# CIVILIAN PENSION BOARD AGENDA

**NOVEMBER 13, 2014 - 9:00 A.M.**

**CITY HALL CONFERENCE ROOM**
**15 LOOCKERMAN PLAZA**
**DOVER, DELAWARE**

***Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk (736-7008 or e-mail at CityClerk@dover.de.us) should you wish to be recognized.***

AGENDA ADDITIONS/DELETIONS

1. Adoption of Minutes - Civilian Pension Board Meeting of August 14, 2014

2. Organizational Issues - Election of Chair
   *(This item was deferred during the Board meeting of August 14, 2014)*

3. Quarterly Performance Review - *(Quarter Ending September 30, 2014) (Milliman, Inc.)*
   *(Staff recommends acceptance of the report)*

4. Update on Pacific Investment Management Company (PIMCO) *(Milliman, Inc.)*

5. Adjournment by 9:55 a.m.

**TO ASSURE THAT THERE WILL BE A QUORUM,**
**PLEASE RSVP BY CONTACTING THE CITY CLERK'S OFFICE**
**BY EMAIL AT CITYCLERK@DOVER.DE.US OR BY CALLING 736-7008**
**AS SOON AS POSSIBLE.**

/js
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Misc-Agendas\PENSION BOARDS\2014\11-13-2014 CIVILIAN PENSION BOARD AGENDA.wpd

*THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.*

# CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on August 14, 2014 at 9:00 a.m with Mr. Koenig presiding until Chairman Lynn's arrival at 9:03 a.m. Members present were Mr. Blakeman, Mr. Clendaniel, Mrs. Tieman, and Mrs. Mitchell. Mr. Anderson was absent.

## AGENDA ADDITIONS/DELETIONS

**Mr. Blakeman moved for approval of the agenda as presented, seconded by Mrs. Tieman and unanimously carried.**

## Approval of Minutes - Civilian Pension Board Meeting of May 1, 2014

**Mr. Blakeman moved for approval of the minutes of the Civilian Pension Board Meeting of May 1, 2014, seconded by Mrs. Mitchell and unanimously carried.**

## Organizational Issues - Election of Chair

**Mr. Blakeman requested that this item be deferred until the next meeting, seconded by Mr. Clendaniel and unanimously carried.**

## Quarterly Performance Review *(Quarter Ending June 30, 2014)*/Investment Manager Recommendations *(Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Board Meeting Notes dated August 14, 2014, noting that the plan had approximately $34.4M in assets. He stated that the net return was approximately 4.08% for the quarter, which was in line with the performance benchmark of 4.08%, and that the plan was also in line with allocation targets. He explained that the plan is rebalanced at least on a quarterly basis to its targets. Referring to Page 2 of the Board Meeting Notes, Mr. Marzinsky indicated that the Vanguard Prime Cap Fund had been closed to new investments; therefore, it was recommended to rebalance to different investments within the plan. He explained that this would be discussed later in the meeting. In addition, the Vanguard Morgan Growth Fund had shown underperformance and changes were recommended.

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2014. Referring to Page 3 - Market Indices - 2nd Quarter 2014, he advised members that equity markets had generally been performing well for the quarter and year to date, with some recent volatility but positive returns. Since the beginning of the year, interest rates had reduced slightly, which had helped bond investments, and bond returns for the quarter had been very good. Mr. Marzinsky stated that there had been some volatility in the market; however, the portfolio was diversified across fixed income, cash, and equity investments and could weather some volatility. He noted that there were good economic reports domestically and internationally, the Federal Reserve had committed to keeping interest rates low, and unemployment was down to the 6% range after being in the double digits a couple of years ago.

In reference to Page 9 - Asset Allocation, Mr. Marzinsky explained that Wells Fargo manages the Fund's cash assets in a money market fund from which monthly benefit payments are made. Other assets are allocated among bond and equity investments. He stated that the asset allocation was in line with the targets set in the investment policy in 2013.

Referring to Page 10 - Investment Policy Review - Active Management, Mr. Marzinsky reviewed the performance of the plan, explaining that this report revealed whether managers were making proactive and strategic decisions. He indicated that the Return Rank could range from 0 - 99, with 0 being the best rank. The Excess Return showed the return of the fund compared to the return of the index, with a positive number indicating that the fund was exceeding the index and a negative number trailing the index. The Relative Standard Deviation reflected the volatility of the fund compared to the index, and higher numbers reflected greater risk than the market index. Mr. Marzinsky stated that Alpha and Sharpe measures indicated manager effectiveness compared to others in their categories, with a lower number reflecting better performance. He noted that the Ivy High Income I Fund ranked in the top 1% of all income funds in its category. Mr. Marzinsky stated that the majority of funds were doing very well compared to their peers and indexes on a risk-adjusted basis and in terms of manager effectiveness. He pointed out that the Vanguard Morgan Growth Admiral Fund reflected the beginning of a trend of underperformance and was trailing its peer group and index in the Excess Return column. It was also taking on more risk than other funds in its category, as reflected by Standard Deviation. This fund also ranked in the bottom quarter and bottom half, respectively, in Alpha and Sharpe rankings over a three (3) year period and was starting to trail over a five (5) year period. He explained that the Vanguard Morgan Growth Admiral Fund was composed of 75% large cap stocks and 25% small-to-mid cap funds. Mr. Marzinsky stated that Milliman, Inc. recommended replacing this fund with two (2) index funds.

Responding to Mrs. Mitchell regarding the length of time that Vanguard Morgan Growth Admiral Fund had been included in the City's portfolio, Mr. Marzinsky indicated that this fund was included by the City's prior financial advisor.

In response to Mrs. Mitchell regarding the cost to purchase the fund, its value, and if there would be a loss of the City's investments if this fund were sold, Mr. Marzinsky stated that he anticipated that a gain would be realized if these investments were sold.

Mr. Marzinsky recommended removing the Vanguard Morgan Growth Admiral Fund and investing 75% of the balance in the Vanguard Growth Index Fund and 25% in the Vanguard Mid Cap Index fund, which would place these investments in the market in a similar asset allocation. Since the Vanguard Morgan Growth Admiral Fund was not exceeding the market index, it would be better to invest in index funds.

In reference to Page 12 - Investment Option Return Summary, Mr. Marzinsky stated that the three (3) month return exceeded the employee plan policy index, and the year-to-date gross return was 7.06%, versus the policy index of 6.67%. Although the fund trailed the policy index slightly over the last year, Mr. Marzinsky reminded members that some cash had been held in the plan over the summer last year; however, over three (3) and five (5) year periods, it was performing adequately. He reminded members that Milliman, Inc. became the City's investment manager approximately two (2) to three (3) years ago, so the report reflected returns under the prior advisor. In the near term, he indicated that the fund was doing well and was in line with the policy index and the asset allocations established.

**Mrs. Tieman moved that the Civilian Pension Fund's investments be removed from the Vanguard Morgan Growth Admiral Fund and 75% of the balance be invested in the Vanguard Growth Index Fund and 25% in the Vanguard Mid Cap Index Fund, as recommended by Milliman, Inc., seconded by Mr. Blakeman and unanimously carried.**

**Annual Review of Investment Policy**

Members reviewed the proposed Investment Policy Statement - City of Dover Employees Pension Plan - August 2014. Mrs. Donna Mitchell, Controller/Treasurer, advised members that she had compared this document with the current investment policy, as well as the draft policy that was provided to members during their meeting held on May 1, 2014. She felt that the current draft was much more streamlined and clear.

Mr. Marzinsky reviewed the proposed Investment Policy Statement - City of Dover Employees Pension Plan - August 2014. He explained that an investment policy is an instruction manual to be used by the Board to make decisions regarding selecting funds, developing asset allocation, and monitoring funds. He noted that the review of the fund's return rank, risk-adjusted returns, and Alpha and Sharpe measures were written into the investment policy.

Referring to Objective #5 on Page 3 - II. Statement of Objectives, Mr. Marzinsky explained that a Liability Driven Investment (LDI) strategy would take movements in interest rates into consideration, noting that the inverse relationship between interest rates and the value of liabilities affects the funded status of the plan. In an LDI strategy, it is attempted to have some exposure to interest rates that will help offset the losses or gains in the plan liabilities.

Mrs. Mitchell questioned if the City's unfunded liability was considered in relation to the LDI strategy. Responding, Mr. Marzinsky stated that the duration is considered in this regard. The annual projected cash flows are developed from the actuarial valuation of the plan, and the duration is then determined based on those cash flows. He advised members that the duration measured for the plan was approximately 18 years, which was a somewhat long duration and would be more affected by small movements in interest rates. Mr. Marzinsky stated that Milliman attempts to consider liability shifts to some degree; however, since the funded status of the plan is 40% - 50%, it is desired to have some equity growth.

Referring to Objective #7, "Establish policies based on total return and expected projected payouts rather than current income," Mrs. Mitchell questioned whether the "policies" mentioned were policies outside of the Investment Policy Statement or policies included within the document. Responding, Mr. Marzinsky explained that an expected return is developed for each asset category, e.g., short-term bonds may have an expected return of 2% per year over the next ten years. An asset allocation policy is then developed using this expected total return and projected payouts.

Mr. Blakeman questioned the phrase "terminate the plan" included in Objective #9, and suggested adding language to indicate that if the plan were fully funded, the City could discontinue making payments into the plan. As currently stated, Mr. Blakeman felt that the objective seemed to indicate that the City could terminate the plan.

**Mrs. Mitchell moved to amend Section II. Statement of Objectives, Item #9 to read as follows: "Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded." The motion was seconded by Mr. Blakeman and unanimously carried.**

In regard to Page 7 - Section IV. Investment and Allocation Policy - Risk Tolerances, Mrs. Mitchell referred to Item #2, which indicated that extending durations in the fixed income portion of the Plan assets should be considered. She questioned if this was a recommendation within the Investment Policy Statement or if this would be discussed in regard to asset allocation and would change each time the policy was reviewed. Responding, Mr. Marzinsky stated that this was not a driver of the investment policy but referred to considering the duration of the benefit payments in developing the asset allocation.

Mrs. Mitchell questioned if there would be a recommendation for a longer duration based on new asset allocations. Responding, Mr. Marzinsky estimated that the duration of plan assets as a whole was approximately two (2) to three (3) years, whereas the duration of the liabilities was approximately 18 years. For this reason, the plan was in a capital appreciation mode and the goal was to focus on improving the funded status rather than managing interest rate sensitivity of plan assets.

Mr. Marzinsky explained that the body of the Investment Policy Statement contained the operational goals and objectives for the Board. The actual plan asset allocation was included as Appendix A to the body of the Investment Policy Statement. In this way, the Board could approve the body of the investment policy and only change Appendix A as needed.

**Mrs. Mitchell moved to approve the Investment Policy Statement, as amended *(Attachment #1)*, seconded by Mr. Blakeman and unanimously carried.**

Mr. Marzinsky reviewed the City of Dover, Delaware General Employee Pension Plan Asset Allocation Study dated July 2014 that was included with the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2014. He reminded members that at the previous meeting held on May 1, 2014, members discussed the asset allocation and actual return of the plan. Referring to Page 2 - Optimization Input Review, Mr. Marzinsky explained that Milliman, Inc. develops an expected return over the next several years based on market forecasts for the different asset categories, e.g., short-term bonds over the next five (5) to 10 years will have on average a 2.25% return. An expected level of risk or volatility is also projected, as indicated under Annual Standard Deviation. For example, U.S. Large Growth investments were expected to yield 8.9% over the next ten years or so on average, but were expected to be somewhat risky due to the Annual Standard Deviation of 21.20, indicating that these investments could go up or down an additional 21%.

In reference to Page 3 - Input Correlation, Mr. Marzinsky stated that the correlation reflected how closely one (1) investment moves with another investment, with 1.0 being an exact correlation. He emphasized that this helps to attain portfolio diversification, noting that it is important to look at not only the expected return and risk but how closely each of the returns move together.

Referring to Page 4 - Individual Constraints and Group Constraints, Mr. Marzinsky explained that minimum and maximum constraints were also put on the model to ensure diversification within the portfolio.

In reference to Page 5 - Portfolio Options, Mr. Marzinsky noted that the fifth column reflected the Current Portfolio Allocation, which was approximately 61% stocks and 39% fixed income. He stated that this was a conservatively balanced, middle-of-the-road portfolio with an expected annual return of approximately 6.61%. He noted that the performance of the plan over the last year was approximately 14%; therefore, the managers exceeded expectations for the year with an expected volatility of 11.993. Mr. Marzinsky stated that the goal for the Board was to determine if they wished to maintain the approximate 60/40 portfolio or attempt to obtain a better return on investments by selecting an alternative Sample Portfolio. He noted that fixed income exposure could be reduced, as indicated in Sample Portfolio #1, which would increase the expected return on average to 7%. The standard deviation would increase slightly to 13.152, which would create the potential for a return ranging from approximately -6% to approximately 20%, therefore the risk would also increase. He noted that the most dramatic change would be Sample Portfolio #3, with approximately 80% stocks and 20% fixed income. This would significantly increase both the expected return and the expected risk.

Noting her recollection that the actuarial assumption for the plan was approximately 7.5%, Mrs. Mitchell commented that the most aggressive sample option had an expected return of 7.85%, although she was unsure if this would be too aggressive. She requested the Board's input.

Mr. Blakeman indicated that he did not feel that making a change would be wise at this time, noting that investments were doing well.

Mrs. Tieman suggested that Sample Portfolio #1 be adopted, noting that the current expected return was not attaining the actuarial assumption. Mrs. Tieman indicated that Sample Portfolio #1 would allow for a gain of approximately 0.5% without much more risk and would bring the plan closer to the actuarial assumption.

Mrs. Mitchell concurred with Mrs. Tieman, noting that the Board could reallocate these funds every year and could return to the previous allocation if necessary. She indicated that she would like to see if Sample Portfolio #1 would benefit the fund.

Mr. Marzinsky stated that the investments were all very liquid. If this change were made, and if equity markets declined or interest rates rose significantly, additional changes could be made at any time.

In regard to the plan's liabilities, Mrs. Mitchell stated that a very conservative portfolio would make it difficult to get the plan funded and new accounting standards would make this even more difficult.

Mr. Koenig expressed his personal preference for Sample Portfolio #2, but stated that he did not plan to recommend it. He questioned if there would be hidden "churning fees" that might cause the fund to miss its target if funds were reapportioned.

Responding, Mr. Marzinsky reassured members that there would be no issues or additional fees for excessive trading. He stated that fund investments are rebalanced on a quarterly basis or when contributions are made and that additional trading would not be necessary.

**Mrs. Tieman moved to reallocate the fund investments based on Sample Portfolio #1, seconded by Mr. Blakeman and carried by a vote of five (5) yes (Lynn, Blakeman, Tieman, Koenig, and Mitchell) and one (1) no (Clendaniel).** *(City Clerk's Office Note: The City of Dover Employees' Pension Plan Strategic Asset Allocation Policy is Appendix A to the Investment Policy Statement.)*

**Future Meeting Dates**

**By unanimous consent, the proposed meeting dates were approved, as follows: November 13, 2014; February 12, 2015; May 14, 2015; and August 13, 2015.**

**Mr. Blakeman moved for adjournment, seconded by Mr. Clendaniel and unanimously carried.**

Meeting adjourned at 9:58 a.m.

Sean M. Lynn
Chair

SL/JS/dd
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Misc-Minutes\PENSION\2014\08-14-2014 Civilian Pension.wpd

*Attachment*
*Attachment #1 - Investment Policy Statement - City of Dover Employees Pension Plan, August 2014*

# INVESTMENT POLICY STATEMENT

# CITY OF DOVER EMPLOYEES PENSION PLAN

**August 2014**

**INVESTMENT POLICY STATEMENT**

**CITY OF DOVER EMPLOYEES' PENSION PLAN**

## *Table of Contents*


| Section | | Page |
|---|---|---|
| I. | Purpose and Background | 2 |
| II. | Statement of Objectives | 3 |
| III. | Control Procedures & Responsibilities | 4 |
| IV. | Investment & Allocation Policy | 7 |
| V. | Investment Manager Guidelines | 9 |
| VI. | Selection of Investment Managers | 11 |
| VII. | Investment Evaluation | 12 |
| | Appendix | |

# I. PURPOSE & BACKGROUND

The Plan is a public employee retirement plan governed by The City of Dover Code of Ordinances.

The purpose of this Investment Policy Statement ("IPS") is to assist the participants of the plan who serve as members of the Employees' Pension Board of the City of Dover ("Board") under Section 2-202 of the City of Dover Code of Ordinances, this Investment Policy Statement ("Statement") presents investment objectives, policies, guidelines, and monitoring and review procedures relating to financial assets (the "Fund") of the City of Dover Employees' Pension Plan ("Plan").

The IPS will function to:

1. State in a written document the Board's expectations, objectives, and guidelines for the investment of Plan assets which the Board judges to be appropriate and prudent, in consideration of the needs of the Plan.
2. Define and assign the responsibilities for the oversight of the Plan's assets.
3. Set forth an investment structure for managing Plan assets. This structure will help to define asset class, Investment Manager styles, asset allocation and acceptable ranges that, combined, will help to generate the risk/return profile needed to meet the objectives of this policy.
4. Encourage effective communication between the Board and the Investment Consultant, as well as any other interested parties.
5. Establish formalized performance criteria that the Investment Managers selected are expected to meet and against which they are to be measured on a regular basis.
6. Serve as a review document to guide Board and Investment Consultant oversight of the investment options of the Plan's assets.
7. Establish the relevant investment time horizon, risk tolerances and performance expectations of the Plan assets and the Board.

# II. STATEMENT OF OBJECTIVES

The assets of the Plan are invested under the supervision of the Board.

After reviewing expected short-term and long-term cash flow requirements of the plan, as well as considering the investment time horizon and risk tolerance level believed to be appropriate for the invested assets, the following set of objectives has been established:

1. Preservation of capital.

2. Pay all benefit and expense obligations when due.

3. Achieve a funding cushion to reduce the impact of possible future downturns in the plan's funded status.

4. Achieve or exceed actuarial earnings assumptions.

5. If applicable, effectively manage the funded status volatility and mitigate undue risk exposure under a Liability Driven Investment (LDI) strategy. The approach can assist in managing interest rate and inflationary risks.

6. Control risk exposure through reasonable and rational diversification of the assets into various asset classes.

7. Establish policies based on total return and expected projected payouts rather than current income.

8. Contain costs of administering and managing the portfolio.

9. Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded.

# III. CONTROL PROCEDURES & RESPONSIBILITIES

***Disclosure***

Any member of the Board, Custodian/Directed Trustee or Investment Consultant must make full disclosure of any potential conflicts of interest, including any financial gain that may be received as a result of investment decisions made by those entities, which may be required by applicable law. This disclosure should be made before the investment of the plan assets governed by this Investment Policy Statement. Disclosure should be in written form and presented to the members of the Board.

***Delegation of Authority and Responsibilities***

The Board is charged under Section 18-51 of the City of Dover Code of Ordinances with overall responsibility for investment of the Fund. To assist the Board in this function, it is authorized and permitted by said Ordinances to appoint an Investment Advisor, Investment Manager or IM(s), including for this purpose banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) Plan assets. Any appointed Investment Advisor must agree to conduct itself in accordance with all applicable City of Dover Ordinances.

The Board shall be responsible for approving any changes to this Investment Policy Statement, and shall be responsible for reviewing the implementation of the Investment Policy Statement not less frequently than annually.

These responsibilities include, but are not limited to:

Board The Board will be responsible for establishing investment objectives, investment policy and monitoring and review procedures. The establishment of standards for measuring, monitoring, evaluating and comparing absolute and relative investment performance to assure that investment returns are reviewed on a regular basis and investment return objectives are met during acceptable periods of time. The establishment of authorization, reporting, control, review and general governance procedures to assure that investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by all Board members, and delivered on a timely basis to any IM and/or Custodian affected by such changes. The establishment of, through contractual relationships with recognized and carefully selected professional organizations, or by alternative means satisfactory to the Board, a retirement plan management structure which will assure appropriate investment management, custody, and surveillance or compliance procedures to meet investment objectives in conformity with the Board's stated investment policies and guidelines. The Board will have discretion to select, add, replace or remove Investment Managers that will be used to meet the Plan's investment objectives, consistent with the recommendations and advice of the Investment Consultant.

Investment Consultant The Investment Consultant will be responsible for: providing recommendations to the Board for the selection of Investment Managers and appropriate asset allocation, consistent with the Investment Policy Statement objectives and guidelines; reviewing the performance of such Investment Managers over time; periodically reviewing and providing recommendations to the Board for revisions to the Investment Policy Statement; and other tasks as deemed appropriate by the Board. The Investment Consultant will act in a non-discretionary capacity.

Custodian/Directed Trustee The Custodian/Directed Trustee appointed by the Board will be responsible for the safekeeping of the fund assets, including all transaction settlements and deliveries and will perform regular accounting of all assets owned, purchased or sold, as well as transactions and movement of assets into and out of the Plan account.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Plan's beneficial ownership of all assets shall be inviolate and in all circumstances perfected. Board or designated IM authority to direct all investment transactions shall similarly be protected.

The Directed Trustee will maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Directed Trustee will also be responsible for the payments to such persons and for such purposes in order to provide benefits to plan participants and the remittance of any tax related payments to the applicable State and Federal bodies.

Fiduciary insurance, and officer liability and omissions and errors insurance coverages, of any Custodian, must meet standards set by the Board from time to time.

Investment Manager(s)
The specific responsibilities of the Investment Manager(s) relating to the investment management of the fund include:

1. Managing the Plan assets under its care, custody, and/or control in accordance with their Investment Policy Statement ('IPS') or Prospectus objectives and guidelines set forth herein.

2. Exercising investment discretion (including holding cash equivalents as an alternative) within their IPS or Prospectus objectives and guidelines set forth herein.

3. Promptly communicating all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:

    i. Investment strategy.
    ii. Portfolio structure.
    iii. Tactical approaches.
    iv. Ownership.
    v. Organizational structure.

vi. Financial condition.
vii. Professional staff.
viii. All legal material and SEC and other regulatory agency proceedings affecting the firm.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting and proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like benefit plans with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, and federal political entities as the pertain to fiduciary duties and responsibilities.

The investments should be relatively liquid, or with a reasonable amount of notice, should be capable of liquidating to cash. There should be no fees or penalties for regular trading or liquidation.

# IV. INVESTMENT AND ALLOCATION POLICY

***Investment Horizon*:** The investment guidelines are based on the expectation that the investment horizon will be several years in length. Short-term variability in returns should be expected.

Because of this, the Plan's strategic asset allocation is established with moderate to long-term perspective in mind. The Plan is required to pay retirement benefits to participants as they come due. Therefore, sufficient liquid reserves must be available to satisfy this obligation.

1. The actuary will provide future benefit payment amounts, funding and contribution requirements.

2. The plan should hold a portion of assets in short-term and cash holdings to provide for the schedule of future benefit payments.

***Risk Tolerances*:** It is understood by the Board that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Board also recognizes that some risk must be assumed to achieve the Plan's investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Plan's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the IPS risk tolerances. Factors considered were:

1. It is the intention to fund at least the minimum required contribution (MRC) each year providing ample liquidity.
2. Due to the amount of payouts to occur for many years into the future, the Plan's liabilities exhibit a longer duration (sensitivity to changes in interest rates). As a result, extending durations in the fixed income portion of Plan assets should be considered.
3. The cash balance portion of the plan's liabilities grows at the rate of T-bill + 1%. Future liability growth will be factored into all investment decisions.

As a result of the above-named considerations, the Board believes that the Plan can tolerate some interim variability in market value and rates of return in order to achieve its long-term objectives.

**Allowable Investments:** Cash and Equivalents, Mutual Funds, Separate Accounts, Options and Futures Contracts, Stocks, Bonds, Commingled Funds, and Collective Trusts, Exchange Traded Funds (ETFs)

***Liquidity Policy:*** The trust will be required to provide periodic distributions in the form of retirement benefit payments to participants. The actuary provides annual assessments of the funding requirements and payments necessary to meet the plans benefit obligations.

***Overall Asset Allocation Policy***

Based on the Plan's time horizon, risk tolerances, liquidity needs, and asset class preferences and constraints, an efficient or optimal portfolio was identified. This allocation shall be reviewed at least annually and modified as necessary to meet the needs of the Board.

[See Appendix A for the Strategic Asset Allocation Policy of the Plan.]

The current allocation strategy is dynamic in nature under a Liability Drive Investment (LDI) approach. The allocation shall be reviewed periodically, at least annually, and modified as necessary to de-risk the plan, based on the funded status. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

***Rebalancing***: Rebalancing is the periodic adjustment of the portfolio to restore a pre-defined Target asset allocation, and will be reviewed at least once per calendar quarter, or as such when the allocation of any asset class exceeds the range around its respective target.

*Change in Funding Target Level*

Based on the asset allocation glidepath and funding target levels outlined in the Asset Allocation Policy, an increase in the Plan funding ratio that elevates the plan to a new increment level will trigger a rebalancing of Plan assets to the new targets. If the Plan funding ratio decreases and meets a lower target level, the plan will not rebalance to the new target asset allocation.

*Timing*

Rebalancing reviews generally take place quarterly, or at a frequency determined by appropriate by the Board. Generally, the rebalancing transactions will occur over a period of time to reduce undue market timing risk.

The Plan will diversify its investment portfolio to avoid incurring unreasonable risks. Investment maturities should be scheduled to coincide with projected cash flow requirements. As funded status improves, the asset allocation policy targets will reduce equity investments and increase fixed income investments and "de-risk" the plan portfolio.

# V. INVESTMENT MANAGER GUIDELINES

Every Investment Manager selected to manage Plan assets shall be selected by their policy or ability to adhere to these general guidelines; however will have discretion to meet the investment objectives of their portfolio or investment fund. Unless receiving prior Board approval, the only allowable investments of the Plan will be in cash and equivalents, mutual funds, separate accounts, options and futures, stocks, bonds, commingled funds, and collective trusts, exchange traded funds (ETFs):

***Cash Policy***

Cash equivalents will be invested in an appropriate cash-like fund. Returns should be equal to or better than the 90-day Treasury Bill Index (3-month).

Money market mutual funds may be used, so long as these funds meet the high standards suitable for funds of this nature.

***Fixed Income Policy***

Investment Objectives

These assets are to be invested in a mutual fund, commingled funds, separate accounts, or collective trusts of high-grade index or active fixed income portfolio subject to the limitations set forth below. The investment objectives of the fixed income portion in order of importance are:

1. Preservation of capital
2. Provide for regular dividend and or interest payments
3. Stability of returns – obtain fairly consistent annual returns.

Investment Guidelines

The Plan's fixed income assets will be managed in accordance with the following:

1. All funds selected for the fixed income portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

## ***Equity Policy***

Investment Objectives

Equity assets are to be invested in cash and equivalents, mutual funds, separate accounts, options and futures, stocks, bonds, commingled funds, and collective trusts, exchange traded funds (ETFs). Within this framework, the investment objectives of the equity portion are:

1. Long Term Growth of Capital – Assets, exclusive of contribution and withdrawals, should grow in the long run and earn returns equal to the market while risk should be less than the market.

2. Follow a predefined market style (e.g. large cap vs. small cap, value vs. growth) strategy.

Investment Guidelines

The Plan's equity assets will be managed in accordance with the following:

1. All funds selected for the equity portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Fund Managers will be evaluated against their peers on the performance of the total funds under their direct management.

# VI. SELECTION OF INVESTMENT MANAGERS

The Board, with the assistance of the Investment Consultant, will select appropriate Investment Managers to manage the Plan assets. Investment Managers must meet the following minimum criteria:

1. Is a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisers Act of 1940.

2. Provide at a minimum, historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all the fully discretionary accounts of similar investment style, and reported net and gross of fees.

3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the Investment Manager relative to other managers of like investment style.

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be supplied by a third party vendor comparable to Lipper or Morningstar.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. Investment Managers will be ranked within the top 50 percent of their respective styles on the Investment Consultant's internal ranking program when available.

7. Some of the measures that may be included in the statistical analysis of a fund would be:

    a. *Alpha* – a measure of fund performance compared to its expected return
    b. *Beta* – the general level of influence a fund's market has over its performance
    c. *Standard Deviation* – a measure of a fund's variation of returns over time
    d. *Sharpe Ratio* – a measure of a fund's risk-adjusted return compared to its risk
    e. *Duration* – a measure of sensitivity to interest rate fluctuations over time

8. The Board will consider replacing an actively managed fund if the rank versus its peer group remains in the bottom 50 percent for four consecutive quarters versus its peer group and if statistical analysis concludes that the fund's level of return does not provide an acceptable ratio as compared to its general level of risk.

9. The Board may consider a fund for replacement when the Investment Manager or policy of the fund is changed. In addition, if there are any substantial transactions with regard to the fund management company or holding, or other types of instabilities in the fund company, replacement will be considered.

10. The Board may also consider replacing a fund if its relative performance over a complete market cycle trails its benchmark.

# VII. INVESTMENT EVALUATION

Not more than 90 days after the end of each calendar quarter, the Investment Consultant shall report investment positions and performance results to the Board, based on performance reported by each Fund Manager, to monitor and evaluate progress toward the attainment of longer-term targets.

The target rate of return for the Plan has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The real rate of return is the return in excess of the anticipated rate of inflation as measured by the Consumer Price Index (CPI).

***Total Plan Portfolio Performance:*** Over a complete business cycle, the Plan's overall annualized total return (net of expenses) should perform at or above the Plan Benchmark. The Plan Benchmark is a customized index composed of the following benchmarks for each target asset class and based on the current and prior target asset allocation policy for the Plan:

| Asset Category | Index* |
|---|---|
| Cash & Money Market | BofA ML 3-month T-bill Total Return Index |
| Short-term Bond | Barclays US Govt/Credit 1-3 Yr TR USD |
| Inflation Protected Bond | Barclays US Treasury US TIPS TR USD |
| Intermediate-term Bond | Barclays US Govt 5-10 Yr TR USD |
| Long-term Bond | BC Long Government/Credit |
| High Yield Bond | BC High Yield Corporate Bond |
| Large Cap Value | S&P 500 Value |
| Large Cap Blend | S&P 500 Index |
| Large Cap Growth | S&P 500 Growth |
| Mid Cap Value | S&P 400 Value |
| Mid Cap Blend | S&P 400 Index |
| Mid Cap Growth | S&P 400 Growth |
| Small Cap Value | S&P 600 Value |
| Small Cap Blend | S&P 600 Index |
| Small Cap Growth | S&P 600 Growth |
| World Stock | MSCI AC World Index ND USD |
| Diversified Emerging Markets | FTSE Emerging NR USD |
| REIT/Real Estate | MSCI US REIT NR USD |

**Or other index as designated by the fund and/or fund manager as an appropriate target benchmark for the investment portfolio or fund.*

***Individual Investment Managers:*** During its periodic meetings but not less than annually, the Board will review the following specifics with regard to each Investment Manager:

1. The manager's adherence to their prospectus.
2. Material changes in the manager's organization, investment philosophy, and/or personnel.
3. Performance compared against an appropriate peer group and benchmark, as listed in the Executive Summary of this IPS, over various time periods.

The Board expects the following criteria to be met by each Investment Manager. If a manager fails to meet these, a further review of the manager will be warranted. The Board reserves the right to replace an Investment Manager at their discretion at any time.

1. The Investment Manager's rank (3-year and 5-year return) versus its peer group is over 50 *(where a percentile ranking of 1 would be the highest a fund could achieve and 100 would be the lowest*). If a fund or Investment Manager's rank (3-year and 5-year return) versus its peer *group is over 50, the fund will warrant a closer analytic review. The Board's review will* be comprised of a further analysis of the fund's statistical performance and risk measures.

2. The Investment Manager's risk over 3 to 5 years, as measured by standard deviation, should be equal to or lower than the comparative index. If the standard deviation is higher than the index, an increase in performance is expected.

3. The Investment Manager's Sharpe ratio should be positive over 3 to 5 years and ranked above the peer group median.

4. The Investment Manager's Alpha should be positive over a 3 to 5 year period and ranked above the peer group median.

## SIGNATURE

**This Statement of Investment Policy approved by action of the Board.**

Approved by: _____

Chairman or representative of the Board

_____

Controller/Treasurer

Date approved: 8/14/14

# APPENDIX A

This Appendix to the Investment Policy Statement has been reviewed and approved by the Board:

## STRATEGIC ASSET ALLOCATION POLICY

| Asset Class | Target |
|---|---|
| Cash & Short-Term Bond | 7% |
| Inflation-Protected Bond | 5% |
| Intermediate Term Bond | 6% |
| Long-Term Bond | 8% |
| High Yield Bond | 7% |
| Large Value | 11% |
| Large Growth | 14% |
| Mid Cap Equity | 6% |
| Small Cap Equity | 7% |
| Foreign Equity | 12% |
| Diversified Emerging Mkts | 9% |
| Real Estate | 8% |
| | 100.00% |

The above ranges will be considered the long-term or policy allocation. The current "Policy" is the Target for such respective Asset Class of investment. There will be a Range of +/- 5% to the Target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

**This Appendix to the Statement of Investment Policy approved by action of the Board.**

Approved by: _____

Chairman or representative of the Board

Date approved: 8/14/14

_____

Controller/Treasurer

250 Washington Ave Ext
Albany, NY 12203
USA

Tel +1 518 514 7157
Fax +1 518 514 7200

milliman.com

# MEMO

| | |
|---|---|
| **To:** | City of Dover, Delaware Employees' Pension Plan – Board |
| **From:** | Jeff Marzinsky & Matt Albano/Milliman |
| **Re:** | Board Meeting Notes |

Enclosures: Milliman Quarterly Investment Monitor Report (QIM)

1. General Employees' Pension Plan Investment Review through 9/30/2014:
   a. As of quarter end, the plan had approximately $33.5 million in assets, down slightly from $34.4 million at the prior quarter end. During the quarter, the plan had contributions of approximately $496 thousand, withdrawals/payment of approximately $910 thousand, and fees of approximately $4.5 thousand.
   b. Total performance of the plan portfolio was -1.49% net (-1.42% gross) for the quarter, in line with the Plan's benchmark index performance of -1.75.

**City of Dover**
**General Employees Pension Plan**
**Quarterly Return Summary**

| Month End | BMV | Contribution | Withdrawls | Fees | Gain | EMV | CIVILIAN-NET RETURN | CIVILIAN-GROSS RETURN |
|---|---|---|---|---|---|---|---|---|
| 10/31/2013 | $ 30,911,604.96 | $ 733,988.91 | $ 300,912.88 | $ 1,468.94 | $ 904,921.91 | $ 32,248,133.96 | 2.92% | 2.94% |
| 11/30/2013 | $ 32,248,133.96 | $ 56,839.51 | $ 298,539.82 | $ 1,482.94 | $ 113,584.35 | $ 32,118,535.06 | 0.36% | 0.38% |
| 12/31/2013 | $ 32,118,535.06 | $ 740,627.39 | $ 298,211.11 | $ 1,556.98 | $ 204,284.56 | $ 32,763,678.92 | 0.64% | 0.66% |
| 1/31/2014 | $ 32,763,678.92 | $ 37,206.27 | $ 302,231.67 | $ 1,509.30 | $ (327,918.55) | $ 32,169,225.67 | -1.01% | -0.98% |
| 2/28/2014 | $ 32,169,225.67 | $ 37,084.59 | $ 320,393.03 | $ 1,476.62 | $ 1,008,017.38 | $ 32,892,457.99 | 3.16% | 3.18% |
| 3/31/2014 | $ 32,892,457.99 | $ 37,262.79 | $ 302,309.03 | $ 497.39 | $ 190,876.22 | $ 32,817,790.58 | 0.58% | 0.61% |
| 4/30/2014 | $ 32,817,790.58 | $ 37,214.82 | $ 301,795.55 | $ 974.00 | $ 205,288.50 | $ 32,757,524.35 | 0.63% | 0.65% |
| 5/31/2014 | $ 32,757,524.35 | $ 42,924.34 | $ 301,795.55 | $ 1,500.51 | $ 642,964.70 | $ 33,140,117.33 | 1.98% | 2.00% |
| 6/30/2014 | $ 33,140,117.33 | $ 1,502,149.32 | $ 683,750.81 | $ 1,502.60 | $ 474,270.46 | $ 34,431,283.70 | 1.42% | 1.44% |
| 7/31/2014 | $ 34,431,283.70 | $ 240,408.59 | $ 304,302.73 | $ 1,541.61 | $ (371,558.27) | $ 33,994,289.68 | -1.09% | -1.06% |
| 8/31/2014 | $ 33,994,289.68 | $ 256,828.41 | $ 303,821.51 | $ 1,533.84 | $ 912,606.99 | $ 34,858,369.73 | 2.70% | 2.72% |
| 9/30/2014 | $ 34,858,369.73 | $ - | $ 303,821.51 | $ 1,550.89 | $ (1,045,196.08) | $ 33,507,801.25 | -3.02% | -3.00% |
| | | $ 497,237.00 | $ 911,945.75 | $ 4,626.34 | $ (504,147.36) | Quarterly Return | -1.49% | -1.42% |
| | | $ 3,722,534.94 | $ 4,021,885.20 | $ 16,595.62 | $ 2,912,142.17 | One Year Return | 9.47% | 9.78% |

   c. As of quarter end, the Plan's asset allocation was in line with the allocation targets approved at the last meeting, and the plan was rebalanced on its quarterly schedule.

| Category Description | Fund Category | Investment Name | Target Allocation with Additional Asset Classes | Asset Allocation Range 8/2014 |
|---|---|---|---|---|
| Money Market | CA | Wells Fargo Advtg Treas Plus MMkt | 4.50% | 0-12%; target 7% Cash + STB |
| Short Term Bonds | STB | Vanguard Short Term Bond | 2.50% | 0-12%; target 7% Cash + STB |
| Inflation Protected Bonds | TIPS | Vanguard Inflation Prot Sec | 5.00% | 0-11%; target of 6% TIPS |
| Intermediate Term Bonds | INTB | Vanguard Intermediate Bond | 6.00% | 1-11%; target 6% INTB |
| Long Term Bonds | LTB | PIMCO Long Duration | 4.00% | 3-13%; target 8% LTB |
| Long Term Bonds | LTB | Vanguard Long Duration | 4.00% | 3-13%; target 8% LTB |
| High Yield Bond | HYB | Ivy High Income I | 7.00% | 2-12%; target 7% HYB |
| Large Cap Value | LCV | Vanguard Equity Income | 11.00% | 6-16%; target 11% LCV |
| Large Cap Growth | LCG | Vanguard Morgan Growth | 0.00% | REMOVED |
| Large Cap Growth | LCG | Vanguard Primecap | 5.75% | CLOSED - no longer accepting contributions |
| Large Cap Growth | LCG | Vanguard Growth Index | 8.25% | 9-19%; target 14% LCG |
| Mid Cap | MCB | Vanguard Mid Cap Index | 3.00% | 1-11%; target 6% MC |
| Mid Cap | MCV | Vanguard Mid Cap Value Index | 3.00% | 1-11%; target 6% MC |
| Small Cap | SCV | Target Small Cap Value | 7.00% | 0-10%; target 7% SC |
| Real Estate Investment | REIT | Vanguard REIT Index | 8.00% | 3-13%; target 8% REIT |
| Foreign Equity | GLB | American Funds New Perspective | 6.00% | 6-18%; target 12% FOR |
| Foreign Equity | FLG | Oppenheimber International Growth Y | 6.00% | 6-18%; target 12% FOR |
| Foreign Equity | GLB | Harding Loevner Global Equity | 0.00% | REMOVED |
| Emerging Markets | EMG | Vanguard Emerging Mkts | 9.00% | 4-14%; target 9% Emg Mkts |

   d. The majority of plan investments have performance and rankings in line with their peer groups and benchmarks, as well as risk analytics that rank well to their peer groups.

Milliman

i. The plan includes the PIMCO Long Duration as a bond manager.
   - During the year PIMCO has had a variety of management changes within the organization with the resignation of their CEO during March, and the recent departure of Bill Gross, manager of the Total Return fund. With the changes in management of the organization, we recommend placing a watch on all PIMCO funds to review stability of management within the organization and their investment management teams.

The analysis in this report was prepared utilizing data from third parties and other sources including but not limited to internal computer software and databases, including among others mpiStylus Pro©,, software designed by Markov Processes International. Reasonable care has been taken to assure the accuracy of the data contained herein, and comments are objectively stated and are based on facts gathered in good faith. These reports do not constitute investment advice with respect to the sale or disposition of individual securities. Milliman disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report.

This Milliman work product was prepared solely for the internal business use of our clients. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

Past performance is no guarantee of future results.

Unless explicitly stated in your Service Agreement, there should be no reliance on Milliman services to provide analysis or reporting on a daily basis, the changes to manager rankings, ratings or opinions thereon.

Unless explicitly stated in your Service Agreement, Milliman services are not intended to monitor investment manager compliance with individual security selection criteria, limits on security selection, and/or prohibitions to the holding of certain securities or security types.

Milliman provides a copy of its SEC Form ADV Part II to clients without charge upon request.

# Quarterly Investment Monitor

*Summary Report for the Quarter Ending September 30, 2014*

Prepared for
**City of Dover, Delaware General Employee Pension Plan**

Milliman



# Contents

Section A: Market Commentary

Section B: Performance Summary

Section C: Core Fund Review

Section D: Glossary

# Milliman | Quarterly Investment Monitor

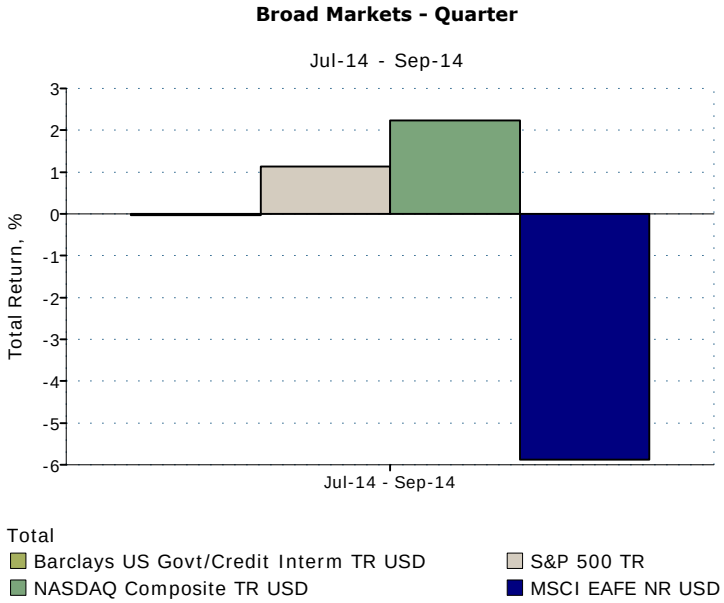
## Market Indices - 3rd Quarter 2014

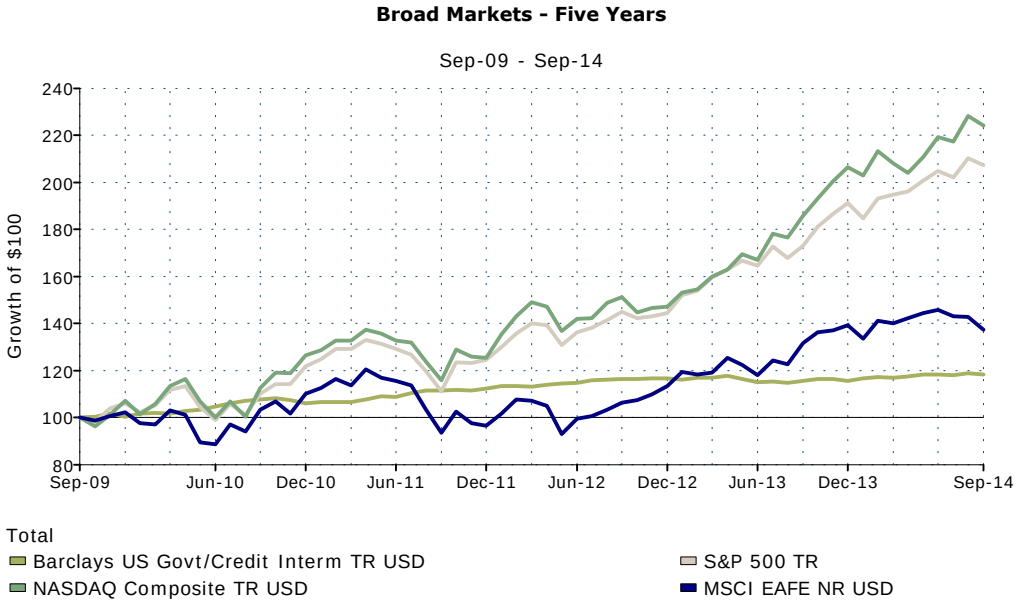


| Index | 3 Months | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|
| BofAML US Treasury Bill 3 Mon | 0.01 | 0.05 | 0.07 | 0.10 |
| Barclays US Govt 1-3 Yr TR USD | 0.03 | 0.52 | 0.51 | 1.07 |
| Barclays US Govt/Credit Interm TR USD | -0.03 | 2.20 | 2.01 | 3.42 |
| Barclays US Government Long TR USD | 2.63 | 11.60 | 2.08 | 6.99 |
| Barclays US Long Credit TR USD | 0.17 | 13.58 | 6.71 | 8.67 |
| Barclays US Corporate High Yield TR USD | -1.87 | 7.20 | 11.09 | 10.57 |
| DJ Industrial Average TR USD | 1.87 | 15.29 | 19.02 | 14.85 |
| S&P 500 TR | 1.13 | 19.73 | 22.99 | 15.70 |
| NASDAQ 100 TR USD | 5.53 | 27.52 | 25.36 | 20.01 |
| NASDAQ Composite TR USD | 2.24 | 20.61 | 24.57 | 17.51 |
| Russell 1000 Value TR USD | -0.19 | 18.89 | 23.93 | 15.26 |
| Russell 1000 TR USD | 0.65 | 19.01 | 23.23 | 15.90 |
| Russell 1000 Growth TR USD | 1.49 | 19.15 | 22.45 | 16.50 |
| Russell 2000 Value TR USD | -8.58 | 4.12 | 20.61 | 13.02 |
| Russell 2000 TR USD | -7.36 | 3.93 | 21.26 | 14.29 |
| Russell 2000 Growth TR USD | -6.13 | 3.79 | 21.91 | 15.51 |
| FTSE NAREIT All REITs TR | -2.63 | 13.44 | 17.02 | 15.75 |
| MSCI EAFE NR USD | -5.88 | 4.25 | 13.65 | 6.56 |
| MSCI EAFE Small Cap NR USD | -7.82 | 3.00 | 14.49 | 8.91 |
| MSCI EM NR USD | -3.50 | 4.30 | 7.19 | 4.42 |

# Milliman | Quarterly Investment Monitor

## Broad Market Commentary - 3rd Quarter 2014



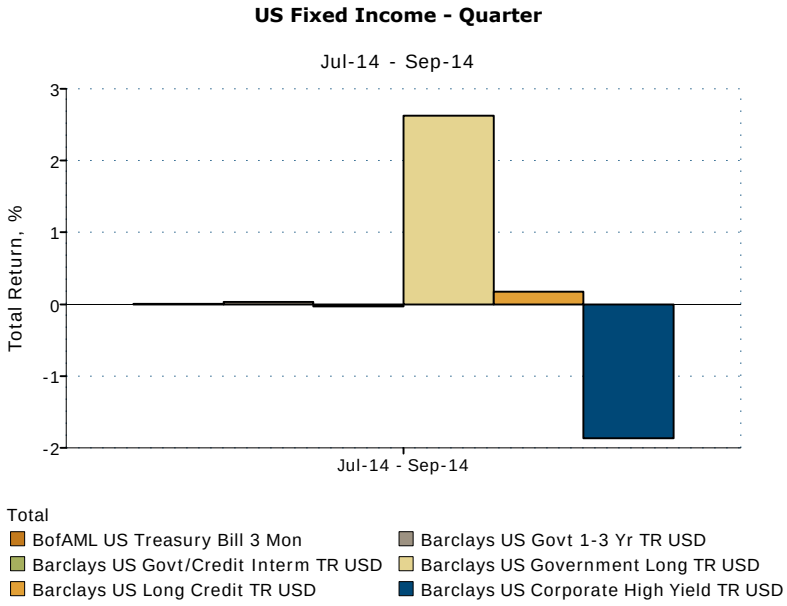



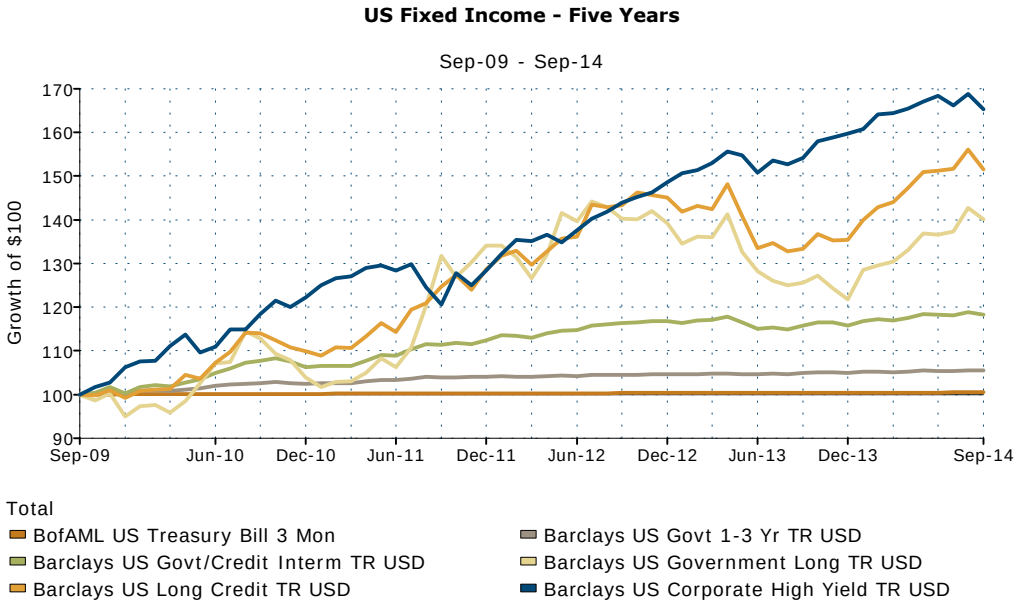

### *Market Commentary*

- The U.S. stock market rose modestly on improving economic data, strong mergers-and-acquisitions activity and solid growth in corporate earnings.
- Developed international equity markets fell due to weak economic growth and significant deflationary pressures in Europe and Japan.
- Emerging markets declined on worries about slowing economic growth in China, the reduction of Federal Reserve stimulus, and the ongoing political crisis in Ukraine.
- The Fed continued to reduce its securities purchase from its $85 billion level in late 2013 to a target of zero by the end of October.
- Mutual fund investors increased their holdings in bonds and decreased their holdings in stocks. For the quarter, bond funds had net inflows of $17.9 billion, while stock funds had net outflows of $8.0 billion. Total money market mutual fund assets decreased by $34.4 billion to $2.591 trillion.
- The unemployment rate fell from 6.1% to 5.9%, as total employment increased by 671,000 jobs.
- The price of oil decreased from $105 per barrel to $91 during the quarter, a decline of 13.3%.

# Milliman | Quarterly Investment Monitor

## US Fixed Income Market Commentary - 3rd Quarter 2014



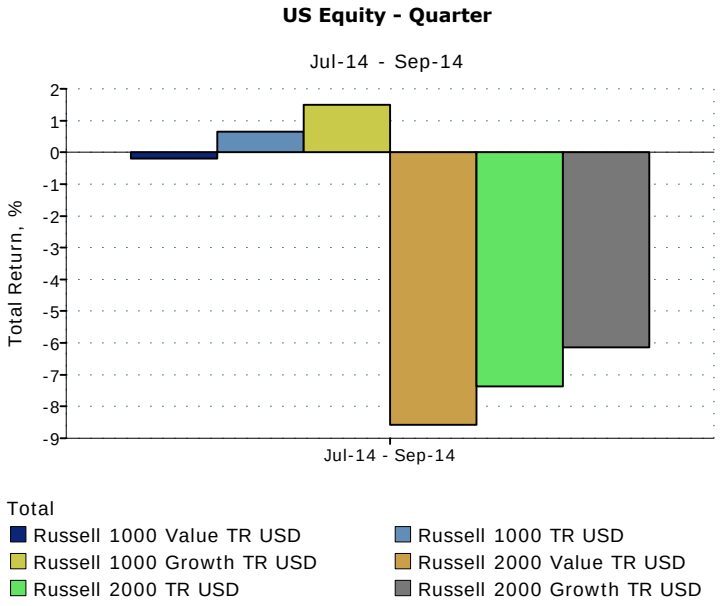



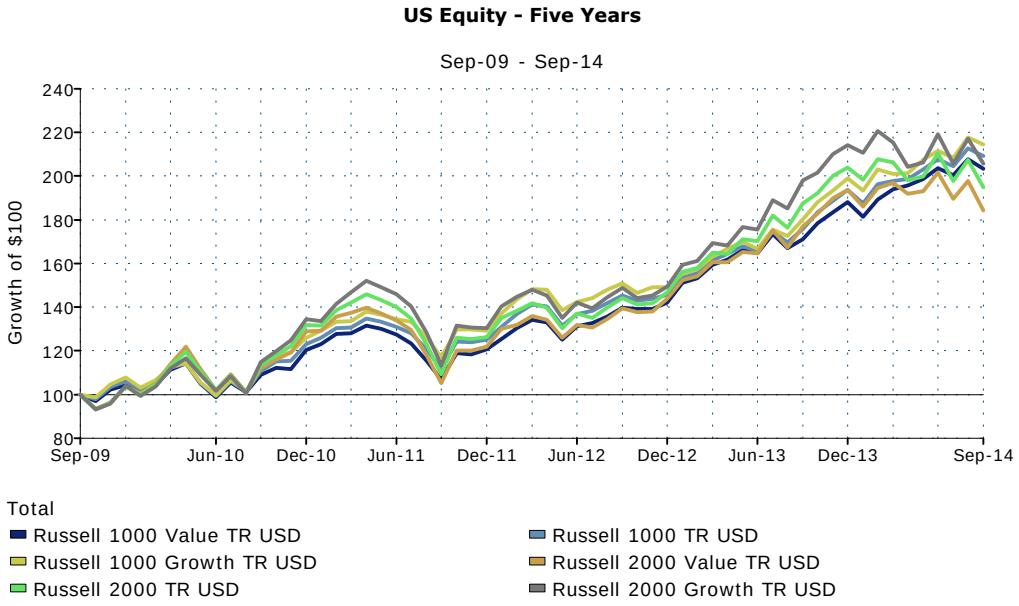

### *US Bond Market*

- The broad fixed income market rose 0.16% in the 3rd quarter, as the coupon return of 0.77% more than offset the negative impact from a 0.14% increase in interest rates.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- The yield curve continued to flatten as the 30-year Treasury yield fell by 0.16%, while the 3-year rose by 0.17%.
- Long-term government bonds were the best performing sector this quarter, up 2.99%, as investors favored save-haven assets.
- Long-term corporate bonds were up 0.44%, as declining yields on the long end of the curve more than offset widening spreads.
- Global bonds were the worst performing sector this quarter, down 2.84%, as most foreign currencies fell sharply against the U.S. dollar.

# Milliman | Quarterly Investment Monitor

## US Equity Market Commentary - 3rd Quarter 2014



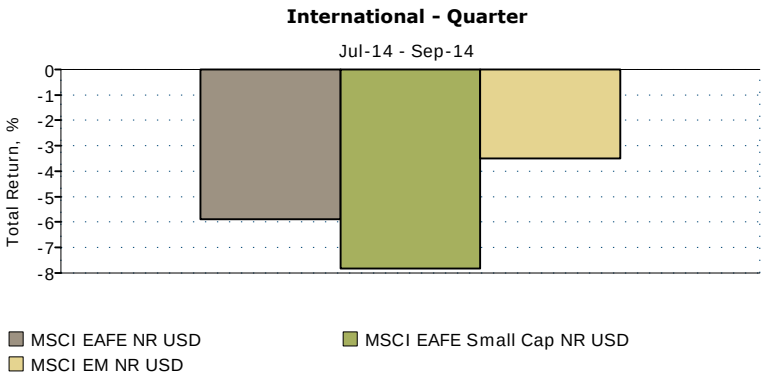



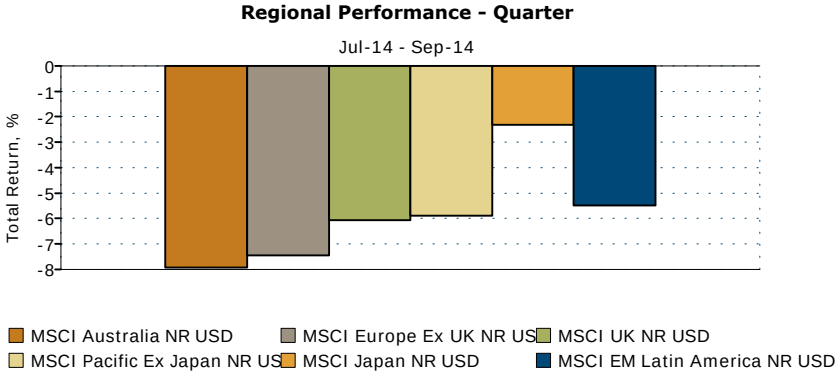

### *US Stock Market*

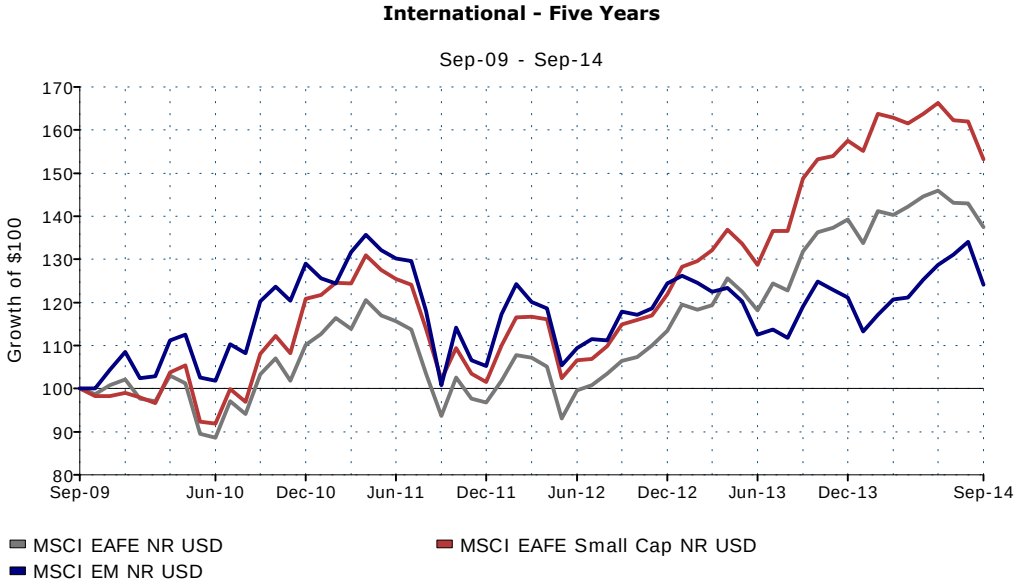
- The major domestic equity indicies were mixed for the quarter. The large-cap Russell 1000 Growth Index had the best return, up 1.49%.
- In terms of capitalization, large-cap stocks outperformed small-cap stocks.
- In comparing styles, growth outperformed value in the both large-cap and small-cap areas of the market.
- REITs fell 3.00%. as the likelihood of higher interest rates reduced demand for dividend-paying stocks. The worst performing REITs were industrial warehouses and the office sector.
- Energy was the worst performing sector, falling 8.52%, on lower oil and natural gas prices.
- Healthcare was the best performing sector, up 5.24%, on strong mergers-and-acquisitions activity and good earnings.

# Milliman | Quarterly Investment Monitor

## International Market Commentary - 3rd Quarter 2014




### *International Markets*

- The dollar was up strongly against the euro, yen and pound.
- For the quarter, the EAFE Index was down 5.88%, and Emerging Markets were down 3.49%. Local currency returns for the EAFE Index and Emerging Markets were 0.93% and 0.56%, respectively.
- Among the major international regions, Indian stocks had the highest return, up 2.34%, as investors anticipated more economic reforms and an improvement in GDP growth.
- Stocks in Russia had the lowest return, down 15.41% in the quarter and down 19.90% YTD, as the conflict with Ukraine continued and the West imposed greater economic sanctions.
- Large-Cap stocks, down 5.9%, outperformed small-cap stocks, down 7.8%.

# Performance Summary

## Asset Allocation

| | Balances As of 09/30/2014 | Percent As of 09/30/2014 | Balances As of 06/30/2014 | Percent As of 06/30/2014 | Notes |
|---|---|---|---|---|---|
| Wells Fargo Advantage Treas Plus MMkt I | $1,507,083 | 4.50% | $1,589,752 | 4.62% | PISXX |
| Vanguard Short-Term Bond Index Signal | $847,525 | 2.53% | $1,888,033 | 5.48% | VBSSX |
| Vanguard Inflation-Protected Secs I | $1,689,477 | 5.04% | $2,059,572 | 5.98% | VIPIX |
| Vanguard Interm-Term Bond Index Signal | $2,037,681 | 6.08% | $2,754,503 | 8.00% | VIBSX |
| Vanguard Long-Term Bond Index I | $1,364,305 | 4.07% | $1,554,083 | 4.51% | VBLLX |
| PIMCO Long Duration Total Return Instl | $1,357,530 | 4.05% | $1,547,262 | 4.49% | PLRIX |
| Ivy High Income I | $2,364,761 | 7.06% | $2,065,237 | 6.00% | IVHIX |
| Vanguard Equity-Income Adm | $3,676,066 | 10.97% | $3,423,738 | 9.94% | VEIRX |
| Vanguard Growth Index Adm | $2,778,909 | 8.29% | $1,889,831 | 5.49% | VIGAX |
| Vanguard PRIMECAP Inv | $1,913,305 | 5.71% | $1,871,312 | 5.44% | VPMCX |
| Vanguard Mid-Cap Value Index Admiral | $995,940 | 2.97% | $1,722,768 | 5.00% | VMVAX |
| Vanguard Mid Cap Index Adm | $1,007,195 | 3.01% | $0 | 0.00% | VIMAX |
| Target Small Capitalization Value T | $2,322,621 | 6.93% | $2,419,188 | 7.03% | TASVX |
| Oppenheimer International Growth Y | $1,993,711 | 5.95% | $1,728,038 | 5.02% | OIGYX |
| American Funds New Perspective R6 | $1,999,905 | 5.97% | $1,716,760 | 4.99% | RNPGX |
| Vanguard Emerging Mkts Stock Idx I | $2,936,683 | 8.76% | $3,446,037 | 10.01% | VEMIX |
| Vanguard REIT Index I | $2,712,670 | 8.10% | $2,752,796 | 8.00% | VGSNX |
| **Plan Total** | **$33,505,366** | | **$34,428,912** | | |

## Investment Policy Review - Active Management

| Fund Name | Return Rank 3Y | Return Rank 5Y | Excess Return 3Y | Excess Return 5Y | Relative StdDev 3Y | Relative StdDev 5Y | Alpha Rank 3Y | Sharpe Rank 3Y | Alpha Rank 5Y | Sharpe Rank 5Y |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | 27 | 16 | -0.07 | -0.03 | 1.03 | 1.02 | 34 | 31 | 37 | 30 |
| PIMCO Long Duration Total Return Instl | 27 | 11 | 0.68 | 0.13 | 1.00 | 0.96 | 45 | 55 | 67 | 67 |
| Ivy High Income I | 9 | 4 | 1.21 | 0.97 | 0.75 | 0.75 | 2 | 1 | 1 | 1 |
| Vanguard Equity-Income Adm | 56 | 7 | -1.78 | 1.60 | 0.86 | 0.83 | 9 | 6 | 4 | 3 |
| Vanguard PRIMECAP Inv | 3 | 14 | 3.53 | 0.32 | 1.04 | 1.08 | 0 | 1 | 7 | 7 |
| Target Small Capitalization Value T | 58 | 38 | -3.47 | -1.00 | 0.91 | 0.88 | 38 | 30 | 24 | 18 |
| Oppenheimer International Growth Y | 25 | 7 | 1.29 | 2.05 | 1.00 | 1.02 | 20 | 21 | 7 | 8 |
| American Funds New Perspective R6 | 30 | 28 | 1.98 | 1.56 | 0.96 | 0.98 | 25 | 16 | 30 | 21 |

Definitions

Return Rank - Fund's category percentile return rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

Excess Return - Fund's excess return over its benchmark, a value greater than 0 implies the fund's return is higher than its benchmark.

Relative StdDev - Fund's standard deviation relative to its benchmark, a value less than 1 implies the fund's standard deviation is lower than its benchmark.

Alpha Rank - Fund's category percentile Alpha rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

Sharpe Rank - Fund's category percentile Sharpe Ratio rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

## Investment Policy Review - Passive Management

| Fund Name | Excess Return 3Y | Excess Return 5Y | Beta 3Y | Tracking Error 3Y | Beta 5Y | Tracking Error 5Y | Expense Ratio |
|---|---|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Signal | 0.27 | 0.64 | 2.12 | 0.60 | 1.84 | 0.76 | 0.10 |
| Vanguard Interm-Term Bond Index Signal | 1.88 | 1.17 | 0.94 | 1.61 | 0.84 | 1.79 | 0.10 |
| Vanguard Long-Term Bond Index I | -0.06 | 0.00 | 1.02 | 0.85 | 1.03 | 0.88 | 0.07 |
| Vanguard Growth Index Adm | 0.64 | 1.10 | 0.99 | 0.55 | 1.00 | 0.78 | 0.09 |
| Vanguard Mid-Cap Value Index Admiral | -0.20 | -0.76 | 1.01 | 0.82 | 1.00 | 1.23 | 0.09 |
| Vanguard Mid Cap Index Adm | 0.01 | -0.14 | 1.02 | 0.55 | 1.02 | 0.88 | 0.09 |
| Vanguard Emerging Mkts Stock Idx I | 0.55 | -0.17 | 0.98 | 3.08 | 1.03 | 3.10 | 0.12 |
| Vanguard REIT Index I | 1.29 | 1.33 | 1.00 | 0.22 | 1.00 | 0.19 | 0.08 |

Definitions

Excess Return - Fund's excess return over its benchmark, a value greater than 0 implies the fund's return is higher than its benchmark.

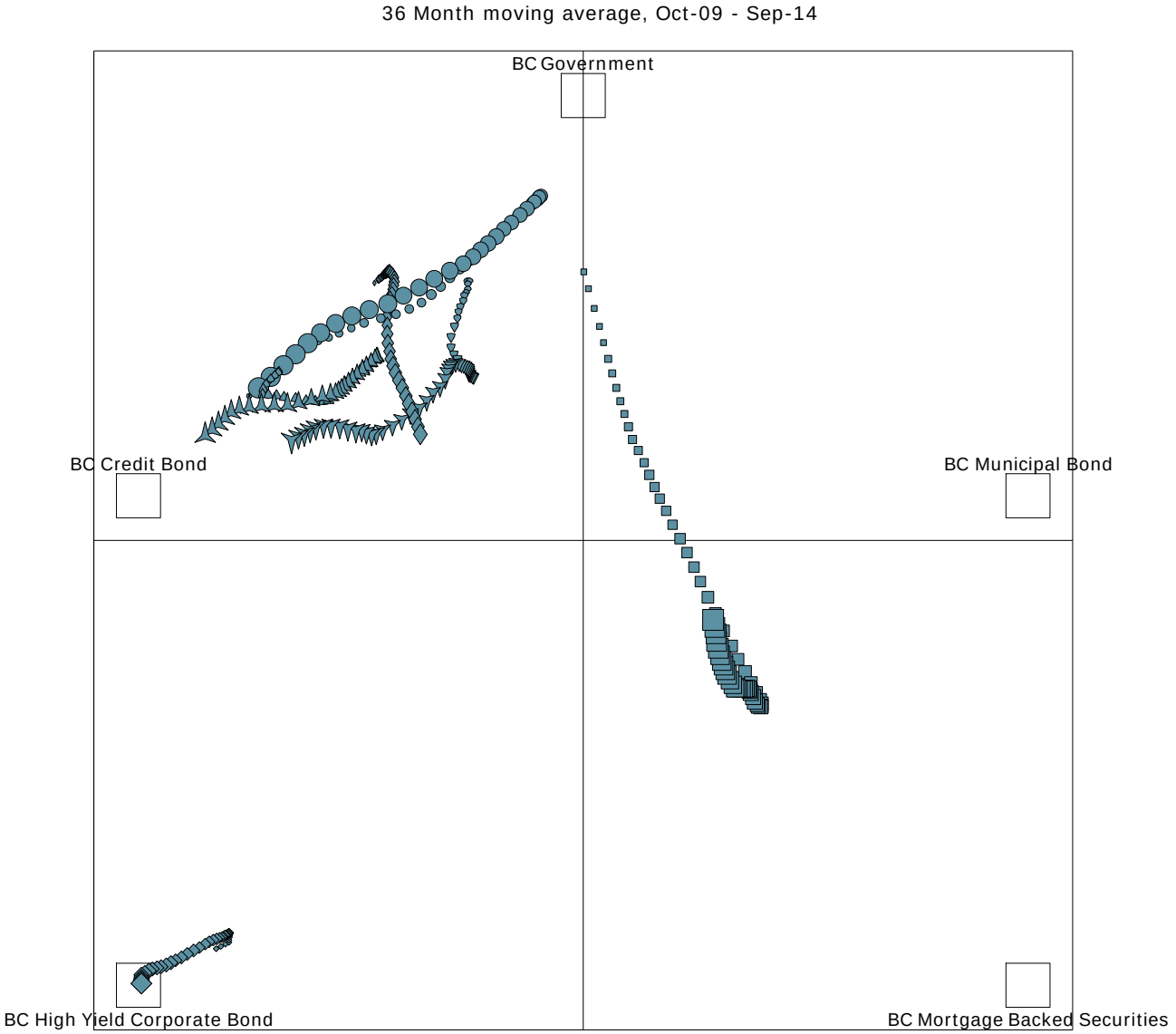
Beta - Fund's Beta or sensitivity to movements compared to its benchmark, a value of 1 implies its moving in sync with its benchmark.

Tracking Error - Fund's Tracking Error versus its benchmark, a value of 0 implies the Fund's ups and downs are the same size as its benchmark.

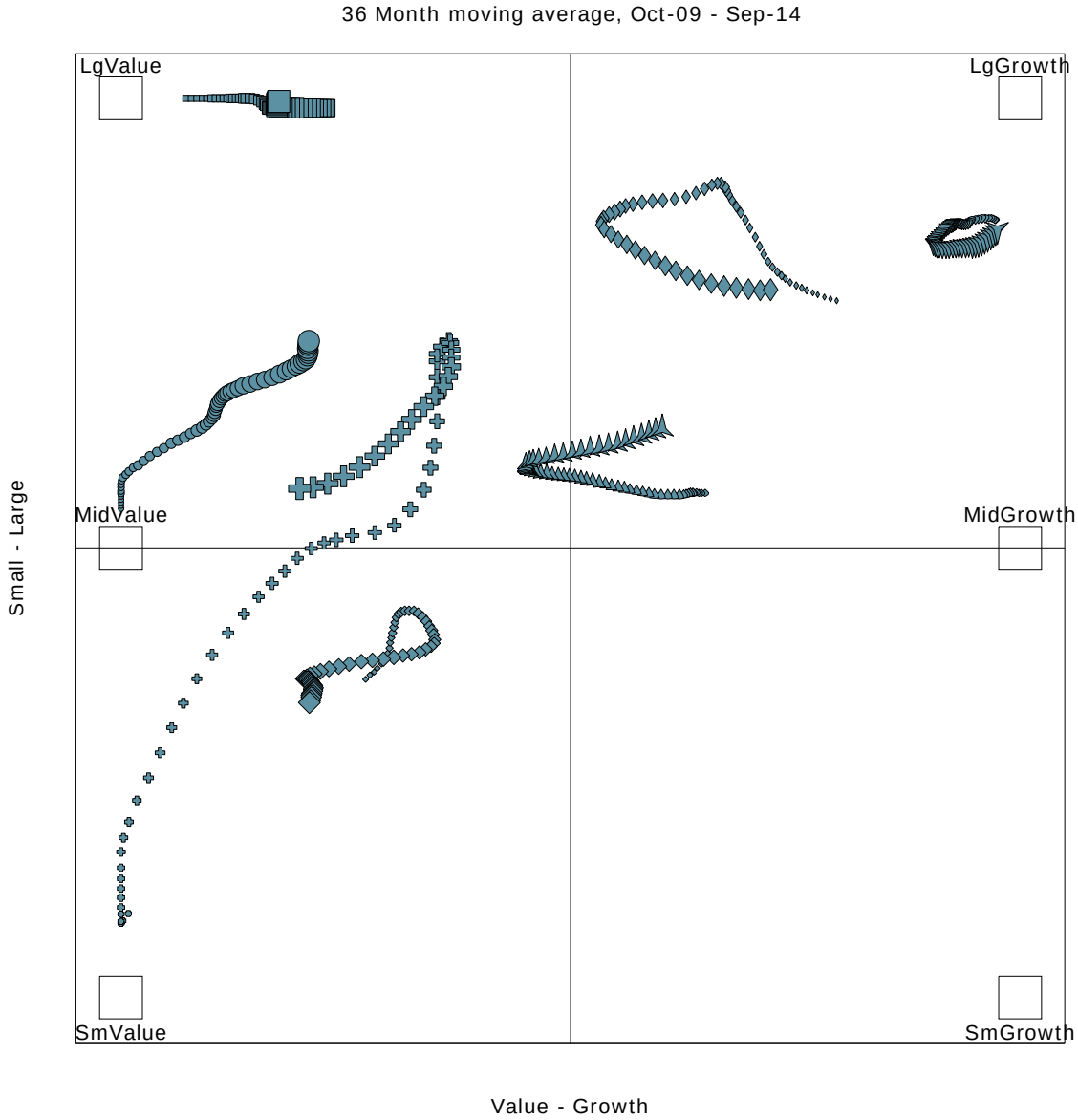
## Investment Option Return Summary

| Asset Class | Fund Name | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Ticker | Mstar Rating | Expense Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| Money Market-Taxable | Wells Fargo Advantage Treas Plus MMkt I | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 1.45 | PISXX | NA | 0.20 |
| | *BofA ML 91-day Tbill Auction Avg* | *0.01* | *0.03* | *0.05* | *0.07* | *0.10* | *1.59* | *N/A* | *NA* | *NA* |
| Short-term Bond | Vanguard Short-Term Bond Index Signal | (0.07) | 0.91 | 1.04 | 1.19 | 2.09 | 3.27 | VBSSX | 3.00 | 0.10 |
| | *Barclays US Govt/Credit 1-3 Yr TR USD* | *0.04* | *0.60* | *0.77* | *0.92* | *1.45* | *2.85* | *N/A* | *NA* | *NA* |
| Inflation-Protected Bond | Vanguard Inflation-Protected Secs I | (1.93) | 3.87 | 1.53 | 1.27 | 4.45 | 4.52 | VIPIX | 4.00 | 0.07 |
| | *Barclays US Treasury US TIPS TR USD* | *(2.04)* | *3.67* | *1.59* | *1.34* | *4.48* | *4.63* | *N/A* | *NA* | *NA* |
| Intermediate-term Bond | Vanguard Interm-Term Bond Index Signal | 0.01 | 4.99 | 4.39 | 3.29 | 5.63 | 5.44 | VIBSX | 4.00 | 0.10 |
| | *Barclays US Govt 5-10 Yr TR USD* | *0.15* | *4.04* | *2.49* | *1.41* | *4.47* | *5.08* | *N/A* | *NA* | *NA* |
| Long-term Bond | Vanguard Long-Term Bond Index I | 1.27 | 13.57 | 13.06 | 4.69 | 8.04 | 7.08 | VBLLX | 3.00 | 0.07 |
| Long-term Bond | PIMCO Long Duration Total Return Instl | 1.22 | 13.29 | 13.05 | 5.43 | 8.17 | NA | PLRIX | 4.00 | 0.50 |
| | *BC Long Government/Credit* | *1.04* | *12.97* | *12.87* | *4.75* | *8.04* | *7.01* | *N/A* | *NA* | *NA* |
| High Yield Bond | Ivy High Income I | (1.27) | 3.40 | 6.88 | 12.30 | 11.55 | 8.72 | IVHIX | 5.00 | 0.69 |
| | *BC High Yield Corporate Bond* | *(1.87)* | *3.49* | *7.20* | *11.09* | *10.57* | *8.33* | *N/A* | *NA* | *NA* |
| Large Value | Vanguard Equity-Income Adm | (0.53) | 7.07 | 16.70 | 21.68 | 16.34 | 8.96 | VEIRX | 5.00 | 0.21 |
| | *S&P 500 Value* | *0.25* | *7.23* | *17.77* | *23.46* | *14.73* | *7.56* | *N/A* | *NA* | *NA* |
| Large Growth | Vanguard Growth Index Adm | 1.05 | 8.11 | 19.31 | 22.94 | 16.62 | 9.08 | VIGAX | 4.00 | 0.09 |
| | *CRSP US Large Cap Growth TR USD* | *1.06* | *8.18* | *19.38* | *22.30* | *15.52* | *8.91* | *N/A* | *NA* | *NA* |
| Large Growth | Vanguard PRIMECAP Inv | 2.66 | 12.81 | 24.72 | 26.15 | 16.95 | 10.56 | VPMCX | 5.00 | 0.45 |
| | *S&P 500 Growth* | *1.92* | *9.36* | *21.55* | *22.62* | *16.64* | *8.57* | *N/A* | *NA* | *NA* |
| Mid-Cap Value | Vanguard Mid-Cap Value Index Admiral | (2.24) | 6.56 | 17.81 | 24.68 | 16.97 | NA | VMVAX | 4.00 | 0.09 |
| | *CRSP US Mid Cap Value TR USD* | *(2.26)* | *6.61* | *17.87* | *24.89* | *17.73* | *9.84* | *N/A* | *NA* | *NA* |
| Mid-Cap Blend | Vanguard Mid Cap Index Adm | (1.16) | 6.68 | 15.88 | 23.31 | 17.03 | 10.28 | VIMAX | 5.00 | 0.09 |
| | *CRSP US Mid Cap TR USD* | *(1.15)* | *6.73* | *15.94* | *23.30* | *17.17* | *10.16* | *N/A* | *NA* | *NA* |
| Small Value | Target Small Capitalization Value T | (5.79) | (1.27) | 7.42 | 20.62 | 14.66 | 9.83 | TASVX | 4.00 | 0.68 |
| | *S&P 600 Value* | *(6.78)* | *(2.62)* | *6.74* | *24.09* | *15.66* | *8.74* | *N/A* | *NA* | *NA* |
| Foreign Large Growth | Oppenheimer International Growth Y | (8.19) | (6.00) | (0.26) | 14.72 | 9.62 | 9.36 | OIGYX | 4.00 | 0.90 |
| | *MSCI EAFE Large Growth NR USD* | *(5.00)* | *(2.05)* | *3.11* | *13.43* | *7.56* | *6.83* | *N/A* | *NA* | *NA* |
| World Stock | American Funds New Perspective R6 | (1.80) | 1.70 | 10.49 | 18.59 | 11.63 | 9.36 | RNPGX | 4.00 | 0.45 |
| | *MSCI AC World Index ND USD* | *(2.30)* | *3.73* | *11.32* | *16.61* | *10.07* | *7.28* | *N/A* | *NA* | *NA* |
| Diversified Emerging Mkts | Vanguard Emerging Mkts Stock Idx I | (2.43) | 4.51 | 6.19 | 7.77 | 4.38 | 10.45 | VEMIX | 3.00 | 0.12 |
| | *FTSE Emerging NR USD* | *(2.34)* | *4.87* | *6.50* | *7.23* | *4.55* | *11.21* | *N/A* | *NA* | *NA* |
| Real Estate | Vanguard REIT Index I | (3.12) | 13.99 | 13.21 | 16.57 | 15.94 | 8.64 | VGSNX | 4.00 | 0.08 |
| | *MSCI US REIT NR USD* | *(3.38)* | *13.04* | *11.90* | *15.28* | *14.62* | *NA* | *N/A* | *NA* | *NA* |
| Total Plan | CIVILIAN-GROSS RETURN | (1.42) | 5.54 | 9.78 | 10.26 | 7.85 | NA | N/A | NA | NA |
| Total Plan | CIVILIAN-NET RETURN | (1.49) | 5.32 | 9.47 | 9.91 | 7.46 | NA | N/A | NA | NA |
| | *Employee Plan Policy Index* | *(1.75)* | *4.81* | *9.09* | *11.54* | *8.77* | *6.18* | *N/A* | *NA* | *NA* |

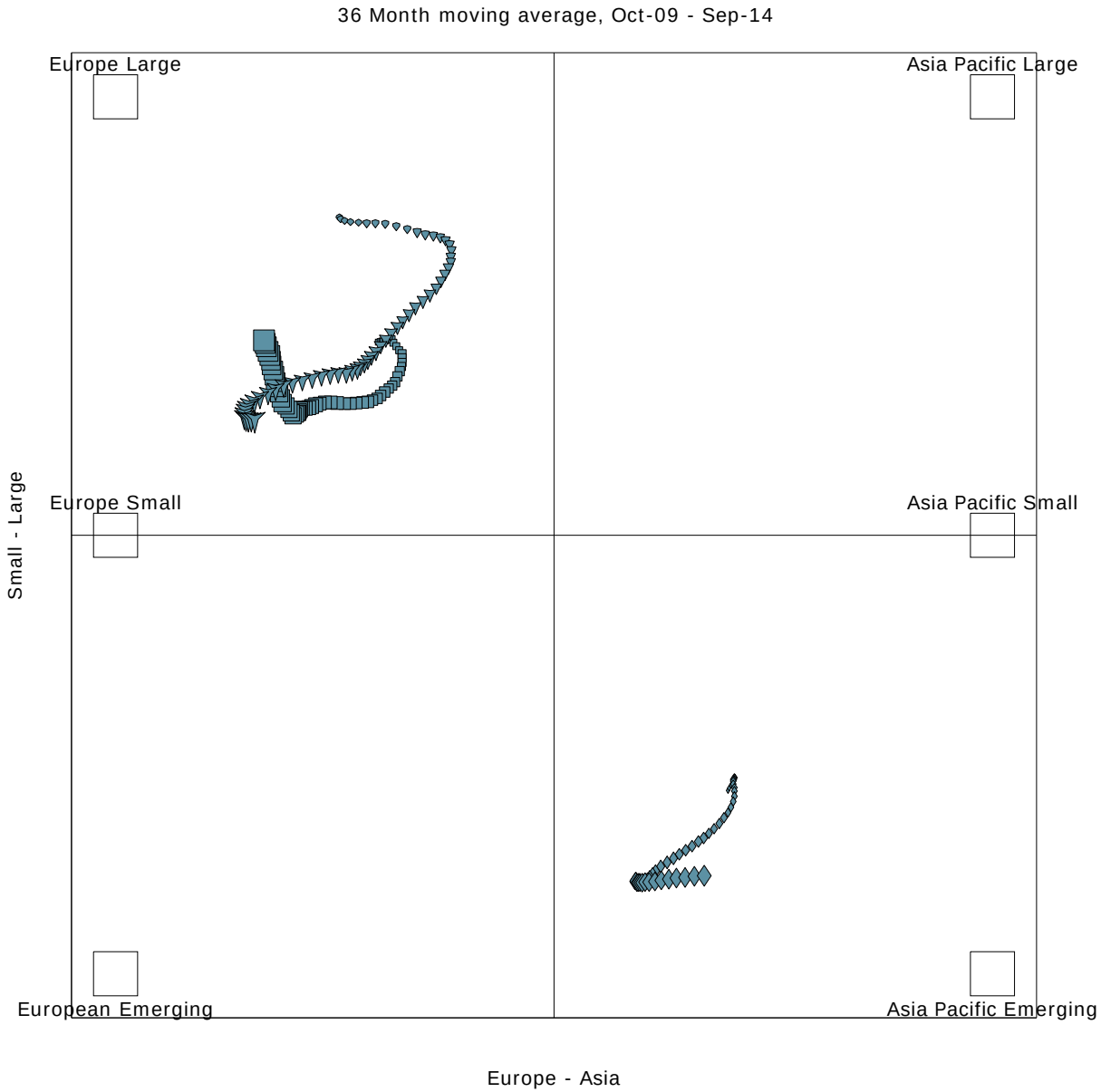
## U.S. Fixed Income Style Map



## U.S. Equity Style Map



## International Equity Style Map

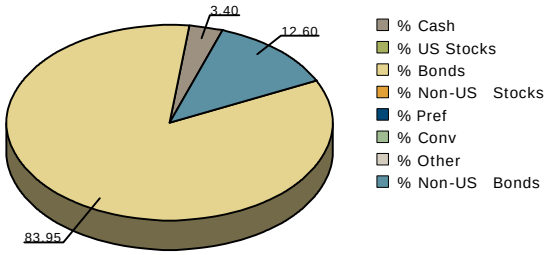


# Core Fund Review

# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Short-Term Bond Index Signal




| Portfolio Region | |
|---|---|
| % United States | NA |
| % Canada | NA |
| % Latin America | NA |
| % United Kingdom | NA |
| % Eurozone | NA |
| % Europe - ex Euro | NA |
| % Europe - Emerging | NA |
| % Africa | NA |
| % Middle East | NA |
| % Japan | NA |
| % Australasia | NA |
| % Asia - Developed | NA |
| % Asia - Emerging | NA |

| Portfolio Structure | |
|---|---|
| % Cash | 3.40 |
| % US Stocks | 0.00 |
| % Bonds | 83.95 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.05 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 12.60 |

| Sector Allocation | |
|---|---|
| % Basic Materials | NA |
| % Communication Services | NA |
| % Consumer Cyclical | NA |
| % Consumer Defensive | NA |
| % Healthcare | NA |
| % Industrials | NA |
| % Real Estate | NA |
| % Technology | NA |
| % Energy | NA |
| % Financial Services | NA |
| % Utilities | NA |

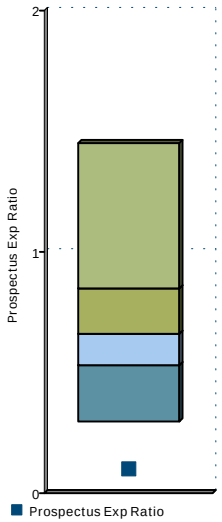
| Credit Quality | |
|---|---|
| Avg Eff Duration | 2.69 |
| Effective Maturity | 2.80 |
| Avg Credit Quality | AA |
| AAA | 72.57 |
| AA | 4.81 |
| A | 12.54 |
| BBB | 10.08 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Note 1.625% | 1.82% |
| US Treasury Note 1.25% | 1.47% |
| US Treasury Note 0.625% | 1.46% |
| US Treasury Note 2.125% | 1.37% |
| US Treasury Note 1.5% | 1.22% |
| US Treasury Note 0.625% | 1.20% |
| US Treasury Note 0.625% | 1.15% |
| US Treasury Note 0.625% | 1.10% |
| US Treasury Note 1.5% | 1.09% |
| US Treasury Note 0.375% | 1.07% |

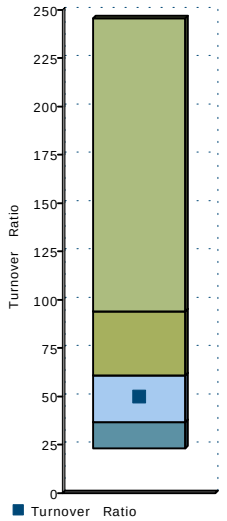
| Portfolio Information | |
|---|---|
| Ticker | VBSSX |
| Morningstar Category | Short-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | 50339.33 |
| Net Assets $MM | 37141.82 |
| Turnover Ratio | 50.00 |
| % Assets in Top 10 Holdings | 12.96 |
| Total Number of Holdings | 2061.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 1.60 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.10 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★ |
| 3 Year Mstar Rating | ★★ |
| % Rank Cat 3 Yr | 70 |
| 5 Year Mstar Rating | ★★★ |
| % Rank Cat 5 Yr | 59 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 33 |

**Expense Ratio vs. Peer Group**



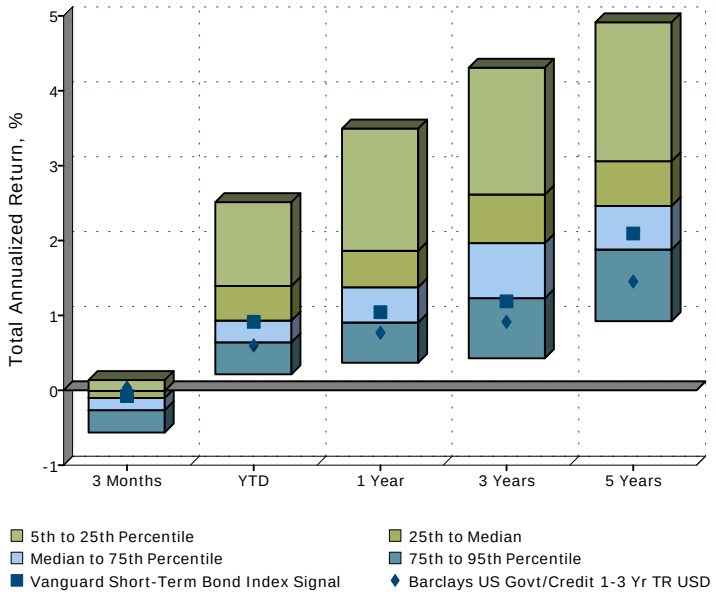

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

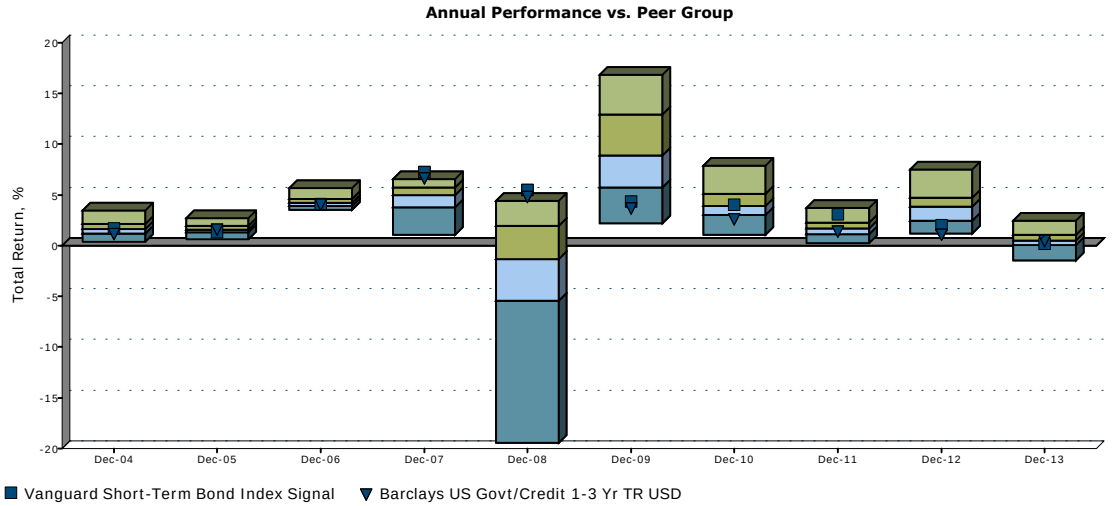
The investment seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 1 and 5 years and are publicly issued. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

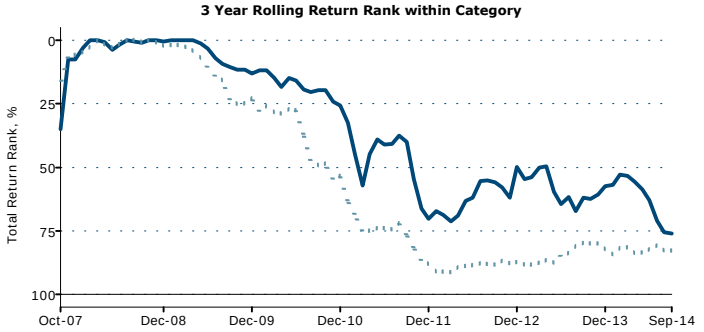
**Performance vs. Peer Group**



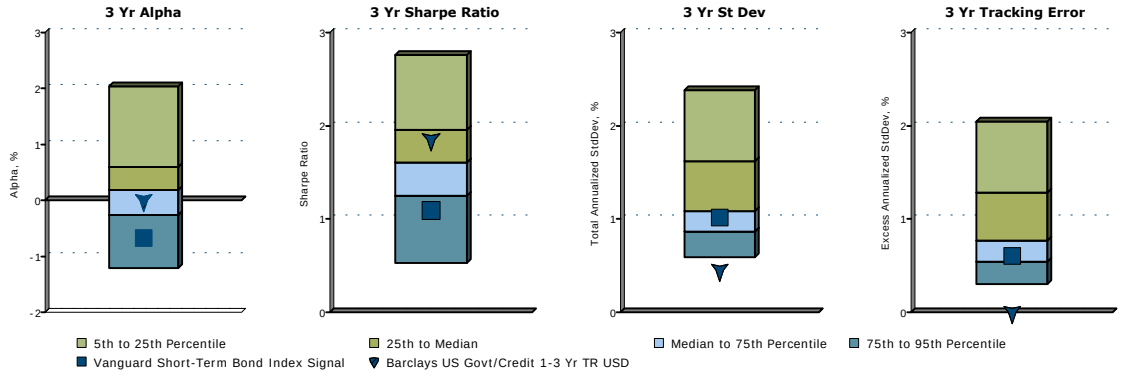

| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Signal | -0.07 | 0.91 | 1.04 | 1.19 | 2.09 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 0.04 | 0.60 | 0.77 | 0.92 | 1.45 |
| Universe(5%) | 0.14 | 2.52 | 3.49 | 4.31 | 4.91 |
| Universe(25%) | -0.01 | 1.39 | 1.86 | 2.61 | 3.06 |
| Universe(Median) | -0.10 | 0.93 | 1.38 | 1.97 | 2.46 |
| Universe(75%) | -0.26 | 0.64 | 0.91 | 1.23 | 1.88 |
| Universe(95%) | -0.56 | 0.22 | 0.37 | 0.42 | 0.92 |

# Vanguard Short-Term Bond Index Signal

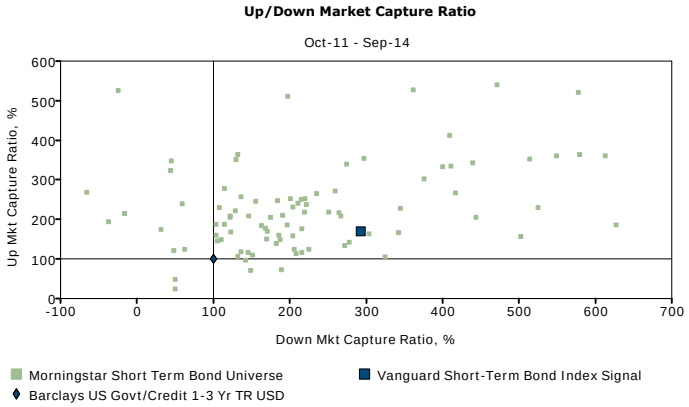


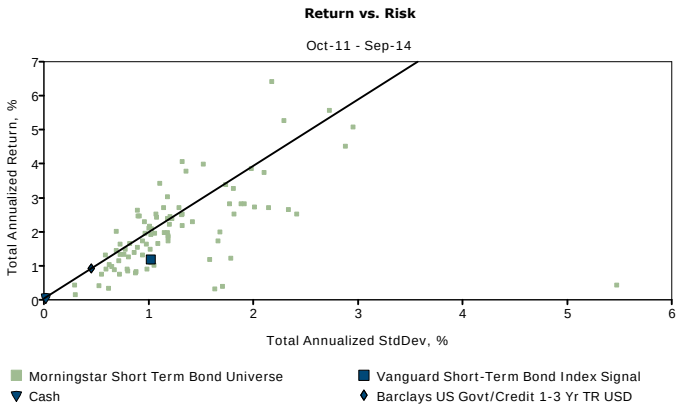




| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Signal | 1.70 | 1.31 | 4.09 | 7.28 | 5.51 | 4.38 | 4.03 | 3.08 | 2.05 | 0.17 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 1.30 | 1.77 | 4.25 | 6.83 | 4.97 | 3.82 | 2.80 | 1.59 | 1.26 | 0.64 |

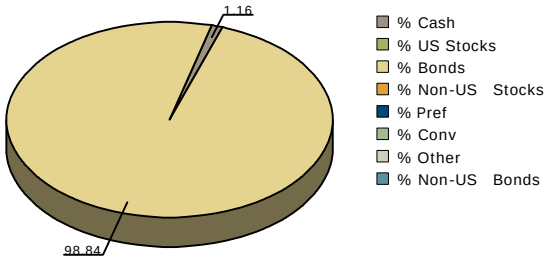



| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Signal | -0.67 | 2.12 | 90.30 | 1.09 | 1.02 | 0.60 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 0.00 | 1.00 | 100.00 | 1.85 | 0.45 | 0.00 |
| Universe(5%) | 2.04 | 3.88 | 83.62 | 2.76 | 2.38 | 2.04 |
| Universe(25%) | 0.60 | 2.40 | 75.59 | 1.95 | 1.62 | 1.28 |
| Universe(Median) | 0.18 | 1.91 | 66.82 | 1.61 | 1.08 | 0.77 |
| Universe(75%) | -0.26 | 1.45 | 53.55 | 1.25 | 0.87 | 0.54 |
| Universe(95%) | -1.21 | 1.06 | 29.88 | 0.53 | 0.59 | 0.30 |



# Vanguard Inflation-Protected Secs I




| Portfolio Region | |
|---|---|
| % United States | NA |
| % Canada | NA |
| % Latin America | NA |
| % United Kingdom | NA |
| % Eurozone | NA |
| % Europe - ex Euro | NA |
| % Europe - Emerging | NA |
| % Africa | NA |
| % Middle East | NA |
| % Japan | NA |
| % Australasia | NA |
| % Asia - Developed | NA |
| % Asia - Emerging | NA |

| Portfolio Structure | |
|---|---|
| % Cash | 1.16 |
| % US Stocks | 0.00 |
| % Bonds | 98.84 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

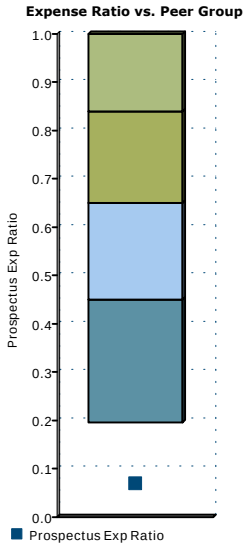
| Sector Allocation | |
|---|---|
| % Basic Materials | NA |
| % Communication Services | NA |
| % Consumer Cyclical | NA |
| % Consumer Defensive | NA |
| % Healthcare | NA |
| % Industrials | NA |
| % Real Estate | NA |
| % Technology | NA |
| % Energy | NA |
| % Financial Services | NA |
| % Utilities | NA |

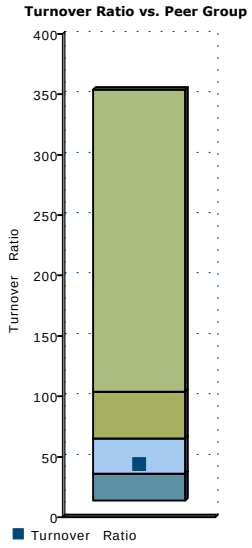
| Credit Quality | |
|---|---|
| Avg Eff Duration | 7.92 |
| Effective Maturity | 8.60 |
| Avg Credit Quality | Government |
| AAA | 100.00 |
| AA | 0.00 |
| A | 0.00 |
| BBB | 0.00 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury TIP | 5.75% |
| US Treasury TIP | 5.29% |
| US Treasury TIP | 4.82% |
| US TREASURY TIP | 4.70% |
| US Treasury TIP | 4.65% |
| US Treasury TIP | 4.61% |
| US Treasury TIP 0.125% | 4.58% |
| US TREASURY TIP | 4.49% |
| US Treasury TIP | 4.24% |
| US Treasury TIP 1.125% | 4.05% |

| Portfolio Information | |
|---|---|
| Ticker | VIPIX |
| Morningstar Category | Inflation-Protected Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | 8437.42 |
| Net Assets $MM | 25490.60 |
| Turnover Ratio | 44.00 |
| % Assets in Top 10 Holdings | 47.19 |
| Total Number of Holdings | 38.00 |
| Manager Name | Gemma Wright-Casparius |
| Manager Tenure | 3.12 |
| Fund Incept Date | 06/29/2000 |
| Prospectus Exp Ratio | 0.07 |
| Phone Number | 800-662-7447 |

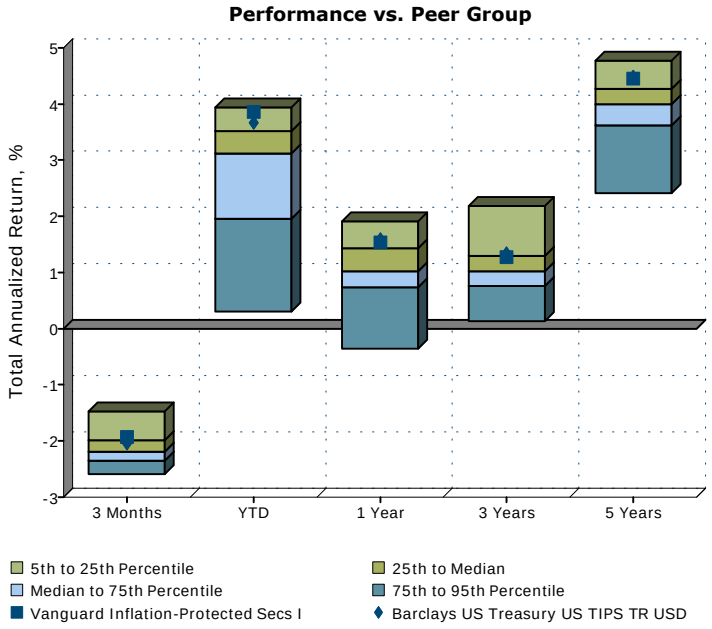
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 29 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 10 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 18 |



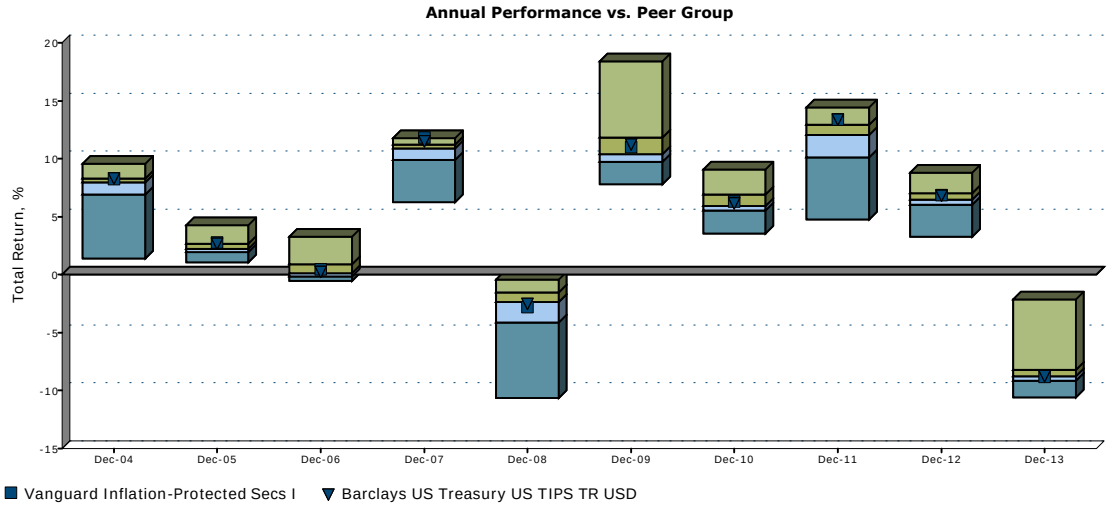

## Investment Strategy Summary

The investment seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. It may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the fund will be rated investment-grade or, if unrated, will be considered by the advisor to be investment-grade.

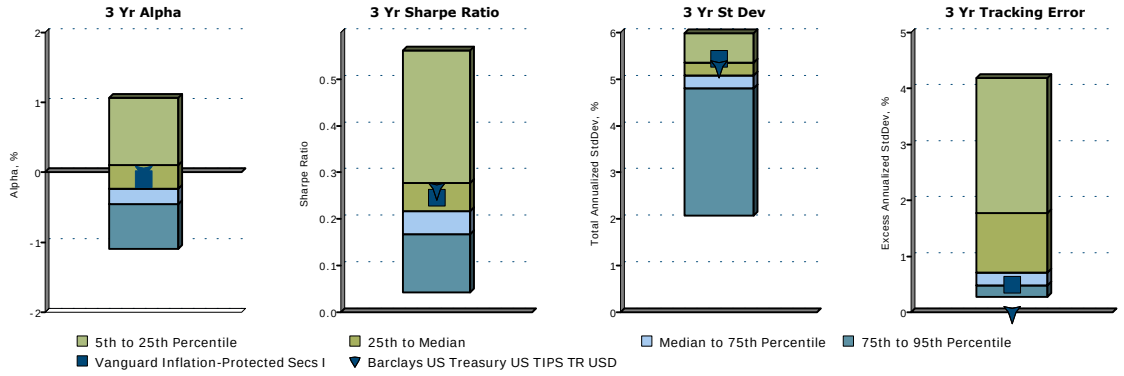



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | -1.93 | 3.87 | 1.53 | 1.27 | 4.45 |
| Barclays US Treasury US TIPS TR USD | -2.04 | 3.67 | 1.59 | 1.34 | 4.48 |
| Universe(5%) | -1.47 | 3.94 | 1.91 | 2.19 | 4.77 |
| Universe(25%) | -1.98 | 3.52 | 1.43 | 1.30 | 4.27 |
| Universe(Median) | -2.19 | 3.12 | 1.02 | 1.03 | 3.99 |
| Universe(75%) | -2.35 | 1.95 | 0.74 | 0.76 | 3.62 |
| Universe(95%) | -2.59 | 0.30 | -0.35 | 0.13 | 2.41 |

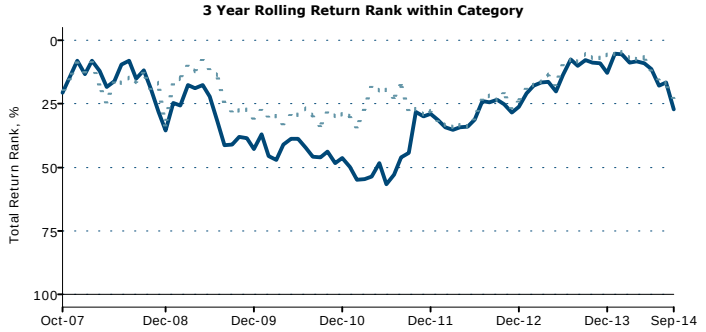
# Vanguard Inflation-Protected Secs I

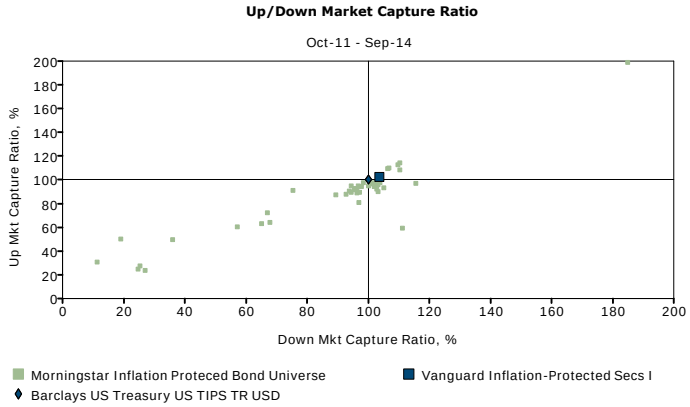


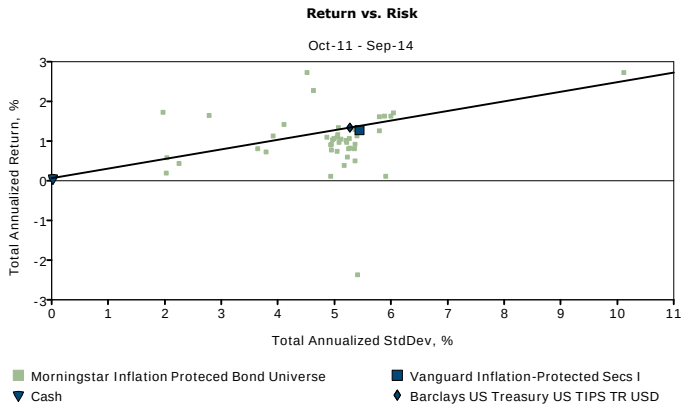

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | 8.25 | 2.78 | 0.46 | 11.82 | -2.81 | 11.03 | 6.33 | 13.39 | 6.87 | -8.83 |
| Barclays US Treasury US TIPS TR USD | 8.46 | 2.84 | 0.41 | 11.64 | -2.35 | 11.41 | 6.31 | 13.56 | 6.98 | -8.61 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | -0.10 | 1.03 | 99.24 | 0.25 | 5.44 | 0.50 |
| Barclays US Treasury US TIPS TR USD | 0.00 | 1.00 | 100.00 | 0.27 | 5.27 | 0.00 |
| Universe(5%) | 1.06 | 1.12 | 99.76 | 0.56 | 5.99 | 4.18 |
| Universe(25%) | 0.11 | 1.00 | 99.36 | 0.28 | 5.36 | 1.77 |
| Universe(Median) | -0.23 | 0.96 | 98.45 | 0.22 | 5.07 | 0.71 |
| Universe(75%) | -0.45 | 0.90 | 94.64 | 0.17 | 4.80 | 0.48 |
| Universe(95%) | -1.10 | 0.31 | 58.13 | 0.04 | 2.07 | 0.28 |



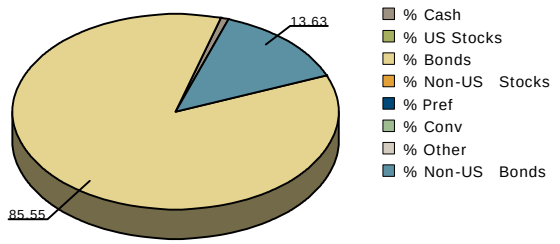



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Interm-Term Bond Index Signal




| Portfolio Region | |
|---|---|
| % United States | NA |
| % Canada | NA |
| % Latin America | NA |
| % United Kingdom | NA |
| % Eurozone | NA |
| % Europe - ex Euro | NA |
| % Europe - Emerging | NA |
| % Africa | NA |
| % Middle East | NA |
| % Japan | NA |
| % Australasia | NA |
| % Asia - Developed | NA |
| % Asia - Emerging | NA |

| Portfolio Structure | |
|---|---|
| % Cash | 0.82 |
| % US Stocks | 0.00 |
| % Bonds | 85.55 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 13.63 |

| Sector Allocation | |
|---|---|
| % Basic Materials | NA |
| % Communication Services | NA |
| % Consumer Cyclical | NA |
| % Consumer Defensive | NA |
| % Healthcare | NA |
| % Industrials | NA |
| % Real Estate | NA |
| % Technology | NA |
| % Energy | NA |
| % Financial Services | NA |
| % Utilities | NA |

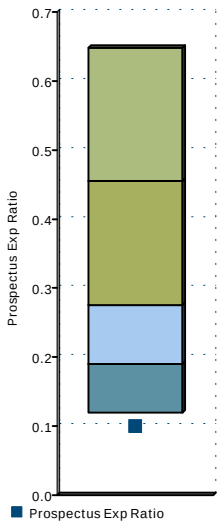
| Credit Quality | |
|---|---|
| Avg Eff Duration | 6.51 |
| Effective Maturity | 7.30 |
| Avg Credit Quality | A |
| AAA | 53.94 |
| AA | 5.07 |
| A | 17.62 |
| BBB | 23.35 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.02 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Note 2.5% | 3.74% |
| US Treasury Note 2% | 2.83% |
| US Treasury Note 3.5% | 2.76% |
| US Treasury Note 3.625% | 2.55% |
| US Treasury Note 2.75% | 2.11% |
| US Treasury Note 1.75% | 1.98% |
| US Treasury Note 2.5% | 1.86% |
| US Treasury Note 2.75% | 1.86% |
| US Treasury Note 3.125% | 1.66% |
| US Treasury Note 2% | 1.42% |

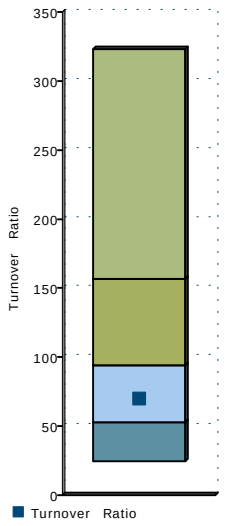
| Portfolio Information | |
|---|---|
| Ticker | VIBSX |
| Morningstar Category | Intermediate-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 15878.96 |
| Turnover Ratio | 70.00 |
| % Assets in Top 10 Holdings | 22.77 |
| Total Number of Holdings | 1557.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 6.44 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.10 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 52 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 22 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 14 |

**Expense Ratio vs. Peer Group**



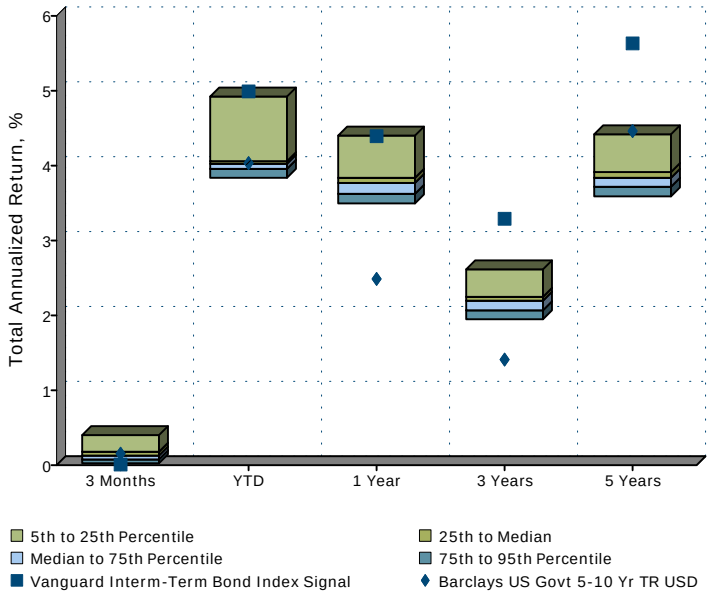

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

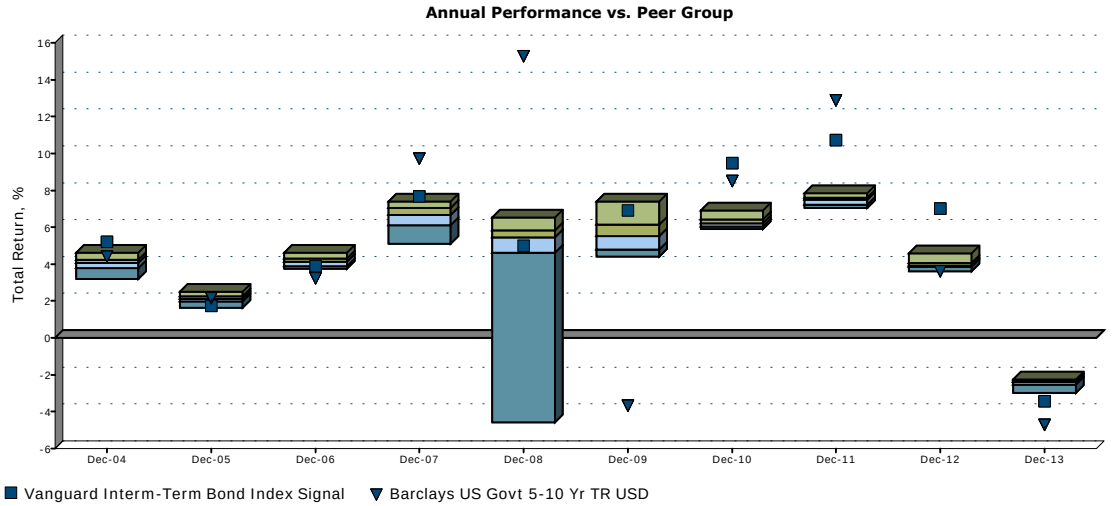
The investment seeks the performance of a market-weighted bond index with an intermediate-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 5-10 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 5 and 10 years and are publicly issued. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

**Performance vs. Peer Group**

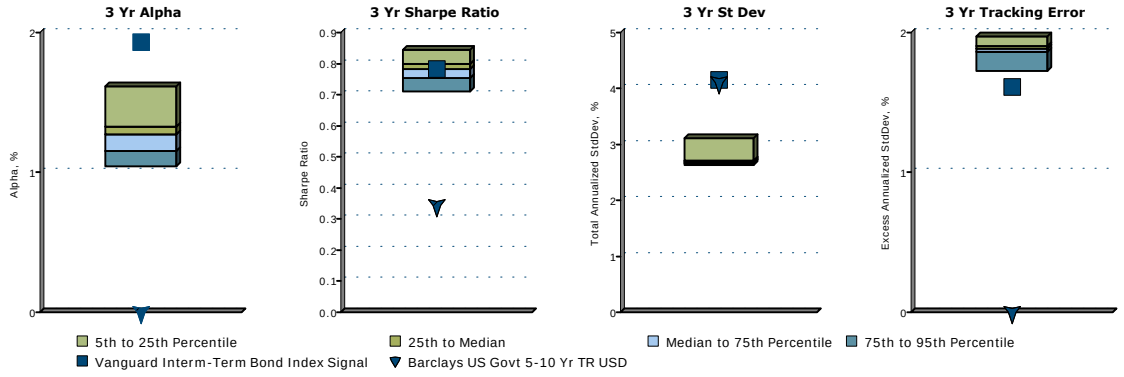



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Interm-Term Bond Index Signal | 0.01 | 4.99 | 4.39 | 3.29 | 5.63 |
| Barclays US Govt 5-10 Yr TR USD | 0.15 | 4.04 | 2.49 | 1.41 | 4.47 |
| Universe(5%) | 0.40 | 4.92 | 4.41 | 2.62 | 4.42 |
| Universe(25%) | 0.18 | 4.06 | 3.83 | 2.25 | 3.91 |
| Universe(Median) | 0.13 | 4.02 | 3.77 | 2.20 | 3.84 |
| Universe(75%) | 0.07 | 3.96 | 3.63 | 2.07 | 3.71 |
| Universe(95%) | 0.03 | 3.84 | 3.50 | 1.95 | 3.59 |

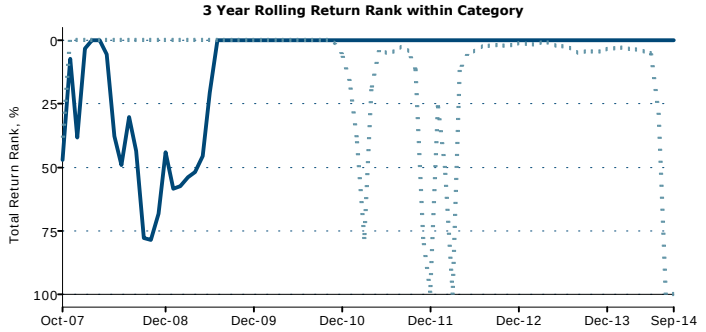
# Vanguard Interm-Term Bond Index Signal

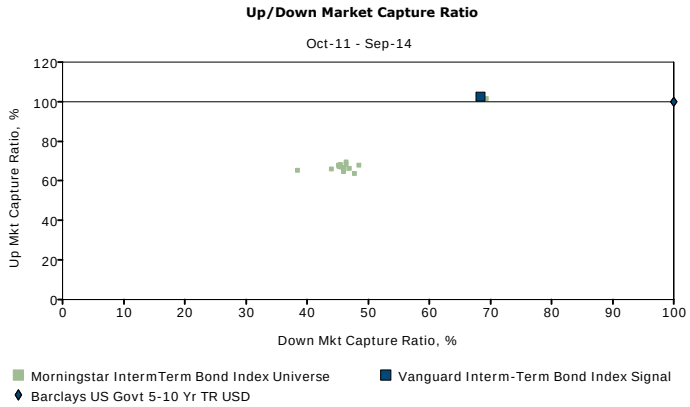


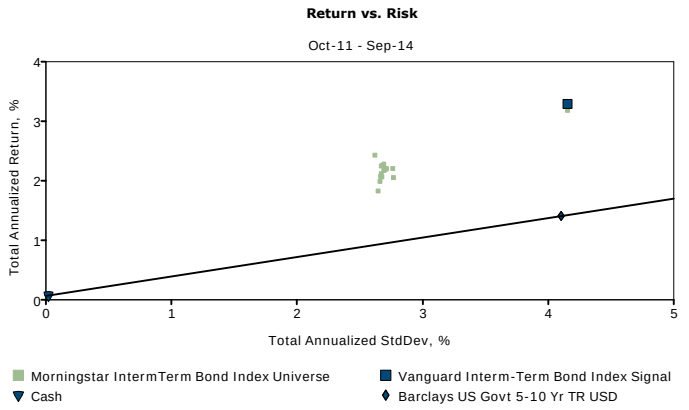

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Interm-Term Bond Index Signal | 5.22 | 1.75 | 3.91 | 7.66 | 5.01 | 6.89 | 9.48 | 10.73 | 7.02 | -3.45 |
| Barclays US Govt 5-10 Yr TR USD | 4.50 | 2.25 | 3.33 | 9.84 | 15.38 | -3.55 | 8.62 | 12.98 | 3.72 | -4.61 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Interm-Term Bond Index Signal | 1.93 | 0.94 | 85.37 | 0.78 | 4.15 | 1.61 |
| Barclays US Govt 5-10 Yr TR USD | 0.00 | 1.00 | 100.00 | 0.34 | 4.10 | 0.00 |
| Universe(5%) | 1.61 | 0.70 | 88.67 | 0.84 | 3.11 | 1.97 |
| Universe(25%) | 1.33 | 0.62 | 86.85 | 0.80 | 2.71 | 1.90 |
| Universe(Median) | 1.27 | 0.61 | 86.46 | 0.78 | 2.69 | 1.88 |
| Universe(75%) | 1.15 | 0.60 | 85.27 | 0.75 | 2.67 | 1.86 |
| Universe(95%) | 1.04 | 0.59 | 83.89 | 0.71 | 2.64 | 1.73 |



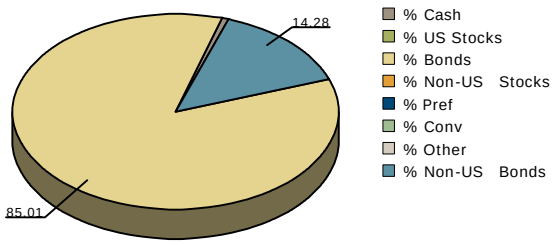



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Long-Term Bond Index I




| Portfolio Region | |
|---|---|
| % United States | NA |
| % Canada | NA |
| % Latin America | NA |
| % United Kingdom | NA |
| % Eurozone | NA |
| % Europe - ex Euro | NA |
| % Europe - Emerging | NA |
| % Africa | NA |
| % Middle East | NA |
| % Japan | NA |
| % Australasia | NA |
| % Asia - Developed | NA |
| % Asia - Emerging | NA |

| Portfolio Structure | |
|---|---|
| % Cash | 0.68 |
| % US Stocks | 0.00 |
| % Bonds | 85.01 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.03 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 14.28 |

| Sector Allocation | |
|---|---|
| % Basic Materials | NA |
| % Communication Services | NA |
| % Consumer Cyclical | NA |
| % Consumer Defensive | NA |
| % Healthcare | NA |
| % Industrials | NA |
| % Real Estate | NA |
| % Technology | NA |
| % Energy | NA |
| % Financial Services | NA |
| % Utilities | NA |

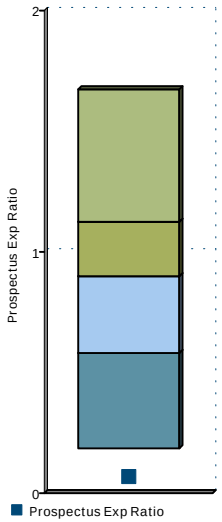
| Credit Quality | |
|---|---|
| Avg Eff Duration | 14.44 |
| Effective Maturity | 24.20 |
| Avg Credit Quality | A |
| AAA | 36.50 |
| AA | 7.03 |
| A | 25.92 |
| BBB | 30.55 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Bond 3.625% | 2.34% |
| US Treasury Bond 3.125% | 1.85% |
| US Treasury Bond 3.75% | 1.76% |
| US Treasury Bond 2.75% | 1.74% |
| US Treasury Bond 3.375% | 1.70% |
| US Treasury Bond 2.75% | 1.68% |
| US Treasury Bond 3.625% | 1.35% |
| US Treasury Bond 4.25% | 1.34% |
| US Treasury Bond 4.75% | 1.24% |
| US Treasury Bond 4.375% | 1.06% |

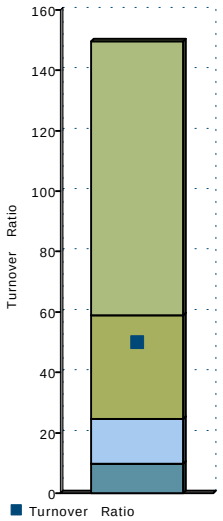
| Portfolio Information | |
|---|---|
| Ticker | VBLLX |
| Morningstar Category | Long-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 7262.92 |
| Turnover Ratio | 50.00 |
| % Assets in Top 10 Holdings | 16.05 |
| Total Number of Holdings | 1762.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 1.60 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.07 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 30 |
| 5 Year Mstar Rating | ★★★ |
| % Rank Cat 5 Yr | 39 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | 1 |

**Expense Ratio vs. Peer Group**



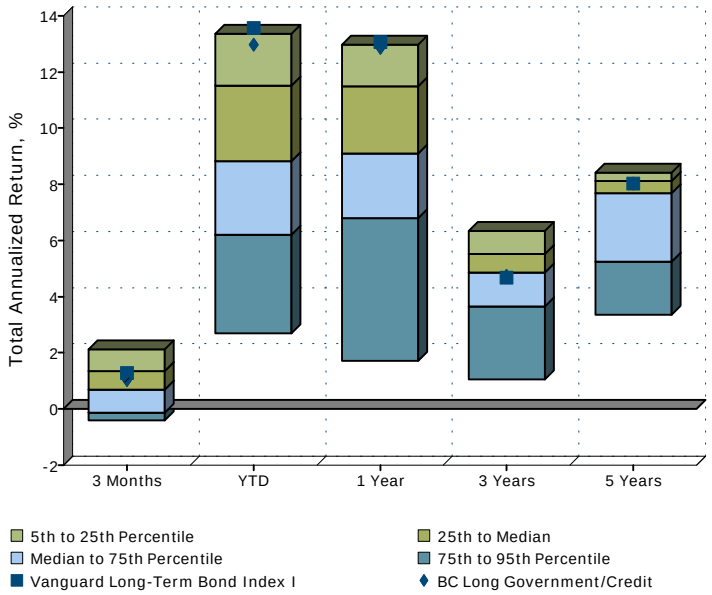

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

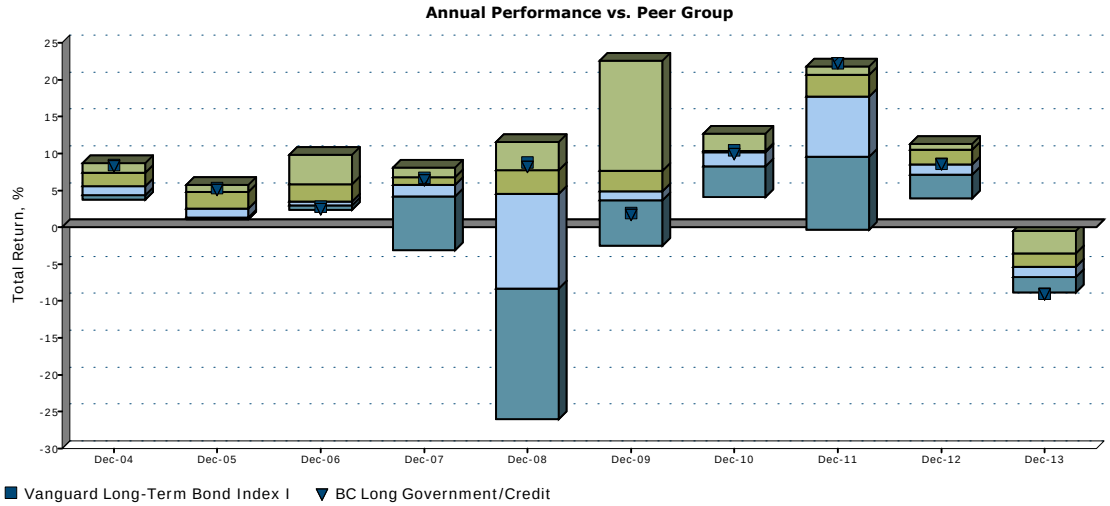
The investment seeks to track the performance of a market-weighted bond index with a long-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Long Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities of greater than 10 years and are publicly issued. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

**Performance vs. Peer Group**

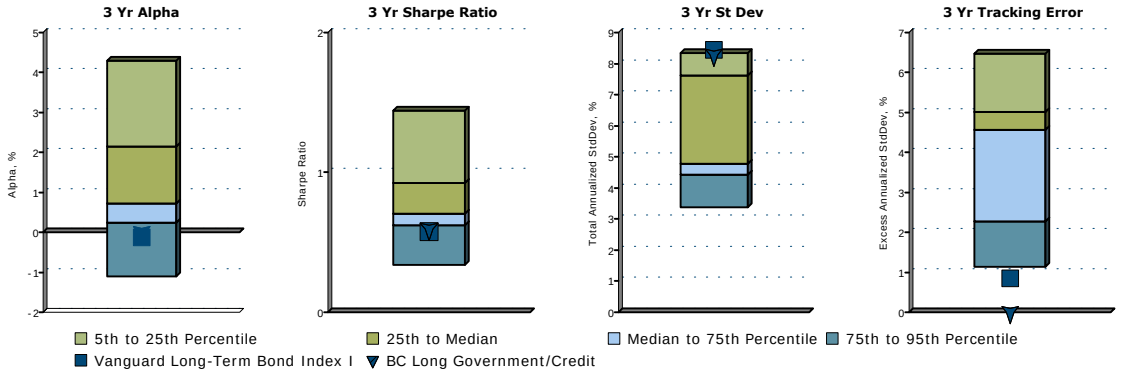



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | 1.27 | 13.57 | 13.06 | 4.69 | 8.04 |
| BC Long Government/Credit | 1.04 | 12.97 | 12.87 | 4.75 | 8.04 |
| Universe(5%) | 2.12 | 13.37 | 12.98 | 6.35 | 8.42 |
| Universe(25%) | 1.36 | 11.52 | 11.49 | 5.52 | 8.13 |
| Universe(Median) | 0.68 | 8.82 | 9.11 | 4.87 | 7.68 |
| Universe(75%) | -0.13 | 6.20 | 6.79 | 3.65 | 5.25 |
| Universe(95%) | -0.40 | 2.70 | 1.72 | 1.06 | 3.36 |

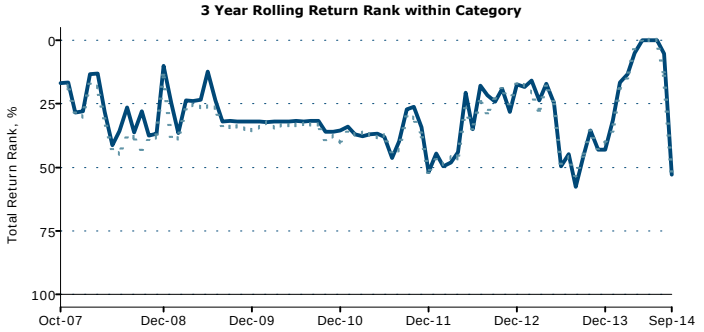
# Vanguard Long-Term Bond Index I

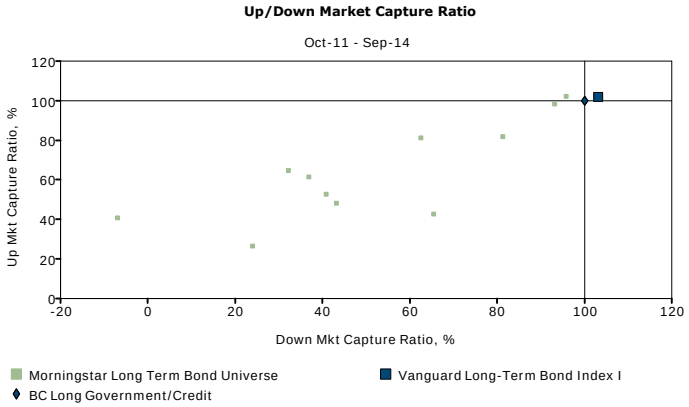


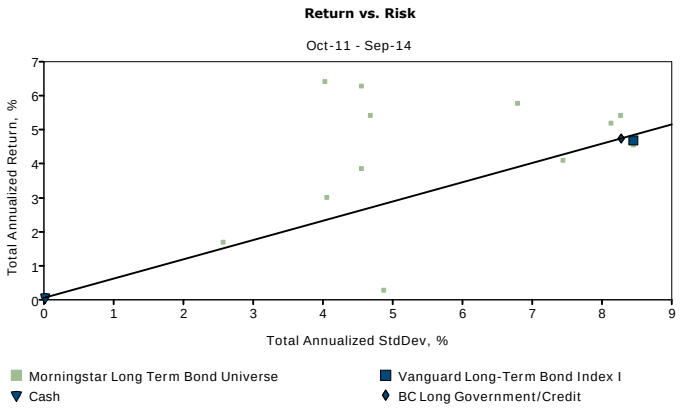

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | 8.40 | 5.32 | 2.75 | 6.71 | 8.77 | 1.91 | 10.43 | 22.23 | 8.63 | -9.01 |
| BC Long Government/Credit | 8.56 | 5.33 | 2.71 | 6.60 | 8.44 | 1.92 | 10.16 | 22.49 | 8.78 | -8.83 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | -0.12 | 1.02 | 99.01 | 0.58 | 8.45 | 0.85 |
| BC Long Government/Credit | 0.00 | 1.00 | 100.00 | 0.59 | 8.27 | 0.00 |
| Universe(5%) | 4.30 | 1.00 | 98.03 | 1.44 | 8.34 | 6.47 |
| Universe(25%) | 2.14 | 0.89 | 93.32 | 0.92 | 7.61 | 5.01 |
| Universe(Median) | 0.73 | 0.51 | 85.78 | 0.70 | 4.78 | 4.56 |
| Universe(75%) | 0.24 | 0.46 | 73.95 | 0.62 | 4.42 | 2.28 |
| Universe(95%) | -1.11 | 0.28 | 52.90 | 0.34 | 3.37 | 1.14 |



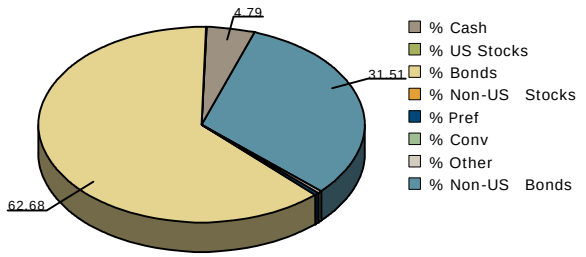



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## PIMCO Long Duration Total Return Instl




| Portfolio Region | |
|---|---|
| % United States | 100.00 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.00 |
| % Europe - ex Euro | 0.00 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 4.79 |
| % US Stocks | 0.06 |
| % Bonds | 62.68 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.47 |
| % Conv | 0.00 |
| % Other | 0.48 |
| % Non-US Bonds | 31.51 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 0.00 |
| % Communication Services | 0.00 |
| % Consumer Cyclical | 0.00 |
| % Consumer Defensive | 0.00 |
| % Healthcare | 0.00 |
| % Industrials | 0.00 |
| % Real Estate | 0.00 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 4.89 |
| % Utilities | 95.11 |

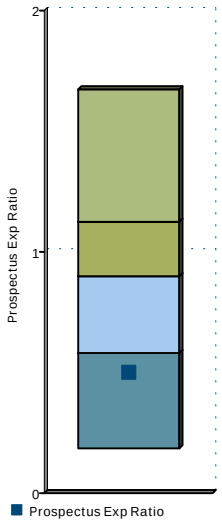
| Credit Quality | |
|---|---|
| Avg Eff Duration | 13.16 |
| Effective Maturity | 20.61 |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Fin Fut Euro$ Cme 06/15/15 | 19.44% |
| Cdx Ig22 5y Bp Ice | 9.02% |
| US Treasury Bond 2.75% | 3.55% |
| US Treasury Bond 3.125% | 2.73% |
| Resolution Fdg Fed Bk Prin Stp | 2.20% |
| US Treasury Bond 3.125% | 2.11% |
| U S Treas Bd Stripped Prin Pmt | 2.07% |
| Resolution Fdg Fed Bk Prin Stp | 1.71% |
| US Treasury Bond 4.375% | 1.71% |
| AID 5.5% | 1.67% |

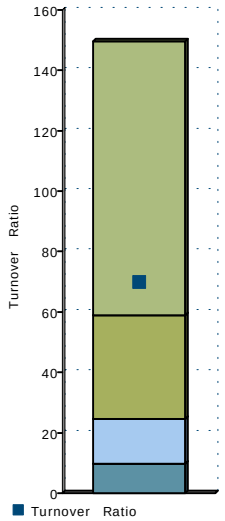
| Portfolio Information | |
|---|---|
| Ticker | PLRIX |
| Morningstar Category | Long-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 5516.37 |
| Turnover Ratio | 70.00 |
| % Assets in Top 10 Holdings | 46.20 |
| Total Number of Holdings | 756.00 |
| Manager Name | Stephen A. Rodosky |
| Manager Tenure | 7.17 |
| Fund Incept Date | 08/31/2006 |
| Prospectus Exp Ratio | 0.50 |
| Phone Number | 888-877-4626 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 10 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 8 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | NA |

**Expense Ratio vs. Peer Group**



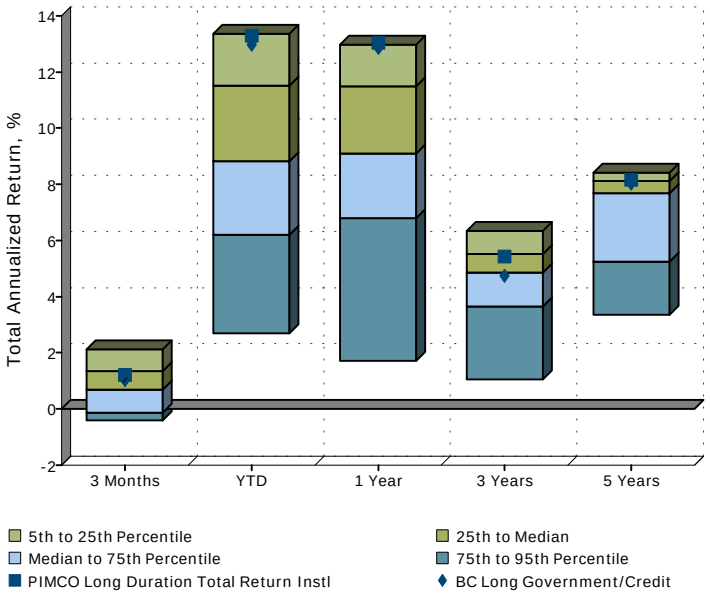

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

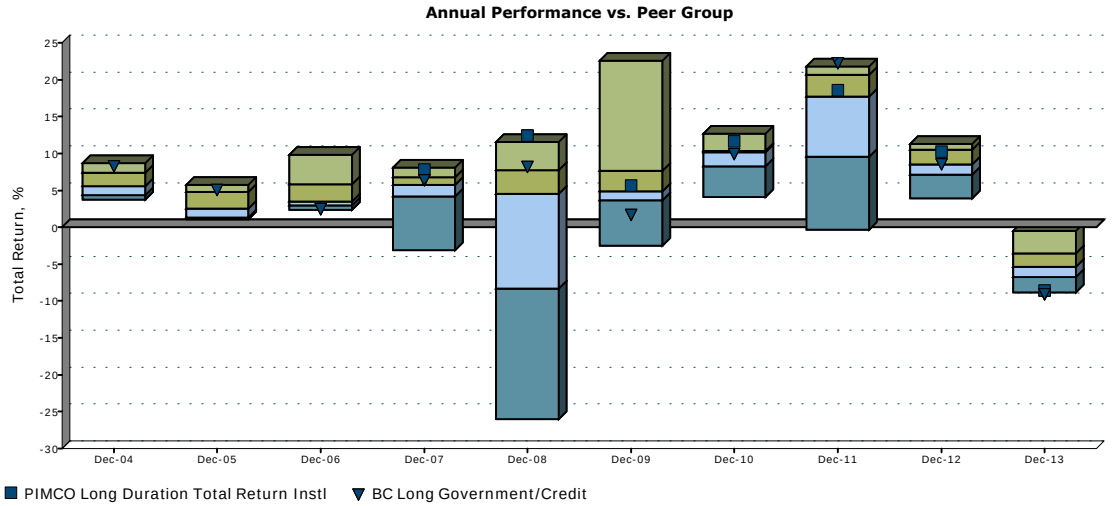
The investment seeks maximum total return, consistent with prudent investment management. The fund invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. It invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") that are rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

**Performance vs. Peer Group**

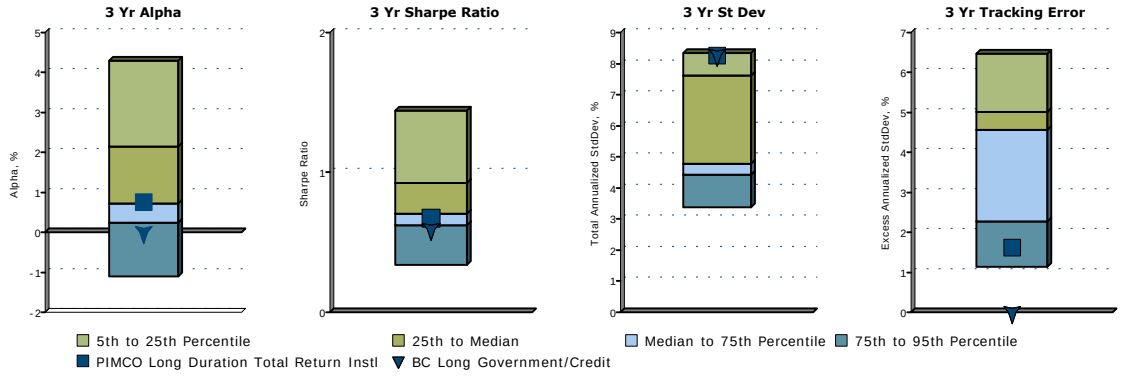



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| PIMCO Long Duration Total Return Instl | 1.22 | 13.29 | 13.05 | 5.43 | 8.17 |
| BC Long Government/Credit | 1.04 | 12.97 | 12.87 | 4.75 | 8.04 |
| Universe(5%) | 2.12 | 13.37 | 12.98 | 6.35 | 8.42 |
| Universe(25%) | 1.36 | 11.52 | 11.49 | 5.52 | 8.13 |
| Universe(Median) | 0.68 | 8.82 | 9.11 | 4.87 | 7.68 |
| Universe(75%) | -0.13 | 6.20 | 6.79 | 3.65 | 5.25 |
| Universe(95%) | -0.40 | 2.70 | 1.72 | 1.06 | 3.36 |

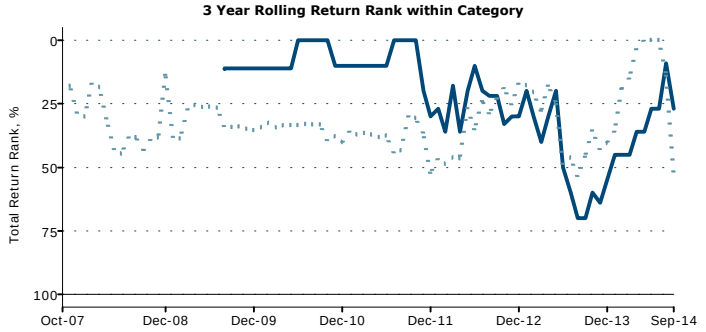
# PIMCO Long Duration Total Return Instl

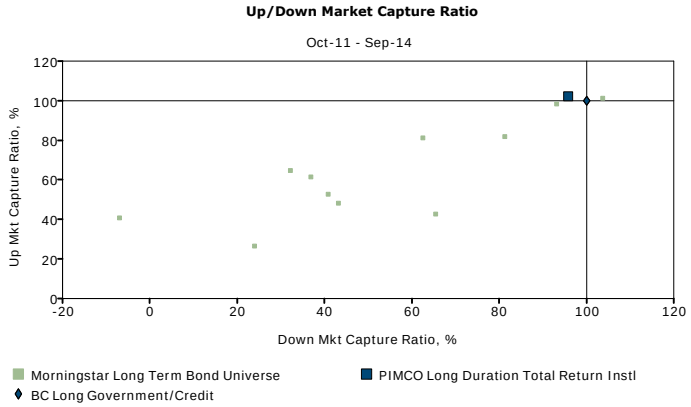


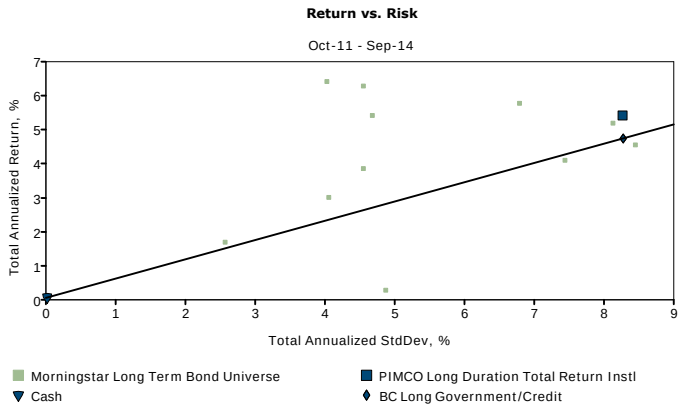

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| PIMCO Long Duration Total Return Instl | NA | NA | NA | 7.83 | 12.38 | 5.62 | 11.64 | 18.57 | 10.28 | -8.56 |
| BC Long Government/Credit | 8.56 | 5.33 | 2.71 | 6.60 | 8.44 | 1.92 | 10.16 | 22.49 | 8.78 | -8.83 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| PIMCO Long Duration Total Return Instl | 0.75 | 0.98 | 96.24 | 0.67 | 8.26 | 1.61 |
| BC Long Government/Credit | 0.00 | 1.00 | 100.00 | 0.59 | 8.27 | 0.00 |
| Universe(5%) | 4.30 | 1.00 | 98.03 | 1.44 | 8.34 | 6.47 |
| Universe(25%) | 2.14 | 0.89 | 93.32 | 0.92 | 7.61 | 5.01 |
| Universe(Median) | 0.73 | 0.51 | 85.78 | 0.70 | 4.78 | 4.56 |
| Universe(75%) | 0.24 | 0.46 | 73.95 | 0.62 | 4.42 | 2.28 |
| Universe(95%) | -1.11 | 0.28 | 52.90 | 0.34 | 3.37 | 1.14 |



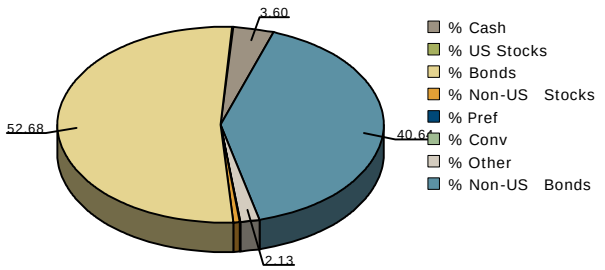



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Ivy High Income I




| Portfolio Region | |
|---|---|
| % United States | 63.43 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 36.57 |
| % Eurozone | 0.00 |
| % Europe - ex Euro | 0.00 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 3.60 |
| % US Stocks | 0.57 |
| % Bonds | 52.68 |
| % Non-US Stocks | 0.33 |
| % Pref | 0.02 |
| % Conv | 0.04 |
| % Other | 2.13 |
| % Non-US Bonds | 40.64 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 0.00 |
| % Communication Services | 56.75 |
| % Consumer Cyclical | 43.25 |
| % Consumer Defensive | 0.00 |
| % Healthcare | 0.00 |
| % Industrials | 0.00 |
| % Real Estate | 0.00 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 0.00 |
| % Utilities | 0.00 |

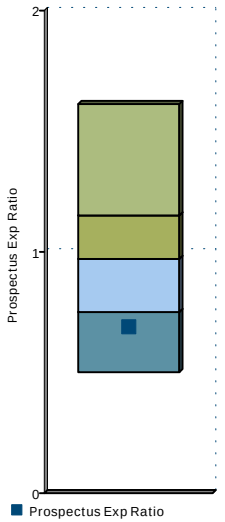
| Credit Quality | |
|---|---|
| Avg Eff Duration | 3.90 |
| Effective Maturity | 4.65 |
| Avg Credit Quality | B |
| AAA | 0.00 |
| AA | 0.00 |
| A | 1.02 |
| BBB | 1.76 |
| BB | 20.12 |
| B | 41.38 |
| Below B | 35.28 |
| NR/NA | 0.44 |

| Top Ten Holdings | |
|---|---|
| Magic 2 Lien (Misys Plc) | 2.02% |
| Laureate Educ 144A 9.25% | 1.71% |
| Formula 1 (Proj Green Ii) | 1.41% |
| Hd Sply 11.5% | 1.12% |
| Tmx Fin Llc/Titlemax Fin 144A 8.5% | 1.02% |
| Eagle Midco 144A 9% | 0.98% |
| Onex Usi Acquisition 144A 7.75% | 0.94% |
| Jo-Ann Stores 144A 9.75% | 0.88% |
| Bakercorp Intl 144A 8.25% | 0.84% |
| Pinnacle Operating Corporation 144A 9% | 0.84% |

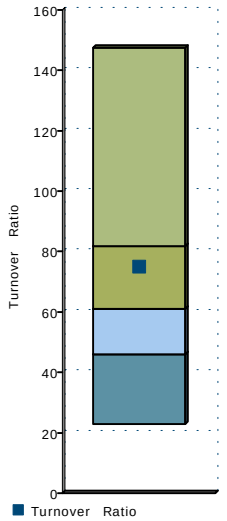
| Portfolio Information | |
|---|---|
| Ticker | IVHIX |
| Morningstar Category | High Yield Bond |
| Avg Mkt Cap $MM | 23763.36 |
| Cat Med Mkt Cap $MM | 12586.60 |
| Net Assets $MM | 10636.43 |
| Turnover Ratio | 75.00 |
| % Assets in Top 10 Holdings | 11.77 |
| Total Number of Holdings | 422.00 |
| Manager Name | Chad A. Gunther |
| Manager Tenure | 0.23 |
| Fund Incept Date | 07/31/1997 |
| Prospectus Exp Ratio | 0.69 |
| Phone Number | 800-777-6472 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★★★ |
| % Rank Cat 3 Yr | 8 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 3 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 2 |

**Expense Ratio vs. Peer Group**



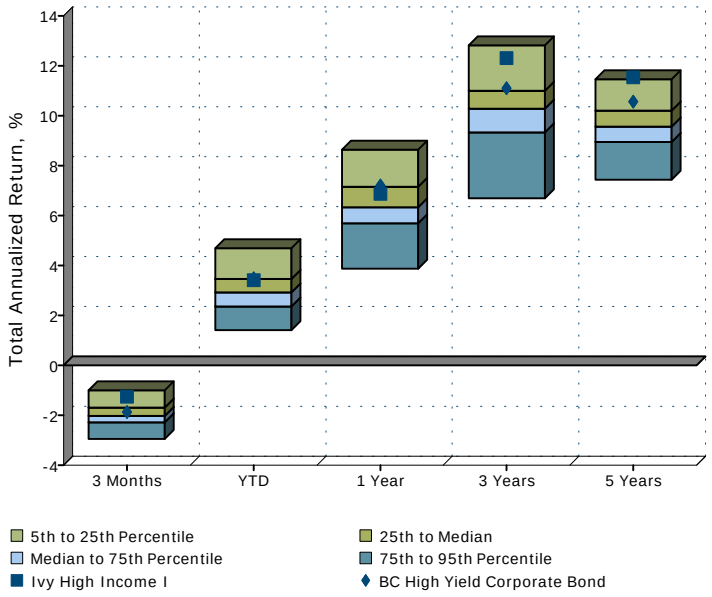

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

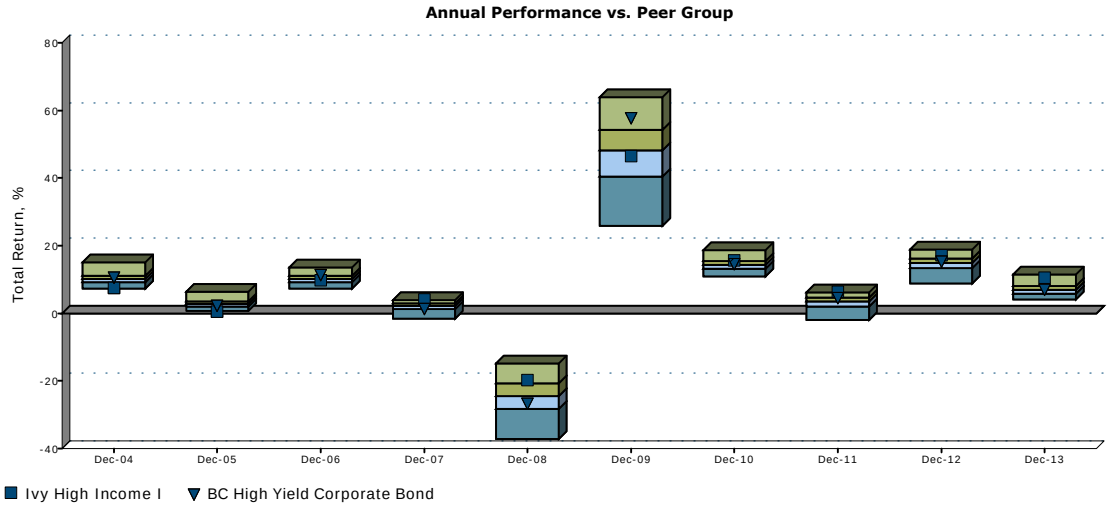
The investment seeks to provide total return through a combination of high current income and capital appreciation. The fund invests primarily in a diversified portfolio of high-yield, high-risk, fixed income securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), of U.S. and foreign issuers, the risks of which are, in the judgment of the adviser consistent with the fund's objective. It invests primarily in lower quality debt securities, which include debt securities rated BBB+ or lower.

**Performance vs. Peer Group**

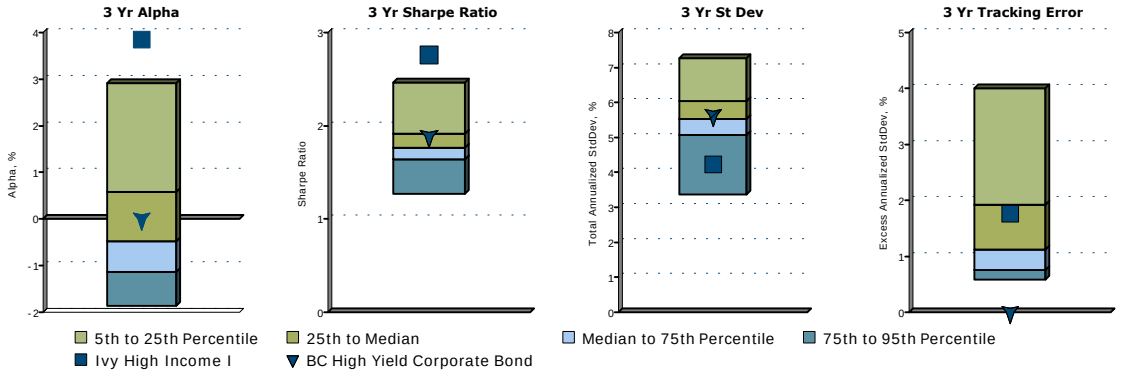



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Ivy High Income I | -1.27 | 3.40 | 6.88 | 12.30 | 11.55 |
| BC High Yield Corporate Bond | -1.87 | 3.49 | 7.20 | 11.09 | 10.57 |
| Universe(5%) | -0.99 | 4.69 | 8.65 | 12.82 | 11.46 |
| Universe(25%) | -1.69 | 3.47 | 7.14 | 11.00 | 10.20 |
| Universe(Median) | -2.02 | 2.93 | 6.33 | 10.28 | 9.57 |
| Universe(75%) | -2.27 | 2.37 | 5.69 | 9.33 | 8.95 |
| Universe(95%) | -2.96 | 1.42 | 3.87 | 6.69 | 7.43 |

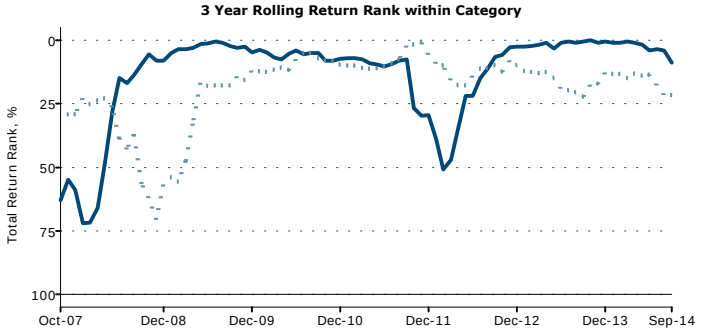
# Ivy High Income I

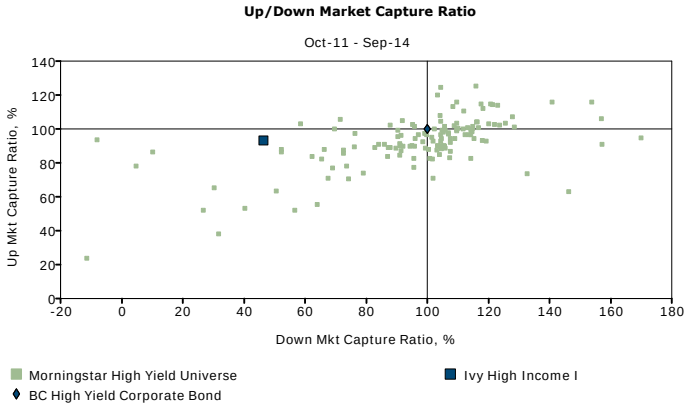


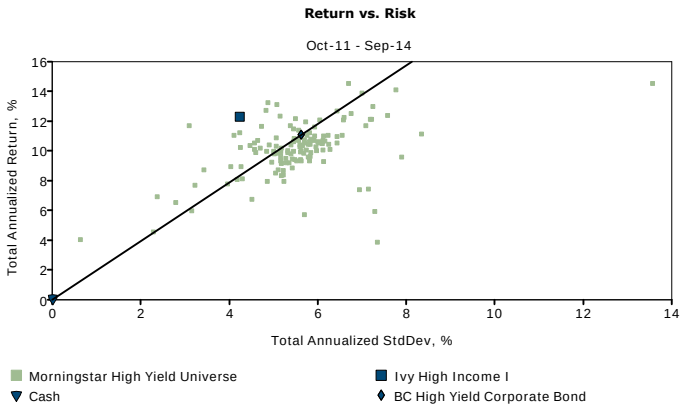

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ivy High Income I | 7.58 | 0.59 | 9.69 | 4.05 | -19.73 | 46.56 | 15.62 | 6.44 | 17.16 | 10.46 |
| BC High Yield Corporate Bond | 11.13 | 2.74 | 11.85 | 1.87 | -26.16 | 58.21 | 15.12 | 4.98 | 15.81 | 7.44 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Ivy High Income I | 3.85 | 0.73 | 95.29 | 2.76 | 4.23 | 1.76 |
| BC High Yield Corporate Bond | 0.00 | 1.00 | 100.00 | 1.89 | 5.63 | 0.00 |
| Universe(5%) | 2.92 | 1.17 | 99.23 | 2.47 | 7.26 | 4.00 |
| Universe(25%) | 0.58 | 1.05 | 98.59 | 1.92 | 6.04 | 1.92 |
| Universe(Median) | -0.48 | 0.96 | 97.17 | 1.77 | 5.53 | 1.13 |
| Universe(75%) | -1.14 | 0.87 | 91.57 | 1.64 | 5.06 | 0.75 |
| Universe(95%) | -1.86 | 0.55 | 74.59 | 1.27 | 3.36 | 0.58 |



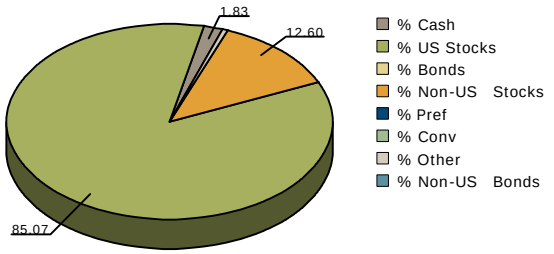



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Equity-Income Adm




| Portfolio Region | |
|---|---|
| % United States | 87.10 |
| % Canada | 2.41 |
| % Latin America | 0.00 |
| % United Kingdom | 4.11 |
| % Eurozone | 4.21 |
| % Europe - ex Euro | 2.16 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 1.83 |
| % US Stocks | 85.07 |
| % Bonds | 0.00 |
| % Non-US Stocks | 12.60 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.50 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 3.98 |
| % Communication Services | 4.42 |
| % Consumer Cyclical | 5.40 |
| % Consumer Defensive | 12.39 |
| % Healthcare | 12.67 |
| % Industrials | 12.46 |
| % Real Estate | 0.00 |
| % Technology | 13.47 |
| % Energy | 12.31 |
| % Financial Services | 16.30 |
| % Utilities | 6.60 |

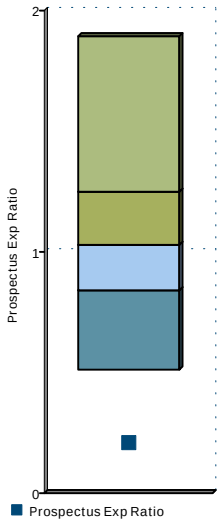
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Wells Fargo & Co | 3.85% |
| Johnson & Johnson | 3.69% |
| Microsoft Corp | 3.46% |
| Exxon Mobil Corporation | 3.23% |
| Verizon Communications Inc | 3.09% |
| Chevron Corp | 3.05% |
| Merck & Co Inc | 2.80% |
| JPMorgan Chase & Co | 2.64% |
| Apple Inc | 2.29% |
| General Electric Co | 2.09% |

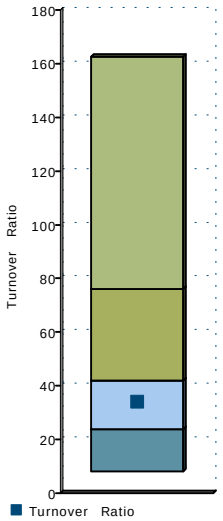
| Portfolio Information | |
|---|---|
| Ticker | VEIRX |
| Morningstar Category | Large Value |
| Avg Mkt Cap $MM | 84587.18 |
| Cat Med Mkt Cap $MM | 87265.57 |
| Net Assets $MM | 17846.81 |
| Turnover Ratio | 34.00 |
| % Assets in Top 10 Holdings | 30.20 |
| Total Number of Holdings | 164.00 |
| Manager Name | James P. Stetler |
| Manager Tenure | 10.76 |
| Fund Incept Date | 03/21/1988 |
| Prospectus Exp Ratio | 0.21 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 51 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 4 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 9 |

**Expense Ratio vs. Peer Group**



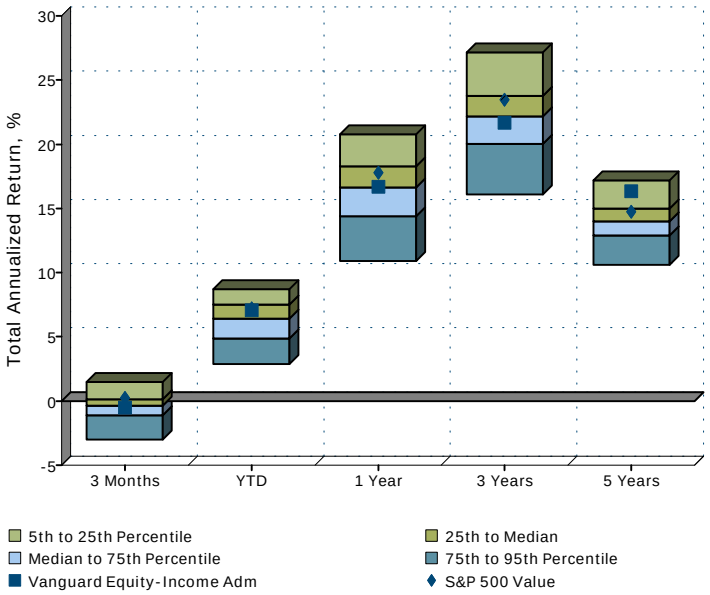

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

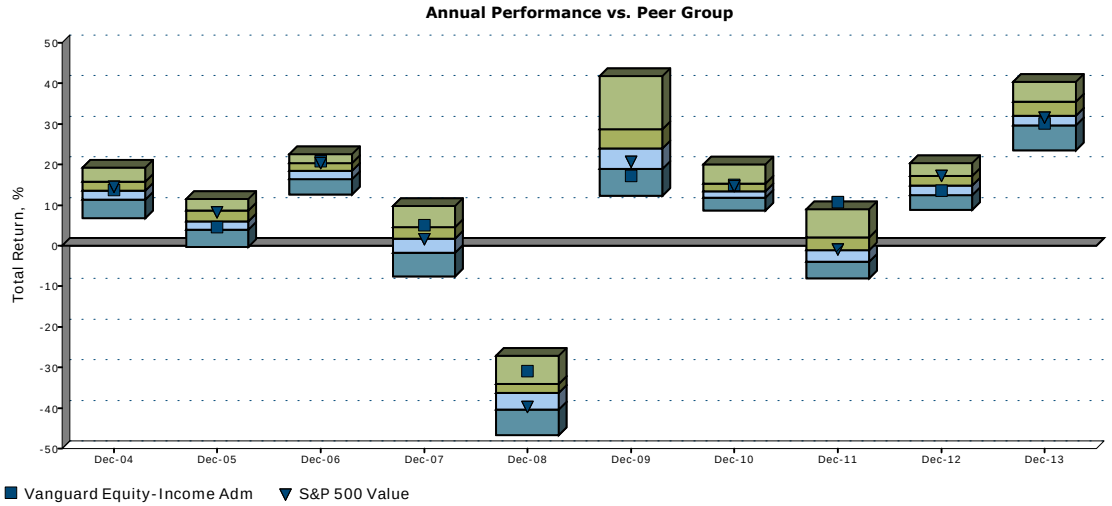
The investment seeks to provide an above-average level of current income and reasonable long-term capital appreciation. The fund invests mainly in common stocks of mid-size and large companies whose stocks typically pay above-average levels of dividend income and are, in the opinion of the purchasing advisor, undervalued relative to other stocks. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, the fund will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.

**Performance vs. Peer Group**

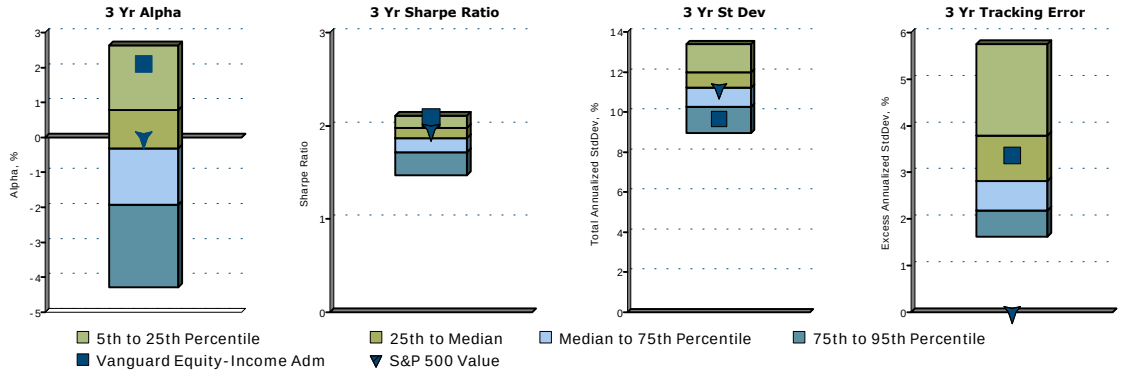



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Equity-Income Adm | -0.53 | 7.07 | 16.70 | 21.68 | 16.34 |
| S&P 500 Value | 0.25 | 7.23 | 17.77 | 23.46 | 14.73 |
| Universe(5%) | 1.49 | 8.71 | 20.77 | 27.16 | 17.18 |
| Universe(25%) | 0.12 | 7.50 | 18.27 | 23.75 | 15.00 |
| Universe(Median) | -0.35 | 6.42 | 16.63 | 22.15 | 14.00 |
| Universe(75%) | -1.09 | 4.87 | 14.42 | 20.04 | 12.92 |
| Universe(95%) | -2.98 | 2.87 | 10.91 | 16.07 | 10.58 |

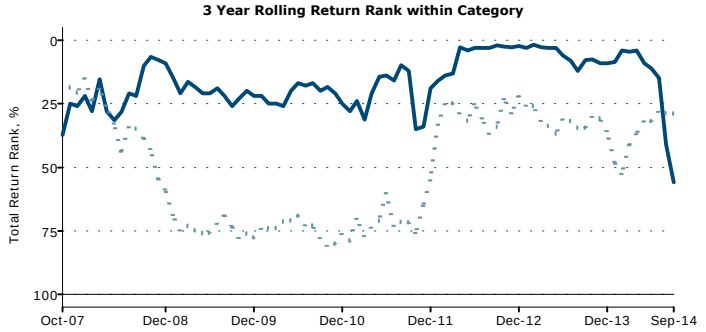
# Vanguard Equity-Income Adm

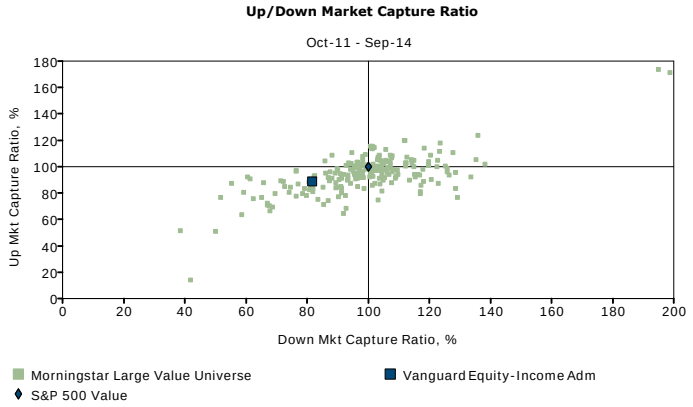


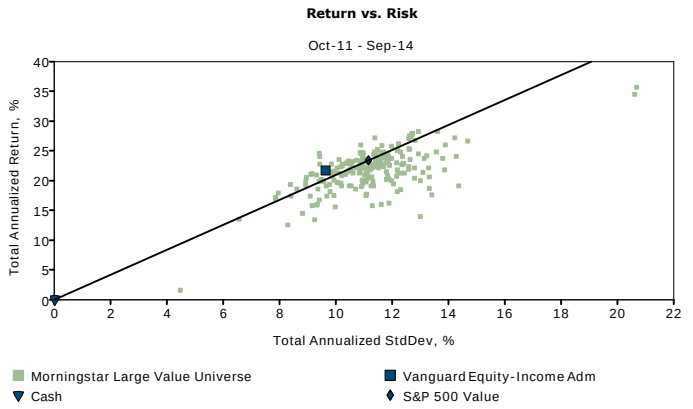

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Equity-Income Adm | 13.69 | 4.52 | 20.77 | 4.99 | -30.86 | 17.26 | 14.99 | 10.69 | 13.58 | 30.19 |
| S&P 500 Value | 15.03 | 8.71 | 20.80 | 1.99 | -39.22 | 21.18 | 15.10 | -0.48 | 17.68 | 31.99 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Equity-Income Adm | 2.11 | 0.83 | 91.77 | 2.09 | 9.65 | 3.36 |
| S&P 500 Value | 0.00 | 1.00 | 100.00 | 1.95 | 11.15 | 0.00 |
| Universe(5%) | 2.63 | 1.14 | 98.22 | 2.11 | 13.39 | 5.75 |
| Universe(25%) | 0.79 | 1.05 | 96.42 | 1.98 | 11.98 | 3.79 |
| Universe(Median) | -0.32 | 0.98 | 94.61 | 1.87 | 11.23 | 2.81 |
| Universe(75%) | -1.93 | 0.90 | 90.63 | 1.71 | 10.26 | 2.19 |
| Universe(95%) | -4.28 | 0.74 | 82.67 | 1.47 | 8.94 | 1.63 |



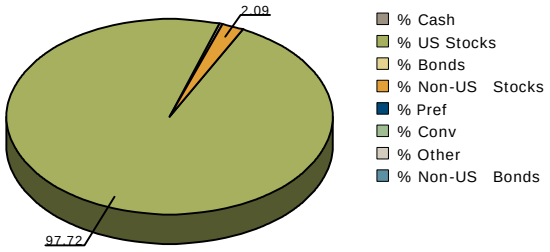



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Growth Index Adm




| Portfolio Region | |
|---|---|
| % United States | 97.91 |
| % Canada | 0.16 |
| % Latin America | 0.00 |
| % United Kingdom | 0.48 |
| % Eurozone | 1.05 |
| % Europe - ex Euro | 0.19 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.21 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.19 |
| % US Stocks | 97.72 |
| % Bonds | 0.00 |
| % Non-US Stocks | 2.09 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 3.07 |
| % Communication Services | 3.78 |
| % Consumer Cyclical | 17.48 |
| % Consumer Defensive | 7.12 |
| % Healthcare | 12.64 |
| % Industrials | 10.68 |
| % Real Estate | 4.99 |
| % Technology | 25.56 |
| % Energy | 8.39 |
| % Financial Services | 6.12 |
| % Utilities | 0.17 |

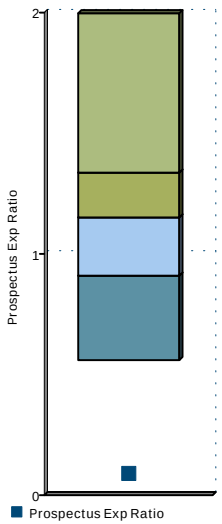
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Apple Inc | 7.14% |
| Coca-Cola Co | 1.91% |
| Gilead Sciences Inc | 1.91% |
| Google Inc Class A | 1.90% |
| Google Inc Class C | 1.89% |
| Facebook Inc Class A | 1.72% |
| Schlumberger NV | 1.65% |
| Walt Disney Co | 1.62% |
| Oracle Corporation | 1.60% |
| Qualcomm Inc | 1.48% |

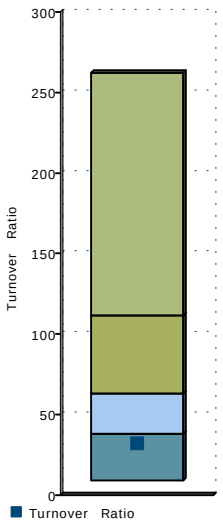
| Portfolio Information | |
|---|---|
| Ticker | VIGAX |
| Morningstar Category | Large Growth |
| Avg Mkt Cap $MM | 51552.71 |
| Cat Med Mkt Cap $MM | 72963.17 |
| Net Assets $MM | 41724.89 |
| Turnover Ratio | 32.00 |
| % Assets in Top 10 Holdings | 22.83 |
| Total Number of Holdings | 373.00 |
| Manager Name | Gerard C. O'Reilly |
| Manager Tenure | 19.76 |
| Fund Incept Date | 11/02/1992 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 25 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 13 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 26 |

**Expense Ratio vs. Peer Group**



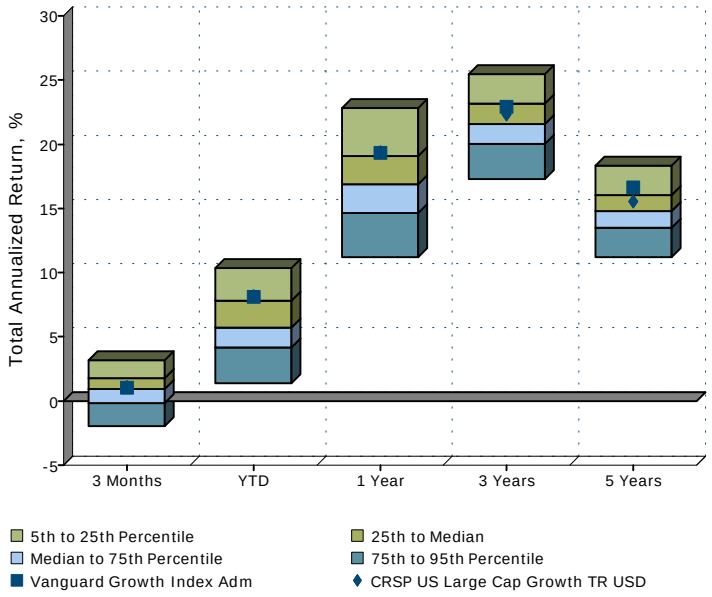

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

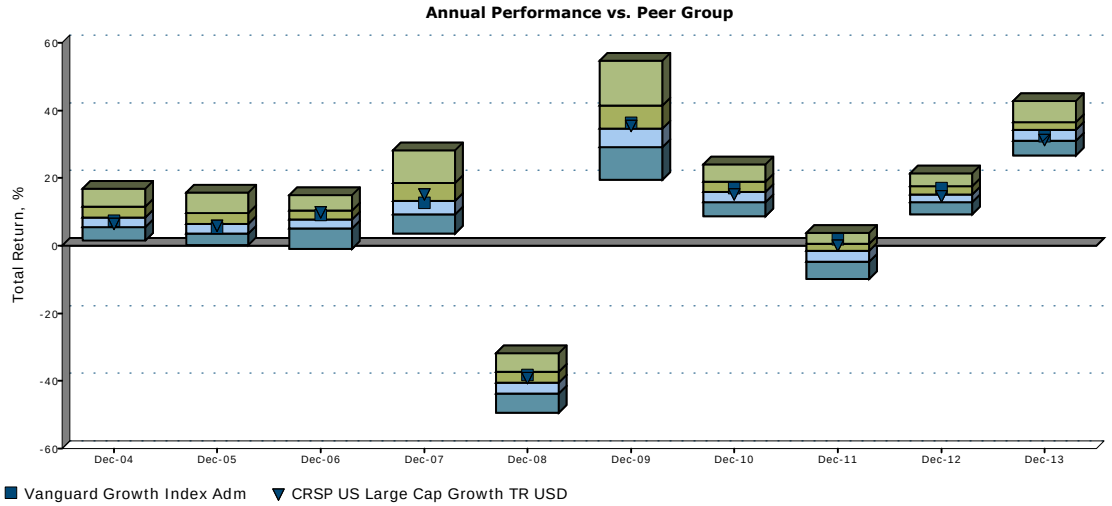
The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP U.S. Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance vs. Peer Group**

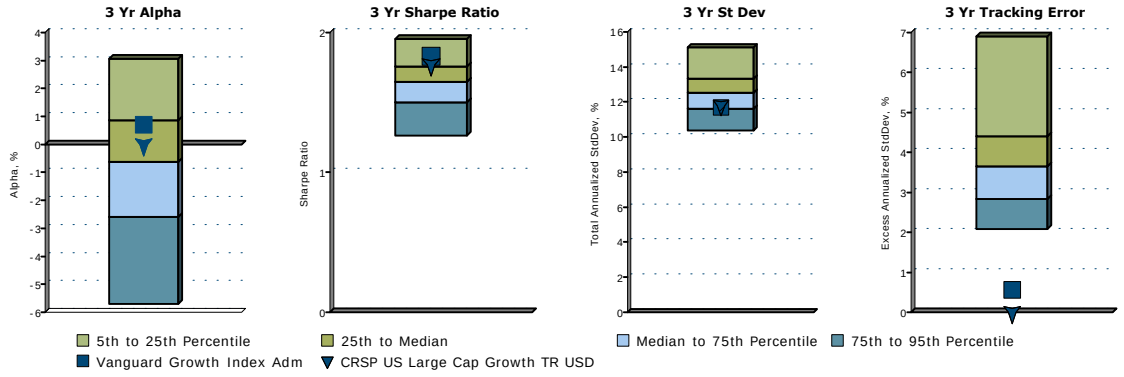



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Growth Index Adm | 1.05 | 8.11 | 19.31 | 22.94 | 16.62 |
| CRSP US Large Cap Growth TR USD | 1.06 | 8.18 | 19.38 | 22.30 | 15.52 |
| Universe(5%) | 3.20 | 10.38 | 22.80 | 25.46 | 18.33 |
| Universe(25%) | 1.79 | 7.79 | 19.10 | 23.18 | 16.04 |
| Universe(Median) | 0.91 | 5.73 | 16.88 | 21.56 | 14.80 |
| Universe(75%) | -0.14 | 4.19 | 14.67 | 20.01 | 13.49 |
| Universe(95%) | -1.95 | 1.37 | 11.21 | 17.31 | 11.22 |

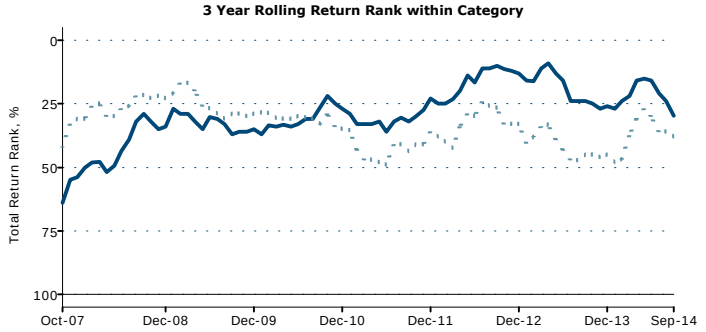
# Vanguard Growth Index Adm

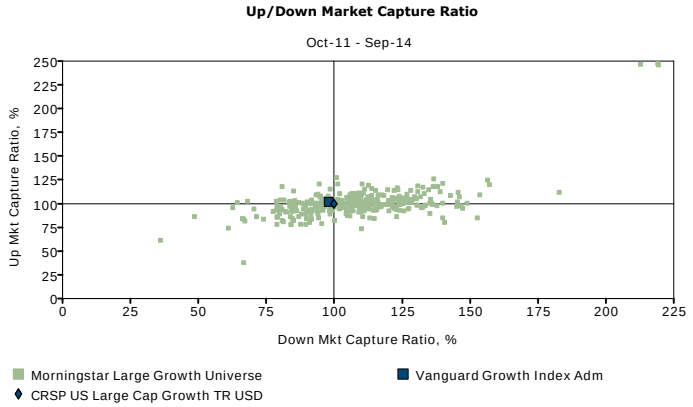


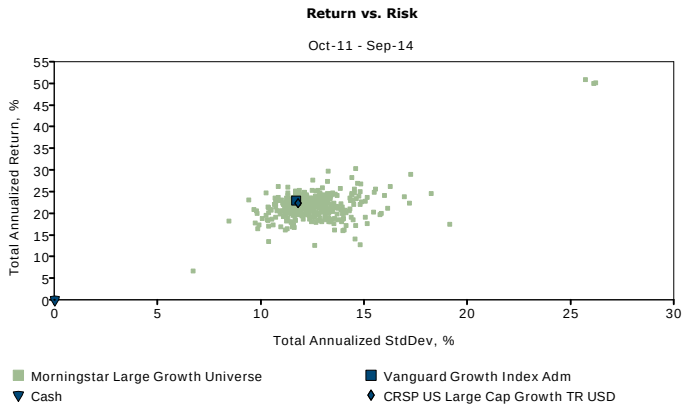

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Growth Index Adm | 7.31 | 5.21 | 9.13 | 12.70 | -38.22 | 36.42 | 17.12 | 1.87 | 17.01 | 32.40 |
| CRSP US Large Cap Growth TR USD | 6.99 | 6.40 | 10.32 | 15.66 | -38.67 | 35.92 | 15.77 | 0.58 | 15.20 | 31.75 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Growth Index Adm | 0.71 | 0.99 | 99.79 | 1.83 | 11.70 | 0.55 |
| CRSP US Large Cap Growth TR USD | 0.00 | 1.00 | 100.00 | 1.77 | 11.80 | 0.00 |
| Universe(5%) | 3.06 | 1.18 | 97.05 | 1.96 | 15.12 | 6.90 |
| Universe(25%) | 0.87 | 1.08 | 95.04 | 1.76 | 13.34 | 4.41 |
| Universe(Median) | -0.62 | 1.02 | 92.47 | 1.65 | 12.54 | 3.65 |
| Universe(75%) | -2.59 | 0.95 | 88.61 | 1.50 | 11.62 | 2.83 |
| Universe(95%) | -5.70 | 0.84 | 79.60 | 1.26 | 10.39 | 2.08 |



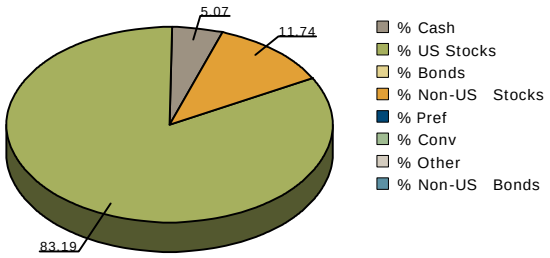



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard PRIMECAP Inv




| Portfolio Region | |
|---|---|
| % United States | 87.63 |
| % Canada | 1.11 |
| % Latin America | 0.04 |
| % United Kingdom | 0.66 |
| % Eurozone | 0.99 |
| % Europe - ex Euro | 9.16 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.41 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 5.07 |
| % US Stocks | 83.19 |
| % Bonds | 0.00 |
| % Non-US Stocks | 11.74 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 2.78 |
| % Communication Services | 1.76 |
| % Consumer Cyclical | 5.25 |
| % Consumer Defensive | 0.56 |
| % Healthcare | 30.96 |
| % Industrials | 15.21 |
| % Real Estate | 0.00 |
| % Technology | 32.31 |
| % Energy | 5.17 |
| % Financial Services | 6.00 |
| % Utilities | 0.00 |

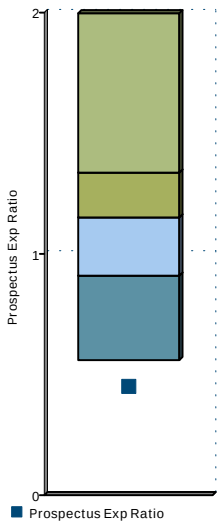
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Biogen Idec Inc | 7.23% |
| Amgen Inc | 4.33% |
| Eli Lilly and Co | 4.16% |
| Roche Holding AG | 4.02% |
| FedEx Corp | 3.95% |
| Adobe Systems Inc | 3.88% |
| Texas Instruments Inc | 3.78% |
| Microsoft Corp | 3.75% |
| Novartis AG ADR | 2.89% |
| Medtronic Inc | 2.25% |

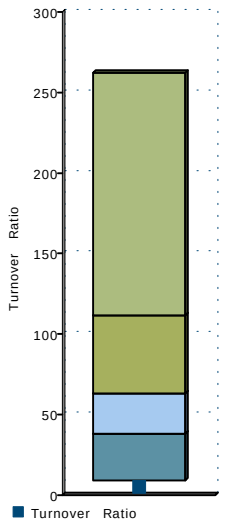
| Portfolio Information | |
|---|---|
| Ticker | VPMCX |
| Morningstar Category | Large Growth |
| Avg Mkt Cap $MM | 62454.98 |
| Cat Med Mkt Cap $MM | 72963.17 |
| Net Assets $MM | 44255.36 |
| Turnover Ratio | 5.00 |
| % Assets in Top 10 Holdings | 40.26 |
| Total Number of Holdings | 125.00 |
| Manager Name | Joel P. Fried |
| Manager Tenure | 25.76 |
| Fund Incept Date | 11/01/1984 |
| Prospectus Exp Ratio | 0.45 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★★★ |
| % Rank Cat 3 Yr | 2 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 11 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 6 |

**Expense Ratio vs. Peer Group**



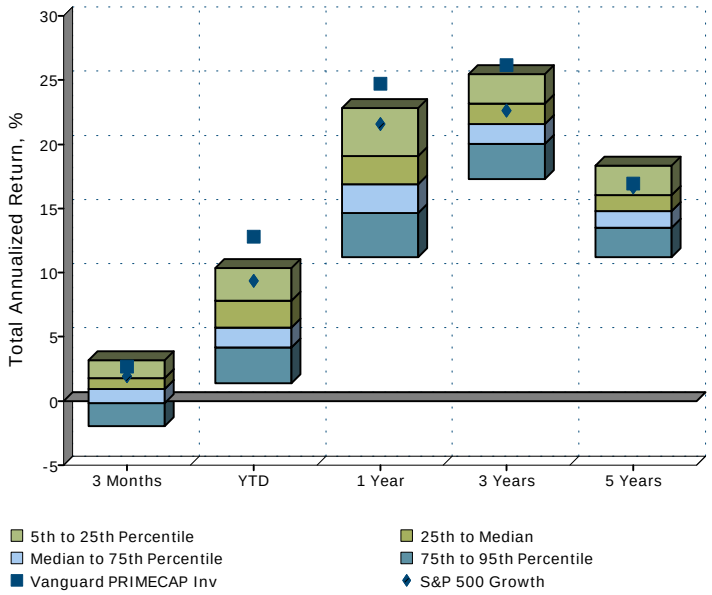

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

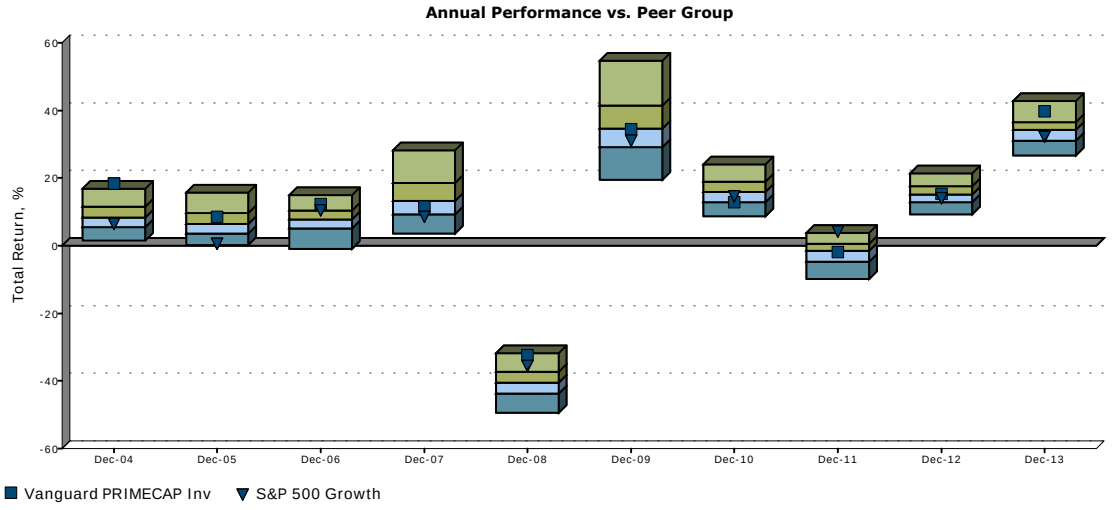
The investment seeks long-term capital appreciation. The fund invests in stocks considered to have above-average earnings growth potential that is not reflected in their current market prices. Its portfolio consists predominantly of large- and mid-capitalization stocks.

**Performance vs. Peer Group**

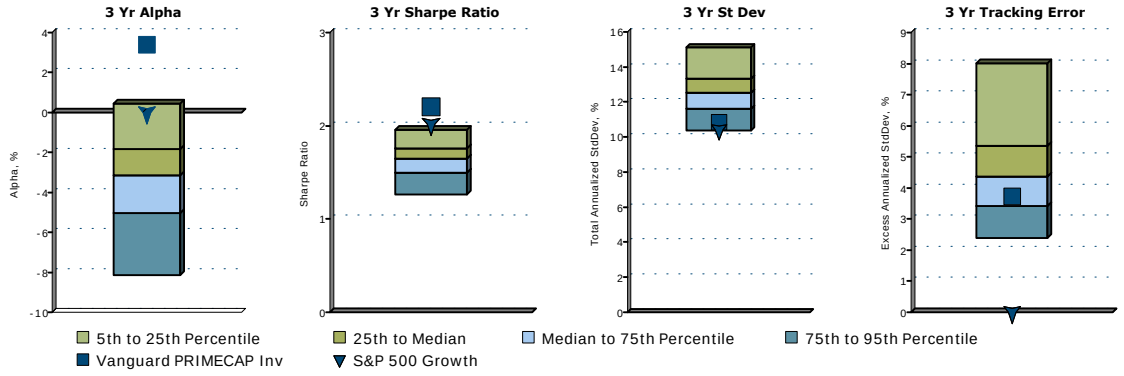



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard PRIMECAP Inv | 2.66 | 12.81 | 24.72 | 26.15 | 16.95 |
| S&P 500 Growth | 1.92 | 9.36 | 21.55 | 22.62 | 16.64 |
| Universe(5%) | 3.20 | 10.38 | 22.80 | 25.46 | 18.33 |
| Universe(25%) | 1.79 | 7.79 | 19.10 | 23.18 | 16.04 |
| Universe(Median) | 0.91 | 5.73 | 16.88 | 21.56 | 14.80 |
| Universe(75%) | -0.14 | 4.19 | 14.67 | 20.01 | 13.49 |
| Universe(95%) | -1.95 | 1.37 | 11.21 | 17.31 | 11.22 |

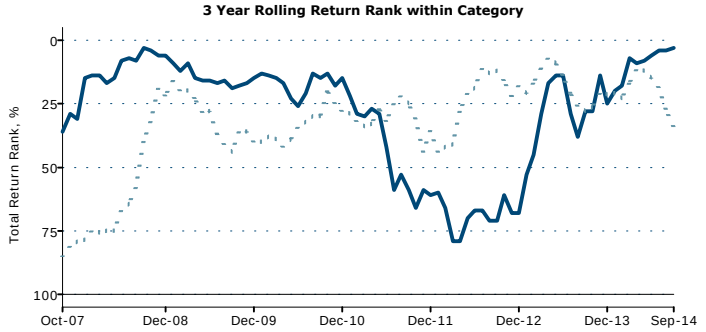
# Vanguard PRIMECAP Inv

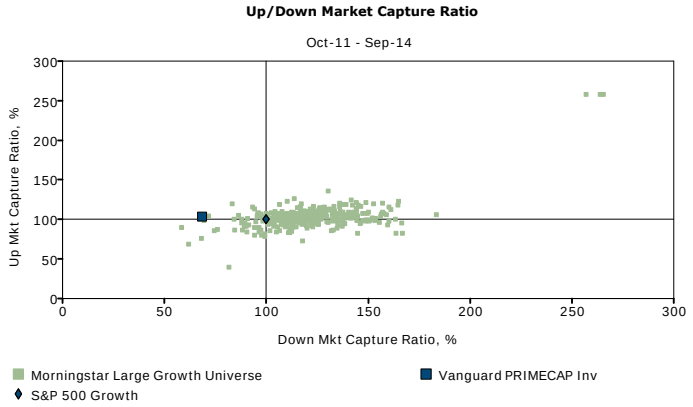


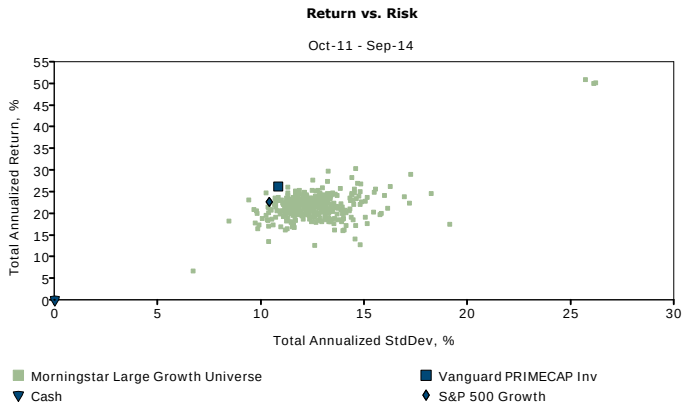

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard PRIMECAP Inv | 18.31 | 8.49 | 12.30 | 11.49 | -32.41 | 34.45 | 12.89 | -1.84 | 15.27 | 39.73 |
| S&P 500 Growth | 6.97 | 1.14 | 11.01 | 9.13 | -34.92 | 31.57 | 15.05 | 4.65 | 14.61 | 32.75 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard PRIMECAP Inv | 3.38 | 0.98 | 88.27 | 2.20 | 10.86 | 3.73 |
| S&P 500 Growth | 0.00 | 1.00 | 100.00 | 2.02 | 10.43 | 0.00 |
| Universe(5%) | 0.43 | 1.30 | 96.15 | 1.96 | 15.12 | 8.02 |
| Universe(25%) | -1.84 | 1.19 | 92.41 | 1.76 | 13.34 | 5.35 |
| Universe(Median) | -3.16 | 1.14 | 89.34 | 1.65 | 12.54 | 4.37 |
| Universe(75%) | -5.03 | 1.07 | 85.20 | 1.50 | 11.62 | 3.42 |
| Universe(95%) | -8.15 | 0.95 | 75.81 | 1.26 | 10.39 | 2.39 |



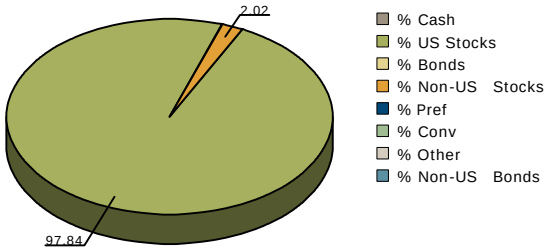



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Mid-Cap Value Index Admiral




| Portfolio Region | |
|---|---|
| % United States | 97.98 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 1.77 |
| % Eurozone | 0.00 |
| % Europe - ex Euro | 0.26 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.14 |
| % US Stocks | 97.84 |
| % Bonds | 0.00 |
| % Non-US Stocks | 2.02 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 7.03 |
| % Communication Services | 0.85 |
| % Consumer Cyclical | 15.68 |
| % Consumer Defensive | 8.65 |
| % Healthcare | 8.55 |
| % Industrials | 10.87 |
| % Real Estate | 4.37 |
| % Technology | 9.73 |
| % Energy | 6.66 |
| % Financial Services | 18.04 |
| % Utilities | 9.58 |

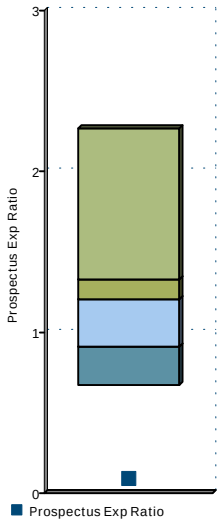
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Western Digital Corp | 1.43% |
| Delphi Automotive PLC | 1.32% |
| Alcoa Inc | 1.21% |
| Seagate Technology PLC | 1.21% |
| Mylan Inc | 1.13% |
| United Continental Holdings Inc | 1.11% |
| Boston Scientific Inc | 1.04% |
| Hartford Financial Services Group Inc | 1.04% |
| AmerisourceBergen Corp | 1.03% |
| Principal Financial Group | 0.99% |

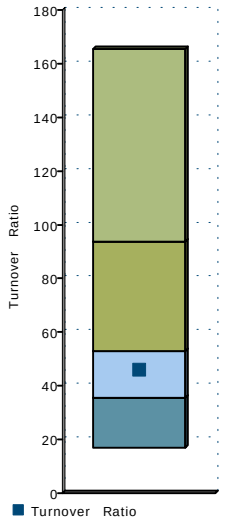
| Portfolio Information | |
|---|---|
| Ticker | VMVAX |
| Morningstar Category | Mid-Cap Value |
| Avg Mkt Cap $MM | 10040.74 |
| Cat Med Mkt Cap $MM | 8727.26 |
| Net Assets $MM | 6098.25 |
| Turnover Ratio | 46.00 |
| % Assets in Top 10 Holdings | 11.52 |
| Total Number of Holdings | 204.00 |
| Manager Name | Donald M. Butler |
| Manager Tenure | 8.13 |
| Fund Incept Date | 09/27/2011 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 21 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 15 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | NA |

**Expense Ratio vs. Peer Group**



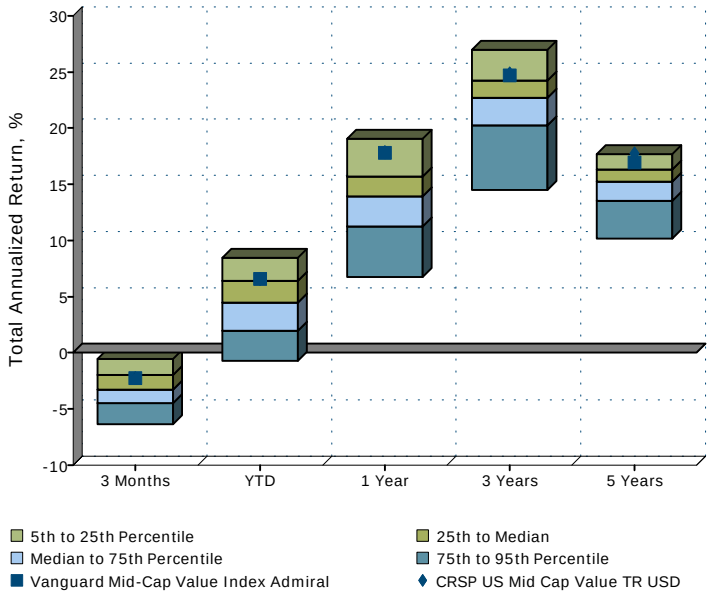

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

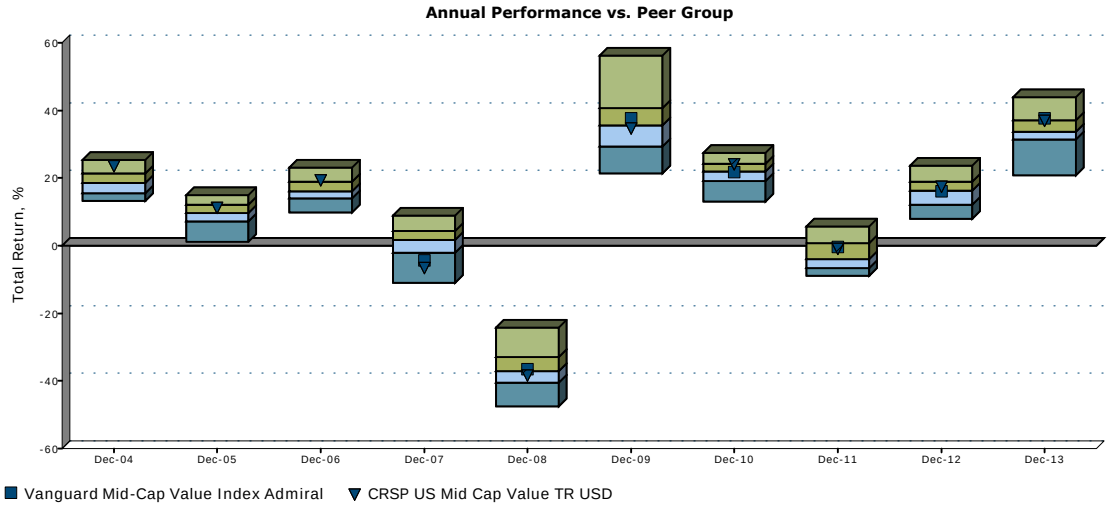
The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization value stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Value Index, a broadly diversified index of value stocks of mid-size U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance vs. Peer Group**

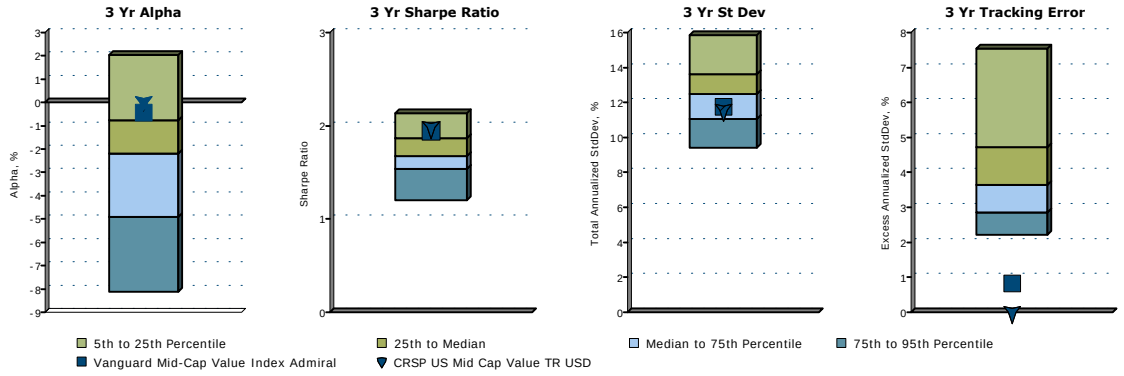



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Mid-Cap Value Index Admiral | -2.24 | 6.56 | 17.81 | 24.68 | 16.97 |
| CRSP US Mid Cap Value TR USD | -2.26 | 6.61 | 17.87 | 24.89 | 17.73 |
| Universe(5%) | -0.53 | 8.45 | 19.05 | 26.96 | 17.70 |
| Universe(25%) | -1.99 | 6.38 | 15.71 | 24.27 | 16.33 |
| Universe(Median) | -3.25 | 4.49 | 13.92 | 22.71 | 15.27 |
| Universe(75%) | -4.47 | 1.96 | 11.24 | 20.28 | 13.55 |
| Universe(95%) | -6.37 | -0.71 | 6.78 | 14.50 | 10.17 |

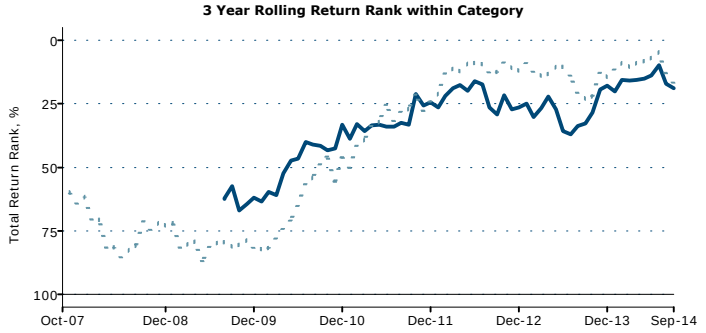
# Vanguard Mid-Cap Value Index Admiral

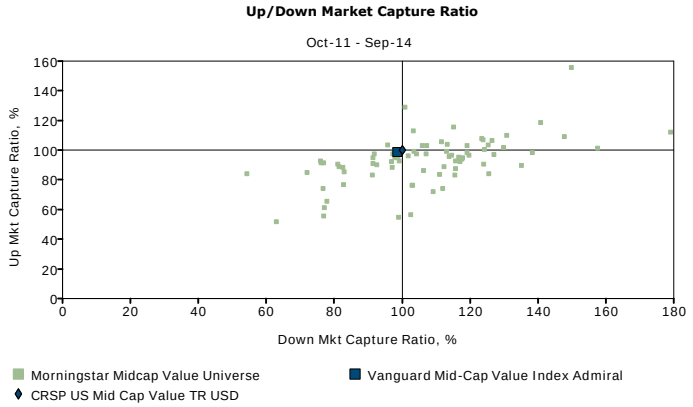


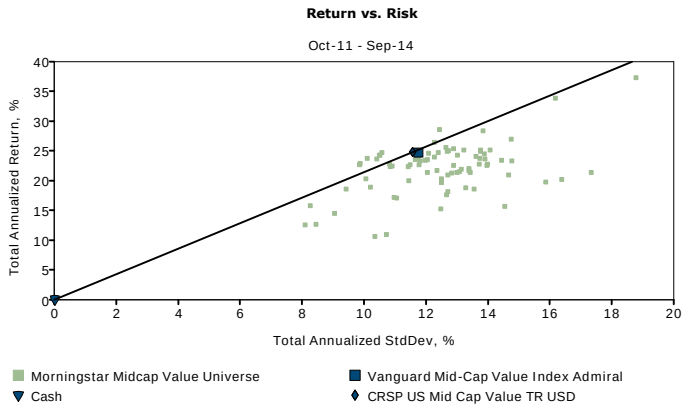

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Mid-Cap Value Index Admiral | NA | NA | NA | -4.27 | -36.54 | 37.74 | 21.82 | -0.29 | 16.02 | 37.66 |
| CRSP US Mid Cap Value TR USD | 24.07 | 11.67 | 19.91 | -6.07 | -37.95 | 35.21 | 24.58 | -0.39 | 17.90 | 37.38 |



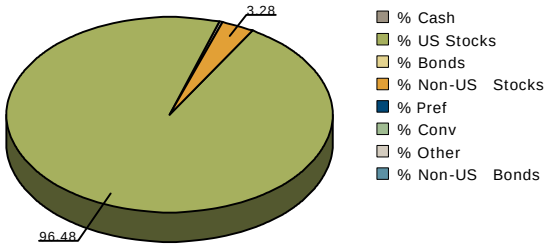

| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Mid-Cap Value Index Admiral | -0.44 | 1.01 | 99.53 | 1.95 | 11.75 | 0.82 |
| CRSP US Mid Cap Value TR USD | 0.00 | 1.00 | 100.00 | 1.99 | 11.57 | 0.00 |
| Universe(5%) | 2.05 | 1.23 | 96.55 | 2.13 | 15.86 | 7.55 |
| Universe(25%) | -0.76 | 1.12 | 95.17 | 1.86 | 13.61 | 4.72 |
| Universe(Median) | -2.20 | 1.04 | 93.70 | 1.67 | 12.50 | 3.65 |
| Universe(75%) | -4.90 | 0.94 | 88.35 | 1.54 | 11.05 | 2.86 |
| Universe(95%) | -8.13 | 0.70 | 70.50 | 1.20 | 9.42 | 2.22 |



# Vanguard Mid Cap Index Adm




| Portfolio Region | |
|---|---|
| % United States | 96.71 |
| % Canada | 0.43 |
| % Latin America | 0.00 |
| % United Kingdom | 1.29 |
| % Eurozone | 0.74 |
| % Europe - ex Euro | 0.26 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.58 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.24 |
| % US Stocks | 96.48 |
| % Bonds | 0.00 |
| % Non-US Stocks | 3.28 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 5.90 |
| % Communication Services | 1.50 |
| % Consumer Cyclical | 17.61 |
| % Consumer Defensive | 7.04 |
| % Healthcare | 9.71 |
| % Industrials | 14.99 |
| % Real Estate | 5.63 |
| % Technology | 14.54 |
| % Energy | 7.63 |
| % Financial Services | 10.36 |
| % Utilities | 5.07 |

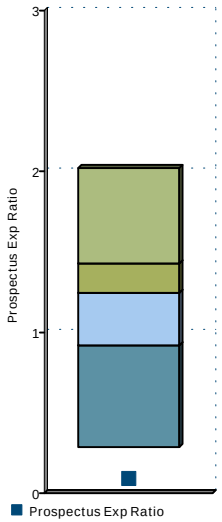
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Western Digital Corp | 0.71% |
| Southwest Airlines Co | 0.68% |
| Vertex Pharmaceuticals Inc | 0.68% |
| Chipotle Mexican Grill Inc Class A | 0.65% |
| Delphi Automotive PLC | 0.65% |
| Health Care REIT, Inc. | 0.64% |
| AvalonBay Communities Inc | 0.62% |
| Moody's Corporation | 0.62% |
| Alcoa Inc | 0.60% |
| Seagate Technology PLC | 0.60% |

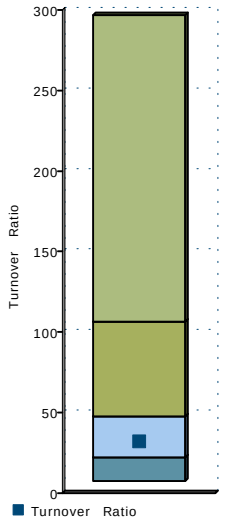
| Portfolio Information | |
|---|---|
| Ticker | VIMAX |
| Morningstar Category | Mid-Cap Blend |
| Avg Mkt Cap $MM | 10731.74 |
| Cat Med Mkt Cap $MM | 8270.60 |
| Net Assets $MM | 53313.89 |
| Turnover Ratio | 32.00 |
| % Assets in Top 10 Holdings | 6.46 |
| Total Number of Holdings | 378.00 |
| Manager Name | Donald M. Butler |
| Manager Tenure | 16.37 |
| Fund Incept Date | 05/21/1998 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 37 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 12 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 12 |

**Expense Ratio vs. Peer Group**



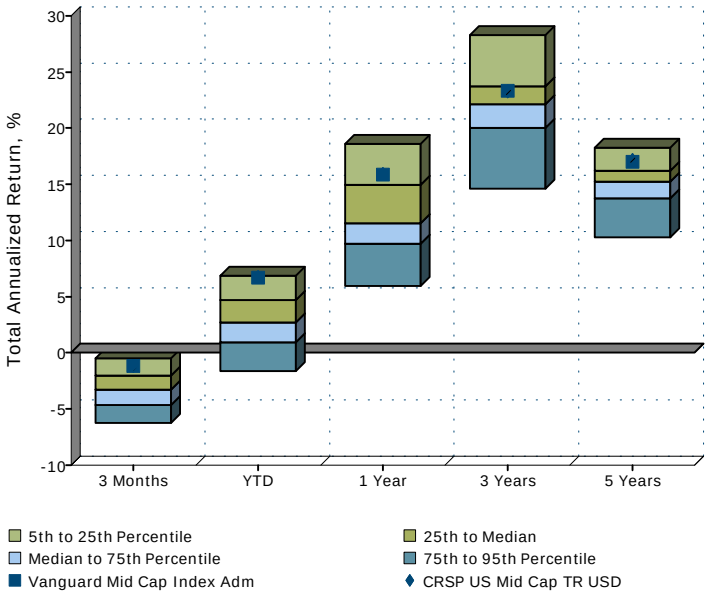

**Turnover Ratio vs. Peer Group**




## Investment Strategy Summary

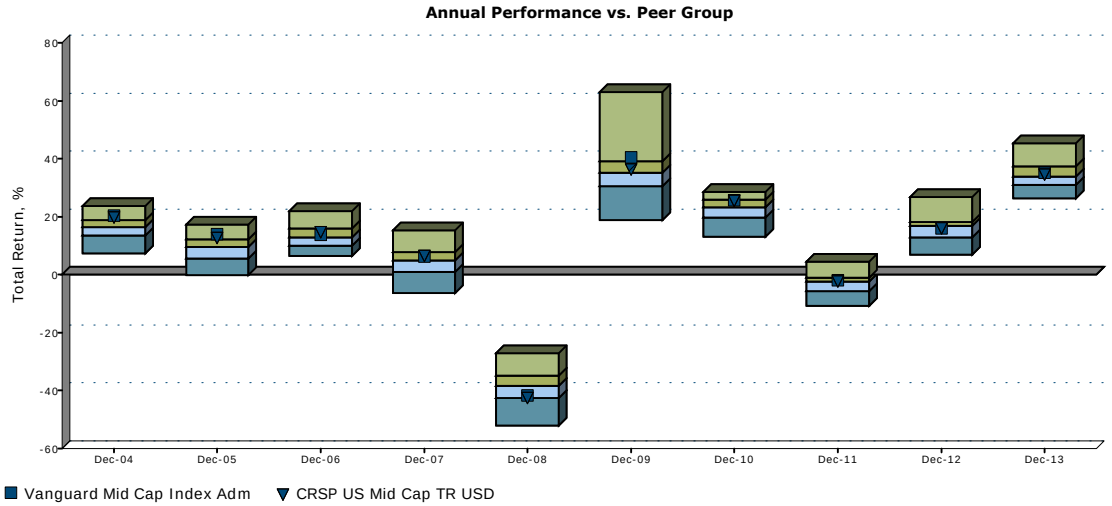
The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP U.S. Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance vs. Peer Group**

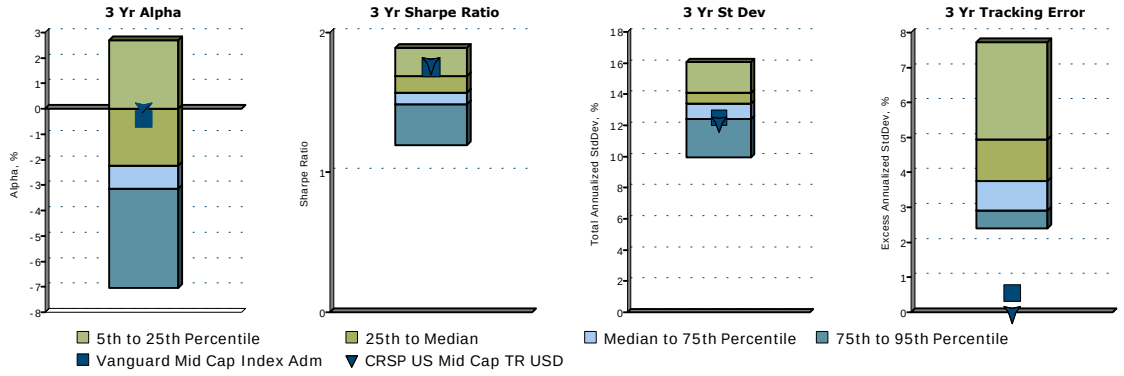



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Mid Cap Index Adm | -1.16 | 6.68 | 15.88 | 23.31 | 17.03 |
| CRSP US Mid Cap TR USD | -1.15 | 6.73 | 15.94 | 23.30 | 17.17 |
| Universe(5%) | -0.46 | 6.88 | 18.59 | 28.31 | 18.28 |
| Universe(25%) | -2.00 | 4.71 | 14.94 | 23.75 | 16.23 |
| Universe(Median) | -3.30 | 2.70 | 11.53 | 22.14 | 15.27 |
| Universe(75%) | -4.65 | 0.93 | 9.70 | 20.04 | 13.76 |
| Universe(95%) | -6.21 | -1.62 | 5.93 | 14.61 | 10.30 |

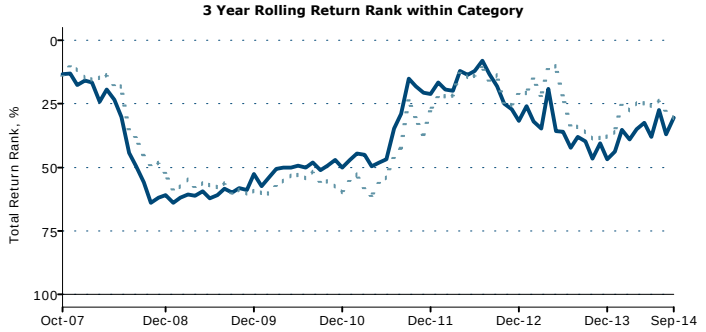
# Vanguard Mid Cap Index Adm

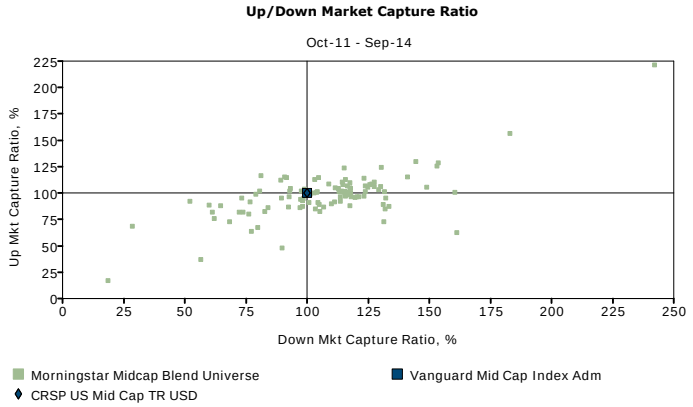


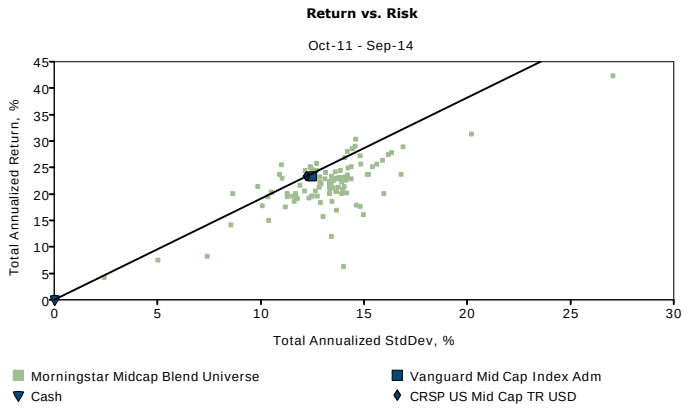

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Mid Cap Index Adm | 20.42 | 14.04 | 13.69 | 6.17 | -41.78 | 40.48 | 25.59 | -1.97 | 15.99 | 35.15 |
| CRSP US Mid Cap TR USD | 20.28 | 13.31 | 15.32 | 7.04 | -41.83 | 36.90 | 26.16 | -1.79 | 16.69 | 35.27 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Mid Cap Index Adm | -0.41 | 1.02 | 99.85 | 1.75 | 12.48 | 0.55 |
| CRSP US Mid Cap TR USD | 0.00 | 1.00 | 100.00 | 1.78 | 12.22 | 0.00 |
| Universe(5%) | 2.70 | 1.24 | 97.08 | 1.89 | 16.08 | 7.72 |
| Universe(25%) | 0.01 | 1.12 | 96.35 | 1.69 | 14.10 | 4.94 |
| Universe(Median) | -2.24 | 1.07 | 93.12 | 1.57 | 13.38 | 3.75 |
| Universe(75%) | -3.14 | 0.96 | 89.45 | 1.49 | 12.40 | 2.91 |
| Universe(95%) | -7.05 | 0.73 | 76.35 | 1.19 | 9.95 | 2.39 |



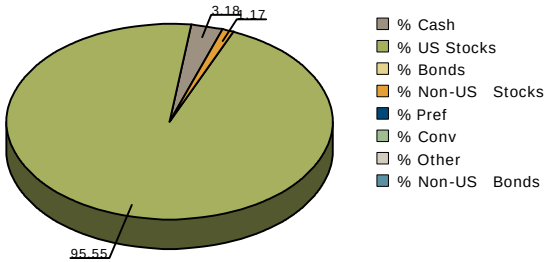



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Target Small Capitalization Value T




| Portfolio Region | |
|---|---|
| % United States | 98.79 |
| % Canada | 0.65 |
| % Latin America | 0.27 |
| % United Kingdom | 0.02 |
| % Eurozone | 0.07 |
| % Europe - ex Euro | 0.00 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.21 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 3.18 |
| % US Stocks | 95.55 |
| % Bonds | 0.00 |
| % Non-US Stocks | 1.17 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.10 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 5.92 |
| % Communication Services | 1.03 |
| % Consumer Cyclical | 11.57 |
| % Consumer Defensive | 3.52 |
| % Healthcare | 7.29 |
| % Industrials | 19.96 |
| % Real Estate | 5.58 |
| % Technology | 12.67 |
| % Energy | 5.89 |
| % Financial Services | 22.77 |
| % Utilities | 3.80 |

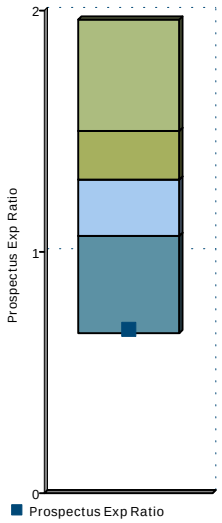
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| EnerSys | 0.83% |
| Firstmerit Corp | 0.75% |
| Teleflex Inc | 0.75% |
| American Equity Investment Life Holding Co | 0.74% |
| Bristow Group Inc | 0.72% |
| Amsurg Corp | 0.69% |
| Silgan Holdings Inc | 0.68% |
| Webster Financial Corp | 0.68% |
| GATX Corp | 0.66% |
| KAR Auction Services Inc | 0.66% |

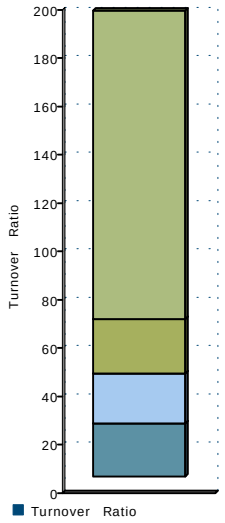
| Portfolio Information | |
|---|---|
| Ticker | TASVX |
| Morningstar Category | Small Value |
| Avg Mkt Cap $MM | 2187.66 |
| Cat Med Mkt Cap $MM | 2553.48 |
| Net Assets $MM | 1968.99 |
| Turnover Ratio | NA |
| % Assets in Top 10 Holdings | 7.16 |
| Total Number of Holdings | 778.00 |
| Manager Name | Paul E. Viera |
| Manager Tenure | 12.76 |
| Fund Incept Date | 01/05/1993 |
| Prospectus Exp Ratio | 0.68 |
| Phone Number | 800-225-1852 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 58 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 25 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 10 |

**Expense Ratio vs. Peer Group**



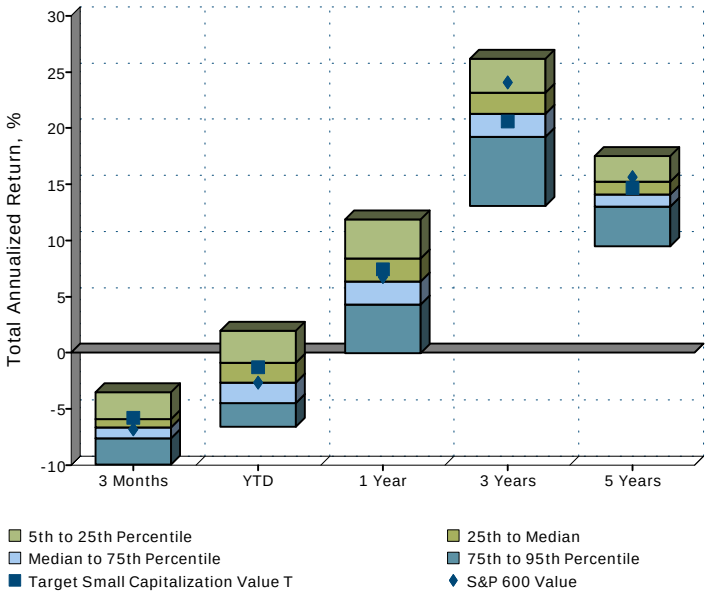

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

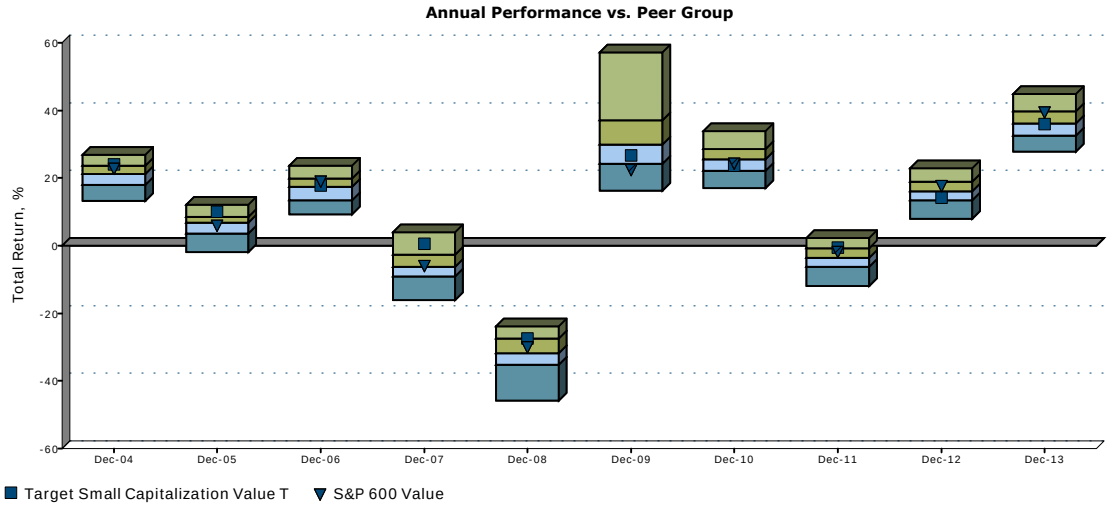
The investment seeks above-average capital appreciation. The Portfolio seeks investments that will increase in value. It normally invests at least 80% of its investable assets in common stocks of small companies. Small companies are those companies with market capitalizations comparable to those in the Russell 2000 Value Index. Market capitalization is measured at the time of purchase.

**Performance vs. Peer Group**

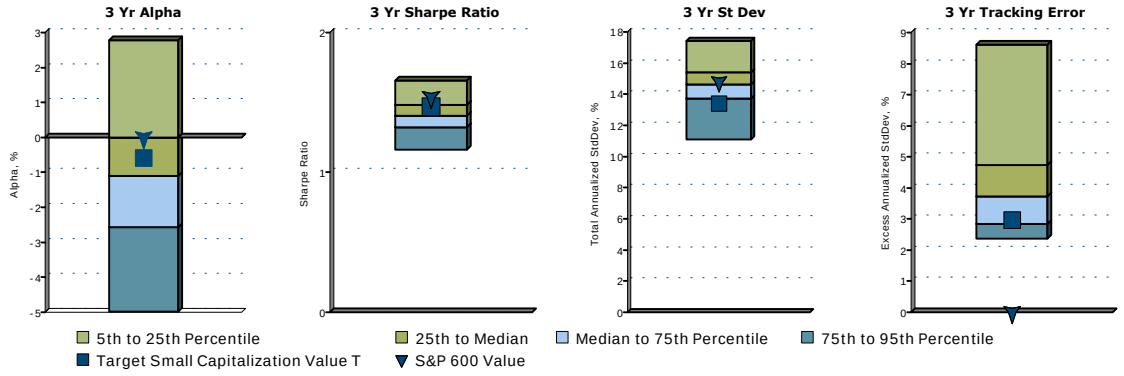



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Target Small Capitalization Value T | -5.79 | -1.27 | 7.42 | 20.62 | 14.66 |
| S&P 600 Value | -6.78 | -2.62 | 6.74 | 24.09 | 15.66 |
| Universe(5%) | -3.53 | 1.96 | 11.89 | 26.20 | 17.55 |
| Universe(25%) | -5.88 | -0.91 | 8.39 | 23.19 | 15.21 |
| Universe(Median) | -6.63 | -2.65 | 6.36 | 21.29 | 14.08 |
| Universe(75%) | -7.60 | -4.48 | 4.30 | 19.22 | 12.99 |
| Universe(95%) | -9.92 | -6.58 | -0.03 | 13.07 | 9.51 |

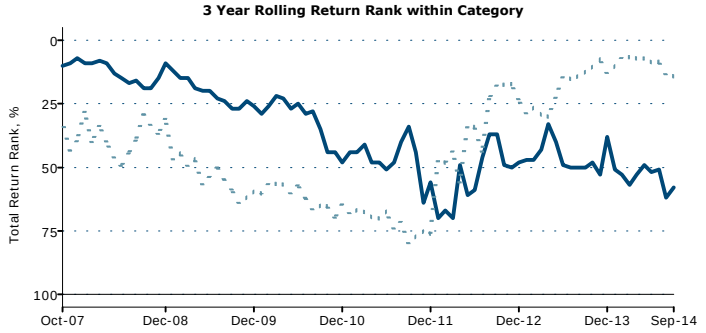
# Target Small Capitalization Value T

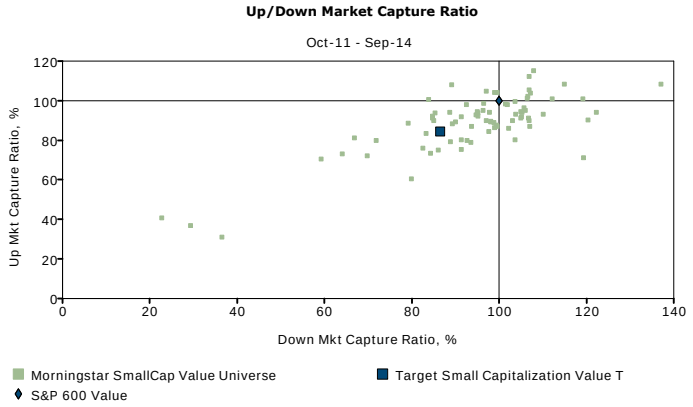


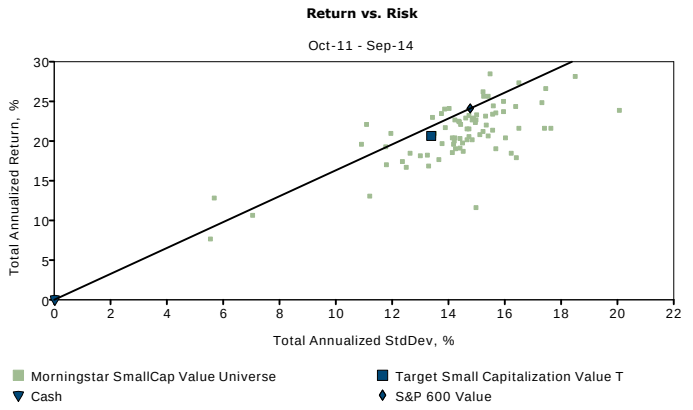

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Target Small Capitalization Value T | 24.02 | 10.10 | 17.72 | 0.52 | -27.45 | 26.69 | 23.63 | -0.48 | 14.14 | 35.87 |
| S&P 600 Value | 23.25 | 6.45 | 19.57 | -5.54 | -29.51 | 22.85 | 24.72 | -1.38 | 18.21 | 39.98 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Target Small Capitalization Value T | -0.58 | 0.89 | 96.58 | 1.47 | 13.39 | 2.96 |
| S&P 600 Value | 0.00 | 1.00 | 100.00 | 1.54 | 14.78 | 0.00 |
| Universe(5%) | 2.79 | 1.15 | 97.84 | 1.66 | 17.41 | 8.62 |
| Universe(25%) | 0.00 | 1.02 | 96.48 | 1.48 | 15.43 | 4.74 |
| Universe(Median) | -1.11 | 0.97 | 94.81 | 1.40 | 14.63 | 3.72 |
| Universe(75%) | -2.57 | 0.90 | 91.13 | 1.32 | 13.73 | 2.84 |
| Universe(95%) | -4.98 | 0.70 | 80.59 | 1.16 | 11.08 | 2.36 |



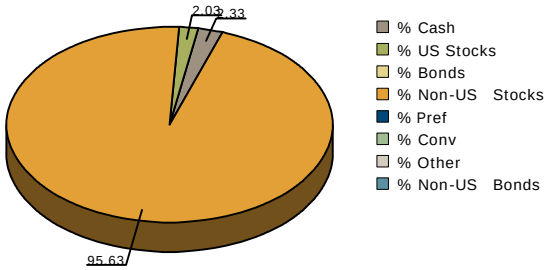



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Oppenheimer International Growth Y




| Portfolio Region | |
|---|---|
| % United States | 2.08 |
| % Canada | 2.05 |
| % Latin America | 1.87 |
| % United Kingdom | 28.86 |
| % Eurozone | 34.80 |
| % Europe - ex Euro | 19.42 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 5.08 |
| % Australasia | 2.76 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 3.08 |

| Portfolio Structure | |
|---|---|
| % Cash | 2.33 |
| % US Stocks | 2.03 |
| % Bonds | 0.00 |
| % Non-US Stocks | 95.63 |
| % Pref | 0.01 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

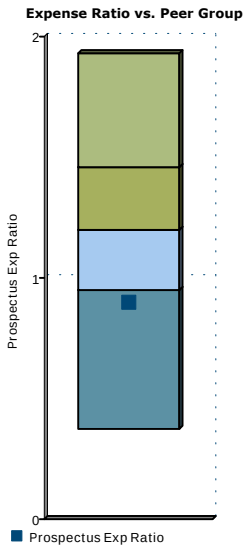
| Sector Allocation | |
|---|---|
| % Basic Materials | 4.37 |
| % Communication Services | 7.12 |
| % Consumer Cyclical | 19.61 |
| % Consumer Defensive | 15.11 |
| % Healthcare | 10.27 |
| % Industrials | 22.18 |
| % Real Estate | 0.00 |
| % Technology | 14.54 |
| % Energy | 2.30 |
| % Financial Services | 4.26 |
| % Utilities | 0.24 |

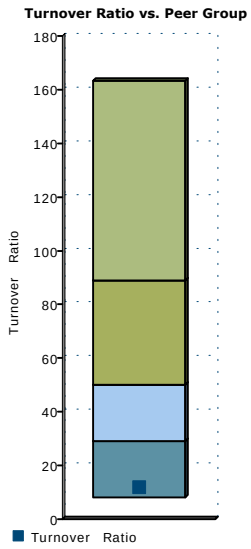
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| SAP SE | 1.61% |
| Essentra PLC | 1.57% |
| Royal Boskalis Westminster NV | 1.51% |
| BT Group PLC | 1.45% |
| Roche Holding AG | 1.39% |
| Novo Nordisk A/S | 1.38% |
| Syngenta AG | 1.38% |
| Aryzta AG | 1.35% |
| ARM Holdings PLC | 1.34% |
| Cp All PLC | 1.31% |

| Portfolio Information | |
|---|---|
| Ticker | OIGYX |
| Morningstar Category | Foreign Large Growth |
| Avg Mkt Cap $MM | 15525.25 |
| Cat Med Mkt Cap $MM | 31370.15 |
| Net Assets $MM | 18021.18 |
| Turnover Ratio | 12.00 |
| % Assets in Top 10 Holdings | 14.29 |
| Total Number of Holdings | 112.00 |
| Manager Name | George R. Evans |
| Manager Tenure | 18.53 |
| Fund Incept Date | 03/25/1996 |
| Prospectus Exp Ratio | 0.90 |
| Phone Number | 800-225-5677 |

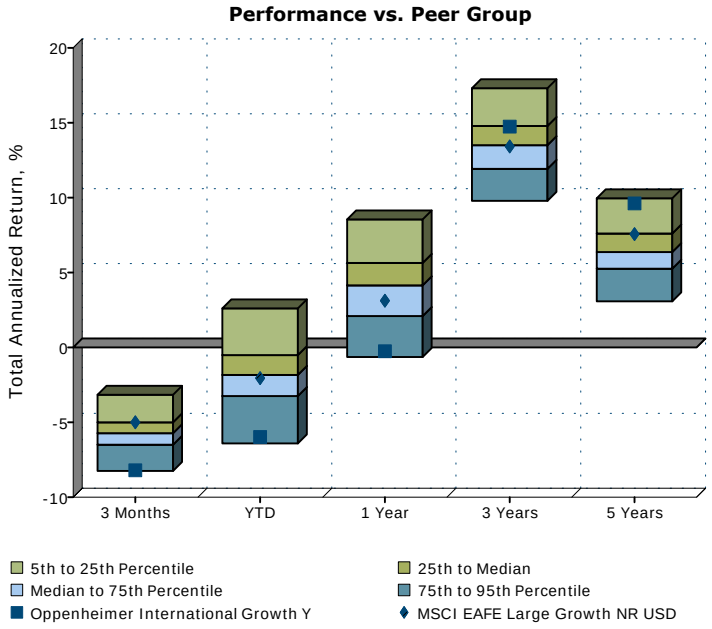
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 26 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 15 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 1 |



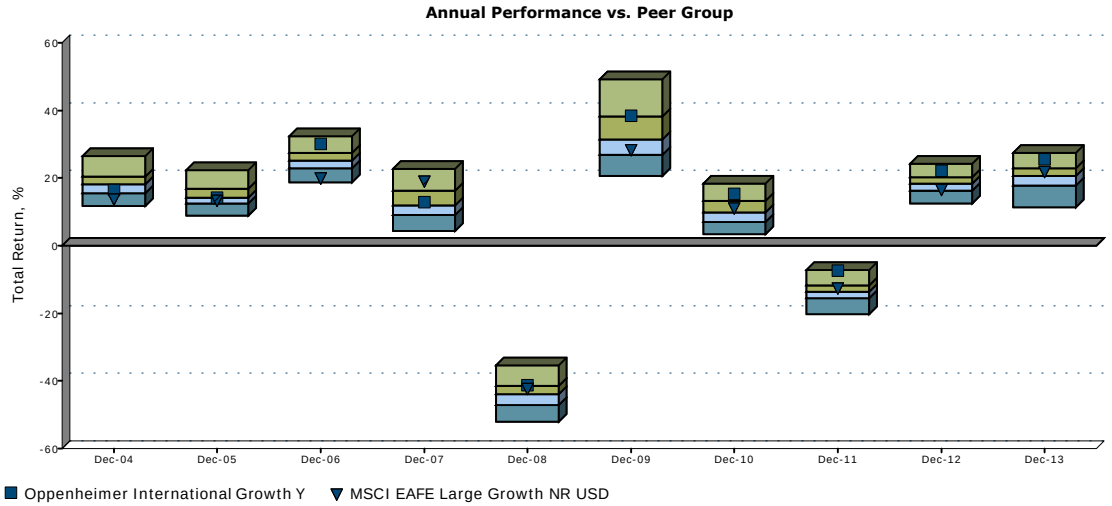

### Investment Strategy Summary

The investment seeks capital appreciation. The fund mainly invests in the common stock of growth companies that are domiciled or have their primary operations outside of the United States. It may invest 100% of its assets in securities of foreign companies. The fund may invest in emerging markets as well as in developed markets throughout the world. It normally will invest at least 65% of its total assets in common and preferred stocks of issuers in at least three different countries outside of the United States, and emphasize investments in common stocks of issuers that the portfolio managers consider to be "growth" companies.

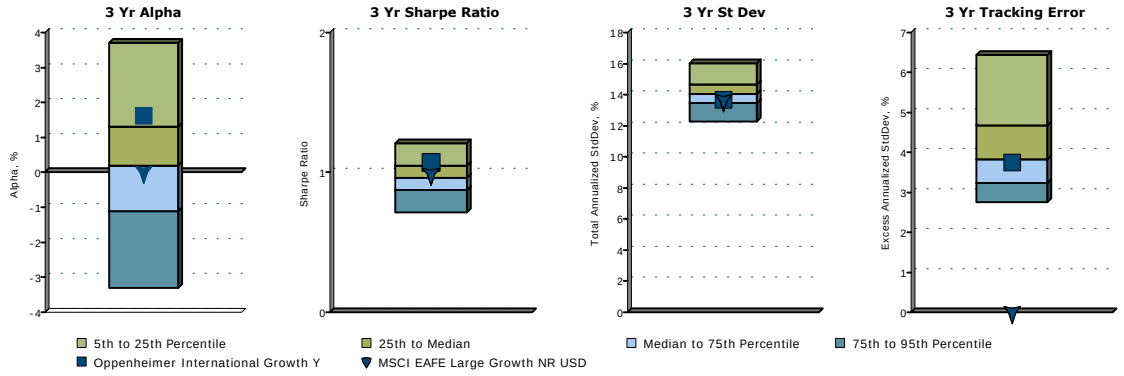



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Oppenheimer International Growth Y | -8.19 | -6.00 | -0.26 | 14.72 | 9.62 |
| MSCI EAFE Large Growth NR USD | -5.00 | -2.05 | 3.11 | 13.43 | 7.56 |
| Universe(5%) | -3.17 | 2.62 | 8.53 | 17.32 | 9.94 |
| Universe(25%) | -5.00 | -0.51 | 5.64 | 14.77 | 7.61 |
| Universe(Median) | -5.72 | -1.83 | 4.15 | 13.49 | 6.36 |
| Universe(75%) | -6.51 | -3.27 | 2.11 | 11.93 | 5.26 |
| Universe(95%) | -8.26 | -6.43 | -0.65 | 9.80 | 3.07 |

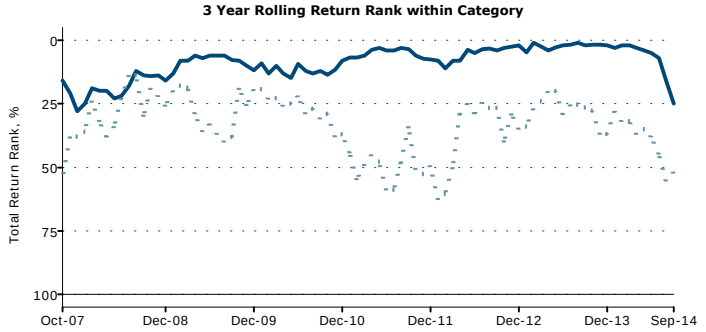
# Oppenheimer International Growth Y

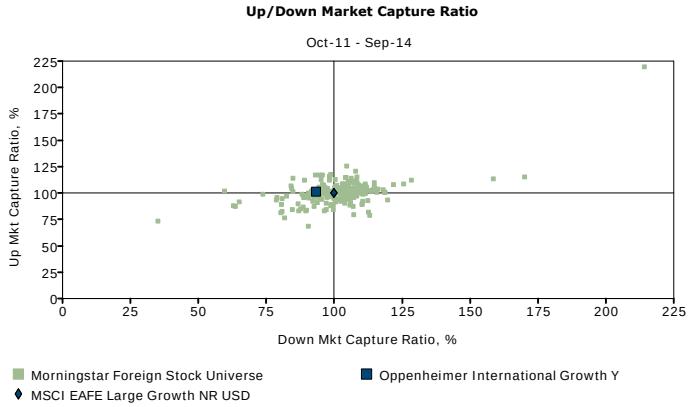


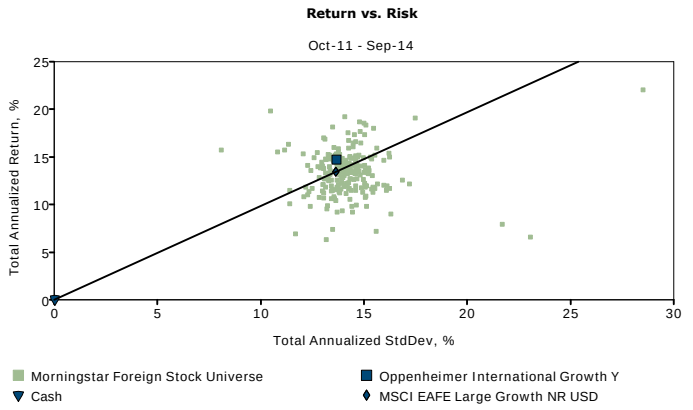

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Oppenheimer International Growth Y | 16.46 | 14.24 | 30.18 | 12.93 | -41.22 | 38.44 | 15.35 | -7.31 | 22.10 | 25.46 |
| MSCI EAFE Large Growth NR USD | 14.27 | 13.89 | 20.44 | 19.51 | -41.74 | 28.81 | 11.48 | -12.04 | 17.06 | 22.28 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Oppenheimer International Growth Y | 1.63 | 0.96 | 92.64 | 1.07 | 13.68 | 3.74 |
| MSCI EAFE Large Growth NR USD | 0.00 | 1.00 | 100.00 | 0.99 | 13.65 | 0.00 |
| Universe(5%) | 3.70 | 1.09 | 96.14 | 1.21 | 16.01 | 6.44 |
| Universe(25%) | 1.32 | 1.04 | 94.70 | 1.05 | 14.65 | 4.68 |
| Universe(Median) | 0.19 | 0.99 | 92.91 | 0.96 | 14.06 | 3.82 |
| Universe(75%) | -1.11 | 0.95 | 90.67 | 0.87 | 13.45 | 3.23 |
| Universe(95%) | -3.30 | 0.86 | 83.63 | 0.72 | 12.28 | 2.76 |



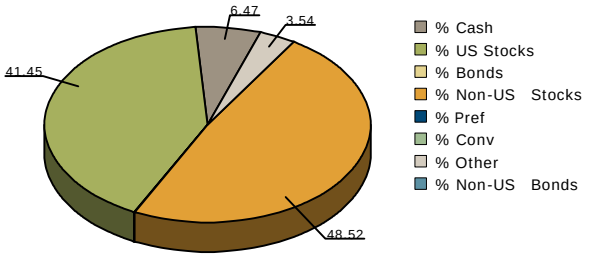



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## American Funds New Perspective R6




| Portfolio Region | |
|---|---|
| % United States | 46.07 |
| % Canada | 2.55 |
| % Latin America | 0.31 |
| % United Kingdom | 9.02 |
| % Eurozone | 15.04 |
| % Europe - ex Euro | 11.85 |
| % Europe - Emerging | 0.00 |
| % Africa | 2.01 |
| % Middle East | 0.00 |
| % Japan | 6.75 |
| % Australasia | 1.01 |
| % Asia - Developed | 4.46 |
| % Asia - Emerging | 0.93 |

| Portfolio Structure | |
|---|---|
| % Cash | 6.47 |
| % US Stocks | 41.45 |
| % Bonds | 0.02 |
| % Non-US Stocks | 48.52 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 3.54 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 5.85 |
| % Communication Services | 2.48 |
| % Consumer Cyclical | 18.05 |
| % Consumer Defensive | 12.28 |
| % Healthcare | 14.53 |
| % Industrials | 12.68 |
| % Real Estate | 0.00 |
| % Technology | 14.68 |
| % Energy | 4.86 |
| % Financial Services | 14.59 |
| % Utilities | 0.00 |

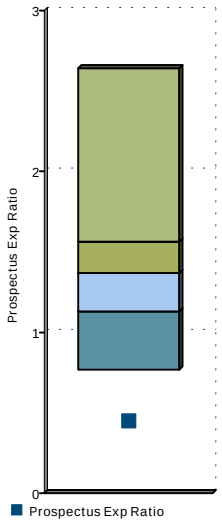
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Novo Nordisk A/S | 4.81% |
| Amazon.com Inc | 2.50% |
| Delta Air Lines Inc | 1.44% |
| Microsoft Corp | 1.36% |
| Bayer AG | 1.32% |
| Home Depot Inc | 1.32% |
| Naspers Ltd Class N | 1.27% |
| Taiwan Semiconductor Manufacturing Co Ltd | 1.27% |
| Associated Brit Foods | 1.22% |
| British American Tobacco PLC | 1.19% |

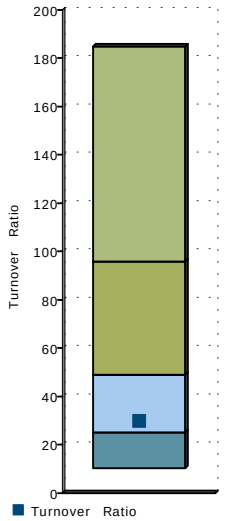
| Portfolio Information | |
|---|---|
| Ticker | RNPGX |
| Morningstar Category | World Stock |
| Avg Mkt Cap $MM | 52954.87 |
| Cat Med Mkt Cap $MM | 39847.08 |
| Net Assets $MM | 57769.26 |
| Turnover Ratio | 30.00 |
| % Assets in Top 10 Holdings | 17.71 |
| Total Number of Holdings | 286.00 |
| Manager Name | Gregg E. Ireland |
| Manager Tenure | 21.84 |
| Fund Incept Date | 03/13/1973 |
| Prospectus Exp Ratio | 0.45 |
| Phone Number | 800-421-4225 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 25 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 29 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 12 |

**Expense Ratio vs. Peer Group**



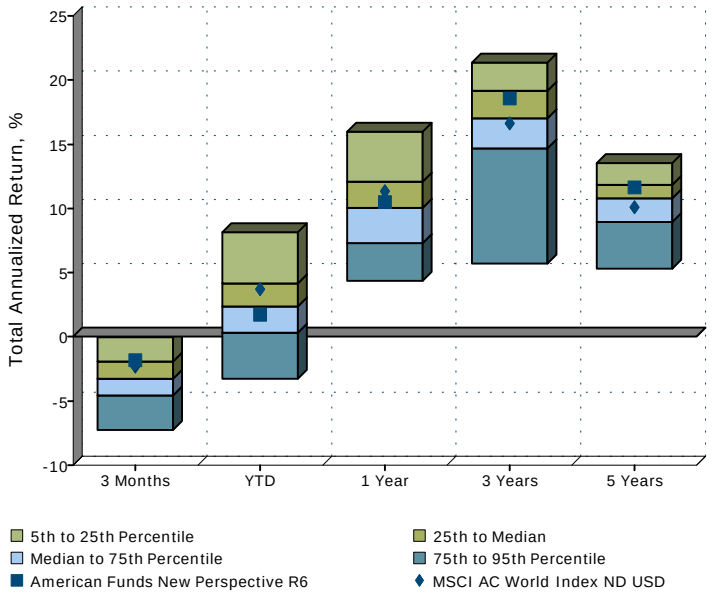

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

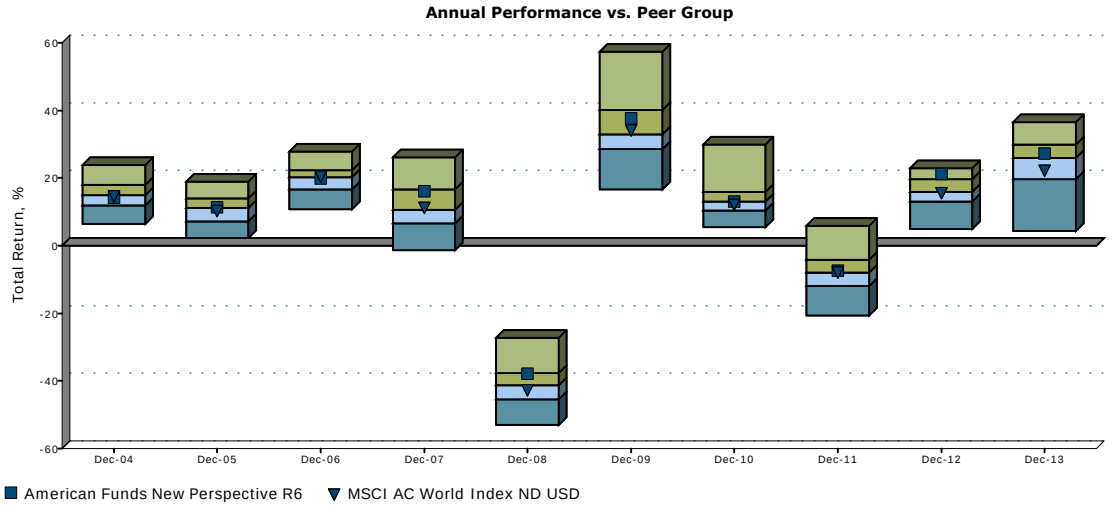
The investment seeks long-term growth of capital; future income is a secondary objective. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around the world. In pursuing its primary investment objective, it invests primarily in common stocks that the investment adviser believes have the potential for growth. In pursuing its secondary objective, the fund invests in common stocks of companies with the potential to pay dividends in the future.

**Performance vs. Peer Group**

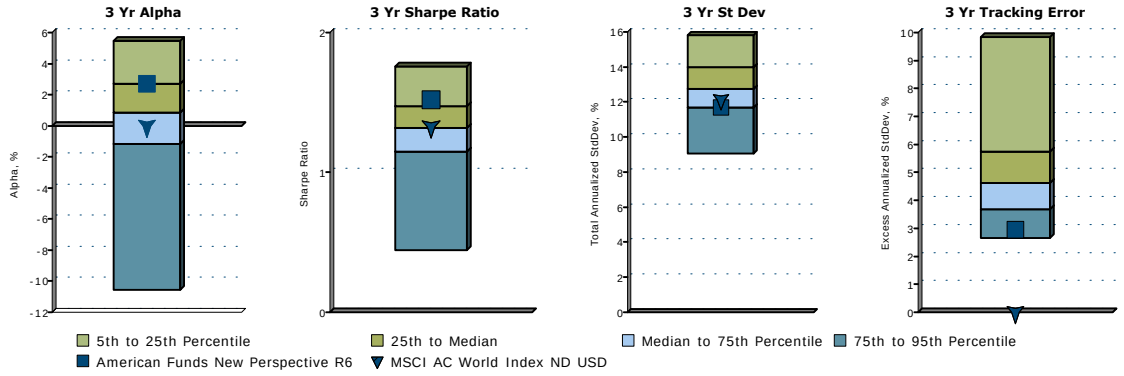



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| American Funds New Perspective R6 | -1.80 | 1.70 | 10.49 | 18.59 | 11.63 |
| MSCI AC World Index ND USD | -2.30 | 3.73 | 11.32 | 16.61 | 10.07 |
| Universe(5%) | -0.01 | 8.13 | 15.99 | 21.34 | 13.52 |
| Universe(25%) | -1.92 | 4.16 | 12.07 | 19.16 | 11.86 |
| Universe(Median) | -3.29 | 2.35 | 10.05 | 17.02 | 10.78 |
| Universe(75%) | -4.55 | 0.33 | 7.29 | 14.66 | 8.95 |
| Universe(95%) | -7.24 | -3.29 | 4.36 | 5.73 | 5.32 |

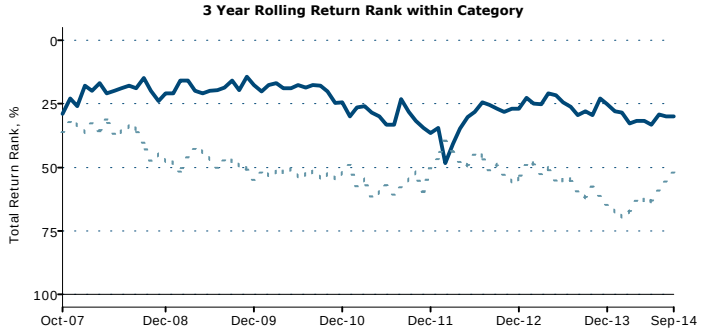
# American Funds New Perspective R6

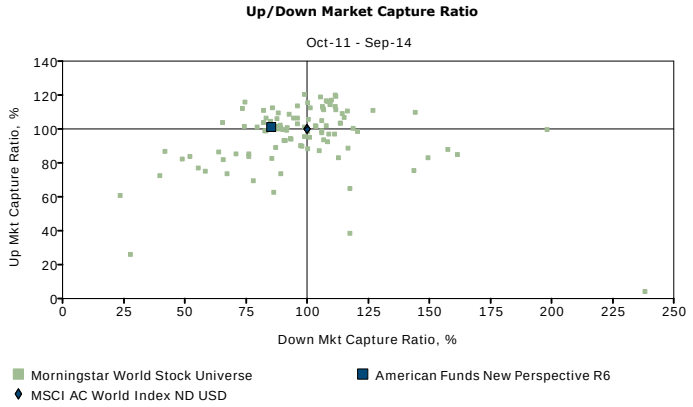


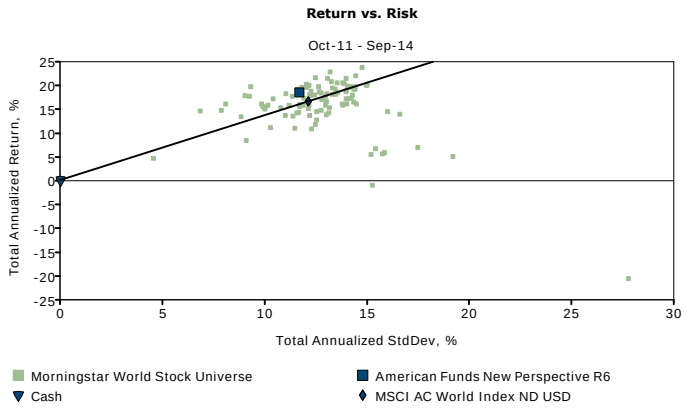

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| American Funds New Perspective R6 | 14.27 | 11.28 | 19.87 | 16.03 | -37.83 | 37.72 | 13.11 | -7.33 | 21.19 | 27.23 |
| MSCI AC World Index ND USD | 15.23 | 10.84 | 20.95 | 11.66 | -42.20 | 34.63 | 12.67 | -7.35 | 16.13 | 22.80 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| American Funds New Perspective R6 | 2.71 | 0.93 | 94.08 | 1.52 | 11.69 | 2.96 |
| MSCI AC World Index ND USD | 0.00 | 1.00 | 100.00 | 1.33 | 12.14 | 0.00 |
| Universe(5%) | 5.45 | 1.17 | 95.40 | 1.76 | 15.83 | 9.83 |
| Universe(25%) | 2.72 | 1.07 | 92.70 | 1.47 | 14.00 | 5.74 |
| Universe(Median) | 0.83 | 0.98 | 88.27 | 1.32 | 12.75 | 4.63 |
| Universe(75%) | -1.15 | 0.90 | 81.08 | 1.15 | 11.69 | 3.68 |
| Universe(95%) | -10.56 | 0.62 | 55.81 | 0.44 | 9.05 | 2.65 |



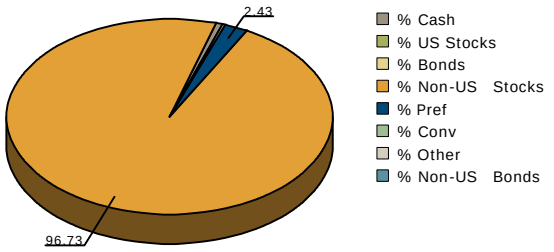



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard Emerging Mkts Stock Idx I




| Portfolio Region | |
|---|---|
| % United States | 0.15 |
| % Canada | 0.00 |
| % Latin America | 21.22 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.11 |
| % Europe - ex Euro | 0.03 |
| % Europe - Emerging | 9.09 |
| % Africa | 9.69 |
| % Middle East | 0.89 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 15.49 |
| % Asia - Emerging | 43.32 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.50 |
| % US Stocks | 0.15 |
| % Bonds | 0.00 |
| % Non-US Stocks | 96.73 |
| % Pref | 2.43 |
| % Conv | 0.00 |
| % Other | 0.19 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 9.46 |
| % Communication Services | 8.80 |
| % Consumer Cyclical | 7.30 |
| % Consumer Defensive | 8.41 |
| % Healthcare | 2.14 |
| % Industrials | 5.01 |
| % Real Estate | 2.71 |
| % Technology | 14.76 |
| % Energy | 10.57 |
| % Financial Services | 26.92 |
| % Utilities | 3.93 |

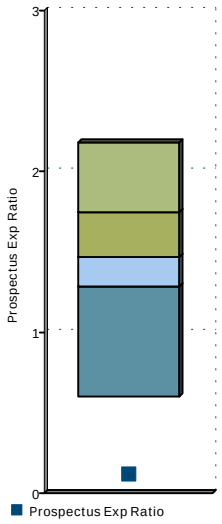
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Tencent Holdings Ltd. | 2.02% |
| China Mobile Ltd | 1.76% |
| Taiwan Semiconductor Manufacturing Co Ltd | 1.51% |
| China Construction Bank Corp H Shares | 1.45% |
| Naspers Ltd Class N | 1.35% |
| Industrial And Commercial Bank Of China Ltd H Shares | 1.29% |
| Taiwan Semiconductor Manufacturing Co Ltd ADR | 1.19% |
| Hon Hai Precision Ind Co Ltd | 1.17% |
| Mtn Group Ltd | 1.10% |
| America Movil SAB de CV Class L | 1.01% |

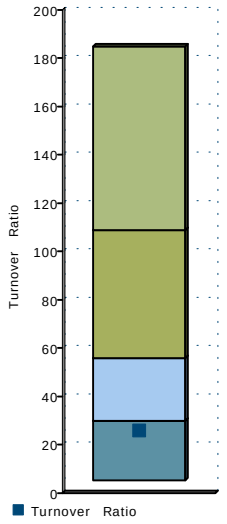
| Portfolio Information | |
|---|---|
| Ticker | VEMIX |
| Morningstar Category | Diversified Emerging Mkts |
| Avg Mkt Cap $MM | 20189.54 |
| Cat Med Mkt Cap $MM | 20391.64 |
| Net Assets $MM | 64205.78 |
| Turnover Ratio | 26.00 |
| % Assets in Top 10 Holdings | 13.86 |
| Total Number of Holdings | 957.00 |
| Manager Name | Michael Perre |
| Manager Tenure | 6.09 |
| Fund Incept Date | 05/04/1994 |
| Prospectus Exp Ratio | 0.12 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 49 |
| 5 Year Mstar Rating | ★★★ |
| % Rank Cat 5 Yr | 45 |
| 10 Year Mstar Rating | ★★★ |
| % Rank Cat 10 Yr | 26 |

**Expense Ratio vs. Peer Group**



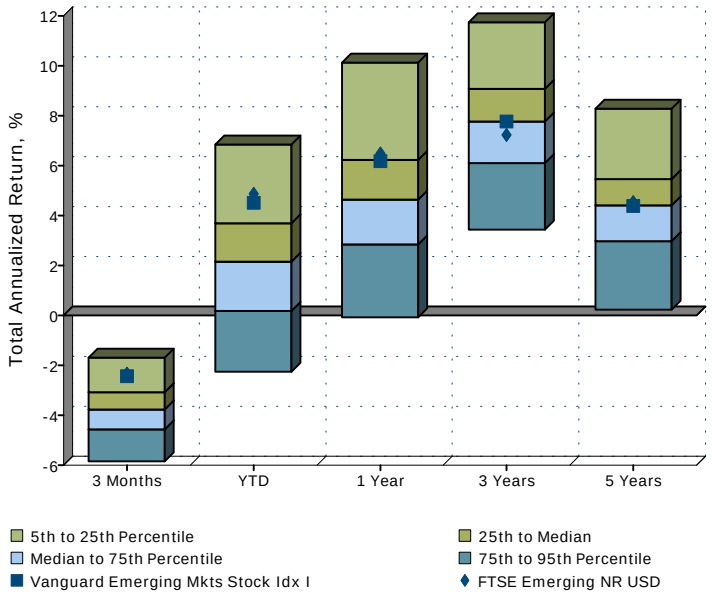

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

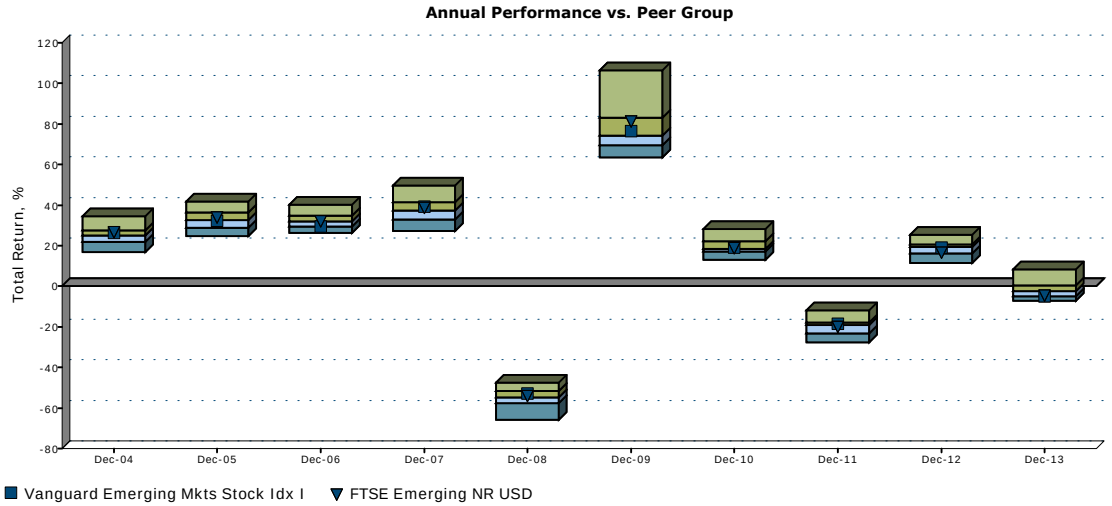
The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in emerging market countries. The fund employs an indexing investment approach by investing substantially all (approximately 95%) of its assets in the common stocks included in the FTSE Emerging Index, while employing a form of sampling intended to reduce risk. The FTSE Emerging Index includes approximately 851 common stocks of companies located in emerging markets around the world.

**Performance vs. Peer Group**

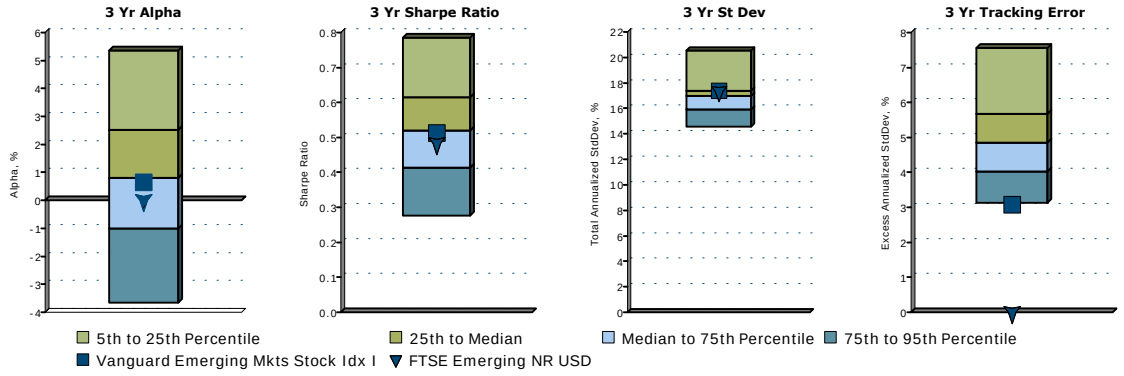



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | -2.43 | 4.51 | 6.19 | 7.77 | 4.38 |
| FTSE Emerging NR USD | -2.34 | 4.87 | 6.50 | 7.23 | 4.55 |
| Universe(5%) | -1.71 | 6.85 | 10.13 | 11.75 | 8.27 |
| Universe(25%) | -3.08 | 3.68 | 6.22 | 9.09 | 5.45 |
| Universe(Median) | -3.77 | 2.14 | 4.65 | 7.76 | 4.41 |
| Universe(75%) | -4.55 | 0.17 | 2.86 | 6.11 | 2.96 |
| Universe(95%) | -5.84 | -2.26 | -0.09 | 3.44 | 0.23 |

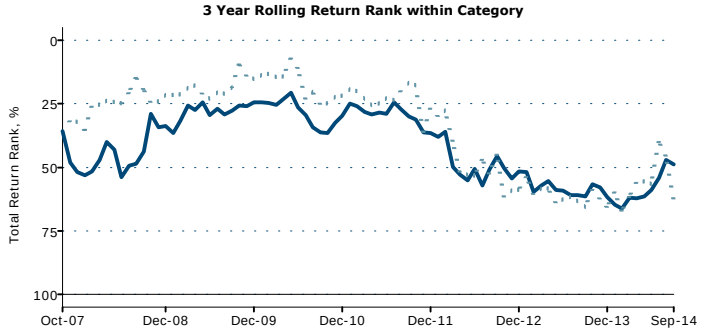
# Vanguard Emerging Mkts Stock Idx I

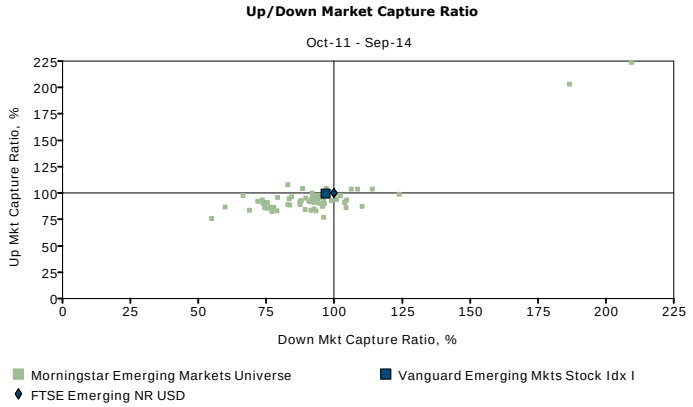


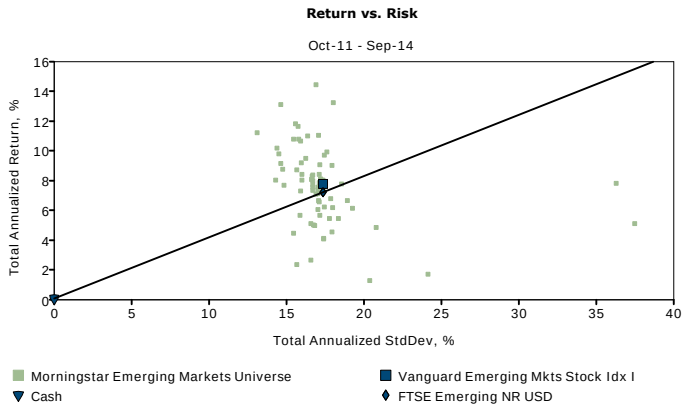

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | 26.24 | 32.35 | 29.57 | 39.15 | -52.74 | 76.35 | 19.06 | -18.63 | 18.90 | -4.99 |
| FTSE Emerging NR USD | 27.58 | 34.70 | 32.84 | 39.41 | -53.03 | 82.15 | 19.60 | -19.15 | 17.58 | -3.79 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | 0.63 | 0.98 | 96.87 | 0.51 | 17.36 | 3.08 |
| FTSE Emerging NR USD | 0.00 | 1.00 | 100.00 | 0.48 | 17.35 | 0.00 |
| Universe(5%) | 5.36 | 1.12 | 96.78 | 0.79 | 20.56 | 7.56 |
| Universe(25%) | 2.52 | 0.98 | 94.91 | 0.62 | 17.40 | 5.68 |
| Universe(Median) | 0.81 | 0.95 | 92.54 | 0.52 | 16.96 | 4.85 |
| Universe(75%) | -1.01 | 0.87 | 90.23 | 0.41 | 15.94 | 4.04 |
| Universe(95%) | -3.65 | 0.78 | 84.30 | 0.28 | 14.57 | 3.12 |



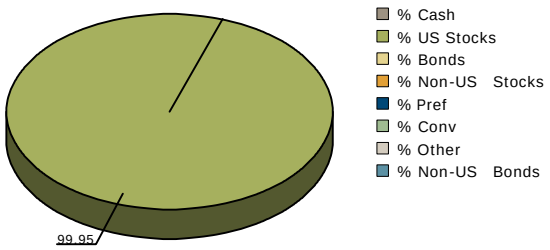



# Milliman | Quarterly Investment Monitor

**Data as of 09/30/2014**

## Vanguard REIT Index I




| Portfolio Region | |
|---|---|
| % United States | 100.00 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.00 |
| % Europe - ex Euro | 0.00 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.05 |
| % US Stocks | 99.95 |
| % Bonds | 0.00 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 0.00 |
| % Communication Services | 0.00 |
| % Consumer Cyclical | 0.00 |
| % Consumer Defensive | 0.00 |
| % Healthcare | 0.00 |
| % Industrials | 0.00 |
| % Real Estate | 100.00 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 0.00 |
| % Utilities | 0.00 |

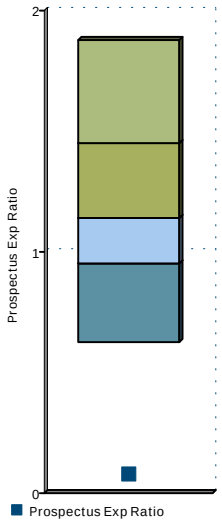
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Simon Property Group Inc | 8.43% |
| Public Storage | 4.10% |
| Equity Residential | 3.64% |
| Health Care REIT, Inc. | 3.31% |
| Prologis Inc | 3.26% |
| AvalonBay Communities Inc | 3.19% |
| HCP Inc | 3.17% |
| Ventas Inc | 3.09% |
| Boston Properties Inc | 2.96% |
| Vornado Realty Trust | 2.85% |

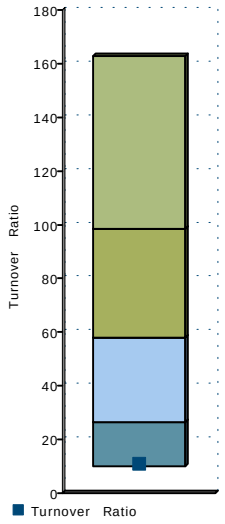
| Portfolio Information | |
|---|---|
| Ticker | VGSNX |
| Morningstar Category | Real Estate |
| Avg Mkt Cap $MM | 9007.48 |
| Cat Med Mkt Cap $MM | 11724.89 |
| Net Assets $MM | 43099.65 |
| Turnover Ratio | 11.00 |
| % Assets in Top 10 Holdings | 38.00 |
| Total Number of Holdings | 139.00 |
| Manager Name | Gerard C. O'Reilly |
| Manager Tenure | 18.39 |
| Fund Incept Date | 05/13/1996 |
| Prospectus Exp Ratio | 0.08 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 19 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 12 |
| 10 Year Mstar Rating | ★★★ |
| % Rank Cat 10 Yr | 28 |

**Expense Ratio vs. Peer Group**



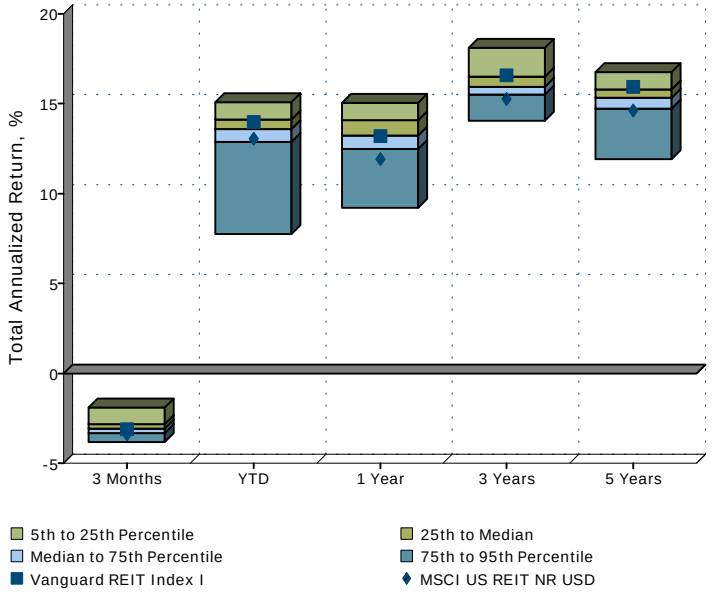

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

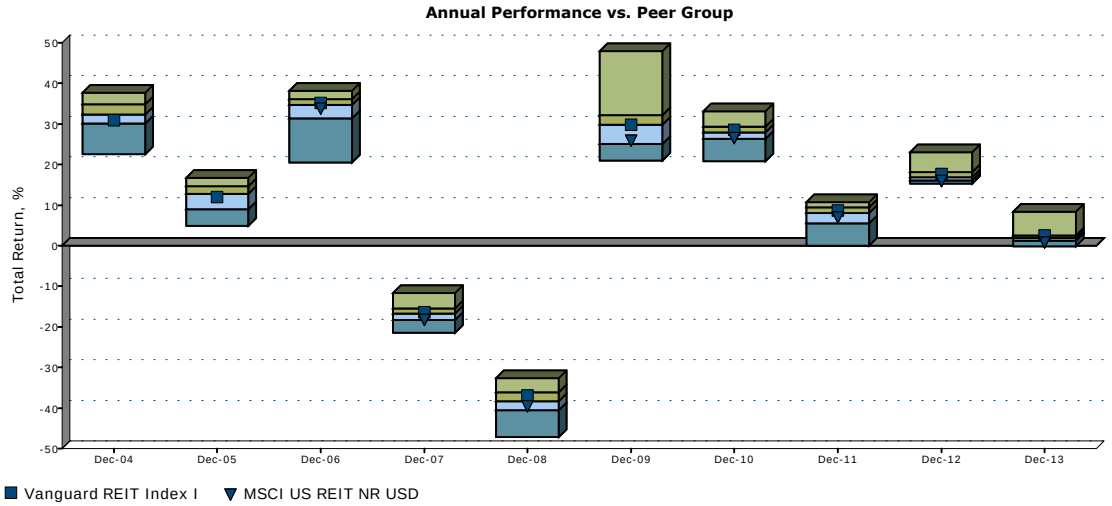
The investment seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs. The fund employs an indexing investment approach designed to track the performance of the MSCI U.S. REIT Index. The index is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). The fund attempts to replicate the index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance vs. Peer Group**

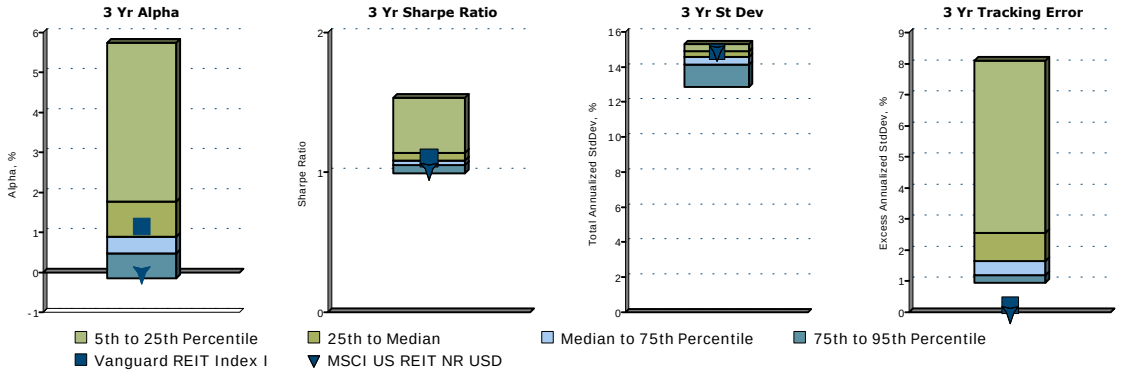



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard REIT Index I | -3.12 | 13.99 | 13.21 | 16.57 | 15.94 |
| MSCI US REIT NR USD | -3.38 | 13.04 | 11.90 | 15.28 | 14.62 |
| Universe(5%) | -1.89 | 15.08 | 15.04 | 18.11 | 16.75 |
| Universe(25%) | -2.82 | 14.12 | 14.10 | 16.52 | 15.81 |
| Universe(Median) | -3.07 | 13.59 | 13.25 | 15.95 | 15.35 |
| Universe(75%) | -3.34 | 12.89 | 12.50 | 15.50 | 14.74 |
| Universe(95%) | -3.83 | 7.75 | 9.21 | 14.06 | 11.91 |

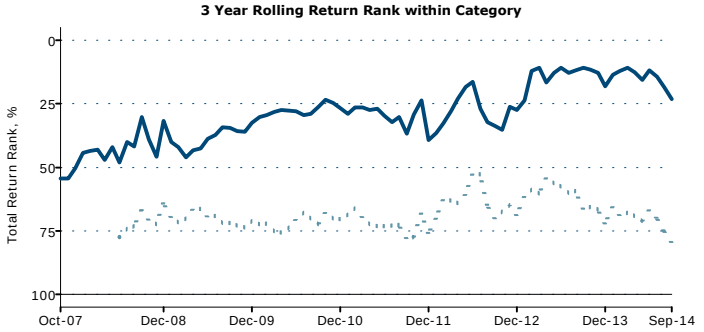
# Vanguard REIT Index I

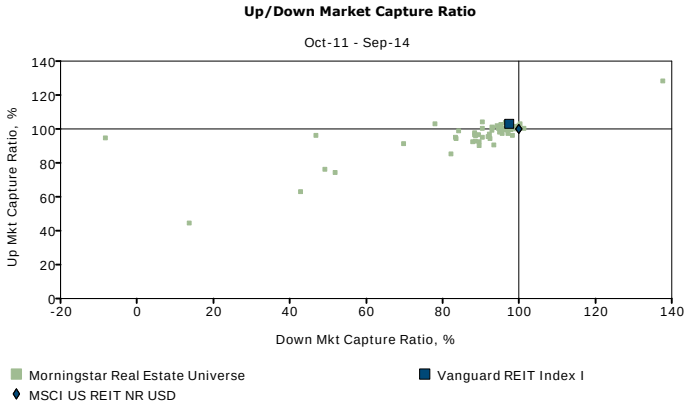


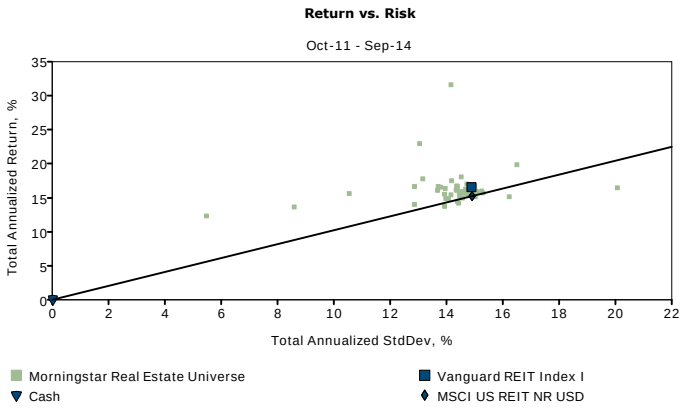

| Annual Return % | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard REIT Index I | 30.93 | 12.05 | 35.15 | -16.38 | -36.95 | 29.76 | 28.56 | 8.70 | 17.65 | 2.48 |
| MSCI US REIT NR USD | NA | NA | 34.18 | -17.84 | -39.05 | 26.27 | 26.97 | 7.48 | 16.47 | 1.26 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard REIT Index I | 1.15 | 1.00 | 99.98 | 1.10 | 14.88 | 0.22 |
| MSCI US REIT NR USD | 0.00 | 1.00 | 100.00 | 1.03 | 14.90 | 0.00 |
| Universe(5%) | 5.75 | 1.02 | 99.69 | 1.54 | 15.30 | 8.09 |
| Universe(25%) | 1.77 | 1.00 | 99.38 | 1.14 | 14.89 | 2.55 |
| Universe(Median) | 0.90 | 0.97 | 98.87 | 1.08 | 14.57 | 1.66 |
| Universe(75%) | 0.47 | 0.93 | 97.34 | 1.05 | 14.15 | 1.20 |
| Universe(95%) | -0.16 | 0.64 | 75.38 | 0.99 | 12.85 | 0.94 |



# Glossary

**Alpha (3 Yr)**

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio has underperformed, given the expectations established by beta.

**Average Effective Duration**

A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration. Morningstar prints an average effective duration statistic that incorporates call, put, and prepayment possibilities.

**Average Effective Maturity**

Average effective maturity is a weighted average of all the effective maturities of the bonds in a portfolio. Effective maturity takes into consideration mortgage prepayments, puts, calls, adjustable coupons, and other features of individual bonds and is thus a more accurate measure of interest-rate sensitivity. Longer-maturity funds are generally considered more interest-rate sensitive than their shorter counterparts.

**Beta**

A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

**The Morningstar Rating**

Commonly called the Star Rating, is a measure of a fund's risk-adjusted return, relative to funds in its category. Funds are rated from one to five stars, with the best performers receiving five stars and the worst performers receiving a single star.

Risk-adjusted return is calculated by subtracting a risk penalty from each fund total return, after accounting for all loads, sales charges, and redemption fees. The risk penalty is determined by the amount of variation in the fund's monthly return, with emphasis on downward variation. The greater the variation, the larger the penalty. Funds are ranked within their categories and stars are assigned as follows: Top 10% five stars; Next 22.5% four stars; Middle 35% three stars; Next 22.5% two stars; Bottom 10% one star.

**Audited Expense Ratio**

The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV . Sales charges are not included in the expense ratio.

**Geometric Average Market Capitalization**

Morningstar defines the overall "size" of a stock fund's portfolio as the geometric mean of the market capitalization for all of the stocks it owns. It's calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.
This number is different from the fund's median market cap--the capitalization of the median stock in its portfolio. The geometric mean better identifies the portfolio's "center of gravity." That is, it provides more accurate insight into how market trends (as defined by capitalization) might affect the portfolio.

**Net Assets**

The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

**% Assets in Top 10 Holdings**

The aggregate assets, expressed as a percentage, of the fund's top 10 portfolio holdings. This figure is meant to be a measure of portfolio risk. Specifically, the higher the percentage, the more concentrated the fund is in a few companies or issues, and the more the fund is susceptible to the market fluctuations in these few holdings. The figure is calculated from the most recent available fund holdings.

**Price/Book Ratio TTM**

The weighted average of the price/book ratios of all the stocks in a 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. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

**Price/Earnings Ratio TTM**

The weighted average of the price/earnings ratios of the stocks in a 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, so that larger positions have proportionately greater influence on the fund's final P/E.

**R-Squared**

Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

**Sharpe Ratio**

The Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance. It can be used to compare two portfolios directly on how much excess return each portfolio achieved for a certain level of risk.

**Standard Deviation**

Standard deviation is the statistical measurement of dispersion about an average, which depicts how widely a stock or portfolio's returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that is most likely for a given investment. When a stock or portfolio has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

**Total Number of Holdings**

The total number of different holdings of a fund. This figure is meant to be a measure of portfolio risk. Specifically, the lower the figure, the more concentrated the fund is in a few companies or issues, and the more the fund is susceptible to the market fluctuations in these few holdings. This figure also provides a context for the importance of % assets in top 10 holdings. The figure is calculated from the most recent available fund holdings. It does not include a fund's short positions.

**Total Return**

Expressed in percentage terms, Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting NAV. Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly.

**Turnover Ratio**

This is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year.

**12-Month Yield**

Also known as a distribution yield, Morningstar computes this figure by summing the trailing 12-month's income distributions and dividing the sum by the last month's ending NAV, plus any capital gains distributed over the same period. Income refers only to interest payments from fixed-income securities and dividend payoffs from common stocks.

## Disclaimer

This Milliman work product was prepared solely for the internal business use of City of Dover, Delaware General Employee Pension Plan. Milliman's work may not be provided to third parties without Milliman's prior written consent. The analysis in this report was prepared utilizing data from third parties and other sources including but not limited to internal computer software and databases. Reasonable care has been taken to assure the accuracy of the data contained herein, and comments are objectively stated and are based on facts gathered in good faith. These reports do not constitute investment advice with respect to the sale or disposition of individual securities. Unless explicitly stated in your Service Agreement, there should be no reliance on Milliman services to provide analysis or reporting on a daily basis, the changes to manager rankings, ratings or opinions thereon and are not intended to monitor investment manager compliance with individual security selection criteria, limits on security selection, and/or prohibitions to the holding of certain securities or security types. The One Year, Three Year, Five Year, and Ten Year rates of return are time-weighted annual rates. The One Month, Three Month, and Year to Date rates of return are rates for the period indicated. All returns include fund internal expenses, except sales charges, if any. The rates of return shown are for the mutual funds in which the retirement program participates, not for the plan specifically. Returns credited to individual accounts will vary due to the timing of contributions, transfers, and withdrawals. Past performance is no guarantee of future results. Milliman provides a copy of its SEC Form ADV Part II to clients without charge upon request. Milliman disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report.

Albany
Dallas
San Francisco
Walnut Creek

http://us.milliman.com/solutions/investment

# *Memorandum*

October 14, 2014

To: Clients
From: Milliman Investment Consulting
Subject: **Update on PIMCO Total Return**

## Milliman Recommends Reviewing Alternatives for PIMCO Total Return and PIMCO Low Duration and Related Strategies

The surprising high level change at one of the largest investment management firms in the country demands the attention of our clients, plan fiduciaries and Milliman as your Investment Advisor. Any action (or inaction) requires thoughtful consideration of the facts as they develop. Over the short-term, we think the team in place at PIMCO and the fund liquidity they have constructed will be adequate to produce attractive risk and return. Over the longer term, we think clients would be prudent to consider their options in the intermediate fixed income asset class and each client will need to decide if PIMCO remains a prudent choice.

Milliman will continue to conduct due diligence on PIMCO. In addition to frequent contact with PIMCO via email and phone calls, we will be conducting an additional on-site visit with PIMCO in mid-October.

## Overview

On Friday, September 26, 2014, Bill Gross left the firm he founded, Pacific Investment Management Company, LLC (PIMCO) to run a bond fund at Janus Capital Group. The friction between Bill Gross and former PIMCO employees is well documented. In hindsight, it may seem clear that Bill Gross was the last piece of a dysfunctional, organizational challenge that needed to be addressed. However, the departure of the firm's founder came as quite a shock to us and the investment community.

Later that day, PIMCO CEO Doug Hodge expressed gratitude for the contributions Gross provided to the firm over the years, as expected, but expressed that the firm leadership had fundamental differences regarding the best way for PIMCO to move forward.

## Personnel Changes

In March 2014, Mohamed El-Erian, Chief Executive Officer (CEO) and co-CIO with Gross, suddenly departed PIMCO. The reason given at the time was so he could spend more time with his family, though later it appeared he and Gross were having trouble continuing to work together. Based on

Gross' age and El-Erian's exit, PIMCO leadership announced a succession plan and changes to the organizational structure, creating a Deputy CIO structure. This new structure included six managers in the role of deputy CIO under Gross: Dan Ivascyn, Scott Mather, Mark Kiesel, Mihir Worah, Andrew Balls, and Virginie Maisonnueve. Doug Hodge was named CEO and Jay Jacobs was named President. Paul McCulley also returned to PIMCO as the firm's Chief Economist, an addition we viewed favorably. Now, with Gross' departure, Dan Ivascyn will be Group CIO. The remaining five deputy CIOs were promoted to CIO. These CIOs mange 75% of the firm's assets.

The Portfolio Managers for the Total Return strategy (and related strategies such as Harbor Bond) will be Scott Mather, Mark Kiesel, and Mihir Worah. These three managers have been working together for more than a decade. As Group CIO, Mr. Ivascyn continues to oversee the firm's mortgage, credit, alternatives and income strategies. He was a Morningstar Fixed Income Manager of the Year in 2013 for the PIMCO Income fund. Mark Kiesel was a Morningstar Manager of the year in 2012. The Portfolio Managers for the Low Duration strategy fund will be Scott Mather and Jerome Schneider, head of PIMCO's short-term and funding desk. As we understand it, Gross is not building out the same team or structure at his new home, Janus. This and non-compete agreements (as they are structured in California) make it unlikely we'll see talent migrate to Janus.

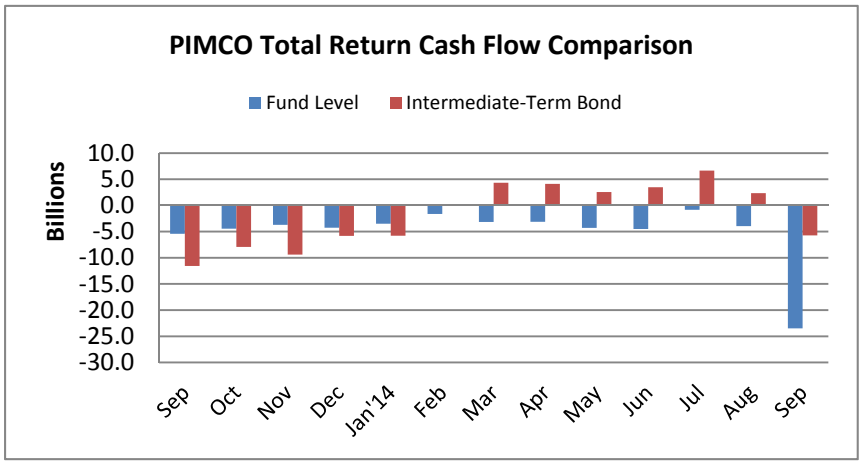
## Organizational Changes

With regard to PIMCO as a firm, this could be viewed as a positive. This new structure removes the uncertainty of what the firm would look like when the 70 year old Gross retired or was no longer a Portfolio Manager. The firm has a well-established process of structuring investment decisions within the context of their secular forums for top-down macro views, and using the sector specialist for the individual security selection. This process will continue with, as PIMCO calls it, "more rigor." In our analysis and through our discussions with PIMCO, it appears Gross' process operated differently than the rest of the firm and in some respects, outside of this formalized and team structure. This may have contributed to employee dissatisfaction and perhaps recent underperformance.

## Current Environment

PIMCO is a leading investment firm with a deep bench of intelligent and successful investment professionals with a long track record of top notch performance at Total Return and many other investment strategies. The teams now in place have the skill and tools to produce an attractive investment return. However they have a number of challenges to face.

**Cash flow**
Including September, the Total Return fund has seen 17 straight months of outflows. Low Duration has also seen steady outflows. Some of this can be explained by investors (broadly across the markets) selling bonds and some of these outflows are likely the result of El-Erian's departure. It's no surprise there was significant cash outflow following Gross' departure. Each day brings new PIMCO clients announcing their intentions. Some have already replaced PIMCO and some say they will do so in the near future. Other large plans have reiterated their commitment to PIMCO and the ongoing team. We are monitoring cash flows as closely as we can (mutual fund data is reported monthly, ETFs are reported daily) and so far, Gross' new fund at Janus has not attracted much of the cash outflow from Total Return.




We believe the PIMCO funds are prepared for this liquidity crunch, at least over the short term. As we mentioned in a prior memo, the funds are made up of thousands of highly liquid investments as well as derivatives that trade in significant volumes. Selling an open-ended mutual fund is not the same as selling an individual security and thus, market impact and cash flows must be viewed in the appropriate light. What is not yet clear is how long these outflows will last and what impact they might have on performance months down the road.

**Personnel**

A smaller asset base will mean lower fee revenue and may impact the firm's resources and the ability to compensate some managers. PIMCO has stated they have retention incentives in place to combat personnel departures. Time will tell if these are meaningful enough. However the team structure put in place at the beginning of the year should now be fully implemented. If Gross was difficult to work with, as some ex-employees and the press have suggested, the new environment should be a positive change. However, Gross' departure could lead to other changes among portfolio management professionals not related to fees and compensation which are hard to anticipate such as those who may find PIMCO less attractive as a firm without Gross.

**Performance**

While the long track record at PIMCO is very attractive, short-term performance has been disappointing. As of the end of last quarter, Total Return was in the 79$^{th}$ percentile of its peer group, lagging the median manager by 76 basis points and the BC Aggregate Bond Index by 77 basis points, net of fees. However, over the last three years, Total Return is in the top 20%, outperforming the median manager by 120 basis points and the BC Aggregate Bond Index by 214 basis points. As of this writing, the relative performance over the very short, 1-week time frame, Total Return is in the top 30%.

## Recommendations

PIMCO is a substantial firm with significant resources and an extremely deep bench of analysts, portfolio managers and other professionals. The new portfolio managers replacing Gross have been very successful and fit well in the team structure. The fund's liquidity is well positioned for the expected negative cash flows over the near term. The firm's strategy of macro views and sector teams' security selection has been working for years and their long-term track record is among the industry's best. However, the expected loss of assets and possibly personnel demand increased scrutiny of PIMCO and an evaluation of potential candidates for our clients' fixed income assets.