

Fiduciary Investment Review™

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Prepared by:



Presented by:
Vince Learned
Senior Plan Advisor, CFA, CFP®, CRPS®

NFP
120 Vantis
Suite 400
Aliso Viejo, CA 92656
(800) 959-0071
www.nfp.com/retirement

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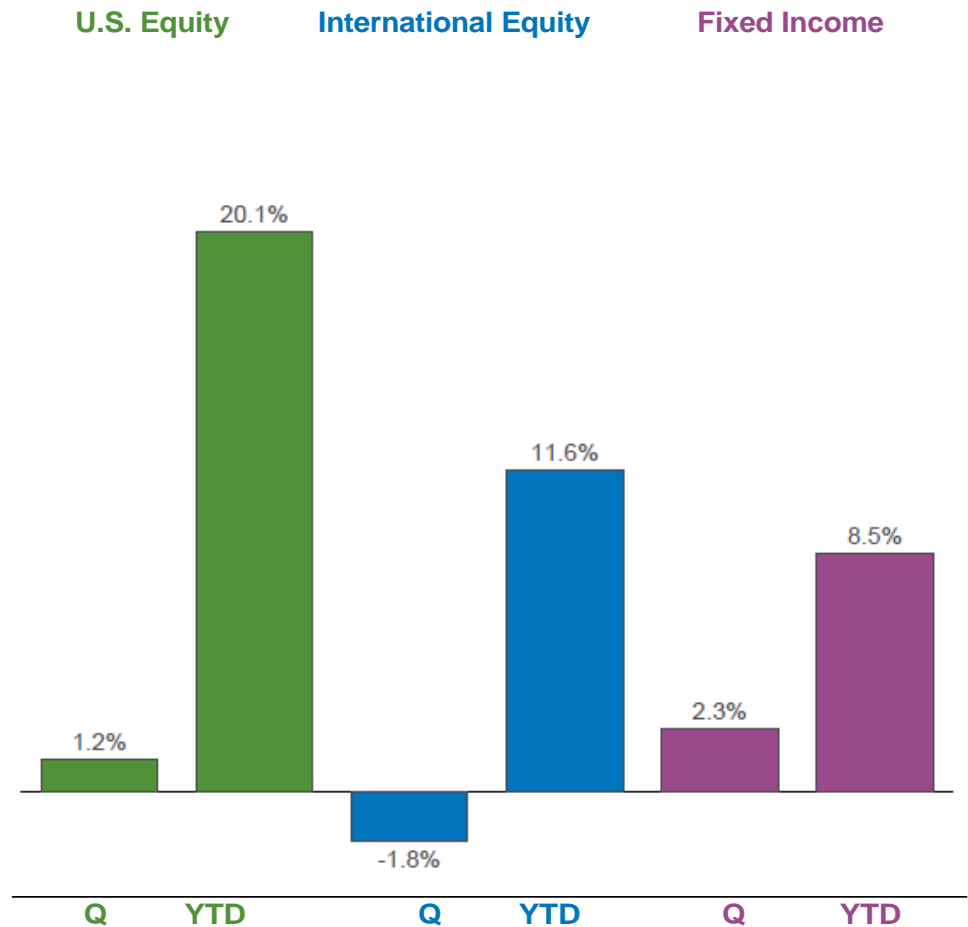
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Q3 2019 Market Review

SUMMARY

- U.S. equity markets rose 1.2% (Russell 3000) in the third quarter as uncertainty around trade negotiations continued to linger.
- International equities fell, losing 1.8% over the quarter (MSCI ACWI ex U.S.) as global growth slowed.
- The U.S. fixed income market was up 2.27% for the quarter (Bloomberg Barclays Aggregate) as volatility in the equity markets drove investors to fixed income, sending yields lower.
- The U.S. labor market remained tight with September unemployment at 3.5%.
- U.S. GDP continued to rise in the second quarter, up 2.0%, but at a slower pace than seen earlier in the year.
- Growth stocks continued their outperformance this quarter, but at a slower pace, with the Russell 1000 Growth outperforming the Russell 1000 Value by 10 basis points.
- The Federal Reserve cut rates by 0.25% twice during the quarter, leaving open further cuts if there is a downturn or escalation of a trade war.

TRAILING RETURNS



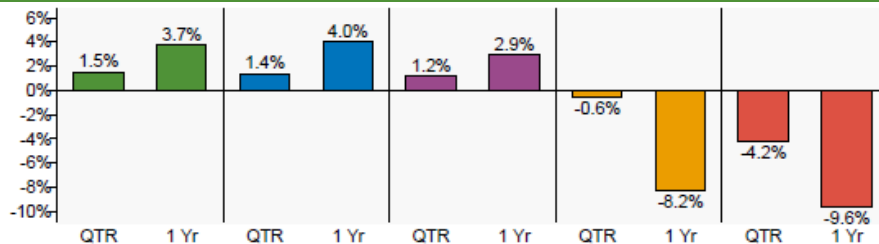
Quarterly and year-to-date returns of the following indices: U.S. Equity (Russell 3000 Index), International Equity (MSCI ACWI ex U.S. Index), and Fixed Income (Bloomberg Barclays U.S. Aggregate Bond Index).

Q3 2019 Market Review - U.S. Equity

U.S. EQUITY

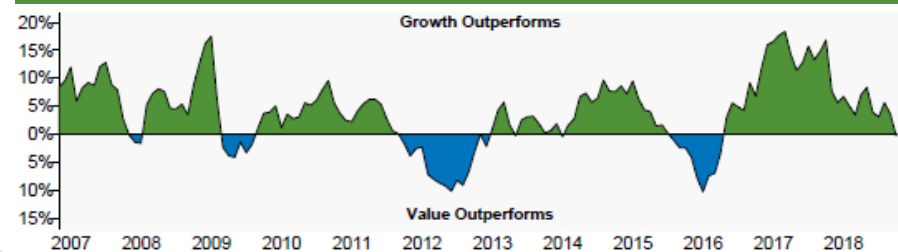
- The broad U.S. equity market, as measured by the Russell 3000 Index, was up 1.2% for the quarter.
- The best performing U.S. equity index for the quarter was Russell 1000 Growth, returning a positive 1.5%.
- The worst performing U.S. equity index for the quarter was Russell 2000 Growth, returning a negative 4.2%.

INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Russell 1000 Growth	1.5	23.3	3.7	16.9	13.4	14.9
Russell 1000 Value	1.4	17.8	4.0	9.4	7.8	11.5
Russell 3000	1.2	20.1	2.9	12.8	10.4	13.1
Russell 2000 Value	-0.6	12.8	-8.2	6.5	7.2	10.1
Russell 2000 Growth	-4.2	15.3	-9.6	9.8	9.1	12.2

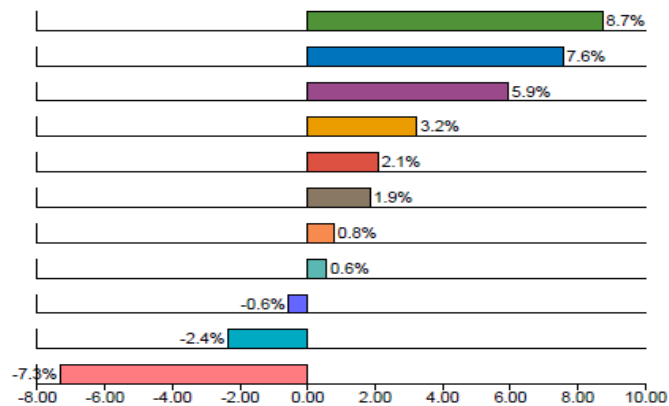
GROWTH VS. VALUE



Over the last year, value stocks outperformed growth stocks by 0.3%.
For the trailing quarter, growth stocks outperformed value stocks by 0.1%.

The graph above is plotted using a rolling one-year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

SECTOR (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Utilities	8.7	24.6	25.8	13.7	13.2	12.9
Real Estate	7.6	27.7	20.7	9.2	11.3	13.9
Consumer Staples	5.9	22.6	15.9	7.7	9.1	12.4
Information Technology	3.2	31.1	8.4	22.1	18.0	16.9
Telecommunication Svcs.	2.1	21.5	5.4	3.3	5.1	9.4
Financials	1.9	19.4	3.4	15.0	10.8	11.1
Industrials	0.8	22.6	0.8	11.5	9.9	13.6
Consumer Discretionary	0.6	21.6	1.3	14.9	13.1	17.0
Materials	-0.6	16.3	-0.1	8.3	5.4	9.5
Health Care	-2.4	5.8	-4.3	10.0	9.4	14.6
Energy	-7.3	4.1	-22.4	-4.0	-6.3	2.6

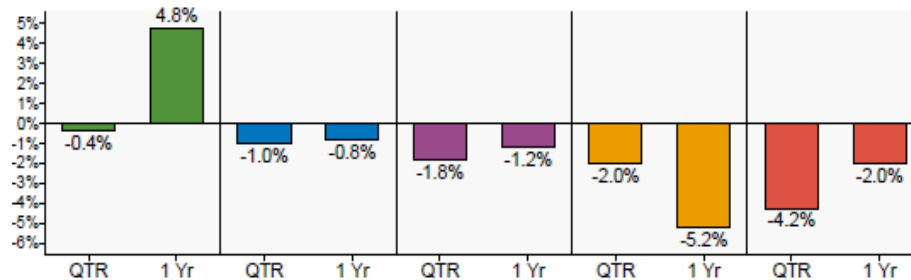
Source: S&P 1500 Sector Indices

Q3 2019 Market Review - International Equity

INTERNATIONAL EQUITY

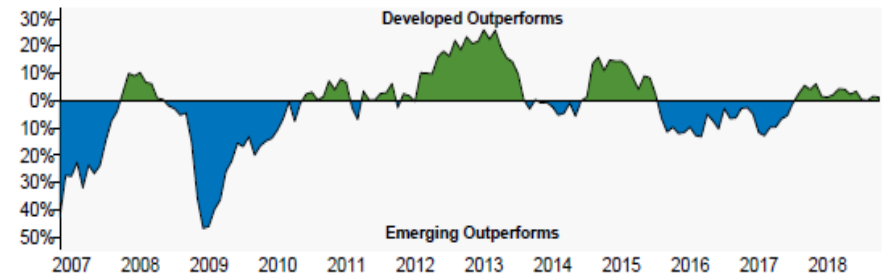
- Developed international equity returned a negative 1.0% in the last quarter (MSCI EAFE Index).
- Emerging market equity posted a negative 4.2% return (MSCI Emerging Markets Index).

INDEX PERFORMANCE (sorted by trailing quarterly performance)



	QTR	YTD	1 Yr	3 Yr	5 Yr	10 Yr
MSCI EAFE Large Growth	-0.4	19.1	4.8	8.5	5.6	6.6
MSCI EAFE	-1.0	13.3	-0.8	7.0	3.8	5.4
MSCI ACWI ex US	-1.8	11.6	-1.2	6.3	2.9	4.5
MSCI EAFE Large Value	-2.0	7.3	-5.2	4.8	0.3	2.8
MSCI Emg Markets	-4.2	5.9	-2.0	6.0	2.3	3.4

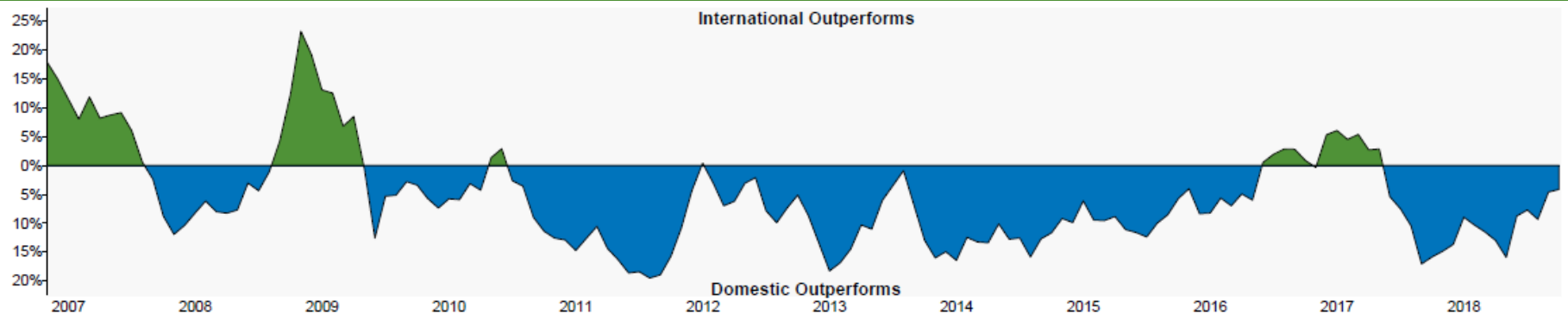
DEVELOPED VS. EMERGING MARKETS



Over the last year, developed international stocks outperformed emerging market stock by 1.2%. For the trailing quarter, developed international stocks outperformed emerging market stocks by 3.2%.

The graph above is plotted using a rolling one-year time period. Developed international stock performance is represented by the MSCI Emerging Markets Index.

INTERNATIONAL VS. DOMESTIC



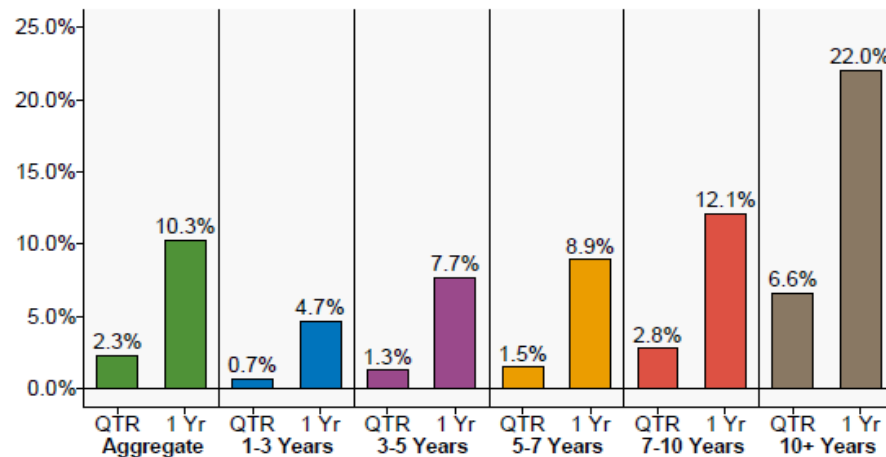
The graph above is plotted using a rolling one-year time period. International stock performance is represented by the MSCI ACWI ex U.S. Index. Domestic stock performance is represented by the Russell 3000 Index.

Q3 2019 Market Review - Fixed Income

FIXED INCOME

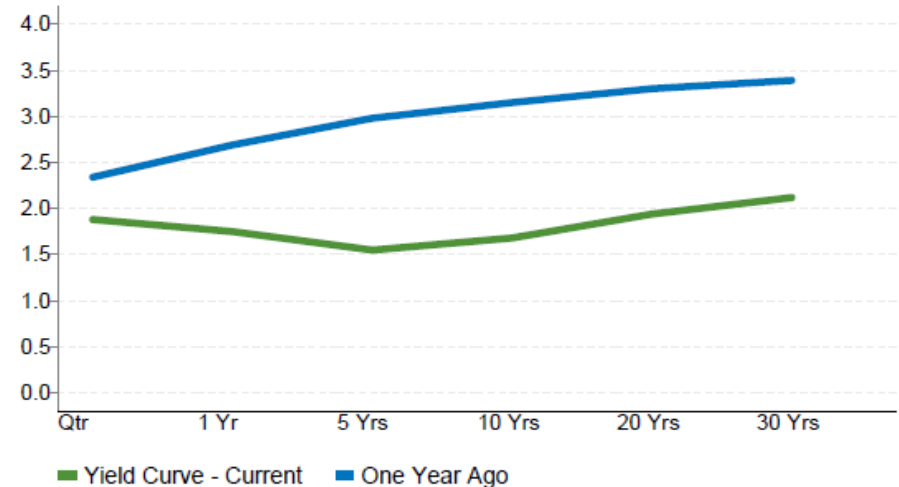
- The broad U.S. fixed income market returned a positive 2.3% (Bloomberg Barclays U.S. Aggregate) for the quarter,
- The best performing sector for the quarter was Corporate Investment Grade, returning a positive 3.0%.
- The worst performing sector for the quarter was Cash, returning a positive 0.6%.

PERFORMANCE BY MATURITY

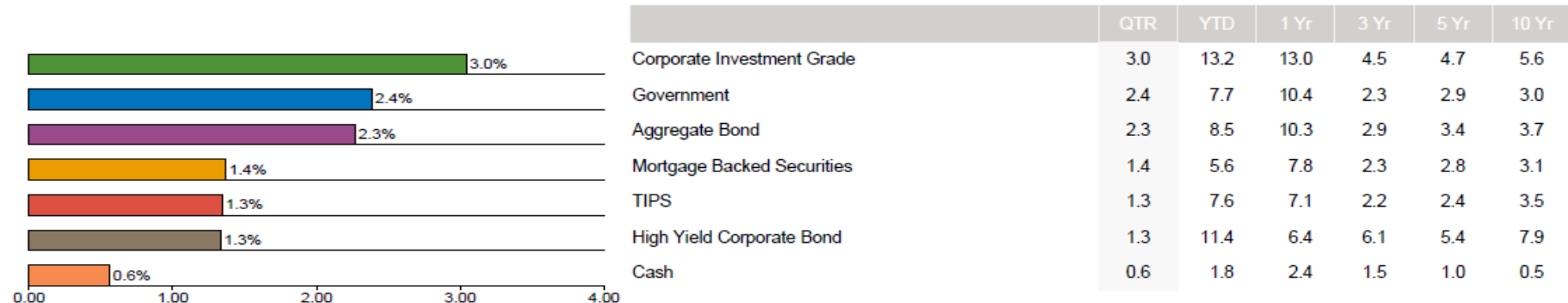


Source: Bloomberg Barclays U.S. Aggregate Indices

YIELD CURVE



SECTOR (sorted by trailing quarterly performance)



Source: Bloomberg Barclays U.S. Indices

Q3 2019 Market Kaleidoscope

ASSET CLASS RETURNS

The following chart exhibits the volatility of asset class returns from year to year by ranking indices in order of performance, highlighting the importance of diversification.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
Fixed Income 5.24	International 41.45	Sm Growth 29.09	Fixed Income 7.84	Global REIT 23.73	Sm Growth 43.30	Global REIT 22.81	Large Growth 5.67	Sm Value 31.74	Large Growth 30.21	Cash 1.87	Large Growth 23.30
Cash 2.06	Large Growth 37.21	Sm Value 24.50	Large Growth 2.64	Sm Value 18.05	Sm Value 34.52	Large Value 13.45	Global REIT 0.59	Large Value 17.34	International 27.19	Fixed Income 0.01	Global REIT 23.17
Balanced Index -22.91	Sm Growth 34.47	Global REIT 23.44	Global REIT 1.70	Large Value 17.51	Large Growth 33.48	Large Growth 13.05	Fixed Income 0.55	Commodities 11.77	Sm Growth 22.17	Large Growth -1.51	Large Value 17.81
Sm Value -28.92	Global REIT 33.68	Commodities 16.83	Balanced Index 0.87	International 16.83	Large Value 32.53	Balanced Index 6.61	Cash 0.05	Sm Growth 11.32	Balanced Index 15.46	Global REIT -4.77	Sm Growth 15.34
Commodities -35.65	Sm Value 20.58	Large Growth 16.71	Large Value 0.39	Large Growth 15.26	International 15.29	Fixed Income 5.97	Balanced Index -0.62	Balanced Index 7.28	Large Value 13.66	Balanced Index -5.12	Balanced Index 14.49
Large Value -36.85	Large Value 19.69	Large Value 15.51	Cash 0.10	Sm Growth 14.59	Balanced Index 13.57	Sm Growth 5.60	Sm Growth -1.38	Large Growth 7.08	Global REIT 8.63	Large Value -8.27	Sm Value 12.82
Large Growth -38.44	Commodities 18.91	International 11.15	Sm Growth -2.91	Balanced Index 10.55	Global REIT 2.81	Sm Value 4.22	Large Value -3.83	Global REIT 6.90	Sm Value 7.84	Sm Growth -9.31	International 11.56
Sm Growth -38.54	Balanced Index 18.87	Balanced Index 10.74	Sm Value -5.50	Fixed Income 4.22	Cash 0.07	Cash 0.03	International -5.66	International 4.50	Fixed Income 3.54	Commodities -11.25	Fixed Income 8.52
Global REIT -45.04	Fixed Income 5.93	Fixed Income 6.54	Commodities -13.32	Cash 0.11	Fixed Income -2.02	International -3.87	Sm Value -7.47	Fixed Income 2.65	Commodities 1.70	Sm Value -12.86	Commodities 3.13
International -45.53	Cash 0.21	Cash 0.13	International -13.71	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash 0.33	Cash 0.86	International -14.20	Cash 1.81

 Large Value (Russell 1000 Value)	 Small Growth (Russell 2000 Growth)	 Global REIT (S&P Global REIT)
 Large Growth (Russell 1000 Growth)	 International (MSCI ACWI ex-US)	 Commodities (Bloomberg Commodities)
 Small Value (Russell 2000 Value)	 Fixed Income (Bloomberg Barclays Agg)	 Cash (Merrill Lynch 3-Mo T-Bill)
 Balanced (40% Russell 3000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSCI ACWI ex US)		

Q3 2019 Market Review - Chart of the Quarter

Weak Global Growth Continues to Weigh on the U.S.

The chart below depicts the U.S. and Global PMI (Purchasing Managers Index), an indicator of economic expansion or contraction. A reading over 50 represents expansion while a reading under 50 represents contraction. While both measures have been declining, the U.S. PMI remains above 50 while Global PMI still remains below, indicating contraction overseas, which has continued to weigh on the U.S.

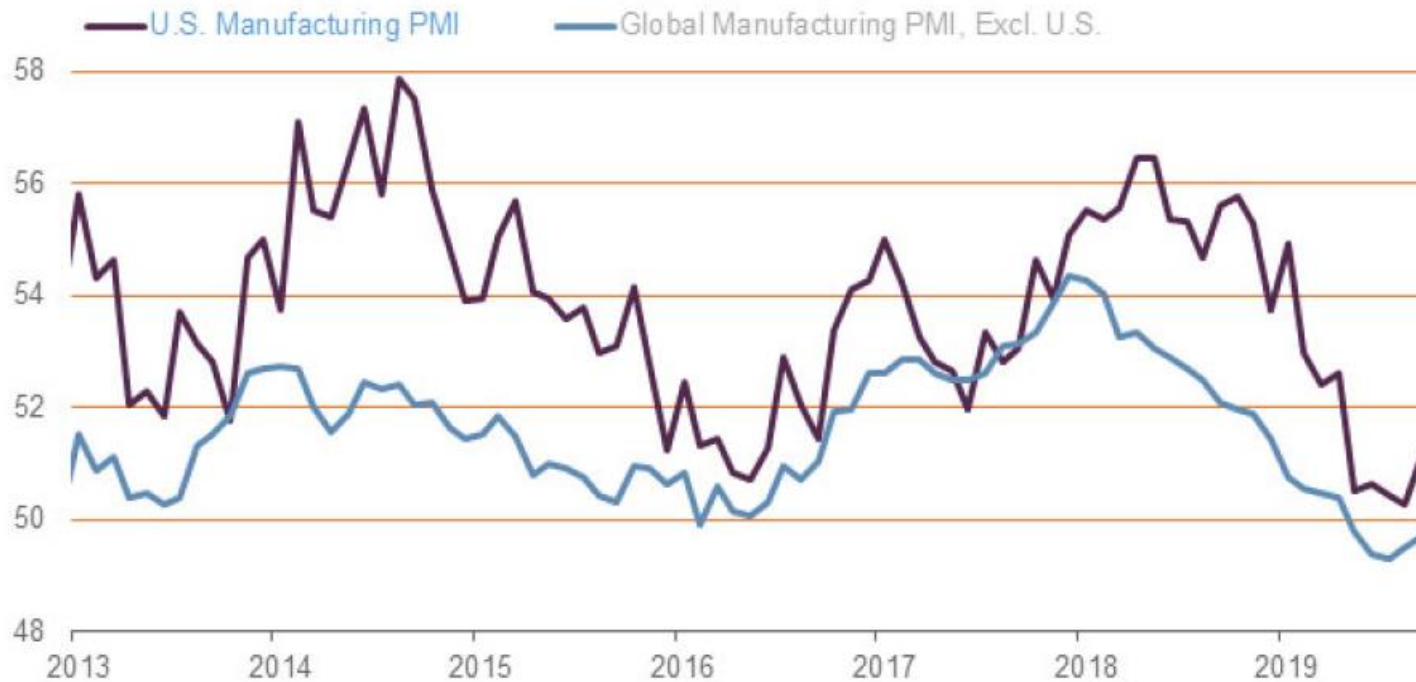


Chart Source: Guggenheim Investments, Haver Analytics, Markit. Data as of 9.30.2019.

Q3 2019 Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

BC (Barclays Capital) U.S. Aggregate Bond Index represents securities that are U. S., domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

BC Credit Bond Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U. S., domestic, taxable, and dollar denominated. BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1 to 3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3 to 5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7 to 10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the United States.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australia, and Far East). Widely accepted as a benchmark for international stock performance, it is an aggregate of 21 individual country indexes.

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) \$400 million, as compared with \$300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for the Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kingdom's equity markets. MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

Nareit All Reit Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

3-Month T-bills (90 Day T-Bill Index) are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.

Russell MidCap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell MidCap Value Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap index having lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market-capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomon 1-10 Yr. Government is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the United States.

S&P 1500 Energy Index measures the performance of the energy sector in the S&P 1500 Index.

S&P 1500 Industrials measures the performance of the industrial sector in the S&P 1500 Index.

S&P 1500 Financials measures the performance of the financials sector in the S&P 1500 Index.

S&P 1500 Utilities measures the performance of the utilities sector in the S&P 1500 Index.

S&P 1500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 1500 Index.

S&P 1500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 1500 Index.

S&P 1500 Information Technology measures the performance of the information technology sector in the S&P 1500 Index.

S&P 1500 Materials measures the performance of the materials sector in the S&P 1500 Index.

S&P 1500 Health Care measures the performance of the health care sector in the S&P 1500 Index.

S&P 1500 Telecommunications Services Index measures the performance of the telecommunications services sector in the S&P 1500 Index.

Q3 2019 Disclosures

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Scorecard System Methodology™

The **Scorecard System Methodology** incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The **Scorecard System** is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best) and has the ability to measure active, passive and asset allocation investing strategies. Active and asset allocation strategies are evaluated over a five-year time period, and passive strategies are evaluated over a three-year time period.

Eighty percent of the fund's score is quantitative (made up of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20 percent of the score is qualitative, taking into account things such as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy. The following pages detail the specific factors for each type of investing strategies.

Combined, these factors are a way of measuring the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into a plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table below. The Scorecard Point System is meant to be used in conjunction with our sample Investment Policy Statement, in order to help identify what strategies need to be discussed as a "watch-list" or removal candidate; what strategies continue to meet some minimum standards and continue to be appropriate; and/or identify new top-ranked strategies for inclusion into a plan.

Scorecard Point System	
Good:	9-10 Points
Acceptable:	7-8 Points
Watch:	5-6 Points
Poor:	0-4 Points

Scorecard System Methodology™

Target Date Fund Strategies

Target Date Fund strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached. For this type of investment strategy, the **Scorecard System** is focused on how well these managers can add value from asset allocation. Asset allocation is measured using our **Asset allocation strategies methodology** and manager selection is measured using either our **Active and/or Passive strategies methodologies**, depending on the underlying fund options utilized within the Target Date Fund strategy.

Risk-based strategies follow the same evaluation criteria and are evaluated on both their asset allocation and security selection.

Weightings	Target Date Fund Strategies	Maximum Points
Asset Allocation Score (Average) 50%	The individual funds in this Score average require five years of time history to be included. See Asset Allocation strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	5
	The Funds included in this average are from the Conservative, Moderate Conservative, Moderate, Moderate Aggressive and Aggressive categories, where Funds (also referred to as “vintages”) are individually Scored according to their standard deviation or risk bucket.	
Selection Score (Average) 50%	Active strategies: The individual active funds in this Score average require five years of time history to be Scored. See Active strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	5
	Passive strategies: The individual passive funds in this Score average require three years of time history to be Scored. See Passive strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	
	Total	10

Scorecard System Methodology™

Asset Allocation Strategies

Asset allocation strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are typically structured in either a risk-based format (the strategies are managed to a level of risk, e.g., conservative or aggressive) or, in an age-based format (these strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached). For this type of investment strategy, the **Scorecard System** is focused on how well these managers can add value, with asset allocation being the primary driver of investment returns and the resulting Score. *Multisector Bond (MSB) asset class* follows the same evaluation criteria with some slightly different tolerance levels where noted. These managers are also evaluated on both their asset allocation and security selection.

Weightings	Asset Allocation Strategies	Maximum Points
Style Factors 30%	Risk Level: The fund's standard deviation is measured against the category it is being analyzed in. The fund passes if it falls within the range for that category.	1
	Style Diversity: Fund passes if it reflects appropriate style diversity (returns-based) among the four major asset classes (Cash, Fixed Income, U.S. & International Equity) for the given category. <i>MSB</i> funds pass if reflect some level of diversity among fixed income asset classes (Cash, U.S. Fixed Income, Non-U.S. Fixed Income and High Yield/Emerging Markets).	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 90 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
Total		10

Scorecard System Methodology™

Active Strategies

Active strategies are investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated fees due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the **Scorecard System** is trying to identify those managers who can add value on a consistent basis within their own style of investing.

Weightings	Active Strategies	Maximum Points
Style Factors 30%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Information Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
	Total	10

Scorecard System Methodology™

Passive Strategies

Passive strategies are investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower fees than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the **Scorecard System** is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

Weightings	Passive Strategies	Maximum Points
Style & Tracking Factors 40%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 95 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
	Tracking Error: Measures the percentage of a fund's excess return volatility relative to the benchmark. Fund passes with a tracking error less than 4. This statistic measures how well the fund tracks the benchmark.	1
Peer Group Rankings 40%	Tracking Error Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Expense Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Returns Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
	Total	10

Manager Research Methodology

Beyond the Scorecard

The **Scorecard System**™ uses an institutional approach which is comprehensive, independent, and utilizes a process and methodology that strives to create successful outcomes for plan sponsors and participants. The **Scorecard** helps direct the additional research the Investment team conducts with fund managers throughout the year. Three of the primary factors that go into the fund manager research are people, process and philosophy.

PEOPLE

Key Factors:

- Fund manager and team experience
- Deep institutional expertise
- Organizational structure
- Ability to drive the process and performance

PROCESS

Key Factors:

- Clearly defined
- Consistent application
- Sound and established
- Clearly communicated
- Successfully executed process

PHILOSOPHY

Key Factors:

- Research and ideas must be coherent and persuasive
- Strong rationale
- Logical and compelling
- Focus on identifying skillful managers

Scorecard System Disclosures

Investment objectives and strategies vary among fund, and may not be similar for funds included in the same asset class.

All definitions are typical category representations. The specific share classes or accounts identified above may not be available or chosen by the Plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the Plan. The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as *Markov Processes International*, *Morningstar*, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the **Scorecard System**, is intended for plan sponsor and/or institutional use only. The materials are not intended for participant use.

The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the Plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard™ factors.

Neither past performance nor statistics calculated using past performance are guarantees of a fund's future performance. Likewise, a fund's score using the **Scorecard System™** does not guarantee the future performance or style consistency of a fund.

This report was prepared with the belief that this information is relevant to the Plan sponsor as the Plan sponsor makes investment selections.

Fund selection is at the discretion of the investment fiduciaries, which are either the Plan sponsor or the Committee appointed to perform that function.

Cash Equivalents (e.g., money market fund) and some specialty funds are not scored by the **Scorecard System**.

The enclosed Investment Due Diligence report and Scorecard™ is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For the most current month-end performance, please contact your advisor.

The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

Carefully consider the investment objectives, risk factors and charges and expenses of the investment company before investing. This and other information can be found in the fund's prospectus, which may be obtained by contacting your Investment Advisor/Consultant or Vendor/Provider. Read the prospectus carefully before investing.

For a copy of the most recent prospectus, please contact your Investment Advisor/Consultant or Vendor/Provider.

Securities may be offered through Kestra Investment Services, LLC (Kestra IS), Member FINRA/SIPC. Investment Advisory Services may be offered through NFP Retirement, Inc. Kestra IS is not affiliated with NFP Retirement, Inc., a subsidiary of NFP. NFPR-2014-178 ACR#305988 02/19

Scorecard™

Total Plan Assets: \$73,608,216.48 as of 10/31/2019

Asset Allocation	Assets	Category	Risk Index	Allocation Score (Series Funds)		Selection Score (Underlying Funds)		Blended Score			
				# of Funds	Avg Score	# of Funds	Avg Score	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Vanguard Target Retirement Series Inv	\$18,033,783.56	AGG	85	12	8.4	5	8.8	9	9	8	8



Asset Allocation	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Risk Level	Style Diversity	R ²	Risk/Return	Up/Down	Info Ratio	Return Rank	SR Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019
Vanguard Target Retirement Income Inv	\$1,574,182.08	CON	VTINX	1	1	1	1	1	0	1	1	2	9	8	9	8
				3.7	30.1/69.9	98.9	3.7/4.6	96.4/96.2	-0.37	17.0	10.0		CON	CON	CON	CON
Strategy Review	The investment seeks to provide current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors currently in retirement. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; inflation-protected public obligations issued by the U.S. Treasury; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar.															
Vanguard Target Retirement 2020 Inv (Default)	\$3,165,315.17	MOD	VTW NX	1	1	1	1	1	0	1	1	2	9	9	9	9
				6.4	61.2/38.9	99.2	6.4/6.0	89.9/86.9	-0.37	39.0	15.0		MOD	MOD	MOD	MOD
Strategy Review	The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2020 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.															

Scorecard™

continued

Asset Allocation	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Risk Level	Style Diversity	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	SR Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019
Vanguard Target Retirement 2030 Inv (Default)	\$6,097,632.23	MOD	VTHRX	1	0	1	1	1	0	1	1	2	8	8	8	9
				8.2	76.5/ 23.5	99.5	8.2/ 6.7	92.2/ 91.3	-0.38	9.0	23.0		MOD	MA	MA	MA
Strategy Review		The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2030 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.														
Vanguard Target Retirement 2040 Inv (Default)	\$5,644,495.19	MA	VFORX	1	1	1	1	0	0	1	1	2	8	8	8	8
				10.0	88.0/ 12.0	99.5	10.0/ 7.2	95.9/ 97.1	-0.5	12.0	20.0		MA	MA	AGG	AGG
Strategy Review		The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2040 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.														
Vanguard Target Retirement 2050 Inv (Default)	\$1,381,918.32	AGG	VFIFX	1	1	1	1	0	0	1	1	2	8	8	8	8
				10.4	89.4/ 10.6	99.6	10.4/ 7.2	97.5/ 99.8	-0.6	25.0	15.0		AGG	AGG	AGG	AGG
Strategy Review		The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2050 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.														
Vanguard Target Retirement 2060 Inv (Default)	\$170,240.57	AGG	VTTSX	1	1	1	0	0	0	1	1	2	7	7	7	7
				10.4	88.5/ 11.5	99.7	10.4/ 7.2	98.9/ 100.7	-0.45	25.0	16.0		AGG	AGG	AGG	AGG
Strategy Review		The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2060 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.														



Scorecard™

Asset Allocation	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Risk Level	Style Diversity	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	SR Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019
American Funds American Balanced R6	\$1,320,312.60	MOD	RLBGX	1	1	1	1	1	1	1	1	2	10	10	10	10
				7.2	62.4/ 37.6	95.1	7.2/ 7.9	103.5/ 93.2	0.59	2.0	2.0		MOD	MOD	MOD	MOD
Strategy Review		The investment seeks conservation of capital, current income and long-term growth of capital and income. The fund uses a balanced approach to invest in a broad range of securities, including common stocks and investment-grade bonds. It also invests in securities issued and guaranteed by the U.S. government and by federal agencies and instrumentalities. In addition, the fund may invest a portion of its assets in common stocks, most of which have a history of paying dividends, bonds and other securities of issuers domiciled outside the United States.														
Loomis Sayles Bond N 	\$229,708.23	MSB	LSBNX	1	0	1	0	0	0	1	0	2	5	5	5	4
				4.9	0.6/ 99.4	81.9	4.9/ 2.9	78.8/ 99.2	-0.87	34.0	61.0		MSB	MSB	MSB	MSB
Strategy Review		The investment seeks high total investment return through a combination of current income and capital appreciation. Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings made for investment purposes) in fixed-income securities. It will normally invest at least 55% of its net assets in investment-grade fixed-income securities. The fund may also invest up to 35% of its assets in below investment-grade fixed-income securities (commonly known as "junk bonds") and up to 20% of its assets in equity securities, such as common stocks and preferred stocks (with up to 10% of its assets in common stocks).														
Templeton Global Bond R6 	\$58,094.00	MSB	FBNRX	0	0	0	0	0	0	0	0	0	0	8	8	8
				6.7	5.6/ 94.4	23.5	6.7/ 0.9	48.7/ 86.7	-0.69	51.0	89.0	S	MSB	GFI	GFI	GFI
Strategy Review		The investment seeks current income with capital appreciation and growth of income. Under normal market conditions, the fund invests at least 80% of its net assets in "bonds." Bonds include debt obligations of any maturity, such as bonds, notes, bills and debentures. It invests predominantly in bonds issued by governments, government-related entities and government agencies located around the world. The fund may invest up to 25% of its total assets in bonds that are rated below investment grade or, if unrated determined by the investment manager to be of comparable quality. It is non-diversified.														




Scorecard™

Active	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019
Vanguard Equity-Income Adm	\$1,878,412.54	LCV	VEIRX	1	1	1	1	1	1	1	1	2	10	10	10	10
				-69.1/ 88.8	12.9	95.4	10.8/ 9.6	95.2/ 79.9	0.67	7.0	6.0		LCV	LCV	LCV	LCV
Strategy Review		The investment seeks to provide an above-average level of current income and reasonable long-term capital appreciation. The fund invests mainly in common stocks of mid-size and large companies whose stocks typically pay above-average levels of dividend income and are, in the opinion of the purchasing advisor, undervalued relative to similar stocks. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, it will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.														
Vanguard Dividend Growth Inv	\$2,341,737.66	LCB	VDIGX	1	1	1	1	1	1	1	1	2	10	9	9	9
				-22.1/ 83.0	16.5	87.7	10.4/ 11.8	89.9/ 74.5	0.26	30.0	22.0		LCB	LCB	LCB	LCB
Strategy Review		The investment seeks to provide, primarily, a growing stream of income over time and, secondarily, long-term capital appreciation and current income. The fund invests primarily in stocks that tend to offer current dividends. It focuses on high-quality companies that have prospects for long-term total returns as a result of their ability to grow earnings and their willingness to increase dividends over time. These stocks typically-but not always-will be large-cap, will be undervalued relative to the market, and will show potential for increasing dividends. The fund seeks to be diversified across industry sectors.														
Parnassus Core Equity Institutional	\$324,002.48	LCB	PRILX	1	0	1	1	1	1	1	1	2	9	8	9	8
				-13.7/ 76.8	26.7	91.8	10.6/ 11.0	89.9/ 80.0	0.12	40.0	31.0		LCB	LCB	LCB	LCB
Strategy Review		The investment seeks to achieve both capital appreciation and current income. The fund's objective is to achieve both capital appreciation and current income by investing primarily in a diversified portfolio of equity securities. Equity securities include common and preferred stock. Under normal circumstances, the fund will invest a minimum of 80% of its net assets (plus borrowings for investment purposes) in equity securities. At least 75% of the fund's total assets will normally be invested in equity securities that pay interest or dividends.														
T. Rowe Price New America Growth	\$5,714,033.23	LCG	PRWAX	1	1	1	1	0	1	1	1	2	9	9	8	8
				92.2/ 94.0	10.9	93.3	14.2/ 13.9	106.7/ 108.2	0.13	9.0	9.0		LCG	LCG	LCG	LCG
Strategy Review		The investment seeks to provide long-term capital growth. The fund invests primarily (at least 65% of its total assets) in common stocks of U.S. companies operating in those sectors of the economy that, in T. Rowe Price's view, are the fastest growing or have the greatest growth potential. It may invest in foreign stocks in keeping with the fund's objective. The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.														

Scorecard™

Active	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019
American Funds AMCAP R6 	\$7,875,220.81	LCG	RAFGX	1	1	1	1	0	0	0	0	2	6	6	6	6
				46.8/ 69.0	7.5	91.7	12.0/ 9.5	81.5/ 95.9	-1.06	67.0	56.0		LCG	LCG	LCG	LCG
Strategy Review		The investment seeks long-term growth of capital. The fund invests primarily in common stocks of U.S. companies that have solid long-term growth records and the potential for good future growth. The basic investment philosophy of the investment adviser is to seek to invest in attractively valued companies that, in its opinion, represent good, long-term investment opportunities.														
Virtus Ceredex Mid-Cap Value Equity R6	\$378,901.89	MCV	SMVZX	1	1	1	1	1	1	1	1	2	10	10	9	8
				-86.4/ -4.5	22.3	94.2	13.2/ 8.8	104.7/ 98.1	0.38	3.0	2.0		MCV	MCV	MCV	MCV
Strategy Review		The investment seeks to provide capital appreciation; current income is a secondary objective. The fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in U.S.-traded equity securities of mid-capitalization companies. The subadvisor considers mid-capitalization companies to be companies with market capitalizations generally within those of companies in the Russell Midcap® Index.														
Principal MidCap Institutional	\$4,139,263.53	MCG	PCBIX	1	1	1	1	1	1	1	1	2	10	10	10	9
				43.0/ 16.2	17.9	91.7	12.9/ 13.5	100.5/ 85.0	0.6	27.0	27.0		MCG	MCG	MCG	MCG
Strategy Review		The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. For this fund, companies with medium market capitalizations are those with market capitalizations within the range of companies comprising the Russell Midcap® Index. The fund also invests in foreign securities.														
DFA US Targeted Value I 	\$280,929.67	SCV	DFFVX	1	1	1	0	0	0	1	0	2	6	6	6	6
				-91.7/ -97.0	6.4	95.9	17.1/ 5.1	96.1/ 105.5	-0.59	44.0	54.0		SCV	SCV	SCV	SCV
Strategy Review		The investment seeks long-term capital appreciation. The fund purchases a broad and diverse group of the readily marketable securities of U.S. small and mid cap companies that the advisor determines to be value stocks with higher profitability. It may purchase or sell futures contracts and options on futures contracts for U.S. equity securities and indices, to adjust market exposure based on actual or expected cash inflows to or outflows from the fund. The advisor does not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.														

Scorecard™

Active	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank	2pt Max	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Small Cap Value I1 (BMO Disciplined SCV) 		SCV	97181N296	1 -92.2/ -98.0	1 3.3	1 97.3	1 16.3/ 8.1	1 102.5/ 98.5	1 0.33	1 15.0	1 17.0	2	10 SCV	10 SCV	- -	- -
Strategy Review																
Franklin Small Cap Growth R6 	\$770,663.95	SCG	FSMLX	1 100.0/ -94.6	1 4.8	1 93.5	1 18.1/ 9.9	1 104.6/ 101.6	1 0.18	1 48.0	1 43.0	2	10 SCG	7 SCG	5 SCG	8 SCG
Strategy Review		The investment seeks long-term capital growth. The fund invests at least 80% of its net assets in the equity securities of small-cap companies. The equity securities in which the fund invests are predominantly common stock. Small-cap companies are companies with market capitalizations not exceeding (i) \$1.5 billion or (ii) the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase. It may invest in equity securities of larger companies. The fund, from time to time, may have significant positions in particular sectors such as information technology, industrials, consumer discretionary and healthcare.														
Invesco Oppenheimer International Gr R6 	\$88,232.01	IE	OIGIX	0 92.7/ 71.1	1 12.9	1 86.0	1 12.9/ 3.5	1 92.3/ 88.8	1 0.12	0 55.0	1 49.0	2	8 IE	9 IE	6 IE	6 IE
Strategy Review		The investment seeks capital appreciation. The fund mainly invests in the common stock of growth companies that are domiciled or have their primary operations outside of the United States. It may invest 100% of its assets in securities of foreign companies. The fund may invest in emerging markets as well as in developed markets throughout the world. It normally will invest at least 65% of its total assets in common and preferred stocks of issuers in at least three different countries outside of the United States, and emphasize investments in common stocks of issuers that the portfolio managers consider to be growth companies.														
MFS International Intrinsic Value R6	\$2,830,051.51	ILCG	MINJX	1 85.8/ 84.8	1 7.3	1 90.4	1 10.2/ 8.7	1 89.0/ 66.6	1 0.79	1 9.0	1 14.0	2	10 ILCG	10 ILCG	8 ILCB	8 ILCB
Strategy Review		The investment seeks capital appreciation. The fund normally invests its assets primarily in foreign equity securities, including emerging market equity securities. Equity securities include common stocks and other securities that represent an ownership interest (or right to acquire an ownership interest) in a company or other issuer. The advisor focuses on investing the fund's assets in the stocks of companies that it believes are undervalued compared to their intrinsic value.														

Scorecard™

Active	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank	2pt Max	Q3 2019	Q2 2019	Q1 2019	Q4 2018
DFA International Small Company I	\$23,249.40	ISMB	DFISX	1 8.0/ -94.9	1 6.1	1 95.7	1 12.3/ 4.5	0 91.0/ 95.5	0 -0.37	1 25.0	1 25.0	2	8 ISMB	7 ISMB	8 ISMB	8 ISMB
Strategy Review		The investment seeks long-term capital appreciation. As a non-fundamental policy, under normal circumstances, the International Small Company Portfolio, through its investments in the underlying funds, will invest at least 80% of its net assets in securities of small companies. The International Small Company Portfolio and each underlying fund may invest in affiliated and unaffiliated registered and unregistered money market funds to manage its cash pending investment in other securities or to maintain liquidity for the payment of redemptions or other purposes.														
Invesco Oppenheimer Developing Mkts R6	\$168,110.08	EME	ODVIX	1 72.9/ -64.9	1 14.0	1 90.8	1 14.6/ 2.8	1 89.9/ 88.4	1 0.11	1 20.0	1 19.0	2	10 EME	10 EME	10 EME	6 EME
Strategy Review		The investment seeks capital appreciation. The fund mainly invests in common stocks of issuers in developing and emerging markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities. Under normal market conditions, it will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in a developing market, i.e. are in a developing market or are economically tied to a developing market country, and in derivatives and other instruments that have economic characteristics similar to such securities.														
American Funds New Perspective R6	\$588,006.78	GE	RNPGX	0 87.9/ 68.5	1 17.1	1 93.0	1 11.9/ 9.7	1 106.8/ 90.8	1 0.8	1 7.0	1 5.0	2	9 GE	9 GE	9 GE	9 GE
Strategy Review		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.														
Metropolitan West Total Return Bd Plan	\$871,485.39	CFI	MWTSX	1 -5.6/ 35.3	1 7.1	1 98.3	1 2.9/ 3.4	1 93.4/ 85.6	0 -0.02	1 44.0	1 41.0	2	9 CFI	10 CFI	10 CFI	10 CFI
Strategy Review		The investment seeks to maximize long-term total return. The fund pursues its objective by investing, under normal circumstances, at least 80% of its net assets in investment grade fixed income securities or unrated securities that are determined by the Adviser to be of comparable quality. Up to 20% of the fund's net assets may be invested in securities rated below investment grade. The fund also invests at least 80% of its net assets plus borrowings for investment purposes in fixed income securities it regards as bonds.														

Scorecard™

Active	Assets	Category	Ticker/ ID	Style			Risk/Return			Peer Group		Qual	Score			
				Style	Style Drift	R ²	Risk/ Return	Up/ Down	Info Ratio	Return Rank	Info Ratio Rank	2pt Max	Q3 2019	Q2 2019	Q1 2019	Q4 2018
PIMCO Long-Term Real Return Instl	\$447,916.93	UGT	PRAIX	1 -66.9/ 70.8	0 37.2	1 86.7	1 8.3/ 4.2	0 216.9/ 230.8	1 0.33	1 1.0	1 4.0	2	8 UGT	7 UGT	8 UGT	8 UGT
Strategy Review		The investment seeks maximum real return, consistent with prudent investment management. The fund invests at least 80% of its net assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and corporations. Assets not invested in inflation-indexed bonds may be invested in other types of Fixed Income Instruments. It invests primarily in investment grade securities, but may invest up to 20% of its total assets in 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.														
Voya Fixed Plus III Account	\$13,160,684.99	SV											-	-	-	-
Strategy Review																
T. Rowe Price Global Technology I	\$761,498.50	TEC	PGTIX	1 -75.8/ 52.2	1 20.9	0 69.4	0 18.7/ 16.6	0 96.9/ 102.2	0 -0.13	1 41.0	1 29.0	0 T	4 TEC	4 TEC	9 TEC	9 TEC
Strategy Review		The investment seeks long-term capital growth. The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in the common stocks of companies the managers expect to generate a majority of their revenues from the development, advancement, and use of technology. It normally seeks to invest in at least 5 countries and allocate approximately 25% of its assets in stocks of companies outside the U.S, including companies in emerging markets. The fund is non-diversified.														

Scorecard™

Passive	Assets	Category	Ticker/ ID	Style				Peer Group				Qual	Score				
				Style	Style Drift	R ²	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank		2pt Max	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Vanguard 500 Index Admiral	\$7,038,060.24	LCB-P	VFIAX	1	1	1	1	1	1	1	1	1	2	10	10	10	10
				-1.7/ 99.2	1.7	99.8	0.5	36.0	9.0	9.0	9.0			LCB-P	LCB-P	LCB-P	LCB-P
Strategy Review		The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The advisor 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.															
Vanguard Mid Cap Index Admiral	\$1,612,850.53	MCB-P	VIMAX	1	1	1	1	1	1	1	1	1	2	10	9	9	9
				-20.4/ 8.7	4.0	99.4	1.1	11.0	4.0	3.0	2.0			MCB-P	MCB-P	MCB-P	MCB-P
Strategy Review		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. The advisor 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.															
Vanguard Small Cap Index Adm	\$599,266.39	SCB-P	VSMAX	1	0	1	1	0	1	1	1	1	2	8	8	8	8
				11.7/ -64.4	7.6	97.8	2.9	82.0	6.0	3.0	4.0			SCB-P	SCB-P	SCB-P	SCB-P
Strategy Review		The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. The advisor 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.															
Vanguard Total Intl Stock Index Admiral	\$416,502.21	IE-P	VTIAX	1	1	1	1	1	1	1	1	1	2	10	10	9	10
				18.7/ 45.2	5.7	98.8	1.3	33.0	20.0	29.0	30.0			IE-P	IE-P	IE-P	IE-P
Strategy Review		The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States. The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. It invests all, or substantially all, of its assets in the common stocks included in its target index.															

Scorecard™

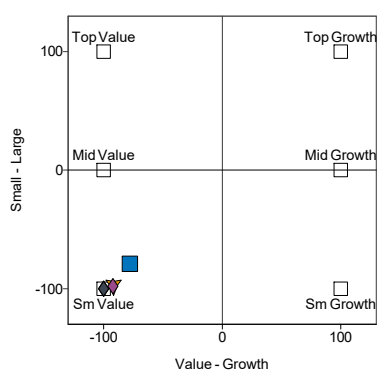
Passive	Assets	Category	Ticker/ ID	Style				Peer Group				Qual	Score				
				Style	Style Drift	R ²	Tracking Error	TE Rank	Expense Rank	Return Rank	SR Rank	2pt Max	Q3 2019	Q2 2019	Q1 2019	Q4 2018	
Vanguard Total Bond Market Index Adm	\$1,214,922.80	CFI-P	VBTLX	1	1	1	1	1	1	1	1	1	2	10	10	10	9
				6.7/ 67.1	5.5	99.3	0.3	72.0	20.0	13.0	11.0			CFI-P	CFI-P	CFI-P	CFI-P
Strategy Review		The investment seeks the performance of Bloomberg Barclays U.S. Aggregate Float Adjusted Index. Bloomberg Barclays U.S. Aggregate Float Adjusted 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 its investments will be selected through the sampling process, and at least 80% of its assets will be invested in bonds held in the index.															
Vanguard Real Estate Index Admiral	\$442,314.57	REI-P	VGSLX	1	1	1	1	0	1	1	1	2	9	9	9	10	
				-90.9/ 97.0	2.6	98.2	1.7	87.0	8.0	11.0	15.0			REI-P	REI-P	REI-P	REI-P
Strategy Review		The investment seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of the MSCI US Investable Market Real Estate 25/50 Index that measures the performance of publicly traded equity REITs and other real estate-related investments. The advisor attempts to track the index by investing all, or substantially all, of its assets-either directly or indirectly through a wholly owned subsidiary, which is itself a registered investment company-in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index. The fund is non-diversified.															

Returns Analysis	QTR	YTD	1 Yr	3 Yr Ann.	5 Yr Ann.	10 Yr Ann.	Since Inception	Manager Name	Manager Tenure (Years)	Fund Inception	Net Exp. Ratio	Gross Exp. Ratio
American Century Small Cap Value R6	1.07	24.11	-1.26	9.22	9.18	11.01	8.31	Jeff John	7.38	07/31/1998	0.90	0.90
DFA US Targeted Value I	-1.19	11.86	-10.51	5.42	5.10	10.49	10.40	Jed S. Fogdall	7.59	02/23/2000	0.37	0.37
Small Cap Value I1 (BMO Disciplined SCV)	-1.12	12.44	-8.63	5.74	8.06	NA	12.95	Team	8.00	07/01/2011	0.40	0.40
Russell2000 Value Index	-0.57	12.82	-8.24	6.54	7.17	10.06						
Small Cap Value Average	-0.20	13.93	-7.79	5.64	5.69	9.66					1.22	1.35

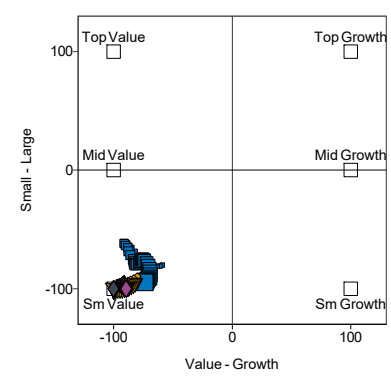
Calendar Year Returns	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD
American Century Small Cap Value R6	24.15	-6.73	16.70	35.06	4.74	-2.44	26.68	10.56	-16.75	24.11
DFA US Targeted Value I	29.01	-6.29	19.19	43.03	2.94	-5.72	26.86	9.59	-15.78	11.86
Small Cap Value I1 (BMO Disciplined SCV)	NA	4.26	15.99	42.35	8.02	-2.91	30.52	9.24	-14.98	12.44
Russell2000 Value Index	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84	-12.86	12.82
Small Cap Value Average	25.52	-4.43	15.90	35.92	3.72	-6.56	26.27	9.85	-15.99	13.93

Scorecard - Active	Ticker/ID	Style			Risk/Return			Peer Group		Qual. (2pt. max)	Score			
		Style	Style Drift	R ²	Risk/Return	Up/Down	Info Ratio	Return Rank	Info Ratio Rank		09/30 2019	06/28 2019	03/29 2019	12/31 2018
American Century Small Cap Value R6	ASVDX	1	1	1	1	1	1	1	1	2	10	10	10	7
		-77.89/ -78.85	15.37	93.62	17.07/ 9.18	104.47/ 95.44	0.46	15.00	15.00		SCV	SCV	SCV	SCV
DFA US Targeted Value I	DFFVX	1	1	1	0	0	0	1	0	2	6	6	6	6
		-91.70/ -96.97	6.38	95.94	17.14/ 5.10	96.07/ 105.52	-0.59	44.00	54.00		SCV	SCV	SCV	SCV
Small Cap Value I1 (BMO Disciplined SCV)	N/A	1	1	1	1	1	1	1	1	2	10	10		
		-92.17/ -97.97	3.31	97.31	16.30/ 8.06	102.45/ 98.51	0.33	15.00	17.00		SCV	SCV		

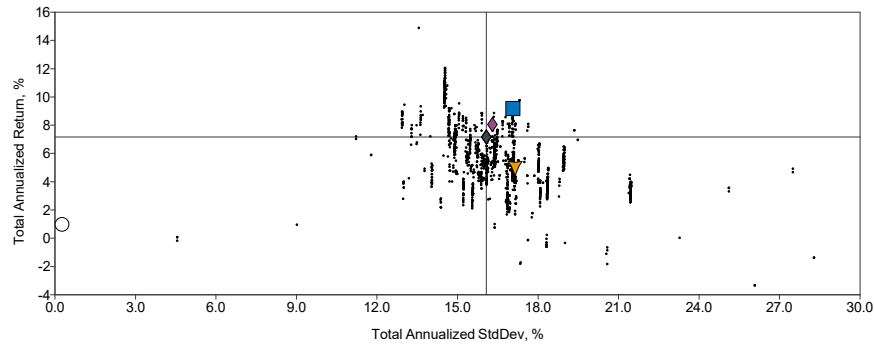
Average Style Oct 14 - Sep 19



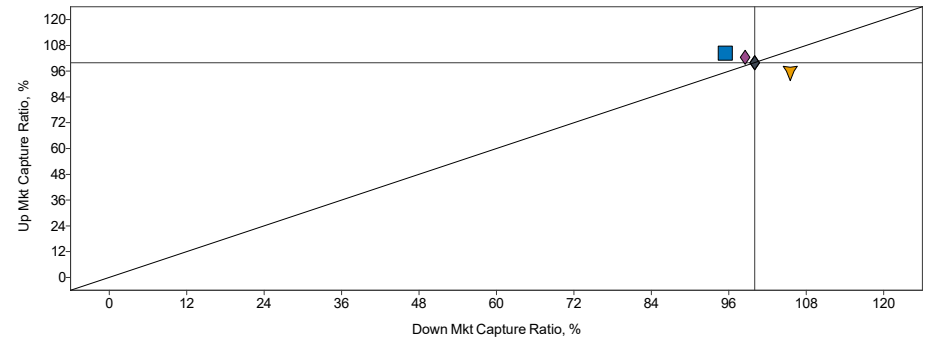
Style Drift 36 Month rolling windows, Oct 14 - Sep 19



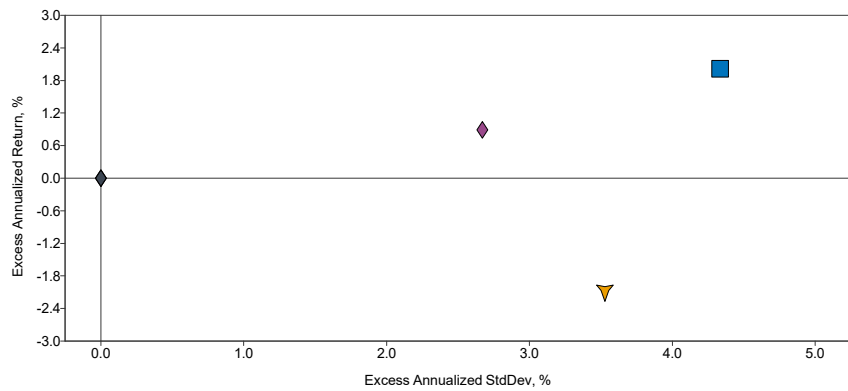
Risk / Return *Single Computation, Oct 14 - Sep 19*



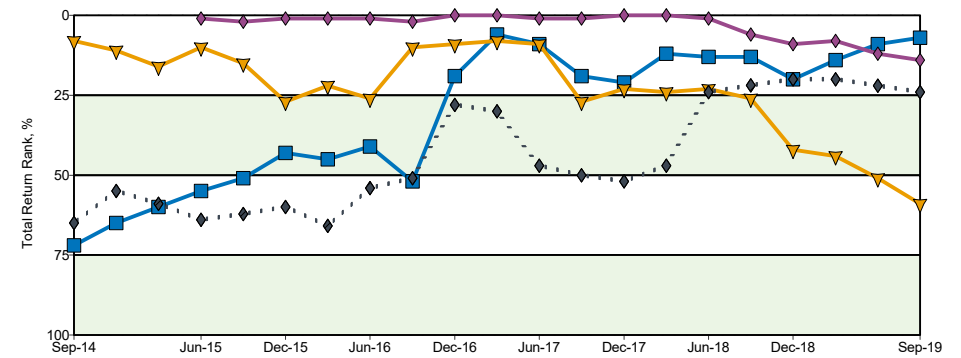
Up/Down Capture *Oct 14 - Sep 19*



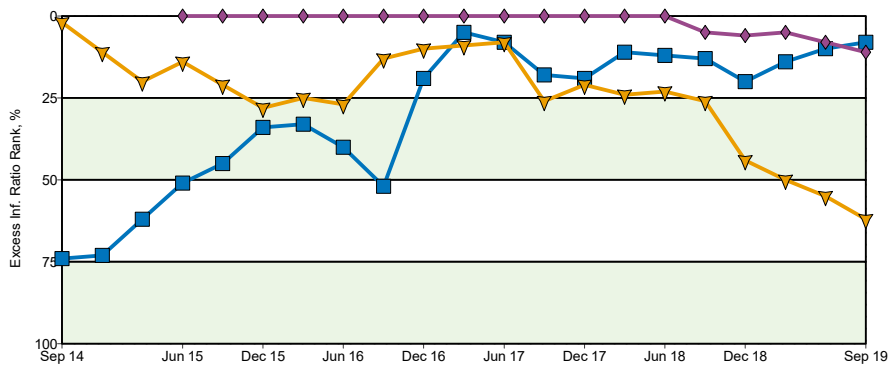
Relative Risk Return *Oct 14 - Sep 19*



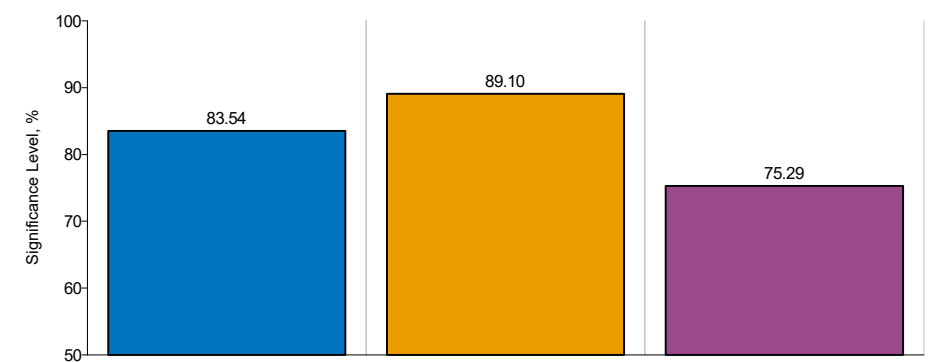
Rolling 5 Year Return Rank *20 quarter rolling windows, Oct 09 - Sep 19*



Rolling 5 Year Information Ratio Rank *20 quarter rolling windows, Oct 09 - Sep 19*



Significance Level *Oct 14 - Sep 19*



Investment objectives and strategies vary among fund, and may not be similar for funds included in the same asset class. All definitions are typical category representations. Please note that all investments are subject to market and other risk factors, which could result in loss of principal. Fixed income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. The specific share classes or accounts identified above may not be available or chosen by the plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the plan. The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted. Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as Markov Processes International, Morningstar, firms who manage the investments, and/or the retirement plan providers who offer the funds. Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the Scorecard System, is intended for plan sponsor and/or institutional use only. The materials are not intended for participant use. The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund. Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard factors.

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Likewise, a fund's score using the Scorecard System does not guarantee the future performance or style consistency of a fund. This report was prepared with the belief that this information is relevant to the plan sponsor as the plan sponsor makes investment selections. Fund selection is at the discretion of the investment fiduciaries, which are either the plan sponsor or the committee appointed to perform that function. Cash Equivalents (e.g., money market fund) and some specialty funds are not scored by the Scorecard System. The enclosed Investment Due Diligence report and Scorecard is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus. For the most current month-end performance, please contact your advisor. The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

Mutual funds are sold by prospectus only. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund. The fund prospectus provides this and other important information. Please contact your Investment Advisor/Consultant or Vendor/Provider to obtain a prospectus. Please read the prospectus carefully before investing or sending money.

For a copy of the most recent prospectus, please contact your Investment Advisor/Consultant or Vendor/Provider.

Notes

1. All statistics calculated over a five year time period.
2. Style analytics reflect the parameters on a returns-based style map (on a scale of 100 to -100 for each axis.) Fund passes if it plots out in the appropriate section of the style map, representing the fund's stated style.
3. Style drift is measured by the style drift score, which is a statistic measuring the rolling style-based analysis for a fund.
4. Risk is measured as the fund's standard deviation of returns.
5. R-squared measures the percentage of the fund's movement that is explained by the fund's benchmark (market).
6. Up/Down capture statistics measure the percentage of performance the fund/strategy is capturing versus the benchmark (market).
7. Information Ratio is a risk adjusted performance statistic measuring relative return over relative risk.
8. Peer group ranking statistics measure the funds median rank versus the applicable peer group universe.
9. Qualitative Detail: T = Tenure (qualitative score impacted negatively due to low manager tenure); E = Expenses (qualitative score impacted negatively due to higher than average expense ratio); and S = Statistics (qualitative score impacted negatively due to weak/poor strength of statistics).





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Summary of Considerations

Watchlist	Asset Class	Fund	Score
	SCG	Franklin Small Cap Growth R6	10
	IE	Invesco Oppenheimer International Gr R6	8
	EME	Invesco Oppenheimer Developing Mkts R6	10
	TEC	T. Rowe Price Global Technology I	4

Add	Asset Class	Fund	Score
	SCV	Small Cap Value I1 (BMO Disciplined SCV)	10

Eliminate	Asset Class	Fund	Score	Action	Asset Class	Fund	Score
	LCG	American Funds AMCAP R6	6	map to	LCG	T. Rowe Price New America Growth	9
	SCV	DFA US Targeted Value I	6	map to	SCV	Small Cap Value I1 (BMO Disciplined SCV)	10
	MSB	Loomis Sayles Bond N	5	map to	Group Series	Vanguard Target Retirement Series Inv	9
	MSB	Templeton Global Bond R6	0	map to	Group Series	Vanguard Target Retirement Series Inv	9

Considerations:  Add  Delete  Watchlist

Templeton Global Bond – R6 Shares

Asset Allocation	Category	Ticker/ ID	Score							
			Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Templeton Global Bond R6	MSB	FBNRX	0	8	8	8	8	6	8	8
			MSB	GFI	GFI	GFI	GFI	GFI	GFI	GFI

After a recent history showcasing an unwavering score of 8, Templeton Global Bond falls dramatically to a score of 0. This follows reclassification of its asset class from Global Fixed Income to Multi-Sector Bond. Asset classes for publicly available mutual funds are driven by the Morningstar categorization for the investment, which changed following the incredibly broad approach employed by the strategy. There is currently no ideal benchmark for this fund.

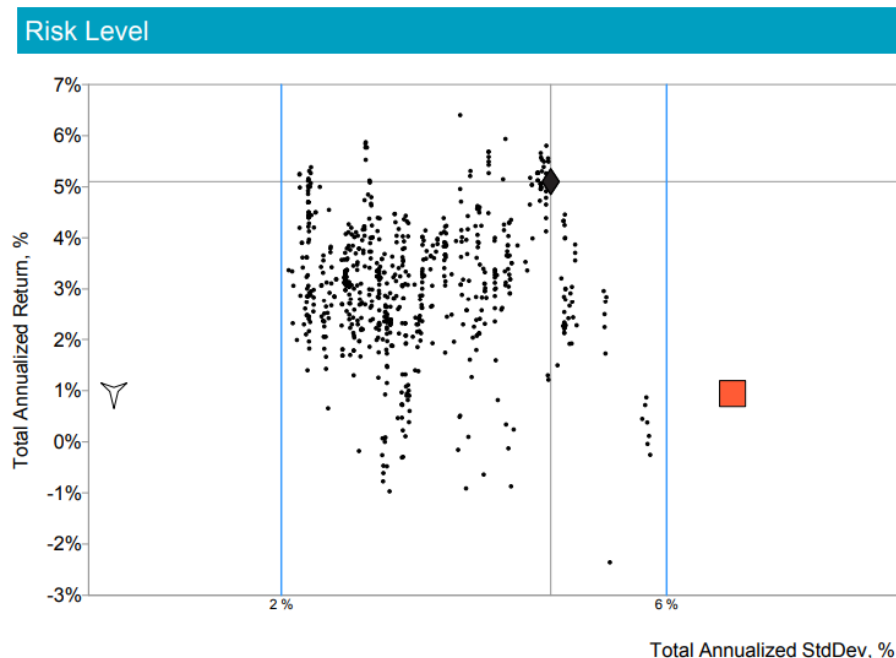
Upon assignment to the multi-sector bond asset class, we treat the fund like an asset allocation fund. This entails using asset allocation scoring methodology and custom benchmarks, which cast the investment in a much different light.

Scorecard - Multisector Bond	Ticker	Style			Risk / Return			Peer Group		Qual. (2pt max)	Total Score
		Risk Level	Style Diversity	R ²	Risk / Return	Up / Down	Info Ratio	Return Rank	SR Rank		
Templeton Global Bond R6	FBNRX	0	0	0	0	0	0	0	0	0	0

Templeton Global Bond currently loses points across all metrics, leading to a bottom score of 0.

Risk Level:

We examine risk level first to see one of the many ways in which FBNRX is unique. The only way in which an investment (orange square) can fail risk level is to exhibit deviation out of the blue bands by behaving too conservatively or too aggressively. The other data points we see scattered within the bands are other funds in the multi-sector bond space, illustrating Templeton Global Bond’s uncommonly aggressive behavior.



Style Diversity:

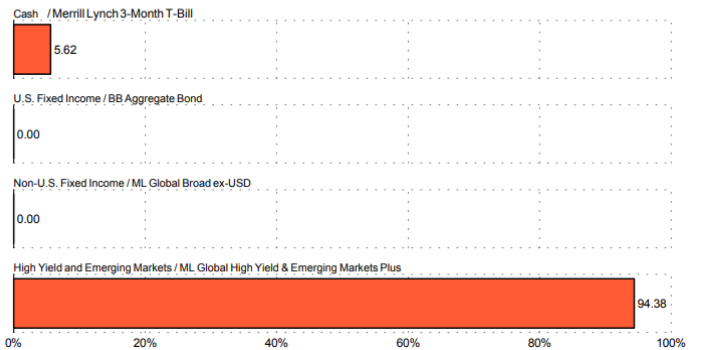
When we discuss style, we're referring to the returns-based behavior of the fund. The style diversity metric determines whether the investment is properly diversified among four major asset classes (cash, US fixed income, domestic fixed income and high yield/ emerging markets). On the left, we see the allowable bands for returns-based behavior set by our in-house investment team. On the right are the style diversity weights over the past five years. In this instance, we were able to see that FBNRX does not display the requisite diversity for its multi-sector bond category.

Style Diversity Criteria

Analysis	Cash (%)	U.S. Fixed Income (%)	Non-U.S. Fixed Income (%)	HY & EM (%)
Multisector Bond	0-30	15-70	15-70	15-70

Style diversity weights determined by returns-based style analysis over five year time period.

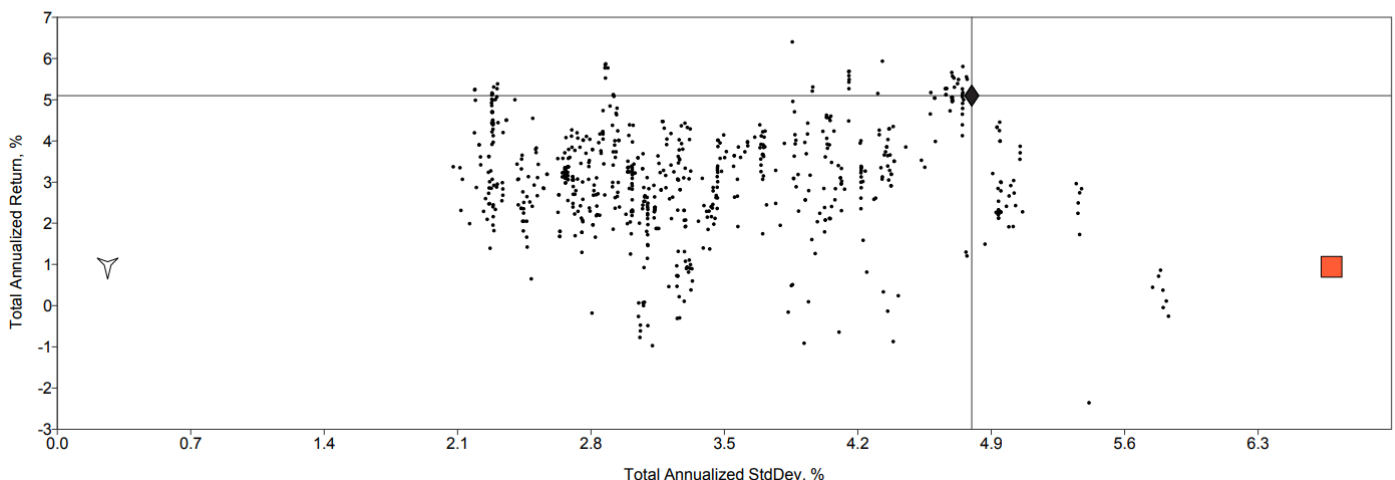
Style Diversity / Benchmark Oct 14 - Sep 19



Risk/Return:

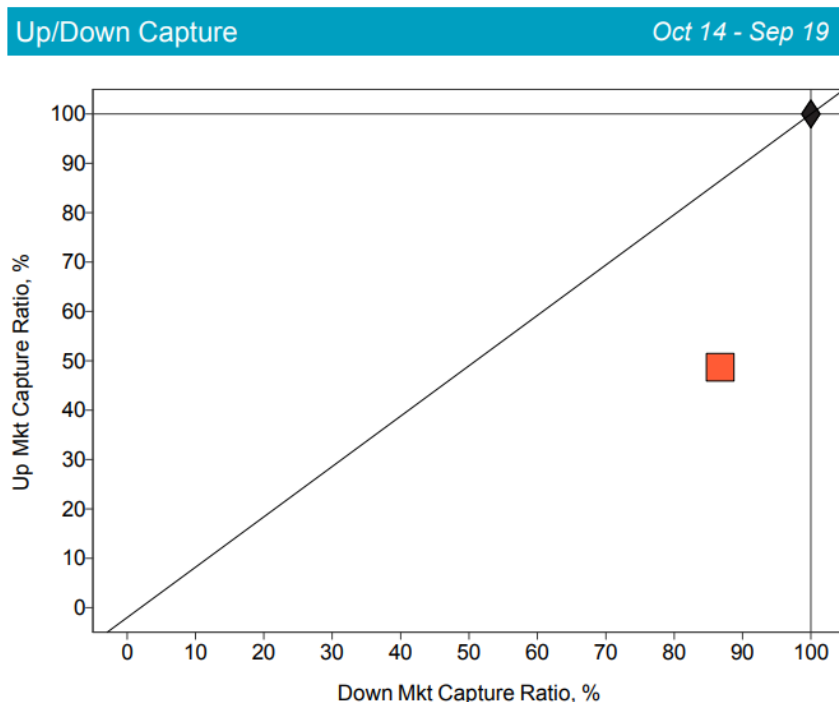
With this metric, we look for the fund to either garner more return or expose itself to less risk than the benchmark (either or). Risk is measured as the fund's standard deviation of returns. Currently, the fund's (orange square) higher degree of risk is not rewarded with more return- gaining 0.94% compared to the benchmark's (black diamond) 5.1% and failing the metric.

Risk / Return Single Computation, Oct 14 - Sep 19



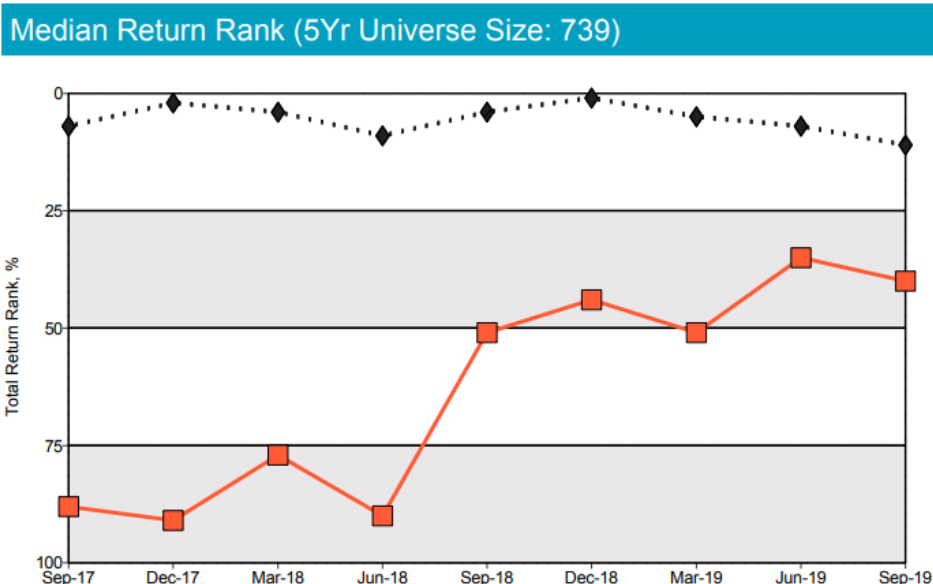
Up/Down Capture:

Up/Down capture statistics measure the percentage of performance the fund/strategy is capturing versus the benchmark (market). Here, we look for the fund to capture more gains in bull market periods than losses in bear market periods. Seen below, FBNRX enjoys 48.71% of up market gain while exposing itself to 86.73% of losses in down markets windows, failing the metric.



Return Rank:

Peer group ranking statistics measure the funds median rank versus the applicable peer group universe. Here, we take the median result of the nine 3 year return rolling windows that comprise a five year time window. The fund (orange) passes if it ranks in the top 50th percentile, with a lower number being better. At a median rank of 51, the fund fails the metric barely.



Returns:

Asset Allocation	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Fixed Income												
Multisector Bond												
Templeton Global Bond R6	FBNRX	-3.31	-0.58	1.16	3.99	0.94	3.82	1.18	5/1/2013	9/18/1986	0.67	0.57
StyleBenchmark		1.11	11.06	8.42	5.24	5.10	7.10	-	-	-	-	-

Michael Hasenstab, CIO of the firm’s global macro group and lead manager here since 2006, makes the final calls for this and other strategies under that team’s purview. When longtime comanager Sonal Desai stepped off the fund in late 2018 to take over as CIO of fixed income, Calvin Ho stepped into that role. Ho had been a key member of the team since 2005, a skilled group that counts five analysts, six traders, and three dedicated risk-management professionals.

Since his early days on this strategy, Hasenstab has plied a benchmark-agnostic approach, building the portfolio based on the team’s meticulous fundamental sovereign and currency research that incorporates feedback from local market participants. The fund has stood out for its general avoidance of low-yielding developed-markets debt and preference for emerging-markets countries where it sees better fiscal prospects. Hasenstab has also been willing to own sovereigns the rest of the market shuns (such as Ireland during the 2011 eurozone crisis and Ukraine in 2015 as the country restructured its debt).

The team’s contrarian, high-conviction style can work against the fund in the short run, as it has lately. The fund was down 0.7% for the first nine months of 2019 and experienced a steep 5.5% slide in August, lagging nearly all strategies in the nontraditional bond category. That was attributable in part to the fund’s 3%-5% stake in troubled Argentine local debt, as well as a short U.S. Treasuries position that drove the portfolio’s negative duration as low as negative 2.8 years in July 2019.

This isn’t the first time the fund has experienced such a sharp loss in a short period, and the team’s contrarian calls have made for a volatile ride. The strategy has recovered lost ground quickly in the past, and more time will have to pass before we’re able to see if this can happen again.

**City of San Mateo
457(b) Deferred Compensation Plan**

Investment Policy Statement

September 22, 2016

**City of San Mateo
457 DEFERRED COMPENSATION
INVESTMENT POLICY GUIDELINES**

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I. INTRODUCTION

A. Purpose of Investment Policy Statement. The purpose of this Investment Policy Statement is to record the objectives and investment policies for the City of San Mateo (City) 457 Deferred Compensation Plan (Plan). This Investment Policy Statement supersedes any other Investment policy or guidelines previously adopted. It is intended to assist the City Council and Deferred Compensation Committee (Committee) in meeting their fiduciary responsibility with regard to the Plan by:

1. Defining the respective roles and responsibilities of the City Council, City Manager, Committee, Plan participants and beneficiaries, Investment Consultant, and Plan Administrator/Recordkeeper, and;
2. Establishing a framework for the selection, monitoring, and evaluation of the Plan's investment funds.

The City Council has delegated authority for implementation of the Plan to the City Manager who has, in turn, delegated day to day responsibility for the Plan to the Committee. Unless specifically stated otherwise, all references to "City" shall be deemed to refer to the "Committee."

Although the Employee's Retirement Income Security Act of 1974 (ERISA) does not apply to the Plan, the City intends to operate the Plan generally in conformance with ERISA 404(c). Investment decisions made by the City will be made for the sole interest of the participants and beneficiaries of the Plan.

This statement is an outline of the City's general investment policies and may be reviewed and revised anytime as necessary to ensure it adequately reflects changes related to the Plan.

B. Objectives. The Plan is a tax-deferred defined contribution plan that provides for benefits based solely on the amount contributed to each participant's account plus or minus any income, expenses, and gains or losses. The Plan was established to:

1. Provide retirement benefits to Plan participants either as a supplement to another retirement plan or as the primary plan.
2. Provide Plan participants and beneficiaries with the opportunity to:
 - a. exercise control over the assets in their accounts under the Plan; and
 - b. choose, from a broad range of investment alternatives, the manner in which their account balances are invested.

The Plan Document governs the operation of the Plan, setting out, among other things, the eligibility requirements for making or receiving contributions under the Plan, and the time and manner in which distributions are made.

C. Purpose of Investment Options. Plan participants and beneficiaries may select from any combination of investment options offered under the Plan and may change the asset allocation of their investments pursuant to the Plan provisions. The investment menu is designed to offer a broad range of investment alternatives, in order to provide participants and beneficiaries with a reasonable opportunity to:

1. materially affect the potential return on amounts in their individual accounts;
2. choose from at least three investment alternatives:
 - a. each of which is diversified;
 - b. each of which has materially different risk and return characteristics;

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- c. which in the aggregate enable the participant or beneficiary by choosing among them to achieve a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for the participant or beneficiary; and
 - d. each of which when combined with the other investment alternatives tend to minimize through diversification the overall risk of a participant's or beneficiary's portfolio;
3. diversify the investment of their individual accounts so as to minimize the risk of large losses.

II. STATEMENT OF RESPONSIBILITIES

- A. City Council.** The City Council has the fiduciary responsibility to select the investments offered under the Plan. The City Council has delegated this responsibility to the City Manager as outlined in II. B. below.
- B. City Manager.** The City Council has delegated the fiduciary responsibility to select the investments offered under the Plan to the City Manager.
- C. Committee.** The Committee has been delegated by the City Manager the following responsibilities:
- 1. Selecting the investment design features of the Plan. This includes establishing
 - a. the investment policy and objectives,
 - b. the number and types of investment alternatives available to Plan participants, and
 - c. participant investment procedures.
 - 2. Appointing, monitoring and evaluating fund performance in the Plan in accordance with guidelines and benchmarks established within this document.
 - 3. Monitoring plan costs which are charged to plan assets and or paid by plan participants, including but not limited to investment management fees, custodial fees and fees paid to other plan service providers from plan assets.
 - 4. Providing general investment information to plan participants regarding the procedures for making investment choices under the plan and general investment information regarding each of the investment options offered under the plan consistent with the requirements of ERISA 404(c).
- The Committee will periodically report back to the City Manager, as necessary, for any material changes to be made to the investment design feature of the Plan. On an annual basis, the Committee will submit a review of the Plan's performance (including service providers' performance) and all actions taken on behalf of the City related to improving the efficiencies of administrating the Plan.
- D. Plan Participants.** Participants are authorized to direct the investment of assets in their accounts under the Plan, selecting from the investment options offered under the Plan. In accordance with section 53213.5(B) of the California Government Code, Plan participants and beneficiaries are solely responsible for all losses and gains related to their investments in the Plan.
- E. Investment Consultant.** The role and responsibilities of the Investment Consultant are outlined in the Professional Services Agreement between the Investment Consultant and the City. In general, the primary responsibility of the Investment Consultant is to inform and advise the City on various investment related issues with respect to the oversight and potential enhancements of the Plan. Such services include:
- 1. Assisting the City with determining an appropriate process for constructing the structure of the investment menu.
 - 2. Providing timely and accurate annual reports evaluating return, risk and characteristics (where available) of each of the funds compared to appropriate indexes and/or peer group universes.

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3. Apprising the City of changes with regard to their funds in an appropriate time frame given the significance of the information.
4. Conducting a fund review at the request of the City when, for example, noteworthy changes or significant under-performance occurs.
5. Assisting the City in the search and replacement of existing funds when a review so merits this change.

The Investment Consultant's role is to provide information and advice to the City. The Investment Consultant has no discretionary control or authority over the Plan and its assets. However, in its role as an advisor to the City, the Investment Consultant acknowledges a limited fiduciary role with respect to the investment advice provided to the City.

The City shall retain the services of a qualified independent investment consultant. The Investment Consultant must be registered with either State or Federal securities regulators pursuant to the Investment Advisers Act of 1940. The Investment Consultant will provide a copy of the ADV Form Part II for the Investment Consultant and his or her company, to the City during the annual investment performance review, and will disclose whether the Investment Consultant has an ownership or other interest in any of the investment options being reviewed or recommended by the Investment Consultant. The Investment Consultant will immediately notify the City of any SEC or other regulatory investigations related to the type of services provided to the City or of any felony conviction.

- F. **Plan Administrator/Record-keeper.** The role and responsibilities of the Plan Administrator/Record-keeper are as outlined in the Professional Services Agreement between the Plan Administrator/Record-keeper and the City.
- G. **Standard of Care.** In carrying out its duties and responsibilities under this policy, each fiduciary under the Plan, including the City, the Committee, the Investment Consultant, each of the investment mutual fund managers, and the Plan Administrator/Record-keeper shall discharge its respective responsibilities solely in the interests of the Plan participants and beneficiaries; with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims, and otherwise in compliance with all applicable fiduciary standards under California law.

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III. INVESTMENT OPTION CATEGORIES (ASSET CLASSES)

The following investment option categories (asset classes) may be considered for possible inclusion in the plan as investment choices to be made available to participants.

- **Cash & Equivalents Funds**
 - Money Funds
- **Stable Value / General Account / Fixed Account Funds**
- **Bond Funds**
 - Investment Grade (Portfolio Weighted Average of AA)
 - Portfolio Duration (Long-Term, Intermediate, or Short-Term)
 - Government, Corporate, or Blended
 - Domestic and/or International
- **Domestic Equity Funds**
 - Capitalization - Large Cap, Mid Cap, Small Cap
 - Style – Growth, Value, or Blended styles
- **International Equity Funds**
 - Capitalization - Large Cap, Mid Cap, or Small Cap
 - Style – Growth, Value, or Blended styles
- **Global Equity Funds**
- **Pre-Set Asset Allocation Funds (Model Portfolios)**
 - Target Date (Time/Age) Funds
 - Risk Based Life Cycle Funds
 - Balanced Funds
- **Index Funds**
- **Socially Responsible Investing**
- **Self-Directed Brokerage Accounts**

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IV. INVESTMENT FUND SELECTION – STABLE VALUE / FIXED FUND

A Stable Value / Fixed Option invests in book value investments which may include General Account annuity products, Separate Account Annuity products, Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), "Synthetic" GIC arrangements, and money market instruments, certificates of deposit, and may invest in intermediate and long term fixed income securities. Investments may either be made directly or through pooled arrangements. The objective of the fund is to provide higher income than a money market fund while still providing no fluctuation in principal value.

V. INVESTMENT FUND SELECTION – MUTUAL FUNDS

A. Alignment of Mutual Funds

1. Mutual funds offered by the Plan will be by groupings of like investment policy and risk (volatility of returns).
2. Contracted mutual fund companies will be used to determine the groupings of mutual funds including index funds, if appropriate, by investment option characteristics.
3. The following is a target portfolio that includes the asset classes, asset categories and numerical range of available funds that may comprise the portfolio for the Plan. Consideration will be given for temporary style drift.

ASSET CLASSES/CATEGORIES	NUMBER OF FUNDS		
Money Market Fund	0 to 1 Fund		
Stable Value/Fixed Account Fund	1 Fund		
Bond Fund	3 to 5 Funds		
Global Equity Fund	1 to 2 Funds		
International Equity Fund	2 to 4 Funds		
Index Fund	1 to 5 Funds		
Asset Allocation Fund - Target Date Fund	4 to 8 Funds		
Equity Capitalization/Style	Value	Blend	Growth
Large Capitalization	2 Fund	2 Fund	2 Fund
Mid-Capitalization	1 Fund	0 to 1 Fund	1 Fund
Small Capitalization	1 Fund	0 to 1 Fund	1 Fund
Socially Responsible Investment Fund	1 Fund		
Self Directed Brokerage Account	Limited to 50% of Account to specified retail mutual fund list, individual stocks and bonds		

4. At the time of selection, the fund category established by the contracted fund provider for the previous six quarters, will determine the category placement of a fund under the Plan. In the event that a fund has not had consistency of placement within a category over the six quarters

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prior to selection, it shall be placed in the category most recently determined by contracted fund providers.

B. Minimum Criteria for Selection

1. **Minimum Size Criteria.** To be considered, a fund should be at least \$100 million. Total assets in all share classes can be considered if under the same management team. If this restriction reduces the potential pool of funds inappropriately, this criterion may be reduced to broaden selection.
2. **Minimum History Criteria.** A mutual fund (or a clone fund under the same management) should have been in operation for a period of 5 years prior to selection.
3. **Minimum Operating Criteria**
 - a. It must guarantee transactions at the prior day's price.
 - b. Front end loads and fund surrender charges must be waived
 - c. It must be compatible with the Plan's administrative and record keeping accounting and system practices.
 - d. The City will have the ability to request mutual funds to pay the City a fee for performing administrative services.

C. Selection of Funds. The selection process is used to add a new fund or to delete a current fund. The recommendation to add or delete a fund will be documented in writing by the Consultant for the City's consideration. The written report will contain the reasons for the recommendation to add or delete a fund and the factors considered to support the recommendation using the following process:

1. Screening Funds

- a. The initial screening of a new fund will produce a listing of funds that have outperformed the average of their respective peer group for the one-, three- and five-year periods. Funds that do not out perform the peer group benchmark in two of the three measured periods are inappropriate for the Plan may not be considered for inclusion in the Plan or may be considered for deletion from the Plan. Any exceptions must be appropriately documented and noted in Committee meeting minutes. Current funds will be evaluated against the peer group. Benchmarks for each investment option are as follows:

Asset Class	Performance Benchmarks
Money Market Fund	Short Term U.S Treasury Average
Stable Value	Barclays Capital U.S. Aggregate Index or a mutually agreed upon index with Provider
Bond Fund	Average peer group of similiary managed bond funds & the appropriate index
Large Cap Value	Large Cap Value Funds Peer Average & Russell 1000 Value Index
Large Cap Core/Blend Index	Large Cap Core/Blend Funds Peer Average & S&P 500 Index
Large Cap Growth	Large Cap Growth Funds Peer Average & Russell 1000 Growth Index
Mid Cap Value	Mid Cap Value Funds Peer Average & Russell Mid Cap Value Index
Mid Cap Core/Blend	Mid Cap Core/Blend Funds Peer Average & Russell Mid Cap Index
Mid Cap Growth	Mid Cap Growth Funds Peer Average & Russell Mid Cap Growth Index
Small Cap Value	Small Cap Value Funds Peer Average & Russell 2000 Value Index
Small Cap Core/Blend	Small Cap Core/Blend Funds Peer Average & Russell 2000 Index
Small Cap Growth	Small Cap Growth Funds Peer Average & Russell 2000 Growth Index
Foreign Large Value	Foreign Large Cap Value Funds Peer Average & MSCI ACWI ex US Value Index
Foreign Large Growth	Foreign Large Cap Growth Funds Peer Average & MSCI ACWI ex US Growth Index
Asset Allocation Fund	Dow Jones Target Peer Average or a customized benchmark if appropriate
Global Equity	World Stock Peer Average & MCSI World Index
Index Fund	Tracking Index adjusted for Expense and Tracking Error
Socially Responsible Investing	Socially Responsible Category Peer Average

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For all funds, including a new fund or deleting an existing fund in the Plan may also occur for the following reasons:

- i. The fund is closed.
 - ii. The fund has a policy of not being available for deferred compensation plans.
 - iii. The fund has loads that it is not willing to waive.
 - iv. The fund has an expense ratio that is uncompetitive in relationship to similarly managed funds.
 - v. The risks taken are too high for the achieved performance as determined through a Sharpe Ratio analysis.
- b. If the criterion above is too restrictive, the City may modify one or more of the criteria in the initial screening process and, as a result, may include in the evaluation/selection funds that do not meet all of the criteria stated.
- c. The initial list of funds produced shall be compared to the fund(s) relative peer group and within the peer group and shall be ranked according to the fund's annualized performance over the most recent five-year investment period. The numeric ranking will be identified.

Note: Self-Directed Brokerage Accounts (SDBA) are not monitored by the City. Participants who invest in SDBAs are responsible for the selection, management and control of these investments.

2. Fund Review

- a. Once the peer group ranking list is determined in Screening of Funds, each fund will be reviewed for the following:
- i. Annual performance over each of the immediately preceding five calendar years will be evaluated. Consistent performance return in each year of the five year period will be preferred. Consistent performance includes moderate Standard Deviation, (as determined by a comparison with the average standard deviation for that investment style), portfolio manager tenure, outperforming the appropriate benchmark for the three- and five-year periods and a consistent Risk and Return profile as determined by Morningstar.
 - ii. The fund's investment category placement over the last three years will be reviewed and funds that remain in the same category will be preferred.
 - iii. Issues to be addressed in determining fund selection shall include:
 - Number of funds per manager
 - Portfolio manager tenure
 - Equity investment style , including average market capitalization, portfolio turnover, number of holdings, consistency of style, sector weighting, risk, information ratio where appropriate, and security selection
 - Fixed income investment style, including duration management, sector selection, and security selection style. This question should include review of investment process, ability to articulate process as well as consistency of style or process.
 - Fees and expenses
 - Confirm Minimum Operational Criteria compliance
 - Disclosure that, based on the knowledge of the provider, the fund family has not participated in unethical trading practices

Funds that exhibit consistent performance and satisfy the Minimum Operational Criteria will be preferred.

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- b. Based on the information collected during the evaluation of the funds, each fund being considered for addition or deletion to the Plan will be reviewed and may be eliminated based on:
 - i. Inconsistent performance history
 - ii. Excessive movement within investment category
 - iii. Qualitative factors such as excessive account turnover or an inappropriate investment style
 - iv. Inability to satisfy the Minimum Operational Criteria
 - v. Fund's assets are so large that the portfolio manager lacks flexibility to buy and sell securities in an efficient and timely manner.

- 3. **Final Selection.** The City will review the written recommendation and review the reports submitted documenting the review process for each fund being considered for inclusion in the Plan and/or deletion from the Plan. The City approves all new funds added to the Plan and all funds to be deleted from the Plan.

- 4. **Blackout Period.** The Plan will give Plan Participants a minimum of 30-day advance notice of "blackout periods" affecting their rights to direct investments, take loans (if available) or obtain distributions. Blackout periods may occur when plans change record-keepers, record-keeping systems or investment options. Individual Participants will receive a blackout notice that contains, among other things:
 - a. The reasons for the blackout period;
 - b. A description of the rights that will be suspended during the blackout period;
 - c. The start and end dates of the blackout period; and
 - d. A statement advising Participants to evaluate their current investments based on their inability to direct or diversify assets during the blackout period.

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VI. INVESTMENT FUND PERFORMANCE EVALUATION

A. MONITORING PROCESS

A review the performance of the investment funds will be conducted periodically, but no less than annually, to determine if they are achieving the established objectives. Conditions may arise that create a need for an evaluation on a more frequent basis. It is the responsibility of the Consultant and/or Provider to bring the reason for the evaluation with accompanying analysis and recommendation to the City.

For supported actively managed asset classes, an investment manager "score card" will be maintained and documented (see addendum) to substantiate acceptable levels of manager performance and appropriate style characteristics. Based upon objective criteria, derived from Modern Portfolio Theory concepts, each fund will receive a score reflecting its overall performance.

Asset Allocation funds and/or accounts (risk-based or age-based) will be scored and monitored using the previously described guidelines. Unlike other funds which are monitored and scored individually, these funds should be evaluated as a group. Due to the unique importance of these professionally managed and diversified vehicles for participants in the Plan, funds or accounts failing to achieve criteria standards will be carefully reviewed before removal from the Plan (in the absence of a reasonable alternative). In addition, funds with short time history should be evaluated qualitatively.

Target-Date (age-based) funds or accounts will have strategies that allow the funds or accounts to grow more conservative over time until a certain retirement date or life expectancy date. This roll down process is commonly referred to as a "glide path". The glide path associated with a set of target-date funds should be reviewed to make sure it is appropriate, and continues to be appropriate, for the Plan and Plan's participants.

Investments which are not supported do not generate a scorecard. Investments where no score is applied due to specialty focus, short time history or other unique circumstances should be reviewed using a qualitative framework.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the Committee, in accordance with the Plan objectives, taking into consideration all relevant facts and circumstances.

Other reasons for Watch List review of investment funds may include:

- a. Change of investment manager
- b. Change of sub-advisor
- c. Significant change in ownership or control
- d. Significant change in fund management style or drift over a prolonged period
- e. Substantive change in portfolio turnover that significantly exceeds the fund's history
- f. Any violation of SEC rules or regulations
- g. Operational difficulties concerning fund transfers or pricing
- h. Excessive costs or trading practices
- i. Negligible use by Participants

The City will use its best judgment and information available to act in a prudent manner on behalf of the plan and its participants. The City reserves the right to terminate any investment fund at any time for any reason when it determines such termination is in the best interests of the plan and its participants and beneficiaries.

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B. WATCH LIST

If a fund fails to meet the criteria standards, as determined by its score or other factors, it will be placed on a "Watch List." In the event a fund receives a score which is below that of "Watch List" status, or experiences extraordinary circumstances which may render it inappropriate to maintain, it may be considered for removal at the earliest administratively reasonable date. If this fund continues to remain on "Watch List" for the following three quarters, or four of the following seven quarters, the fund should be considered for possible removal.

C. FUND REPLACEMENT

A fund search may be initiated and a replacement fund selected. Regarding the Plan assets already deposited with the deleted fund, each Participant will have a transition period of a length set by the District, but not less than thirty (30) days in which he or she may transfer their assets to the replacement fund or an investment fund option of the Participant's choice. During the 30 day transition period, reminders will be sent to Participants prior to eliminating the fund.

In the event a Participant does not voluntarily select an investment fund option by the end of the 30 day transition period, the City will direct the provider to transfer the current balance of the deleted fund to the most appropriate existing and/or replacement fund within the asset class. In the event the provider does not offer another investment in the same asset class, the dropped fund will be transferred to the stable value fund of that provider.

VII. REVIEW

It is the intention of the City to review this document annually and make necessary amendments.

If at any time a fund investment manager feels that these policy standards cannot be met, or that the guidelines constrict management, the City should be notified in writing so that recommendation for changing the policy, if deemed appropriate, can be made by the City.

VIII. INVESTMENT COMMUNICATIONS TO PARTICIPANTS

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Plan, through the provider, shall provide at least quarterly statements of fund performance to each participant.

Upon request, copies of investment fund prospectuses or similar equivalent information will be provided to participants as well as such other information as the provider has available such as a list of underlying investments for a given fund.

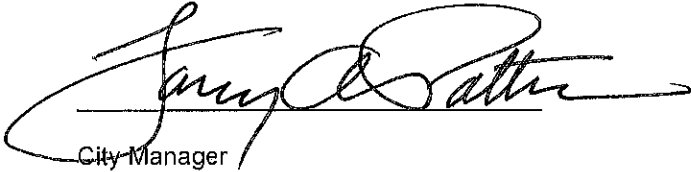
**City of San Mateo
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Accepted by:

SST Benefits Consulting & Insurance Services, Inc.
(457 Deferred Compensation and Investment Consultant to the City)

Approved by the City of San Mateo, California

Accepted by:



City Manager

9-27-16

Date

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ADDENDUM TO PART VI: MONITORING PROCESS

Scorecard System Methodology™

The Scorecard System methodology incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The Scorecard System is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best). Although the Scorecard System has the ability to measure Active, Passive and Asset Allocation investing strategies, it will be used to evaluate only Actively Managed Asset classes in the Plan over a five year time period.

Eighty percent of the fund's score is quantitative (made up of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20% of the score is qualitative, taking into account things such as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy. The following pages detail the specific factors for evaluating the active investing strategy.

Combined, these factors are a way of measuring the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into the Plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table below. The Scorecard Point System is meant to be used in conjunction with the Policy to help identify which funds need to be discussed as "watch-list" or removal candidates; which funds continue to meet some minimum standards and continue to be appropriate; and/or which new top-ranked funds should be included in the Plan.

Scorecard Point System

Good:	9-10 Points
Acceptable:	7-8 Points
Watch List:	5-6 Points
Poor:	0-4 Points

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Scorecard System Methodology

Active Strategies

Active strategies are investment strategies where the fund manager is trying to add value and out-perform the market averages (for that style of investing). Typically, these investment strategies have higher associated costs due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the **Scorecard** System is trying to identify those managers who can add value on a consistent basis within their own style of investing.

Weightings	Active Strategies	Maximum Points	
	<p>Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the plan.</p> <p>Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.</p> <p>R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80%. This statistic measures whether the benchmark used in the analysis is appropriate.</p>		
	<p>Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.</p>		
	<p>Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.</p> <p>Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is > 0. This statistic measures the value added above the benchmark, adjusted for risk.</p>		
Peer Group Rankings 20%	<p>Returns Peer Group Ranking: Fund passes if its median rank is above the 50th percentile.</p>	1	
	<p>Information Ratio Peer Group Ranking: Fund passes if its median rank is above the 50th percentile. This ranking ranks risk adjusted excess return.</p>		1
	<p>Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account non-quantitative factors which may impact future performance.</p>		
Total		10	

Sample Investment Policy Statement

Part I. THE PLAN

The City sponsors a defined contribution plan (the "Plan") for the benefit of its employees and their designated beneficiaries. The City will appoint a Committee to serve as the Plan fiduciary. The Plan is intended to provide participating employees long-term accumulation of savings through contributions to individual participant accounts and the earnings thereon.

The Plan has established a Deferred Compensation Plan ("Plan") for the benefit of employees in accordance with Section 457(b) of the Internal Revenue Code ("Internal Revenue Code") of 1986, as amended. In addition, the Plan is intended to comply with the concepts contained ERISA Section 404(c) as a best practice.

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of investment results from the options and their asset allocation.

Part II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement is intended to assist the Plan's fiduciaries by establishing guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment options offered by the Plan.

Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives.
- Defines the roles of those responsible for the Plan's investments.
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes corrective actions the committee can take should investment options and investment managers fail to satisfy established objectives.
- Describes the types of educational materials to be provided to Plan participants and beneficiaries.
- Describes ways to comply with fiduciary obligations and applicable laws and regulations.

This Investment Policy Statement will be reviewed periodically, and, if appropriate, may be amended to reflect changes in the capital markets, plan objectives, or other factors relevant to the Plan.

Part III. INVESTMENT OBJECTIVES

The Committee will select the Plan's investment options based on criteria deemed relevant, from time to time, by the Committee. These criteria may include, but are not limited to, the following:

- Maximization of return within reasonable and prudent levels of risk.
- Provision of returns comparable to returns for similar investment options.
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles.
- Control administrative and management costs.
- Provision of appropriate diversification within investment vehicles.
- Investment manager's adherence to stated investment objectives and style.

Part IV. ROLES AND RESPONSIBILITIES

Subject to the terms of the Plan document, the Committee is responsible for selecting the trustee(s); hiring the recordkeeper; hiring the investment consultant; selecting the investment options(s), and selecting an investment(s) for default(s) when a participant or beneficiary fails to provide investment direction. The Committee is also responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Periodically evaluating the Plan's investment performance and recommending investment option changes.
- Periodically monitoring the service providers and investment consultant.
- Periodically monitoring Plan costs.
- Providing for Plan participant investment education and communication.

In executing its responsibilities, the Committee will make decisions solely in the interest of Plan participants and beneficiaries, for the exclusive purpose of providing Plan benefits and defraying reasonable administrative costs. All investments selected by the Committee are intended to meet concepts of ERISA section 404(c) as a best practice.

Part V. MONITORING OF SERVICE PROVIDERS

Service providers should be monitored on a regular basis or more frequently if applicable. Administrative and/or recordkeeping service providers may be benchmarked against, but not limited to, industry averages and/or other provider quotes. Monitoring for these service providers should include, but not be limited to, the provider's:

- Investment offerings and services
- Recordkeeping technology and services
- Compliance services and support
- Technology
- Participant access and communications
- Total Plan costs

The monitoring of the plan provider(s) is to ensure that total plan costs and services are competitive and reasonable.

Investment consultant service providers (plan and participant level) should be monitored regularly and should include, but not be limited to, the provider's:

- Investment Due Diligence processes
- Fiduciary guidance and services
- RPF/Benchmarking scope and services
- Technology
- Participant level access, communications and advice (if applicable)
- Cost

Part VI. SELECTION OF INVESTMENT OPTIONS

The selection of investment options offered under the Plan is among the Committee's most important responsibilities. Set forth below are the considerations and guidelines employed in fulfilling this fiduciary responsibility.

The Plan intends to provide an appropriate range of investment options that may span the risk/return spectrum. Further, the Plan's investment options are intended to allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. Major asset classes to be considered may include, but are not limited to:

Conservative Investments

Cash and liquid investments including, but not limited to, money market, stable value, and guaranteed interest accounts.

Income Investments

Income oriented investments including, but not limited to, low, medium, and high quality bond funds, with short, intermediate, and/or long term duration. Management styles may be indexed and actively managed international, global, and domestic styles.

Equity Investments

Funds that invest in equity securities, both domestic and foreign, including, but not limited to, small, medium, and large market capitalization, with value, blend, and growth investment objectives, which may be actively managed or indexed.

Asset Allocation Investments

Funds or accounts that invest in a combination of conservative, income, and equity investments, "fund of funds" accounts combining several of the above investments into one or a series of investments, and "manager of managers" accounts combining several different investment styles and fund managers into one account or a series of accounts.

Other Investments

Other appropriate investments in other styles or asset classes offered through vehicles such as commingled trusts, insurance Company separate accounts through a group annuity contract, and mutual funds. Notwithstanding the foregoing, the Committee may consider, but is not required, to include in the investment menu any specific investment

asset class, option, or style.

Default Investments

The Investment Committee will evaluate and choose an investment or set of investments to serve as the default investment(s) for the Plan. The default investment(s) will be the designated investment for dollars contributed to the Plan by participants and/or the employer for which the Plan has not received investment direction.

The default investment will be selected to comply with the concepts of ERISA section 404(c)(5) and the regulations promulgated thereunder as a qualified default investment alternative ("QDIA") as a best practice.

After determining the desired asset classes, the Committee will evaluate and choose the desired investment option(s) for the Plan's investment menu. If an investment manager (responsible for the management of the underlying investment vehicle, such as a mutual fund, commingled account or separate account) is chosen as the investment option, the following minimum criteria should be considered:

1. The investment manager should be a bank, insurance Company, investment management, mutual fund Company or an investment advisor under the Registered Investment Advisors Act of 1940;
2. The investment manager should operate in good standing with regulators and clients, with no material pending or concluded legal actions against it; and
3. All relevant quantitative and qualitative information on the fund manager and fund should be made

available by the manager and/or vendor.

In addition to the minimum criteria above, all investments under consideration should meet the following standards for selection:

1. Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer group (where appropriate and available, long-term performance of an investment manager may be inferred through the performance of another investment with similar style attributes managed by such investment manager);
2. Specific risk and risk-adjusted return measures should be reviewed by the Committee and be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
3. The investment manager should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
4. Fees and fee structures should be competitive compared with similar investments reasonably available to the Plan;
5. The investment manager should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure; and
6. The investment manager should be able to provide performance, holdings, and other relevant information in a timely fashion with specified frequency.

Furthermore, investment managers (to be used interchangeably with the term "fund" throughout the Investment Policy Statement) will be evaluated and selected utilizing an investment manager "score card," detailed in Part VII (Investment Monitoring and Reporting). Finally, any fiduciary warranty or guarantee offered by the service provider will be considered in the investment selection process, but will not supersede the provisions of this Investment Policy Statement.

Part VII. INVESTMENT MONITORING AND REPORTING

The ongoing monitoring of investments is a regular and disciplined process. Monitoring confirms that the criteria remain satisfied and that an investment option continues to be appropriate. The process of monitoring investment performance relative to specified guidelines will be consistently applied. Frequent change of investments is neither expected nor desired.

The Committee will bear in mind any and all political, social, economic or other changes that may potentially require more frequent review and consideration of investments. The following are some, but not all, general factors that may be considered in ongoing monitoring:

- Current regulatory environment,
- Current state of capital markets,
- Performance of investment alternatives,

- Utilization of accounts by Plan demographic,
- The prudent applicability of this Investment Policy Statement as written, in light of prevailing facts and circumstances.

Monitoring will utilize the same investment selection criteria used in the original selection analysis. Unusual, notable, or extraordinary events will be communicated by the investment manager and/or vendor on a timely basis to the Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the investment management firm, or material changes in firm ownership structure and announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the investment manager must take steps to remedy the deficiency. If over a reasonable period the manager is unable to resolve the issue, removal of the investment option may result.

For supported asset classes, an investment manager “score card” will be maintained and documented (see addendum) to substantiate acceptable levels of manager performance and appropriate style characteristics. Based upon objective criteria, derived from Modern Portfolio Theory concepts, each fund will receive a score reflecting its overall performance.

If a fund fails to meet the criteria standards, as determined by its score, it will be placed on a “watch list.” (In the event a fund receives a score which is below that of “watch list” status, or experiences extraordinary circumstances which may render it inappropriate to maintain, it may be considered for removal at the earliest administratively reasonable date.) If this fund continues to remain on “watch list” for the following three quarters, or four of the following seven quarters, the fund should be considered for possible removal.

If the fund meets criteria standards for four consecutive quarters, it may be removed from the watch list.

Asset Allocation funds and/or accounts (risk-based or age-based) will be scored and monitored using the previously described guidelines. Unlike other funds which are monitored and scored individually, these funds should be evaluated as a group. Due to the unique importance of these professionally managed and diversified vehicles for participants in the plan, funds or accounts failing to achieve criteria standards will be carefully reviewed before removal from the plan (in the absence of a reasonable alternative). In addition, funds with short time history should be evaluated qualitatively.

Target-Date (age-based) funds or accounts will have strategies that allow the funds or accounts to grow more conservative over time until a certain retirement date or life expectancy date. This roll down process is commonly referred to as a “glide path”. The glide path associated with a set of target-date funds should be reviewed to make sure it is appropriate, and continues to be appropriate, for the Plan and Plan’s participants.

Investments where no score is applied due to specialty focus, short time history or other unique circumstances should be reviewed using a qualitative framework.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination, or continuation of an investment option. All determinations should be made by the Committee, in its sole discretion, taking into consideration all relevant facts and circumstances.

The City retains full responsibility for the offering and monitoring of any self-directed brokerage account(s) offered as an investment option, which will be reviewed periodically as determined by the City based on criteria determined by the City. Special considerations should be contemplated and discussed before allowing a self-directed brokerage account as an investment option.

Part VIII. MANAGER REMOVAL

An investment manager (i.e., fund) may be removed when the Committee has lost confidence in the manager’s ability to:

- Achieve performance, style, allocation, and/or risk objectives.
- Maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines).

If the investment manager has failed to adhere to and/or remedy one or both of the above conditions, the fund should be considered for removal from the plan.

Any decision by the Committee to remove such a fund will be made on an individual basis, and will be made based on

all the known facts and circumstances, including, but not limited to:

- The objective analysis (described above)
- Administrative impact on the plan
- Timing
- Employee communication issues
- The availability of other (potential replacement) managers
- Underwriting and plan provider limitations
- Financial considerations (hard and soft dollar fees)
- Professional or client turnover
- A material change in the investment process
- Other relevant factors

Considerable judgment should be exercised in the manager removal decision-making process. A manager should be removed using one of the following approaches:

- Remove and replace (map assets) with an alternative manager.
- Freeze the assets managed by the removed manager and direct new assets to an alternative manager.
- Phase out the manager over a specific time period.
- Remove the manager and do not provide a replacement manager.

Replacement of a removed manager follows the criteria outlined in Part VI (Selection of Investment Options).

Part IX. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan should communicate to employees that they can direct their own investments and investment changes. Investment communications materials, educational materials, and enrollment support should be available to help Plan participants make educated and informed choices, including:

1. Periodic enrollment and investment education, through one or more of the following: on-site meetings, phone conference, web conference, Internet, phone (voice-response and live representatives), and written materials;
2. A disclosure that is intended to comply with the concepts of ERISA Section 404(c) as a best practice;
3. Summary plan description made available to all participants;
4. General information regarding investment risk, inflation, potential taxation impact, investment earnings, and asset classes;
5. Other investment tools (e.g., investment risk profile questionnaire) to assist participants and beneficiaries in making educated and informed investment decisions; and
6. All additional information required for disclosure by the Internal Revenue Code of 1986, and all other Federal and state statutes and all regulations promulgated hereunder, and all regulatory guidance provided thereto.

Notwithstanding the foregoing, all investment education provided by the Plan and/or Committee, and all communications connected thereto, is not intended, nor shall it be construed, as investment advice to Plan participants.

Part X. COORDINATION WITH THE PLAN DOCUMENT

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any section of the Internal Revenue Code or regulations promulgated hereunder, or any term or condition in the Plan document, the terms and conditions of the Internal Revenue Code and the Plan document shall control.

Part XI. ERISA 404(c)

The Plan is exempt from ERISA provisions because it operates as a governmental deferred compensation plan. However, the City and the Committee intend for the Plan to comply with the concepts of ERISA Section 404(c) and the regulations there under as a best practice. Each participant/beneficiary is provided the opportunity to exercise control and to give instructions over his/her account with a frequency that is appropriate for each investment option and, finally, to choose from a broad range of investment options. Plan fiduciaries are thus relieved from liability for investment performance directly resulting from investment decisions made by Plan participants.

The intention to comply with the concepts of ERISA Section 404(c), and the regulations promulgated hereunder, will be

communicated to employees in writing.

Part XII. INVESTMENT INFORMATION AND ADMINISTRATIVE SUPPORT

The Committee should require the investment manager and/or service provider (administrator, record-keeper) to offer the following administrative information and support:

1. Daily valuation of all investments;
2. Daily access to account information via toll-free number and Internet access;
3. The ability to make investment transfers for both existing and future individual account balances on a daily basis (non-business days and holidays excluded). Certain trading practices may be limited to comply with market timing, excess trading, liquidity driven and/or related policies and procedures of the service provider and/or specific investment options;
4. Participant account investment reports produced no less frequently than annually, with similar information available via the Internet at least quarterly; and
5. Quarterly investment performance updates available for participant review via the Internet.

Part XIII. REVIEW PROCEDURES

This Investment Policy Statement will be periodically reviewed and amended, if appropriate, at any time and without notice, by action of the Committee.

It is not expected that this Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require amendments to this Investment Policy Statement.

NOTE: This document provides SAMPLE wording and should be reviewed by legal counsel prior to signing and executing.

Name of Plan Fiduciary	Signature
Date	

Name of Plan Fiduciary	Signature
Date	

Name of Plan Fiduciary	Signature
Date	

Scorecard System Methodology™

The **Scorecard System Methodology** incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The **Scorecard System** is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best) and has the ability to measure active, passive and asset allocation investing strategies. Active and asset allocation strategies are evaluated over a five-year time period, and passive strategies are evaluated over a three-year time period.

Eighty percent of the fund's score is quantitative (made up of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20 percent of the score is qualitative, taking into account things such as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy. The following pages detail the specific factors for each type of investing strategies.

Combined, these factors are a way of measuring the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into a plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table below. The Scorecard Point System is meant to be used in conjunction with our sample Investment Policy Statement, in order to help identify what strategies need to be discussed as a "watch-list" or removal candidate; what strategies continue to meet some minimum standards and continue to be appropriate; and/or identify new top-ranked strategies for inclusion into a plan.

Scorecard Point System	
Good:	9-10 Points
Acceptable:	7-8 Points
Watch:	5-6 Points
Poor:	0-4 Points

Scorecard System Methodology™

Target Date Fund Strategies

Target Date Fund strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached. For this type of investment strategy, the **Scorecard System** is focused on how well these managers can add value from asset allocation. Asset allocation is measured using our **Asset allocation strategies methodology** and manager selection is measured using either our **Active and/or Passive strategies methodologies**, depending on the underlying fund options utilized within the Target Date Fund strategy.

Risk-based strategies follow the same evaluation criteria and are evaluated on both their asset allocation and security selection.

Weightings	Target Date Fund Strategies	Maximum Points
Asset Allocation Score (Average) 50%	The individual funds in this Score average require five years of time history to be included. See Asset Allocation strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	5
	The Funds included in this average are from the Conservative, Moderate Conservative, Moderate, Moderate Aggressive and Aggressive categories, where Funds (also referred to as “vintages”) are individually Scored according to their standard deviation or risk bucket.	
Selection Score (Average) 50%	Active strategies: The individual active funds in this Score average require five years of time history to be Scored. See Active strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	5
	Passive strategies: The individual passive funds in this Score average require three years of time history to be Scored. See Passive strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.	
	Total	10

Scorecard System Methodology™

Asset Allocation Strategies

Asset allocation strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are typically structured in either a risk-based format (the strategies are managed to a level of risk, e.g., conservative or aggressive) or, in an age-based format (these strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached). For this type of investment strategy, the **Scorecard System** is focused on how well these managers can add value, with asset allocation being the primary driver of investment returns and the resulting Score. *Multisector Bond (MSB) asset class* follows the same evaluation criteria with some slightly different tolerance levels where noted. These managers are also evaluated on both their asset allocation and security selection.

Weightings	Asset Allocation Strategies	Maximum Points
Style Factors 30%	Risk Level: The fund's standard deviation is measured against the category it is being analyzed in. The fund passes if it falls within the range for that category.	1
	Style Diversity: Fund passes if it reflects appropriate style diversity (returns-based) among the four major asset classes (Cash, Fixed Income, U.S. & International Equity) for the given category. <i>MSB</i> funds pass if reflect some level of diversity among fixed income asset classes (Cash, U.S. Fixed Income, Non-U.S. Fixed Income and High Yield/Emerging Markets).	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 90 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
Total		10

Scorecard System Methodology™

Active Strategies

Active strategies are investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated fees due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the **Scorecard System** is trying to identify those managers who can add value on a consistent basis within their own style of investing.

Weightings	Active Strategies	Maximum Points
Style Factors 30%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Information Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
	Total	10

Scorecard System Methodology™

Passive Strategies

Passive strategies are investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower fees than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the **Scorecard System** is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

Weightings	Passive Strategies	Maximum Points
Style & Tracking Factors 40%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 95 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
	Tracking Error: Measures the percentage of a fund's excess return volatility relative to the benchmark. Fund passes with a tracking error less than 4. This statistic measures how well the fund tracks the benchmark.	1
Peer Group Rankings 40%	Tracking Error Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Expense Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Returns Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
	Total	10

Manager Research Methodology

Beyond the Scorecard

The **Scorecard System**™ uses an institutional approach which is comprehensive, independent, and utilizes a process and methodology that strives to create successful outcomes for plan sponsors and participants. The **Scorecard** helps direct the additional research the Investment team conducts with fund managers throughout the year. Three of the primary factors that go into the fund manager research are people, process and philosophy.

PEOPLE

Key Factors:

- Fund manager and team experience
- Deep institutional expertise
- Organizational structure
- Ability to drive the process and performance

PROCESS

Key Factors:

- Clearly defined
- Consistent application
- Sound and established
- Clearly communicated
- Successfully executed process

PHILOSOPHY

Key Factors:

- Research and ideas must be coherent and persuasive
- Strong rationale
- Logical and compelling
- Focus on identifying skillful managers

Scorecard System Disclosures

Investment objectives and strategies vary among fund, and may not be similar for funds included in the same asset class.

All definitions are typical category representations. The specific share classes or accounts identified above may not be available or chosen by the Plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the Plan. The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as *Markov Processes International*, *Morningstar*, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the **Scorecard System**, is intended for plan sponsor and/or institutional use only. The materials are not intended for participant use.

The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the Plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard™ factors.

Neither past performance nor statistics calculated using past performance are guarantees of a fund's future performance. Likewise, a fund's score using the **Scorecard System™** does not guarantee the future performance or style consistency of a fund.

This report was prepared with the belief that this information is relevant to the Plan sponsor as the Plan sponsor makes investment selections.

Fund selection is at the discretion of the investment fiduciaries, which are either the Plan sponsor or the Committee appointed to perform that function.

Cash Equivalents (e.g., money market fund) and some specialty funds are not scored by the **Scorecard System**.

The enclosed Investment Due Diligence report and Scorecard™ is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For the most current month-end performance, please contact your advisor.

The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

Carefully consider the investment objectives, risk factors and charges and expenses of the investment company before investing. This and other information can be found in the fund's prospectus, which may be obtained by contacting your Investment Advisor/Consultant or Vendor/Provider. Read the prospectus carefully before investing.

For a copy of the most recent prospectus, please contact your Investment Advisor/Consultant or Vendor/Provider.

Securities may be offered through Kestra Investment Services, LLC (Kestra IS), Member FINRA/SIPC. Investment Advisory Services may be offered through NFP Retirement, Inc. Kestra IS is not affiliated with NFP Retirement, Inc., a subsidiary of NFP. NFPR-2014-178 ACR#305988 02/19

Collective Investment Trusts

Unique Opportunities Exclusive to NFP

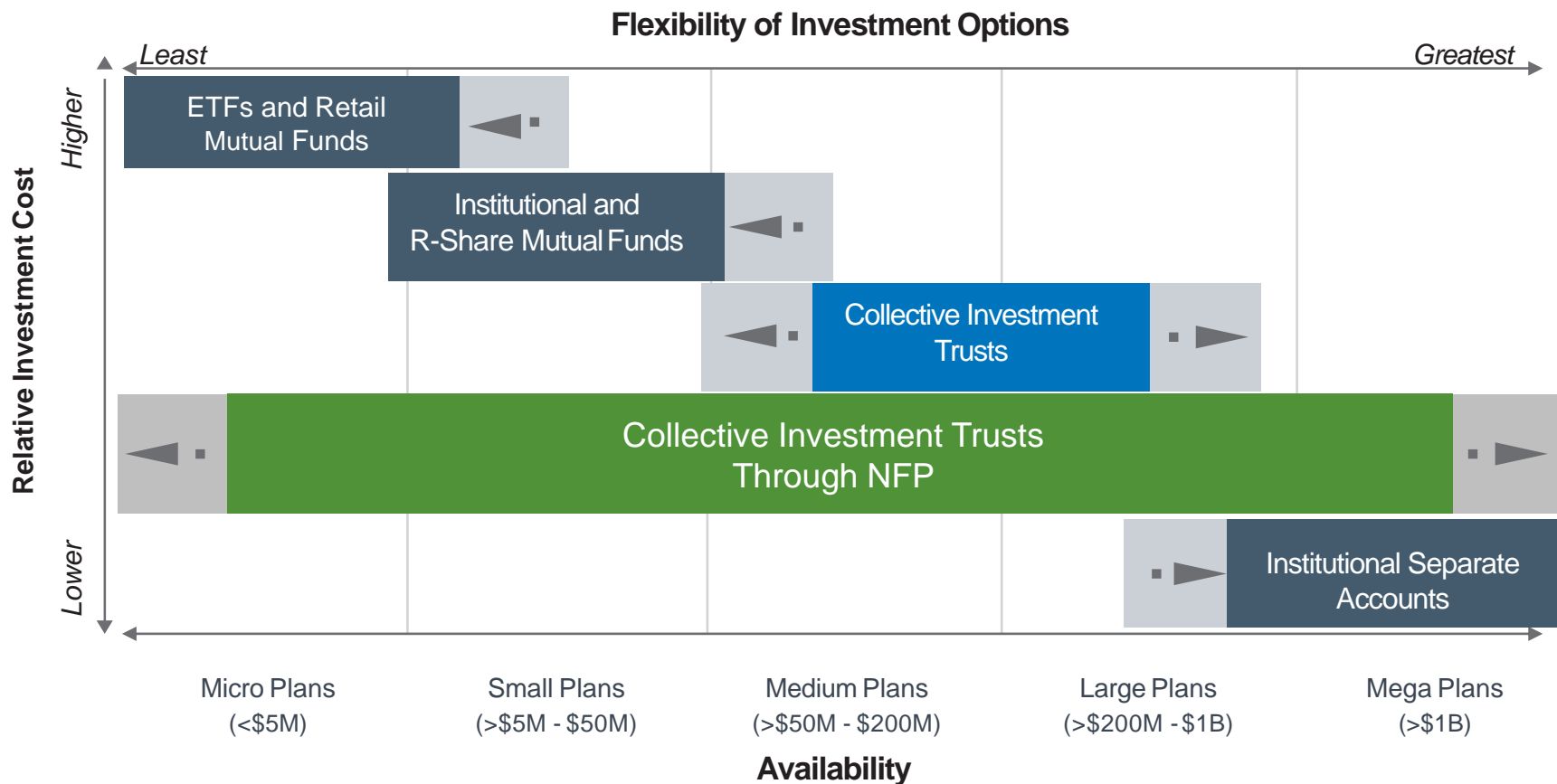


Collective Investment Trusts Through NFP

Collective investment trusts (CITs) have been the fastest growing investment vehicle within 401(k) plans over the past seven years¹, with 62% of asset managers believing that their clients will shift from mutual funds to CITs.²

While CITs have traditionally only been available to large and mega-sized plans, continued fee litigation, as well as increased CIT transparency, reporting capabilities and enhanced awareness has amplified the allure of CITs to plan sponsors across all plan sizes. However, CITs have not been widely-available to all plans... until now!

Our national presence, with over 2,600 plans and more than \$135 billion in assets, allows our clients exclusive access to CITs, featuring top-tier asset managers³ at a substantially reduced cost.



¹DST Systems, Inc., "Collective Investment Trusts – A Perfect Storm", 2017. ²The Cerulli Report 2016, Cerulli Associates. ³Top-tier asset managers include BlackRock, Franklin Templeton and Lord Abbett. More information to follow.

Target Date Funds (TDFs) and Passive CITs



Target Date	flexPATH Index+			flexPATH Index			
	Glidepath Risk Posture	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive
	NFP Score	8.9			9.6		
	Share Class	I1			I1	M (\$100M Minimum)	
	Average Expense	0.35%			0.1965%	0.1165%	

BLACKROCK

Passive	BlackRock Equity Index Fund	BlackRock U.S. Debt Index Fund	BlackRock EAFE Equity Index	
	Benchmark Index	S&P 500 Index	Barclays Aggregate Bond Index	MSCI EAFE Index
	NFP Score	10	10	10
	Share Class	Class 1	Class 1	Class 1
	Expense Ratio	0.02%	0.04%	0.06%
	Revenue Share	0.00%	0.00%	0.00%
	CUSIP	97183J632	97183J624	97183J616
	Securities Lending Revenue	1.67 bps	6.13 bps	2.24 bps

Active CITs



LORD ABBETT®



FRANKLIN TEMPLETON INVESTMENTS



	Core Bond Fund (Lord Abbett Total Return)			International Stock Fund (Templeton Foreign)			Large Cap Growth Fund (ClearBridge LCG)			Large Cap Value Fund (Putnam Equity Income)			Small Cap Growth (Victory)		
Benchmark Index	Bloomberg Barclays U.S. Aggregate Index			MSCI ACWI ex U.S.			Russell 1000 Growth Index			Russell 1000 Value Index			Russell 2000 Growth Index		
NFP Score	10			6			10			10			10		
Share Class	I1	I2	I3	I1	I2	I3	I1	I2	I3	I1	I2	I3	I1	I2	I3
Expense Ratio	0.23%	0.48%	0.73%	0.40%	0.65%	0.95%	0.29%	0.54%	0.79%	0.29%	0.54%	0.79%	0.59%	0.84%	1.09%
Revenue Share	0.00%	0.25%	0.50%	0.00%	0.25%	0.50%	0.00%	0.25%	0.50%	0.00%	0.25%	0.50%	0.00%	0.25%	0.50%
Cusip	97183J566	97183J558	97183J541	97182U109	97182U208	97182U307	97182V248	97182V230	97182V222	97183K381	97183K373	97183K365	97181N361	97181N353	97181N346
Cost Comparison of Expense Ratios															
	38% savings through NFP			43% savings through NFP			56% savings through NFP			47% savings through NFP			45% savings through NFP		

Active

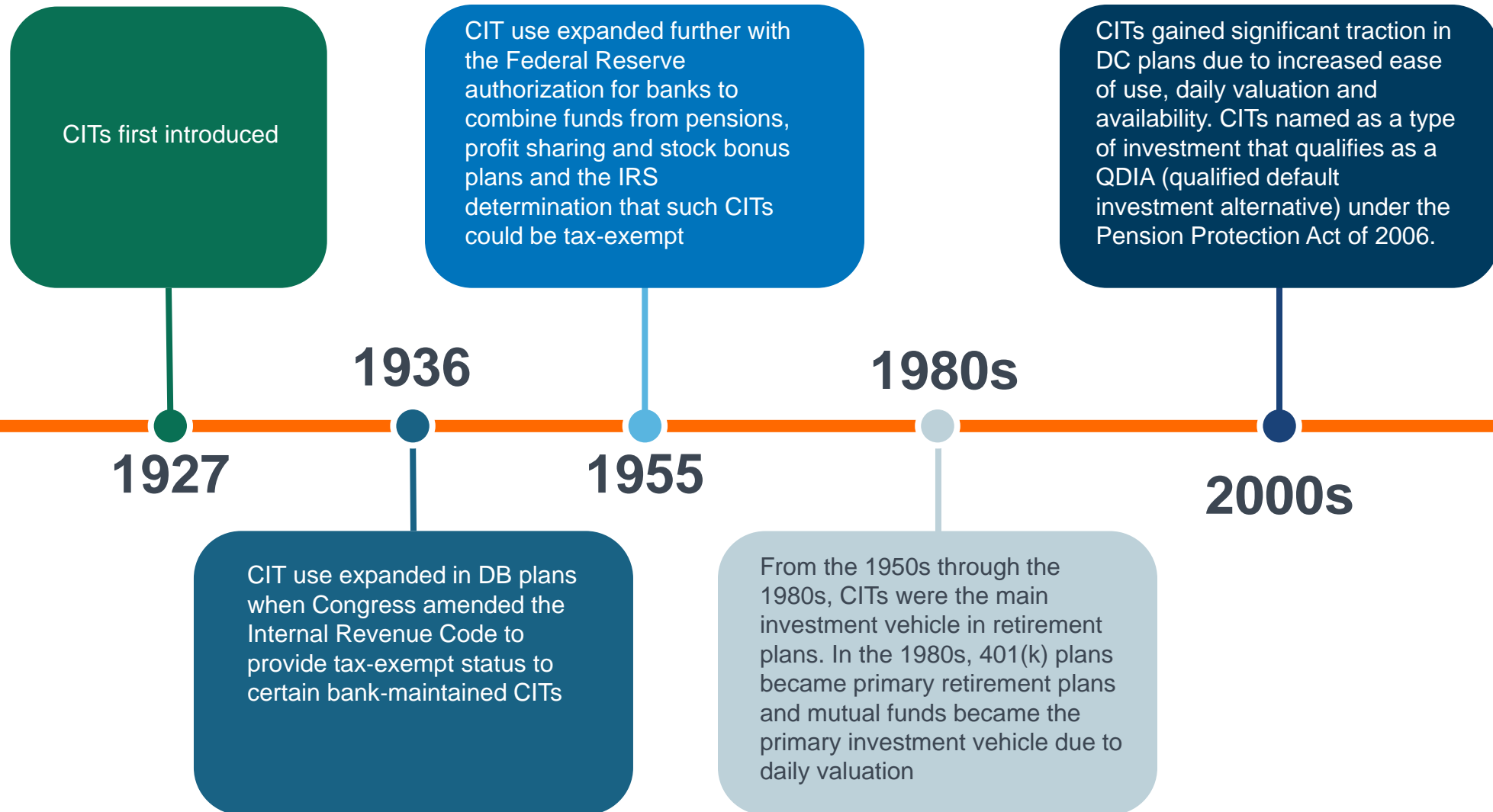


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CIT Education



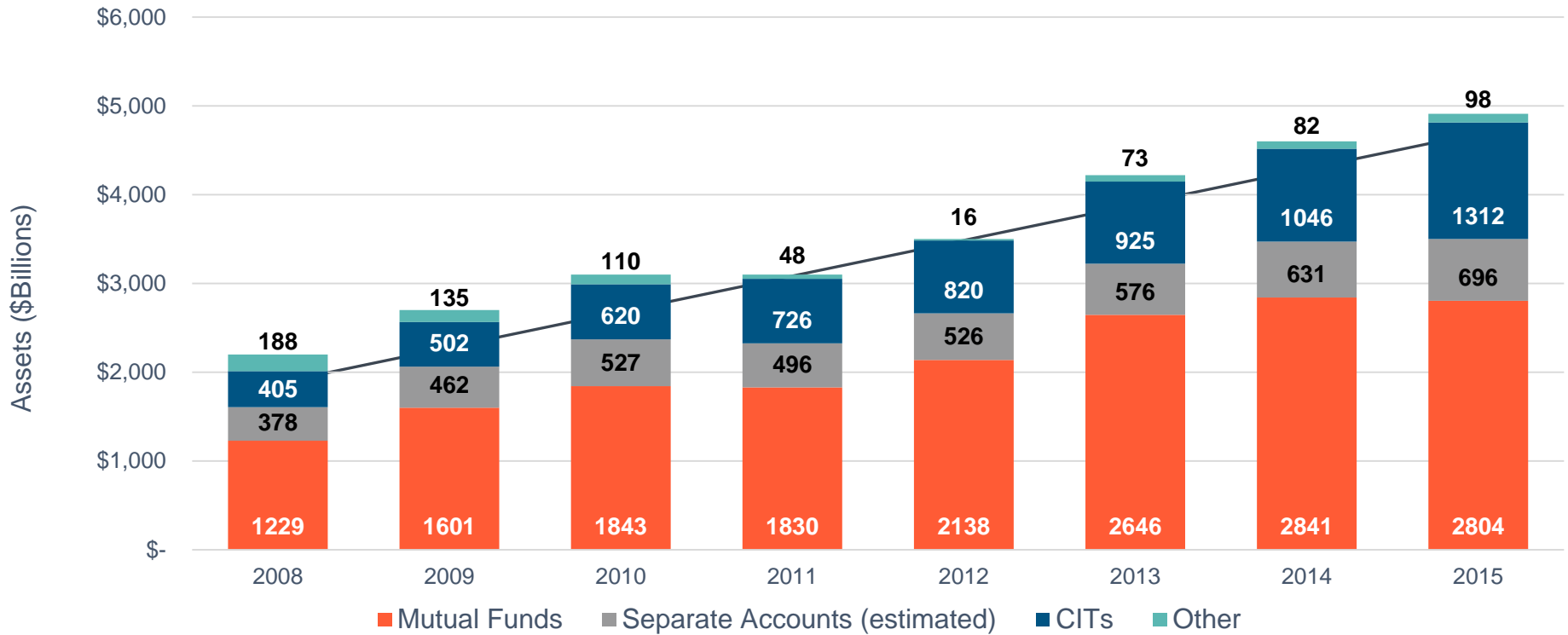
CIT History



Source: Coalition of Collective Investment Trusts, 2015; Collective Investment Trusts, Alta Trust Company, 2014

CIT Landscape

U.S. 401(k) Market Assets by Investment Vehicle¹



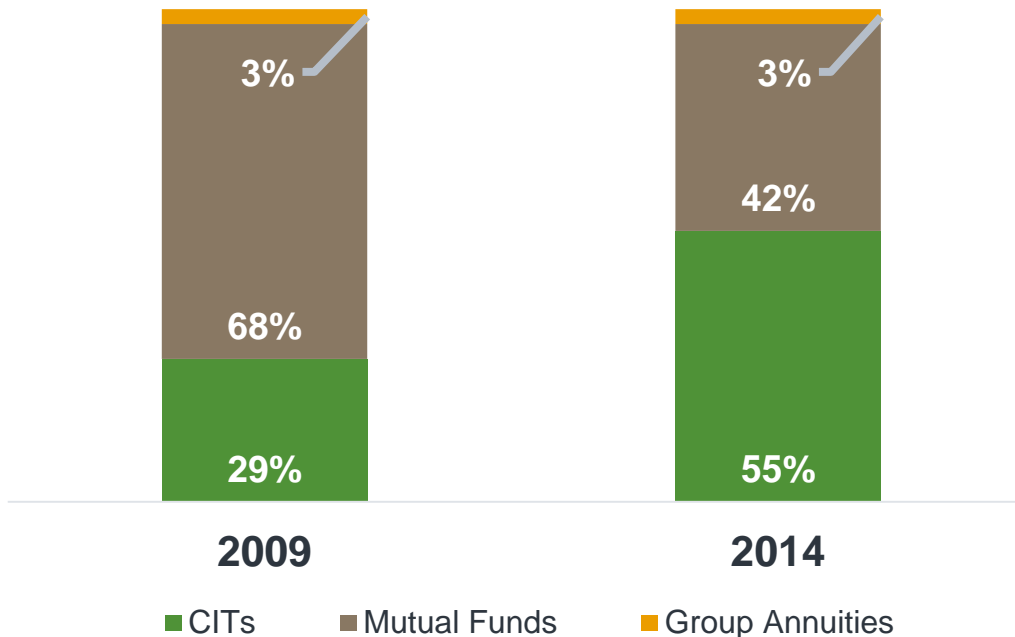
¹DST Systems, Inc., "Collective Investment Trusts – A Perfect Storm", 2017.

CIT Use Within TDFs

From 2009 to 2014, the use of target date collective investment trusts nearly doubled as a percentage of target date assets, from 29% to 55%.

Large plans have led the way in CIT adoption, but smaller and midsize plans are also stepping in, as providers begin to make these vehicles more accessible by reducing minimum required investments.

The Use of Target Date CITs is Growing Rapidly
Target Date Assets by Vehicle (Percent)



~2X
increase in target date CIT use from
2009-2014

26%
decrease in target date mutual fund
use from 2009-2014

Source: Alliance Bernstein

Similarities and Differences

CITs

- Qualified plans only
- Declaration of trust
- OCC and state regulated
- Trustees held to ERISA
Fiduciary standards
- Data provided by manager
- Institutional pricing
- Pricing flexibility

Both

- Pooled vehicle
- Daily valued
- NSCC traded
- Fact sheets available
- Audited annually

Mutual Funds

- All investors
- Prospectus
- SEC registered and regulated
- No ERISA fiduciary standards
- Data publicly available
- Institutional and retail pricing
- No pricing flexibility

Pros and Cons of CITs

Pros

Often lower operational and marketing expenses which can be passed along to investors

Held to ERISA fiduciary standards to act solely in the best interests of participants

A more controlled trading structure versus mutual funds.

Exempt from registration with SEC, thereby avoiding costly registration fees

Cons

Information may not be as readily available as mutual funds

Only available to qualified retirement plans; investor level portability is limited

May have higher minimum investment requirements

What to Remember When Choosing Target Date Funds

- **Establish a process for comparing and selecting TDFs.** In general, plan fiduciaries should engage in an objective process to obtain information that will enable them to evaluate the prudence of any investment option made available under the plan. For example, in selecting a TDF you should consider prospectus information, such as information about performance (investment returns) and investment fees and expenses. You should consider how well the TDF's characteristics align with eligible employees' ages and likely retirement dates. It also may be helpful for plan fiduciaries to discuss with their prospective TDF providers the possible significance of other characteristics of the participant population, such as participation in a traditional defined benefit pension plan offered by the employer, salary levels, turnover rates, contribution rates and withdrawal patterns.
- **Establish a process for the periodic review of selected TDFs.** Plan fiduciaries are required to periodically review the plan's investment options to ensure that they should continue to be offered. At a minimum, the review process should include examining whether there have been any significant changes in the information fiduciaries considered when the option was selected or last reviewed. For instance, if a TDF's investment strategy or management team changes significantly, or if the fund's manager is not effectively carrying out the fund's stated investment strategy, then it may be necessary to consider replacing the fund. Similarly, if your plan's objectives in offering a TDF change, you should consider replacing the fund.
- **Understand the fund's investments – the allocation in different asset classes (stocks, bonds, cash), individual investments, and how these will change over time.** Have you looked at the fund's prospectus or offering materials? Do you understand the principal strategies and risks of the fund, or of any underlying asset classes or investments that may be held by the TDF? Make sure you understand the fund's glide path, including when the fund will reach its most conservative asset allocation and whether that will occur at or after the target date. Some funds keep a sizeable investment in more volatile assets, like stocks, even as they pass their "target" retirement dates. Since these funds continue to invest in stock, your employees' retirement savings may continue to have some investment risk after they retire. These funds are generally for employees who don't expect to withdraw all of their 401(k) account savings immediately upon retirement, but would rather make periodic withdrawals over the span of their retirement years. Other TDFs are concentrated in more conservative and less volatile investments at the target date, assuming that employees will want to cash out of the plan on the day they retire. If the employees don't understand the fund's glide path assumptions when they invest, they may be surprised later if it turns out not to be a good fit for them.
- **Review the fund's fees and investment expenses.** TDF costs can vary significantly, both in the amount and types of fees. Small differences in investment fees and costs can have a serious impact on reducing long term retirement savings. Do you understand the fees and expenses, including any sales loads, for the TDF? If the TDF invests in other funds, did you consider the fees and expenses for both the TDF and the underlying funds? If the expense ratios of the individual component funds are substantially less than the overall TDF, you should ask what services and expenses make up the difference. Added expenses may be for asset allocation, rebalancing and access to special investments that can smooth returns in uncertain markets, and may be worth it, but it is important to ask. A difference of just one percentage point in fees (1.5% as compared with 0.5%) over 35 years dramatically affects overall returns. If a worker with a 401(k) account balance of \$25,000 averages a seven percent return, the worker will have \$227,000 at retirement with the lower fee and \$163,000 with the higher fee, assuming no further contributions. U.S. Department of Labor, Employee Benefits Security Administration, A Look At 401(k) Plan Fees, at http://www.dol.gov/ebsa/publications/401k_employee.html.
- **Inquire about whether a custom or non-proprietary target date fund would be a better fit for your plan.** Some TDF vendors may offer a pre-packaged product which uses only the vendor's proprietary funds as the TDF component investments. Alternatively, a "custom" TDF may offer advantages to your plan participants by giving you the ability to incorporate the plan's existing core funds in the TDF. Nonproprietary TDFs could also offer advantages by including component funds that are managed by fund managers other than the TDF provider itself, thus diversifying participants' exposure to one investment provider. There are some costs and administrative tasks involved in creating a custom or nonproprietary TDF, and they may not be right for every plan, but you should ask your investment provider whether it offers them.

DOL Target Date Retirement Funds – Tips for ERISA Plan Fiduciaries

DOL TIPS

Develop effective employee communications. Have you planned for the employees to receive appropriate information about TDFs in general, as a retirement investment option, and about individual TDFs available in the plan? Just as it is important for the plan fiduciary to understand TDF basics when choosing a TDF investment option for the plan, employees who are responsible for investing their individual accounts need information too. Disclosures required by law also must be considered. The Department published a final rule that, starting for most plans in August 2012, requires that participants in 401(k)-type individual account retirement plans receive greater information about the fees and expenses associated with their plans, including specific fee and expense information about TDFs and other investment options available under their plans. The Department of Labor is also working on regulations to improve the disclosures that must be made to participants specifically about TDFs. For example, in addition to general information about TDFs, the proposed regulations call for disclosures to include an explanation that an investment in a TDF is not guaranteed and that participants can lose money in the fund, including at and after the target date. Check EBSA's website for updates on regulatory disclosure requirements.

• **Take advantage of available sources of information to evaluate the TDF and recommendations you received regarding the TDF selection.** While TDFs are relatively new investment options, there are an increasing number of commercially available sources for information and services to assist plan fiduciaries in their decision-making and review process.

• **Document the process.** Plan fiduciaries should document the selection and review process, including how they reached decisions about individual investment options.

Related Information

From the Department of Labor:

- Investor Bulletin: Target Date Retirement Funds
- A Look at 401(k) Plan Fees
- Meeting Your Fiduciary Responsibilities
- Understanding Retirement Plan Fees and Expenses
- Understanding Your Retirement Plan Fees
- Selecting and Monitoring Pension Consultants – Tips for Plan Fiduciaries

From the SEC:

- Beginners' Guide to Asset Allocation, Diversification, and Rebalancing
- Invest Wisely: An Introduction to Mutual Funds
- Mutual Fund Fees and Expenses

From the Financial Industry Regulatory Authority (FINRA):

- Fund Analyzer

Disclosure

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The target date is the approximate date when investors plan to start withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative as the fund nears the target retirement date.

Mutual funds are sold by prospectus only. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund. The fund prospectus provides this and other important information. Please contact your representative or the Company to obtain a prospectus. Please read the prospectus carefully before investing or sending money.

[SECURITIES DISCLOSURE HERE] FLEX-2017-20 ACR#262321 11/17



NFP.com

Results: Large Cap Growth Asset Class

	Large Cap Growth ¹	Average Expense
Universe²	3,935	1.00%
Quantitative/Score Screen³ (9–10)	215	-
Investment Strategy Review⁴	61	-
Quantitative/Qualitative Review⁵	18	-
Manager Call/Visit⁶	13	-
Investment Committee Focus List⁷	5	0.73%
Negotiated Focus List Fund / CIT	1	0.29%
Focus List Fee Savings		-60%

For illustrative purposes only. Actual data may vary.

¹Categorized LCV by the NFP Scorecard System.

²All scoring actively managed funds (mutual funds, separate accounts, variable annuities, collective trusts, etc.) within a designated asset class.

³Number of actively managed funds across all share classes within the designated asset class listed in the NFP Advisor Portal that score a 9 or 10, excluding funds on either the watch or consideration for removal lists.

⁴Number of unique strategies that meet the criteria for #4 with different share classes of the same strategy only being counted once.

⁵Number of unique strategies with an Information Ratio greater than or equal to 0.25.

⁶Number of meetings Investment Committee had in the past year with investment managers in the designated asset class

⁷Funds the Investment Committee have determined to have high conviction in.

Results: Core Asset Class Search Results Summary

	Large Cap Value ¹	Large Cap Growth ¹	Small Cap Value ¹	Small Cap Growth ¹	International Equity ¹	Core Fixed Income ¹
Universe ²	3,199	3,935	926	1,592	3,158	2,293
Quantitative/Score Screen ³ (9–10)	276	215	117	133	357	460
Investment Strategy Review ⁴	80	61	33	31	99	134
Quantitative/Qualitative Review ⁵	20	18	20	22	47	99
Manager Call/Visit ⁶	16	13	8	14	21	24
Investment Committee Focus List ⁷	5	5	5	3	7	8
Negotiated Focus List Fund / CIT	1	1	-	-	1	1
Average Universe Expense	1.00%	1.00%	1.23%	1.22%	1.09%	0.77%
Average Focus List Expense	0.57%	0.73%	0.82%	0.88%	0.77%	0.36%
Negotiated Focus List Fund Expense	0.29%	0.29%	0.40%	0.59%	0.40%	0.23%
Negotiated Fee Savings	-49%	-60%	-53%	-33%	-48%	-36%

For illustrative purposes only. Actual data may vary.

¹Categorized by the NFP Scorecard System.

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⁶Number of meetings Investment Committee had in the past year with investment managers in the designated asset class

⁷Funds the Investment Committee have determined to have high conviction in.



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WHAT'S OLD IS NEW AGAIN

COLLECTIVE INVESTMENT TRUSTS
REDUCE DC PLAN COSTS



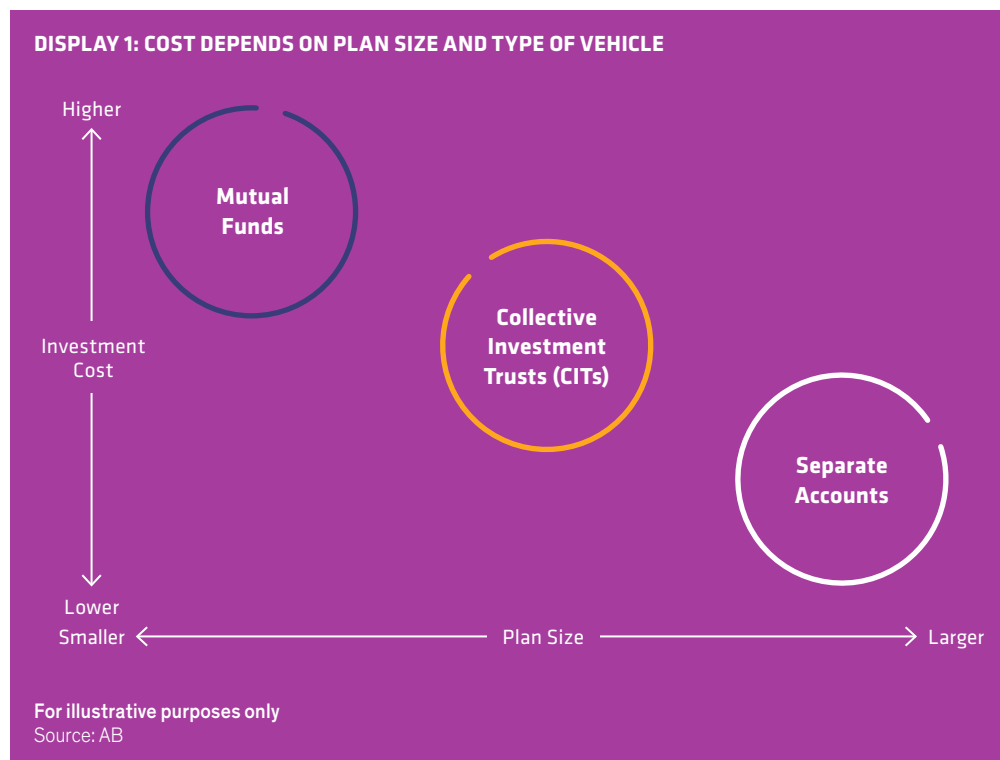
Jennifer DeLong
Managing Director and Head—Defined Contribution

IN THIS PAPER: It's been a decade since we first published a paper on the emergence of collective investment trusts (CITs) as a logical choice for many defined contribution (DC) plans. In that time, plan sponsors have increasingly used CITs to lower plan costs and provide transparency to participants. With pressure mounting on employers to offer participants reasonable, cost-efficient investment options and also fulfill their fiduciary duty in a world of increasing litigation, CIT use is rapidly growing.

CITs: WHY NOW?

A 90-year-old investment vehicle—the collective investment trust (CIT)—is back in vogue. What appeal does this revamped product have for sponsors of 401(k)s and other DC plans? (Hint: it starts with lower investment costs.)

Thirty years after mutual funds became dominant in the DC market (now comprising \$3.5 trillion in DC plan assets), CITs are starting to gain traction. Today's CITs combine the convenience of a mutual fund with the cost savings of a separately managed institutional account. With more scrutiny on plan fees recently and a big surge in litigation, CITs are a transparent and lower-cost option for plan sponsors.



WHAT ARE CITs?

CITs are tax-exempt, pooled investment vehicles. They're maintained by a bank or trust company exclusively for qualified retirement plans and certain types of government plans. With lower marketing, overhead and compliance-related costs than comparable mutual funds, they're more economical for investors. Originally, plans used CITs mainly for stable-value and passive portfolios, but they're now offered for a full range of investment mandates. Only separately managed accounts, which require much higher asset minimums for most managers, may be less expensive (*Display 1, previous page*).

With CITs, dedicated share classes for individual plans allow larger sponsors to benefit from flexible pricing, just as they do in a separately managed account. A dedicated share class provides customized pricing, which allows sponsors to benefit from economies of scale in advisory fees and from the lower operating costs that come with a larger investment pool.

CITs are hardly a new invention. They existed in the 1920s, became widespread in the 1950s and were commonly used within pre-401(k) savings plans. They remained popular with 401(k) plans until the 1980s. But then this began to change. CITs generally don't need to determine their net asset value more often than every three months, and they don't need to process transactions daily. In the 1980s, they rarely did these things, so user-friendly mutual funds quickly became the vehicle of choice—and stayed that way until the early 2000s. Now that CITs have been modernized to trade as easily as mutual funds—and most are valued daily—they're rapidly gaining popularity as a timely, lower-cost tool.

Today, fiduciary pressures are growing for DC plan sponsors. There are more frequent lawsuits over disclosure, fees and appropriate share classes. These trends have made sponsors more sensitive to their fiduciary risks and responsibilities. There's also greater focus on fee transparency and revenue-sharing practices—and on sponsors' ongoing monitoring of investments and costs. Plan sponsors can be liable for violating their fiduciary duties to the plan and its participants, so they need to ensure that they're fulfilling these duties.

CITs can help sponsors with this challenge. As institutional vehicles, they generally cost less than mutual funds. And like their “no revenue sharing” mutual fund counterparts—often called R6 shares or Z shares—CITs offer full transparency and share classes without built-in revenue sharing for recordkeeper offsets. Ongoing monitoring and due diligence are also becoming much easier; CIT information

CITs: THE BASICS

WHO'S ELIGIBLE TO USE CITs?

Plans that can use CITs include:

- + Defined benefit (DB) plans
- + ERISA-qualified 401(k) plans and profit-sharing plans
- + 457(b) government plans
- + Some insurance company–sponsored separate accounts
- + Keogh plans for the self-employed that are considered “sophisticated” under SEC Rule 180

Plans that are ineligible to invest in CITs include:

- + 403(b) plans, which serve some nonprofit organizations
- + 457(f) government plans
- + Insurance-company general accounts
- + Private foundations and endowments
- + Individual plans such as IRAs

is becoming more readily available in the third-party databases that consultants and advisors frequently use.

We continue to believe that CITs are likely to play an important role as DC investing evolves. Plan sponsors have a fiduciary obligation to explore all of their investment options. It's a search that could lead larger plans to CITs as the best choice. And as minimum asset thresholds decrease, midsize plans are now often eligible for CITs, too.

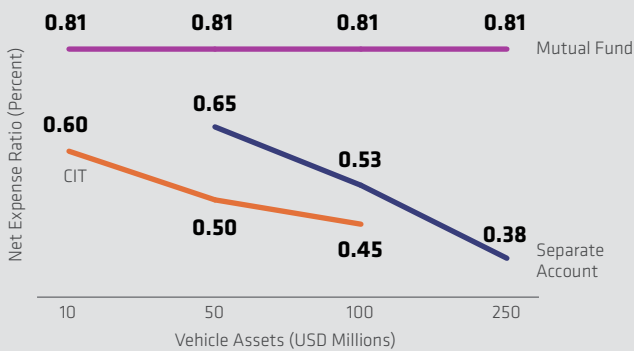
HOW ARE CITs REGULATED?

CITs are overseen by federal or state banking authorities. National banks are accountable to the federal Office of the Comptroller of the Currency, while state banks answer to state authorities. State banks may also be supervised by the Federal Reserve Board or the Federal Deposit Insurance Corporation. Savings and loans are also regulated by the Office of the Comptroller of the Currency.

CITs are also subject to the fiduciary rules of the Employee Retirement Income Security Act of 1974 (ERISA), including the “prudent investor rule” and the prohibition against conflicts of interest.

Every CIT must be audited at least once a year, and a financial report based on the audit must be available to current and potential investors. CITs are only required to report net asset values quarterly, but most CITs

DISPLAY 2: SIZE TYPICALLY BRINGS ADVANTAGES AND REAL CHOICES FOR LARGER PLANS



For illustrative purposes only. There can be no assurance that any of the above-cited advantages will apply to a particular CIT or similar investment product or service. Display shows total expense ratio for a mutual fund and CIT, including operating expenses. Expense ratio for separate account does not include operating expenses. Source: AB

now offer daily pricing and daily liquidity. Unlike mutual funds, which are governed by the Investment Company Act of 1940, CITs are exempt from US Securities and Exchange Commission (SEC) registration.

WHAT ARE THE POTENTIAL BENEFITS OF CITs?

Benefit #1: Low Cost and Transparency

CITs generally cost less than mutual funds. They're exempt from SEC registration, which generally lowers their legal, board and compliance-related costs. In addition, sponsoring institutions can offer CITs directly to employees without having to market them through a federally registered broker-dealer.

This streamlined process can reduce sales and marketing costs for things like the Blue Sky registration process, advertising and prospectus mailings. CITs' multiple pooled share classes can provide better pricing when a plan has more to invest. The cost savings from using CITs can be dramatic, particularly for large plans that can get the best rates for a dedicated share class.

Even without a dedicated share class, an investment manager's CITs are typically less expensive to operate and service than its mutual funds. Because only qualified retirement plans can invest, CITs have lower transfer agency expenses, because they don't have thousands

of retail investors to keep track of and service. They also tend to have more efficient regulatory requirements than mutual funds and a more streamlined cost structure.

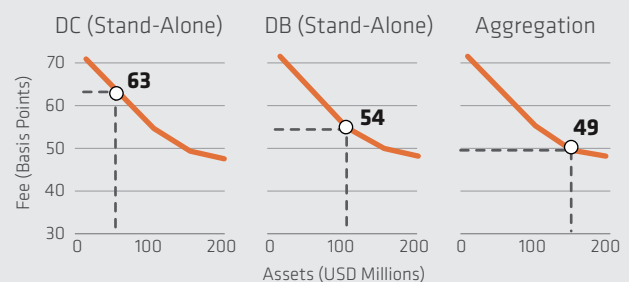
Display 2 compares the total expense ratio of an equity CIT with the expense ratio of a mutual fund in the same category at various initial investment levels.

At \$50 million, the CIT has a total expense ratio of 0.50%, much lower than the 0.81% ratio for a "clean" share-class mutual fund (R6 or Z shares), with no 12b-1 fees or revenue sharing. At \$50 million, a CIT can be less expensive than a separate account. In this example, the separate account expense ratio is 0.65% plus operating expenses. Typically, as investment assets grow, so do the savings (Display 2). As asset levels rise into the hundreds of millions and billions of dollars, a separate account will eventually offer better pricing than a CIT. However, for larger investments where the plan sponsor prefers a CIT, a competitive rate for a dedicated share class may be offered by the CIT provider.

Plan sponsors can also reduce their fees based on the total assets they invest with a single manager across both their DB and DC plans. When a sponsor's investments are combined this way (called aggregation), ERISA requires the cost savings to be spread proportionately across the plan accounts, further reducing costs (Display 3).

DISPLAY 3: CITs CAN CREATE SAVINGS FOR BOTH DEFINED CONTRIBUTION (DC) AND DEFINED BENEFIT (DB) PLANS THROUGH AGGREGATION

ERISA Requirement: Pro Rata Sharing of Benefit



For illustrative purposes only. There can be no assurance that any of the above-cited savings will apply to a particular CIT or similar investment product or service. Source: AB

CITs are just as easy to manage as mutual funds.

DISPLAY 4: CHARACTERISTICS OF MUTUAL FUNDS AND CITs

MUTUAL FUNDS

- + Open to retail investors
- + Follow rules of 1940 Act
- + ERISA doesn't apply
- + No pricing flexibility

KEY COMMON ATTRIBUTES

- + Pooled vehicle
- + Daily valued
- + NSCC traded*
- + Participant fact sheets
- + Fund documentation

CITs

- + For qualified plans only
- + Bank regulated
- + Held to ERISA standards
- + Pricing flexibility

For illustrative purposes only. There can be no assurance that any investment attributes will apply to any particular CIT or similar investment product or service.

* NSCC: National Securities Clearing Corporation

Source: The Coalition of Collective Investment Trusts and AB

Also, we believe that more plan sponsors are moving away from using revenue sharing to pay plan administrative fees. As they do, CITs inherently support full transparency, because they don't normally offer revenue sharing. However, some asset managers are making share classes with revenue sharing available for plans that still need to use this method to offset plan costs.

Benefit #2: Efficiency of Operation

For trading and recordkeeping, CITs are just as easy to manage as mutual funds. Banks can hire affiliated or third-party investment advisors to sub-advise their CITs, while retaining the ultimate investment responsibility. Servicing arrangements between plan recordkeepers and either banks or asset managers that sponsor and maintain CITs often allow trades by individual employees to be reported in aggregate form.

Unlike separately managed accounts, CITs have most of the basic technical features of more retail-oriented investments. They can obtain CUSIP numbers and trade through the National Securities Clearing Corporation (NSCC). Like mutual funds, CITs can be valued each business day and are available in a wide range of asset classes and styles.

Benefit #3: Easy Access to Information

One concern some plan sponsors had about using CITs was that plan participants wouldn't be able to easily access daily information about the strategy's pricing and performance. Today, CITs look just like mutual funds to a participant, because daily information is posted on the recordkeeper's website and on the fact sheets provided with enrollment materials. (See "How Do Employees Keep Tabs on CITs?" on page 4 for more details.)

CITs offer a disclosure document known as an offering memorandum, which is like a mutual fund's prospectus. The offering memorandum includes the relevant information about the CIT, and the document can be posted on the plan's website for participants to access.

Plan sponsors—and the advisors and consultants who help them choose and monitor investments—now have much more information to help evaluate and track performance. As of June 2016, Morningstar housed data on more than 4,500 CITs,¹ including many with Morningstar ratings. As CIT use grows among smaller and midsize plans, rating services like fi360 are developing screening and rating tools for these vehicles, just as they have for mutual funds.

¹ Accounts for multiple share classes, if available

HOW DO EMPLOYEES KEEP TABS ON CITs?

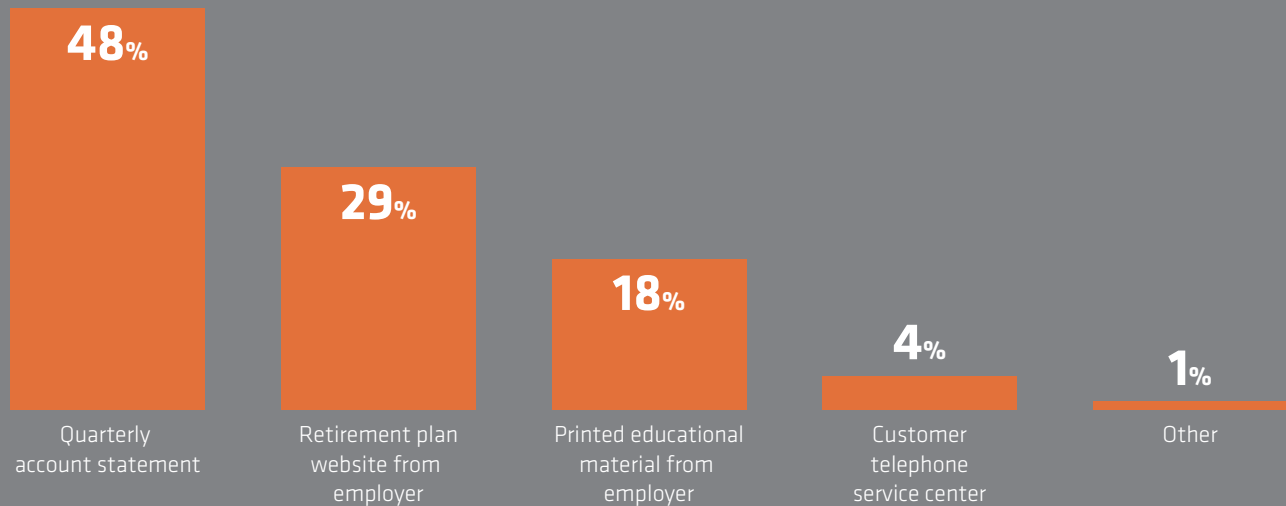
Today, printed materials for CITs look and feel just like those that plan participants are used to getting from their mutual funds. CIT information can also be updated and published daily online.

In the past, many plan sponsors were wary of CITs because their performance and pricing data weren't published in newspapers—back when that was the most common way for people to keep track of their 401(k) investments. Today, though, millions of people of all

ages manage their personal finances online, so how participants follow their plan investments has evolved.

In our own research, we found that 29% of participants get their information from their employer's retirement plan website, while 48% rely primarily on quarterly statements (*Display*). The takeaway: based on the way participants get information, CITs and mutual funds now look the same in terms of account information.

HOW PARTICIPANTS KEEP TABS ON THEIR RETIREMENT ACCOUNTS



Percentage of people participating in a workplace retirement plan who answered the following question: What do you consider to be your primary source of information related to your retirement account?

Source: AB, *Inside the Minds of Plan Participants*, 2015. Surveyed a national sample of 1,009 employees who were eligible for their companies' retirement plans, were at least 18 years old and worked for firms that offered DC plans.

CITs have clearly come a long way since their early days. As a viable alternative to mutual funds, they give plan sponsors more choices when designing their retirement plans (*Display 4, page 3*).

HOW DO YOU SET UP A CIT?

Because 401(k) plans and other qualified retirement plans are the only eligible investors in a CIT, the plan itself must enter into an agreement with the bank or trust company offering the CIT. First the plan sponsor will review documents including the declaration of trust, offering memorandum and adoption agreement. After that review, the sponsor will typically complete and sign the adoption agreement, providing the plan's IRS determination letter and related documents to confirm the plan's qualified status and secure the CIT's tax-exempt status.

CHOOSE THE STRATEGY, THEN THE VEHICLE

For plan sponsors, advisors and consultants who are adding a new strategy to a DC plan, evaluating and determining the best investment strategy should be the first steps. Once the strategy and manager have been chosen, the next step is to select the best available vehicle.

This choice involves several factors, including the size of the plan's investment, the vehicles the plan is eligible for and their respective fees. Other factors could include whether sponsors want to be able to customize how the portfolio is managed and whether they'd prefer

not to commingle plan assets with those of other investors. These considerations could lead larger plans to choose a separate account.

With the refinements that have been made in CITs, these vehicles now offer the same appealing attributes as mutual funds (*Display 5*). Because of that, we think it makes sense to consider CITs when selecting investment vehicles.

CITs CATCH ON

The "institutionalization" of DC plans is a well-established trend. More and more, DC plans are applying the best practices of traditional pension plans. As this happens, plan services such as recordkeeping, and trust and investment management are being unbundled.

Bundled service packages were the preferred choice decades ago, when 401(k) plans were exploding in popularity. But since then, market and fiduciary pressures have been leading sponsors back to the more open structure typical of DB plans. Under an open structure, administration, trust and investment services are selected and priced separately. Unbundling has helped many sponsors by making costs transparent and clarifying revenue-sharing agreements that can be obscured by bundled arrangements. Unbundling also allows sponsors to pursue the best choice for each aspect of their plans—rather than the best combined package.

DISPLAY 5: CITs OFFER THE SAME APPEALING ATTRIBUTES AS MUTUAL FUNDS

Vehicle	Pooled	Customized	Daily Valued	Flexible Fees	Standardized Clearing*	Institutional Exclusivity	Participant-Friendly Communication
Mutual Funds	●		●		●		●
CITs	●		●	●	●	●	●
Separate Accounts		●	●	●		●	●

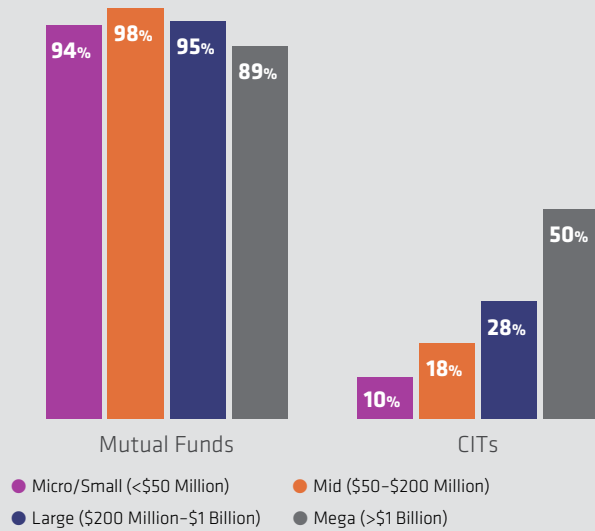
For illustrative purposes only. There can be no assurance that any investment attributes will apply or that any objectives will be achieved.

* NSCC platform

Source: AB

DISPLAY 6: CITs ARE BECOMING MORE PREVALENT IN DC PLAN MENUS

Investment Vehicles Used by Size of DC Plan
Percent of Plans

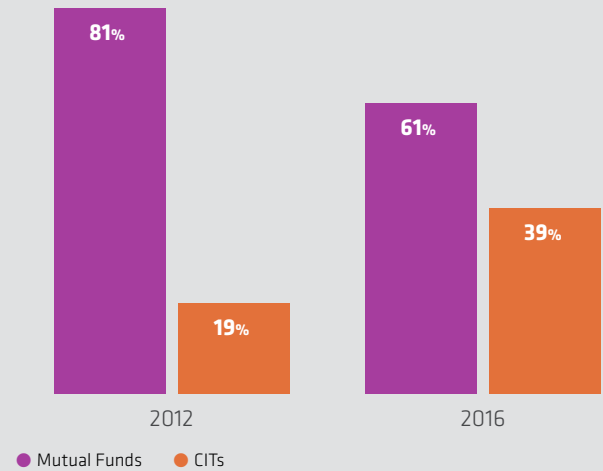


Source: PLANSPONSOR and SEI, 2016

Given institutionalization, unbundling and other trends, we can expect CITs to play a growing role as plan sponsors address their fiduciary responsibilities. CITs can help lower costs, increase transparency, and reduce the risks and costs of litigation. Mutual funds are still popular among plans of all sizes (*Display 6*). But now that CITs offer comparable attributes, they're being used by 50% of plans with assets over \$1 billion, 10% of small plans and 18% of midsize plans. In fast-growing categories such as target-date funds, CIT use has grown rapidly in just a few years. In 2012, only 19% of target-date assets were in CITs; four years later, that share rose to 39% (*Display 7*).

DISPLAY 7: CITs ARE GROWING FAST IN KEY CATEGORIES LIKE TARGET-DATE FUNDS

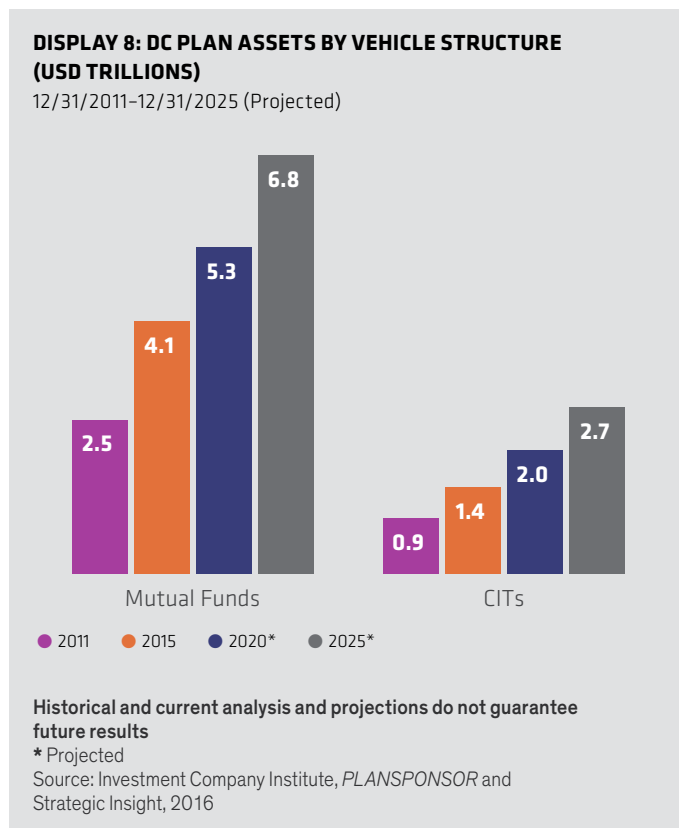
Market Share of Target-Date Solutions



As of December 31, 2016

Source: Strategic Insight Simfund, Morningstar Direct and AB analysis

By 2015, CITs accounted for about 25% of DC plan assets. At the current pace of adoption, this could grow to more than 28% of DC plan assets by 2025. If that happens, the total amount of assets in CITs would be nearly \$3 trillion (*Display 8*).



CONCLUSION: CITs CAN BE THE OPTIMAL CHOICE

CITs are a versatile, cost-effective and competitive alternative to mutual funds for DC plans. As these plans have evolved to become the core retirement option for most workers, plan sponsors have become increasingly concerned about their fiduciary responsibility to provide appropriate and reasonably priced investment options.

We believe this tidal shift favors CITs: They offer most of the convenience of a mutual fund, with lower fees and flexible pricing. Larger plans can negotiate customized fee structures, further enhancing cost savings. We expect CITs to remain the best choice among the available options for many larger plan sponsors. CIT adoption by small and midsize plans will continue to grow as more plan sponsors, advisors and consultants become familiar with their benefits.

ARE CITs RIGHT FOR YOUR PLAN?

SEPARATING FACT FROM MYTH

CITs have been gaining popularity for years as a cost-effective alternative to mutual funds. Today, there are more than 1,200 CITs with at least \$1.6 trillion in total assets, according to Celent, a research and consulting firm focused on the global financial services industry. DC plans hold \$1.4 trillion* of these assets, and that number is growing rapidly.

We believe that some plan sponsors still hesitate to include CITs in their retirement plans. From our perspective, a number of myths about CITs are to blame. With the help of the Coalition of Collective Investment Trusts, we'd like to address some of the more common misconceptions.

MYTH CITs are exactly like mutual funds.

FACT CITs have a lot in common with mutual funds, but there are a few key distinctions. CITs tend to be more cost-effective than mutual funds and may offer flexible pricing. CITs typically have lower administration, marketing and distribution costs than mutual funds.†

MYTH CITs have less regulatory oversight than mutual funds.

FACT It's true that CITs don't need to register with the SEC, but these vehicles are subject to a variety of federal and state laws—as well as to ERISA and US Department of Labor regulations. CITs must comply with certain Internal Revenue Service rules to maintain their “group trust” tax-exempt status. They have to be sponsored and maintained by a bank or trust company. Depending on the charter (national or state) of the CIT provider, CITs are regulated by the federal Office of the Comptroller of the Currency or the state banking examiner. CITs are also audited annually by independent auditors.

MYTH It's complicated to educate participants about CITs, and participants can't easily get pricing or performance information.

FACT Many CITs are simply clones of mutual funds. Every plan must disclose information about the product type, but the vast majority of participants won't care about the legal technicalities that distinguish them. In fact, CITs look the same as mutual funds to participants. Educational materials are the same regardless of vehicle, and information on CITs is available on the recordkeeper's website, including pricing and performance information as well as fact sheets. The days of participants looking up their mutual fund prices in the newspaper are long over; today, most participants who check their account balances and fund information regularly do so online.

* Investment Company Institute, *PLANSPONSOR* and Strategic Insight, 2016

† Cerulli Associates, *Institutional Markets 2013*.

MYTH CITs don't have any documents like a mutual fund prospectus, so investors can't make informed decisions.

FACT CITs aren't registered with the SEC, so they're not required to prepare prospectuses as mutual funds are. But CIT providers prepare a fund offering memorandum that includes the vehicle's material terms, investment objective and strategy, as well as policies, fees/expenses and risk characteristics. These items are similar to those found in a mutual fund prospectus.

MYTH CITs aren't always traded daily, so they're not appropriate for DC plans.

FACT This was true in the past, but today almost all CIT providers offer daily traded and daily priced funds.

MYTH CITs aren't broadly available on recordkeeping platforms, which makes it hard to add these vehicles to a plan's investment lineup.

FACT Most CITs are now traded on Fund/SERV, the industry standard service for processing and settling mutual fund transactions offered by the National Securities Clearing Corporation (NSCC). That makes it easy for recordkeepers to include CITs on their platforms alongside mutual funds.

MYTH CITs don't have the same level of reporting as mutual funds.

FACT While reporting can vary by provider, most leading CIT providers offer reporting similar to that of mutual funds, including daily prices, monthly net and gross performance, monthly and/or quarterly holdings, and fact sheets.

MYTH Third-party data providers, such as Morningstar, don't have the information needed to monitor or analyze CITs.

FACT Many providers, including Morningstar, offer specific CIT databases available under licensing agreements. Since 2006, Morningstar has increased the number of CITs it tracks by 55%. Plan consultants are also creating and maintaining robust databases that allow fiduciaries to monitor and analyze CITs. CIT data aren't yet at the level of mutual fund data, but the gap continues to close.

NEW YORK

1345 Avenue of the Americas
New York, NY 10105
(212) 969 1000

LONDON

50 Berkeley Street, London W1J 8HA
United Kingdom
+44 20 7470 0100

SYDNEY

Level 32, Aurora Place, 88 Phillip Street
Sydney NSW 2000, Australia
+61 2 9255 1200

TORONTO

Brookfield Place, 161 Bay Street, 27th Floor
Toronto, Ontario M5J 2S1
(416) 572 2534

TOKYO

Marunouchi Trust Tower Main 17F
1-8-3 Marunouchi, Chiyoda-ku
Tokyo 100-0005, Japan
+81 3 5962 9000

HONG KONG

Suite 3401, 34/F
One International Finance Centre
1 Harbour View Street, Central, Hong Kong
+852 2918 7888

SINGAPORE

One Raffles Quay
#27-11 South Tower
Singapore 048583
+65 6230 4600

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Collective Investment Trust Overview

An efficient alternative to mutual funds for retirement plan advisors and their plan sponsors

What are Collective Investment Trusts (CITs)?

CITs are tax-exempt, pooled investment vehicles sponsored and maintained by a trustee bank or trust company. CITs combine assets from eligible investors into a single investment portfolio (or “fund”) for purposes of pursuing a set of stated investment objectives and strategies. The trustee of a CIT is responsible for managing and overseeing the investment of the fund’s assets as a fiduciary and in accordance with ERISA’s fiduciary responsibility provisions. CITs are restricted to use by certain tax-qualified investors consisting primarily of 401(k) and defined contribution plans. CITs are subject to regulation and oversight by banking regulators including, in the case of nationally chartered banking institutions, the Office of the Comptroller of the Currency (OCC).

Why Consider a Collective Investment Trust?

Expense Structure

CIT expenses are generally lower than mutual fund fees. CITs typically have lower administration and distribution costs as compared with mutual funds. CITs may also provide greater flexibility in designing fee structures to meet the varying needs of plan sponsors. Because CITs are exempt from the registration and governance requirements of the federal securities laws, they are able to avoid many of the expenses borne by mutual funds, such as SEC registration and maintenance of an independent board of directors. CITs also may offer fee classes that provide payments to plan service providers such as recordkeepers.

Tax Advantage

CITs are tax-exempt. As a result, the Trustee generally is able to make investment decisions without tax considerations.

(Continued)

What are the differences between Mutual Funds and Collective Investment Trusts?

	Collective Investment Trust	Mutual Fund
Regulated by	OCC or State Regulator*	SEC
Fees	Greater flexibility and generally lower fees relative to comparable funds	Reflected in share class expense ratios and include costs associated with registration with the SEC
Offering Documents	Declaration of Trust and Participation Agreement	Prospectus
Trustee or Board of Directors	Trustee: ERISA Fiduciary for investment decisions	Board of Directors: Responsible for overseeing fund services in compliance with federal securities laws
Availability	Limited to tax-qualified corporate retirement plans and certain state and local government plans; they are not available to IRAs or individual investors	General public

* Wilmington Trust, N.A. is nationally chartered and regulated by the OCC.

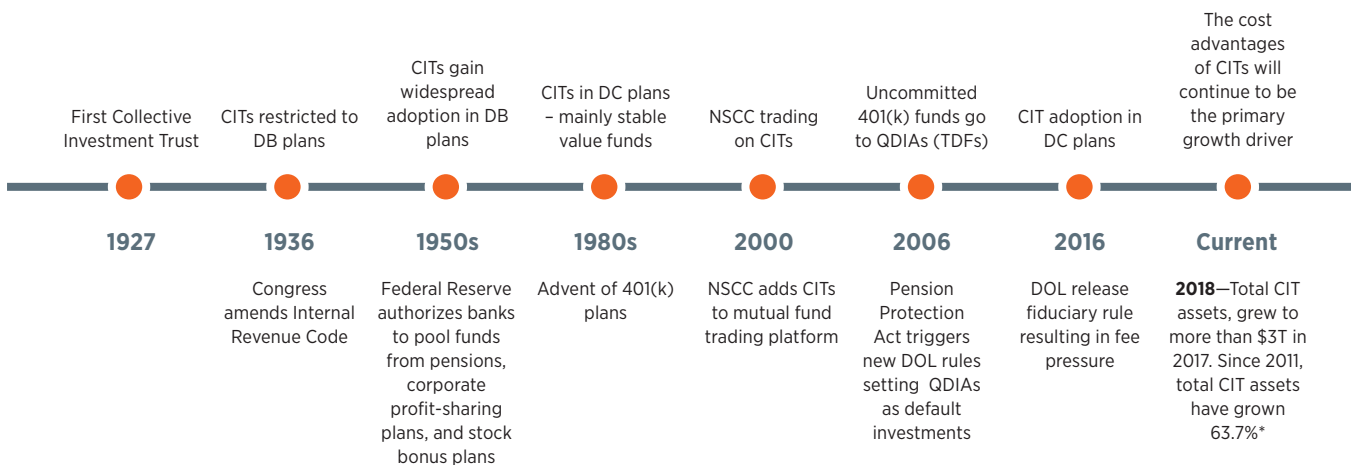
For use by financial professionals and plan sponsors only. Not to be used with plan participants.

Fiduciary Responsibilities

CIT trustees are responsible as fiduciaries for managing the assets of the CIT. To assist in that function, a trustee may engage one or more investment advisers, often referred to as CIT sub-advisor(s). The CIT trustee also accepts a delegation of investment management responsibility from the sponsor of a participating plan. By appointing the CIT trustee as an ERISA 3(38) fiduciary, the plan sponsor is relieved from fiduciary responsibility for the day-to-day investment management decisions made on behalf of the CIT, and remains responsible only for prudently overseeing and monitoring the CIT and its trustee.

History of Collective Investment Trusts

As the retirement plan industry has evolved, so has the structure of investment vehicles used in 401(k) plans. CITs have been available for decades (first launched in 1927) and were offered in very early 401(k) plans.



KEY TERMS

DOL: Department of Labor

ERISA: The Employee Retirement Income Security Act of 1974 (ERISA) is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans.

NSCC: National Securities Clearing Corporation

OCC: Office of the Controller of the Currency.

QDIA: Qualified Default Investment Alternative

SEC: Securities & Exchange Commission.

TDFs: Target Date Funds

*The Cerulli Report | U.S. Retirement Markets 2018

Source: DST kasina with data from Department of Labor, Investment Company Institute



The Wilmington Advantage:

A Powerful Combination of Strength and Expertise

Part of the M&T Corporate family, Wilmington Trust, N.A., has in-depth retirement industry experience and expertise and makes a broad range of CIT offerings available.

For more than a century, Wilmington Trust has been serving individual and institutional clients successfully. Offering a high standard of service, Wilmington Trust is widely recognized and has a team of professionals that bring a unique blend of knowledge, experience, and resources to every client relationship that we serve.

Wilmington Trust, N.A. is a leader in the collective investment trust market with over \$40 billion in assets under administration across funds managed by more than 45 sub-advisors and available on more than 40 trading platforms.

For a full lineup of our CIT offerings, please copy the URL below into your browser.

<https://www.wilmingtontrust.com/wtcom/index.jsp?section=Corp&fileid=1439840246307>

Wilmington Trust, N.A. is a wholly-owned subsidiary of M&T Bank Corporation and provides trust administration services for retirement plans, companies, foundations, organizations, and financial institutions.

Wilmington Trust, N.A. is an ERISA fiduciary, and assists plan sponsors by offering a comprehensive investment program of managed collective funds.

Wilmington Trust, N.A. CITs are trust company-sponsored collective portfolios; they are not mutual funds. The CITs and units therein are exempt from registration under the Securities Act of 1933, as amended, and the Investment Company Act of 1940. Participation in the CITs is limited primarily to tax qualified retirement plans and certain state and local government plans. Investors should consider the investment policy, objectives, risks, charges and expenses of any CIT carefully before investing. Investments in the CITs are not insured by the FDIC or any other government agency, are not deposits of or other obligations of or guaranteed by Wilmington Trust, or any other bank or entity, and are subject to risks, including possible loss of the principal amount invested.

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By Any Federal Government Agency | Have NO Bank Guarantee | May Go Down In Value**

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COLLECTIVE INVESTMENT TRUSTS (CITs)

Use of CITs is increasingly common among defined contribution (DC) plans... and for good reason.

Key Points

- CITs are designed for use primarily within qualified retirement plans and can potentially offer comparable performance at a lower cost than mutual funds.
- CITs have the flexibility to offer more customized fee structures and various levels of revenue sharing.
- Unlike mutual funds, CITs are specifically managed to comply with ERISA fiduciary standards. CITs are also subject to various federal and state regulations, including oversight by the Department of Labor (DOL) and the Office of the Comptroller of the Currency (OCC) or state banking regulators.
- CITs can provide multi-manager capabilities, bringing institutional-style capabilities to a larger audience.

In recent years, Collective Investment Trusts (CITs) have gained substantial traction among DC plans. As pooled investment vehicles similar to mutual funds or separately managed accounts, CITs offer a comparable investor experience. However, CITs can provide additional advantages due to their specific design for use within qualified retirement plans (e.g., 401(k) and certain 457 plans).

Here are six reasons why you should consider using CITs, if you aren't already doing so.

- 1 | **Plan sponsor interest in CITs has increased.**
- 2 | **CITs are subject to robust regulatory oversight.**
- 3 | **CITs can feature lower operating expenses than mutual funds.**
- 4 | **CITs can offer more customized fee structures.**
- 5 | **CITs can provide institutional-style, multi-manager capabilities.**
- 6 | **CITs provide transparency and convenience for DC plan participants.**

1 | Plan sponsor interest in CITs has increased

Assets invested in CITs have grown alongside the increasing importance of DC plans as the predominant savings vehicle for many American households. As of 2018, 75% of DC plans offered a CIT within their investment option line-up¹ and overall CIT assets stood at \$4.2 trillion as of December 31, 2018.²

2 | CITs are subject to robust regulatory oversight

As purpose-built qualified retirement plan investments, CITs are subject to oversight by the Department of Labor (DOL) and compliance with Employee Retirement Income Security Act (ERISA) fiduciary standards. In addition, because they are sponsored by banks and trust companies, CITs are further regulated by the Office of the Comptroller of the Currency (OCC), or by a similar state banking regulator. CITs must also meet requirements set forth by IRS Revenue Ruling 81-100 as amended and modified, to qualify for U.S. tax exemption. This robust combination of oversight is in place to help protect retirement plans and their participants.

1. Source: Callan, 2019 Defined Contribution Trends Survey.

2. Source: Morningstar.

3 | CITs can feature lower operating expenses than mutual funds

Despite their widespread use and availability, mutual funds are not necessarily an ideal match for DC plans in all circumstances. Given their distribution in retail markets, as well as in DC plans, mutual funds can be subject to additional costs that CITs, built specifically for qualified retirement plans, may not face.

The ability for a broader range of investors to access a mutual fund could potentially result in activities, including inflows and outflows into the fund, that don't support a long term investment horizon but that equally affect both retail and retirement investors in the fund. Some retail investors may try to seize momentum opportunities and rotate through "hot" sectors, but DC plan investments are generally intended to be longer term. By restricting availability to qualified retirement plans, CIT providers can reduce transaction costs and liquidity drag associated with higher available cash requirements that must be met by many mutual fund managers.

Because CITs are not available to retail investors, the marketing costs associated with them are also generally lower, as extensive public disclosure requirements are not required. Being exempt from SEC registration allows CITs to avoid the costs associated with other activities the SEC requires of mutual funds, such as creating and delivering proxies, prospectuses, and Statements of Additional Information. In addition, CITs can generally help keep costs low because they usually don't have redemption fees, and they typically have relatively low overhead and lower administrative costs.

4 | CITs can offer more customized fee structures

Depending on the size of the plan sponsor and the demographics of its workforce, there may be the opportunity to negotiate CIT fees. Many CITs offer unit classes with different investment management fees based on the amount of assets that such plans invest or plan to invest in the CIT. There may be flexibility in how those fees can be charged as well. For example, a plan may pay the bank or trust company an established fee for operating expenses and management fees or those expenses can be borne by the CIT and netted from its net asset value (NAV).

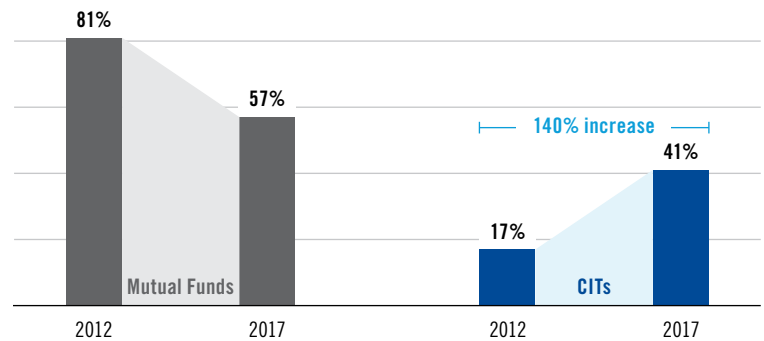
Management fees aren't the only costs that can potentially be tailored for a specific plan. There is a greater ability to customize plan participant record-keeping arrangements and fees. Also, CITs do not have 12(b)-1 fees which eliminates a traditional revenue sharing expense. Because of this, CITs can offer share classes with zero or varied levels of revenue sharing. These types of benefits aren't only accessible to large plans either because assets can be pooled across multiple plans to access institutionally priced fund structures.

5 | CITs can provide institutional-style, multi-manager capabilities

While many CITs are organized to provide exposure to a single asset class and may share investment managers with similarly-labelled mutual funds, CITs can also be structured to accommodate multiple sub-advisors.

In so doing, CIT providers can assign different sub-advisors to manage asset classes within multi-asset CITs. This is of particular interest in the construction of "open architecture" target date investments, allowing seasoned investment managers to provide focused expertise rather than taking responsibility for the management of all asset classes within the target date investment. Due in part to this flexibility, the use of target date CITs grew 140% between 2012 and 2017, whereas the use of mutual fund target date funds dropped by 30% during the same period (as shown in the chart below).

Market share of target date solutions



Source: Morningstar Direct.

Multi-manager CITs also make it possible to combine the skills of different sub-advisors to manage single asset class CITs, with each providing a discrete investment style. This can include a combination of value-oriented and growth-oriented strategies or even a mix of active and passive management strategies within, for example, a single large-cap equity CIT. The appeal of this approach is to simplify a DC plan's investment menu, and make it easier for participants to get exposure to a diversified mix of investment strategies within a single allocation.

6 | CITs provide transparency and convenience for DC plan participants

Long ago, when daily valuation of DC plan assets was a new phenomenon, CITs were valued infrequently (typically only once per calendar quarter) and provided investors little access to portfolio and performance data. Today, many CITs are valued daily, traded via the National Securities Clearing Corporation (NSCC), and are available for back office processing through Fund/SERV, like mutual funds. While prospectuses/Statements of Additional Information are not available for CITs, portfolio data is typically available through both quarterly fact sheets and third-party services like Morningstar.

Basic comparison summary

CIT Attributes	Shared Attributes	Mutual Fund Attributes
<ul style="list-style-type: none"> CITs are specifically designed for qualified retirement plans 	<ul style="list-style-type: none"> Both are daily valued, pooled vehicles 	<ul style="list-style-type: none"> Mutual funds can be open to investments from retail or institutional investors
<ul style="list-style-type: none"> CITs are held to ERISA standards and bank regulations 	<ul style="list-style-type: none"> Both are NSCC traded, facilitating recordkeeping and administration 	<ul style="list-style-type: none"> No ERISA standards apply to mutual funds, however they are regulated by the SEC
<ul style="list-style-type: none"> Potentially lower compliance, administrative, advertising, and marketing costs. Structure allows plan level pricing flexibility 	<ul style="list-style-type: none"> Both feature fund documentation, factsheets Third-party services (including Morningstar) offer CIT databases 	<ul style="list-style-type: none"> Potentially higher fees due to compliance, administration, advertising, and marketing. Pricing breaks cannot be provided at the plan level

The Wilmington Trust advantage: A powerful combination of strength and expertise

As part of the M&T Corporate family, when you select Wilmington Trust, you benefit from the longevity and depth of retirement industry experience and the investment know-how and broad range of offerings available.

With roots dating back to the founding of Wilmington Trust Company by T. Coleman duPont in 1903, Wilmington Trust has been serving successful individual and institutional clients for generations. Offering a high caliber of service, Wilmington Trust is globally recognized with a team of professionals that bring a unique blend of knowledge, experience, and resources to every client relationship that we serve.

Wilmington Trust is a leader in the collective trust fund market with over \$30 billion in assets under management across funds managed by more than 40 sub-advisors and available on more than 45 trading platforms.

As trustee, Wilmington Trust:

- Serves as a fiduciary for the trust
- Oversees the selection and monitoring of sub-advisors for the collective investment trusts
- Provides customized institutional investment capabilities
- Services include compliance reporting, fee disclosure, and fact sheets

Wilmington Trust, N.A. is a wholly-owned subsidiary of M&T Bank Corporation and provides trust administration services for retirement plans, companies, foundations, organizations, and financial institutions.

Wilmington Trust, N.A. is an ERISA fiduciary, and assists plan sponsors by offering a comprehensive investment program of expertly managed collective funds.

Franklin Templeton

For over six decades, institutions and individuals around the world have viewed Franklin Templeton as a trusted partner in asset management. We manage over \$200 billion in U.S. retirement accounts and leverage the expertise of multiple, independent investment teams to deliver truly specialized expertise across a wide range of styles and asset classes, from traditional to alternative and multi-asset strategies, including innovative retirement plan investment solutions.³

Our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand, and, addressing the unique needs of defined contribution plans, Franklin Templeton has developed a discerning perspective that enables us to stay in front of evolving retirement industry trends and identify current areas of investment opportunity.

For additional information, please contact a Franklin Templeton DC Specialist at (800) 530-2432.

3. As of December 31, 2018.

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Securities offered through Franklin Templeton Financial Services Corp.

All financial decisions and investments involve risks, including possible loss of principal.

As defined in each CIT’s Declaration of Trust, the funds are available for investment by (i) retirement plan trusts that qualify for exemption from federal income tax pursuant to Section 401(a) and 501(a) of the Internal Revenue Code, or are maintained by a governmental employer under Section 414(d) of the Internal Revenue Code, (ii) deferred compensation plans maintained by state or local governmental units under Section 457(b) of the Internal Revenue Code, or (iii) group trusts which consist solely of the assets of these types of plans. The decision to invest in a CIT should be carefully considered. The unit values for the funds will fluctuate, and investors may lose money.

Unlike a mutual fund, a CIT investment vehicle is not registered under the Investment Company Act of 1940, as amended, a prospectus is not available and shares are not publicly traded or listed on exchanges. Mutual funds are regulated by the SEC, whereas CITs are commingled accounts offered through banks or trust companies, and are regulated by the Office of the Comptroller of the Currency or state banking regulator. Investments in the CIT are not insured by the FDIC or any other government agency, are not deposits of or other obligations of or guaranteed by any bank or entity. CITs do not have the same portability as mutual funds and plan participants must first liquidate their investment in the CITs to cash and then rollover to a qualified account. Plan participants who take rollover distributions generally lose access to the plan’s CITs as CITs are not available to retail investors. Because CITs are subject to different reporting and disclosure requirements than mutual funds, more public information may generally be available for mutual funds, which could result in greater transparency for mutual fund investors.

To request the offering documents of a CIT, please contact your Franklin Templeton Retirement Sales Department at (800) 530-2432. The offering documents include information regarding investment objectives, risks, expenses and other information that you should read and consider carefully before investing.



Franklin Templeton Financial Services Corp.
One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN® / 342-5236
franklintempleton.com



Pensions & Investments

September 24, 2018 01:00 AM

NAGDCA: Collective investment trusts gaining ground in DC plans

ROBERT STEYER 

Getty Images

Collective investment trusts are becoming more popular among government defined contribution plans.

Collective investment trusts are becoming more popular among government defined contribution plans, according to a survey from the National Association of Government Defined Contribution Administrators.

Last year, 59% of plans responding to the NAGDCA survey offered collective investment trusts vs. 57% in 2016 and 54% in 2015.

"The driving force is fees," said Keith Overly, president of NAGDCA, in an interview Monday. Survey results were presented at NAGDCA's annual conference, which began Sunday and is being held in Philadelphia through Wednesday. Mr. Overly is executive director of the \$13.4 billion Ohio Public Employees Deferred Compensation Program, Columbus.

The survey also found a slightly lower offering of mutual funds among government DC plans, falling to 82% last year vs. 84% in 2016 vs. 88% in 2015.

The survey also reported that 65% of plans offered separate accounts last year vs. 70% in 2016 and 69% in 2015. The survey allowed multiple answers.

Mutual funds still accounted for the bulk of plan assets last year — 46% vs. 24% for separate accounts, 23% for collective investment trusts and 7% for other investment vehicles.

The survey covered 63 plans with a total of \$165 billion in assets. Fifty-nine percent of respondents were 457(b) plans, 16% each 401(a) plans and 401(k) plans, and 9% 403(b) plans.

The survey also found that passive investments are playing an increasing role in plan assets, growing to 33% last year vs. 28% in 2016 and 22% in 2015.

Mr. Overly speculated that the passive investment growth reflects are greater use of target-date funds as qualified default investment alternatives as target-date funds feature more index investing.

The NAGDCA survey noted that 53% of sponsors offered off-the-shelf target-date funds as the QDIA and another 25% offered custom target-date funds as the QDIA.

The NAGDCA survey also reported that only 19% of plans offer auto enrollment vs. 20% in 2016 and 26% in 2015. Mr. Overly said the biggest problem is the fact that many states' laws prohibit 457(b) plans offering auto enrollment because they don't allow money to be taken from a paycheck without individuals' permission.


In the latest survey, 13% of respondents said they plan to offer auto enrollment, the first time NAGDCA has asked this question.

Inline Play

Source URL: <https://www.pionline.com/article/20180924/ONLINE/180929945/nagdca-collective-investment-trusts-gaining-ground-in-dc-plans>

Returns Analysis

Performance as of 9/30/2019

Asset Allocation	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Asset Allocation												
Conservative												
Vanguard Target Retirement Income Inv	VTINX	1.52	10.29	6.75	5.10	4.57	5.76	5.29	10/27/2003	10/27/2003	0.12	0.12
StyleBenchmark		1.55	10.81	7.44	5.28	4.73	5.63	-	-	-	-	-
Moderate												
Vanguard Target Retirement 2020 Inv (Default)	VTWNX	1.19	12.61	5.29	7.08	5.97	7.96	6.25	6/7/2006	6/7/2006	0.13	0.13
StyleBenchmark		1.00	13.93	5.21	7.80	6.32	7.86	-	-	-	-	-
Vanguard Target Retirement 2030 Inv (Default)	VTHR	0.89	14.28	4.15	8.29	6.67	8.92	6.58	6/7/2006	6/7/2006	0.14	0.14
StyleBenchmark		0.70	15.34	3.89	9.00	7.03	8.88	-	-	-	-	-
American Funds American Balanced R6	RLBGX	1.54	12.80	5.43	9.09	7.91	10.37	11.50	5/1/2009	7/25/1975	0.28	0.28
StyleBenchmark		1.16	14.46	5.12	8.42	6.94	8.55	-	-	-	-	-
Moderate Aggressive												
Vanguard Target Retirement 2040 Inv (Default)	VFORX	0.49	15.35	2.63	9.28	7.15	9.61	6.93	6/7/2006	6/7/2006	0.14	0.14
StyleBenchmark		0.47	16.31	2.80	9.88	7.54	9.59	-	-	-	-	-
Aggressive												
Vanguard Target Retirement 2050 Inv (Default)	VFIFX	0.29	15.71	2.07	9.42	7.24	9.65	6.99	6/7/2006	6/7/2006	0.15	0.15
StyleBenchmark		0.46	16.49	2.69	10.03	7.64	9.73	-	-	-	-	-
Vanguard Target Retirement 2060 Inv (Default)	VTTSX	0.28	15.68	2.07	9.41	7.20	-	9.72	1/19/2012	1/19/2012	0.15	0.15
StyleBenchmark		0.42	16.25	2.71	9.84	7.47	-	-	-	-	-	-
Fixed Income												
Multisector Bond												
Loomis Sayles Bond N	 LSBNX	0.82	9.04	4.97	4.00	2.85	6.12	3.51	2/1/2013	5/16/1991	0.59	0.59
StyleBenchmark		0.90	10.54	8.29	4.72	4.70	6.57	-	-	-	-	-





Returns Analysis

Performance as of 9/30/2019

Asset Allocation	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Fixed Income												
Multisector Bond												
Templeton Global Bond R6	FBNRX	-3.31	-0.58	1.16	3.99	0.94	3.82	1.18	5/1/2013	9/18/1986	0.67	0.57
StyleBenchmark		1.11	11.06	8.42	5.24	5.10	7.10	-	-	-	-	-
Active												
U.S. Equity												
Large Cap Value												
Vanguard Equity-Income Adm	VEIRX	2.26	17.51	6.51	11.24	9.62	12.93	8.06	8/13/2001	3/21/1988	0.18	0.18
Russell 1000 Value Index		1.36	17.81	4.00	9.43	7.79	11.46	-	-	-	-	-
Large Cap Blend												
Parnassus Core Equity Institutional	PRILX	2.39	23.18	11.43	13.75	11.03	13.31	10.67	4/28/2006	8/31/1992	0.63	0.63
Vanguard Dividend Growth Inv	VDIGX	3.44	25.21	13.95	14.77	11.75	13.39	8.88	5/15/1992	5/15/1992	0.22	0.22
Russell 1000 Index		1.42	20.53	3.87	13.19	10.62	13.23	-	-	-	-	-
Large Cap Growth												
T. Rowe Price New America Growth	PRWAX	0.08	22.04	4.46	18.39	13.88	14.75	11.05	9/30/1985	9/30/1985	0.79	0.79
American Funds AMCAP R6	RAFGX	-2.05	13.96	-2.38	11.81	9.46	12.80	14.37	5/1/2009	5/1/1967	0.36	0.36
Russell 1000 Growth Index		1.49	23.30	3.71	16.89	13.39	14.94	-	-	-	-	-
Mid Cap Value												
Virtus Ceredex Mid-Cap Value Equity R6	SMVZX	3.18	23.17	6.91	11.20	8.75	12.33	8.68	8/1/2014	11/30/2001	0.87	0.79
Russell Mid-Cap Value Index		1.22	19.47	1.60	7.82	7.55	12.29	-	-	-	-	-



Returns Analysis

Performance as of 9/30/2019

Active	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
U.S. Equity												
Mid Cap Growth												
Principal MidCap Institutional	PCBIX	3.25	34.58	16.69	16.68	13.47	16.16	11.35	3/1/2001	12/6/2000	0.69	0.69
Russell Mid-Cap Growth Index		-0.67	25.23	5.20	14.50	11.12	14.08	-	-	-	-	-
Small Cap Value												
DFA US Targeted Value I	 DFFVX	-1.19	11.86	-10.51	5.42	5.10	10.49	10.40	2/23/2000	2/23/2000	0.37	0.37
Small Cap Value I1 (BMO Disciplined SCV)	 97181N296	-1.12	12.44	-8.63	5.74	8.06	-	12.95	-	7/1/2011	0.40	0.40
Russell 2000 Value Index		-0.57	12.82	-8.24	6.54	7.17	10.06	-	-	-	-	-
Small Cap Growth												
Franklin Small Cap Growth R6	 FSMLX	-4.12	20.16	-3.18	12.35	9.92	14.30	12.57	5/1/2013	5/1/2000	0.68	0.65
Russell 2000 Growth Index		-4.17	15.34	-9.63	9.79	9.08	12.25	-	-	-	-	-
International/Global Equity												
International Equity												
Invesco Oppenheimer International Gr R6	 OIGIX	-2.85	14.82	-1.97	3.74	3.49	6.43	5.80	3/29/2012	3/25/1996	0.67	0.67
MSCI ACWI ex USA NR		-1.80	11.56	-1.23	6.33	2.90	4.45	-	-	-	-	-
International Large Cap Growth												
MFS International Intrinsic Value R6	MINJX	0.14	17.23	4.56	8.64	8.73	9.45	6.92	5/1/2006	10/24/1995	0.63	0.63
MSCI EAFE Large Growth ND USD		-0.36	19.07	4.78	8.55	5.64	6.60	-	-	-	-	-
International Small-Mid Cap Blend												
DFA International Small Company I	DFISX	-1.48	10.65	-7.65	4.39	4.50	6.89	6.57	9/30/1996	9/30/1996	0.53	0.53
MSCI EAFE Smid Cap ND USD		-0.51	12.58	-4.90	5.98	5.46	6.69	-	-	-	-	-

Returns Analysis

Performance as of 9/30/2019

Active	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
International/Global Equity												
Emerging Market Equity												
Invesco Oppenheimer Developing Mkts R6	 ODVIX	-3.75	11.31	2.65	8.05	2.83	5.86	5.91	12/29/2011	11/18/1996	0.85	0.85
MSCI EM (Emerging Markets) ND USD		-4.25	5.90	-2.02	5.97	2.33	3.37	-	-	-	-	-
Global Equity												
American Funds New Perspective R6	RNPGX	-0.42	18.45	2.88	12.38	9.72	10.67	12.86	5/1/2009	3/13/1973	0.45	0.45
MSCI The World Index ND USD		0.53	17.61	1.83	10.21	7.18	9.01	-	-	-	-	-
Fixed Income												
Core Fixed Income												
Metropolitan West Total Return Bd Plan	MWTSX	2.26	8.92	10.55	3.25	3.37	5.23	4.17	7/29/2011	3/31/1997	0.37	0.37
BB Aggregate Bond		2.27	8.52	10.30	2.92	3.38	3.75	-	-	-	-	-
U.S. Government TIPS												
PIMCO Long-Term Real Return Instl	PRAIX	6.05	18.06	14.79	4.05	4.16	5.79	6.73	11/12/2001	11/12/2001	1.27	1.27
BB TIPS		1.35	7.58	7.13	2.21	2.45	3.46	-	-	-	-	-
Cash Alternatives												
Stable Value												
Voya Fixed Plus III Account		-	-	-	-	-	-	-	-	-	-	-
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Specialty												
Technology												
T. Rowe Price Global Technology I	 PGTIX	-3.02	20.98	8.75	15.39	16.63	18.64	17.40	11/29/2016	9/29/2000	0.77	0.77
S&P 1500 Information Technology		3.24	31.11	8.39	22.05	18.00	16.89	-	-	-	-	-

Returns Analysis

Performance as of 9/30/2019

Passive	Ticker/ ID	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
U.S. Equity												
Large Cap Blend												
Vanguard 500 Index Admiral	VFIAX	1.69	20.54	4.22	13.36	10.80	13.21	6.33	11/13/2000	8/31/1976	0.04	0.04
Russell 1000 Index		1.42	20.53	3.87	13.19	10.62	13.23	-	-	-	-	-
Mid Cap Blend												
Vanguard Mid Cap Index Admiral	VIMAX	0.61	22.60	3.65	10.67	9.20	13.05	9.86	11/12/2001	5/21/1998	0.05	0.05
Russell Mid-Cap Index		0.48	21.93	3.19	10.69	9.10	13.07	-	-	-	-	-
Small Cap Blend												
Vanguard Small Cap Index Adm	VSMAX	-1.45	17.78	-3.81	9.62	8.62	12.38	8.88	11/13/2000	10/3/1960	0.05	0.05
Russell 2000 Index		-2.40	14.18	-8.89	8.23	8.19	11.19	-	-	-	-	-
International/Global Equity												
International Equity												
Vanguard Total Intl Stock Index Admiral	VTIAX	-1.60	11.46	-1.56	6.06	3.16	4.53	4.34	11/29/2010	4/29/1996	0.11	0.11
MSCI ACWI ex USA NR		-1.80	11.56	-1.23	6.33	2.90	4.45	-	-	-	-	-
Fixed Income												
Core Fixed Income												
Vanguard Total Bond Market Index Adm	VBTLX	2.43	8.68	10.43	2.90	3.35	3.69	4.27	11/12/2001	12/11/1986	0.05	0.05
BB Aggregate Bond		2.27	8.52	10.30	2.92	3.38	3.75	-	-	-	-	-
Specialty												
REIT												
Vanguard Real Estate Index Admiral	VGSLX	7.40	28.14	19.89	7.06	9.94	12.89	10.77	11/12/2001	5/13/1996	0.12	0.12
DJUSslct REIT United States		6.83	24.64	16.41	6.48	9.70	12.69	-	-	-	-	-

Disclosure

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The performance data quoted may not reflect the deduction of additional fees, if applicable. Additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice. Expenses shown reflect the fund's prospectus Net and Gross expense ratios.

Some funds, accounts, or share classes may not be available for investment. Performance history prior to inception (if applicable) reflects another share class or account reflecting the manager's historical performance record.

Fund Inception Date - the date on which a fund commenced operations.

Share Class Inception Date - the date on which a fund's share class was introduced.

Contact NFP with any questions about this report or for the most current month-end performance at (800) 959-0071

Online Report Access

Proper documentation is a must for plan governance. That's why we created the **Fiduciary Briefcase™**, an online portal that serves as your private fiduciary file. One that gives you 24/7 access to plan information, meeting summaries, compliance documents, newsletters, memos and so much more. You can access this system by going to www.nfp.com/login, selecting Fiduciary Briefcase from the drop-down menu and then enter your secure User ID and Password.



FIDUCIARY BRIEFCASE

Your resource where you will find all the documents we provide to help you reduce the fiduciary liability you face in managing your retirement plan.

Through this portal, we make pertinent plan data available to plan fiduciaries to help them better manage their plan, and organize their fiduciary file in case of an audit. Examples of resources available to our clients are:

- Fiduciary Investment Review™
- Investment policy statements and guidelines
- Meeting minutes and service plans
- Quarterly Market Reviews and plan sponsor newsletters
- General retirement education and communications
- B3 Provider Analysis™ and Fiduciary Plan Review™
- Organization of your plan's file
- Daily access to plan information
- Investment education information for investment committees
- Fiduciary liability management and instant preparation for plan audits

Glossary

Active strategies: investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated costs due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the **Scorecard System™** is trying to identify those managers who can add value on a consistent basis within their own style of investing.

Alpha: a measure used to quantify a fund manager's value added. Alpha measures the difference between a portfolio's actual returns and what it might be expected to deliver based on its level of risk. A positive alpha means the fund has beaten expectations and implies a skillful manager. A negative alpha means that the manager failed to match performance with the given risk level.

Asset allocation strategies: investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are typically structured in either a risk-based format (the strategies are managed to a level of risk, e.g., conservative or aggressive) or, in an age-based format (these strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached). For this type of investment strategy, the Scorecard System is focused on how well these managers can add value from both asset allocation and manager selection.

Beta: a measure of risk that gauges the sensitivity of a manager to movements in the benchmark (market). If the market returns change by some amount x , then the manager returns can be expected to change by Beta times x . A Beta of 1 implies that you can expect the movement of a fund's return series to match that of the benchmark. A portfolio with a beta of 2 would move approximately twice as much as the benchmark.

Downside deviation: also referred to as downside risk. The downside standard deviation shows the average size of the deviations (from the mean) when the return is negative.

Excess return: the difference between the returns of a mutual fund and its benchmark.

Explained variance: the explained variance measures the variance of the fund that is explained by the benchmark (similar to the R-squared statistic).

Information ratio: a measure of the consistency of excess return. The ratio is calculated by taking the annualized excess return over a benchmark (numerator) and dividing it by the standard deviation of excess return (denominator). The result is a measure of the portfolio management's performance against risk and return relative to a benchmark. This is a straightforward way to evaluate the return a fund manager achieves, given the risk they take on.

Median rank: refers to the midpoint of the range numbers that are arranged in order of value (lowest to highest).

Passive strategies: investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower costs than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the Scorecard System is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

R-squared: measures (on a scale of 0 to 100) the amount of movement of a fund's return that can be explained by that fund's benchmark. An R-squared of 100 means that all movements of a fund are completely explained by movements in the associated index (benchmark).

Returns-based style analysis: uses a fund's return series to help identify the style of the fund. This is done by comparing those returns across a specific time period to a series of index returns of various styles (Large Cap Growth, Small Cap Value, etc.) over the same period. Through quadratic optimization, the best fit style is calculated. Once the best fit is found, the fund's style can then be analyzed and weightings toward each asset class can be made.

Sharpe ratio: a ratio developed by Bill Sharpe to measure risk-adjusted performance. It is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns to measure reward on a per unit of risk basis. For example, if a bond fund returns 6% and has a standard deviation of 4% and the risk-free rate is 2% then the Sharpe Ratio for this fund will be 1. $(6-2)/4=1$.

Significance level: indicates the level of confidence (on a percentage basis) with which the statement "the manager's annualized excess return over the benchmark is positive" or "the manager's annualized excess return over the benchmark is negative," as the case may be, holds true.

Standard deviation: of return measures the average deviations of a return series from its mean (average) return. A large standard deviation implies that there have been large swings in the return series of the manager. The larger the swing, the more volatile the fund's returns and hence more implied risk. For smaller swings the opposite is true. Standard deviation helps us analyze risk by revealing how much the return on the fund is deviating.

Style drift: is the tendency of a fund to deviate from its investment style over time is style drift. This generally occurs because of a change in the fund's strategy, the manager's philosophy or even a portfolio manager change. During the 1990's dotcom boom, for example, many managers – regardless of the strategies they were initially bound by – were able to justify buying tech stocks for their portfolio, in hopes of capitalizing on the tech boom in the market at that time. Consequently, their styles "drifted" from their original strategy.

Tracking error: refers to the standard deviation of excess returns or the divergence between the return behavior of a portfolio and the return behavior of a benchmark. Tracking error is reported as a "standard deviation percentage" difference that accounts for the volatility between the return of a fund versus its benchmark.

Volatility of rank: is measured by taking the median of a series of numbers, or taking the absolute value of the distance of each individual number to that median, then finding the median of those distances. Volatility is used because it makes a better companion to the median than the standard deviation. Standard deviation is commonly used when measuring volatility around the mean (average), while volatility of rank is used for medians.

Up/Down capture: a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns, and how badly the manager was affected by periods of negative benchmark returns. For example, if a fund has an up capture of 120 that means that the fund goes up 12% when the benchmark moves up 10%. The same fund has a down capture of 90 so that means the fund returns a -9% when the benchmark returns a -10%.

Asset Class Definitions

Conservative (CON): a diversified asset allocation strategy including equity with an emphasis on fixed income. Demonstrates a lower overall volatility (risk) level when compared to the other asset allocation categories.

Moderate Conservative (MC): a diversified asset allocation strategy including equity and fixed income. Demonstrates a higher overall volatility (risk) level when compared to CON, but lower volatility level when compared to MOD, MA and AGG.

Moderate (MOD): a diversified asset allocation strategy including equity and fixed income. Demonstrates a higher overall volatility (risk) level when compared to CON and MC, but lower volatility level when compared to MA and AGG.

Moderate Aggressive (MA): a diversified asset allocation strategy including equity and fixed income. Demonstrates a higher overall volatility (risk) level when compared to CON, MC and MOD, but lower volatility level when compared to AGG.

Aggressive (AGG): a diversified asset allocation strategy including fixed income with an emphasis on equity. Demonstrates a higher overall volatility (risk) level when compared to the other asset allocation categories.

Large Cap Value (LCV): large capitalization companies who have lower prices in relation to their earnings or book value.

Large Cap Blend (LCB): large capitalization companies who display both value and growth-like characteristics.

Large Cap Growth (LCG): large capitalization companies who have higher prices relative to their earnings or book value, generally due to a higher forecasted or expected growth rate.

Mid Cap Value (MCV): mid-capitalization companies who have lower prices in relation to their earnings or book value.

Mid Cap Blend (MCB): mid-capitalization companies who display both value and growth-like characteristics.

Mid Cap Growth (MCG): mid-capitalization companies who have higher prices relative to their earnings or book value, generally due to a higher expected growth rate.

Small Cap Value (SCV): small capitalization companies who have lower prices in relation to their earnings or book value.

Small Cap Blend (SCB): small capitalization companies who display both value and growth-like characteristics.

Small Cap Growth (SCG): small capitalization companies who have higher prices relative to their earnings or book value, generally due to a higher forecasted or expected growth rate.

SMid Value (SMCV): includes any fund categorized as SCV or MCV within Morningstar and whose primary prospectus benchmark is the Russell 2500 Value, which consists primarily of small and mid-capitalization companies who have lower prices in relation to their earnings or book value.

SMid Growth (SMCG): includes any fund categorized as SCG or MCG within Morningstar and whose primary prospectus benchmark is the Russell 2500 Growth, which consists primarily of small and mid-capitalization companies who have higher prices in relation to their earnings or book value, generally due to a higher forecasted or expected growth rate.

SMid Blend (SMCB): includes any fund categorized as SCB or MCB within Morningstar and whose primary prospectus benchmark is the Russell 2500, which consists primarily of small and mid-capitalization companies who display both value and growth-like characteristics.

Bank Loans (BL): an array of loans to corporations made by banks and other financial outfits that do not pay a fixed interest rate, but rather an adjustable one and are therefore often referred to as floating rate loans.

International Equity (IE): includes any fund whose primary prospectus benchmark is the MSCI ACWI ex USA, which includes both developed and emerging markets, and is intended to provide a broad measure of stock performance throughout the world, with the exception of U.S. based companies.

International Large Cap Value (ILCV): primarily large capitalization foreign companies displaying both value-like characteristics.

International Large Cap Blend (ILCB): primarily large capitalization foreign companies displaying both value and growth-like characteristics.

International Large Cap Growth (ILCG): primarily large capitalization foreign companies displaying growth-like characteristics.

International Small-Mid Cap Value (ISMCP): primarily small and mid-capitalization foreign companies displaying both value-like characteristics.

International Small-Mid Cap Growth (ISMG): primarily small and mid-capitalization foreign companies displaying both growth-like characteristics.

Emerging Market Equity (EME): foreign companies in countries that are not considered to have fully developed markets or economies.

Global Equity (GE): large capitalization domestic and foreign companies displaying both value and growth-like characteristics.

Core Fixed Income (CFI): domestic fixed income securities representing a broad array of fixed income securities including government, credit and mortgage-backed securities.

Intermediate Government (IG): domestic Government or Government-backed fixed income securities.

U.S. Government TIPS (UGT): treasury inflation protected securities which are Government securities designed to offer inflation protection by adjusting the principal based on changes in the Consumer Price Index.

Short-Term Bond (STB): a broad array of fixed income securities that have short durations and/or maturities (typically 1-3 years).

High Yield (HY): below investment grade domestic fixed income securities, which have a higher likelihood of default.

Global Fixed Income (GFI): a broad array of fixed income securities across many different countries.

Multisector Bond (MB): a broad array of fixed income securities across many different sectors including domestic government, corporate, sovereign and emerging markets debt. They generally have a few limitations when it comes to domicile, sectors, maturities or credit ratings.

Specialty Fixed Income (SFI): a particular segment of the stock market focused on utility companies.

Stable Value (SV): a conservative fixed income strategy that is designed to preserve capital.

Money Market (MM): conservative, short-term oriented money market securities.

Guaranteed Investment Contract (GIC): products that have some type of guarantee from the issuer or provider.

REIT (RE): real estate securities traded on a stock exchange.

Technology (TEC): a particular segment of the stock market focused on technology related companies.

Natural Resources (NR): a particular segment of the stock market focused on natural resource related companies.

HealthCare (HC): a particular segment of the stock market focused on healthcare related companies.

Communication (COM): a particular segment of the stock market focused on communications related companies.

Financial Services (FS): a particular segment of the stock market focused on financial services related companies.

Utilities (UTI): a particular segment of the stock market focused on utility companies.

Specialty (SPC): a unique area of the market

-P: Asset class abbreviations with a “-P” after the abbreviation indicate that the strategy was classified as passively managed. When not indicated, all other strategies are classified as actively managed and/or asset allocation.

Fund Fact Sheet Disclosures

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The performance data quoted may not reflect the deduction of additional fees, if applicable. Additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as Markov Processes International, Morningstar, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to insure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: inaccurate reporting by the manager/provider; changes in reporting by the manager/provider from the time this report was prepared to a subsequent retroactive audit and corrected reporting; differences in fees and share classes impacting net investment return; and, Scriverners error by your advisor preparing this report.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manger tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard factors.

Neither past performance or statistics calculated using past performance are a guarantee of a fund's future performance. Likewise, a fund's score using the Scorecard System does not guarantee the future performance or style consistency of a fund.

The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund selection is at the discretion of the investment fiduciaries, which are either the plan sponsor or the committee appointed to perform the function.

This report is provided solely for information purposes only and therefore not an offer to buy or sell a security. An offer to buy or sell a security may be made only after the client has received and read the appropriate prospectus.

For a copy of the most recent prospectus, please contact your investment advisor/consultant.

Index Disclosures

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

Citigroup Corporate Bond is an index which serves as a benchmark for corporate bond performance. You cannot invest directly in an index.

Citigroup Mortgage Master is an index which serves as a benchmark for U.S. mortgage-backed securities performance.

Citigroup WGBI Index is an index which serves as a benchmark for global bond performance, including 22 different government bond markets.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market.

Bloomberg Barclays U.S. Aggregate Bond (BB Aggregate Bond) represents securities that are U.S., domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

BC Credit Bond Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

BC U.S. Corporate Investment Grade represents investment grade corporate securities that are U.S., domestic, taxable, and dollar denominated.

BC High Yield Corporate Bond represents below investment grade corporate securities that are U.D., domestic, taxable, and dollar denominated.

BC TIPS Index includes publicly issued U.S. government treasury inflation protected securities that meet the specified maturity, liquidity and other requirements.

BC Mortgage-Backed Securities covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARMs) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

BC Muni Bond covers the USD-denominated long term tax exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

BC Government Index includes publicly issued U.S. government securities that meet the specified maturity, liquidity and other requirements.

BarCap U.S. Aggregate 1-3 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 1-3 years.

BarCap U.S. Aggregate 3-5 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 3-5 years.

BarCap U.S. Aggregate 5-7 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 5-7 years.

BarCap U.S. Aggregate 7-10 Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over the next 7-10 years.

BarCap U.S. Aggregate 10+ Yr. TR USD Index represents securities in the BC U.S. Aggregate Index that have maturity dates over 10 years.

DJW 5000 (Full Cap) Index measures the performance of all U.S. common equity securities, and serves as an index of all stock trades in the U.S.

MSCI FI Emerging Markets is a rules-based index which serves as a benchmark for emerging country fixed income performance.

MSCI FI EAFE International is a rules-based index which serves as a benchmark for developed international country fixed income performance.

MSCI EAFE Index is listed for foreign stock funds (EAFE refers to Europe, Australia and Far East). Widely accepted as a benchmark for international stock performance, it is an aggregate of 21 individual country indexes.

MSCI EAFE Large Value represents the large cap value stocks within the MSCI EAFE Index.

MSCI EAFE Large Growth represents the large cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Mid Value represents the mid cap value stocks within the MSCI EAFE Index.

MSCI EAFE Mid Growth represents the mid cap growth stocks within the MSCI EAFE Index.

MSCI EAFE Small Value represents the small cap value stocks within the MSCI EAFE Index.

MSCI EAFE Small Growth represents the small cap growth stocks within the MSCI EAFE Index.

MSCI EM (Emerging Markets) Index serves as a benchmark for each emerging country. The average size of these companies is (U.S.) \$400 million, as compared with \$300 billion for those companies in the World index.

MSCI World Index is a rules-based index that serves as a benchmark for the developed global equity markets.

MSCI Europe ex UK Index is a rules-based index that serves as a benchmark for Europe's equity markets, excluding the United Kingdom.

MSCI Pacific ex Japan Index is a rules-based index that serves as a benchmark for Asia Pacific's equity markets, excluding Japan.

MSCI United Kingdom Index is a rules-based index that serves as a benchmark for the United Kingdom's equity markets.

MSCI Japan is a rules-based index that serves as a benchmark for Japan's equity markets.

NAREIT All REIT Index includes all tax-qualified REITs with common shares that trade on the New York Stock Exchange the American Stock Exchange or the NASDAQ National Market List.

3-Month T-Bills (90 Day T-Bill Index) are government-backed, short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Russell 1000 Growth Index is a market-capitalization weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index is a market-capitalization weighted index of those firms in the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell Top 200 Growth Index is a market-capitalization weighted index of those firms in the Russell Top 200 with higher price-to-book ratios and higher forecasted growth values.

Russell Top 200 Value Index is a market-capitalization weighted index of those firms in the Russell Top 200 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having higher price-to-book ratio and higher forecasted growth values.

Russell 2000 Index consists of the smallest 2000 companies in the Russell 3000 Index, representing approximately 7% of the Russell 3000 total market capitalization.

Russell 2000 Value Index is a market-weighted total return index that measures the performance of companies within the Russell 2000 Index having lower price-to-book ratio and lower forecasted growth values.

Index Disclosures

Russell MidCap Growth Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having higher price-to-book ratio and higher forecasted growth values.

Russell MidCap Index includes firms 201 through 1000, based on market capitalization, from the Russell 3000 Index.

Russell MidCap Value Index is a market-weighted total return index that measures the performance of companies within the Russell MidCap Index having lower price-to-book ratio and lower forecasted growth values.

Russell Top 200 Index consists of the 200 largest securities in the Russell 3000 Index.

Russell 3000 Index is a market capitalization weighted index, consisting of 3,000 U.S. common equity securities, reflective of the broad U.S. equity market.

Salomon 1-10 Yr. Governments is an index which serves as a benchmark for U.S. Government bonds with maturities ranging from 1 to 10 years.

S&P 500 Index measures the performance of the largest 500 U.S. common equity securities, and serves as an index of large cap stocks traded in the U.S.

S&P 500 Energy Index measures the performance of the energy sector in the S&P 500 Index.

S&P 500 Industrials measures the performance of the industrial sector in the S&P 500 Index.

S&P 500 Financials measures the performance of the financials sector in the S&P 500 Index.

S&P 500 Utilities measures the performance of the utilities sector in the S&P 500 Index.

S&P 500 Consumer Discretionary Index measures the performance of the consumer discretionary sector in the S&P 500 Index.

S&P 500 Consumer Staples Index measures the performance of the consumer staples sector in the S&P 500 Index.

S&P 500 Information Technology measures the performance of the information technology sector in the S&P 500 Index.

S&P 500 Materials measures the performance of the materials sector in the S&P 500 Index.

S&P 500 Health Care measures the performance of the health care sector in the S&P 500 Index.

S&P 500 Telecommunications Services Index measures the performance of the telecommunications services sector in the S&P 500 Index.

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Investment objectives and strategies vary among fund, and may not be similar for funds included in the same asset class.

All definitions are typical category representations. The specific share classes or accounts identified above may not be available or chosen by the plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the plan.

The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as Markov Processes International, Morningstar, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the Scorecard System, is intended for plan sponsor and/or institutional use only. The materials are not intended for participant use.

The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard factors.

Neither past performance nor statistics calculated using past performance are guarantees of a fund's future performance. Likewise, a fund's score using the Scorecard System does not guarantee the future performance or style consistency of a fund.

This report was prepared with the belief that this information is relevant to the plan sponsor as the plan sponsor makes investment selections.

Fund selection is at the discretion of the investment fiduciaries, which are either the plan sponsor or the committee appointed to perform that function.

Cash Alternatives (e.g., money market fund) and some specialty funds are not scored by the Scorecard System.

The enclosed Investment Due Diligence report and Scorecard is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For the most current month-end performance, please contact your advisor.

The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

Carefully consider the investment objectives, risk factors and charges and expenses of the investment company before investing. This and other information can be found in the fund's prospectus, which may be obtained by contacting your Investment Advisor/Consultant or Vendor/Provider. Read the prospectus carefully before investing.

For a copy of the most recent prospectus, please contact your Investment Advisor/Consultant or Vendor/Provider.

Investment Risk Disclosures

Consider the investment objectives, risks and charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. Please contact your advisor for the most recent prospectus. Prospectus should be read carefully before investing.

International/Emerging Markets: The investor should note that funds that invest in international securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds: The investor should note that funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

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

Mid-Cap Stocks: The investor should note that funds that invest in companies with market capitalization below \$10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

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

Bond/Fixed Income Funds: The investor should note that funds that invest in bonds (fixed income securities), including government, corporate and mortgage-backed securities, involve additional risks. Interest rate risk may cause bonds to lose their value. The investor should be aware that it is possible in a rising rate environment for investment grade bond strategies to lose value and experience negative returns over certain time periods.

Stable Value Funds: The investor should note that these funds invest in short to intermediate term securities that can and may lose value. These funds, while managed to protect principal, do not guarantee the investor's principal, nor are they insured or guaranteed by the FDIC or any other government agency.

Money Market Funds: The investor should note that these funds invest in short term securities that can and may lose value. These funds, while managed to protect principal, do not guarantee the investor's principal, nor are they insured or guaranteed by the FDIC or any other government agency.

Guaranteed Investment Contract (GIC): Contract that guarantees the repayment of principal and a fixed or floating rate over a specified period of time. The guarantee is backed by the provider, typically an insurance company.