OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD AGENDA

NOVEMBER 14, 2013 - 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. Approval of Minutes - OPEB Board Meeting of August 8, 2013

2. Quarterly Performance Review *(Quarter Ending September 30, 2013) (Milliman, Inc.)*
   (Staff Recommends Acceptance of the Report)

3. Adjournment by 9:50 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.

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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.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on August 8, 2013 at 11:00 a.m with Chairwoman Mitchell presiding. Members present were Mr. Hare, Mr. Koenig, and Mrs. Hawkins. Mrs. Williams was absent.

AGENDA ADDITIONS/DELETIONS

Mr. Hare moved for approval of the agenda as presented, seconded by Mrs. Hawkins and unanimously carried.

Adoption of Minutes - OPEB Board Meeting of February 14, 2013

Mr. Hare moved for adoption of the minutes of the OPEB Board meeting of February 14, 2013, seconded by Mr. Koenig and unanimously carried.

Organizational Issues - Election of Chair

Mrs. Mitchell opened the floor for nominations for Chair of the OPEB Board.

Mr. Hare moved to nominate Mrs. Mitchell to serve as Chairwoman, seconded by Mr. Koenig.

By unanimous consent, nominations were closed.

The motion to elect Mrs. Mitchell to serve as Chairwoman of the OPEB Board was unanimously carried.

Quarterly Performance Review *(Quarter Ending June 30, 2013) (Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed Item #1 of the Investment Committee Meeting Notes - 8/8/2013 Memo included with the City of Dover OPEB Quarterly Investment Monitor Summary Report for the Quarter Ending June 30, 2013.

Mr. Marzinsky explained that the international bond and international emerging markets had declined during the quarter; however, U.S equities did well. He noted that, as a result, the plan's performance decreased slightly over the quarter, with a -2.27% net return; however, returns were very close to the plan index and managers were performing as anticipated. The allocation of the plan was in line with the target allocation discussed last year. No major issues or changes were recommended in regard to investment managers. Mr. Marzinsky noted that investment management expenses were lower than last year since more plan funds had been allocated to indexed-based investment managers.

Investment Manager Recommendations

Referring to Item #2 of the Investment Committee Meeting Notes - 8/8/2013 Memo included with the City of Dover OPEB Quarterly Investment Monitor Summary Report for the Quarter Ending June 30, 2013, Mr. Marzinsky reviewed the Optimization Input Review. He noted that Milliman, Inc. had adjusted expectations for the Expected Annual Return for the OPEB Fund and recommended that the plan's allocation be adjusted due to the volatility of long-term bonds and emerging markets, as well as the potential for rising interest rates.

Referring to the Portfolio Options chart, Mr. Marzinsky reviewed the recommended adjustments to the allocation of plan assets as outlined in the Customized Alternative Portfolio column, which reflected the 40% funded status indicated in Amendment II to the Investment Policy for the City of Dover OPEB Board. He suggested that long-term bond and emerging market investments be reduced. Within the fixed income asset category, some of the long-term bonds would be reallocated into shorter-term and inflation-protected bonds. In addition, he recommended introducing high-yield bonds as another asset category, noting that as interest rates rise, high-yield, shorter duration bonds may not be impacted as much as longer duration bonds and would not have as much volatility. He suggested staying within the overall 60% equity and 40% fixed income allocation and reallocating some of the fixed income and equity investments within those categories. The Customized Alternative Portfolio was suggested as a means of staying in line with the expected return of approximately 6.6% and volatility of approximately 12%.

Mr. Hare questioned if President Obama's proposed elimination of Fannie Mae mortgages would affect the plan's assets. Mr. Marzinsky stated that the OPEB Fund did not have many mortgage-based securities, which are potentially volatile, and instead favored corporate and treasury bonds.

Referring to Item # 3 of the Investment Committee Meeting Notes - 8/8/2013 Memo, Mr. Marzinsky stated that if the high-yield asset category were added to the portfolio, a manager must be selected for the plan. He explained that fund managers who focus on bonds with a B average credit quality with an average maturity of three (3) years, most of which were invested in corporate bonds, were researched. Of the four (4) plans reviewed, the Ivy High Income I plan had the best return and rank, as well as a lower level of risk, and was recommended as the manager.

In response to Mr. Koenig regarding legal changes that might prevent the actuary from using 7% as an assumed return on investments in the future, Mrs. Mitchell stated that standards established by the Government Accounting Standards Board (GASB) for pension had changed; however, they had not yet changed for OPEB, although this was expected.

In response to Mrs. Hawkins regarding the OPEB Fund's rate of return, Mrs. Mitchell stated that the City was assuming a return of 7.5%. She indicated that the actuary, Mr. Scott Porter, Milliman, Inc., would likely recommend changes when the next actuarial study was completed.

Responding to Mr. Koenig, Mr. Marzinsky stated that the column labeled "BMV" in the Quarterly Return Summary reflected the "Beginning Market Value" and indicated the actual dollars in the plan. He explained that Milliman, Inc.'s actuarial team determines the valuation of the plan using the interest rate assumptions and develops an amortization schedule for periodic contributions to the plan.

In response to Mr. Hare regarding the value of the plan in August 2012, Mr. Marzinsky expressed his belief that returns were positive through 2012 and that some contributions were made near the end of that year; therefore, it was his understanding that the value of the plan had increased since 2012, although he did not have this information available. He explained that the Investment Option Return Summary on Page 12 of the Quarterly Investment Monitor showed that the plan's return as

of June 30, 2012 was 7.15% gross and 6.77% net, which was very close to the target return of 7.0%. Mr. Marzinsky stated that the plan's return was not guaranteed due to volatility in the market in regard to interest rates and stocks; however, Milliman was attempting to target a return of approximately 6.5% to 7% in order to come close to the funded status valuation interest rate.

Mrs. Mitchell noted that the Investment Option Return Summary provided targets for each of the individual funds; therefore, it could be seen which funds were missing the targets and which were attaining them.

Mr. Marzinsky stated that The Investment Policy Review - Active Management on Page 10 highlighted areas where plans were performing below expectations; however, he indicated that there were no major issues and that underperformance with active managers was expected from time to time.

Referring to the Quarterly Return Summary in the Investment Committee Meeting Notes - 8/8/2013 Memo, Mr. Koenig questioned if the fees listed in the amount of $1,250 included cumulative fees. Responding, Mr. Marzinsky stated that these were quarterly custodial and trustee fees imposed by Wells Fargo. He noted that these fees were factored into the gross return of the plan and the net return was lower because the weighted average of the expense of the investment managers was taken from the gross return. Responding to Mrs. Hawkins, Mr. Marzinsky stated that the $1,250 was a quarterly fee.

In response to Mr. Koenig regarding where Milliman's fees were reflected, Mrs. Mitchell stated that she was unsure if Milliman's fees were reflected in the "Fees" section of the report or if they were charged against the investment expenses.

Mr. Marzinsky stated that Milliman reviews the Wells Fargo statements each quarter and had not seen deductions from the OPEB Trust for Milliman's fees.

Mrs. Mitchell stated that the report from Milliman, Inc. reflected amounts in the Trust account, rather than the City's cash account. She explained that there was a balance in the City's cash account that had not been transferred yet and that fees were being charged to that account and were not being picked up by Mr. Marzinsky.

Mr. Marzinsky stated that Milliman's fee was included in the transactions in the gross return.

Mr. Koenig moved to approve the plan asset allocations, as recommended by Milliman, Inc., and reflected in Amendment II to the Investment Policy Statement for the City of Dover OPEB Board. The motion was seconded by Mr. Hare and unanimously carried.

By unanimous consent, Amendment II of the Investment Policy Statement for the City of Dover OPEB Board was adopted as submitted.

Mr. Koenig moved to approve the introduction of high-yield bonds into the portfolio and to select Ivy High Income I as the fund manager, seconded by Mr. Hare and unanimously carried.

Mrs. Mitchell recommended that a statement be added to the OPEB Board's Investment Policy to require that the Policy be reviewed with the investment manager at least annually, as is done with the City's Investment Policy and that this review be included as an agenda item for the Board's August meeting. This would prevent the Board from overlooking the need to review the policy regularly or having to make multiple changes in one (1) year.

Mr. Koenig moved to amend the City of Dover OPEB Fund Investment Policy Statement to include a statement that the policy would be adopted by the Board of Trustees. The policy will be reviewed with the Investment Manager at least once every year by the Board of Trustees, which is charged with considering the existing policy and any recommendations to modify the policy. The motion was seconded by Mr. Hare and carried unanimously. *[City Clerk's Office Note: Subsequent to the meeting, the City of Dover OPEB Fund Investment Policy Statement was revised to include this statement as well as Amendment II (**Attachment #1**).]*

Scheduling of Future Meeting Dates

Mr. Koenig moved to tentatively schedule meetings for the OPEB Board on November 14, 2013; February 13, 2014; May 8, 2014; and August 14, 2014 at 9:00 a.m. The motion was seconded by Mr. Hare and unanimously carried.

Mr. Marzinsky stated a possible conflict on May 8, 2014 and that he could attend through conference call or video conferencing. He noted that he had web presentation technologies available that the City may be able to access.

Mrs. Hawkins moved for adjournment, seconded by Mr. Koenig and unanimously carried.

Meeting adjourned at 11:29 a.m.

Donna S. Mitchell
Chairwoman

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Attachment
Attachment #1 - City of Dover OPEB Fund Investment Policy Statement, as amended

The City of Dover OPEB Fund

Investment Policy Statement

August 8, 2013

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INTRODUCTION

Purpose of the Statement

Based upon, and in keeping with requirements governing the conduct of employees and fiduciaries serving as members of the Board of Trustees of the City of Dover OPEB Fund ("Board"), this Investment Policy Statement ("Statement") presents objectives, policies, guidelines, monitoring and review procedures relating to all assets of the City of Dover OPEB Fund (collectively, the "Plan"). The Plan's investment program shall be operated in conformance with federal, state, and all other legal requirements.

The Statement's purpose is to:

1) Present appropriate goals and objectives relating to the assets of the Plan available for investment ("Fund").

2) Recognize and/or specify liquidity and diversification requirements and identify any legal constraints affecting investment management of the Fund.

3) Promulgate guidelines, consistent with any Board-selected investment time horizon(s), Investment Manager classifications, and/or Investment Manager styles to which any Board-appointed Investment Manager(s) (an "Investment Manager") shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the portion of the Fund managed by that Investment Manager ("Account").

4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating any Investment Manager(s) and/or Board-appointed Fund custodian's ("Custodian") investment performance and/or safekeeping of assets and Fund expenses in accordance with investment policies, goals, objectives, guidelines, and/or constraints.

5) Foster understanding and effective communication between the Board and Staff, and any persons appointed, employed, designated or in any way called upon by the Board or Staff to serve the Fund and the Plan's participants and/or beneficiaries.

Plan Description

The City of Dover OPEB Plan is a post retirement employee benefit program established for the purpose of funding retiree health care and life insurance as provided for in Article VI of Chapter 2 of the City Ordinances. The OPEB fund shall constitute a trust fund that shall be separate and distinct from all other funds, including the pension funds established by Article IV of Chapter 2 (General Employee Pension Plan) and Article III of Chapter 62 (Police Pension Plan) of the City Ordinances (*City Code)*.

Portfolio Management Precepts

The Board endorses contemporary investment practices, based upon the construction of well- diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns.

Standard of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan's varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and socio-political events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the full Board and Board counsel, any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Plan.

3. *Delegation of Authority*

Authority to manage the Accounts comprising the Fund is granted to the Investment Manager(s). Responsibility for the operation of the investment program is hereby delegated to the Investment Manager(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures

established by the Investment Manager(s). The Investment Manager(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Responsibilities of the Board and Staff

The Board is charged with overall responsibility for investment of Fund assets. To assist the Board in this function, the Board is authorized and permitted to appoint Investment Manager(s), to manage (including the power to acquire and dispose of) the Fund. Any appointed Investment Manager(s) must agree to act in accordance with all applicable state and federal laws.

The Board must also develop policies and guidelines regarding Fund investments. Policies and guidelines are inclusive of, but not restricted to:

1) Establishment of Investment Objectives, Investment Policy, Investment Guidelines, and Review procedures, as set forth herein.

2) Establishment of standards for measuring, monitoring, evaluating and comparing investment performance of the Fund to assure that investment returns are reviewed on a regular basis.

3) Establishment of authorization, reporting, control, review and general governance procedures to assure that Fund 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 appropriate Board signatories, and delivered forthwith to any Investment Manager(s) and/or Custodian(s) affected by such changes.

4) Establishment of, through contractual relationships with professional organizations, or by alternative means satisfactory to the Board, an OPEB Fund management structure which will assure appropriate investment management, custody, and compliance procedures to seek to meet objectives in conformity with the Board's stated investment policies and guidelines.

5) The City of Dover OPEB Fund investment policy will be adopted by the Board of Trustees. The policy will be reviewed with the Investment Manager at least once every year by the Board of Trustees, which is charged with considering the existing policy and any recommendations to modify the policy.

6) Establishment of standards for review of fees of the Investment Managers and Custodians.

7) The Board shall examine this Statement from time to time and make appropriate revisions.

8) The Board may consult with legal counsel as necessary.

RESPONSIBILITIES OF ANY INVESTMENT MANAGER(s)

The management of any Account consisting of Fund assets and the responsibilities for investment decisions for that Account are delegated to the Investment Manager(s) appointed by the Board to manage that Account. An Investment Manager(s) shall exercise complete discretion with respect to the Account (or Accounts) within the limits established by this Statement. Accordingly, the Investment Manager shall comply with all applicable laws as they now apply, or as they may apply in the future.

Applicable terms, conditions, limitations and restrictions notwithstanding, any Investment Manager(s) serving the Fund shall discharge any duties relating to the Fund solely in the interest of Plan participants and beneficiaries, shall demonstrate appropriate knowledge of the Fund's purpose and contemporary operations, and shall diversify the investments of all Accounts so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment course of action, and/or any securities transaction, an Investment Manager managing an Account shall consider all relevant factual and circumstantial information and the impact of such information upon a particular investment, strategy, or program, and upon the Account.
Further, respecting investment strategies, and/or courses of action for the Fund, any Investment Manager shall also consider:

1) Potential losses and gains; and
2) The composition of the Account with regard to:

    a) Diversification;
    b) Liquidity and current return relative to the Plan’s cash flow requirements; and
    c) Projected total return relative to the Plan’s funding objectives.

Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan’s varied and dynamic obligations to its participants and beneficiaries.

Actuarial, economic, and investment, events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

All investment performance data submitted to the Board or to any designee thereof directly or indirectly by or on behalf of any Investment Manager(s) shall, as applicable, be submitted in conformity with the Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the CFA Institute.

The delegation of discretion for the management of the Fund and responsibilities for investment decisions shall be limited by the provisions of this Statement. When appointing Investment Manager(s), the Board shall require the Investment Manager(s) to

covenant that it shall adhere to Delaware Fiduciary Standards, as well as any other Delaware and Federal laws as now apply or may apply in the future.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any Investment Manager(s) must meet standards set by the Board from time to time.

If, at any time, an Investment Manager(s) believes that this Statement inhibits its investment performance, it is the Investment Manager's responsibility to communicate this view to the Board and the Investment Consultant. In addition, the Investment Manager will promptly notify the Board and Investment Consultant, in writing, regarding all material or significant changes, including but not limited to:

1) Material changes in investment strategy, portfolio structure, tactical approaches, and market value of managed assets;

2) Material changes in ownership, organizational structure, financial condition, and/or professional staff of the Investment Manager; and

3) All material legal, SEC, and other regulatory proceedings affecting the Investment Manager or its affiliates.

RESPONSIBILITIES OF THE FUND CUSTODIAN(S)

Any Custodian(s) appointed by the Board shall be responsible for safekeeping of the Fund, including all security transaction settlements and deliveries, and for comprehensive recordkeeping and reporting, which shall include any custom recordkeeping, record retention, or reporting reasonably required by the Board or its representatives. Ready access to information by the Board and Staff shall be a prime requisite of recordkeeping and reporting services. Transaction records shall be maintained on a trade date basis. Asset pricing should be daily and reported not less often than monthly. Custodians and Investment Managers should use nationally accepted asset pricing services.

Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting shall be the primary benchmarks for evaluation of Custodian performance.

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). All Fund assets shall be held in the name of the Plan or held for the express benefit of the Plan and segregated on the books and records of Custodian, without rights of set-off or other liens. Board or designated Investment Managers' authority to direct all investment transactions shall be protected.

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

The Board may utilize the services of an investment consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies, or any other service deemed necessary and agreed upon by the Board and

Investment Consultant. The comments and recommendations of the consultant will be considered by the Board in conjunction with other available information for the purpose of making an informed and prudent decision.

INVESTMENT OBJECTIVES

Investment objectives are long-term in nature. Given the Board's assumptions respecting current and projected Plan and capital market conditions, the Fund objectives are:

1) Fund fiduciaries shall discharge their responsibilities and assets shall be invested in a manner consistent with this Statement, and applicable law. Further: (1) all transactions undertaken on behalf of this Fund shall be solely in the interest of the Plan participants and their beneficiaries, and (2) with reference to applicable law, and (3) liquidity and current return consistent with rationally anticipated cash flow requirements of the Plan, shall be governing factors in all investment considerations.

2) Consideration shall be given to providing adequate and timely Fund cash flows to meet anticipated Plan benefit payments, with sufficient reserves to meet unanticipated benefit payments; adequate emphasis, consistent with the foregoing, shall be placed upon current investment return. The Board recognizes that short-term assets for current benefit payments are a substantially greater percentage than those of the pension fund.

3) Consideration shall also be given to, granting conformity with the objectives of 2., above, suitable long-term Fund investment intended to provide capital and income growth. The Board anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle, generally three to five (3-5) years.

4) While professional managers may strive to record positive rates of investment return during all measurement periods, securities markets are unlikely to provide a consistently favorable climate, on a shorter-term basis, for longer-term investments. Therefore, the Board sets forth the following investment objectives for comparative or benchmark measures of Fund investment return, and risk or volatility, delineated as follows:

    a) The Board desires to achieve a positive real (post-inflation) Fund rate of return during any multi-year period and over the life of the Fund. Based upon current and projected Plan and capital market conditions, the Board has set returns meeting or exceeding the Plan's actuarial rate of return assumption at any time, annualized, as the multi-year return target. The Board's target return for the Fund is an annualized 7.5% percent.
    b) Consistent with the target return in a. above, annualized Fund investment performance, for periods of five (5) years, is desired to meet or exceed the Plan's assumed actuarial rate of return and to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant asset-class indices.

c) Consistent with b., above, the Fund's investment return volatility, as measured by the standard deviation of Fund quarterly investment returns, is desired to not exceed the volatility of the Fund policy index during any five (5) year measurement period.

5) Investment performance objectives for the Fund are, as stated initially under *Investment Objectives*, above, long-term in nature. Concern respecting market value or Fund investment return volatility and other measures reflecting investment uncertainty, will be addressed by functional constraints imposed by the Board through asset (class) allocations, investment management processes or "styles" chosen, portfolio diversification requirements, and other investment management guidelines and/or limitations, as more fully set forth herein.

INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives:

ASSET ALLOCATION

Asset class allocation, resulting in so-called asset mix, is intended to afford an appropriate approach toward Fund Investment Objectives while limiting investment risk by providing basic diversification. The percentages of asset classes delineated below provide a framework through which the Fund's investments may be adjusted to meet economic and/or investment market conditions while remaining centered on the allocation target deemed appropriate to the Fund's long-term Investment Objectives.

Asset Class	**Minimum %**	**Target %**	**Maximum %**	**Benchmark**
Domestic Equity	49	54	59	Russell 3000
International Equity	9	14	19	MSCI EAFE (net)
Fixed Income Intermediate	27	32	37	Barclays Govt/Credit

The above target allocation is for the investable assets only. The city will keep a cash reserve in a separate account that will pay benefits for each fiscal year.

In the event an Investment Manager invests in more than one asset class, for example, a balanced manager or global equity manager, the manager's allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager is allocated 10% of the *total fund* and invests 60% of their allocation in international equities, 60% of their allocations will be attributed to international equities and therefore, 6% of the *total fund* allocated to international equities, while the remaining 40% will be attributed to domestic equities and therefore 4% of the *total fund* allocated to domestic equities.

ALLOCATION MONITORING/REBALANCING

The Board or its designee(s) shall review asset allocation quarterly to monitor Fund asset allocation targets. In the event that asset allocations fall moderately outside the ranges in the tables above, the appointed Custodian(s) and Investment Manager(s) may, in the Board's discretion, be notified and instructed by the Board to adjust cash flows to return the Fund to appropriate asset allocation levels. Should an allowable range be breached substantially, the Investment Manager(s) involved may be required by the Board to adjust assets immediately, as determined by the Board in its discretion. The Board may consider a variety of factors in exercising its discretion, including but not limited to:

1) the short-term and long-term goals and needs of the Plan and its participants;

2) the recommendation of each of the Investment Manager(s) involved;

3) current market conditions, including liquidity and price, for selling the securities involved;

4) market forecasts or expectations going forward for short, medium and long-range periods; and

5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.

The Board may set asset allocation ranges for individual Investment Manager(s) different from ranges for the Fund.

Liquidity

Emphasis shall, per Investment Objective, 3, above, page 8, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Board endeavors to meet the Fund's multiple Investment Objectives through asset allocation and constructive Investment Guidelines. Nevertheless, any Investment Manager(s) appointed by the Board shall be responsible for seeking, no less frequently than annually, from the Board or its designee(s) current information respecting Fund cash flow requirements and for assisting in meeting said requirements.

Diversification

Fund investments must be diversified broadly to minimize the risk of substantial loss. The Board recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines which follow include certain specific constraints intended to optimize investment diversification.

Proxy Voting

Matters of political and public interest as well as corporate governance have long been a part of Annual Meetings and proxy activity in the United States. The Board adheres to a policy of proxy voting intended to protect the **long-term value** of the equity securities represented in each vote, provided said vote, when exercised, would be solely in the interest of Plan participants, retirees and beneficiaries. The Board delegates proxy voting authority to any Investment Manager, but if the Board deems it necessary, can take back the authority at any time by notice to the Investment Manager in writing.

INVESTMENT GUIDELINES

Investment Guidelines describe for the guidance of Fund Investment Manager(s) and for the information of the Fund Custodian(s) a range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible. Investment Guidelines for the Fund appear below. Each individual Investment Manager is expected to select equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board. Different guidelines and benchmarks may be assigned to individual Investment Managers by written authority of the Board. Any departure from the Guidelines must be submitted in writing to the Board for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Board at the time any Investment Manager was retained to serve the Plan.

General Guidelines

Subject to the asset allocation ranges set forth as a table within *Investment Policy*, above, or separate asset allocation ranges assigned specifically to any Investment Manager(s) by the

Board, any Investment Manager is expected to undertake discretionary management of any Fund portfolio. Nevertheless, when responsible for any Fund investment portfolio, the Investment Manager(s) shall report immediately to the Board or its designees any shift between or decrease in market value of asset classes during any calendar quarter which equals or exceeds ten (10) percent of the market value of the assets assigned to the Investment Manager(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Investment Manager.

2) Each Investment Manager shall select investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.

3) Investment Manager(s) are expected to purchase readily marketable securities.

4) Any Investment Manager(s) serving as active manager may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those Investment Managers should exceed their assigned benchmarks, post fees, on an annualized basis over periods of three (3) years or more.

5) Any security purchased in conformity with the standards for securities cited in 2. above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Board with background information and an intended future course of action by any Investment Manager(s). The Board may, upon review and at its discretion, approve temporary or indefinite retention or, in the Board's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. The Board may consider a variety of factors in exercising its judgment, including but not limited to:

    a. the short-term and long-term goals and needs of the Plan and its participants;
    b. the recommendation of each of the Investment Manager(s) involved;
    c. current market conditions, including liquidity and price, for selling the securities involved;
    d. market forecasts or expectations going forward for short, medium and long-range periods; and
    e. risks involved in holding the excess investments and the overall risk tolerances of the Plan.

    For any individual Investment Manager(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of securities (5 percent "basket clause").

The Board has determined that the following investments and investment practices are **not suitable** for the Fund and thus are prohibited:

1) Buying or (short) selling securities on margin, and/or the use of any other form of leverage, including the lending of securities, unless approved in writing in advance by the Board.

2) Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a), which are demonstrably marketable and otherwise within guidelines.

3) Investment in commodities or in any type of commodities contracts, forward, or futures trading activities, and all forms of portfolio hedging, excepting the limited use of stock options and/or currency hedges; (See Domestic Equity, International Equity, and Fixed Income Investment Guidelines, below.).

4) Investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax-exempt, derivative or synthetic securities, such as collateralized debt obligation (CDOs), credit default swaps (CDS), interest rate swaps and any total return swaps. Certain exceptions are delineated below (see Domestic Fixed Income Investment Guidelines, page 15-16.)

MUTUAL AND OTHER COMMINGLED FUNDS

The Fund (and any Account) may include, in whole or in part, an investment in a mutual fund or other commingled fund. The Board recognizes that there may be deviations between the objectives, intent or specific requirement of this Statement and the stated objectives, intent or content of any mutual fund or other commingled fund. However, every effort shall be made, to the extent practicable, prudent and appropriate, to select mutual or other commingled funds that have investment objectives and policies that are consistent with this Statement.

DOMESTIC EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the domestic equity limit of fifty nine (59) percent of Fund market value is not exceeded; as necessary, the Custodian(s) may, in

the Board's discretion, be instructed to redirect cash flows to the Investment Manager(s), or to accommodate Board-directed Investment Manager(s) asset allocation revisions, to restore the Asset Allocation currently approved by the Board.

Permissible equity investments shall include convertible securities, which shall be limited to ten (10) percent of Fund assets at market value, as well as American Depositary Receipts (ADRs), equally limited.

Periodic dislocations in the equity and fixed income markets may present opportunities for the Investment Manager(s) to take certain securities positions within the domestic equity portion of the Fund's portfolio that, in its opinion, benefit the Plan. Under those market conditions and at the discretion of the Investment Manager(s), the Investment Manager(s) may invest up to five (5) percent of their equity portfolio in fixed income securities rated investment grade by at least two of the following three rating agencies: Standard and Poors, Moody's and Fitch.

Investment Manager(s) shall conform to the Domestic Equity Investment Guidelines set forth above and below.

Specific Guidelines, Domestic Equity

1) No Investment Manager shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated.

2) No Investment Manager may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

3) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by an Investment Manager(s) managing domestic U.S. equity securities in "covered" or hedging postures but not in "naked" or speculative postures.

4) The total annualized investment return from all domestic equity investments of the Fund is expected to meet or exceed, post fees, the total annualized return of the Russell 3000 Stock Index for cumulative periods three (3) years or more.

INTERNATIONAL/GLOBAL EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the International Equity limit of nineteen (19) percent of Fund market value is not exceeded; at the discretion of the Board, the Custodian(s) may be instructed to redirect cash flows to the Investment Manager(s), or to accommodate Board-directed Investment Manager(s)' asset allocation revisions, to restore the asset allocation currently approved by the Board. Stated percentages may include foreign equity securities admitted to trading on U.S. Stock Exchanges or NASDAQ; American Depositary Receipts (ADRs) shall be designated as international equities.

Specific Guidelines, International/ Global Equity

1) Excepting mutual or commingled funds approved by the Board, investing in emerging market equity securities is permissible up to a maximum of twenty (20) percent of any International Equity Investment Manager's (IEIM) international equity portfolio at market value. As applicable; proper global, regional, national, industry and individual security diversification must be maintained at all times.

2) No IEIM shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated, without written consent of the Board.

3) No IEIM may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

4) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by IEIM (s) managing international equity securities in "covered" or hedging postures but not in "naked" or speculative postures.

5) Because an active currency hedging strategy may reduce risk of loss and/or enhance IEIM investment performance, hedging to protect against currency impact

upon a security position is permissible. Nevertheless, the purchase of speculative or "naked" currency contracts (i.e., "currency trading" or related risk taking), undertaken without a demonstrable exposed investment position to be hedged in a specific currency, is prohibited.

6) The annualized total investment return from all International Equity investment(s) of the Fund is expected to exceed, after fees, the annualized total return of an appropriate benchmark, to be agreed upon by any IEIM and the Board, for annualized periods of three (3) years or more. In the absence of another selected benchmark, the Morgan Stanley C.I. "EAFE" Index shall serve as benchmark.

DOMESTIC FIXED INCOME INVESTMENT GUIDELINES

The Board shall review the Fund portfolio at least quarterly to assure that the domestic fixed income securities market value limit of thirty seven (37) percent is not exceeded. At the discretion of the Board, the Custodian(s) may be instructed by the Board to redirect investment and/or contribution cash flows to the Investment Manager(s), or to accommodate immediate Board-ordered Investment Manager(s) portfolio structure revisions, to restore the asset allocation currently approved.

The Investment Manager(s) shall conform to the Fixed Income Investment Guidelines set forth above and below.

Specific Guidelines, Domestic Fixed Income

1) Suitable fixed income investments include, but are not limited to, U.S. Treasury and Agency securities, taxable municipal securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and banker's acceptances, and commercial paper or other generally utilized money market or cash equivalent investments, including money market mutual funds meeting the quality standards delineated below.

2) Investment Managers are given latitude in security selection subject to the following restrictions:

   a) No issuer, other than the U.S. Government or other Federal agencies, may represent more than five (5) percent of the total market value of the fixed income portfolio managed by any Investment Manager(s).

   b) The following areas are individually restricted to no more than the below noted percentages of the fixed income portfolio managed by any Investment Manager(s).
      i) Mortgage Backed Securities – 30 percent
      ii) Zero Coupon Bonds (US Treasury only) – 20 percent
      iii) Baa or fourth investment grade bonds – 30 percent
      iv) Foreign fixed income securities, if rated A or above, including Canadian securities denominated in U.S. dollars (i.e., foreign "Yankee" and Canadian U.S. pay securities) – 20 percent
      v) Securities whose price movements are exacerbated by interest rate changes or principal prepayments, including but not limited to: range accrual notes, IO's, PO's – 20 percent

c) In no event may securities not in any Investment Manager's benchmark exceed 30 percent of the Investment Manager's fixed income portfolio.

3) At no time shall margin or other leveraged transactions, short sales, forward or futures trading, or any form of portfolio hedging be employed in the management of fixed income investments without prior written approval of the Board.

4) The average quality of fixed income securities purchased by any Investment Manager(s) shall equal or exceed A2, the third broad investment grade as determined by Moody's.

5) The minimum quality of any single fixed income investment shall be investment grade as defined by two out of three of the following rating agencies; Moody's, Standard and Poors, or Fitch. If an investment is made in commercial paper, the single standard shall be A1 or P1, or "Prime."

6) The effective duration of fixed income securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall be no more than 25 percent greater or less than the effective duration of the policy benchmark designated on page 12.

7) There shall be no limit upon investment in U.S. Treasury securities as a percentage of fixed income investments at cost or market value, except that any single coupon issue thereof may constitute no more than thirty (30) percent of any Investment Manager(s)' fixed income investments at market value and any single Treasury zero coupon issue ten (10) percent at market value. Federal Agency securities are hereby limited to fifty (50) percent of fixed income investments at market value, twenty-five (25) percent per agency, and to ten (10) percent, at market value, per any single Federal Agency issue.

8) The total annualized investment return from all fixed income investments of the Fund is expected to meet or exceed, post fees, the total annualized return of the benchmark designated on page 12, for cumulative three (3) year periods.

Specific Guidelines, Cash

1) Investment Objective
Short-term investments are intended to be conservative and meet any necessary disbursements of the Plan and to accumulate funds for future investment. The short-term investments will be expected to provide returns, post fees, at least equal to the 90 Day U.S. Treasury Bill Index.

2) Permitted Activity
Short-term investments are a permitted class of assets provided they fall within one or more of the following categories:
    a) U.S. Government securities (backed by the faith and credit of the U.S. Government) and U.S. Agency obligations;
    b) certificates of deposit, maturing within 12 months, of any domestic bank meeting the capital standards mandated by the FDIC Improvements Act of 1991, provided that such certificates of deposit from one institution shall

not represent more than 5% of the assets of the short-term investment account;

c) commercial paper, maturing within 9 months, of any domestic issuer, provided that such commercial paper shall be rated not less than A-1 by Standard & Poor or Prime 1 by Moodys;
d) repurchase agreements secured by U.S. Government or U.S. Agency obligations;
e) high grade bankers acceptance;
f) commingled accounts offered by banks or mutual funds that are designed for cash management strategies; and
g) corporate bonds maturing within 12 months, provided that they are rated not less than A by S&P or A2 by Moody's.

3) Prohibited Activity
Unless specifically approved otherwise by the Board in writing, no short-term investment account shall engage or invest in any of the following and no commingled fund in which the Plan invests as a short-term vehicle shall in the aggregate substantially invest or engage in the following:
a) options or futures contracts;
b) on-marketable securities; and
c) margin transactions or any other borrowing of money except for emergencies, such as a need for a commingled fund to meet redemption requests.

REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Board annually, or whenever circumstances occur that may, in the judgment of the Board, significantly affect the Fund. The Board shall notify the Investment Consultant, any appropriate Investment Manager, and/or the Fund Custodian of any changes and/or additions to this Investment Policy that, in the judgment of the Board, are deemed appropriate.

1. Investment performance will be reviewed quarterly.
2. Fund, asset class (e.g. domestic equity, international equity, domestic fixed income), and asset sub-class and/or "style" returns shall be compared to returns of comparable professionally managed tax-exempt balanced, equity and fixed income portfolios or collective or mutual funds as well as to benchmark indices or index composites and evaluation of the risk/reward posture of the investment.
3. It is expected that the investment performance of any Investment Manager(s) will rank above agreed upon benchmark medians over periods of three (3) or more years and will meet or exceed the Investment Objectives previously identified in this Statement. Investment Manager(s) are instructed to keep the Board and consultant abreast of any material changes in firm structure,

ownership, management and investment team. Any Investment Manager(s) failing to keep pace with stated performance norms may be placed on probation and evaluated as to whether it is in the best interest of the Fund to have the Board retain the services of said Investment Manager(s).

4. Notwithstanding the provisions of the preceding paragraph, the Board reserves the right to terminate a relationship with any Investment Manager(s) at any time, subject to the terms of any investment advisory agreement, if the Board determines that said action is warranted. In addition, the Board reserves the right to remove assets from any Investment Manager's Account, in part or in whole, at any time.
5. Investment Manager(s) shall provide statements of assets under management to the Board quarterly, and shall also comply with reasonable additional requests from the Board, including details of any/all securities transactions and /or "soft dollar" payments if said payments are made at official Board request and/or arise from transactions involving the Fund's assets.
6. Investment Managers of individually managed portfolios shall meet with the Board at least annually, if requested by the Board, to review the Fund and any respective Accounts, and to discuss investment results in the context of all of the goals Investment Objectives, and Investment Guidelines set forth in this Statement. Such meetings may take place in person, or over the Internet, or by conference call.
7. The Board will periodically review plan fees and expenses, including, but not limited to, investment management and custodial fees and expenses.

SIGNATURES

The effective date of this Investment Policy Statement, adopted by the Other Post Employment Benefits (OPEB) Board on August 8, 2013.

_____
Chairperson

_____ _____
Membet Membet

_____ _____
Member Member

_____
Member

Effective Date: July 2010
Amended: November 8, 2012
Amended: August 8, 2013

AMENDMENT II

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER OPEB BOARD

The following amendment to the investment policy has been reviewed and approved by the Board:

I. Allocation of Plan Assets – The plan will utilize a dynamic policy linked to funded status of the plan. As funded status improves to the next threshold, the allocation of the plan will be adjusted to the specified allocation. Within each threshold, 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.

Dynamic Investment Policy	**Funded Status**						
Asset Category	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	10%	7%	6%	5%	5%	5%	5%
US Treasuries/Inflation-linked	2%	5%	6%	7%	8%	8%	10%
Intermediate Term Bond	10%	11%	12%	15%	17%	21%	23%
Long Term Bond	10%	11%	13%	14%	15%	21%	27%
High Yield Bond	8%	9%	10%	10%	10%	10%	10%
Large Cap Value – US Stock	11%	10%	9%	9%	8%	7%	4%
Large Cap Growth – US Stock	10%	9%	9%	8%	8%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	8%	8%	6%	5%	4%	3%	3%
Real Estate/REIT	6%	6%	5%	5%	5%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	6%	3%
Emerging Markets	10%	10%	10%	9%	8%	7%	5%
Equity	**60%**	**57%**	**53%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**40%**	**43%**	**47%**	**51%**	**55%**	**65%**	**75%**
Total	100%	100%	100%	100%	100%	100%	100%

II. Performance Monitoring Benchmarks – The plan will utilize asset category specific benchmarks to monitor investment manager performance. In addition, overall portfolio performance will be benchmarked to a normal portfolio composed of category indexes allocated based on the Dynamic Investment Policy funded status position.

Asset Category	**Index**
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp Index
Intermediate-term Bond	BarCap Interm US Govt/Credit Index
Long-term Bond	BarCap Long GovtCredit Index
Large Cap Value	S&P/Citi 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/Citi 500 Growth
Mid Cap Value	S&P/Citi Mid-Cap 400 Value
Mid Cap	S&P 400 Mid Cap
Mid Cap Growth	S&P/Citi Mid-Cap 400 Growth
Small Cap Value	S&P/Citi Small Cap 600 Value
Small Cap	S&P 600 Small Cap
Small Cap Growth	S&P/Citi Small Cap 600 Growth
Non-US Stock	MSCI EAFE
Non-US Small Cap Stock	MSCI EAFE Small Cap
Emerging Markets	MSCI EM (Emerging Markets)
REITS/Real Estate	FTSE NAREIT Equity REIT

AMENDMENT II

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER OPEB BOARD

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

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

Date: 11/4/13 Approved by: _____
Chairman

Title: Controller/Treasurer

AMENDMENT 1
OPEB INVESTMENT POLICY STATEMENT

The following amendment to the investment policy has been reviewed and approved by the Board:

I. Allocation of Plan Assets – The plan will utilize a dynamic policy linked to funded status of the plan. As funded status improves to the next threshold, the allocation of the plan will be adjusted to the specified allocation. Within each threshold, 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.

Dynamic Investment Policy	**Funded Status**						
Asset Category	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	5%	5%	5%	5%	5%	5%	5%
US Treasuries/Inflation-linked	2%	3%	4%	6%	7%	8%	10%
Intermediate Term Bond	11%	11%	12%	12%	13%	16%	18%
Long Term Bond	22%	24%	26%	28%	30%	36%	42%
Large Cap Value – US Stock	10%	10%	9%	9%	8%	7%	4%
Large Cap Growth – US Stock	10%	9%	9%	8%	8%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	5%	5%	4%	3%	3%	3%	3%
Real Estate/REIT	5%	5%	4%	4%	3%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	6%	3%
Emerging Markets	15%	14%	13%	12%	11%	7%	5%
Equity	**60%**	**57%**	**53%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**40%**	**43%**	**47%**	**51%**	**55%**	**65%**	**75%**

II. Performance Monitoring Benchmarks – The plan will utilize asset category specific benchmarks to monitor investment manager performance. In addition, overall portfolio performance will be benchmarked to a normal portfolio composed of category indexes allocated based on the Dynamic Investment Policy funded status position.

Asset Category	**Index**
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp Index
Intermediate-term Bond	BarCap Interm US Govt/Credit Index
Long-term Bond	BarCap Long GovtCredit Index
Large Cap Value	S&P/Citi 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/Citi 500 Growth
Mid Cap Value	S&P/Citi Mid-Cap 400 Value
Mid Cap	S&P 400 Mid Cap
Mid Cap Growth	S&P/Citi Mid-Cap 400 Growth
Small Cap Value	S&P/Citi Small Cap 600 Value
Small Cap	S&P 600 Small Cap
Small Cap Growth	S&P/Citi Small Cap 600 Growth
Non-US Stock	MSCI EAFE
Non-US Small Cap Stock	MSCI EAFE Small Cap
Emerging Markets	MSCI EM (Emerging Markets)
REITS/Real Estate	FTSE NAREIT Equity REIT

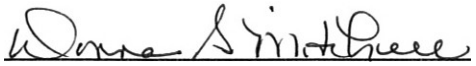
AMENDMENT **I**

TO THE
INVESTMENT POLICY STATEMENT FOR

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

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

Date: *11/8/12*

Approved by: 

Chairman

Title:

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Albany, NY 12203
USA

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milliman.com

MEMO

To:	City of Dover, Delaware OPEB Plan – Board
From:	Jeff Marzinsky & Kevin Abessi /Milliman
Re:	Investment Committee Meeting Notes – 11/14/2013

Enclosures: Milliman Quarterly Investment Monitor Report (QIM)

1. OPEB Plan Investment Review through 9/30/2013:
    a. As of 9/30/2013, assets in the plan total $14.14 million, up from $13.41 million as of 6/30/2013. During the quarter, the plan had contributions of approximately $244 thousand, no withdrawals, and fees of $1.3 thousand.
    b. Total performance of the plan portfolio was 3.58% net (3.65% gross) for the quarter, in line with the Plan's benchmark index performance of 3.71%.
    c. As of 9/30/13, the Plan's asset allocation was in line with the allocation targets, as the plan was rebalanced on its quarterly schedule prior to quarter end.

Category Description	Fund Category	Investment Name	NEW Target Allocation with Additional Asset Classes	NEW Asset Allocation Range 8/2013
Money Market	CA	WELLS FARGO ADVANTAGE CASH	2.00%	0-10%; target 10% Cash + STB
Short Term Bonds	STB	Vanguard Short Term Bond	8.00%	0-10%; target 10% Cash + STB
Inflation Protected Bonds	TIPS	Vanguard Inflation Prot Sec	2.00%	0-7%; target of 2% TIPS
Intermediate Term Bonds	INTB	PIMCO Total Return	5.00%	5-15%; target 10% INTB
Intermediate Term Bonds	INTB	Vanguard Total Bond Mkt Index Signa	5.00%	5-15%; target 10% INTB
Long Term Bonds	LTB	PIMCO Long Duration	5.00%	5-15%; target 10% LTB
Long Term Bonds	LTB	Vanguard Long Duration	5.00%	5-15%; target 10% LTB
High Yield Bond	HYB	Ivy High Income I	8.00%	3-13%; target 8% HYB
Large Cap Value	LCV	American Funds Washington Mutual	11.00%	6-16%; target 11% LCV
Large Cap Blend	LCB	Vanguard 500 Index	0.00%	REMOVED
Large Cap Growth	LCG	Vanguard Growth Index	10.00%	5-15%; target 10% LCG
Mid Cap	MCV	Vanguard Mid Cap Value Index	5.00%	0-10%; target 5% MC
Small Cap	SCV	Target Small Cap Value	8.00%	0-13%; target 8% SC
Real Estatement Investment	REIT	Vanguard REIT Index	6.00%	0-10%; target 6% REIT
Foreign Equity	GLB	American Funds New Perspective	5.00%	5-15%; target 10% GLB
Foreign Equity	GLB	Harding Loevner Global Equity	5.00%	5-15%; target 10% GLB
Emerging Markets	EMG	Vanguard Emerging Mkts	10.00%	5-15%; target 10% Emg Mkts

2. Comments on specific funds:
    a. American Funds New Perspective and Harding Loevner Equity
        - Both funds are "world allocation" mandates; including US, non-US and emerging markets stock.
        - This broad-based allocation has caused under performance to the non-US specific allocation strategy in the IPS.
        - In addition, the underlying holdings have overlap to the US stock and emerging markets funds in the plan.
        - Being legacy funds from the prior advisor who employed a different strategy, we find that they no longer fit the investment strategy for the plan.
        - For the next meeting, there will be recommendations for more focused non-US stock investment fund(s).

City of Dover
OPEB Trust
Quarterly Return Summary

Month End	BMV	Contribution	Withdrawls	Fees	Gain	EMV	OPEB-NET RETURN	OPEB-GROSS RETURN
7/31/2013	$ 13,402,467.68	$ -	$ -	$ 1,250.00	$ 316,012.14	$ 13,717,229.82	2.36%	2.38%
8/31/2013	$ 13,717,229.82	$ -	$ -	$ -	$ (320,314.30)	$ 13,396,915.52	-2.34%	-2.31%
9/30/2013	$ 13,396,915.52	$ 243,925.00	$ -	$ -	$ 492,846.98	$ 14,133,687.50	3.61%	3.64%
		$ 243,925.00	$ -	$ 1,250.00	$ 488,544.82	Quarterly Return	3.58%	3.65%

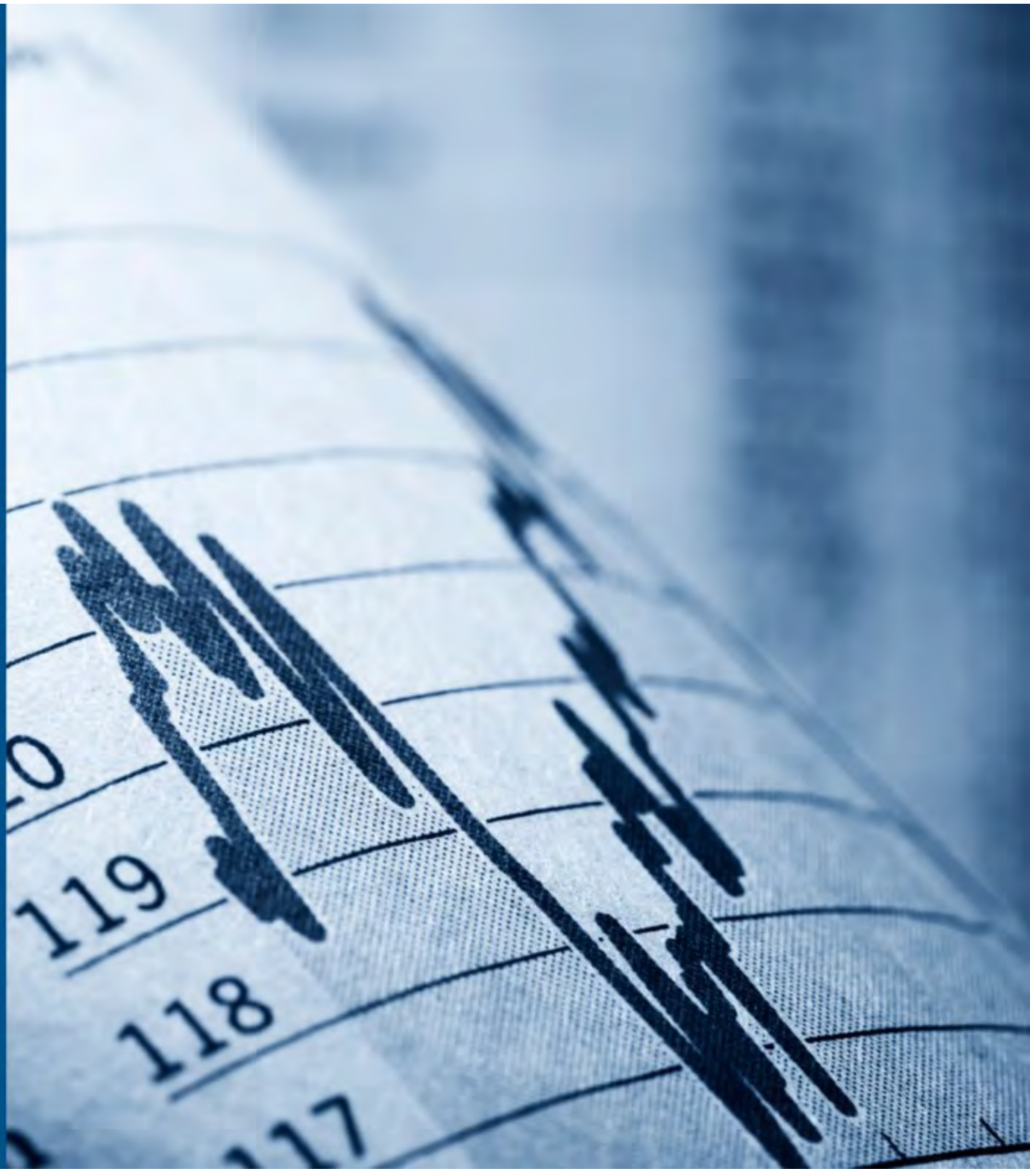
Quarterly Investment Monitor

Summary Report for the Quarter Ending September 30, 2013

Prepared for

City of Dover, Delaware Other Postemployment Benefit (OPEB) GASB 45

Milliman



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Section A: Market Commentary

Section B: Performance Summary

Section C: Core Fund Review

Section D: Glossary

Milliman | Quarterly Investment Monitor

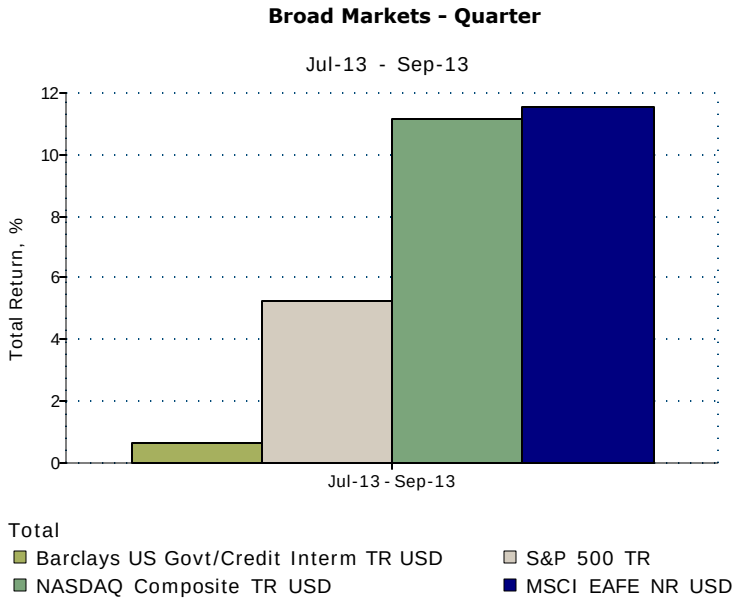
Market Indices - 3rd Quarter 2013

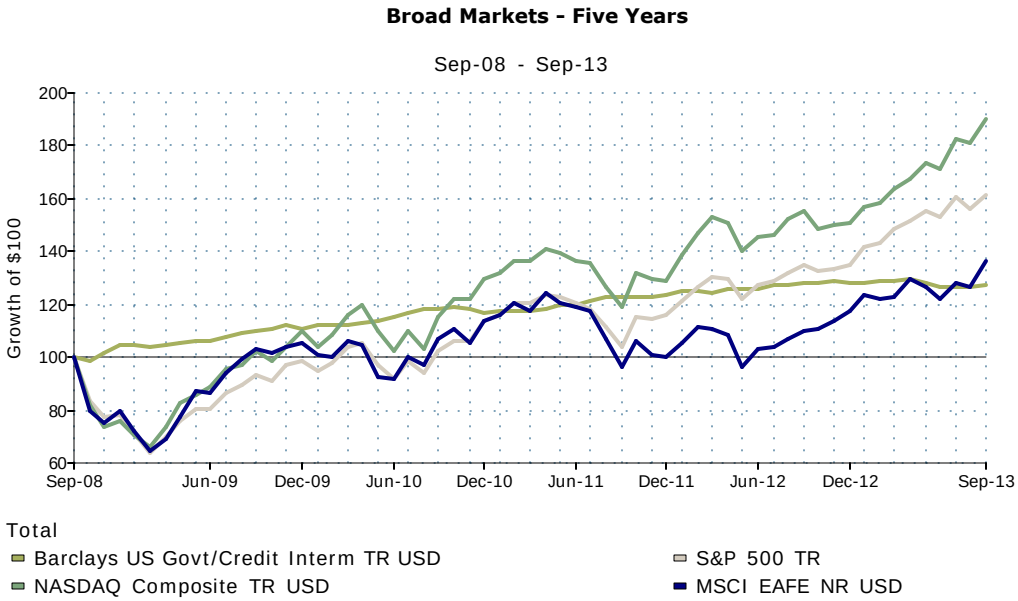


Index	3 Months	1 Year	3 Years	5 Years
BofAML US Treasury Bill 3 Mon	0.02	0.10	0.10	0.16
Barclays US Govt 1-3 Yr TR USD	0.29	0.37	0.75	1.84
Barclays US Govt/Credit Interm TR USD	0.62	-0.50	2.41	4.95
Barclays US Government Long TR USD	-2.12	-10.43	3.64	6.50
Barclays US Long Credit TR USD	-0.03	-6.89	5.36	11.17
Barclays US Corporate High Yield TR USD	2.28	7.14	9.19	13.53
DJ Industrial Average TR USD	2.12	15.59	14.94	9.93
S&P 500 TR	5.24	19.34	16.27	10.02
NASDAQ 100 TR USD	11.01	16.71	18.61	16.22
NASDAQ Composite TR USD	11.19	22.77	18.17	13.76
Russell 1000 Value TR USD	3.94	22.30	16.25	8.86
Russell 1000 TR USD	6.02	20.91	16.64	10.53
Russell 1000 Growth TR USD	8.11	19.27	16.94	12.07
Russell 2000 Value TR USD	7.59	27.04	16.57	9.13
Russell 2000 TR USD	10.21	30.06	18.29	11.15
Russell 2000 Growth TR USD	12.80	33.07	19.96	13.17
FTSE NAREIT All REITs TR	-2.39	5.14	12.60	6.47
MSCI EAFE NR USD	11.56	23.77	8.47	6.35
MSCI EAFE Small Cap NR USD	15.52	29.43	11.25	11.43
MSCI EM NR USD	5.77	0.98	-0.33	7.22

Milliman | Quarterly Investment Monitor

Broad Market Commentary - 3rd Quarter 2013



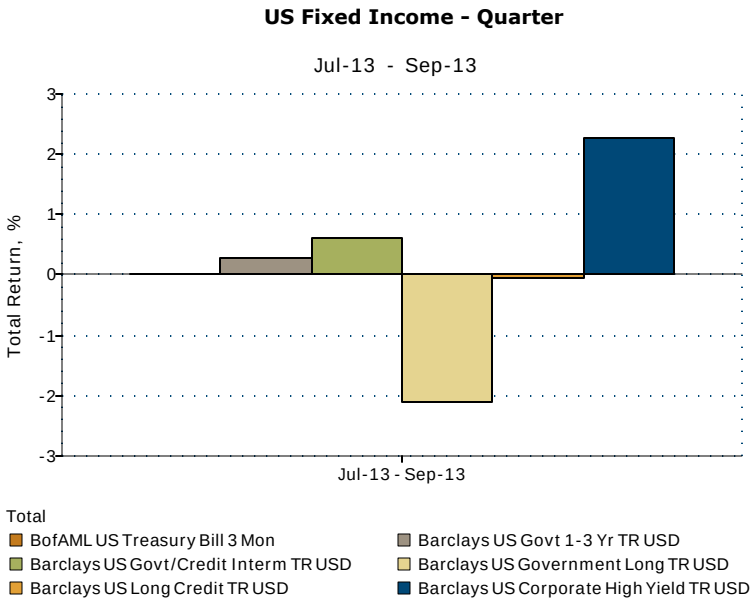


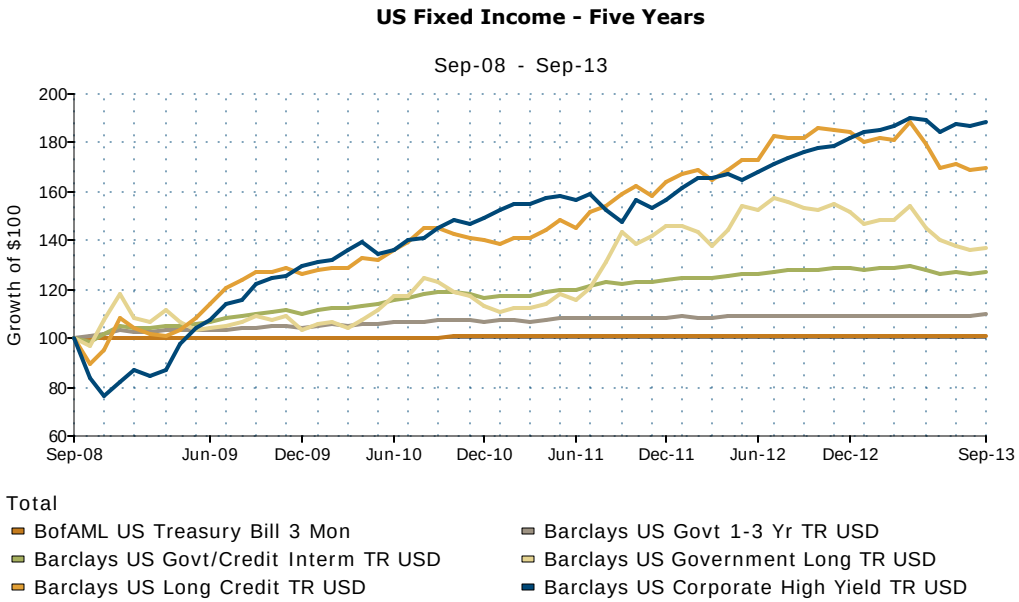
Market Commentary

- The U.S. stock market rose on improving U.S. economic data, steady growth in corporate earnings, and the Federal Reserve's decision to postpone its planned reduction (“tapering”) of securities purchases.
- The international equity markets made substantial gains on Europe's emergence from recession, improving economic data in certain emerging markets economies, and the Fed's decision to maintain its stimulus program at current levels.
- The market experienced wide swings in financial and commodity prices during the quarter, which may not necessarily be reflected in the manager's performance.
- The Fed surprised many investors in mid-September by not reducing its securities purchases, announcing it would continue its purchases at the current rate of $85 billion per month and keep short-term interest rates low until at least 2015.
- As the quarter ended, mutual fund investors decreased their holdings in bonds and increased their holdings in stocks. For the quarter, bond funds had net outflows of $60.0 billion, while stock funds had net inflows of $30.8 billion. Total money market mutual fund assets increased by $99.5 billion to $2.694 trillion.
- The price of oil increased from $97 per barrel to $102 during the quarter, an increase of 5.2%.

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US Fixed Income Market Commentary - 3rd Quarter 2013



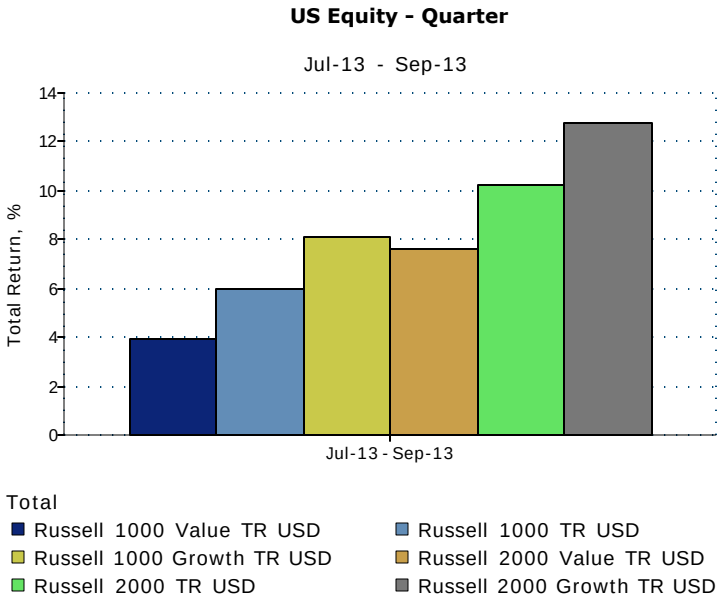


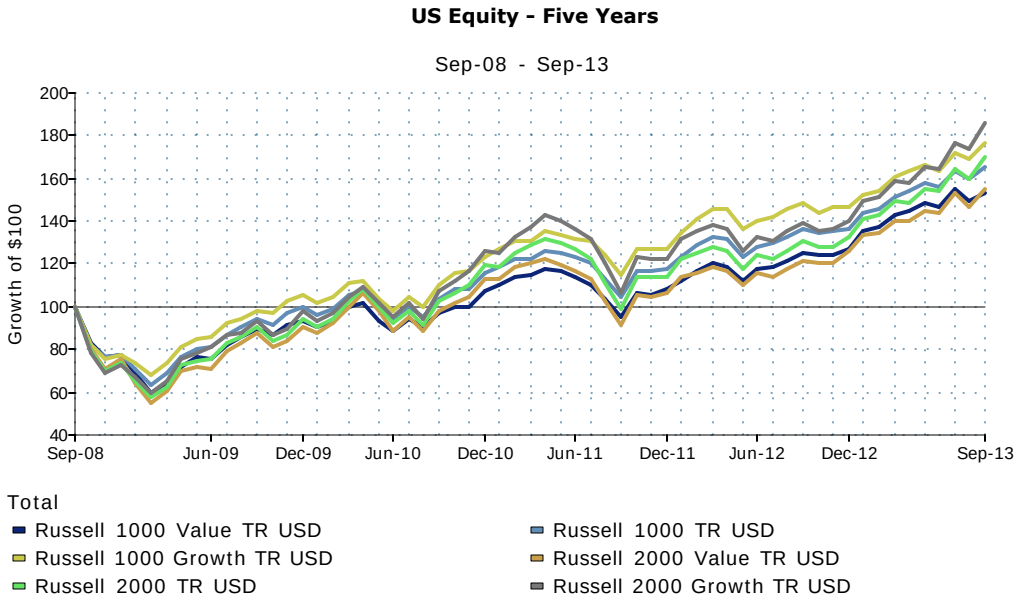
US Bond Market

- The broad fixed income market rose 0.57% in the 3rd quarter, as the coupon return of 0.70% more than offset the negative impact from a rise in interest rates.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- Interest rates increased slightly for 7- to 30-year Treasury bonds.
- High-yield bonds were the best performing sector this quarter, up 2.28%, as investors favored bonds with higher yields.
- Long-term corporate bonds were up 0.03%, as tightening spreads slightly offset the negative impact from rising yields on the long end of the curve.
- Long-term government bonds were the worst performing sector this quarter, down 2.70%, as investors anticipated lower bond purchases by the Fed.
- 3-month T-Bill returned 0.02% in the third quarter, the same return as in the second quarter.

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US Equity Market Commentary - 3rd Quarter 2013

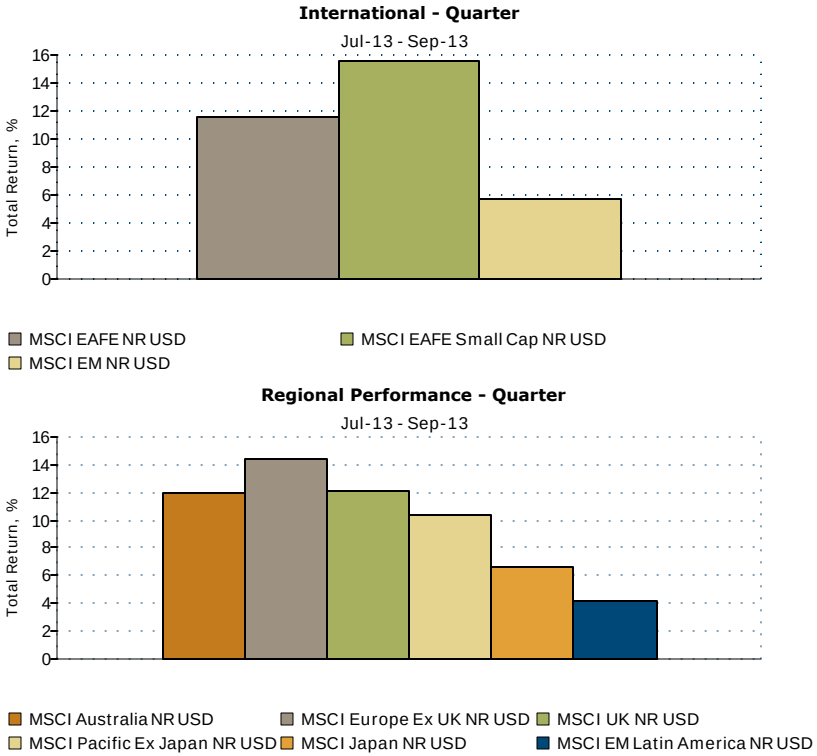


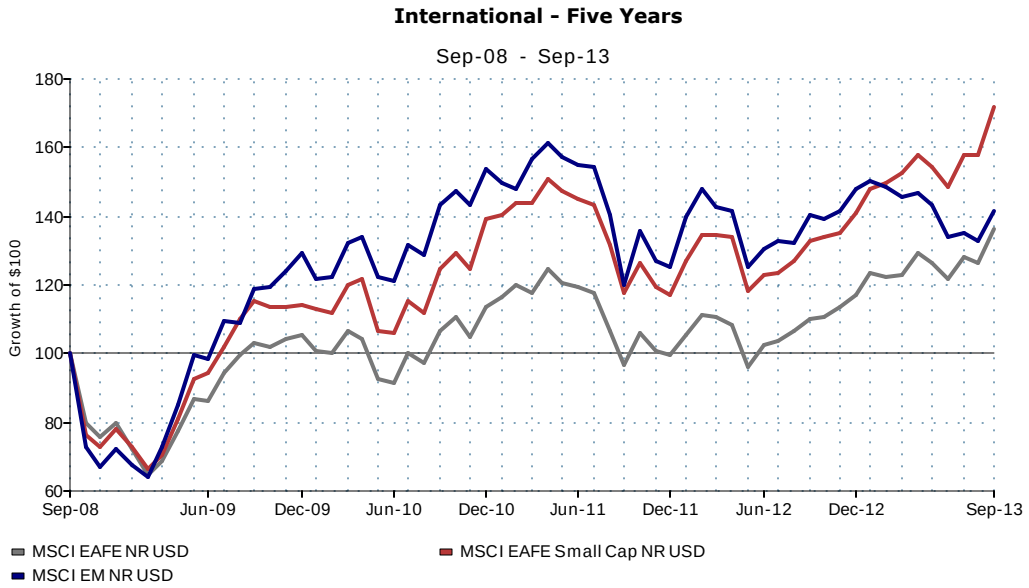


US Stock Market

- Most major domestic equity indices posted a gain for the quarter. The small-cap Russell 2000 Growth Index had the best return, up 12.80%.
- In terms of capitalization, small-cap stocks outperformed large-cap stocks.
- In comparing styles, growth stocks did better than value stocks.
- REITs fell 3.15%, as dividend-oriented and defensive sectors lagged the broad market. The worst performing sectors were health care and apartments.
- Materials were the best performing sector, up 9.89%, on optimism over U.S. and global economic growth and mostly higher commodity prices.
- Telecommunications services were the worst performing sector, falling 3.22%, as Verizon shares lost 6% after the company agreed to buy Vodafone's stake in Verizon Wireless.

International Market Commentary - 3rd Quarter 2013





International Markets

- The dollar was down against the euro, pound, and yen.
- For the quarter, the EAFE Index was up 11.56%, and Emerging Markets were up 5.77%. Local currency returns for the EAFE Index and Emerging Markets were 7.50% and 5.63%, respectively.
- Among the major international regions, European stocks had the highest return, up 14.94%, as the euro zone had positive economic growth, and certain telecom and technology stocks benefited from acquisitions.
- Stocks in India had the lowest return, down 5.67%, on worries about rising inflation, weak economic growth, and a sharply depreciating rupee.
- Small-cap stocks, up 15.5%, outperformed large-cap stocks.

Performance Summary

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Data as of 09/30/2013

Asset Allocation

	Balances As of 09/30/2013	Percent As of 09/30/2013	Balances As of 06/30/2013	Percent As of 06/30/2013	Notes
Wells Fargo Advantage Cash Inv MMkt I	$285,812	2.02%	$267,689	2.00%	WFIXX
Vanguard Short-Term Bond Index Signal	$1,145,247	8.10%	$401,046	2.99%	VBSSX
Vanguard Inflation-Protected Secs I	$287,904	2.04%	$249,628	1.86%	VIPIX
PIMCO Total Return Instl	$718,526	5.08%	$714,649	5.33%	PTTRX
Vanguard Total Bond Market Index Signal	$719,452	5.09%	$722,890	5.39%	VBTSX
PIMCO Long Duration Total Return Instl	$728,053	5.15%	$1,371,317	10.23%	PLRIX
Vanguard Long-Term Bond Index I	$732,160	5.18%	$1,381,093	10.30%	VBLLX
Ivy High Income I	$1,140,388	8.06%	$0	0.00%	IVHIX
American Funds Washington Mutual R6	$1,534,507	10.85%	$1,487,579	11.09%	RWMGX
Vanguard Growth Index I	$1,404,159	9.93%	$1,433,999	10.69%	VIGIX
Vanguard Mid Cap Index Adm	$701,022	4.96%	$736,659	5.49%	VIMAX
Target Small Capitalization Value T	$1,141,951	8.08%	$731,868	5.46%	TASVX
American Funds New Perspective R6	$701,799	4.96%	$705,468	5.26%	RNPGX
Harding Loevner Global Equity Inst	$702,802	4.97%	$678,507	5.06%	HLMVX
Vanguard Emerging Mkts Stock Idx I	$1,365,872	9.66%	$1,838,036	13.71%	VEMIX
Vanguard REIT Index I	$830,621	5.87%	$688,882	5.14%	VGSNX
Plan Total	**$14,140,274**		**$13,409,310**		

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	10	34	-0.12	-0.22	1.02	1.01	24	18	59	53
PIMCO Total Return Instl	13	9	1.36	3.00	1.74	1.35	36	47	9	0
PIMCO Long Duration Total Return Instl	73	20	-0.43	1.33	0.93	0.96	87	80	80	67
Ivy High Income I	1	2	2.49	0.41	0.77	0.75	1	1	0	0
American Funds Washington Mutual R6	21	36	0.73	1.17	0.76	0.83	6	4	20	16
Target Small Capitalization Value T	50	43	-2.77	0.11	0.90	0.86	23	19	30	28
American Funds New Perspective R6	28	17	2.56	2.74	0.96	0.94	30	26	19	17
Harding Loevner Global Equity Inst	67	39	-0.35	1.28	0.98	0.96	62	61	45	39

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	0.43	0.93	2.09	0.76	1.66	0.89	0.10
Vanguard Total Bond Market Index Signal	-0.13	NA	1.01	0.23	NA	NA	0.10
Vanguard Long-Term Bond Index I	-0.01	0.01	1.01	0.79	1.02	0.81	0.07
Vanguard Growth Index I	1.37	1.17	0.97	0.80	1.00	0.98	0.08
Vanguard Mid Cap Index Adm	-0.17	0.52	1.03	0.85	1.01	1.21	0.10
Vanguard Emerging Mkts Stock Idx I	0.20	-0.54	1.02	3.42	1.02	3.37	0.12
Vanguard REIT Index I	1.26	1.92	1.00	0.21	0.99	0.53	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.

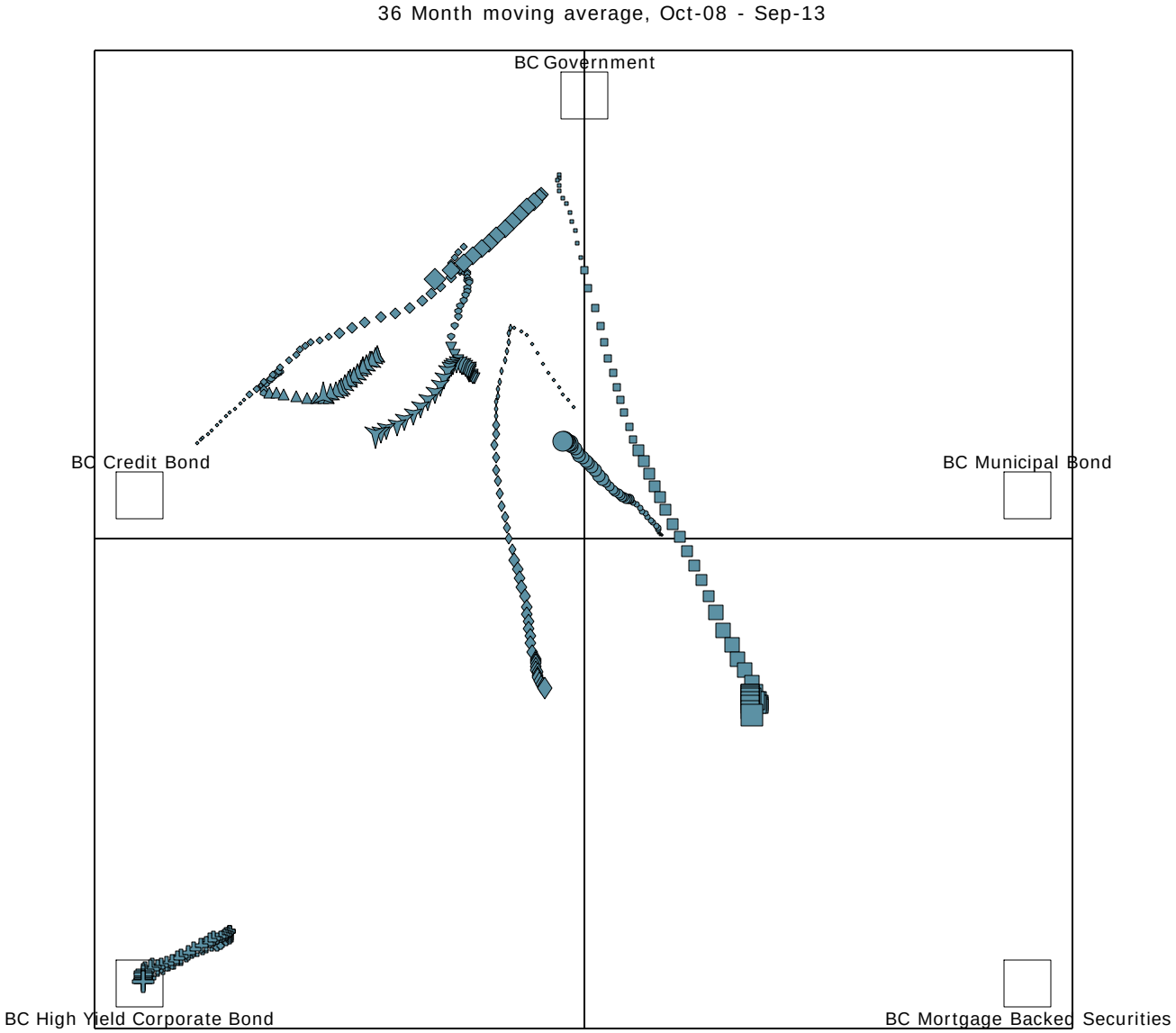
Beta - Fund's Beta or sensitivity to movements compared to its benchmark, a value of 1 implies its moving in sync with its benchmark.

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.

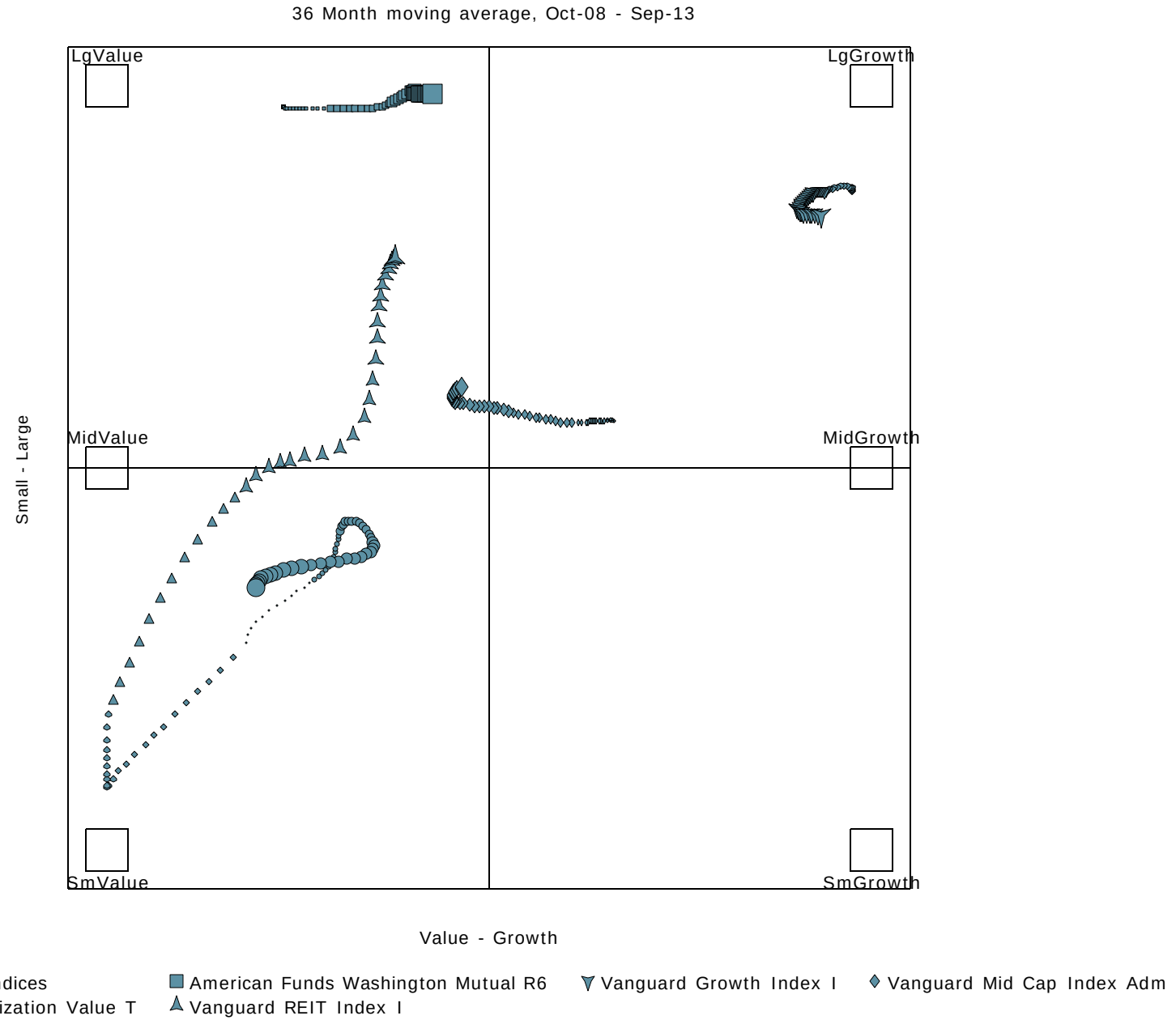
Investment Option Return Summary

Asset Class	Fund Name	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Ticker	Mstar Rating	Expense Ratio
Taxable Money Market	Wells Fargo Advantage Cash Inv MMkt I	0.00	0.03	0.05	0.07	0.28	1.83	WFIXX	NA	0.20
	BofA ML 3-month T-bill total return Index	*0.02*	*0.06*	*0.10*	*0.10*	*0.17*	*1.70*	*N/A*	*NA*	*NA*
Short-term Bond	Vanguard Short-Term Bond Index Signal	0.57	0.04	0.18	1.51	3.46	3.34	VBSSX	3.00	0.10
	Barclays US Govt/Credit 1-3 Yr TR USD	*0.40*	*0.47*	*0.62*	*1.08*	*2.52*	*2.91*	*N/A*	*NA*	*NA*
Inflation-Protected Bond	Vanguard Inflation-Protected Secs I	0.91	(6.74)	(6.21)	3.90	5.09	5.10	VIPIX	4.00	0.07
	Barclays US Treasury US TIPS TR USD	*0.70*	*(6.74)*	*(6.10)*	*4.02*	*5.31*	*5.23*	*N/A*	*NA*	*NA*
Intermediate-term Bond	PIMCO Total Return Instl	1.17	(1.89)	(0.74)	3.77	7.96	6.12	PTTRX	5.00	0.46
Intermediate-term Bond	Vanguard Total Bond Market Index Signal	0.54	(1.95)	(1.83)	2.76	5.34	4.54	VBTSX	2.00	0.10
	BC Intermediate Government/Credit	*0.62*	*(0.84)*	*(0.50)*	*2.41*	*4.95*	*4.10*	*N/A*	*NA*	*NA*
	Barclays US Agg Float Adj TR USD	*0.53*	*(1.91)*	*(1.68)*	*2.89*	*NA*	*NA*	*N/A*	*NA*	*NA*
Long-term Bond	PIMCO Long Duration Total Return Instl	(0.65)	(8.37)	(7.97)	4.28	10.40	NA	PLRIX	3.00	0.50
Long-term Bond	Vanguard Long-Term Bond Index I	(0.98)	(8.60)	(8.44)	4.70	9.08	6.37	VBLLX	2.00	0.07
	BC Long Government/Credit	*(0.83)*	*(8.74)*	*(8.33)*	*4.71*	*9.07*	*6.33*	*N/A*	*NA*	*NA*
High Yield Bond	Ivy High Income I	2.97	6.86	10.66	11.68	13.94	8.83	IVHIX	5.00	0.70
	BC High Yield Corporate Bond	*2.28*	*3.73*	*7.14*	*9.19*	*13.53*	*8.86*	*N/A*	*NA*	*NA*
Large Value	American Funds Washington Mutual R6	4.77	20.43	20.97	16.59	9.55	7.62	RWMGX	5.00	0.30
	S&P 500 Value	*3.84*	*20.17*	*22.15*	*15.86*	*8.38*	*7.74*	*N/A*	*NA*	*NA*
Large Growth	Vanguard Growth Index I	8.47	19.98	18.69	17.05	11.76	8.06	VIGIX	4.00	0.08
	CRSP US Large Cap Growth TR USD	*8.49*	*19.38*	*17.81*	*15.68*	*10.59*	*8.05*	*N/A*	*NA*	*NA*
Mid-Cap Blend	Vanguard Mid Cap Index Adm	7.67	24.43	27.95	17.13	13.17	10.59	VIMAX	4.00	0.10
	CRSP US Mid Cap TR USD	*7.71*	*24.53*	*28.08*	*17.30*	*12.66*	*10.58*	*N/A*	*NA*	*NA*
Small Value	Target Small Capitalization Value T	8.43	24.88	29.57	17.20	11.59	11.91	TASVX	4.00	0.68
	S&P 600 Value	*9.53*	*27.71*	*31.78*	*19.97*	*11.48*	*10.76*	*N/A*	*NA*	*NA*
World Stock	American Funds New Perspective R6	8.35	17.12	22.05	12.77	10.45	10.05	RNPGX	4.00	0.46
World Stock	Harding Loevner Global Equity Inst	8.24	12.17	13.37	9.86	8.99	8.79	HLMVX	3.00	0.95
	MSCI AC World Index ND USD	*7.90*	*14.43*	*17.73*	*10.21*	*7.71*	*7.86*	*N/A*	*NA*	*NA*
Diversified Emerging Mkts	Vanguard Emerging Mkts Stock Idx I	4.82	(6.50)	(0.10)	(0.91)	6.52	12.40	VEMIX	3.00	0.12
	FTSE Emerging NR USD	*4.30*	*(5.26)*	*0.17*	*(1.11)*	*7.07*	*13.04*	*N/A*	*NA*	*NA*
Real Estate	Vanguard REIT Index I	(2.96)	3.19	5.76	12.35	6.37	9.66	VGSNX	3.00	0.08
	MSCI US REIT NR USD	*(3.28)*	*2.30*	*4.52*	*11.09*	*4.45*	*NA*	*N/A*	*NA*	*NA*
Total Plan	OPEB-GROSS RETURN	3.65	4.96	6.19	8.38	NA	NA	N/A	NA	NA
Total Plan	OPEB-NET RETURN	3.58	4.70	5.83	7.96	NA	NA	N/A	NA	NA
	OPEB Plan Policy Index	*3.71*	*5.04*	*6.67*	*8.51*	*7.12*	*6.38*	*N/A*	*NA*	*NA*

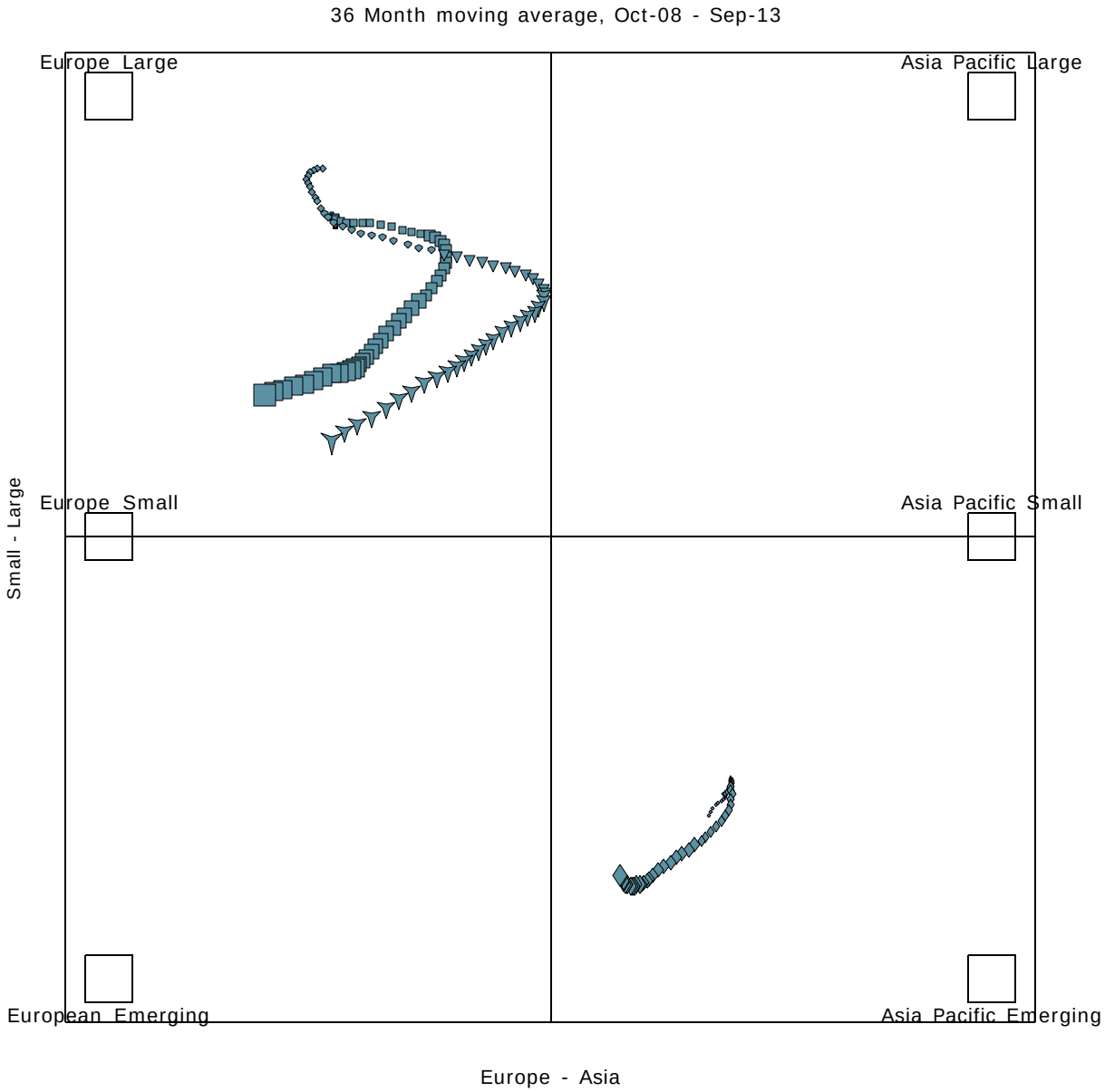
U.S. Fixed Income Style Map



U.S. Equity Style Map



International Equity Style Map

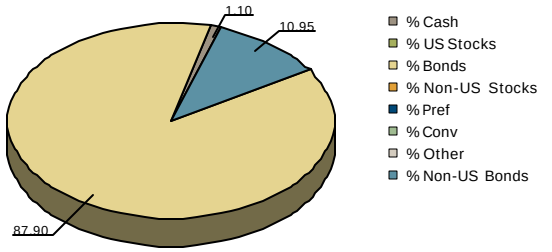


Core Fund Review

Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

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	1.10
% US Stocks	0.00
% Bonds	87.90
% Non-US Stocks	0.00
% Pref	0.05
% Conv	0.00
% Other	0.00
% Non-US Bonds	10.95

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

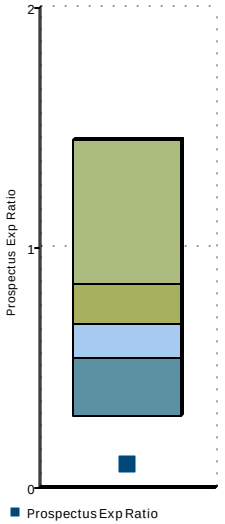
Credit Quality	
Avg Eff Duration	2.72
Effective Maturity	2.80
Avg Credit Quality	AA
AAA	75.63
AA	4.21
A	11.61
BBB	8.55
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Top Ten Holdings	
US Treasury Note 0.25%	2.28%
US Treasury Note 2.125%	1.62%
US Treasury Note 2.25%	1.37%
US Treasury Note 2.625%	1.32%
US Treasury Note 2.5%	1.31%
US Treasury Note 0.375%	1.25%
US Treasury Note 0.875%	1.20%
US Treasury Note 0.625%	1.19%
US Treasury Note 1.75%	1.19%
US Treasury Note 0.25%	1.18%

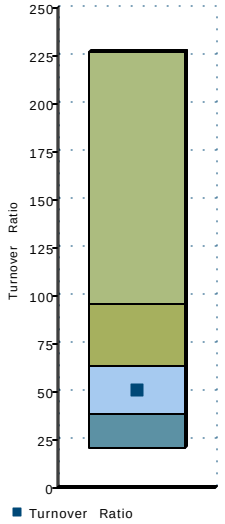
Portfolio Information	
Ticker	VBSSX
Morningstar Category	Short-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	85765.91
Net Assets $MM	33077.30
Turnover Ratio	51.00
% Assets in Top 10 Holdings	13.90
Total Number of Holdings	1705.00
Manager Name	Joshua C. Barrickman
Manager Tenure	0.60
Fund Incept Date	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	58
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	52
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	31

Expense Ratio vs. Peer Group



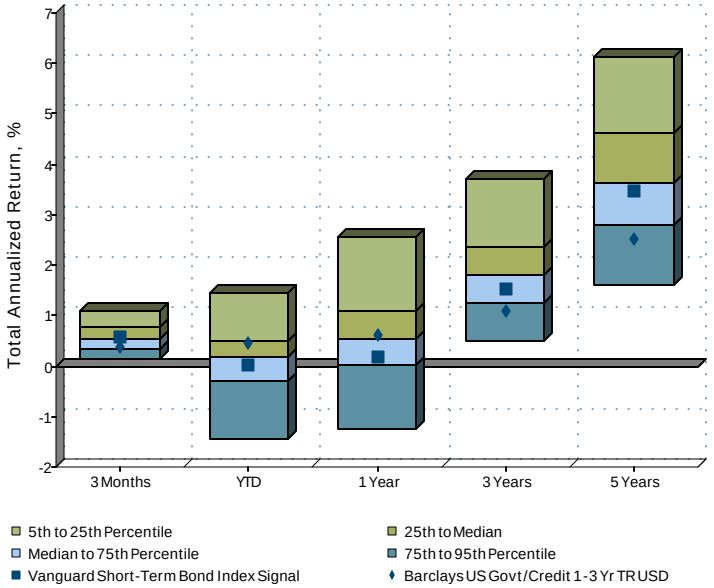
Turnover Ratio vs. Peer Group



Investment Strategy Summary

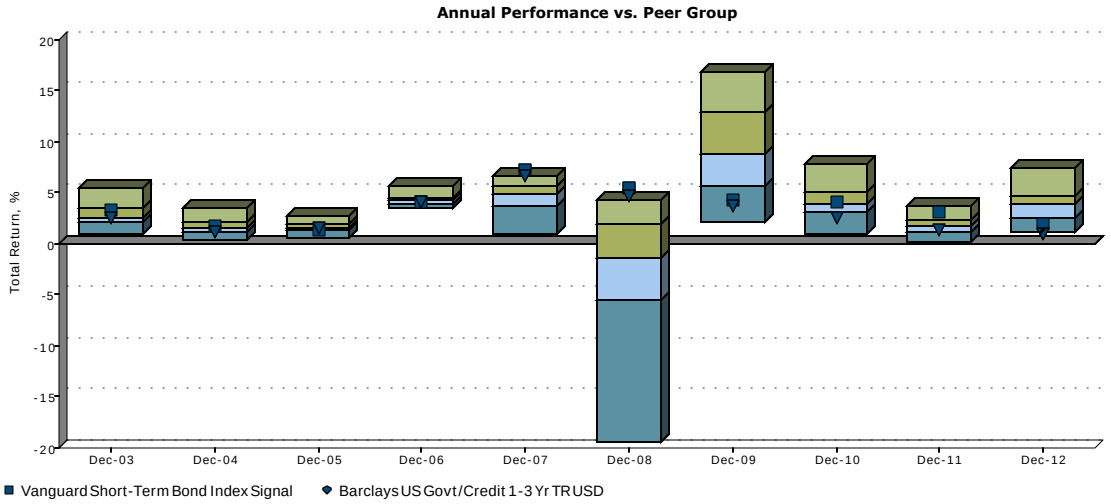
The investment seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index. This Index includes 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

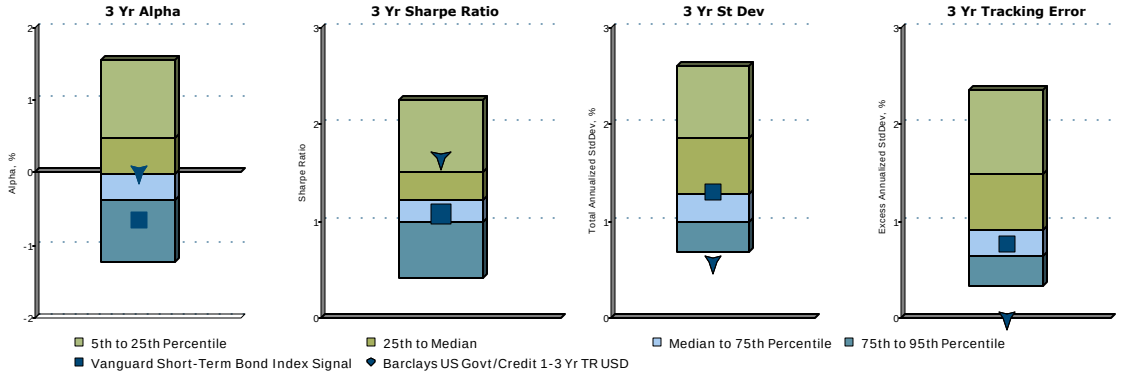


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Short-Term Bond Index Signal	0.57	0.04	0.18	1.51	3.46
Barclays US Govt/Credit 1-3 Yr TR USD	0.40	0.47	0.62	1.08	2.52
Universe(5%)	1.10	1.45	2.58	3.69	6.15
Universe(25%)	0.77	0.50	1.11	2.38	4.62
Universe(Median)	0.53	0.17	0.53	1.81	3.63
Universe(75%)	0.33	-0.28	0.00	1.25	2.78
Universe(95%)	0.14	-1.44	-1.24	0.51	1.62

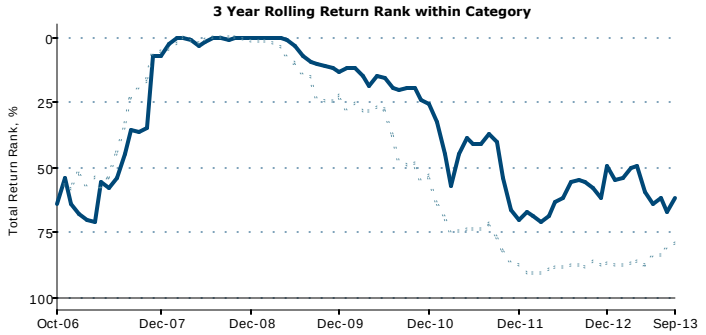
Vanguard Short-Term Bond Index Signal

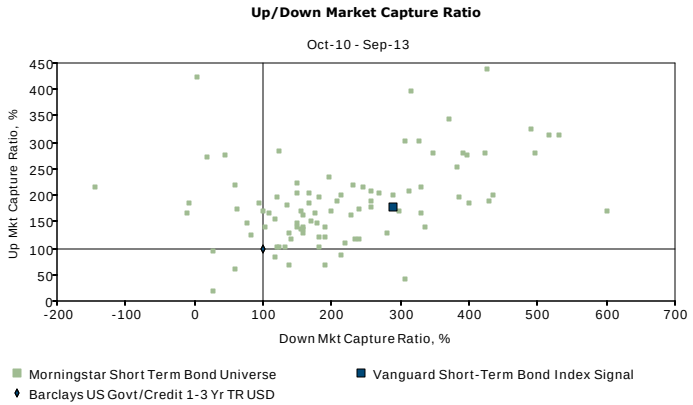


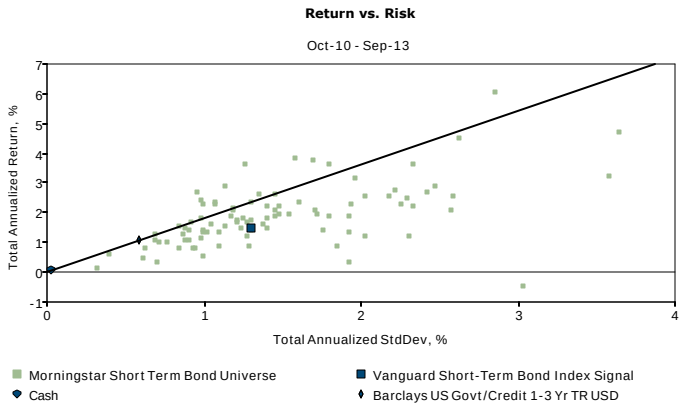
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Short-Term Bond Index Signal	3.37	1.70	1.31	4.09	7.28	5.51	4.38	4.03	3.08	2.05
Barclays US Govt/Credit 1-3 Yr TR USD	2.81	1.30	1.77	4.25	6.83	4.97	3.82	2.80	1.59	1.26



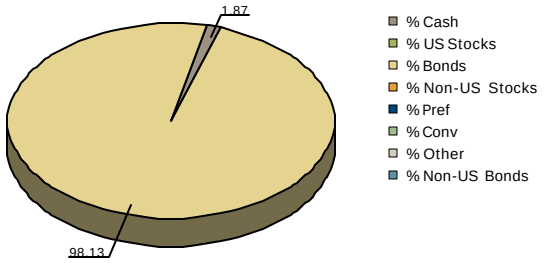
MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Short-Term Bond Index Signal	-0.64	2.09	90.18	1.08	1.30	0.76
Barclays US Govt/Credit 1-3 Yr TR USD	0.00	1.00	100.00	1.66	0.59	0.00
Universe(5%)	1.56	3.26	86.45	2.25	2.60	2.36
Universe(25%)	0.48	2.09	72.66	1.51	1.87	1.49
Universe(Median)	-0.02	1.54	61.09	1.22	1.29	0.92
Universe(75%)	-0.38	1.34	45.05	0.99	0.99	0.64
Universe(95%)	-1.23	0.81	16.74	0.42	0.69	0.33







Vanguard Inflation-Protected Secs I



Portfolio Information

Ticker	VIPIX
Morningstar Category	Inflation-Protected Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	21693.40
Net Assets $MM	29347.34
Turnover Ratio	33.00
% Assets in Top 10 Holdings	45.39
Total Number of Holdings	43.00
Manager Name	Gemma Wright-Casparius
Manager Tenure	2.12
Fund Incept Date	06/29/2000
Prospectus Exp Ratio	0.07
Phone Number	800-662-7447

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.

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

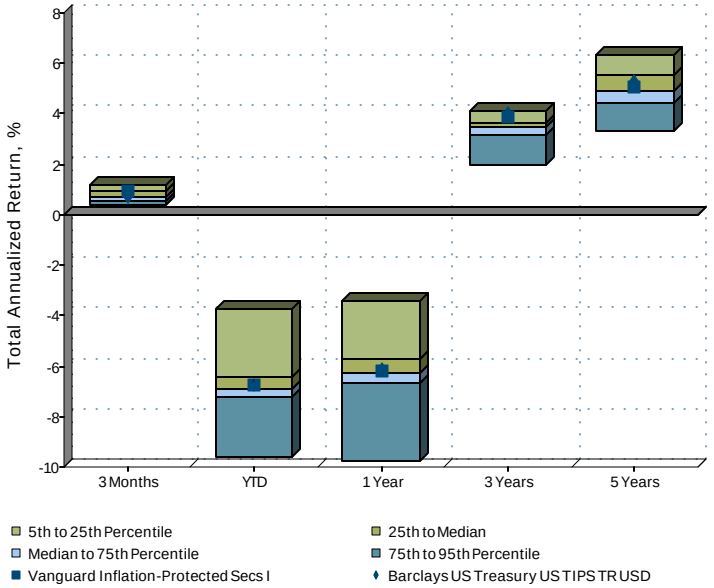
Portfolio Structure

% Cash	1.87
% US Stocks	0.00
% Bonds	98.13
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

Portfolio Ratings

Mstar Rating	★★★★
3 Year Mstar Rating	★★★★★
% Rank Cat 3 Yr	4
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	27
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	17

Performance vs. Peer Group



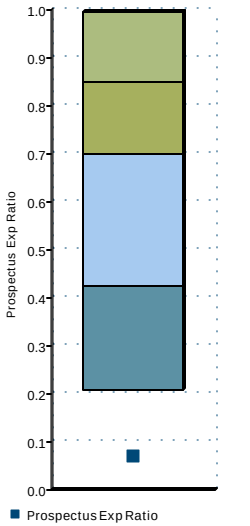
Sector Allocation

% 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

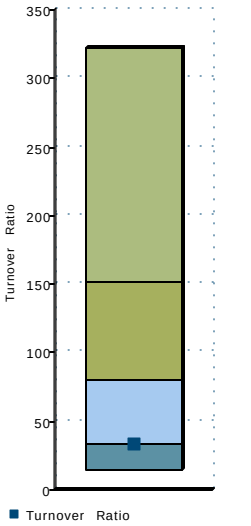
Credit Quality

Avg Eff Duration	8.14
Effective Maturity	8.80
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

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group



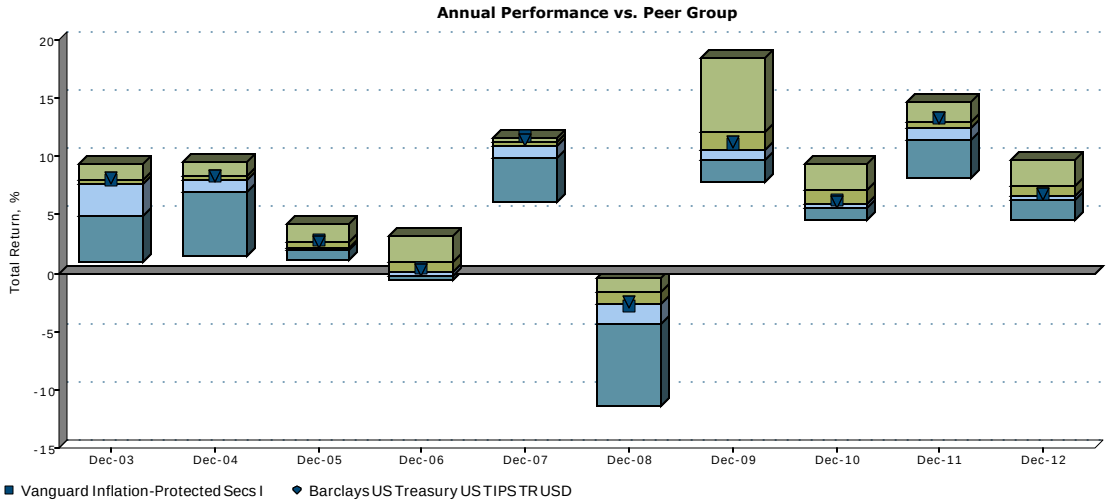
Top Ten Holdings

US Treasury Note	5.75%
US Treasury Note	4.98%
US Treasury Note	4.90%
US Treasury Note	4.88%
US Treasury Note 0.125%	4.84%
US Treasury Note	4.62%
US Treasury Note 1.125%	4.51%
US Treasury Note 1.25%	4.00%
US Treasury Bond 2.375%	3.93%
US Treasury Note 0.5%	2.98%

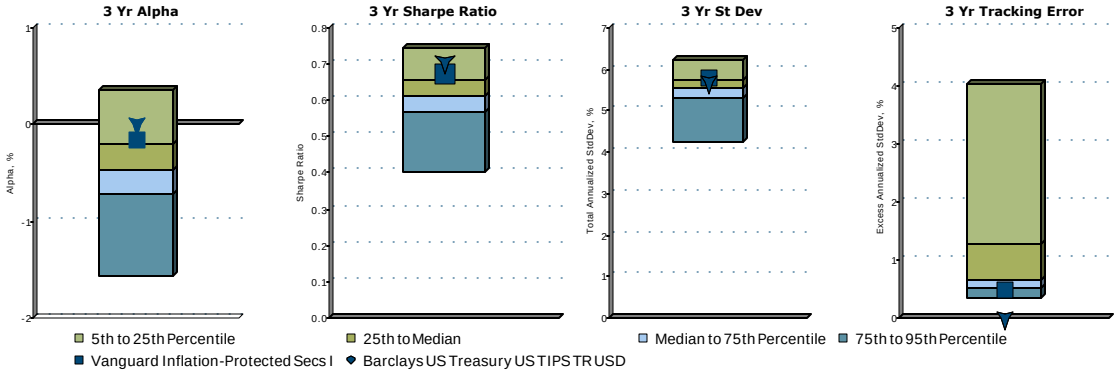
Performance

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Inflation-Protected Secs I	0.91	-6.74	-6.21	3.90	5.09
Barclays US Treasury US TIPS TR USD	0.70	-6.74	-6.10	4.02	5.31
Universe(5%)	1.16	-3.77	-3.40	4.11	6.35
Universe(25%)	0.91	-6.44	-5.71	3.62	5.57
Universe(Median)	0.68	-6.91	-6.31	3.44	4.91
Universe(75%)	0.56	-7.25	-6.65	3.12	4.42
Universe(95%)	0.39	-9.60	-9.77	2.01	3.33

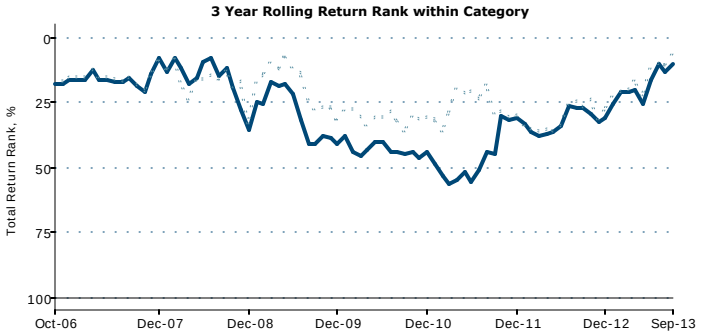
Vanguard Inflation-Protected Secs I

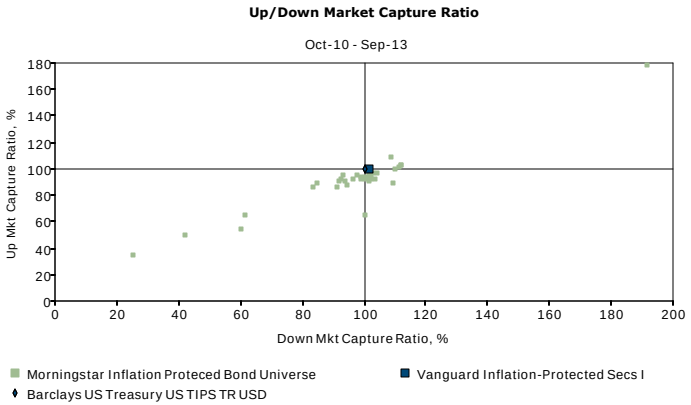


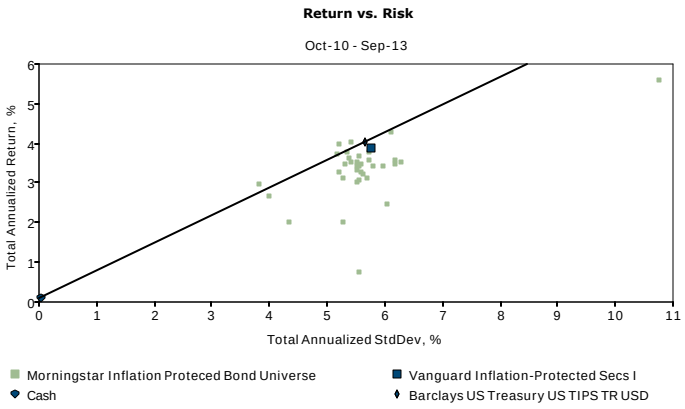
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Inflation-Protected Secs I	8.00	8.25	2.78	0.46	11.82	-2.81	11.03	6.33	13.39	6.87
Barclays US Treasury US TIPS TR USD	8.40	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56	6.98



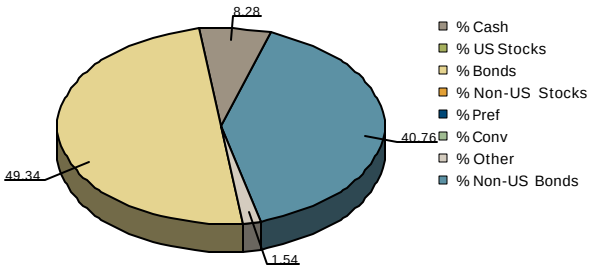
MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Inflation-Protected Secs I	-0.17	1.01	99.29	0.67	5.78	0.49
Barclays US Treasury US TIPS TR USD	0.00	1.00	100.00	0.71	5.67	0.00
Universe(5%)	0.35	1.07	99.66	0.75	6.22	4.04
Universe(25%)	-0.19	1.01	99.32	0.66	5.73	1.27
Universe(Median)	-0.47	0.97	98.99	0.61	5.54	0.66
Universe(75%)	-0.71	0.93	96.23	0.57	5.31	0.50
Universe(95%)	-1.56	0.62	71.18	0.40	4.24	0.34







PIMCO Total Return Instl



Portfolio Information

Ticker	PTTRX
Morningstar Category	Intermediate-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	NA
Net Assets $MM	250051.01
Turnover Ratio	380.00
% Assets in Top 10 Holdings	55.83
Total Number of Holdings	20604.00
Manager Name	William H. Gross
Manager Tenure	26.41
Fund Incept Date	05/11/1987
Prospectus Exp Ratio	0.46
Phone Number	888-877-4626

Investment Strategy Summary

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally 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") 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.

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

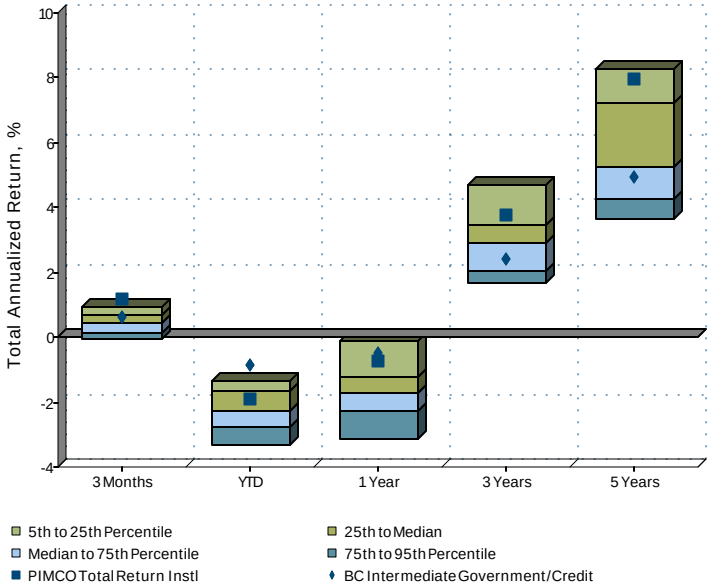
Portfolio Structure

% Cash	8.28
% US Stocks	0.00
% Bonds	49.34
% Non-US Stocks	0.00
% Pref	0.08
% Conv	0.00
% Other	1.54
% Non-US Bonds	40.76

Portfolio Ratings

Mstar Rating	★★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	33
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	16
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	5

Performance vs. Peer Group



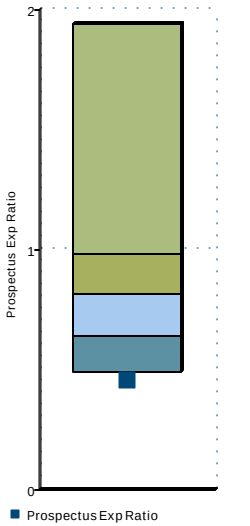
Sector Allocation

% 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

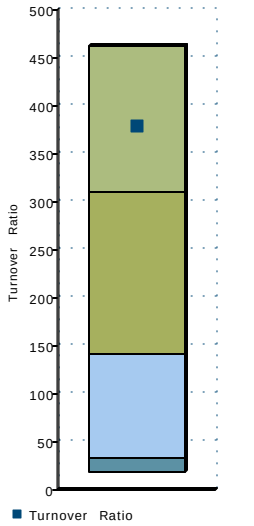
Credit Quality

Avg Eff Duration	5.82
Effective Maturity	6.54
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group

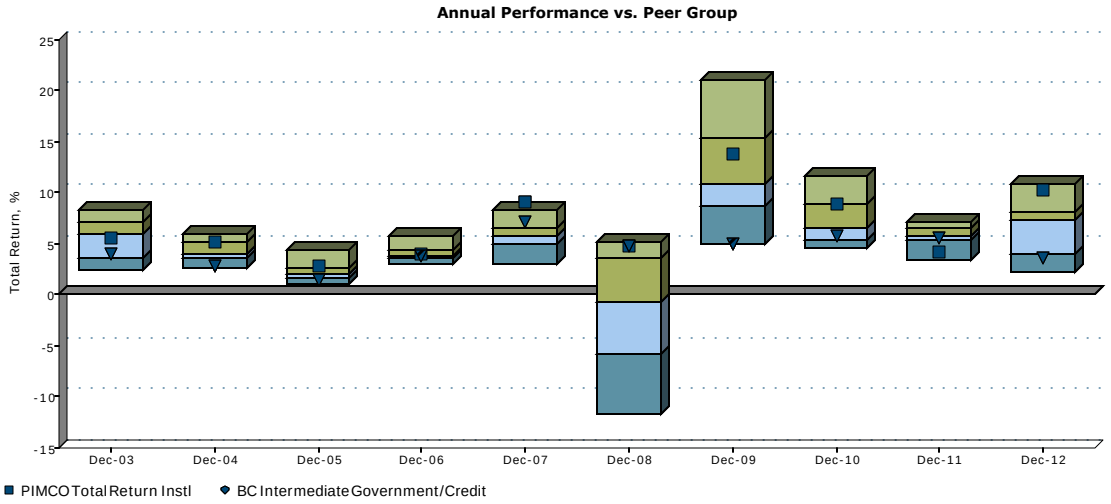


Top Ten Holdings

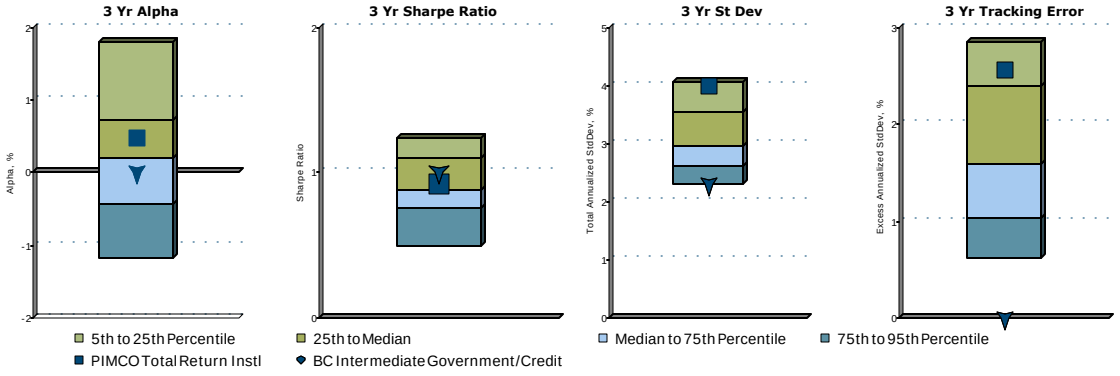
Fin Fut Euro$ Cme 06/15/15	15.35%
Irs Usd 3mls/1.50000s 03/18/15-16 Cme	13.39%
Fin Fut Euro$ Cme 12/14/15	9.80%
Fin Fut Us 10yr Cbt 09/19/13	3.07%
Fin Fut Euro$ Cme 09/14/15	2.79%
Fin Fut Euro$ Cme 03/14/16	2.66%
FNMA	2.62%
US Treasury Note 2%	2.16%
Irs Usd 3mlq/2.75000s 06/19/13-43 Cme	2.10%
US Treasury Note	1.89%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
PIMCO Total Return Instl	1.17	-1.89	-0.74	3.77	7.96
BC Intermediate Government/Credit	0.62	-0.84	-0.50	2.41	4.95
Universe(5%)	0.96	-1.34	-0.14	4.67	8.29
Universe(25%)	0.68	-1.68	-1.23	3.44	7.22
Universe(Median)	0.41	-2.25	-1.70	2.92	5.24
Universe(75%)	0.11	-2.76	-2.25	2.05	4.29
Universe(95%)	-0.05	-3.35	-3.16	1.69	3.66

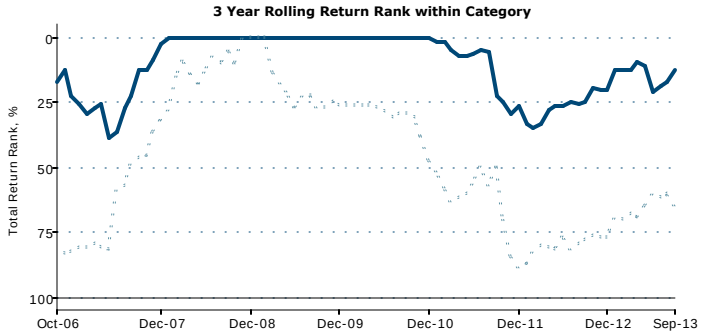
PIMCO Total Return Instl

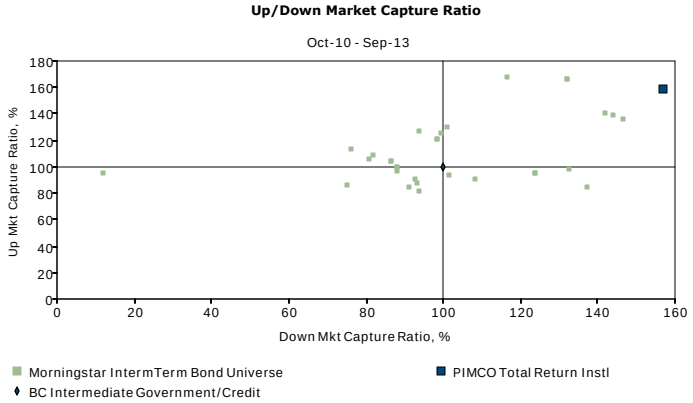


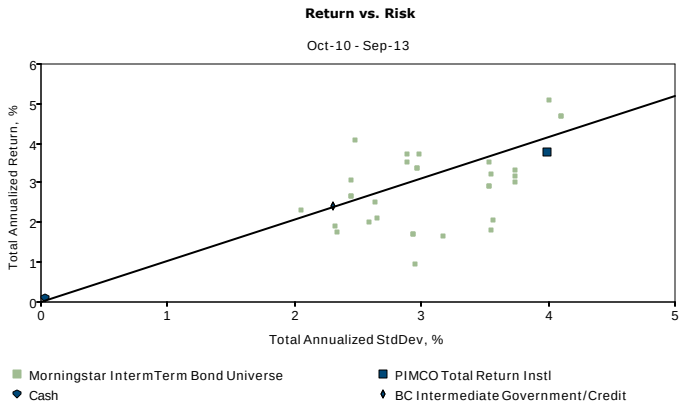
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PIMCO Total Return Instl	5.56	5.14	2.89	3.99	9.07	4.82	13.83	8.83	4.16	10.36
BC Intermediate Government/Credit	4.31	3.04	1.58	4.08	7.39	5.08	5.24	5.89	5.80	3.89



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 Total Return Instl	0.49	1.38	63.55	0.92	3.99	2.57
BC Intermediate Government/Credit	0.00	1.00	100.00	1.01	2.30	0.00
Universe(5%)	1.79	1.28	93.79	1.24	4.06	2.86
Universe(25%)	0.73	1.21	88.91	1.10	3.55	2.39
Universe(Median)	0.20	1.15	72.85	0.88	2.97	1.60
Universe(75%)	-0.44	1.04	56.09	0.76	2.61	1.04
Universe(95%)	-1.18	0.90	52.67	0.50	2.32	0.61



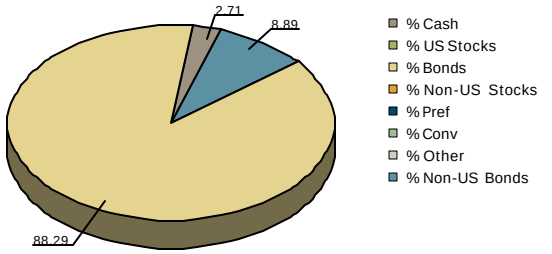




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Vanguard Total Bond Market Index Signal



Portfolio Information	
Ticker	VBTSX
Morningstar Category	Intermediate-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	NA
Net Assets $MM	109023.11
Turnover Ratio	80.00
% Assets in Top 10 Holdings	6.09
Total Number of Holdings	16057.00
Manager Name	Kenneth Volpert
Manager Tenure	20.84
Fund Incept Date	12/11/1986
Prospectus Exp Ratio	0.10
Phone Number	800-662-7447

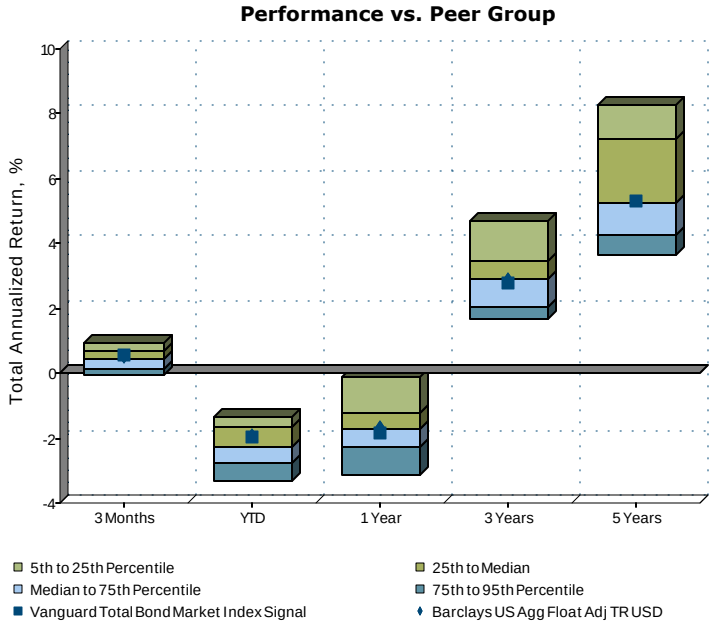
Investment Strategy Summary

The investment seeks the performance of a broad, market-weighted bond index. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States-including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities-all with maturities of more than 1 year. 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.

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

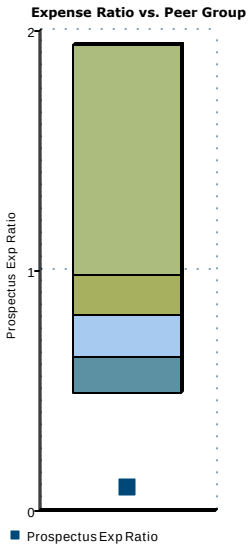
Portfolio Structure	
% Cash	2.71
% US Stocks	0.00
% Bonds	88.29
% Non-US Stocks	0.00
% Pref	0.06
% Conv	0.00
% Other	0.05
% Non-US Bonds	8.89

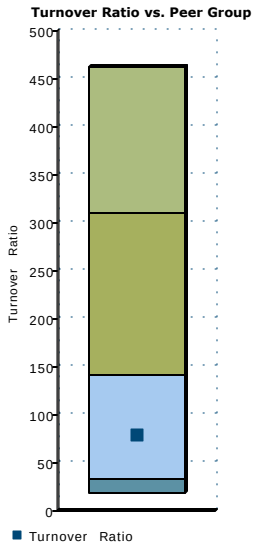
Portfolio Ratings	
Mstar Rating	★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	70
5 Year Mstar Rating	★★
% Rank Cat 5 Yr	75
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	46



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	5.45
Effective Maturity	7.40
Avg Credit Quality	AA
AAA	72.73
AA	3.68
A	11.93
BBB	11.66
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

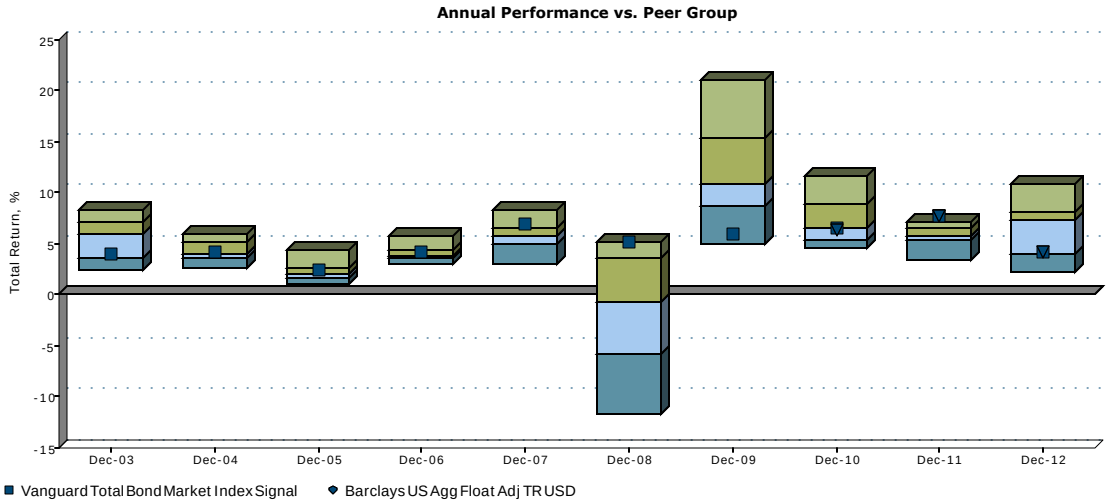




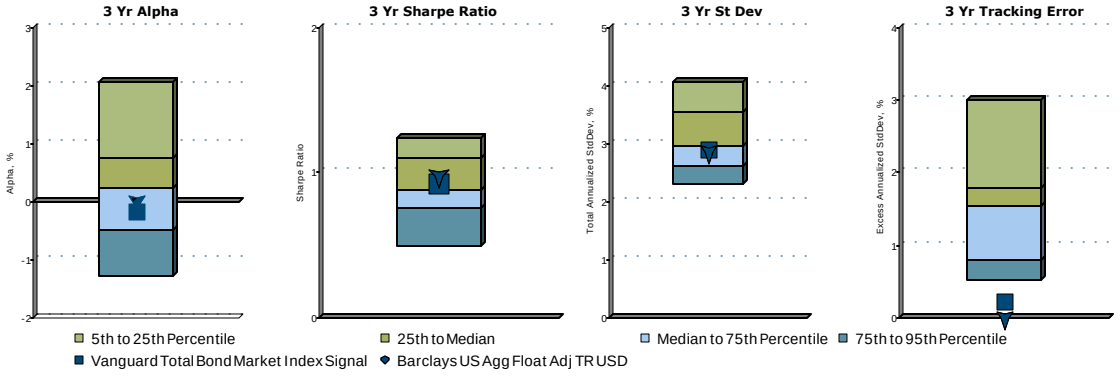
Top Ten Holdings	
US Treasury Bond 6.25%	0.70%
US Treasury Note 1.75%	0.70%
US Treasury Note 0.375%	0.69%
US Treasury Note 0.375%	0.63%
US Treasury Note 0.25%	0.59%
US Treasury Note 0.25%	0.56%
US Treasury Note 0.375%	0.56%
US Treasury Note 1.625%	0.56%
US Treasury Note 2.125%	0.55%
US Treasury Note 0.625%	0.54%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Total Bond Market Index Signal	0.54	-1.95	-1.83	2.76	5.34
Barclays US Agg Float Adj TR USD	0.53	-1.91	-1.68	2.89	NA
Universe(5%)	0.96	-1.34	-0.14	4.67	8.29
Universe(25%)	0.68	-1.68	-1.23	3.44	7.22
Universe(Median)	0.41	-2.25	-1.70	2.92	5.24
Universe(75%)	0.11	-2.76	-2.25	2.05	4.29
Universe(95%)	-0.05	-3.35	-3.16	1.69	3.66

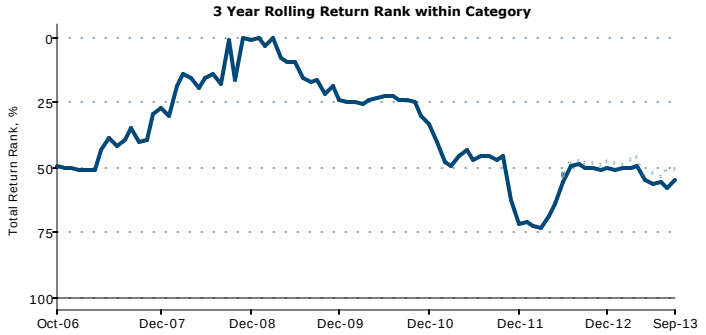
Vanguard Total Bond Market Index Signal

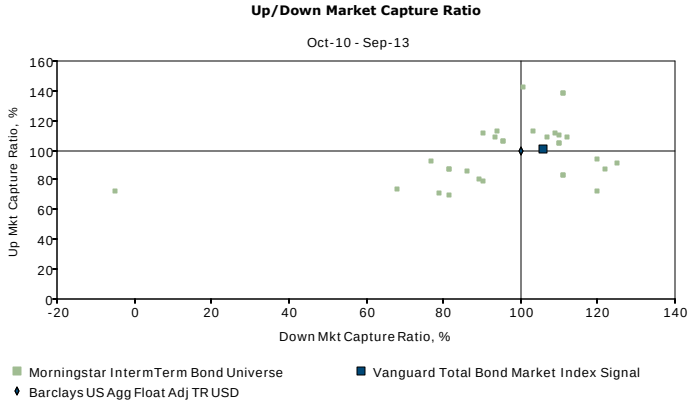


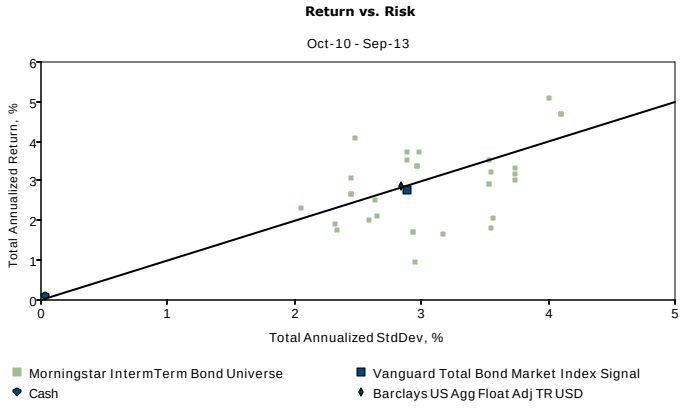
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Total Bond Market Index Signal	3.97	4.24	2.40	4.29	7.02	5.15	6.04	6.54	7.68	4.15
Barclays US Agg Float Adj TR USD	NA	NA	NA	NA	NA	NA	NA	6.58	7.92	4.32



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 Total Bond Market Index Signal	-0.16	1.01	99.40	0.92	2.89	0.23
Barclays US Agg Float Adj TR USD	0.00	1.00	100.00	0.98	2.85	0.00
Universe(5%)	2.05	1.08	96.72	1.24	4.06	3.02
Universe(25%)	0.76	1.02	92.39	1.10	3.55	1.80
Universe(Median)	0.25	0.90	75.30	0.88	2.97	1.53
Universe(75%)	-0.48	0.88	73.55	0.76	2.61	0.80
Universe(95%)	-1.26	0.72	45.86	0.50	2.32	0.53



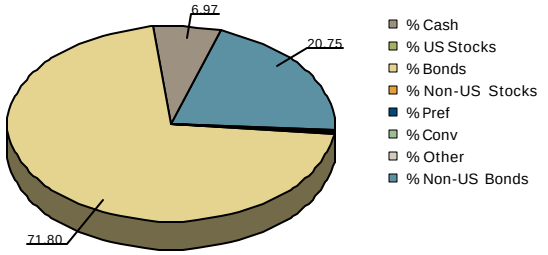




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

PIMCO Long Duration Total Return Instl



Portfolio Information

Ticker	PLRIX
Morningstar Category	Long-term Bond
Avg Mkt Cap $MM	65992.63
Cat Med Mkt Cap $MM	NA
Net Assets $MM	5782.12
Turnover Ratio	81.00
% Assets in Top 10 Holdings	33.49
Total Number of Holdings	858.00
Manager Name	Stephen A. Rodosky
Manager Tenure	6.17
Fund Incept Date	08/31/2006
Prospectus Exp Ratio	0.50
Phone Number	888-877-4626

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.

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

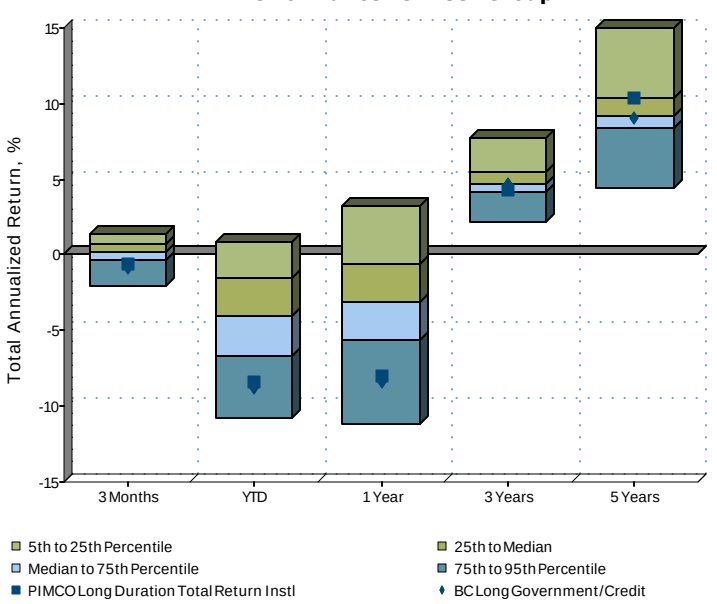
Portfolio Structure

% Cash	6.97
% US Stocks	0.00
% Bonds	71.80
% Non-US Stocks	0.00
% Pref	0.26
% Conv	0.00
% Other	0.22
% Non-US Bonds	20.75

Portfolio Ratings

Mstar Rating	★★★
3 Year Mstar Rating	★★
% Rank Cat 3 Yr	83
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	53
10 Year Mstar Rating	NA
% Rank Cat 10 Yr	NA

Performance vs. Peer Group



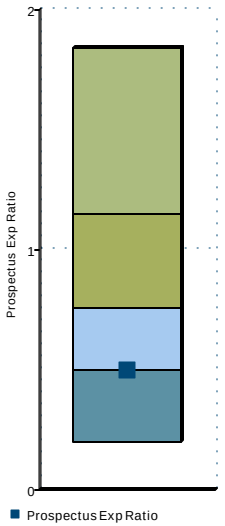
Sector Allocation

% 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	100.00
% Utilities	0.00

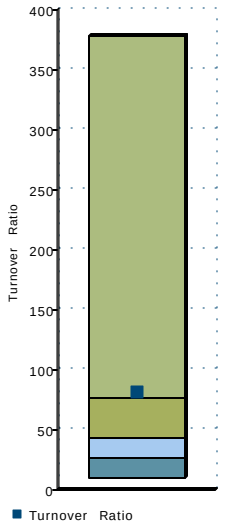
Credit Quality

Avg Eff Duration	14.02
Effective Maturity	21.39
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group

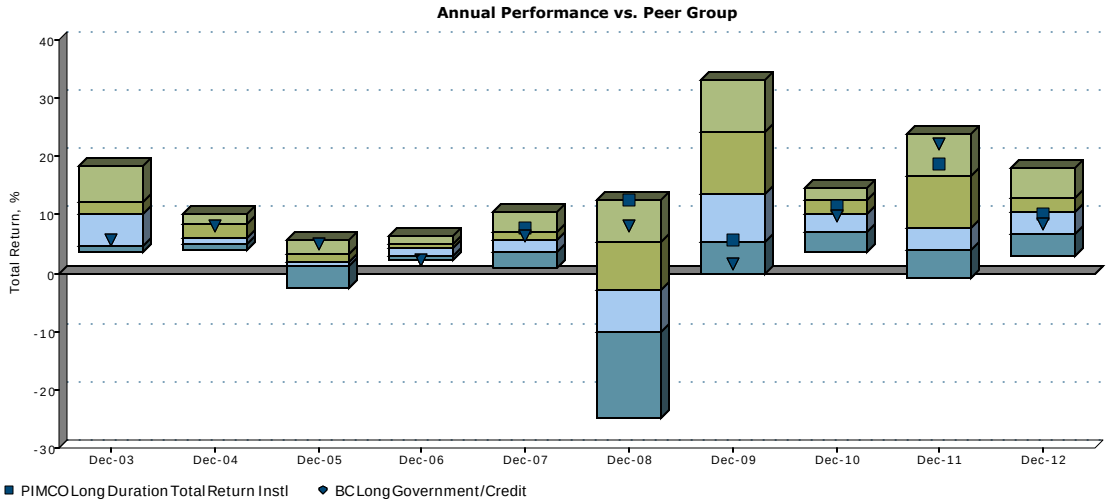


Top Ten Holdings

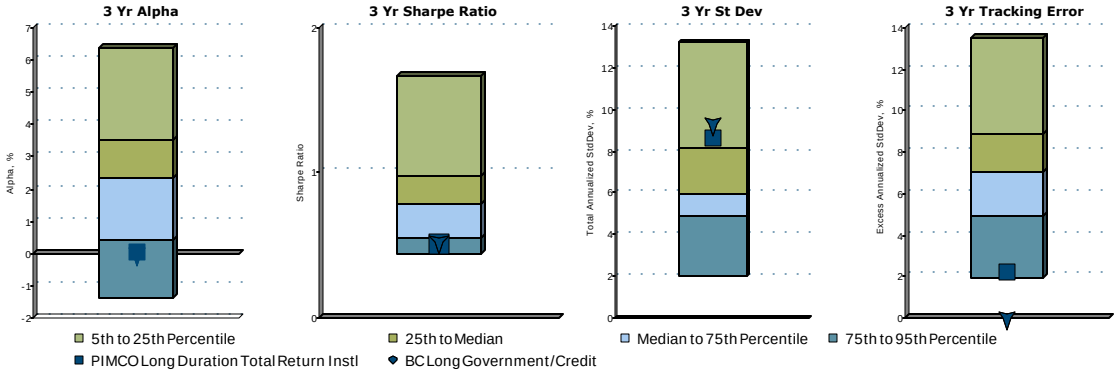
Fin Fut Euro$ Cme 06/15/15	10.89%
US Treasury Bond 3.125%	5.21%
US Treasury Bond 5.5%	3.23%
US Treasury Bond 2.75%	2.72%
US Treasury Bond 4.5%	2.43%
US Treasury Bond 4.25%	2.37%
US Treasury Bond 3.125%	2.19%
U S Treas Bd Stripped Prin Pmt	1.57%
Quebec Prov Cda 5.75%	1.48%
US Treasury Bond 5.25%	1.39%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
PIMCO Long Duration Total Return Instl	-0.65	-8.37	-7.97	4.28	10.40
BC Long Government/Credit	-0.83	-8.74	-8.33	4.71	9.07
Universe(5%)	1.35	0.88	3.23	7.75	14.95
Universe(25%)	0.71	-1.57	-0.59	5.50	10.36
Universe(Median)	0.19	-4.08	-3.06	4.69	9.19
Universe(75%)	-0.36	-6.70	-5.68	4.22	8.41
Universe(95%)	-2.11	-10.80	-11.13	2.14	4.47

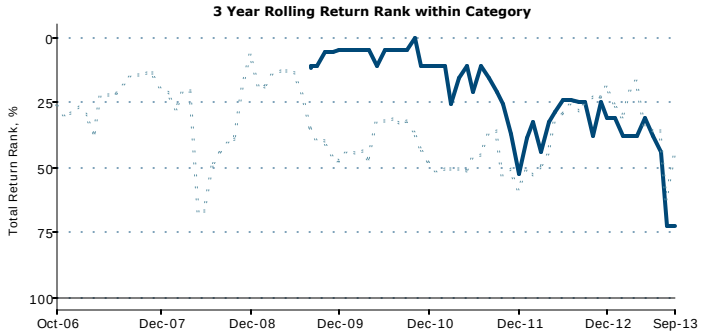
PIMCO Long Duration Total Return Instl

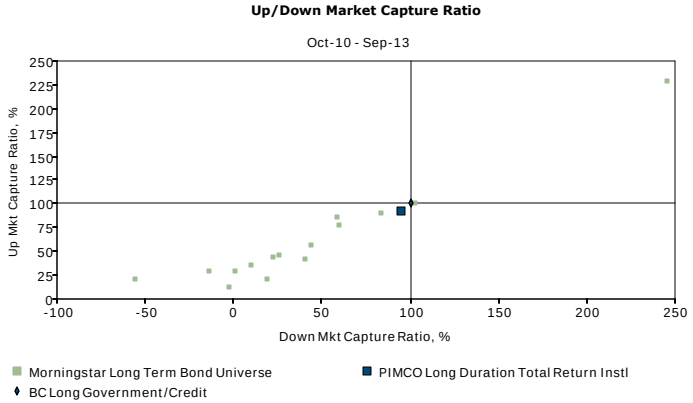


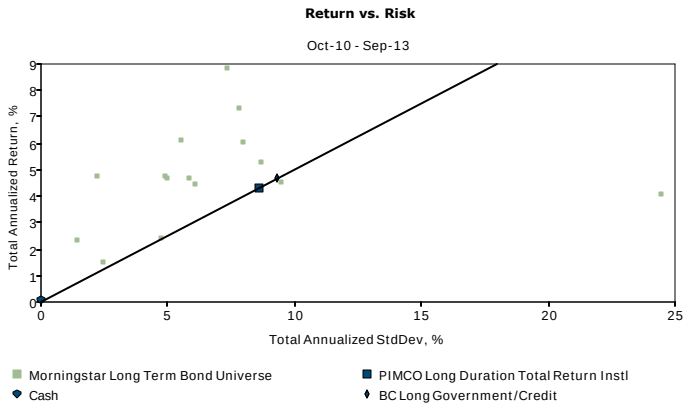
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PIMCO Long Duration Total Return Instl	NA	NA	NA	NA	7.83	12.38	5.62	11.64	18.57	10.28
BC Long Government/Credit	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78



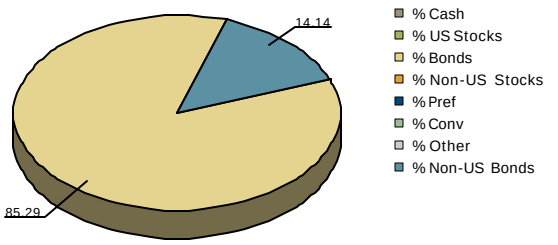
MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
PIMCO Long Duration Total Return Instl	0.02	0.90	94.30	0.52	8.62	2.26
BC Long Government/Credit	0.00	1.00	100.00	0.53	9.31	0.00
Universe(5%)	6.39	1.35	95.56	1.67	13.19	13.53
Universe(25%)	3.53	0.77	79.63	0.98	8.15	8.85
Universe(Median)	2.33	0.39	60.36	0.78	5.92	7.00
Universe(75%)	0.43	0.19	34.52	0.56	4.87	4.91
Universe(95%)	-1.37	0.02	2.99	0.44	2.04	1.89







Vanguard Long-Term Bond Index I



Portfolio Information

Ticker	VBLLX
Morningstar Category	Long-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	NA
Net Assets $MM	5621.45
Turnover Ratio	41.00
% Assets in Top 10 Holdings	18.41
Total Number of Holdings	1571.00
Manager Name	Joshua C. Barrickman
Manager Tenure	0.60
Fund Incept Date	03/01/1994
Prospectus Exp Ratio	0.07
Phone Number	800-662-7447

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.

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

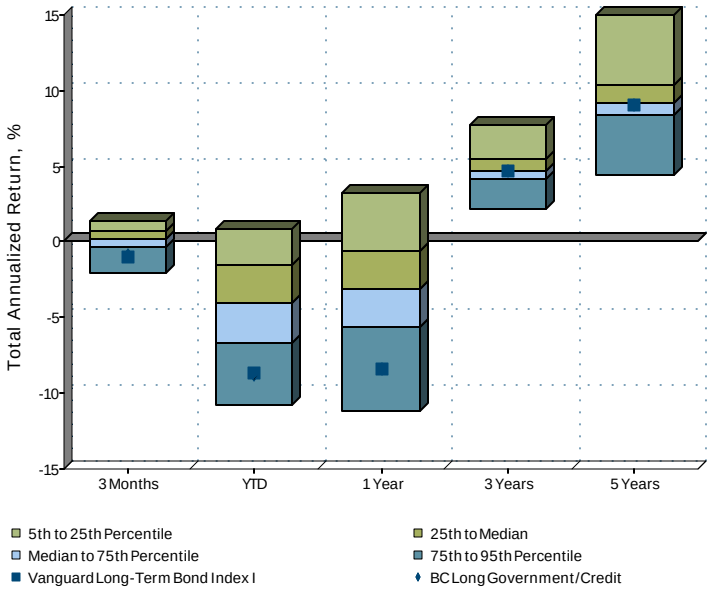
Portfolio Structure

% Cash	0.50
% US Stocks	0.00
% Bonds	85.29
% Non-US Stocks	0.00
% Pref	0.07
% Conv	0.00
% Other	0.00
% Non-US Bonds	14.14

Portfolio Ratings

Mstar Rating	★★
3 Year Mstar Rating	★★
% Rank Cat 3 Yr	73
5 Year Mstar Rating	★★
% Rank Cat 5 Yr	78
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	45

Performance vs. Peer Group



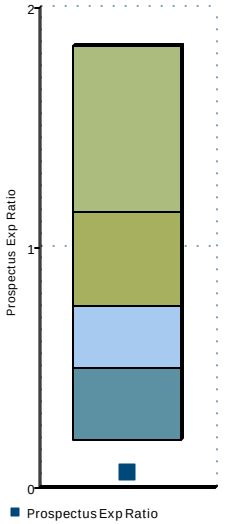
Sector Allocation

% 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

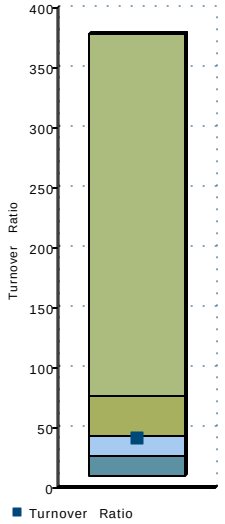
Credit Quality

Avg Eff Duration	14.13
Effective Maturity	24.00
Avg Credit Quality	A
AAA	40.09
AA	7.27
A	25.15
BBB	27.49
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group



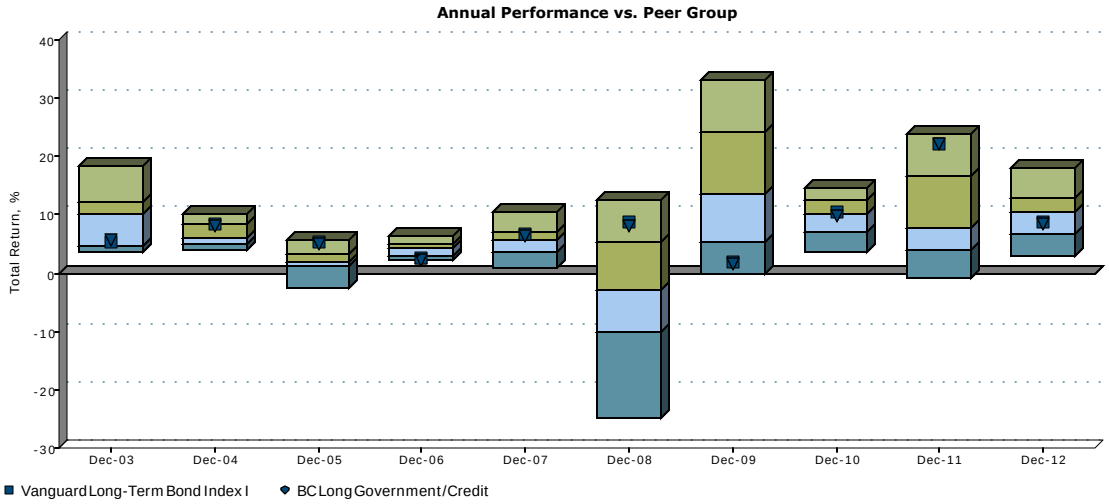
Top Ten Holdings

US Treasury Bond 3.125%	2.28%
US Treasury Bond 4.25%	2.18%
US Treasury Bond 2.75%	1.93%
US Treasury Bond 4.375%	1.88%
US Treasury Bond 4.75%	1.84%
US Treasury Bond 2.75%	1.77%
US Treasury Bond 4.625%	1.71%
US Treasury Bond 4.375%	1.65%
US Treasury Bond 4.375%	1.63%
US Treasury Bond 3.125%	1.54%

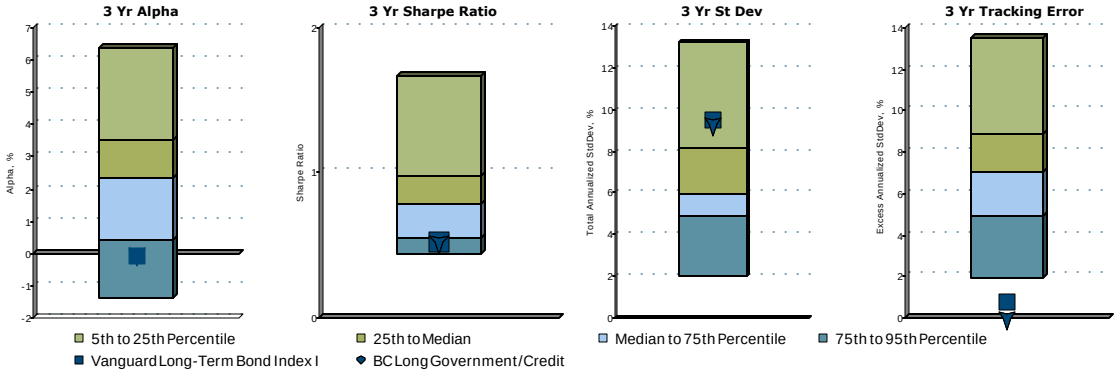
Performance

	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Long-Term Bond Index I	-0.98	-8.60	-8.44	4.70	9.08
BC Long Government/Credit	-0.83	-8.74	-8.33	4.71	9.07
Universe(5%)	1.35	0.88	3.23	7.75	14.95
Universe(25%)	0.71	-1.57	-0.59	5.50	10.36
Universe(Median)	0.19	-4.08	-3.06	4.69	9.19
Universe(75%)	-0.36	-6.70	-5.68	4.22	8.41
Universe(95%)	-2.11	-10.80	-11.13	2.14	4.47

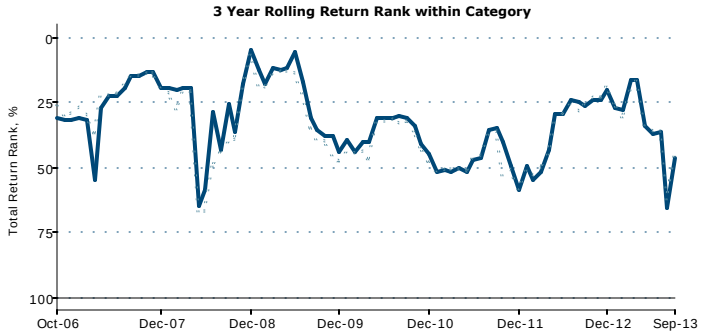
Vanguard Long-Term Bond Index I

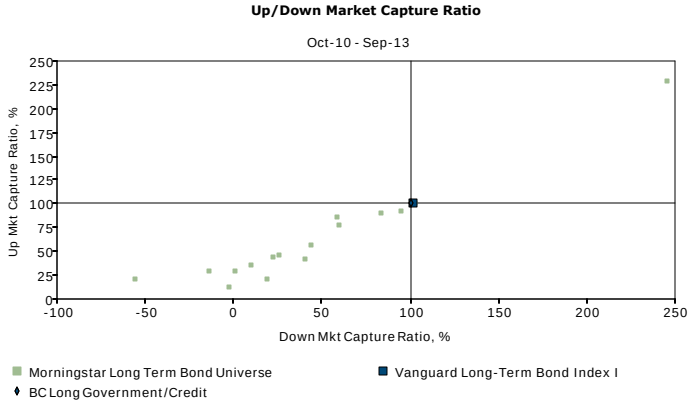


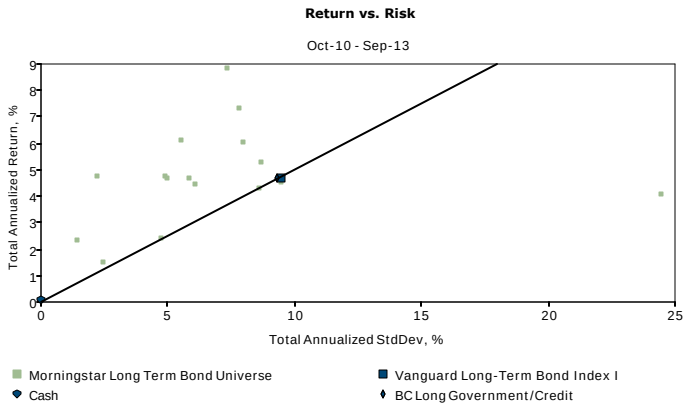
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Long-Term Bond Index I	5.50	8.40	5.32	2.75	6.71	8.77	1.91	10.43	22.23	8.63
BC Long Government/Credit	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78



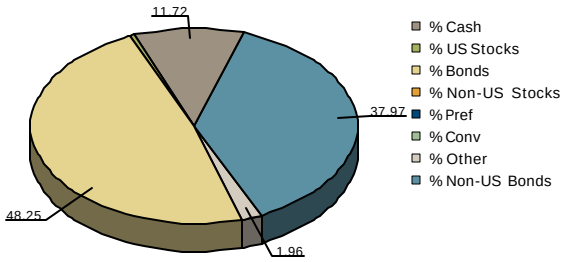
MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Long-Term Bond Index I	-0.05	1.01	99.31	0.52	9.45	0.79
BC Long Government/Credit	0.00	1.00	100.00	0.53	9.31	0.00
Universe(5%)	6.39	1.35	95.56	1.67	13.19	13.53
Universe(25%)	3.53	0.77	79.63	0.98	8.15	8.85
Universe(Median)	2.33	0.39	60.36	0.78	5.92	7.00
Universe(75%)	0.43	0.19	34.52	0.56	4.87	4.91
Universe(95%)	-1.37	0.02	2.99	0.44	2.04	1.89







Ivy High Income 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	11.72
% US Stocks	0.03
% Bonds	48.25
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.07
% Other	1.96
% Non-US Bonds	37.97

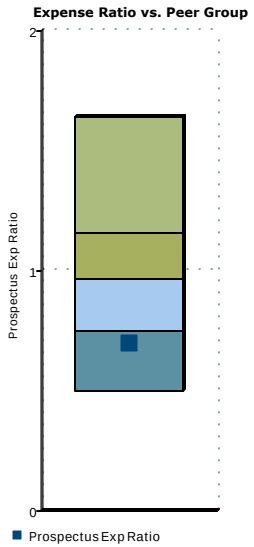
Sector Allocation	
% Basic Materials	NA
% Communication Services	NA
% Consumer Cyclical	NA
% Consumer Defensive	NA
% Healthcare	NA
% Industrials	NA
% Real Estate	NA
% Technology	NA
% Energy	NA
% Financial Services	NA
% Utilities	NA

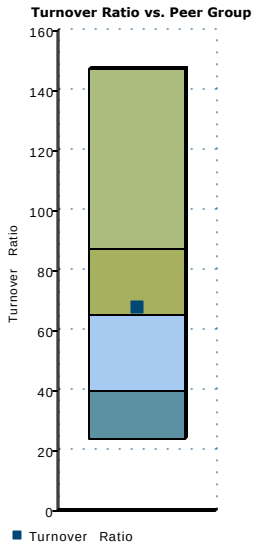
Credit Quality	
Avg Eff Duration	4.10
Effective Maturity	5.24
Avg Credit Quality	B
AAA	0.00
AA	0.06
A	0.45
BBB	0.72
BB	10.09
B	53.93
Below B	27.26
NR/NA	7.49

Top Ten Holdings	
Laureate Educ 144A 9.25%	3.05%
Us Foods 8.5%	2.71%
Magic 2 Lien (Misys Plc)	2.50%
Us Foods Senior Secured	2.27%
Fmg Resources Pty Ltd	2.19%
Formula 1 (Proj Green Ii)	2.03%
Hd Sply 11.5%	1.55%
Delta 2 Sarl Tl 1l	1.47%
Delta 2 Sarl Tl 1l	1.31%
Aa Bond Co Ltd 144a	1.28%

Portfolio Information	
Ticker	IVHIX
Morningstar Category	High Yield Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	11135.61
Net Assets $MM	8665.75
Turnover Ratio	68.00
% Assets in Top 10 Holdings	20.35
Total Number of Holdings	320.00
Manager Name	Bryan C. Krug
Manager Tenure	7.62
Fund Incept Date	07/31/1997
Prospectus Exp Ratio	0.70
Phone Number	800-777-6472

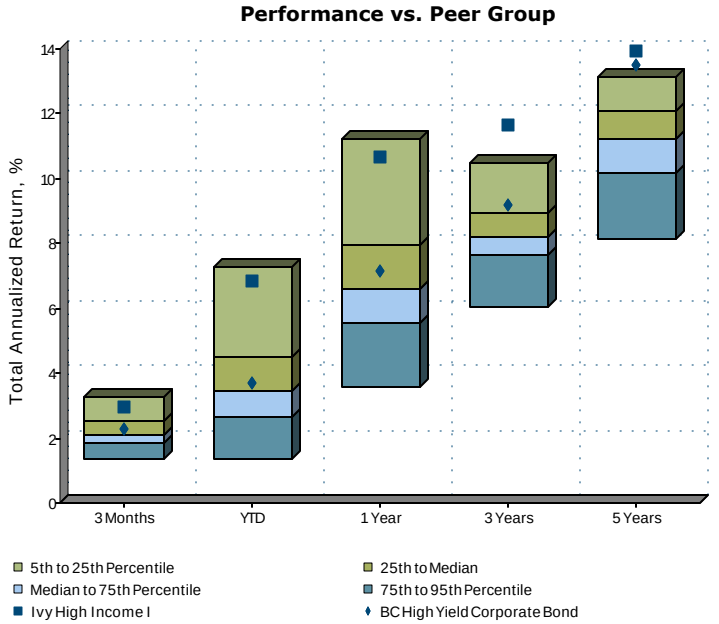
Portfolio Ratings	
Mstar Rating	★★★★★
3 Year Mstar Rating	★★★★★
% Rank Cat 3 Yr	1
5 Year Mstar Rating	★★★★★
% Rank Cat 5 Yr	2
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	5





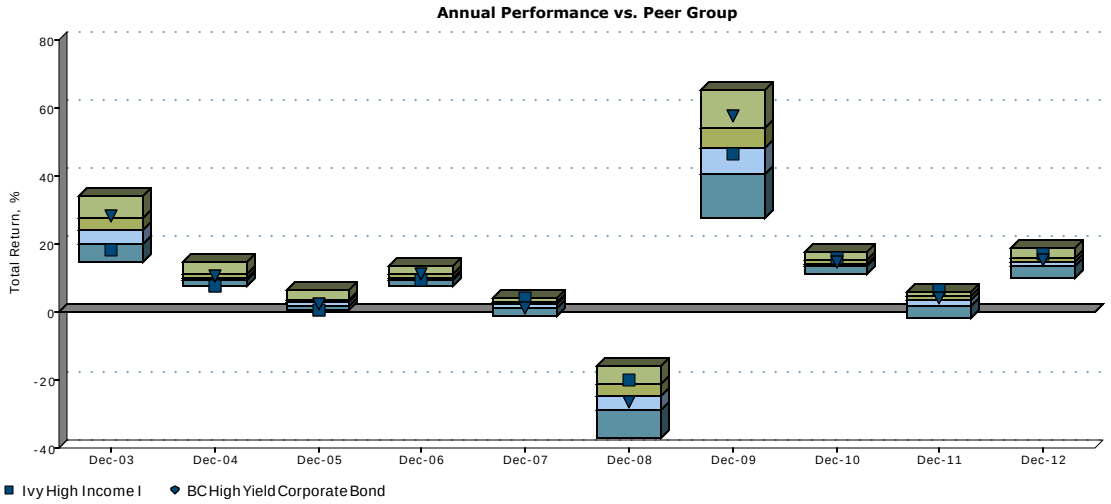
Investment Strategy Summary

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.

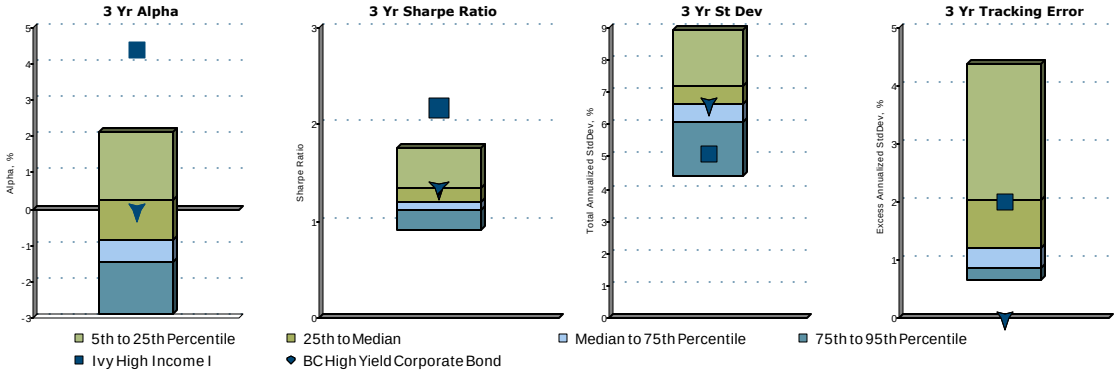


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Ivy High Income I	2.97	6.86	10.66	11.68	13.94
BC High Yield Corporate Bond	2.28	3.73	7.14	9.19	13.53
Universe(5%)	3.28	7.29	11.25	10.47	13.14
Universe(25%)	2.50	4.52	7.96	8.96	12.09
Universe(Median)	2.12	3.45	6.60	8.21	11.21
Universe(75%)	1.85	2.63	5.57	7.68	10.18
Universe(95%)	1.35	1.34	3.58	6.05	8.13

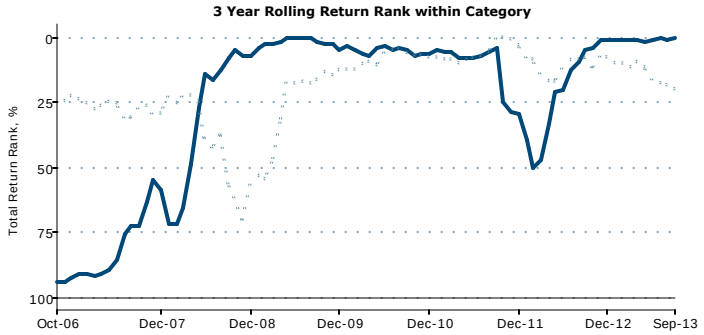
Ivy High Income I

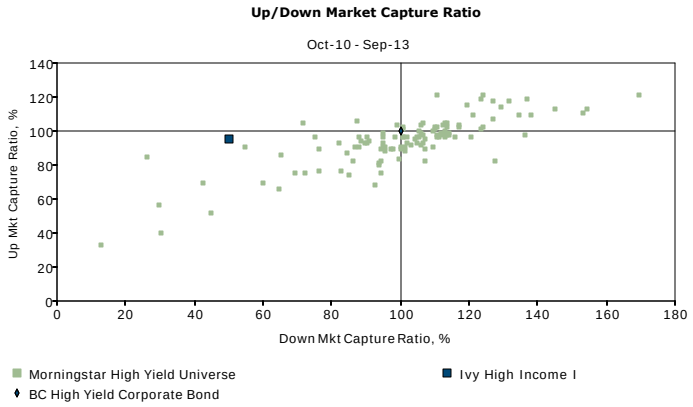


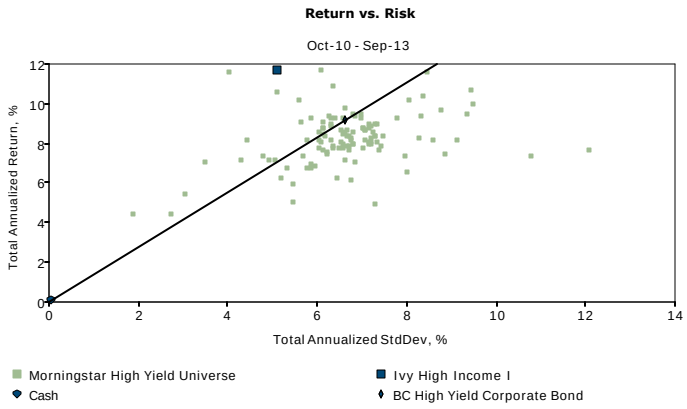
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ivy High Income I	18.10	7.58	0.59	9.69	4.05	-19.73	46.56	15.62	6.44	17.16
BC High Yield Corporate Bond	28.97	11.13	2.74	11.85	1.87	-26.16	58.21	15.12	4.98	15.81



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	4.42	0.75	95.17	2.18	5.10	2.00
BC High Yield Corporate Bond	0.00	1.00	100.00	1.35	6.63	0.00
Universe(5%)	2.12	1.25	99.23	1.76	8.93	4.37
Universe(25%)	0.24	1.08	98.66	1.35	7.20	2.04
Universe(Median)	-0.83	0.99	97.62	1.21	6.67	1.22
Universe(75%)	-1.47	0.90	93.31	1.12	6.11	0.87
Universe(95%)	-2.89	0.61	78.40	0.90	4.38	0.65



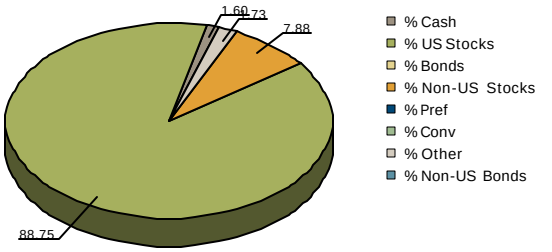




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

American Funds Washington Mutual R6



Portfolio Region	
% United States	91.85
% Canada	1.82
% Latin America	0.00
% United Kingdom	3.35
% Eurozone	1.63
% Europe - ex Euro	1.17
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.14
% Japan	0.04
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	1.60
% US Stocks	88.75
% Bonds	0.04
% Non-US Stocks	7.88
% Pref	0.00
% Conv	0.00
% Other	1.73
% Non-US Bonds	0.00

Sector Allocation	
% Basic Materials	3.28
% Communication Services	5.46
% Consumer Cyclical	12.02
% Consumer Defensive	9.60
% Healthcare	12.25
% Industrials	21.03
% Real Estate	0.00
% Technology	6.60
% Energy	12.32
% Financial Services	13.07
% Utilities	4.38

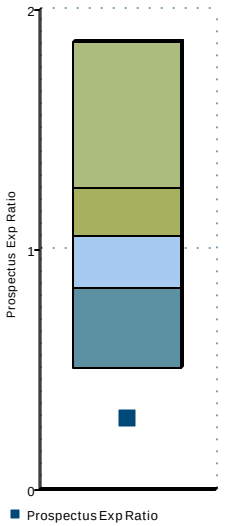
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Home Depot, Inc.	5.35%
Boeing Co	4.76%
Chevron Corp	4.37%
Merck & Co Inc	3.86%
Union Pacific Corp	3.01%
Royal Dutch Shell PLC ADR Class B	2.98%
Verizon Communications Inc	2.85%
Wells Fargo & Co	2.78%
American Express Co	2.66%
PepsiCo Inc	2.62%

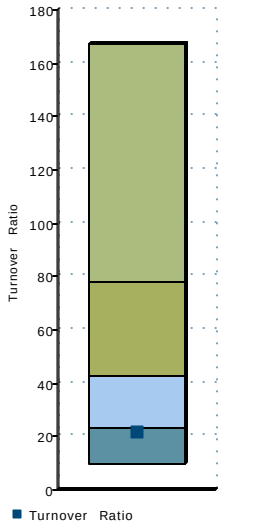
Portfolio Information	
Ticker	RWMGX
Morningstar Category	Large Value
Avg Mkt Cap $MM	76633.28
Cat Med Mkt Cap $MM	73259.36
Net Assets $MM	62967.99
Turnover Ratio	22.00
% Assets in Top 10 Holdings	35.26
Total Number of Holdings	169.00
Manager Name	Alan N. Berro
Manager Tenure	15.76
Fund Incept Date	07/31/1952
Prospectus Exp Ratio	0.30
Phone Number	800-421-4225

Portfolio Ratings	
Mstar Rating	★★★★★
3 Year Mstar Rating	★★★★★
% Rank Cat 3 Yr	13
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	29
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	41

Expense Ratio vs. Peer Group



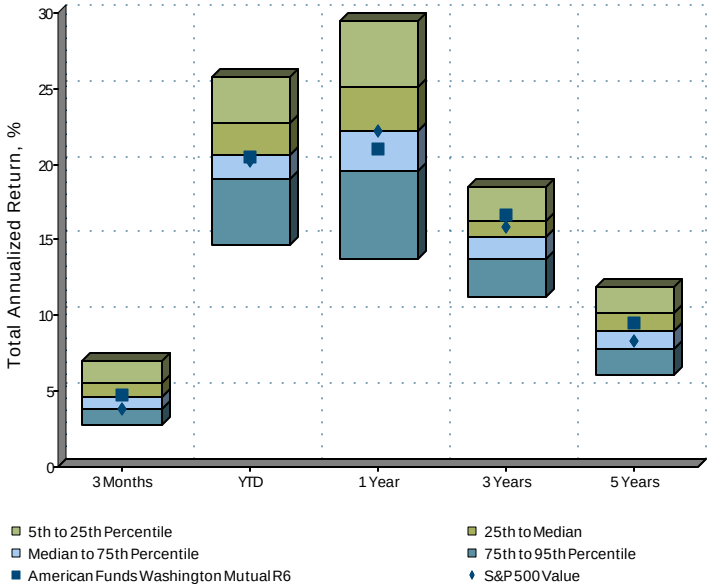
Turnover Ratio vs. Peer Group



Investment Strategy Summary

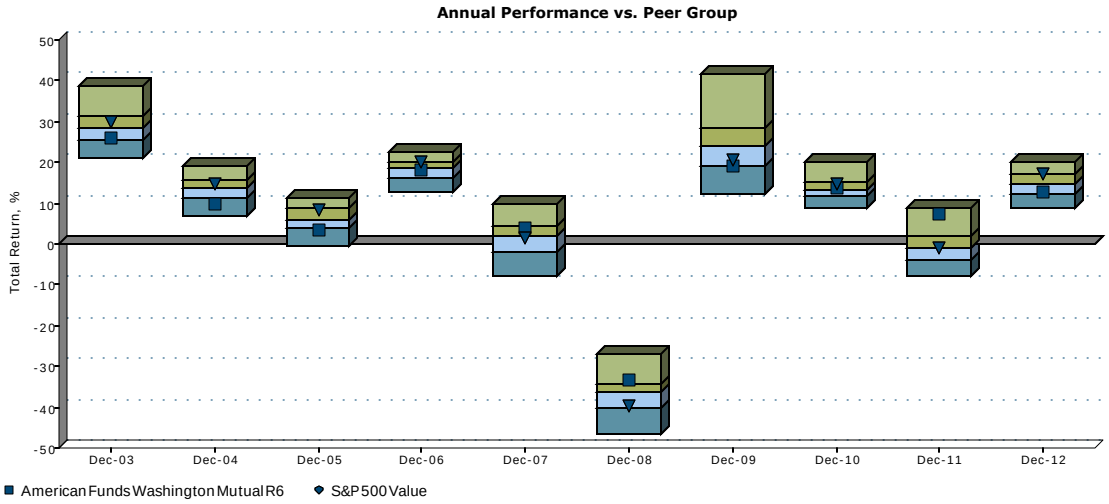
The investment seeks to produce income and to provide an opportunity for growth of principal consistent with sound common stock investing. The fund invests primarily in common stocks of established companies that are listed on, or meet the financial listing requirements of, the New York Stock Exchange and have a strong record of earnings and dividends. Its advisor strives to maintain a fully invested, diversified portfolio, consisting primarily of high-quality common stocks.

Performance vs. Peer Group

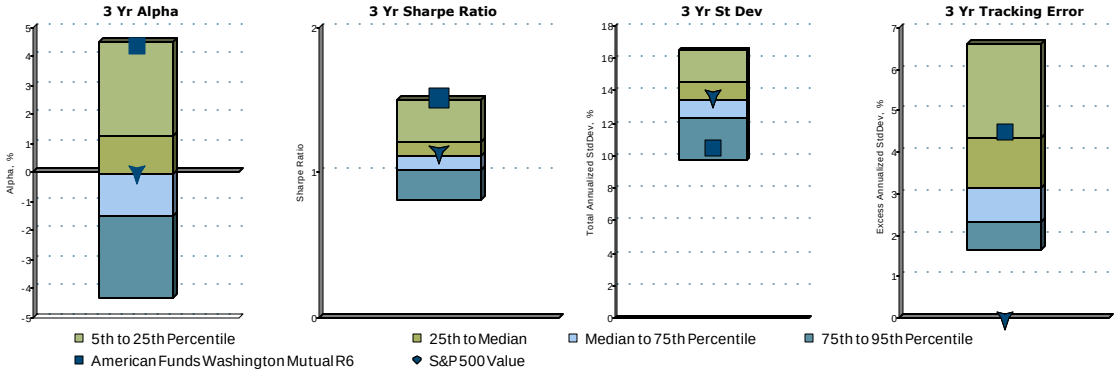


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
American Funds Washington Mutual R6	4.77	20.43	20.97	16.59	9.55
S&P 500 Value	3.84	20.17	22.15	15.86	8.38
Universe(5%)	7.03	25.75	29.44	18.47	11.90
Universe(25%)	5.54	22.67	25.09	16.30	10.18
Universe(Median)	4.64	20.61	22.24	15.23	9.04
Universe(75%)	3.89	19.04	19.58	13.78	7.81
Universe(95%)	2.75	14.70	13.70	11.21	6.14

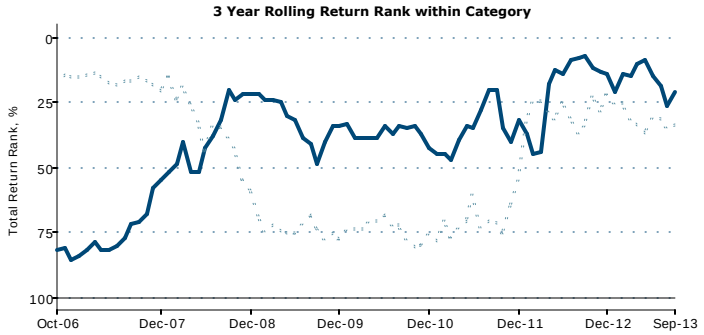
American Funds Washington Mutual R6

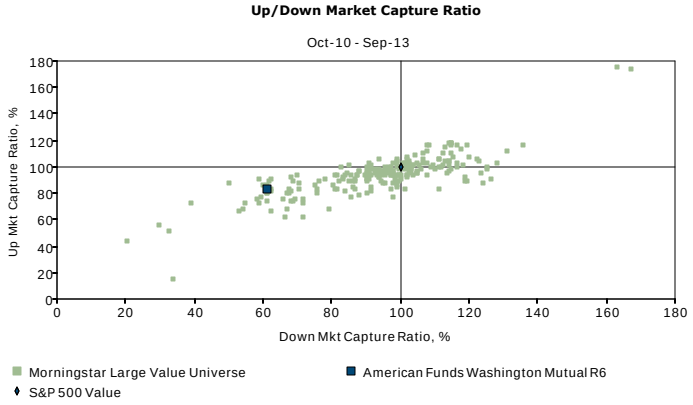


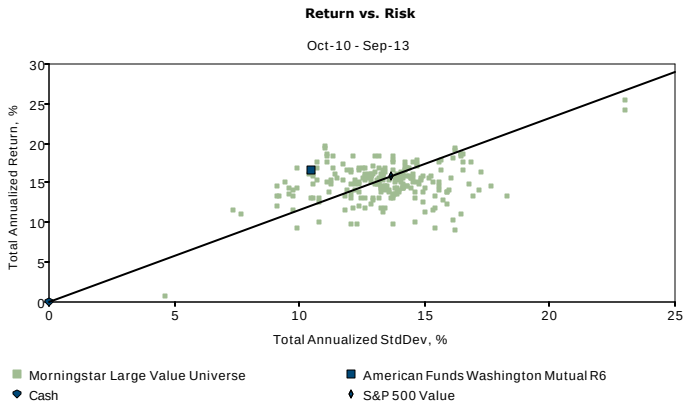
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American Funds Washington Mutual R6	25.83	9.92	3.55	18.04	3.97	-33.10	19.24	13.69	7.35	12.85
S&P 500 Value	30.36	15.03	8.71	20.80	1.99	-39.22	21.18	15.10	-0.48	17.68



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 Washington Mutual R6	4.36	0.74	93.43	1.52	10.43	4.47
S&P 500 Value	0.00	1.00	100.00	1.14	13.67	0.00
Universe(5%)	4.53	1.19	98.84	1.50	16.49	6.62
Universe(25%)	1.27	1.04	97.54	1.22	14.53	4.36
Universe(Median)	-0.03	0.97	95.91	1.12	13.43	3.13
Universe(75%)	-1.46	0.88	92.52	1.02	12.27	2.29
Universe(95%)	-4.29	0.67	84.56	0.81	9.78	1.65



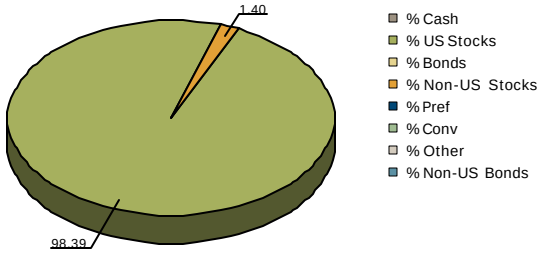




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Vanguard Growth Index I



Portfolio Information

Ticker	VIGIX
Morningstar Category	Large Growth
Avg Mkt Cap $MM	46343.19
Cat Med Mkt Cap $MM	56784.53
Net Assets $MM	33503.11
Turnover Ratio	21.00
% Assets in Top 10 Holdings	24.76
Total Number of Holdings	344.00
Manager Name	Gerard C. O'Reilly
Manager Tenure	18.76
Fund Incept Date	11/02/1992
Prospectus Exp Ratio	0.08
Phone Number	800-662-7447

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 US 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.

Portfolio Region

% United States	98.60
% Canada	0.25
% Latin America	0.00
% United Kingdom	0.58
% Eurozone	0.16
% Europe - ex Euro	0.27
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.13
% Asia - Emerging	0.00

Portfolio Structure

% Cash	0.21
% US Stocks	98.39
% Bonds	0.00
% Non-US Stocks	1.40
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

Portfolio Ratings

Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	21
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	28
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	35

Sector Allocation

% Basic Materials	3.00
% Communication Services	3.69
% Consumer Cyclical	18.39
% Consumer Defensive	8.42
% Healthcare	9.73
% Industrials	10.06
% Real Estate	5.19
% Technology	28.08
% Energy	7.39
% Financial Services	5.82
% Utilities	0.24

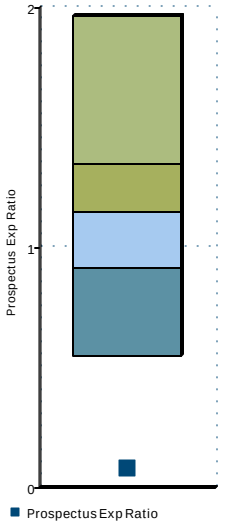
Credit Quality

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

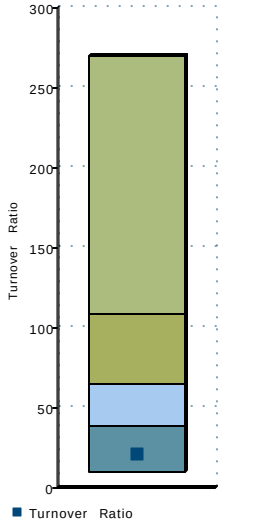
Top Ten Holdings

Apple Inc	6.02%
Google, Inc. Class A	3.41%
International Business Machines Corp	3.06%
Coca-Cola Co	2.28%
Philip Morris International, Inc.	1.96%
Home Depot, Inc.	1.64%
Intel Corp	1.64%
Oracle Corporation	1.62%
Qualcomm, Inc.	1.58%
Amazon.com Inc	1.55%

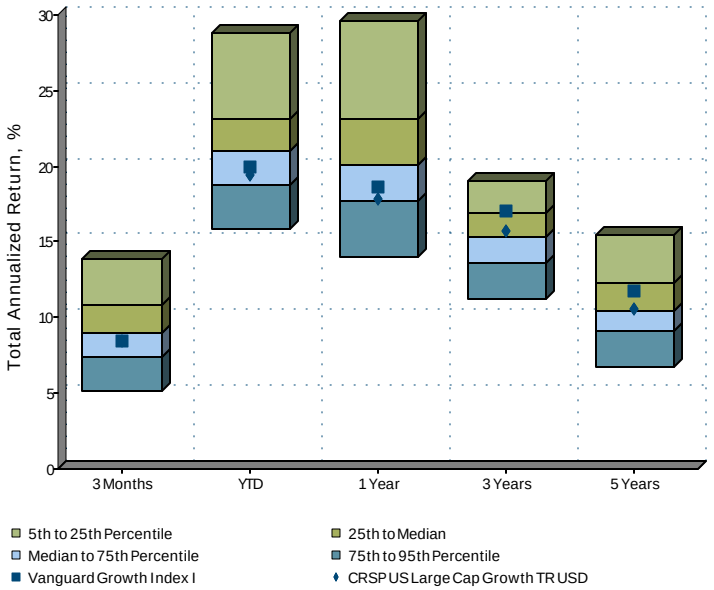
Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group

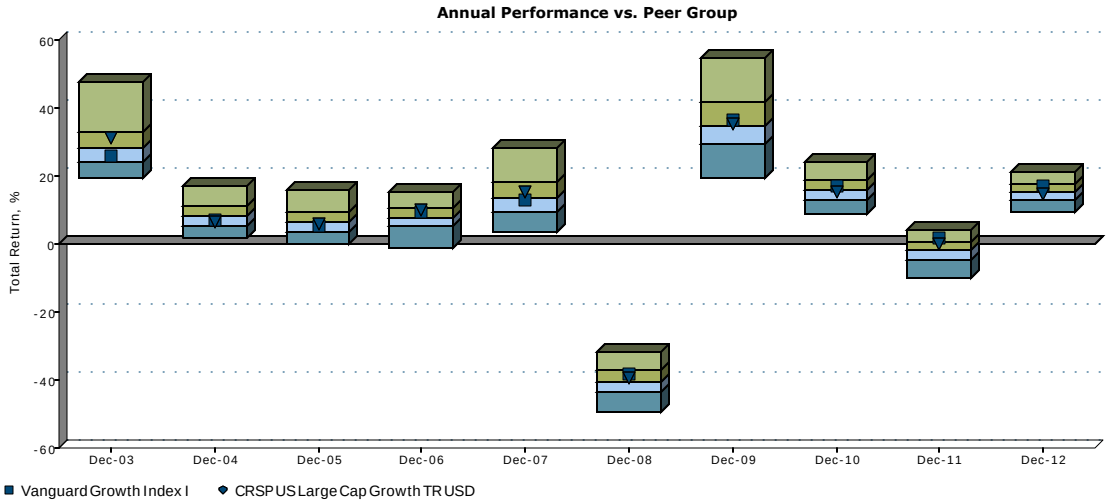


Performance vs. Peer Group

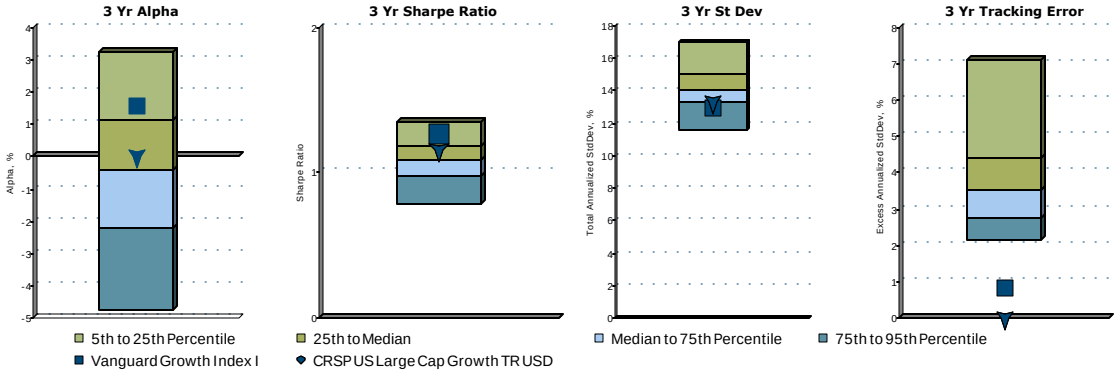


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Growth Index I	8.47	19.98	18.69	17.05	11.76
CRSP US Large Cap Growth TR USD	8.49	19.38	17.81	15.68	10.59
Universe(5%)	13.89	28.81	29.58	19.02	15.43
Universe(25%)	10.80	23.15	23.10	16.90	12.27
Universe(Median)	8.99	20.99	20.13	15.34	10.38
Universe(75%)	7.45	18.80	17.74	13.65	9.08
Universe(95%)	5.13	15.81	14.03	11.28	6.68

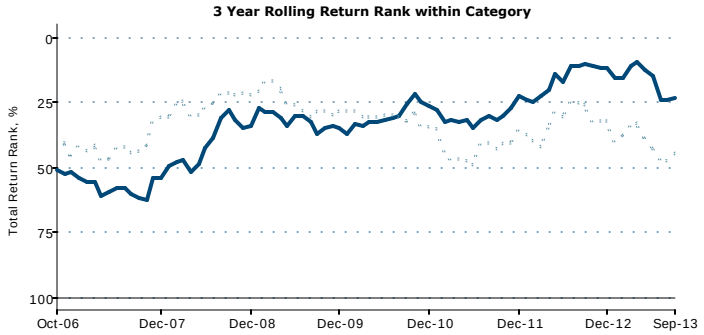
Vanguard Growth Index I

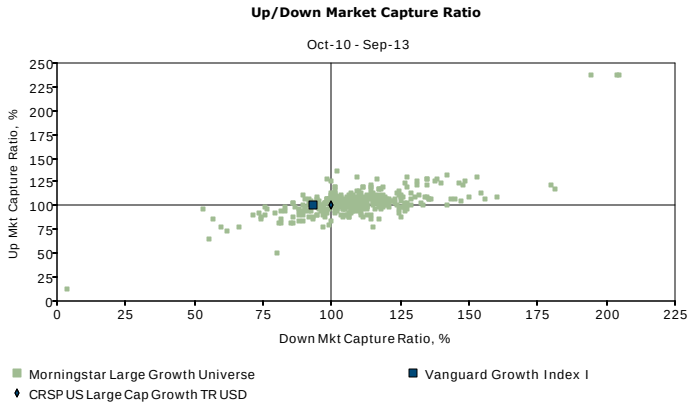


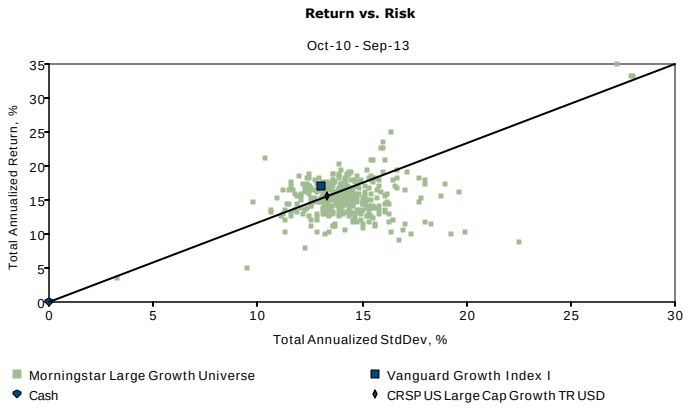
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Growth Index I	26.09	7.34	5.24	9.16	12.73	-38.19	36.50	17.17	1.89	17.04
CRSP US Large Cap Growth TR USD	31.56	6.99	6.40	10.32	15.66	-38.67	35.92	15.77	0.58	15.20



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 I	1.55	0.97	99.69	1.27	12.99	0.80
CRSP US Large Cap Growth TR USD	0.00	1.00	100.00	1.16	13.32	0.00
Universe(5%)	3.25	1.23	97.90	1.35	17.06	7.09
Universe(25%)	1.12	1.09	96.23	1.19	15.05	4.44
Universe(Median)	-0.42	1.03	94.32	1.10	14.09	3.52
Universe(75%)	-2.18	0.96	91.75	0.97	13.26	2.77
Universe(95%)	-4.74	0.82	82.42	0.78	11.60	2.14



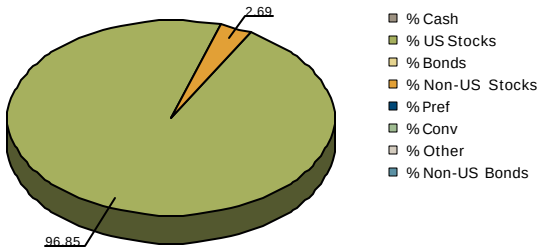




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Vanguard Mid Cap Index Adm



Portfolio Region	
% United States	97.29
% Canada	0.66
% Latin America	0.00
% United Kingdom	1.12
% Eurozone	0.42
% Europe - ex Euro	0.18
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.33
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	0.46
% US Stocks	96.85
% Bonds	0.00
% Non-US Stocks	2.69
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

Sector Allocation	
% Basic Materials	5.14
% Communication Services	1.91
% Consumer Cyclical	17.70
% Consumer Defensive	7.87
% Healthcare	10.30
% Industrials	13.57
% Real Estate	5.39
% Technology	15.43
% Energy	6.68
% Financial Services	10.53
% Utilities	5.48

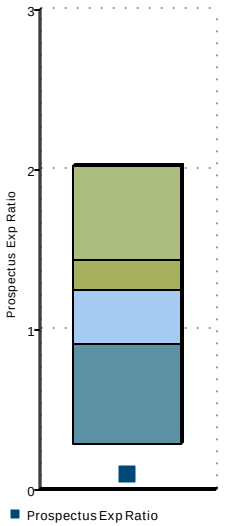
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
LinkedIn Corp	0.68%
Macy's Inc	0.68%
Delta Air Lines Inc	0.66%
Health Care REIT, Inc.	0.66%
Vertex Pharmaceuticals	0.64%
Actavis Inc	0.62%
AvalonBay Communities Inc	0.61%
Delphi Automotive PLC	0.61%
Cabot Oil & Gas Corporation Class A	0.58%
W.W. Grainger, Inc.	0.56%

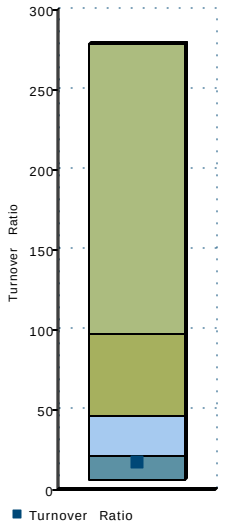
Portfolio Information	
Ticker	VIMAX
Morningstar Category	Mid-Cap Blend
Avg Mkt Cap $MM	9317.05
Cat Med Mkt Cap $MM	6663.13
Net Assets $MM	42245.20
Turnover Ratio	17.00
% Assets in Top 10 Holdings	6.30
Total Number of Holdings	369.00
Manager Name	Donald M. Butler
Manager Tenure	15.37
Fund Incept Date	05/21/1998
Prospectus Exp Ratio	0.10
Phone Number	800-662-7447

Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	36
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	15
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	16

Expense Ratio vs. Peer Group



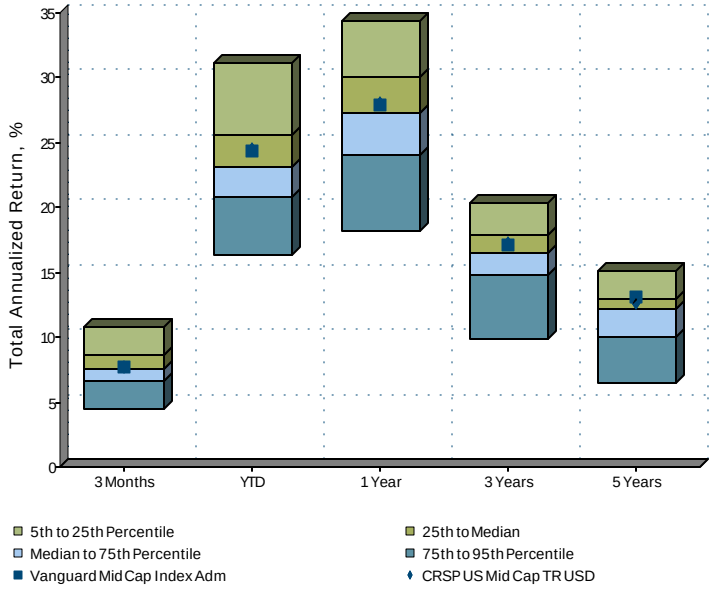
Turnover Ratio vs. Peer Group



Investment Strategy Summary

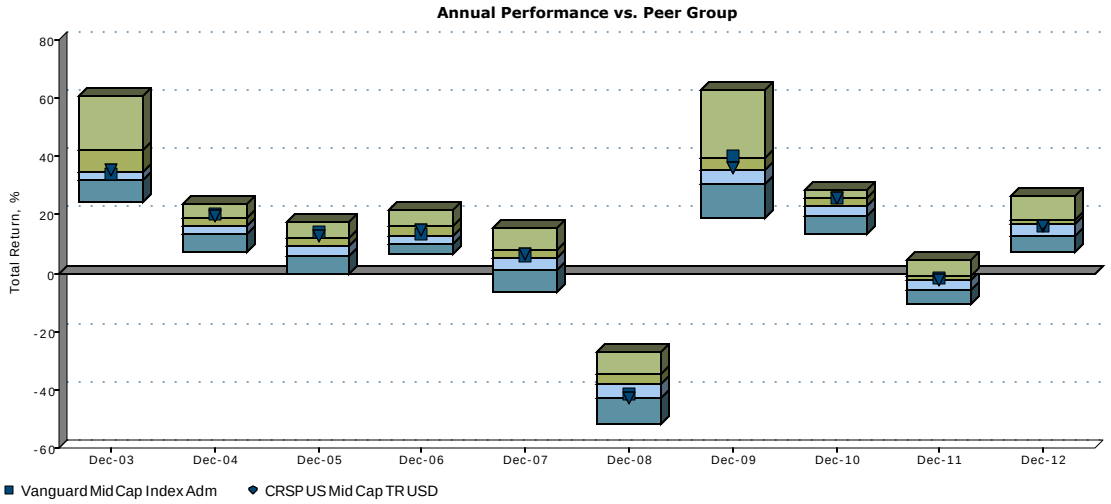
The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. 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

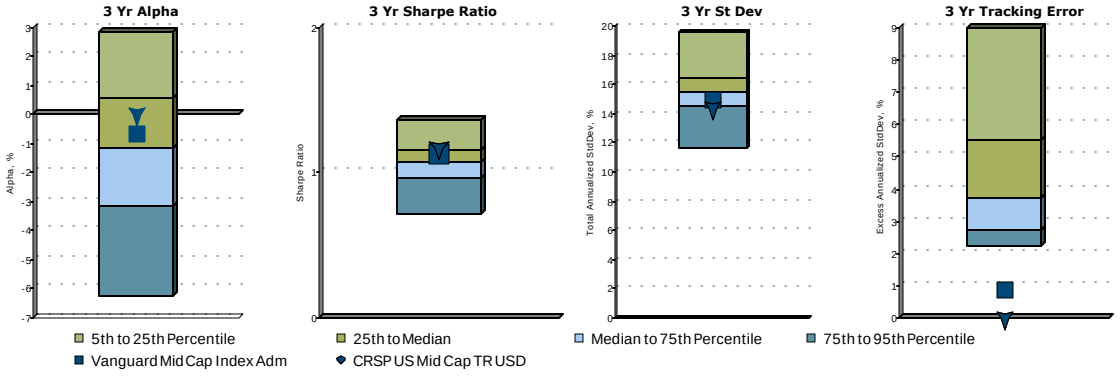


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Mid Cap Index Adm	7.67	24.43	27.95	17.13	13.17
CRSP US Mid Cap TR USD	7.71	24.53	28.08	17.30	12.66
Universe(5%)	10.72	31.12	34.37	20.30	15.07
Universe(25%)	8.70	25.60	30.04	17.86	12.90
Universe(Median)	7.50	23.12	27.27	16.50	12.15
Universe(75%)	6.58	20.84	24.09	14.82	10.01
Universe(95%)	4.42	16.36	18.12	9.86	6.41

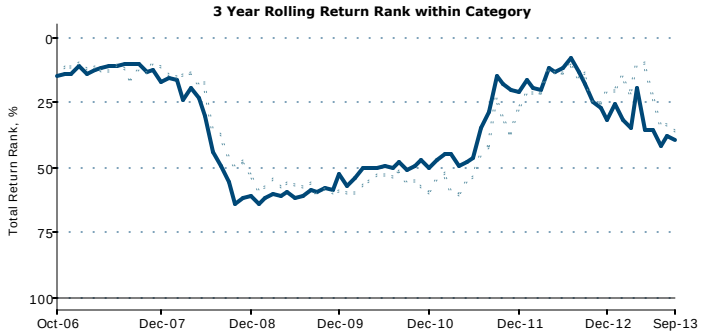
Vanguard Mid Cap Index Adm

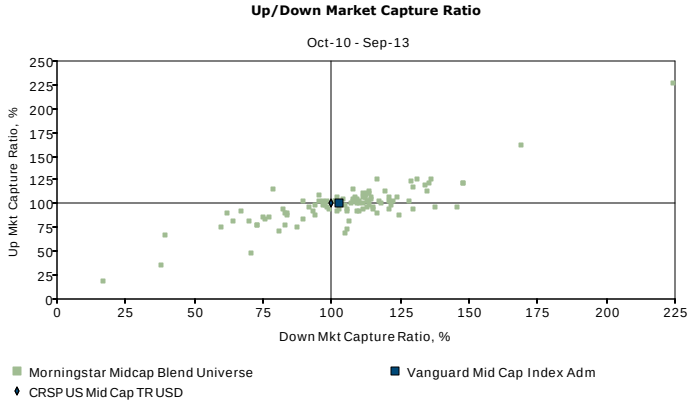


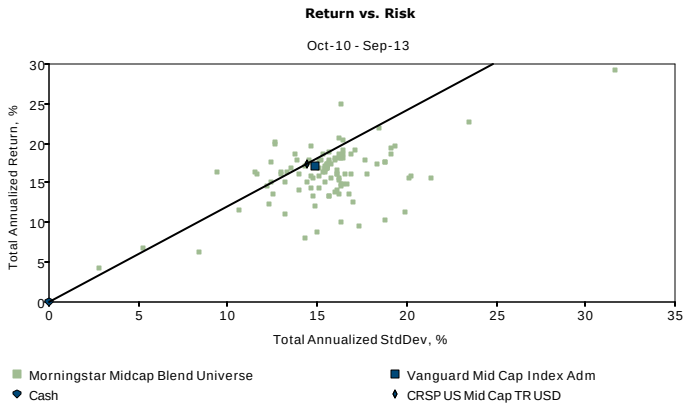
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Mid Cap Index Adm	34.24	20.42	14.04	13.69	6.17	-41.78	40.48	25.59	-1.97	15.99
CRSP US Mid Cap TR USD	35.96	20.28	13.31	15.32	7.04	-41.83	36.90	26.16	-1.79	16.69



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	-0.64	1.03	99.78	1.13	14.88	0.85
CRSP US Mid Cap TR USD	0.00	1.00	100.00	1.18	14.39	0.00
Universe(5%)	2.85	1.31	98.51	1.37	19.61	8.98
Universe(25%)	0.57	1.12	97.49	1.16	16.39	5.53
Universe(Median)	-1.17	1.07	95.23	1.08	15.53	3.75
Universe(75%)	-3.17	0.95	91.87	0.97	14.53	2.76
Universe(95%)	-6.25	0.76	79.78	0.72	11.59	2.24



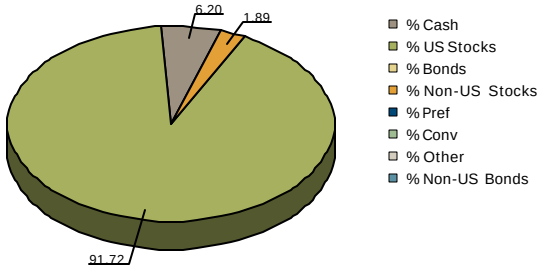




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Target Small Capitalization Value T



Portfolio Region	
% United States	97.98
% Canada	0.95
% Latin America	0.14
% United Kingdom	0.02
% Eurozone	0.66
% Europe - ex Euro	0.00
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.23
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.02

Portfolio Structure	
% Cash	6.20
% US Stocks	91.72
% Bonds	0.00
% Non-US Stocks	1.89
% Pref	0.00
% Conv	0.00
% Other	0.19
% Non-US Bonds	0.00

Sector Allocation	
% Basic Materials	5.80
% Communication Services	0.49
% Consumer Cyclical	10.93
% Consumer Defensive	4.42
% Healthcare	5.91
% Industrials	23.63
% Real Estate	4.87
% Technology	12.84
% Energy	6.45
% Financial Services	21.23
% Utilities	3.43

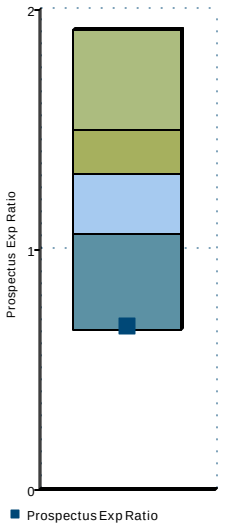
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Bristow Group, Inc.	1.20%
Hexcel Corporation	0.95%
Aaron's, Inc.	0.94%
Protective Life Corp	0.94%
Silgan Holdings, Inc.	0.88%
Littelfuse Inc.	0.82%
Firstmerit Corp	0.80%
Group 1 Automotive Inc	0.79%
Raymond James Financial Inc	0.78%
GATX Corp	0.76%

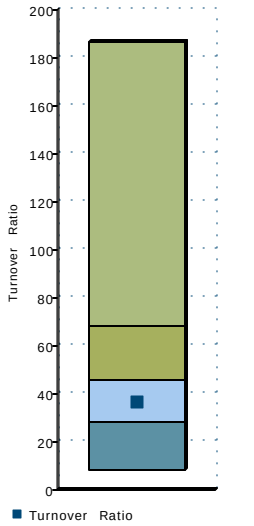
Portfolio Information	
Ticker	TASVX
Morningstar Category	Small Value
Avg Mkt Cap $MM	2156.13
Cat Med Mkt Cap $MM	1928.09
Net Assets $MM	1664.26
Turnover Ratio	37.00
% Assets in Top 10 Holdings	8.85
Total Number of Holdings	669.00
Manager Name	Paul E. Viera, Jr.
Manager Tenure	11.76
Fund Incept Date	01/05/1993
Prospectus Exp Ratio	0.68
Phone Number	800-225-1852

Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	41
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	37
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	5

Expense Ratio vs. Peer Group



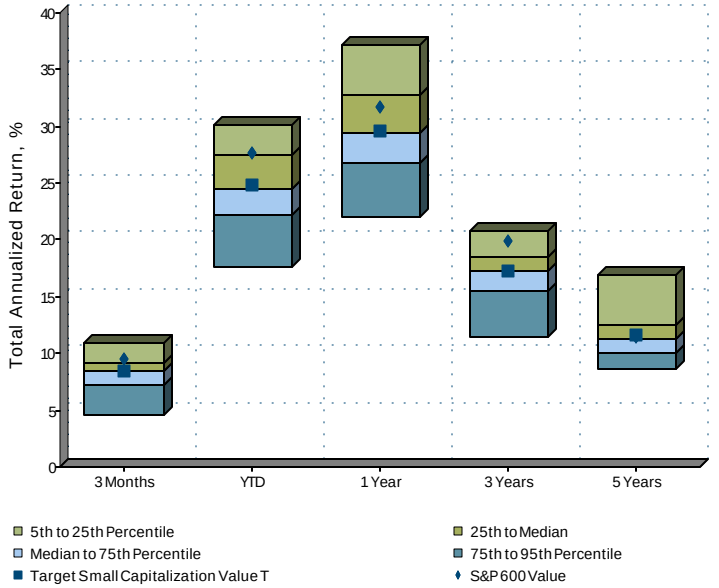
Turnover Ratio vs. Peer Group



Investment Strategy Summary

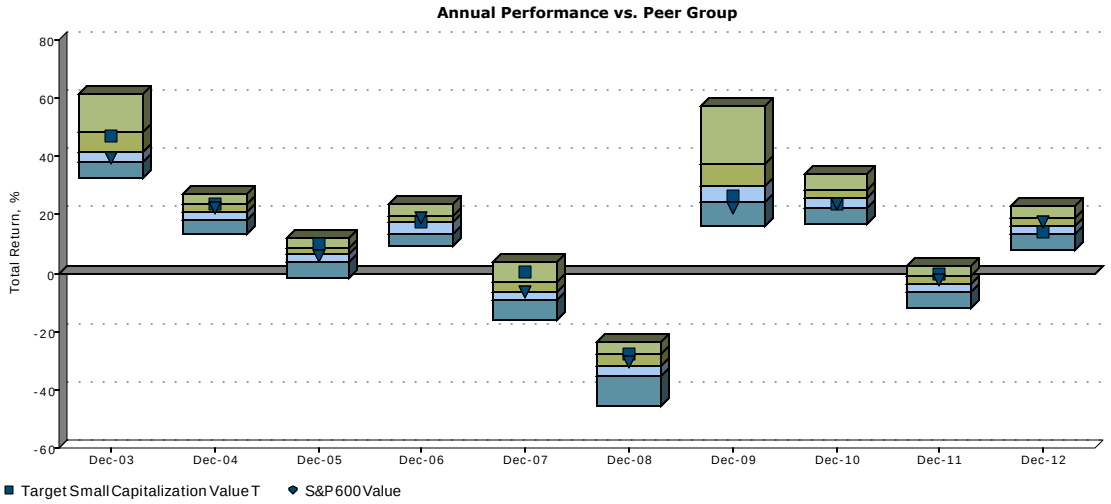
The investment seeks above-average capital appreciation. The Portfolio seeks investments that will increase in value. It normally invests at least 80% of its investable assets in common stocks of small companies. Small companies are those companies with market capitalizations comparable to those in the Russell 2000 Value Index. As of December 31, 2012, the Russell 2000 Value Index median market capitalization was approximately $472 million and the largest company by market capitalization was $4.664 billion. Market capitalization is measured at the time of purchase.

Performance vs. Peer Group

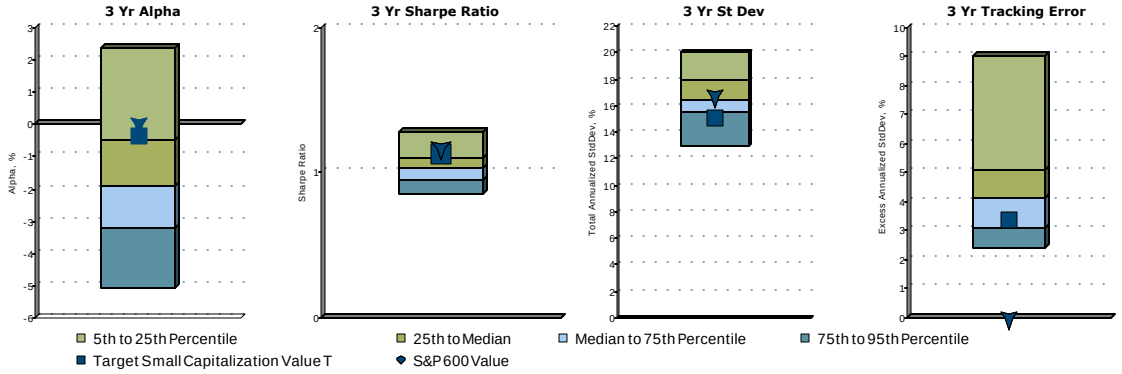


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Target Small Capitalization Value T	8.43	24.88	29.57	17.20	11.59
S&P 600 Value	9.53	27.71	31.78	19.97	11.48
Universe(5%)	10.95	30.05	37.11	20.84	16.87
Universe(25%)	9.20	27.44	32.80	18.57	12.55
Universe(Median)	8.40	24.45	29.36	17.20	11.32
Universe(75%)	7.31	22.24	26.79	15.54	10.08
Universe(95%)	4.62	17.65	22.07	11.43	8.63

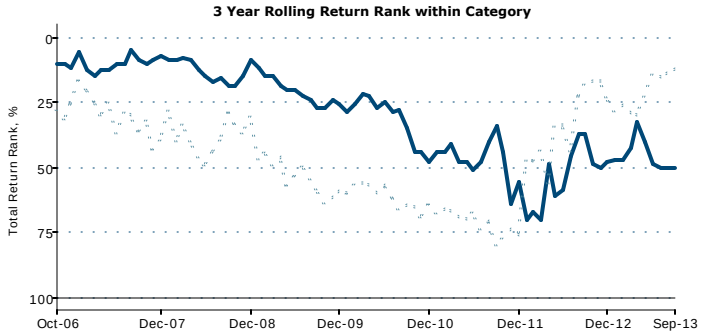
Target Small Capitalization Value T

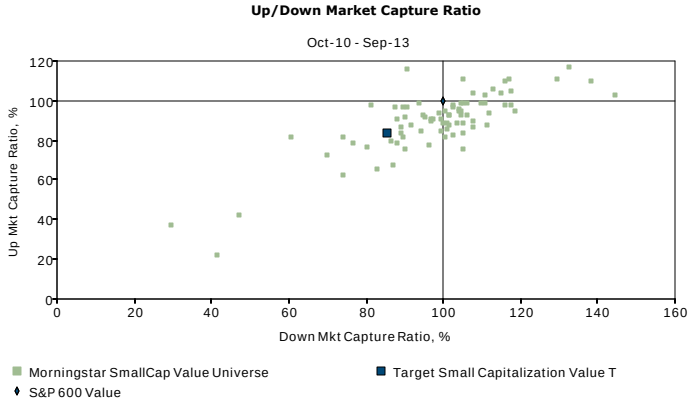


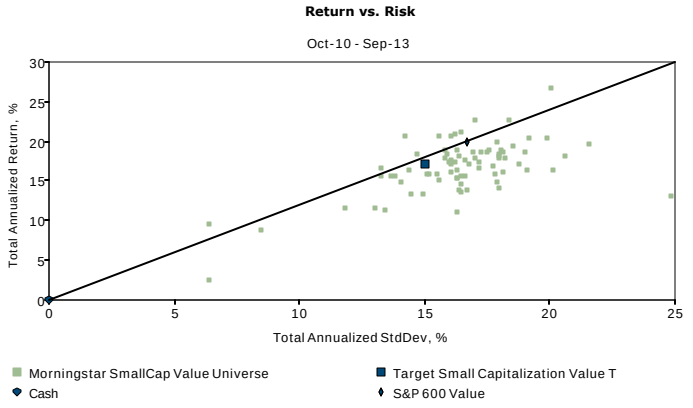
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Target Small Capitalization Value T	47.10	24.02	10.10	17.72	0.52	-27.45	26.69	23.63	-0.48	14.14
S&P 600 Value	40.03	23.25	6.45	19.57	-5.54	-29.51	22.85	24.72	-1.38	18.21



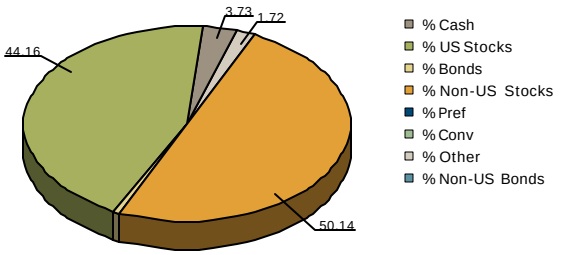
MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Target Small Capitalization Value T	-0.35	0.88	96.63	1.13	15.02	3.37
S&P 600 Value	0.00	1.00	100.00	1.17	16.69	0.00
Universe(5%)	2.36	1.16	98.05	1.28	20.04	9.05
Universe(25%)	-0.50	1.05	96.82	1.10	17.90	5.10
Universe(Median)	-1.89	0.95	95.39	1.03	16.39	4.17
Universe(75%)	-3.21	0.91	92.86	0.95	15.54	3.12
Universe(95%)	-5.04	0.67	87.61	0.86	13.03	2.43







American Funds New Perspective R6



Portfolio Information

Ticker	RNPGX
Morningstar Category	World Stock
Avg Mkt Cap $MM	46827.29
Cat Med Mkt Cap $MM	37045.94
Net Assets $MM	48763.42
Turnover Ratio	16.00
% Assets in Top 10 Holdings	18.52
Total Number of Holdings	271.00
Manager Name	Gregg E. Ireland
Manager Tenure	20.84
Fund Incept Date	03/13/1973
Prospectus Exp Ratio	0.46
Phone Number	800-421-4225

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.

Portfolio Region

% United States	46.83
% Canada	2.03
% Latin America	0.70
% United Kingdom	8.87
% Eurozone	15.67
% Europe - ex Euro	10.32
% Europe - Emerging	0.00
% Africa	2.82
% Middle East	0.00
% Japan	6.13
% Australasia	1.45
% Asia - Developed	4.28
% Asia - Emerging	0.89

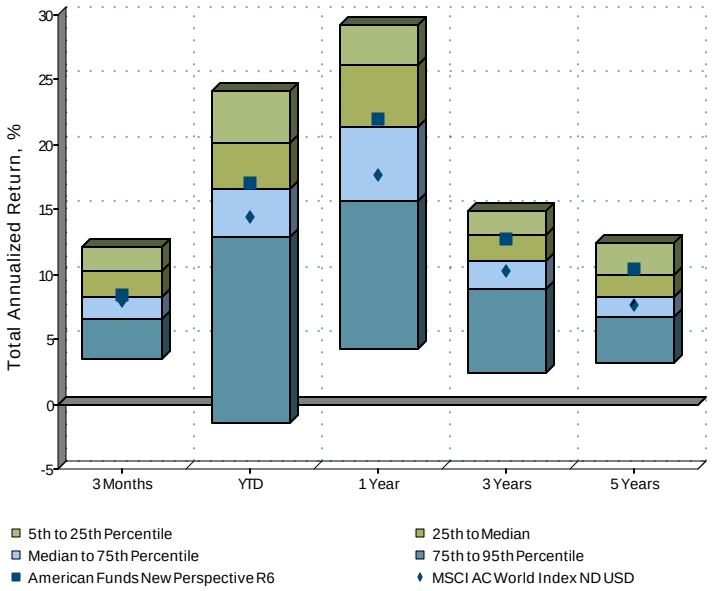
Portfolio Structure

% Cash	3.73
% US Stocks	44.16
% Bonds	0.24
% Non-US Stocks	50.14
% Pref	0.00
% Conv	0.01
% Other	1.72
% Non-US Bonds	0.00

Portfolio Ratings

Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	24
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	21
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	18

Performance vs. Peer Group



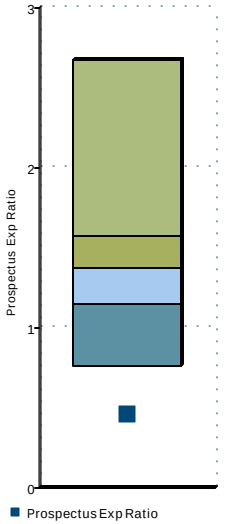
Sector Allocation

% Basic Materials	5.54
% Communication Services	3.59
% Consumer Cyclical	18.42
% Consumer Defensive	11.79
% Healthcare	15.52
% Industrials	11.65
% Real Estate	0.16
% Technology	12.57
% Energy	5.70
% Financial Services	14.74
% Utilities	0.33

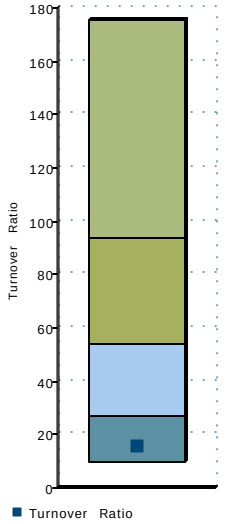
Credit Quality

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

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group

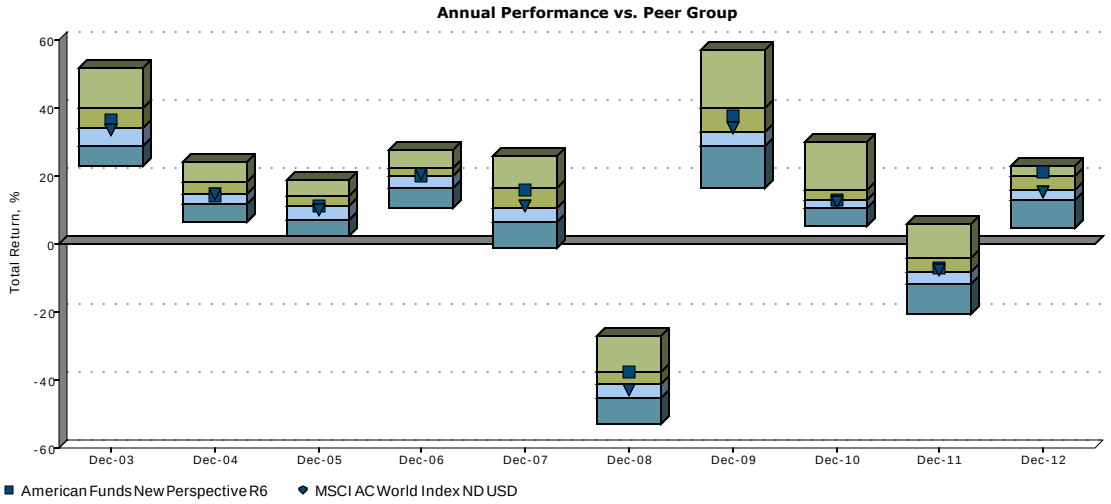


Top Ten Holdings

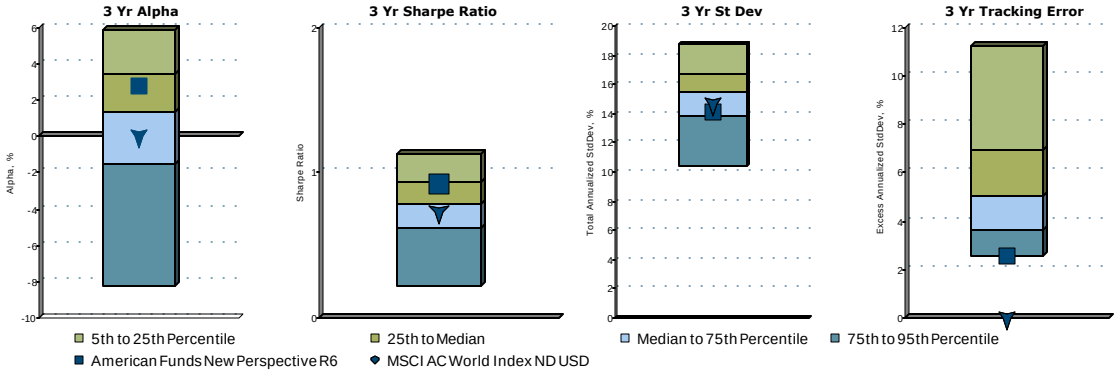
Novo Nordisk A/S	3.97%
Amazon.com Inc	2.48%
Google, Inc. Class A	1.92%
Home Depot, Inc.	1.84%
Naspers Ltd	1.55%
Bayer AG	1.46%
CME Group, Inc. Class A	1.41%
Taiwan Semiconductor Manufacturing Co Ltd	1.41%
American Express Co	1.27%
ACE Ltd	1.20%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
American Funds New Perspective R6	8.35	17.12	22.05	12.77	10.45
MSCI AC World Index ND USD	7.90	14.43	17.73	10.21	7.71
Universe(5%)	12.17	24.07	29.22	14.96	12.45
Universe(25%)	10.19	20.13	26.16	13.06	9.90
Universe(Median)	8.29	16.65	21.36	10.98	8.25
Universe(75%)	6.55	12.89	15.69	8.82	6.72
Universe(95%)	3.55	-1.47	4.25	2.40	3.16

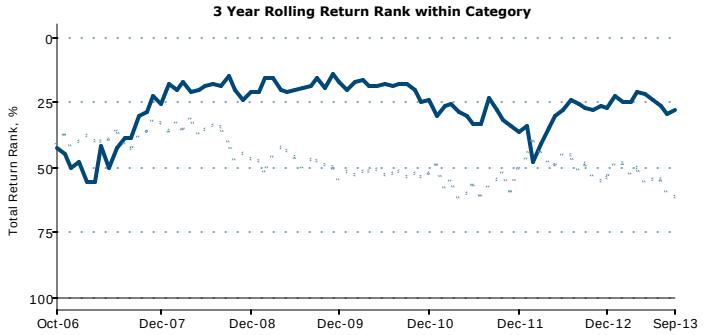
American Funds New Perspective R6

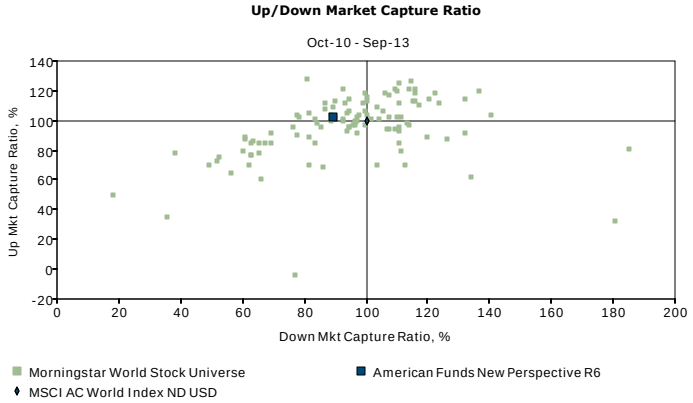


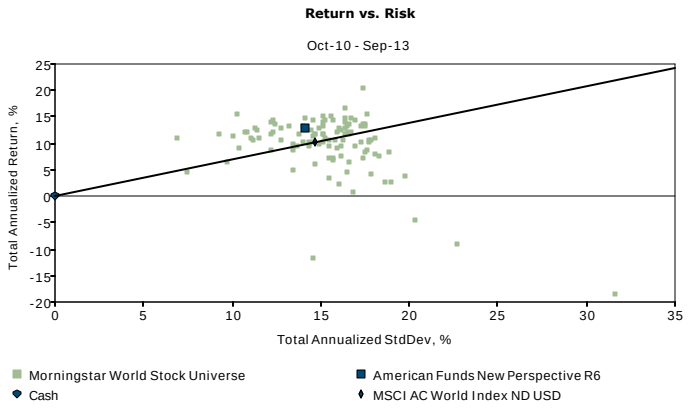
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American Funds New Perspective R6	36.76	14.27	11.28	19.87	16.03	-37.83	37.72	13.11	-7.33	21.19
MSCI AC World Index ND USD	33.99	15.23	10.84	20.95	11.66	-42.20	34.63	12.67	-7.35	16.13



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	2.83	0.94	97.12	0.92	14.08	2.53
MSCI AC World Index ND USD	0.00	1.00	100.00	0.73	14.71	0.00
Universe(5%)	5.88	1.18	97.29	1.14	18.74	11.22
Universe(25%)	3.45	1.09	95.18	0.93	16.74	6.92
Universe(Median)	1.38	1.01	92.35	0.79	15.43	5.03
Universe(75%)	-1.50	0.89	83.11	0.62	13.81	3.67
Universe(95%)	-8.20	0.59	62.06	0.22	10.37	2.59



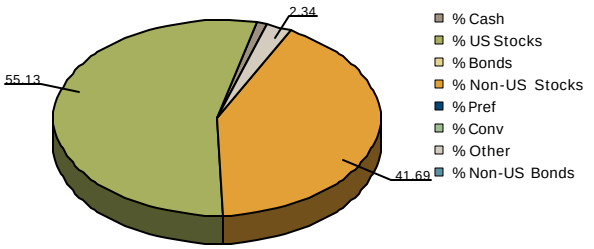




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Harding Loevner Global Equity Inst



Portfolio Region	
% United States	56.94
% Canada	0.00
% Latin America	2.67
% United Kingdom	6.65
% Eurozone	7.12
% Europe - ex Euro	7.60
% Europe - Emerging	1.85
% Africa	1.32
% Middle East	0.00
% Japan	8.46
% Australasia	0.93
% Asia - Developed	2.06
% Asia - Emerging	4.40

Portfolio Structure	
% Cash	0.84
% US Stocks	55.13
% Bonds	0.00
% Non-US Stocks	41.69
% Pref	0.00
% Conv	0.00
% Other	2.34
% Non-US Bonds	0.00

Sector Allocation	
% Basic Materials	6.77
% Communication Services	2.44
% Consumer Cyclical	12.54
% Consumer Defensive	11.83
% Healthcare	6.75
% Industrials	7.78
% Real Estate	0.00
% Technology	27.03
% Energy	5.80
% Financial Services	19.06
% Utilities	0.00

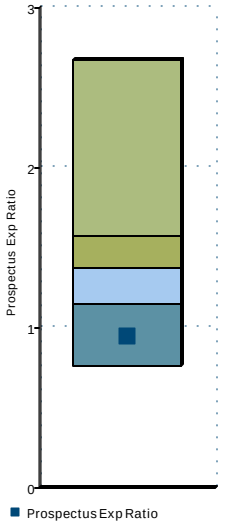
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Wells Fargo & Co	4.12%
Google, Inc. Class A	3.29%
Microsoft Corporation	3.15%
eBay Inc	2.87%
Nestle SA ADR	2.79%
Coach, Inc.	2.54%
Schlumberger NV	2.44%
Unicharm Corp	2.44%
Dassault Systemes SA	2.28%
JPMorgan Chase & Co	2.21%

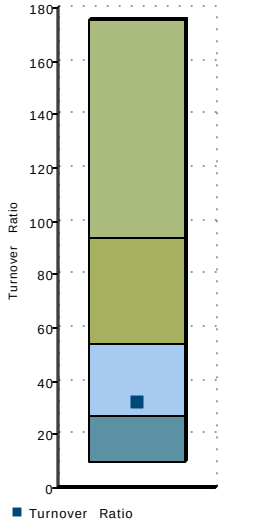
Portfolio Information	
Ticker	HLMVX
Morningstar Category	World Stock
Avg Mkt Cap $MM	34509.06
Cat Med Mkt Cap $MM	37045.94
Net Assets $MM	602.34
Turnover Ratio	32.00
% Assets in Top 10 Holdings	28.13
Total Number of Holdings	67.00
Manager Name	Peter J. Baughan
Manager Tenure	10.59
Fund Incept Date	11/29/1996
Prospectus Exp Ratio	0.95
Phone Number	877-435-8105

Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	68
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	45
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	43

Expense Ratio vs. Peer Group



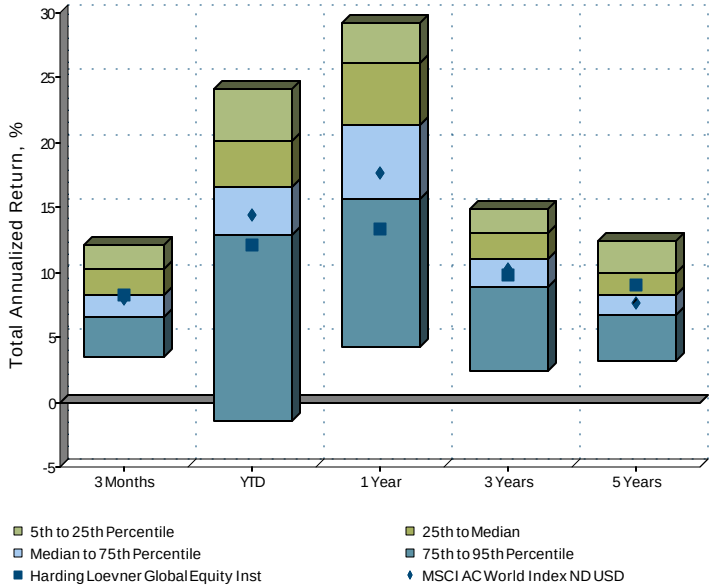
Turnover Ratio vs. Peer Group



Investment Strategy Summary

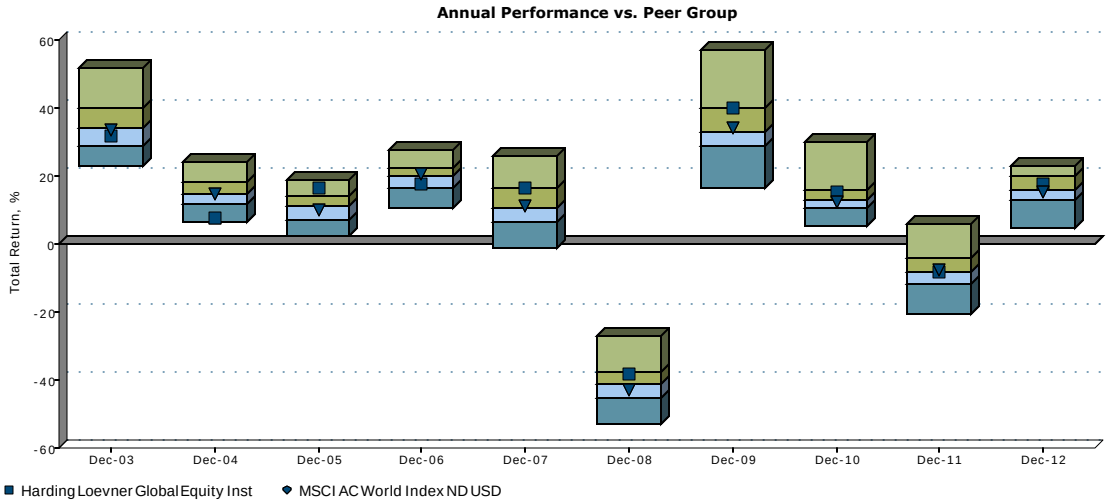
The investment seeks long-term capital appreciation. The fund invests in companies based in the U.S. and other developed markets, as well as in emerging and frontier markets. It invests at least 80% of net assets in common stocks, preferred stock, rights and warrants issued by companies that are based both inside and outside the United States, securities convertible into such securities and investment companies that invest in the types of securities in which the fund would normally invest. The fund normally holds 35-75 investments across at least 15 countries.

Performance vs. Peer Group

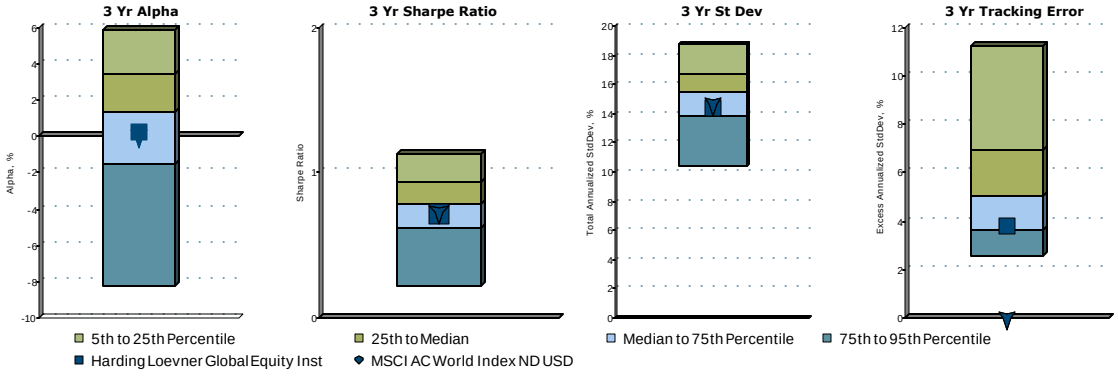


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Harding Loevner Global Equity Inst	8.24	12.17	13.37	9.86	8.99
MSCI AC World Index ND USD	7.90	14.43	17.73	10.21	7.71
Universe(5%)	12.17	24.07	29.22	14.96	12.45
Universe(25%)	10.19	20.13	26.16	13.06	9.90
Universe(Median)	8.29	16.65	21.36	10.98	8.25
Universe(75%)	6.55	12.89	15.69	8.82	6.72
Universe(95%)	3.55	-1.47	4.25	2.40	3.16

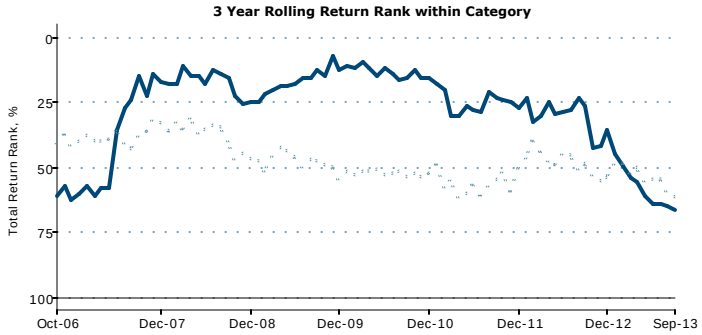
Harding Loevner Global Equity Inst

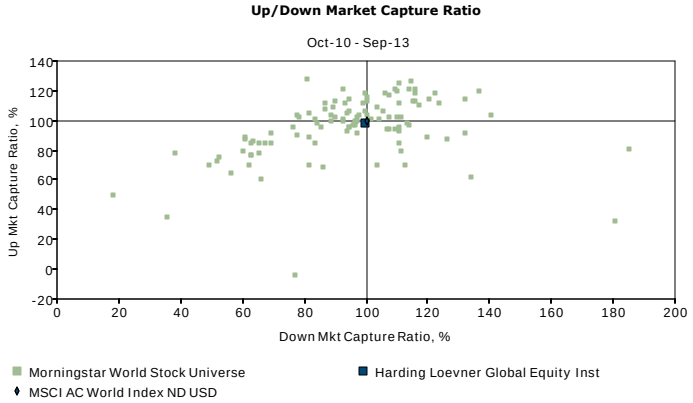


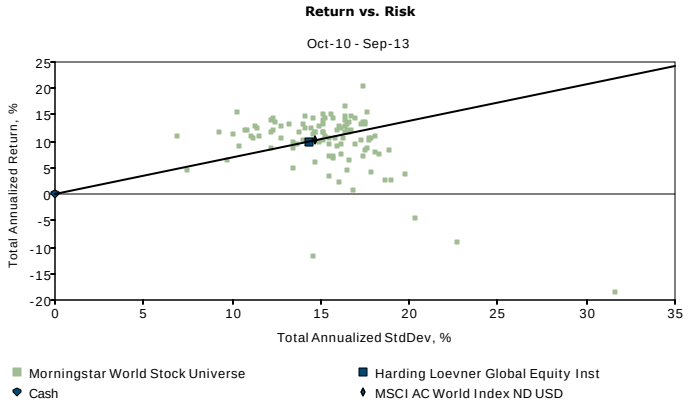
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Harding Loevner Global Equity Inst	31.51	7.61	16.65	17.84	16.39	-38.29	40.16	15.55	-8.22	17.42
MSCI AC World Index ND USD	33.99	15.23	10.84	20.95	11.66	-42.20	34.63	12.67	-7.35	16.13



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Harding Loevner Global Equity Inst	0.25	0.94	93.26	0.72	14.34	3.82
MSCI AC World Index ND USD	0.00	1.00	100.00	0.73	14.71	0.00
Universe(5%)	5.88	1.18	97.29	1.14	18.74	11.22
Universe(25%)	3.45	1.09	95.18	0.93	16.74	6.92
Universe(Median)	1.38	1.01	92.35	0.79	15.43	5.03
Universe(75%)	-1.50	0.89	83.11	0.62	13.81	3.67
Universe(95%)	-8.20	0.59	62.06	0.22	10.37	2.59



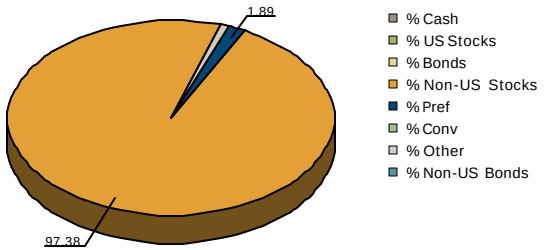




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Vanguard Emerging Mkts Stock Idx I



Portfolio Information	
Ticker	VEMIX
Morningstar Category	Diversified Emerging Mkts
Avg Mkt Cap $MM	17565.76
Cat Med Mkt Cap $MM	18214.07
Net Assets $MM	65717.91
Turnover Ratio	8.00
% Assets in Top 10 Holdings	13.34
Total Number of Holdings	925.00
Manager Name	Michael Perre
Manager Tenure	5.09
Fund Incept Date	05/04/1994
Prospectus Exp Ratio	0.12
Phone Number	800-662-7447

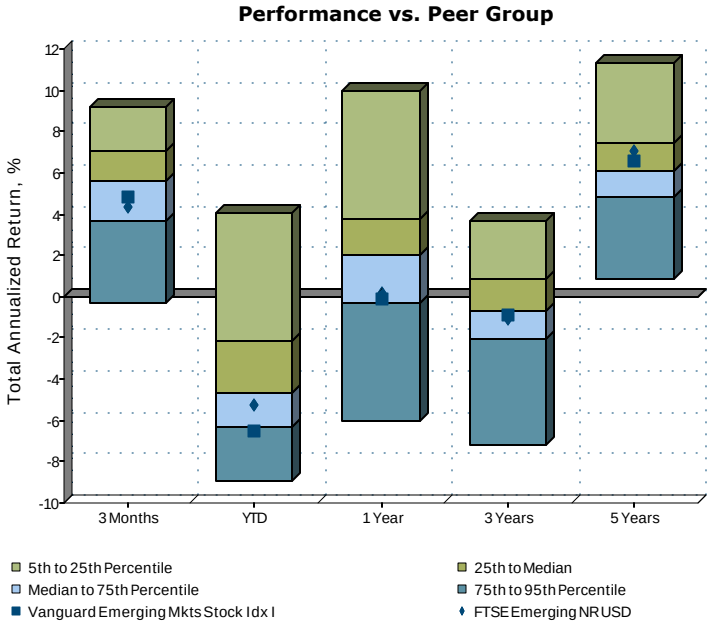
Investment Strategy Summary

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 to reduce risk. The FTSE Emerging Index includes approximately 851 common stocks of companies located in emerging markets around the world. As of May 31, 2013, the largest markets covered in the index were China, Brazil, Taiwan, and India.

Portfolio Region	
% United States	0.25
% Canada	0.00
% Latin America	21.38
% United Kingdom	0.00
% Eurozone	0.10
% Europe - ex Euro	0.00
% Europe - Emerging	9.91
% Africa	9.78
% Middle East	0.57
% Japan	0.00
% Australasia	0.00
% Asia - Developed	13.69
% Asia - Emerging	44.33

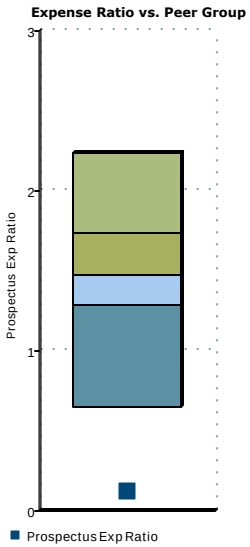
Portfolio Structure	
% Cash	0.05
% US Stocks	0.23
% Bonds	0.00
% Non-US Stocks	97.38
% Pref	1.89
% Conv	0.00
% Other	0.45
% Non-US Bonds	0.00

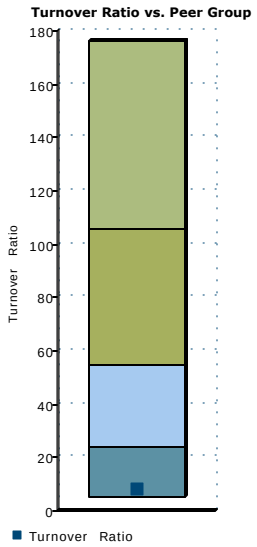
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	59
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	44
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	35



Sector Allocation	
% Basic Materials	9.70
% Communication Services	10.81
% Consumer Cyclical	7.55
% Consumer Defensive	9.17
% Healthcare	1.60
% Industrials	5.84
% Real Estate	2.50
% Technology	11.30
% Energy	11.39
% Financial Services	26.38
% Utilities	3.77

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

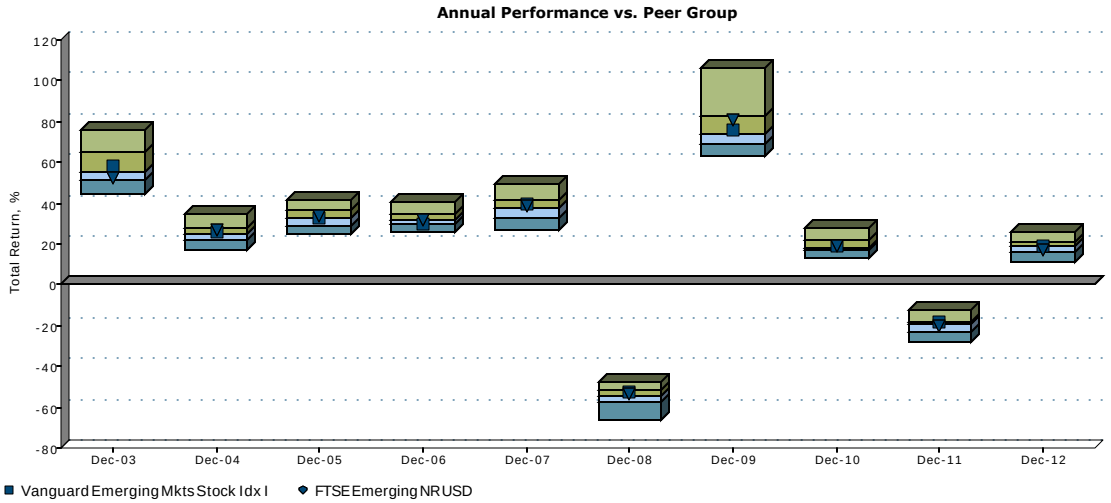




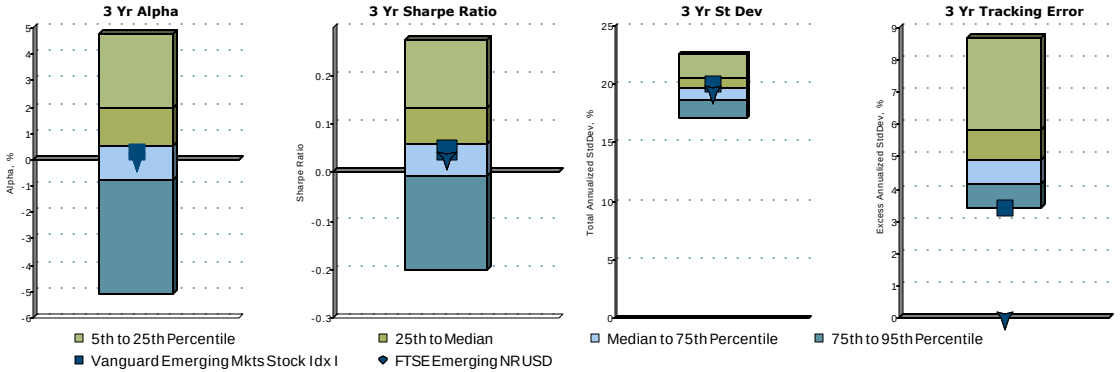
Top Ten Holdings	
China Mobile Ltd.	1.81%
China Construction Bank Corp H Shares	1.76%
Industrial And Commercial Bank Of China Ltd. H Shares	1.55%
Taiwan Semiconductor Manufacturing Co Ltd ADR	1.39%
Tencent Holdings Ltd.	1.36%
Taiwan Semiconductor Manufacturing Co Ltd	1.23%
America Movil, S.A.B. de C.V.	1.12%
Naspers Ltd	1.07%
Bank Of China Ltd. H Shares	1.03%
Mtn Group Limited	1.03%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Emerging Mkts Stock Idx I	4.82	-6.50	-0.10	-0.91	6.52
FTSE Emerging NR USD	4.30	-5.26	0.17	-1.11	7.07
Universe(5%)	9.20	4.08	9.93	3.63	11.28
Universe(25%)	7.07	-2.12	3.76	0.86	7.42
Universe(Median)	5.64	-4.62	2.05	-0.65	6.09
Universe(75%)	3.64	-6.29	-0.33	-2.02	4.87
Universe(95%)	-0.30	-8.93	-6.05	-7.23	0.81

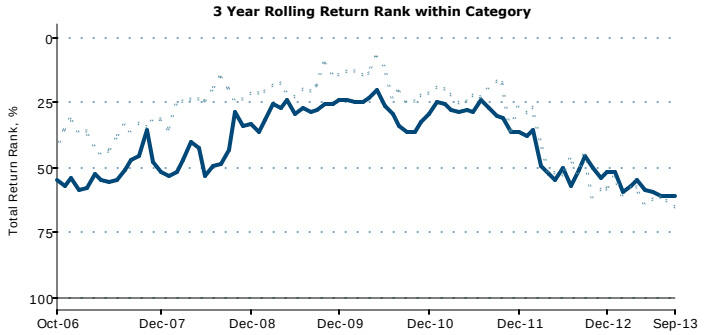
Vanguard Emerging Mkts Stock Idx I

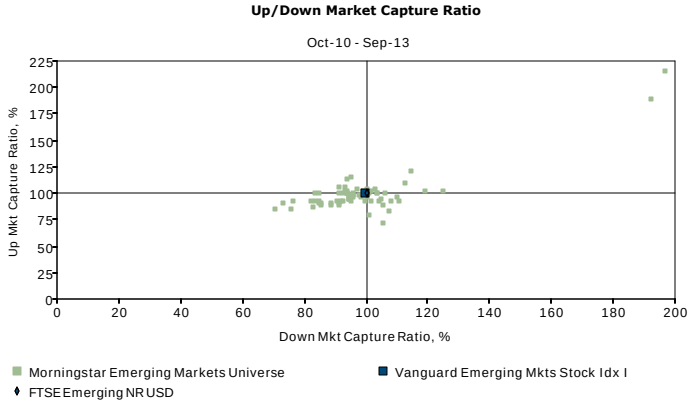


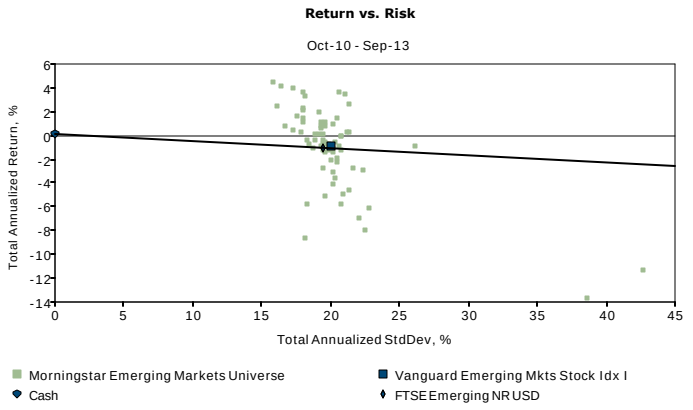
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Emerging Mkts Stock Idx I	57.97	26.24	32.35	29.57	39.15	-52.74	76.35	19.06	-18.63	18.90
FTSE Emerging NR USD	53.69	27.58	34.70	32.84	39.41	-53.03	82.15	19.60	-19.15	17.58



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	0.32	1.02	97.11	0.05	20.02	3.42
FTSE Emerging NR USD	0.00	1.00	100.00	0.03	19.39	0.00
Universe(5%)	4.74	1.13	97.03	0.27	22.56	8.66
Universe(25%)	1.97	1.03	95.69	0.14	20.59	5.82
Universe(Median)	0.56	0.99	94.15	0.06	19.65	4.88
Universe(75%)	-0.78	0.92	93.02	-0.01	18.70	4.17
Universe(95%)	-5.11	0.85	86.33	-0.20	17.07	3.44



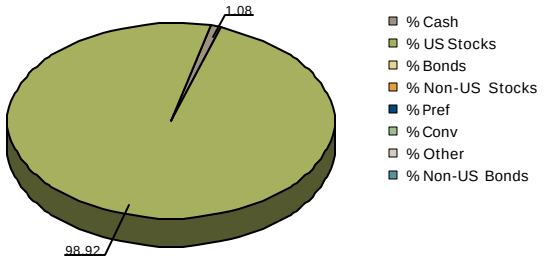




Milliman | Quarterly Investment Monitor

Data as of 09/30/2013

Vanguard REIT Index I



Portfolio Information

Ticker	VGSNX
Morningstar Category	Real Estate
Avg Mkt Cap $MM	8261.38
Cat Med Mkt Cap $MM	9821.37
Net Assets $MM	33431.17
Turnover Ratio	9.00
% Assets in Top 10 Holdings	41.64
Total Number of Holdings	134.00
Manager Name	Gerard C. O'Reilly
Manager Tenure	17.39
Fund Incept Date	05/13/1996
Prospectus Exp Ratio	0.08
Phone Number	800-662-7447

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 US 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.

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

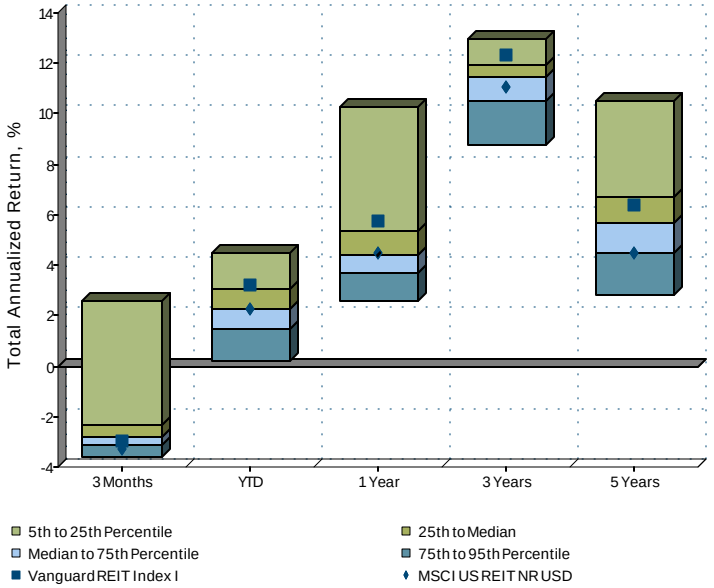
Portfolio Structure

% Cash	1.08
% US Stocks	98.92
% Bonds	0.00
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

Portfolio Ratings

Mstar Rating	★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	9
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	25
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	32

Performance vs. Peer Group



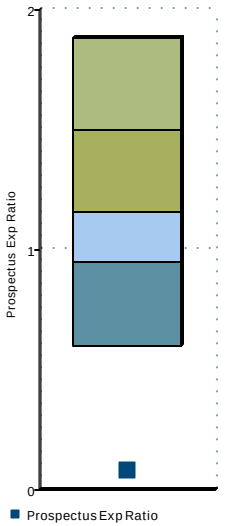
Sector Allocation

% Basic Materials	0.00
% Communication Services	0.00
% Consumer Cyclical	0.00
% Consumer Defensive	0.00
% Healthcare	0.00
% Industrials	1.23
% Real Estate	98.77
% Technology	0.00
% Energy	0.00
% Financial Services	0.00
% Utilities	0.00

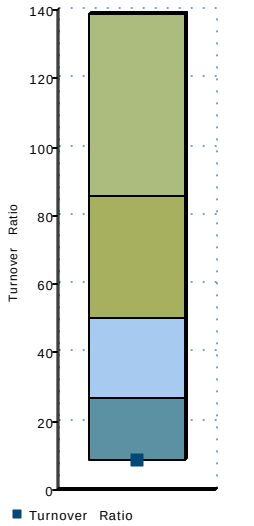
Credit Quality

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

Expense Ratio vs. Peer Group



Turnover Ratio vs. Peer Group

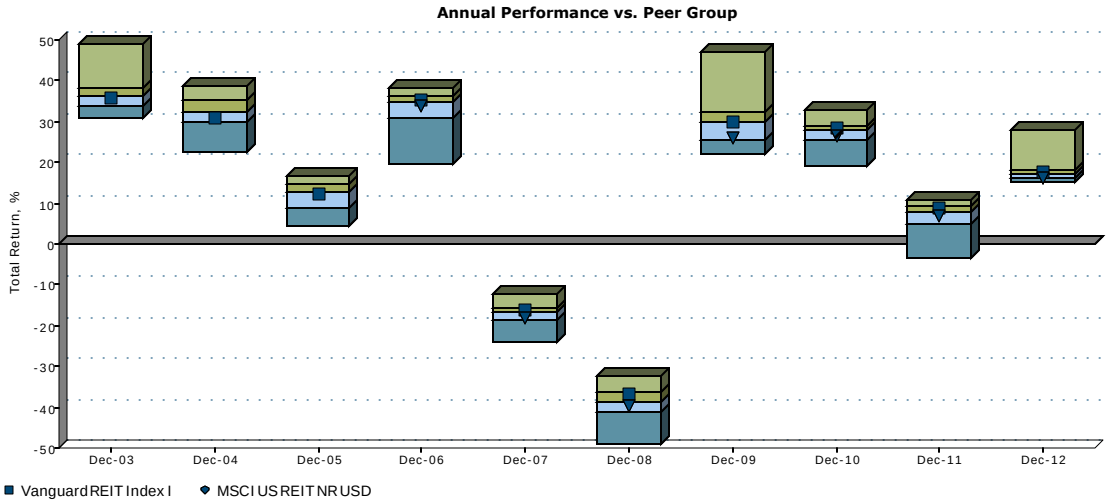


Top Ten Holdings

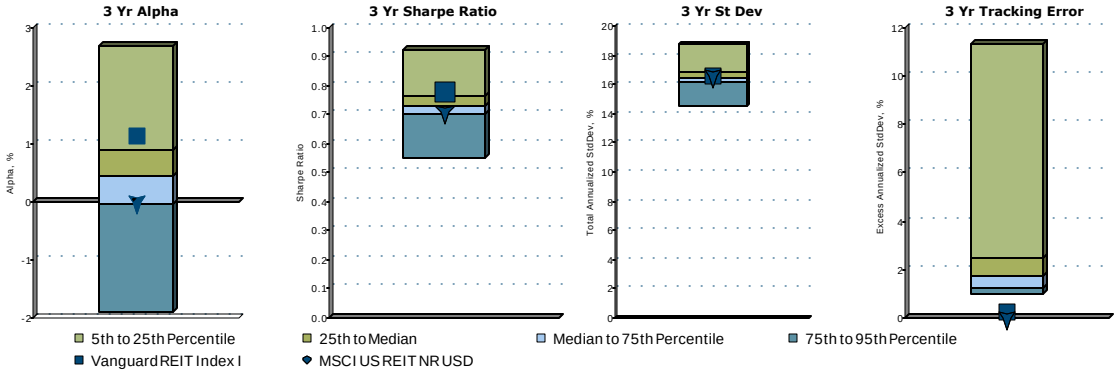
Simon Property Group Inc	9.60%
Public Storage	4.49%
HCP Inc	3.85%
Equity Residential	3.71%
Ventas Inc	3.71%
Prologis Inc	3.66%
Health Care REIT, Inc.	3.51%
AvalonBay Communities Inc	3.22%
Boston Properties Inc	3.14%
Vornado Realty Trust	2.76%

Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard REIT Index I	-2.96	3.19	5.76	12.35	6.37
MSCI US REIT NR USD	-3.28	2.30	4.52	11.09	4.45
Universe(5%)	2.60	4.46	10.30	12.98	10.52
Universe(25%)	-2.33	3.04	5.35	11.90	6.71
Universe(Median)	-2.78	2.29	4.41	11.43	5.66
Universe(75%)	-3.11	1.48	3.68	10.54	4.52
Universe(95%)	-3.63	0.18	2.57	8.77	2.78

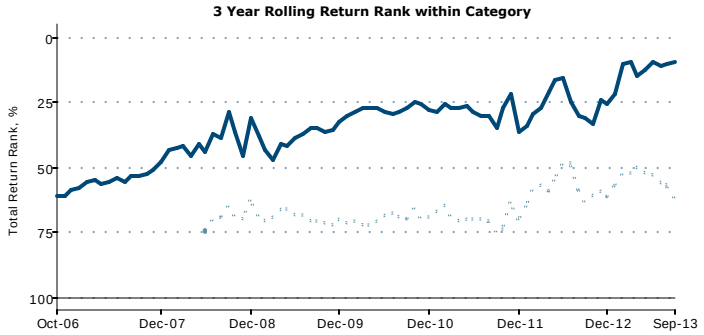
Vanguard REIT Index I

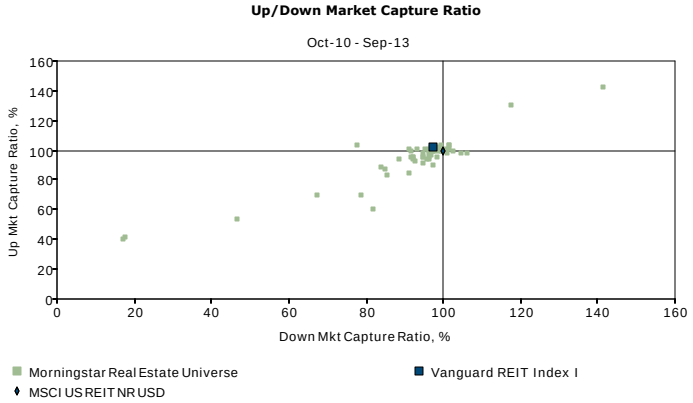


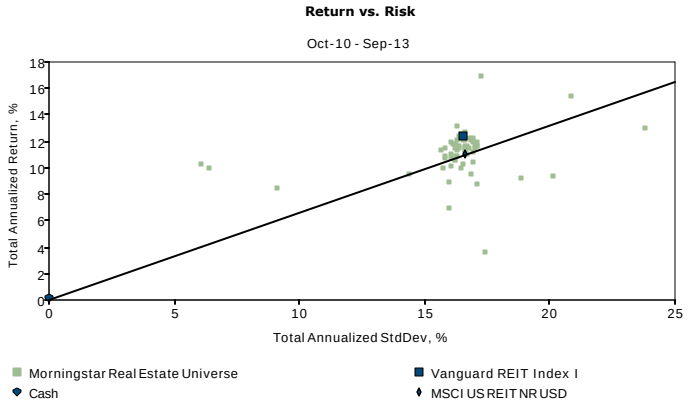
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard REIT Index I	35.65	30.93	12.05	35.15	-16.38	-36.95	29.76	28.56	8.70	17.65
MSCI US REIT NR USD	NA	NA	NA	34.18	-17.84	-39.05	26.27	26.97	7.48	16.47



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	0.78	16.55	0.21
MSCI US REIT NR USD	0.00	1.00	100.00	0.71	16.57	0.00
Universe(5%)	2.68	1.03	99.67	0.92	18.72	11.30
Universe(25%)	0.91	1.01	99.44	0.76	16.91	2.45
Universe(Median)	0.44	0.98	99.02	0.73	16.47	1.70
Universe(75%)	-0.03	0.96	98.04	0.70	16.16	1.28
Universe(95%)	-1.88	0.78	78.68	0.55	14.52	0.97







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

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