Statement of Investment Policy

I: Background

This product-level statement of investment policy (hereafter called the “ADP Investment Policy Statement”) is intended to guide ADP Retirement Services in the selection of investment funds for placement on ADP’s recordkeeping platform and ADP Retirement Services (“ADP”) Review and Policy Committee (hereafter referred to as the “Committee”) in the continued monitoring of such funds. The purpose of this ADP Investment Policy Statement is to develop screened investment alternatives that are generally well suited for long-term investing and which represent an attractive and high-quality product for the defined contribution plan marketplace. The selection and monitoring criteria and processes in this ADP Investment Policy Statement (IPS) are based on generally accepted investment theories and prevailing investment industry standards. The process and criteria used by ADP in selecting investment options is not designed for the needs of any particular plan, but instead are designed to identify quality long-term investment options. However, to the extent that defined contribution retirement plans and their investment fiduciaries (hereafter collectively referred to herein as “plans”) deem these processes and criteria to be valuable and suitable for the needs of their plans and their participants, they may consider and incorporate these processes and the application of the criteria into their decision-making and due diligence. Before adopting this IPS, plans should consider whether this IPS and the processes and criteria described therein are appropriate for the particular needs of their plan and their participants and should individualize this IPS to those needs.

Further, this ADP IPS is not intended to cover investment options or vehicles (such as company stock or individual brokerage accounts) beyond the investments included on investment platform.

- ADP prepares and distributes a quarterly Investment “Scorecard” Evaluation Report based on the criteria described in this ADP Investment Policy Statement. The information in that report, as described in Section VIII, provides valuable assistance to plans in determining whether their investments continue to be well suited for long-term investing. However, as with the processes and the criteria described in this ADP Investment Policy Statement, plans need to determine whether the criteria utilized in the Scorecard are suitable on an individualized basis for their plans and their participants. For example, if a plan has adopted criteria identical to those used in this ADP Investment Policy Statement and has adopted this IPS in substantially the form offered, then the information provided in the Scorecard would closely correspond with the needs of the plan. However, if a plan has adopted an individualized or modified Investment Policy Statement, or if the plan does not have an Investment Policy Statement, the Scorecard would not reflect all of the criteria selected by the plan, but would nonetheless offer valuable information about criteria generally applied in the investment community for evaluating long-term investments. This Scorecard can be found on the ADP Retirement Services Plan Resource web site and is typically available approximately 30 days after the end of each calendar quarter.
This ADP Investment Policy Statement is not to be construed as a recommendation by ADP, nor is it intended to provide investment advice; ADP does not provide individualized advice on the selection or monitoring of investments for any specific plan. Rather, it is to provide guidance to ADP in the selection and monitoring of investment vehicles to be included on the investment platform. Moreover, ADP is not, and cannot serve as, a fiduciary with respect to any particular plan, nor select or remove the investment alternatives to be made available under a plan. The screened funds help identify investment options that are anticipated to be appropriate for long-term investing. However, the funds on the platform may or may not be appropriate to the needs of any particular plan or its participants. ADP suggests that plans work with their financial and legal advisors to prepare an individualized Investment Policy Statement and to select investment funds that are suitable to the particular needs of their plan and participants.
II: Introduction

This ADP Investment Policy Statement identifies the rationale that ADP utilizes in the identification and selection of investment categories to make available on our platform. In addition, it sets forth the criteria applied by ADP in the selection, performance monitoring, evaluation, and reporting of individual investment funds included on the platform. Finally, the ADP Investment Policy Statement outlines the actions that plans may take should ADP determine to delete one or more investment options from the platform.
III: Investment Platform Structure Rationale

In developing its investment platform, ADP seeks investment options, which enable plans to provide categories of investment options that allow them to develop portfolios that balance a multitude of risk-and-return considerations. An investment portfolio may be tailored to meet any number of risk tolerances, investment horizons, philosophies, objectives, and preferences. The investment platform is designed to make available a variety of investment options encompassing different segments of the financial markets that behave differently in various economic scenarios.

Plan Sponsors may maximize diversification opportunities by offering their employees investment options ranging from lower potential risk / lower potential returns to higher potential risk / higher potential returns. Portfolio construction methodologies may include investment options that employ both active and passive management styles, and pure and mixed strategies. In selecting investments and related services (such as investment education and/or advice), plans should take into account the investment abilities of their eligible and participating employees.

Investment options are typically separated into groups of investment categories: those that are vital to an investor’s portfolio (core) and those that may be less vital in the portfolio (non-core). Separating the investment categories into core and non-core subsets is intended to help plans in determining the investment fund categories they may use in selecting investments to meet the needs of their plan and its participants and to carry out their fiduciary obligations.

ADP’s view is that core investment categories are the essential components in constructing investment portfolios. They satisfy the minimum criteria set forth when designing a properly defined contribution/401(k) plan investment menu. Core asset classes encompass a majority of the investing universe. They are mutually exclusive in that they have distinct risk/return characteristics, and can be combined to meet individual risk tolerances, investment horizons, philosophies, objectives, and preferences. In other words, they are base asset classes used to develop an investment portfolio. The core investment categories are the essential investment components for the average plan portfolio design.
CORE investment categories include:
- Money Market / Stable Value
- Intermediate Term Bond
- Large Blend
- Small Blend
- Foreign Large Blend

QDIA investment categories may include:
- Life Style (risk-based and/or target date)
- Conservative Allocation
- Moderate Allocation
- World Allocation

(1) For administrative reasons, ADP’s clients must select a “default fund” for their plan. This is the investment fund in which the account of a participant who has not made an affirmative investment election will be invested, until the participant makes an affirmative election. United States Department of Labor (“DOL”) Regulation Title 29 CFR 2550.404c-5 (the “Regulation”) provides for certain “safe harbor” protections to fiduciaries of plans where contributions made on behalf of participants who have not made affirmative investment elections are invested in a

(2) “qualified default investment alternative” (or “QDIA”), provided that the requirements of the Regulation are satisfied. The Regulation specifies certain types of investment funds and products that are eligible to be used as a QDIA and sets forth a number of requirements for funds to qualify as a QDIA. To assist clients in identifying investment funds that may qualify as QDIAs under the Regulation, ADP identifies investment funds for its clients (1) that have been designated by the investment fund (or its affiliates) or Morningstar® as “target date funds,” (2) which have an investment strategy to invest in both income and equity investments and have been designated by Morningstar® or the Fund as “allocation” funds (e.g., “moderate allocation” or “conservative allocation,”) or (3) which have an investment strategy to invest in both income and equity investments and that have been designated by the Fund as “risk based.” Many investment professionals would consider such “risk based” funds with both equity and income investments to constitute as “balanced” funds. However, clients must determine if they wish to obtain the safe harbor protection provided by the Regulation, and must determine if any particular fund meets the definition of a QDIA under the Regulation.

Non-core investment categories are typically added to an investment portfolio to provide investors with: (1) succinctly defined sub-sets of core investment categories, (2) an investment option(s) which combine core investment categories into pre-defined target allocations, and (3) specialized investment categories.

NON-CORE investment categories may include but not limited to:
- Fixed Income
  - Ultrashort Bond
  - Short-Term Government
  - Short-Term Bond
  - Intermediate-Term Government
  - Long-Term Government
  - Long-Term Bond
  - Inflation Protected Bond
  - High Yield Bond
  - Emerging Markets Bond
  - Multi-sector Bond
  - Bank Loan
  - World Bond
  - Convertible Bond
Domestic Equity
- Large Value
- Large Growth
- Mid Cap Value
- Mid Cap Blend
- Mid Cap Growth
- Small Value
- Small Growth

International Equity
- Foreign Large Value
- Foreign Large Growth
- Foreign Mid/Small Value
- Foreign Mid/Small Growth
- World Stock
- Diversified Emerging Markets
- Europe Stock
- Global Real Estate
- Japan Stock
- Latin America Stock
- Diversified Pacific/Asia Stock
- Pacific ex.Japan

Sector investment categories may be added to investment portfolios to provide investors with opportunities within narrowly-focused investment objectives.

**Sector investment categories may include but not limited to:**
- Communications
- Consumer Cyclical
- Consumer Defensive
- Equity Energy
- Financials
- Healthcare
- Industrials
- Natural Resources
- Equity Precious Metals
- Real Estate
- Technology
- Utilities

Commodity investment categories may be added to investment portfolios to provide investors with opportunities within narrowly-focused investment objectives.

**Commodity investment categories may include but not limited to:**
- Agriculture
- Broad Basket
- Energy
- Industrial Metals
- Miscellaneous
- Precious Metals
Alternative investment categories may be added to investment portfolios to provide investors with opportunities within narrowly-focused investment objectives.

**Alternative investment categories may include but not limited to:**
- Bear Market
- Currency
- Long/Short Equity
- Market Neutral

Additional investment strategies may include **Socially Responsible Investment** (SRI) Funds.

Morningstar Associates, LLC has designated the Specific Fund Category listing. The Specific Fund Category identifies Funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). The category listings are reviewed periodically and updated as needed.
IV: Selection Criteria for Investment Options

The following outlines criteria to be utilized by ADP in the selection of investment options at the time of selection.

Quantitative Criteria

Quantitative criteria to be used in the evaluation of investment funds are as follows:

- A minimum level of invested assets of at least $100 million; Exceptions may be made for new asset classes (i.e. age-based lifestyle funds)
- A documented investment performance track record for a minimum investment period of five years; Exceptions may be made for new asset classes (i.e. age-based lifestyle funds);
- Three and five-year total “Time Weighted Rates of Return” equal to or greater than the 50th percentile of an appropriate “peer group” of investment funds. (This may not include money market funds, cash equivalents, stable value funds or collective investment trust funds);
- An annualized expense ratio which is competitive within the “peer group” of investment funds
- Demonstrate a willingness to meet the requisite trading protocols for transacting in a “daily valued” qualified retirement program;
- An expressed willingness to conduct transactions at the program’s super “omnibus” trading level;
- An ability to accept additional invested assets from qualified retirement programs;
- No “front-end” sales charges or an ability to “waive” all such loads for qualified retirement programs;
- No deferred sales charges (“back-end” loads) of any kind.

Qualitative Criteria

Qualitative criteria may be considered in the selection for the most appropriate candidate fund may include:

- Experience and stability of the investment manager (team);
- A fund’s policy regarding revenue sharing and compensation of retirement plan recordkeepers for sub-transfer agency, accounting or other appropriate services. ADP may seek revenue sharing and compensation from investment funds and their affiliates that are competitive (from a recordkeeper’s viewpoint), as compared to similar amounts paid by other funds or their affiliates, and that enable ADP to charge plan sponsors and/or plans reasonable recordkeeping and processing fees;
- A fund’s policy regarding allocation to cash equivalent securities;
- A fund’s ability to remain open to accepting new investments from qualified retirement plans for a reasonably foreseeable period of time;
- An expressed willingness by fund management officials, upon the closing of its fund to new investors, to provide a reasonable period of time to ADP to implement this action;
- Reputation of the investment fund / investment organization within the investment community;
- A clearly defined and consistently applied investment philosophy and investment process
- A clearly articulated “buy / sell” investment strategy;
The consistent adherence to clearly defined parameters for diversification within the fund’s investment portfolio.

Selection Criteria for Target Date Investment Options

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind for retirement or another goal. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. Investment managers structure these portfolios differently; two funds with the same goal year may have different allocations to equities and therefore different levels of return and risk. The criteria is listed below.

Quantitative Criteria for Target Date Lifestyle set of funds selected and monitored in a Fund Family Target Date Series of funds. The criteria below is specific to the target date fund series and only applies to the target date funds. The criteria listed is for the full suite of funds in the series (i.e. 5-12+ options) or for the individual target year. When new target date year funds are added, they will be automatically added to the current target date fund families in the product.

Quantitative criteria to be used in the evaluation of investment funds are as follows:

- On average across the target date series a minimum level of invested assets of at least $100 million; If an individual fund has a five year track record the individual fund must have the minimum invested assets of at least $100 million. Exceptions may be made for new asset classes (i.e. 2050, 2055 etc. funds)
- A documented investment performance track record for a minimum investment period of five years; Exceptions may be made for new target date asset classes (i.e. 2050, 2055 etc. funds);
- On average across the target date series three and five-year total “Time Weighted Rates of Return” equal to or greater than the 50th percentile of an appropriate “peer group” of investment funds. Exceptions may be made for new target date asset classes (i.e. 2050, 2055 etc. funds);
- On average across the target date series an annualized expense ratio which is competitive within the “peer group” of investment funds
- Demonstrate a willingness to meet the requisite trading protocols for transacting in a “daily valued” qualified retirement program;
- An expressed willingness to conduct transactions at the program’s super “omnibus” trading level;
- An ability to accept additional invested assets from qualified retirement programs;
- No “front-end” sales charges or an ability to “waive” all such loads for qualified retirement programs;
- No deferred sales charges (“back-end” loads) of any kind.
**Qualitative Criteria** for Target Date Lifestyle set of funds selected and monitored in a Fund Family Target Date Series of funds:

Qualitative criteria may be considered in the selection for the most appropriate candidate fund may include:

- Experience and stability of the investment manager (team);
- A fund’s policy regarding revenue sharing and compensation of retirement plan recordkeepers for sub-transfer agency, accounting or other appropriate services. ADP may seek revenue sharing and compensation from investment funds and their affiliates that are competitive (from a recordkeeper’s viewpoint), as compared to similar amounts paid by other funds or their affiliates, and that enable ADP to charge plan sponsors and/or plans reasonable recordkeeping and processing fees;
- A fund’s policy regarding allocation to cash equivalent securities;
- A fund’s ability to remain open to accepting new investments from qualified retirement plans for a reasonably foreseeable period of time;
- An expressed willingness by fund management officials, upon the closing of its fund to new investors, to provide a reasonable period of time to ADP to implement this action;
- Reputation of the investment fund / investment organization within the investment community;
- A clearly defined and consistently applied investment philosophy and investment process
- A clearly articulated “buy / sell” investment strategy;
- The consistent adherence to clearly defined parameters for diversification within the fund’s investment portfolio.
V: Standards of Investment Performance for Individual Options

Each investment option shall be evaluated quarterly to objectively assess its net investment performance results (unless stated otherwise) against a comparative performance benchmark index and a universe of investment funds which primarily invest in the same investment category (where appropriate) according to independent mutual fund database providers (i.e., Morningstar, Inc.). Evaluation criteria have been established to assess the performance of individual investment options relative to an appropriate market benchmark. A fund is also reviewed against its “peer” group (where appropriate) over - “rolling” three and five year periods. The standards established for each investment category are listed on the following pages.

The funds in the target date series are evaluated as a whole and on average need to outperform their respective performance benchmark and their “peer” group (where appropriate) over - “rolling” three and five year periods.

Note:

Benchmarks for mutual funds are normally based on the Morningstar category benchmark assignment based on the fund’s Morningstar Category. For example, all funds in the large-growth category are compared with the Russell 1000 Growth index. In some instances the Prospectus Primary Benchmark will be utilized as defined as the investment product's primary benchmark.

Collective funds and/or Money Market Funds investment category/benchmark is provided by the Investment Manager and or Morningstar. The funds are typically managed by trust departments of banking institutions. Also referred to as a common pooled trust or collective fund.
VI: Standards of Investment Performance for Investment Options

The investment options are reviewed against their peer group category as defined by Morningstar and their performance benchmark as defined by Morningstar, in some cases the investment manager benchmark assignment will be used, for example for collective trust portfolios but not limited to collective trust portfolios. Morningstar assigns categories to all types of portfolios, such as mutual funds, variable annuities, and separate accounts. Portfolios are placed in a given category based on their average holdings statistics over the past three years. Morningstar’s editorial team also reviews and approves all category assignments. If the portfolio is new and has no history, Morningstar estimates where it will fall before giving it a more permanent category assignment. When necessary, Morningstar may change a category assignment based on recent changes to the portfolio.

The Minimum Comparative Standard over the three and five year time periods is compared against the total “net” time-weighted rates of return that matches or exceeds the median return of a universe of investment funds, determined by Morningstar, Inc. to be investing within the same investment category, on an annualized basis.

A tracking error is set in place for the following categories: Money Market/Cash Equivalents, Stable Value, and Index Funds. The tracking error is defined as: Total time-weighted rates of return should be equal to the Benchmark Index minus fund expenses and a tracking error of less than 0.50% to the benchmark on an annualized basis.
VII: Investment Options - Fund Evaluation

**QUANTITATIVE EVALUATION:**
The Committee retains the authority to periodically, but not less than annually, formally review, evaluate and, if appropriate, de-select investment options from the platform. The performance standards outlined in Section V of this Investment Policy Statement shall apply only to investment options specifically included on the investment platform. Each standard shall apply independently to the portfolio of each investment or in the case of the target date funds, the full series of target date funds, which are evaluated as a whole. Except where specified, all performance standards are to be achieved “net” of all investment management fees and fund expenses.

Should an individual investment option fail to meet the minimum comparative performance standard and also achieve an investment return “net” of its investment fees (unless specified “gross” of fees) which is less than its performance benchmark for the most recent three and five year periods the Committee may place the investment fund on the “Fund Watch List.” Should this investment fund remain on the Fund Watch List for a period of four consecutive calendar quarters, the fund may be subject to “De-selection” from the investment platform by the Committee. The minimum standard for retention of an investment fund on the Fund Watch List after four consecutive calendar quarters is contingent upon the fund outperforming the respective performance benchmark and/or their “peer” group (where appropriate) for the most recent trailing one year period. Other appropriate factors may be applied by the Committee in addition to the minimum standard in determining whether to retain such an investment fund.

Should the Committee determine that an investment fund no longer meets the minimum quantitative performance criteria as discussed above in this Investment Policy Statement, it may “de-select” (delete) the fund from the program. Please note that any fund that is de-selected in the list may remain, at the discretion of the Plan Sponsor, as an investment alternative available to participants under a plan. Once a decision is made to deselect an investment option, ADP will no longer monitor performance of such fund on its Scorecard report and will not make the fund available to existing or prospective clients in the future.

**QUALITATIVE EVALUATION:**
The Committee may determine to “watch list” or “de-select” an investment option or target date series for reasons other than a failure to meet applicable quantitative investment performance standards. Such reasons may be:

- A change to the fund’s investment manager(s) or significant changes within the fund’s immediate management team;
- A change to the fund’s investment management sub advisor;
- A change in ownership or control of the fund;
- A substantive change to the fund’s investment philosophy or investment process;
- A substantive change in the fund’s investment style;
- A substantive change in the fund’s investment category placement as determined by independent providers of fund evaluation services;
- A substantive change in the fund’s portfolio turnover ratio as compared to the fund’s historical turnover ratio norm;
- A substantive and consistent deviation from the investment characteristics consistent with its investment category;
- Violation of Securities and Exchange Commission (SEC) or Financial Industry Regulatory Authority (FINRA) rules or regulations as well as an other applicable statutory or regulatory requirements;
- Operational difficulties concerning either the fund’s pricing or trading protocols;
- A change in the fund’s policy regarding revenue sharing and compensation of retirement plan recordkeepers for sub-transfer agency, accounting or other appropriate services. ADP may seek revenue sharing and compensation from investment funds and their affiliates that are competitive (from a recordkeeper’s viewpoint), as compared to similar amounts paid by other funds or their affiliates, and that enable ADP to charge plan sponsors and/or plans reasonable recordkeeping and processing fees;
- At any time when the Plan Sponsor/Committee loses confidence in the fund’s future ability to achieve desired investment results.
VIII: Investment Performance Reporting

ADP will prepare a quarterly “Scorecard Evaluation Report” that will be published and made available on the ADP Plan Sponsor Web site. This report will include the following information:

- A review of the investment performance of major components of the equity and fixed income markets for periods ending with the most recent calendar quarter;

- A review of the investment performance of selected capital markets benchmark indices and Morningstar, Inc. investment categories for periods ending with the most recent calendar quarter;

- A review of the “net” investment performance results for each investment option for periods ending with the most recent calendar quarter;

- A disclosure of the standard/custom performance benchmark index for each investment fund;

- A review of each publicly-traded mutual fund’s Morningstar, Inc. investment category percentile ranking for three and five year periods ending with the most recent calendar quarter;

- An evaluation of each investment fund’s compliance with the quantitative guidelines established within the Investment Policy Statement guidelines. The Scorecard Evaluation Report will also indicate, if necessary, the date that an investment fund was placed on the Fund Watch List or has been “de-selected”;

- A “Glossary of Terms” to assist plans in their review and understanding of the investment terms that may be contained in the report.

Note: The Scorecard report is produced only for the funds made available on the Investment Platform.
IX: Responsibilities of the Plan Fiduciaries

Plan Fiduciaries should acknowledge their responsibility as a Fiduciary of the Plan. In this regard, a Plan Fiduciary must act prudently and for the exclusive benefit of participants and their beneficiaries. Specifically, the fiduciaries' responsibilities include the following:

- Complying with the provisions of all applicable federal and local regulations and rulings;
- Selecting investment funds which provide a range of risk/return alternatives and which are consistent with the needs of the participants;
- Developing investment parameters for each investment fund;
- Evaluating and appointing fund managers and consultants, as necessary, to manage or render advice regarding plan assets;
- Reviewing and evaluating the investment performance results of funds within the context of established performance benchmarks;
- Taking necessary corrective action as deemed prudent and appropriate whenever a fund manager fails to manage within established investment parameters;
- Taking necessary corrective action as deemed prudent and appropriate whenever a fund manager fails to meet its performance objectives;
- Communicating clearly the primary duties and responsibilities of those accountable for investing the Plan’s assets and achieving investment results.

A person is a fiduciary with respect to a plan to the extent (i) they exercise any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control with respect to the management or disposition of its assets, (ii) they render investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of such plan, or has any authority or responsibility to do so, or (iii) they have any discretionary authority or discretionary responsibility in the administration of such plan. Such term includes any person designated under section 405(c) (1) (B) [29 USCS §1105(c)(1)(B)]. If any money or other property of an employee benefit plan is invested in securities issued by an investment company registered, under the Investment Company Act of 1940, such investment shall not be by itself cause such investment company or its investment advisor or principal underwriter to be deemed to be a fiduciary or a party in interest as those terms are defined in this title “except insofar as such investment company or its investment advisor or principal acts in connection with an employee benefit plan covering employees of the investment company, the investment adviser, or its principal underwriter.” Nothing contained in this subparagraph shall limit the duties imposed on such Investment Company, investment advisor, or principal underwriter by any other law.

Source: Pension and Benefit Law Research Institute of America (1997)
Appendix: Glossary of Terms

Active Management
A portfolio management strategy that seeks to exceed the returns of a selected market index. Active managers rely on research, market forecasts, and their own judgment and experience in making investment decisions.

Aggressive Growth Fund
Funds that seek rapid growth of capital and that may invest in emerging market growth companies without specifying a market capitalization range. They often invest in small or emerging growth companies and are more likely than other funds to invest in IPO's or in companies with high price/earnings and price/book ratios. They may use such investment techniques as heavy sector concentrations, leveraging, and short-selling.

Asset Allocation Fund
A fund that invests its assets in a wide variety of investments which may include domestic and foreign stocks and bonds, government securities, and real estate. Some asset allocation funds keep the proportions allocated among different investments relatively constant; others alter the mix as market conditions change.

Asset Class
Groupings of investment types that share similar risk and return characteristics. The three primary asset classes are stocks, bonds, and cash investments.

Balanced Fund
Funds that seek both income and capital appreciation by investing in a generally fixed combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed-income securities at all times.

Bank Loan
Bank Loan funds invest in floating bank-rate bank loans instead of bonds. In exchange for their credit risk, these loans offer high interest payments that typically float above a common short-term benchmark such as the London interbank offered rate, or LIBOR.

Bear Market Category
Bear Market funds use short positions and derivatives in order to profit from stocks that drop in price. Because these funds have extensive holdings in shorts or puts, their returns generally move in the opposite direction of the benchmark index.

Bond
A type of debt instrument issued by corporations, governments, and government agencies. The issuer makes regular interest payments and promises to pay back, or redeem, the face value of the bond at a specified time called the maturity date.

Cash-or-Deferred Arrangement (CODA)
Generally known as a 401(k) plan, a qualified profit sharing or stock bonus plan that allows participants to elect to receive cash or to have the employer contribute amounts on their behalf to a plan.
Cash Investments
Short-term loans to a borrower with a very high credit rating, including short-term bank certificates of deposit (CDs), money market instruments, and U.S. Treasury bills. Cash investments are usually considered to have negligible (though not zero) market and credit risk.

Commingled Trust Fund
A vehicle in which assets of qualified plans, generally sponsored by unrelated employers, are pooled for investment purposes. Trust departments of banking institutions typically manage the funds. Also referred to as a common pooled trust or collective fund.

Commodities Agriculture
Agriculture portfolios invest in grain and feed products, oilseeds, cotton, dairy, livestock, poultry, and/or horticultural products. Investment can be made directly in physical assets or commodity linked derivative instruments.

Commodities Broad Basket
These portfolios can invest in a diversified basket of commodity goods including but not limited to grains, minerals, livestock, cotton, oils, sugar, coffee and cocoa. Investment can be made directly in physical assets or commodity linked derivative instruments, such as commodity swap agreements.

Commodities Energy
Energy portfolios invest in oil (crude, heating and gas), natural gas, coal, kerosene, diesel fuel and propane. Investment can be made directly in physical assets or commodity linked derivative instruments.

Commodities Industrial Metals
Industrial Metals portfolios invest in such industrial metals as aluminum, copper, lead, nickel and zinc. Investment can be made directly in physical assets or commodity linked derivative instruments.

Commodities Miscellaneous
Miscellaneous portfolios invest in a specific commodity that does not fit into any of Morningstar’s existing commodity categories and for which not enough funds exist to merit the creation of a separate category.

Commodities Precious Metals
Precious Metals portfolios invest in precious metals such as gold, silver, platinum, and palladium. Investment can be made directly in physical assets or commodity linked derivative instruments.

Communications Category
Communications portfolios concentrate on telecommunications and media companies of various kinds. Most buy some combination of cable television, wireless-communications, and communications-equipment firms as well as traditional phone companies. A few favor entertainment firms, mainly broadcasters, film studios, publishers, and on-line service providers.

Conservative Allocation
Conservative Allocation funds invest in both stocks and bonds and maintain a relatively smaller position in stocks. These funds typically have 20%-50% of assets in equities and 50%-80% of assets in fixed income and cash.

**Consumer Price Index**
The Consumer Price Index (CPI-U) is published by the United States Department of Labor, Bureau of Labor Statistics. The index measures the average change in prices over time of a fixed basket of goods and services. The CPI-U calculates this price change for all urban consumers.

All urban consumers are defined as all wage earners, clerical workers, professional, managerial and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. The index does not include persons in the military services, institutions or people outside the urban area. The CPI-U covers approximately 80% of the total non-institutional civilian population.

The Consumer Price Index (CPI-U) is based on prices of food, clothing, shelter, fuels, transportation fares, medical fees drugs, and other day-to-day living expenses. Prices are collected in 88 urban areas across the United States from about 57,000 housing units and 19,000 department stores, supermarkets, hospitals, gas stations and other stores and service establishments. Calculating price changes for the various items in each location creates the index. These price changes are averaged together with weights, which represent the importance in the spending of the appropriate population group. The local data is then combined to obtain the U.S. City average.

**Convertible Bond Category**
Funds that invest primarily in bonds and preferred stocks that can be converted into common stocks.

**Corporate Bond--General**
Funds that seek income by investing in fixed-income securities. Funds with this objective may hold a variety of issues, including but not limited to government bonds, high-quality corporates, mortgages, asset-backed, bank loans and junk bonds.

**Corporate Bond--High Quality**
Offerings that seek income by investing at least 65% of their assets in corporate debt securities rated A or higher. They generally maintain average ratings of AA or better.

**Corporate Bond--High Yield**
Funds that seek income by generally investing 65% or more of their assets in bonds rated below BBB. The price of these issues is generally affected more by the condition of the issuing company (similar to a stock) than by the interest-rate fluctuation that usually causes bond prices to move up and down.

**Credit Risk**
The possibility that a bond issuer will default; that is, fail to repay principal or interest to a bondholder in a timely manner or at all. Also known as default risk.

**Currency**
Currency portfolios invest in U.S. and foreign currencies through the use of short term money market instruments; derivative instruments, including and not limited to, forward currency contracts, index swaps and options; and cash deposits.
Defined Contribution Plan
A type of qualified plan in which a participant’s benefits are based solely on the participant’s account balance; the account balance depends on the level of employer and employee contributions and the investment earnings (or losses) on those contributions.

Diversification
A strategy for investing in different asset classes to reduce the risks inherent in investing in a single class.

Diversified Emerging Markets
Funds that seek capital appreciation by investing primarily in equity securities issued in emerging markets worldwide. These funds generally do not concentrate their investments in any one region.

Diversified Pacific/Asia Stock
These portfolios have a wider investment range than other Asia-oriented portfolios. They can invest throughout the Pacific Rim, including Australia and New Zealand. As a result, country weightings for these portfolios vary tremendously, though most retain some exposure to Japan and Hong Kong. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Pacific countries, including at least 10% in Japan.

Emerging Markets Bond
Invests more than 65% of their assets in foreign bonds from developing countries. The largest portion of the emerging-markets bond market comes from Latin America, followed by Eastern Europe, Africa, the Middle East, and Asia make up the rest.

Employee
Any individual employed by the employer maintaining the plan or any affiliated employer required to be aggregated with the employer under Code Sections 414(b), 414(c), 414(m), and 414(o). A leased employee may also be deemed an employee for purposes of these rules.

Employee-Directed Plan
A plan that permits employees to select investment choices for their account balances.

Employee Retirement Income Security Act of 1974 (ERISA)
An act of Congress encompassing both Internal Revenue Code provisions, which determine when a plan is tax qualified, and Department of Labor provisions, which govern the rights of participants and beneficiaries and the obligations of plan fiduciaries.

Energy Sector Category
Includes oil and natural gas services. Some examples of companies in this sector include Amoco, Chevron, Dresser Industries, Noble Drilling, Pennzoil, and Resource America.

Equity Energy
These portfolios invest primarily in equity securities of U.S. or non-U.S. companies who conduct business primarily in energy-related industries. This includes and is not limited to companies in alternative energy, oil and gas service, pipelines, natural gas services and refineries.

Equity-Income
Funds that are expected to pursue current income by investing at least 65% of their assets in dividend-paying equity securities.

**Equity Precious Metals Category**
Precious metals portfolios focus on mining stocks, though some do own small amounts of gold bullion. Most portfolios concentrate on gold-mining stocks, but some have significant exposure to silver, platinum, and base-metal-mining stocks as well. Precious-metals companies are typically based in North America, Australia, or South Africa.

**Europe Stock**
Portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Europe. Most of these portfolios emphasize the region’s larger and more developed markets, including Britain, the Netherlands, Germany, France, and Switzerland. Many also invest in the region’s smaller markets, including the emerging markets of eastern Europe.

**Fiduciary**
Under ERISA, any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.

**Financial Category**
Financial portfolios seek capital appreciation by investing primarily in equity securities of U.S. or non-U.S. financial-services companies, including banks, brokerage firms, insurance companies, and consumer credit providers. Primary Index: Standard & Poor’s 500 Secondary Index: Dow Jones Financial

**Fixed-Income Fund**
A fund with the objective of providing current income, primarily from fixed-income securities or bonds.

**Foreign Large Blend**
These funds seek capital appreciation by investing in a variety of large international stocks. Large-cap foreign stocks have market capitalizations greater than $5 billion. The blend style is assigned to funds where neither growth nor value characteristics predominate. These funds typically will have less than 20% of assets invested in U.S. stocks.

**Foreign Large Growth**
These funds seek capital appreciation by investing in large international stocks that are growth-oriented. Large-cap foreign stocks have market capitalizations greater than $5 billion. Growth is defined based on high price-to-book and price-to-cash flow ratios, relative to the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.

**Foreign Large Value**
These funds seek capital appreciation by investing in large international stocks that are value-oriented. Large-cap foreign stocks have market capitalizations greater than $5 billion. Value is defined based on low price-to-book and price-to-cash flow ratios, relative to the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.

**Foreign Small/Mid Growth**
These funds seek capital appreciation by investing in small- and mid-sized international stocks that are growth-oriented. Small- and mid-cap stocks have market capitalizations less than $5 billion. Growth is defined based on high price-to-book and price-to-cash flow ratios, relative to
the MSCI EAFE index. These funds typically will have less than 20% of assets invested in U.S. stocks.

Foreign Small/Mid Value
These funds invest in international stocks that are smaller and less expensive than other stocks. These portfolios primarily invest in stocks that fall in the bottom 30% of each integrated market. Value is defined based on low valuations and slow growth. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Foreign Stock
Funds that invest primarily in equity securities of issuers located outside the United States.

Global Real Estate
Global Real Estate portfolios invest primarily in non-U.S. real estate securities, but may also invest in U.S. real estate securities. Securities that these portfolios purchase include: debt equity securities, convertible securities, and securities issued by Real Estate Investment Trusts (REITs) and REIT like entities. Portfolios in this category also invest in real-estate operating companies.

Government Bond--Adjustable-Rate Mortgage
Funds that invest at least 65% of their assets in mortgage or mortgage-related securities with adjustable coupons. These securities are usually backed by the U.S. government.

Government Bond--General
Offerings that pursue income by investing in a combination of mortgage-backed securities, Treasuries, and agency securities.

Government Bond--Mortgage
Funds that seek income by generally investing at least 65% of their assets in securities backed by mortgages, such as securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

Government Bond--Treasury
Treasury funds that seek income by generally investing at least 80% of their assets in U.S. Treasury securities.

Growth Fund
Funds that pursue capital appreciation by investing primarily in equity securities. Current income, if considered at all, is a secondary concern.

Growth and Income
Growth of capital and current income are near-equal objectives for these funds. Investments are typically selected for both appreciation potential and dividend-paying ability.

Guaranteed Investment Contract (GIC)
A contract sold by an insurance company that guarantees payment of interest on the amount invested for a term usually from one to five years, although longer terms may be available. Also known as a Guaranteed Return Annuity Contract (GRAC).

Healthcare Category
Health portfolios focus on the medical and health-care industries. Most invest in a range of companies, buying everything from pharmaceutical and medical-device makers to HMOs, hospitals, and nursing homes. A few portfolios concentrate on just one industry segment, such as service providers or biotechnology firms.

**High Yield Bond**
Concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. Primarily invest in U.S. high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard Poor’s or Moody’s at the level of BB and below.

**Income**
Funds in this objective seek income from the dividends and interest generated by a fund’s holdings.

**Index**
An indicator that reflects the value of a representative groups of securities. For example, the Dow Jones Industrial Average or Standard & Poor’s Index of 500 Industrial Stocks.

**Index Fund**
A fund that seeks to parallel the performance of a particular stock or bond market index.

**Index Investing**
An investment strategy that structures a portfolio so that its holdings replicate a specific stock or bond market index and are thus expected to provide a return that tracks with that specific benchmark. Index funds offer investors a passive approach to investing. Advantages associated with passive management are low investment costs and minimal portfolio turnover.

**Inflation-Protected Bond**
Invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer of these types of securities.

**Inflation Risk**
The possibility that increases in the cost of living will reduce or eliminate the real returns on a particular investment.

**Interest Rate Risk**
The risk that a security will decline in price because of changes in market interest rates.

**Intermediate-Term Bond**
A fund that focuses on corporate and other investment-grade issues with an average duration of greater than or equal to 3.5 years but less than or equal to six years or an average effective maturity of more than four but less than ten years.

**Intermediate-Term Government Bond**
A fund with at least 90% of its bond portfolio invested in government issues with a duration of greater than or equal to 3.5 years and less than six years or an average effective maturity of greater than or equal to four years and less than 10 years.
International Equity Funds
Equity funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international equity class. These categories include:
**Investment Policy Statement**
A statement that sets forth investment objectives and constraints as well as the methods by which those objectives will be attained and measured.

**Investment Style**
A broad indicator of a fund’s investment emphasis. For U.S. stock funds investment style usually indicates whether a fund emphasizes stocks of large-, medium-, or small-capitalization companies and whether it emphasizes stocks with growth or value characteristics or a blend of those characteristics.

**Japan Stock**
Japan Stock portfolios emphasize companies based in Japan. The Japanese stock market is one of the largest in the world, so these portfolios’ holdings vary significantly. Some portfolios concentrate of Japan’s larger companies, while others concentrate on the nation’s smaller firms. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Japan.

**Large Blend**
Large Blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios’ returns are often similar to those of the SP 500 Index.

**Large Growth**
Large Growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth and high valuations. Most of these portfolios focus on companies in rapidly expanding industries.

**Large Value**
Invest in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuation and slow growth.

**Latin America Stock**
Latin America Stock portfolios invest almost exclusively in stocks from Latin America. Most of these portfolios strongly favor the area’s large markets, specifically Brazil, Mexico, and Argentina. Smaller markets such as Peru or Columbia aren’t generally as well-represented in these portfolios. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Latin America.

**Lifecycle Fund**
A highly diversified fund designed to remain appropriate for investors in terms of risk throughout a variety of life circumstances. Accordingly, lifecycle funds offer different risk profiles that investors can shift invested funds between in order to manager risk effectively as they move from youth to middle age to retirement. Although lifecycle funds all share the common goal of first growing and then later preserving principal, they can contain any mix of stocks, bonds, and cash.
Lifestyle Fund
An investment fund featuring an asset mix determined by the level of risk and return that is appropriate for an individual investor. Factors that determine this mix include an investor's age, level of risk aversion, the investment's purpose and the length of time until the principal will be withdrawn.

Long-Short
These portfolios hold sizable stakes in both long and short positions. Some funds that fall into this category are market neutral – dividing their exposure equally between long and short positions in an attempt to earn a modest return that is not tied to the market's fortunes. Other portfolios that are not market neutral will shift their exposure to long and short position depending upon their macro outlook or the opportunities they uncover through bottom-up research.

Long-Term Bond
A fund that focuses on corporate and other investment grade issues with an average duration of greater than six years or an average effective maturity greater than 10 years.

Long-Term Government Bond
A fund with at least 90% of its bond portfolio invested in government issues with duration of greater than six years or an average effective maturity of greater than or equal to 10 years.

Manager Risk
The possibility that a fund’s portfolio manager may fail to execute a fund’s investment strategy or style effectively and consistently so that the fund fails to achieve its statement objective.

Market Capitalization Breakdown
Morningstar separates stock portfolio holdings into five market-capitalization groups: Giant, Large, Mid, Small, and Micro. Of the 5000 largest domestic stocks in our equities database, the top 1% is categorized as Giant, the next 4% are Large, the next 15% are Mid, the next 30% are Small, and the remaining 50% are Micro. Stocks outside of the largest 5000 are also classified as Micro. The percentage of micro-cap stocks may seem lopsided, but the relatively small number of big, blue chip stocks accounts for a huge portion of the total amount of money invested in the market.

Market Risk
The possibility that stock or bond prices over broad segments of the market will fluctuate.

Median Returns
Median returns of each investment category are determined from Morningstar, Inc.’s Principia Pro Plus database of mutual funds. The median return is derived from a review of all investment funds identified by Morningstar, Inc. in a given investment category. The median return indicates that 50% of the available funds in the investment category had a net investment return greater than the median and approximately 50% of the available funds had a net investment return less than the category's median return.

Mid-Cap Blend
The typical Mid-Cap Blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of-the-road profile. Most shy away from high-priced growth stocks, but aren’t so price-conscious that they land in value territory. The U.S. mid-cap range for market capitalization typically falls between $1 billion and represents 20% of the total capitalization of the U.S. equity
Market. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

**Mid-Cap Growth**
Some Mid-Cap Growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-Cap Growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. The U.S. mid-cap range for market capitalization typically falls between $1 billion - $8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth and high valuations.

**Mid-Cap Value**
Some Mid-Cap Value portfolios focus on medium-size companies while others land here because they own a mix of small, mid and large cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. The U.S. mid-cap range for market capitalization typically falls between $1 billion and $8 billion and represents 20% of the total capitalization of the U.S. equity market. Value is defined based on low valuations and slow growth.

**Moderate Allocation**
Moderate Allocation funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash.

**Money Market Fund**
A fund that invests in highly liquid short-term securities, including bank certificates of deposits (CDs), commercial paper, and Treasury Bills (T-Bills).

**MSCI EAFE Index**

**MSCI World Index**
The Morgan Stanley Capital International (MSCI) World Index measures the performance of the stock market in the following countries: Argentina, Brazil, Canada, Chile, Greece, India, Indonesia, Jordan, Korea, Malaysia, Mexico, Pakistan, Peru, Portugal, Sri Lanka, Taiwan, Thailand, Turkey, United States, and Venezuela in US dollar terms.

**Multi asset--Global**
Funds that seek total returns by investing in varying combinations of equities, fixed-income securities, and other asset classes. These funds may invest a significant portion of assets in securities of foreign issuers.

**Multisector Bond**
Funds that seek income by diversifying their assets among several fixed-income sectors, such as U.S. government obligations, foreign bonds, and high-yield domestic debt securities.

**Mutual Fund**
An investment company that combines the money of its numerous shareholders to invest in a variety of securities in an effort to achieve a specific objective over time.
National Association of Real Estate Investment Trusts Equity (REIT’s Index)
The NAREIT Equity – REIT’s Index is an index developed by the National Association of Real Estate Investment Trusts (NARIET) to measure the performance of tax-qualified equity REIT’s listed on the New York Stock Exchange, American Stock Exchange and the FINRAAQ National Market System. The total return is market value weighted and does not include dividends.

Natural Resources Category
Natural resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S. Some portfolios invest across this spectrum to offer broad natural resources exposure. Others concentrate heavily or even exclusively in specific industries including energy or forest products.

Pacific Stock  ex-Japan
This portfolio covers a wide geographic area. Most of these portfolios focus on export-oriented nations such as Hong Kong, Singapore, Taiwan, and Korea. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Pacific countries, with less than 10% in Japan.

PSE Technology 100 Index
The Pacific Stock Exchange (PSE) Technology 100 Index is a price-weighted, broad-based index of 100 exchange-listed-and-over the counter stocks. This index populates fifteen industries and, as of the end of 1995, it represented a market capitalization of nearly $600 billion. The industry groups include biotechnology, CAD/CAM, data communications, microcomputer manufacturing, office automation equipment, semiconductor capital equipment manufacturing, data storage and processing, large diversified computer manufacturing, electronic equipment, information processing, medical technology, semiconductor manufacturing, software products, and test, analysis, and instrumentation equipment.

Participant
An employee or former employee who has an accrued benefit under a plan.

Profit Sharing Plan
A plan under which contributions made by the employer is allocated to participants pursuant to a definite predetermined formula. Contributions are generally discretionary and may be made without regard to profits.

Prospectus
A fund's formal written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g.: history and investment objective) that an investor should know in order to make an informed decision.

Qualified Plan
A plan, the provisions of which satisfy Code Section 401(a). Sometimes used more broadly to include plans that qualify under other Code sections.

Real Estate Category
Real estate portfolios invest primarily in real-estate investment trusts (REITs) of various types. REITs are companies that develop and manage real-estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs. Some portfolios in this category also invest in real-estate operating companies.
Risk
The possibility of deviation from a particular target; from an investor’s perspective, the chance of financial loss or not attaining investment goals. Risk is often measured as the amount of unpredictable variability in the return on an investment.

Risk Tolerance
An investor’s personal ability or willingness to endure declines in the prices of investments. Sometimes measured by risk tolerance questionnaires.

Russell 2000 Index
The Russell 2000 Index is intended to be a small capitalization market proxy. The index consists of the 2000 smallest stocks in the Russell 3000 representing approximately 7% of the total US equity market. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

S&P 400 Index
The S&P 400 Midcap Index consists of 400 domestic stocks, which are chosen by a committee at Standard & Poor's based on market capitalization, liquidity and industry representation. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

S&P 500 Index
The S&P 500 Index is an unmanaged index containing common stocks of 500 industrial, transportation, utility and financial companies regarded as generally representative of the US stock market. The index reflects the reinvestment of dividends, if any, and capital gain distributions, if any, but does not reflect fees, brokerage commissions, or other expenses of investing. This index is used for comparison purposes. It is not possible to invest in an index.

Sector Fund
A mutual fund which invests entirely or predominantly in a single sector. Some common sector funds include financial services funds, gold and precious metals funds, health care funds, and real estate funds.

Self-Directed Option
An investment option permitting participants to invest their plan assets in an unlimited number of investment alternatives through either a full brokerage account or a mutual fund window.

Short-Term Bond
A fund that focuses on corporate and other investment-grade issues with an average duration of more than one but less than 3.5 years or an average effective maturity of more than one but less than four years.

Short-Term Government Bond
A fund with at least 90% of its bond portfolio invested in government issues with a duration of greater than or equal to one year and less than 3.5 years or an average effective maturity of greater than or equal to one year and less than four years.
Small Blend
Small-Blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Small Company
Funds that seek capital appreciation by investing primarily in stocks of companies with market capitalizations of less than $1 billion. In this objective, income payments from dividends are unlikely.

Small Growth
Small-Growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth and high valuations.

Small Value
Small-Value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuation and slow growth.

Socially Responsible Fund
A mutual fund that invests in companies that meet certain ethical and moral standards. Some examples include funds that only invest in environmentally conscious companies (“green funds”), funds that invest in hospitals and health care centers, and funds that avoid investing in alcohol or tobacco companies.

Stable Value Fund
A unique asset class offering defined contribution plan participants intermediate term returns and liquidity (subject to plan rules) without market value risk or other penalty. This is typically accomplished through a wrap contract or investment contract that guarantees the payment of plan-related benefits at book value (cost plus accrued interest,) which enables the entire investment to be carried at its book value.

Stock
A security that represents part ownership, or equity, in a corporation.

Stock Fund
A fund whose investment holdings consist mainly of stocks.

Technology Category
Technology portfolios buy high-tech businesses in the U.S. or outside of the U.S. Most concentrate on computer, semiconductor, software, networking, and Internet stocks. A few also buy medical-device and biotechnology stocks and some concentrate on a single technology industry.
TIPS
Treasury Inflation-Protected Security. A security which is identical to a treasury bond except that principal and coupon payments are adjusted to eliminate the effects of inflation.

Trust
A legal entity established under state law that holds and administers plan assets for the benefit of participants and beneficiaries.

Trustees
The party or parties named in a trust document who are assigned responsibility for holding plan assets for the benefit of participants and beneficiaries in accordance with the terms of the plan and trust.

Ultrashort Bond
A fund that focuses in investment-grade U.S. fixed-income and have durations of less than one year. They usually offer minimal interest-rate sensitivity and therefore low risk and total return potential.

Utilities Category
Utilities portfolios seek capital appreciation by investing primarily in equity securities of U.S. or non-U.S. public utilities including electric, gas, and telephone-service providers.

Value Stock
Those stocks that have relatively high dividend yields and that sell at relatively low prices in relation to their earnings or book value. Funds that emphasize value stocks are sometimes called growth and income or “value” funds.

World Allocation
Seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. While these portfolios do explore the whole world, most of them focus on the U.S., Canada, Japan, and the larger markets in Europe. It is rare for such portfolios to invest more than 10% of their assets in emerging markets.

World Bond
Invest 40% or more of their assets in foreign bonds. Some world bond portfolios follow a conservative approach, favoring high-quality bonds from developed markets. Others are more adventurous, and own some lower quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the U.S., while others regularly invest in both U.S. and non-U.S. bonds.

World Stock
These portfolios invest the majority of their assets in the U.S., Europe, and Japan, with the remainder divided among the globe’s smaller markets. These portfolios typically have 20%-60% of assets in U.S. stocks.