The Morningstar Category™ Classifications

(for portfolios available for sale in the United States)

Morningstar Methodology Paper
October 31, 2011

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Introduction

The Morningstar Category™ classifications were introduced in 1996 to help investors make meaningful comparisons between mutual funds. Morningstar found that the investment objective listed in a fund's prospectus often did not adequately explain how the fund actually invested. For example, many funds claimed to be seeking "growth," but some of those were investing in established blue-chip companies while others were investing in small-cap companies.

The Morningstar Category classifications solved this problem by breaking portfolios into peer groups based on their holdings. The categories help investors identify the top-performing funds, assess potential risk, and build well-diversified portfolios. Morningstar regularly reviews the category structure and the portfolios within each category to ensure that the system meets the needs of investors.

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 driving principles behind the classification system are as follows:

- Individual portfolios within a category invest in similar types of securities and therefore share the same risk factors (for example, style risk, prepayment risk).
- Individual portfolios within a category can, in general, be expected to behave more similarly to one another than to portfolios outside the category.
- The aggregate performance of different categories differs materially over time.
- Categories have enough constituents to form the basis for reasonable peer group comparisons.
- The distinctions between categories are meaningful to investors and assist in their pursuit of investing goals.

In the United States, Morningstar supports 102 categories, which map into seven broad asset classes (U.S. stock, balanced, international stock, alternative, commodities, taxable bond, and municipal bond). The broad asset class and category indexes listed with each category are used in Morningstar's tools and reports to show performance relative to a benchmark. In addition, Morningstar has two categories for money market funds: taxable and tax-free.

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Recent Changes

Sept. 30, 2003

- Replaced the foreign stock category with five new categories: foreign large value, foreign large blend, foreign large growth, foreign small/mid value, and foreign small/mid growth

May 31, 2004

- Replaced the muni single state intermediate/short category with two new categories: muni single state intermediate and muni single state short
- Added stable value category (currently used for custom funds and separate accounts only)

Feb. 28, 2006

- Added inflation-protected bond, long-short, target-date 2000-2014, target-date 2015-2029, and target-date 2030+
- Added the balanced broad asset class

Sept. 30, 2007

- Added leveraged net long and market neutral to the separate accounts and custom funds databases

July 31, 2008

- Added global real estate and currency
- Added the alternative broad asset class
- Removed muni Florida

Jan. 30, 2009

- Introduced target-date categories in five-year increments for years 2011-2050
- Added retirement income
- Added miscellaneous sector

June 30, 2009

- Added the commodities broad asset class and six commodities categories: broad basket, energy, precious metals, agriculture, industrial metals, and miscellaneous
- Added consumer discretionary, consumer staples, equity energy, and industrials

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Recent Changes (continued)

Sept. 30, 2010

- Added aggressive allocation and China region, and made market neutral category available to all universes
- Removed muni single state short

April 30, 2011

- Replaced long/short with long/short equity
- Added multialternative, volatility, trading--leveraged commodities, trading--inverse commodities, trading--leveraged debt, trading--inverse debt, trading--leveraged equity, trading--inverse equity, trading--miscellaneous

October 31, 2011

- Added nontraditional bond
- Replaced consumer staples with consumer defensive and consumer discretionary with consumer cyclical

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U.S. Stock

Large Value

Large-value portfolios invest primarily 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 valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 1000 Value TR USD

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 S&P 500 Index.

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 1000 TR USD

Large Growth

Large-growth portfolios invest primarily 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 (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 1000 Growth TR USD

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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 (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Broad Asset Class Index: S&P 500 TR

Category Index: Russell Midcap Value TR USD

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 $8 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.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P Mid Cap 400 TR

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 and $8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Broad Asset Class Index: S&P 500 TR

Category Index: Russell Mid Cap Growth TR USD

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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 valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 2000 Value TR USD

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.

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 2000 TR USD

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 (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 2000 Growth TR USD

Communications

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 online service providers.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ US Telecom TR USD

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Consumer Cyclical

Consumer cyclical portfolios seek capital appreciation by investing in equity securities of U.S. or non-U.S. companies in the consumer cyclical sector.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P 1500 Cons Discretionary TR

Consumer Defensive

Consumer defensive portfolios seek capital appreciation by investing in equity securities of U.S. or non-U.S. companies that are engaged in the manufacturing, sales, or distribution of consumer staples.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P 1500 Cons Staples TR

Equity Energy

Equity energy 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, coal, exploration, oil and gas services, pipelines, natural gas services, and refineries.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P 1500 Energy TR

Financial

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.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ US Financial TR USD

Health

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.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ US Health Care TR USD

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Industrials

Industrial portfolios seek capital appreciation by investing in equity securities of U.S. or non-U.S. companies that are engaged in services related to cyclical industries. This includes and is not limited to companies in aerospace and defense, automotive, chemicals, construction, environmental services, machinery, paper, and transportation.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P 1500 Industrials TR

Natural Resources

Natural-resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the United States or outside of the United States. Some portfolios invest across this spectrum to offer broad natural-resources exposure. Others concentrate heavily or even exclusively in specific industries. Portfolios that concentrate primarily in energy-related industries are part of the equity energy category.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P North American Natural Resources TR

Real Estate

Real estate portfolios invest primarily in real estate investment trusts 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.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ US Select REIT TR

Technology

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.

Broad Asset Class Index: S&P 500 TR

Category Index: Morningstar Technology Sector TR

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Utilities

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.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ Utilities Average TR USD

Miscellaneous Sector

Miscellaneous-sector portfolios invest in specific sectors that do not fit into any of Morningstar's existing sector categories and for which not enough funds exist to merit the creation of a separate category.

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 3000 TR USD

Leveraged Net Long

Leveraged net long portfolios seek income by establishing long and short positions in securities. The most common strategy for leveraged net long portfolios is to take long positions in securities that have been identified as attractive and short positions in securities that have been identified as overvalued. These portfolios typically hold long positions in securities with an aggregate value of up to 130% of its net assets. In addition, these portfolios will establish short positions in securities with a market value of up to 30% of its net assets. The net long exposure therefore remains 100%, but it is a leveraged exposure. This category is only used in Morningstar's custom fund and separate account databases.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ US Total Full Cap TR USD

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Balanced

Convertibles

Convertible-bond portfolios are designed to offer some of the capital-appreciation potential of stock portfolios while also supplying some of the safety and yield of bond portfolios. To do so, they focus on convertible bonds and convertible preferred stocks. Convertible bonds allow investors to convert the bonds into shares of stock, usually at a preset price. These securities thus act a bit like stocks and a bit like bonds.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: ML Converted Bonds All Qualities

Conservative Allocation

Conservative-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold smaller positions in stocks than moderate-allocation portfolios. These portfolios typically have 20% to 50% of assets in equities and 50% to 80% of assets in fixed income and cash.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Moderately Cons Target Risk

Moderate Allocation

Moderate-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Moderately Aggr Target Risk

Aggressive Allocation

Aggressive-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than moderate-allocation portfolios. These portfolios typically have 70% to 90% of assets in equities and the remainder in fixed income and cash.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Aggressive Target Risk

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World Allocation

World-allocation portfolios 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. These portfolios typically have at least 10% of assets in bonds, less than 70% of assets in stocks, and at least 40% of assets in non-U.S. stocks or bonds.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: MSCI World NR USD

Target-Date 2000-2010

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2000-2010) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2010

Target-Date 2011-2015

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2011-2015) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2015

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Target-Date 2016-2020

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2016-2020) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2020

Target-Date 2021-2025

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2021-2025) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2025

Target-Date 2026-2030

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2026-2030) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2030

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Target-Date 2031-2035

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2031-2035) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2035

Target-Date 2036-2040

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2036-2040) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2040

Target-Date 2041-2045

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2041-2045) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2045

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Balanced (continued)

Target-Date 2050+

Target-date portfolios provide a diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2050 and beyond) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate 2050

Retirement Income

Retirement income portfolios provide a mix of stocks, bonds, and cash for those investors already in or entering retirement. These portfolios tend to be managed to more of a conservative asset-allocation strategy. These portfolios aim to provide investors with steady income throughout retirement.

Broad Asset Class Index: Morningstar Moderate Target Risk

Category Index: Morningstar Lifetime Moderate Income

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International Stock

Foreign Large Value

Foreign large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI EAFE Value NR USD

Foreign Large Blend

Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI AC World Ex USA NR USD

Foreign Large Growth

Foreign large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI EAFE Growth NR USD

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Foreign Small/Mid Value

Foreign small/mid-value portfolios 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 economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI World ex USA NR USD

Foreign Small/Mid Growth

Foreign small/mid-growth portfolios invest in international stocks that are smaller, growing faster, and higher-priced than other stocks. These portfolios primarily invest in stocks that fall in the bottom 30% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI World ex USA NR USD

World Stock

World-stock portfolios have few geographical limitations. It is common for these portfolios to 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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI World NR USD

Diversified Emerging Markets

Diversified emerging-markets portfolios tend to divide their assets among 20 or more nations, although they tend to focus on the emerging markets of Asia and Latin America rather than on those of the Middle East, Africa, or Europe. These portfolios invest at least 70% of total assets in equities and invest at least 50% of stock assets in emerging markets.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI EM NR USD

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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 Colombia 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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI EM Latin America NR USD

Europe Stock

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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI Europe NR USD

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 on 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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI Japan NR USD

Pacific/Asia ex-Japan Stock

Pacific/Asia ex-Japan stock portfolios cover a wide geographic range. 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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI AC Far East Ex Japan NR USD

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China Region

China-region stock portfolios invest almost exclusively in stocks from China, Taiwan, and Hong Kong. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in one specific region or a combination of China, Taiwan, and/or Hong Kong.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: Russell China TR USD

Diversified Pacific/Asia

Diversified Pacific/Asia stock portfolios have a wider investment range than other Asia-oriented portfolios. These portfolios 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.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI Pacific NR USD

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 and REIT-like entities. Portfolios in this category also invest in real estate operating companies.

Broad Asset Class Index: MSCI EAFE NR USD

Category Index: MSCI World/Real Estate NR USD

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Alternative

Bear Market

These funds dedicate a majority of the fund's assets to equities. Most of the portfolio is dedicated to short stock positions in an attempt to take advantage of anticipated market or stock declines producing a net exposure to equities of less than or equal to negative 20%. Some managers invest the proceeds from their short positions in low-risk assets, while others dedicate a portion to long stock positions in order to hedge against broad market rallies. In the event of a broad market rally, these funds will lose money on their short positions but will experience a gain on their long positions. Short positions typically account for 60% to 85% of fund active exposure, although some funds may be 100% short after excluding regulatory collareral. These funds will typically have a beta of less than negative 0.3 to equity indexes such as the S&P 500 or MSCI World.

Broad Asset Class Index: S&P 500 TR

Category Index: BofAML USD Libor 3 Mon CM

Currency

Currency portfolios invest in multiple 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. These funds include both systematic currency traders and discretionary traders.

Broad Asset Class Index: BofAML USD Libor 3 Mon CM

Category Index: BofAML US Treasury Bill 3 Mon

Long-Short Equity

Long-short portfolios hold sizable stakes in both long and short positions in equities and related derivatives. Some funds that fall into this category will shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover through bottom-up research. Some funds may simply hedge long stock positions through exchange-traded funds or derivatives. At least 75% of the assets are in equity securities or derivatives.

Broad Asset Class Index: S&P 500 TR

Category Index: Russell 1000 TR

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Alternative (continued)

Market Neutral

These funds attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries. They try to achieve this by matching short positions within each area against long positions. These strategies are often managed as beta-neutral, dollar-neutral, or sector-neutral. A distinguishing feature of funds in this category is that they typically have low beta exposures (< 0.3 in absolute value) to market indexes such as MSCI World. In attempting to reduce systematic risk, these funds put the emphasis on issue selection, with profits dependent on their ability to sell short and buy long the correct securities.

Broad Asset Class Index: S&P 500

Category Index: BofAML USD Libor 3 Mon CM

Multialternative

These funds offer investors exposure to several different alternative investment tactics. Funds in this category have a majority of their assets exposed to alternative strategies. An investor's exposure to different tactics may change slightly over time in response to market movements. Funds in this category include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes. The gross short exposure is greater than 20%.

Broad Asset Class Index: S&P 500

Category Index: BarCap US AggBond TR

Equity Precious Metals

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.

Broad Asset Class Index: ML USD LIBOR 3 Mon CM

Category Index: MSCI World Metals & Mining USD

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Alternative (continued)

Managed Futures

These funds primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. A majority of these funds follow trend-following, price-momentum strategies. Other strategies included in this category are systematic mean-reversion, discretionary global macro strategies, commodity index tracking, and other futures strategies. More than 60% of the fund's exposure is invested through derivative securities. These funds obtain exposure primarily through derivatives; the holdings are largely cash instruments.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P Diversified Trends Indicator TR

Volatility

Volatility strategies trade volatility as an asset class. Directional volatility strategies aim to profit from the trend in the implied volatility embedded in derivatives referencing other asset classes. Volatility arbitrage seeks to profit from the implied volatility discrepancies between related securities.

Broad Asset Class Index: S&P 500 TR

Category Index: S&P VIX Mid Term Futures TR

Trading-Leveraged Commodities

These funds seek to generate returns equal to a fixed multiple of short-term returns of a commodity index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve 2 times the returns of a given index on a daily basis is unlikely to deliver anything like 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by traders.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ UBS Commodity TR

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Trading-Inverse Commodities

These funds seek to generate returns equal to an inverse multiple of short-term returns of a commodity index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve negative 2 times the returns of a given index on a daily basis is unlikely to deliver anything like negative 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple typically negative 1 to negative 3 times of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: S&P 500 TR

Category Index: DJ UBS Commodity TR

Trading-Leveraged Debt

These funds seek to generate returns equal to a fixed multiple of the short-term returns of a fixed-income index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve 2 times the returns of a given index on a daily basis is unlikely to deliver anything like 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: BarCap US AggBond TR

Category Index: BofAML USD Libor 3 Mon CM

Trading-Inverse Debt

These funds seek to generate returns equal to an inverse fixed multiple of short-term returns of a fixed-income index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve negative 2 times the returns of a given index on a daily basis is unlikely to deliver anything like negative 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple typically negative 1 to negative 3 times of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: BarCap US AggBond TR

Category Index: BofAML USD Libor 3 Mon CM

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Trading-Leveraged Equity

These funds seek to generate returns equal to a fixed multiple of the short-term returns of an equity index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve 2 times the returns of a given index on a daily basis is unlikely to deliver anything like 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: S&P 500 TR

Category Index: BofAML USD Libor 3 Mon CM

Trading-Inverse Equity

These funds seek to generate returns equal to an inverse fixed multiple of short-term returns of an equity index. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve negative 2 times the returns of a given index on a daily basis is unlikely to deliver anything like negative 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple typically negative 1 to negative 3 times the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: S&P 500 TR

Category Index: BofAML USD Libor 3 Mon CM

Trading-Miscellaneous

These funds seek to generate returns equal to a fixed multiple (positive or negative) of short-term returns of an index. The reference index for this category is not equity, fixed-income, or commodity linked. The compounding of short-term returns results in performance that does not correspond to those of investing in the index with external leverage. For example, a fund attempting to achieve 2 times the returns of a given index on a daily basis is unlikely to deliver anything like 2 times the index's returns over periods longer than one day. Many of these funds seek to generate a multiple of the daily or weekly return of the reference index. Trading funds are not considered suitable for a long-term investor and are designed to be used by active traders.

Broad Asset Class Index: S&P 500 TR

Category Index: BofAML USD Libor 3 Mon CM

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Commodities

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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: Morningstar Agriculture Commodity TR

Commodities Broad Basket

Broad-basket portfolios can invest in a diversified basket of commodity goods including but not limited to grains, minerals, metals, 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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: DJ UBS Commodity TR USD

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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: Morningstar Energy Commodity TR

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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: DJ UBS Industrial Metals TR USD

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Commodities (continued)

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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: DJ UBS Commodity TR USD

Commodities Precious Metals

Commodities 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.

Broad Asset Class Index: Morningstar Long-Only Commodity TR

Category Index: DJ UBS Precious Metals TR USD

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Taxable Bond

Long Government

Long-government portfolios have at least 90% of their bond holdings invested in bonds backed by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. They are not risk-free, though. Because these portfolios have durations of typically more than 6.0 years, they are more sensitive to interest rates, and thus riskier, than portfolios that have shorter durations.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Long term is defined as 125% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Government Long TR USD

Intermediate Government

Intermediate-government portfolios have at least 90% of their bond holdings in bonds backed by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. These portfolios have durations typically between 3.5 and 6.0 years. Consequently, the group's performance--and its level of volatility--tends to fall between that of the short government and long government bond categories.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate is defined as 75% to 125% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Government TR USD

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Short Government

Short-government portfolios have at least 90% of their bond holdings in bonds backed by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. These portfolios have durations typically between 1.0 and 3.5 years, so they have relatively less sensitivity to interest rates and, thus, low risk potential.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short is defined as 25% to 75% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap Government 1-5 Yr TR USD

Inflation-Protected Bond

Inflation-protected bond portfolios 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 for these types of securities.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Treasury US TIPS TR USD

Long-Term Bond

Long-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of more than 6.0 years. Because of their long durations, these portfolios are exposed to greater interest-rate risk.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Long-term is defined as 125% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Govt/Credit Long TR USD

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Intermediate-Term Bond

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 3.5 to 6.0 years. These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate-term is defined as 75% to 125% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Govt/Credit 5-10 Yr TR USD

Short-Term Bond

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap Govt/Credit 1-5 Yr TR USD

Ultrashort Bond

Ultrashort-bond portfolios invest primarily in investment-grade U.S. fixed-income issues and have durations typically of less than one year. This category can include corporate or government ultrashort bond portfolios, but it excludes international, convertible, multisector, and high-yield bond portfolios. Because of their focus on bonds with very short durations, these portfolios offer minimal interest-rate sensitivity and therefore low risk and total return potential.

Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Ultrashort is defined as 25% of the three-year average effective duration of the MCBI.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: USTREAS CD Sec Mkt 6 Mon

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Taxable Bond (continued)

Bank Loan

Bank-loan portfolios primarily invest in floating-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.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap Govt/Credit 1-5 Yr TR USD

Stable Value

Stable-value portfolios seek to provide income while preventing price fluctuations. The most common stable-value portfolios invest in a diversified portfolio of bonds and enter into wrapper agreements with financial companies to guarantee against fluctuations in their share prices. These wrapper agreements typically provide price stability on a day-to-day basis, thereby insulating each portfolio's net asset value from interest-rate volatility. Therefore, the duration for each of these funds is essentially zero. This category is only used in Morningstar's custom fund and separate account databases.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: USTREAS T-Bill Cnst Mat Rate 3 Yr

High-Yield Bond

High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios 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 (considered speculative for taxable bonds) and below.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: ML US HY Master II

Multisector Bond

Multisector-bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Universal TR USD

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World Bond

World-bond portfolios 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.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: Citi WGBI NonUSD USD

Emerging-Markets Bond

Emerging-markets bond portfolios invest 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.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: JPM EMBI Global TR

Nontraditional Bond

The Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe. Many funds in this group describe themselves as "absolute return" portfolios, which seek to avoid losses and produce returns uncorrelated with the overall bond market; they employ a variety of methods to achieve those aims. Another large subset are self-described "unconstrained" portfolios that have more flexibility to invest tactically across a wide swath of individual sectors, including high-yield and foreign debt, and typically with very large allocations. Funds in the latter group typically have broad freedom to manage interest-rate sensitivity, but attempt to tactically manage those exposures in order to minimize volatility. The category is also home to a subset of portfolios that attempt to minimize volatility by maintaining short or ultra-short duration portfolios, but explicitly court significant credit and foreign bond market risk in order to generate high returns. Funds within this category often will use credit default swaps and other fixed income derivatives to a significant level within their portfolios.

Broad Asset Class Index: BarCap US Agg Bond TR USD

Category Index: BarCap US Govt/Credit 5-10 Yr TR USD

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Municipal Bond

Muni National Long

Muni national long portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of more than 7.0 years (or, if duration is unavailable, average maturities of more than 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 20 Yr 17-22 TR USD

Muni National Intermediate

Muni national intermediate portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.5 to 7.0 years (or, if duration is unavailable, average maturities of five to 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

Muni Short

Muni short portfolios invest in bonds issued by state and local governments to fund public projects. The income from these bonds is generally free from federal taxes and/or from state taxes in the issuing state. To lower risk, some of these portfolios spread their assets across many states and sectors. Other portfolios buy bonds from only one state in order to get the state-tax benefit. These portfolios have durations of less than 4.5 years (or, if duration is unavailable, average maturities of less than five years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 3 Yr 2-4 TR USD

High-Yield Muni

High-yield muni portfolios invest at least 50% of assets in high-income municipal securities that are not rated or that are rated by a major agency such as Standard & Poor's or Moody's at the level of BBB (considered part of the high-yield universe within the municipal industry) and below.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

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Muni Single State Long

Muni single-state long portfolios invest in bonds issued by state and local governments to fund public projects. The income from such bonds is generally free from federal taxes and from state taxes in the issuing state. To get the state-tax benefit, these portfolios buy bonds from only one state. These portfolios have durations of more than 7.0 years (or, if duration is unavailable, average maturities of more than 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 20 Yr 17-22 TR USD

Muni Single State Intermediate

Muni single-state intermediate portfolios invest in bonds issued by state and local governments to fund public projects. The income from such bonds is generally free from federal taxes and from state taxes in the issuing state. To get the state-tax benefit, these portfolios buy bonds from only one state. These portfolios have durations of 4.5 to 7.0 years (or, if duration is unavailable, average maturities of five to 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

Muni California Long

Muni California long portfolios invest at least 80% of assets in California municipal debt. Because the income from these bonds is generally free from federal taxes and California state taxes, these portfolios are most appealing to residents of California. These portfolios have durations of more than 7.0 years (or, if duration is unavailable, average maturities of more than 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal California Exempt TR

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Muni California Intermediate

Muni California intermediate portfolios invest at least 80% of assets in California municipal debt. Because the income from these bonds is generally free from federal taxes and California state taxes, these portfolios are most appealing to residents of California. These portfolios have durations of 4.5 to 7.0 years (or, if duration is unavailable, average maturities of five to 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal California Exempt TR

Muni Massachusetts

Muni Massachusetts portfolios invest at least 80% of assets in Massachusetts municipal debt and can include long-, intermediate-, and short-duration portfolios. Because the income from these bonds is generally free from federal taxes and Massachusetts state taxes, these portfolios are most appealing to residents of Massachusetts.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

Muni Minnesota

Muni Minnesota portfolios invest at least 80% of assets in Minnesota municipal debt and can include long-, intermediate-, and short-duration portfolios. Because the income from these bonds is generally free from federal taxes and Minnesota state taxes, these portfolios are most appealing to residents of Minnesota.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

Muni New Jersey

Muni New Jersey portfolios invest at least 80% of assets in New Jersey municipal debt and can include long-, intermediate-, and short-duration portfolios. Because the income from these bonds is generally free from federal taxes and New Jersey state taxes, these portfolios are most appealing to residents of New Jersey.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

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Muni New York Long

Muni New York long portfolios invest at least 80% of assets in New York municipal debt. Because the income from these bonds is generally free from federal taxes and New York state taxes, these portfolios are most appealing to residents of New York. These portfolios have durations of more than 7.0 years (or, if duration is unavailable, average maturities of more than 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal New York Exempt TR

Muni New York Intermediate

Muni New York intermediate portfolios invest at least 80% of assets in New York municipal debt. Because the income from these bonds is generally free from federal taxes and New York state taxes, these portfolios are most appealing to residents of New York. These portfolios have durations of 4.5 to 7.0 years (or, if duration is unavailable, average maturities of five to 12 years).

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal New York Exempt TR

Muni Ohio

Muni Ohio portfolios invest at least 80% of assets in Ohio municipal debt and can include long-, intermediate-, and short-duration portfolios. Because the income from these bonds is generally free from federal taxes and Ohio state taxes, these portfolios are most appealing to residents of Ohio.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

Muni Pennsylvania

Muni Pennsylvania portfolios invest at least 80% of assets in Pennsylvania municipal debt and can include long-, intermediate-, and short-duration portfolios. Because the income from these bonds is generally free from federal taxes and Pennsylvania state taxes, these portfolios are most appealing to residents of Pennsylvania.

Broad Asset Class Index: BarCap Municipal TR USD

Category Index: BarCap Municipal 10 Yr 8-12 TR USD

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Money Market

Taxable Money Market
These portfolios invest in short-term money market securities in order to provide a level of current income that is consistent with the preservation of capital.

Tax-Free Money Market
These portfolios invest in short-term municipal money market securities that are often exempt from some federal and state taxes. These funds provide current income and aim to preserve capital.

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