Portfolio Gap Analysis

Prepared For:

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April 9, 2012

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Introduction

This Portfolio Gap Analysis is designed to analyze your current portfolio to identify specific deficiencies and potential opportunities for improvement by transitioning to a recommended portfolio. The key areas of analysis include asset allocation, diversification, investment costs, portfolio risk and efficiency.

Investor Information

Client Name:	Tom Buchannon
	Daisy Buchannon
Advisor Name:	Nick Caraway
Portfolio Value:	$1,000,000
Analysis Date:	April 9, 2012

Data Assumptions

The following holdings were outside the universe of Morningstar investments. The proxies listed were utilized in place of each holding.

Holding	Symbol	Asset Class	Proxy Used	Percent of Portfolio
Cash		Cash & Cash Alternatives	USTREAS T-Bill Auction Ave 3 Mon	9.00%
Non-Traded REIT		REITs	DJ US Select REIT TR USD	1.00%
Money Market Fund	$CASH$	Cash & Cash Alternatives	USTREAS T-Bill Auction Ave 3 Mon	3.00%

Recommended Portfolio

Asset Class	Fund Name	Ticker	Weight
Cash & Cash Alternatives	Money Market Fund	$CASH$	3%
Short-Term Fixed Income	DFA Five-Year Global Fixed-Income I	DFGBX	24%
Short-Term Fixed Income	DFA One-Year Fixed-Income I	DFIHX	23%
US Market	DFA US Core Equity 1 I	DFEOX	5%
US Large Value	DFA US Large Cap Value I	DFLVX	8%
US Small Neutral	DFA US Small Cap I	DFSTX	5%
REITs	DFA Real Estate Securities I	DFREX	2%
International Large Value	DFA Intl Value I	DFIVX	15%
International Small Neutral	DFA Intl Small Company I	DFISX	9%
Emerging Markets	DFA Emerging Markets I	DFEMX	6%

- **Asset Allocation:** The recommended portfolio provides an equity-to-fixed income ratio determined most suitable based on an assessment of your investment goals and risk tolerance.
- **Portfolio Diversification:** The recommended portfolio is diversified on multiple levels:
  - diversified across a number of distinct equity asset classes
  - globally diversified up to 43 country markets
  - broadly diversified across thousands of individual securities to help minimize company-specific risk
- **Equity Risk:** The recommended portfolio emphasizes value and small capitalization equities in an effort to increase the longer-term return potential of the equity allocation.
- **Fixed Income Risk:** The recommended portfolio emphasizes high-quality, short-term fixed income because the primary role of fixed income in the portfolio is to dampen overall portfolio volatility.
- **Investment Costs:** The recommended portfolio invests in structured asset classes with lower than the industry's average management expenses and lower fund turnover, which incurs lower transaction costs.[1]
- **Portfolio Risk Profile and Efficiency:** The risk profile of the recommended portfolio is suitable based on an assessment of your risk capacity and risk tolerance. The recommended portfolio attempts to maximize the potential benefits of diversification through exposures to select asset classes.

[1] Dimensional Fund Advisors. "Low Fees Add Value." Morningstar Inc., 17 Apr. 2011.

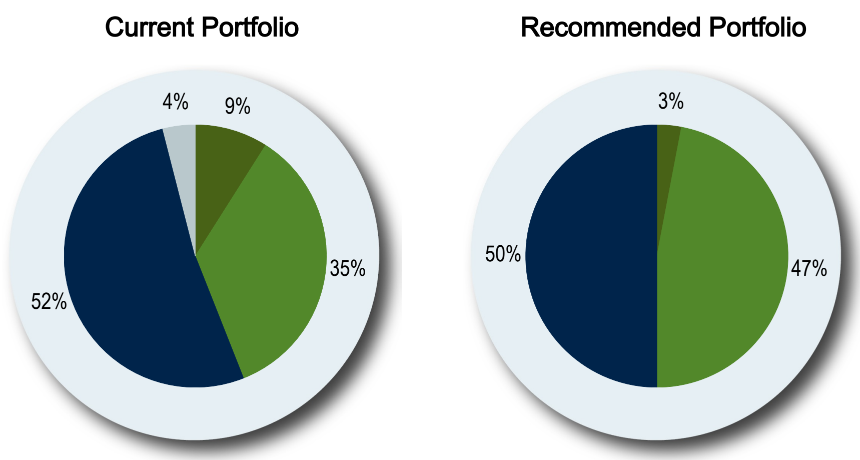
Potential Gap

Asset Allocation

One of the most important steps in efficient portfolio construction is setting the proper asset allocation.

In a study conducted by academics Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, asset allocation was found to account for 93.6%[1] of the variation in portfolio return.

Asset allocation establishes what portion of your portfolio will be exposed to the volatility of the equity markets. The proper allocation must be determined with care and in context with your investment goals and your personal risk tolerance.



	Current	Recommended	Gap
Cash	9%	3%	6%
Fixed Income	35%	47%	12%
Equity	52%	50%	2%
Other	4%	0%	4%

Figures may not add up to 100% due to rounding.

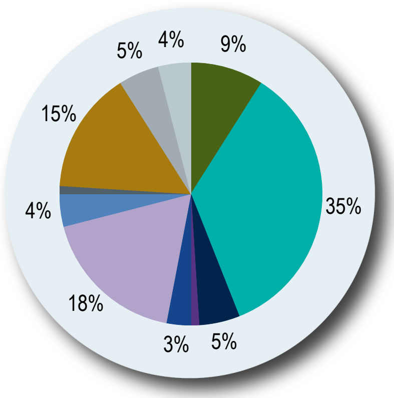
[1] Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower. "Determinants Of Portfolio Performance." Financial Analysts Journal 42.4 (1986): 39-44. Print.

Potential Gap

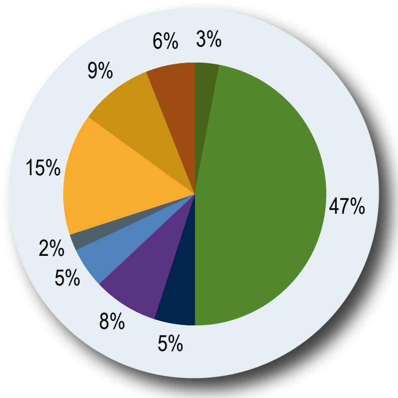
Asset Class Diversification

It is important that you have a sufficient level of diversification across a number of distinct equity asset classes with dissimilar characteristics to maximize potential diversification benefits[1]. Your recommended portfolio was designed with asset class exposures optimally weighted with the intention of reducing risk or improving returns.

Current Portfolio



Recommended Portfolio



	Current	Recommended	Gap
Cash & Cash Alternatives	9%	3%	6%
Short-Term Fixed Income	0%	47%	47%
High Yield Bonds	35%	0%	35%
US Market	5%	5%	0%
US Large Value	1%	8%	7%
US Large Neutral	3%	0%	3%
US Large Growth	18%	0%	18%
US Small Neutral	4%	5%	1%
REITs	1%	2%	1%
International Large Value	0%	15%	15%
International Large Neutral	15%	0%	15%
International Small Neutral	0%	9%	9%
Emerging Markets	0%	6%	6%
Global Stock	5%	0%	5%
Commodities	4%	0%	4%

The illustration shows the asset class mix of your current and recommended portfolios. The Gap column highlights the deficiencies and over concentrations of your current portfolio relative to the

[1] Harry M. Markowitz - Autobiography, The Nobel Prizes 1990, Editor Tore Frängsmyr, [Nobel Foundation], Stockholm, 1991

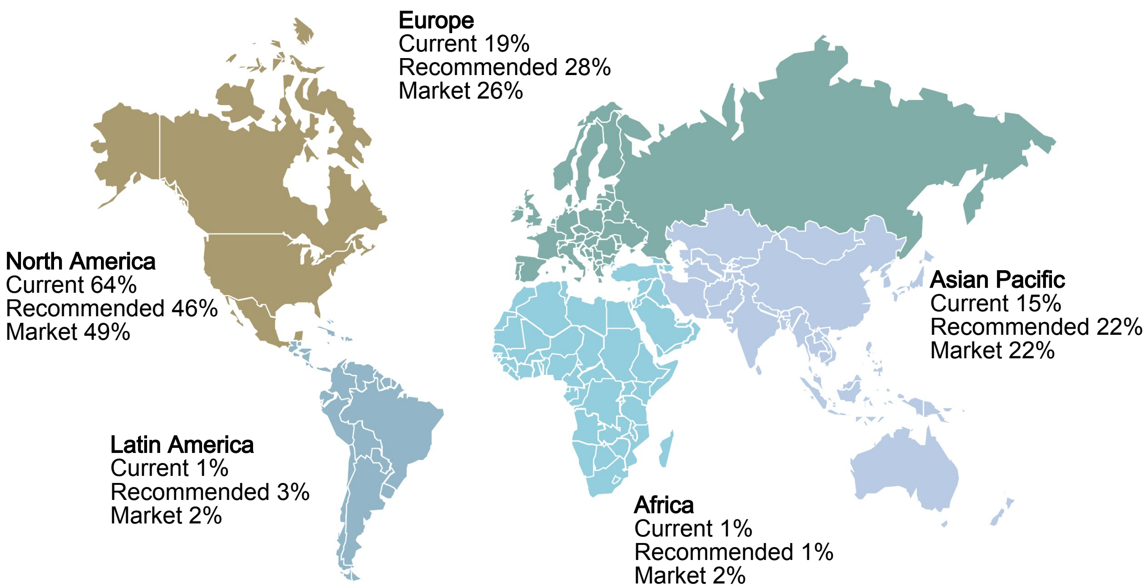
Asset Class Diversification *continued*

recommended risk-based portfolio.

Global Diversification

Historically, international markets have not moved in unison with the U.S. market. Incorporating both international and domestic equities into a portfolio increases diversification and can potentially lower volatility.

While the U.S. stock market is one of the world's largest, the U.S. accounts for less than half of the world's market capitalization, and this percentage continues to shrink. If you invest only in the U.S. markets, you are only utilizing less than half of the global investment opportunities. By 2050, experts predict the United States will account for only 17% of global market capitalization.



For effective global diversification, we recommend investment allocations that are similar to the relative weight of each region within the global markets, with a reasonable variation based on investment preferences and risk tolerances. The map above compares each portfolios' exposure in various regions of the world relative to the distribution of world market capitalization.

Data Sources: Dimensional Fund Advisors, "Global Market Breakdown" (August 2011)

Potential Gap

Global Diversification *continued*

International investments include developed markets with well established companies and listing standards similar to the U.S., and also include emerging markets countries with potentially rapid but volatile growth.

International investing can help enhance the diversification of a portfolio as it spreads risk across several economies and financial markets. There is a wide range of returns generated from each individual country market as driven by individual geopolitical or economic factors. Investments across a greater number of individual country markets investments may provide more effective diversification.

The table below compares the weights of the current and recommended portfolios relative to the global market distribution.

	Global Market	Current Portfolio	Recommended Portfolio	Gap
	% Weight	% Weight	% Weight	% Weight
United States	44	57	36	21
Developed International	43	36	55	19
Emerging Markets	13	7	9	2
Not Classified	0	0	0	0

Figures are rounded to the nearest 1%.

The table below presents the number of individual securities holdings within the U.S., Developed International, and Emerging Markets countries. The recommended portfolio includes up to 10,000 distinct individual securities across the global markets.

	Global Market	Current Portfolio	Recommended Portfolio	Gap
	Number of Securities	Number of Securities	Number of Securities	Number of Securities
United States	3581	2471	3331	860
Developed International	3715	293	5140	4847
Emerging Markets	2810	86	728	642
Not Classified	0	0	0	0
Total	10106	2850	9199	6349

The Russell 3000E Index is used as the proxy for the United States. The proxies for the Developed International and Emerging Markets are the respective developed country and emerging country portions from MSCI All Country World IMI ex USA Index. Dimensional Fund Advisors, “Global Market Breakdown” (August 2011)

☑ Potential Gap

Equity Concentration Risk

Equity holdings diversification is a means to help eliminate unsystematic or company-specific risk[1]. During periods of high market volatility, the returns for individual stocks may vary substantially. Broad diversification across a large number of individual stocks is intended to minimize the possibility that any single holding will guide the returns of the portfolio.

For effective diversification, we recommend that the top 10 stocks should not represent more than 10% of your portfolio. Too much concentration in your portfolio may subject your portfolio to unnecessary risks.

It is also important to review the amount of cash held within your equity mutual funds and managed investments to ensure that they are efficiently capturing the market rates of returns offered by each asset class. Cash Efficiency of less than 2% will ensure that your investments are being efficiently managed to reduce the diluting effects of cash in an equity fund or managed account.

	Current Portfolio	Recommended Portfolio	Gap
Total Stocks	2,850	9,199	6,349
Top 10 Stocks	3.9%	1.9%	2.0%
Average Duplicated Securities	2.27	2.00	0.27
Cash Efficiency	6.12%	0.29%	5.83%

The chart below compares the holding concentration across the various equity investments in your current and recommended portfolios.

Current Portfolio Top Ten Holdings (3.9%)

Apple, Inc.	1.1%
Google, Inc. Class A	0.7%
Netflix, Inc.	0.5%
Philip Morris International, I	0.3%
Samsung Electronics Co Ltd	0.3%
Novo Nordisk A/S	0.2%
Oracle Corporation	0.2%
Microsoft Corporation	0.2%
Home Depot, Inc.	0.2%
America Movil, S.A.B. de C.V.	0.2%

0% – 10%

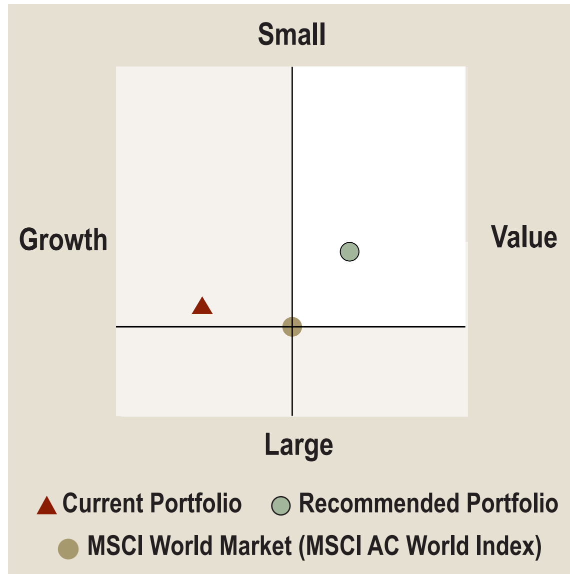
Recommended Portfolio Top Ten Holdings (1.9%)

0.3%	Royal Dutch Shell PLC ADR
0.3%	Vodafone Group PLC ADR
0.2%	General Electric Co
0.2%	AT&T Inc
0.2%	ConocoPhillips
0.2%	Pfizer Inc
0.2%	BP PLC ADR
0.1%	CVS Caremark Corp
0.1%	Union Pacific Corp
0.1%	Kraft Foods Inc

[1] "Unsystematic Risk Definition." Investopedia.com - Your Source For Investing Education. Web. 04 Nov. 2011. http://www.investopedia.com/terms/u/unsystematicrisk.asp.

Potential Gap

Equity Style & Risk



Over time markets have shown a strong relationship between risk and return. This means that the compensation for taking on increased levels of risk is the potential to earn greater returns. According to noted academic research by Professors Eugene Fama and Ken French[1], there are three "factors" or sources of potentially higher returns with higher corresponding risks.

1. Equity Market

2. Small Company Stocks

3. Value Company Stocks

Lower-priced "value" stocks have historically generated higher long-term returns and risk than higher-priced "growth" stocks. Small company stocks have historically generated higher long-term returns and risk than large company stocks.

Small and Value Equity Weightings

	Current	Recommended	Gap
Small	9%	20%	11%
Value	23%	44%	21%

In line with this research, the recommended portfolio emphasizes small capitalization and value stocks in an effort to increase the return potential of the equity allocation.

[1]Fama, Eugene F.; French, Kenneth R. (1992). "The Cross-Section of Expected Stock Returns". *Journal of Finance* 47 (2): 427–465. doi:10.2307/2329112.

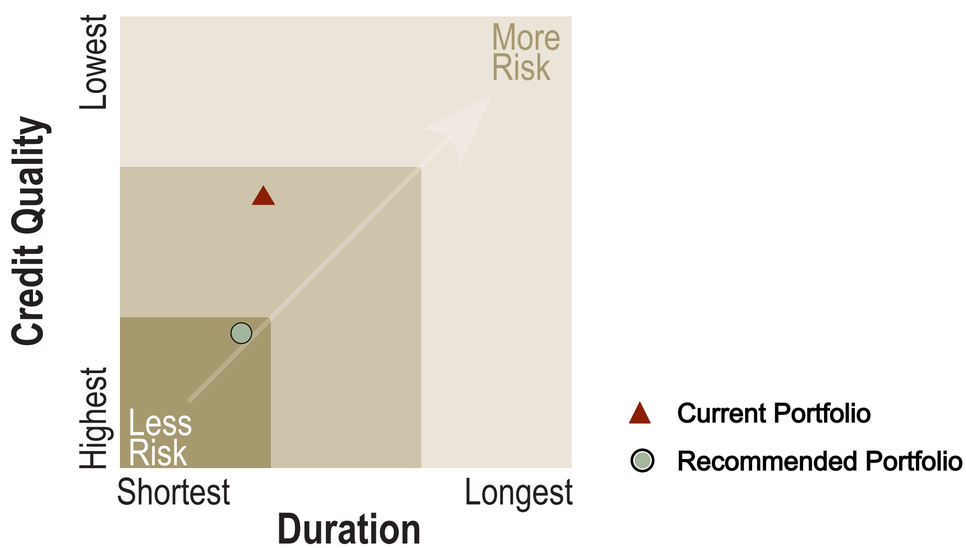
☑ Potential Quality Gap

☑ Potential Maturity Gap

Fixed Income Risk

The primary role of fixed income in a portfolio is to dampen portfolio volatility. There are two primary risk factors that contribute to the level of volatility in fixed income: term (maturity) and credit quality. Generally as the maturity of a bond increases, interest rate risk increases, and as the credit quality of a bond decreases, default risk increases. Fixed income risk and volatility are therefore minimized with short term and high quality securities.

Longer maturities and lower credit qualities can potentially yield higher returns, however based on historical data from 1954 to 2010, incremental returns have not been commensurate with the additional risk taken.



	Current	Recommended	Gap
High Quality	N/A	100%	N/A
Short-Term	N/A	38%	N/A

	Current	Recommended	Gap
Average Maturity	5.26	2.83	2.43
Average Duration	3.17	2.68	0.49

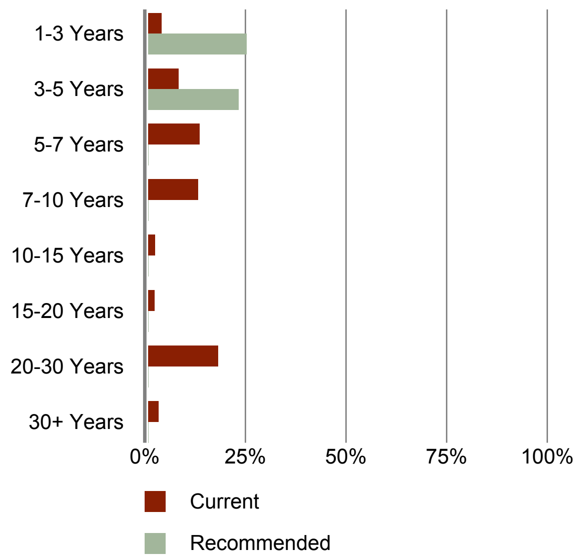
Potential Gap

Fixed Income Risk *continued*

Shorter Maturities

In essence, investing in bonds is simply lending a company your money for a specific period in return for them making periodic interest payments to you, and then returning your principal at some predetermined "maturity date". For longer maturity dates, investors demand a higher coupon rate because of the increased chance that the company could go bankrupt before it can pay back the principal. Longer maturity securities tend to have increased annual return expectations, however the additional return comes at the steep price of much higher volatility.

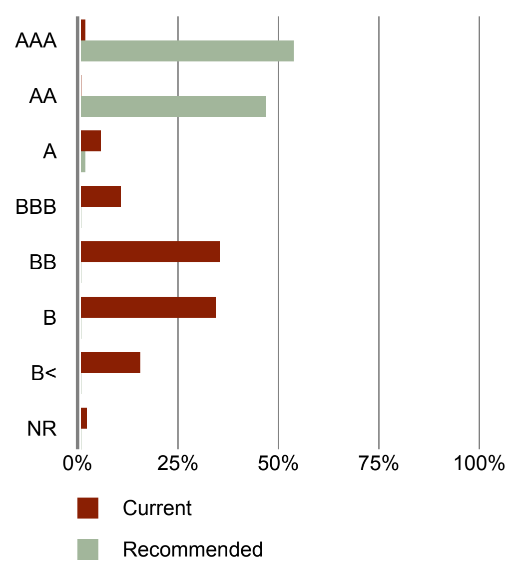
Maturity



Higher Quality

Historical evidence shows us that investors have not been adequately compensated for extending the credit quality of their fixed income below investment grade (BBB). While low quality bonds have a higher average yield, during extreme periods of inflation their risk of default and loss of principal is significantly higher than investment grade companies.

Quality



Potential Gap

Management Expenses

The charts below provide the reported management expense ratio and annual turnover rates for the managed investments in your current and recommended portfolios.

Management expenses can have a negative impact on portfolio returns and growth, so it is important to keep these costs as low as possible.

	Current	Recommended	Gap
Operating Expense Ratio (net) (%)	0.62%	0.32%	0.30%
Annual Expense* ($)	$620	$320	$300

*Based on $100,000 in the utilized managed investments

Current

Investment	Morningstar Classification	Expense Ratio**	Turnover Ratio
American Funds EuroPacific Gr A	Global Equity Large Cap	0.82%	31%
American Funds Growth Fund of Amer A	US Equity Large Cap Growth	0.68%	34%
American Funds Invmt Co of Amer A	US Equity Large Cap Blend	0.61%	28%
Fairholme	US Equity Large Cap Value	1.02%	44%
iPath DJ-UBS Commodity Index TR ETN	Commodities Broad Basket	0.75%	0%
iShares Russell 2000 Index	US Equity Small Cap	0.26%	20%
Ivy Asset Strategy Y	Allocation	0.99%	94%
PIMCO High Yield Instl	High Yield Fixed Income	0.55%	36%
SPDR S&P 500	US Equity Large Cap Blend	0.09%	4%

Recommended

Investment	Morningstar Classification	Expense Ratio**	Turnover Ratio
DFA Emerging Markets I	Emerging Markets Equity	0.61%	16%
DFA Five-Year Global Fixed-Income I	Global Fixed Income	0.28%	67%
DFA Intl Small Company I	Global Equity Mid/Small Cap	0.55%	0%
DFA Intl Value I	Global Equity Large Cap	0.45%	9%

Continued on next page.

**The Illustration results are only an estimate and do not reflect advisory or administrative fees charged by your investment advisor. Actual expenses may be different.

Management Expenses *continued*

Recommended

Investment	Morningstar Classification	Expense Ratio**	Turnover Ratio
DFA One-Year Fixed-Income I	US Fixed Income	0.17%	78%
DFA Real Estate Securities I	Real Estate Sector Equity	0.22%	3%
DFA US Core Equity 1 I	US Equity Large Cap Blend	0.20%	5%
DFA US Large Cap Value I	US Equity Large Cap Value	0.28%	14%
DFA US Small Cap I	US Equity Small Cap	0.37%	23%

**The Illustration results are only an estimate and do not reflect advisory or administrative fees charged by your investment advisor. Actual expenses may be different.

Potential Gap

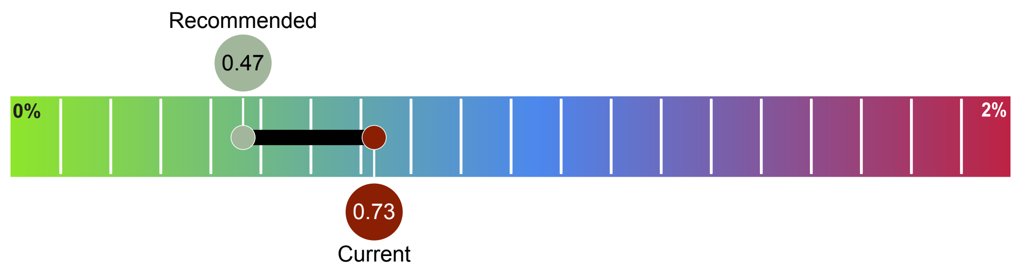
Trading Costs

While the expense ratio is a significant indicator in the managed investment cost analysis, it only tells part of the story. There are also costs associated with trading securities not accounted for by the expense ratio. These costs can make a fund even more expensive, and may potentially erode portfolio returns.

A fund's turnover ratio measures the amount of times a fund buys and sells securities it holds in its portfolio. A turnover ratio of 100% indicates that a fund sold all of the securities held in its portfolio and bought different securities over the course of a year. These buy and sell transactions result in increased fund operating expenses that are not disclosed in a funds expense ratio.

Trading costs are not easy to quantify and thus, often go unreported. Independent research by Loring Ward[1] found that fund turnover costs on average 0.36% for every 100% of turnover within the fund. This means a fund that sold all of the securities within its portfolio and replaced them with new securities would have 0.36% lower return than an identical fund that didn't trade any of its securities during the year.

Costs



The chart above compares the estimated cost of owning the mutual funds in your current and recommended portfolios. The cost includes the published mutual fund expense ratio and Loring Ward's estimated cost of mutual fund turnover, but does not include all fees and expenses that may be included by actual ownership of a mutual fund.

[1] McFarland, Sheldon and Cherry Phan. "Structure Determines Performance, but Costs Matter Too!" LWI Financial Inc. (2011). Estimated Average Mutual Fund Costs = weighted average of individual fund net expense ratios + (turnover x 0.36%)/100.

Potential Gap

Portfolio Efficiency

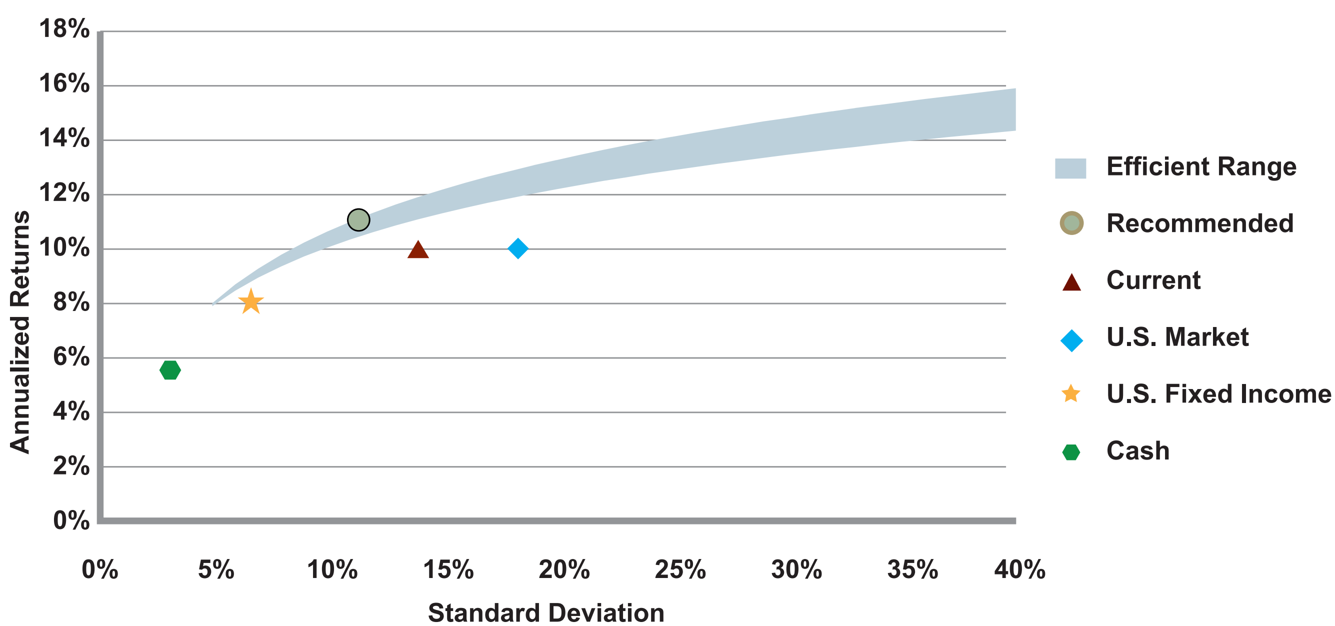
Historically, many investors have relied on a classical portfolio optimization technique to produce an "efficient frontier" of portfolios, or hypothetical asset mixes that offer the maximum return for each given level of risk.

The notion of the efficient frontier is a useful concept but in reality the precise location of the efficient frontier requires knowledge of the precise *future* returns, risk and correlations. We only have historical parameters to use as estimates which are imprecise in nature.

For this reason we know only an "efficient range" that contains effectively diversified portfolios.

The Efficient Range

Annualized Return & Risk: 1972 - 2010



Benchmark annualized return and standard deviation corresponds to the following indices: U.S. Market = S&P 500 Index (1972 - 2010), U.S. Fixed Income = Five-Year U.S. Treasury Notes (1972 - 1975), Barclays Capital U.S. Aggregate Bond Index (1976 - 2010), and Cash = One-Month U.S. Treasury Bills (1972 - 2010).

The ideal portfolio for each investor exists within the efficient range and is constructed layer by layer with a focus on investor preferences, aversions and other behavioral considerations.

Portfolio Risk & Efficiency

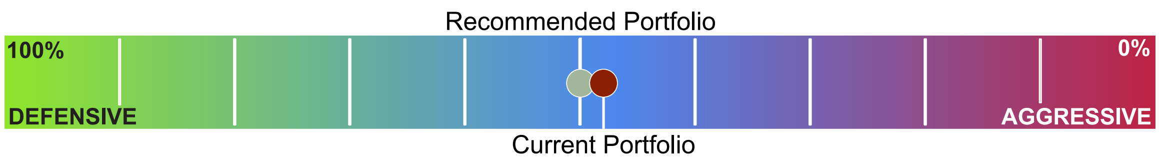
☐ Potential Gap

Portfolio Risk Profile

One's ability to bear investment risk is determined by portfolio goals, investment time horizon, income requirements, liquidity needs, and funding expectations. Once determined, the target risk level can be managed through proper asset allocation and effective diversification. Proper asset allocation is critical — too little risk and you may run out of money, too much risk and you may experience extreme fluctuations in your portfolio's value.

The risk gauge below shows the risk level of your current portfolio compared to the recommended portfolio based on the allocation between equity and fixed income investments. The risk level of the recommended portfolio has been determined based on an assessment of your risk capacity and risk tolerance.

Fixed Income & Cash



The goal of effective diversification is to provide the greatest return potential for a desired risk level. Below are the historical returns and risk (standard deviation) of your current and recommended asset allocations. Returns and standard deviations for the portfolios are based on historical data from 1972-2010 of the various asset classes held in each portfolio. Although past performance is not an indication of future performance, it does provide perspective on how the portfolio may perform in the future.

Historical Returns and Inflation Rates (1972 - 2010)		Current	Recommended
	Annualized Returns	9.90%	11.08%
	Base Inflation Rate	4.38%	4.38%
	Real Annualized Return	5.52%	6.70%
	Worst One Year Loss (or Lowest Gain)	-32.04%	-20.25%
	Annual Standard Deviation	13.97%	11.38%

The average annual historical returns are calculated using the indices as listed in the disclosures, which serve as proxies for their respective asset classes. The index data are for the period 1972 - 2010. The portfolio returns shown assume reinvestment of interest and dividends at net asset value without taxes, and also assume that the portfolio has been rebalanced to reflect the initial recommendation.

Indexes are unmanaged baskets of securities in which investors cannot directly invest; they do not reflect the payment of advisory fees or other expenses associated with specific investments or the management of an actual portfolio.

Portfolio Gap Summary

The check marks in the chart below indicate possible deficiencies and/or potential opportunities for improvement in your current portfolio. Please review these sections carefully with your Advisor to learn more about the potential benefits of transitioning to a recommended portfolio model.

ASSET ALLOCATION	☑
ASSET CLASS DIVERSIFICATION	☑
GLOBAL DIVERSIFICATION	☑
EQUITY CONCENTRATION RISK	☑
EQUITY RISK ANALYSIS	☑
FIXED INCOME QUALITY	☑
FIXED INCOME MATURITY	☑
FIXED INCOME HOLDINGS RISK	☑
MANAGEMENT EXPENSES	☑
TRADING COSTS	☑
PORTFOLIO EFFICIENCY	☑
PORTFOLIO RISK PROFILE	☐

Total number of Potential Portfolio Gaps 11

Refer to Potential Gap Methodology for more information on Potential Gap definitions.

Managed Investment Characteristics

The tables below summarize the characteristics of the managed investment holdings in your current and the recommended portfolios.

Current Portfolio

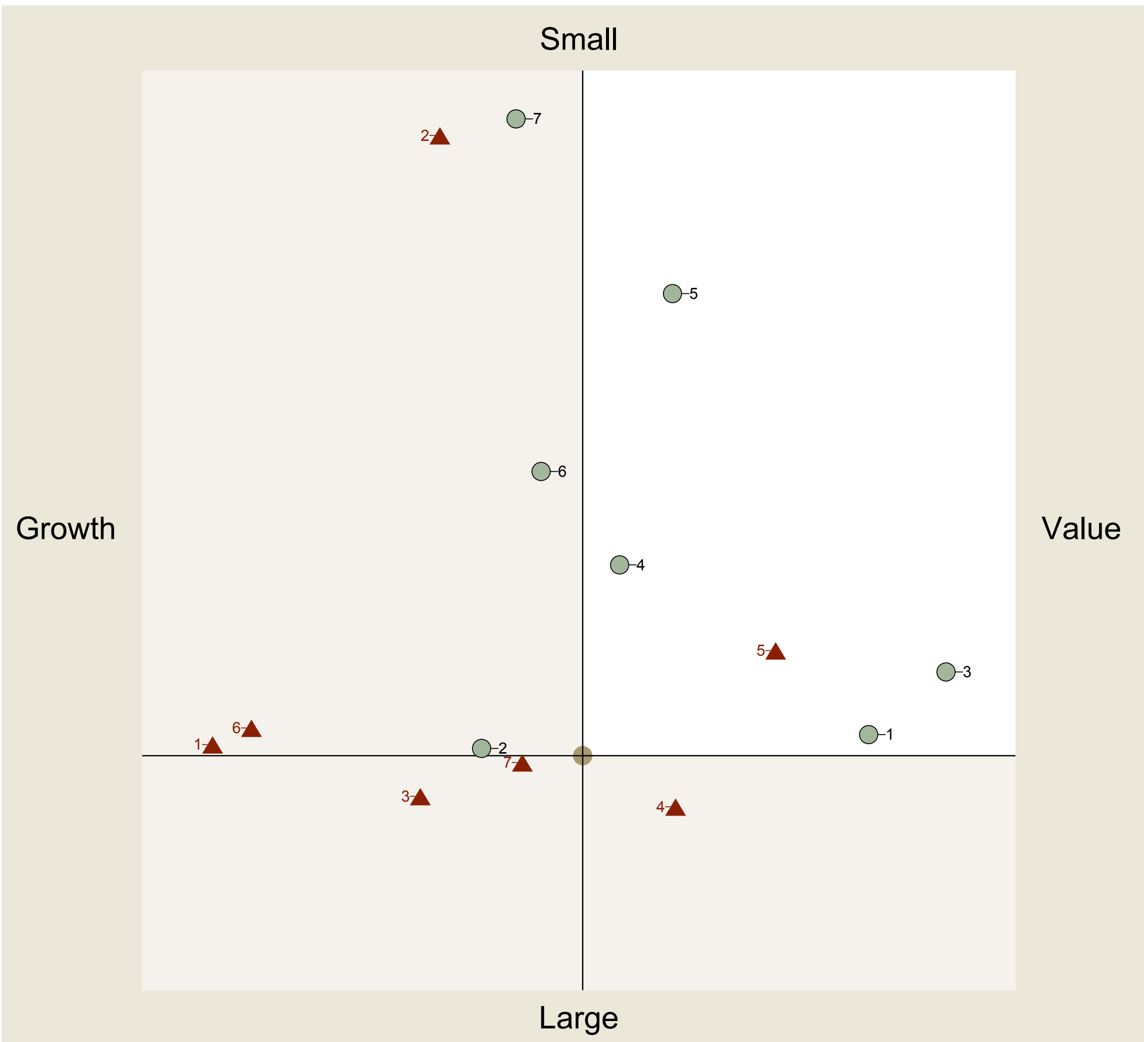
Fund Name	Ticker	Expense Ratio (net)	% Turnover	# of Holdings	% Cash	% US	% Non-US Stocks	% Bonds	% Other
American Funds EuroPacific Gr A	AEPGX	0.82	31	424	7.64	0.10	91.34	0.40	0.52
American Funds Growth Fund of Amer A	AGTHX	0.68	34	456	7.31	74.37	15.77	1.90	0.65
American Funds Invmt Co of America A	AIVSX	0.61	28	276	5.83	80.76	10.46	1.12	1.83
Fairholme	FAIRX	1.02	44	24	8.99	75.18	15.21	0.57	0.06
iPath DJ-UBS Commodity Index TR ETN	DJP	0.75	0	N/A	0.00	0.00	0.00	0.00	100.00
iShares Russell 2000 Index	IWM	0.26	20	1968	0.10	98.73	1.16	0.00	0.01
Ivy Asset Strategy Y	WASYX	0.99	94	196	8.03	41.29	36.26	0.22	14.19
PIMCO High Yield Instl	PHIYX	0.55	36	1011	20.28	0.01	0.30	74.98	4.43
SPDR S&P 500	SPY	0.09	4	501	0.54	99.24	0.22	0.00	0.00

Recommended Portfolio

Fund Name	Ticker	Expense Ratio (net)	% Turnover	# of Holdings	% Cash	% US	% Non-US Stocks	% Bonds	% Other
DFA Emerging Markets I	DFEMX	0.61	16	911	0.07	0.00	99.50	0.00	0.43
DFA Five-Year Global Fixed-Income I	DFGBX	0.28	67	117	0.00	0.00	0.00	99.92	0.08
DFA International Small Company I	DFISX	0.55	0	4751	0.26	0.16	99.39	0.00	0.19
DFA International Value I	DFIVX	0.45	9	551	0.30	0.00	99.69	0.00	0.01
DFA One-Year Fixed-Income I	DFIHX	0.17	78	134	30.30	0.00	0.00	62.97	6.73
DFA Real Estate Securities I	DFREX	0.22	3	117	1.10	98.90	0.00	0.00	0.00
DFA US Core Equity 1 I	DFEOX	0.20	5	3162	0.54	98.66	0.80	0.00	0.00
DFA US Large Cap Value I	DFLVX	0.28	14	228	0.15	99.11	0.74	0.00	0.00
DFA US Small Cap I	DFSTX	0.37	23	2425	0.20	99.30	0.50	0.00	0.00

Managed Equity Investments Style & Risk

The graph below plots the equity style and risk of each of the holdings in your current and recommended portfolios.



MSCI World Market (MSCI AC World Index)

Current Portfolio	Recommended Portfolio
1. Ivy Asset Strategy Y	1. DFA International Value I
2. iShares Russell 2000 Index	2. DFA Emerging Markets I
3. American Funds EuroPacific Gr A	3. DFA US Large Cap Value I
4. American Funds Invmt Co of America A	4. DFA US Core Equity 1 I
5. Fairholme	5. DFA International Small Company I
6. American Funds Growth Fund of Amer A	6. DFA Real Estate Securities I
7. SPDR S&P 500	7. DFA US Small Cap I

Assumptions

Historical returns are based on the following asset class return assumptions:

Asset Class	Indexes
Cash & Cash Alternatives	One-Month US Treasury Bills
Short-Term Fixed Income	5 Yr US T-Notes (1972-1984), 50% 5 Yr US T-Notes and 50% Citigroup WGBI 1-5 Years (hdg) (1985-1986), 50% BofA ML 1-3 yr US Corp/Govt Index and 50% Citigroup WGBI 1-5 Years (hdg) (1987-2010)
Short-Term Fixed Income 1-3 Years	Five-Year US Treasury Notes (1972- 1986), BofA Merrill Lynch 1-3 Year US Corporate and Government Index (1987-2010)
Short-Term Fixed Income 1-5 Years	Five-Year US Treasury Notes (1972- 1986), BofA Merrill Lynch 1-5 Year US Corporate and Government Index (1987-2010)
Short-Term Global Fixed Income 1-5 Years	Five-Year US Treasury Notes (1972- 1984), Citigroup World Government Bond Index 1-5 Years (hedged) (1985-2010)
Intermediate-Term Fixed Income	Five-Year US Treasury Notes (1972-1975), Barclays Capital US Aggregate Bond Index (1976-2010)
Long-Term Government Fixed Income	Long-Term Government Bonds
Long-Term Corporate Fixed Income	Long-Term Corporate Bonds
TIPS	Long-Term Government Bonds (1972- 1997), Barclays Capital US TIPS Index (1998-2010)
Municipal Bonds	Long-Term Government Bonds (1972-1980), BarCap Municipal (1981-2010)
High Yield Bonds	Morningstar High Yield Bond EW
US Market	CRSP Deciles 1-10 Index (market)
US Large Value	Fama/French US Large Value Index (ex utilities)
US Large Neutral	S&P 500 Index (Total Return)
US Large Growth	Fama/French US Large Growth Index (ex utilities)
US Small Value	Fama/French US Small Value Index (ex utilities)
US Small Neutral	CRSP Deciles 6-10 Index
US Small Growth	Fama/French US Small Growth Index (ex utilities)
US Micro Cap	CRSP Deciles 9-10 Index
REITs	FTSE NAREIT Equity REITs
International Large Value	DFA Developed International Large Company Composite Index (1972-1974), Fama/French International Value Index(1975-2010)
International Large Neutral	MSCI EAFE Index (net div.)
International Large Growth	DFA Developed International Large Company Composite Index (1972-1974), Fama/French International Growth Index(1975-2010)
International Small Value	Dimensional International Small Cap Index (1972- 1981), Dimensional International Small Cap Value Index (1982-2010)
International Small Neutral	Dimensional International Small Cap Index
International Small Growth	Dimensional International Small Cap Index (1972-1989), S&P Developed Ex US Small Growth (1990-2010)
Emerging Markets	MSCI Pacific ex Japan Index (net div.) (1972-1987), DFA Equally Weighted Emerging Markets Index (1988-2010)
Global Stock	MSCI World Index (net div.)
Commodities	S&P GSCI (1972-1991), DJ UBS Commodity (1992-2010)
Other Assets	S&P 500 PR (Price Return)
Unclassified	0% Returns

Disclosures

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate, thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. Foreign and small company stocks involve additional risks.

For performance data current to the most recent month-end please visit http://advisor.morningstar.com/index.asp.

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Standardized Returns assume reinvestment of dividends and capital gains. It depicts performance without adjusting for the effects of taxation. For variable annuities, additional expenses are not reflected in this analysis, including M&E risk charges, fund-level expenses such as management fees and operating fees, and contract-level administration fees, charges such as surrender, contract and sales charges.

The Recommended Portfolio was selected based on answers provided on the Investor Profile Questionnaire used in conjunction with the Investment Planning Center. The Recommended Portfolio uses investments we recommend for each asset class. Investments not considered in this presentation may have similar or superior characteristics to those being recommended and analyzed. This analysis does not consider any negative consequences that may result from redeeming your Current Portfolio to invest in the Recommended Portfolio. These consequences may include, but are not limited to, redemption fees and charges, and tax consequences. Please carefully consider these consequences before making changes to your Current Portfolio. Performance results do not reflect advisory fees. Inclusion of advisory fees would result in lower stated performance.

Diversification neither assures a profit nor guarantees against loss in a declining market.

The risks associated with investing in stocks and overweighting small company and value stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal.

Small company stocks may be subject to a higher degree of market risk than the securities of more established companies because they may be more volatile and less liquid.

Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price.

International markets involve additional risks, including, but not limited to, currency fluctuation, political instability, foreign taxes, and different methods of accounting and financial reporting. As a result, they may not be suitable investment options for everyone.

Changes in currency exchange rates, differences in accounting and taxation policies and political and economical instability can raise or lower returns.

Data Source: Morningstar, Inc.

Glossary

Asset Allocation	The weights given to asset classes (fixed income, domestic stocks, international stocks, etc.) across an investor's portfolio which is determined by their willingness and ability to take risk.
Asset Class	An investment category such as fixed income, domestic stocks, or international stocks.
Cash Efficiency	The portion of managed funds that is currently held in cash and cash equivalents.
Coupon	The interest rate stated on a bond when it's issued.
Duration	A measure of sensitivity of the price of a fixed income security to a change in interest rates.
Efficient Range	The boundary at which an investor can maximize their return for a given amount of risk. Return is measured by the total return (interest, dividends, and appreciation) of a portfolio and risk is measured by standard deviation which is a measure of volatility.
Equity	An ownership interest. In the context, a stock or collection of stocks.
Fixed Income	A debt/loan investment that returns a fixed income or interest payment. In the context, a bond or collection of bonds.
Gap	The absolute difference between two figures.
Maturity	The time remaining on the life of bond.
Monte Carlo Simulation	A tool used to approximate the probability of outcomes for a portfolio.
Portfolio	The collection of investments held by an investor oftentimes across multiple investment accounts.
Potential Gap	A signal that the difference between an element of the current portfolio and recommended portfolio are significant and could potentially present a deficiency in the current portfolio.

Quality Credit quality refers to the reliability of a bond. Higher quality bonds have a low likelihood of defaulting on their debt where low quality bonds are riskier, and have a relatively higher probability of default.

Proxy An index or alternate holding used in place of an investment to mimic the performance, risk, and other characteristics of the investment for analysis purposes.

Overlap A situation in which multiple investments hold the some of the same underlying securities.

REIT Real Estate Investment Trust.

Risk Tolerance The amount of uncertainty an investor is willing and able to take in their portfolio.

S&P 500 A commonly used benchmark compromising of 500 of some of the largest US companies. It is often used as a gauge of the US stock market.

Security An individual investment.

Sharpe Ratio A measurement of the tradeoff between risk and return. The calculation is as follows:

$$S = \frac{R - RFR}{\sigma}$$

R: The return on the asset (or portfolio).

RFR: The risk free rate (for the analysis the risk free rate used is the historical return on 3 Month US Treasury Bills).

σ: The standard deviation of the asset.

The calculated number can be translated as the amount of return per unit of risk.

Style The asset class exposure of a stock, bond, or mutual fund. For example, Google's stock style is Large Growth, meaning that it is grouped into the asset class of large companies that experience relatively higher growth.

Style Drift	The tendency for some actively managed funds to drift from their stated style.
Systematic Risk	The risk inherent in the market which is unable to be reduced by diversification.
Turnover	The amount of change in portfolio holdings in a year. This is primarily due to buying and selling holdings to change fund exposure, or to sell out of positions to meet investor redemptions.
Unsystematic Risk	Portfolio risk that can be reduced through proper diversification.

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