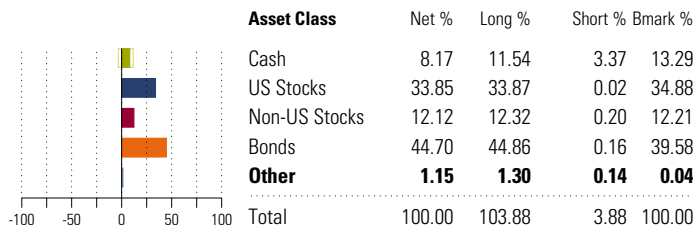


# Portfolio X-Ray®

**Benchmark**  
Custom

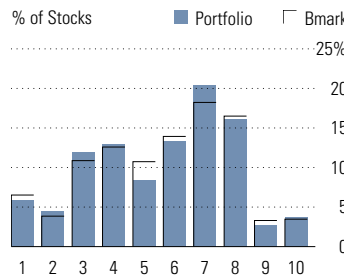
**Market Value**  
\$100.00

## Asset Allocation 05-31-2016

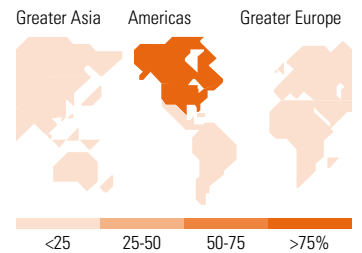


## Stock Analysis 05-31-2016

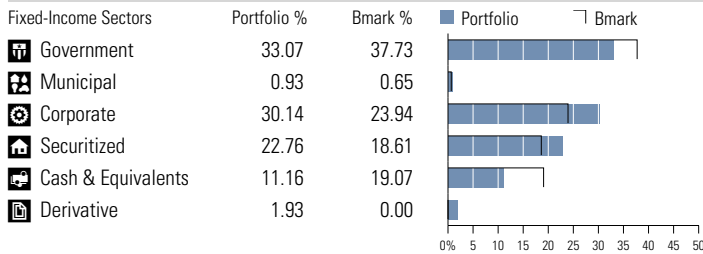
### S&P Sector Weightings



### World Regions



## Bond Analysis 05-31-2016

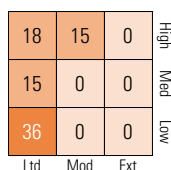


## Maturity Breakdown

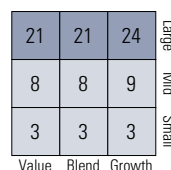
Effective Maturity	Portfolio %	Credit Quality	Portfolio %
1-3	26.93	AAA	42.52
3-5	23.75	AA	3.99
5-7	10.13	A	9.25
7-10	5.83	BBB	16.91
10-15	3.18	BB	9.48
15-20	5.22	B	8.28
20-30	21.42	Below B	3.86
>30	3.56	NR	5.71

## Credit Quality Breakdown

## Investment Style 05-31-2016



Fixed-Income Style	Portfolio	Bmark
Effective Duration	2.70	5.24
Effective Maturity	4.22	7.45



Equity Style	Portfolio	Bmark
Average Market Cap (\$mil)	26,367.02	59,199.52
Price/Earnings	18.24	18.41
Price/Book	2.21	2.26
Price/Sales	1.49	1.57
Price/Cash Flow	10.24	10.67

## Top 10 Net Underlying Holdings 05-31-2016

Assets %	Name	Type	Sector	Country
0.66	Apple Inc(USD)	ST	Info Tech	United States
0.57	Microsoft Corp(USD)	ST	Info Tech	United States
0.47	Marsh & McLennan Companies Inc(USD)	ST	Financials	United States
0.38	Exxon Mobil Corp(USD)	ST	Energy	United States
0.38	Danaher Corp(USD)	ST	Industrials	United States
0.36	Pfizer Inc(USD)	ST	Health Care	United States
0.36	Amazon.com Inc(USD)	ST	Cons Disc	United States
0.33	Thermo Fisher Scientific Inc(USD)	ST	Health Care	United States
0.32	Johnson & Johnson(USD)	ST	Health Care	United States
0.30	General Electric Co(USD)	ST	Industrials	United States

**Portfolio X-Ray®**

## Portfolio Holdings

**Benchmark**

Custom

**Portfolio Holdings** 05-31-2016

<b>Total: 14 Holdings</b>	Type	Fund Portfolio Date	Assets %	Market Value \$
Vanguard Total World Stock ETF (USD, VT)	ETF	04-30-2016	20.00	20
Vanguard Total Stock Market ETF (USD, VTI)	ETF	04-30-2016	12.00	12
DoubleLine Total Return Bond N (USD, DLTNX)	MF	04-30-2016	10.00	10
T. Rowe Price Capital Appreciation (USD, PRWCX)	MF	03-31-2016	9.00	9
iShares Core US Aggregate Bond (USD, AGG)	ETF	06-08-2016	8.00	8
USAA Short-Term Bond (USD, USSBX)	MF	01-31-2016	8.00	8
Vanguard Short-Term Bond ETF (USD, BSV)	ETF	04-30-2016	8.00	8
AQR Managed Futures Strategy N (USD, AQMNX)	MF	04-30-2016	5.00	5
PowerShares Emerging Markets Sov Dbt ETF (USD, PCY)	ETF	06-09-2016	5.00	5
RidgeWorth Seix Floating Rate Hi Inc I (USD, SAMBX)	MF	04-30-2016	5.00	5
Vanguard Mid-Cap ETF (USD, VO)	ETF	04-30-2016	4.00	4
Vanguard FTSE Emerging Markets ETF (USD, VWO)	ETF	04-30-2016	2.50	3
Vanguard Small-Cap ETF (USD, VB)	ETF	04-30-2016	2.50	3
Cash - 0.168%	CASH	—	1.00	1

# Standardized and Tax Adjusted Returns Disclosure Statement

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

An investment in a money-market vehicle is not insured or guaranteed by the FDIC or any other government agency. The current yield quotation reflects the current earnings of the money market more closely than the total return quotation. Although money markets seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in them.

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

If adjusted for taxation, the performance quoted would be significantly reduced. For variable annuities, additional expenses will be taken into account, including M&E risk charges, fund-level expenses such as management fees and operating fees, contract-level administration fees, and charges such as surrender, contract, and sales charges.

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

Annualized returns 03-31-2016											
Standardized Returns (%)	7-day Yield Subsidized	7-day Yield Unsubsidized	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
AQR Managed Futures Strategy N	—	—	-5.88	3.75	—	3.37	01-06-2010	NA	NA	1.48	1.48
DoubleLine Total Return Bond N	—	—	2.20	5.11	—	7.33	04-06-2010	NA	NA	0.72	0.72
iShares Core US Aggregate Bond-NAV	—	—	1.85	3.68	4.74	4.35	09-22-2003	NA	NA	0.08 <sup>1</sup>	0.09
iShares Core US Aggregate Bond-Market	—	—	1.97	3.75	4.72	4.35	09-22-2003	NA	NA	0.08 <sup>1</sup>	0.09
PowerShares Emerging Markets Sov Dbt ETF-NAV	—	—	4.88	6.51	—	6.93	10-11-2007	NA	NA	0.50	0.50
PowerShares Emerging Markets Sov Dbt ETF-Market	—	—	5.19	6.52	—	6.83	10-11-2007	NA	NA	0.50	0.50
RidgeWorth Seix Floating Rate Hi Inc I	—	—	-1.50	3.12	3.89	3.86	03-01-2006	NA	NA	0.61	0.61
T. Rowe Price Capital Appreciation	—	—	4.21	10.84	8.34	11.32	06-30-1986	NA	NA	0.70	0.70
USAA Short-Term Bond	—	—	0.60	1.98	3.57	4.05	06-01-1993	NA	NA	0.62	0.62
Vanguard FTSE Emerging Markets ETF-NAV	—	—	-12.63	-4.15	2.83	5.39	03-04-2005	NA	NA	0.15	0.15
Vanguard FTSE Emerging Markets ETF-Market	—	—	-12.85	-4.20	2.81	5.45	03-04-2005	NA	NA	0.15	0.15
Vanguard Mid-Cap ETF-NAV	—	—	-4.29	10.02	7.23	8.95	01-26-2004	NA	NA	0.08	0.08
Vanguard Mid-Cap ETF-Market	—	—	-7.09	10.03	7.23	8.95	01-26-2004	NA	NA	0.08	0.08
Vanguard Short-Term Bond ETF-NAV	—	—	1.58	1.78	—	3.17	04-03-2007	NA	NA	0.09	0.09
Vanguard Short-Term Bond ETF-Market	—	—	1.57	1.78	—	3.16	04-03-2007	NA	NA	0.09	0.09
Vanguard Small-Cap ETF-NAV	—	—	-7.14	8.80	6.82	8.20	01-26-2004	NA	NA	0.08	0.08
Vanguard Small-Cap ETF-Market	—	—	-7.46	8.79	6.83	8.20	01-26-2004	NA	NA	0.08	0.08
Vanguard Total Stock Market ETF-NAV	—	—	-0.45	11.00	7.05	5.86	05-24-2001	NA	NA	0.05	0.05
Vanguard Total Stock Market ETF-Market	—	—	-0.32	10.99	7.02	6.09	05-24-2001	NA	NA	0.05	0.05
Vanguard Total World Stock ETF-NAV	—	—	-4.16	5.54	—	4.05	06-24-2008	NA	NA	0.14	0.14
Vanguard Total World Stock ETF-Market	—	—	-4.20	5.48	—	4.12	06-24-2008	NA	NA	0.14	0.14
<b>Barclays US Agg Bond TR USD</b>			<b>1.96</b>	<b>3.78</b>	<b>4.90</b>	—	<b>12-31-1975</b>				
<b>MSCI EAFE NR USD</b>			<b>-8.27</b>	<b>2.29</b>	<b>1.80</b>	—	<b>12-31-1969</b>				
<b>S&amp;P 500 TR USD</b>			<b>1.78</b>	<b>11.58</b>	<b>7.01</b>	—	<b>01-30-1970</b>				
<b>USTREAS T-Bill Auction Ave 3 Mon</b>			<b>0.12</b>	<b>0.07</b>	<b>1.07</b>	—	<b>02-28-1941</b>				

1. Contractual waiver; Expires 06-30-2016

**Annualized returns 03-31-2016**

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
AQR Managed Futures Strategy N	-8.04	2.48	—	2.26	01-06-2010	-3.08	2.43	—	2.22
DoubleLine Total Return Bond N	0.56	2.99	—	5.01	04-06-2010	1.23	3.04	—	4.75
iShares Core US Aggregate Bond-NAV	0.75	2.61	3.41	3.02	09-22-2003	1.03	2.38	3.17	2.86
PowerShares Emerging Markets Sov Dbt ETF-NAV	2.42	4.41	—	4.73	10-11-2007	2.70	4.12	—	4.47
RidgeWorth Seix Floating Rate Hi Inc I	-3.47	1.22	1.75	1.73	03-01-2006	-0.85	1.60	2.13	2.11
T. Rowe Price Capital Appreciation	1.38	8.71	6.60	8.98	06-30-1986	3.57	7.95	6.17	8.62
USAA Short-Term Bond	-0.14	1.14	2.38	2.34	06-01-1993	0.34	1.18	2.31	2.41
Vanguard FTSE Emerging Markets ETF-NAV	-13.55	-4.99	2.04	4.63	03-04-2005	-6.95	-3.30	2.02	4.15
Vanguard Mid-Cap ETF-NAV	-4.71	9.59	6.75	8.49	01-26-2004	-2.16	7.82	5.64	7.22
Vanguard Short-Term Bond ETF-NAV	0.98	1.16	—	2.33	04-03-2007	0.91	1.14	—	2.16
Vanguard Small-Cap ETF-NAV	-7.60	8.29	6.31	7.72	01-26-2004	-3.83	6.78	5.27	6.55
Vanguard Total Stock Market ETF-NAV	-0.92	10.42	6.60	5.44	05-24-2001	0.11	8.61	5.61	4.69
Vanguard Total World Stock ETF-NAV	-4.74	4.82	—	3.48	06-24-2008	-2.00	4.14	—	3.05

# Portfolio X-Ray Report Disclosure Statement

## General

This report summarizes the composition characteristics of a portfolio of securities. It considers broad asset allocation and regional exposure, security style, and sector exposure to provide a variety of ways for considering the level of diversification within a portfolio, its potential riskiness, and its possible behavior in the future.

The Portfolio X-Ray report is supplemental sales literature and must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. Please read these carefully before investing. In all cases, this disclosure statement should accompany the Portfolio X-Ray report. Morningstar is not itself a FINRA-member firm.

Data for this analysis is collected in several ways. For mutual funds, closed-end funds, exchange-traded funds, and variable annuity subaccounts, equity data is based upon Morningstar's analysis of the holdings, which are provided periodically by the fund to Morningstar. For fixed-income securities included in these products, duration and other data is provided by the fund company. For separately managed accounts, data for the account composite reflecting the average investor's experience is provided directly by the manager. Stock data is based upon Morningstar analysis.

An investment in the funds/subaccounts listed in this report is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

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

## Notes Regarding Included Securities

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

An exchange-traded fund (ETF) is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. ETFs can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

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

A holding company depository receipt (HOLDR) is similar to an ETF, but is focused on narrow industry groups and initially owns 20 stocks which are

unmanaged, and can become more concentrated due to mergers, or the disparate performance of their holdings. HOLDRs can only be bought in 100-share increments. Investors may exchange shares of a HOLDR for its underlying stocks at any time.

*A money market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution. Although the money market seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.*

Variable annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account guaranteed by the insurance company, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. Any such guarantee does not affect or apply to the investment return or principal value of the separate account and its subaccount. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. If the variable annuity subaccount is invested in a money-market fund, although it seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

Variable life insurance is a cash-value life insurance product that has a variable cash value and/or death benefit depending on the investment performance of the subaccount into which premium payments are invested. Unlike traditional life insurance, variable life insurance has inherent risks associated with it, including market volatility, and is not viewed as a short-term liquid investment. For more information on a variable life product, including each subaccount, please read the current prospectus. Please note, the financial ratings noted on the report are quoted for an insurance company and do not apply to the separate account and its subaccount. If the variable life subaccount is invested in a money-market fund, although it seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

Before investing in a 529 portfolio, an investor should consider whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 college savings plan.

A bond is a debt security. When an investor purchases a bond, the purchase amount is lent to a government, municipality, corporation or other entity known as an issuer. The issuer promises to pay a specified rate of interest during the life of the bond and repay the face value of the bond when it matures. Individual bond issue data, price evaluations, and effective duration are provided by Interactive Data Corporation.

## Asset Allocation

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

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

statistics, investors get a more robust description of the funds' exposure and risk.

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

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

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

### World Regions

This data set provides a broad breakdown of a portfolio's geographical exposure, by region and by market maturity. Only non-cash long equity assets are evaluated in determining the exposure. Not Classified indicates the percentage of the equity portion of the portfolio for which Morningstar is unable to assess region or origin.

### Stock Sectors

This table shows the percentage of the portfolio's long equity assets invested in each of the three supersectors (Cyclical, Sensitive, and Defensive) and 11 major industry subclassifications. The Sector Graph accompanying the table demonstrates the sector orientation of the portfolio.

### Fixed Income Sectors

This table shows the percentage of the portfolio's long fixed income assets invested in each of the six supersectors (Government, Municipal, Corporate, Securitized, Cash & Equivalents, and Derivative). The Sector Graph accompanying the table demonstrates the sector weighting of the portfolio against the benchmark.

### Morningstar Style Box Diversification

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

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

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

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

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

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

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

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

Price/Earnings Ratio: The asset-weighted average of the price/earnings ratios of the stocks in the portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12-months' earnings per share.

**Price/Cashflow:** The asset-weighted average of the price/cash flow ratios of stocks in a portfolio. Price/cash flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

**Price/Book Ratio** is a weighted average of the price/book ratios of all the stocks in the underlying fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation.

**Price/Sales** is the asset-weighted average of the portfolio's stock's prices divided by the respective company's sales per share.

**Geometric Average Capitalization** is the overall size of a stock fund's portfolio as the geometric mean of the market capitalization for all of the stocks it owns. It's calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as geometric average cap.

**Effective duration** is a time measure of a bond's interest-rate sensitivity. In computing the average, Morningstar weights the duration of each fixed-income holding within the portfolio by the percentage of fixed income assets it represents compared with the entire portfolio.

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

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

### Top 10 Underlying Holdings

This section indicates the 10 most heavily weighted underlying holdings in the portfolio. It identifies the percentage of assets that each holding represents in the portfolio, the security type, the sector classification, and the country of origin.

## Investment Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Liquidity Risk:** Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

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

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

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

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

## Benchmark Disclosure

Custom Benchmark	Allocation %	Type
USTREAS T-Bill Auction Ave 3 Mon	8.17	IDX
S&P 500 TR USD	35.01	IDX
MSCI EAFE NR USD	12.12	IDX
Barclays US Agg Bond TR USD	44.70	IDX

### Barclays US Agg Bond TR USD

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

### MSCI EAFE NR USD

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

This disclosure applies to all MSCI indices: Certain information included herein is derived by Morningstar in part from MSCI's Index Constituents (the "Index Data"). However, MSCI has not reviewed any information contained herein and does not endorse or express any opinion such information or analysis. MSCI does not make any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in

no event will MSCI have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

### S&P 500 TR USD

A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends.

### USTREAS T-Bill Auction Ave 3 Mon

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

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