

**ACT 44 DISCLOSURE FORM FOR ENTITIES PROVIDING  
PROFESSIONAL SERVICES TO THE  
TILDEN TOWNSHIP PENSION SYSTEM**

CHAPTER 7-A OF ACT 44 OF 2009 MANDATES the annual disclosure of certain information by every entity (hereinafter "**Contractor**") which is a party to a professional services contract with one of the pension funds of TILDEN TOWNSHIP (hereinafter "**Tilden Township**"). Act 44 disclosure requirements apply to **Contractors** who provide professional pension services and receive payment of any kind from Tilden Township's pension fund. Tilden Township has determined that your company falls under the requirements of Act 44 and must complete this disclosure form. You are expected to submit this completed form, to Tilden Township below, by **May 30, 2014**. If, for any reason you believe that Act 44 does not require you to complete this disclosure form, please provide a written explanation of your reason(s) by **May 30, 2014**.

**RETURN COMPLETED**

**DISCLOSURE TO:** Tilden Township  
Attn: Cheryl Haus, Township Manager  
874 Hex Highway  
Hamburg, PA 19526  
Telephone: 610-562-7410  
Email: tildentwp@comcast.net

**REQUIRED UPDATES:**

Where noted, information in this form must be updated in writing as changes occur.

## DEFINITIONS FOR DISCLOSURE

| TERM:  | DEFINITION:  |
|--|--|
| CONTRACTOR   | Any person, company, or other entity that receives payments, fees, or any other form of compensation from a municipal pension fund in exchange for rendering professional services for the benefit of the municipal pension fund.  |
| SUBCONTRACTOR OR ADVISOR   | Anyone who is paid a fee or receives compensation from a municipal pension system – directly or indirectly from or through a contractor.   |
| AFFILIATED ENTITY  | Any of the following: <ol style="list-style-type: none"> <li>1. A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm.</li> <li>2. An organization recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 501 (c) ) established by a lobbyist or lobbying firm or an affiliated entity.</li> </ol>   |
| CONTRIBUTIONS  | As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code   |
| POLITICAL COMMITTEE  | As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code   |
| EXECUTIVE LEVEL EMPLOYEE   | <b>Any employee or person or the person's affiliated entity who:</b> <ol style="list-style-type: none"> <li>1. Can affect or influence the outcome of the person's or affiliated entity's actions, policies, or decisions relating to pensions and the conduct of business with a municipality or a municipal pension system; or</li> <li>2. Is directly involved in the implementation or development policies relating to pensions, investments, contracts or procurement or the conduct of business with a municipality or municipal pension system.</li> </ol> |
| MUNICIPAL PENSION SYSTEM   | Any qualifying pension plan, under Pennsylvania state law, for any municipality within the Commonwealth of Pennsylvania; includes the Pennsylvania Municipal Retirement System.<br><i>Example: the Police Pension Plan for the Borough of Winchesterville</i>  |
| MUNICIPAL PENSION SYSTEM OFFICIALS AND EMPLOYEES;<br>MUNICIPAL OFFICIALS AND EMPLOYEES | <b>Specifically</b> , those listed in <b>TABLE 2</b> titled: " <i>List of Pension System and Municipal Officials and Employees</i> " on the next page. Where applicable, includes any employee of Tilden Township.   |
| PROFESSIONAL SERVICES CONTRACT   | A contract to which the municipal pension system is a party that is: (1) for the purchase of professional services including investment services, legal services, real estate services, and other consulting services; and, (2) not subject to a requirement that the lowest bid be accepted.  |

## **List of Municipal Officials for Tilden Township**

Certain requests for information in this form will refer to a "**List of Municipal Officials.**" To assist you in preparing your answers, you should consider the following names to be a complete list of pension system and municipal officials and employees. Throughout this Disclosure Form, the below names will be referred to as the "**List of Municipal Officials.**"

### **Elected Officials**

Gene Shappell, Chairperson, Board of Supervisors  
Frederick Herman, Vice-Chairman, Board of Supervisors  
Carl Spatz, Jr., Supervisor

### **Appointed Officials or Employees**

Cheryl A. Haus- Manager  
Stacy L. Degler, Assistant Secretary  
Mike Quick, Roadmaster  
James M. Lillis, Esquire, Solicitor

## IDENTIFICATION OF CONTRACTORS & RELATED PERSONNEL

**CONTRACTORS:** (See “Definitions” – page 2) Any entity who currently provides service(s) by means of a Professional Services Contract to the Municipal Pension System of Tilden Township, please complete all of the following:

**Identify the Municipal Pension System(s) for which you are providing information:  
Indicate all that apply with an “X”: Non- Uniform Plan**

**\*\*NOTE:** For all that follow, you may answer the questions / items on a separate sheet of paper and attach it to this Disclosure if the space provided is not sufficient. Please reference each question / item you are responding to by the appropriate number. (**example: REF – Item #1.**)

**1.** Please provide the names and titles of all individuals providing professional services to Tilden Township’s pension plan(s) identified above. Also include the names and titles of any advisors and subcontractors of the Contractor, identifying them as such. After each name provide a description of the responsibilities of that person with regard to the professional services being provided to each designated pension plan.

David S. Coult, President, Milestone Financial Associates, LLC – Investment Consulting Services

**2.** Please list the name and title of any **Affiliated Entity** and their **Executive-level Employee(s)** that require disclosure; after each name, include a brief description of their duties. (**See: Definitions**)

Not applicable.

**3.** Are any of the individuals named in **Item 1 or Item 2** above, a current or former official or employee of Tilden Township?

**IF “YES”,** provide the name and of the person employed, their position with the municipality, and dates of employment.

No.

**4.** Are any of the individuals named in **Item 1 or Item 2** above a current or former registered Federal or State lobbyist?

**IF “YES”,** provide the name of the individual, specify whether they are a state or federal lobbyist, and the date of their most recent registration /renewal.

No.

**NOTICE: All information provided for items 1- 4 above must be updated as changes occur**

5. Since December 17<sup>th</sup> 2009, has the **Contractor** or an **Affiliated Entity** paid compensation to or employed any third party intermediary, agent, or lobbyist that is to directly or indirectly communicate with an official or employee of the **Municipal Pension System** of Tilden Township (OR), any municipal official or employee of Tilden Township in connection with any transaction or investment involving the **Contractor** and the Municipal Pension System of Tilden Township?

**This question does not apply** to an officer or employee of the **Contractor** who is acting within the scope of the firm's standard professional duties on behalf of the firm, including the actual provision of legal, accounting, engineering, real estate, or other professional advice, services, or assistance pursuant to the professional services contact with municipality's pension system.

**IF "YES"**, identify: **(1)** whom (the third party intermediary, agent, or lobbyist) was paid the compensation or employed by the **Contractor** or **Affiliated Entity**, **(2)** their specific duties to directly or indirectly communicate with an official or employee of the **Municipal Pension System** of Tilden Township (OR), any municipal official or employee of Tilden Township, **(3)** the official they communicated with, and **(4)** the dates of this service.

No.

6. Since December 17<sup>th</sup> 2009, has the **Contractor**, or any agent, officer, director or employee of the **Contractor** solicited a contribution to any municipal officer or candidate for municipal office in Tilden Township, or to the political party or political action committee of that official or candidate?

**IF "YES"**, identify the agent, officer, director or employee who made the solicitation and the municipal officials, candidates, political party or political committee who were solicited (to whom the solicitation was made).

No.

7. Since December 17<sup>th</sup>, 2009: Has the **Contractor** or an **Affiliated Entity** made any contributions to a municipal official or any candidate for municipal office in Tilden Township?

**IF "YES"**, provide the name and address of the person(s) making the contribution, the contributor's relationship to the Contractor, The name and office or position of the person receiving the contribution, the date of the contribution, and the amount of the contribution.

No.

8. Does the **Contractor** or an **Affiliated Entity** have any direct financial, commercial or business relationship with any official identified on the **List of Municipal Officials**, of Tilden Township?

**IF "YES"**, identify the individual with whom the relationship exists and give a detailed description of that relationship.

**\*\*NOTE:** A written letter is required from Tilden Township acknowledging the relationship and consenting to its existence. The letter must be attached to this disclosure. Contact Tilden Township to obtain this letter and attach it to this disclosure before submission.

No.

9. Has the **Contractor** or an **Affiliated Entity** given any gifts having more than a nominal value to any official, employee or fiduciary – specifically, those on the **List of Municipal Officials** of Tilden Township? **IF "YES"**, Provide the name of the person conferring the gift, the person receiving the gift, the office or position of the person receiving the gift, specify what the gift was, and the date conferred.

No.

**10.** Disclosure of contributions to any political entity in the Commonwealth of Pennsylvania

**Applicability:** A "yes" response is required and full disclosure is required **ONLY WHEN ALL** of the following applies:

**a)** The contribution was made within the last 5 years (specifically since: December 18<sup>th</sup> 2008)

**b)** The contribution was made by an officer, director, executive-level employee or owner of at least 5% of the **Contractor** or **Affiliated Entity**.

**c)** The amount of the contribution was at least \$500 and in the form of:

**1.** A single contribution by a person in (b.) above, **OR**

**2.** The aggregate of all contributions all persons in (b.) above;

**d)** The contribution was for

**1.** Any candidate for any public office or any person who holds an office in the Commonwealth of Pennsylvania;

**2.** The political committee of a candidate for public office or any person that holds an office in the Commonwealth of Pennsylvania.

**IF "YES"**, provide the name and address of the person(s) making the contribution, the contributor's relationship to the **Contractor**, The name and office or position of the person receiving the contribution (or the political entity / party receiving the contribution), the date of the contribution, and the amount of the contribution.

No.

**11.** With respect to your provision of professional services to the Municipal Pension System of Tilden Township:

Are you aware of any apparent, potential or actual conflicts of interest with respect to any officer, director or employee of the **Contractor** and officials or employees of Tilden Township?

**NOTE: If, in the future**, you become aware of any apparent, potential, or actual conflict of interest, you are expected to update this **Disclosure Form** immediately in writing by:

- Providing a brief synopsis of the conflict of interest (and);
- An explanation of the steps taken to address this apparent, potential, or actual conflict of interest.

**IF "YES"**, Provide a detailed explanation of the circumstances which provide you with a basis to conclude that an apparent, potential, or actual conflict of interest may exist.

No.

**12.** To the extent that you believe that **Chapter 7-A of Act 44 of 2009** requires you to disclose any additional information beyond what has been requested above, please provide that information below or on a separate piece of paper.

Not applicable; no additional disclosures required.

IF "YES", Provide a detailed explanation of the circumstances which provide you with a basis to conclude that an apparent, potential, or actual conflict of interest may exist.

12. To the extent that you believe that **Chapter 7-A of Act 44 of 2009** requires you to disclose any additional information beyond what has been requested above, please provide that information below or on a separate piece of paper.

N/A

Please provide the name(s) and position(s) of the person(s) participating in the completion of this Disclosure Form.

One of the individuals identified by the Contractor in Item #1 above must participate in completing this Disclosure Form and must sign the below verification attesting to the participation of those individuals named below.

|                               |           |
|-------------------------------|-----------|
| Name: <i>Daniel S. Conitt</i> | Name      |
| Position: <i>President</i>    | Position: |
| Name:                         | Name:     |
| Position:                     | Position: |
| Name:                         | Name:     |
| Position:                     | Position: |

*[Handwritten Signature]*

Signature

*President*

Title

*5/28/14*

Date

VERIFICATION

I, David S. Coult, hereby state that I am President for Milestone Financial Associates and I am authorized to make this verification.

I hereby verify that the facts set forth in the foregoing Act 44 Disclosure Form for Entities Providing Professional Services to the **Tilden Township Pension System** are true and correct to the best of my knowledge, information and belief. I also understand that knowingly making material misstatements or omissions in this form could subject the responding Contractor to the penalties in Section 705-A(e) of Act 44.

I understand that false statements herein are made subject to the penalties of 18 P.A.C.S. § 4904 relating to unsworn falsification to authorities.

CONTRACTOR

BY: Milestone Financial Associates, LLC

Name: David S. Coult

Title: President



Date 5/28/14

**INSTRUCTIONS FOR MUNICIPALITY:**  
WITH THE DISCLOSURE

**DO NOT** INCLUDE THIS INSTRUCTION PAGE

You will need to prepare and send one of these disclosure forms to **each Contractor** that you have a contract for providing service to your pension plan (AND) a separate set of disclosures for each type of plan - fire, police, etc. If ONE CONTRACTOR services two or more plans, then only one disclosure is required, but the contractor must indicate he / she is completing the disclosure for more than one plan...**PAGE 4, Question One.**

You should also prepare a brief cover letter explaining the reason you are sending this disclosure out.

Who should receive this disclosure?

Generally there are 5 primary service providers for each pension plan but it is not limited to just these:  
**Actuarial Services      Investment Services      Administration Services      Advisory Services**  
**Legal Advisory Services** - usually performed by the municipal solicitor.

**IF some** of these services are combined through one service provider or **Contractor**, then you only need to send this to that one entity. **For Example**, your administrative services and actuarial service are conducted though **Robert Smith and Associates** and your contract is with this company. However, **Robert Smith and**



## **PPS SELECT MANAGED PORTFOLIOS**

The PPS Select program, available to clients through advisors of Commonwealth, is a wrap program. In a PPS Select account, each client holds a selection of underlying securities, including open-end mutual funds, closed-end funds, and/or ETFs, in an asset-allocated portfolio. Each PPS Select account consists of a selection of underlying securities with exposure to a varying percentage mix of asset classes, including exposure to domestic and/or international fixed income and equity asset classes, as well as alternative investment asset classes, such as commodities and managed futures. Advisors assist clients in matching risk tolerance, time horizon, and investment objectives to these tactically managed portfolios.

PPS Select utilizes Commonwealth's in-house Research team's expertise, experience, and resources to create a consistent, well-thought-out methodology that is rigorous in nature but receptive to client needs. The result is a series of allocation models that seek to provide consistent, long-term, risk-adjusted returns for investors across the risk/return investment spectrum.

### **Investment Philosophy**

The Commonwealth Research team employs a due diligence process when selecting funds for inclusion or removal from the PPS Select portfolios. The process has five steps: (1) Screening, (2) Evaluation, (3) Analysis, (4) Portfolio Construction, and (5) Ongoing Monitoring.

#### **Step 1: Screening**

An initial quantitative screen is used as a starting point for further research. The purpose of the screening process is to focus on funds that meet objective criteria and provide consistent, risk-adjusted returns.

#### **Step 2: Evaluation**

After screening, the funds are evaluated by applying a risk-adjusted scoring system to the remaining mutual funds. In addition, funds are evaluated based upon absolute performance, peer and benchmark-relative performance and style consistency.

#### **Step 3: Analysis**

The objective of this step is to build a solid understanding of how a fund operates. This step requires careful attention to the five P's of manager/fund analysis: philosophy, process, people, price, and performance.

#### **Step 4: Portfolio Construction**

Only a few funds make it to this stage. The fund finalists are reviewed on a quantitative and qualitative basis. Fundamental factors are discussed in greater detail and more quantitative data is examined including upside/downside capture, benchmark tracking, and style analysis. Also, either a conference call or onsite meeting is conducted to confirm all of the Research team's findings.

#### **Step 5: Ongoing Monitoring**

The PPS Select portfolios are monitored on an ongoing basis to determine if they are meeting their investment objectives. The portfolios are evaluated based on absolute and relative performance, risk tolerances, attribution analysis and style analysis. As portfolio characteristics and asset weightings drift beyond target levels, the portfolios will be rebalanced as necessary to keep asset weighting in-line with objectives.

In addition, the selected funds are continuously monitored including a monthly performance review, holdings attribution analysis, firm commentary review, and regular conference calls and meetings.

*Continued >*

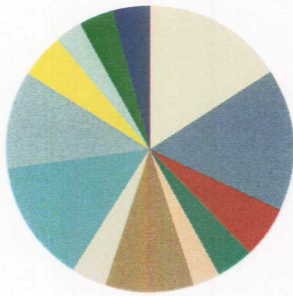
PPS Select Managed Portfolios continued

**PASSIVE MODELS**

as of 1/23/2014

**Balanced  
Equity-Oriented**  
Target Allocation:

59% Equity  
37% Bonds  
4% Cash or Money Market



| Asset Class             | Corresponding Fund                       | Ticker | % of Portfolio |
|-------------------------|--|--------|----------------|
| Large-Cap Growth        | iShares Russell 1000 Growth              | IWF    | 16%            |
| Large-Cap Value         | iShares Russell 1000 Value               | IWD    | 16%            |
| Mid-Cap Growth          | iShares Russell Mid-Cap Growth           | IWP    | 6%             |
| Small-Cap Value         | iShares Russell 2000 Value               | IWN    | 4%             |
| Real Estate             | Vanguard REIT Index                      | VNQ    | 3%             |
| Foreign Large-Cap Blend | Vanguard FTSE Developed Markets          | VEA    | 10%            |
| Emerging Markets        | Vanguard Emerging Markets                | VWO    | 4%             |
| Short-Term Bond         | Vanguard Short Term Bond Market Admiral  | VBIRX  | 7%             |
| Short-Term Bond         | iShares Barclay 1-3 Year Credit          | CSJ    | 7%             |
| Intermediate-Term Bond  | Vanguard Total Bond Market Index Admiral | VBTLX  | 11%            |
| Bank Loan               | Voya Floating Rate                       | IFRWX  | 5%             |
| High-Yield Bond         | PIMCO 0-5 Year HY ETF                    | HYS    | 3%             |
| World Bond              | Legg Mason BW Global Opportunities       | GOBIX  | 4%             |
| Cash or Money Market    |  |        | 4%             |

Target allocations subject to change.

An investment in the money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency; although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. Investors should note that diversification does not assure against market loss and that there is no guarantee that a diversified portfolio will outperform a non-diversified portfolio.

*For more complete information about an underlying fund, including investment objective, risks, charges and expenses, please see current fund prospectuses. Consider the information carefully before investing. Prospectuses contain this and other information and are available through your financial advisor. Read the prospectus carefully before you invest or send money.*

Securities and advisory services offered through Commonwealth Financial Network®  
Member FINRA/SIPC, a Registered Investment Adviser. Not FDIC Insured. Not Bank Guaranteed. May Lose Value.

**WALTHAM OFFICE**  
29 SAWYER ROAD  
WALTHAM, MA 02453-3483  
TOLL-FREE: 800.237.0081  
PHONE: 781.736.0700  
MAIN FAX: 781.736.0793

**SAN DIEGO OFFICE**  
110 WEST A STREET, SUITE 1800  
SAN DIEGO, CA 92101-3706  
TOLL-FREE: 877.347.1982  
PHONE: 619.471.9700  
MAIN FAX: 619.471.9701

COMMONWEALTH.COM  
**COMMONWEALTH FINANCIAL NETWORK®**  
MEMBER FINRA/SIPC

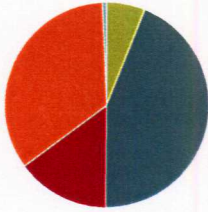
# Portfolio Snapshot

## Passive - Balanced Equity

**Portfolio Value**  
\$100,000.00

**Benchmark**  
Custom

### Analysis 04-30-2014

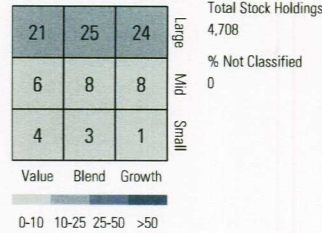


#### Asset Allocation

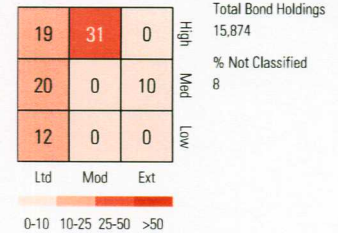
- Cash
- US Stocks
- Non-US Stocks
- Bonds
- Other/Not Clsfd

|                 | Portfolio Net % | Bmark Net % |
|-----------------|-----------------|-------------|
| Cash            | 6.08            | 11.11       |
| US Stocks       | 44.06           | 44.07       |
| Non-US Stocks   | 14.69           | 15.30       |
| Bonds           | 34.48           | 29.45       |
| Other/Not Clsfd | <b>0.69</b>     | <b>0.08</b> |

#### Morningstar Equity Style Box %

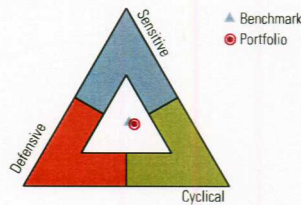


#### Morningstar Fixed Income Style Box %

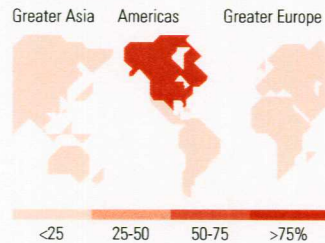


### Stock Analysis 04-30-2014

#### Stock Sectors

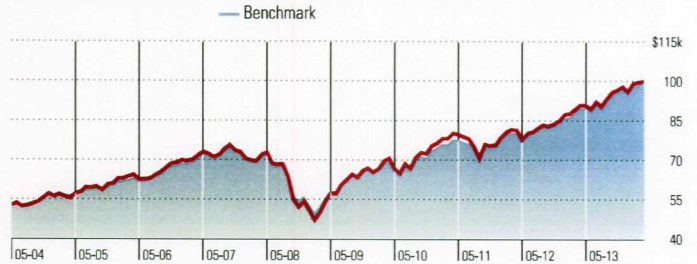


#### World Regions



### Performance 04-30-2014

#### Investment Activity Graph



| % of Stocks           | Portfolio %  | Bmark %      |
|-----------------------|--------------|--------------|
| <b>Cyclical</b>       | <b>40.82</b> | <b>34.16</b> |
| Basic Matls           | 5.00         | 4.72         |
| Consumer Cycl         | 11.67        | 10.53        |
| Financial Svs         | 15.61        | 16.59        |
| Real Estate           | 8.54         | 2.32         |
| <b>Sensitive</b>      | <b>37.13</b> | <b>39.57</b> |
| Commun Svs            | 4.02         | 4.28         |
| Energy                | 8.42         | 9.82         |
| Industrials           | 11.78        | 11.48        |
| Technology            | 12.91        | 13.99        |
| <b>Defensive</b>      | <b>22.05</b> | <b>26.27</b> |
| Consumer Def          | 8.61         | 10.54        |
| Healthcare            | 10.44        | 12.46        |
| Utilities             | 3.00         | 3.27         |
| <b>Not Classified</b> | <b>0.00</b>  | <b>0.00</b>  |

| % of Stocks           | Portfolio %  | Bmark %      |
|-----------------------|--------------|--------------|
| <b>Americas</b>       | <b>76.51</b> | <b>74.23</b> |
| North America         | 75.11        | 74.23        |
| Latin America         | 1.40         | 0.00         |
| <b>Greater Europe</b> | <b>13.41</b> | <b>18.02</b> |
| United Kingdom        | 3.84         | 5.63         |
| Europe-Developed      | 8.13         | 12.26        |
| Europe-Emerging       | 0.58         | 0.00         |
| Africa/Middle East    | 0.86         | 0.13         |
| <b>Greater Asia</b>   | <b>10.08</b> | <b>7.76</b>  |
| Japan                 | 3.26         | 4.70         |
| Australasia           | 1.33         | 2.00         |
| Asia-Developed        | 2.51         | 1.02         |
| Asia-Emerging         | 2.98         | 0.04         |
| <b>Not Classified</b> | <b>0.00</b>  | <b>0.00</b>  |

#### Trailing Returns\*

|                      | 3 Mo  | 1 Yr  | 3 Yr  | 5 Yr  | 10 Yr |
|----------------------|-------|-------|-------|-------|-------|
| Portfolio Return     | 4.01  | 9.96  | 7.61  | 12.99 | 6.69  |
| Benchmark Return     | 4.14  | 10.80 | 8.44  | 12.38 | 6.55  |
| +/- Benchmark Return | -0.13 | -0.84 | -0.83 | 0.61  | 0.14  |

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

#### Best/Worst Time Periods

|          | Best %                      | Worst %                      |
|----------|-----------------------------|------------------------------|
| 3 Months | 21.42 ( Mar 2009-May 2009 ) | -23.66 ( Sep 2008-Nov 2008 ) |
| 1 Year   | 41.42 ( Mar 2009-Feb 2010 ) | -32.44 ( Mar 2008-Feb 2009 ) |
| 3 Years  | 19.56 ( Mar 2009-Feb 2012 ) | -9.13 ( Mar 2006-Feb 2009 )  |

#### Portfolio Yield ( 04-30-2014 )

|                | Yield % |
|----------------|---------|
| 12-Month Yield | 2.07    |

#### Portfolio-Level Performance Disclosure

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

### Holdings 04-30-2014

#### Top 8 holdings out of 14

| Symbol  | Type  | Holding Value \$ | % Assets |
|---|-------|------------------|----------|
| iShares Russell 1000 Growth (USD)             | IWF   | 16,000           | 16.00    |
| iShares Russell 1000 Value (USD)              | IWD   | 16,000           | 16.00    |
| Vanguard Total Bond Market Index Signal (USD) | VBTSX | 11,000           | 11.00    |
| Vanguard FTSE Developed Markets ETF (USD)     | VEA   | 10,000           | 10.00    |
| iShares 1-3 Year Credit Bond (USD)            | CSJ   | 7,000            | 7.00     |
| Vanguard Short-Term Bond Index Signal (USD)   | VBSSX | 7,000            | 7.00     |
| iShares Russell Mid-Cap Growth (USD)          | IWP   | 6,000            | 6.00     |
| Voya Floating Rate W (USD)                    | IFRWX | 5,000            | 5.00     |

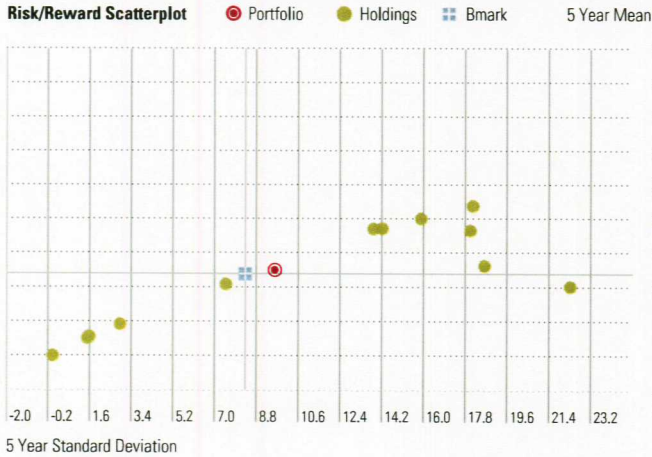
# Portfolio Snapshot

## Passive - Balanced Equity

**Portfolio Value**  
\$100,000.00

**Benchmark**  
Custom

### Risk Analysis 04-30-2014



### Risk and Return Statistics\*

|                    | 3 Yr      |       | 5 Yr      |       | 10 Yr     |       |
|--------------------|-----------|-------|-----------|-------|-----------|-------|
|                    | Portfolio | Bmark | Portfolio | Bmark | Portfolio | Bmark |
| Standard Deviation | 8.63      | 7.60  | 9.57      | 8.32  | 10.86     | 9.17  |
| Mean               | 7.61      | 8.44  | 12.99     | 12.38 | 6.69      | 6.55  |
| Sharpe Ratio       | 0.92      | 1.14  | 1.40      | 1.52  | 0.52      | 0.58  |

### MPT Statistics\*

|           | 3 Yr Portfolio | 5 Yr Portfolio | 10 Yr Portfolio |
|-----------|----------------|----------------|-----------------|
| Alpha     | -1.72          | -1.01          | -0.58           |
| Beta      | 1.12           | 1.14           | 1.17            |
| R-Squared | 98.15          | 98.10          | 97.74           |

### Portfolio-Level Performance Disclosure

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

### Fundamental Analysis 04-30-2014

#### Asset Allocation

|                        | Portfolio Net % | Portfolio Long % | Portfolio Short % |
|------------------------|-----------------|------------------|-------------------|
| Cash                   | 6.08            | 6.08             | 0.01              |
| US Stocks              | 44.06           | 44.06            | 0.00              |
| Non-US Stocks          | 14.69           | 14.69            | 0.00              |
| Bonds                  | 34.48           | 34.68            | 0.21              |
| <b>Other/Not Clsfd</b> | <b>0.69</b>     | <b>0.69</b>      | <b>0.00</b>       |
| <b>Total</b>           | <b>100.00</b>   | <b>100.21</b>    | <b>0.21</b>       |

#### Market Maturity

|                   | Portfolio   | Bmark       |
|-------------------|-------------|-------------|
| % of Stocks       | 94.38       | 99.96       |
| Developed Markets | 5.62        | 0.04        |
| Emerging Markets  | <b>0.00</b> | <b>0.00</b> |

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

|           |           |
|-----------|-----------|
| Portfolio | 26,907.32 |
| Benchmark | 58,832.46 |

#### Credit Quality Breakdown % of Bonds

|         |       |
|---------|-------|
| AAA     | 40.66 |
| AA      | 8.49  |
| A       | 16.42 |
| BBB     | 12.50 |
| BB      | 4.46  |
| B       | 8.17  |
| Below B | 0.60  |
| NR      | 8.71  |

#### Valuation Multiples

|                 | Portfolio | Bmark |
|-----------------|-----------|-------|
| Price/Earnings  | 17.86     | 17.34 |
| Price/Book      | 2.21      | 2.23  |
| Price/Sales     | 1.45      | 1.45  |
| Price/Cash Flow | 10.05     | 10.33 |

#### Profitability

|             | Portfolio 2014-04 | Bmark 2014-04 |
|-------------|-------------------|---------------|
| % of Stocks | 13.65             | 13.78         |
| Net Margin  | 17.23             | 19.05         |
| ROE         | 6.70              | 7.38          |
| ROA         | 36.26             | 34.96         |

#### Fund Statistics

|                              |      |
|------------------------------|------|
| Potential Cap Gains Exposure | 9.11 |
| Avg Net Expense Ratio        | 0.24 |
| Avg Gross Expense Ratio      | 0.24 |

#### Type Weightings

| % of Stocks          | Portfolio    | Bmark        |
|----------------------|--------------|--------------|
| High Yield           | 0.33         | 0.14         |
| Distressed           | 0.80         | 0.17         |
| Hard Asset           | 13.79        | 8.76         |
| Cyclical             | 31.37        | 30.91        |
| Slow Growth          | 11.05        | 14.59        |
| Classic Growth       | 8.57         | 11.07        |
| Aggressive Growth    | 7.22         | 7.49         |
| Speculative Growth   | 1.41         | 0.53         |
| <b>Not Available</b> | <b>25.46</b> | <b>26.34</b> |

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

# Portfolio Snapshot

## Passive - Balanced Equity

**Portfolio Value**  
\$100,000.00

**Benchmark**  
Custom

### 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 03-31-2014

| Standardized Returns (%)                             | 7-day Yield Subsidized | 7-day Yield Unsubsidized | 1Yr          | 5Yr          | 10Yr        | Since Inception | Inception Date | Max Front Load % | Max Back Load % | Net Exp Ratio %   | Gross Exp Ratio % |
|--|------------------------|--------------------------|--------------|--------------|-------------|-----------------|----------------|------------------|-----------------|-------------------|-------------------|
| iShares 1-3 Year Credit Bond (USD)-NAV               | —                      | —                        | 1.10         | 3.80         | —           | 3.52            | 01-05-2007     | NA               | NA              | 0.20              | 0.20              |
| iShares 1-3 Year Credit Bond (USD)-Market            | —                      | —                        | 1.05         | 3.42         | —           | 3.48            | 01-05-2007     | NA               | NA              | 0.20              | 0.20              |
| iShares Russell 1000 Growth (USD)-NAV                | —                      | —                        | 22.96        | 21.43        | 7.67        | 1.76            | 05-22-2000     | NA               | NA              | 0.20              | 0.20              |
| iShares Russell 1000 Growth (USD)-Market             | —                      | —                        | 23.02        | 21.59        | 7.67        | 1.76            | 05-22-2000     | NA               | NA              | 0.20              | 0.20              |
| iShares Russell 1000 Value (USD)-NAV                 | —                      | —                        | 21.28        | 21.51        | 7.43        | 6.32            | 05-22-2000     | NA               | NA              | 0.21              | 0.21              |
| iShares Russell 1000 Value (USD)-Market              | —                      | —                        | 21.45        | 21.61        | 7.43        | 6.32            | 05-22-2000     | NA               | NA              | 0.21              | 0.21              |
| iShares Russell 2000 Value (USD)-NAV                 | —                      | —                        | 22.47        | 23.13        | 7.93        | 10.21           | 07-24-2000     | NA               | NA              | 0.36              | 0.36              |
| iShares Russell 2000 Value (USD)-Market              | —                      | —                        | 22.66        | 23.13        | 7.95        | 10.21           | 07-24-2000     | NA               | NA              | 0.36              | 0.36              |
| iShares Russell Mid-Cap Growth (USD)-NAV             | —                      | —                        | 23.96        | 24.47        | 9.25        | 7.70            | 07-17-2001     | NA               | NA              | 0.25              | 0.25              |
| iShares Russell Mid-Cap Growth (USD)-Market          | —                      | —                        | 23.95        | 24.56        | 9.23        | 7.70            | 07-17-2001     | NA               | NA              | 0.25              | 0.25              |
| Legg Mason BW Global Opportunities Bd I (USD)        | —                      | —                        | 0.45         | 11.44        | —           | 11.24           | 03-19-2009     | NA               | NA              | 0.72              | 0.72              |
| PIMCO 0-5 Year High Yld Corp Bd Idx ETF (USD)-NAV    | —                      | —                        | 6.91         | —            | —           | 7.73            | 06-16-2011     | NA               | NA              | 0.55              | 0.55              |
| PIMCO 0-5 Year High Yld Corp Bd Idx ETF (USD)-Market | —                      | —                        | 6.67         | —            | —           | 7.68            | 06-16-2011     | NA               | NA              | 0.55              | 0.55              |
| Vanguard Emerging Markets Stock Idx ETF (USD)-NAV    | —                      | —                        | -2.80        | 13.90        | —           | 7.85            | 03-04-2005     | NA               | NA              | 0.15              | 0.15              |
| Vanguard Emerging Markets Stock Idx ETF (USD)-Market | —                      | —                        | -2.51        | 13.88        | —           | 7.93            | 03-04-2005     | NA               | NA              | 0.15              | 0.15              |
| Vanguard FTSE Developed Markets ETF (USD)-NAV        | —                      | —                        | 17.44        | 15.99        | —           | 0.28            | 07-20-2007     | NA               | NA              | 0.09              | 0.09              |
| Vanguard FTSE Developed Markets ETF (USD)-Market     | —                      | —                        | 17.38        | 15.87        | —           | 0.19            | 07-20-2007     | NA               | NA              | 0.09              | 0.09              |
| Vanguard REIT Index ETF (USD)-NAV                    | —                      | —                        | 4.24         | 28.70        | —           | 8.85            | 09-23-2004     | NA               | NA              | 0.10              | 0.10              |
| Vanguard REIT Index ETF (USD)-Market                 | —                      | —                        | 4.28         | 28.76        | —           | 8.85            | 09-23-2004     | NA               | NA              | 0.10              | 0.10              |
| Vanguard Short-Term Bond Index Signal (USD)          | —                      | —                        | 0.36         | 2.70         | —           | 3.59            | 03-30-2007     | NA               | NA              | 0.10              | 0.10              |
| Vanguard Total Bond Market Index Signal (USD)        | —                      | —                        | -0.21        | 4.71         | —           | 5.05            | 09-01-2006     | NA               | NA              | 0.08              | 0.08              |
| Voya Floating Rate W (USD)                           | —                      | —                        | 3.83         | —            | —           | 5.60            | 08-17-2010     | NA               | NA              | 0.76 <sup>1</sup> | 0.86              |
| <b>Barclays US Agg Bond TR USD</b>                   |                        |                          | <b>-0.10</b> | <b>4.80</b>  | <b>4.46</b> | —               | —              |                  |                 |                   |                   |
| <b>MSCI EAFE NR USD</b>                              |                        |                          | <b>17.56</b> | <b>16.02</b> | <b>6.53</b> | —               | —              |                  |                 |                   |                   |
| <b>S&amp;P 500 TR USD</b>                            |                        |                          | <b>21.86</b> | <b>21.16</b> | <b>7.42</b> | —               | —              |                  |                 |                   |                   |

©2014 Morningstar. All Rights Reserved. The information, data, analyses and opinions contained herein (1) include the confidential and proprietary information of Morningstar, (2) may include, or be derived from, account information provided by your financial advisor which cannot be verified by Morningstar, (3) may not be copied or redistributed, (4) do not constitute investment advice offered by Morningstar, (5) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (6) are not warranted to be correct, complete or accurate. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. This report is supplemental sales literature. If applicable it must be preceded or accompanied by a prospectus, or equivalent, and disclosure statement.

**Annualized returns 03-31-2014**

| <b>Standardized Returns (%)</b>         | 7-day Yield Subsidized | 7-day Yield Unsubsidized | 1Yr         | 5Yr         | 10Yr        | Since Inception | Inception Date | Max Front Load % | Max Back Load % | Net Exp Ratio % | Gross Exp Ratio % |
|---|------------------------|--------------------------|-------------|-------------|-------------|-----------------|----------------|------------------|-----------------|-----------------|-------------------|
| <b>USTREAS T-Bill Auction Ave 3 Mon</b> |                        |                          | <b>0.05</b> | <b>0.09</b> | <b>1.62</b> | —               | —              |                  |                 |                 |                   |

1. Contractual waiver; Expires 08-01-2014

| <b>Return after Tax (%)</b>                       | On Distribution |       |      |                 |                | On Distribution and Sales of Shares |       |      |                 |
|---|-----------------|-------|------|-----------------|----------------|-------------------------------------|-------|------|-----------------|
|   | 1Yr             | 5Yr   | 10Yr | Since Inception | Inception Date | 1Yr                                 | 5Yr   | 10Yr | Since Inception |
| iShares 1-3 Year Credit Bond (USD)-NAV            | 0.62            | 3.02  | —    | 2.51            | 01-05-2007     | 0.62                                | 2.65  | —    | 2.35            |
| iShares Russell 1000 Growth (USD)-NAV             | 22.54           | 21.13 | 7.39 | 1.50            | 05-22-2000     | 13.30                               | 17.61 | 6.19 | 1.29            |
| iShares Russell 1000 Value (USD)-NAV              | 20.67           | 21.04 | 6.88 | 5.73            | 05-22-2000     | 12.48                               | 17.67 | 5.91 | 4.97            |
| iShares Russell 2000 Value (USD)-NAV              | 21.78           | 22.55 | 7.40 | 9.65            | 07-24-2000     | 12.99                               | 18.93 | 6.28 | 8.39            |
| iShares Russell Mid-Cap Growth (USD)-NAV          | 23.68           | 24.26 | 9.07 | 7.55            | 07-17-2001     | 13.76                               | 20.25 | 7.58 | 6.34            |
| Legg Mason BW Global Opportunities Bd I (USD)     | -1.24           | 9.42  | —    | 9.24            | 03-19-2009     | 0.37                                | 8.34  | —    | 8.18            |
| PIMCO 0-5 Year High Yld Corp Bd Idx ETF (USD)-NAV | 4.84            | —     | —    | 5.63            | 06-16-2011     | 3.88                                | —     | —    | 5.08            |
| Vanguard Emerging Markets Stock Idx ETF (USD)-NAV | -3.89           | 13.23 | —    | 7.17            | 03-04-2005     | -1.47                               | 11.06 | —    | 6.19            |
| Vanguard FTSE Developed Markets ETF (USD)-NAV     | 16.01           | 15.19 | —    | -0.47           | 07-20-2007     | 10.11                               | 12.81 | —    | 0.07            |
| Vanguard REIT Index ETF (USD)-NAV                 | 2.88            | 27.28 | —    | 7.50            | 09-23-2004     | 2.34                                | 23.19 | —    | 6.57            |
| Vanguard Short-Term Bond Index Signal (USD)       | -0.20           | 1.94  | —    | 2.62            | 03-30-2007     | 0.25                                | 1.84  | —    | 2.45            |
| Vanguard Total Bond Market Index Signal (USD)     | -1.34           | 3.44  | —    | 3.60            | 09-01-2006     | -0.11                               | 3.20  | —    | 3.40            |
| Voya Floating Rate W (USD)                        | 1.90            | —     | —    | 3.71            | 08-17-2010     | 2.15                                | —     | —    | 3.55            |

# Portfolio Snapshot

## Passive - Balanced Equity

**Portfolio Value**  
\$100,000.00

**Benchmark**  
Custom

### Non-Load Adjusted Returns

| Total 14 holdings as of 04-30-2014            | Symbol | Type | Holdings Date | % of Assets | Holding Value \$ | 7-day Yield | 1 Yr Ret % | 3 Yr Ret % | 5 Yr Ret % | 10 Yr Ret % |
|---|--------|------|---------------|-------------|------------------|-------------|------------|------------|------------|-------------|
| iShares Russell 1000 Growth (USD)             | IWF    | ETF  | 05-2014       | 16.00       | 16,000           | —           | 20.55      | 13.19      | 19.27      | 7.76        |
| iShares Russell 1000 Value (USD)              | IWD    | ETF  | 05-2014       | 16.00       | 16,000           | —           | 20.74      | 13.95      | 19.34      | 7.78        |
| Vanguard Total Bond Market Index Signal (USD) | VBTSX  | MF   | 04-2014       | 11.00       | 11,000           | —           | -0.35      | 3.52       | 4.80       | 4.78        |
| Vanguard FTSE Developed Markets ETF (USD)     | VEA    | ETF  | 04-2014       | 10.00       | 10,000           | —           | 13.32      | 5.50       | 13.66      | —           |
| iShares 1-3 Year Credit Bond (USD)            | CSJ    | ETF  | 05-2014       | 7.00        | 7,000            | —           | 1.01       | 1.64       | 2.94       | —           |
| Vanguard Short-Term Bond Index Signal (USD)   | VBSSX  | MF   | 04-2014       | 7.00        | 7,000            | —           | 0.35       | 1.64       | 2.65       | 3.41        |
| iShares Russell Mid-Cap Growth (USD)          | IWP    | ETF  | 05-2014       | 6.00        | 6,000            | —           | 20.33      | 11.41      | 20.87      | 9.38        |
| Voya Floating Rate W (USD)                    | IFRWX  | MF   | 03-2014       | 5.00        | 5,000            | —           | 3.18       | 4.95       | —          | —           |
| Cash - 0.000%                                 | —      | CASH | —             | 4.00        | 4,000            | —           | 0.00       | 0.00       | 0.00       | 0.00        |
| iShares Russell 2000 Value (USD)              | IWN    | ETF  | 05-2014       | 4.00        | 4,000            | —           | 19.51      | 11.06      | 19.05      | 8.23        |
| Legg Mason BW Global Opportunities Bd I (USD) | GOBIX  | MF   | 03-2014       | 4.00        | 4,000            | —           | -2.00      | 5.26       | 10.89      | —           |
| Vanguard Emerging Markets Stock Idx ETF (USD) | VVO    | ETF  | 04-2014       | 4.00        | 4,000            | —           | -3.59      | -4.38      | 10.51      | —           |
| PIMCO 0-5 Year High Yld Corp Bd Idx ETF (USD) | HYS    | ETF  | 05-2014       | 3.00        | 3,000            | —           | 5.60       | —          | —          | —           |
| Vanguard REIT Index ETF (USD)                 | VNQ    | ETF  | 04-2014       | 3.00        | 3,000            | —           | 0.91       | 9.74       | 22.84      | —           |

### Return Participation 04-30-2014

This portfolio report includes securities for which return data is not available for the entire history represented. When return is not available for a security, the remaining securities returns are reweighted to maintain consistent proportions for the securities that do have returns. The reweighting impacts trailing return data, as well as statistics that are

calculated using return, including standard deviation, mean, Sharpe ratio, alpha, beta and R-squared. The following securities do not have 120 months of return data reflected in the report.

### Security

| Security                                      | Start Date |
|---|------------|
| PIMCO 0-5 Year High Yld Corp Bd Idx ETF (USD) | 07-31-2011 |
| Voya Floating Rate W (USD)                    | 09-30-2010 |
| Vanguard FTSE Developed Markets ETF (USD)     | 08-31-2007 |
| iShares 1-3 Year Credit Bond (USD)            | 02-28-2007 |
| Legg Mason BW Global Opportunities Bd I (USD) | 12-31-2006 |
| Vanguard Emerging Markets Stock Idx ETF (USD) | 04-30-2005 |
| Vanguard REIT Index ETF (USD)                 | 10-31-2004 |

### 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.

©2014 Morningstar. All Rights Reserved. The information, data, analyses and opinions contained herein (1) include the confidential and proprietary information of Morningstar, (2) may include, or be derived from, account information provided by your financial advisor which cannot be verified by Morningstar, (3) may not be copied or redistributed, (4) do not constitute investment advice offered by Morningstar, (5) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (6) are not warranted to be correct, complete or accurate. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. This report is supplemental sales literature. If applicable it must be preceded or accompanied by a prospectus, or equivalent, and disclosure statement.

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

Both scheduled and unscheduled portfolios are theoretical, for illustrative purposes only, and are not reflective of an investor's actual experience. For both scheduled and unscheduled portfolios, the performance data given represents past performance and should not be considered indicative of future results. 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 cashvalue 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 is currently in effect. This is not reflective of the actual tax treatment for these products, which requires the entire withdrawal to be taxed at the income tax rate. If adjusted for sales charges and the effects of taxation, the subaccount returns would be reduced.

### Scheduled Portfolio Investment Activity Graph

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

### Unscheduled Portfolio Returns

Monthly total returns for unscheduled portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (ie. due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions. Inception dates are listed in the Disclosure for Standardized and Tax Adjusted Returns. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Unscheduled portfolio returns thus assume monthly rebalancing. Returns for individual holdings are simple time-weighted trailing

returns. Neither portfolio returns nor holding returns are adjusted for loads or taxes, and if they were, the returns stated would be reduced. The returns stated assume the reinvestment of dividends and capital gains. Mutual fund returns include all ongoing fund expenses. VA/VL returns reflect subaccount level fund expenses, including M&E expenses, administration fees, and actual ongoing fund-level expenses.

### Unscheduled Portfolio Investment Activity Graph

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

### Benchmark Returns

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

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

### Standardized Returns

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

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

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

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

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

### Non-Standardized Returns

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

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

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

### Investment Advisory Fees

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

### Asset Allocation

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

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

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

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

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

### Investment Style

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

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

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

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

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

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

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

## Stock Regions

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

## Risk and Return

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

Mean represents the annualized geometric return for the period shown.

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

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

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

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

## Portfolio Yield

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

## Fundamental Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Investment Risks

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

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

**Non-Diversified Strategies:** Portfolios that invest a significant percentage of

assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

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

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

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

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

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

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

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

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

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

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

Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

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

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

**Liquidity Risk:** Closed-end fund, ETF, and HOLDER trading may be halted due to market conditions, impacting an 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 ETFs and HOLDERS can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

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

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

## Benchmark Disclosure

| Custom Benchmark                 | Allocation % | Type |
|----------------------------------|--------------|------|
| <b>Passive - Balanced Equity</b> |              |      |
| USTREAS T-Bill Auction Ave 3 Mon | 6.08         | IDX  |
| S&P 500 TR USD                   | 44.76        | IDX  |
| MSCI EAFE NR USD                 | 14.69        | IDX  |
| Barclays US Agg Bond TR USD      | 34.48        | IDX  |

### Barclays US Agg Bond TR USD

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

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

**S&P 500 TR USD**

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

**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.