7	34,052	61	8	6	10	10	4	102	20	5	94	0	1	NL	**0.99**	33.35	8,769	Management Team
PRIDX		6.5	1,695	51	3	3	15	26	3	223	40	7	91	0	2	NL	**1.23**	46.10	2,820	Justin Thomson (14.0)
PRITX		3.4	21,420	45	11	6	11	25	2	127	34	5	94	0	1	NL	**0.85**	14.40	9,597	Robert Smith (5.3)
TRIGX		2.4	22,996	63	0	1	19	17	1	120	30	4	96	0	0	NL	**0.87**	12.96	5,928	Jonathan Matthews (2.5)
TGICX		7.6	556	17	28	4	15	32	3	78	140	0	97	0	3	NL	1.32	7.51	28	Rohit Sah (1.9)
TAVIX		2.1	4,914	34	21	3	10	26	6	46	24	6	92	0	1	NL	1.40	16.96	1,238	Fine/Wadhwaney (1.0/11.0)
TGVAX		6.1	41,159	57	11	5	9	14	4	88	18	0	96	0	4	4.50	1.29	27.45	27,913	Management Team
TBGVX		6.8	22,842	76	10	4	6	4	0	116	9	14	88	0	-2	NL	1.38	23.24	5,211	Management Team
USIFX		5.8	33,048	64	3	2	15	14	2	80	17	1	99	0	0	NL	1.21	26.06	2,543	Ling/Smith (3.3/10.5)
VDMAX		3.4	29,172	64	0	0	20	15	1	934	8	1	99	0	0	NL	**0.10**	28.04	12,116	Donald Butler (2.1)
VFWAX		3.8	24,512	43	7	5	13	26	5	2,313	6	0	99	0	1	NL	**0.15**	28.21	15,573	Ryan Ludt (4.4)
VINEX		5.7	1,378	56	1	1	19	23	1	316	28	5	94	0	1	NL	**0.43**	14.71	1,858	Dobbs/Thomas (13.0/2.6)
VWIGX		2.8	27,832	52	4	7	8	26	4	193	30	4	95	0	1	NL	**0.49**	19.27	18,141	Management Team
VTRIX		3.8	26,340	55	3	4	14	20	4	210	53	4	94	0	2	NL	**0.40**	31.18	6,808	Management Team
VTMGX		3.4	29,401	64	0	0	20	15	1	890	5	0	100	0	0	NL	**0.12**	11.26	12,739	Donald Butler (4.4)
VTIAX		3.8	17,789	43	9	4	14	25	5	6,252	3	0	99	0	1	NL	**0.16**	25.05	81,000	Michael Perre (4.4)
WBIGX		5.3	16,261	56	5	6	12	18	3	207	103	2	96	0	3	NL	1.45	22.43	3,675	W. Greig (16.5)
	—	**6.4**	**25,374**	**30**	**50**	**3**	**5**	**11**	**2**	—	**63**	**4**	**94**	**0**	**1**	—	**1.41**	—	**1,273**	—
CWGIX		4.4	43,077	40	38	2	2	16	3	459	27	6	90	2	1	5.75	**0.79**	37.20	70,155	Management Team
ANWPX		7.3	43,325	36	46	3	4	8	3	290	16	8	91	0	2	5.75	**0.80**	31.26	43,580	Management Team

Equity Style Box

Val Blnd Grth
Lrg Mid Sm

Bold # = Cheapest Quintile

Morningstar 500

International Equity	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Historical Risk: Standard Deviation	(R^2)	Risk Relative to Category
World Stock (cont'd)			—	**15.7**	**15.7**	**6.4**	**-1.3**	**8.0**	—	—	—	—	—	**1.3**	**17.7**	**(88)**	—
American Funds SMALLCAP World A SMCWX	Bronze		★★★	21.9	21.9	9.3	0.3	11.7	10	10	16	36	4	1.4	18.18	(83)	Avg
Artisan Global Opportunities Inv ARTRX	—		★★★★★	**29.8**	**29.8**	**15.9**	—	—	1	1	1	—	—	0.0	18.95	(77)	+Avg
Artisan Global Value Investor ARTGX	Silver		★★★★★	19.0	19.0	12.0	5.8	—	27	27	5	2	—	0.5	14.95	(89)	-Avg
Dodge & Cox Global Stock DODWX	Gold		★★★	21.1	21.1	6.8	—	—	14	14	51	—	—	1.6	19.38	(95)	+Avg
Fidelity Worldwide FWWFX	—		★★★★	18.8	18.8	9.0	-0.1	9.4	28	28	19	41	38	0.8	17.90	(91)	Avg
FPA Paramount FPRAX	Silver		★★★★	16.0	16.0	11.4	4.5	9.9	51	51	6	4	28	0.0	19.16	(67)	+Avg
Harding Loevner Global Equity Advisor HLMGX	Silver		★★★★	17.1	17.1	7.3	1.4	9.2	43	43	41	20	40	0.2	16.66	(90)	-Avg
Janus Global Research T JARFX	Silver		★★★	16.8	16.8	9.2	0.6	—	46	46	17	31	—	0.5	17.87	(89)	Avg
Janus Global Select T JORNX	Neutral		↑★★	**4.2**	**4.2**	**0.9**	**-4.4**	9.6	97	97	95	91	32	0.5	21.69	(78)	High
Mutual Global Discovery A TEDIX	Silver		↓★★★★	13.3	13.3	6.9	1.6	10.3	73	73	49	17	19	1.6	12.58	(92)	Low
Mutual Quest A TEQIX	Silver		↓★★★★	12.2	12.2	6.5	1.6	8.9	80	80	55	17	49	2.1	11.46	(88)	Low
Oakmark Global I OAKGX	Gold		★★★★	20.2	20.2	7.1	1.1	10.6	20	20	46	24	15	1.6	18.89	(91)	+Avg
Oakmark Global Select I OAKWX	Silver		↑★★★★★	24.0	24.0	9.0	6.1	—	3	3	20	1	—	1.3	19.29	(84)	+Avg
Old Westbury Global Small & Mid Cap OWSMX	—		★★★★★	17.3	17.3	10.3	**6.1**	—	40	40	8	1	—	1.1	17.68	(87)	Avg
Oppenheimer Global A OPPAX	Silver		★★★	20.8	20.8	8.5	0.9	9.7	17	17	26	26	31	1.0	18.97	(94)	+Avg
Oppenheimer Global Opportunities A OPGIX	Bronze		★★★	10.3	10.3	4.1	2.9	**12.2**	89	89	83	8	2	1.1	19.17	(81)	Avg
Perkins Global Value T JGVAX	Bronze		★★★★	11.7	11.7	8.1	0.7	7.9	83	83	30	28	61	2.2	10.41	(85)	Low
PIMCO EqS Pathfinder D PTHDX	Bronze		NR	9.5	9.5	—	—	—	92	92	—	—	—	2.8	—	(—)	
Polaris Global Value PGVFX	—		★★★	21.0	21.0	10.3	-0.5	8.9	15	15	8	47	48	1.1	18.97	(88)	+Avg
Third Avenue Value Instl TAVFX	Silver		★★	27.5	27.5	4.8	-2.0	8.3	2	2	78	69	54	2.6	21.07	(81)	High
Tweedy, Browne Value TWEBX	Silver		★★★★	15.5	15.5	7.8	3.9	**6.5**	55	55	34	5	81	1.0	12.01	(90)	Low
Tweedy, Browne Worldwide Hi Div Yld Val TBHDX	Silver		★★★★★	12.3	12.3	8.0	2.7	—	80	80	32	10	—	1.6	13.31	(94)	Low
Vanguard Global Equity Inv VHGEX	—		★★★	19.5	19.5	8.1	-2.2	9.2	23	23	30	73	43	1.8	17.96	(93)	Avg
Vanguard Total World Stock Index Inv VTWSX	—		★★★	17.2	17.2	6.8	—	—	42	42	51	—	—	2.2	17.76	(95)	Avg
Regional Stock																	
Matthews Asia Dividend Investor MAPIX	Gold	DP	★★★★	21.6	21.6	10.4	8.0	—	56	56	1	1	—	3.8	13.09	(79)	Low
Matthews Asian Growth & Inc Investor MACSX	Silver	PJ	★★★★★	26.9	26.9	10.6	5.4	14.3	24	24	20	1	52	2.5	12.40	(79)	Low
Matthews China Investor MCHFX	Gold	CH	★★★★	12.0	12.0	1.7	-0.9	17.3	91	91	60	19	5	1.5	20.15	(63)	-Avg
Matthews India Investor MINDX	Silver	EI	★★★★	31.5	31.5	3.5	-3.8	—	44	44	1	1	—	0.5	25.85	(43)	-Avg
Matthews Pacific Tiger Investor MAPTX	Gold	PJ	★★★★	21.0	21.0	9.5	4.4	17.7	69	69	30	14	4	0.6	18.51	(70)	-Avg
Mutual European A TEMIX	Gold	ES	★★★★	17.4	17.4	5.2	-0.8	10.4	82	82	35	14	33	2.9	14.16	(90)	Low
T. Rowe Price New Asia PRASX	Neutral	PJ	★★★	23.7	23.7	9.4	0.7	18.4	46	46	32	45	1	0.9	18.72	(69)	-Avg
Vanguard European Stock Index Adm VEUSX	Gold	ES	★★★	21.0	21.0	4.0	-3.9	8.7	60	60	55	46	57	3.0	22.99	(98)	Avg
Diversified Emerg. Mkts.			—	**18.1**	**18.1**	**4.0**	**-2.4**	**14.9**	—	—	—	—	—	**0.9**	**21.5**	**(79)**	—
American Funds New World A NEWFX	Gold		↓★★★	19.7	19.7	6.4	-0.3	14.0	38	38	20	22	75	1.3	17.76	(87)	Low
DFA Emerging Markets Value I DFEVX	Silver		★★★	19.4	19.4	2.7	-0.8	20.0	42	42	70	33	1	1.6	24.52	(79)	High
Lazard Emerging Markets Equity Open LZOEX	Silver		★★★★	22.0	22.0	7.0	1.5	18.1	18	18	14	11	10	1.5	22.03	(78)	Avg
Oppenheimer Developing Markets A ODMAX	Silver		★★★★★	20.9	20.9	7.9	3.5	20.0	23	23	8	2	1	0.4	20.42	(81)	-Avg
T. Rowe Price Emerging Markets Stock PRMSX	Bronze		★★	20.0	20.0	5.0	-3.3	15.6	33	33	51	73	44	0.5	21.88	(79)	Avg
Vanguard Emerging Mkts Stock Idx Adm VEMAX	Silver		★★★	18.9	18.9	4.8	-0.9	*16.3*	48	48	55	35	*33*	2.2	22.25	(81)	Avg
World Allocation			—	**10.2**	**10.2**	**5.6**	**0.4**	**7.3**	—	—	—	—	—	**2.0**	**11.9**	**(87)**	—
American Funds Capital Inc Bldr A CAIBX	Silver		★★★	11.8	11.8	7.7	1.1	7.9	40	40	26	55	45	4.2	10.08	(87)	-Avg
BlackRock Global Allocation Inv A MDLOX	Gold		★★★	10.0	10.0	5.2	2.4	10.1	64	64	83	34	23	1.2	11.12	(96)	Avg
First Eagle Global A SGENX	Silver		★★★★★	12.5	12.5	9.7	5.1	12.3	32	32	11	9	2	1.0	11.89	(95)	Avg
IVA Worldwide A IVWAX	Silver		★★★	6.6	6.6	6.9	—	—	85	85	40	—	—	1.9	10.47	(93)	Avg
PIMCO All Asset All Authority D PAUDX	Gold		★★★★★	17.3	17.3	9.9	7.8	—	6	6	8	1	—	5.5	8.41	(42)	-Avg
PIMCO All Asset D PASDX	Gold		★★★★★	15.0	15.0	10.0	6.5	*7.7*	13	13	7	4	*53*	4.9	7.57	(69)	Low
PIMCO Global Multi-Asset D PGMDX	Bronze		★★★	8.9	8.9	6.2	—	—	75	75	61	—	—	1.3	9.76	(90)	-Avg
MSCI EAFE Index				**17.3**	**17.3**	**3.6**	**-3.7**	**8.2**									
MSCI World Index				**15.8**	**15.8**	**6.9**	**-1.2**	**7.5**									
MSCI Europe Index				**19.1**	**19.1**	**3.3**	**-4.3**	**8.4**									
MSCI Emerging Markets Index				**15.2**	**15.2**	**2.2**	**-3.3**	**13.7**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

CH China Region
DP Diversified Pacific/Asia Stock
EI India Equity
ES Europe Stock
FA Foreign–Small/Mid Value
FB Foreign–Large Blend
FG Foreign–Large Growth
FR Foreign–Small/Mid Growth
FV Foreign–Large Value
JS Japan Stock
LS Latin America Stock
PJ Pacific/Asia ex-Japan Stock

	Current Portfolio Style															Costs		Operations		
	Current Equity Style Box	Price/ Cash Flow	Average Market Cap ($Mil)	**Regional Exposure** (% of Stock) UK/W. Europe	North Amer	Latin Amer	Japan	Asia ex-Japan	Other	Total # of Holdings	Turnover %	**Recent Composition** (% of Assets) Cash	Stock	Bond	Other	Sales Charge %	Expense Ratio%	NAV($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**6.4**	**25,374**	**30**	**50**	**3**	**5**	**11**	**2**	—	**63**	**4**	**94**	**0**	**1**	—	**1.41**	—	**1,273**	—
SMCWX		8.4	2,024	20	47	3	2	24	4	624	35	6	90	0	4	5.75	1.14	39.91	19,414	Management Team
ARTRX		12.6	24,931	18	63	10	2	8	0	52	43	5	95	0	0	NL	1.34	14.73	334	Management Team
ARTGX		10.0	32,262	38	57	0	4	0	0	48	22	9	90	0	1	NL	1.50	11.97	284	O'Keefe/Samra (5.1/5.1)
DODWX		3.0	35,819	36	46	5	5	3	5	105	19	1	98	0	0	NL	**0.66**	8.99	2,536	Management Team
FWWFX		5.7	26,339	30	54	1	8	6	2	260	186	2	98	0	0	NL	1.09	20.35	1,146	Kennedy/DuFour (7.0/5.3)
FPRAX		12.6	3,292	18	81	0	0	1	0	36	6	10	90	0	0	5.25	**0.94**	21.21	265	Ende/Geist (12.8/12.8)
HLMGX		12.2	30,677	21	57	2	10	6	4	67	40	0	95	0	5	NL	1.18	25.89	429	Management Team
JARFX		9.0	21,572	26	57	2	9	5	0	132	67	1	97	0	2	NL	1.11	15.67	308	James Goff (7.9)
JORNX		2.4	19,321	27	52	5	7	9	0	68	182	0	99	0	1	NL	0.97	10.01	2,098	George Maris (0.4)
TEDIX		5.8	32,819	40	53	0	0	6	1	184	34	9	86	4	1	5.75	1.31	28.27	17,929	Management Team
TEQIX		5.3	22,284	30	68	0	0	0	2	177	107	11	71	13	5	5.75	1.10	16.41	4,995	Luh/Tumulty (2.0/9.1)
OAKGX		1.5	13,389	25	49	0	24	2	0	42	26	0	91	0	9	NL	1.16	23.48	2,148	McGregor/Taylor (9.2/7.3)
OAKWX		1.0	29,639	34	50	0	16	0	0	21	36	2	98	0	0	NL	1.23	12.65	630	Herro/Nygren (6.3/6.3)
OWSMX		5.1	1,955	28	33	4	11	21	4	6,221	28	2	97	0	1	NL	1.11	14.69	4,984	Management Team
OPPAX		5.7	31,237	42	38	6	8	5	0	88	12	0	100	0	0	5.75	1.22	64.50	8,738	Rajeev Bhaman (8.4)
OPGIX		11.3	3,521	33	56	0	8	2	0	70	57	2	98	0	0	5.75	1.22	29.25	2,518	Frank Jennings (17.3)
JGVAX		5.6	17,223	29	46	3	17	5	0	93	37	17	83	0	0	NL	1.11	12.25	134	Gregory Kolb (7.7)
PTHDX		8.2	21,331	47	42	1	2	6	2	119	32	9	83	0	8	NL	1.26	10.30	2,214	Gudefin/Lahr (2.7/2.7)
PGVFX		2.1	5,586	41	43	0	7	7	3	81	12	0	100	0	0	NL	1.36	15.23	166	Bernard Horn, Jr. (14.6)
TAVFX		2.4	9,273	6	44	0	11	39	0	40	6	12	87	0	0	NL	1.15	49.84	2,596	Ian Lapey (3.5)
TWEBX		7.6	48,812	46	50	1	2	2	0	51	10	16	85	0	-1	NL	1.40	19.76	545	Management Team
TBHDX		6.1	44,659	74	20	1	0	5	0	48	6	18	81	0	1	NL	1.37	10.16	676	Management Team
VHGEX		3.7	16,328	21	47	3	7	19	4	906	67	3	97	0	1	NL	**0.57**	18.67	3,983	Management Team
VTWSX		5.1	25,440	23	51	3	7	14	2	3,859	16	1	99	0	0	NL	**0.35**	20.06	2,471	Ryan Ludt (4.5)
MAPIX		6.3	6,877	3	0	0	24	72	0	62	16	0	100	0	0	NL	**1.10**	14.58	3,686	Madsen/Zhang (6.2/1.8)
MACSX		5.9	10,709	4	0	0	8	89	0	68	17	0	82	0	18	NL	**1.12**	18.61	4,063	Horrocks/Lowe (3.7/1.0)
MCHFX		5.3	10,213	0	0	0	0	100	0	57	8	0	100	0	0	NL	**1.13**	23.47	2,033	Gao/Zhang (14.0/2.7)
MINDX		11.5	3,491	0	0	0	0	100	0	46	4	0	98	0	2	NL	**1.18**	17.51	644	Shroff/Asnani (6.5/2.2)
MAPTX		8.2	9,665	0	0	0	0	100	0	73	11	0	100	0	0	NL	**1.11**	24.42	6,758	Management Team
TEMIX		4.7	21,246	100	0	0	0	0	0	102	33	12	86	0	2	5.75	1.41	20.71	1,822	Brugere-Trelat/Dudley (8.0/5.9)
PRASX		8.2	11,241	2	0	0	0	98	0	88	41	4	95	0	1	NL	**0.95**	16.81	4,603	Anh Lu (3.7)
VEUSX		3.3	38,905	98	0	0	0	2	0	458	7	0	99	0	0	NL	**0.12**	60.55	9,656	Gerard O'Reilly (4.4)
	—	**5.5**	**15,324**	**4**	**2**	**19**	**0**	**53**	**21**	—	**81**	**4**	**91**	**2**	**2**	—	**1.61**	—	**1,477**	—
NEWFX		6.5	15,687	24	9	9	4	40	14	501	25	5	80	12	2	5.75	**1.07**	54.49	19,248	Management Team
DFEVX		2.9	6,541	0	0	19	0	63	17	2,245	5	0	99	0	1	NL	**0.61**	29.84	17,848	Management Team
LZOEX		4.3	18,014	2	0	20	0	47	31	88	23	3	96	0	1	Clsd	1.42	20.03	15,953	Management Team
ODMAX		9.6	17,340	15	0	24	0	45	16	116	20	5	94	0	1	5.75	1.36	35.29	29,834	Justin Leverenz (5.7)
PRMSX		7.0	18,299	6	0	20	0	59	15	111	24	4	96	0	0	NL	1.27	34.06	6,771	Gonzalo Pangaro (4.3)
VEMAX		4.9	19,047	0	0	21	0	61	18	888	8	0	98	0	1	NL	**0.18**	36.79	75,732	Michael Perre (4.4)
	—	**6.3**	**25,220**	**24**	**49**	**4**	**4**	**15**	**3**	—	**99**	**14**	**48**	**29**	**9**	—	**1.41**	—	**2,334**	—
CAIBX		6.6	40,649	32	50	1	0	15	2	1,399	68	4	71	22	3	5.75	**0.63**	52.77	78,545	Management Team
MDLOX		5.7	34,737	16	61	3	10	9	1	742	39	13	57	18	12	5.25	1.06	19.74	53,053	Management Team
SGENX		7.0	16,512	18	50	3	22	5	1	173	12	19	74	0	7	5.00	1.13	48.59	37,274	Management Team
IVWAX		6.0	13,539	23	48	0	19	9	1	141	28	21	63	11	5	Clsd	1.28	15.90	8,424	de Lardemelle/de Vaulx (4.3/4.3)
PAUDX		7.2	18,606	38	48	1	1	7	4	45	55	-26	-11	123	14	NL	**1.58**	11.04	28,717	Robert Arnott (9.2)
PASDX		7.2	18,780	39	45	2	2	9	4	44	56	-6	2	94	10	NL	**1.30**	12.56	32,074	Robert Arnott (10.4)
PGMDX		5.3	19,352	21	13	12	2	36	15	262	94	-24	49	69	6	NL	1.59	11.45	5,142	Management Team

Equity Style Box

Val Blnd Grth

Lrg Mid Sm

Bold # = Cheapest Quintile

Morningstar 500

Bond Funds	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
				Historical Performance											Historical Risk		
High-Quality Bond			—	**4.9**	**4.9**	**6.6**	**5.2**	**4.5**	—	—	—	—	—	**2.1**	**4.3**	**(47)**	—
American Century Ginnie Mae Inv BGNMX	Bronze	GI	★★★★	2.4	2.4	5.3	5.7	4.7	57	57	31	21	21	3.3	1.87	(61)	-Avg
Artio Total Return Bond A BJBGX	Bronze	CI	★★★★	6.0	6.0	7.2	6.4	6.2	60	60	40	40	17	2.3	2.47	(64)	Avg
Baird Aggregate Bond Inst BAGIX	—	CI	★★★★	7.9	7.9	8.0	6.4	5.8	34	34	21	40	24	3.9	2.47	(86)	Avg
Dodge & Cox Income DODIX	Gold	CI	★★★★	7.9	7.9	6.6	7.0	5.6	33	33	58	27	30	3.5	2.42	(24)	Avg
DoubleLine Total Return Bond I DBLTX	Neutral	CI	NR	9.2	9.2	—	—	—	21	21	—	—	—	6.1	—	(—)	
Fidelity GNMA Fund FGMNX	Gold	GI	★★★★★	3.0	3.0	5.9	6.4	5.2	35	35	15	10	9	2.4	2.08	(74)	Avg
Fidelity Government Income FGOVX	Gold	GI	★★★★	2.7	2.7	5.2	5.5	4.7	43	43	36	30	20	1.4	2.77	(89)	+Avg
Fidelity Intermediate Bond FTHRX	Bronze	CI	★★★	4.9	4.9	6.2	5.7	4.7	76	76	70	63	67	2.4	2.30	(86)	-Avg
Fidelity Investment Grade Bond FBNDX	Silver	CI	★★★	6.2	6.2	7.5	6.0	5.0	57	57	30	51	52	2.5	2.36	(89)	-Avg
Fidelity Mortgage Secs FMSFX	Silver	CI	★★★	4.2	4.2	6.0	5.7	4.3	82	82	75	62	79	2.5	1.82	(74)	Low
Fidelity Total Bond FTBFX	Gold	CI	★★★★	6.5	6.5	7.5	7.0	5.8	53	53	31	26	23	2.8	2.32	(70)	-Avg
Harbor Bond Instl HABDX	Gold	CI	★★★★	9.3	9.3	6.9	7.5	6.3	19	19	49	17	13	2.5	3.06	(32)	+Avg
Harbor Real Return Instl HARRX	Gold	IP	★★★★	8.4	8.4	9.0	7.4	—	13	13	11	9	—	2.0	4.37	(41)	+Avg
✶ Janus Flexible Bond T JAFIX	Silver	CI	★★★★	7.9	7.9	7.3	8.0	6.3	34	34	37	10	15	3.0	2.52	(63)	Avg
Loomis Sayles Investment Grade Bond A LIGRX	Gold	CI	★★★★	12.0	12.0	9.3	8.0	**8.7**	5	5	8	11	1	4.8	5.00	(5)	High
Managers Bond MGFIX	Bronze	CI	↑★★★★★	12.0	12.0	9.5	7.6	7.1	5	5	7	16	5	4.0	4.09	(18)	High
Managers PIMCO Bond MBDFX	Gold	CI	★★★★	8.6	8.6	7.1	7.5	6.3	26	26	41	16	13	3.1	2.92	(42)	+Avg
Metropolitan West Total Return Bond M MWTRX	Gold	CI	★★★★★	11.4	11.4	9.3	8.6	7.8	7	7	8	6	3	3.7	2.71	(48)	Avg
PIMCO Fundamental Advtg Ttl Ret Strat D PFSDX	Neutral	CI	★★★	10.1	10.1	6.4	—	—	13	13	64	—	—	0.2	3.99	(3)	High
PIMCO Investment Grade Corp Bd Instl PIGIX	Silver	CI	★★★★★	**15.0**	**15.0**	11.1	**10.7**	8.3	2	2	1	1	1	4.6	4.45	(25)	High
PIMCO Low Duration D PLDDX	Gold	CS	★★★★	5.9	5.9	4.0	4.6	4.0	14	14	24	16	17	2.6	2.05	(9)	+Avg
PIMCO Real Return D PRRDX	Gold	IP	★★★★	8.8	8.8	9.1	7.5	6.7	9	9	9	7	12	2.3	4.58	(40)	+Avg
PIMCO Short-Term D PSHDX	Gold	UB	↑★★★★★	3.2	3.2	**1.6**	**2.4**	**2.7**	14	14	43	9	12	0.8	0.91	(1)	+Avg
PIMCO Total Return Instl PTTRX	Gold	CI	★★★★★	10.4	10.4	7.8	8.3	6.8	12	12	25	7	7	4.1	3.24	(32)	+Avg
Spartan U.S. Bond Index Investor FBIDX	Bronze	CI	★★★	4.1	4.1	6.0	5.6	4.9	84	84	74	65	55	2.4	2.48	(99)	Avg
T. Rowe Price Corporate Income PRPIX	Bronze	CL	★★	11.2	11.2	9.5	7.6	6.9	61	61	84	69	69	3.9	4.28	(47)	-Avg
T. Rowe Price GNMA PRGMX	Bronze	GI	★★★★	2.8	2.8	5.2	5.5	4.7	39	39	34	30	22	4.1	1.74	(57)	-Avg
T. Rowe Price New Income PRCIX	Bronze	CI	★★★★	5.9	5.9	6.4	6.5	5.6	63	63	64	37	30	3.0	2.30	(82)	-Avg
T. Rowe Price Short-Term Bond PRWBX	Gold	CS	★★★	2.9	2.9	2.5	3.5	3.4	61	61	68	42	37	2.0	1.02	(24)	-Avg
TCW Total Return Bond I TGLMX	Bronze	CI	★★★★★	13.4	13.4	9.4	9.7	7.1	3	3	8	2	4	5.9	2.58	(32)	Avg
USAA Income USAIX	Bronze	CI	★★★★	7.0	7.0	7.3	7.1	5.7	47	47	35	25	28	3.6	2.11	(73)	Low
Vanguard GNMA Inv VFIIX	Gold	GI	★★★★	2.4	2.4	5.6	5.9	5.1	59	59	20	19	11	2.7	1.97	(65)	Avg
Vanguard Inflation-Protected Secs Inv VIPSX	Gold	IP	★★★★	6.8	6.8	8.7	6.7	6.4	28	28	20	34	27	2.5	4.40	(44)	+Avg
Vanguard Interm-Term Bond Index Adm VBILX	—	CI	↑★★★★★	7.0	7.0	9.1	7.8	6.3	47	47	10	13	13	3.1	4.03	(94)	High
Vanguard Interm-Term Invmt-Grade Inv VFICX	—	CI	★★★★	9.1	9.1	9.0	7.4	6.1	21	21	10	18	18	3.5	3.70	(61)	High
Vanguard Interm-Term Treasury Inv VFITX	Silver	GI	↓★★★★	2.7	2.7	6.6	6.2	5.2	44	44	8	14	8	1.3	3.80	(87)	High
Vanguard Long-Term Investment-Grade Inv VWESX	Bronze	CL	★★★	11.7	11.7	13.2	10.0	7.7	56	56	46	53	62	4.6	7.94	(60)	+Avg
Vanguard Long-Term Treasury Inv VUSTX	Silver	GL	↓★★★	3.5	3.5	**13.4**	9.4	7.4	61	61	82	77	61	2.7	12.58	(55)	Avg
Vanguard Short-Term Bond Index Adm VBIRX	Gold	CS	★★★★	2.1	2.1	3.1	3.8	3.7	79	79	49	32	28	1.5	1.38	(71)	Avg
Vanguard Short-Term Federal Inv VSGBX	Gold	GS	★★★★	1.4	1.4	2.5	3.4	3.4	35	35	36	30	20	0.6	1.19	(76)	Avg
Vanguard Short-Term Investment-Grade Inv VFSTX	Bronze	CS	★★★★	4.5	4.5	3.9	4.0	3.9	31	31	26	27	18	2.2	1.54	(25)	Avg
Vanguard Short-Term Treasury Inv VFISX	Silver	GS	★★★	**0.7**	**0.7**	1.9	2.7	3.0	62	62	48	54	34	0.4	1.10	(69)	Avg
Vanguard Total Bond Market Index Adm VBTLX	Gold	CI	★★★	4.2	4.2	6.1	5.9	5.2	83	83	72	57	46	2.7	2.54	(99)	Avg
Western Asset Core Bond I WATFX	Silver	CI	★★★★	7.2	7.2	8.9	7.3	5.9	44	44	12	20	21	2.7	2.82	(54)	+Avg
Western Asset Core Plus Bond I WACPX	Silver	CI	★★★★★	8.4	8.4	9.0	8.1	6.9	28	28	10	9	6	3.1	2.79	(48)	+Avg
BarCap US Agg Bond TR USD				**4.2**	**4.2**	**6.2**	**6.0**	**5.2**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

✶ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

CI Intermediate-Term Bond
CL Long-Term Bond
CS Short-Term Bond
GI Intermediate Government Bond
GL Long Government Bond
GS Short Government Bond
IP Inflation-Protected Bond
UB Ultrashort Bond

	Current Portfolio Style													Costs		Operations		
	Current Bond Style Box	Avg Duration Years	Cat Avg Duration Years	Avg Credit Quality	**Credit Quality Breakdown** (% of Bonds) High	Mid	Low	Other	Turn-over %	**Recent Composition** (% of Assets) Cash	Stock	Bond	Other	Sales Charge %	Expense Ratio%	NAV($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**5.7**	**5.7**	**A**	**76**	**20**	**3**	**1**	**272**	**8**	**0**	**81**	**3**	—	**0.83**	—	**1,695**	—
BGNMX		2.9	3.5	AAA	100	0	0	0	130	5	0	95	1	NL	**0.55**	11.17	2,048	Management Team
BJBGX		4.7	4.7	A	71	26	3	0	219	10	0	89	1	NL	0.69	13.88	2,041	Pell/Quigley (14.5/11.4)
BAGIX		4.9	4.7	BBB	58	35	7	0	46	5	0	94	1	NL	**0.30**	10.89	1,545	Management Team
DODIX		3.5	4.7	BBB	44	44	8	5	27	7	0	90	3	NL	**0.43**	13.86	26,350	Management Team
DBLTX		1.6	4.7	BB	71	3	24	2	15	19	0	80	1	NL	**0.49**	11.33	36,984	Gundlach/Barach (2.8/2.8)
FGMNX		2.7	3.5	AAA	100	0	0	0	263	5	0	95	0	NL	**0.45**	11.74	10,916	Irving/Castagliuolo (8.2/3.1)
FGOVX		4.5	3.5	AAA	100	0	0	0	222	7	0	93	0	NL	**0.45**	10.58	5,208	Irving/Castagliuolo (6.0/3.1)
FTHRX		4.0	4.7	A	61	38	1	0	115	3	0	96	1	NL	**0.45**	11.14	4,067	Galusza/O'Neil (3.5/14.5)
FBNDX		4.7	4.7	A	75	23	3	-1	276	9	0	88	3	NL	**0.45**	8.00	6,866	Jeffrey Moore (8.1)
FMSFX		2.1	4.7	A	95	2	2	1	451	8	0	92	0	NL	**0.45**	11.36	1,248	Irving/Castagliuolo (4.8/3.1)
FTBFX		4.7	4.7	BBB	68	20	8	4	155	9	0	88	3	NL	**0.45**	10.95	13,959	Management Team
HABDX		4.2	4.7	BBB	73	21	6	0	666	-28	0	128	0	NL	0.53	12.48	7,853	William Gross (25.0)
HARRX		—	6.3	—	—	—	—	—	340	2	0	97	0	NL	0.60	11.18	516	Mihir Worah (5.0)
JAFIX		4.9	4.7	BBB	41	43	13	3	126	5	0	94	1	NL	0.69	10.82	6,055	Smith/Watters (5.6/5.6)
LIGRX		5.3	4.7	BBB	43	48	5	3	19	17	2	75	6	4.50	0.84	12.62	12,302	Management Team
MGFIX		6.7	4.7	BBB	26	62	11	2	17	12	1	83	4	NL	0.99	27.93	2,373	Daniel Fuss (18.0)
MBDFX		4.8	4.7	BBB	76	18	3	3	495	-20	0	118	1	NL	0.58	10.92	1,462	William Gross (18.9)
MWTRX		3.9	4.7	BB	66	18	16	0	156	5	0	94	1	NL	0.63	10.90	23,982	Management Team
PFSDX		3.9	4.7	—	—	—	—	—	629	-5	-45	94	56	NL	1.29	4.31	3,254	William Gross (4.9)
PIGIX		6.2	4.7	—	—	—	—	—	124	-125	0	222	3	NL	**0.50**	11.12	10,209	Mark Kiesel (10.1)
PLDDX		2.7	2.0	—	—	—	—	—	437	-40	0	130	11	NL	0.75	10.51	23,177	William Gross (25.7)
PRRDX		6.2	6.3	—	—	—	—	—	129	-28	0	126	2	NL	0.85	12.27	25,662	Mihir Worah (5.0)
PSHDX		0.9	0.7	—	—	—	—	—	307	-39	0	133	5	NL	0.71	9.88	11,639	Jerome Schneider (2.0)
PTTRX		4.0	4.7	—	—	—	—	—	584	-34	0	128	6	NL	**0.46**	11.24	285,400	William Gross (25.7)
FBIDX		4.8	4.7	AA	81	19	0	0	100	7	0	93	0	NL	**0.22**	11.89	16,287	Hollingsworth/Bembenek (3.9/0.8)
PRPIX		6.9	9.3	BBB	3	88	9	0	72	3	0	94	2	NL	0.65	10.16	695	David Tiberii (9.3)
PRGMX		3.5	3.5	AAA	100	0	0	0	344	2	0	98	0	NL	0.60	10.01	1,818	Andrew McCormick (4.8)
PRCIX		5.1	4.7	BBB	63	32	5	0	157	10	0	89	1	NL	0.57	9.85	20,446	Daniel Shackelford (10.1)
PRWBX		1.8	2.0	A	56	43	1	0	92	14	0	84	3	NL	0.53	4.85	6,826	Edward Wiese (18.0)
TGLMX		2.9	4.7	BB	70	5	24	0	123	1	0	99	0	NL	**0.44**	10.29	8,646	Management Team
USAIX		3.4	4.7	A	48	46	5	0	19	5	2	86	7	NL	0.59	13.47	4,423	Bass/Freund (0.5/0.5)
VFIIX		2.9	3.5	AAA	100	0	0	0	189	4	0	95	2	NL	**0.21**	10.91	39,771	Michael Garrett (2.6)
VIPSX		8.5	6.3	AAA	100	0	0	0	28	0	0	100	0	NL	**0.20**	14.53	44,578	Gemma Wright-Casparius (1.4)
VBILX		6.5	4.7	A	58	42	0	0	61	1	0	99	0	NL	**0.11**	11.96	17,227	Joshua Barrickman (4.7)
VFICX		5.3	4.7	A	32	65	0	2	49	3	0	97	0	NL	**0.20**	10.32	19,637	Gregory Nassour (4.6)
VFITX		5.1	3.5	AAA	100	0	0	0	273	0	0	99	1	NL	**0.20**	11.70	6,166	David Glocke (11.6)
VWESX		14.0	9.3	BBB	20	76	0	4	29	1	0	99	0	NL	**0.22**	10.85	13,847	Lucius Hill, III (4.9)
VUSTX		15.0	17.0	AAA	100	0	0	0	229	2	0	98	0	NL	**0.20**	13.07	3,643	David Glocke (11.6)
VBIRX		2.7	2.0	AA	81	19	0	0	67	4	0	96	0	NL	**0.11**	10.63	26,204	Gregory Davis (7.9)
VSGBX		2.1	2.1	AAA	100	0	0	0	411	10	0	89	1	NL	**0.20**	10.80	5,760	Ronald Reardon (8.0)
VFSTX		2.3	2.0	BBB	44	53	1	2	47	11	0	88	0	NL	**0.20**	10.83	42,286	Gregory Nassour (4.6)
VFISX		2.2	2.1	AAA	100	0	0	0	302	0	0	98	2	NL	**0.20**	10.74	6,371	David Glocke (12.6)
VBTLX		5.0	4.7	AA	77	23	0	0	73	6	0	94	0	NL	**0.10**	11.09	116,668	Davis/Volpert (4.7/20.1)
WATFX		4.6	4.7	AAA	79	25	3	-7	556	5	0	95	0	NL	0.52	12.37	3,406	Management Team
WACPX		4.5	4.7	A	67	28	9	-5	734	-5	0	103	2	NL	**0.45**	11.67	10,323	Management Team

Fixed Income Style Box

Ltd	Mod	Ext	
			High
			Mod
			Low

PIMCO Composition Figures

PIMCO funds typically have large positions in futures and other derivatives that require that they hold an offsetting amount in bonds and cash. As a result, the composition figures for PIMCO funds can be confusing. We are working with PIMCO to get figures that better reflect the fund's true exposure levels.

Bold # = Cheapest Quintile

Morningstar 500

Bond Funds	Morningstar Analyst Rating		Morningstar Rating vs. Category 5=Best	Total Return % 12-31-12 YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Total Return % Category Rank 1=Best, 100=Worst YTD	1 Yr	3 Yr	5 Yr	10 Yr	Yield %	Standard Deviation	(R^2)	Risk Relative to Category
				Historical Performance											Historical Risk		
High-Yield Bond (cont'd)			—	**14.7**	**14.7**	**10.4**	**7.4**	**8.4**	—	—	—	—	—	**6.3**	**7.2**	**(3)**	—
American Funds American Hi Inc Tr A AHITX	Neutral		★★★	14.5	14.5	10.3	7.6	9.2	53	53	61	66	35	7.0	7.24	(2)	Avg
Eaton Vance Income Fund of Boston A EVIBX	Silver		★★★	13.4	13.4	10.9	8.3	9.7	76	76	37	43	20	6.6	6.33	(1)	-Avg
Fairholme Focused Income FOCIX	Bronze		NR	5.2	5.2	—	—	—	99	99	—	—	—	10.2	—	(—)	
Fidelity Capital & Income FAGIX	Silver		★★★★	16.4	16.4	10.2	9.4	11.7	23	23	67	12	1	5.4	9.68	(6)	High
Fidelity High Income SPHIX	Gold		★★★★	14.9	14.9	10.6	9.3	9.8	45	45	50	15	16	5.4	7.60	(1)	+Avg
Janus High-Yield T JAHYX	Bronze		★★★★	14.3	14.3	10.9	9.2	8.6	58	58	33	19	61	6.5	7.21	(2)	Avg
Metropolitan West High Yield Bond M MWHYX	—		★★★★	14.2	14.2	9.3	9.6	10.1	61	61	90	10	10	6.7	7.09	(3)	Avg
PIMCO High Yield D PHYDX	Bronze		★★★	14.2	14.2	10.4	8.0	8.8	62	62	55	55	55	6.0	7.20	(0)	Avg
T. Rowe Price High-Yield PRHYX	Silver		★★★	15.2	15.2	10.8	8.9	9.3	38	38	39	25	32	6.7	7.77	(2)	+Avg
Vanguard High-Yield Corporate Inv VWEHX	Silver		★★★	14.4	14.4	11.3	8.6	8.1	57	57	21	36	79	6.1	6.39	(0)	-Avg
Specialty Bond			—	**10.8**	**10.8**	**7.0**	**4.9**	**6.6**	—	—	—	—	—	**3.6**	—	**(7.0)**	—
American Funds Capital World Bond A CWBFX	—	IB	★★★	7.4	7.4	5.7	5.4	6.9	47	47	50	54	27	2.3	5.66	(5)	Avg
Calamos Convertible A CCVIX	Bronze	CV	★★	5.6	5.6	4.0	2.2	6.3	89	89	92	55	71	0.6	10.22	(89)	-Avg
Eaton Vance Floating Rate A EVBLX	Gold	BL	★★★	8.1	8.1	6.5	4.2	*4.2*	73	73	60	47	*57*	4.2	3.95	(5)	-Avg
Fidelity Floating Rate High Income FFRHX	Gold	BL	★★★★	6.8	6.8	5.4	4.7	4.8	94	94	91	20	23	3.2	3.82	(5)	-Avg
Fidelity New Markets Income FNMIX	Silver	EB	★★★★	20.0	20.0	12.9	11.2	12.6	20	20	20	9	13	4.3	6.80	(1)	-Avg
Fidelity Strategic Income FSICX	Silver	MU	★★★★	10.9	10.9	8.4	8.3	8.6	61	61	61	17	16	3.7	4.77	(1)	Avg
FPA New Income FPNIX	Silver	NT	★★	2.2	2.2	2.5	3.0	3.8	90	90	77	87	100	2.3	0.47	(21)	Low
Loomis Sayles Bond Retail LSBRX	Gold	MU	★★★★	14.8	14.8	10.4	7.5	9.9	14	14	17	40	6	5.5	7.09	(0)	+Avg
Loomis Sayles Global Bond Retail LSGLX	Silver	IB	★★★★	7.8	7.8	6.3	6.0	7.0	40	40	38	43	25	2.5	6.77	(2)	Avg
PIMCO Emerging Local Bond Instl PELBX	Gold	EB	★★	15.8	15.8	9.9	8.9	—	79	79	71	66	—	5.7	12.11	(0)	+Avg
PIMCO Foreign Bond (Unhedged) D PFBDX	Silver	IB	★★★★	6.3	6.3	8.7	8.2	—	73	73	13	13	—	3.0	7.96	(16)	+Avg
PIMCO Foreign Bond (USD-Hedged) D PFODX	Silver	IB	★★★★	10.7	10.7	8.6	8.1	6.1	18	18	15	14	51	4.0	3.33	(39)	-Avg
PIMCO Unconstrained Bond D PUBDX	Bronze	NT	★★★	8.6	8.6	4.6	—	—	36	36	45	—	—	2.9	2.14	(10)	-Avg
T. Rowe Price International Bond RPIBX	Neutral	IB	★★★	6.1	6.1	4.6	4.8	6.2	75	75	73	68	46	2.3	8.36	(2)	+Avg
T. Rowe Price Spectrum Income RPSIX	Silver	MU	★★★	10.2	10.2	8.0	6.5	7.2	70	70	73	69	67	3.8	4.98	(0)	Avg
Templeton Global Bond A TPINX	Gold	IB	★★★★★	15.8	15.8	8.4	10.0	10.6	4	4	19	1	1	5.7	9.77	(1)	High
Vanguard Convertible Securities Inv VCVSX	Gold	CV	★★★★	14.5	14.5	8.4	4.7	9.0	14	14	30	12	8	3.7	11.72	(94)	Avg
Municipal Bond National			—	**7.5**	**7.5**	**5.9**	**4.5**	**3.9**	—	—	—	—	—	**2.9**	**3.5**	**(80)**	—
American Century IntermTrm Tx-Fr Bd Inv TWTIX	Bronze	MI	★★★	5.1	5.1	5.6	5.3	4.3	52	52	47	40	31	2.6	3.45	(97)	Avg
American Funds Tax-Exempt Bond A AFTEX	Neutral	MI	★★★★	8.9	8.9	7.0	5.6	4.7	9	9	11	24	11	3.5	3.94	(98)	+Avg
Baird Intermediate Muni Bd Inst BMBIX	—	MI	★★★	3.1	3.1	4.7	5.3	4.4	92	92	76	41	29	2.5	3.08	(86)	-Avg
Fidelity Intermediate Municipal Income FLTMX	Gold	MI	★★★★	4.9	4.9	5.2	5.0	4.5	58	58	63	54	28	2.9	2.68	(97)	Low
Fidelity Municipal Income FHIGX	Gold	ML	★★★★	7.9	7.9	7.0	5.7	5.1	68	68	47	37	20	3.5	3.75	(99)	Low
Fidelity Municipal Income 2015 FMLCX	—	MS	NR	2.1	2.1	—	—	—	37	37	—	—	—	1.1	—	(—)	
Fidelity Short-Intermediate Muni Income FSTFX	Gold	MS	★★★★	2.2	2.2	2.9	3.5	3.1	31	31	27	20	27	1.8	1.44	(80)	Avg
Fidelity Tax-Free Bond FTABX	Gold	ML	★★★★	8.2	8.2	7.0	6.0	5.3	61	61	46	23	12	3.5	3.87	(99)	-Avg
Franklin Federal Tax-Free Income A FKTIX	Silver	ML	★★★	9.0	9.0	7.2	5.9	5.3	44	44	38	28	12	3.9	4.42	(96)	Avg
Franklin High Yield Tax-Free Inc A FRHIX	Gold	HM	★★★★	11.1	11.1	8.7	6.3	5.9	82	82	63	10	4	4.2	4.88	(93)	Avg
T. Rowe Price Tax-Free High Yield PRFHX	Gold	HM	★★★★	13.7	13.7	9.4	6.2	5.7	47	47	34	14	16	4.3	4.40	(81)	-Avg
T. Rowe Price Tax-Free Income Inv PRTAX	Silver	ML	★★★★	8.6	8.6	6.8	5.9	5.0	53	53	55	30	24	3.8	4.17	(96)	Avg
T. Rowe Price Tax-Free Shrt-Interm PRFSX	Gold	MS	★★★★	2.1	2.1	2.9	3.8	3.1	35	35	24	14	25	1.7	1.53	(82)	+Avg
USAA Tax Exempt Intermediate-Term USATX	—	MI	★★★★★	7.2	7.2	6.7	5.9	4.8	19	19	15	15	7	3.7	3.41	(98)	Avg
Vanguard High-Yield Tax-Exempt VWAHX	Silver	MI	★★★★★	9.4	9.4	7.6	6.0	5.3	6	6	5	14	3	3.7	4.13	(96)	+Avg
Vanguard Interm-Term Tx-Ex Inv VWITX	Silver	MI	★★★★	5.7	5.7	5.8	5.4	4.5	38	38	41	32	24	3.1	3.58	(98)	Avg
Vanguard Long-Term Tax-Exempt VWLTX	Silver	ML	★★★★	8.1	8.1	6.7	5.7	4.8	64	64	64	42	34	3.7	4.08	(98)	-Avg
Vanguard Ltd-Term Tx-Ex VMLTX	Silver	MS	★★★	1.8	1.8	2.5	3.2	2.9	50	50	41	33	29	1.9	1.31	(76)	Avg
Vanguard Short-Term Tx-Ex VWSTX	Silver	MS	★★	1.0	1.0	1.2	2.1	2.2	80	80	80	79	73	1.1	0.48	(67)	-Avg
Wells Fargo Advantage S/T Muni Bd Inv STSMX	Silver	MS	★★★★	2.3	2.3	2.7	3.4	3.4	29	29	34	24	15	1.4	0.74	(58)	-Avg
BofAML US HY Master II TR				**15.6**	**15.6**	**11.6**	**10.0**	**10.4**									
BarCap Municipal TR USD				**6.8**	**6.8**	**6.6**	**5.9**	**5.1**									

Legend

Red # = Lowest return in group
Green # = Highest return in group
Italic # = Extended performance

★ = New this month
↑↓ = Increase/decrease in rating
NR = No Morningstar Rating; fund less than three years old.

Categories

BL Bank Loan
CI Intermediate-Term Bond
CV Convertibles Bond
EB Emerging Market Bond
HM High-Yield Muni
IB World Bond
MI Muni National, Intermediate
ML Muni National, Long
MS Muni National, Short
MU Multisector Bond

	Current Portfolio Style													Costs		Operations		
	Current Bond Style Box	Avg Duration Years	Cat Avg Duration Years	Avg Credit Quality	Credit Quality Breakdown (% of Bonds) High	Mid	Low	Other	Turn-over %	Recent Composition (% of Assets) Cash	Stock	Bond	Other	Sales Charge %	Expense Ratio%	NAV($)	Total Assets ($Mil)	Portfolio Manager (Tenure Years)
	—	**3.8**	**3.8**	**B**	**2**	**5**	**89**	**3**	**80**	**5**	**1**	**88**	**5**	—	**1.12**	—	**1,398**	—
AHITX		3.4	3.8	B	9	8	80	4	38	7	1	84	8	3.75	**0.69**	11.36	20,150	Management Team
EVIBX		3.3	3.8	B	0	5	91	4	64	7	0	84	9	4.75	1.02	6.00	4,560	Michael Weilheimer (17.0)
FOCIX		—	3.8	B	0	5	68	27	92	14	3	83	0	NL	**0.67**	9.47	241	Bruce Berkowitz (3.0)
FAGIX		—	3.8	B	7	3	79	10	48	6	8	84	2	NL	0.77	9.50	9,657	Mark Notkin (9.5)
SPHIX		—	3.8	B	12	2	83	3	35	12	0	85	3	NL	0.76	9.34	6,494	Fred Hoff (12.6)
JAHYX		4.4	3.8	B	0	4	93	3	61	3	1	93	3	NL	0.86	9.32	2,405	Smith/Watters (9.1/4.5)
MWHYX		2.8	3.8	B	7	5	87	0	54	4	1	87	8	NL	0.82	10.42	2,333	Management Team
PHYDX		3.1	3.8	—	—	—	—	—	50	5	0	86	9	NL	0.90	9.64	19,074	Andrew Jessop (3.0)
PRHYX		3.4	3.8	B	6	2	90	2	63	5	1	88	5	Clsd	**0.75**	6.98	9,240	Mark Vaselkiv (16.5)
VWEHX		4.4	3.8	B	2	8	86	4	26	4	0	91	5	Clsd	**0.23**	6.11	18,273	Michael Hong (4.9)
	—	—	—	—	—	—	—	—	—	—	—	—	—	**1.21**	—	**1,360**	—	
CWBFX		5.2	5.3	A	65	30	5	1	95	2	0	93	5	3.75	0.89	21.20	13,776	Management Team
CCVIX		3.5	2.6	BB	18	40	23	19	57	2	16	14	68	Clsd	1.10	16.41	1,466	Management Team
EVBLX		0.1	0.5	B	0	2	90	8	42	7	0	92	0	2.25	1.02	9.43	8,363	Page/Russ (11.9/5.2)
FFRHX		—	0.5	BB	12	4	77	6	49	16	0	84	0	NL	**0.71**	9.92	10,880	Christine McConnell (12.4)
FNMIX		—	6.0	BB	6	51	34	9	132	11	3	86	0	NL	**0.86**	17.80	7,243	John Carlson (17.6)
FSICX		5.1	4.1	BB	45	10	42	3	229	10	0	89	1	NL	**0.70**	11.37	10,493	Management Team
FPNIX		1.4	1.5	A	89	7	2	2	77	13	0	87	0	3.50	**0.57**	10.64	5,077	Atteberry/Rodriguez (8.2/28.5)
LSBRX		5.5	4.1	BB	25	45	24	6	20	11	5	69	15	NL	0.92	15.06	22,179	Management Team
LSGLX		5.6	5.3	A	67	29	4	0	102	6	0	92	1	NL	0.97	17.16	2,700	Management Team
PELBX		4.9	6.0	—	—	—	—	—	22	-26	0	110	17	NL	**0.90**	10.98	14,356	Michael Gomez (6.0)
PFBDX		8.1	5.3	—	—	—	—	—	486	-14	0	101	13	NL	0.90	10.89	5,300	Scott Mather (4.9)
PFODX		8.2	5.3	—	—	—	—	—	355	-10	0	104	7	NL	0.90	10.79	5,422	Scott Mather (4.9)
PUBDX		-0.4	1.5	—	—	—	—	—	1,001	196	0	-95	-2	NL	1.30	11.48	18,874	Chris Dialynas (4.5)
RPIBX		6.3	5.3	A	64	32	4	0	36	9	0	87	4	NL	0.83	10.10	5,302	Kelson/Rothery (11.0/0.2)
RPSIX		4.7	4.1	BB	39	22	25	14	15	7	14	77	2	NL	**0.69**	13.00	6,649	Charles Shriver (1.7)
TPINX		1.6	5.3	BBB	33	52	14	1	42	54	0	44	1	4.25	0.89	13.38	65,554	Hasenstab/Desai (12.0/2.0)
VCVSX		4.6	2.6	B	0	8	35	57	90	1	0	13	85	NL	**0.59**	12.66	1,636	Management Team
	—	**5.6**	**5.6**	**A**	**47**	**41**	**5**	**8**	**33**	**6**	**0**	**93**	**0**	—	**0.90**	—	**1,903**	—
TWTIX		5.3	5.3	A	61	37	1	0	62	4	0	96	0	NL	**0.47**	11.70	3,939	Management Team
AFTEX		7.0	5.3	A	49	43	3	5	14	5	0	95	0	3.75	0.55	13.16	10,150	Management Team
BMBIX		4.9	5.3	AA	95	5	0	0	8	2	0	98	0	NL	**0.30**	12.01	1,223	Management Team
FLTMX		5.0	5.3	A	63	34	0	3	14	13	0	87	0	NL	**0.40**	10.65	5,131	Management Team
FHIGX		7.1	6.7	A	61	38	0	1	11	2	0	98	0	NL	**0.46**	13.57	6,783	Pagliocco/Ramundo (3.9/2.5)
FMLCX		2.5	2.3	A	57	43	0	0	3	2	0	98	0	NL	**0.40**	10.25	64	Management Team
FSTFX		2.9	2.3	A	67	30	0	2	22	18	0	82	0	NL	0.48	10.85	4,342	Management Team
FTABX		7.2	6.7	AA	68	32	0	0	8	2	0	95	3	NL	**0.25**	11.72	2,481	Management Team
FKTIX		—	6.7	A	60	37	2	1	9	1	0	99	0	4.25	0.62	12.78	12,664	Management Team
FRHIX		—	7.6	BBB	27	57	9	7	9	1	0	99	0	4.25	**0.64**	10.94	10,195	Management Team
PRFHX		5.8	7.6	BB	10	60	14	17	13	0	0	100	0	NL	0.68	11.92	2,603	James Murphy (10.9)
PRTAX		5.2	6.7	A	40	55	2	3	16	1	0	99	0	NL	**0.53**	10.57	3,215	Konstantine Mallas (5.0)
PRFSX		2.9	2.3	A	57	42	0	0	23	6	0	94	0	NL	0.50	5.69	1,930	Charles Hill (15.0)
USATX		—	5.3	A	36	60	1	4	13	1	0	99	0	NL	0.54	13.75	3,328	Regina Shafer (9.6)
VWAHX		6.1	5.3	BBB	38	55	3	4	20	2	0	98	0	NL	**0.20**	11.29	7,974	Mathew Kiselak (2.5)
VWITX		4.9	5.3	A	67	32	1	1	11	6	0	94	0	NL	**0.20**	14.38	38,153	Michael Kobs (4.4)
VWLTX		5.9	6.7	A	61	37	1	1	15	2	0	98	0	NL	**0.20**	11.80	8,128	Mathew Kiselak (2.5)
VMLTX		2.3	2.3	AA	76	23	0	1	15	8	0	92	0	NL	**0.20**	11.15	16,755	Marlin Brown (4.9)
VWSTX		1.2	2.3	AA	78	20	0	2	29	15	0	85	0	NL	**0.20**	15.91	11,169	Pamela Wisehaupt Tynan (16.0)
STSMX		1.0	2.3	A	58	35	1	6	72	9	0	92	-2	NL	0.63	10.00	5,161	Casetta/Fitterer (5.2/12.9)

Fixed Income Style Box

Ltd	Mod	Ext	
			High
			Mid
			Low

PIMCO Composition Figures

PIMCO funds typically have large positions in futures and other derivatives that require that they hold an offsetting amount in bonds and cash. As a result, the composition figures for PIMCO funds can be confusing. We are working with PIMCO to get figures that better reflect the fund's true exposure levels.

Bold # = Cheapest Quintile

Akre Focus Retail 877-862-9556 AKREX **28**
Allianz Funds 498-5413
Allianz NFJ Large Cap Value D PNBDX **28**
Allianz NFJ Small Cap Value D PNVDX **34**
Allianz RCM Technology Instl DRGTX **36**
American Beacon 658-5811
American Beacon Intl Equity Inv AAIPX **38**
American Beacon Lg Cap Value Inv AAGPX **28**
American Beacon Small Cp Val Inv AVPAX **34**
American Century Investments 345-2021
American Century Equity Income Inv TWEIX **28**
American Century Ginnie Mae Inv BGNMX **42**
American Century Growth Inv TWCGX **24**
American Century IntermTrm Tx-Fr Bd In TWTIX **44**
American Century Mid Cap Value Inv ACMVX **30**
American Century Small Cap Value Inv ASVIX **34**
American Century Ultra Inv TWCUX **24**
American Century Value Inv TWVLX **28**
American Funds 421-4225
American Funds AMCAP A AMCPX **24**
American Funds American Balanced A ABALX **34**
American Funds American Hi Inc Tr A AHITX **44**
American Funds American Mutual A AMRMX **28**
American Funds Capital Inc Bldr A CAIBX **40**
American Funds Capital World Bond A CWBFX **44**
American Funds Capital World G/I A CWGIX **38**
American Funds EuroPacific Gr A AEPGX **38**
American Funds Fundamental Investors ANCFX **26**
American Funds Growth Fund of Amer AGTHX **24**
American Funds Inc Fund of Amer A AMECX **34**
American Funds Intl Gr And Inc A IGAAX **38**
American Funds Invmt Co of America A AIVSX **26**
American Funds New Economy A ANEFX **24**
American Funds New Perspective A ANWPX **38**
American Funds New World A NEWFX **40**
American Funds SMALLCAP World A SMCWX **40**
American Funds Tax-Exempt Bond A AFTEX **44**
American Funds Washington Mutual AWSHX **28**
Appleseed 470-1029 APPLX **30**
Ariel Investments, LLC 292-7435
Ariel Appreciation Investor CAAPX **30**
Ariel Discovery Investor ARDFX **34**
Ariel Focus Investor ARFFX **28**
Ariel Investor ARGFX **30**
Artio Global 387-6977
Artio International Equity A BJBIX **38**
Artio International Equity II A JETAX **38**
Artio Total Return Bond A BJBGX **42**
Artisan 344-1770
Artisan Global Opportunities Inv ARTRX **40**
Artisan Global Value Investor ARTGX **40**
Artisan International Inv ARTIX **38**
Artisan International Small Cap Inv ARTJX **38**
Artisan International Value Investor ARTKX **38**
Artisan Mid Cap Inv ARTMX **28**
Artisan Mid Cap Value Investor ARTQX **30**
Artisan Small Cap Investor ARTSX **32**
Artisan Small Cap Value Investor ARTVX **32**
Artisan Value Fund Investor Shares ARTLX **28**
Aston 992-8151
ASTON/Fairpointe Mid Cap N CHTTX **30**
ASTON/Montag & Caldwell Growth N MCGFX **24**
ASTON/River Road Select Value N ARSMX **32**
ASTON/River Road Small Cap Value N ARSVX **32**
ASTON/TAMRO Small Cap N ATASX **32**
Auxier Focus Inv 877-328-9437 AUXFX **28**

BBH Core Select N 625-5759 BBTEX **26**
Baird 866-442-2473
Baird Aggregate Bond Inst BAGIX **42**
Baird Intermediate Muni Bd Inst BMBIX **44**
Baron Capital Group 442-3814
Baron Asset Retail BARAX **28**
Baron Growth Retail BGRFX **28**
Baron Small Cap Retail BSCFX **32**
Berwyn 992-6757
Berwyn BERWX **32**
Berwyn Income BERIX **34**
BlackRock Global Allocation Inv A MDLOX **40**
Bogle Small Cap Growth Inv BOGLX **32**
Brandywine 656-3017
Brandywine BRWIX **28**
Brandywine Blue BLUEX **24**
Bridgeway 661-3550
Bridgeway Blue Chip 35 Index BRLIX **26**
Bridgeway Ultra-Small Company Market BRSIX **32**
Brown Capital Mgmt Small Co Inv BCSIX **32**
Buffalo 492-8332
Buffalo Mid Cap BUFMX **28**
Buffalo Small Cap BUFSX **32**

CGM 343-5678
CGM Focus CGMFX **26**
CGM Realty CGMRX **36**
Calamos 582-6959
Calamos Convertible A CCVIX **44**
Calamos Growth & Income A CVTRX **34**
Calamos Growth A CVGRX **24**
Calamos Market Neutral Income A CVSIX **34**
Caldwell & Orkin Market Opportunity COAGX **34**
Causeway International Value Inv CIVVX **38**
Century Small Cap Select Inv 303-1928 CSMVX **32**
Champlain Funds 866-773-3238
Champlain Mid Cap Adv CIPMX **28**
Champlain Small Company Adv CIPSX **32**
Chase Growth N 888-861-7556 CHASX **24**
Clipper 432-2504 CFIMX **26**
Cohen & Steers Realty Shares 437-9912 CSRSX **36**
Columbia 345-6611
Columbia Acorn International Select A LAFAX **38**
Columbia Acorn International Z ACINX **38**
Columbia Acorn Select Z ACTWX **28**
Columbia Acorn USA Z AUSAX **32**
Columbia Acorn Z ACRNX **30**
Columbia Dividend Income Z GSFTX **28**
Columbia Value and Restructuring Z UMBIX **26**
Conestoga Small Cap 320-7790 CCASX **32**

Davis Funds 279-0279
Davis Appreciation & Income A RPFCX **34**
Davis Financial A RPFGX **36**
Davis NY Venture A NYVTX **26**
Delafield Fund 697-3863 DEFIX **30**
Diamond Hill Funds 888-226-5595
Diamond Hill Large Cap A DHLAX **28**
Diamond Hill Small Cap A DHSCX **34**
Dimensional Fund Advisors 888-576-1167
DFA Emerging Markets Value I DFEVX **40**
DFA US Micro Cap I DFSCX **32**
DFA US Small Cap I DFSTX **32**
Dodge & Cox 621-3979
Dodge & Cox Balanced DODBX **34**
Dodge & Cox Global Stock DODWX **40**
Dodge & Cox Income DODIX **42**
Dodge & Cox International Stock DODFX **38**
Dodge & Cox Stock DODGX **28**
Domini Social Equity Inv 582-6757 DSEFX **26**
DoubleLine Total Return Bond I DBLTX **42**
Dreyfus 373-9387
Dreyfus Appreciation DGAGX **26**
Dreyfus Opportunistic Small Cap DSCVX **32**
Dynamic US Growth I 888-572-0968 DWUGX **24**

Eaton Vance 262-1122
Eaton Vance Floating Rate A EVBLX **44**
Eaton Vance Income Fund of Boston A EVIBX **44**

FAM Value Inv 932-3271 FAMVX **30**
FMI Funds 811-5311
FMI Focus FMIOX **32**
FMI Large Cap FMIHX **26**
FPA 982-4372
FPA Capital FPPTX **30**
FPA Crescent FPACX **34**
FPA New Income FPNIX **44**
FPA Paramount FPRAX **40**
FPA Perennial FPPFX **30**
Fairholme 866-202-2263
Fairholme FAIRX **28**
Fairholme Allocation FAAFX **30**
Fairholme Focused Income FOCIX **44**
Fidelity Investments 544-6666
Fidelity FFIDX **24**
Fidelity Balanced FBALX **34**
Fidelity Blue Chip Growth FBGRX **24**
Fidelity Capital & Income FAGIX **44**
Fidelity Capital Appreciation FDCAX **24**
Fidelity Contrafund FCNTX **24**
Fidelity Diversified International FDIVX **38**
Fidelity Dividend Growth FDGFX **26**
Fidelity Equity Dividend Income FEQTX **28**
Fidelity Equity-Income FEQIX **28**
Fidelity Export & Multinational FEXPX **24**
Fidelity Floating Rate High Income FFRHX **44**
Fidelity GNMA Fund FGMNX **42**
Fidelity Government Income FGOVX **42**
Fidelity Growth Company FDGRX **24**
Fidelity Growth Discovery FDSVX **24**
Fidelity High Income SPHIX **44**
Fidelity Independence FDFFX **24**
Fidelity Intermediate Bond FTHRX **42**
Fidelity Intermediate Municipal Income FLTMX **44**
Fidelity International Discovery FIGRX **38**
Fidelity International Small Cap FISMX **38**
Fidelity Investment Grade Bond FBNDX **42**
Fidelity Large Cap Stock FLCSX **26**
Fidelity Leveraged Company Stock FLVCX **30**
Fidelity Low-Priced Stock FLPSX **30**
Fidelity Magellan FMAGX **24**
Fidelity Mid-Cap Stock FMCSX **30**
Fidelity Mortgage Secs FMSFX **42**
Fidelity Municipal Income FHIGX **44**
Fidelity Municipal Income 2015 FMLCX **44**
Fidelity New Markets Income FNMIX **44**
Fidelity New Millennium FMILX **24**
Fidelity OTC FOCPX **24**
Fidelity Puritan FPURX **34**
Fidelity Real Estate Investment FRESX **36**
Fidelity Select Energy FSENX **36**
Fidelity Select Health Care FSPHX **36**
Fidelity Select Technology FSPTX **36**
Fidelity Short-Intermediate Muni Inc FSTFX **44**
Fidelity Small Cap Discovery FSCRX **32**
Fidelity Small Cap Stock FSLCX **32**
Fidelity Small Cap Value FCPVX **34**
Fidelity Spartan 500 Index Inv FUSEX **26**
Fidelity Spartan Extended Mkt Indx Inv FSEMX **30**
Fidelity Spartan International Index Inv FSIIX **38**
Fidelity Spartan Total Market Index Inv FSTMX **26**
Fidelity Stock Selector Sm Cp FDSCX **32**
Fidelity Strategic Income FSICX **44**
Fidelity Strategic Real Return FSRRX **34**
Fidelity Tax-Free Bond FTABX **44**
Fidelity Total Bond FTBFX **42**
Fidelity Value FDVLX **30**
Fidelity Worldwide FWWFX **40**
Spartan U.S. Bond Index Inv FBIDX **42**

First Eagle 334-2143
First Eagle Fund of America Y FEAFX **30**
First Eagle Global A SGENX **40**
First Eagle Overseas A SGOVX **38**
First Eagle US Value A FEVAX **26**
Franklin Templeton Investment Funds 632-2301
Franklin Balance Sheet Investment A FRBSX **30**
Franklin Federal Tax-Free Income A FKTIX **44**
Franklin High Yield Tax-Free Inc A FRHIX **44**
Franklin Income A FKINX **34**
Franklin Utilities A FKUTX **36**
Mutual Beacon A TEBIX **26**
Mutual European A TEMIX **40**
Mutual Global Discovery A TEDIX **40**
Mutual Quest A TEQIX **40**
Mutual Shares A TESIX **28**
Templeton Global Bond A TPINX **44**

Gabelli Asset AAA 422-3554 GABAX **26**
GoodHaven 855-654-6639 GOODX **28**
Greenspring 366-3863 GRSPX **34**

Harbor 422-1050
Harbor Bond Instl HABDX **42**
Harbor Capital Appreciation Instl HACAX **24**
Harbor Commodity Real Return ST Inst HACMX **36**
Harbor International Growth Inv HIIGX **38**
Harbor International Instl HAINX **38**
Harbor Real Return Instl HARRX **42**
Harding Loevner 877-435-8105
Harding Loevner Global Equity Advisor HLMGX **40**
Harding Loevner International Eq Inv HLMNX **38**
Hussman Strategic Total Return 487-7626 HSTRX **34**

IVA Funds 866-941-4482
IVA International A IVIOX **38**
IVA Worldwide A IVWAX **40**
Invesco 959-4246
Invesco Comstock A ACSTX **28**
Invesco Equity and Income A ACEIX **34**
Invesco Growth and Income A ACGIX **28**

JPMorgan US Real Estate A 480-4111 SUSIX **36**
Janus 525-0020
Janus Balanced T JABAX **34**
Janus Contrarian T JSVAX **26**
Janus Enterprise T JAENX **30**
Janus Flexible Bond T JAFIX **42**
Janus Global Research T JARFX **40**
Janus Global Select T JORNX **40**
Janus Growth & Income T JAGIX **24**
Janus High-Yield T JAHYX **44**
Janus Overseas T JAOSX **38**
Janus Research T JAMRX **24**
Janus T JANSX **24**
Janus Triton T JATTX **32**
Janus Twenty T JAVLX **24**
Janus Venture T JAVTX **32**
Perkins Global Value T JGVAX **40**
Perkins Large Cap Value T JPLTX **28**
Perkins Mid Cap Value T JMCVX **30**
Perkins Small Cap Value T JSCVX **34**
Jensen Quality Growth J 992-4144 JENSX **24**

Kalmar Growth-with-Value Small Cap KGSCX **32**

LKCM 688-5526
LKCM Equity Instl LKEQX **24**
LKCM Small Cap Equity Instl LKSCX **32**
Laudus Growth Investors US Large Cap Gr 447-3332 LGILX **24**
Lazard Emerging Markets Equity Open 823-6300 LZOEX **40**
Legg Mason/Western 877-721-1926
ClearBridge Aggressive Growth A SHRAX **24**
Legg Mason Cap Mgmt Value A LGVAX **26**
Western Asset Core Bond I WATFX **42**
Western Asset Core Plus Bond I WACPX **42**

Leuthold 273-6886
Leuthold Asset Allocation Retail LAALX **34**
Leuthold Core Investment Retail LCORX **34**
Litman Gregory Masters Funds 960-0188
Litman Gregory Masters Equity Instl MSEFX **24**
Litman Gregory Masters Focused Opp Instl MSFOX **24**
Litman Gregory Masters Intl Instl MSILX **38**
Litman Gregory Masters Smlr Com Inst MSSFX **32**
Longleaf Partners 445-9469
Longleaf Partners LLPFX **26**
Longleaf Partners International LLINX **38**
Longleaf Partners Small-Cap LLSCX **30**
Loomis Sayles Funds 633-3330
Loomis Sayles Bond Retail LSBRX **44**
Loomis Sayles Global Bond Retail LSGLX **44**
Loomis Sayles Small Cap Growth Retail LCGRX **32**

MFS 225-2606
MFS Research A MFRFX **26**
MFS Total Return A MSFRX **34**
Madison Mosaic Investors Y 336-3063 MINVX **24**
MainStay 624-6782
MainStay ICAP Equity I ICAEX **28**
MainStay ICAP International I ICEUX **38**
MainStay ICAP Select Equity I ICSLX **28**
MainStay MAP I MUBFX **26**
Mairs & Power 304-7404
Mairs & Power Balanced Inv MAPOX **34**
Mairs & Power Growth Inv MPGFX **26**
Managers Funds 548-4539
Managers Bond MGFIX **42**
Managers PIMCO Bond MBDFX **42**
Skyline Special Equities SKSEX **34**
Yacktman Focused Svc YAFFX **28**
Yacktman Svc YACKX **28**
Manning & Napier 466-3863
Manning & Napier Equity EXEYX **26**
Manning & Napier Pro-Blend Cnsrv Term S EXDAX **34**
Manning & Napier Pro-Blend Mod Tm EXBAX **34**
Manning & Napier World Opp EXWAX **38**
Marsico Investment Fund 888-860-8686
Marsico Focus MFOCX **24**
Marsico Growth MGRIX **24**
Matthews Asia Funds 789-2742
Matthews Asia Dividend Investor MAPIX **40**
Matthews Asian Growth & Inc Inv MACSX **40**
Matthews China Investor MCHFX **40**
Matthews India Investor MINDX **40**
Matthews Pacific Tiger Investor MAPTX **40**
Merger 343-8959 MERFX **34**
Meridian 446-6662
Meridian Growth MERDX **30**
Meridian Value MVALX **30**
Metropolitan West Funds 241-4671
Metropolitan West High Yield Bond MWHYX **44**
Metropolitan West Total Return Bond MWTRX **42**
Morgan Stanley Focus Growth A AMOAX **24**
Muhlenkamp 860-3863 MUHLX **26**

Natixis Funds 225-5478
Gateway A GATEX **34**
Loomis Sayles Investment Grade Bond LIGRX **42**
Neuberger Berman 877-9700
Neuberger Berman Genesis Inv NBGNX **30**
Neuberger Berman International Inv NBISX **38**

Oakmark 625-6275
Oakmark Equity & Income I OAKBX **34**
Oakmark Global I OAKGX **40**
Oakmark Global Select I OAKWX **40**
Oakmark I OAKMX **26**
Oakmark International I OAKIX **38**
Oakmark International Small Cap I OAKEX **38**
Oakmark Select I OAKLX **26**
Old Westbury Global Small & Mid Cap 607-2200 OWSMX **40**
OppenheimerFunds 225-5677
Oppenheimer Developing Markets A ODMAX **40**
Oppenheimer Global A OPPAX **40**
Oppenheimer Global Opportunities A OPGIX **40**
Oppenheimer Gold & Special Minerals OPGSX **36**
Oppenheimer International Growth A OIGAX **38**
Osterweis 866-236-0050 OSTFX **30**

PIMCO 888-877-4626
PIMCO All Asset All Authority D PAUDX **40**
PIMCO All Asset D PASDX **40**
PIMCO Commodity Real Ret Strat D PCRDX **36**
PIMCO Emerging Local Bond Instl PELBX **44**
PIMCO EqS Pathfinder D PTHDX **40**
PIMCO Foreign Bond (USD-Hedged) D PFODX **44**
PIMCO Foreign Bond (Unhedged) D PFBDX **44**
PIMCO Fundamental Advtg Ttl Ret Strat PFSDX **42**
PIMCO Global Multi-Asset D PGMDX **40**
PIMCO High Yield D PHYDX **44**
PIMCO Inflation Response MultiAsst Ins PIRMX **36**
PIMCO Investment Grade Corp Bd Instl PIGIX **42**
PIMCO Low Duration D PLDDX **42**
PIMCO Real Return D PRRDX **42**
PIMCO Short-Term D PSHDX **42**
PIMCO Total Return Instl PTTRX **42**
PIMCO Unconstrained Bond D PUBDX **44**
PRIMECAP Odyssey Funds 729-2307
PRIMECAP Odyssey Aggressive Grow POAGX **30**
PRIMECAP Odyssey Growth POGRX **24**
PRIMECAP Odyssey Stock POSKX **26**
Parnassus Equity Income - Inv 999-3505 PRBLX **26**
Pax World Balanced Individual Inv PAXWX **36**
Permanent Portfolio 531-5142 PRPFX **36**
Polaris Global Value 888-263-5594 PGVFX **40**

Queens Road Small Cap Value 595-3088 QRSVX **34**

RS Value A 766-3863 RSVAX **30**
Rainier Small/Mid Cap Equity Original RIMSX **30**
Royce 221-4268
Royce Low Priced Stock Svc RYLPX **32**
Royce Micro-Cap Invmt RYOTX **32**
Royce Opportunity Invmt RYPNX **34**
Royce Pennsylvania Mutual Invmt PENNX **32**
Royce Premier Invmt RYPRX **30**
Royce Special Equity Invmt RYSEX **32**
Royce Special Equity Multi-Cap Serv RSEMX **26**
Royce Total Return Invmt RYTRX **32**
Royce Value Plus Svc RYVPX **32**
Royce Value Svc RYVFX **30**

Saturna Capital 888-732-6262
Amana Trust Growth AMAGX **24**
Amana Trust Income AMANX **26**
Schneider Small Cap Value SCMVX **34**
Schwab Funds 407-0256
Schwab S&P 500 Index SWPPX **26**
Schwab Total Stock Market Index SWTSX **26**
Scout International 996-2862 UMBWX **38**
Selected American Shares D 243-1575 SLADX **26**
Sequoia 686-6884 SEQUX **26**
Sound Shore 551-1980 SSHFX **28**
Stratton Small-Cap Value 472-4266 STSCX **32**

T. Rowe Price 638-5660
T. Rowe Price Balanced RPBAX **36**
T. Rowe Price Blue Chip Growth TRBCX **24**
T. Rowe Price Capital Appreciation PRWCX **36**
T. Rowe Price Corporate Income PRPIX **42**
T. Rowe Price Diversified Sm Cap Grow PRDSX **32**
T. Rowe Price Dividend Growth PRDGX **26**
T. Rowe Price Emerging Markets Stock PRMSX **40**
T. Rowe Price Equity Income PRFDX **28**
T. Rowe Price GNMA PRGMX **42**
T. Rowe Price Global Technology PRGTX **36**
T. Rowe Price Growth & Income PRGIX **24**
T. Rowe Price Growth Stock PRGFX **24**
T. Rowe Price Health Sciences PRHSX **36**
T. Rowe Price High-Yield PRHYX **44**
T. Rowe Price International Bond RPIBX **44**
T. Rowe Price International Discovery PRIDX **38**
T. Rowe Price International Stock Fd PRITX **38**
T. Rowe Price Intl Gr & Inc TRIGX **38**
T. Rowe Price Media & Telecom PRMTX **36**
T. Rowe Price Mid-Cap Growth RPMGX **30**
T. Rowe Price Mid-Cap Value TRMCX **30**
T. Rowe Price New America Growth PRWAX **24**
T. Rowe Price New Asia PRASX **40**
T. Rowe Price New Era PRNEX **36**
T. Rowe Price New Horizons PRNHX **32**
T. Rowe Price New Income PRCIX **42**
T. Rowe Price Personal Strat Growth TRSGX **36**
T. Rowe Price Personal Strat Income PRSIX **36**
T. Rowe Price Real Estate TRREX **36**
T. Rowe Price Retirement 2015 TRRGX **36**
T. Rowe Price Science & Tech PRSCX **36**
T. Rowe Price Short-Term Bond PRWBX **42**
T. Rowe Price Small-Cap Stock OTCFX **32**
T. Rowe Price Small-Cap Value PRSVX **32**
T. Rowe Price Spectrum Growth PRSGX **24**
T. Rowe Price Spectrum Income RPSIX **44**
T. Rowe Price Tax-Free High Yield PRFHX **44**
T. Rowe Price Tax-Free Income Inv PRTAX **44**
T. Rowe Price Tax-Free Shrt-Interm PRFSX **44**
T. Rowe Price Value TRVLX **28**
TCW 248-4486
TCW Dividend Focused N TGIGX **28**
TCW International Small Cap I TGICX **38**
TCW Total Return Bond I TGLMX **42**
Third Avenue 443-1021
Third Avenue International Value Instl TAVIX **38**
Third Avenue Real Estate Value Instl TAREX **36**
Third Avenue Small Cap Value Instl TASCX **34**
Third Avenue Value Instl TAVFX **40**
Thornburg 847-0200
Thornburg International Value A TGVAX **38**
Thornburg Value A TVAFX **26**
Torray 626-9769 TORYX **26**
Touchstone Sands Capital Select Growth PTSGX **24**
Turner Funds 224-6312
Turner Midcap Growth Investor TMGFX **30**
Turner Small Cap Growth TSCEX **32**
Tweedy Browne 432-4789
Tweedy, Browne Global Value TBGVX **38**
Tweedy, Browne Value TWEBX **40**
Tweedy, Browne Worldwide Hi Div Yld TBHDX **40**

USAA 531-8722
USAA Income USAIX **42**
USAA International USIFX **38**
USAA Tax Exempt Intermediate-Term USATX **44**

Vanguard 662-7447
Vanguard 500 Index Admiral VFIAX **26**
Vanguard Balanced Index Adm VBIAX **36**
Vanguard Capital Opportunity Inv VHCOX **24**
Vanguard Capital Value Inv VCVLX **26**
Vanguard Convertible Securities Inv VCVSX **44**
Vanguard Developed Markets Indx Ad VDMAX **38**
Vanguard Dividend Appreciation Idx Inv VDAIX **26**
Vanguard Dividend Growth Inv VDIGX **26**
Vanguard Emerging Mkts Stock Idx Ad VEMAX **40**
Vanguard Energy Inv VGENX **36**
Vanguard Equity-Income Inv VEIPX **28**
Vanguard European Stock Index Adm VEUSX **40**
Vanguard Explorer Inv VEXPX **32**
Vanguard Explorer Value Inv VEVFX **34**
Vanguard Extended Market Idx Adm VEXAX **30**
Vanguard FTSE All-Wld ex-US Idx Ad VFWAX **38**
Vanguard FTSE Social Index Inv VFTSX **24**
Vanguard GNMA Inv VFIIX **42**
Vanguard Global Equity Inv VHGEX **40**
Vanguard Growth & Income Inv VQNPX **26**
Vanguard Growth Equity Inv VGEQX **24**
Vanguard Growth Index Adm VIGAX **24**
Vanguard Health Care Inv VGHCX **36**
Vanguard High Dividend Yield Indx Inv VHDYX **28**
Vanguard High-Yield Corporate Inv VWEHX **44**
Vanguard High-Yield Tax-Exempt VWAHX **44**
Vanguard Inflation-Protected Secs Inv VIPSX **42**
Vanguard Interm-Term Bond Index Adm VBILX **42**
Vanguard Interm-Term Invmt-Grade Inv VFICX **42**
Vanguard Interm-Term Treasury Inv VFITX **42**
Vanguard Interm-Term Tx-Ex Inv VWITX **44**
Vanguard International Explorer Inv VINEX **38**
Vanguard International Growth Inv VWIGX **38**
Vanguard International Value Inv VTRIX **38**
Vanguard LifeStrategy Income Inv VASIX **36**
Vanguard Long-Term Investment-Grade VWESX **42**
Vanguard Long-Term Tax-Exempt VWLTX **44**
Vanguard Long-Term Treasury Inv VUSTX **42**
Vanguard Ltd-Term Tx-Ex VMLTX **44**
Vanguard Mid Cap Growth Inv VMGRX **30**
Vanguard Mid Cap Index Adm VIMAX **30**
Vanguard Morgan Growth Inv VMRGX **26**
Vanguard PRIMECAP Core Inv VPCCX **26**
Vanguard PRIMECAP Inv VPMCX **26**
Vanguard Precious Metals and Mining VGPMX **36**
Vanguard REIT Index Adm VGSLX **36**
Vanguard STAR Inv VGSTX **36**
Vanguard Selected Value Inv VASVX **30**
Vanguard Short-Term Bond Index Adm VBIRX **42**
Vanguard Short-Term Federal Inv VSGBX **42**
Vanguard Short-Term Investment-Grade VFSTX **42**
Vanguard Short-Term Treasury Inv VFISX **42**
Vanguard Short-Term Tx-Ex VWSTX **44**
Vanguard Small Cap Growth Index Ad VSGAX **32**
Vanguard Small Cap Index Adm VSMAX **34**
Vanguard Small Cap Value Index Ad VSIAX **34**
Vanguard Strategic Equity Inv VSEQX **30**
Vanguard Target Retirement 2025 Inv VTTVX **36**
Vanguard Tax-Managed Balanced Adm VTMFX **36**
Vanguard Tax-Managed Capital App Ad VTCLX **26**
Vanguard Tax-Managed Growth & Inc Ad VTGLX **28**
Vanguard Tax-Managed Intl Adm VTMGX **38**
Vanguard Tax-Managed Small Cap Ad VTMSX **34**
Vanguard Total Bond Market Index Adm VBTLX **42**
Vanguard Total Intl Stock Index Admiral VTIAX **38**
Vanguard Total Stock Mkt Idx Adm VTSAX **28**
Vanguard Total World Stock Index Inv VTWSX **40**
Vanguard US Value Inv VUVLX **28**
Vanguard Value Index Adm VVIAX **28**
Vanguard Wellesley Income Inv VWINX **36**
Vanguard Wellington Inv VWELX **36**
Vanguard Windsor II Inv VWNFX **28**
Vanguard Windsor Inv VWNDX **28**

Wasatch 551-1700
Wasatch Core Growth WGROX **32**
Wasatch Heritage Growth WAHGX **30**
Wasatch Large Cap Value Investor FMIEX **28**
Wasatch Small Cap Growth WAAEX **32**
Wasatch Ultra Growth WAMCX **32**
Weitz 304-9745
Weitz Hickory WEHIX **30**
Weitz Partners Value WPVLX **30**
Weitz Value WVALX **28**
Wells Fargo Advantage S/T Muni Bd Inv 222-8222 STSMX **44**
Westport Funds 888-593-7878
Westport R WPFRX **30**
Westport Select Cap R WPSRX **30**
Westwood SMidCap Institutional 877-386-3944 WHGMX **30**
William Blair 635-2886
William Blair International Growth N WBIGX **38**
William Blair Small Cap Growth N WBSNX **32**

Morningstar FundInvestor
22 W. Washington Street
Chicago, Illinois 60602

ADDRESS SERVICE REQUESTED

Periodicals Postage
P a i d
Chicago, Illinois and
additional offices

Morningstar FundInvestor
Volume 21, Number 5

Director of Fund Research
Russel Kinnel

Director of Active Fund Research
Michael Herbst

Contributing Analysts
Christopher Davis, Kailin Liu, Katie Reichart, Miriam Sjoblom, Janet Yang

Copy Editors
Edward Cavanaugh, Thad Doria, Jennifer Ferone Gierat, Elizabeth Knapik

Designer
Claudia Olariu

Programmers
Christine Tan

Quality Assurance
Sandra Benedict

Product Managment
Peggy Seemann

Publisher
Susan Dziubinski

President, Research
Don Phillips

© 2013 Morningstar, Inc.
All rights reserved. Reproduction by any means is prohibited. While data contained in this report are gathered from reliable sources, accuracy and completeness cannot be guaranteed. The publisher does not give investment advice or act as an investment advisor.

All data, information, and opinions are subject to change without notice.

Reprints of articles and information appearing in Morningstar FundInvestor are available in quantity. Please call 312-696-6100.

For inquiries regarding your subscription, contact: newslettersupport@morningstar.com.

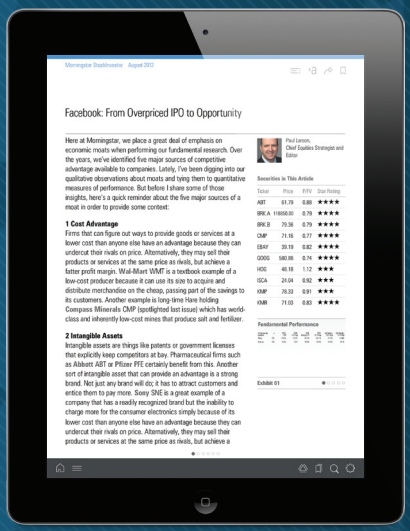
Address all correspondence to Peggy Seemann, Morningstar, 22 W. Washington Street, Chicago, IL 60602.

Morningstar FundInvestor (ISSN 1099-0402) is published monthly by Morningstar, Inc., 22 W. Washington Street, Chicago, IL 60602. For subscriptions call: toll-free 1 866 608-9570.

Periodicals postage paid at Chicago, IL and at additional mailing offices. POSTMASTER: Send address changes to Morningstar FundInvestor, 22 W. Washington Street, Chicago, IL 60602.

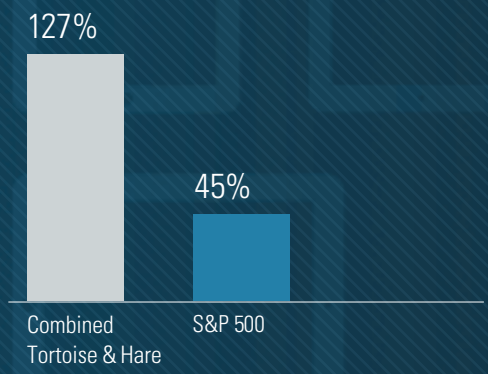
FSN201301
(ISSN 1099-0402)
This publication is printed on Cascades Rolland Enviro 100 Satin paper, which contains 100% postconsumer waste fiber and is manufactured using biogas energy.

100%



Morningstar® StockInvestor℠

Get 12 months for $99, a 30% savings.
Also receive free access to our new iPad App!



Total cumulative returns 6/18/01–10/31/12

Subscriber Savings
Morningstar StockInvestor
One-Year Subscription
Print | ~~$135~~ $99

Call Now to Save
1-866-910-1145
(mention code: SAVE36)

Morningstar StockInvestor is the perfect complement to the investing ideas you already receive each month. Our fundamentals-based approach identifies wide-moat companies—those with established competitive advantages and generous free cash flows—that are trading at a discount to their intrinsic value. See why we've outperformed the S&P 500 for over 10 years running. There's no risk, thanks to The Morningstar Guarantee. Sign up now and save.

New! Free with your paid newsletter subscription, *Morningstar StockInvestor* has gone mobile with our new iPad® app. Get access to past and current issues, robust search functionality, analyst reports for companies from the Wide-Moat Watchlist, real-time performance metrics, and more.

Morningstar® Analyst Rating™ for Funds

Investor Benefits

- Investors First. Morningstar always conducts its research with the end investor in mind.
- Long History. Morningstar has produced written, analyst-driven research on funds dating back to 1986.
- Independence. Morningstar does not charge fund companies to be rated, nor do fund companies commission research or ratings. Morningstar's decision to report on a fund is determined solely by the analyst team.
- Relevant Coverage. The analyst team bases coverage decisions on asset size, investment merit, and market demand.
- Full Spectrum Scale. The Morningstar Analyst Rating has been developed to identify not only good funds, but also mediocre and poor investments through Neutral and Negative ratings.
- Local and Global Expertise. Morningstar has a team of more than 100 fund analysts worldwide.

Background

For more than 25 years, Morningstar analysts have been providing independent, qualitative written research on mutual funds. The research has always aimed to provide insights into funds' sustainable advantages and forward-looking perspective into how they might behave in a variety of market environments, helping investors choose superior funds, maintain realistic performance expectations, and manage their portfolios more wisely. The Morningstar Analyst Rating™ for funds is the latest development in the evolution of Morningstar's global fund research capabilities. While Morningstar's fund analysts worldwide have long shared a common research philosophy, the Analyst Rating now brings the teams' research processes together into a single, harmonized global rating system.

Morningstar Analyst Rating for Funds

Unlike the backward-looking Morningstar Rating™ (often referred to as the "star rating"), which assigns 1 to 5 stars based on a fund's past risk- and load-adjusted returns versus category peers, the Analyst Rating is the summary expression of Morningstar's forward-looking analysis of a fund. Morningstar analysts assign the ratings on a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating.

The Analyst Rating is based on the analyst's conviction in the fund's ability to outperform its peer group and/or relevant benchmark on a risk-adjusted basis over the long term. If a fund receives a positive rating of Gold, Silver, or Bronze, it means Morningstar analysts think highly of the fund and expect it to outperform over a full market cycle of at least five years. The Analyst Rating is not a market call, and it is not meant to replace investors' due-diligence process. It cannot assess whether a fund is the right fit for a particular portfolio and risk tolerance. It is intended to supplement investors' and advisors' own work on funds and, along with written analysis, provide forward-looking perspective into a fund's abilities. It picks up where commonly watched measures of the past leave off.

Research Methodology: The Five Pillars

Morningstar evaluates funds based on five key pillars—Process, Performance, People, Parent, and Price—which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Process: What is the fund's strategy and does management have a competitive advantage enabling it to execute the process well and consistently over time?

Performance: Is the fund's performance pattern logical given its process? Has the fund earned its keep with strong risk-adjusted returns over relevant time periods?

People: What is Morningstar's assessment of the manager's talent, tenure, and resources?

Parent: What priorities prevail at the firm? Stewardship or salesmanship?

Price: Is the fund a good value proposition compared with similar funds sold through similar channels?

The approach notably puts only partial weight on past performance and backward-looking risk measures and does not dismiss funds that have underperformed or have limited track records. Analysts consider numeric and qualitative factors, but the ultimate view on the individual pillars and how they come together is driven by the analyst's overall assessment and overseen by an Analyst Ratings Committee. The approach serves not as a formula but as a robust analytical framework ensuring consistency across Morningstar's global coverage universe.

Morningstar Analyst Rating for Funds

Gold	Silver	Bronze	Neutral	Negative
Best-of-breed fund that distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction.	Fund with notable advantages across several, but perhaps not all, of the five pillars—strengths that give the analysts a high level of conviction.	Fund with advantages that outweigh the disadvantages across the five pillars and with sufficient level of analyst conviction to warrant a positive rating.	Fund that isn't likely to deliver standout returns but also isn't likely to significantly underperform, according to the analysts.	Fund that has at least one flaw likely to significantly hamper future performance and that is considered by analysts an inferior offering to its peers.

©2011 Morningstar, Inc. All rights reserved. Morningstar and the Morningstar logo are either trademarks or service marks of Morningstar, Inc. Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar's current expectations about future events; therefore they involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent its Analyst Ratings to be guarantees nor should they be viewed as an assessment of a fund's or the fund's underlying securities' creditworthiness.

Longford Capital Fund II, LP
Balance Sheet
September 30, 2019
(Unaudited)

Assets

Investment Cost	106,516,840	
Unrealized Gain/Loss	32,339,460	
Total Fair Value of Investments		138,856,301
Cash		6,966,446
Prepaid Expenses		336,604
Portfolio Investment Receivable		381,375
Total Assets		**146,540,726**

Liabilities and Partners' Capital

Liabilities

Payable for Investments	2,415,161
Due to Longford Capital Management, LP	26,627
Due to (from) Other Related Parties	(48,329)
Accrued Expenses	227,500
Capital Calls Received in Advance	8,162,100
Accounts Payable	113,601
Total Liabilities	**10,896,661**

Capital

Partners' Capital - Limited Partners	129,389,620
Partners' Capital - General Partner	6,254,446
Total Capital	**135,644,066**
Total Liabilities and Capital	**146,540,726**

Note: Totals listed for each category may differ from the sum of the individual items due to rounding differences.

Statements independently prepared by

Ultimus Fund Solutions, LLC - 230 W. Monroe St., Suite 1150 - Chicago, Illinois 60606 - (847) 255 3500

Longford Capital Fund II, LP
Statement of Operations
For the Quarter Ended 09/30/2019
(Unaudited)

	July 1, 2019 September 30, 2019	Year-to-Date
Income		
Realized Gain/Loss on Investments	14,193,958	17,786,912
Unrealized Gain/Loss on Investments	(18,900,202)	7,651,088
Short-Term Investment Income	10,889	25,037
Total Gross Income	**(4,695,355)**	**25,463,037**
Expenses		
Accounting and Reporting Expense	27,125	80,454
Insurance Expense	24,886	88,272
Interest Expense	-	10,236
Management Fee	2,481,000	7,443,000
Audit and Tax Expense	68,000	204,000
Professional Fees	386,279	588,776
Other Expenses	93,522	200,508
Total Gross Expenses	**3,080,812**	**8,615,246**
Net Gain/(Loss)	**(7,776,167)**	**16,847,791**

Note: Totals listed for each category may differ from the sum of the individual items due to rounding differences.

Longford Capital Fund II, LP
Statement of Changes in Partners' Capital
For the Quarter Ended 09/30/2019
(Unaudited)

	Limited Partners	General Partner	Total
Beginning Net Assets	155,179,488	7,841,413	163,020,900
Contributions	14,886,000	-	14,886,000
Distributions	(34,452,181)	(34,487)	(34,486,667)
Increase/(Decrease) in Net Assets arising from Operations	(7,770,872)	(5,295)	(7,776,167)
Ending Net Assets	**127,842,435**	**7,801,631**	**135,644,066**
Accrued Potential Carried Interest Allocation	1,547,185	(1,547,185)	-
Ending NAV After Potential Carried Interest Allocation	**129,389,620**	**6,254,446**	**135,644,066**

Note: Totals listed for each category may differ from the sum of the individual items due to rounding differences.

Longford Capital Fund II, LP
Statement of Changes in Financial Condition
For the Quarter Ended 09/30/2019
(Unaudited)

Assets

	Current	Previous	Net Change
Investment Cost	106,516,840	110,683,924	(4,167,083)
Unrealized Gain/Loss	32,339,460	51,239,662	(18,900,202)
Cash	6,966,446	2,625,267	4,341,179
Capital Call Receivable	-	(6,000)	6,000
Prepaid Expenses	336,604	208,691	127,913
Portfolio Investment Receivable	381,375	1,708,500	(1,327,125)
Total Assets	**146,540,726**	**166,460,044**	**(19,919,318)**

Liabilities and Partners' Capital

Liabilities

	Current	Previous	Net Change
Payable for Investments	2,415,161	3,196,612	(781,451)
Due to Longford Capital Management, LP	26,627	56,665	(30,038)
Due to (from) Other Related Parties	(48,329)	-	(48,329)
Accrued Expenses	227,500	160,594	66,906
Capital Calls Received in Advance	8,162,100	-	8,162,100
Accounts Payable	113,601	25,273	88,329
Total Liabilities	**10,896,661**	**3,439,144**	**7,457,517**

Capital

	Current	Previous	Net Change
Partners' Capital - Limited Partners	129,389,620	155,179,488	(25,789,868)
Partners' Capital - General Partner	6,254,446	7,841,413	(1,586,967)
Total Capital	**135,644,066**	**163,020,900**	**(27,376,834)**
Total Liabilities and Capital	**146,540,726**	**166,460,044**	**(19,919,318)**

Note: Totals listed for each category may differ from the sum of the individual items due to rounding differences.

Longford Capital Fund II, LP
Schedule of Investments
September 30, 2019
(Unaudited)

Investment	Cost	Fair Value
Babylon	14,138,530	32,000,001
Bluewater	4,517,554	13,871,328
Cobra	5,474,560	5,474,560
Creed	891,639	891,639
Dagger	3,457,288	3,457,288
Dragon	2,038,603	2,038,603
Eagle	5,085,603	5,085,603
Eureka	226,827	226,827
Fire	1,218,369	1,218,369
Fuel	1,599,357	1,599,357
Ice	5,097,705	5,097,705
Lunar	1,548,505	1,692,205
Marble	-	1,145,713
Mesquite	18,450,965	21,168,318
Mohawk	2,026,019	1,062,792
Nebula	3,286,382	3,286,382
Nexus	3,248,226	3,248,226
Nobel	3,257,633	3,257,633
Panther	1,477,084	1,477,084
Prism	994,057	2,857,144
Raptor	10,485,358	10,702,948
Triton	1,203,285	1,203,285
Unicorn	12,635,290	12,635,290
Vulcan	4,158,002	4,158,002
Total	**106,516,840**	**138,856,301**

Note: Totals listed for each category may differ from the sum of the individual items due to rounding differences.

Town of Trumbull Pension Board Approvals
January 28, 2020

Name	Address	Credited Svc. Yrs.	Retirement Date	Payment Date	Pension Amount	Option Selected **	Termination Date	Payout a/o Date	Contribution Plus Interest Refund (GROSS)
Violetta, Noreen	17 Cali Drive Trumbull CT 06611	11	6/16/2019	9/1/2019	$ 436.37	3			$3.00
Crandall, Barbara	32 Mayflower Drive Trumbull CT 06611	12	1/2/2020	1/2/2020	$ 1,388.84	1			
Clark, Susan	2158 Boston Post Road Guilford CT 06437	9	12/31/2019	1/1/2020	$ 143.25	1			
Cisero, Rosalie	21 Eastwood Road Bridgeport CT 06606	30 (35)	12/31/2019	1/1/2020	$ 1,272.92	2			
** Optional Forms of Payment Defined:									

PENSION BOARD

Town Hall
5866 Main Street
Trumbull, Connecticut 06611

Date: January 31, 2020

To: Vicki A. Tesoro, First Selectman

Subject: Pension Board Update

Below is a brief update on the performance, activities and initiatives for calendar year ending 2019.

Executive Summary:

(All numbers calendar year based)

- Beirne Wealth Consulting, LLC, (Beirne) provided investment advice to the Pension Board from 2017 through 2019.
- The biennial Actuarial Valuation as of July 1, 2018 was completed.
- Net cash flows for calendar year 2019 were positive as they were from 2015 through 2019.
- The fund returned a gain of 18.76% for 2019. This compares with the U.S. public pensions reported median returns of 18.90% as reported by Investor Force Public DB Net Universe.
- The funded ratio is, and continues to improve every year since 2014 when it was 35%.
- We continue to receive regular "flash reports" on how investments are performing and follow an annual governance calendar to guide quarterly meeting agendas.
- An Investment Policy Statement is in effect and is reviewed annually. The Finance Department conducted an audit of the retirement plan in 2018-19.

DRAFT

Pension Investments:

The Investment returns for 2019 realized a gain of 18.76%, which was higher than the assumed return rate of 7.5%; the annualized 3 and 5-year results for this same period were 8.65% and 6.50% respectively.

Calendar Year	2019	2018	2017	2016	2015
Investment Performance	18.76%	(6.62%)	15.6%	7.4%	(0.5%)
Plans Assets (millions)	$ 40.4	$33.5	$35.3	$30.3	$27.9
Town Contributions		$ 5.1	$ 4.6	$ 4.2	$ 4.2
a. Current		$ 1.0	$ 1.0	$ 1.0	$ 1.0
b. Make-up	$ 5.6(total)	$ 4.1	$ 3.6	$ 3.2	$ 3.2
Employee Contributions	$ 0.9	$1.0	$ 1.0	$ 1.0	$ 1.0
Less: Payments	$ 5.8	$5.5	$ 5.2	$ 5.0	$ 4.6
Net Cash Flow (thousands)	$ 622	$541	$341	$250	$ 616

Each quarter, the Pension Board along with the investment consultant reviewed how the investment managers performed. We continue to review investments with our advisor and make changes to enhance investment returns with an acceptable level of risk.

Actuarial Report:

Findley, the Plan actuary who performed the biennial valuation in July 2018, will perform the biennial valuation in July 2020. See the chart below for previous valuation results:

	July 1, 2018	July 1, 2016	July 1, 2014	July 1, 2012
Participants				
Active	365	406	376	436
Deferred Vested	72	79	68	74
Receiving Benefits	372	355	340	325
Total	809	840	784	835
Total Liabilities	$85,295,652	$80,087,551	$71,162,375	$67,905,000
Actuarial Value of Assets	$35,032,614	$30,705,246	$24,997,527	$19,096,003
Funded Status (unfunded)	($35,032,614)	($49,382,305)	($46,164,848)	($48,808,997)
Funded Ratio	41.1%	38.3%	35.1%	28.1%

The Pension Board did not make any technical Plan changes.

Operations:

The Pension Board continued its quarterly schedule of meetings with special meetings, as needed.

The following governance schedule indicates the items reviewed at quarterly meetings, as required:

- Portfolio Investment Review and Market Environment Overview
- Administrative Fee and Portfolio Expense Analysis
- Investment Policy Review
- Legislative Update (as needed)
- Actuarial Review (biennial report)*
- Market Environment

*Timing of actuarial and liability review dependent on client's individual plan and/or fiscal year and actuarial input.

The Investment Policy Statement received its annual review with alternative investments added to the policy for liquid and illiquid investments.

The Pension Board decided to maintain the 7.5% Assumed Rate of Return for another year.

There were no changes to the Pension Board membership during 2019.

The Pension Board understands the need for the administration to weigh all town financial concerns and it appreciates the ongoing support for the Retirement Plan. We welcome the opportunity to meet with you and accept ideas and recommendations for improvement.

Respectfully submitted,

The Pension Board

James Lavin Chairman	Anthony Musto	Maria Pires	Donna Pellitteri
James Daly Secretary	James Meisner	Patrick Clark	

DRAFT

SUBJECT TO MODIFICATION AND APPROVAL
Minutes
TOWN OF TRUMBULL
Special Pension Board Meeting
October 29, 2019

Call to Order
Chairman Lavin called the Pension Board meeting to order at 7:00 p.m. at the Town Hall, Trumbull, Connecticut.

The following Members were present /absent as follows:

PRESENT	**ABSENT**
James Lavin	Anthony Musto
Patrick Clark	
Donna Pellitteri	
James Daly	
Maria Pires	
James Meisner	

Also present: John Oliver – Beirne Wealth Consulting; Lindsey Allard – Beirne Wealth Consulting

Investment Update – 1st Quarter – Beirne Wealth Consulting
Mr. John Oliver Beirne presented the quarterly review, beginning with an overview of the Public Pension Fund Allocation Summary. Since we are always looking to create an optimum balance, it is important to note the changes that have taken place over the last 10 years in allocations. Based on this information he is suggesting that we add an additional category to our investment policy.

Mr. Meisner moved, seconded by Mr. Daly, to include an additional category "Private Investment-10%" to the Investment Policy.

Vote: 6-0-0

Mr. Clark moved, seconded by Mr. Meisner, to commit $2 million into the Longford Capital Fund III.

Vote: 6-0-0

Beirne Consulting will update the Investment Policy with these changes and the Board will vote on them in January 2020.

Approval of Pension Benefits and Contribution Returns
Mr. Meisner moved, seconded by Ms. Pires, to approve the Pension Benefits and Return of Contributions, as follows:

Approval of Pension Benefits

Marie Colacurcio	$ 209.36	7/1/2019
Marie Folchick	$ 1,870.40	9/1/2019
Stephen Kennedy	$ 3,447.74	7/1/2019
Robert Nicholson (beneficiary of Charles Nicholson) **	$723.59 each	7/1/2019
Cheryl Ponzeka (beneficiary of Charles Nicholson) **	$723.59 each	7/1/2019
Joann Romer	$ 503.16	7/1/2019
Darlene Santoro (QDRO) Participant Ray Santoro	$ 360.22	9/1/2019
Gary Sengalliesi	$ 2,054.42	8/1/2019
Virginia Sengalliesi (QDRO) Participant Gary Sengalliesi	$ 715.70	8/1/2019

Approval of Contribution Returns

Robert Nicholson (beneficiary of Charles Nicholson) **	$12,149.90	9/1/2019
Cheryl Ponzeka (beneficiary of Charles Nicholson) **	$12,149.90	9/1/2019
Estate of Charles Nicholson **	$39,004.64	9/1/2019
Thomas Vanghele (beneficiary of Alexander Vanghele	$ 623.19	11/1/2019

Ms. Pires spoke to the Pension Board regarding the approval of **Pension Benefits and Contribution Returns** for the beneficiaries and estate of Charles Nicholson.

Due to the lack of communication between the Town and Mr. Nicholson at the time of his illness, we did not release his pension benefits in a timely manner.

After consulting with our attorney, we took the steps necessary to rectify the situation, which resulted in each beneficiary receiving a lump sum contribution for payments missed from his date of death to the date they started to receive monthly payments. In addition, we were also required to make a lump sum payment of $39,004.64 to the Estate of Charles Nicholson, since we did not begin his pension on April 1, 2016, the April following the calendar year in which he attained the age of seventy and one half (70-1/2). This payment covered April 1, 2016 through February 1, 2018.

Vote: 6-0-0 motion carries

Approval of Minutes – July 23, 2019
Mr. Daly moved, seconded by Mr. Clark to approve the July 23, 2019 minutes, as presented.

Vote 5-0-0 (abstained Meisner)

Mr. Lavin moved, seconded by Mr. Clark to add the following items to the Agenda:
- 2020 Meeting Dates
- Discussion Item

Vote: 6-0-0

2020 Meeting Dates
Mr. Lavin moved, seconded by Ms. Pires that the Pension Board meetings continue to meet on the fourth Tuesday of each quarter in 2020 as follows: January 28, 2020; April 28, 2020; July 28, 2019 and October 27, 2019.

Vote: 6-0-0

Discussion Item
Mr. Lavin informed the Pension Board that he received a complaint from the Commission on Human Rights and Opportunities regarding one of the Board of Education employees. He went on to add that our town attorney is handling the matter.

Adjournment
By unanimous consent, the meeting adjourned at 8:05 p.m.

Respectfully submitted:

_____
Phyllis C. Collier
Pension Board Clerk