

## Agenda

### Retiree Healthcare Benefits Plan & Trust Board Special Meeting

August 22, 2012 at 12:00 PM  
Conference Room C

Troy City Hall  
500 West Big Beaver  
Troy, Michigan 48084  
(248) 524-3330

#### ROLL CALL

#### ABSENT MEMBERS

#### INVESTMENTS

#### OTHER BUSINESS

Discussion of Brokerage Options by Bryan Wieferich, CFP from Waddell & Reed

Letter to Tom Darling

\$6M Brokerage Account - 6 yr (Option 1)

Overall Ending Portfolio (Option 1)

\$18M Brokerage Account – 6 yr (Option 2)

Overall Ending Portfolio (Option 2)

Discussion of Board Structure

#### PUBLIC COMMENT

#### ADJOURN



August 8, 2012

**Mr. Tom Darling**  
*Financial Services Director*  
City of Troy  
500 W. Big Beaver Road  
Troy, MI 48084-5285

Mr. Darling,

Please find the enclosed packet of information for the Health Care Trust meeting on August 22nd. This meeting will give us an opportunity to talk about the two options that were brought up in the July meeting. I look forward to attending on the 22<sup>nd</sup> and providing further details and explanations on any questions the Board may have.

The two brokerage account options that the Board asked me to be prepared to discuss are outlined below. Portfolio Illustrations are attached for each option, and I can cover specific questions at the meeting regarding the benefits/disadvantages of each.

**Option 1** – Utilize the approximately \$6M of additional money to open and fund a brokerage account with mutual funds other than the Waddell & Reed and Ivy Fund Families.

**Option 2** – Utilize not only the \$6M of new money, but also transfer a portion of the existing W&R/Ivy account to build a more diversified portfolio. Again, the goal of this brokerage account would be to introduce funds other than W&R and Ivy Fund Families and to allow for more diversification in the future.

I have also included an 'Overall Ending Portfolio' snapshot for each option. The main focus of these illustrations is for you to get an idea of the allocation of the entire \$28M portfolio like under each option.

Thank you for your continued confidence in Waddell & Reed and in me. If you have questions prior to the meeting, please don't hesitate to contact me at 800.956.0051 or via email at bryanwieferich@wradvisors.com.

Regards,



**Bryan M. Wieferich, CFP®**  
CERTIFIED FINANCIAL PLANNER™ Professional  
Waddell & Reed

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## **Investment Analysis**

### **\$6M Brokerage Account - 6yr (Option 1)**

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August 22, 2012

Prepared for:

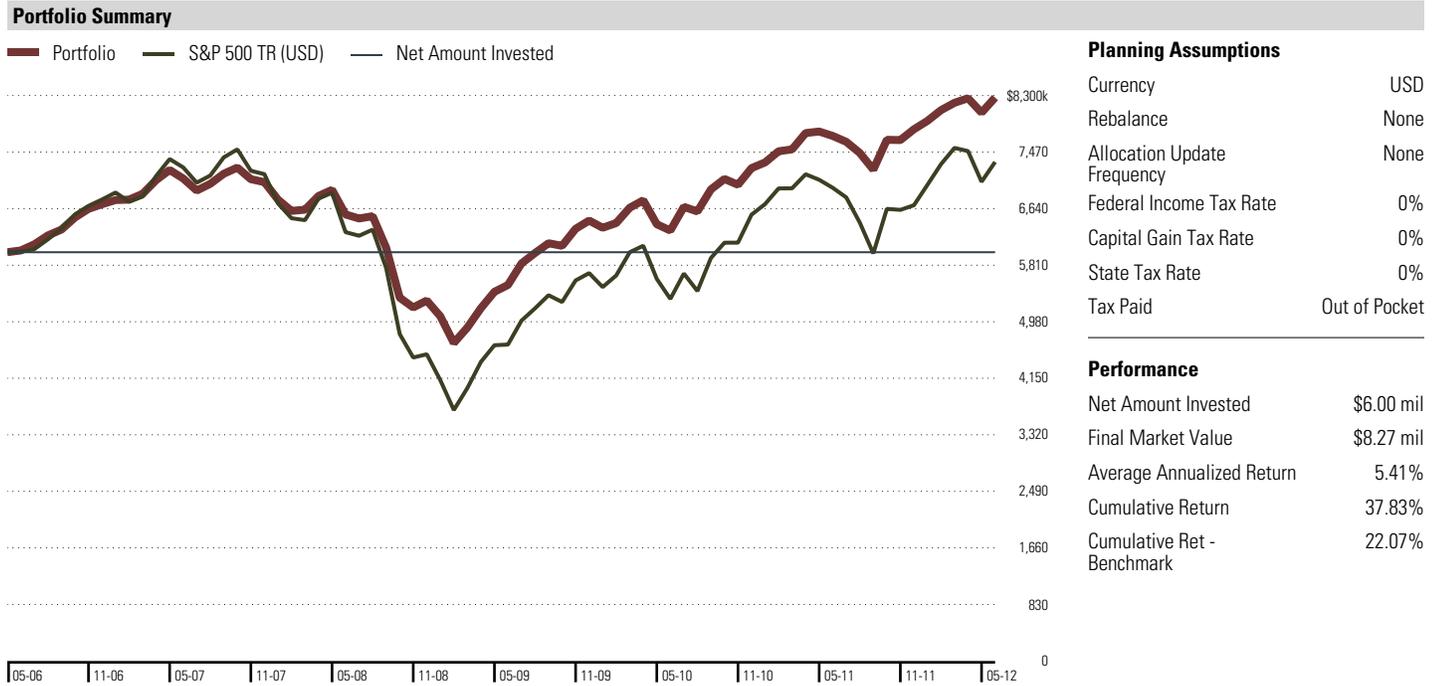
City of Troy

Prepared by:

Bryan Wieferich, CFP

# Hypothetical Portfolio Illustration

05-31-2006 to 06-30-2012



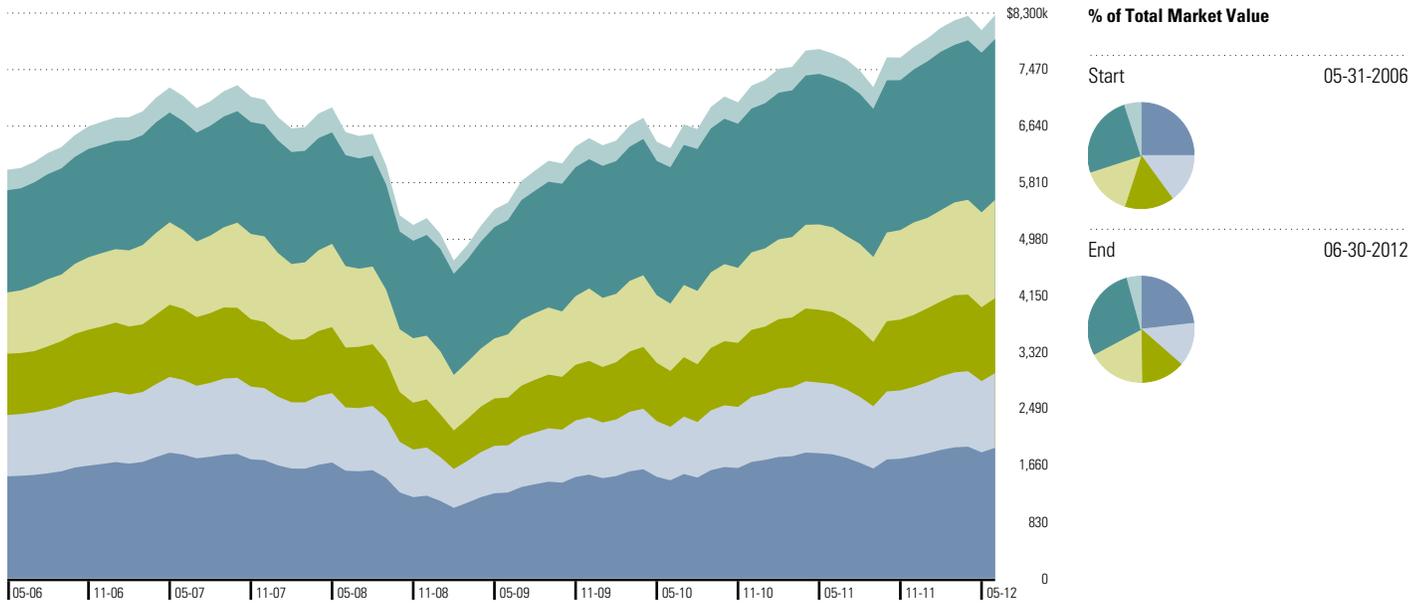
**Investment Detail**

Period	Beginning Balance	New Investment	Distribution/Withdrawal	Total Reinvest	Charges & Fees	Taxes Due	Market Value	Total Return %
Totals	0	6,000,000	0	1,798,920	0	0	8,269,837	5.41
May-December 2006	0	6,000,000	0	290,343	0	0	6,705,055	11.75
January-December 2007	6,705,055	0	0	428,551	0	0	7,029,035	4.83
January-December 2008	7,029,035	0	0	262,423	0	0	5,290,989	-24.73
January-December 2009	5,290,989	0	0	226,967	0	0	6,464,620	22.18
January-December 2010	6,464,620	0	0	233,855	0	0	7,235,191	11.92
January-December 2011	7,235,191	0	0	247,817	0	0	7,804,621	7.87
January-June 2012	7,804,621	0	0	108,965	0	0	8,269,837	5.96

# Hypothetical Portfolio Illustration Continued

05-31-2006 to 06-30-2012

## Security Summary



## Investment Assumptions

Investment Name	Holding Period		Initial Investment Amount	Subsequent Invest/Withdwl		Reinvest Distributions		Liqui-date	Re-balance %	Charges and Fees				Market Value End \$
	Start	End		Amount	Freq	Income	Cap Gains			Front Load	Annual Fee%	Deferred Load Amount%	Period Years	
American Funds American Mutual A (USD, AMRMX)	05-06	06-12	1.50 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.92 mil
American Funds Washington Mutual A (USD, AWSHX)	05-06	06-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.09 mil
Franklin Rising Dividends A (USD, FRDPX)	05-06	06-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.10 mil
Franklin Utilities A (USD, FKUTX)	05-06	06-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.44 mil
MFS Bond A (USD, MFBFX)	05-06	06-12	1.50 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	2.36 mil
MFS International Value A (USD, MGIA)	05-06	06-12	300,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	351,077

# Portfolio Snapshot

## Portfolio Value

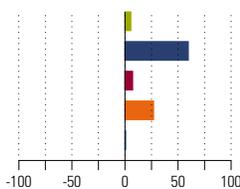
\$8,269,836.56

## Benchmark

S&P 500 TR (USD)

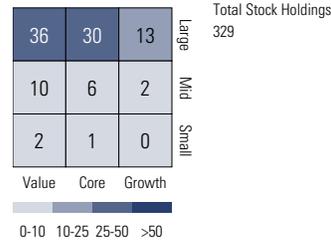
### Analysis 07-31-2012

#### Asset Allocation

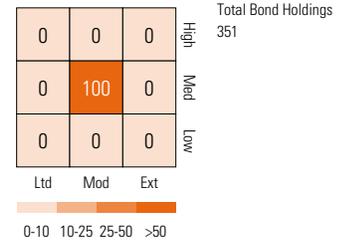


	Portfolio Net %	Portfolio Long %	Portfolio Short %	Bmark Net %
Cash	5.45	5.45	0.00	0.00
US Stocks	59.60	59.60	0.00	99.32
Non-US Stocks	7.14	7.14	0.00	0.68
Bonds	26.89	26.89	0.00	0.00
<b>Other/Not Clsfd</b>	<b>0.92</b>	<b>0.93</b>	<b>0.01</b>	<b>0.00</b>
<b>Total</b>	<b>100.00</b>	<b>100.01</b>	<b>0.01</b>	<b>100.00</b>

#### Morningstar Equity Style Box %

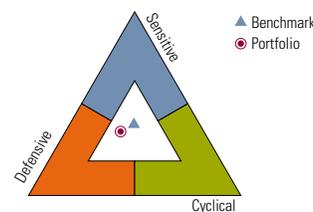


#### Morningstar Fixed Income Style Box %

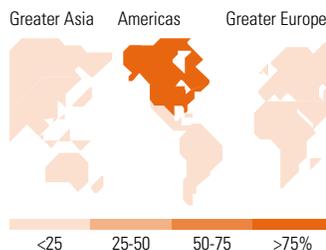


### Stock Analysis 07-31-2012

#### Stock Sectors



#### World Regions



% of Stocks	Portfolio %	Bmark %
<b>Cyclical</b>	<b>16.87</b>	<b>27.05</b>
Basic Mats	3.13	2.71
Consumer Cycl	7.72	9.40
Financial Svs	5.87	12.94
Real Estate	0.15	2.00
<b>Sensitive</b>	<b>36.66</b>	<b>45.48</b>
Commun Svs	5.94	4.78
Energy	9.22	11.16
Industrials	14.57	11.30
Technology	6.93	18.24
<b>Defensive</b>	<b>46.47</b>	<b>27.47</b>
Consumer Def	8.79	12.02
Healthcare	11.63	11.75
Utilities	26.05	3.70
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

% of Stocks	Portfolio %	Bmark %
<b>Greater Europe</b>	<b>7.55</b>	<b>0.79</b>
United Kingdom	4.72	0.10
Europe-Developed	2.83	0.69
Europe-Emerging	0.00	0.00
Africa/Middle East	0.00	0.00
<b>Americas</b>	<b>90.40</b>	<b>99.21</b>
North America	90.40	99.21
Latin America	0.00	0.00
<b>Greater Asia</b>	<b>2.05</b>	<b>0.00</b>
Japan	1.77	0.00
Australasia	0.06	0.00
Asia-Developed	0.20	0.00
Asia-Emerging	0.02	0.00
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

### Performance 06-30-2012

#### Investment Activity Graph



Trailing Returns	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	0.93	7.30	14.41	3.15	—
Benchmark Return	-2.75	5.45	16.38	0.22	—
+/- Benchmark Return	3.68	1.85	-1.97	2.93	—

Best/Worst Time Periods	Best %		Worst %	
	Start	End	Start	End
3 Months	16.09	( Mar 2009-May 2009 )	-20.51	( Sep 2008-Nov 2008 )
1 Year	37.70	( Mar 2009-Feb 2010 )	-29.33	( Mar 2008-Feb 2009 )
3 Years	20.07	( Mar 2009-Feb 2012 )	-3.83	( Jun 2007-May 2010 )

Portfolio Yield ( 07-31-2012 )	Yield %
12-Month Yield	2.95

#### Performance Disclosure

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>.

**See Disclosure Page for Standardized Returns.**

### Holdings 07-31-2012

#### Top 6 holdings out of 6

Symbol	Type	Holding Value \$	% Assets
MFS Bond A (USD, MFBFX)	MF	2,360,697	28.55
American Funds American Mutual A (USD, AMRMX)	MF	1,919,769	23.21
Franklin Utilities A (USD, FKUTX)	MF	1,442,518	17.44
Franklin Rising Dividends A (USD, FRDPX)	MF	1,101,539	13.32
American Funds Washington Mutual A (USD, AWSHX)	MF	1,094,237	13.23
MFS International Value A (USD, MGIAX)	MF	351,078	4.25

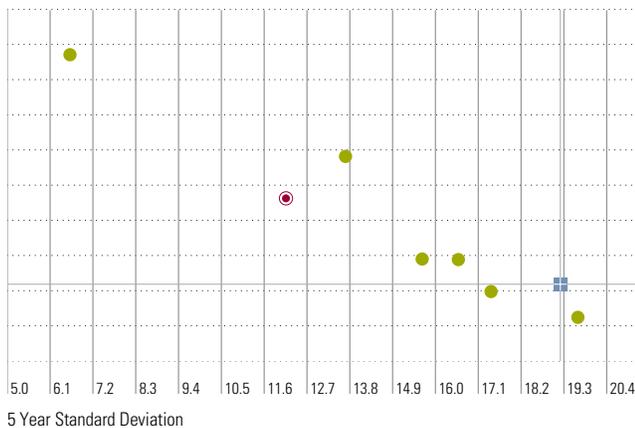
# Portfolio Snapshot

**Portfolio Value**  
\$8,269,836.56

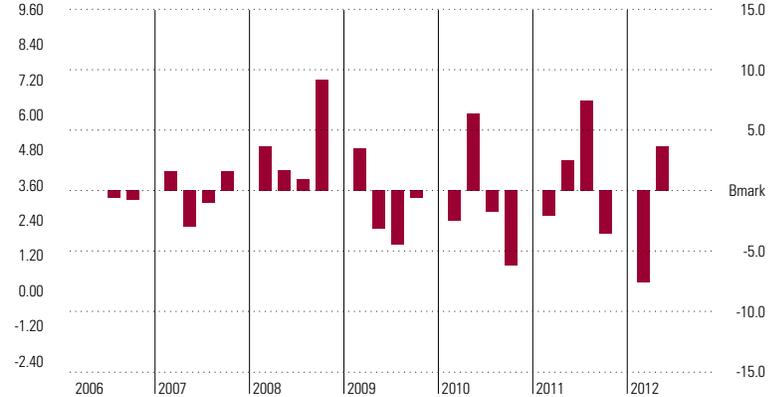
**Benchmark**  
S&P 500 TR (USD)

## Risk Analysis 06-30-2012

**Risk/Reward Scatterplot** ● Portfolio ● Holdings ■ Bmark 5 Year Mean



**Performance History Graph** ■ Portfolio Quarterly returns +/- Benchmark in %



### Risk and Return Statistics

	3 Yr		5 Yr		10 Yr	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	9.02	16.11	12.16	19.21	—	—
Mean	14.41	16.38	3.15	0.22	—	—
Sharpe Ratio	1.64	1.10	0.25	0.07	—	—

### MPT Statistics

	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	5.02	2.27	—
Beta	0.54	0.62	—
R-Squared	92.05	93.99	—

## Fundamental Analysis 07-31-2012

### Market Maturity

% of Stocks	Portfolio	Bmark
Developed Markets	99.98	100.00
Emerging Markets	0.02	0.00
<b>Not Available</b>	<b>0.00</b>	<b>0.00</b>

### Geometric Avg Capitalization (\$Mil)

Portfolio	31,918.08
Benchmark	56,375.91

### Valuation Multiples

	Portfolio	Bmark
Price/Earnings	14.84	14.72
Price/Book	2.08	2.13
Price/Sales	1.26	1.29
Price/Cash Flow	7.84	8.94

### Credit Quality Breakdown

	% of Bonds
AAA	1.64
AA	6.72
A	14.22
BBB	53.45
BB	17.38
B	3.77
Below B	0.21
NR/NA	2.60

### Type Weightings

% of Stocks	Portfolio	Bmark
High Yield	11.41	6.73
Distressed	0.05	0.45
Hard Asset	6.68	12.27
Cyclical	29.80	41.46
Slow Growth	25.54	11.44
Classic Growth	1.02	1.49
Aggressive Growth	17.69	21.17
Speculative Growth	0.48	3.06
<b>Not Available</b>	<b>7.34</b>	<b>1.94</b>

### Profitability

	Portfolio	Bmark
% of Stocks	2012-07	2012-07
Net Margin	11.04	13.67
ROE	18.54	22.07
ROA	6.67	9.10
Debt/Capital	40.27	35.90

### Fund Statistics

Potential Cap Gains Exposure	15.67
Avg Net Expense Ratio	0.79
Avg Gross Expense Ratio	0.79

# Portfolio Snapshot

**Portfolio Value**

\$8,269,836.56

**Benchmark**

S&amp;P 500 TR (USD)

**Standardized and Tax Adjusted Returns**

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

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 06-30-2012**

Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
American Funds American Mutual A (USD)	—	-0.73	-0.10	4.95	11.39	02-21-1950	5.75	NA	0.62	0.62
American Funds Washington Mutual A (USD)	—	-0.02	-1.20	4.28	11.61	07-31-1952	5.75	NA	0.62	0.62
Franklin Rising Dividends A (USD)	—	-1.75	-0.13	4.56	8.46	01-14-1987	5.75	NA	1.00 <sup>1</sup>	1.01
Franklin Utilities A (USD)	—	10.99	3.68	9.13	9.73	09-30-1948	4.25	NA	0.76	0.76
MFS Bond A (USD)	—	2.58	7.01	6.51	8.55	05-08-1974	4.75	NA	0.85	0.85
MFS International Value A (USD)	—	-8.01	-2.08	8.02	6.47	10-24-1995	5.75	NA	1.27	1.27
<b>Barclays US Agg Bond TR USD</b>	—	<b>7.47</b>	<b>6.79</b>	<b>5.63</b>	—	—	—	—	—	—
<b>Barclays US Govt/Credit 5-10 Yr TR USD</b>	—	<b>11.03</b>	<b>8.57</b>	<b>6.89</b>	—	—	—	—	—	—
<b>BofAML US HY Master II TR USD</b>	—	<b>6.49</b>	<b>8.16</b>	<b>9.94</b>	—	—	—	—	—	—
<b>DJ Industrial Average PR USD</b>	—	<b>3.75</b>	<b>-0.80</b>	<b>3.37</b>	—	—	—	—	—	—
<b>DJ Utilities Average TR USD</b>	—	<b>15.78</b>	<b>3.48</b>	<b>10.04</b>	—	—	—	—	—	—
<b>Morningstar SEC/Utilities TR USD</b>	—	<b>13.34</b>	<b>2.81</b>	<b>8.47</b>	—	—	—	—	—	—
<b>Morningstar US Core TR USD</b>	—	<b>6.17</b>	<b>1.97</b>	<b>6.90</b>	—	—	—	—	—	—
<b>MSCI EAFE NR USD</b>	—	<b>-13.83</b>	<b>-6.10</b>	<b>5.14</b>	—	—	—	—	—	—
<b>MSCI EAFE Value NR USD</b>	—	<b>-15.16</b>	<b>-7.66</b>	<b>5.29</b>	—	—	—	—	—	—
<b>MSCI World NR USD</b>	—	<b>-4.98</b>	<b>-2.96</b>	<b>5.18</b>	—	—	—	—	—	—
<b>Russell 1000 TR USD</b>	—	<b>4.37</b>	<b>0.39</b>	<b>5.72</b>	—	—	—	—	—	—
<b>Russell 1000 Value TR USD</b>	—	<b>3.01</b>	<b>-2.19</b>	<b>5.28</b>	—	—	—	—	—	—
<b>S&amp;P 500 TR</b>	—	<b>5.45</b>	<b>0.22</b>	<b>5.33</b>	—	—	—	—	—	—
<b>USTREAS T-Bill Auction Ave 3 Mon</b>	—	<b>0.05</b>	<b>0.80</b>	<b>1.82</b>	—	—	—	—	—	—

1. Contractual waiver that may expire at any time

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares				
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception	
American Funds American Mutual A (USD)	-1.60	-1.21	3.85	7.83	02-21-1950	-0.51	-0.70	3.70	7.76	
American Funds Washington Mutual A (USD)	-0.89	-2.33	3.23	8.36	07-31-1952	-0.06	-1.59	3.15	8.26	
Franklin Rising Dividends A (USD)	-2.16	-0.63	4.00	7.49	01-14-1987	-1.15	-0.40	3.66	7.13	
Franklin Utilities A (USD)	9.64	2.13	7.47	6.30	09-30-1948	7.07	2.26	7.02	6.19	

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**Annualized returns** 06-30-2012

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
MFS Bond A (USD)	0.83	4.97	4.46	4.53	05-08-1974	1.63	4.76	4.34	4.51
MFS International Value A (USD)	-8.49	-3.12	6.96	5.53	10-24-1995	-5.24	-2.22	6.59	5.28

# Portfolio Snapshot

**Portfolio Value**

\$8,269,836.56

**Benchmark**

S&amp;P 500 TR (USD)

**Illustration Returns**

<b>Total 6 holdings as of 06-30-2012</b>	Symbol	Type	Holdings Date	% of Assets	Holding Value \$	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %
MFS Bond A (USD, MFBFX)	MFBFX	MF	06-2012	28.55	2,360,697	—	7.69	12.07	8.05	—
American Funds American Mutual A (USD, AMRMX)	AMRMX	MF	06-2012	23.21	1,919,769	—	5.33	15.00	1.08	—
Franklin Utilities A (USD, FKUTX)	FKUTX	MF	06-2012	17.44	1,442,518	—	15.91	15.85	4.58	—
Franklin Rising Dividends A (USD, FRDPX)	FRDPX	MF	06-2012	13.32	1,101,539	—	4.24	16.21	1.06	—
American Funds Washington Mutual A (USD, AWSHX)	AWSHX	MF	06-2012	13.23	1,094,237	—	6.08	16.40	-0.03	—
MFS International Value A (USD, MGIAX)	MGIAX	MF	06-2012	4.25	351,077	—	-2.40	10.72	-0.91	—

**Performance Disclosure**

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**See Disclosure Page for Standardized Returns.**

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## Stock Intersection

This Stock Detail table shows how the top 25 net stock holdings are distributed across the portfolio, ranked by the percentage of portfolio net assets. The Holding Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. It is possible that a fund's portfolio could be up to eight months old at the time of publication. See disclosures for more information.

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Chevron Corp(USD)</b>	CVX	1.70		 Energy
<i>Source of Stock</i>				
American Funds Washington Mutual A (USD)	AWSHX	0.75	06-30-12	
Franklin Rising Dividends A (USD)	FRDPX	0.60	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.35	06-30-12	
<b>Verizon Communications Inc(USD)</b>	VZ	1.46		 Communication Services
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.78	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.51	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.17	03-31-12	
<b>Abbott Laboratories(USD)</b>	ABT	1.41		 Healthcare
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.85	06-30-12	
Franklin Rising Dividends A (USD)	FRDPX	0.56	03-31-12	
<b>PG&amp;E Corp(USD)</b>	PCG	1.18		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.66	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.34	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.19	06-30-12	
<b>AT&amp;T Inc(USD)</b>	T	1.16		 Communication Services
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.56	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.32	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.28	03-31-12	
<b>Home Depot, Inc.(USD)</b>	HD	1.15		 Consumer Cyclical
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.71	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.45	06-30-12	
<b>Exelon Corp(USD)</b>	EXC	1.04		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.83	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.13	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.08	06-30-12	
<b>FirstEnergy Corp(USD)</b>	FE	1.00		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.57	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.27	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.16	06-30-12	
<b>United Technologies Corp(USD)</b>	UTX	0.97		 Industrials
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.43	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.39	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.16	06-30-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Southern Co(USD)</b>	SO	0.92		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.78	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.10	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.03	06-30-12	
<b>Merck &amp; Co Inc(USD)</b>	MRK	0.87		 Healthcare
<i>Source of Stock</i>				
American Funds Washington Mutual A (USD)	AWSHX	0.56	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.31	06-30-12	
<b>Johnson &amp; Johnson(USD)</b>	JNJ	0.84		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.51	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.29	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.04	06-30-12	
<b>Dominion Resources Inc(USD)</b>	D	0.82		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.52	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.18	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.12	06-30-12	
<b>International Business Machines Corp(USD)</b>	IBM	0.80		 Technology
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.64	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.14	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
<b>Microsoft Corporation(USD)</b>	MSFT	0.80		 Technology
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.52	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.28	06-30-12	
<b>PepsiCo Inc(USD)</b>	PEP	0.78		 Consumer Defensive
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.44	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.18	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.15	06-30-12	
<b>Kraft Foods Inc(USD)</b>	KFT	0.77		 Consumer Defensive
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.54	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.23	06-30-12	
<b>Duke Energy Corporation(USD)</b>	DUK	0.77		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.45	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.26	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.06	06-30-12	

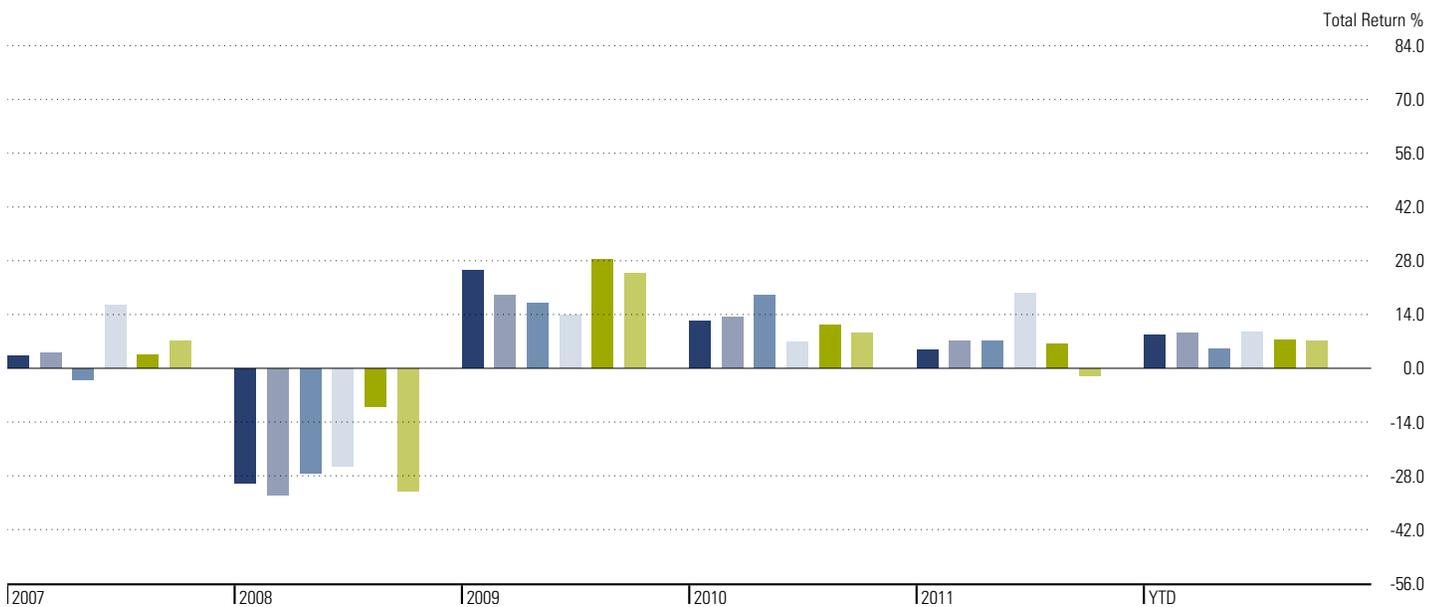
# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>American Electric Power Co Inc(USD)</b>	AEP	0.73		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.67	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.06	06-30-12	
<b>Dow Chemical Co(USD)</b>	DOW	0.72		 Industrials
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.46	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.26	06-30-12	
<b>Praxair, Inc.(USD)</b>	PX	0.70		 Industrials
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.38	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.24	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.08	06-30-12	
<b>Sempra Energy(USD)</b>	SRE	0.69		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.69	03-31-12	
<b>Edison International(USD)</b>	EIX	0.69		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.66	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.03	06-30-12	
<b>Air Products &amp; Chemicals Inc(USD)</b>	APD	0.69		 Basic Materials
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.49	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.16	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
<b>NextEra Energy Inc(USD)</b>	NEE	0.68		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.68	03-31-12	

# Total Return

01-01-2007 to 07-31-2012

Currency  
USD



Securities	2007	2008	2009	2010	2011	YTD
■ American Funds American Mutual A (USD, AMRMX)	3.32	-30.04	25.43	12.23	4.77	8.69
■ American Funds Washington Mutual A (USD, AWSHX)	3.97	-33.10	18.98	13.34	7.05	9.08
■ Franklin Rising Dividends A (USD, FRDPX)	-2.95	-27.22	17.05	19.08	7.21	5.09
■ Franklin Utilities A (USD, FKUTX)	16.42	-25.60	13.82	6.85	19.44	9.35
■ MFS Bond A (USD, MFBFX)	3.51	-9.98	28.37	11.22	6.40	7.46
■ MFS International Value A (USD, MGIAX)	7.15	-31.91	24.64	9.13	-1.96	7.03

## Performance Disclosure

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>.

# American Funds American Mutual A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
**Gold** 03-14-2012 **★★★★**  
 1,086 US OE Large Value

**Standard Index**  
S&P 500 TR

**Category Index**  
Russell 1000 Value TR USD

**Morningstar Cat**  
US OE Large Value

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.15	-8.34	10.28	7.63	12.23
2011	4.88	1.57	-11.41	11.03	4.77
2012	7.41	-0.30	—	—	8.69

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.63	10.98	0.80	5.90	11.41
Std 06-30-2012	-0.73	—	-0.10	4.95	11.39
Total Return	9.95	13.20	2.00	6.53	11.51

+/- Std Index	0.82	-0.93	0.87	0.19	—
+/- Cat Index	2.31	0.01	3.06	0.11	—

% Rank Cat	15	19	11	25
No. in Cat	1224	1086	956	597

7-day Yield —

## Performance Disclosure

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

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-421-0180 or visit [www.americanfunds.com](http://www.americanfunds.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	5.75
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.26
12b1 Expense %	0.23

Gross Expense Ratio %	0.62
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## Risk and Return Profile

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

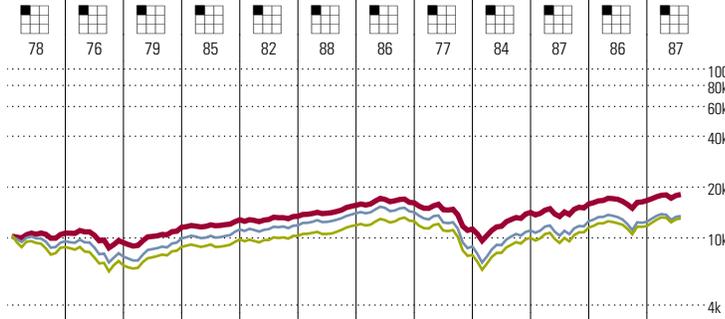
	3 Yr	5 Yr	10 Yr
Standard Deviation	12.49	15.60	12.76
Mean	13.20	2.00	6.53
Sharpe Ratio	1.05	0.16	0.42

MPT Statistics	Standard Index	Best Fit Index
Alpha	1.84	2.10
Beta	0.78	0.88
R-Squared	97.03	97.50

12-Month Yield	2.38%
30-day SEC Yield	2.22%
Potential Cap Gains Exp	16.77%

## Operations

Family:	American Funds	Ticker:	AMRMX
Manager:	Multiple	Minimum Initial Purchase:	\$250
Tenure:	6.6 Years	Min Auto Investment Plan:	\$250
Objective:	Growth and Income	Minimum IRA Purchase:	\$250
Base Currency:	USD	Purchase Constraints:	—



**Investment Style**  
Equity  
Stock %

**Growth of \$10,000**  
 American Funds American Mutual A 18,083  
 Category Average 13,460  
 Standard Index 13,044

**Performance Quartile**  
(within category)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	24.05	20.32	24.38	26.48	26.27	29.21	28.29	19.08	23.16	25.32	25.86	27.79	NAV/Price
Total Return %	6.67	-12.18	23.32	10.74	4.94	16.24	3.32	-30.04	25.43	12.23	4.77	8.69	Total Return %
+/- Standard Index	18.56	9.92	-5.37	-0.14	0.03	0.45	-2.17	6.96	-1.03	-2.84	2.66	-2.32	+/- Standard Index
+/- Category Index	12.26	3.35	-6.72	-5.75	-2.11	-6.01	3.50	6.81	5.74	-3.28	4.38	-1.11	+/- Category Index
% Rank Cat	6	6	87	73	58	74	36	8	36	68	17	—	% Rank Cat
No. of Funds in Cat	892	961	1050	1220	1296	1371	1432	1433	1272	1240	1258	1270	No. of Funds in Cat

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %	Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
Cash	7.55	7.55	0.00			129 Total Stocks, 65 Total Fixed-Income, 23% Turnover Ratio	
US Stocks	82.28	82.28	0.00				
Non-US Stocks	4.68	4.68	0.00	⊕	12 mil	Abbott Laboratories	3.64
Bonds	3.05	3.05	0.00	⊕	16 mil	Verizon Communications Inc	3.34
Other/Not Clsfd	2.43	2.43	0.00		12 mil	Home Depot, Inc.	3.05
Total	100.00	100.00	0.00	⊕	7 mil	Amgen Inc	2.49
				⊖	14 mil	AT&T Inc	2.43
				⊕	13 mil	Kraft Foods Inc	2.34
				⊕	15 mil	Microsoft Corporation	2.25
				⊕	13 mil	Dow Chemical Co	1.98
				⊕	5 mil	United Parcel Service Inc (UPS) Cl	1.81
					12 mil	Comcast Corp Class A	1.79
					5 mil	United Technologies Corp	1.67
					4 mil	Time Warner Cable Inc Class A	1.63
				⊕	3 mil	Chevron Corp	1.51
				⊕	7 mil	PG&E Corp	1.45
				⊕	9 mil	Mattel, Inc.	1.40

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	15.5	1.05	1.23
	P/C Ratio TTM	8.0	0.90	1.05
	P/B Ratio TTM	2.3	1.07	1.43
	Geo Avg Mkt Cap \$mil	43652	0.77	0.71

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
Ltd Mod Ext	—	—	—	—
			7.54	111.70
High Mod Low				

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

Regional Exposure	Stock %	Rel Std Index
Americas	96.9	0.98
Greater Europe	3.1	3.86
Greater Asia	0.0	—

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>19.9</b>	<b>0.74</b>
Basic Materials	1.2	0.45
Consumer Cyclical	11.8	1.25
Financial Services	7.0	0.54
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>51.2</b>	<b>1.13</b>
Communication Services	11.1	2.31
Energy	8.7	0.78
Industrials	20.9	1.85
Technology	10.6	0.58
<b>Defensive</b>	<b>28.8</b>	<b>1.05</b>
Consumer Defensive	6.2	0.52
Healthcare	13.4	1.14
Utilities	9.2	2.50

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# American Funds Washington Mutual A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
★ **Gold** 06-13-2012 **★★★★**  
 1,086 US OE Large Value

**Standard Index** S&P 500 TR  
**Category Index** Russell 1000 Value TR USD  
**Morningstar Cat** US OE Large Value

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.94	-10.33	12.03	8.55	13.34
2011	6.29	1.71	-11.29	11.63	7.05
2012	7.70	-0.53	—	—	9.08

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	4.58	12.38	-0.28	5.37	11.63
Std 06-30-2012	-0.02	—	-1.20	4.28	11.61
Total Return	10.96	14.62	0.91	6.00	11.74

+/- Std Index	1.83	0.49	-0.22	-0.34	—
+/- Cat Index	3.32	1.43	1.97	-0.42	—

% Rank Cat	10	9	19	42
No. in Cat	1224	1086	956	597

7-day Yield —

**Performance Disclosure**  
 The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.  
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 Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-421-0180 or visit [www.americanfunds.com](http://www.americanfunds.com).

**Fees and Expenses**  
**Sales Charges**  
**Front-End Load %** 5.75  
**Deferred Load %** NA  
**Fund Expenses**  
 Management Fees % 0.24  
 12b1 Expense % 0.24  
**Gross Expense Ratio %** 0.62

**Risk and Return Profile**

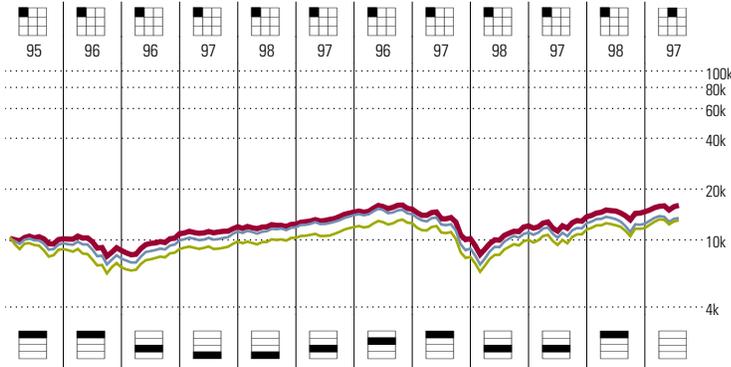
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	3★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	+Avg	Avg	Avg

	3 Yr	5 Yr	10 Yr
Standard Deviation	13.64	17.40	14.27
Mean	14.62	0.91	6.00
Sharpe Ratio	1.07	0.10	0.36

MPT Statistics	Standard Index	Best Fit Index
Alpha	2.26	2.46
Beta	0.85	0.96
R-Squared	96.15	97.85

12-Month Yield	2.32%
30-day SEC Yield	2.20%
Potential Cap Gains Exp	20.32%

**Operations**  
 Family: American Funds  
 Manager: Multiple  
 Tenure: 14.7 Years  
 Objective: Growth and Income



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	28.25	23.51	28.78	30.78	30.84	34.86	33.63	21.41	24.64	27.21	28.40	30.64
Total Return %	1.51	-14.85	25.83	9.92	3.55	18.04	3.97	-33.10	18.98	13.34	7.05	9.08
+/- Standard Index	13.40	7.25	-2.86	-0.97	-1.36	2.25	-1.52	3.90	-7.48	-1.72	4.94	-1.92
+/- Category Index	7.10	0.67	-4.20	-6.58	-3.50	-4.20	4.14	3.75	-0.71	-2.16	6.66	-0.72
% Rank Cat	17	20	69	81	77	53	30	18	73	50	8	—
No. of Funds in Cat	892	961	1050	1220	1296	1371	1432	1433	1272	1240	1258	1270

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %
Cash	1.66	1.66	0.00
US Stocks	89.62	89.62	0.00
Non-US Stocks	7.18	7.18	0.00
Bonds	0.09	0.09	0.00
Other/Not Clsfd	1.44	1.44	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

Equity Style	Value	Blend	Growth
Large	■	■	■
Mid	■	■	■
Small	■	■	■

Portfolio Statistics	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	13.7	0.93	1.09
P/C Ratio TTM	8.3	0.93	1.09
P/B Ratio TTM	2.3	1.10	1.48
Geo Avg Mkt Cap \$mil	66982	1.19	1.09

Fixed-Income Style	Ltd	Mod	Ext
High	■	■	■
Mid	■	■	■
Low	■	■	■

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

Regional Exposure	Stock %	Rel Std Index
Americas	93.5	0.94
Greater Europe	6.5	8.16
Greater Asia	0.0	—

Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
—	102 mil	22% Turnover Ratio	—
—	28 mil	Chevron Corp	5.65
—	53 mil	Merck & Co Inc	4.21
—	46 mil	Verizon Communications Inc	3.89
—	27 mil	Royal Dutch Shell PLC ADR Class B	3.57
—	34 mil	Home Depot, Inc.	3.37
—	52 mil	Wells Fargo & Co	3.26
—	22 mil	Boeing Co	3.13
—	13 mil	Union Pacific Corp	2.99
—	35 mil	AT&T Inc	2.39
—	22 mil	American Express Co	2.37
—	17 mil	Johnson & Johnson	2.20
—	36 mil	Microsoft Corporation	2.11
—	2 mil	Apple, Inc.	2.08
—	14 mil	Coca-Cola Co	2.06
—	33 mil	Dow Chemical Co	1.99

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>21.6</b>	<b>0.80</b>
Basic Materials	1.7	0.62
Consumer Cyclical	9.4	1.00
Financial Services	10.6	0.82
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>50.8</b>	<b>1.12</b>
Communication Services	6.7	1.41
Energy	13.0	1.17
Industrials	22.9	2.03
Technology	8.1	0.45
<b>Defensive</b>	<b>27.5</b>	<b>1.00</b>
Consumer Defensive	8.4	0.70
Healthcare	12.8	1.09
Utilities	6.3	1.70

Purchase Constraints: —  
 Incept: 07-31-1952  
 Type: MF  
 Total Assets: \$54,086.18 mil

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# Franklin Rising Dividends A (USD)

**Morningstar Analyst Rtg™** Overall Morningstar Rtg™  
**Bronze** 07-03-2012 ★★★  
 1,530 US OE Large Blend

**Standard Index**  
 S&P 500 TR

**Category Index**  
 Russell 1000 TR  
 USD

**Morningstar Cat**  
 US OE Large Blend

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	6.88	-7.27	11.79	7.48	19.08
2011	3.99	3.19	-10.92	12.16	7.21
2012	7.33	-2.78	—	—	5.09

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	1.81	11.81	0.76	5.33	8.46
Std 06-30-2012	-1.75	—	-0.13	4.56	8.46
Total Return	8.02	14.03	1.96	5.96	8.71

+/- Std Index	-1.11	-0.09	0.83	-0.38	—
+/- Cat Index	0.07	-0.23	0.71	-0.70	—

% Rank Cat	25	13	11	40
No. in Cat	1720	1530	1328	832

7-day Yield —

## Performance Disclosure

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

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

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	5.75
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.55
12b1 Expense %	0.25

**Gross Expense Ratio % 1.01**

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	3★
Morningstar Risk	Low	Low	Low
Morningstar Return	Avg	Avg	Avg

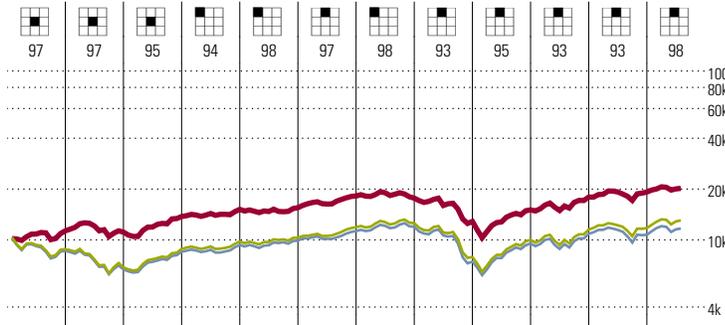
	3 Yr	5 Yr	10 Yr
Standard Deviation	12.40	16.50	13.52
Mean	14.03	1.96	5.96
Sharpe Ratio	1.12	0.16	0.36

MPT Statistics	Standard Index	Best Fit Index
Alpha	2.88	2.51
Beta	0.76	0.76
R-Squared	93.14	93.38

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	16.01%

## Operations

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	25.6 Years
Objective:	Equity-Income
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	24.78	24.14	29.66	32.16	32.38	35.87	33.70	23.95	27.91	32.85	34.80	36.57
Total Return %	13.11	-1.76	23.70	10.28	2.32	17.36	-2.95	-27.22	17.05	19.08	7.21	5.09
+/- Standard Index	24.99	20.34	-4.98	-0.60	-2.59	1.56	-8.44	9.78	-9.42	4.01	5.09	-5.92
+/- Category Index	25.56	19.89	-6.19	-1.12	-3.95	1.89	-8.72	10.38	-11.38	2.98	5.71	-5.59
% Rank Cat	—	—	—	—	—	8	96	3	95	7	3	—
No. of Funds in Cat	—	—	—	—	—	1980	2090	2086	2027	2010	1786	1781

**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**  
 Franklin Rising Dividends A: 20,189  
 Category Average: 11,668  
 Standard Index: 13,044

**Performance Quartile**  
 (within category)

**History**  
 NAV/Price  
 Total Return %  
 +/- Standard Index  
 +/- Category Index  
 % Rank Cat  
 No. of Funds in Cat

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %
Cash	2.23	2.23	0.00
US Stocks	97.77	97.77	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth	Large	Mid	Small
P/E Ratio TTM	14.9	1.02	1.07	—	—
P/C Ratio TTM	10.2	1.14	1.12	—	—
P/B Ratio TTM	2.6	1.23	1.21	—	—
Geo Avg Mkt Cap \$mil	32991	0.59	0.46	—	—

## Fixed-Income Style

Ltd	Mod	Ext	High	Mid	Low
Avg Eff Maturity	—	—	—	—	—
Avg Eff Duration	—	—	—	—	—
Avg Wtd Coupon	—	—	—	—	—
Avg Wtd Price	—	—	—	—	—

## Credit Quality Breakdown

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

## Regional Exposure

	Stock %	Rel Std Index
Americas	100.0	1.01
Greater Europe	0.0	0.00
Greater Asia	0.0	—

## Top Holdings 03-31-2012

Share since 03-2012	Share Amount	Holdings:	% Net Assets
—	—	55 Total Stocks, 0 Total Fixed-Income, 4% Turnover Ratio	—
+	2 mil	International Business Machines Co	4.79
+	3 mil	Chevron Corp	4.48
+	5 mil	Abbott Laboratories	4.22
+	4 mil	Johnson & Johnson	3.81
+	5 mil	Wal-Mart Stores Inc	3.74
+	4 mil	Procter & Gamble Co	3.66
+	3 mil	Air Products & Chemicals Inc	3.65
+	3 mil	Becton Dickinson & Co	3.46
+	4 mil	PepsiCo Inc	3.34
+	2 mil	Roper Industries, Inc.	3.27
+	3 mil	United Technologies Corp	3.19
+	4 mil	Albemarle Corp	3.19
+	6 mil	Medtronic, Inc.	3.18
+	4 mil	Family Dollar Stores, Inc.	3.02
+	4 mil	Stryker Corporation	2.90

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>23.8</b>	<b>0.88</b>
Basic Materials	9.0	3.31
Consumer Cyclical	10.8	1.15
Financial Services	4.1	0.32
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>33.6</b>	<b>0.74</b>
Communication Services	0.0	0.00
Energy	9.6	0.86
Industrials	15.9	1.41
Technology	8.1	0.44
<b>Defensive</b>	<b>42.6</b>	<b>1.55</b>
Consumer Defensive	19.8	1.65
Healthcare	22.8	1.94
Utilities	0.0	0.00

# Franklin Utilities A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
**Gold** 05-29-2012 **★★★**  
 75 US OE Utilities

**Standard Index** **Category Index** **Morningstar Cat**  
 MSCI World NR DJ Utilities US OE Utilities  
 USD Average TR USD

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	-2.50	-4.62	12.21	2.40	6.85
2011	3.76	5.49	0.36	8.72	19.44
2012	0.31	5.90	—	—	9.35

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	15.91	13.77	5.06	10.44	9.77
Std 06-30-2012	10.99	—	3.68	9.13	9.73
Total Return	21.06	15.42	5.97	10.92	9.84

+/- Std Index	23.04	6.96	8.24	4.67	—
+/- Cat Index	2.05	0.50	1.21	-0.96	—

% Rank Cat	4	13	3	48
No. in Cat	79	75	73	51

7-day Yield —

## Performance Disclosure

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

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

## Fees and Expenses

### Sales Charges

**Front-End Load %** **4.25**

**Deferred Load %** **NA**

### Fund Expenses

Management Fees % 0.46

12b1 Expense % 0.15

**Gross Expense Ratio %** **0.76**

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	3★
Morningstar Risk	Low	-Avg	Low
Morningstar Return	Avg	+Avg	Avg

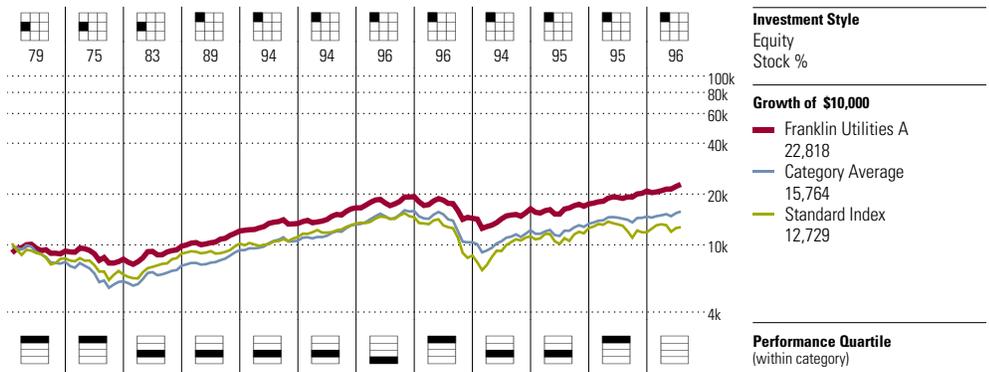
	3 Yr	5 Yr	10 Yr
Standard Deviation	9.44	13.61	12.06
Mean	15.42	5.97	10.92
Sharpe Ratio	1.57	0.44	0.78

MPT Statistics	Standard Index	Best Fit Index Morningstar
Alpha	11.61	1.71
Beta	0.33	0.96
R-Squared	36.99	97.17

12-Month Yield	3.15%
30-day SEC Yield	3.21%
Potential Cap Gains Exp	31.73%

## Operations

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	13.7 Years
Objective:	Specialty - Utility
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	9.73	8.28	9.41	11.09	11.77	13.66	14.74	10.52	11.29	11.60	13.37	14.38
Total Return %	-8.09	-10.48	19.30	23.14	10.74	23.89	16.42	-25.60	13.82	6.85	19.44	9.35
+/- Standard Index	8.74	9.41	-13.81	8.42	1.26	3.82	7.39	15.11	-16.16	-4.92	24.98	2.07
+/- Category Index	18.18	12.91	-10.09	-7.10	-14.39	7.26	-3.69	2.24	1.35	0.39	-0.26	1.08
% Rank Cat	2	2	67	52	63	69	86	6	64	56	6	—
No. of Funds in Cat	96	102	93	96	109	115	113	98	103	89	75	79

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %
Cash	2.57	2.57	0.00
US Stocks	89.56	89.56	0.00
Non-US Stocks	6.08	6.08	0.00
Bonds	1.79	1.79	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	15.6	1.22	0.99
	P/C Ratio TTM	6.3	0.82	1.13
	P/B Ratio TTM	1.7	1.00	0.98
	Geo Avg Mkt Cap \$mil	13479	0.35	0.87

## Fixed-Income Style

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
High Med Low	—	—	9.00	128.43

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

Regional Exposure	Stock %	Rel Std Index
Americas	94.7	—
Greater Europe	5.4	—
Greater Asia	0.0	—

## Top Holdings 03-31-2012

Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
		51 Total Stocks, 4 Total Fixed-Income, 5% Turnover Ratio	
⊕	5 mil	Exelon Corp	4.77
⊕	4 mil	Southern Co	4.46
	3 mil	Sempra Energy	3.97
	3 mil	NextEra Energy Inc	3.89
⊕	4 mil	American Electric Power Co Inc	3.83
⊕	4 mil	Edison International	3.79
	3 mil	PG&E Corp	3.76
⊕	3 mil	FirstEnergy Corp	3.25
⊕	2 mil	Dominion Resources Inc	3.00
	4 mil	Public Service Enterprise Group Inc	2.96
	4 mil	PPL Corp	2.88
	11 mil	National Grid PLC	2.83
⊕	5 mil	Duke Energy Corporation	2.57
	2 mil	Entergy Corp	2.57
⊕	4 mil	Xcel Energy Inc	2.56

## Sector Weightings

Sector	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>1.7</b>	—
Basic Materials	1.7	—
Consumer Cyclical	0.0	—
Financial Services	0.0	—
Real Estate	0.0	—
<b>Sensitive</b>	<b>10.1</b>	—
Communication Services	2.8	—
Energy	7.3	—
Industrials	0.0	—
Technology	0.0	—
<b>Defensive</b>	<b>88.3</b>	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	88.3	—

# MFS Bond A (USD)

**Overall Morningstar Rtg™**  
★★★★

1,024 US OE Intermediate-Term Bond

**Standard Index**

Barclays US Agg Bond TR USD

**Category Index**

Barclays US Govt/Credit 5-10 Yr TR USD

**Morningstar Cat**

US OE Intermediate-Term Bond

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.81	1.59	5.51	-0.04	11.22
2011	1.99	1.82	-0.81	3.29	6.40
2012	2.96	2.09	—	—	7.46

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.10	9.36	7.54	6.74	8.59
Std 06-30-2012	2.58	—	7.01	6.51	8.55
Total Return	8.24	11.15	8.59	7.26	8.73

+/- Std Index	0.99	4.30	1.69	1.61	—
+/- Cat Index	-1.87	1.44	-0.13	0.30	—

% Rank Cat	17	5	8	5
No. in Cat	1184	1024	882	613

7-day Yield —

**Performance Disclosure**

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**Fees and Expenses**

**Sales Charges**

**Front-End Load %** 4.75

**Deferred Load %** NA

**Fund Expenses**

Management Fees % 0.39

12b1 Expense % 0.25

**Gross Expense Ratio %** 0.85

**Risk and Return Profile**

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

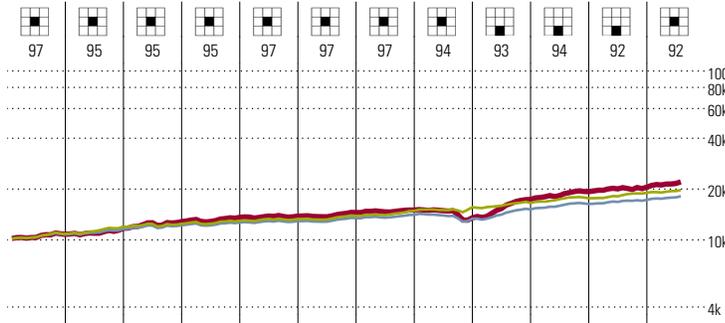
	3 Yr	5 Yr	10 Yr
Standard Deviation	4.28	6.63	5.58
Mean	11.15	8.59	7.26
Sharpe Ratio	2.48	1.16	0.95

MPT Statistics	Standard Index	Best Fit Index
Alpha	6.14	4.26
Beta	0.68	0.46
R-Squared	18.56	69.63

12-Month Yield	4.68%
30-day SEC Yield	2.70%
Potential Cap Gains Exp	4.31%

**Operations**

Family:	MFS
Manager:	Multiple
Tenure:	6.8 Years
Objective:	Corporate Bond - General
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	12.39	12.65	13.10	13.16	12.69	12.62	12.37	10.51	12.73	13.39	13.50	14.13	NAV/Price
Total Return %	7.78	8.64	9.46	6.07	1.71	4.93	3.51	-9.98	28.37	11.22	6.40	7.46	Total Return %
+/- Standard Index	-0.67	-1.61	5.36	1.73	-0.72	0.59	-3.46	-15.22	22.44	4.68	-1.44	3.68	+/- Standard Index
+/- Category Index	-1.04	-4.39	3.49	0.77	-0.12	1.12	-4.05	-15.03	21.86	1.80	-4.39	1.63	+/- Category Index
% Rank Cat	45	45	9	4	56	16	82	75	4	6	47	—	% Rank Cat
No. of Funds in Cat	706	784	952	1035	1043	1092	1097	1135	1123	1164	1195	1210	No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation % 05-31-2012	Net %	Long %	Short %
Cash	8.89	8.89	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	90.56	90.56	0.00
Other/Not Clsfd	0.55	0.58	0.03
<b>Total</b>	<b>100.00</b>	<b>100.03</b>	<b>0.03</b>

**Equity Style**

Value	Blend	Growth
Large		
Mid		
Small		

**Portfolio Statistics**

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	—	—	—

**Fixed-Income Style**

	Ltd	Mod	Ext	High	Mid	Low
Avg Eff Maturity						
Avg Eff Duration						
Avg Wtd Coupon						
Avg Wtd Price						

**Credit Quality Breakdown 06-30-2012**

	Bond %
AAA	1.73
AA	7.11
A	13.85
BBB	56.51
BB	18.38
B	3.99
Below B	0.22
NR/NA	-1.79

**Regional Exposure**

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

**Top Holdings 05-31-2012**

Share since 05-2012	Share Amount	Holdings:	% Net Assets
		0 Total Stocks, 331 Total Fixed-Income, 47% Turnover Ratio	
	25 mil	Crown Americas Llc/Cap Corp Ii 7.6	1.12
	19 mil	B E Aerospace 8.5%	0.88
	18 mil	Phillips Van Heusen 7.375%	0.84
	18 mil	Mylan 144A 7.625%	0.82
	15 mil	Lorillard Tob 8.125%	0.81
	17 mil	Cch Ii Llc / Cch Ii Cap 13.5%	0.80
	18 mil	Wyndham Worldwide 4.25%	0.79
	15 mil	Life Tech 6%	0.78
	16 mil	Ashland Inc New 9.125%	0.77
	15 mil	Owens Corning New 6.5%	0.72
	15 mil	E Trade Finl 12.5%	0.71
	16 mil	Gap Inc Del 5.95%	0.70
	14 mil	Vale Overseas 5.625%	0.68
	15 mil	Erp Oper Ltd Partnership 4.625%	0.68
	14 mil	Constellation Brands 7.25%	0.67

**Sector Weightings**

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

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# MFS International Value A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
 03-02-2012 ★★★★★  
 322 US OE Foreign Large Value

**Standard Index**  
 MSCI EAFE NR  
 USD

**Category Index**  
 MSCI EAFE Value  
 NR USD

**Morningstar Cat**  
 US OE Foreign Large  
 Value

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	1.45	-10.12	11.79	7.06	9.13
2011	2.24	4.26	-11.56	4.01	-1.96
2012	8.93	-2.59	—	—	7.03

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-7.63	5.95	-1.49	9.08	6.50
Std 06-30-2012	-8.01	—	-2.08	8.02	6.47
Total Return	-2.00	8.06	-0.32	9.73	6.87

+/- Std Index	9.45	4.75	5.29	3.37	—
+/- Cat Index	10.49	6.79	6.84	3.37	—

% Rank Cat	3	4	2	1	—
No. in Cat	365	322	256	145	—

7-day Yield —

**Performance Disclosure**

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-343-2829 or visit www.mfs.com.

**Fees and Expenses**

**Sales Charges**

**Front-End Load %** 5.75

**Deferred Load %** NA

**Fund Expenses**

Management Fees % 0.79

12b1 Expense % 0.25

**Gross Expense Ratio %** 1.27

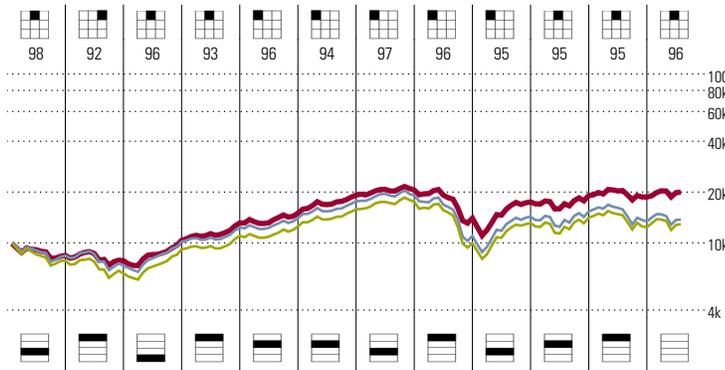
**Risk and Return Profile**

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

	3 Yr	5 Yr	10 Yr
Standard Deviation	14.89	19.63	15.84
Mean	8.06	-0.32	9.73
Sharpe Ratio	0.59	0.05	0.56

MPT Statistics	Standard Index	Best Fit Index
	MSCI EAFE NR USD	MSCI EAFE NR USD
Alpha	5.05	5.05
Beta	0.73	0.73
R-Squared	94.37	94.37

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	4.62%



**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**  
 MFS International Value A 19,994  
 Category Average 13,734  
 Standard Index 12,906

**Performance Quartile**  
 (within category)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	16.21	14.99	19.73	24.38	25.81	30.38	30.07	18.45	22.79	24.59	23.75	25.42	NAV/Price
Total Return %	-15.75	-6.95	32.03	26.77	14.25	28.08	7.15	-31.91	24.64	9.13	-1.96	7.03	Total Return %
+/- Standard Index	5.69	8.99	-6.56	6.53	0.72	1.74	-4.02	11.46	-7.13	1.38	10.18	2.91	+/- Standard Index
+/- Category Index	2.77	8.95	-13.27	2.44	0.46	-2.30	1.19	12.17	-9.59	5.88	10.22	4.47	+/- Category Index
% Rank Cat	58	17	84	12	37	33	69	4	74	29	3	—	% Rank Cat
No. of Funds in Cat	130	154	156	169	181	215	280	307	340	364	376	377	No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation % 05-31-2012	Net %	Long %	Short %
Cash	4.65	4.65	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	95.19	95.19	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.16	0.16	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

**Top Holdings 05-31-2012**

Share since 05-2012	Share Amount	Holdings:	% Net Assets
		92 Total Stocks, 0 Total Fixed-Income, 15% Turnover Ratio	
	26,839	KDDI Corp.	3.53
	3 mil	Heineken N.V.	2.96
	4 mil	Royal Dutch Shell PLC Class A	2.92
	2 mil	Danone	2.91
	2 mil	Nestle SA	2.80
	6 mil	GlaxoSmithKline PLC	2.78
	49 mil	Vodafone Group PLC	2.75
	3 mil	British American Tobacco PLC	2.69
	5 mil	Kao Corporation	2.58
	21,257	Japan Tobacco Inc.	2.52
	14 mil	HSBC Holdings PLC	2.39
	697,500	Roche Holding AG	2.30
	18 mil	BP PLC	2.28
	2 mil	Reckitt Benckiser Group PLC	2.04
	1 mil	Henkel AG & Co. KGaA	1.93

**Equity Style**

Value	Blend	Growth	Port Avg	Rel Index	Rel Cat
			12.7	1.17	1.31
			7.6	1.20	1.30
			1.5	1.17	1.30
			20172	0.72	0.72

**Fixed-Income Style**

Ltd	Mod	Ext	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
			—	—	—	—
			—	—	—	—
			—	—	—	—

**Credit Quality Breakdown**

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

**Regional Exposure**

	Stock %	Rel Std Index
Americas	0.0	—
Greater Europe	66.4	—
Greater Asia	33.6	—

**Sector Weightings**

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>26.7</b>	—
Basic Materials	4.5	—
Consumer Cyclical	4.5	—
Financial Services	15.3	—
Real Estate	2.4	—
<b>Sensitive</b>	<b>38.5</b>	—
Communication Services	10.0	—
Energy	6.3	—
Industrials	12.3	—
Technology	9.9	—
<b>Defensive</b>	<b>34.8</b>	—
Consumer Defensive	23.6	—
Healthcare	11.2	—
Utilities	0.0	—

**Operations**

Family:	MFS
Manager:	Multiple
Tenure:	8.8 Years
Objective:	Foreign Stock
Base Currency:	USD

Ticker:	MGIAX
Minimum Initial Purchase:	\$1,000
Min Auto Investment Plan:	\$0
Minimum IRA Purchase:	\$250
Purchase Constraints:	—

Incept:	10-24-1995
Type:	MF
Total Assets:	\$5,818.05 mil

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# Hypothetical Report Disclosure Statement

## General

This is an illustration of a simulated investment that assumes the portfolio holding(s) were purchased on the first day of the period indicated. Sales and tax charges, including those required in the event of transfers between assets, are taken into account at the rates shown and may be higher or lower than what an investor would have actually paid had the investments been purchased then or now. The performance data represents past performance and is not indicative of future results. Principal value and investment returns will fluctuate, and an investor's shares/units, when redeemed, may be worth more or less than the original investment.

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

The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. The investment returns of other clients of the advisor may differ materially from the investment portrayed.

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

## Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Charges and Fees section.

## When pre-inception data is presented in the report, the header at the top of the report will indicate this.

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

The investment returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns may be reduced if additional fees are incurred.

Performance for closed-end and exchange-traded funds is calculated based on the fund's end of the day market prices as reported by the New York Stock Exchange. Separate account performance is based on the mean experience of an investor in the account.

This illustration may reflect the results of systematic investments and/or

withdrawals. Systematic investment does not ensure a profit, nor does it protect the investor against a loss in a declining market. Also, systematic investing will not keep an investor from losing money if shares are sold when the market is down.

## Investment Summary Graph

The investment summary graph plots the approximate market value of the security or portfolio over the investing horizon. It may also include the total investment assumed in the illustration and/or a benchmark. Total investment includes dollar inflows and outflows, including outflows representing noted taxes and annual fees paid out of pocket. If a benchmark index is included on a graph, it assumes a similar pattern of investment/withdrawal as that of the security or portfolio. Taxes and transaction costs are also applied to the benchmark index. Note that direct investment in an index is not possible. Indexes are unmanaged portfolios representing different asset classes, with varying levels of associated risk. The benchmark index included in the graph may or may not represent an appropriate or accurate comparison with the security or portfolio illustrated.

## Standardized Returns

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

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

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

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

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

For VL subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses. For VLs, additional fees specific to a VL policy such as transfer fees and cost of insurance fees, which are based on specific characteristics of an individual, are not included. If VL fees were included in the return calculations, the performance would be significantly lower. An investor should contact a financial advisor and ask for a personalized performance illustration, either hypothetical or historical, which reflects all applicable fees and charges including the cost of insurance. Please review the prospectus and SAI for more detailed information.

## Definitions of Report Terms

*Annual Fee Paid:* Your advisor was able to specify whether annual fees, if any,

should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Average Annualized Return:* Average annualized money-weighted return (internal rate of return). In illustrations with time periods less than one year, this figure is not annualized.

*Capital Gains (Individual Report):* Percentage of the total market value of the holding that is attributable to the reinvestment of capital gains distributions.

*Charges & Fees (Investment Detail):* The sum of fees charged to the investor during the period, including front or deferred loads, VA charges, and annual fees.

*Cumulative Return:* The total money-weighted return of the investment over the entire time period of the illustration.

*Distribution/Withdrl:* The sum of distributions not reinvested, plus any cash withdrawals during the period.

*Income (Individual Report):* The percentage of the total market value of the holding that is attributable to the reinvestment of income or dividend distributions.

*Liquidate:* Indicates whether the advisor chose that the holding be liquidated on the end date.

*Median (Comparison Report):* The total money-weighted return (internal rate of return) of the median security in the illustration for the calendar year indicated.

*New investment:* Any new cash invested during the period.

*Principal (Individual Reports):* The percentage of the total market value of the holding that is attributable to new investment.

*Rebalance (Planning Assumptions):* Indicates whether rebalancing is used, and its frequency. "No" indicates no rebalancing. Options for rebalancing frequency are monthly, quarterly, semi-annually, and annually.

*Rebalance (Investment Assumptions):* Percentage of total asset allocation to be maintained in this holding through rebalancing.

*Security Return (Comparison Report):* The total money-weighted return (internal rate of return) for the holding in the calendar year indicated, taking into account cash flows, charges, and fees.

*Subsequent Invest/Withdwl:* The amount, type, and frequency of subsequent investments or withdrawals from the holding. Withdrawals are represented by a negative number. Systematic investments and withdrawals may be made monthly, quarterly, semi-annually, or annually. If "Custom", a custom schedule of investments or withdrawals was used.

*Taxes Due:* The total amount of taxes due from the investor, determined by applying specified tax rates to distributions and sale of shares during each calendar year.

*Taxes Paid:* Your advisor was able to specify whether taxes, if any, should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Net Amount Invested:* The total out-of-pocket expense for the investor. Includes

new investment, annual fees paid to advisor, and taxes due. This figure is net of withdrawals, including liquidation.

*Total Reinvest:* The sum of distributions reinvested during the period.

*Total Return %:* The total money-weighted return (internal rate of return) on investments for the period.

## Portfolio Snapshot Report Disclosure Statement

### General

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

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

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

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

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

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

### Items to Note Regarding Certain Underlying 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. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

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.

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

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, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

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

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.

## Pre-inception Returns

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

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

## Scheduled Portfolio Trailing Returns

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

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

## Scheduled Portfolio Returns-Based Performance Data

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

## Important VA Disclosure for Scheduled Portfolios

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

## Scheduled Portfolio Investment Activity Graph

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

## Unscheduled Portfolio Returns

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

### Unscheduled Portfolio Investment Activity Graph

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

### Benchmark Returns

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

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

### Standardized Returns

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

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

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

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

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

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and

the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

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

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

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

### Asset Allocation

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

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

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

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

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may

reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

### Investment Style

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

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

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

### Stock Regions

This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

### Risk and Return

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

Mean represents the annualized geometric return for the period shown.

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

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

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

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

### Portfolio Yield

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

### Fundamental Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Stock Intersection Report Disclosure Statement

Used as supplemental sales literature, the Stock Intersection report must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Stock Intersection report. Morningstar is not itself a FINRA-member firm. Information contained in the report is from the most recent information available to Morningstar.

The Stock Intersection report reviews the top 25 holdings in the portfolio to identify, at a glance, the portfolio's overall weighting in a particular security or sector. This report only displays the top 25 holdings; the investor's portfolio may hold substantially more.

Note that while the investor does not own the securities held by an open-end fund, closed-end fund, or similar investment, the holdings are relevant in reviewing the overall asset allocation and diversification. This report is not an offer or recommendation by Morningstar to purchase or liquidate any security listed.

### Percentage of Portfolio

The Percentage of Portfolio column indicates the percentage of net assets any given security (either as an individual holding or as an underlying stock) makes up as an overall position of the portfolio.

### Holding Portfolio Date

The Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. Although Morningstar tries to ensure that we receive timely information, we don't always receive current information from fund companies. By law, funds need only report this information two times during the calendar year, and they have two months after the report date to actually release the shareholder report and portfolio. Therefore, it is possible that a fund's portfolio could be up to eight months old at the time of publication.

### Sector

Morningstar breaks down all equities into the following sectors: Consumer Defensive, Healthcare, Utilities, Communication Services, Energy, Industrials, Technology, Basic Materials, Consumer Cyclical, Financial Services, and Real Estate.

## Total Return Graph Disclosure

### General Disclosures

Used as supplemental sales literature, this report must be preceded or accompanied by a current prospectus or equivalent. Please read these carefully before investing. Morningstar is not itself a FINRA-member firm.

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 current data for securities included in the portfolio. There is no assurance that the data will remain the same.

Ibbotson Associates, Inc. and Morningstar Associates, LLC, both a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., provides various institutional investment consulting services, including asset allocation advice to investment advisers who have or will be creating a fund-of-fund/asset allocation product. However, despite the fact that such relationships may exist,

the information displayed for those products will not be influenced as they objective measures and/or are derived by quantitative driven formulas (i.e., Morningstar Rating).

### 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.

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.

### General Performance Disclosure

**The Performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares and/or units when redeemed may be worth more or less than the original investment. Securities in this report are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.**

For mutual funds, the analysis in this report may be based, in part, on historical returns for periods prior to the historical performance of the fund's oldest share class, adjusted to reflect the fees and expenses of this share class. While the inclusion of preinception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can provide only an approximation of that behavior. For example, the fee structures between a retail share class will vary from that of an institutional share class, as retail share classes tend to have higher operating expense and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those provided by other entities, including the fund itself. If mutual fund preinception data is included in this report, this data will be represented in the report in italics.

For variable annuity and variable life subaccounts, total return reflects the investment experience of a subaccount since its inception, and extended to the performance history of the underlying insurance fund. Total returns are adjusted to reflect fees & expenses, such as M&E charges, administrative fees, contract charges, fund-level expenses such as management fees and operating fees. Return is not adjusted to reflect front-end loads or surrender fees. It reflects the return that would be earned by an investor who held the security through the period shown, but did not buy at the beginning or sell at the end. If adjusted for the effects of loads, surrender fees, and taxation, the subaccount returns would be significantly reduced. When subaccount returns reflect pre-inception data, it will be represented in italics.

### Variable Life Return

**Please refer to the hypothetical illustration in the prospectus which, among other things, shows the effect that fees and charges have on performance. We urge investors to obtain a personalized illustration that reflects the costs of insurance protection.**

### Total Return Report

This graph allows the market value of securities, indexes, and Morningstar categories to be graphed over customized time periods. The graph reflects the discrete return of the illustration time horizon displayed at the top of the report. The returns that were achieved are displayed in the table beneath the graph.

If this graph is not accompanied by a Hypothetical Illustration Report, the returns noted for a security do not reflect any sales charges and do not reflect impacts of taxation. If impacts of sales charges and taxation were reflected, the returns would be lower than those indicated in the report.

If this graph is accompanied by a Hypothetical Illustration report, the results are based on the investment assumptions for the hypothetical illustration, which is also included in this report. The same investments, withdrawals, reinvestment of dividends and gains, rebalancing, and fees, are applied. The return shown in this graph is money-weighted return (or internal rate of return), which is impacted by investor cash flows. The returns noted for a security reflect any sales charges that were applied in the illustration, but do not reflect impacts of taxation. If impacts of taxation were reflected, the returns would be lower than those indicated in the report.

For exchange-traded funds and closed-end funds, market returns are used.

## Mutual Fund Detail Report Disclosure Statement

The Mutual Fund Detail Report is to be used as supplemental sales literature, and therefore must be preceded or accompanied by the fund's current prospectus and a disclosure statement. Please read the prospectus carefully. In all cases, this disclosure statement should accompany the Mutual Fund Detail Report. Morningstar is not itself a FINRA-member firm. Portfolio information is based on the most recent information available to Morningstar.

### Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Performance section.

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

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

### Performance

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

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

Standardized Return is reflected as of the quarter-end. It depicts performance without adjusting for the effects of taxation, but is adjusted for sales charges and all ongoing fund expenses, and assumes reinvestment of dividends and

capital gains. If adjusted for the effects of taxation, the performance quoted would be reduced. The sales charge used in the calculation was obtained from the fund's most recent prospectus and/or shareholder report available to Morningstar. Standardized Returns never include pre-inception history.

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

Morningstar % Rank within Morningstar Category does not account for a fund's sales charge (if applicable). Rankings will not be provided for periods less than one year.

### Growth of 10,000

This graph compares the growth of an investment of 10,000 (in the base currency of the fund) with that of an index and with that of the average for all funds in its Morningstar category. The total returns are not adjusted to reflect sales charges or the effects of taxation, but are adjusted to reflect actual ongoing fund expenses, and assume reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted. The index is an unmanaged portfolio of specified securities and cannot be invested in directly. The index and the category average do not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index. The index is chosen by Morningstar.

**If pre-inception data is included in the analysis, it will be graphed.**

### Morningstar Analyst Rating

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating ultimately reflects the analyst's overall assessment and is overseen by Morningstar's Analyst Rating Committee. The approach serves not as a formula but as a framework to ensure consistency across Morningstar's global coverage universe.

The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. A fund with a Gold rating distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. A fund with a Silver rating has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. A Bronze-rated fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. A fund with a Neutral rating isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. A Negative rated fund is flawed in at least one if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf>.

**The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar's current expectations about future events; therefore, in no**

**way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.**

### Risk and Return

The Morningstar Rating is calculated for funds with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Please note that some Morningstar proprietary calculations, including the Morningstar Rating, may be calculated based on adjusted historical returns (pre-inception returns). If the extended performance rating is in effect, the "stars" are represented as unshaded stars. For each mutual fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's adjusted monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. This investment's independent Morningstar Rating metric is then compared against the open-end mutual fund universe's actual performance breakpoints to determine its extended performance rating. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the actual performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Morningstar Return rates a mutual fund's performance relative to other funds in its Morningstar Category. It is an assessment of a fund's excess return over a risk-free rate (the return of the 90-day Treasury Bill), after adjusting for all applicable loads and sales charges, in comparison with the mutual funds in its Morningstar Category. In each Morningstar Category, the top 10% of funds earn a High Morningstar Return (HIGH), the next 22.5% Above Average (+AVG), the middle 35% Average (AVG), the next 22.5% Below Average (-AVG), and the bottom 10% Low (LOW). Morningstar Return is measured for up to three time periods (three-, five-, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the mutual fund. Funds with less than three years of performance history are not rated.

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

**If pre-inception returns are included in this analysis, the risk and return profile data calculated on the basis of these returns will appear in italics.**

### Risk Measures

The risk measures below are calculated for funds with at least a three-year history.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Mean represents the annualized geometric return for the period shown.

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

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

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

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

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

**Risk measures calculated using pre-inception data, if included in the analysis, will be presented in italics.**

### Asset Allocation

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

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

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

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

the sale price.

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

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

### Style Analysis

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income

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

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

### Equity Portfolio Statistics

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

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

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

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

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

### Fixed-Income Portfolio Statistics

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

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

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

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

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

Credit quality breakdowns are shown for corporate-bond holdings and depict the

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

Turnover Ratio is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in the fund. As turnover increases, a fund's brokerage costs typically rise as well.

### Operations

Purchase constraints denote if a mutual fund has any of the following qualities: Qualified Access (A), Institutional (T), Closed to New Investments, (C) or Closed to All Investments (L). Because these qualities can all act as restrictions and/or requirements for investment, they are grouped together.

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

### Fees and Expenses

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

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

## Investment Risks

International/Emerging Market Equities: Investing in international securities involve 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 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 decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

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

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

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

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

Leveraged ETFs: Levered 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 Fund objective). The leverage/gearing ratio is the amount of excess return that a levered investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

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

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

Liquidity Risk: Closed-end fund, ETF, and HOLDER trading may be halted due to market conditions, impacting an 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 ETF's 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 of when investors expect to begin withdrawing their money. 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 anytime, including at the fund's target date.

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

### 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 include reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Barclays Aggregate Bond.

### Barclays US Govt/Credit 5-10 Yr TR USD

Represents a combination of the Government and Corporate Bond indices for bonds with maturities between 5 and 10 years. Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, and Government index) indices. The returns we publish for the index are total returns, which include reinvestment of dividends. The constituents displayed for this index are from the following proxy: Vanguard Intermediate-Term Bond Index Fd.

### BofAML US HY Master II TR USD

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

### DJ Industrial Average PR USD

Computed by summing the prices of the stocks of 30 companies and then dividing that total by a split-adjusted value. The constituents displayed for this index are from the following proxy: SPDR Dow Jones Industrial Average ETF.

### DJ Utilities Average TR USD

Consists of 15 geographically representative gas and electric utility companies. The index is price weighted, meaning it is calculated by adding up the daily prices of the 15 stocks and dividing by a stock split-adjusted divisor. Dividends are reinvested to reflect the actual performance of the underlying securities, thus the figure is a total return. The DJUA was started back in 1929. The constituents displayed for this index are from the following proxy: iShares Dow Jones US Utilities.

### Morningstar SEC/Utilities TR USD

The Utilities Sector tracks the performance of electric, gas, and water utilities.

### Morningstar US Core TR USD

The Morningstar US Core Index tracks the performance of stocks where neither growth nor value characteristics predominate.

### 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.

### MSCI EAFE Value NR USD

The MSCI EAFE Value Index is an unmanaged index of value stocks of companies located in Europe, Australasia and the Far East. The constituents displayed for this index are from the following proxy: iShares MSCI EAFE Value Index Fund.

### MSCI World NR USD

Includes all 23 MSCI developed market countries. The constituents displayed for this index are from the following proxy: iShares MSCI Wrld.

### Russell 1000 TR USD

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

### Russell 1000 Value TR USD

Tracks the companies within the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The constituents displayed for this index are from the following proxy: iShares Russell 1000 Value Index.

### S&P 500 TR

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares S&P 500 Index.

### 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.

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## **Investment Analysis**

### Overall Ending Portfolio with Option 1

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August 22, 2012

Prepared for:

City of Troy

Prepared by:

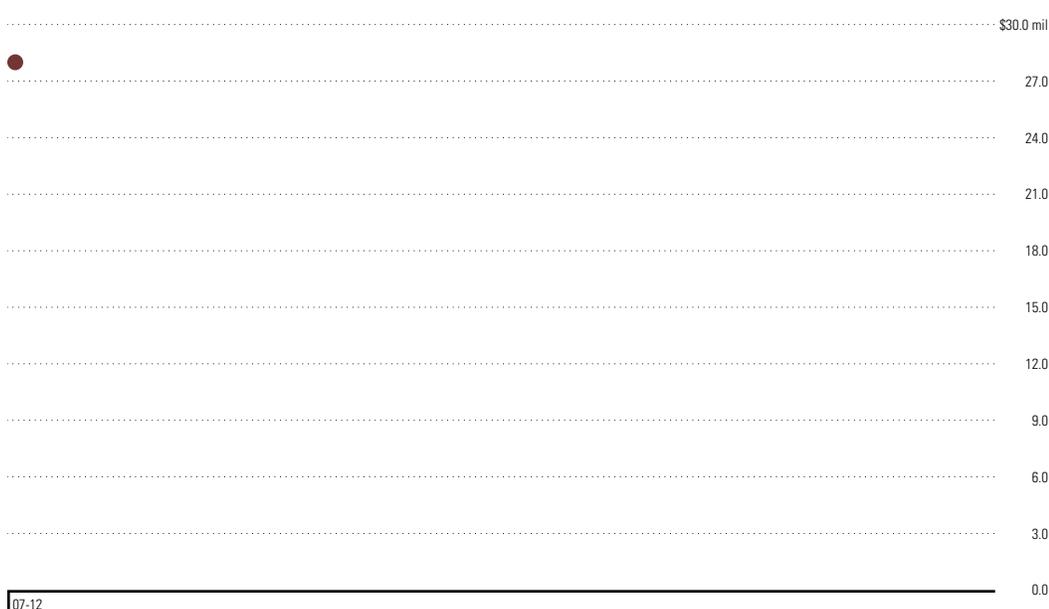
Bryan Wieferich, CFP

# Hypothetical Portfolio Illustration

07-31-2012 to 07-31-2012

## Portfolio Summary

Portfolio



### Planning Assumptions

Currency	USD
Rebalance	None
Allocation Update Frequency	None
Federal Income Tax Rate	0%
Capital Gain Tax Rate	0%
State Tax Rate	0%
Tax Paid	Out of Pocket

### Performance

Net Amount Invested	\$28.00 mil
Final Market Value	\$28.00 mil
Average Annualized Return	—
Cumulative Return	0.00%

07-12

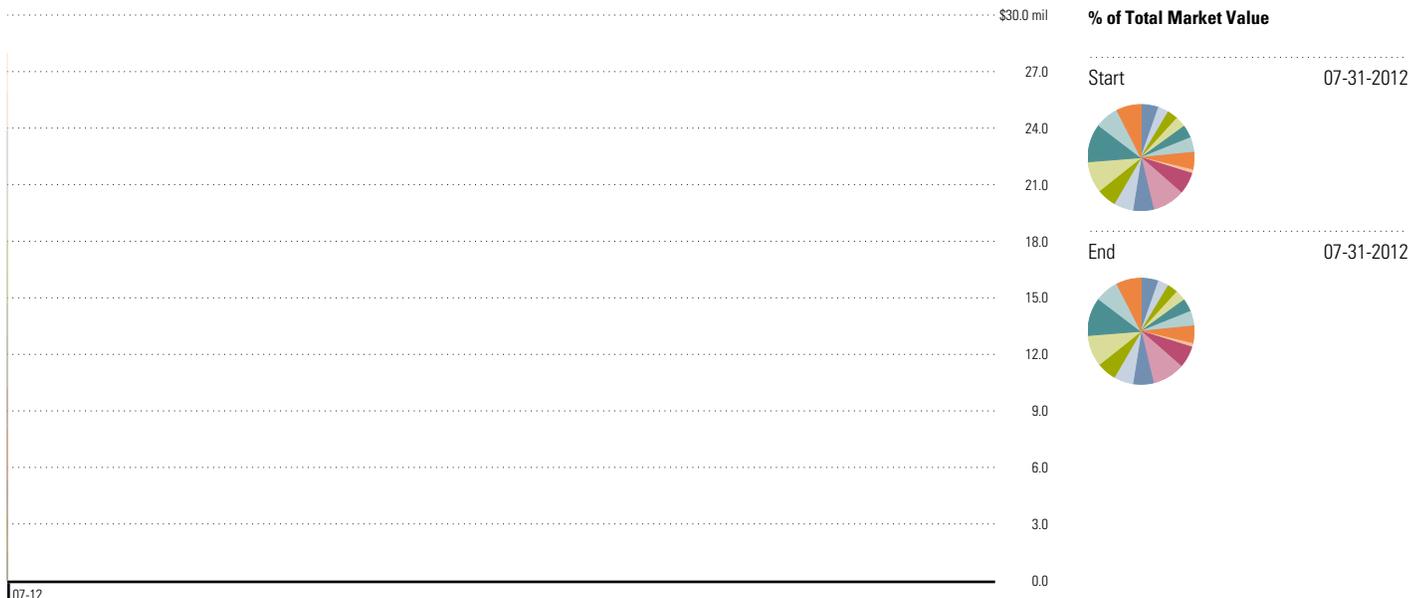
## Investment Detail

Period	Beginning Balance	New Investment	Distribution/Withdrawal	Total Reinvest	Charges & Fees	Taxes Due	Market Value	Total Return %
Totals	0	28,000,000	0	0	0	0	28,000,000	0.00
July 2012	0	28,000,000	0	0	0	0	28,000,000	0.00

# Hypothetical Portfolio Illustration Continued

07-31-2012 to 07-31-2012

## Security Summary



07-12

## Investment Assumptions

Investment Name	Holding Period		Initial Investment Amount	Subsequent Invest/Withdwl		Reinvest Distributions		Liqui- date	Re- balance %	Charges and Fees			Market Value End \$	
	Start	End		Amount	Freq	Income	Cap Gains			Front Load	Annual Fee%	Deferred Load Amount%		Period Years
American Funds American Mutual A (USD, AMRMX)	07-12	07-12	1.50 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.50 mil
American Funds Washington Mutual A (USD, AWSHX)	07-12	07-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	900,000
Franklin Rising Dividends A (USD, FRDPX)	07-12	07-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	900,000
Franklin Utilities A (USD, FKUTX)	07-12	07-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	900,000
Ivy Bond A (USD, IBOAX)	07-12	07-12	1.10 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.10 mil
Ivy Managed Intl Opportunities A (USD, IVTAX)	07-12	07-12	1.25 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.25 mil
MFS Bond A (USD, MFBFX)	07-12	07-12	1.50 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.50 mil
MFS International Value A (USD, MGIAX)	07-12	07-12	300,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	300,000
Waddell & Reed Accumulative A (USD, UNACX)	07-12	07-12	1.85 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.85 mil
Waddell & Reed Asset Strategy A (USD, UNASX)	07-12	07-12	2.75 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.75 mil
Waddell & Reed Bond A (USD, UNBDX)	07-12	07-12	1.75 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.75 mil
Waddell & Reed Core Investment A (USD, UNCMX)	07-12	07-12	1.65 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.65 mil
Waddell & Reed Dividend Opps A (USD, WDVAX)	07-12	07-12	1.65 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.65 mil
Waddell & Reed Municipal Bond A (USD, UNMBX)	07-12	07-12	2.65 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.65 mil
Waddell & Reed New Concepts A (USD, UNECX)	07-12	07-12	3.25 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	3.25 mil
Waddell & Reed Science & Tech A (USD, UNSCX)	07-12	07-12	2.00 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.00 mil
Waddell & Reed Small Cap A (USD, UNSAX)	07-12	07-12	2.10 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.10 mil

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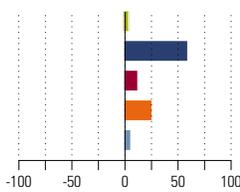
# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

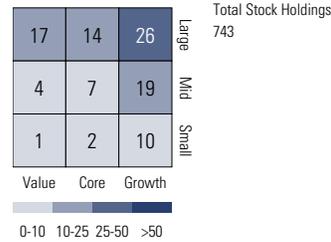
## Analysis 07-31-2012

### Asset Allocation

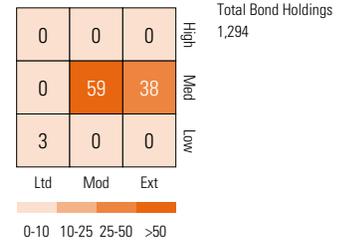


	Portfolio Net %	Portfolio Long %	Portfolio Short %	Bmark Net %
Cash	2.12	3.47	1.35	0.00
US Stocks	58.06	58.06	0.00	99.32
Non-US Stocks	10.98	10.98	0.00	0.68
Bonds	24.49	24.49	0.00	0.00
<b>Other/Not Clsfd</b>	<b>4.34</b>	<b>4.43</b>	<b>0.09</b>	<b>0.00</b>
<b>Total</b>	<b>100.00</b>	<b>101.43</b>	<b>1.43</b>	<b>100.00</b>

### Morningstar Equity Style Box %

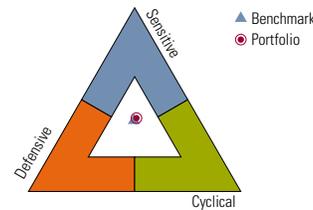


### Morningstar Fixed Income Style Box %

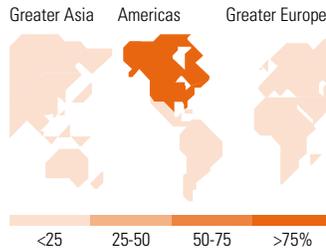


## Stock Analysis 07-31-2012

### Stock Sectors



### World Regions



% of Stocks	Portfolio %	Bmark %
<b>Cyclical</b>	<b>28.33</b>	<b>27.05</b>
Basic Mats	1.87	2.71
Consumer Cycl	16.11	9.40
Financial Svs	9.38	12.94
Real Estate	0.97	2.00
<b>Sensitive</b>	<b>48.42</b>	<b>45.48</b>
Commun Svs	3.03	4.78
Energy	7.92	11.16
Industrials	15.80	11.30
Technology	21.67	18.24
<b>Defensive</b>	<b>23.25</b>	<b>27.47</b>
Consumer Def	9.00	12.02
Healthcare	9.12	11.75
Utilities	5.13	3.70
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

% of Stocks	Portfolio %	Bmark %
<b>Greater Europe</b>	<b>8.44</b>	<b>0.79</b>
United Kingdom	2.58	0.10
Europe-Developed	5.66	0.69
Europe-Emerging	0.03	0.00
Africa/Middle East	0.17	0.00
<b>Americas</b>	<b>84.30</b>	<b>99.21</b>
North America	83.80	99.21
Latin America	0.50	0.00
<b>Greater Asia</b>	<b>7.26</b>	<b>0.00</b>
Japan	0.77	0.00
Australasia	0.36	0.00
Asia-Developed	3.35	0.00
Asia-Emerging	2.78	0.00
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

## Performance 07-31-2012

### Investment Activity Graph



Trailing Returns	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	—	—	—	—	—
Benchmark Return	—	—	—	—	—
+/- Benchmark Return	—	—	—	—	—

Best/Worst Time Periods	Best %	Worst %
3 Months	—	—
1 Year	—	—
3 Years	—	—

Portfolio Yield (07-31-2012)	Yield %
12-Month Yield	1.53

### Performance Disclosure

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>.

See Disclosure Page for Standardized Returns.

## Holdings 07-31-2012

### Top 8 holdings out of 17

Symbol	Type	Holding Value \$	% Assets
Waddell & Reed New Concepts A (USD, UNECX)	UNECX	3,250,000	11.61
Waddell & Reed Asset Strategy A (USD, UNASX)	UNASX	2,750,000	9.82
Waddell & Reed Municipal Bond A (USD, UNMBX)	UNMBX	2,650,000	9.46
Waddell & Reed Small Cap A (USD, UNSAX)	UNSAX	2,100,000	7.50
Waddell & Reed Science & Tech A (USD, UNSCX)	UNSCX	2,000,000	7.14
Waddell & Reed Accumulative A (USD, UNACX)	UNACX	1,850,000	6.61
Waddell & Reed Bond A (USD, UNBDX)	UNBDX	1,750,000	6.25
Waddell & Reed Core Investment A (USD, UNCMX)	UNCMX	1,650,000	5.89

# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

## Risk Analysis 07-31-2012

### Performance History Graph

■ Portfolio

Quarterly returns +/- Benchmark in %

Illustration periods less than 3 years cannot be graphed.

### Risk and Return Statistics

	3 Yr		5 Yr		10 Yr	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	—	—	—	—	—	—
Mean	—	—	—	—	—	—
Sharpe Ratio	—	—	—	—	—	—

### MPT Statistics

	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	—	—	—
Beta	—	—	—
R-Squared	—	—	—

## Fundamental Analysis 07-31-2012

### Market Maturity

	Portfolio	Bmark
% of Stocks		
Developed Markets	96.69	100.00
Emerging Markets	3.31	0.00
<b>Not Available</b>	<b>0.00</b>	<b>0.00</b>

### Geometric Avg Capitalization (\$Mil)

Portfolio	16,954.76
Benchmark	56,375.91

### Valuation Multiples

	Portfolio	Bmark
Price/Earnings	16.12	14.72
Price/Book	2.43	2.13
Price/Sales	1.39	1.29
Price/Cash Flow	10.11	8.94

### Credit Quality Breakdown

	% of Bonds
AAA	17.92
AA	14.73
A	24.32
BBB	29.56
BB	6.94
B	1.27
Below B	0.25
NR/NA	5.00

### Type Weightings

	Portfolio	Bmark
% of Stocks		
High Yield	3.54	6.73
Distressed	0.74	0.45
Hard Asset	4.94	12.27
Cyclical	40.57	41.46
Slow Growth	8.56	11.44
Classic Growth	0.43	1.49
Aggressive Growth	19.17	21.17
Speculative Growth	2.56	3.06
<b>Not Available</b>	<b>19.50</b>	<b>1.94</b>

### Profitability

	Portfolio	Bmark
% of Stocks	2012-07	2012-07
Net Margin	12.62	13.67
ROE	20.40	22.07
ROA	8.48	9.10
Debt/Capital	32.75	35.90

### Interest Rate Risk

	Portfolio
Avg Eff Maturity	9.93
Avg Eff Duration (total portfolio)	6.00
Avg Wtd Coupon	5.32

### Fund Statistics

Potential Cap Gains Exposure	11.91
Avg Net Expense Ratio	1.15
Avg Gross Expense Ratio	1.15

# Portfolio Snapshot

**Portfolio Value**

\$28,000,000.00

**Benchmark**

S&amp;P 500 TR (USD)

**Standardized and Tax Adjusted Returns**

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

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 06-30-2012**

Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
American Funds American Mutual A (USD)	—	-0.73	-0.10	4.95	11.39	02-21-1950	5.75	NA	0.62	0.62
American Funds Washington Mutual A (USD)	—	-0.02	-1.20	4.28	11.61	07-31-1952	5.75	NA	0.62	0.62
Franklin Rising Dividends A (USD)	—	-1.75	-0.13	4.56	8.46	01-14-1987	5.75	NA	1.00 <sup>1</sup>	1.01
Franklin Utilities A (USD)	—	10.99	3.68	9.13	9.73	09-30-1948	4.25	NA	0.76	0.76
Ivy Bond A (USD)	—	1.11	3.35	3.83	5.99	08-14-1987	5.75	NA	1.11	1.11
Ivy Managed Intl Opportunities A (USD)	—	-19.24	-4.19	—	-2.67	04-02-2007	5.75	NA	1.66	1.66
MFS Bond A (USD)	—	2.58	7.01	6.51	8.55	05-08-1974	4.75	NA	0.85	0.85
MFS International Value A (USD)	—	-8.01	-2.08	8.02	6.47	10-24-1995	5.75	NA	1.27	1.27
Waddell & Reed Accumulative A (USD)	—	-6.08	-2.23	3.12	9.96	10-09-1940	5.75	NA	1.21	1.21
Waddell & Reed Asset Strategy A (USD)	—	-14.38	3.34	9.51	9.34	03-09-1995	5.75	NA	1.14	1.14
Waddell & Reed Bond A (USD)	—	1.96	4.30	4.25	6.89	03-30-1964	5.75	NA	0.98	0.98
Waddell & Reed Core Investment A (USD)	—	-3.23	1.62	5.62	10.58	10-09-1940	5.75	NA	1.14	1.14
Waddell & Reed Dividend Opps A (USD)	—	-8.16	-2.30	—	5.22	07-01-2003	5.75	NA	1.30	1.30
Waddell & Reed Municipal Bond A (USD)	—	6.18	5.47	4.56	5.96	11-05-1976	4.25	NA	0.91	0.91
Waddell & Reed New Concepts A (USD)	—	-10.95	4.09	8.85	10.35	06-09-1983	5.75	NA	1.43	1.43
Waddell & Reed Science & Tech A (USD)	—	-2.55	4.00	9.48	10.05	05-16-1950	5.75	NA	1.36	1.36
Waddell & Reed Small Cap A (USD)	—	-10.60	3.40	8.24	7.09	10-04-1999	5.75	NA	1.54	1.54
<b>Barclays US Agg Bond TR USD</b>	—	<b>7.47</b>	<b>6.79</b>	<b>5.63</b>	—	—	—	—	—	—
<b>MSCI EAFE NR USD</b>	—	<b>-13.83</b>	<b>-6.10</b>	<b>5.14</b>	—	—	—	—	—	—
<b>S&amp;P 500 TR</b>	—	<b>5.45</b>	<b>0.22</b>	<b>5.33</b>	—	—	—	—	—	—
<b>USTREAS T-Bill Auction Ave 3 Mon</b>	—	<b>0.05</b>	<b>0.80</b>	<b>1.82</b>	—	—	—	—	—	—

1. Contractual waiver that may expire at any time

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
American Funds American Mutual A (USD)	-1.60	-1.21	3.85	7.83	02-21-1950	-0.51	-0.70	3.70	7.76
American Funds Washington Mutual A (USD)	-0.89	-2.33	3.23	8.36	07-31-1952	-0.06	-1.59	3.15	8.26
Franklin Rising Dividends A (USD)	-2.16	-0.63	4.00	7.49	01-14-1987	-1.15	-0.40	3.66	7.13

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**Annualized returns 06-30-2012**

Return after Tax (%)	On Distribution				On Distribution and Sales of Shares				
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
Franklin Utilities A (USD)	9.64	2.13	7.47	6.30	09-30-1948	7.07	2.26	7.02	6.19
Ivy Bond A (USD)	-0.01	1.97	2.37	3.85	08-14-1987	0.69	2.02	2.39	3.83
Ivy Managed Intl Opportunities A (USD)	-19.72	-4.93	—	-3.38	04-02-2007	-12.52	-3.91	—	-2.63
MFS Bond A (USD)	0.83	4.97	4.46	4.53	05-08-1974	1.63	4.76	4.34	4.51
MFS International Value A (USD)	-8.49	-3.12	6.96	5.53	10-24-1995	-5.24	-2.22	6.59	5.28
Waddell & Reed Accumulative A (USD)	-6.09	-2.33	3.00	6.38	10-09-1940	-3.95	-1.94	2.63	6.36
Waddell & Reed Asset Strategy A (USD)	-14.73	1.65	8.07	7.59	03-09-1995	-9.36	2.09	7.74	7.32
Waddell & Reed Bond A (USD)	0.89	2.97	2.74	2.95	03-30-1964	1.25	2.87	2.74	2.96
Waddell & Reed Core Investment A (USD)	-4.10	0.90	4.93	7.02	10-09-1940	-1.28	1.18	4.71	6.97
Waddell & Reed Dividend Opps A (USD)	-8.58	-2.70	—	4.79	07-01-2003	-5.32	-2.15	—	4.32
Waddell & Reed Municipal Bond A (USD)	6.18	5.47	4.56	5.69	11-05-1976	5.38	5.26	4.45	5.68
Waddell & Reed New Concepts A (USD)	-13.64	2.46	8.00	8.88	06-09-1983	-4.43	3.03	7.60	8.69
Waddell & Reed Science & Tech A (USD)	-4.12	2.41	8.29	7.94	05-16-1950	-0.66	2.87	7.95	7.87
Waddell & Reed Small Cap A (USD)	-11.92	2.64	7.43	6.25	10-04-1999	-5.41	2.78	7.08	5.97

# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

## Illustration Returns

Total 17 holdings as of 07-31-2012	Symbol	Type	Holdings Date	% of Assets	Holding Value \$	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %
Waddell & Reed New Concepts A (USD, UNECX)	UNECX	MF	06-2012	11.61	3,250,000	—	—	—	—	—
Waddell & Reed Asset Strategy A (USD, UNASX)	UNASX	MF	06-2012	9.82	2,750,000	—	—	—	—	—
Waddell & Reed Municipal Bond A (USD, UNMBX)	UNMBX	MF	06-2012	9.46	2,650,000	—	—	—	—	—
Waddell & Reed Small Cap A (USD, UNSAX)	UNSAX	MF	06-2012	7.50	2,100,000	—	—	—	—	—
Waddell & Reed Science & Tech A (USD, UNSCX)	UNSCX	MF	06-2012	7.14	2,000,000	—	—	—	—	—
Waddell & Reed Accumulative A (USD, UNACX)	UNACX	MF	06-2012	6.61	1,850,000	—	—	—	—	—
Waddell & Reed Bond A (USD, UNBDX)	UNBDX	MF	06-2012	6.25	1,750,000	—	—	—	—	—
Waddell & Reed Core Investment A (USD, UNCMX)	UNCMX	MF	06-2012	5.89	1,650,000	—	—	—	—	—
Waddell & Reed Dividend Opps A (USD, WDVAX)	WDVAX	MF	06-2012	5.89	1,650,000	—	—	—	—	—
American Funds American Mutual A (USD, AMRMX)	AMRMX	MF	06-2012	5.36	1,500,000	—	—	—	—	—
MFS Bond A (USD, MFBFX)	MFBFX	MF	06-2012	5.36	1,500,000	—	—	—	—	—
Ivy Managed Intl Opportunities A (USD, IVTAX)	IVTAX	MF	06-2012	4.46	1,250,000	—	—	—	—	—
Ivy Bond A (USD, IBOAX)	IBOAX	MF	06-2012	3.93	1,100,000	—	—	—	—	—
American Funds Washington Mutual A (USD, AWSHX)	AWSHX	MF	06-2012	3.21	900,000	—	—	—	—	—
Franklin Rising Dividends A (USD, FRDPX)	FRDPX	MF	06-2012	3.21	900,000	—	—	—	—	—
Franklin Utilities A (USD, FKUTX)	FKUTX	MF	06-2012	3.21	900,000	—	—	—	—	—
MFS International Value A (USD, MGIAX)	MGIAX	MF	06-2012	1.07	300,000	—	—	—	—	—

### Performance Disclosure

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>.

See Disclosure Page for Standardized Returns.

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## Stock Intersection

This Stock Detail table shows how the top 25 net stock holdings are distributed across the portfolio, ranked by the percentage of portfolio net assets. The Holding Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. It is possible that a fund's portfolio could be up to eight months old at the time of publication. See disclosures for more information.

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Apple, Inc.(USD)</b>	AAPL	2.44		 Technology
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.87	03-31-12	
Waddell & Reed Science & Tech A (USD)	UNSCX	0.58	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.37	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.31	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.21	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
Ivy Managed Intl Opportunities A (USD)	IVTAX	0.04	03-31-12	
<b>ConocoPhillips(USD)</b>	COP	0.81		 Energy
<i>Source of Stock</i>				
Waddell & Reed Asset Strategy A (USD)	UNASX	0.44	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.20	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.07	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.05	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.03	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
<b>Google, Inc. Class A(USD)</b>	GOOG	0.77		 Technology
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.25	03-31-12	
Waddell & Reed Science & Tech A (USD)	UNSCX	0.24	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.14	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.13	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	
<b>Wynn Resorts Ltd(USD)</b>	WYNN	0.71		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Asset Strategy A (USD)	UNASX	0.56	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.10	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.05	03-31-12	
<b>Philip Morris International, Inc.(USD)</b>	PM	0.67		 Consumer Defensive
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.29	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.19	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.19	03-31-12	
<b>Microchip Technology, Inc.(USD)</b>	MCHP	0.67		 Technology
<i>Source of Stock</i>				
Waddell & Reed New Concepts A (USD)	UNECX	0.25	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.23	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.11	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.06	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.01	06-30-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>McDonald's Corporation(USD)</b>	MCD	0.62		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.21	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.15	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.13	03-31-12	
Franklin Rising Dividends A (USD)	FRDPX	0.09	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
<b>CBS Corporation Class B(USD)</b>	CBS	0.61		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Core Investment A (USD)	UNCMX	0.26	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.22	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.10	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.04	03-31-12	
<b>ACI Worldwide, Inc.(USD)</b>	ACIW	0.60		 Technology
<i>Source of Stock</i>				
Waddell & Reed Science & Tech A (USD)	UNSCX	0.42	03-31-12	
Waddell & Reed Small Cap A (USD)	UNASX	0.18	03-31-12	
<b>Precision Castparts Corp.(USD)</b>	PCP	0.57		 Industrials
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.28	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.27	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.01	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.00	06-30-12	
<b>Home Depot, Inc.(USD)</b>	HD	0.56		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.17	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.16	06-30-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.11	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.11	06-30-12	
<b>Aspen Technology, Inc.(USD)</b>	AZPN	0.54		 Technology
<i>Source of Stock</i>				
Waddell & Reed Science & Tech A (USD)	UNSCX	0.54	03-31-12	
<b>Alliance Data Systems Corporation(USD)</b>	ADS	0.53		 Industrials
<i>Source of Stock</i>				
Waddell & Reed Science & Tech A (USD)	UNSCX	0.53	03-31-12	
<b>Starbucks Corporation(USD)</b>	SBUX	0.50		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.18	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.16	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.09	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Union Pacific Corp(USD)</b>	UNP	0.49		 Industrials
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.17	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.16	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.10	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.06	06-30-12	
<b>Under Armour, Inc. Class A(USD)</b>	UA	0.48		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Small Cap A (USD)	UNSAX	0.21	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.16	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.09	03-31-12	
Waddell & Reed New Concepts A (USD)	UNECX	0.02	03-31-12	
<b>Schlumberger NV(USD)</b>	SLB	0.47		 Energy
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.21	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.13	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.04	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
Ivy Managed Intl Opportunities A (USD)	IVTAX	0.01	03-31-12	
<b>Sands China Ltd.(HKD)</b>	01928	0.46		 Consumer Cyclical
<i>Source of Stock</i>				
Waddell & Reed Asset Strategy A (USD)	UNASX	0.45	03-31-12	
Ivy Managed Intl Opportunities A (USD)	IVTAX	0.00	03-31-12	
<b>National Oilwell Varco, Inc.(USD)</b>	NOV	0.43		 Energy
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.16	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.11	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.10	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	
<b>Mead Johnson Nutrition Company(USD)</b>	MJN	0.42		 Consumer Defensive
<i>Source of Stock</i>				
Waddell & Reed New Concepts A (USD)	UNECX	0.19	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.14	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.09	03-31-12	
<b>Samsung Electronics Co Ltd(KRW)</b>	A005930	0.42		 Technology
<i>Source of Stock</i>				
Waddell & Reed Science & Tech A (USD)	UNSCX	0.35	03-31-12	
Ivy Managed Intl Opportunities A (USD)	IVTAX	0.06	03-31-12	
MFS International Value A (USD)	MGIAX	0.01	05-31-12	
<b>Caterpillar Inc(USD)</b>	CAT	0.42		 Industrials
<i>Source of Stock</i>				
Waddell & Reed Asset Strategy A (USD)	UNASX	0.17	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.16	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.08	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>JPMorgan Chase &amp; Co(USD)</b>	JPM	0.42		 Financial Services
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.20	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.10	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.07	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.03	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
<b>Johnson &amp; Johnson(USD)</b>	JNJ	0.41		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.12	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.11	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.10	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.01	06-30-12	
<b>Halliburton Company(USD)</b>	HAL	0.41		 Energy
<i>Source of Stock</i>				
Waddell & Reed Core Investment A (USD)	UNCMX	0.17	03-31-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.10	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.09	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.05	03-31-12	

# Hypothetical Report Disclosure Statement

## General

This is an illustration of a simulated investment that assumes the portfolio holding(s) were purchased on the first day of the period indicated. Sales and tax charges, including those required in the event of transfers between assets, are taken into account at the rates shown and may be higher or lower than what an investor would have actually paid had the investments been purchased then or now. The performance data represents past performance and is not indicative of future results. Principal value and investment returns will fluctuate, and an investor's shares/units, when redeemed, may be worth more or less than the original investment.

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

The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. The investment returns of other clients of the advisor may differ materially from the investment portrayed.

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

## Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Charges and Fees section.

## When pre-inception data is presented in the report, the header at the top of the report will indicate this.

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

The investment returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns may be reduced if additional fees are incurred.

Performance for closed-end and exchange-traded funds is calculated based on the fund's end of the day market prices as reported by the New York Stock Exchange. Separate account performance is based on the mean experience of an investor in the account.

This illustration may reflect the results of systematic investments and/or

withdrawals. Systematic investment does not ensure a profit, nor does it protect the investor against a loss in a declining market. Also, systematic investing will not keep an investor from losing money if shares are sold when the market is down.

## Investment Summary Graph

The investment summary graph plots the approximate market value of the security or portfolio over the investing horizon. It may also include the total investment assumed in the illustration and/or a benchmark. Total investment includes dollar inflows and outflows, including outflows representing noted taxes and annual fees paid out of pocket. If a benchmark index is included on a graph, it assumes a similar pattern of investment/withdrawal as that of the security or portfolio. Taxes and transaction costs are also applied to the benchmark index. Note that direct investment in an index is not possible. Indexes are unmanaged portfolios representing different asset classes, with varying levels of associated risk. The benchmark index included in the graph may or may not represent an appropriate or accurate comparison with the security or portfolio illustrated.

## Standardized Returns

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

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

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

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

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

For VL subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses. For VLs, additional fees specific to a VL policy such as transfer fees and cost of insurance fees, which are based on specific characteristics of an individual, are not included. If VL fees were included in the return calculations, the performance would be significantly lower. An investor should contact a financial advisor and ask for a personalized performance illustration, either hypothetical or historical, which reflects all applicable fees and charges including the cost of insurance. Please review the prospectus and SAI for more detailed information.

## Definitions of Report Terms

*Annual Fee Paid:* Your advisor was able to specify whether annual fees, if any,

should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Average Annualized Return:* Average annualized money-weighted return (internal rate of return). In illustrations with time periods less than one year, this figure is not annualized.

*Capital Gains (Individual Report):* Percentage of the total market value of the holding that is attributable to the reinvestment of capital gains distributions.

*Charges & Fees (Investment Detail):* The sum of fees charged to the investor during the period, including front or deferred loads, VA charges, and annual fees.

*Cumulative Return:* The total money-weighted return of the investment over the entire time period of the illustration.

*Distribution/Withdrl:* The sum of distributions not reinvested, plus any cash withdrawals during the period.

*Income (Individual Report):* The percentage of the total market value of the holding that is attributable to the reinvestment of income or dividend distributions.

*Liquidate:* Indicates whether the advisor chose that the holding be liquidated on the end date.

*Median (Comparison Report):* The total money-weighted return (internal rate of return) of the median security in the illustration for the calendar year indicated.

*New investment:* Any new cash invested during the period.

*Principal (Individual Reports):* The percentage of the total market value of the holding that is attributable to new investment.

*Rebalance (Planning Assumptions):* Indicates whether rebalancing is used, and its frequency. "No" indicates no rebalancing. Options for rebalancing frequency are monthly, quarterly, semi-annually, and annually.

*Rebalance (Investment Assumptions):* Percentage of total asset allocation to be maintained in this holding through rebalancing.

*Security Return (Comparison Report):* The total money-weighted return (internal rate of return) for the holding in the calendar year indicated, taking into account cash flows, charges, and fees.

*Subsequent Invest/Withdwl:* The amount, type, and frequency of subsequent investments or withdrawals from the holding. Withdrawals are represented by a negative number. Systematic investments and withdrawals may be made monthly, quarterly, semi-annually, or annually. If "Custom", a custom schedule of investments or withdrawals was used.

*Taxes Due:* The total amount of taxes due from the investor, determined by applying specified tax rates to distributions and sale of shares during each calendar year.

*Taxes Paid:* Your advisor was able to specify whether taxes, if any, should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Net Amount Invested:* The total out-of-pocket expense for the investor. Includes

new investment, annual fees paid to advisor, and taxes due. This figure is net of withdrawals, including liquidation.

*Total Reinvest:* The sum of distributions reinvested during the period.

*Total Return %:* The total money-weighted return (internal rate of return) on investments for the period.

## Portfolio Snapshot Report Disclosure Statement

### General

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

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

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

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

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

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

### Items to Note Regarding Certain Underlying 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. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

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.

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

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, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

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

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.

## Pre-inception Returns

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

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

## Scheduled Portfolio Trailing Returns

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

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

## Scheduled Portfolio Returns-Based Performance Data

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

## Important VA Disclosure for Scheduled Portfolios

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

## Scheduled Portfolio Investment Activity Graph

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

## Unscheduled Portfolio Returns

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

### Unscheduled Portfolio Investment Activity Graph

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

### Benchmark Returns

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

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

### Standardized Returns

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

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

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

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

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

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and

the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

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

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

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

### Asset Allocation

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

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

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

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

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may

reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

### Investment Style

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

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

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

### Stock Regions

This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

### Risk and Return

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

Mean represents the annualized geometric return for the period shown.

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

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

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

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

### Portfolio Yield

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

### Fundamental Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Stock Intersection Report Disclosure Statement

Used as supplemental sales literature, the Stock Intersection report must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Stock Intersection report. Morningstar is not itself a FINRA-member firm. Information contained in the report is from the most recent information available to Morningstar.

The Stock Intersection report reviews the top 25 holdings in the portfolio to identify, at a glance, the portfolio's overall weighting in a particular security or sector. This report only displays the top 25 holdings; the investor's portfolio may hold substantially more.

Note that while the investor does not own the securities held by an open-end fund, closed-end fund, or similar investment, the holdings are relevant in reviewing the overall asset allocation and diversification. This report is not an offer or recommendation by Morningstar to purchase or liquidate any security listed.

### Percentage of Portfolio

The Percentage of Portfolio column indicates the percentage of net assets any given security (either as an individual holding or as an underlying stock) makes up as an overall position of the portfolio.

### Holding Portfolio Date

The Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. Although Morningstar tries to ensure that we receive timely information, we don't always receive current information from fund companies. By law, funds need only report this information two times during the calendar year, and they have two months after the report date to actually release the shareholder report and portfolio. Therefore, it is possible that a fund's portfolio could be up to eight months old at the time of publication.

### Sector

Morningstar breaks down all equities into the following sectors: Consumer Defensive, Healthcare, Utilities, Communication Services, Energy, Industrials, Technology, Basic Materials, Consumer Cyclical, Financial Services, and Real Estate.

## Investment Risks

**International/Emerging Market Equities:** Investing in international securities involve 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 decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

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

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

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

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

**Leveraged ETFs:** Levered 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 Fund objective). The leverage/gearing ratio is the amount of excess return that a levered 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 ETF's 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 of when investors expect to begin withdrawing their money. 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 anytime, including at the fund's target date.

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

### 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 include reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Barclays Aggregate Bond.

### 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.

### S&P 500 TR

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares S&P 500 Index.

### 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.

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## **Investment Analysis**

### **\$18M Brokerage Account - 6yr (Option 2)**

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August 22, 2012

Prepared for:

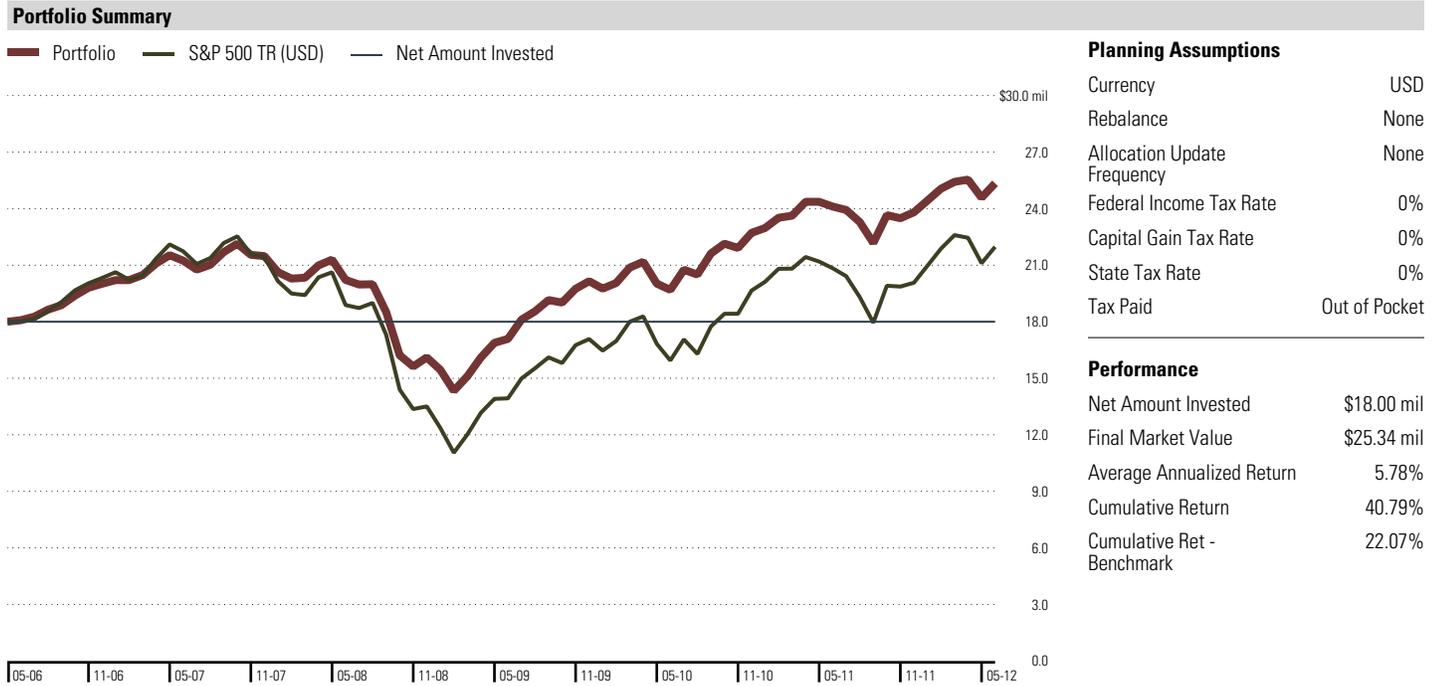
City of Troy

Prepared by:

Bryan Wieferich, CFP

# Hypothetical Portfolio Illustration

05-31-2006 to 06-30-2012



**Planning Assumptions**

Currency	USD
Rebalance	None
Allocation Update Frequency	None
Federal Income Tax Rate	0%
Capital Gain Tax Rate	0%
State Tax Rate	0%
Tax Paid	Out of Pocket

**Performance**

Net Amount Invested	\$18.00 mil
Final Market Value	\$25.34 mil
Average Annualized Return	5.78%
Cumulative Return	40.79%
Cumulative Ret - Benchmark	22.07%

**Investment Detail**

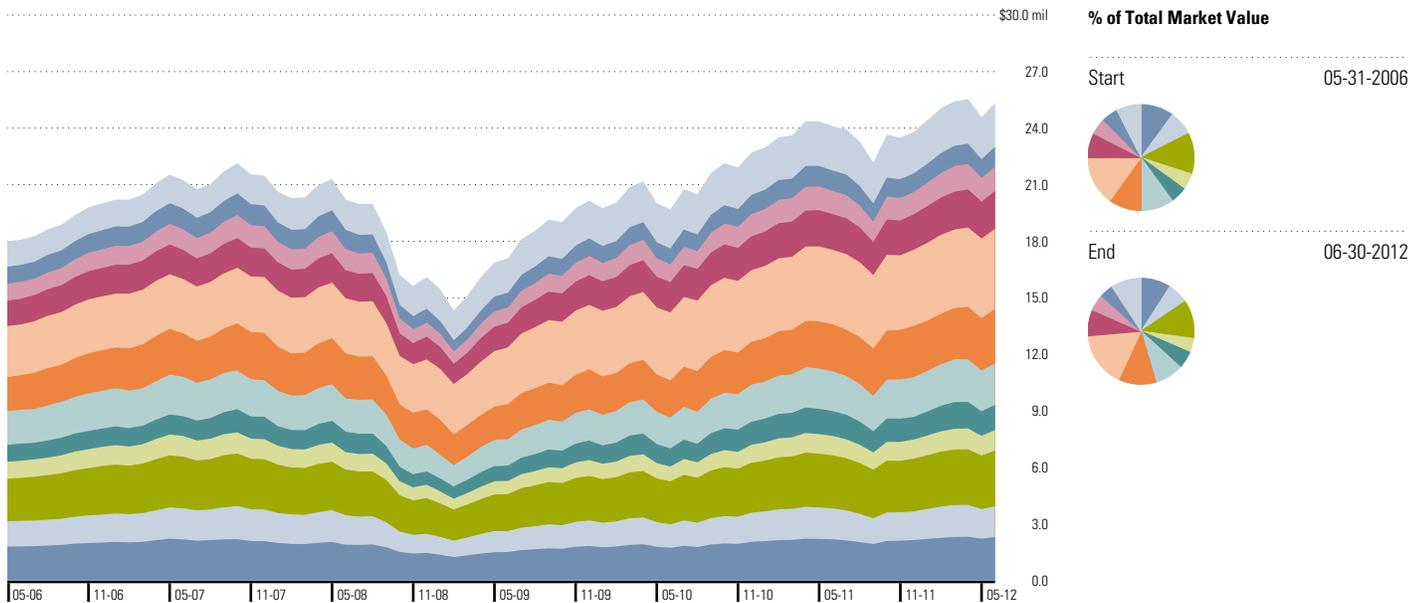
Period	Beginning Balance	New Investment	Distribution/Withdrawal	Total Reinvest	Charges & Fees	Taxes Due	Market Value	Total Return %
Totals	0	18,000,000	0	5,522,136	0	0	25,343,054	5.78
May-December 2006	0	18,000,000	0	809,995	0	0	20,013,146	11.18
January-December 2007	20,013,146	0	0	1,336,260	0	0	21,482,262	7.34
January-December 2008	21,482,262	0	0	867,345	0	0	16,105,322	-25.03
January-December 2009	16,105,322	0	0	657,149	0	0	20,150,003	25.11
January-December 2010	20,150,003	0	0	721,404	0	0	22,713,215	12.72
January-December 2011	22,713,215	0	0	798,744	0	0	23,805,581	4.81
January-June 2012	23,805,581	0	0	331,240	0	0	25,343,054	6.46

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# Hypothetical Portfolio Illustration Continued

05-31-2006 to 06-30-2012

## Security Summary



## Investment Assumptions

Investment Name	Holding Period		Initial Investment Amount	Subsequent Invest/Withdwl		Reinvest Distributions		Liqui-date	Re-balance %	Charges and Fees			Market Value End \$	
	Start	End		Amount	Freq	Income	Cap Gains			Front Load	Annual Fee%	Deferred Load Amount%		Period Years
American Funds American Mutual A (USD, AMRMX)	05-06	06-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	2.30 mil
American Funds Fundamental Investors A (USD, ANCFX)	05-06	06-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.63 mil
American Funds Inc Fund of Amer A (USD, AMECX)	05-06	06-12	2.25 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.95 mil
American Funds Washington Mutual A (USD, AWSHX)	05-06	06-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.09 mil
Franklin DynaTech A (USD, FKDNX)	05-06	06-12	900,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.34 mil
Franklin Rising Dividends A (USD, FRDPX)	05-06	06-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	2.20 mil
Franklin Utilities A (USD, FKUTX)	05-06	06-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	2.89 mil
MFS Bond A (USD, MFBFX)	05-06	06-12	2.70 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	4.25 mil
MFS Diversified Income A (USD, DIFAX)	05-06	06-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.02 mil
MFS Growth A (USD, MFEGX)	05-06	06-12	900,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.28 mil
MFS International Value A (USD, MGIAX)	05-06	06-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.05 mil
Templeton Global Bond A (USD, TPINX)	05-06	06-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.33 mil

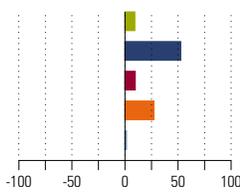
# Portfolio Snapshot

**Portfolio Value**  
\$25,343,053.79

**Benchmark**  
S&P 500 TR (USD)

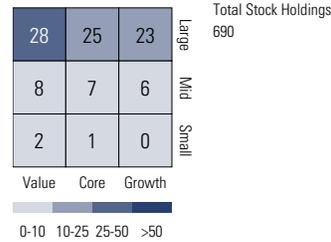
## Analysis 07-31-2012

### Asset Allocation

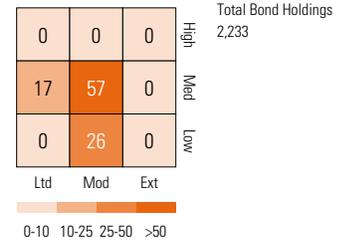


	Portfolio Net %	Portfolio Long %	Portfolio Short %	Bmark Net %
Cash	9.19	9.22	0.03	0.00
US Stocks	52.51	52.51	0.00	99.32
Non-US Stocks	9.68	9.68	0.00	0.68
Bonds	27.28	27.37	0.09	0.00
<b>Other/Not Clsfd</b>	<b>1.34</b>	<b>1.34</b>	<b>0.01</b>	<b>0.00</b>
<b>Total</b>	<b>100.00</b>	<b>100.13</b>	<b>0.13</b>	<b>100.00</b>

### Morningstar Equity Style Box %

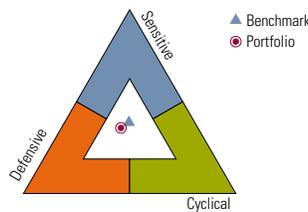


### Morningstar Fixed Income Style Box %

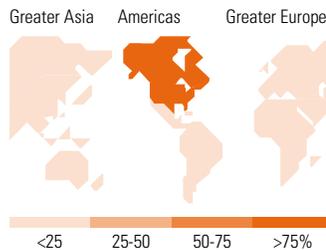


## Stock Analysis 07-31-2012

### Stock Sectors



### World Regions



% of Stocks	Portfolio %	Bmark %
<b>Cyclical</b>	<b>21.73</b>	<b>27.05</b>
Basic Mats	3.72	2.71
Consumer Cycl	8.11	9.40
Financial Svs	6.28	12.94
Real Estate	3.62	2.00
<b>Sensitive</b>	<b>38.70</b>	<b>45.48</b>
Commun Svs	5.57	4.78
Energy	8.90	11.16
Industrials	12.55	11.30
Technology	11.68	18.24
<b>Defensive</b>	<b>39.57</b>	<b>27.47</b>
Consumer Def	8.77	12.02
Healthcare	12.33	11.75
Utilities	18.47	3.70
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

% of Stocks	Portfolio %	Bmark %
<b>Greater Europe</b>	<b>10.51</b>	<b>0.79</b>
United Kingdom	5.14	0.10
Europe-Developed	5.02	0.69
Europe-Emerging	0.03	0.00
Africa/Middle East	0.32	0.00
<b>Americas</b>	<b>85.93</b>	<b>99.21</b>
North America	85.80	99.21
Latin America	0.13	0.00
<b>Greater Asia</b>	<b>3.56</b>	<b>0.00</b>
Japan	2.02	0.00
Australasia	0.48	0.00
Asia-Developed	0.74	0.00
Asia-Emerging	0.32	0.00
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

## Performance 06-30-2012

### Investment Activity Graph



### Trailing Returns

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	-0.31	5.12	14.02	3.59	—
Benchmark Return	-2.75	5.45	16.38	0.22	—
+/- Benchmark Return	2.44	-0.33	-2.36	3.37	—

### Best/Worst Time Periods

Period	Best %	Worst %
3 Months	17.76 ( Mar 2009-May 2009 )	-21.83 ( Sep 2008-Nov 2008 )
1 Year	39.92 ( Mar 2009-Feb 2010 )	-29.34 ( Mar 2008-Feb 2009 )
3 Years	20.44 ( Mar 2009-Feb 2012 )	-2.49 ( Jul 2007-Jun 2010 )

### Portfolio Yield ( 07-31-2012 )

	Yield %
12-Month Yield	3.00

### Performance Disclosure

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>.

**See Disclosure Page for Standardized Returns.**

## Holdings 07-31-2012

### Top 8 holdings out of 12

MFS Bond A (USD, MFBFX)	16.77%
American Funds Inc Fund of Amer A (USD, AMECX)	11.65%
Franklin Utilities A (USD, FKUTX)	11.38%
Templeton Global Bond A (USD, TPINX)	9.20%
American Funds American Mutual A (USD, AMRMX)	9.09%
Franklin Rising Dividends A (USD, FRDPX)	8.69%
MFS Diversified Income A (USD, DIFAX)	7.96%
American Funds Fundamental Investors A (USD, ANCFX)	6.44%

Symbol	Type	Holding Value \$	% Assets
MFBFX	MF	4,249,254	16.77
AMECX	MF	2,951,269	11.65
FKUTX	MF	2,885,036	11.38
TPINX	MF	2,332,198	9.20
AMRMX	MF	2,303,722	9.09
FRDPX	MF	2,203,077	8.69
DIFAX	MF	2,018,500	7.96
ANCFX	MF	1,631,867	6.44

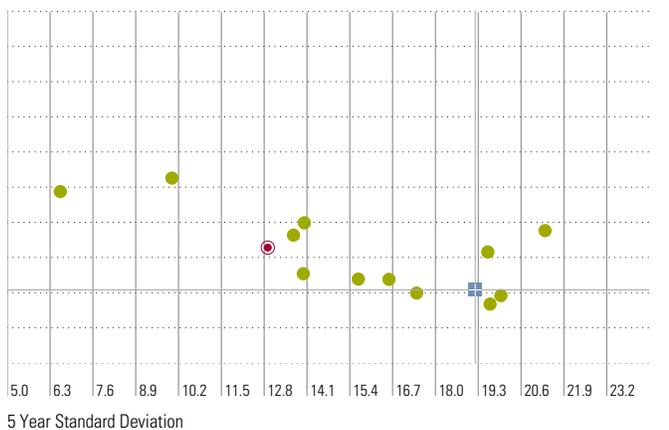
# Portfolio Snapshot

**Portfolio Value**  
\$25,343,053.79

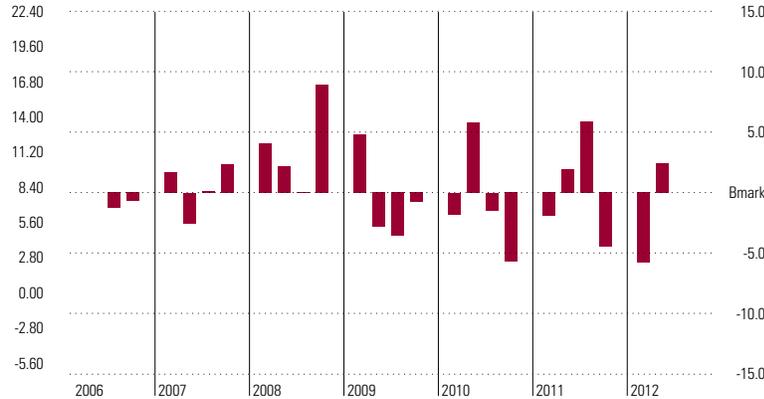
**Benchmark**  
S&P 500 TR (USD)

## Risk Analysis 06-30-2012

**Risk/Reward Scatterplot** ● Portfolio ● Holdings ■ Bmark 5 Year Mean



**Performance History Graph** ■ Portfolio Quarterly returns +/- Benchmark in %



### Risk and Return Statistics

	3 Yr		5 Yr		10 Yr	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	10.10	16.11	12.91	19.21	—	—
Mean	14.02	16.38	3.59	0.22	—	—
Sharpe Ratio	1.44	1.10	0.28	0.07	—	—

### MPT Statistics

	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	3.55	2.73	—
Beta	0.61	0.66	—
R-Squared	95.18	95.85	—

### Fundamental Analysis 07-31-2012

#### Market Maturity

	Portfolio	Bmark
% of Stocks	99.44	100.00
Developed Markets	99.44	100.00
Emerging Markets	0.56	0.00
<b>Not Available</b>	<b>0.00</b>	<b>0.00</b>

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

Portfolio	29,121.44
Benchmark	56,375.91

#### Valuation Multiples

	Portfolio	Bmark
Price/Earnings	15.69	14.72
Price/Book	2.22	2.13
Price/Sales	1.39	1.29
Price/Cash Flow	8.52	8.94

#### Credit Quality Breakdown

	% of Bonds
AAA	12.79
AA	5.34
A	16.89
BBB	39.45
BB	15.20
B	7.67
Below B	1.52
NR/NA	1.15

#### Type Weightings

% of Stocks	Portfolio	Bmark
High Yield	9.29	6.73
Distressed	0.41	0.45
Hard Asset	10.29	12.27
Cyclical	30.90	41.46
Slow Growth	19.48	11.44
Classic Growth	1.36	1.49
Aggressive Growth	19.51	21.17
Speculative Growth	1.33	3.06
<b>Not Available</b>	<b>7.44</b>	<b>1.94</b>

#### Profitability

	Portfolio	Bmark
% of Stocks	2012-07	2012-07
Net Margin	12.45	13.67
ROE	19.01	22.07
ROA	7.59	9.10
Debt/Capital	38.14	35.90

#### Interest Rate Risk

	Portfolio
Avg Eff Maturity	7.02
Avg Eff Duration (total portfolio)	4.44
Avg Wtd Coupon	5.98

#### Fund Statistics

Potential Cap Gains Exposure	12.44
Avg Net Expense Ratio	0.84
Avg Gross Expense Ratio	0.84

# Portfolio Snapshot

**Portfolio Value**

\$25,343,053.79

**Benchmark**

S&amp;P 500 TR (USD)

**Standardized and Tax Adjusted Returns**

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

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 06-30-2012**

Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
American Funds American Mutual A (USD)	—	-0.73	-0.10	4.95	11.39	02-21-1950	5.75	NA	0.62	0.62
American Funds Fundamental Investors A (USD)	—	-6.31	-1.40	6.23	11.91	08-01-1978	5.75	NA	0.63	0.63
American Funds Inc Fund of Amer A (USD)	—	-1.04	0.32	6.22	9.85	12-31-1970	5.75	NA	0.58	0.58
American Funds Washington Mutual A (USD)	—	-0.02	-1.20	4.28	11.61	07-31-1952	5.75	NA	0.62	0.62
Franklin DynaTech A (USD)	—	-4.38	3.71	7.22	8.29	01-02-1968	5.75	NA	0.97	0.97
Franklin Rising Dividends A (USD)	—	-1.75	-0.13	4.56	8.46	01-14-1987	5.75	NA	1.00 <sup>1</sup>	1.01
Franklin Utilities A (USD)	—	10.99	3.68	9.13	9.73	09-30-1948	4.25	NA	0.76	0.76
MFS Bond A (USD)	—	2.58	7.01	6.51	8.55	05-08-1974	4.75	NA	0.85	0.85
MFS Diversified Income A (USD)	—	1.32	4.54	—	5.88	05-26-2006	4.75	NA	1.10	1.10
MFS Growth A (USD)	—	-2.15	2.03	6.29	6.70	09-13-1993	5.75	NA	1.18	1.18
MFS International Value A (USD)	—	-8.01	-2.08	8.02	6.47	10-24-1995	5.75	NA	1.27	1.27
Templeton Global Bond A (USD)	—	-5.31	8.18	10.25	8.09	09-18-1986	4.25	NA	0.89 <sup>2</sup>	0.90
<b>Barclays US Agg Bond TR USD</b>	—	<b>7.47</b>	<b>6.79</b>	<b>5.63</b>	—	—	—	—	—	—
<b>Barclays US Govt/Credit 5-10 Yr TR USD</b>	—	<b>11.03</b>	<b>8.57</b>	<b>6.89</b>	—	—	—	—	—	—
<b>BofAML US HY Master II TR USD</b>	—	<b>6.49</b>	<b>8.16</b>	<b>9.94</b>	—	—	—	—	—	—
<b>Citi WGBI NonUSD USD</b>	—	<b>0.44</b>	<b>7.39</b>	<b>7.15</b>	—	—	—	—	—	—
<b>DJ Industrial Average PR USD</b>	—	<b>3.75</b>	<b>-0.80</b>	<b>3.37</b>	—	—	—	—	—	—
<b>DJ Moderate TR USD</b>	—	<b>0.68</b>	<b>2.63</b>	<b>7.11</b>	—	—	—	—	—	—
<b>DJ Utilities Average TR USD</b>	—	<b>15.78</b>	<b>3.48</b>	<b>10.04</b>	—	—	—	—	—	—
<b>Morningstar Moderate Target Risk</b>	—	<b>1.30</b>	<b>2.94</b>	<b>6.87</b>	—	—	—	—	—	—
<b>Morningstar Moderately Aggr Target Risk</b>	—	<b>-1.39</b>	<b>1.36</b>	<b>7.09</b>	—	—	—	—	—	—
<b>Morningstar Moderately Cons Target Risk</b>	—	<b>3.32</b>	<b>4.08</b>	<b>6.31</b>	—	—	—	—	—	—
<b>Morningstar SEC/Utilities TR USD</b>	—	<b>13.34</b>	<b>2.81</b>	<b>8.47</b>	—	—	—	—	—	—
<b>Morningstar US Core TR USD</b>	—	<b>6.17</b>	<b>1.97</b>	<b>6.90</b>	—	—	—	—	—	—
<b>Morningstar US Growth TR USD</b>	—	<b>5.76</b>	<b>2.36</b>	<b>5.86</b>	—	—	—	—	—	—
<b>MSCI EAFE NR USD</b>	—	<b>-13.83</b>	<b>-6.10</b>	<b>5.14</b>	—	—	—	—	—	—
<b>MSCI EAFE Value NR USD</b>	—	<b>-15.16</b>	<b>-7.66</b>	<b>5.29</b>	—	—	—	—	—	—
<b>MSCI World NR USD</b>	—	<b>-4.98</b>	<b>-2.96</b>	<b>5.18</b>	—	—	—	—	—	—

Annualized returns 06-30-2012										
Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
<b>Russell 1000 Growth TR USD</b>	—	<b>5.76</b>	<b>2.87</b>	<b>6.03</b>	—	—				
<b>Russell 1000 TR USD</b>	—	<b>4.37</b>	<b>0.39</b>	<b>5.72</b>	—	—				
<b>Russell 1000 Value TR USD</b>	—	<b>3.01</b>	<b>-2.19</b>	<b>5.28</b>	—	—				
<b>S&amp;P 500 TR</b>	—	<b>5.45</b>	<b>0.22</b>	<b>5.33</b>	—	—				
<b>USTREAS T-Bill Auction Ave 3 Mon</b>	—	<b>0.05</b>	<b>0.80</b>	<b>1.82</b>	—	—				

1. Contractual waiver that may expire at any time
2. Contractual waiver that may expire at any time

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares				
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception	
American Funds American Mutual A (USD)	-1.60	-1.21	3.85	7.83	02-21-1950	-0.51	-0.70	3.70	7.76	
American Funds Fundamental Investors A (USD)	-6.88	-2.19	5.42	9.65	08-01-1978	-4.13	-1.56	5.03	9.43	
American Funds Inc Fund of Amer A (USD)	-2.45	-1.44	4.43	6.61	12-31-1970	-0.72	-0.74	4.36	6.54	
American Funds Washington Mutual A (USD)	-0.89	-2.33	3.23	8.36	07-31-1952	-0.06	-1.59	3.15	8.26	
Franklin DynaTech A (USD)	-4.69	3.29	7.00	7.47	01-02-1968	-2.49	3.04	6.31	7.17	
Franklin Rising Dividends A (USD)	-2.16	-0.63	4.00	7.49	01-14-1987	-1.15	-0.40	3.66	7.13	
Franklin Utilities A (USD)	9.64	2.13	7.47	6.30	09-30-1948	7.07	2.26	7.02	6.19	
MFS Bond A (USD)	0.83	4.97	4.46	4.53	05-08-1974	1.63	4.76	4.34	4.51	
MFS Diversified Income A (USD)	0.10	2.84	—	4.17	05-26-2006	0.82	2.82	—	3.99	
MFS Growth A (USD)	-2.15	1.81	6.18	6.38	09-13-1993	-1.40	1.71	5.53	5.92	
MFS International Value A (USD)	-8.49	-3.12	6.96	5.53	10-24-1995	-5.24	-2.22	6.59	5.28	
Templeton Global Bond A (USD)	-7.41	5.86	8.02	5.48	09-18-1986	-3.38	5.63	7.59	5.36	

# Portfolio Snapshot

**Portfolio Value**

\$25,343,053.79

**Benchmark**

S&amp;P 500 TR (USD)

**Illustration Returns**

Total 12 holdings as of 06-30-2012	Symbol	Type	Holdings Date	% of Assets	Holding Value \$	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %
MFS Bond A (USD, MFBFX)	MFBFX	MF	06-2012	16.77	4,249,254	—	7.69	12.07	8.05	—
American Funds Inc Fund of Amer A (USD, AMECX)	AMECX	MF	06-2012	11.65	2,951,269	—	5.00	14.57	1.51	—
Franklin Utilities A (USD, FKUTX)	FKUTX	MF	06-2012	11.38	2,885,036	—	15.91	15.85	4.58	—
Templeton Global Bond A (USD, TPINX)	TPINX	MF	06-2012	9.20	2,332,198	—	-1.10	8.63	9.12	—
American Funds American Mutual A (USD, AMRMX)	AMRMX	MF	06-2012	9.09	2,303,722	—	5.33	15.00	1.08	—
Franklin Rising Dividends A (USD, FRDPX)	FRDPX	MF	06-2012	8.69	2,203,077	—	4.24	16.21	1.06	—
MFS Diversified Income A (USD, DIFAX)	DIFAX	MF	06-2012	7.96	2,018,500	—	6.37	15.82	5.56	—
American Funds Fundamental Investors A (USD, ANCFX)	ANCFX	MF	06-2012	6.44	1,631,867	—	-0.59	13.68	-0.23	—
Franklin DynaTech A (USD, FKDNX)	FKDNX	MF	06-2012	5.28	1,339,036	—	1.45	17.94	4.94	—
MFS Growth A (USD, MFEGX)	MFEGX	MF	06-2012	5.06	1,281,625	—	3.82	15.85	3.24	—
American Funds Washington Mutual A (USD, AWSHX)	AWSHX	MF	06-2012	4.32	1,094,237	—	6.08	16.40	-0.03	—
MFS International Value A (USD, MGIAX)	MGIAX	MF	06-2012	4.16	1,053,232	—	-2.40	10.72	-0.91	—

**Performance Disclosure**

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>.

**See Disclosure Page for Standardized Returns.**

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## Stock Intersection

This Stock Detail table shows how the top 25 net stock holdings are distributed across the portfolio, ranked by the percentage of portfolio net assets. The Holding Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. It is possible that a fund's portfolio could be up to eight months old at the time of publication. See disclosures for more information.

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Apple, Inc.(USD)</b>	AAPL	1.13		 Technology
<i>Source of Stock</i>				
Franklin DynaTech A (USD)	FKDNX	0.48	03-31-12	
MFS Growth A (USD)	MFEGX	0.41	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.15	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.09	06-30-12	
<b>Verizon Communications Inc(USD)</b>	VZ	1.06		 Communication Services
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.33	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.30	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.17	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.12	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.11	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.03	05-31-12	
<b>Chevron Corp(USD)</b>	CVX	1.05		 Energy
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.39	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.24	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.16	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.14	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.06	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.05	06-30-12	
<b>Home Depot, Inc.(USD)</b>	HD	0.92		 Consumer Cyclical
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.28	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.26	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.22	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.15	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>Merck &amp; Co Inc(USD)</b>	MRK	0.86		 Healthcare
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.30	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.22	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.18	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.12	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.03	05-31-12	
<b>Abbott Laboratories(USD)</b>	ABT	0.82		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.37	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.33	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.05	03-31-12	
MFS Growth A (USD)	MFEGX	0.05	05-31-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>PG&amp;E Corp(USD)</b>	PCG	0.72		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.43	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.13	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.06	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.05	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.05	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>Exelon Corp(USD)</b>	EXC	0.68		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.54	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.05	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.04	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.03	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.01	06-30-12	
<b>AT&amp;T Inc(USD)</b>	T	0.64		 Communication Services
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.22	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.18	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.10	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.09	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.04	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.00	06-30-12	
<b>Bristol-Myers Squibb Company(USD)</b>	BMJ	0.61		 Healthcare
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.32	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.11	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.11	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
<b>FirstEnergy Corp(USD)</b>	FE	0.59		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.37	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.11	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.06	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
<b>General Electric Co(USD)</b>	GE	0.58		 Industrials
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.29	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.12	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.08	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.06	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.03	05-31-12	
<b>PepsiCo Inc(USD)</b>	PEP	0.56		 Consumer Defensive
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.29	03-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>PepsiCo Inc(USD)</b>	PEP	0.56		 Consumer Defensive
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.10	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.07	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.04	06-30-12	
<b>Southern Co(USD)</b>	SO	0.56		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.51	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.04	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	
<b>Johnson &amp; Johnson(USD)</b>	JNJ	0.54		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.33	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.09	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.05	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.03	05-31-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.01	06-30-12	
<b>International Business Machines Corp(USD)</b>	IBM	0.53		 Technology
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.42	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.06	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.05	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	
<b>United Technologies Corp(USD)</b>	UTX	0.50		 Industrials
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.28	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.15	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.02	06-30-12	
<b>National Grid PLC(GBP)</b>	NG.	0.49		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.32	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.14	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.03	06-30-12	
<b>Microsoft Corporation(USD)</b>	MSFT	0.49		 Technology
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.20	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.11	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.09	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.07	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.01	03-31-12	

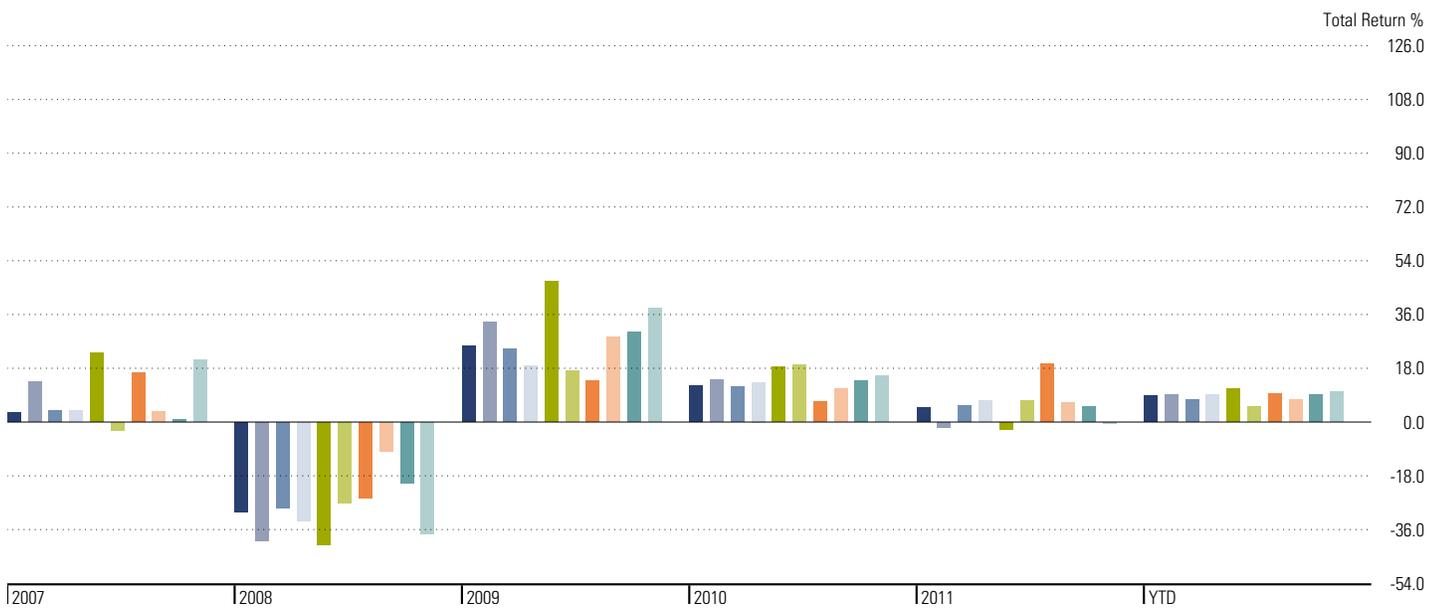
# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>American Electric Power Co Inc(USD)</b>	AEP	0.49		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.44	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.03	05-31-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
<b>Duke Energy Corporation(USD)</b>	DUK	0.48		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.29	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.10	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.07	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
<b>Dow Chemical Co(USD)</b>	DOW	0.48		 Industrials
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.18	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.11	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.10	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.09	06-30-12	
<b>Edison International(USD)</b>	EIX	0.47		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.43	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.03	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	
<b>Sempra Energy(USD)</b>	SRE	0.45		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.45	03-31-12	
<b>Dominion Resources Inc(USD)</b>	D	0.45		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.34	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.07	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.04	06-30-12	

# Total Return

01-01-2007 to 07-31-2012

Currency  
USD



Securities	2007	2008	2009	2010	2011	YTD
American Funds American Mutual A (USD, AMRMX)	3.32	-30.04	25.43	12.23	4.77	8.69
American Funds Fundamental Investors A (USD, ANCFX)	13.55	-39.70	33.36	14.05	-1.89	9.22
American Funds Inc Fund of Amer A (USD, AMECX)	3.77	-28.85	24.51	11.97	5.58	7.39
American Funds Washington Mutual A (USD, AWSHX)	3.97	-33.10	18.98	13.34	7.05	9.08
Franklin DynaTech A (USD, FKDNX)	23.08	-41.01	47.11	18.51	-2.47	11.29
Franklin Rising Dividends A (USD, FRDPX)	-2.95	-27.22	17.05	19.08	7.21	5.09
Franklin Utilities A (USD, FKUTX)	16.42	-25.60	13.82	6.85	19.44	9.35
MFS Bond A (USD, MFBFX)	3.51	-9.98	28.37	11.22	6.40	7.46
MFS Diversified Income A (USD, DIFAX)	0.79	-20.41	30.26	13.92	5.13	9.09
MFS Growth A (USD, MFEGX)	20.82	-37.61	38.19	15.65	-0.60	10.21

### Performance Disclosure

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>.

# American Funds American Mutual A (USD)

**Morningstar Analyst Rtg™** **Gold**  
03-14-2012

**Overall Morningstar Rtg™** **★★★★**  
1,086 US OE Large Value

**Standard Index**  
S&P 500 TR

**Category Index**  
Russell 1000 Value TR USD

**Morningstar Cat**  
US OE Large Value

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.15	-8.34	10.28	7.63	12.23
2011	4.88	1.57	-11.41	11.03	4.77
2012	7.41	-0.30	—	—	8.69

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.63	10.98	0.80	5.90	11.41
Std 06-30-2012	-0.73	—	-0.10	4.95	11.39
Total Return	9.95	13.20	2.00	6.53	11.51

+/- Std Index	0.82	-0.93	0.87	0.19	—
+/- Cat Index	2.31	0.01	3.06	0.11	—

% Rank Cat	15	19	11	25
No. in Cat	1224	1086	956	597

7-day Yield —

## Performance Disclosure

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

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-421-0180 or visit [www.americanfunds.com](http://www.americanfunds.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	5.75
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.26
12b1 Expense %	0.23

Gross Expense Ratio %	0.62
-----------------------	------

## Risk and Return Profile

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

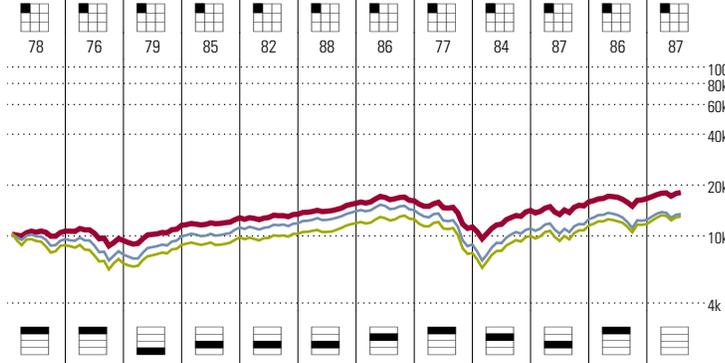
	3 Yr	5 Yr	10 Yr
Standard Deviation	12.49	15.60	12.76
Mean	13.20	2.00	6.53
Sharpe Ratio	1.05	0.16	0.42

MPT Statistics	Standard Index	Best Fit Index
Alpha	1.84	2.10
Beta	0.78	0.88
R-Squared	97.03	97.50

12-Month Yield	2.38%
30-day SEC Yield	2.22%
Potential Cap Gains Exp	16.77%

## Operations

Family:	American Funds
Manager:	Multiple
Tenure:	6.6 Years
Objective:	Growth and Income
Base Currency:	USD



**Investment Style**  
Equity  
Stock %

**Growth of \$10,000**

- American Funds American Mutual A: 18,083
- Category Average: 13,460
- Standard Index: 13,044

**Performance Quartile**  
(within category)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	24.05	20.32	24.38	26.48	26.27	29.21	28.29	19.08	23.16	25.32	25.86	27.79
Total Return %	6.67	-12.18	23.32	10.74	4.94	16.24	3.32	-30.04	25.43	12.23	4.77	8.69
+/- Standard Index	18.56	9.92	-5.37	-0.14	0.03	0.45	-2.17	6.96	-1.03	-2.84	2.66	-2.32
+/- Category Index	12.26	3.35	-6.72	-5.75	-2.11	-6.01	3.50	6.81	5.74	-3.28	4.38	-1.11
% Rank Cat	6	6	87	73	58	74	36	8	36	68	17	—
No. of Funds in Cat	892	961	1050	1220	1296	1371	1432	1433	1272	1240	1258	1270

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %	Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
Cash	7.55	7.55	0.00			129 Total Stocks, 65 Total Fixed-Income, 23% Turnover Ratio	
US Stocks	82.28	82.28	0.00				
Non-US Stocks	4.68	4.68	0.00	⊕	12 mil	Abbott Laboratories	3.64
Bonds	3.05	3.05	0.00	⊕	16 mil	Verizon Communications Inc	3.34
Other/Not Clsfd	2.43	2.43	0.00		12 mil	Home Depot, Inc.	3.05
Total	100.00	100.00	0.00	⊕	7 mil	Amgen Inc	2.49
				⊖	14 mil	AT&T Inc	2.43
				⊕	13 mil	Kraft Foods Inc	2.34
				⊕	15 mil	Microsoft Corporation	2.25
				⊕	13 mil	Dow Chemical Co	1.98
				⊕	5 mil	United Parcel Service Inc (UPS) Cl	1.81
					12 mil	Comcast Corp Class A	1.79
					5 mil	United Technologies Corp	1.67
					4 mil	Time Warner Cable Inc Class A	1.63
				⊕	3 mil	Chevron Corp	1.51
				⊕	7 mil	PG&E Corp	1.45
				⊕	9 mil	Mattel, Inc.	1.40

## Equity Style

Value	Blend	Growth	Large	Mid	Small
P/E Ratio TTM	15.5	1.05	1.23		
P/C Ratio TTM	8.0	0.90	1.05		
P/B Ratio TTM	2.3	1.07	1.43		
Geo Avg Mkt Cap \$mil	43652	0.77	0.71		

## Fixed-Income Style

Ltd	Mod	Ext	High	Mid	Low
Avg Eff Maturity	—				
Avg Eff Duration	—				
Avg Wtd Coupon	—		7.54		
Avg Wtd Price	—		111.70		

## Credit Quality Breakdown

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

## Regional Exposure

	Stock %	Rel Std Index
Americas	96.9	0.98
Greater Europe	3.1	3.86
Greater Asia	0.0	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>19.9</b>	<b>0.74</b>
Basic Materials	1.2	0.45
Consumer Cyclical	11.8	1.25
Financial Services	7.0	0.54
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>51.2</b>	<b>1.13</b>
Communication Services	11.1	2.31
Energy	8.7	0.78
Industrials	20.9	1.85
Technology	10.6	0.58
<b>Defensive</b>	<b>28.8</b>	<b>1.05</b>
Consumer Defensive	6.2	0.52
Healthcare	13.4	1.14
Utilities	9.2	2.50

# American Funds Fundamental Investors A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
**Gold** 06-27-2012 **★★★★**  
 1,530 US OE Large Blend

**Standard Index**  
S&P 500 TR

**Category Index**  
Russell 1000 TR  
USD

**Morningstar Cat**  
US OE Large Blend

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	4.32	-11.47	12.07	10.19	14.05
2011	6.60	-0.43	-16.93	11.27	-1.89
2012	11.57	-3.61	—	—	9.22

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-2.07	9.44	-0.54	7.45	11.93
Std 06-30-2012	-6.31	—	-1.40	6.23	11.91
Total Return	3.91	11.62	0.65	8.09	12.12
+/- Std Index	-5.22	-2.51	-0.48	1.75	—
+/- Cat Index	-4.05	-2.65	-0.61	1.43	—

% Rank Cat	62	54	39	5
No. in Cat	1720	1530	1328	832

7-day Yield —

**Performance Disclosure**

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

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

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-421-4225 or visit [www.americanfunds.com](http://www.americanfunds.com).

**Fees and Expenses**

**Sales Charges**

<b>Front-End Load %</b>	<b>5.75</b>
<b>Deferred Load %</b>	<b>NA</b>

**Fund Expenses**

Management Fees %	0.25
12b1 Expense %	0.23
<b>Gross Expense Ratio %</b>	<b>0.63</b>

**Risk and Return Profile**

	3 Yr	5 Yr	10 Yr
	1530 funds	1328 funds	832 funds
Morningstar Rating™	2★	3★	5★
Morningstar Risk	Avg	Avg	+Avg
Morningstar Return	-Avg	Avg	High

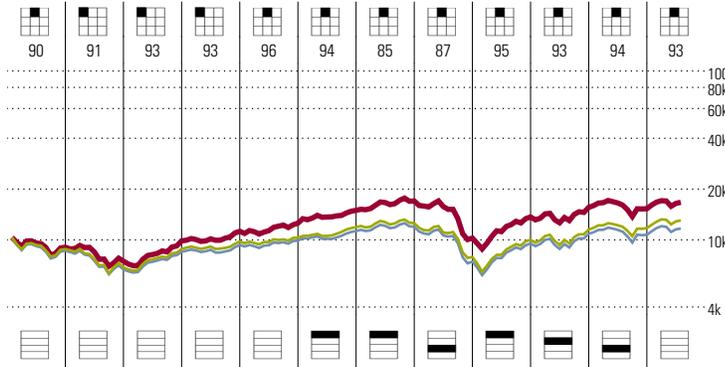
	3 Yr	5 Yr	10 Yr
Standard Deviation	16.50	19.96	16.28
Mean	11.62	0.65	8.09
Sharpe Ratio	0.74	0.10	0.45

MPT Statistics	Standard Index	Best Fit Index
	USD	Russell 1000 TR
Alpha	-2.73	-2.58
Beta	1.04	1.02
R-Squared	98.23	98.28

12-Month Yield	1.63%
30-day SEC Yield	1.54%
Potential Cap Gains Exp	15.25%

**Operations**

Family:	American Funds
Manager:	Multiple
Tenure:	28.0 Years
Objective:	Growth and Income
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	27.45	22.23	28.85	32.25	35.40	40.05	42.45	24.98	32.73	36.70	35.39	38.40
Total Return %	-9.55	-17.34	31.96	13.91	11.68	19.24	13.55	-39.70	33.36	14.05	-1.89	9.22
+/- Standard Index	2.34	4.76	3.28	3.03	6.77	3.44	8.06	-2.70	6.89	-1.01	-4.00	-1.79
+/- Category Index	2.90	4.31	2.07	2.50	5.42	3.78	7.78	-2.10	4.93	-2.05	-3.39	-1.46
% Rank Cat	—	—	—	—	—	5	7	71	17	47	60	—
No. of Funds in Cat	—	—	—	—	—	1980	2090	2086	2027	2010	1786	1781

**Investment Style**  
Equity  
Stock %

**Growth of \$10,000**  
 American Funds Fundamental Investors A: 16,702  
 Category Average: 11,668  
 Standard Index: 13,044

**Performance Quartile**  
(within category)

**History**  
 NAV/Price  
 Total Return %  
 +/- Standard Index  
 +/- Category Index  
 % Rank Cat  
 No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation %	Net %	Long %	Short %
Cash	5.21	5.21	0.00
US Stocks	71.98	71.98	0.00
Non-US Stocks	21.19	21.19	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	1.63	1.63	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	14.5	0.99	1.04
	P/C Ratio TTM	8.7	0.97	0.95
	P/B Ratio TTM	2.2	1.04	1.02
	Geo Avg Mkt Cap \$mil	39829	0.71	0.56

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
Ltd Mod Ext	—	—	—	—
			4.50	147.13

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

Regional Exposure	Stock %	Rel Std Index
Americas	81.3	0.82
Greater Europe	14.3	18.01
Greater Asia	4.4	—

Share since 03-2012	Share Amount	Holdings:	% Net Assets
		202 Total Stocks, 46 Total Fixed-Income, 28% Turnover Ratio	
⊖	31 mil	Home Depot, Inc.	3.49
	39 mil	Merck & Co Inc	3.49
⊖	2 mil	Apple, Inc.	2.37
	20 mil	Verizon Communications Inc	1.84
⊕	22 mil	Bristol-Myers Squibb Company	1.70
⊖	25 mil	Microsoft Corporation	1.65
⊕	24 mil	Dow Chemical Co	1.61
	22 mil	Wells Fargo & Co	1.57
⊕	3 mil	Amazon.com Inc	1.57
	6 mil	Union Pacific Corp	1.49
⊕	22 mil	Citigroup Inc	1.27
⊕	29 mil	General Electric Co	1.26
⊕	20 mil	Texas Instruments, Inc.	1.23
	7 mil	Lockheed Martin Corporation	1.21
⊕	20 mil	Suncor Energy Inc	1.21

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>30.6</b>	<b>1.13</b>
Basic Materials	6.8	2.51
Consumer Cyclical	12.0	1.27
Financial Services	10.8	0.84
Real Estate	1.0	0.52
<b>Sensitive</b>	<b>48.4</b>	<b>1.06</b>
Communication Services	5.5	1.16
Energy	11.8	1.06
Industrials	15.6	1.38
Technology	15.5	0.85
<b>Defensive</b>	<b>21.0</b>	<b>0.76</b>
Consumer Defensive	5.4	0.45
Healthcare	12.9	1.10
Utilities	2.7	0.73

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# American Funds Inc Fund of Amer A (USD)

Morningstar Analyst Rtg™ **Silver** 12-07-2011

Overall Morningstar Rtg™ **★★★★**  
775 US OE Moderate Allocation

Standard Index Morningstar Moderate Target Risk

Category Index Morningstar Moderately Aggr Target Risk

Morningstar Cat US OE Moderate Allocation

Performance 07-31-2012					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.01	-6.34	10.58	4.95	11.97
2011	5.01	1.09	-8.31	8.47	5.58
2012	5.34	0.22	—	—	7.39

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	2.21	10.50	1.37	7.02	9.87
Std 06-30-2012	-1.04	—	0.32	6.22	9.85
Total Return	8.45	12.70	2.58	7.65	10.03

	Std Index	Cat Index
+/- Std Index	5.29	3.02
+/- Cat Index	7.35	2.12

% Rank Cat	6	5	33	7
No. in Cat	889	775	672	377

7-day Yield	—
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**Performance Disclosure**  
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## Fees and Expenses

Sales Charges	
Front-End Load %	5.75
Deferred Load %	NA

Fund Expenses	
Management Fees %	0.25
12b1 Expense %	0.24
Gross Expense Ratio %	0.58

## Risk and Return Profile

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

	3 Yr	5 Yr	10 Yr
Standard Deviation	10.11	13.90	11.10
Mean	12.70	2.58	7.65
Sharpe Ratio	1.23	0.20	0.56

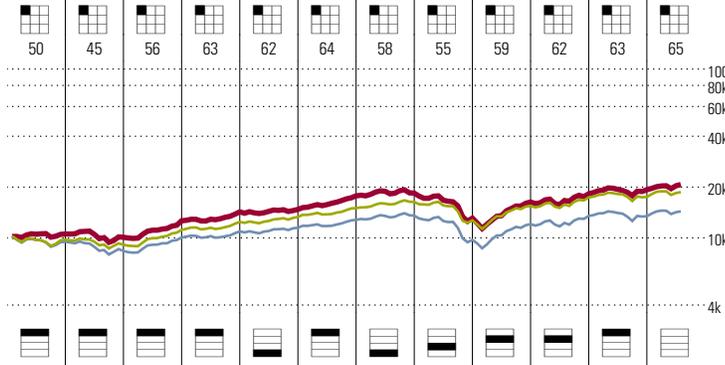
MPT Statistics	Standard Index	Best Fit Index MSCI World NR
Alpha	3.14	7.02
Beta	0.96	0.57
R-Squared	93.17	94.09

	3 Yr	5 Yr	10 Yr
12-Month Yield		3.96%	
30-day SEC Yield		3.39%	
Potential Cap Gains Exp		0.45%	

## Operations

Family:	American Funds
Manager:	Multiple
Tenure:	38.8 Years
Objective:	Growth and Income
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	15.82	14.35	17.18	18.56	18.11	20.36	19.38	13.09	15.49	16.55	16.76	17.66
Total Return %	5.41	-4.37	25.27	12.92	3.41	20.29	3.77	-28.85	24.51	11.97	5.58	7.39
+/- Standard Index	7.88	2.32	2.79	1.44	-3.63	7.34	-4.87	-6.65	2.73	-0.36	4.99	0.58
+/- Category Index	11.98	7.92	-3.88	-1.15	-5.44	4.30	-5.17	1.80	-3.05	-2.95	7.51	0.01
% Rank Cat	4	5	12	7	75	1	78	55	46	48	4	—
No. of Funds in Cat	698	757	843	925	985	1041	1103	1206	1177	1074	963	908

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %	Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
Cash	4.89	4.98	0.10			146 Total Stocks, 1,229 Total Fixed-Income, 38% Turnover Ratio	
US Stocks	48.19	48.19	0.00				
Non-US Stocks	16.76	16.76	0.00		43 mil	Verizon Communications Inc	2.83
Bonds	25.88	25.88	0.00	⊕	52 mil	Bristol-Myers Squibb Company	2.76
Other/Not Clsfd	4.28	4.28	0.00	⊕	42 mil	Merck & Co Inc	2.62
Total	100.00	100.10	0.10	⊖	79 mil	General Electric Co	2.45
				⊖	29 mil	Home Depot, Inc.	2.25
				⊖	9 mil	Chevron Corp	1.41
				⊖	18 mil	E.I. du Pont de Nemours & Company	1.37
				⊖	27 mil	Waste Management Inc	1.36
				⊕	10 mil	Lockheed Martin Corporation	1.33
				⊕	20 mil	HCP Inc	1.33
				⊕	37 mil	Pfizer Inc	1.26
				⊕	78 mil	National Grid PLC	1.23
				⊕	8 mil	Philip Morris International, Inc.	1.07
				⊕	15 mil	Eli Lilly and Company	0.96
				⊖	17 mil	Kraft Foods Inc	0.94

## Equity Style

Value	Blend	Growth	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	14.6	1.13	1.06		
P/C Ratio TTM	7.7	0.99	0.92		
P/B Ratio TTM	2.2	1.33	1.20		
Geo Avg Mkt Cap \$mil	39690	1.93	1.11		

## Fixed-Income Style

Ltd	Mod	Ext	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
			—	4.13	6.33	107.85

## Credit Quality Breakdown 12-31-2011

	Bond %
AAA	38.62
AA	4.46
A	9.88
BBB	16.17
BB	10.64
B	14.24
Below B	4.89
NR/NA	1.10

## Regional Exposure

	Stock %	Rel Std Index
Americas	77.6	1.07
Greater Europe	17.1	1.17
Greater Asia	5.3	0.41

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>25.2</b>	<b>0.71</b>
Basic Materials	5.7	0.95
Consumer Cyclical	8.1	0.81
Financial Services	5.5	0.34
Real Estate	5.9	1.65
<b>Sensitive</b>	<b>40.8</b>	<b>1.01</b>
Communication Services	10.3	2.20
Energy	11.4	1.11
Industrials	15.7	1.22
Technology	3.4	0.27
<b>Defensive</b>	<b>34.0</b>	<b>1.42</b>
Consumer Defensive	12.3	1.30
Healthcare	13.7	1.39
Utilities	7.9	1.74

# American Funds Washington Mutual A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
★ **Gold** 06-13-2012 **★★★★**  
 1,086 US OE Large Value

**Standard Index** S&P 500 TR  
**Category Index** Russell 1000 Value TR USD  
**Morningstar Cat** US OE Large Value

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.94	-10.33	12.03	8.55	13.34
2011	6.29	1.71	-11.29	11.63	7.05
2012	7.70	-0.53	—	—	9.08

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	4.58	12.38	-0.28	5.37	11.63
Std 06-30-2012	-0.02	—	-1.20	4.28	11.61
Total Return	10.96	14.62	0.91	6.00	11.74

+/- Std Index	1.83	0.49	-0.22	-0.34	—
+/- Cat Index	3.32	1.43	1.97	-0.42	—

% Rank Cat	10	9	19	42
No. in Cat	1224	1086	956	597

7-day Yield —

## Performance Disclosure

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

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## Fees and Expenses

### Sales Charges

Front-End Load %	5.75
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.24
12b1 Expense %	0.24
Gross Expense Ratio %	0.62

## Risk and Return Profile

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

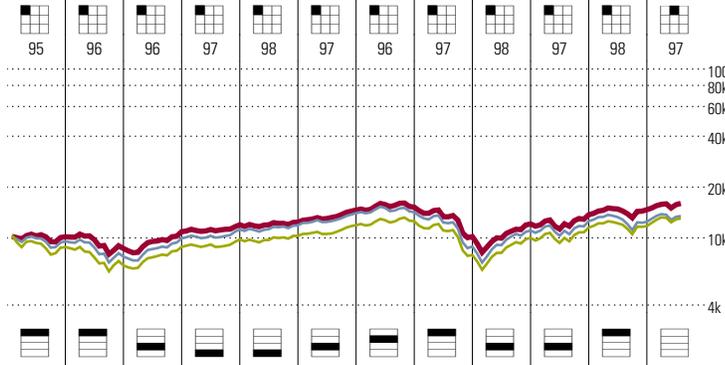
	3 Yr	5 Yr	10 Yr
Standard Deviation	13.64	17.40	14.27
Mean	14.62	0.91	6.00
Sharpe Ratio	1.07	0.10	0.36

MPT Statistics	Standard Index	Best Fit Index
Alpha	2.26	2.46
Beta	0.85	0.96
R-Squared	96.15	97.85

12-Month Yield	2.32%
30-day SEC Yield	2.20%
Potential Cap Gains Exp	20.32%

## Operations

Family:	American Funds	Base Currency:	USD
Manager:	Multiple	Ticker:	AWSHX
Tenure:	14.7 Years	Minimum Initial Purchase:	\$250
Objective:	Growth and Income	Minimum IRA Purchase:	\$250



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	28.25	23.51	28.78	30.78	30.84	34.86	33.63	21.41	24.64	27.21	28.40	30.64
Total Return %	1.51	-14.85	25.83	9.92	3.55	18.04	3.97	-33.10	18.98	13.34	7.05	9.08
+/- Standard Index	13.40	7.25	-2.86	-0.97	-1.36	2.25	-1.52	3.90	-7.48	-1.72	4.94	-1.92
+/- Category Index	7.10	0.67	-4.20	-6.58	-3.50	-4.20	4.14	3.75	-0.71	-2.16	6.66	-0.72
% Rank Cat	17	20	69	81	77	53	30	18	73	50	8	—
No. of Funds in Cat	892	961	1050	1220	1296	1371	1432	1433	1272	1240	1258	1270

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %	Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
Cash	1.66	1.66	0.00			102 Total Stocks, 23 Total Fixed-Income, 22% Turnover Ratio	
US Stocks	89.62	89.62	0.00				
Non-US Stocks	7.18	7.18	0.00	⊖	28 mil	Chevron Corp	5.65
Bonds	0.09	0.09	0.00		53 mil	Merck & Co Inc	4.21
Other/Not Clsfd	1.44	1.44	0.00	⊖	46 mil	Verizon Communications Inc	3.89
Total	100.00	100.00	0.00	⊖	27 mil	Royal Dutch Shell PLC ADR Class B	3.57
				⊖	34 mil	Home Depot, Inc.	3.37
				⊕	52 mil	Wells Fargo & Co	3.26
				✳	22 mil	Boeing Co	3.13
				⊕	13 mil	Union Pacific Corp	2.99
				⊖	35 mil	AT&T Inc	2.39
				⊖	22 mil	American Express Co	2.37
				⊖	17 mil	Johnson & Johnson	2.20
				⊖	36 mil	Microsoft Corporation	2.11
				⊖	2 mil	Apple, Inc.	2.08
				⊕	14 mil	Coca-Cola Co	2.06
				⊕	33 mil	Dow Chemical Co	1.99

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	13.7	0.93	1.09
	P/C Ratio TTM	8.3	0.93	1.09
	P/B Ratio TTM	2.3	1.10	1.48
	Geo Avg Mkt Cap \$mil	66982	1.19	1.09

Fixed-Income Style	Avg Eff Maturity	Avg Eff Duration	Avg Wtd Coupon	Avg Wtd Price
Ltd Mod Ext	—	—	—	99.99
High Mod Low	—	—	—	—

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

Regional Exposure	Stock %	Rel Std Index
Americas	93.5	0.94
Greater Europe	6.5	8.16
Greater Asia	0.0	—

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>21.6</b>	<b>0.80</b>
Basic Materials	1.7	0.62
Consumer Cyclical	9.4	1.00
Financial Services	10.6	0.82
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>50.8</b>	<b>1.12</b>
Communication Services	6.7	1.41
Energy	13.0	1.17
Industrials	22.9	2.03
Technology	8.1	0.45
<b>Defensive</b>	<b>27.5</b>	<b>1.00</b>
Consumer Defensive	8.4	0.70
Healthcare	12.8	1.09
Utilities	6.3	1.70

# Franklin DynaTech A (USD)

**Overall Morningstar Rtg™**  
 ★★ ★★  
 1,526 US OE Large Growth

**Standard Index**  
 S&P 500 TR

**Category Index**  
 Russell 1000  
 Growth TR USD

**Morningstar Cat**  
 US OE Large Growth

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	4.36	-11.30	15.28	11.05	18.51
2011	6.13	1.44	-14.81	6.35	-2.47
2012	18.69	-5.65	—	—	11.29

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-3.88	12.62	3.51	7.73	8.26
Std 06-30-2012	-4.38	—	3.71	7.22	8.29
Total Return	1.98	14.87	4.74	8.37	8.40

+/- Std Index	-7.15	0.74	3.61	2.03	—
+/- Cat Index	-6.28	-0.49	1.28	1.60	—

% Rank Cat	60	16	7	11
No. in Cat	1688	1526	1296	860

7-day Yield —

## Performance Disclosure

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## Fees and Expenses

### Sales Charges

Front-End Load %	5.75
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.48
12b1 Expense %	0.25
Gross Expense Ratio %	0.97

## Risk and Return Profile

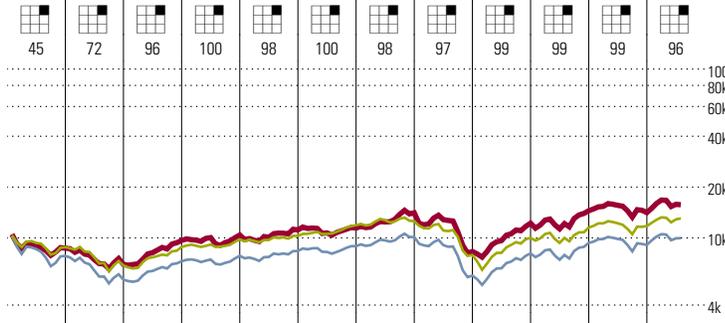
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	4★
Morningstar Risk	Avg	+Avg	+Avg
Morningstar Return	Avg	+Avg	+Avg
Standard Deviation	17.92	21.34	17.53
Mean	14.87	4.74	8.37
Sharpe Ratio	0.86	0.29	0.45

MPT Statistics	Standard Index	Best Fit Index
Alpha	-0.28	-0.82
Beta	1.09	0.99
R-Squared	91.06	96.75

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	37.96%

## Operations

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	44.6 Years
Objective:	Specialty - Technology
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	20.38	16.33	22.64	24.38	26.13	26.82	32.29	17.30	25.45	30.16	28.79	32.04
Total Return %	-13.11	-19.87	38.64	7.69	7.18	2.64	23.08	-41.01	47.11	18.51	-2.47	11.29
+/- Standard Index	-1.23	2.23	9.96	-3.20	2.27	-13.15	17.58	-4.01	20.65	3.44	-4.58	0.28
+/- Category Index	7.31	8.01	8.89	1.39	1.91	-6.43	11.26	-2.57	9.90	1.80	-5.11	-0.26
% Rank Cat	15	9	8	50	42	84	9	54	11	24	54	—
No. of Funds in Cat	1064	1234	1311	1400	1495	1642	1748	1809	1796	1718	1683	1734

**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**  
 Franklin DynaTech A: 15,709  
 Category Average: 9,977  
 Standard Index: 13,044

**Performance Quartile**  
 (within category)

**History**  
 NAV/Price  
 Total Return %  
 +/- Standard Index  
 +/- Category Index  
 % Rank Cat  
 No. of Funds in Cat

## Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %
Cash	4.28	4.28	0.00
US Stocks	84.67	84.67	0.00
Non-US Stocks	11.05	11.05	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style	Value	Blend	Growth
P/E Ratio TTM	23.9	1.62	1.42
P/C Ratio TTM	16.1	1.80	1.34
P/B Ratio TTM	4.7	2.19	1.44
Geo Avg Mkt Cap \$mil	25131	0.45	0.51

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

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

Regional Exposure	Stock %	Rel Std Index
Americas	89.4	0.90
Greater Europe	6.6	8.32
Greater Asia	4.0	—

## Top Holdings 03-31-2012

Share Chg since 03-2012	Share Amount	Holdings:	% Net Assets
		106 Total Stocks, 0 Total Fixed-Income, 30% Turnover Ratio	
⊖	178,000	Apple, Inc.	9.00
	50,000	Google, Inc. Class A	2.70
	400,000	Cerner Corporation	2.57
	600,000	FMC Technologies, Inc.	2.55
	1 mil	Intel Corp	2.37
	65,000	MasterCard Incorporated Class A	2.31
	225,000	Visa, Inc.	2.24
	900,000	ARM Holdings PLC ADR	2.15
	165,000	Baidu, Inc. ADR	2.03
	115,000	Amazon.com Inc	1.96
	30,000	Priceline.com, Inc.	1.82
	300,000	Schlumberger NV	1.77
	250,000	Celgene Corporation	1.63
	125,000	Salesforce.com, Inc.	1.63
	200,000	Allergan, Inc.	1.61

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>14.2</b>	<b>0.52</b>
Basic Materials	2.5	0.92
Consumer Cyclical	6.4	0.69
Financial Services	5.2	0.41
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>63.3</b>	<b>1.39</b>
Communication Services	3.2	0.67
Energy	7.5	0.67
Industrials	7.4	0.65
Technology	45.2	2.48
<b>Defensive</b>	<b>22.5</b>	<b>0.82</b>
Consumer Defensive	0.9	0.07
Healthcare	21.7	1.84
Utilities	0.0	0.00

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# Franklin Rising Dividends A (USD)

**Morningstar Analyst Rtg™**  
**Bronze** 07-03-2012

**Overall Morningstar Rtg™**  
 ★★★  
 1,530 US OE Large Blend

**Standard Index**  
 S&P 500 TR

**Category Index**  
 Russell 1000 TR  
 USD

**Morningstar Cat**  
 US OE Large Blend

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	6.88	-7.27	11.79	7.48	19.08
2011	3.99	3.19	-10.92	12.16	7.21
2012	7.33	-2.78	—	—	5.09

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	1.81	11.81	0.76	5.33	8.46
Std 06-30-2012	-1.75	—	-0.13	4.56	8.46
Total Return	8.02	14.03	1.96	5.96	8.71

+/- Std Index	-1.11	-0.09	0.83	-0.38	—
+/- Cat Index	0.07	-0.23	0.71	-0.70	—

% Rank Cat	25	13	11	40
No. in Cat	1720	1530	1328	832

7-day Yield —

**Performance Disclosure**

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

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

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

**Fees and Expenses**

**Sales Charges**

Front-End Load %	5.75
Deferred Load %	NA

**Fund Expenses**

Management Fees %	0.55
12b1 Expense %	0.25

Gross Expense Ratio %	1.01
-----------------------	------

**Risk and Return Profile**

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	3★
Morningstar Risk	Low	Low	Low
Morningstar Return	Avg	Avg	Avg

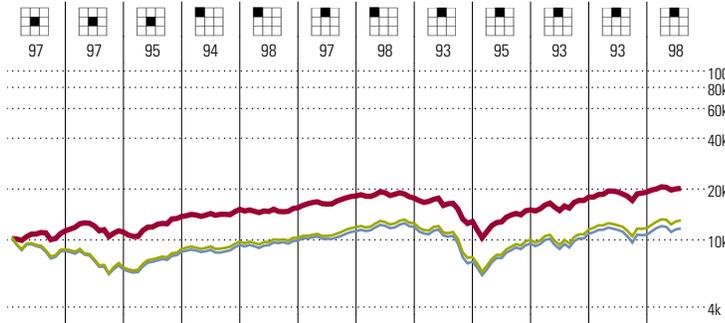
	3 Yr	5 Yr	10 Yr
Standard Deviation	12.40	16.50	13.52
Mean	14.03	1.96	5.96
Sharpe Ratio	1.12	0.16	0.36

MPT Statistics	Standard Index	Best Fit Index Morningstar US Core TR USD
Alpha	2.88	2.51
Beta	0.76	0.76
R-Squared	93.14	93.38

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	16.01%

**Operations**

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	25.6 Years
Objective:	Equity-Income
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
------	------	------	------	------	------	------	------	------	------	------	------	-------

NAV/Price	24.78	24.14	29.66	32.16	32.38	35.87	33.70	23.95	27.91	32.85	34.80	36.57
Total Return %	13.11	-1.76	23.70	10.28	2.32	17.36	-2.95	-27.22	17.05	19.08	7.21	5.09
+/- Standard Index	24.99	20.34	-4.98	-0.60	-2.59	1.56	-8.44	9.78	-9.42	4.01	5.09	-5.92
+/- Category Index	25.56	19.89	-6.19	-1.12	-3.95	1.89	-8.72	10.38	-11.38	2.98	5.71	-5.59
% Rank Cat	—	—	—	—	—	8	96	3	95	7	3	—
No. of Funds in Cat	—	—	—	—	—	1980	2090	2086	2027	2010	1786	1781

**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**

- Franklin Rising Dividends A: 20,189
- Category Average: 11,668
- Standard Index: 13,044

**Performance Quartile**  
 (within category)

**History**

- NAV/Price
- Total Return %
- +/- Standard Index
- +/- Category Index
- % Rank Cat
- No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation %	Net %	Long %	Short %
Cash	2.23	2.23	0.00
US Stocks	97.77	97.77	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	14.9	1.02	1.07
	P/C Ratio TTM	10.2	1.14	1.12
	P/B Ratio TTM	2.6	1.23	1.21
	Geo Avg Mkt Cap \$mil	32991	0.59	0.46

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

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

Regional Exposure	Stock %	Rel Std Index
Americas	100.0	1.01
Greater Europe	0.0	0.00
Greater Asia	0.0	—

**Top Holdings 03-31-2012**

Share since 03-2012	Share Amount	Holdings:	% Net Assets
		55 Total Stocks, 0 Total Fixed-Income, 4% Turnover Ratio	
⊕	2 mil	International Business Machines Co	4.79
⊕	3 mil	Chevron Corp	4.48
⊕	5 mil	Abbott Laboratories	4.22
⊕	4 mil	Johnson & Johnson	3.81
⊕	5 mil	Wal-Mart Stores Inc	3.74
⊕	4 mil	Procter & Gamble Co	3.66
⊕	3 mil	Air Products & Chemicals Inc	3.65
⊕	3 mil	Becton Dickinson & Co	3.46
⊕	4 mil	PepsiCo Inc	3.34
⊕	2 mil	Roper Industries, Inc.	3.27
⊕	3 mil	United Technologies Corp	3.19
⊕	4 mil	Albemarle Corp	3.19
⊕	6 mil	Medtronic, Inc.	3.18
⊕	4 mil	Family Dollar Stores, Inc.	3.02
⊕	4 mil	Stryker Corporation	2.90

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>23.8</b>	<b>0.88</b>
Basic Materials	9.0	3.31
Consumer Cyclical	10.8	1.15
Financial Services	4.1	0.32
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>33.6</b>	<b>0.74</b>
Communication Services	0.0	0.00
Energy	9.6	0.86
Industrials	15.9	1.41
Technology	8.1	0.44
<b>Defensive</b>	<b>42.6</b>	<b>1.55</b>
Consumer Defensive	19.8	1.65
Healthcare	22.8	1.94
Utilities	0.0	0.00

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# Franklin Utilities A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
**Gold** 05-29-2012 **★★★**  
 75 US OE Utilities

**Standard Index** **Category Index** **Morningstar Cat**  
 MSCI World NR DJ Utilities US OE Utilities  
 USD Average TR USD

Performance 07-31-2012					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	-2.50	-4.62	12.21	2.40	6.85
2011	3.76	5.49	0.36	8.72	19.44
2012	0.31	5.90	—	—	9.35

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	15.91	13.77	5.06	10.44	9.77
Std 06-30-2012	10.99	—	3.68	9.13	9.73
Total Return	21.06	15.42	5.97	10.92	9.84

	2010	2011	2012	
+/- Std Index	23.04	6.96	8.24	4.67
+/- Cat Index	2.05	0.50	1.21	-0.96

% Rank Cat	4	13	3	48
No. in Cat	79	75	73	51

7-day Yield —

**Performance Disclosure**  
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 Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

**Fees and Expenses**

Sales Charges	
Front-End Load %	4.25
Deferred Load %	NA

Fund Expenses	
Management Fees %	0.46
12b1 Expense %	0.15
Gross Expense Ratio %	0.76

**Risk and Return Profile**

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	3★
Morningstar Risk	Low	-Avg	Low
Morningstar Return	Avg	+Avg	Avg

	3 Yr	5 Yr	10 Yr
Standard Deviation	9.44	13.61	12.06
Mean	15.42	5.97	10.92
Sharpe Ratio	1.57	0.44	0.78

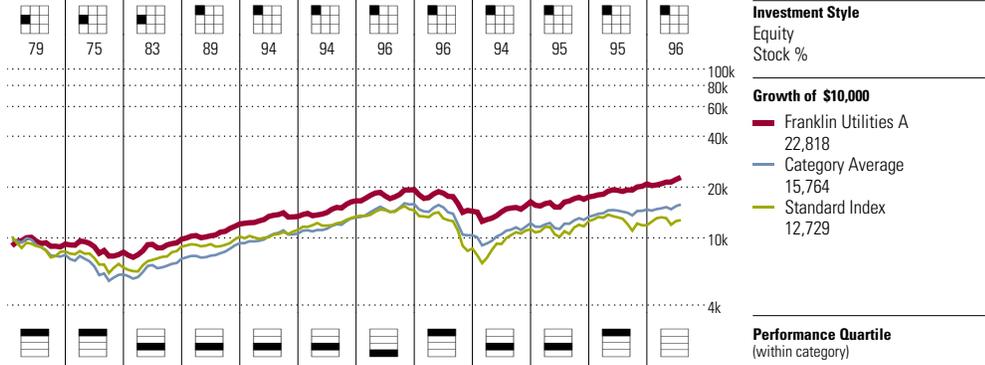
MPT Statistics	Standard Index	Best Fit Index Morningstar
Alpha	11.61	1.71
Beta	0.33	0.96
R-Squared	36.99	97.17

	3 Yr	5 Yr	10 Yr
12-Month Yield	—	—	3.15%
30-day SEC Yield	—	—	3.21%
Potential Cap Gains Exp	—	—	31.73%

**Operations**

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	13.7 Years
Objective:	Specialty - Utility
Base Currency:	USD



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	9.73	8.28	9.41	11.09	11.77	13.66	14.74	10.52	11.29	11.60	13.37	14.38
Total Return %	-8.09	-10.48	19.30	23.14	10.74	23.89	16.42	-25.60	13.82	6.85	19.44	9.35
+/- Standard Index	8.74	9.41	-13.81	8.42	1.26	3.82	7.39	15.11	-16.16	-4.92	24.98	2.07
+/- Category Index	18.18	12.91	-10.09	-7.10	-14.39	7.26	-3.69	2.24	1.35	0.39	-0.26	1.08
% Rank Cat	2	2	67	52	63	69	86	6	64	56	6	—
No. of Funds in Cat	96	102	93	96	109	115	113	98	103	89	75	79

**Portfolio Analysis 06-30-2012**

Asset Allocation %	Net %	Long %	Short %
Cash	2.57	2.57	0.00
US Stocks	89.56	89.56	0.00
Non-US Stocks	6.08	6.08	0.00
Bonds	1.79	1.79	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

**Equity Style**

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

**Portfolio Statistics**

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	15.6	1.22	0.99
P/C Ratio TTM	6.3	0.82	1.13
P/B Ratio TTM	1.7	1.00	0.98
Geo Avg Mkt Cap \$mil	13479	0.35	0.87

**Fixed-Income Style**

Ltd	Mod	Ext
High	—	—
Mid	—	—
Low	—	—

**Credit Quality Breakdown**

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

**Regional Exposure**

	Stock %	Rel Std Index
Americas	94.7	—
Greater Europe	5.4	—
Greater Asia	0.0	—

**Top Holdings 03-31-2012**

Share since 03-2012	Share Amount	Holdings:	% Net Assets
—	—	51 Total Stocks, 4 Total Fixed-Income, 5% Turnover Ratio	—
+	5 mil	Exelon Corp	4.77
+	4 mil	Southern Co	4.46
+	3 mil	Sempra Energy	3.97
+	3 mil	NextEra Energy Inc	3.89
+	4 mil	American Electric Power Co Inc	3.83
+	4 mil	Edison International	3.79
+	3 mil	PG&E Corp	3.76
+	3 mil	FirstEnergy Corp	3.25
+	2 mil	Dominion Resources Inc	3.00
+	4 mil	Public Service Enterprise Group Inc	2.96
+	4 mil	PPL Corp	2.88
+	11 mil	National Grid PLC	2.83
+	5 mil	Duke Energy Corporation	2.57
+	2 mil	Entergy Corp	2.57
+	4 mil	Xcel Energy Inc	2.56

**Sector Weightings**

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>1.7</b>	—
Basic Materials	1.7	—
Consumer Cyclical	0.0	—
Financial Services	0.0	—
Real Estate	0.0	—
<b>Sensitive</b>	<b>10.1</b>	—
Communication Services	2.8	—
Energy	7.3	—
Industrials	0.0	—
Technology	0.0	—
<b>Defensive</b>	<b>88.3</b>	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	88.3	—

Ticker:	FKUTX	Incept:	09-30-1948
Minimum Initial Purchase:	\$1,000	Type:	MF
Min Auto Investment Plan:	\$50	Total Assets:	\$4,362.55 mil
Minimum IRA Purchase:	\$250		
Purchase Constraints:	—		

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# MFS Bond A (USD)

**Overall Morningstar Rtg™**  
★★★★

1,024 US OE Intermediate-Term Bond

**Standard Index**

Barclays US Agg Bond TR USD

**Category Index**

Barclays US Govt/Credit 5-10 Yr TR USD

**Morningstar Cat**

US OE Intermediate-Term Bond

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	3.81	1.59	5.51	-0.04	11.22
2011	1.99	1.82	-0.81	3.29	6.40
2012	2.96	2.09	—	—	7.46

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.10	9.36	7.54	6.74	8.59
Std 06-30-2012	2.58	—	7.01	6.51	8.55
Total Return	8.24	11.15	8.59	7.26	8.73

+/- Std Index	0.99	4.30	1.69	1.61	—
+/- Cat Index	-1.87	1.44	-0.13	0.30	—

% Rank Cat	17	5	8	5
No. in Cat	1184	1024	882	613

7-day Yield —

**Performance Disclosure**

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-343-2829 or visit www.mfs.com.

**Fees and Expenses**

**Sales Charges**

**Front-End Load %** 4.75

**Deferred Load %** NA

**Fund Expenses**

Management Fees % 0.39

12b1 Expense % 0.25

**Gross Expense Ratio %** 0.85

**Risk and Return Profile**

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

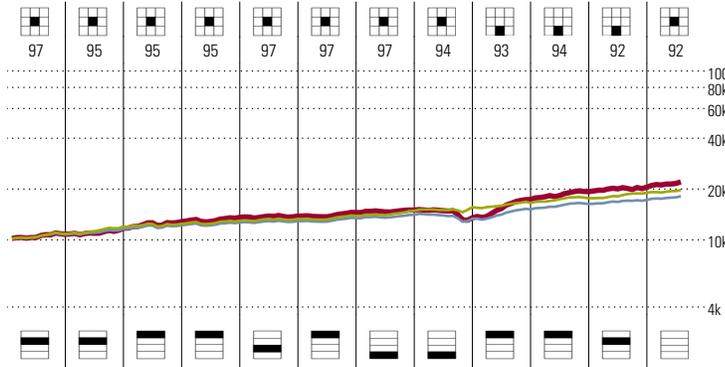
	3 Yr	5 Yr	10 Yr
Standard Deviation	4.28	6.63	5.58
Mean	11.15	8.59	7.26
Sharpe Ratio	2.48	1.16	0.95

MPT Statistics	Standard Index	Best Fit Index
		BofA/ML US HY Master II TR USD
Alpha	6.14	4.26
Beta	0.68	0.46
R-Squared	18.56	69.63

12-Month Yield	4.68%
30-day SEC Yield	2.70%
Potential Cap Gains Exp	4.31%

**Operations**

Family:	MFS	Ticker:	MFBFX
Manager:	Multiple	Minimum Initial Purchase:	\$1,000
Tenure:	6.8 Years	Min Auto Investment Plan:	\$0
Objective:	Corporate Bond - General	Minimum IRA Purchase:	\$250
Base Currency:	USD	Purchase Constraints:	—



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	12.39	12.65	13.10	13.16	12.69	12.62	12.37	10.51	12.73	13.39	13.50	14.13	NAV/Price
Total Return %	7.78	8.64	9.46	6.07	1.71	4.93	3.51	-9.98	28.37	11.22	6.40	7.46	Total Return %
+/- Standard Index	-0.67	-1.61	5.36	1.73	-0.72	0.59	-3.46	-15.22	22.44	4.68	-1.44	3.68	+/- Standard Index
+/- Category Index	-1.04	-4.39	3.49	0.77	-0.12	1.12	-4.05	-15.03	21.86	1.80	-4.39	1.63	+/- Category Index
% Rank Cat	45	45	9	4	56	16	82	75	4	6	47	—	% Rank Cat
No. of Funds in Cat	706	784	952	1035	1043	1092	1097	1135	1123	1164	1195	1210	No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation % 05-31-2012	Net %	Long %	Short %
Cash	8.89	8.89	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	90.56	90.56	0.00
Other/Not Clsfd	0.55	0.58	0.03
Total	100.00	100.03	0.03

**Equity Style**

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

**Portfolio Statistics**

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	—	—	—

**Fixed-Income Style**

	Ltd	Mod	Ext	High	Mid	Low
Avg Eff Maturity	—	—	—	—	—	8.13
Avg Eff Duration	—	—	—	—	—	5.32
Avg Wtd Coupon	—	—	—	—	—	5.78
Avg Wtd Price	—	—	—	—	—	109.95

**Credit Quality Breakdown 06-30-2012**

	Bond %
AAA	1.73
AA	7.11
A	13.85
BBB	56.51
BB	18.38
B	3.99
Below B	0.22
NR/NA	-1.79

**Regional Exposure**

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

**Top Holdings 05-31-2012**

Share since 05-2012	Share Amount	Holdings:	% Net Assets
0	0	Total Stocks, 331 Total Fixed-Income, 47% Turnover Ratio	—
25 mil	25 mil	Crown Americas Llc/Cap Corp Ii 7.6	1.12
19 mil	19 mil	B E Aerospace 8.5%	0.88
18 mil	18 mil	Phillips Van Heusen 7.375%	0.84
18 mil	18 mil	Mylan 144A 7.625%	0.82
15 mil	15 mil	Lorillard Tob 8.125%	0.81
17 mil	17 mil	Cch Ii Llc / Cch Ii Cap 13.5%	0.80
18 mil	18 mil	Wyndham Worldwide 4.25%	0.79
15 mil	15 mil	Life Tech 6%	0.78
16 mil	16 mil	Ashland Inc New 9.125%	0.77
15 mil	15 mil	Owens Corning New 6.5%	0.72
15 mil	15 mil	E Trade Finl 12.5%	0.71
16 mil	16 mil	Gap Inc Del 5.95%	0.70
14 mil	14 mil	Vale Overseas 5.625%	0.68
15 mil	15 mil	Erp Oper Ltd Partnership 4.625%	0.68
14 mil	14 mil	Constellation Brands 7.25%	0.67

**Sector Weightings**

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

# MFS Diversified Income A (USD)

**Overall Morningstar Rtg™**  
**★★★★**  
 574 US OE Conservative Allocation

**Standard Index**  
 Morningstar  
 Moderate Target Risk

**Category Index**  
 Morningstar  
 Moderately Cons Target Risk

**Morningstar Cat**  
 US OE Conservative Allocation

Performance 07-31-2012					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	4.88	-2.58	7.48	3.73	13.92
2011	4.02	1.73	-7.65	7.58	5.13
2012	6.55	0.48	—	—	9.09
Trailing Returns					
	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.03	12.29	5.65	—	6.12
Std 06-30-2012	1.32	—	4.54	—	5.88
Total Return	8.17	14.13	6.68	—	6.96
+/- Std Index	5.01	4.45	3.26	—	—
+/- Cat Index	3.71	5.73	2.25	—	—
% Rank Cat					
	7	2	3	—	—
No. in Cat					
	656	574	486	—	—
7-day Yield					
	—	—	—	—	—

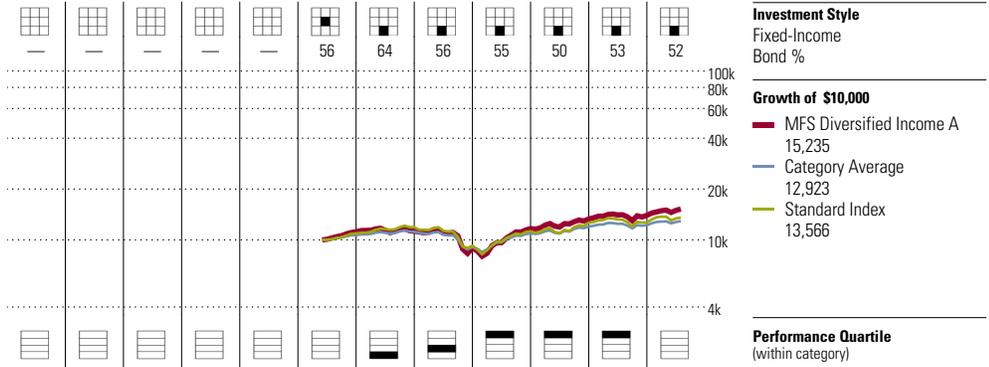
**Performance Disclosure**  
 The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.  
 The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.  
 Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-343-2829 or visit www.mfs.com.

Fees and Expenses	
<b>Sales Charges</b>	
<b>Front-End Load %</b>	<b>4.75</b>
<b>Deferred Load %</b>	<b>NA</b>
<b>Fund Expenses</b>	
Management Fees %	0.65
12b1 Expense %	0.25
<b>Gross Expense Ratio %</b>	<b>1.10</b>

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

	3 Yr	5 Yr	10 Yr
Standard Deviation	8.90	13.92	—
Mean	14.13	6.68	—
Sharpe Ratio	1.53	0.48	—

MPT Statistics	Standard Index	Best Fit Index
		DJ Moderate TR USD
Alpha	5.61	5.40
Beta	0.82	0.84
R-Squared	88.81	90.17
12-Month Yield		3.28%
30-day SEC Yield		2.53%
Potential Cap Gains Exp		3.95%



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	—	—	—	—	—	10.82	10.33	7.78	9.59	10.45	10.60	11.34	NAV/Price
Total Return %	—	—	—	—	—	—	0.79	-20.41	30.26	13.92	5.13	9.09	Total Return %
+/- Standard Index	—	—	—	—	—	—	-7.84	1.78	8.49	1.58	4.54	2.27	+/- Standard Index
+/- Category Index	—	—	—	—	—	—	-7.22	-7.35	14.95	4.26	2.54	3.03	+/- Category Index
% Rank Cat	—	—	—	—	—	—	93	58	10	5	7	—	% Rank Cat
No. of Funds in Cat	—	—	—	—	—	—	609	679	628	656	618	681	No. of Funds in Cat

Portfolio Analysis 06-30-2012				Top Holdings 05-31-2012			
<b>Asset Allocation % 05-31-2012</b>	Net %	Long %	Short %	Share Chg since 05-2012	Share Amount	Holdings:	% Net Assets
Cash	7.43	7.43	0.00			127 Total Stocks, 788 Total Fixed-Income, 64% Turnover Ratio	
US Stocks	38.07	38.07	0.00			Simon Property Group Inc	2.45
Non-US Stocks	1.23	1.23	0.00	⊖	151,111	US Treasury Note 1.875%	2.20
Bonds	51.84	51.84	0.00		19 mil	US Treasury Note 2.125%	1.64
Other/Not Clsfd	1.43	1.44	0.01		14 mil	Public Storage	1.46
Total	100.00	100.01	0.01		99,412	US Treasury Note 3.5%	1.19

Equity Style			Portfolio Statistics		
Value	Blend	Growth	Port Avg	Rel Index	Rel Cat
Large	Med	Small	P/E Ratio TTM	18.1	1.40
			P/C Ratio TTM	—	—
			P/B Ratio TTM	1.8	1.09
			Geo Avg Mkt Cap \$mil	15381	0.75

Fixed-Income Style			Credit Quality Breakdown 06-30-2012		
Ltd	Mod	Ext	Bond %	Rel Index	Rel Cat
High	Med	Low	Avg Eff Maturity	7.46	
			Avg Eff Duration	4.55	
			Avg Wtd Coupon	6.25	
			Avg Wtd Price	108.95	
			AAA	33.16	
			AA	5.10	
			A	2.66	
			BBB	18.20	
			BB	18.25	
			B	21.40	
			Below B	5.93	
			NR/NA	-4.70	

Regional Exposure			Sector Weightings		
Stock %	Rel Std Index		Stocks %	Rel Std Index	
Americas	97.0	1.34	<b>Cyclical</b>	<b>68.1</b>	<b>1.91</b>
Greater Europe	3.0	0.20	Basic Materials	1.2	0.20
Greater Asia	0.0	0.00	Consumer Cyclical	4.0	0.40
			Financial Services	11.9	0.75
			Real Estate	51.0	14.21
			<b>Sensitive</b>	<b>17.4</b>	<b>0.43</b>
			Communication Services	4.0	0.86
			Energy	5.5	0.53
			Industrials	4.3	0.33
			Technology	3.6	0.29
			<b>Defensive</b>	<b>14.5</b>	<b>0.61</b>
			Consumer Defensive	4.1	0.44
			Healthcare	6.8	0.69
			Utilities	3.5	0.78

Operations			
Family:	MFS	Ticker:	DIFAX
Manager:	Multiple	Minimum Initial Purchase:	\$1,000
Tenure:	6.3 Years	Min Auto Investment Plan:	\$0
Objective:	Growth	Minimum IRA Purchase:	\$250
Base Currency:	USD	Purchase Constraints:	—
		Incept:	05-26-2006
		Type:	MF
		Total Assets:	\$1,055.05 mil

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# MFS Growth A (USD)

**Overall Morningstar Rtg™**  
 ★★ ★★  
 1,526 US OE Large Growth

**Standard Index**  
 S&P 500 TR

**Category Index**  
 Russell 1000  
 Growth TR USD

**Morningstar Cat**  
 US OE Large Growth

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	4.72	-12.68	12.11	12.82	15.65
2011	4.89	-0.50	-12.10	8.35	-0.60
2012	15.30	-5.46	—	—	10.21

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-1.05	11.53	2.52	7.47	6.73
Std 06-30-2012	-2.15	—	2.03	6.29	6.70
Total Return	4.99	13.75	3.74	8.11	7.07

+/- Std Index	-4.14	-0.38	2.61	1.77	—
+/- Cat Index	-3.27	-1.61	0.28	1.34	—

% Rank Cat	29	27	12	12	—
No. in Cat	1688	1526	1296	860	—

7-day Yield —

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-343-2829 or visit www.mfs.com.

## Fees and Expenses

### Sales Charges

**Front-End Load %** 5.75

**Deferred Load %** NA

### Fund Expenses

Management Fees % 0.66

12b1 Expense % 0.25

**Gross Expense Ratio %** 1.18

## Risk and Return Profile

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

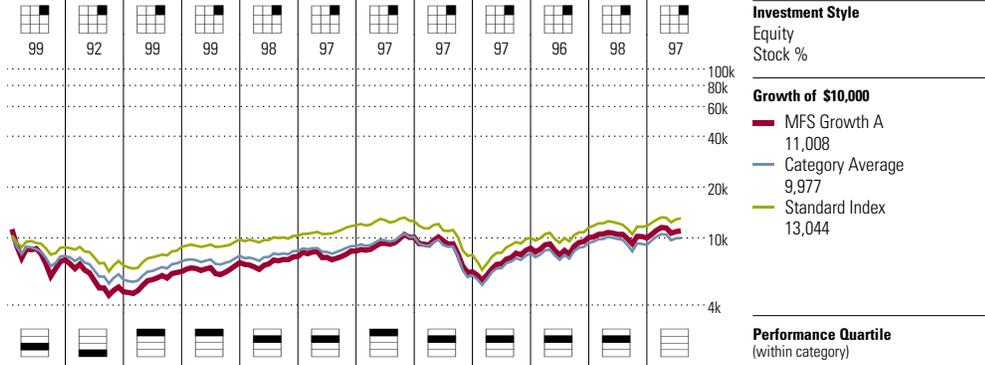
	3 Yr	5 Yr	10 Yr
Standard Deviation	16.79	19.58	16.46
Mean	13.75	3.74	8.11
Sharpe Ratio	0.85	0.25	0.45

MPT Statistics	Standard Index	Best Fit Index Morningstar US Growth TR USD
Alpha	-0.73	-1.13
Beta	1.04	0.94
R-Squared	94.31	98.65

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	11.96%

## Operations

Family:	MFS	Ticker:	MFE GX
Manager:	Eric Fischman	Minimum Initial Purchase:	\$1,000
Tenure:	10.3 Years	Min Auto Investment Plan:	\$0
Objective:	Growth	Minimum IRA Purchase:	\$250
Base Currency:	USD	Purchase Constraints:	—



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	33.22	21.45	28.27	31.96	34.73	37.35	42.01	26.21	36.22	41.89	41.64	45.89	NAV/Price
Total Return %	-25.82	-35.43	31.79	13.05	8.67	7.54	20.82	-37.61	38.19	15.65	-0.60	10.21	Total Return %
+/- Standard Index	-13.93	-13.33	3.11	2.17	3.76	-8.25	15.33	-0.61	11.73	0.59	-2.71	-0.80	+/- Standard Index
+/- Category Index	-5.39	-7.55	2.05	6.75	3.40	-1.53	9.01	0.83	0.98	-1.06	-3.24	-1.35	+/- Category Index
% Rank Cat	69	90	23	9	31	46	16	26	33	47	35	—	% Rank Cat
No. of Funds in Cat	1064	1234	1311	1400	1495	1642	1748	1809	1796	1718	1683	1734	No. of Funds in Cat

## Portfolio Analysis 06-30-2012

Asset Allocation % 05-31-2012	Net %	Long %	Short %
Cash	0.78	1.19	0.41
US Stocks	93.22	93.22	0.00
Non-US Stocks	5.99	5.99	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
<b>Total</b>	<b>100.00</b>	<b>100.41</b>	<b>0.41</b>

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value Blend Growth	P/E Ratio TTM	20.0	1.36	1.19
	P/C Ratio TTM	13.4	1.50	1.12
	P/B Ratio TTM	3.4	1.59	1.04
	Geo Avg Mkt Cap \$mil	33524	0.59	0.68

## Fixed-Income Style

Ltd	Mod	Ext	High	Med	Low

## Credit Quality Breakdown

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

## Regional Exposure

	Stock %	Rel Std Index
Americas	95.2	0.96
Greater Europe	4.6	5.78
Greater Asia	0.2	—

## Top Holdings 05-31-2012

Share since 05-2012	Share Amount	Holdings: 109 Total Stocks, 0 Total Fixed-Income, 80% Turnover Ratio	% Net Assets
+	633,321	Apple, Inc.	8.09
+	301,280	Google, Inc. Class A	3.87
+	3 mil	Danaher Corporation	3.28
+	2 mil	American Tower Corp Class A	2.49
+	4 mil	EMC Corporation	2.16
-	2 mil	Qualcomm, Inc.	2.12
+	557,078	Precision Castparts Corp.	2.05
+	710,079	Visa, Inc.	1.81
+	1 mil	Target Corp	1.81
+	1 mil	Ross Stores, Inc.	1.74
+	2 mil	Viacom, Inc. Class B	1.74
+	189,081	MasterCard Incorporated Class A	1.70
+	1 mil	Thermo Fisher Scientific Inc	1.63
+	1 mil	Honeywell International, Inc.	1.53
+	720,935	Allergan, Inc.	1.44

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>22.5</b>	<b>0.83</b>
Basic Materials	0.4	0.17
Consumer Cyclical	17.2	1.83
Financial Services	4.9	0.38
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>54.5</b>	<b>1.20</b>
Communication Services	4.2	0.89
Energy	6.5	0.59
Industrials	14.7	1.30
Technology	29.0	1.59
<b>Defensive</b>	<b>23.0</b>	<b>0.84</b>
Consumer Defensive	11.4	0.95
Healthcare	11.6	0.99
Utilities	0.0	0.00

# MFS International Value A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
 03-02-2012 ★★★★★  
 322 US OE Foreign Large Value

**Standard Index**  
 MSCI EAFE NR  
 USD

**Category Index**  
 MSCI EAFE Value  
 NR USD

**Morningstar Cat**  
 US OE Foreign Large  
 Value

**Performance 07-31-2012**

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	1.45	-10.12	11.79	7.06	9.13
2011	2.24	4.26	-11.56	4.01	-1.96
2012	8.93	-2.59	—	—	7.03

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-7.63	5.95	-1.49	9.08	6.50
Std 06-30-2012	-8.01	—	-2.08	8.02	6.47
Total Return	-2.00	8.06	-0.32	9.73	6.87

+/- Std Index	9.45	4.75	5.29	3.37	—
+/- Cat Index	10.49	6.79	6.84	3.37	—

% Rank Cat	3	4	2	1	—
No. in Cat	365	322	256	145	—

7-day Yield —

**Performance Disclosure**

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

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-343-2829 or visit www.mfs.com.

**Fees and Expenses**

**Sales Charges**

**Front-End Load %** 5.75

**Deferred Load %** NA

**Fund Expenses**

Management Fees % 0.79

12b1 Expense % 0.25

**Gross Expense Ratio %** 1.27

**Risk and Return Profile**

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

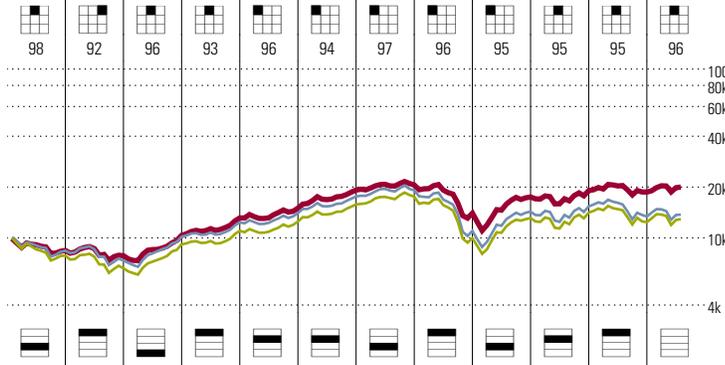
	3 Yr	5 Yr	10 Yr
Standard Deviation	14.89	19.63	15.84
Mean	8.06	-0.32	9.73
Sharpe Ratio	0.59	0.05	0.56

MPT Statistics	Standard Index	Best Fit Index
	MSCI EAFE NR USD	MSCI EAFE NR USD
Alpha	5.05	5.05
Beta	0.73	0.73
R-Squared	94.37	94.37

12-Month Yield	—
30-day SEC Yield	—
Potential Cap Gains Exp	4.23%

**Operations**

Family:	MFS	Ticker:	MGIAX
Manager:	Multiple	Minimum Initial Purchase:	\$1,000
Tenure:	8.8 Years	Min Auto Investment Plan:	\$0
Objective:	Foreign Stock	Minimum IRA Purchase:	\$250
Base Currency:	USD	Purchase Constraints:	—



Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12
NAV/Price	16.21	14.99	19.73	24.38	25.81	30.38	30.07	18.45	22.79	24.59	23.75	25.42
Total Return %	-15.75	-6.95	32.03	26.77	14.25	28.08	7.15	-31.91	24.64	9.13	-1.96	7.03
+/- Standard Index	5.69	8.99	-6.56	6.53	0.72	1.74	-4.02	11.46	-7.13	1.38	10.18	2.91
+/- Category Index	2.77	8.95	-13.27	2.44	0.46	-2.30	1.19	12.17	-9.59	5.88	10.22	4.47
% Rank Cat	58	17	84	12	37	33	69	4	74	29	3	—
No. of Funds in Cat	130	154	156	169	181	215	280	307	340	364	376	377

**Investment Style**  
 Equity  
 Stock %

**Growth of \$10,000**  
 MFS International Value A 19,994  
 Category Average 13,734  
 Standard Index 12,906

**Performance Quartile**  
 (within category)

**History**  
 NAV/Price  
 Total Return %  
 +/- Standard Index  
 +/- Category Index  
 % Rank Cat  
 No. of Funds in Cat

**Portfolio Analysis 06-30-2012**

Asset Allocation % 05-31-2012	Net %	Long %	Short %
Cash	4.65	4.65	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	95.19	95.19	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.16	0.16	0.00
Total	100.00	100.00	0.00

**Top Holdings 05-31-2012**

Share since 05-2012	Share Amount	Holdings:	% Net Assets
		92 Total Stocks, 0 Total Fixed-Income, 15% Turnover Ratio	
	26,839	KDDI Corp.	3.53
	3 mil	Heineken N.V.	2.96
	4 mil	Royal Dutch Shell PLC Class A	2.92
	2 mil	Danone	2.91
	2 mil	Nestle SA	2.80
	6 mil	GlaxoSmithKline PLC	2.78
	49 mil	Vodafone Group PLC	2.75
	3 mil	British American Tobacco PLC	2.69
	5 mil	Kao Corporation	2.58
	21,257	Japan Tobacco Inc.	2.52
	14 mil	HSBC Holdings PLC	2.39
	697,500	Roche Holding AG	2.30
	18 mil	BP PLC	2.28
	2 mil	Reckitt Benckiser Group PLC	2.04
	1 mil	Henkel AG & Co. KGaA	1.93

**Equity Style**

Value	Blend	Growth
Large	High	Med
Mid	Med	Small
Small	Small	Small

**Portfolio Statistics**

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	12.7	1.17	1.31
P/C Ratio TTM	7.6	1.20	1.30
P/B Ratio TTM	1.5	1.17	1.30
Geo Avg Mkt Cap \$mil	20172	0.72	0.72

**Fixed-Income Style**

Ltd	Mod	Ext
High	Med	Low
High	Med	Low
High	Med	Low

**Fixed-Income Style**

	Bond %
Avg Eff Maturity	—
Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	—

**Credit Quality Breakdown**

AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR/NA	—

**Regional Exposure**

	Stock %	Rel Std Index
Americas	0.0	—
Greater Europe	66.4	—
Greater Asia	33.6	—

**Sector Weightings**

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>26.7</b>	—
Basic Materials	4.5	—
Consumer Cyclical	4.5	—
Financial Services	15.3	—
Real Estate	2.4	—
<b>Sensitive</b>	<b>38.5</b>	—
Communication Services	10.0	—
Energy	6.3	—
Industrials	12.3	—
Technology	9.9	—
<b>Defensive</b>	<b>34.8</b>	—
Consumer Defensive	23.6	—
Healthcare	11.2	—
Utilities	0.0	—

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# Templeton Global Bond A (USD)

**Morningstar Analyst Rtg™** **Overall Morningstar Rtg™**  
★ **Gold** 04-13-2012 **★★★★**  
 244 US OE World Bond

**Standard Index** Barclays US Agg Bond TR USD  
**Category Index** Citi WGBI NonUSD USD  
**Morningstar Cat** US OE World Bond

## Performance 07-31-2012

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2010	6.36	-2.53	7.40	1.20	12.68
2011	2.16	2.41	-7.76	1.17	-2.37
2012	7.03	-0.97	—	—	8.71

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-4.11	6.55	8.55	10.58	8.17
Std 06-30-2012	-5.31	—	8.18	10.25	8.09
Total Return	0.14	8.10	9.50	11.06	8.35

+/- Std Index	-7.11	1.25	2.59	5.41	—
+/- Cat Index	1.20	3.39	2.61	3.87	—

% Rank Cat	69	27	3	1
No. in Cat	301	244	177	125

7-day Yield —

### Performance Disclosure

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

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

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

### Fees and Expenses

#### Sales Charges

<b>Front-End Load %</b>	<b>4.25</b>
<b>Deferred Load %</b>	<b>NA</b>

#### Fund Expenses

Management Fees %	0.40
12b1 Expense %	0.25
<b>Gross Expense Ratio %</b>	<b>0.90</b>

### Risk and Return Profile

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

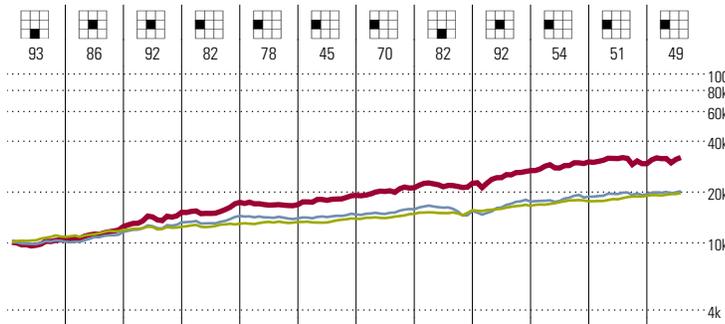
	3 Yr	5 Yr	10 Yr
Standard Deviation	9.84	10.03	8.72
Mean	8.10	9.50	11.06
Sharpe Ratio	0.83	0.89	1.04

MPT Statistics	Standard Index	Best Fit Index
	USD	DJ Moderate TR
Alpha	10.17	0.01
Beta	-0.30	0.84
R-Squared	0.69	73.92

12-Month Yield	6.04%
30-day SEC Yield	2.67%
Potential Cap Gains Exp	1.75%

### Operations

Family:	Franklin Templeton Investment Funds
Manager:	Multiple
Tenure:	11.6 Years
Objective:	Worldwide Bond
Base Currency:	USD



**Investment Style**  
 Fixed-Income  
 Bond %

**Growth of \$10,000**  
 — Templeton Global Bond A 32,030  
 — Category Average 20,246  
 — Standard Index 19,736

**Performance Quartile**  
 (within category)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	07-12	History
NAV/Price	7.97	8.97	10.21	11.13	10.31	11.05	11.42	11.20	12.72	13.59	12.41	13.13	NAV/Price
Total Return %	4.18	20.03	21.29	14.62	-3.07	13.51	10.86	6.28	18.86	12.68	-2.37	8.71	Total Return %
+/- Standard Index	-4.27	9.78	17.18	10.28	-5.50	9.17	3.89	1.04	12.93	6.14	-10.22	4.93	+/- Standard Index
+/- Category Index	7.71	-1.96	2.77	2.48	6.13	6.57	-0.60	-3.83	14.48	7.47	-7.55	7.79	+/- Category Index
% Rank Cat	30	24	9	4	39	4	6	16	19	7	96	—	% Rank Cat
No. of Funds in Cat	134	144	162	167	170	197	218	234	269	270	297	320	No. of Funds in Cat

### Portfolio Analysis 06-30-2012

Asset Allocation %	Net %	Long %	Short %
Cash	48.89	48.89	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	48.52	49.55	1.03
Other/Not Clsfd	2.59	2.59	0.00
<b>Total</b>	<b>100.00</b>	<b>101.03</b>	<b>1.03</b>

### Top Holdings 03-31-2012

Share since 03-2012	Share Amount	Holdings:	% Net Assets
		0 Total Stocks, 245 Total Fixed-Income, 26% Turnover Ratio	
		Korea(Republic Of) 3%	3.03
		Korea(Republic Of) 3.75%	2.32
	2,946 mil	Poland Government	1.54
	106 mil	Mexico(Utd Mex St) 8%	1.50
	927 mil	Hungary Rep 6.375%	1.46
	676 mil	Ireland(Rep Of) 5%	1.38
	92 mil	Mexico(Utd Mex St) 9%	1.30
	562 mil	Russian 30 SU-144A	1.16
	1,980 mil	Poland(Rep Of) 5.25%	1.11
	2,119 mil	Poland Government	1.08
	505,029	Brazil(Fed Rep Of) 6%	1.07
	506 mil	Ireland(Rep Of) 5.4%	1.02
	425 mil	Ireland(Rep Of) 5.9%	0.93
	930,930	Brazil(Fed Rep Of) 10%	0.86
	448 mil	Queensland Tsy Cp 6%	0.82

### Equity Style

Value	Blend	Growth
Large		
Mid		
Small		

### Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	—	—	—

### Fixed-Income Style

Ltd	Mod	Ext
High		
Mid		
Low		

	Bond %
Avg Eff Maturity	2.84
Avg Eff Duration	1.56
Avg Wtd Coupon	5.94
Avg Wtd Price	—

### Credit Quality Breakdown 06-30-2012

AAA	17.43
AA	1.26
A	43.95
BBB	24.43
BB	7.84
B	4.96
Below B	0.00
NR/NA	0.14

### Regional Exposure

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

### Sector Weightings

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

# Hypothetical Report Disclosure Statement

## General

This is an illustration of a simulated investment that assumes the portfolio holding(s) were purchased on the first day of the period indicated. Sales and tax charges, including those required in the event of transfers between assets, are taken into account at the rates shown and may be higher or lower than what an investor would have actually paid had the investments been purchased then or now. The performance data represents past performance and is not indicative of future results. Principal value and investment returns will fluctuate, and an investor's shares/units, when redeemed, may be worth more or less than the original investment.

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

The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. The investment returns of other clients of the advisor may differ materially from the investment portrayed.

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

## Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Charges and Fees section.

## When pre-inception data is presented in the report, the header at the top of the report will indicate this.

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

The investment returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns may be reduced if additional fees are incurred.

Performance for closed-end and exchange-traded funds is calculated based on the fund's end of the day market prices as reported by the New York Stock Exchange. Separate account performance is based on the mean experience of an investor in the account.

This illustration may reflect the results of systematic investments and/or

withdrawals. Systematic investment does not ensure a profit, nor does it protect the investor against a loss in a declining market. Also, systematic investing will not keep an investor from losing money if shares are sold when the market is down.

## Investment Summary Graph

The investment summary graph plots the approximate market value of the security or portfolio over the investing horizon. It may also include the total investment assumed in the illustration and/or a benchmark. Total investment includes dollar inflows and outflows, including outflows representing noted taxes and annual fees paid out of pocket. If a benchmark index is included on a graph, it assumes a similar pattern of investment/withdrawal as that of the security or portfolio. Taxes and transaction costs are also applied to the benchmark index. Note that direct investment in an index is not possible. Indexes are unmanaged portfolios representing different asset classes, with varying levels of associated risk. The benchmark index included in the graph may or may not represent an appropriate or accurate comparison with the security or portfolio illustrated.

## Standardized Returns

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

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

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

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

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

For VL subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses. For VLs, additional fees specific to a VL policy such as transfer fees and cost of insurance fees, which are based on specific characteristics of an individual, are not included. If VL fees were included in the return calculations, the performance would be significantly lower. An investor should contact a financial advisor and ask for a personalized performance illustration, either hypothetical or historical, which reflects all applicable fees and charges including the cost of insurance. Please review the prospectus and SAI for more detailed information.

## Definitions of Report Terms

*Annual Fee Paid:* Your advisor was able to specify whether annual fees, if any,

should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Average Annualized Return:* Average annualized money-weighted return (internal rate of return). In illustrations with time periods less than one year, this figure is not annualized.

*Capital Gains (Individual Report):* Percentage of the total market value of the holding that is attributable to the reinvestment of capital gains distributions.

*Charges & Fees (Investment Detail):* The sum of fees charged to the investor during the period, including front or deferred loads, VA charges, and annual fees.

*Cumulative Return:* The total money-weighted return of the investment over the entire time period of the illustration.

*Distribution/Withdrl:* The sum of distributions not reinvested, plus any cash withdrawals during the period.

*Income (Individual Report):* The percentage of the total market value of the holding that is attributable to the reinvestment of income or dividend distributions.

*Liquidate:* Indicates whether the advisor chose that the holding be liquidated on the end date.

*Median (Comparison Report):* The total money-weighted return (internal rate of return) of the median security in the illustration for the calendar year indicated.

*New investment:* Any new cash invested during the period.

*Principal (Individual Reports):* The percentage of the total market value of the holding that is attributable to new investment.

*Rebalance (Planning Assumptions):* Indicates whether rebalancing is used, and its frequency. "No" indicates no rebalancing. Options for rebalancing frequency are monthly, quarterly, semi-annually, and annually.

*Rebalance (Investment Assumptions):* Percentage of total asset allocation to be maintained in this holding through rebalancing.

*Security Return (Comparison Report):* The total money-weighted return (internal rate of return) for the holding in the calendar year indicated, taking into account cash flows, charges, and fees.

*Subsequent Invest/Withdwl:* The amount, type, and frequency of subsequent investments or withdrawals from the holding. Withdrawals are represented by a negative number. Systematic investments and withdrawals may be made monthly, quarterly, semi-annually, or annually. If "Custom", a custom schedule of investments or withdrawals was used.

*Taxes Due:* The total amount of taxes due from the investor, determined by applying specified tax rates to distributions and sale of shares during each calendar year.

*Taxes Paid:* Your advisor was able to specify whether taxes, if any, should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Net Amount Invested:* The total out-of-pocket expense for the investor. Includes

new investment, annual fees paid to advisor, and taxes due. This figure is net of withdrawals, including liquidation.

*Total Reinvest:* The sum of distributions reinvested during the period.

*Total Return %:* The total money-weighted return (internal rate of return) on investments for the period.

## Portfolio Snapshot Report Disclosure Statement

### General

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

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

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

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

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

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

### Items to Note Regarding Certain Underlying 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. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

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.

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

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, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

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

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.

## Pre-inception Returns

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

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

## Scheduled Portfolio Trailing Returns

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

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

## Scheduled Portfolio Returns-Based Performance Data

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

## Important VA Disclosure for Scheduled Portfolios

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

## Scheduled Portfolio Investment Activity Graph

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

## Unscheduled Portfolio Returns

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

### Unscheduled Portfolio Investment Activity Graph

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

### Benchmark Returns

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

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

### Standardized Returns

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

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

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

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

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

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and

the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

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

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

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

### Asset Allocation

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

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

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

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

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may

reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

### Investment Style

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

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

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

### Stock Regions

This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

### Risk and Return

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

Mean represents the annualized geometric return for the period shown.

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

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

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

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

### Portfolio Yield

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

### Fundamental Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Stock Intersection Report Disclosure Statement

Used as supplemental sales literature, the Stock Intersection report must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Stock Intersection report. Morningstar is not itself a FINRA-member firm. Information contained in the report is from the most recent information available to Morningstar.

The Stock Intersection report reviews the top 25 holdings in the portfolio to identify, at a glance, the portfolio's overall weighting in a particular security or sector. This report only displays the top 25 holdings; the investor's portfolio may hold substantially more.

Note that while the investor does not own the securities held by an open-end fund, closed-end fund, or similar investment, the holdings are relevant in reviewing the overall asset allocation and diversification. This report is not an offer or recommendation by Morningstar to purchase or liquidate any security listed.

### Percentage of Portfolio

The Percentage of Portfolio column indicates the percentage of net assets any given security (either as an individual holding or as an underlying stock) makes up as an overall position of the portfolio.

### Holding Portfolio Date

The Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. Although Morningstar tries to ensure that we receive timely information, we don't always receive current information from fund companies. By law, funds need only report this information two times during the calendar year, and they have two months after the report date to actually release the shareholder report and portfolio. Therefore, it is possible that a fund's portfolio could be up to eight months old at the time of publication.

### Sector

Morningstar breaks down all equities into the following sectors: Consumer Defensive, Healthcare, Utilities, Communication Services, Energy, Industrials, Technology, Basic Materials, Consumer Cyclical, Financial Services, and Real Estate.

## Total Return Graph Disclosure

### General Disclosures

Used as supplemental sales literature, this report must be preceded or accompanied by a current prospectus or equivalent. Please read these carefully before investing. Morningstar is not itself a FINRA-member firm.

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 current data for securities included in the portfolio. There is no assurance that the data will remain the same.

Ibbotson Associates, Inc. and Morningstar Associates, LLC, both a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., provides various institutional investment consulting services, including asset allocation advice to investment advisers who have or will be creating a fund-of-fund/asset allocation product. However, despite the fact that such relationships may exist,

the information displayed for those products will not be influenced as they objective measures and/or are derived by quantitative driven formulas (i.e., Morningstar Rating).

### 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.

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.

### General Performance Disclosure

**The Performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares and/or units when redeemed may be worth more or less than the original investment. Securities in this report are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.**

For mutual funds, the analysis in this report may be based, in part, on historical returns for periods prior to the historical performance of the fund's oldest share class, adjusted to reflect the fees and expenses of this share class. While the inclusion of preinception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can provide only an approximation of that behavior. For example, the fee structures between a retail share class will vary from that of an institutional share class, as retail share classes tend to have higher operating expense and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those provided by other entities, including the fund itself. If mutual fund preinception data is included in this report, this data will be represented in the report in italics.

For variable annuity and variable life subaccounts, total return reflects the investment experience of a subaccount since its inception, and extended to the performance history of the underlying insurance fund. Total returns are adjusted to reflect fees & expenses, such as M&E charges, administrative fees, contract charges, fund-level expenses such as management fees and operating fees. Return is not adjusted to reflect front-end loads or surrender fees. It reflects the return that would be earned by an investor who held the security through the period shown, but did not buy at the beginning or sell at the end. If adjusted for the effects of loads, surrender fees, and taxation, the subaccount returns would be significantly reduced. When subaccount returns reflect pre-inception data, it will be represented in italics.

### Variable Life Return

**Please refer to the hypothetical illustration in the prospectus which, among other things, shows the effect that fees and charges have on performance. We urge investors to obtain a personalized illustration that reflects the costs of insurance protection.**

### Total Return Report

This graph allows the market value of securities, indexes, and Morningstar categories to be graphed over customized time periods. The graph reflects the discrete return of the illustration time horizon displayed at the top of the report. The returns that were achieved are displayed in the table beneath the graph.

If this graph is not accompanied by a Hypothetical Illustration Report, the returns noted for a security do not reflect any sales charges and do not reflect impacts of taxation. If impacts of sales charges and taxation were reflected, the returns would be lower than those indicated in the report.

If this graph is accompanied by a Hypothetical Illustration report, the results are based on the investment assumptions for the hypothetical illustration, which is also included in this report. The same investments, withdrawals, reinvestment of dividends and gains, rebalancing, and fees, are applied. The return shown in this graph is money-weighted return (or internal rate of return), which is impacted by investor cash flows. The returns noted for a security reflect any sales charges that were applied in the illustration, but do not reflect impacts of taxation. If impacts of taxation were reflected, the returns would be lower than those indicated in the report.

For exchange-traded funds and closed-end funds, market returns are used.

## Mutual Fund Detail Report Disclosure Statement

The Mutual Fund Detail Report is to be used as supplemental sales literature, and therefore must be preceded or accompanied by the fund's current prospectus and a disclosure statement. Please read the prospectus carefully. In all cases, this disclosure statement should accompany the Mutual Fund Detail Report. Morningstar is not itself a FINRA-member firm. Portfolio information is based on the most recent information available to Morningstar.

### Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Performance section.

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

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

### Performance

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

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

Standardized Return is reflected as of the quarter-end. It depicts performance without adjusting for the effects of taxation, but is adjusted for sales charges and all ongoing fund expenses, and assumes reinvestment of dividends and

capital gains. If adjusted for the effects of taxation, the performance quoted would be reduced. The sales charge used in the calculation was obtained from the fund's most recent prospectus and/or shareholder report available to Morningstar. Standardized Returns never include pre-inception history.

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

Morningstar % Rank within Morningstar Category does not account for a fund's sales charge (if applicable). Rankings will not be provided for periods less than one year.

### Growth of 10,000

This graph compares the growth of an investment of 10,000 (in the base currency of the fund) with that of an index and with that of the average for all funds in its Morningstar category. The total returns are not adjusted to reflect sales charges or the effects of taxation, but are adjusted to reflect actual ongoing fund expenses, and assume reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted. The index is an unmanaged portfolio of specified securities and cannot be invested in directly. The index and the category average do not reflect any initial or ongoing expenses. A fund's portfolio may differ significantly from the securities in the index. The index is chosen by Morningstar.

**If pre-inception data is included in the analysis, it will be graphed.**

### Morningstar Analyst Rating

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the mutual fund analysts of Morningstar, Inc. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts use this five pillar evaluation to identify funds they believe are more likely to outperform over the long term on a risk-adjusted basis. Analysts consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating ultimately reflects the analyst's overall assessment and is overseen by Morningstar's Analyst Rating Committee. The approach serves not as a formula but as a framework to ensure consistency across Morningstar's global coverage universe.

The Analyst Rating scale ranges from Gold to Negative, with Gold being the highest rating and Negative being the lowest rating. A fund with a Gold rating distinguishes itself across the five pillars and has garnered the analysts' highest level of conviction. A fund with a Silver rating has notable advantages across several, but perhaps not all, of the five pillars-strengths that give the analysts a high level of conviction. A Bronze-rated fund has advantages that outweigh the disadvantages across the five pillars, with sufficient level of analyst conviction to warrant a positive rating. A fund with a Neutral rating isn't seriously flawed across the five pillars, nor does it distinguish itself very positively. A Negative rated fund is flawed in at least one if not more pillars and is considered an inferior offering to its peers. Analyst Ratings are reevaluated at least every 14 months.

For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate.morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf>.

**The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar's current expectations about future events; therefore, in no**

**way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.**

### Risk and Return

The Morningstar Rating is calculated for funds with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Please note that some Morningstar proprietary calculations, including the Morningstar Rating, may be calculated based on adjusted historical returns (pre-inception returns). If the extended performance rating is in effect, the "stars" are represented as unshaded stars. For each mutual fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's adjusted monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. This investment's independent Morningstar Rating metric is then compared against the open-end mutual fund universe's actual performance breakpoints to determine its extended performance rating. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the actual performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics.

Morningstar Return rates a mutual fund's performance relative to other funds in its Morningstar Category. It is an assessment of a fund's excess return over a risk-free rate (the return of the 90-day Treasury Bill), after adjusting for all applicable loads and sales charges, in comparison with the mutual funds in its Morningstar Category. In each Morningstar Category, the top 10% of funds earn a High Morningstar Return (HIGH), the next 22.5% Above Average (+AVG), the middle 35% Average (AVG), the next 22.5% Below Average (-AVG), and the bottom 10% Low (LOW). Morningstar Return is measured for up to three time periods (three-, five-, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the mutual fund. Funds with less than three years of performance history are not rated.

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

**If pre-inception returns are included in this analysis, the risk and return profile data calculated on the basis of these returns will appear in italics.**

### Risk Measures

The risk measures below are calculated for funds with at least a three-year history.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Mean represents the annualized geometric return for the period shown.

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

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

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

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

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

**Risk measures calculated using pre-inception data, if included in the analysis, will be presented in italics.**

### Asset Allocation

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

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

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

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

the sale price.

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

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

### Style Analysis

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income

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

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

### Equity Portfolio Statistics

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

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

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

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

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

### Fixed-Income Portfolio Statistics

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

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

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

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

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

Credit quality breakdowns are shown for corporate-bond holdings and depict the

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

Turnover Ratio is a decent proxy for how frequently a manager trades his or her portfolio. The inverse of a fund's turnover ratio is the average holding period for a security in the fund. As turnover increases, a fund's brokerage costs typically rise as well.

### Operations

Purchase constraints denote if a mutual fund has any of the following qualities: Qualified Access (A), Institutional (T), Closed to New Investments, (C) or Closed to All Investments (L). Because these qualities can all act as restrictions and/or requirements for investment, they are grouped together.

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

### Fees and Expenses

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

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

## Investment Risks

International/Emerging Market Equities: Investing in international securities involve 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 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 decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

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

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

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

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

Leveraged ETFs: Levered 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 Fund objective). The leverage/gearing ratio is the amount of excess return that a levered investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

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

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

Liquidity Risk: Closed-end fund, ETF, and HOLDER trading may be halted due to market conditions, impacting an 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 ETF's 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 of when investors expect to begin withdrawing their money. 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 anytime, including at the fund's target date.

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

### 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 include reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Barclays Aggregate Bond.

### Barclays US Govt/Credit 5-10 Yr TR USD

Represents a combination of the Government and Corporate Bond indices for bonds with maturities between 5 and 10 years. Includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, and Government index) indices. The returns we publish for the index are total returns, which include reinvestment of dividends. The constituents displayed for this index are from the following proxy: Vanguard Intermediate-Term Bond Index Fd.

### BofAML US HY Master II TR USD

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

### Citi WGBI NonUSD USD

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

### DJ Industrial Average PR USD

Computed by summing the prices of the stocks of 30 companies and then dividing that total by a split-adjusted value. The constituents displayed for this index are from the following proxy: SPDR Dow Jones Industrial Average ETF.

### DJ Moderate TR USD

This risk-based index consists stocks, bonds, and cash and is intended to represent 60% of the risk and return of the 100% Global Portfolio Index.

### DJ Utilities Average TR USD

Consists of 15 geographically representative gas and electric utility companies. The index is price weighted, meaning it is calculated by adding up the daily prices of the 15 stocks and dividing by a stock split-adjusted divisor. Dividends are reinvested to reflect the actual performance of the underlying securities, thus the figure is a total return. The DJUA was started back in 1929. The constituents displayed for this index are from the following proxy: iShares Dow Jones US Utilities.

### Morningstar Moderate Target Risk

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

### Morningstar Moderately Aggr Target Risk

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

### Morningstar Moderately Cons Target Risk

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

### Morningstar SEC/Utilities TR USD

The Utilities Sector tracks the performance of electric, gas, and water utilities.

### Morningstar US Core TR USD

The Morningstar US Core Index tracks the performance of stocks where neither growth nor value characteristics predominate.

**Morningstar US Growth TR USD**

The Morningstar US Growth Index tracks the performance of stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales.

**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.

**MSCI EAFE Value NR USD**

The MSCI EAFE Value Index is an unmanaged index of value stocks of companies located in Europe, Australasia and the Far East. The constituents displayed for this index are from the following proxy: iShares MSCI EAFE Value Index Fund.

**MSCI World NR USD**

Includes all 23 MSCI developed market countries. The constituents displayed for this index are from the following proxy: iShares MSCI Wrld.

**Russell 1000 Growth TR USD**

Tracks the companies within the Russell 1000 with higher price-to-book ratios and higher forecasted growth values. The constituents displayed for this index are from the following proxy: iShares Russell 1000 Growth Index.

**Russell 1000 TR USD**

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

**Russell 1000 Value TR USD**

Tracks the companies within the Russell 1000 with lower price-to-book ratios and lower forecasted growth values. The constituents displayed for this index are from the following proxy: iShares Russell 1000 Value Index.

**S&P 500 TR**

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares S&P 500 Index.

**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.

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## **Investment Analysis**

### Overall Ending Portfolio with Option 2

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August 22, 2012

Prepared for:

City of Troy

Prepared by:

Bryan Wieferich, CFP

# Hypothetical Portfolio Illustration

07-31-2012 to 07-31-2012

## Portfolio Summary

■ Portfolio 
 ■ S&P 500 TR (USD) 
 ■ Net Amount Invested



## Planning Assumptions

Currency	USD
Rebalance	None
Allocation Update Frequency	None
Federal Income Tax Rate	0%
Capital Gain Tax Rate	0%
State Tax Rate	0%
Tax Paid	Out of Pocket

## Performance

Net Amount Invested	\$28.00 mil
Final Market Value	\$28.00 mil
Average Annualized Return	—
Cumulative Return	0.00%
Cumulative Ret - Benchmark	0.00%

07-12

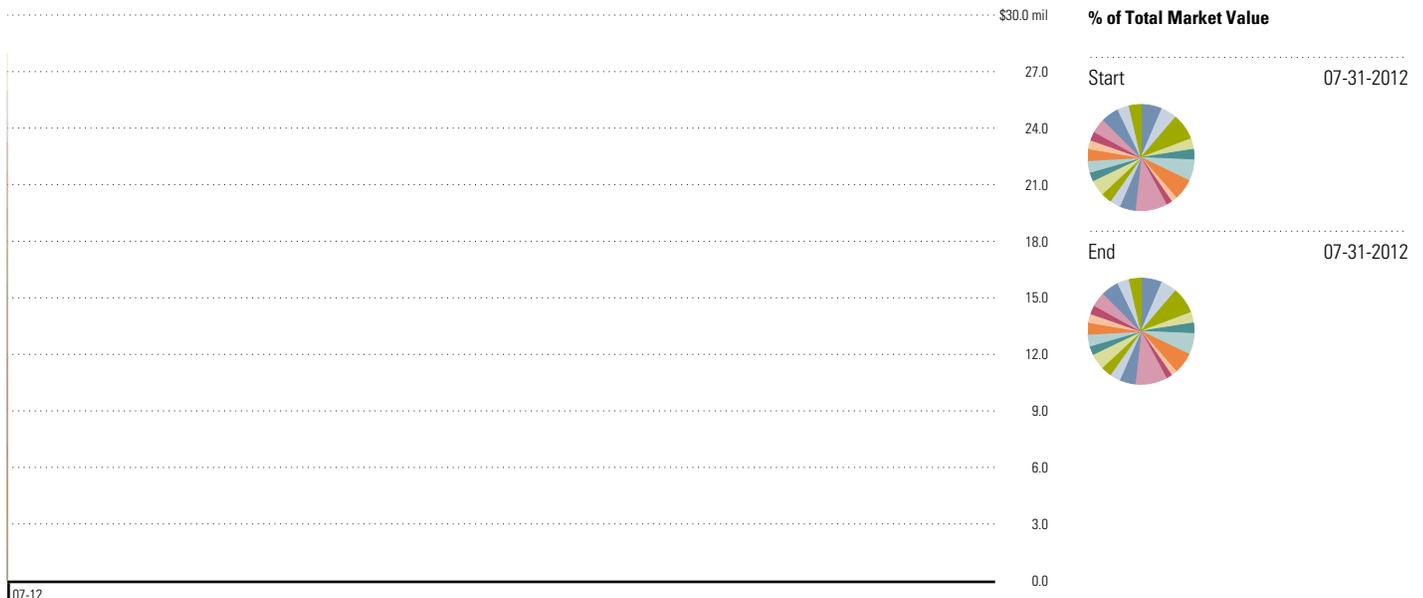
## Investment Detail

Period	Beginning Balance	New Investment	Distribution/Withdrawal	Total Reinvest	Charges & Fees	Taxes Due	Market Value	Total Return %
Totals	0	28,000,000	0	0	0	0	28,000,000	0.00
July 2012	0	28,000,000	0	0	0	0	28,000,000	0.00

# Hypothetical Portfolio Illustration Continued

07-31-2012 to 07-31-2012

## Security Summary



07-12

## Investment Assumptions

Investment Name	Holding Period		Initial Investment Amount	Subsequent Invest/Withdwl		Reinvest Distributions		Liqui- date	Re- balance %	Charges and Fees			Market Value End \$	
	Start	End		Amount	Freq	Income	Cap Gains			Front Load	Annual Fee%	Deferred Load Amount%		Period Years
American Funds American Mutual A (USD, AMRMX)	07-12	07-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.80 mil
American Funds Fundamental Investors A (USD, ANCFX)	07-12	07-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.35 mil
American Funds Inc Fund of Amer A (USD, AMECX)	07-12	07-12	2.25 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	2.25 mil
American Funds Washington Mutual A (USD, AWSHX)	07-12	07-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	900,000
Franklin DynaTech A (USD, FKDNX)	07-12	07-12	900,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	900,000
Franklin Rising Dividends A (USD, FRDPX)	07-12	07-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.80 mil
Franklin Utilities A (USD, FKUTX)	07-12	07-12	1.80 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	1.80 mil
Ivy Bond A (USD, IBOAX)	07-12	07-12	500,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	500,000
Ivy Managed Intl Opportunities A (USD, IVTAX)	07-12	07-12	500,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	500,000
MFS Bond A (USD, MFBFX)	07-12	07-12	2.70 mil	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	2.70 mil
MFS Diversified Income A (USD, DIFAX)	07-12	07-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.35 mil
MFS Growth A (USD, MFEGX)	07-12	07-12	900,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	900,000
MFS International Value A (USD, MGIAX)	07-12	07-12	900,000	0	—	Y	Y	N	—	\$0.00	0.00	0.00-0.00	—	900,000
Templeton Global Bond A (USD, TPINX)	07-12	07-12	1.35 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.35 mil
Waddell & Reed Accumulative A (USD, UNACX)	07-12	07-12	750,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	750,000
Waddell & Reed Asset Strategy A (USD, UNASX)	07-12	07-12	1.00 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.00 mil
Waddell & Reed Bond A (USD, UNBDX)	07-12	07-12	1.00 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.00 mil
Waddell & Reed Core Investment A (USD, UNCMX)	07-12	07-12	750,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	750,000
Waddell & Reed Dividend Opps A (USD, WDVAX)	07-12	07-12	750,000	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	750,000

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# Hypothetical Portfolio Illustration Continued

07-31-2012 to 07-31-2012

## Investment Assumptions

Investment Name	Holding Period		Initial Investment Amount	Subsequent Invest/Withdwl		Reinvest Distributions		Liqui- date	Re- balance %	Front Load	Annual Fee%	Charges and Fees		Market Value End \$
	Start	End		Amount	Freq	Income	Cap Gains					Deferred Load Amount%	Period Years	
● Waddell & Reed Municipal Bond A (USD, UNMBX)	07-12	07-12	1.25 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.25 mil
● Waddell & Reed New Concepts A (USD, UNECX)	07-12	07-12	1.50 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.50 mil
● Waddell & Reed Science & Tech A (USD, UNSCX)	07-12	07-12	1.00 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.00 mil
● Waddell & Reed Small Cap A (USD, UNSAX)	07-12	07-12	1.00 mil	0	—	Y	Y	N	—	0.00%	0.00	0.00-0.00	—	1.00 mil

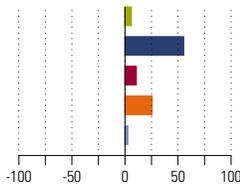
# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

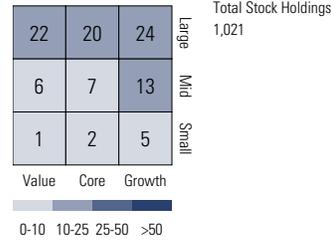
## Analysis 07-31-2012

### Asset Allocation

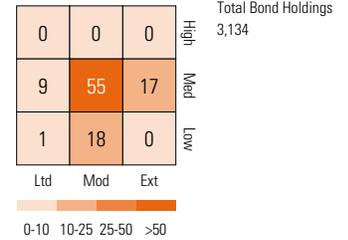


	Portfolio Net %	Portfolio Long %	Portfolio Short %	Bmark Net %
Cash	5.82	6.38	0.57	0.00
US Stocks	55.29	55.29	0.00	99.32
Non-US Stocks	10.68	10.68	0.00	0.68
Bonds	25.60	25.65	0.05	0.00
<b>Other/Not Clsfd</b>	<b>2.61</b>	<b>2.64</b>	<b>0.04</b>	<b>0.00</b>
<b>Total</b>	<b>100.00</b>	<b>100.65</b>	<b>0.65</b>	<b>100.00</b>

### Morningstar Equity Style Box %

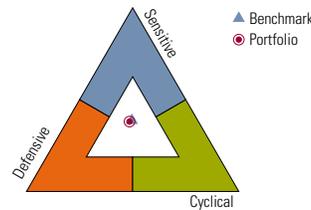


### Morningstar Fixed Income Style Box %

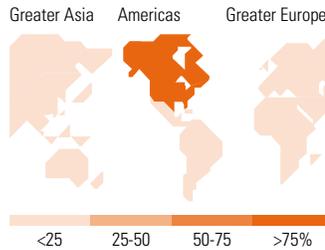


## Stock Analysis 07-31-2012

### Stock Sectors



### World Regions

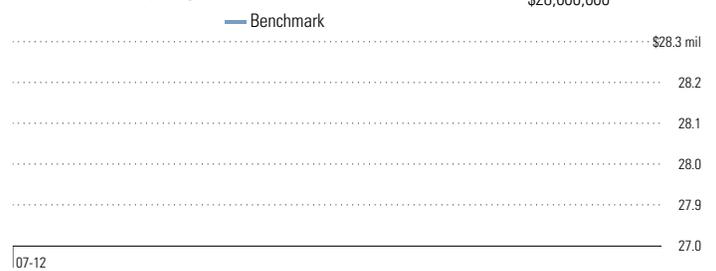


% of Stocks	Portfolio %	Bmark %
<b>Cyclical</b>	<b>25.09</b>	<b>27.05</b>
Basic Mats	3.02	2.71
Consumer Cycl	11.64	9.40
Financial Svs	7.83	12.94
Real Estate	2.60	2.00
<b>Sensitive</b>	<b>44.10</b>	<b>45.48</b>
Commun Svs	4.43	4.78
Energy	8.36	11.16
Industrials	14.33	11.30
Technology	16.98	18.24
<b>Defensive</b>	<b>30.81</b>	<b>27.47</b>
Consumer Def	9.18	12.02
Healthcare	11.25	11.75
Utilities	10.38	3.70
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

% of Stocks	Portfolio %	Bmark %
<b>Greater Europe</b>	<b>9.91</b>	<b>0.79</b>
United Kingdom	4.08	0.10
Europe-Developed	5.52	0.69
Europe-Emerging	0.03	0.00
Africa/Middle East	0.28	0.00
<b>Americas</b>	<b>84.79</b>	<b>99.21</b>
North America	84.47	99.21
Latin America	0.32	0.00
<b>Greater Asia</b>	<b>5.30</b>	<b>0.00</b>
Japan	1.60	0.00
Australasia	0.47	0.00
Asia-Developed	1.88	0.00
Asia-Emerging	1.35	0.00
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

## Performance 07-31-2012

### Investment Activity Graph



### Trailing Returns

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	—	—	—	—	—
Benchmark Return	—	—	—	—	—
+/- Benchmark Return	—	—	—	—	—

### Best/Worst Time Periods

	Best %	Worst %
3 Months	—	—
1 Year	—	—
3 Years	—	—

### Portfolio Yield (07-31-2012)

	Yield %
12-Month Yield	2.28

### Performance Disclosure

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>.

**See Disclosure Page for Standardized Returns.**

## Holdings 07-31-2012

### Top 8 holdings out of 23

MFS Bond A (USD, MFBFX)
American Funds Inc Fund of Amer A (USD, AMECX)
American Funds American Mutual A (USD, AMRMX)
Franklin Rising Dividends A (USD, FRDPX)
Franklin Utilities A (USD, FKUTX)
Waddell & Reed New Concepts A (USD, UNECX)
American Funds Fundamental Investors A (USD, ANCFX)
Templeton Global Bond A (USD, TPINX)

Symbol	Type	Holding Value \$	% Assets
MFBFX	MF	2,700,000	9.64
AMECX	MF	2,250,000	8.04
AMRMX	MF	1,800,000	6.43
FRDPX	MF	1,800,000	6.43
FKUTX	MF	1,800,000	6.43
UNECX	MF	1,500,000	5.36
ANCFX	MF	1,350,000	4.82
TPINX	MF	1,350,000	4.82

# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

## Risk Analysis 07-31-2012

### Performance History Graph

■ Portfolio

Quarterly returns +/- Benchmark in %

Illustration periods less than 3 years cannot be graphed.

### Risk and Return Statistics

	3 Yr		5 Yr		10 Yr	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	—	—	—	—	—	—
Mean	—	—	—	—	—	—
Sharpe Ratio	—	—	—	—	—	—

### MPT Statistics

	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	—	—	—
Beta	—	—	—
R-Squared	—	—	—

## Fundamental Analysis 07-31-2012

### Market Maturity

% of Stocks	Portfolio	Bmark
Developed Markets	98.25	100.00
Emerging Markets	1.75	0.00
<b>Not Available</b>	<b>0.00</b>	<b>0.00</b>

### Geometric Avg Capitalization (\$Mil)

Portfolio	22,367.74
Benchmark	56,375.91

### Valuation Multiples

	Portfolio	Bmark
Price/Earnings	16.03	14.72
Price/Book	2.33	2.13
Price/Sales	1.40	1.29
Price/Cash Flow	9.34	8.94

### Credit Quality Breakdown

	% of Bonds
AAA	16.99
AA	9.40
A	20.32
BBB	33.16
BB	11.18
B	5.23
Below B	1.13
NR/NA	2.59

### Type Weightings

% of Stocks	Portfolio	Bmark
High Yield	6.27	6.73
Distressed	0.62	0.45
Hard Asset	8.07	12.27
Cyclical	36.45	41.46
Slow Growth	13.50	11.44
Classic Growth	0.94	1.49
Aggressive Growth	19.76	21.17
Speculative Growth	2.02	3.06
<b>Not Available</b>	<b>12.37</b>	<b>1.94</b>

### Profitability

	Portfolio	Bmark
% of Stocks	2012-07	2012-07
Net Margin	12.55	13.67
ROE	19.75	22.07
ROA	8.08	9.10
Debt/Capital	35.14	35.90

### Interest Rate Risk

	Portfolio
Avg Eff Maturity	8.37
Avg Eff Duration (total portfolio)	5.11
Avg Wtd Coupon	5.68

### Fund Statistics

Potential Cap Gains Exposure	12.06
Avg Net Expense Ratio	0.98
Avg Gross Expense Ratio	0.98

# Portfolio Snapshot

**Portfolio Value**

\$28,000,000.00

**Benchmark**

S&amp;P 500 TR (USD)

**Standardized and Tax Adjusted Returns**

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

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 06-30-2012**

Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
American Funds American Mutual A (USD)	—	-0.73	-0.10	4.95	11.39	02-21-1950	5.75	NA	0.62	0.62
American Funds Fundamental Investors A (USD)	—	-6.31	-1.40	6.23	11.91	08-01-1978	5.75	NA	0.63	0.63
American Funds Inc Fund of Amer A (USD)	—	-1.04	0.32	6.22	9.85	12-31-1970	5.75	NA	0.58	0.58
American Funds Washington Mutual A (USD)	—	-0.02	-1.20	4.28	11.61	07-31-1952	5.75	NA	0.62	0.62
Franklin DynaTech A (USD)	—	-4.38	3.71	7.22	8.29	01-02-1968	5.75	NA	0.97	0.97
Franklin Rising Dividends A (USD)	—	-1.75	-0.13	4.56	8.46	01-14-1987	5.75	NA	1.00 <sup>1</sup>	1.01
Franklin Utilities A (USD)	—	10.99	3.68	9.13	9.73	09-30-1948	4.25	NA	0.76	0.76
Ivy Bond A (USD)	—	1.11	3.35	3.83	5.99	08-14-1987	5.75	NA	1.11	1.11
Ivy Managed Intl Opportunities A (USD)	—	-19.24	-4.19	—	-2.67	04-02-2007	5.75	NA	1.66	1.66
MFS Bond A (USD)	—	2.58	7.01	6.51	8.55	05-08-1974	4.75	NA	0.85	0.85
MFS Diversified Income A (USD)	—	1.32	4.54	—	5.88	05-26-2006	4.75	NA	1.10	1.10
MFS Growth A (USD)	—	-2.15	2.03	6.29	6.70	09-13-1993	5.75	NA	1.18	1.18
MFS International Value A (USD)	—	-8.01	-2.08	8.02	6.47	10-24-1995	5.75	NA	1.27	1.27
Templeton Global Bond A (USD)	—	-5.31	8.18	10.25	8.09	09-18-1986	4.25	NA	0.89 <sup>2</sup>	0.90
Waddell & Reed Accumulative A (USD)	—	-6.08	-2.23	3.12	9.96	10-09-1940	5.75	NA	1.21	1.21
Waddell & Reed Asset Strategy A (USD)	—	-14.38	3.34	9.51	9.34	03-09-1995	5.75	NA	1.14	1.14
Waddell & Reed Bond A (USD)	—	1.96	4.30	4.25	6.89	03-30-1964	5.75	NA	0.98	0.98
Waddell & Reed Core Investment A (USD)	—	-3.23	1.62	5.62	10.58	10-09-1940	5.75	NA	1.14	1.14
Waddell & Reed Dividend Opps A (USD)	—	-8.16	-2.30	—	5.22	07-01-2003	5.75	NA	1.30	1.30
Waddell & Reed Municipal Bond A (USD)	—	6.18	5.47	4.56	5.96	11-05-1976	4.25	NA	0.91	0.91
Waddell & Reed New Concepts A (USD)	—	-10.95	4.09	8.85	10.35	06-09-1983	5.75	NA	1.43	1.43
Waddell & Reed Science & Tech A (USD)	—	-2.55	4.00	9.48	10.05	05-16-1950	5.75	NA	1.36	1.36
Waddell & Reed Small Cap A (USD)	—	-10.60	3.40	8.24	7.09	10-04-1999	5.75	NA	1.54	1.54
<b>Barclays US Agg Bond TR USD</b>	—	<b>7.47</b>	<b>6.79</b>	<b>5.63</b>	—	—	—	—	—	—
<b>MSCI EAFE NR USD</b>	—	<b>-13.83</b>	<b>-6.10</b>	<b>5.14</b>	—	—	—	—	—	—
<b>S&amp;P 500 TR</b>	—	<b>5.45</b>	<b>0.22</b>	<b>5.33</b>	—	—	—	—	—	—
<b>USTREAS T-Bill Auction Ave 3 Mon</b>	—	<b>0.05</b>	<b>0.80</b>	<b>1.82</b>	—	—	—	—	—	—

1. Contractual waiver that may expire at any time

2. Contractual waiver that may expire at any time

**Annualized returns 06-30-2012**

Return after Tax (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
American Funds American Mutual A (USD)	-1.60	-1.21	3.85	7.83	02-21-1950	-0.51	-0.70	3.70	7.76
American Funds Fundamental Investors A (USD)	-6.88	-2.19	5.42	9.65	08-01-1978	-4.13	-1.56	5.03	9.43
American Funds Inc Fund of Amer A (USD)	-2.45	-1.44	4.43	6.61	12-31-1970	-0.72	-0.74	4.36	6.54
American Funds Washington Mutual A (USD)	-0.89	-2.33	3.23	8.36	07-31-1952	-0.06	-1.59	3.15	8.26
Franklin DynaTech A (USD)	-4.69	3.29	7.00	7.47	01-02-1968	-2.49	3.04	6.31	7.17
Franklin Rising Dividends A (USD)	-2.16	-0.63	4.00	7.49	01-14-1987	-1.15	-0.40	3.66	7.13
Franklin Utilities A (USD)	9.64	2.13	7.47	6.30	09-30-1948	7.07	2.26	7.02	6.19
Ivy Bond A (USD)	-0.01	1.97	2.37	3.85	08-14-1987	0.69	2.02	2.39	3.83
Ivy Managed Intl Opportunities A (USD)	-19.72	-4.93	—	-3.38	04-02-2007	-12.52	-3.91	—	-2.63
MFS Bond A (USD)	0.83	4.97	4.46	4.53	05-08-1974	1.63	4.76	4.34	4.51
MFS Diversified Income A (USD)	0.10	2.84	—	4.17	05-26-2006	0.82	2.82	—	3.99
MFS Growth A (USD)	-2.15	1.81	6.18	6.38	09-13-1993	-1.40	1.71	5.53	5.92
MFS International Value A (USD)	-8.49	-3.12	6.96	5.53	10-24-1995	-5.24	-2.22	6.59	5.28
Templeton Global Bond A (USD)	-7.41	5.86	8.02	5.48	09-18-1986	-3.38	5.63	7.59	5.36
Waddell & Reed Accumulative A (USD)	-6.09	-2.33	3.00	6.38	10-09-1940	-3.95	-1.94	2.63	6.36
Waddell & Reed Asset Strategy A (USD)	-14.73	1.65	8.07	7.59	03-09-1995	-9.36	2.09	7.74	7.32
Waddell & Reed Bond A (USD)	0.89	2.97	2.74	2.95	03-30-1964	1.25	2.87	2.74	2.96
Waddell & Reed Core Investment A (USD)	-4.10	0.90	4.93	7.02	10-09-1940	-1.28	1.18	4.71	6.97
Waddell & Reed Dividend Opps A (USD)	-8.58	-2.70	—	4.79	07-01-2003	-5.32	-2.15	—	4.32
Waddell & Reed Municipal Bond A (USD)	6.18	5.47	4.56	5.69	11-05-1976	5.38	5.26	4.45	5.68
Waddell & Reed New Concepts A (USD)	-13.64	2.46	8.00	8.88	06-09-1983	-4.43	3.03	7.60	8.69
Waddell & Reed Science & Tech A (USD)	-4.12	2.41	8.29	7.94	05-16-1950	-0.66	2.87	7.95	7.87
Waddell & Reed Small Cap A (USD)	-11.92	2.64	7.43	6.25	10-04-1999	-5.41	2.78	7.08	5.97

# Portfolio Snapshot

**Portfolio Value**  
\$28,000,000.00

**Benchmark**  
S&P 500 TR (USD)

## Illustration Returns

Total 23 holdings as of 07-31-2012	Symbol	Type	Holdings Date	% of Assets	Holding Value \$	7-day Yield	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %
MFS Bond A (USD, MFBFX)	MFBFX	MF	06-2012	9.64	2,700,000	—	—	—	—	—
American Funds Inc Fund of Amer A (USD, AMECX)	AMECX	MF	06-2012	8.04	2,250,000	—	—	—	—	—
American Funds American Mutual A (USD, AMRMX)	AMRMX	MF	06-2012	6.43	1,800,000	—	—	—	—	—
Franklin Rising Dividends A (USD, FRDPX)	FRDPX	MF	06-2012	6.43	1,800,000	—	—	—	—	—
Franklin Utilities A (USD, FKUTX)	FKUTX	MF	06-2012	6.43	1,800,000	—	—	—	—	—
Waddell & Reed New Concepts A (USD, UNECX)	UNECX	MF	06-2012	5.36	1,500,000	—	—	—	—	—
American Funds Fundamental Investors A (USD, ANCFX)	ANCFX	MF	06-2012	4.82	1,350,000	—	—	—	—	—
MFS Diversified Income A (USD, DIFAX)	DIFAX	MF	06-2012	4.82	1,350,000	—	—	—	—	—
Templeton Global Bond A (USD, TPINX)	TPINX	MF	06-2012	4.82	1,350,000	—	—	—	—	—
Waddell & Reed Municipal Bond A (USD, UNMBX)	UNMBX	MF	06-2012	4.46	1,250,000	—	—	—	—	—
Waddell & Reed Asset Strategy A (USD, UNASX)	UNASX	MF	06-2012	3.57	1,000,000	—	—	—	—	—
Waddell & Reed Bond A (USD, UNBDX)	UNBDX	MF	06-2012	3.57	1,000,000	—	—	—	—	—
Waddell & Reed Science & Tech A (USD, UNSCX)	UNSCX	MF	06-2012	3.57	1,000,000	—	—	—	—	—
Waddell & Reed Small Cap A (USD, UNSAX)	UNSAX	MF	06-2012	3.57	1,000,000	—	—	—	—	—
American Funds Washington Mutual A (USD, AWSHX)	AWSHX	MF	06-2012	3.21	900,000	—	—	—	—	—
Franklin DynaTech A (USD, FKDNX)	FKDNX	MF	06-2012	3.21	900,000	—	—	—	—	—
MFS Growth A (USD, MFEGX)	MFEGX	MF	06-2012	3.21	900,000	—	—	—	—	—
MFS International Value A (USD, MGIAX)	MGIAX	MF	06-2012	3.21	900,000	—	—	—	—	—
Waddell & Reed Accumulative A (USD, UNACX)	UNACX	MF	06-2012	2.68	750,000	—	—	—	—	—
Waddell & Reed Core Investment A (USD, UNCMX)	UNCMX	MF	06-2012	2.68	750,000	—	—	—	—	—
Waddell & Reed Dividend Opps A (USD, WDVAX)	WDVAX	MF	06-2012	2.68	750,000	—	—	—	—	—
Ivy Bond A (USD, IBOAX)	IBOAX	MF	06-2012	1.79	500,000	—	—	—	—	—
Ivy Managed Intl Opportunities A (USD, IVTAX)	IVTAX	MF	06-2012	1.79	500,000	—	—	—	—	—

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See Disclosure Page for Standardized Returns.

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# Stock Intersection

This Stock Detail table shows how the top 25 net stock holdings are distributed across the portfolio, ranked by the percentage of portfolio net assets. The Holding Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. It is possible that a fund's portfolio could be up to eight months old at the time of publication. See disclosures for more information.

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Apple, Inc.(USD)</b>	AAPL	1.76		 Technology
<i>Source of Stock</i>				
Waddell & Reed Accumulative A (USD)	UNACX	0.35	03-31-12	
Franklin DynaTech A (USD)	FKDNX	0.29	03-31-12	
Waddell & Reed Science & Tech A (USD)	UNSCX	0.29	03-31-12	
MFS Growth A (USD)	MFEGB	0.26	05-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.17	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.11	06-30-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.11	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.09	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
Ivy Managed Intl Opportunities A (USD)	IVTAX	0.02	03-31-12	
<b>Home Depot, Inc.(USD)</b>	HD	0.79		 Consumer Cyclical
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.20	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.18	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.17	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.11	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.08	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.05	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>Chevron Corp(USD)</b>	CVX	0.76		 Energy
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.29	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.18	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.11	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.10	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.04	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.04	06-30-12	
<b>Verizon Communications Inc(USD)</b>	VZ	0.74		 Communication Services
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.23	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.21	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.12	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.09	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.06	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	
<b>Merck &amp; Co Inc(USD)</b>	MRK	0.64		 Healthcare
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.21	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.17	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.14	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.09	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.03	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Google, Inc. Class A(USD)</b>	GOOG	0.61		 Technology
<i>Source of Stock</i>				
MFS Growth A (USD)	MFEGX	0.12	05-31-12	
Waddell & Reed Science & Tech A (USD)	UNSCX	0.12	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.10	03-31-12	
Franklin DynaTech A (USD)	FKDNX	0.09	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.05	06-30-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.05	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.01	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>Abbott Laboratories(USD)</b>	ABT	0.58		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.27	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.23	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.03	03-31-12	
MFS Growth A (USD)	MFEGX	0.03	05-31-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>General Electric Co(USD)</b>	GE	0.54		 Industrials
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.20	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.09	06-30-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.07	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.06	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.05	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	
<b>Johnson &amp; Johnson(USD)</b>	JNJ	0.49		 Healthcare
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.24	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.05	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.05	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.04	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	
American Funds American Mutual A (USD)	AMRMX	0.01	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.01	06-30-12	
<b>AT&amp;T Inc(USD)</b>	T	0.48		 Communication Services
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.16	06-30-12	
Franklin Utilities A (USD)	FKUTX	0.10	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.08	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.07	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.06	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.02	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.00	06-30-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>PG&amp;E Corp(USD)</b>	PCG	0.48		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.24	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.09	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.04	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.03	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.03	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.00	05-31-12	
<b>Philip Morris International, Inc.(USD)</b>	PM	0.46		 Consumer Defensive
<i>Source of Stock</i>				
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.13	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.09	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.09	06-30-12	
Waddell & Reed Asset Strategy A (USD)	UNASX	0.07	03-31-12	
MFS Growth A (USD)	MFE GX	0.04	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.04	06-30-12	
<b>McDonald's Corporation(USD)</b>	MCD	0.45		 Consumer Cyclical
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.17	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.08	03-31-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.07	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.03	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
<b>ConocoPhillips(USD)</b>	COP	0.43		 Energy
<i>Source of Stock</i>				
Waddell & Reed Asset Strategy A (USD)	UNASX	0.16	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.09	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.04	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.03	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.03	03-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.03	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.02	03-31-12	
MFS Diversified Income A (USD)	DIFAX	0.00	05-31-12	
<b>PepsiCo Inc(USD)</b>	PEP	0.43		 Consumer Defensive
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.21	03-31-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.07	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.05	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.04	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.03	06-30-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.03	03-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>Bristol-Myers Squibb Company(USD)</b>	BMY	0.43		 Healthcare
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.22	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.08	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.07	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.05	06-30-12	
<b>Union Pacific Corp(USD)</b>	UNP	0.42		 Industrials
<i>Source of Stock</i>				
American Funds Washington Mutual A (USD)	AWSHX	0.10	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.08	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.07	06-30-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.07	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.07	06-30-12	
MFS Growth A (USD)	MFEGX	0.03	05-31-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
<b>Pfizer Inc(USD)</b>	PFE	0.42		 Healthcare
<i>Source of Stock</i>				
American Funds Inc Fund of Amer A (USD)	AMECX	0.10	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.06	03-31-12	
Franklin Rising Dividends A (USD)	FRDPX	0.06	03-31-12	
Waddell & Reed Core Investment A (USD)	UNCMX	0.06	03-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.05	06-30-12	
American Funds American Mutual A (USD)	AMRMX	0.05	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.04	05-31-12	
American Funds Washington Mutual A (USD)	AWSHX	0.00	06-30-12	
<b>Exelon Corp(USD)</b>	EXC	0.41		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.31	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.04	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.02	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.02	06-30-12	
MFS Diversified Income A (USD)	DIFAX	0.01	05-31-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.01	06-30-12	
<b>Precision Castparts Corp.(USD)</b>	PCP	0.39		 Industrials
<i>Source of Stock</i>				
Waddell & Reed Core Investment A (USD)	UNCMX	0.12	03-31-12	
Waddell & Reed Accumulative A (USD)	UNACX	0.12	03-31-12	
MFS Growth A (USD)	MFEGX	0.07	05-31-12	
Franklin DynaTech A (USD)	FKDNX	0.05	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.02	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.01	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.00	06-30-12	
<b>International Business Machines Corp(USD)</b>	IBM	0.38		 Technology
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.31	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.04	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.03	03-31-12	

# Stock Intersection

Stock Details				
Stock	Ticker/ISIN	% of Investments	Holding Portfolio Date	Sector
<b>International Business Machines Corp(USD)</b>	IBM	0.38		 Technology
<i>Source of Stock</i>				
American Funds Washington Mutual A (USD)	AWSHX	0.00	06-30-12	
<b>Dow Chemical Co(USD)</b>	DOW	0.38		 Industrials
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.13	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.08	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.07	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.06	06-30-12	
Waddell & Reed Dividend Opps A (USD)	WDVAX	0.04	03-31-12	
<b>FirstEnergy Corp(USD)</b>	FE	0.36		 Utilities
<i>Source of Stock</i>				
Franklin Utilities A (USD)	FKUTX	0.21	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.08	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.04	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.04	06-30-12	
<b>United Technologies Corp(USD)</b>	UTX	0.36		 Industrials
<i>Source of Stock</i>				
Franklin Rising Dividends A (USD)	FRDPX	0.21	03-31-12	
American Funds American Mutual A (USD)	AMRMX	0.11	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.04	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.01	06-30-12	
<b>Microsoft Corporation(USD)</b>	MSFT	0.35		 Technology
<i>Source of Stock</i>				
American Funds American Mutual A (USD)	AMRMX	0.14	06-30-12	
American Funds Fundamental Investors A (USD)	ANCFX	0.08	06-30-12	
American Funds Washington Mutual A (USD)	AWSHX	0.07	06-30-12	
American Funds Inc Fund of Amer A (USD)	AMECX	0.05	06-30-12	
Franklin DynaTech A (USD)	FKDNX	0.01	03-31-12	

# Hypothetical Report Disclosure Statement

## General

This is an illustration of a simulated investment that assumes the portfolio holding(s) were purchased on the first day of the period indicated. Sales and tax charges, including those required in the event of transfers between assets, are taken into account at the rates shown and may be higher or lower than what an investor would have actually paid had the investments been purchased then or now. The performance data represents past performance and is not indicative of future results. Principal value and investment returns will fluctuate, and an investor's shares/units, when redeemed, may be worth more or less than the original investment.

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

The investment returns do not reflect active trading and do not necessarily reflect the results that might have been achieved by active management of the account. The investment returns of other clients of the advisor may differ materially from the investment portrayed.

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

## Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's Charges and Fees section.

## When pre-inception data is presented in the report, the header at the top of the report will indicate this.

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

The investment returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns may be reduced if additional fees are incurred.

Performance for closed-end and exchange-traded funds is calculated based on the fund's end of the day market prices as reported by the New York Stock Exchange. Separate account performance is based on the mean experience of an investor in the account.

This illustration may reflect the results of systematic investments and/or

withdrawals. Systematic investment does not ensure a profit, nor does it protect the investor against a loss in a declining market. Also, systematic investing will not keep an investor from losing money if shares are sold when the market is down.

## Investment Summary Graph

The investment summary graph plots the approximate market value of the security or portfolio over the investing horizon. It may also include the total investment assumed in the illustration and/or a benchmark. Total investment includes dollar inflows and outflows, including outflows representing noted taxes and annual fees paid out of pocket. If a benchmark index is included on a graph, it assumes a similar pattern of investment/withdrawal as that of the security or portfolio. Taxes and transaction costs are also applied to the benchmark index. Note that direct investment in an index is not possible. Indexes are unmanaged portfolios representing different asset classes, with varying levels of associated risk. The benchmark index included in the graph may or may not represent an appropriate or accurate comparison with the security or portfolio illustrated.

## Standardized Returns

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

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

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

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

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

For VL subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses. For VLs, additional fees specific to a VL policy such as transfer fees and cost of insurance fees, which are based on specific characteristics of an individual, are not included. If VL fees were included in the return calculations, the performance would be significantly lower. An investor should contact a financial advisor and ask for a personalized performance illustration, either hypothetical or historical, which reflects all applicable fees and charges including the cost of insurance. Please review the prospectus and SAI for more detailed information.

## Definitions of Report Terms

*Annual Fee Paid:* Your advisor was able to specify whether annual fees, if any,

should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Average Annualized Return:* Average annualized money-weighted return (internal rate of return). In illustrations with time periods less than one year, this figure is not annualized.

*Capital Gains (Individual Report):* Percentage of the total market value of the holding that is attributable to the reinvestment of capital gains distributions.

*Charges & Fees (Investment Detail):* The sum of fees charged to the investor during the period, including front or deferred loads, VA charges, and annual fees.

*Cumulative Return:* The total money-weighted return of the investment over the entire time period of the illustration.

*Distribution/Withdrl:* The sum of distributions not reinvested, plus any cash withdrawals during the period.

*Income (Individual Report):* The percentage of the total market value of the holding that is attributable to the reinvestment of income or dividend distributions.

*Liquidate:* Indicates whether the advisor chose that the holding be liquidated on the end date.

*Median (Comparison Report):* The total money-weighted return (internal rate of return) of the median security in the illustration for the calendar year indicated.

*New investment:* Any new cash invested during the period.

*Principal (Individual Reports):* The percentage of the total market value of the holding that is attributable to new investment.

*Rebalance (Planning Assumptions):* Indicates whether rebalancing is used, and its frequency. "No" indicates no rebalancing. Options for rebalancing frequency are monthly, quarterly, semi-annually, and annually.

*Rebalance (Investment Assumptions):* Percentage of total asset allocation to be maintained in this holding through rebalancing.

*Security Return (Comparison Report):* The total money-weighted return (internal rate of return) for the holding in the calendar year indicated, taking into account cash flows, charges, and fees.

*Subsequent Invest/Withdwl:* The amount, type, and frequency of subsequent investments or withdrawals from the holding. Withdrawals are represented by a negative number. Systematic investments and withdrawals may be made monthly, quarterly, semi-annually, or annually. If "Custom", a custom schedule of investments or withdrawals was used.

*Taxes Due:* The total amount of taxes due from the investor, determined by applying specified tax rates to distributions and sale of shares during each calendar year.

*Taxes Paid:* Your advisor was able to specify whether taxes, if any, should be assumed paid out of pocket or from selling shares of securities held in the illustration.

*Net Amount Invested:* The total out-of-pocket expense for the investor. Includes

new investment, annual fees paid to advisor, and taxes due. This figure is net of withdrawals, including liquidation.

*Total Reinvest:* The sum of distributions reinvested during the period.

*Total Return %:* The total money-weighted return (internal rate of return) on investments for the period.

## Portfolio Snapshot Report Disclosure Statement

### General

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

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

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

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

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

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

### Items to Note Regarding Certain Underlying 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. Like closed-end funds, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

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.

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

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, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

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

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.

## Pre-inception Returns

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

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

## Scheduled Portfolio Trailing Returns

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

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

## Scheduled Portfolio Returns-Based Performance Data

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

## Important VA Disclosure for Scheduled Portfolios

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

## Scheduled Portfolio Investment Activity Graph

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

## Unscheduled Portfolio Returns

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

### Unscheduled Portfolio Investment Activity Graph

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

### Benchmark Returns

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

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

### Standardized Returns

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

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

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

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

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

### Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and

the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

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

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

### Investment Advisory Fees

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

### Asset Allocation

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

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

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

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

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may

reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

### Investment Style

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

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

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

Morningstar seeks credit rating information from fund companies on a periodic basis (e.g., quarterly). In compiling credit rating information, Morningstar instructs fund companies to only use ratings that have been assigned by the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's, Standard & Poor's, Fitch, and Egan-Jones. If two NRSROs have rated a security, fund companies are to report the lowest rating; if three or more NRSROs have rated the same security differently, fund companies are to report the rating that is in the middle. For example, if NRSRO X rates a security AA-, NRSRO Y rates the same security an A and NRSRO Z rates it a BBB+, the fund company should use the credit rating of 'A' in its reporting to Morningstar. PLEASE NOTE: Morningstar, Inc. is not itself an NRSRO nor does it issue a credit rating on the fund. An NRSRO rating on a fixed-income security can change from time-to-time.

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

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

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

### Stock Regions

This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

### Risk and Return

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

Mean represents the annualized geometric return for the period shown.

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

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

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

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

### Portfolio Yield

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

### Fundamental Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Stock Intersection Report Disclosure Statement

Used as supplemental sales literature, the Stock Intersection report must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Stock Intersection report. Morningstar is not itself a FINRA-member firm. Information contained in the report is from the most recent information available to Morningstar.

The Stock Intersection report reviews the top 25 holdings in the portfolio to identify, at a glance, the portfolio's overall weighting in a particular security or sector. This report only displays the top 25 holdings; the investor's portfolio may hold substantially more.

Note that while the investor does not own the securities held by an open-end fund, closed-end fund, or similar investment, the holdings are relevant in reviewing the overall asset allocation and diversification. This report is not an offer or recommendation by Morningstar to purchase or liquidate any security listed.

### Percentage of Portfolio

The Percentage of Portfolio column indicates the percentage of net assets any given security (either as an individual holding or as an underlying stock) makes up as an overall position of the portfolio.

### Holding Portfolio Date

The Portfolio Date is the date that the fund's portfolio was last updated. When making comparisons among funds, it is an important date to keep in mind. Although Morningstar tries to ensure that we receive timely information, we don't always receive current information from fund companies. By law, funds need only report this information two times during the calendar year, and they have two months after the report date to actually release the shareholder report and portfolio. Therefore, it is possible that a fund's portfolio could be up to eight months old at the time of publication.

### Sector

Morningstar breaks down all equities into the following sectors: Consumer Defensive, Healthcare, Utilities, Communication Services, Energy, Industrials, Technology, Basic Materials, Consumer Cyclical, Financial Services, and Real Estate.

## Investment Risks

**International/Emerging Market Equities:** Investing in international securities involve 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 decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

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

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

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

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

**Leveraged ETFs:** Levered 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 Fund objective). The leverage/gearing ratio is the amount of excess return that a levered investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

**Short Positions:** When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a

manager might have to close out a short position at an inopportune time to limit further losses.

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

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

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

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

**Target-Date Funds:** Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date of when investors expect to begin withdrawing their money. 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 anytime, including at the fund's target date.

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

### 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 include reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Barclays Aggregate Bond.

### 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.

### S&P 500 TR

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares S&P 500 Index.

### 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.