# Customized Asset Allocation Model

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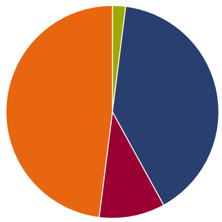
# Target Asset Allocation

## Moderate- Approaching Retirement (2020)

The return behavior of individual securities often reflects the behavior of their investment category, or "asset class." Determining an appropriate mix of asset classes is essential in creating a well-balanced investment strategy. This report illustrates the proposed allocation for your portfolio at a broad asset class level and a detailed, sub-asset class level.

### Broad Asset Allocation

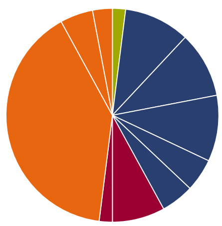
This graph and table highlight the proposed allocation to broadly-defined asset classes.



| Asset Allocation | % |
|---|---|
| Cash | 2.00 |
| US Stocks | 40.00 |
| Non-US Stocks | 10.00 |
| Bonds | 48.00 |
| Other/Not Clsfd | 0.00 |
| | **100.00** |

### Detailed Asset Allocation

This graph and table more precisely define the proposed allocation to asset classes. The asset classes in this section are a subset of those broadly-defined in the graph and table.



| Asset Allocation | % |
|---|---|
| Cash | 2.00 |
| US Large-Cap Value Stocks | 10.00 |
| US Large-Core Stocks | 10.00 |
| US Large-Cap Growth Stocks | 10.00 |
| US Mid-Cap Stocks | 5.00 |
| US Small-Cap Stocks | 5.00 |
| Other US Stocks | 0.00 |
| Non-US Developed Stocks | 8.00 |
| Non-US Emerging Stocks | 2.00 |
| Other Non-US Stocks | 0.00 |
| US Investment Grade Bonds | 40.00 |
| US High-Yield Bonds | 5.00 |
| Non-US Bonds | 3.00 |
| Other Bonds | 0.00 |
| Other | 0.00 |
| | **100.00** |

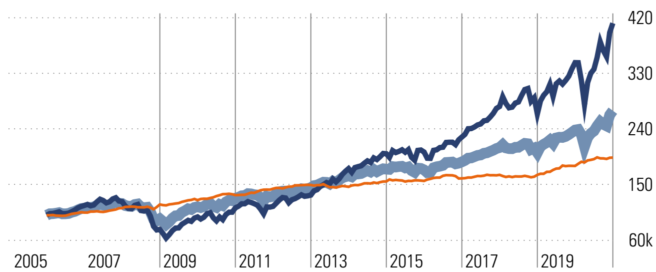
# Historical Asset Allocation Performance

## Moderate- Approaching Retirement (2020)

This report demonstrates how money invested in the asset allocation shown in the Target Asset Allocation Report would have performed over a long investing horizon and during two shorter-term periods of generally poor market performance. Please read the disclosures for important information on how these results were generated.

### Long-Term Performance

This graph shows how $100,000 invested would have performed over the past 15 years. The return and risk for the portfolio are also given.



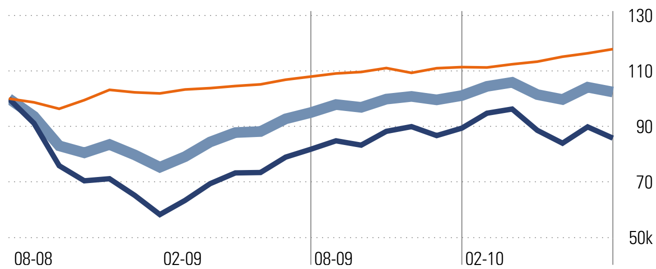

**December 31, 2005 - December 31, 2020**

- Asset Mix
- S&P 500 TR USD
- BBgBarc US Agg Bond TR USD

| | |
|---|---|
| Asset Mix Return% | 6.83 |
| Asset Mix Risk (Stnd Dev) | 8.71 |
| Start Balance $ | 100,000 |
| End Balance $ | 269,445 |

### Bear Market Performance

This graph shows how $100,000 invested would have performed during two years of a relatively recent, longer-term market downturn.

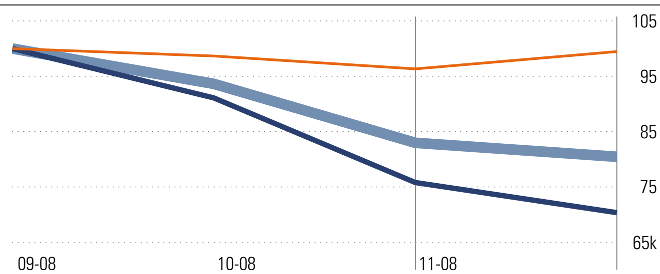



**August 31, 2008 - August 31, 2010**

- Asset Mix
- S&P 500 TR USD
- BBgBarc US Agg Bond TR USD

| | |
|---|---|
| Asset Mix Return% | 1.18 |
| Start Balance $ | 100,000 |
| End Balance $ | 102,386 |

This graph shows how $100,000 invested would have performed over a brief three-month market downturn.




**August 31, 2008 - November 30, 2008**

- Asset Mix
- S&P 500 TR USD
- BBgBarc US Agg Bond TR USD

| | |
|---|---|
| Asset Mix Return% | -19.55 |
| Start Balance $ | 100,000 |
| End Balance $ | 80,452 |

**Asset Class Mapping Disclosure**

To generate the performance of the asset mix, an appropriate index was used to represent the performance of each underlying asset class.

| Asset Class | Index |
|---|---|
| Cash | ICE BofA US 3M Trsy Bill Yld USD |
| US Stocks | S&P 500 TR USD |
| Non-US Stocks | MSCI EAFE NR USD |
| Bonds | BBgBarc US Agg Bond TR USD |
| Other/Not Clsfd | S&P 500 TR USD |

# Target Asset Allocation Disclosure Statement

### General

The Target Asset Allocation report is hypothetical in nature and for illustrative purposes only. The suggested allocation does not represent actual securities or client performance information. In all cases, the Target Asset Allocation report should be accompanied by this disclosure statement.

### Asset Allocation

"Asset allocation" is the decision of how much to invest in each investment category, or "asset class." Examples of broad asset classes include U.S. stocks, non-U.S. stocks, bonds, and cash.

The target asset allocation in this report was developed by your financial professional. In determining a target asset allocation, your financial professional may have considered your ability to handle market volatility -- financially and/or emotionally -- your financial needs and goals, the expected market behavior of the various asset classes, and other factors. Your financial professional may have used tools developed by Morningstar to arrive at a suggestion, may have used other commercially or privately available tools, and/or may have applied his/her own objective or subjective judgment or analysis. Please contact your financial professional to understand how your particular asset allocation was selected.

There is no guarantee that your financial professional applied any specific methodology in determining the asset allocation. Tools employed for purposes of arriving at an asset allocation decision, even when objectively employed, reflect subjective judgments.

There is no guarantee that any tool employed to arrive at the asset allocation proposed in the report effectively analyzed your situation or resulted in your financial professional arriving at an appropriate allocation. There is no guarantee that the target asset allocation is appropriate for your situation, or will be an effective means of achieving your financial goals. There is no guarantee that a particular return or dollar amount will be achieved.

The target asset allocation may include allocations to several different asset classes. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. There is no guarantee that the identified mix of asset classes will eliminate risk, reduce your current exposure to risk, or manage your exposure to risk in a way that is tolerable for you.

However, investors should note that security implementation decisions that must be made in implementing a particular asset allocation may have a significant effect on the actual risk and return results for a portfolio of securities. If the suggestions are implemented using specific securities, shares may be worth more or less than when invested. There is no guarantee of a specific return or dollar value.

In the table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. In the current portfolio, these statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown maybe negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

Prior to investing in a specific mutual fund, variable annuity or variable life subaccount, you must be provided with a current prospectus or equivalent. Additionally, for variable life subaccounts, a copy of the variable life contract should be provided.

Morningstar is not a broker/dealer or FINRA-member firm.

### Definitions

Asset Allocation: The decision about what asset classes to include in a portfolio, and how much to include of each.

Asset Class: A broad category of investments, such as cash, bonds, U.S. stocks, and non-U.S. stocks.

Cash: Cash and fixed-income securities with maturities of less than a year.

U.S. Stocks: Common equity shares of companies domiciled in the United States.

U.S. Large-Cap Growth Stocks: Common equity shares of companies domiciled in the United States that are among the largest 70% of market capitalizations in the U.S. equity market and that are deemed to be overpriced. (Market capitalization for a company equals shares outstanding multiplied by share price.)

U.S. Large-Cap Core Stocks: Common equity shares of companies domiciled in the United States that are among the largest 70% of market capitalizations in the U.S. equity market and that appear to be neither over- nor under-priced.

U.S. Large-Cap Value Stocks: Common equity shares of companies domiciled in the United States that are among the 70% largest market capitalizations in the U.S. equity market and that are deemed to be underpriced. (Market capitalization for a company equals shares outstanding multiplied by share price.)

U.S. Mid-Cap Stocks: Common equity shares of companies domiciled in the United States that have market capitalizations representing the next largest 30% of market capitalizations after the largest 70% of capitalizations in the U.S. equity market. (Market capitalization for a company equals shares outstanding multiplied by share price.)

U.S. Small-Cap Stocks: Common equity shares of companies domiciled in the United States that have the smallest 10% of market capitalizations (i.e., shares outstanding multiplied by share price) in the U.S. equity market.

Non-U.S. Stocks: Common equity shares of companies domiciled outside of the United States.

Non-U.S. Developed Stocks: Common equity shares of companies domiciled outside of the United States in countries that have relatively developed and stable economies and exchanges, such as Great Britain, Canada, and Japan.

Non-U.S. Emerging Stocks: Common equity shares of companies domiciled outside of the United States in countries that have relatively undeveloped economies and exchanges, such as Russia, Argentina, Taiwan, and South Africa.

Bonds: Fixed-income securities issued by companies and governments.

U.S. Bonds: Fixed-income securities issued by companies domiciled in the United States and U.S. governmental bodies (federal, state, and municipal).

Non-U.S. Bonds: Fixed-income securities issued by companies domiciled outside of the United States and foreign governmental bodies.

Other: Includes preferred stocks (equity securities that pay dividends at a specific rate) as well as convertible bonds and convertible preferreds (corporate securities that are exchangeable for a set amount of another security, usually common shares, at a prestated price). "Other" also includes securities such as warrants and options.

Sharpe Ratio is a risk-adjusted measure calculated using expected return in excess of the risk free rate and the standard deviation to determine reward per unit of risk.  Therfore the higher the Sharpe Ratio, the better the investment's or portfolio's risk-adjusted performance.

# Historical Asset Allocation Performance Disclosure Statement

**General**

The Historical Asset Allocation Performance report is hypothetical in nature and for illustrative purposes only. The suggested allocation does not represent actual securities or client performance information. In all cases, the report should be accompanied by this disclosure statement.

This report provides an indication of the long-term behavior of a particular mix of asset classes (as identified on the Target Asset Allocation report). In addition, it provides an indication of short-term behavior of a mix of asset classes over two different down markets ("bear" markets), one representing a relatively short poor market of two months, the other a longer-term down market with three years of poor market performance. The purpose of this report is to provide investors with a sense of the historical volatility of a specific mix of asset classes over various time periods. A benchmark line representing the U.S. stock market (S & P 500) and U.S. bond market (Lehman Brothers Aggregate) is provided to demonstrate how the general behavior of the stock and bond market may have impacted, and compared with, the represented asset mix.

To produce the graphs, asset classes are mapped to market indexes that Morningstar deemed to be representative of the asset class. A description of the asset class mappings to indexes appears below with descriptions of the indexes. We assume an initial investment value of  $100,000 for each graph, and the change in value from month to month is a function of the monthly return of each index and its assumed weight in the asset allocation.

Nothing contained in the Historical Asset Allocation Performance report should be construed as investment recommendations or advice. In viewing this report, investors should note that the indexes selected as representative of asset class are unmanaged and cannot be invested in directly by investors. In addition, for this illustration, no sales charges, management expenses, or tax distributions were considered in the estimated returns identified in the illustration. Investors should note that if sales charges, expenses, or taxes were included (as would be the case if securities were used to implement the asset allocation), the performance of the asset mix would be reduced.

**Past performance is no guarantee of future results. Principal value and investment return will fluctuate, so that an investor's units, when redeemed, may be worth more or less than the original investment.**

The suggested asset allocation may include allocations to several different asset classes. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. There is no guarantee that the identified mix of asset classes will eliminate risk, reduce your current exposure to risk, or manage your exposure to risk in a way that is tolerable for you. This report shows the asset allocation at a broad asset class level. However, investors should note that security implementation decisions that must be made in implementing a particular asset allocation may have a significant effect on the actual risk and return results for a portfolio of securities.

Prior to investing in a specific mutual fund or variable annuity or variable life subaccount, you must be provided a current prospectus, or equivalent. Additionally, for variable life subaccounts, a copy of the variable life contract should also be provided.

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**Definitions**

Asset Mix Return: The percentage return represented in the report is the annualized geometric return for any period over one year, and cumulative for any period less than one year, based on the returns of the proxy indexes.

Asset Mix Risk: The level of risk, measured by standard deviation, over the period represented by the graph. The higher the value, the more the variability of monthly returns over the period covered. Asset Mix Risk is provided only for the long-term performance graph, because it is not statistically significant over the two-year or two-month time periods for the bear market graphs.

# Investment Risks

International/Emerging Market Equities:  Investing in international securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

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

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

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

Mid Cap Equities: Portfolios that invest in companies with market capitalization below $10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

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

Tax-Free Municipal Bonds: The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

HOLDRs: The investor should note that these are narrow industry-focused products that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDR might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high. These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest.

Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/gearing ratio is the amount of excess return that a leveraged investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to limit further losses.

Long-Short: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Liquidity Risk: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

Market Price Risk: The market price of ETFs, HOLDRs, and closed-end funds traded on the secondary market is subject to the forces of supply and demand and thus independent of the NAV. This can result in the market price trading at a premium or discount to the NAV, which will affect an investor's value.

Market Risk: The market prices of ETFs and HOLDRs can fluctuate as a result of several factors, such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Target-Date Funds: Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

High double- and triple-digit returns: High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.

# Benchmark Disclosure

**BBgBarc US Agg Bond TR USD**

This index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns we publish for the index are total returns, which includes the daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Core US Aggregate Bond ETF.

**MSCI EAFE NR USD**

This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

This disclosure applies to all MSCI indices: Certain information included herein is derived by Morningstar in part from MSCI's Index Constituents (the "Index Data"). However, MSCI has not reviewed any information contained herein and does not endorse or express any opinion such information or analysis. MSCI does not make any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event will MSCI have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

**S&P 500 TR USD**
A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: SPDR® S&P 500 ETF Trust.

**USTREAS T-Bill Auction Ave 3 Mon**
Three-month T-bills are government-backed, short-term investments considered to be risk-free and as good as cash because the maturity is only three months. Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.



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