

# Evelyn F. McKnight Brain Research Foundation

*Period Ending March 31, 2014*

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## Executive Summary

## Executive Summary

### Market Environment (through March 31, 2014)

- Weather, geopolitical events, continued slowing in China and a transition of power within the Federal Reserve served to slow the domestic equity market advance during the first quarter. With strong headwinds, the S&P 500 Index advanced to a new all time high in February and finished the quarter with a 1.8% gain. The domestic equity market, our current preferred asset class, can best be defined as resilient.
- U.S. mid cap and small cap equities continued their advances returning 3.53% and 1.12%, respectively, and outpaced International developed and emerging markets for the quarter and trailing year. The MSCI EAFE Index gained 0.66% for the quarter and the MSCI EM Index lost (0.43%) as decoupling between emerging markets and developing markets continued.
- Weather in January and February dominated the domestic headlines as 2014 ranks as a TOP 5 costliest winters since 1980. We expect job growth, consumer spending, and overall improvements in economic activity will be pushed out to the Spring. As evidence, in March, 9 of 12 PMI, Purchasing Managers Index, reports rose showing the strongest readings in 3 years.
- Interest rates declined during the quarter and the yield curve flattened as long-term interest rates declined more than intermediate or short-term rates. This shift reflects investor's uncertainty regarding the Federal Reserve's road map for the unwinding of QE coupled with geopolitical events. The yield on the 10-year U.S. Tsy fell from 3.04% to 2.72% during the quarter. The Barclays Aggregate Bond Index returned 1.84% beating the return of the S&P 500 Index during the period. High yield and corporate bonds continued to outperform.
- Alternative strategy returns were mixed during the quarter and generally underperformed a 50/50 stock/bond combination. The HFRI FOF Index was ahead 0.24%. Hedge Equity strategies performed better with the HFRI Hedged Equity Index finishing the quarter up 1.35%.
- **OUTLOOK:** 1Q proceeded as expected with the exception of falling interest rates. We continue to factor in the historically volatile periods that accompany a transition within the Federal Reserve and Midterm Elections and expect volatility to remain elevated. Probabilities still favor moderately higher equity prices as 2014 should see a better global economy, leading indicators signify earnings are set to accelerate, and recession risk appears low. Maintain US bias to equity allocation as we expect GDP growth above 3%. Maintain shortened duration and credit diversification in fixed income portfolios. We anticipate continued improvement in employment, low inflation and for the Federal Reserve to keep short-term rates on hold into 2015 and possibly beyond.

### Plan Objectives

- The target total return objective for the Foundation is 8.7% and takes into account expenses, inflation (as measured by BRDPI), and annual distributions. The 10-year horizon expected return is 7.11% based on SunTrust Capital Market Assumptions and efficient frontier analysis as of July 2013.



## Executive Summary *(continued)*

### Asset Allocation

- The Foundation has a 70.0% target to public equity, a 11.4% target to fixed income (including cash) and a 18.6% target allocation to alternative assets (including a 2.5% allocation to private equity).
- As of quarter end, the public equity allocation was 72.9%, the allocation to fixed income (including cash) was 9.5% and the allocation to alternative investments was 17.6%.

### Portfolio Performance

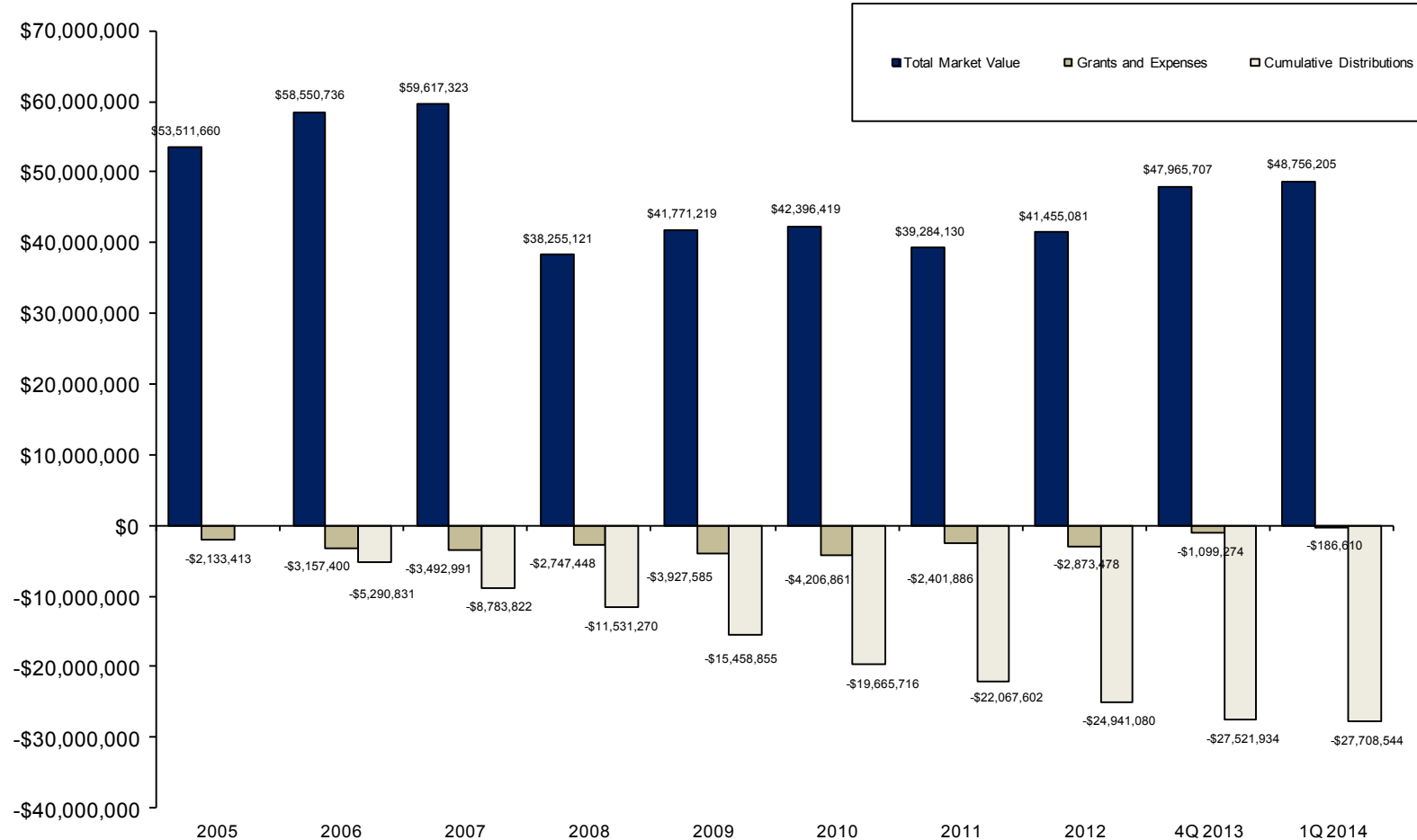
- For the quarter period ending March 31 2014, the total return for the portfolio was 2.02% versus 1.41% for the Investment Policy Statement Index.

### Select Positioning and Manager Comments

- **T. Rowe Price LCG: 0.07% vs 1.12% (Russell 1000 G)** An opportunistic style-specific manager focused on research intensive, higher-beta process which is consistent with our constructive outlook on the US equity market. The focused nature of T. Rowe's concentrated strategy (50-70 stocks) has led to substantial deviations from its benchmark in various market environments, further strengthening our belief in the strategy's ability to add value over time. WHAT HAPPENED IN Q1: While our combination of large-cap managers performed well, after outperforming by over 1000bp last year, T. Rowe's strategy lost ground in March as the defensive rotation worked against many of their high-growth positions. Sectors they are overweight such as Tech, Healthcare and Consumer Cyclical performed poorly.
- **Underweight Bonds and Duration** Our decision to underweight bonds and duration is based on our base case view that interest rates will move moderately higher in the months and years ahead as economic growth improves and monetary policy normalizes. Our 10-year return assumptions for US aggregate bonds and global equities are 2.8% and 7.3%, respectively. WHAT HAPPENED IN Q1: Interest rates moved lower and bonds outperformed global equities driven by a combination of events including 1) stock and bond returns mean reverted; 2) the 10-Yr Tsy yield rose to 3% attracting some investors; 3) geopolitical unrest (e.g. Ukraine and Turkey) leading to flight to quality, and 4) weather distorted US economic data and a slowing in China affected sentiment for risk assets.

## Portfolio Review

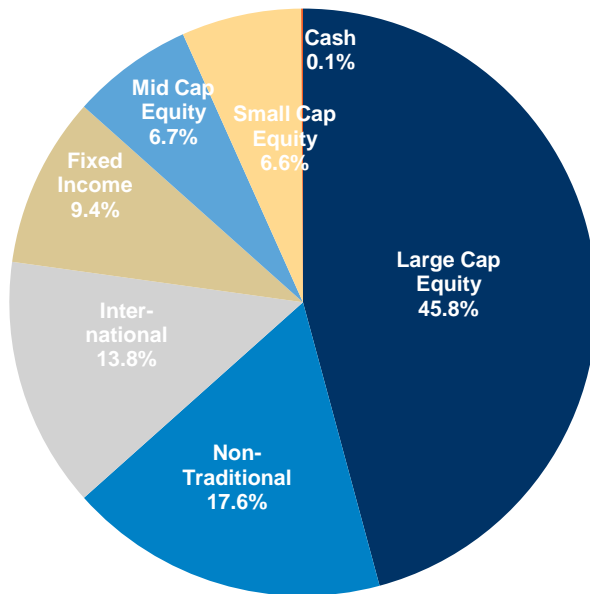
## Historical Market Values and Distributions



Source: First Rate Performance System.

## Portfolio Composition

% Portfolio



As of March 31, 2014

Assets	Current Market Value	Current Allocation	Prior Qtr Allocation	Δ in Allocation	Target Allocation	Range	Variance from Target
<b>Total Portfolio</b>	<b>\$48,756,205</b>	<b>100.0%</b>	<b>100.0%</b>				
<b>Total Equities</b>	<b>\$35,510,108</b>	<b>72.9%</b>	<b>73.2%</b>	<b>(0.4%)</b>	<b>67.3%</b>		<b>5.6%</b>
<b>Large Cap Equities</b>	<b>\$22,292,261</b>	<b>45.8%</b>	<b>45.8%</b>	<b>0.0%</b>	<b>43.4%</b>	<b>30-60%</b>	<b>2.4%</b>
T. Rowe Price Large Cap Growth	\$4,525,356	9.3%	9.5%	(0.2%)			
iShares Russell 1000 Growth	\$2,261,550	4.6%	4.7%	(0.1%)			
Hartford Dividend & Growth	\$1,602,043	3.3%	3.2%	0.1%			
iShares Russell 1000 Value	\$3,049,400	6.2%	6.2%	0.0%			
John Hancock Disciplined Value	\$1,928,240	4.0%	3.9%	0.0%			
Vanguard S&P 500 Index	\$8,925,672	18.4%	18.3%	0.1%			
<b>Mid Cap Equities</b>	<b>\$3,271,961</b>	<b>6.7%</b>	<b>6.6%</b>	<b>0.1%</b>	<b>6.0%</b>	<b>5-14%</b>	<b>0.7%</b>
iShares Russell Mid Cap Growth	\$1,624,709	3.3%	3.3%	(0.0%)			
iShares Russell Mid Cap Value	\$1,647,252	3.4%	3.3%	0.1%			
<b>Small Cap Equities</b>	<b>\$3,234,604</b>	<b>6.6%</b>	<b>6.7%</b>	<b>(0.1%)</b>	<b>6.6%</b>	<b>0-15%</b>	<b>0.0%</b>
iShare Russell 2000 Growth	\$1,593,127	3.3%	3.3%	(0.0%)			
Cambiar Small Cap	\$1,641,478	3.3%	3.4%	(0.0%)			
<b>International Equities</b>	<b>\$6,711,282</b>	<b>13.8%</b>	<b>14.1%</b>	<b>(0.4%)</b>	<b>12.8%</b>		<b>1.0%</b>
MFS Research International	\$2,146,178	4.4%	4.5%	(0.1%)	<b>8.5%</b>	<b>5-15%</b>	
Artisan International Value Investor	\$1,977,129	4.1%	4.1%	(0.1%)			
Oppenheimer Developing Markets	\$2,587,976	5.3%	5.5%	(0.2%)	<b>5.5%</b>	<b>3-10%</b>	
<b>Total Fixed Income</b>	<b>\$4,578,833</b>	<b>9.4%</b>	<b>9.5%</b>	<b>(0.1%)</b>	<b>10.2%</b>	<b>0-20%</b>	<b>-0.8%</b>
<b>High Yield</b>	<b>\$1,909,809</b>	<b>3.9%</b>	<b>4.0%</b>	<b>(0.1%)</b>	<b>2.5%</b>	<b>0-10%</b>	<b>1.4%</b>
iShares iBoxx High Yield Bond	\$810,338	1.6%	1.7%	(0.1%)			
Eaton Vance Senior Floating rate	\$1,099,471	2.3%	2.3%	(0.0%)			
<b>Intermediate</b>	<b>\$1,603,532</b>	<b>3.3%</b>	<b>3.3%</b>	<b>(0.0%)</b>	<b>2.5%</b>	<b>0-10%</b>	<b>0.8%</b>
PIMCO Total Return Bond	\$1,603,532	3.3%	3.3%	(0.0%)			
<b>International</b>	<b>\$1,065,492</b>	<b>2.2%</b>	<b>2.2%</b>	<b>(0.0%)</b>	<b>2.5%</b>	<b>0-10%</b>	<b>-0.3%</b>
PIMCO Emerging Local Bond	\$221,409	0.5%	0.5%	(0.0%)			
Templeton Global Bond	\$844,083	1.7%	1.7%	(0.0%)			
<b>Total Non-Traditional</b>	<b>\$8,612,319</b>	<b>17.6%</b>	<b>17.0%</b>	<b>0.6%</b>	<b>18.6%</b>	<b>10-30%</b>	<b>-1.0%</b>
<b>Hedge</b>	<b>\$8,016,680</b>	<b>16.4%</b>	<b>15.8%</b>	<b>0.6%</b>	<b>16.1%</b>	<b>10-30%</b>	<b>0.3%</b>
Lighthouse Global Long/Short	\$2,921,250	6.0%	5.8%	0.2%			
Lighthouse Diversified	\$2,861,622	5.8%	5.6%	0.2%			
Lighthouse Credit Opportunities	\$2,233,808	4.6%	4.4%	0.2%			
<b>Private Equity</b>	<b>\$595,639</b>	<b>1.2%</b>	<b>1.2%</b>	<b>0.0%</b>	<b>2.5%</b>	<b>0-10%</b>	<b>-1.3%</b>
Hall Capital	\$474,908	1.0%	0.9%	0.1%			
Spring Harbour	\$120,731	0.2%	0.3%	(0.0%)			
<b>Total Cash</b>	<b>\$54,945</b>	<b>0.1%</b>	<b>0.3%</b>	<b>(0.1%)</b>	<b>1.2%</b>		<b>-1.1%</b>



## Investment Performance

As of March 31, 2014					
Assets	Quarter	9 Months	1 Year	3 Years	5 Years
Total Portfolio	2.02%	16.06%	17.59%	9.77%	15.13%
2013 Efficient Frontier Target <sup>(1)</sup>	1.41%	14.27%	--	--	--
Standard Deviation				9.69%	10.04%
Spending Policy Benchmark			8.50% <sup>(2)</sup>	8.20% <sup>(3)</sup>	8.50% <sup>(4)</sup>
65% Russell 3000 / 35% Barclays Agg	1.92%	12.40%	14.66%	10.81%	15.93%
Total Equities	1.29%	19.29%	21.56%	11.74%	19.64%
Domestic Equities	1.78%	20.41%	23.68%	13.61%	20.71%
International - Developed	(0.16%)	16.95%	17.05%	7.12%	17.80%
International - Emerging	(1.73%)	7.24%	6.61%	--	--
Total Fixed Income	1.28%	3.65%	(0.08%)	5.20%	7.98%
Total Non-Traditional	5.57%	11.54%	14.46%	6.80%	8.81%

(1) 2013 Efficient Frontier Target consists of: 45.9% S&P500, 6% Russell Mid Cap, 6.6% Russell 2000, 8.5% MSCI EAFE, 5.5% MSCI Emerging Markets, 15.6% HFR Fund of Funds, 10.2% Barclays Aggregate Index, 0.5% DJ UBS Commodity and 1.2% 91 Day T-Bills.

(2) Distributions 5%, Expenses 1%, Inflation (BRDPI for FY 2013) 2.5% = 8.5%

(3) Average 3 Year BRDPI Inflation of 2.5% + 5% Distribution + 1% Expenses = 8.5%

(4) Average 5 Year BRDPI Inflation of 3.2% + 5% Distribution + 1% Expenses = 9.2%

Source: First Rate Advisor.

Returns are gross of fees unless otherwise noted. Returns greater than one year are annualized.



## Manager Performance

As of March 31, 2014						
Assets	Ticker Symbol	Quarter	9 Months	1 Year	3 Years	5 Years
<b>Large Cap Equities</b>						
<b>T. Rowe Price Large Cap Growth</b>	TRLGX	0.07%	27.70%	33.38%	16.38%	24.19%
<b>iShares Russell 1000 Growth</b>	IWF	1.02%	20.70%	22.96%	14.41%	21.43%
Russell 1000 Growth		1.12%	20.73%	23.22%	14.62%	21.68%
<b>Vanguard Institutional Index</b>	VINIX	1.79%	18.37%	21.81%	14.63%	21.15%
S&P 500		1.81%	18.41%	21.86%	14.66%	21.16%
<b>John Hancock Disciplined Value</b>	JVLIX	2.50%	18.81%	25.61%	16.19%	22.25%
<b>iShares Russell 1000 Value</b>	IWD	2.98%	17.65%	21.28%	14.56%	21.51%
<b>Hartford Dividend &amp; Growth</b>	HDGYX	2.73%	17.43%	21.97%	13.56%	19.70%
Russell 1000 Value		3.02%	17.80%	21.57%	14.80%	21.75%
<b>Mid Cap Equities</b>						
<b>iShares Russell Mid Cap Growth</b>	IWP	1.95%	20.70%	23.96%	13.30%	24.47%
Russell Mid Cap Growth		2.04%	20.76%	24.22%	13.52%	24.73%
<b>iShares Russell Mid Cap Value</b>	IWS	5.05%	20.96%	22.61%	14.93%	26.06%
Russell Mid Cap Value		5.22%	20.96%	22.95%	15.17%	26.35%
<b>Small Cap Equities</b>						
<b>iShares Russell 2000 Growth</b>	IWO	0.48%	22.96%	27.28%	13.73%	25.29%
Russell 2000 Growth		0.48%	22.61%	27.19%	13.61%	25.24%
<b>Cambiar Small Cap</b>	CAMZX	1.39%	22.24%	25.52%	12.26%	27.05%
Russell 2000 Value		1.78%	19.69%	22.65%	12.74%	23.33%
<b>International Equities</b>						
<b>MFS Research International</b>	MRSIX	(0.49%)	14.42%	13.79%	5.98%	15.84%
<b>Artisan International Value Investor</b>	ARTKX	0.19%	20.17%	21.57%	13.28%	22.22%
MSCI EAFE		0.66%	18.72%	17.56%	7.21%	16.02%
<b>Oppenheimer Developing Markets</b>	ODVYX	(1.73%)	11.00%	6.61%	2.32%	19.90%
MSCI Emerging Markets		(0.43%)	7.24%	(1.43%)	(2.86%)	14.47%

Source: Morningstar & First Rate Advisor



## Manager Performance

As of March 31, 2014						
Assets	Ticker Symbol	Quarter	9 Months	1 Year	3 Years	5 Years
<b>Fixed Income</b>						
<b>iShares iBoxx High Yield Bond</b>	HYG	2.63%	8.63%	6.36%	8.04%	15.32%
iBoxx Liquid High Yield		2.68%	8.53%	6.44%	8.18%	15.85%
<b>Eaton Vance Senior Floating rate</b>	EIBLX	0.56%	3.33%	3.32%	4.54%	11.41%
S&P/LSTA Leveraged Loan		1.20%	4.15%	4.35%	5.01%	12.52%
<b>PIMCO Total Return Bond</b>	PTTRX	1.30%	2.45%	(1.24%)	4.15%	6.87%
Barclays US Aggregate Bond		1.84%	2.28%	(0.10%)	3.75%	4.80%
<b>PIMCO Emerging Local Bond</b>	PELBX	1.79%	(0.54%)	(9.20%)	0.73%	10.17%
JPM GBI EM Global Diversified		1.90%	1.33%	(7.14%)	1.13%	9.78%
<b>Templeton Global Bond</b>	TGBAX	0.76%	4.61%	1.75%	4.69%	9.52%
Citi WGBI		2.66%	6.08%	1.37%	1.91%	3.84%
<b>Non - Traditional</b>						
<b>Lighthouse Global Long/Short</b>		0.89%	10.17%	14.12%	7.80%	7.90%
<b>Lighthouse Credit Opportunities</b>		2.90%	11.51%	14.20%	7.62%	12.52%
<b>Lighthouse Diversified</b>		2.73%	11.97%	12.84%	5.93%	8.31%
HFRI FoF : Composite		0.24%	5.80%	5.71%	2.27%	4.84%

Source: Morningstar & First Rate Advisor

# Attribution Analysis – 1st Calendar Quarter 2014

Performance Attribution Analysis 1st Calendar Quarter 2014 3rd Quarter Fiscal Year 2014											
Asset		2013 Efficient Frontier Target Benchmark	Weights (%)		Asset Qtrly Returns (%)			Weight vs Tgt	Attribution Effects		
			2013 E.F. Target	Active (1)	Index	Style Index(3)	Portfolio		Allocation	Style Allocation	Selection
Large Cap		LC Policy Index(4)	43.4	45.8	2.0	2.0	1.6	2.39	0.01	-0.01	-0.15
	T Rowe Price LC Growth	Russell 1000 Growth Index		9.4			0.1			-0.08	
	Vanguard Instl Index	S&P 500 Index		18.4			1.8			-0.03	
	iShare Russell 1000 Growth	Russell 1000 Growth Index		4.7			1.0			-0.04	
	Hartford Dividend & Growth Y	Russell 1000 Value Index		3.2			2.7			0.03	
	iShare Russell 1000 Value	Russell 1000 Value Index		6.2			3.0			0.06	
	John Hancock Disc Value	Russell 1000 Value Index		3.9			2.5			0.04	
Mid Cap		Russell MidCap Index	6.0	6.7	3.5	3.6	3.5	0.67	0.01	0.01	0.00
	iShare Midcap Value	Russell Midcap Value Index		3.3			5.1			0.06	
	iShare Midcap Growth	Russell MidCap Growth Index		3.3			2.0			-0.05	
Small Cap		Russell 2000 Index	6.6	6.7	1.1	1.1	0.9	0.05	0.00	0.00	-0.01
	iShares Russell 2000 Growth	Russell 2000 Growth Index		3.3			0.5			-0.02	
	Cambiar SC Value	Russell 2000 Value Index		3.4			1.4			0.02	
International		MSCI EAFE + EM Index	14.0	14.0	0.3	0.2	-0.8	(0.05)	0.00	-0.01	-0.15
	MFS International	MSCI EAFE		4.5			-0.5			0.02	
	Artisan International Value	MSCI EAFE		4.1			0.2			0.02	
	Oppenheimer Developing	MSCI Emerging Mkts Index		5.4			-1.7			-0.04	
Alternative (includes PE allocation)		HFRI FOF + Commodity Index	16.1	17.3	0.2	0.2	5.6	1.22	-0.01	0.00	0.93
	Lighthouse Credit Opportunites	HFRI FOF Index		4.5			6.1			0.00	
	Lighthouse Global Long/Short	HFRI FOF Index		5.9			5.1			0.00	
	Lighthouse Diversified	HFRI FOF Index		5.7			6.0			0.00	
Private Equity			2.5	1.0							
	Hall Capital			0.3							
	Spring Harbour										
Fixed Income (includes cash)		Barcap Aggregate	10.2	9.6	1.8	2.0	1.3	(0.58)	0.00	0.01	-0.06
	Eaton Vance Senior Floating Rate	S&P Leveraged Loan		2.3			0.6			-0.01	
	Pimco Total Return Bond	Barclays Aggregate		3.3			1.3			0.00	
	iShares High Yield	iBoxx Liquid HY		1.7			2.6			0.01	
	Templeton Global Bond	Citi World Bd		1.7			0.8			0.01	
	Pimco Emerging Mkt Local	Citi World Bd		0.5			1.8			0.00	
Cash Equivalent		Cash Equivalents	1.2	0.2	0.0		0.0	(1.02)	0.01	0.00	0.00
91 Day T-Bills											
Period End Static Return			100.0	100.0	1.4		2.0 (2)		0.01	0.00	0.56
Total - Actual Return (Plugged)					1.4		0.0				
							2.0				

Notes:

(1) Portfolio active weights are an average of beginning and ending quarter percentages

(2) Portfolio return is estimated using a weighted average and does not take into account the timing of cash flows; therefore, it may not exactly match the actual return.

(3) The Style Index is the portfolio's fund weight x benchmark style index within each asset class

(4) Large Cap Policy Index = 33.3% SP500, 33.3% R1000G, 33.3% R1000V

# Peer Group Analysis

As of March 31, 2014

				Morningstar Percentile			
				1 Quarter	1 YR	3 YR	5 YR
Ticker Morningstar Category Benchmark							
<b>LARGE CAP GROWTH</b>							
T Rowe Price LC Growth	TRLGX	Large-Cap Growth	Russell 1000 Growth - Total Return	60	3	6	7
Russell 1000 Growth - Total Return		Large-Cap Growth		30	49	22	23
<b>LARGE CAP CORE</b>							
Vanguard Institutional Index	VINIX	Large-Cap Core	S&P 500 - Total Return	42	42	23	25
S&P 500 - Total Return		Large-Cap Core		42	41	23	25
<b>LARGE CAP VALUE</b>							
Hartford Dividend & Growth Y	HDGYX	Large-Cap Value	Russell 1000 Value - Total Return	31	37	46	53
John Hancock Div Value	JVLIX	Large-Cap Value		39	7	3	11
Russell 1000 Value - Total Return		Large-Cap Value		21	42	18	16
<b>SMALL CAP VALUE</b>							
Cambiar Small Cap	CAMZX	Small-Cap Value	Russell 2000 Value - Total Return	62	27	58	17
Russell 2000 Value - Total Return		Small-Cap Value		45	57	51	66
<b>LARGE CAP INTERNATIONAL</b>							
MFS Research International I	MRSIX	International Large-Cap Core	MSCI EAFE - Gross Return	66	68	52	38
Artisan Intl Value	ARTKX	International Large-Cap Core	MSCI EAFE - Gross Return	53	9	1	3
MSCI EAFE - Gross Return		International Large-Cap Core		29	20	17	21
<b>EMERGING MARKETS EQUITY</b>							
Oppenheimer Developing Markets	ODVYX	Emerging Markets	MSCI EMF (Emerging Markets) - Gross Return	69	11	13	5
MSCI EMF (Emerging Markets) - Gross Return		Emerging Markets		49	69	83	86
<b>CORE PLUS FIXED</b>							
PIMCO Total Return Instl	PTTRX	Intermediate Investment Grade	Barclays Capital US Aggregate	85	88	45	45
Barclays Capital US Aggregate		Intermediate Investment Grade		62	56	59	81
<b>Global Bond</b>							
Templeton Global Bond	TGBAX	Global Bond	Citi WGBI Non USD	93	31	22	20
PIMCO Emg Local Bond	PELBX	Global Bond	Citi WGBI Non USD	76	100	94	16
Citi WGBI Non USD				16	17	83	91
<b>BANK LOAN</b>							
Eaton Vance Floating Rate	EIBLX	Bank Loan	Credit Suisse Leveraged Loan	97	73	59	38
Credit Suisse Leveraged Loan		Bank Loan		12	15	18	22



## Economic Overview

## Investment Overview

- **Global stocks were slightly higher in March, capping off a choppy first quarter**
  - Equities proved resilient in March despite ongoing tensions in Ukraine and soft China economic data. A rebound in payrolls and manufacturing indicates the US is thawing from the winter chill, while Europe's recovery continued at a gradual pace.
  - The MSCI ACWI, a proxy for global equities, rose 0.4% in March, finishing a choppy first quarter with a gain of 1.1%. The S&P 500 gained 0.8% in the month, bringing its year-to-date return to 1.8%; eight of the ten S&P 500 sectors were positive for the month, with Telecom, Utilities, and Financials gaining over 3%.
  - Emerging markets (EM) equity was the clear leader last month, gaining 3.1%. This rebound helped cut EM's first quarter loss to just 0.4%. Conversely, Developed International markets declined 0.6% in March but closed the first quarter up 0.7%.
- **Bonds were mixed in March, but outperformed stocks in the first quarter**
  - Remarks from new Fed Chair Janet Yellen suggested short term interest rates could rise earlier in 2015 than market expectations led to a slight rise in yields; the benchmark 10-year US Treasury yield ended March at 2.72%, up from 2.65%.
  - The Barclays Aggregate Index declined 0.2% in March, but returned 1.8% in the first quarter. The Barclays High Yield Index extended its year-to-date outperformance by gaining 0.2% in March, while EM bonds snapped back with a return of 1.3%. Municipal bonds also continued its 2014 leadership, gaining 0.2% for the month and is now up 3.3% for the year.
- **REITs and Commodities posted another positive month, as the FTSE NAREIT All Equity Index and DJ-UBS Commodity Index each gained 0.4%. Both asset classes are up strongly thus far in 2014.**
- **2014 base case outlook remains intact**
  - With economic series rebounding, we expect the US growth will rise near 3% over the course of the year. Our 2014 equity outlook remains unchanged; we anticipate positive but moderate returns with greater volatility. This view is predicated on an improving economic and earnings outlook as we progress through the year. Within fixed income markets, we continue to favor a slightly short maturity portfolio and taking credit risks over interest rate risks.

*Past performance is not a guarantee of future results. Please see Disclosure slides for important information.*



## March 2014 Market Returns

Total Return* Periods ending March 31, 2014			
	1 Month	YTD	12 Months
<b>Global Markets (in US \$)</b>			
MSCI AC World Equity Index (net)	0.4%	1.1%	16.6%
Citi World BIG USD un-hedged	-0.1%	2.5%	2.4%
<b>US Equities</b>			
Large-Cap US Stocks (S&P 500)	0.8%	1.8%	21.9%
Small-Cap US Stocks (Russell 2000)	-0.7%	1.1%	24.9%
<b>International Equities</b>			
Developed Countries (MSCI EAFE) (net)	-0.6%	0.7%	17.6%
Emerging Markets (MSCI EM) (net)	3.1%	-0.4%	-1.4%
<b>US Fixed Income</b>			
US Treasury Bonds (Benchmark 10 Yr.)	-0.3%	3.4%	-4.4%
Barclays Aggregate Bond Index	-0.2%	1.8%	-0.1%
BofAML High Yield Master	0.2%	3.0%	7.5%
Barclays Municipal Bond Index	0.2%	3.3%	0.4%
<b>International Bonds</b>			
Citi World BIG non-USD un-hedged	0.0%	3.0%	4.5%
JPM Emerging Mkts Bond Index	1.3%	3.5%	-1.1%
<b>Non-Traditional</b>			
REITs (FTSE NAREIT Equity Index)	0.4%	8.5%	3.3%
Commodities (Dow Jones UBS)	0.4%	7.0%	-2.1%

\* All returns in US dollars Data Source: Factset

- The MSCI ACWI, a proxy for global equities, rose 0.4% in March, finishing a choppy first quarter with a gain of 1.1%. Emerging markets equity was the clear leader last month, gaining 3.1%, while Developed international was down 0.6%
- Remarks from new Fed Chair Janet Yellen suggested short term interest rates could rise earlier in 2015 than market expectations led to a slight rise in yields; the benchmark 10-year US Treasury yield ended March at 2.72%, up from 2.65% the previous month.
- The Barclays Aggregate Index declined 0.2% in March, but returned 1.8% in the first quarter. The Barclays High Yield Index and the Barclays Municipal Bond Index each rose 0.2% last month, extending their year-to-date outperformance. EM bonds also snapped back with a monthly return of 1.3%.
- REITs and Commodities had another positive month and are up strongly thus far in 2014.

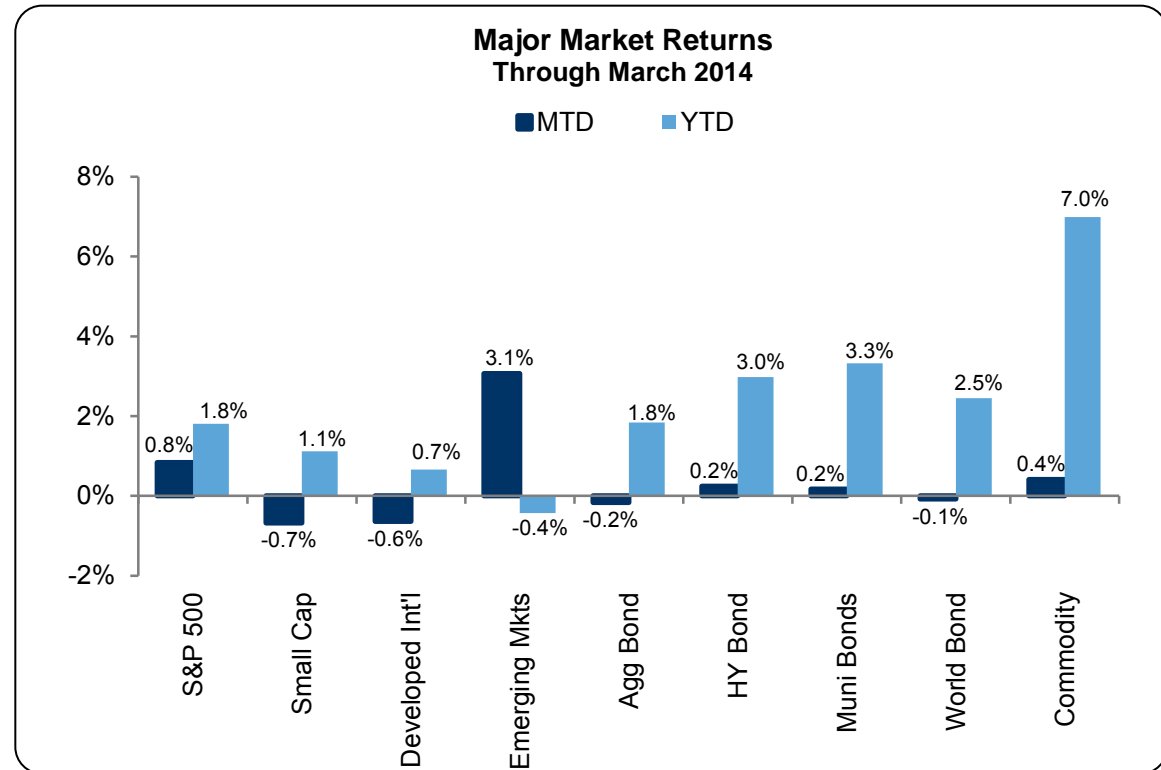
Past performance is not a guarantee of future results. Please see Disclosure slides for important information.



## Market Overview

Global stocks rose modestly in March, capping off an uneven first quarter in which bonds outperformed

After the best year for global equities since 2003 and the worst annual performance for the Barclays US Aggregate Bond Index since 1994, a reversion in trends took hold as bonds outperformed stocks in the first quarter. World equities generally rallied during March and in the first quarter, but returns were uneven. There was a great deal of rotation within and across markets. The MSCI ACWI gained 0.4% for the month and 1.1% for the quarter. The S&P 500 rose 0.8% in March, bringing its year-to-date gain to 1.8%. The MSCI Emerging Markets Index raced up 3.1% for the month, but remained the biggest laggard for the year.



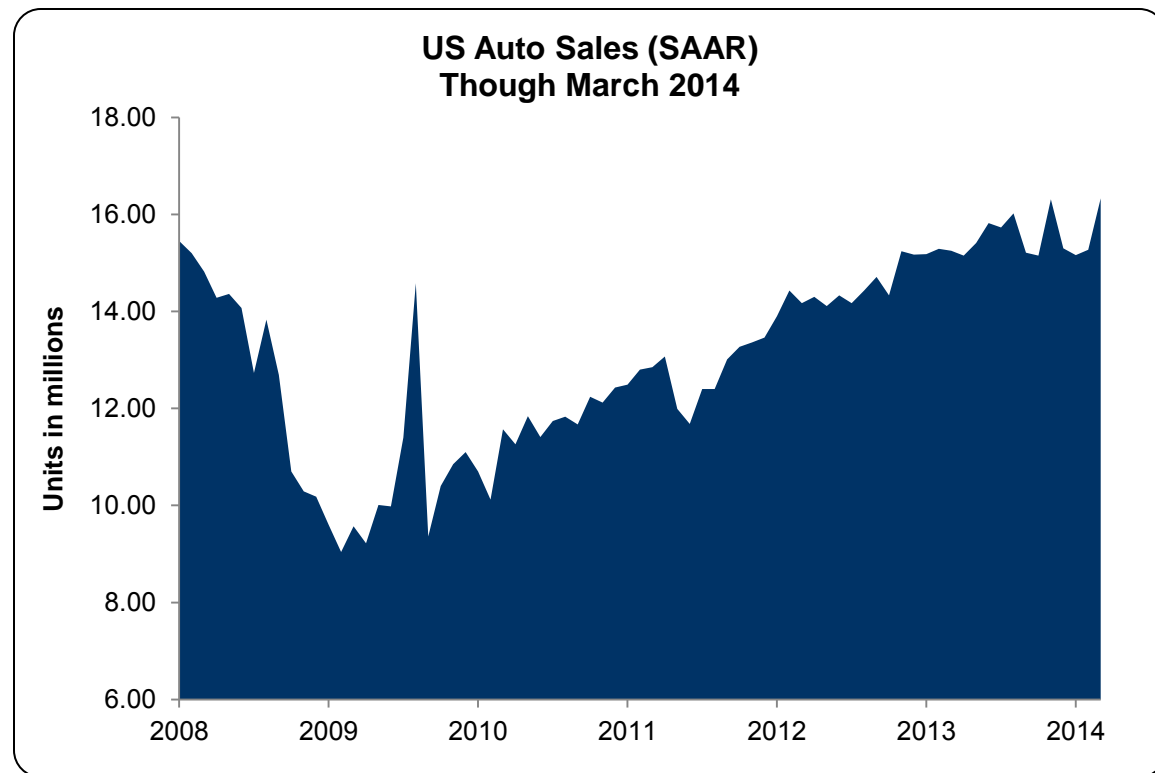
Returns are represented by the following indices: Barclays Municipal Bond Index, Citi World BIG Index, Barclays Aggregate Bond Index, Barclays US Corporate High Yield Index, Barclays Bellwether 10 and 30 year US Treasury Index, Barclays Financial Institutions Bond Index, Barclays MBS Fixed Rate Bond Index and Barclays US Investment Grade Corporate Index. Data source: Morningstar and Barclays Live

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## Economic Overview

Some, but not all, economic data no longer impacted by the winter weather distortions

Depending on the industry, most US economic data is beginning to reverse the larger-than-normal impact from the harsh winter season. Auto sales jumped to 16.3 million units (SAAR), up 6.9% in March, after weaker results during December and January. Retail and food sales rose 0.3% in February, snapping a two-month slump. Manufacturing gauges also rebounded for February, as new durable goods orders surged 2.2% and industrial production increased 0.6%. The trend of housing data, however, remains somewhat unknown as the most recent housing data still included the impacted weather timeframe and showed monthly declines.



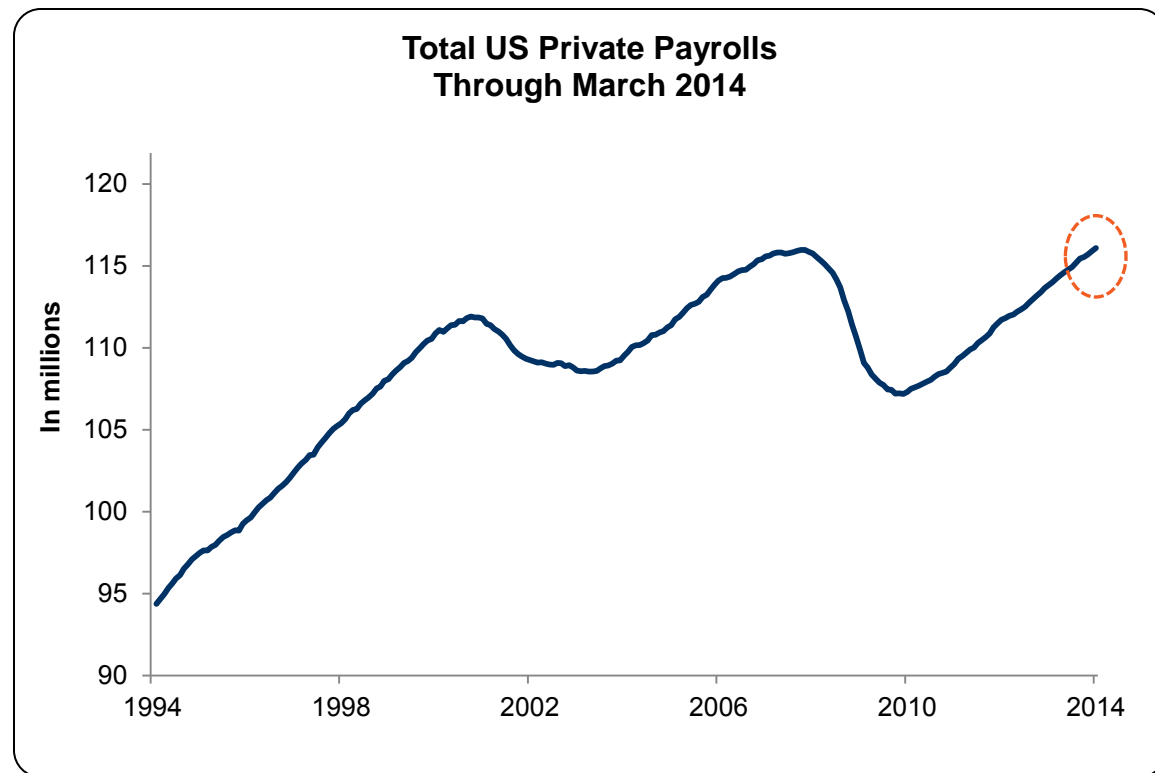
Data source: Bloomberg

*Past performance is not a guarantee of future results. Please see Disclosure slides for important information.*

## Economic Overview, continued

Recent jobs data appears back on prior trend, helping US private payrolls finally exceed pre-recession high

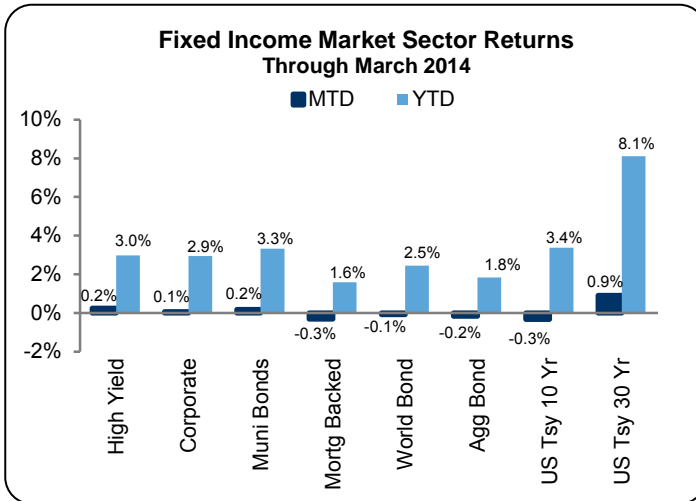
As expected, job growth accelerated once the wicked winter weather passed. Nonfarm payrolls increased by 192,000 jobs in March, along with revisions of 37,000 more than previously reported for January and February. That took the six-month average to 188,000, roughly in-line with the prior trend. The composition of the March gains illustrate that the industries that suffered the worst weather-related declines, such as construction and retail, accelerated in March (or in February and March). This has helped US private payrolls finally exceed pre-recession high.



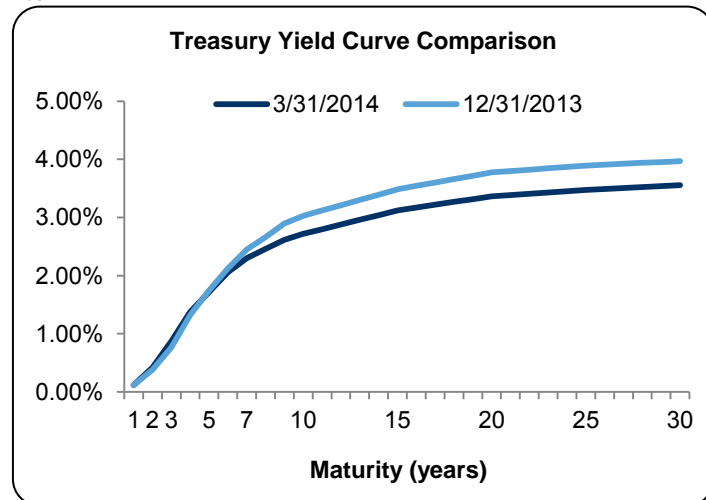
Data source: FactSet

*Past performance is not a guarantee of future results. Please see Disclosure slides for important information.*

## Taxable Bond Market Overview



Returns are represented by the following indices: Barclays Municipal Bond Index, Citi World BIG Index, Barclays Aggregate Bond Index, Barclays US Corporate High Yield Index, Barclays Bellwether 10 and 30 year US Treasury Index, Barclays Financial Institutions Bond Index, Barclays MBS Fixed Rate Bond Index and Barclays US Investment Grade Corporate Index.



Data source: Bloomberg

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- Remarks from Fed Chair Yellen suggested short term interest rates could rise earlier than market expectations led to a slight rise in yields; the benchmark 10-year US Treasury yield ended March at 2.72%, up from 2.65% last month. As a result, the yield curve flattened during the first quarter. The Barclays Aggregate Index declined 0.2% in March, but returned 1.8% in the first quarter. Meanwhile, the Barclays High Yield Index rose 0.2%, extending its year-to-date outperformance. EM bonds also snapped back with a monthly return of 1.3%.
- Spurred by low rates and strong investor demand, companies continued to borrow in record amounts during the first quarter. With rising demand, spreads on corporate bonds closed the quarter at their lowest levels since July 2007. The average spread on investment grade bonds was 106 basis points at the end of March. Still, we find value in corporate bonds from the incremental yield they offer over Treasuries and recommend investors maintain an overweight position.
- With spreads are at seven-year lows and some of the recent issuance driven by equity-friendly motives on the part of corporations, we believe security selection and active management of positions is critical.

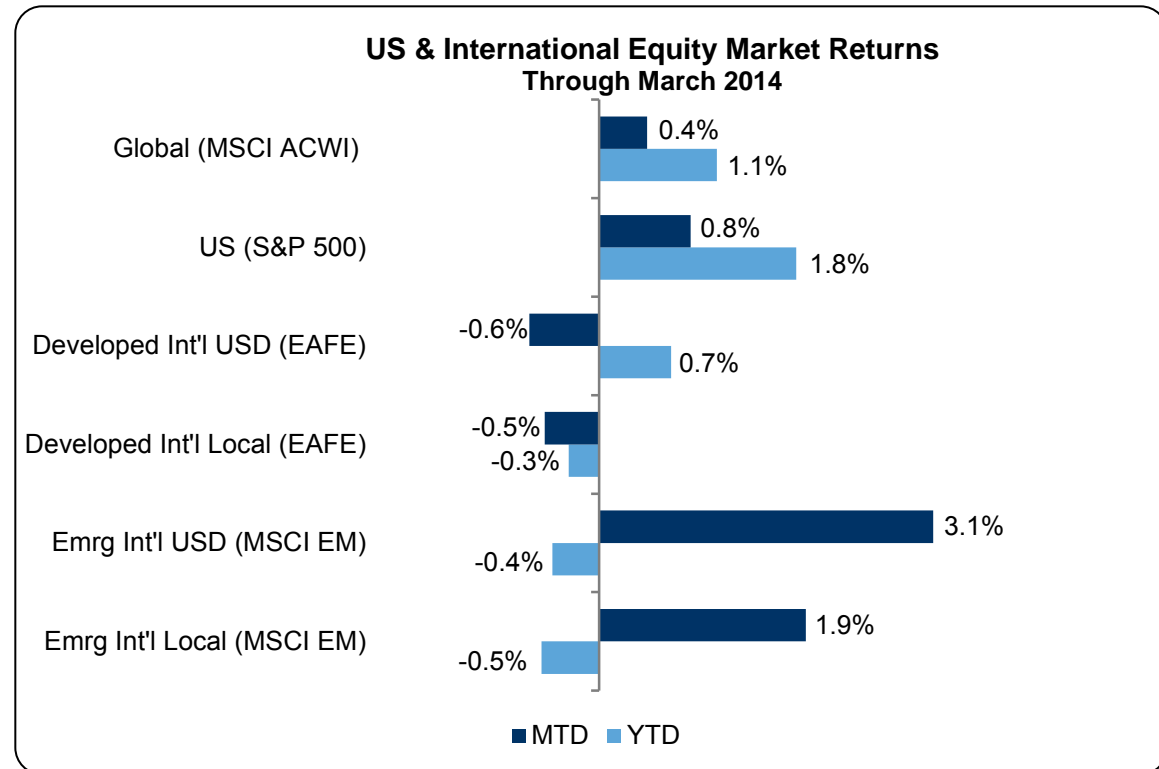
## Equity Market Overview

Global stocks were slightly higher in March, capping off a choppy first quarter

The MSCI ACWI, a proxy for global equities, rose 0.4% in March, finishing a choppy first quarter with a gain of 1.1%.

The S&P 500 gained 0.8% in the month, bringing its year-to-date return to 1.8%; eight of the ten S&P 500 sectors were positive for the month, with Telecom, Utilities, and Financials gaining over 3%.

Emerging markets (EM) was the clear leader last month, gaining 3.1%. This rebound helped cut EM's first quarter loss to just 0.4%. Conversely, Developed international was down 0.6% in March but closed the first quarter up 0.7%.



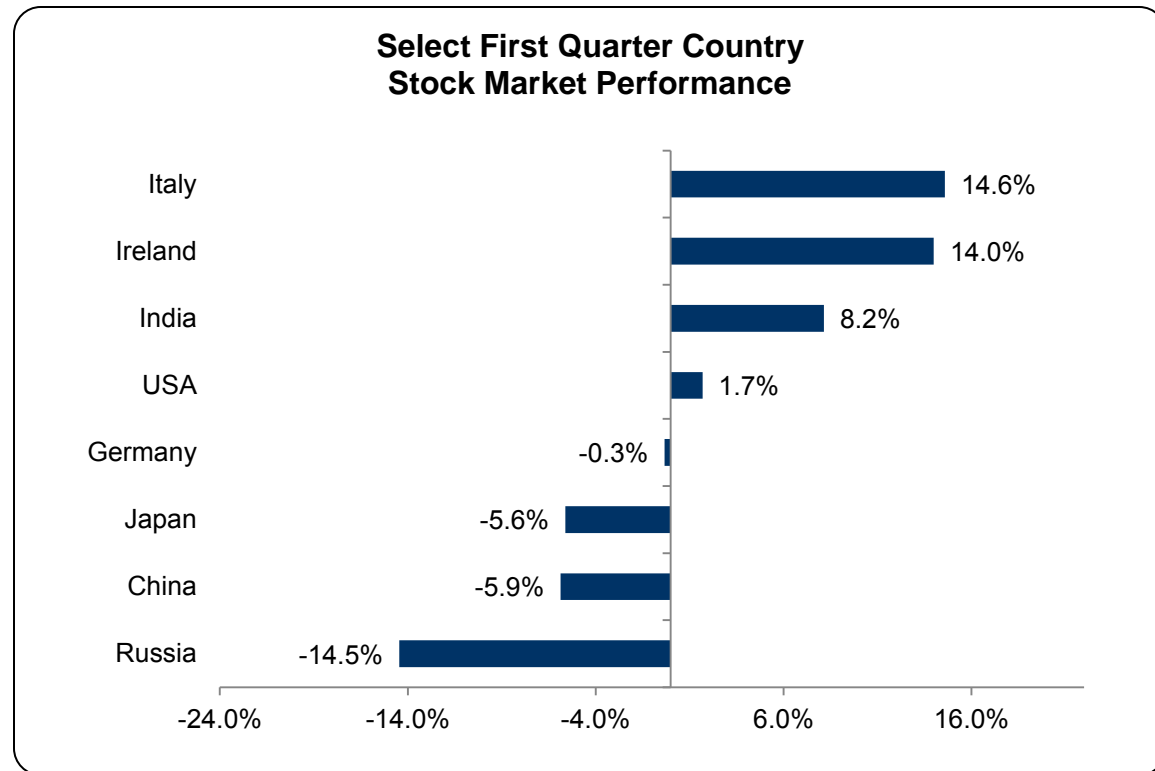
Returns are represented by the following indices: S&P 500 Stock Index, MSCI Emerging Market Index in US dollars and local currencies, MSCI EAFE developed country index in US dollars and local currencies. Data source: Morningstar

Past performance is not a guarantee of future results. **Please see Disclosure slides for important information.**

## Equity Market Overview, continued

Modest headline index gains masked significant rotation below the surface

Despite relatively flat headline index performance, a tremendous amount of rotation within and across markets occurred in the quarter. Many of the more expensive, high growth areas, such as internet and biotechnology stocks, sold off late in the March, as investors re-priced the amount they were willing to pay for future growth expectations. Japan, 2013's star performer, has struggled this year, while peripheral European markets Italy and Ireland jumped 14.6% and 14.0%, respectively.



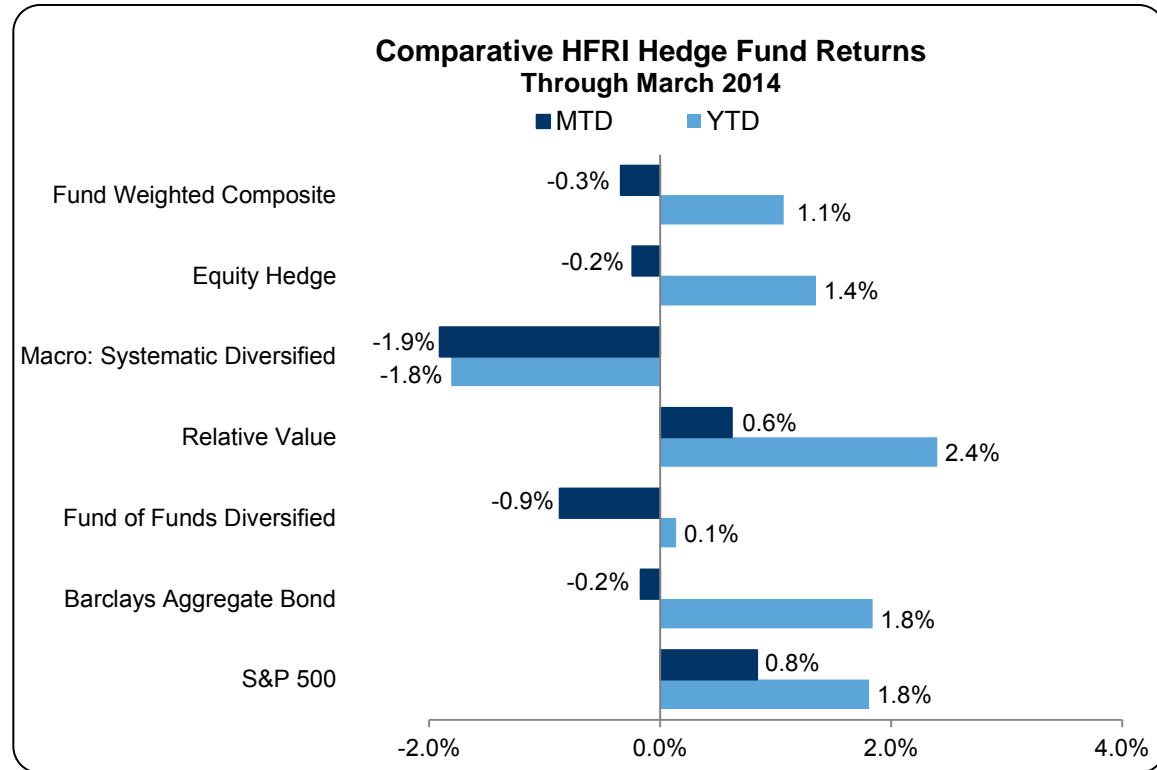
Data source: Factset, country returns based on MSCI indices; data shown in USD on a net basis

*Past performance is not a guarantee of future results. Please see Disclosure slides for important information.*

## Alternatives Investment Overview

### Hedge funds stumble in March, but post solid first quarter results

Choppy equity markets hampered hedge fund returns during March as the HFRI Fund Weighted Composite Index slipped 0.3%. Similarly, most of the major equity-related strategies were negative for the month. Conversely, fixed income-based approaches outperformed as the HFRI Relative Value Index rose 0.6% in March and were the best performing strategy during the first quarter, up 2.4%. Other narrowly-focus fixed income approaches also did well in March. Hedge funds, however, largely kept pace for the first quarter as the HFRI Fund Weighted Composite Index gained 1.1% compared to 1.8% for the S&P 500 Index.



Data Source: Hedge Fund Research, Factset

*Hedge fund investing involves substantial risks and may not be suitable for all clients. Hedge funds are intended for sophisticated investors who can bear the economic risks involved. Hedge funds may engage in leveraging and speculative investment practices that may increase the risk of investment loss, can be illiquid, and are not required to provide periodic pricing or valuation information to investors. Hedge funds may involve complex tax structures, have delays in distributing tax information, are not subject to the same regulatory requirements as mutual funds and often charge higher fees.*

Past performance is not a guarantee of future results. **Please see Disclosure slides for important information.**

# Performance Summary Through March 2014

Index Performance (%)	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr
MSCI ACWI (net)	0.44	1.08	1.08	16.55	8.55	17.80
MSCI World (net)	0.14	1.26	1.26	19.07	10.23	18.28
MSCI EAFE LCL (net)	(0.50)	(0.28)	(0.28)	15.41	8.90	13.66
MSCI EAFE USD (net)	(0.64)	0.66	0.66	17.56	7.21	16.02
MSCI Emerging Markets LCL (net)	1.90	(0.53)	(0.53)	3.40	1.43	13.31
MSCI Emerging Markets USD (net)	3.07	(0.43)	(0.43)	(1.43)	(2.86)	14.48
Dow Jones Industrial Average	0.93	(0.15)	(0.15)	15.66	13.05	19.85
S&P 500	0.84	1.81	1.81	21.86	14.66	21.16
Nasdaq 100	(2.66)	0.42	0.42	29.40	16.89	25.09
Russell 1000	0.64	2.05	2.05	22.41	14.75	21.73
Russell 1000 Growth	(1.01)	1.12	1.12	23.22	14.62	21.68
Russell 1000 Value	2.39	3.02	3.02	21.57	14.80	21.75
Russell MidCap	(0.27)	3.53	3.53	23.51	14.39	25.55
Russell Mid Cap Growth	(1.85)	2.04	2.04	24.22	13.52	24.73
Russell Mid Cap Value	1.54	5.22	5.22	22.95	15.17	26.35
Russell 2000	(0.68)	1.12	1.12	24.90	13.18	24.31
Russell 2000 Growth	(2.46)	0.48	0.48	27.19	13.61	25.24
Russell 2000 Value	1.24	1.78	1.78	22.65	12.74	23.33
FTSE NAREIT Equity Index	0.35	8.52	8.52	3.25	10.40	28.31
DJ-UBS Commodity Index	0.41	6.99	6.99	(2.10)	(7.37)	4.24
Barclays Aggregate	(0.17)	1.84	1.84	(0.10)	3.75	4.80
Barclays Intermediate Govt & Credit	(0.30)	1.00	1.00	(0.13)	3.13	4.18
Barclays U.S. MBS Index	(0.32)	1.59	1.59	0.20	2.76	3.57
BofAML U.S. Treasury Master	(0.28)	1.63	1.63	(1.53)	3.33	2.64
BofAML U.S. Treasuries Inflation-Linked	(0.45)	2.17	2.17	(6.82)	3.56	4.94
Barclays U.S. Treasury Bellwethers (2 Yr)	(0.09)	0.19	0.19	0.40	0.78	1.11
Barclays U.S. Treasury Bellwethers (10 Yr)	(0.34)	3.38	3.38	(4.39)	5.29	3.10
Barclays Municipal Bond	0.17	3.32	3.32	0.39	5.79	5.71
BofAML U.S. Corporate Master	0.07	2.97	2.97	1.42	6.04	9.89
BofAML High Yield Master	0.23	3.00	3.00	7.53	8.71	18.19
Citigroup WGBI (USD)	(0.09)	2.66	2.66	1.37	1.91	3.84
Citigroup WGBI (USD) Hedged	0.17	2.08	2.08	1.45	4.33	3.37
JP Morgan EMBI Global	1.26	3.48	3.48	(1.05)	7.15	11.54

Rates (%)	3/31/14	3/31/14	12/31/13	9/30/13	6/28/13	3/28/13
U.S. Fed Funds Rate	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank Rate	0.25	0.25	0.25	0.50	0.50	0.75
Bank of England Rate	0.50	0.50	0.50	0.50	0.50	0.50
Bank of Japan Rate	0.10	0.10	0.10	0.10	0.10	0.10
USA LIBOR - 3 Month	0.23	0.23	0.25	0.25	0.27	0.28
TED Spread (bps) - 3 Month	0.19	0.19	0.18	0.24	0.24	0.22
2 Yr U.S. Treasury	0.42	0.42	0.38	0.33	0.36	0.24
10 Yr U.S. Treasury	2.72	2.72	3.04	2.61	2.49	1.85
10-2 yr slope	2.30	2.30	2.65	2.28	2.13	1.61
Barclays Municipal Bond	2.71	2.71	3.15	3.08	2.91	2.20
BofAML High Yield Master	5.33	5.33	5.67	6.24	6.56	5.63
BofAML Corporate Master	3.19	3.19	3.35	3.36	3.40	2.78

Currencies	3/31/14	3/31/14	12/31/13	9/30/13	6/28/13	3/28/13
Euro (\$/€)	1.38	1.38	1.38	1.35	1.30	1.28
Yen (¥/\$)	102.99	102.99	105.11	98.13	99.34	94.02
GBP (\$/£)	1.67	1.67	1.66	1.62	1.52	1.52

Commodities	3/31/14	3/31/14	12/31/13	9/30/13	6/28/13	3/28/13
Light Crude Oil (\$/barrel)	101.58	101.58	98.42	102.33	96.56	97.23
Gold (\$/ozt)	1,283.80	1,283.80	1,202.30	1,327.00	1,223.70	1,595.70

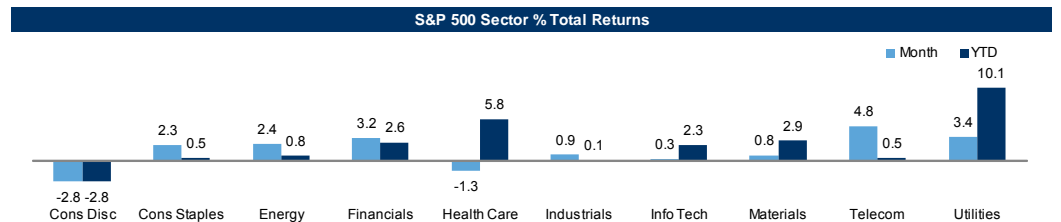
CBOE Volatility Index	3/31/14	3/31/14	12/31/13	9/30/13	6/28/13	3/28/13
CBOE VIX	13.88	13.88	13.72	16.60	16.86	12.70

Hedge Fund Performance (%)	MTD	QTD	YTD	1 Yr	3 Yr	5 Yr
HFRX Global Hedge Fund Index	(0.23)	1.11	1.11	4.63	0.46	3.82
HFRX Equity Hedge Index	(0.37)	1.25	1.25	7.03	(0.51)	3.14
HFRX Fund of Funds	(0.96)	0.24	0.24	5.71	2.27	4.84
HFRX Macro	(0.22)	(1.04)	(1.04)	(2.85)	(3.38)	(3.76)
HFRX Distressed Securities Index	0.64	3.34	3.34	7.39	(0.29)	1.74
HFRX Absolute Return Index	0.01	1.31	1.31	4.20	0.47	(0.27)

U.S. Style % Total Returns (Russell Indexes)								
Month			YTD					
Value	Core	Growth	Value	Core	Growth			
2.39	0.64	-1.01	3.02	2.05	1.12	Large		
1.54	-0.27	-1.85	5.22	3.53	2.04	Mid		
1.24	-0.68	-2.46	1.78	1.12	0.48	Small		

Data Source: FactSet

It is not possible to invest directly in an index.



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## Appendix

## Important Disclosures

### SunTrust Foundations and Endowments Specialty Practice

Banking and trust products and services are provided by SunTrust Bank. SunTrust Bank may use or offer the services of affiliate companies as well as third party entities to achieve your banking and investment objectives. Where applicable, any affiliations and all pertinent provider information will be disclosed in accompanying agreements and prospectuses.

SunTrust Bank, its affiliates, officers, agents, and employees are not authorized to give legal, tax or accounting advice. Only an attorney can draft legal documents, provide legal services and give legal advice. Clients of SunTrust should retain their own legal counsel, tax advisor, or accountant regarding such legal, tax or accounting matters before entering into any transaction. In addition, employees and agents of SunTrust and its affiliates are not authorized to practice law, and, therefore, cannot prepare wills, trust agreements, or other estate planning or legal documents.

These materials are educational in nature. The implications and risks of a transaction may be different from client to client based upon each client's unique financial circumstances and risk tolerances.

#### Securities and Insurance Products and Services:

- Are not FDIC or any other Government Agency Insured
- Are not Bank Guaranteed
- May Lose Value

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### Federated Investors, Inc.

SunTrust Banks, Inc. has entered into an agreement with Federated Investors, Inc. relating to Federated's acquisition of the RidgeWorth money market funds. SunTrust Bank may receive compensation in exchange for services ("fees for services") that it provides to various Federated money market mutual funds. These fees for services shall be in addition to, and will not reduce, SunTrust Bank's compensation for serving in a fiduciary capacity. Such fees for services will not be paid by your account, but will be paid to SunTrust Bank by Federated or by the money market mutual fund itself. The compensation rate for such fees for services shall be up to 0.10% annually (10 basis points) of the total amount of the account assets invested in the Federated money market mutual fund.



## Important Disclosures

- **BarCap Aggregate Bond Index:** The broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with investment-grade ratings (rated Baa3 or above by Moody's) and maturities of one year or more.
- **BarCap US Corporate High Yield:** The U.S. Corporate High-Yield Index the covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt.
- **BarCap US Treasury Long Index:** includes public obligations of the US Treasury with maturities of 10 years or more.
- **CBOE VIX: The CBOE Volatility Index®** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility. VIX is often referred to as the "investor fear gauge".
- **Dow Jones Wilshire RESI Index:** designed to provide measures of real estate securities that serve as proxies for direct real estate investing, in part by excluding securities whose value is not always closely tied to the value of the underlying real estate. To be included, a company must be both an equity owner and operator of commercial and/or residential real estate. A company must have a minimum total market capitalization of at least \$200 million at the time of its inclusion, and at least 75% of the company's total revenue must be derived from the ownership and operation of real estate assets.
- **MSCI All-Country World ex-US Index:** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, ex-US equities.
- **MSCI All Country World Index:** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.
- **MSCI EAFE Index:** The MSCI EAFE Index® comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australasia and the Far East.
- **MSCI Emerging Markets Index:** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*Note: Indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.*



## Important Disclosures

- The **MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.
- **Russell 2000 Index:** is comprised of 2000 smaller company stocks and is generally used as a measure of small-cap stock performance.
- **S&P 500 Index:** The S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.
- **S&P Equal Weight Index (S&P EWI).** The index is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.
- **Barclays U.S. Municipal Index:** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
- **DJ-UBS Commodity Index** is composed of futures contracts on physical commodities. It currently includes 19 commodity futures in seven sectors. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.
- **MSCI BRIC Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the following four emerging market country indices: **Brazil, Russia, India and China.**
- The **MSCI AC (All Country) Asia ex Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. As of January 2009 the Index consisted of the following 10 developed and emerging market country indices: China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand
- **MSCI Germany:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.

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## Important Disclosures

- **MSCI China:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.
- **MSCI Brazil:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.
- **Citi World Broad Investment Grade (BIG) Bond Index:** includes investment grade global bonds with a fixed coupon and maturity longer than one year and a minimum credit rating of Baa3 by Moody's or BBB- by S&P.
- Generally, when interest rates rise, bond values fall, values rise when interest rates decline. If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before maturity date. Credit risk refers to the possibility that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt, which may adversely affect the value of the security.

As a new kind of bond offering, **Build America Bonds (BAB)** are subject to liquidity risk, there is a risk that not enough interested buyers will be available to permit an investor to sell at or near the current market price. BABs are also subject to Federal subsidy risk, the risk that the federal government would eliminate or reduce the subsidies for BABs in the future. Some BABs have been issued with provisions that allow state and local governments to "call" the bonds back and refinance if the federal government stops paying subsidy on the interest."

*Note: Indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.*



## Important Disclosure Information

This material must be preceded or accompanied by a prospectus. An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the RidgeWorth Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-888-784-3863, or by visiting [www.ridgeworth.com](http://www.ridgeworth.com). Please read the prospectus carefully before investing. Mutual fund investing involves risk, including possible loss of principal.

RidgeWorth Funds are advised by RidgeWorth Capital Management, Inc., which receives a fee for its services, and are distributed by Citi Fund Services, which is not affiliated with RidgeWorth Capital Management, Inc.

Effective 3/31/08, Trusco Capital Management, Inc. became RidgeWorth Capital Management, Inc.

Effective 3/31/08, the STI Classic Funds became RidgeWorth Funds.

### MPT STATISTICS/OTHER MEASUREMENTS

Alpha - is defined as the difference between the average realized return of a portfolio manager with private information and the expected return of the passive strategy based upon public information with equal systematic risk.

Beta – is a measure of an investment's volatility, relative to an appropriate asset class.

R-Squared – a statistical measure of how well a regression line approximates real data points; an r-squared of 1.0 (100%) indicates a perfect fit. r-squared measures how well the Capital Asset Pricing Model predicts the actual performance of an investment or portfolio.

Sharpe Ratio - also known as Reward-to-Volatility-Ratio, indicates the excess return per unit of risk associated with the excess return. The higher the Sharpe Ratio, the better the performance.

Standard Deviation – a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time.

### PORTFOLIO CHARACTERISTICS DEFINITIONS

30 Day SEC Yield – is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the offering price per share on that date. The figure is compounded and annualized.

5 Year EPS Growth – is the five-year reported earnings per share growth rate for each company in percent per year.

Price-to-Book – is used to compare a stock's market value to its book value. This ratio gives some idea of whether you're paying too much for what would be left if the company went bankrupt immediately.

P/E (12 months trailing) – is the price of a stock divided by its historical earnings per share.

Return on Equity – is a measure of a corporation's profitability, calculated by taking a company's net income and dividing it by the shareholder's equity.

Investments in the RidgeWorth Funds are not insured by the FDIC or any other Federal agency nor are they guaranteed by any bank, and may lose value.



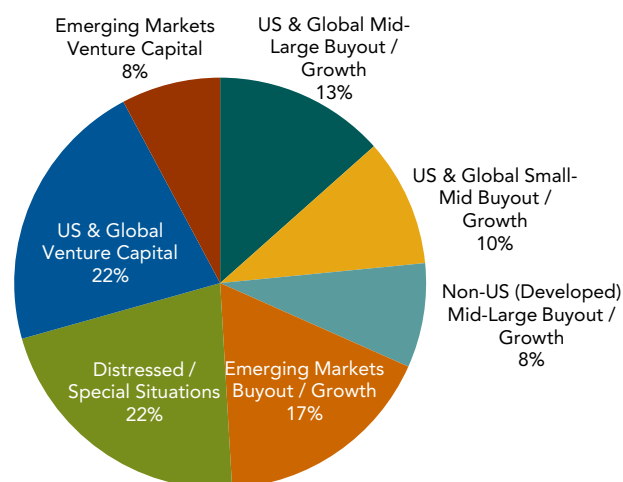


February 24, 2014

## HCP PRIVATE EQUITY FUND V SUMMARY<sup>1</sup>

FUND SUMMARY as of December 31, 2013		FUND PERFORMANCE as of September 30, 2013	
Capital Committed to the Fund	\$69.9 million	Capital Called	\$28.0 million
Percentage of Capital Called	48%	Reported Value (NAV) <sup>2</sup>	\$26.2 million
Number of Managers	22	Cumulative Distributions	\$1.4 million
Number of Funds	23	Total Value (Reported + Distributions) <sup>2</sup>	\$24.6 million
Vintage Year	2010-2011	Internal Rate of Return (IRR) <sup>3</sup>	NM
		Multiple of Called Capital	NM

## Portfolio Allocation as of December 31, 2013<sup>4</sup>



Important disclosures can be found on the last page of this document.

<sup>1</sup> Past performance is no guarantee of future results. Performance shown is current only through the date shown and does not reflect subsequent developments in the global markets. Performance returns are based primarily on returns reported by portfolio funds, which Hall Capital Partners has not independently verified. Performance is specific to the onshore vehicle of the Fund and is net of fees and expenses, including management fees and incentive allocations to underlying managers and to Hall Capital Partners. Differences in performance between onshore and offshore funds may occur as a result of operating expense variances. Performance among investors in a particular vehicle may also vary depending on size of investments and corresponding management fee percentages to Hall Capital Partners.

<sup>2</sup> Estimated based on 100% of managers reporting. There can be no assurances that the estimated reported value, total value, and investment multiple can be realized upon liquidation of the Fund.

<sup>3</sup> Not meaningful. In our view, private equity vintage year funds formed since 2010 are too young to have produced meaningful returns.

<sup>4</sup> Percentages are rounded to the nearest tenth of one percent and therefore may not add up to one hundred percent (100%).



## PORTFOLIO HIGHLIGHTS

The HCP Private Equity Fund V (“Fund V” or the “Fund”) is a 2010 vintage fund with \$69.9 million in commitments. The Fund is approximately 48% called and has distributed approximately \$1.4 million (or 2.0% of commitments) as of December 31, 2013. During the fourth quarter, the Fund called \$5.6 million (or 8.0% of commitments) and did not make any distributions. As of September 30, 2013, the Fund had generated a 1.0x net multiple and a -0.9% net IRR. Total current value (current NAV and distributions) increased modestly quarter-over-quarter in Q3.

The Fund and its underlying funds are very early in their respective life cycles. As a result, new and follow-on investment activity across the Fund’s buyout/growth and venture capital segments are expected to be quite robust over the coming quarters.

As anticipated, new deal activity was strong during the quarter. A few of the publicly disclosed investments made during the fourth quarter included:

- **Thrive III** participated in a \$20 million Series C round of financing in Twitch, a video platform for gamers.
- **Ares Corporate Opportunities Fund IV** and **III** completed the previously announced \$6 billion purchase of upscale retailer Neiman Marcus Group, from a shareholder group led by TPG Capital and Warburg Pincus.
- **Thoma Bravo X** completed its acquisition of Empirix, a company that helps service providers, mobile operators and enterprise master complexities within their networks.

Even though the Fund and its portfolio funds are still early in their life cycles, the Fund saw a few realizations during the quarter. Some of the publicly disclosed liquidity events included:

- NCR Corp. agreed to acquire Digital Insight, a provider of online and mobile banking solutions, from **Thoma Bravo X** for approximately \$1.7 billion.
- **Vivo Ventures VII** sold Rempex Pharmaceuticals, a San Diego-based developer of anti-defective drugs, to the Medicines Corp. for approximately \$354 million.
- **Thoma Bravo X** sold Network Instruments, a provider of network and application performance management solutions, to JDS Uniphase Corp. for approximately \$200 million.

**FUND V INVESTMENTS as of December 31, 2013**

Manager Name	Fund Name	Year	Commitment Amount	% of Portfolio <sup>5</sup>
<b>US and Global Mid-Large Buyout/Growth</b>				<b>13.4</b>
Bain Capital	Bain Capital Fund XI	2013	3,600,000	5.6
Warburg Pincus	Warburg Pincus Private Equity XI <sup>6</sup>	2012	\$5,000,000	7.8
<b>US and Global Small-Mid Buyout/Growth</b>				<b>10.0</b>
Berkshire Partners	Berkshire Fund VIII	2011	\$4,440,000	6.9
Thoma Bravo	Thoma Bravo Fund X	2011	\$2,000,000	3.1
<b>Non-US (Developed) Mid-Large Buyout/Growth</b>				<b>8.2</b>
BC Partners	BC European Capital IX	2011	\$5,273,568	8.2
<b>Emerging Markets Buyout/Growth</b>				<b>17.4</b>
CDH Investments	CDH China Fund V <sup>6</sup>	2013	\$1,500,000	2.3
New Horizon Capital	New Horizon Capital IV <sup>6</sup>	2011	\$5,000,000	7.8
Patria Investimentos	Patria Brazilian Private Equity Fund IV	2011	\$1,666,666	2.6
Primavera Capital	Primavera Capital Fund	2010	\$3,000,000	4.7
<b>Distressed/Special Situations<sup>7</sup></b>				<b>21.6</b>
Ares Management	Ares Corporate Opportunities Fund IV	2012	\$4,000,000	6.2
Centerbridge Partners	Centerbridge Capital Partners II	2010	\$4,000,000	6.2
Littlejohn & Co.	Littlejohn Fund IV	2010	\$2,500,000	3.9
Oaktree Capital Management	Oaktree European Principal Fund III	2011	\$3,335,000	5.2
<b>US and Global Venture Capital</b>				<b>21.6</b>
Baseline Ventures	Baseline Core Fund Baseline Increased Exposure Fund	2011	\$2,500,000	3.9
Freestyle Capital Management	Freestyle Capital	2011	\$1,500,000	2.3
General Catalyst Partners	General Cataylst Group VI	2011	\$2,000,000	3.1
Greycroft Managers	Greycroft Partners III	2012	\$1,000,000	1.6
Khosla Ventures	Khosla Ventures IV + Seed B	2011	\$1,835,000	2.9
Thrive Capital Partners	Thrive Capital Partners II	2011	\$1,500,000	2.3
Thrive Capital Partners	Thrive Capital Partners III	2011	\$1,000,000	1.6
Vivo Ventures	Vivo Ventures Fund VII	2011	\$2,500,000	3.9
<b>Emerging Markets Venture Capital</b>				<b>7.8</b>
Qiming Venture Capital Group	Qiming Venture Partners III	2011	\$2,500,000	3.9
SAIF Partners India	SAIF Partners India IV Limited	2011	\$2,500,000	3.9
<b>Total Investments</b>			<b>\$64,150,234</b>	<b>100.0</b>
<b>Reserves<sup>8</sup></b>			<b>\$5,764,766</b>	
<b>HCP Private Equity Fund V</b>			<b>\$69,915,000</b>	

<sup>5</sup> Percentages are rounded to the nearest tenth of one percent and therefore may not add up to one hundred percent (100%).

<sup>6</sup> Investment was made through a special purpose vehicle formed and managed by Hall Capital Partners specifically to invest in the underlying portfolio fund

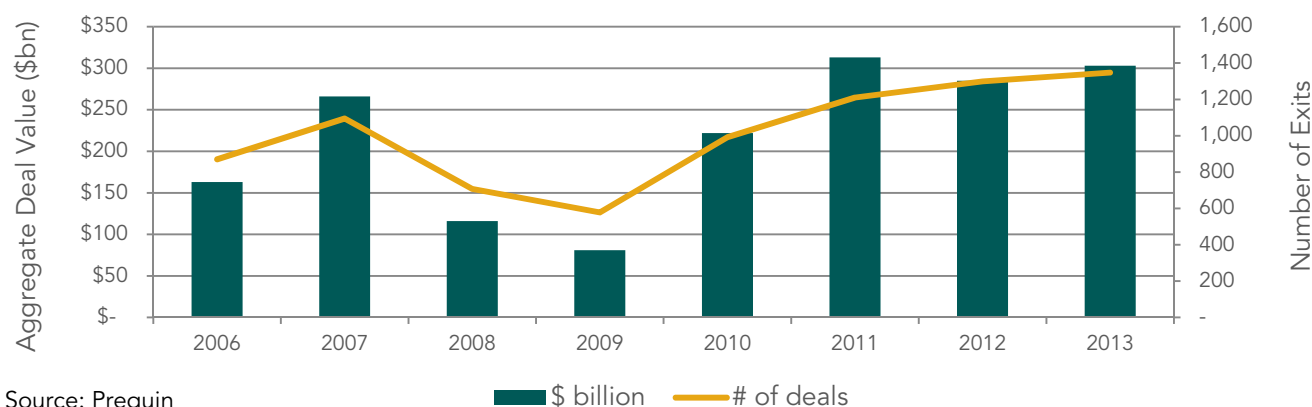
<sup>7</sup> Funds in this category have broad, flexible mandates and often have meaningful exposure to buyout/growth investments.

<sup>8</sup> Reserved for currency fluctuations and estimated fees and expenses. As of 09/30/13, \$2,885,866 of the reserves had already been spent for fees and expenses; \$2,878,900 remains.

## PRIVATE EQUITY MARKET OVERVIEW

Exit markets remained strong through 2013. As we noted in last quarter's letter, our managers remain focused on realizing fully valued businesses, and capitalizing on the strength of the credit markets to refinance and take dividends when appropriate. Notably, private equity firms returned more cash to their investors, via realizations, recapitalizations, and dividends, in 2013 than any previous year.

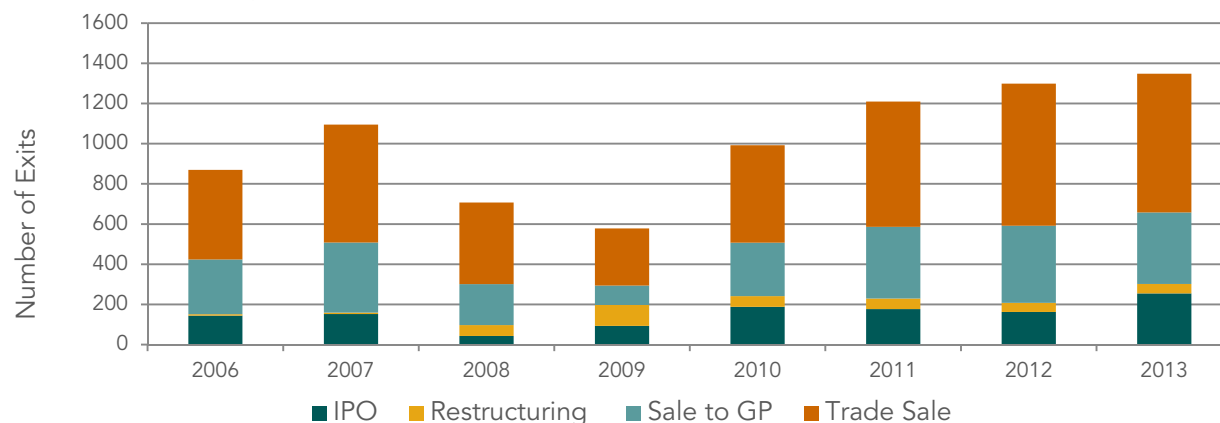
### Global Exit Volumes



Overall, the number of exits continued its positive trajectory since the financial crisis. Global exit volume increased over the year with 1,348 exits valued at \$303 billion, versus 1,299 exits valued at \$285 billion in 2012. While the number of exits increased, there was a drop in the number of exits at the higher end of the size range with 77 exits valued at more than \$1 billion in 2013, in comparison to 84 exits of this size in 2012.

The overall number of exits in 2013 was buoyed by an increase in the number of private equity-backed initial public offerings ("IPOs") and share sales by firms that had previously taken companies public. This activity was particularly notable in the first half of the year, due to renewed confidence in the performance of global public markets. In total there were 255 private equity-backed IPOs and follow-on share offerings valued at \$80 billion in 2013, the highest number and aggregate value of such exits since prior to the 2006-2013 period.

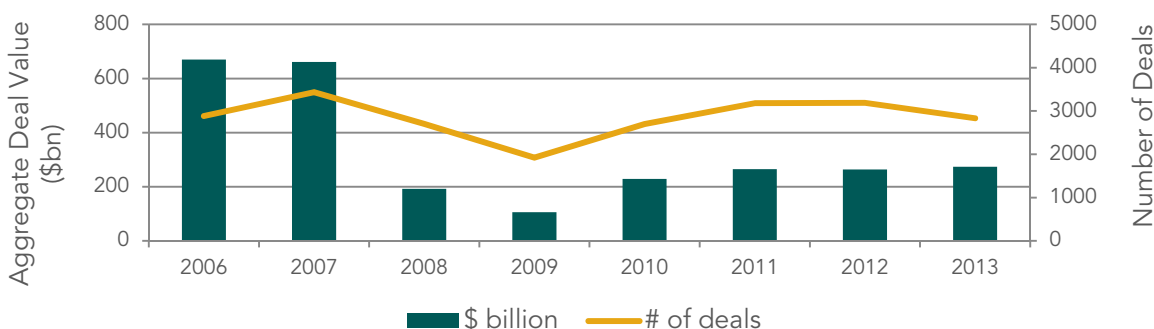
### Global Exit Activity



Sponsor M&A activity continued to be a material component of overall exit activity. Of the five largest global exits in 2013, one (Neiman Marcus Inc.) was a secondary sale (i.e., a sale to another sponsor). Our managers have gotten comfortable making secondary investments primarily in instances where there is a clear opportunity to drive value in a differentiated way from the previous private equity owner, rather than simply riding the continued growth trajectory of the business. While corporate M&A activity has been lower than expected given the record levels of cash on company balance sheets, our managers remain cautiously optimistic that activity will increase in 2014 as confidence in the US and global economies continues to recover.

We expect the recovery in exit activity in emerging markets to take time, as emerging market M&A activity in 2013 was almost half the level of the previous year. While this will likely lead to longer hold times for our emerging market managers, underlying companies on the whole continue to experience strong growth while maintaining or improving margins. Our managers are focused on remaining disciplined in evaluating exit opportunities in the current environment, with most willing to be patient until more attractive valuation levels return. In the meantime, managers are taking advantage of depressed equity valuations and lessened competition to make investments in companies with strong growth prospects at attractive valuations.

### Global New Deal Activity



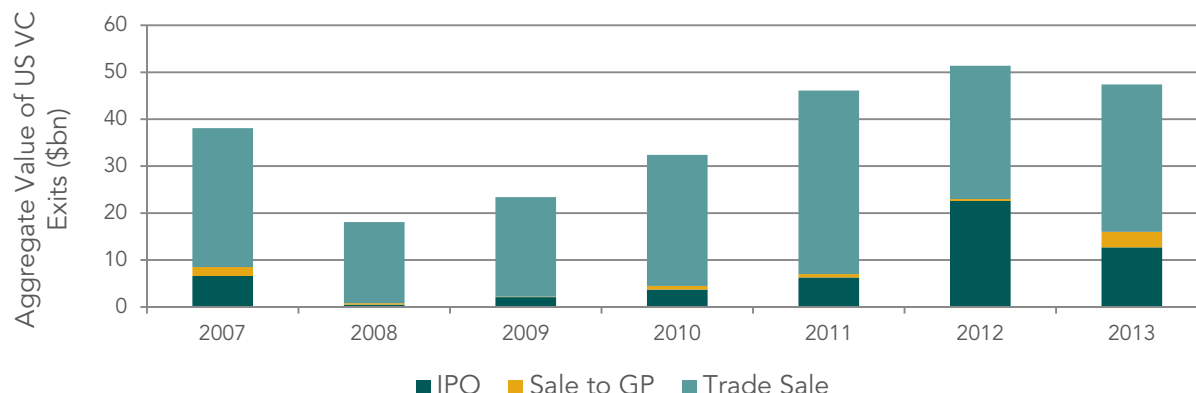
Source: Preqin

Private equity buyout firms had their strongest year of deal making since before the global financial crisis, announcing 2,830 investments valued at \$274 billion. Although this is the highest aggregate value of buyout investments since 2007, the number of deals fell by more than 10% from the previous year. Within the US, deal volumes increased in large part due to large public-to-private deals such as Dell, H.J. Heinz, and BMC Software. Indeed, public-to-private deals accounted for approximately 30% of aggregate deal value in 2013, but only 2% of the total number of deals. While deal volume in the US increased, the number of deals declined from 1,917 in 2012 to 1,715 in 2013. This decline reflects the challenging environment private equity investors are facing for deploying capital, which is due to a number of factors including robust public equity markets, heightened valuation expectations from sellers, and accommodating credit markets.

In the face of a more difficult investment environment, our managers have placed an even greater emphasis on proactive sourcing efforts. In making new investments, our managers have identified both companies that have the potential to generate sustainable top line growth as well as attractively priced assets that are less sought after and viewed as less attractive in today's market. While valuations in parts of the market are increasing, it is important to note that valuations are not increasing across the board. The overall increase in valuations is driven largely by the premiums paid for growth, which are robust by historical standards. As we noted in last quarter's letter, there is a notable gap in valuations between high

quality companies with strong growth trajectories and more “complex” transactions that are misunderstood by the broader market and are often in need of a high level of operational value add.

### Venture Capital Exit Activity



Source: Prequin, Thomson Reuters

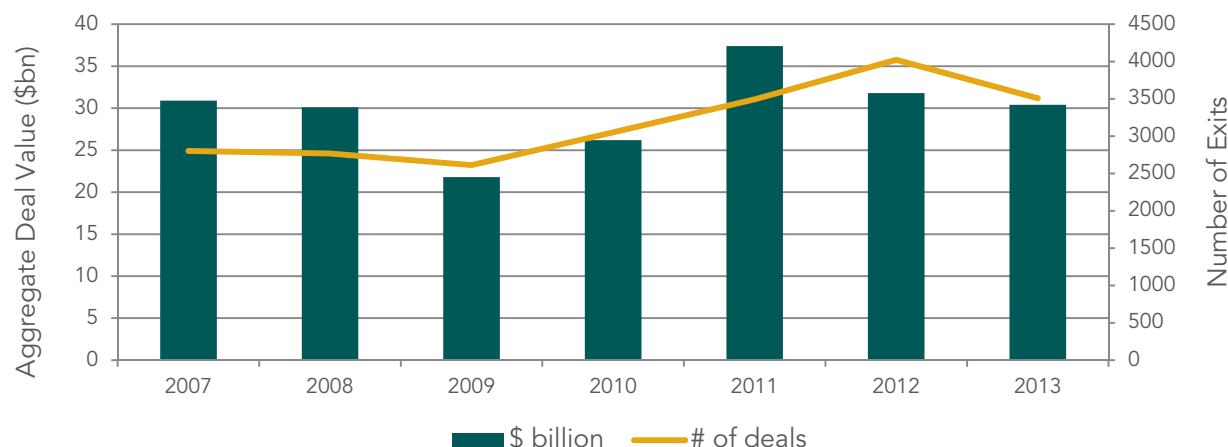
The venture capital industry experienced a relatively strong, though somewhat mixed, exit environment in 2013. There were more US venture capital-backed initial public offerings than in any other year since the financial crisis. While the aggregate value of IPOs in 2013 declined from 2012 (due largely to Facebook’s IPO that year), the number of venture-backed IPOs increased from 63 in 2012 to 77 in 2013. In addition, the 24 offerings in Q4 represented the first time since 2004 that the market experienced three consecutive quarters of more than 20 venture-backed IPOs.

Notably, the recent increase in IPO activity has been driven by a strong environment for healthcare IPOs, with healthcare companies comprising approximately 50% of all venture backed IPOs in 2013. In contrast to other sectors, many of these healthcare companies (especially those in the biotech market) go public as an alternate form of financing, rather than as an exit event for their investors. An accommodating public market is strategically helpful to private companies, as it creates a viable alternative to M&A and may be used as a bargaining tool to increase acquisition bids. As such, while 2013 was a strong year for healthcare IPOs, it was also a strong year for healthcare M&A activity.

While IPO activity over the year was robust, the expected upward momentum in M&A activity did not materialize. The number of venture-backed acquisitions decreased approximately 9% while the aggregate value of these acquisitions increased 10% over the previous year. However, the number of acquisitions remains materially greater than any of the years prior to 2010. This increase is due largely to the solid acquisition activity of large technology companies, which are increasingly acquiring companies within their first five years of life. This trend has led to a good deal more acquisitions, but because these companies are less mature, the transaction sizes also tend to be smaller. As such, there were just three venture-backed acquisitions valued at over \$1 billion in 2013: Yahoo’s acquisition of Tumblr, FireEye’s acquisition of Mandiant, and Monsanto’s acquisition of The Climate Corporation.

Many of the exits promised by venture firms to their investors started happening in earnest in 2013 and the pipeline appears primed for more activity in 2014. As of the writing of this letter, venture-backed exits thus far in 2014 include 12 healthcare IPOs, one consumer Internet IPO (Care.com), and two billion-dollar-plus acquisitions (Nest Labs for \$3.2 billion and AirWatch for \$1.5 billion).

### Venture Capital Investment Activity



Source: Preqin, MoneyTree

The robust exit environment has contributed to greater investment activity. Venture capitalists showed renewed confidence by investing at a rapid pace in the fourth quarter. In fact, venture firms invested more capital into companies in Q4 than any other quarter since the financial crisis. Software and Internet investing were strong throughout 2013. Dollars invested into software startups accounted for 37% of venture investments, which represented the highest percentage on record. Internet-focused companies attracted \$7.1 billion of financing, the highest level since 2001.

In addition, the number of \$100 million-plus funding rounds in 2013 (45 in total) was double that of 2010. There are currently more than two dozen venture-backed startups valued at more than \$1 billion. To put that number into context, there have been only 45 venture-backed companies that have generated billion-dollar exits (either via IPO or M&A) in the last decade.

While we are excited by the innovative technologies and business models that continue to be developed through the venture capital model, we are aware of the need for discipline in an environment of high investment activity and robust valuations. We believe our current roster of managers exercise such discipline, whether in regard to valuation, follow-on activity, fund size, strategic focus, or return expectations.

We welcome any thoughts or questions that you may have about your investment or the current market environment. Please feel free to contact Jessica Reed Saouaf or Alison Bowe Diessner at (415) 217-2494.

Sincerely,

Hall Capital Partners LLC  
General Partner



Kathryn A. Hall  
Chief Executive Officer and  
Co-Chief Investment Officer



Jessica E. Reed Saouaf  
Director of Research  
Head of Private Equity

## MARKET OVERVIEW

Quarter Ended December 31, 2013

### Year in Review

*“Expectations”...they are a tricky thing, aren’t they? Defined as “a strong belief that something will happen or be the case in the future,” they can tend to get our hopes up. We try to manage them by pointing to real things (or fundamentals) to convince ourselves that it’s safe to have high expectations. But they get tricky because the hoped-for good outcomes become embedded in those expectations, and then we are vulnerable to disappointments. Being aware that investors, particularly here in the US, are now in that realm will help us to act accordingly. Before we explore expectations for the future, let’s consider the year just past.*

Benchmark Performance						
Returns Ending 12/31/2013	4Q13	YTD	1-Year Return*	3-Year Return*	5-Year Return*	10-Year Return*
<b>Equities</b>						
S&P 500	10.5%	32.4%	32.4%	16.2%	17.9%	7.4%
MSCI AC World Index	7.3%	22.8%	22.8%	9.7%	14.9%	7.2%
MSCI EAFE	5.7%	22.8%	22.8%	8.2%	12.4%	6.9%
MSCI Emerging Markets	1.8%	(2.6%)	(2.6%)	(2.1%)	14.8%	11.2%
<b>Fixed Income</b>						
ML 3-month T-Bills	0.0%	0.1%	0.1%	0.1%	0.1%	1.7%
Barclays Long Term Treasury Index <sup>(1)</sup>	(3.1%)	(12.7%)	(12.7%)	5.5%	2.3%	5.9%
Barclays Aggregate Bond Index	(0.1%)	(2.0%)	(2.0%)	3.3%	4.5%	4.6%
ML High Yield Master II	3.5%	7.4%	7.4%	9.0%	18.6%	8.5%
<b>Other Assets</b>						
HFRI Fund Weighted Composite Index	3.7%	9.3%	9.3%	3.3%	7.8%	5.7%
S&P GSCI Index <sup>(2)</sup>	(0.3%)	(1.2%)	(1.2%)	(0.8%)	3.9%	0.7%
Dow Jones - UBS Commodity Index <sup>(2)</sup>	(1.1%)	(9.6%)	(9.6%)	(8.1%)	1.5%	0.9%
Gold Spot Price	(9.4%)	(28.3%)	(28.3%)	(5.4%)	6.3%	11.2%

\* Average Annualized Total Returns

<sup>(1)</sup>Underlying securities must have a maturity of 10 years or more

<sup>(2)</sup>The S&P GSCI Index has approximately twice the weight in energy as the Dow Jones-UBS Commodity Index

Source: Bloomberg, Pertrac Indices

How did we get here? Well, consensus expectations at the start of 2013 for the S&P 500 were about mid-single digit gains for the year, but the index delivered a stunning 32.4% return! Developed markets around the world also had surprisingly strong returns—within the indices noted above, Europe produced almost a 28% rise, the UK almost 22%, and Japan just over 30% (55% in yen). Other markets did not fare as well in 2013. Emerging markets lagged far behind developed ones with a 2.6% loss due to both broad macro factors and country-specific concerns. India, Brazil, and Indonesia also had currency declines in the 10-20% range relative to the dollar, which dragged down returns for US investors. The bond market waited with anxious anticipation during the year for signs of the Federal Reserve’s withdrawal as a major buyer of debt securities (\$85 billion/month). With a big price swoon in May when Chairman Bernanke previewed that the exit would likely begin in the second half, the first small step towards “tapering” the stimulus happened in December; the broad bond market index lost 2% over the year while the long-term Treasury index fell almost 8%. As the inverse to prices, bond yields marched higher from the year’s low of 1.66% in May on the 10-year US Treasury to 3% in September, ending the year there as the actual tapering began (dropping purchases to \$75 billion/month for now<sup>9</sup>).

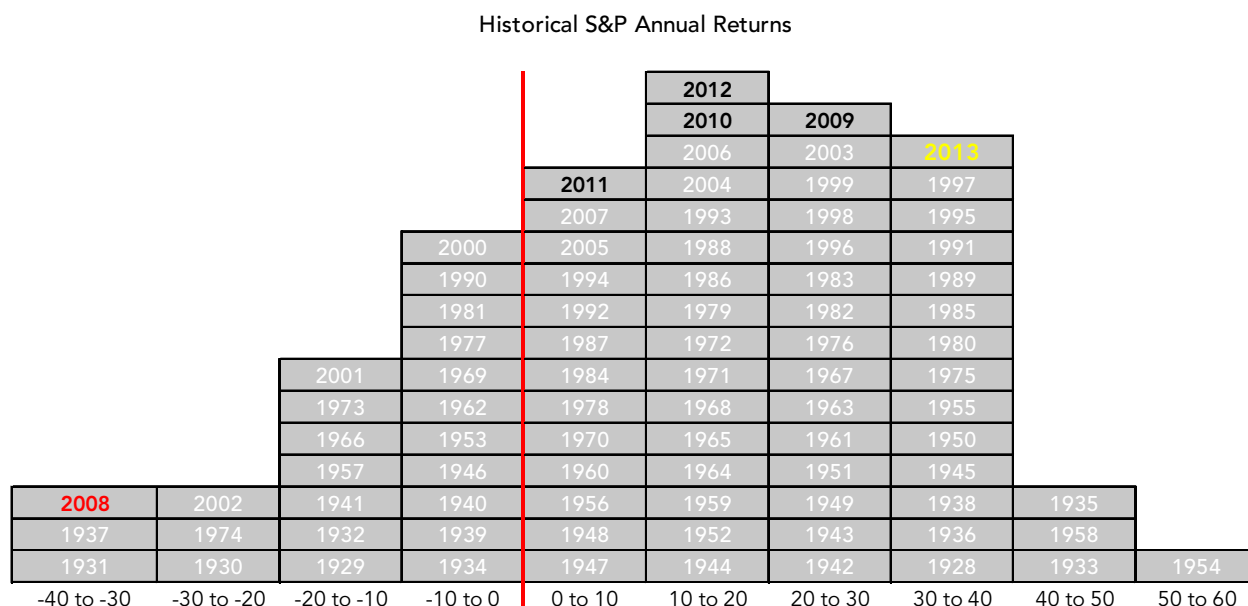
From here on, this letter might seem a bit US-centric. While it is, that’s not reflective of how we see the world or build portfolios—quite the contrary. But, with the US being the largest single economy, the

<sup>9</sup> On January 29, 2014, the Fed announced that the pace of buying would drop to \$65 billion/month in February.



fourth best equity market this year (behind Greece, Finland, and Ireland), and having the dominant central bank (which changed course after five years), we thought it relevant to focus here.

To put the US market in historical perspective, we've grouped the calendar year returns since the S&P 500 began in 1926 into a histogram, using ten percentage point buckets to show frequency of occurrence (chart below). Several observations are notable: first, the 32% return this year, while perhaps not an extreme outlier, was certainly exceptional; second, it seems even more so given that each of the last five years has been positive, and some more than a bit! What *is* an outlier (and not evident from this chart) is the stability of the run that brought us here. For the two years from December 31, 2011 through December 31, 2013, the S&P 500 never slipped into negative territory! The US market certainly had down days, weeks or even months, but cumulatively it remained in the black for two consecutive calendar years, a feat it accomplished only once before in modern history, in 1975 and 1976.



### S&P 500 Annual Total Return with Dividend

Source: Bloomberg

Other assets had a mixed year. Hedge funds overall had a decent year, returning 9.3%, based on HFRI's Fund-weighted Composite, though our selection of hedge funds fared much better, as proxied by our Absolute Return Fund's 14.2% return for the year<sup>10</sup>. Gold, the metal that some see as a hedge against many of the world's ills (inflation, profligate central banks, financial crisis, etc.), fell more than 28% in 2013. As the prospect of some of the world's potential crises seemed to wane during the year, the hard currency and crash protection attributes that some find in gold were less in demand, so fell the price back to where it had been in mid-2010.

<sup>10</sup> Please see important disclosures at the end of this letter.

## How Did We Get Here?

Perhaps, in retrospect, a 32% rise in the US stock market was justified. The year started with low expectations after several years of disappointing progress in climbing out of the hole left by the financial crisis—even the Fed over-estimated economic growth every year since 2008 (see graph later)! Starting from flat GDP growth in the fourth quarter of 2012, each quarter of 2013 was a significant step up in growth, with the third quarter estimate raised to a 4.1% annualized rate in December. The job growth data available through year-end averaged 195,000 new jobs per month with stronger numbers in the second half, and, consequently, the unemployment rate fell from 7.9% to 7.0%. Existing-home sales continued their steady rise with eleven consecutive months of double-digit year-over-year gains through October. With these solid and tangible improvements in the underlying economy and the government shutdown behind us, the Federal Reserve decided in December to begin reducing the stimulus it had been administering through “quantitative easing” since December 2008. Starting the year with a forward multiple on the S&P 500 at a below-average 13x, it’s no wonder that all this progress brought us to a market value that is almost one-third higher at year-end.

*Really?* After annual returns since the 2008 crisis of 26%, 15%, 2%, and 16%, respectively, can it be that the market’s earnings are fairly priced at another third on top of that!? Consider the following: the strong third quarter GDP growth of 4.1% came largely from inventory build-up (goods made but not sold), and from consumption of healthcare and energy (two goods that are usually bought out of necessity, not choice); FactSet estimates that the net earnings growth for the S&P 500 companies was just 6.3% in 2013, only about one-fifth of the market’s rise; which means that most of the gain this year came from multiple expansion. We estimate that, of the 32 percentage points the US market rose this year, two came from dividends, six to seven came from earnings, and about 23 came from the higher multiple that investors were willing to pay. What’s the market paying for—earnings or expectations? By a large disproportion, it’s expectations.

## Valuations

After a year (or five) like we have just had, the pressing question is, “Are equity valuations fair, full, or stretched?” There are many markets and numerous ways to measure valuation, but that question seems most pertinent for the US given the strength of the market run. The table below compares twelve current measures of value in the US equity market to a long-term average that excludes the tech bubble in the late 1990s (excluding that period of extreme high valuations might seem either arbitrary or quite reasonable, but it does lower the long-term average). One popular metric, the Shiller P/E considers the past ten

	CURRENT (as of 12/31/13)	LONG-TERM AVERAGE <sup>1</sup>	ABOVE/(BELOW) AVERAGE	
Shiller PE	25.4	15.8	61%	●
P/Operating Cash Flow	11.5	9.4	22%	●
Trailing PE	17.4	15.2	14%	●
P/BV	2.7	2.6	4%	●
EV/EBITDA	9.9	9.4	5%	●
Trailing Normalized PE	18.5	17.3	7%	●
Forward PE	15.3	13.9	10%	●
Forward PEG	1.3	1.3	0%	●
EV/Sales	1.9	2.1	-10%	●
Trailing PEG	1.5	1.6	-6%	●
P/FCF	22.2	24.9	-11%	●
Market-based Equity Risk Premium (ERP) <sup>2</sup>	648	453	-43%	●

<sup>1</sup>Long-Term Average excludes Tech Bubble

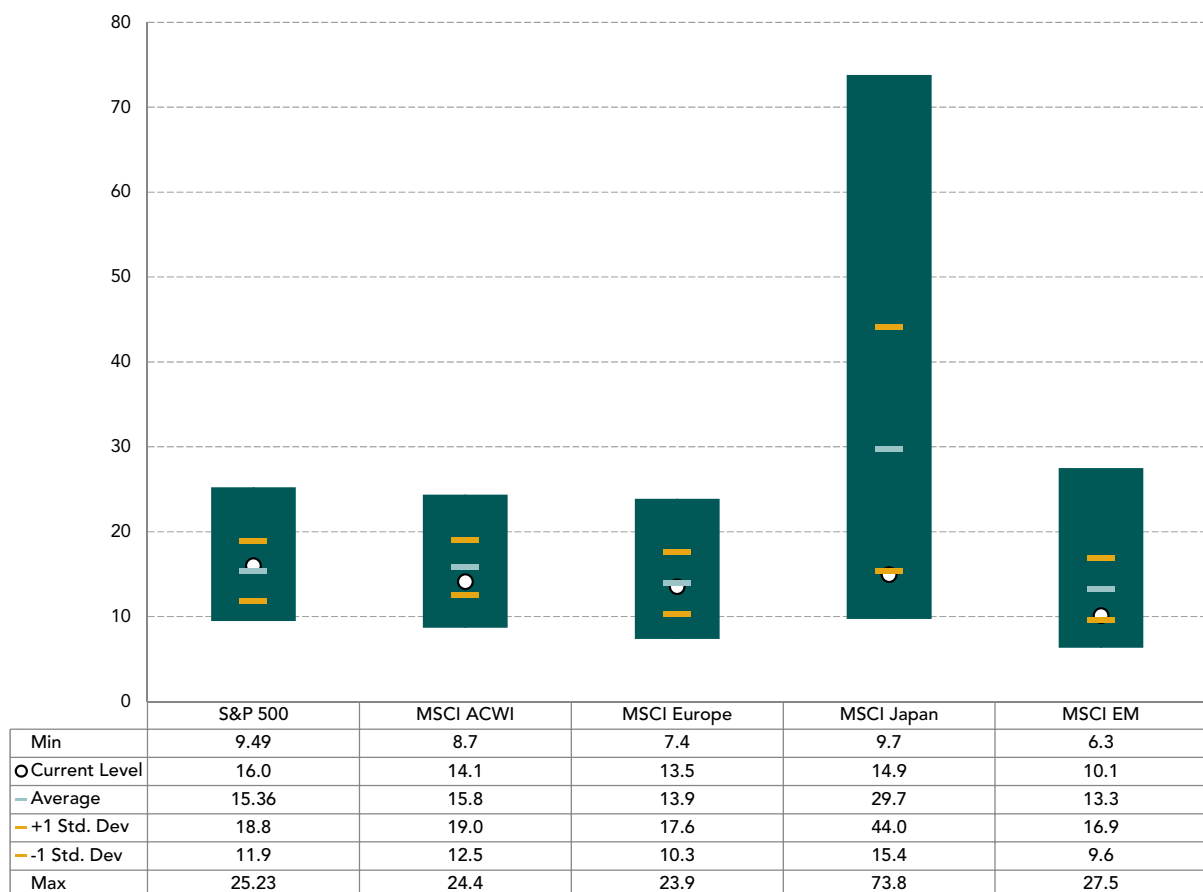
<sup>2</sup>An ERP that is above the average implies equities are more attractive

Source: Bank of America Merrill Lynch

years of inflation-adjusted earnings (in order to smooth out volatility and earnings cycles) versus the current index value, finding that the price investors are willing to pay for earnings today is a full standard deviation above the average (since 1926) and likely reduces the return one should expect in the future. While one standard deviation might also be an arbitrary border, it does tell us that, since +/- one standard deviation around an average often includes about two-thirds of the observations, Shiller P/Es have been higher only about one-sixth of the time (half of the other third). It and another metric are flashing red, while several others are near enough to long-term averages (including the standard 1-year forward P/E) to suggest nothing more than caution, and a few even suggest attractive valuations.

Globally, the standard 1-year forward P/E measure shows the US just above its average (since 1987) and the rest of the world's equity markets trading at varying degrees of under-valued to their histories during the same period (see next chart).

### 12-Month Price to Forward Earnings: Historical Ranges Since 1987



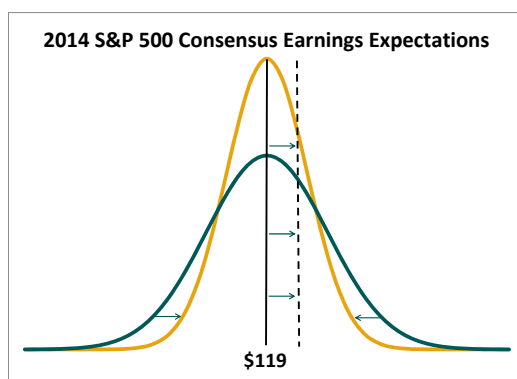
Source: Bloomberg

More anecdotally, as we survey our long-only equity managers for year-end positions, we see generally modest upticks in both valuation metrics and levels of cash held. The emphasis is on *modest*...multiples are 0-2 points above where they were a year ago. Since then, the US has become one of the most expensive markets judging by the multiple on the S&P 500 (16x 1-yr forward earnings). Most of our

managers that pursue a broad geographic mandate are below the US mark and the others are only modestly above it. Likewise, cash levels are up a few percentage points from earlier in the year, but most are still single digits. The managers that one might expect to hold more cash (flexible mandate and/or very valuation-sensitive) have raised cash levels into the upper teens, but those managers often play a more dynamic role in a portfolio and are expected to bring that level of adaptability to a portfolio to make it more responsive to market conditions.

## Expectations

The connection between valuations and expectations is straightforward—higher valuations suggest either higher expectations or more certain expectations, or both. Since forward earnings multiples generally reflect the level of earnings expected and the likelihood of achieving those earnings, a valuation multiple can rise only if investors expect *more earnings* or if they believe there is a *higher probability of getting those earnings*. For the more geeky among us who think of future uncertainties as having a distribution of possible outcomes (see next chart), multiples rise only if either the center line moves to the right (higher earnings), or the curve gets tighter (more certainty).

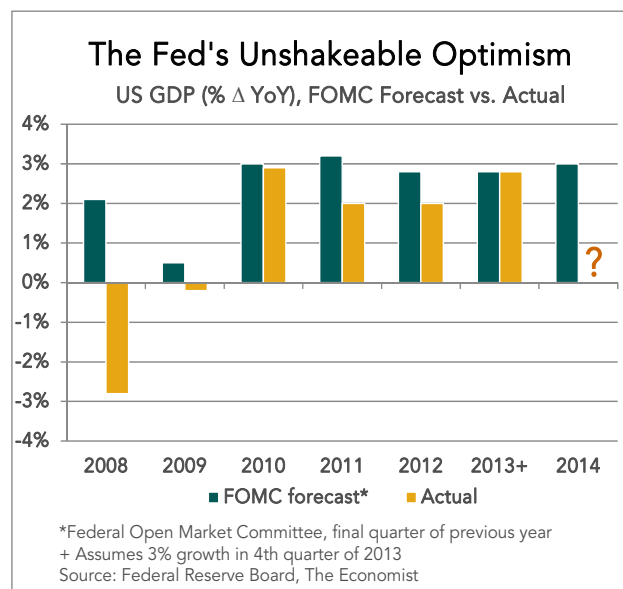


So, can we surmise where expectations are today? Besides what we can infer from valuation metrics across markets and managers, these observations from several market participants are interesting, though not necessarily a scientific survey:

- James B. Stewart, a Pulitzer Prize winning journalist, has written a column called “Common Sense” for many years, first for the *Wall Street Journal* and now for the *New York Times*. He wrote on January 4<sup>th</sup> of this year, “In the many years I’ve been surveying experts for their predictions for the coming year, I cannot recall another time when optimism about the stock market, the economy and corporate profits was so widespread. As is pessimism about the bond market.”
- As 2013 came to a close, the weekly *Investors Intelligence* survey of investment newsletters recorded the most lopsided ratio of bulls to bears — more than four to one — since 1987.
- Similarly, the weekly poll of members of the National Association of Active Investment Managers, released on Jan. 2, showed one of the most bullish readings since the survey began in 2006.
- Chairman Ben Bernanke gave his last major address as Fed Chairman on January 3<sup>rd</sup> to the American Economic Association and he reminded us of one of his hard-earned lessons. “But, of course, if the

experience of the past few years teaches us anything, it is that we should be cautious in our forecasts.” The chart to the right from *The Economist* is evidence of that tough road.

- The US economy seems to be getting back on its feet, and the markets have risen strongly in support of that—partly on evidence, more on expectations. Forward multiples suggest a higher confidence, in that footing being solid since only a small portion of last year’s gain was from actual earnings growth. On top of that, consensus projections for earnings growth for the S&P 500 in 2014 are 12%! That optimism may be well-founded, and we all know that with a strong economy fueling a bull market, valuation multiples rarely stop at average. So, we are not predicting that the market will stumble on dashed expectations, nor are we saying that both multiples and returns can’t go higher—they well could. We’re saying that additional gains from here will depend on reality exceeding the higher expectations that are now priced into the US market.



## Counterpoint

Perhaps the most important point to emphasize here is that most of the data in this letter and much of what you will see in the press and other financial publications is based on market indices, while, in our manager selection, we emphasize strategies that do NOT own the index. The great majority of the effort expended by our 25-person Research team is to choose only the best managers, and they are often ones that have concentrated portfolios, which are inherently quite different from an index. We do not invest with managers that diversify *their* business or reputational risks by diversifying *your* portfolio. A portfolio that is a collection of managers like that often results in over-diversification and dilutes the effort to exceed indices.

Our outlook is framed by our conclusion that some markets, particularly the US equity markets, are expensive, though not in “bubble” territory. Where appropriate, depending on client circumstances, we are being disciplined about rebalancing, particularly with US equities. Europe and the emerging markets are areas of focus for more attractive opportunities. With bargains harder to find, stock selection becomes critical to success.

We still see opportunities for value, in absolute and relative circumstances across asset classes (with the exception of bonds). Through the insights and abilities of our select group of managers, we believe there are opportunities to avoid the high expectations and seize on low expectations, whenever either is unwarranted. Our view is to the long-term, and client portfolios are built that way. Target allocations are our guide to balanced risk, and when expectations push those risks out of line, it’s wise to take those gains and put them to work where risk and return are better tilted in your favor. There will still be plenty of risk

assets deployed in our clients' portfolios to benefit from rising markets, but we believe that the structure, balance, and diversity of the portfolios we build should help mitigate the effects of disappointed expectations.

Hall Capital Partners LLC Summary of Returns Ending 12/31/2013			Average Annualized Total Return Statistics							
	4Q13	YTD	3-Year		5-Year		10-Year		15-Year <sup>(1)</sup>	
			Return	StDev	Return	StDev	Return	StDev	Return	StDev
<b>US Equities</b>										
S&P 500	10.5%	32.4%	16.2%	12.1%	17.9%	15.8%	7.4%	14.6%	4.7%	15.5%
Dow Jones Industrial Average	10.2%	29.7%	15.7%	11.1%	16.6%	14.9%	7.4%	13.6%	6.4%	14.9%
Russell 2000 Index	9.2%	38.8%	15.7%	16.7%	20.1%	20.9%	9.1%	19.7%	8.4%	20.6%
NASDAQ Composite	11.1%	40.2%	17.9%	13.8%	23.0%	17.4%	8.7%	17.8%	5.2%	25.1%
<b>Global Equities</b>										
MSCI AC World Index	7.3%	22.8%	9.7%	14.1%	14.9%	17.6%	7.2%	16.5%	4.6%	16.5%
MSCI The World Index	8.0%	26.8%	11.5%	13.7%	15.0%	17.2%	7.0%	16.0%	4.3%	16.1%
<b>International Equities</b>										
MSCI EAFE	5.7%	22.8%	8.2%	16.5%	12.4%	19.7%	6.9%	18.2%	4.5%	17.6%
FTSE 100	7.7%	21.6%	11.3%	15.7%	16.4%	19.0%	7.7%	17.6%	4.7%	17.0%
MSCI Europe Ex UK	8.1%	27.6%	9.5%	20.4%	12.1%	24.0%	7.4%	21.4%	4.6%	21.1%
Nikkei 225	5.4%	30.2%	9.2%	14.6%	11.4%	17.2%	6.0%	16.8%	2.1%	19.0%
<b>Emerging Equities</b>										
MSCI Emerging Markets	1.8%	(2.6%)	(2.1%)	19.3%	14.8%	22.6%	11.2%	23.8%	10.9%	23.6%
Ibovespa Index	(7.2%)	(26.8%)	(19.4%)	29.9%	6.0%	32.3%	10.9%	33.6%	9.4%	40.7%
Hang Seng Composite Index	3.9%	8.1%	3.4%	20.8%	13.9%	21.9%	10.7%	22.9%	N/A	N/A
Shanghai SE Composite	(1.6%)	(1.0%)	(4.0%)	18.4%	7.8%	24.3%	8.9%	29.8%	8.1%	28.1%
BSE SENSEX 30 Index	10.8%	(1.9%)	(7.9%)	27.9%	13.2%	31.7%	12.1%	31.5%	12.7%	30.1%
<b>US Bonds</b>										
ML 3-month T-Bills	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	1.7%	0.6%	2.3%	0.6%
Barclays 7-10 Year Treasury Index	(1.9%)	(6.0%)	4.2%	5.9%	3.1%	6.6%	5.2%	6.6%	5.5%	6.6%
Barclays Long Term Treasury Index <sup>(2)</sup>	(3.1%)	(12.7%)	5.5%	12.4%	2.3%	12.5%	5.9%	11.1%	6.1%	10.5%
Barclays 1-5 Year Municipal	0.6%	1.0%	2.4%	1.3%	3.0%	1.7%	3.2%	2.0%	3.7%	2.1%
Barclays Municipal Bond Index (4-6)	0.8%	0.8%	3.5%	2.4%	4.3%	3.0%	3.9%	3.1%	4.5%	3.1%
ML High Yield Master II	3.5%	7.4%	9.0%	6.5%	18.6%	9.1%	8.5%	10.3%	7.3%	9.9%
Barclays Aggregate Bond Index	(0.1%)	(2.0%)	3.3%	2.7%	4.5%	2.9%	4.6%	3.4%	5.2%	3.5%
<b>Global Bonds</b>										
Barclays Global Aggregate (U.S. \$ Hedged)	0.2%	(0.1%)	3.9%	2.6%	4.2%	2.5%	4.5%	2.7%	5.0%	2.8%
Barclays Government-Credit Bond Index	(0.0%)	(2.3%)	3.6%	3.2%	4.4%	3.4%	4.5%	4.1%	5.2%	4.3%
J.P. Morgan Emerging Mkts Bond+	0.6%	(8.3%)	5.7%	8.3%	10.7%	8.0%	8.3%	9.1%	10.9%	10.4%
<b>Alternative Assets</b>										
HFRI Fund Weighted Composite Index	3.7%	9.3%	3.3%	5.3%	7.8%	5.9%	5.7%	6.4%	7.5%	6.9%
HFRI Fund of Funds Composite Index	3.5%	8.7%	2.4%	4.1%	4.8%	4.2%	3.4%	5.6%	5.1%	5.6%
HFRI Equity Hedge Index	5.0%	14.6%	4.1%	8.0%	9.2%	8.5%	5.3%	8.7%	7.7%	9.4%
HFRI Event-Driven Index	3.8%	12.5%	5.8%	5.4%	10.6%	5.8%	7.0%	6.6%	8.7%	6.6%
<b>Other Assets</b>										
NAREIT All - Total	0.4%	3.2%	10.0%	15.7%	16.7%	24.0%	7.8%	24.6%	10.1%	21.2%
ML U.S. Treasury Inflation Linked	(2.2%)	(9.4%)	2.8%	5.6%	4.9%	6.0%	4.6%	6.6%	6.3%	6.3%
S&P 500 Energy	8.4%	25.1%	11.1%	18.5%	13.5%	19.5%	13.4%	20.8%	11.1%	20.2%
S&P GSCI Index <sup>(3)</sup>	(0.3%)	(1.2%)	(0.8%)	16.9%	3.9%	19.6%	0.7%	24.0%	6.2%	23.4%
Dow Jones - UBS Commodity Index <sup>(3)</sup>	(1.1%)	(9.6%)	(8.1%)	14.8%	1.5%	16.2%	0.9%	18.0%	5.5%	17.0%
Oil Spot Price (WTI) <sup>(4)</sup>	(3.8%)	7.2%	2.3%	24.7%	17.0%	26.9%	11.6%	30.9%	14.9%	32.9%
Oil Spot Price (Brent) <sup>(4)</sup>	2.2%	(0.3%)	5.4%	20.0%	19.4%	23.6%	13.9%	29.1%	17.0%	32.0%
Gold Spot Price	(9.4%)	(28.3%)	(5.4%)	21.1%	6.3%	19.7%	11.2%	19.5%	10.0%	17.9%

<sup>(1)</sup>15 year returns for the MSCI AC World and MSCI Emerging Markets indices reflect gross returns to 1999 and net returns from 1999 to the current period.

<sup>(2)</sup>Underlying securities must have a maturity of 10 years or more

<sup>(3)</sup>The S&P GSCI Index has approximately twice the weight in energy as the Dow Jones-UBS Commodity Index

<sup>(4)</sup>WTI tracks crude oil pricing from refineries in Cushing, Oklahoma, whereas Brent tracks crude oil pricing from refineries in the North Sea

Sources: Bloomberg, Pertrac Indices

**McKnight Brain Research Foundation**  
**Amended and Restated Investment Policy**

The McKnight Brain Research Foundation (the “MBRF”)

The MBRF is a Florida trust that, for federal income tax purposes, is an exempt organization (IRC § 501(c)(3)), and classified as a private foundation (IRC § 509(a)). The only tax paid by the MBRF is the annual IRC § 4940 excise tax of 2% (or 1%) of investment income. All of the MBRF assets were contributed by Mrs. Evelyn F. McKnight and no additional contributions are expected. At the present time, it is anticipated that the MBRF will make grants to carry out its charitable purpose. The specific purpose for which the MBRF was established is “to provide support for medical research of the brain to accomplish alleviation of memory loss of the aging”. The MBRF expects to exist in perpetuity. The only required distribution is the 5% of fair market value IRC § 4942 annual distribution.

Governance

The MBRF is a Florida charitable trust. The MBRF is governed by six Trustees. There are five individual Trustees and one Corporate Trustee.

Introduction

This policy presents the investment process of the MBRF. The Trustees have prepared this policy in consultation with its investment consultants and legal counsel. For purposes of investing assets, the Trustees have looked to the Corporate Trustee as its investment consultant and any references herein to investment counsel are references to the Corporate Trustee.

Prudent Investor Rule

The Trustees have adopted this Investment Policy to evidence compliance with the Florida Prudent Investor rule. §§518.10-14 FLA.STATS. The Investment Policy will be interpreted and implemented consistent with the prudent investor rule. The Trustees have delegated certain investment function to the Corporate Trustee as allowed by and in accordance with the requirements of §518.112 FLA.STATS.

Investment Goals

The investment goal is to provide a long term real total rate of return that will increase the purchasing power of MBRF assets net of expenses and distributions. In order to achieve its investment goal, the MBRF will adopt a strategic asset allocation that will achieve its long term return goal with acceptable volatility.



### Long Term Investor

The MBRF will exist in perpetuity. As such, it is a long term investor who seeks a high rate of return consistent with reasonable volatility. The MBRF understands that volatility can be reduced by allocating assets among asset classes, among investment styles and strategies within asset classes. The MBRF will adopt strategic targets for each asset class and will, from time to time, rebalance between asset classes, investment styles and strategies to maintain its strategic targets.

### Target Rate of Return

The Trustees will adopt a target rate of return that incorporates the MBRF investment goals and spending policy. It is recognized that the target rate of return, investment goals and volatility are interrelated and must be viewed as such. It is also recognized the investment horizon of the MBRF is long term (perpetuity) and the target rate of return will reflect that long term view. The target rate of return will change from time to time and is set forth on Appendix A.

### Spending Policy

The MBRF will adopt a spending policy that balances a realistic achievable rate of return, expenses, and its investment goals. Appendix A is the current spending policy adopted by the MBRF. The spending policy will be reviewed annually at a minimum.

### Income, Appreciation and Gains

The Trustees recognize that the MBRF pays only a 2% excise tax on investment income and, therefore, the investments are not tax sensitive. Its distributions are not limited by income and, therefore, the Trustees will ignore income and principal analysis when implementing its investment goals and implementing its spending policy.

### Cash Flow

Because it will exist in perpetuity, its only cash flow needs will be to cover expenses (and tax) and the annual IRC § 4942 5% of fair market value distribution. It is recognized that additional spending can be controlled and that the MBRF from time to time may distribute more than the minimum required by tax laws.

### Performance/Style Measurement

The Trustees have adopted a market driven benchmark for each asset class and management style. For the portfolio as a whole, the Trustees will adopt a benchmark that consists of a suitable passive index for each asset class weighted in accordance with the strategic asset allocation. The Trustees will also adopt appropriate peer group data to measure the performance of each managed portfolio and passive investment. The Trustees expect performance of each managed portfolio to be in the top one-third of the peer group data base for that particular management style or strategy. The peer group data base is set out in Exhibit B. The Trustees

will evaluate ongoing investment performance over a three to five year period, anticipating it will not make changes on the basis of short term (less than two years) results. However, the Trustees recognize there are factors, including, but not limited to, changes in personnel, that would require immediate attention and action.

Performance should be measured in a manner consistent with the standards of the CFA Society.

The performance measurement will include an analysis of managers adherence to the investment styles set forth in Exhibit B.

The Foundation recognizes enhanced performance results from asset allocation, as well as selection of particular managers and passive investments. Therefore, the Foundation will compare portfolio returns and the benchmark portfolio, as well as compare individual manager returns and the designated index, as shown on Exhibit B.

#### Investment Preference

The Foundation prefers, but does not require, that managers avoid investment in companies whose primary or significant (greater than 30% of gross revenue) businesses are the growing, cultivation, manufacture, or distribution of tobacco or tobacco products. This shall not apply to investments in indexed or mutual funds.

#### Security Voting

The Corporate Trustee will vote on securities when a vote is requested. The Trustees will receive an annual report of voting decisions.

#### Specific Functions of the Board of Trustees

1. Establish investment objectives for the portfolio.
2. Establish and review its spending policy.
3. Set strategic asset allocation for the Trust.
4. Establish and continue to update the investment policy.
5. Establish, monitor and update the investment process.
6. Review investment performance in accordance with its performance measurement policy.
7. Review at least quarterly investment activity to insure compliance with the investment policy and adherence to investment style.

8. Terminate managers and passive investments in accordance with this investment policy.

#### Specific Functions of the Corporate Trustee

1. The Corporate Trustee shall review regularly all investments of the MBRF.
2. The Corporate Trustee shall recommend to the Board of Trustees such investment and investment related policies, including strategic asset allocations, as it deems appropriate, and as may be requested.
3. The Corporate Trustee shall make periodic investment performance reports (no less than quarterly) to the Board of Trustees.
4. The Corporate Trustee shall implement the investment policy, including selecting and terminating managers and passive investments in accordance with this investment policy.
5. The Corporate Trustee may, in its discretion, "tilt" the strategic asset allocation within the applicable range, as set forth in Exhibit B.

#### Asset Allocation

1. To achieve its investment objective, the Foundation's assets shall be allocated among various asset classes, including, but not limited to, equity, cash/cash equivalents, fixed income and alternative investments/hedge funds. The current strategic asset allocation adopted by the Board is contained in Appendix B. The strategic asset allocation and asset classes will change periodically based upon monitoring and objective analysis of changes in the economy.
2. The Foundation investments will be allocated among asset classes and diversified within asset classes. Within each asset class, securities, for example, will be allocated further by economic sector, industry, quality and size. The purpose of allocation and diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on performance of the total fund. As a result, the unsystematic risk (volatility associated with diversification risk) level associated with the portfolio should be significantly reduced.

3. In any asset class, no more than 5% at investment cost or 10% at market may be held in the securities of a single issuer.
4. Allocation by investment style is also an important step in reducing the risk (volatility) of the Foundation's portfolio. Investment styles within equity asset classes are defined in Appendix C.

#### Custodian

The Corporate Trustee will be the custodian for the MBRF. The Corporate Trustee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the Foundation as it may deem appropriate.

#### Soft Dollars

The Corporate Trustee will annually review the "soft dollar" policy and activity of each actively managed portfolio and report the findings to the Trustees. Each active manager is expected to enter into equity transactions on a best execution basis. The Trustees may designate certain brokers by which commissions may be recaptured or provide for the payment of services rendered to the MBRF.

#### Guidelines for Corrective Action

Corrective action will be taken during the review of active management. The following are instances where immediate corrective action, or termination of active management, may be in order:

- Organizational and/or personnel changes in the active manager. Failure to notify the MBRF of such changes is grounds for immediate termination.
- Violation of terms of any investment management agreement between the Trustees and an active manager.
- Change by an active manager in the management style for which the manager was selected. The MBRF, through the Corporate Trustee, will closely track the investments of each active manager to insure adherence to management style for which the active manager was retained.

Corrective action ordinarily will be taken by all of the Trustees. If, in an emergency, it is not feasible to contact one or more of the Individual Trustees, action may be taken by the Corporate Trustee acting alone.

Rebalancing Procedure

Should the range for a particular management style be violated by reason of gains, losses, changes in an active management, or any other reason, the Trustees will meet or conference to decide whether to rebalance the assets to the target class and style allocation policies. In addition, the Trustees shall review the actual allocations at each quarterly meeting in order to insure conformity with the adopted strategic allocation. The assets will not be automatically rebalanced on any set schedule.

**APPENDIX A**

**Spending Policy of McKnight Brain Research Foundation**

Expenses as Permitted	1.0%
Allowance For Inflation**	2.7%
Distribution From Foundation	<u>5.0%</u>
Target Total Return	8.7%

\*\* Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis for the 12 months ending 09/30/2013.

## **APPENDIX B**

### **McKnight Brain Research Foundation** **Portfolio Guidelines**

<b><u>Asset Class</u></b>	<b><u>2013 Efficient Frontier</u></b>	<b><u>Range</u></b>	<b><u>Benchmark</u></b>	<b><u>Peer Group*</u></b>
Large Cap Equity	43.4%	30% - 60%	S & P 500	Pure Large Cap Core
Mid Cap Equity	6.0%	5% - 14%	Russell Mid Cap	Mid Cap
Small Cap Equity	6.6%	0% - 15%	Russell 2000	Broad Small Cap
International Developed	8.5%	5%-15%	MSCI - EAFE	Broad Int'l Equity
International Emerging	5.5%	3%-10%	MSCI – Emerging Mkts	
Hedge Funds	15.6%	10% - 30%	HFR Fund of Funds Index	
Commodities	.5%	0-5 %	Dow Jones UBS Commodity Index	
Real Estate – U.S.	0%	0% - 10%	NAREIT Equity	
Real Estate – Non U.S.	0%	0% - 10%	DJW Global ex-U.S. Real Estate	
Private Equity	2.5%	0% - 10%	Cambridge Associates U.S. Private Equity	
Fixed Income	10.2%	0% - 20%	Barclays Agg Index	
Cash	1.3%			
	100%			

#### **Static Benchmark #1**

Russell 3000 Index	65%
Barclays U.S. Aggregate Index	<u>35%</u>
	100%

#### **Spending Policy Benchmark**

Distribution	5.0%
Expenses	1.0%
Inflation**	<u>2.7%</u>
	8.7%

\* **Mobius Group**

M-Search Data Base System – Universes

Universes for peer group comparison – recommended by SunTrust and adopted by Trustees on 7/12/00. SunTrust advises there are no Alt/Hedge Fund, Real Estate or International Fixed Income Peer Groups.

\*\* Real inflation is Biomedical Research and Development Price Index ("BRDPI") published by the U.S. Bureau of Economic Analysis for the 12 months ending 09/30/2013.

## **APPENDIX C**

Market Capitalization – Market value of a corporation calculated by multiplying the number of shares outstanding by the current market price. The classification\* of the capitalization ranges is as follows:

- \* Large Capitalization Classification – Market cap of \$10 billion and greater
- \* Mid Capitalization Classification – Market cap of \$2 billion to \$10 billion
- \* Small Capitalization Classification – Market cap of \$50 million to \$2 billion

International Equity – International equity investments are permitted in listed equity securities traded on developed non U.S. markets. Developed markets are defined as those included in the Morgan Stanley Capital International, Inc. Europe Asia Far East (MSCI EAFE) Index plus Canada. American depository receipts (ADRs) traded on major U.S. markets are considered to be domestic securities.

Growth Equity Style – Investment in companies that are expected to have above average prospects for long term growth and earnings and profitability.

Value Equity Style – Investment in companies believed to be undervalued or possessing lower than average price/earnings ratios, based on their potential for capital appreciation.

Core Equity Style – Investment in companies whose characteristics are similar to that of the broader market as represented by the Standard's & Poor's 500 Index, with the objective of adding value over and above the Index, typically from sector or issue selection. The core portfolio exhibits similar risk characteristics to the broader market as measured by low residual risk with Beta and R-squared values close to 1.00.

*Alternative Investments/Hedge Funds* – Hedge funds are strategies utilized by professional money managers or group of managers that permit the management of a private, unregistered investment pool of capital and/or securities, and investments in a variety of investment techniques normally prohibited in other types of funds. Hedge funds are typically skill-based investment strategies attempting to provide “absolute” return based on the specialized strategy of the trader or manager and offer diversification and reduce systematic risk due to a low correlation to traditional asset classes. The following are some of the hedge fund strategies utilized by managers:

*Direct Hedge* - Hedging one asset, such as common stock, with another asset that has similar price movements and trades similarly. Example: using call options to hedge a common stock position.

*Cross Hedge* - Hedging an investment with an unlike instrument. Example: Buying stocks and hedging the position with Treasury futures.

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\* From Morningstar Analytical Services, Inc.



*Static Hedge* - Hedging out every dollar of a portfolio in an effort to eliminate risk.

*Dynamic Hedge* - Changing the amount of puts in a position over time as the market changes.

*Market Neutral* - As a long/short strategy, equal amounts of capital are invested long and short in an attempt to neutralize market risk. The goal is to purchase undervalued securities and short overvalued securities.

*Market Timing* - Anticipates market movements and allocates assets by switching between stocks, bonds and cash as the market and economic outlook change.

*Short Selling* - Identifying overvalued securities and "shorting" or selling these stocks. This involves borrowing the stocks to sell them, in the hope of buying them back later at a lower price.

*Growth Fund* - Investing in growth stocks with the basic goal of capital appreciation. This may include hedging by short selling or using options.

*Distressed Securities* - Investing in securities of a company in bankruptcy or facing it. These securities are purchased inexpensively and with the hope that they will appreciate as the company emerges from bankruptcy.

*Sector Funds* - Concentrated investments in various sectors. May involve long and short investments and options.

*Emerging Markets* - Investing in securities of companies in emerging or developing countries. This could involve purchasing government or corporate debt and/or equity.

*Global Fund* - Investing in shifts in global economies. Derivatives may be used to speculate on interest rate and currency movements. These funds search for and exploit opportunistic investment possibilities wherever they may arise.

*Opportunistic* - Using a variety of strategies as opportunities arise. Several strategies could be used simultaneously.



# Lighthouse Global Long/Short Fund, L.P.

100% managed accounts

## FIRM AUM

\$7.9 billion†

## STRATEGY

Long/Short Equity

## FUND INCEPTION

January 2005

## FUND AUM

\$1.4 billion†

## SERIES A

## MANAGEMENT FEE

1.5% per annum

## PERFORMANCE FEE

None

## WITHDRAWAL TERMS

Two options:

(1) Quarterly: 60 days written notice

(2) Monthly: 90 days written notice

## DOMICILE

Delaware

## AUDITOR

PricewaterhouseCoopers LLP

## ADMINISTRATOR

GlobeOp Financial Services<sup>2</sup>

## BLOOMBERG CODE

LHGLGSH US

## INVESTMENT ADVISER

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## Performance summary<sup>1</sup>

	March 2014	Last 12 months	Last 36 months	Inception (Jan 2005 to date)
<b>Lighthouse Global Long/Short Fund L.P. (Net)</b>	<b>-1.70%*</b>	<b>14.12%</b>	<b>7.77%</b>	<b>6.54%</b>
<b>MSCI AC World Index</b>	0.50%	17.16%	9.14%	6.81%
<b>S&amp;P 500 (w/dividends)</b>	0.84%	21.86%	14.65%	7.03%

## Net historical performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2014</b>	0.87%	1.75%	-1.70%*										<b>0.89%*</b>
<b>2013</b>	3.16%	0.54%	2.68%	1.52%	1.03%	0.99%	2.23%	-0.25%	2.15%	1.21%	1.13%	2.42%	<b>20.46%</b>
<b>2012</b>	1.73%	1.67%	1.58%	1.15%	-3.69%	0.51%	0.15%	1.09%	1.33%	-0.12%	0.80%	0.43%	<b>6.71%</b>
<b>2011</b>	-0.17%	1.15%	0.65%	2.13%	-1.12%	-1.45%	0.56%	-3.07%	-0.62%	1.74%	-0.99%	-0.60%	<b>-1.89%</b>
<b>2010</b>	0.03%	0.25%	1.88%	0.64%	-2.44%	-1.74%	1.70%	-0.63%	1.33%	1.83%	0.15%	2.11%	<b>5.11%</b>
<b>2009</b>	0.30%	-0.54%	1.07%	1.27%	2.30%	0.66%	1.58%	1.36%	1.46%	-0.86%	0.31%	0.86%	<b>10.17%</b>
<b>2008</b>	-3.15%	1.21%	-4.67%	1.46%	2.79%	-0.45%	-1.39%	-0.33%	-6.35%	-2.02%	-0.60%	-0.04%	<b>-13.07%</b>
<b>2007</b>	2.74%	0.37%	1.53%	2.62%	3.16%	1.29%	-0.16%	-2.33%	1.80%	3.34%	-2.42%	0.23%	<b>12.64%</b>
<b>2006</b>	2.11%	-0.01%	0.66%	0.59%	-1.96%	-0.27%	0.10%	1.96%	1.78%	1.79%	2.50%	2.43%	<b>12.21%</b>
<b>2005</b>	0.91%	1.14%	-0.51%	-1.19%	1.93%	1.46%	1.99%	0.71%	1.31%	-1.30%	1.19%	2.92%	<b>10.99%</b>

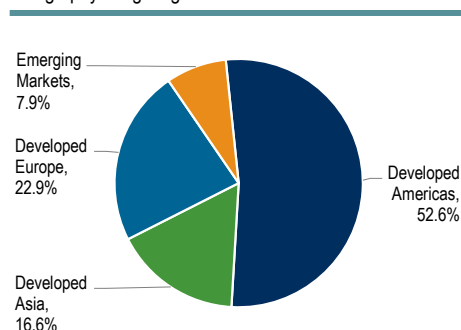
## Performance characteristics<sup>1</sup>

January 2005 – March 2014

Annualized Compound Return	6.54%
Annualized Standard Deviation	5.83%
Sharpe Ratio (annualized)	0.83
% positive months	69%
Maximum Drawdown	-15.18%
Beta to MSCI AC World Index	0.24
Beta to S&P 500 with dividends	0.25

## Portfolio composition

Geography Weightings



## Portfolio composition

Sector Weightings

	Gross	Net
Consumer Discretionary	41.8%	9.2%
Consumer Staples	13.2%	0.4%
Energy	19.0%	2.4%
Financials	47.1%	9.1%
Healthcare	25.6%	7.8%
Industrials	25.7%	3.7%
Technology	23.1%	2.1%
Materials	17.3%	2.4%
Telecommunications	5.8%	-0.8%
Utilities	2.5%	0.3%
Other	3.8%	-0.9%
<b>Total</b>	<b>224.9%</b>	<b>35.7%</b>

\*Performance is estimated by Lighthouse Investment Partners, LLC and the underlying managers. 2013 and 2014 performance is unaudited (and subject to change upon final audit).

† Firm AUM is estimated. Fund AUM is estimated and includes onshore and offshore fund assets in the above fund. The figure also may include investments made into the strategy by other Lighthouse managed funds. AUM may include transfers from other Lighthouse Funds that occurred on the first of the month.

<sup>1</sup> The performance data contained herein represents the returns to an investor in Lighthouse Global Long/Short Fund, L.P. Series A shares ("the Fund"). Performance is net of all fees and expenses applicable to a shareholder in above fund. Results include reinvestment of all income and capital gains. Performance shown for periods over one year has been annualized.

<sup>2</sup> Onshore funds are administered by GlobeOp Financial Services LLC.

<sup>3</sup> Allocations are volatility weighted.

<sup>4</sup> Regional data are calculated based on the issuer's domicile, not by the exchange in which the security is traded. Emerging market countries are based on classifications determined by RiskMetrics, Inc.

Past performance is not necessarily indicative of future results. No assurance can be given that the Fund's objectives or targets will be achieved. Investing in the Fund is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. This document is for informational use only and is not an offer to sell or a solicitation of an offer to buy interests in the Fund or any Lighthouse managed investment vehicle. Please refer to the Fund's Private Offering Memorandum for details of investment terms and conditions.

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# Lighthouse Diversified Fund Limited

## FIRM AUM

\$7.9 billion<sup>†</sup>

## STRATEGY

Multi-Strategy

## STRATEGY AUM

\$4.6 billion<sup>†</sup>

## FUND INCEPTION

February 2001

## FUND AUM

\$2.2 billion<sup>††</sup>

## CLASS A

## MANAGEMENT FEE

1.5% per annum

## PERFORMANCE FEE

None

## WITHDRAWAL TERMS

Monthly redemptions with at least  
90 days written notice

## DOMICILE

Cayman Islands

## AUDITOR

PricewaterhouseCoopers

## ADMINISTRATOR

GlobeOp Financial Services<sup>2</sup>

## BLOOMBERG CODE

LHDVFLD KY

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## Performance summary<sup>1</sup>

	March 2014	Last 12 months	Last 36 months	Inception (Feb 2001 to date)
Lighthouse Diversified Fund Limited (Net)	-0.60%*	11.61%	5.25%	5.39%
S&P 500 (w/dividends)	0.84%	21.86%	14.65%	4.45%
Barclays Gov/Credit	-0.11%	-0.27%	4.21%	5.27%
HFRX Global Hedge Fund Index	-0.23%	4.63%	0.46%	2.67%

## Net historical performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	1.58%	1.98%	-0.60%*										2.97%*
2013	1.37%	0.37%	1.05%	0.59%	0.20%	-0.45%	0.98%	0.03%	1.53%	1.54%	0.96%	2.75%	11.44%
2012	1.73%	1.65%	0.75%	0.11%	-1.00%	-0.09%	0.76%	0.80%	0.58%	-0.08%	0.45%	0.62%	6.43%
2011	1.08%	1.44%	0.90%	1.08%	-0.25%	-1.17%	0.22%	-2.49%	-1.65%	0.63%	-0.47%	-0.47%	-1.23%
2010	0.09%	-0.34%	1.35%	0.59%	-1.61%	-1.07%	1.15%	0.56%	0.95%	1.35%	-0.44%	2.96%	5.60%
2009	1.87%	0.85%	-0.17%	1.00%	4.08%	1.39%	2.62%	2.42%	2.19%	0.52%	0.56%	1.23%	20.14%
2008	-2.10%	1.91%	-2.60%	0.66%	1.91%	-0.18%	-2.75%	-1.78%	-6.24%	-5.38%	-2.74%	-3.05%	-20.49%
2007	1.58%	0.92%	1.35%	1.73%	2.20%	0.90%	-0.22%	-2.77%	1.18%	2.81%	-0.48%	0.25%	9.74%
2006	1.86%	0.32%	1.09%	0.79%	-1.04%	-0.14%	-0.03%	0.68%	1.14%	1.31%	1.68%	2.00%	10.05%
2005	0.54%	0.98%	-0.04%	-0.72%	0.56%	1.19%	1.07%	0.71%	1.37%	-0.42%	1.13%	1.33%	7.95%
2004	1.54%	1.06%	0.34%	-0.53%	-0.57%	0.13%	-0.03%	0.05%	0.48%	0.72%	1.84%	0.97%	6.13%
2003	0.95%	0.56%	-0.25%	1.20%	1.31%	0.59%	-0.72%	0.30%	1.27%	0.71%	0.72%	0.12%	6.95%
2002	0.99%	0.32%	0.95%	0.79%	0.46%	-0.10%	-0.10%	0.60%	0.31%	-0.05%	0.85%	1.45%	6.65%
2001		0.52%	0.52%	0.41%	-0.10%	-0.24%	0.22%	1.00%	-0.18%	1.08%	0.13%	0.59%	4.01%

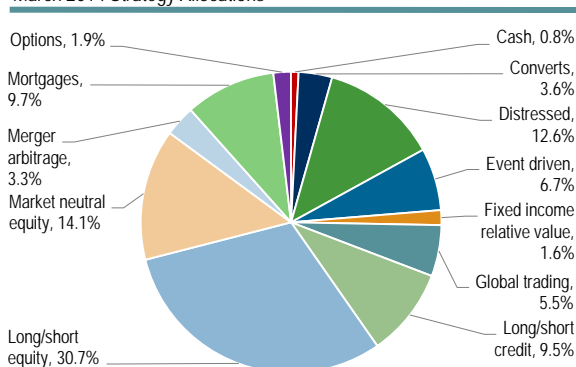
## Performance characteristics<sup>1</sup>

February 2001 – March 2014

Annualized Compound Return	5.39%
Annualized Standard Deviation	4.63%
Sharpe Ratio (annualized)	0.78
% positive months	72%
Maximum Drawdown	-20.67%
Beta to S&P 500 with dividends	0.14
Beta to Barclays Gov/Credit	0.01

## Portfolio composition

March 2014 Strategy Allocations



\*Performance is estimated by Lighthouse Investment Partners, LLC and the underlying managers. 2013 and 2014 performance is unaudited (and subject to change upon final audit).

<sup>†</sup> Firm AUM is estimated. Strategy AUM is estimated and includes onshore and offshore assets in all Lighthouse multi-strategy funds, including Lighthouse Diversified Fund, Lighthouse V Fund, Lighthouse Multi-Strategy Fund and certain separately managed custom funds. Separately managed custom funds are not open for investment by external investors. The investment approach pursued by other multi-strategy funds, including, without limitation, the composition and size of allocations in underlying managers may vary significantly from the above fund. The figure may also include investments made into the strategy by other Lighthouse managed funds.

<sup>††</sup> Fund AUM is estimated and includes onshore and offshore assets in the above fund. The figure may also include investments made into the fund by other Lighthouse managed funds. AUM may include transfers from other Lighthouse Funds that occurred on the first of the month.

<sup>1</sup> The performance data contained herein represents the returns to an investor in Lighthouse Diversified Fund Limited Class A shares ("the Fund"). Performance is net of all fees and expenses applicable to a shareholder in the Fund. Results include reinvestment of all income and capital gains. Performance shown for periods over one year has been annualized.

<sup>2</sup> Offshore funds are administered by GlobeOp Financial Services (Cayman) Limited.

Past performance is not necessarily indicative of future results. No assurance can be given that the Fund's objectives or targets will be achieved. Investing in the Fund is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. This document is for informational use only and is not an offer to sell or a solicitation of an offer to buy interests in the Fund or any Lighthouse managed investment vehicle. Please refer to the Fund's Private Offering Memorandum for details of investment terms and conditions.

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# Lighthouse Credit Opportunities Fund Limited

## FIRM AUM

\$7.9 billion<sup>†</sup>

## STRATEGY

Credit

## FUND INCEPTION

January 2003

## FUND AUM

\$522 million<sup>†</sup>

## CLASS B

## MANAGEMENT FEE

1% per annum

## PERFORMANCE FEE

10% per annum

## WITHDRAWAL TERMS

Semiannual redemptions with at least 135 days written notice

## DOMICILE

Cayman Islands

## AUDITOR

PricewaterhouseCoopers

## ADMINISTRATOR

GlobeOp Financial Services<sup>2</sup>

## BLOOMBERG CODE

LHCOPLD KY

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[www.lighthousepartners.com](http://www.lighthousepartners.com)

## Performance summary<sup>1</sup>

	March 2014	Last 12 months	Last 36 months	Inception (Jan 2003 to date)
<b>Lighthouse Credit Opportunities Fund Limited (Net)</b>	<b>0.20%*</b>	<b>10.57%</b>	<b>5.67%</b>	<b>7.72%</b>
Barclays Govt/Credit	-0.11%	-0.27%	4.21%	4.61%
ML High Yield Master II	0.23%	7.53%	8.72%	10.17%

## Net historical performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2014</b>	0.66%	2.02%	0.20%*										<b>2.90%*</b>
<b>2013</b>	1.62%	0.41%	1.43%	0.61%	1.28%	-1.11%	0.89%	-0.26%	0.76%	1.08%	0.81%	3.21%	<b>11.21%</b>
<b>2012</b>	2.53%	1.87%	0.96%	0.33%	-1.53%	0.17%	0.34%	0.73%	1.18%	0.29%	0.17%	1.32%	<b>8.63%</b>
<b>2011</b>	1.89%	1.30%	0.90%	0.60%	0.48%	-1.01%	-0.39%	-2.30%	-3.55%	2.58%	-1.23%	-0.30%	<b>-1.19%</b>
<b>2010</b>	0.69%	-0.30%	2.87%	1.85%	-2.36%	-0.53%	1.62%	0.63%	1.45%	1.78%	0.15%	4.16%	<b>12.52%</b>
<b>2009</b>	1.45%	-0.04%	-0.62%	0.43%	3.28%	1.51%	3.14%	3.38%	4.08%	2.11%	0.26%	3.38%	<b>24.63%</b>
<b>2008</b>	-0.15%	0.98%	-0.81%	0.78%	0.65%	-0.64%	-2.34%	-1.19%	-3.59%	-8.32%	-5.67%	-4.73%	<b>-22.74%</b>
<b>2007</b>	1.38%	1.20%	0.72%	1.13%	1.01%	0.39%	0.19%	-0.82%	1.06%	1.28%	-0.51%	0.08%	<b>7.32%</b>
<b>2006</b>	1.49%	0.62%	0.85%	1.09%	-0.43%	-0.07%	0.38%	1.06%	0.57%	1.96%	1.69%	1.20%	<b>10.88%</b>
<b>2005</b>	0.07%	1.81%	0.02%	-0.28%	0.72%	1.03%	1.63%	1.33%	0.63%	-0.84%	0.54%	1.09%	<b>7.98%</b>
<b>2004</b>	2.30%	0.01%	0.22%	0.55%	-0.43%	0.94%	0.32%	0.53%	0.71%	0.80%	2.93%	1.99%	<b>11.37%</b>
<b>2003</b>	2.76%	0.39%	0.96%	3.19%	1.60%	2.21%	0.55%	0.74%	2.11%	1.97%	1.44%	1.46%	<b>21.16%</b>

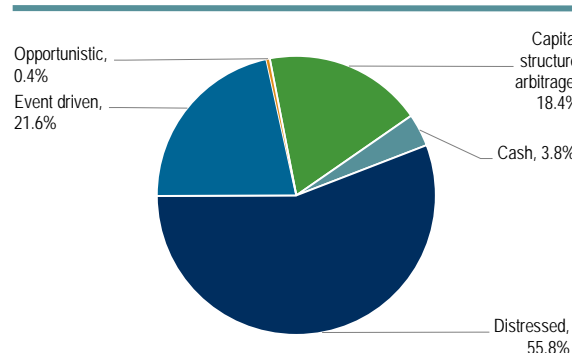
## Performance characteristics<sup>1</sup>

January 2003 – March 2014

Annualized Compound Return	7.72%
Annualized Standard Deviation	5.83%
Sharpe Ratio (annualized)	1.04
% positive months	78%
Maximum Drawdown	-23.84%
Beta to Barclays Gov/Credit	-0.13
Beta to ML High Yield Master II	0.40

## Portfolio composition

March 2014 Strategy Allocations



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<sup>†</sup> Firm AUM is estimated. Fund AUM is estimated and includes onshore and offshore fund assets in the above fund. The figure also may include investments made into the strategy by other Lighthouse managed funds.

<sup>1</sup> The performance data contained herein represents the returns to an investor in Lighthouse Credit Opportunities Fund Limited Class B shares ("the Fund"). Performance is net of all fees and expenses applicable to a shareholder in the Fund. Results include reinvestment of all income and capital gains. Performance shown for periods over one year has been annualized.

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## FIRST QUARTER, 2014 REVIEW EXECUTIVE SUMMARY

In just the first three months of 2014, it feels as though we have already had more volatility-inducing global events than we had in all of 2013. While concern about slowing growth in China was nothing new, the combination of this worry with Russian-Ukrainian tensions, new leadership at the U.S. Federal Reserve and renewed emerging market concerns all conspired to send global equities as measured by the MSCI World down 4.0% in January. Of course, some of that weakness may have just been profit-taking after a strong 2013, but it is clear volatility increased. Equity markets staged a mild recovery to finish positive for the quarter with the MSCI World +1.2% and the S&P 500 +1.8%.

As we commented in our last letter, fundamentals have started to matter more in the current investing environment – which is a positive for us. Yet, the first quarter was a reminder that macroeconomic concerns exist, as demonstrated by the global tensions described above and the fact that central banks remain the biggest drivers of monetary conditions around the globe.

As evidence of our view that fundamentals are driving a larger share of returns, the Lighthouse funds produced quarterly results that were highly uncorrelated with broader markets. January was a particularly strong month for Lighthouse, with all funds and strategies positive despite the market sell-off. Contributions in January were led by equities, with healthcare a notable winner, as well as event-driven strategies and fixed income. Most market indices rebounded in February, and we were again able to generate positive performance across all strategies. March saw significant market rotation and volatility that challenged equity managers, leading to the give-back of some year-to-date gains. While March was negative overall for the Lighthouse funds, our credit and fixed income strategies were both positive – as they were each month of the quarter.

Some of the key drivers of Lighthouse fund performance over the quarter by strategy:

- ❖ Equity strategies were the largest contributor. In a reversal of the fourth quarter of 2013, when Asia and Europe led the way, the best performance for the quarter came from U.S. focused investments. Alpha generation in the U.S. was strong across most sectors with healthcare, consumer and industrials among the standouts. Despite some volatility in March, most equity managers finished the quarter in positive territory. The few negative performers were predominantly focused on China and Japan, two markets that experienced meaningful losses in the quarter.
- ❖ Credit was a steady performer each month with gains largely driven by liquidations and event-driven distressed situations. Despite the perceived risk in distressed investing, we have actually seen many of our credit investments hold up better in the recent down markets as these positions tend to trade on their own merits and less on broader perceptions of global growth or lack thereof.
- ❖ Relative value strategies were strongest in February, and most of our relative value managers were positive each month of the quarter. Further, we saw broad participation across sub-strategies. While event-driven led the way, we also saw positive attribution from capital structure arbitrage, convertible bond arbitrage and options, as these strategies were able to monetize market volatility in a hedged manner.
- ❖ Fixed income had its best performance since the third quarter of 2012. Agency mortgage strategies were the largest contributors, and we continue to increase our exposure to this sub-strategy. Gains were also recorded by non-agency mortgage, CMBS and municipal strategies – although each of those sub-strategies is likely to remain underweight. This underweight reflects the fact that, while we are finding some niche trading opportunities, our forward-looking expectations for those asset classes are below average in the near-term.
- ❖ Global trading was positive – a notable accomplishment given that most managed futures indices and large CTAs have suffered losses so far in 2014. Our focus in CTA and macro strategies is to create a portfolio that is not overly dependent on strong trends in equities or bonds to generate returns. This has led us to overweight short-term managers relative to long-term trend followers. This move has been a significant contributor to our outperformance year-to-date relative to CTA indices.

## SECOND QUARTER, 2014 OUTLOOK

Below are some of the investment themes we will be pursuing in the coming months:

- ❖ Global equity markets underperformed the S&P 500 in the first quarter, in what has become a common occurrence. In fact, since January 1, 2010, global markets (as measured by the MSCI World) have managed barely half the return of the S&P 500 (7.9% versus 15.4% annualized), and emerging markets have fared even worse (2.7% annualized for the MSCI EM index). While there are many legitimate concerns about investing in emerging markets, correlations among these markets are near an eight-year low, which we believe allows for prudent long/short investing. We remain pleased with our emerging markets exposure and expect to selectively add on further signs of weakness.
- ❖ The largest emerging market of all – China (to the extent that the world’s second largest economy can still be considered “emerging”) – was again in the spotlight as a crop of weak data frightened investors in March. China’s stock market has been notoriously fickle since 2009 and, yet, it has been a strong source of alpha generation for our funds. Recently, we have observed that valuations are a bit stretched in the few sectors that have performed well, including internet, gaming and certain consumer sub-sectors. Our net exposure has already been reduced in some of these names, and we are likely to make further reductions in areas where the upside has become more limited. Despite this near-term move, we remain bullish on the long-term opportunity set in China and elsewhere in Asia, and we continue to benefit from a lack of investor capital in the region.
- ❖ With respect to U.S. equities, part of the regime shift we experienced in March was a momentum reversal as equity investors took profits in companies and sectors – largely growth-oriented – that had performed well over the past year. With cautious optimism about 2014 GDP growth, we believe investors no longer feel compelled to overpay for growth companies since they can ride the wave of a broader cyclical rebound. While March was not easy, we continue to observe that sector specialists in the U.S. seem better-equipped to manage these transitions than generalists – not only because we believe they know their companies better but also because they typically are running smaller assets and can reposition their portfolios more adeptly.
- ❖ We admit that we were a bit surprised that interest rates declined as much as they did to start 2014, with the benchmark 10-year U.S. Treasury note yield falling from 3.01% to 2.72% for the quarter. While we still expect rates to rise over time, this only reinforces our long-standing view that making macroeconomic calls on the direction of rates should not be our objective. We have long sought to manage our duration-sensitive strategies of credit, fixed income and relative value to have an expected interest rate beta near zero. Even investments that we like in part because they will do well as long-term rates rise must have other factors working in their favor. As an example, our agency mortgage-related investments performed quite strongly in the first quarter, despite lower rates, as refinancing activity declined and prepayments remained below recent trends.
- ❖ We are often asked about “activists.” While we typically do not allocate to these funds, this decision is more a function of our desire to avoid large, directional generalist managers than any rejection of the merits of activism. In fact, we would categorize a large number of our investments across many strategies as catalyst-driven, and sometimes these catalysts need to be helped along by an outside party. Our style of investing very much favors managers who can identify favorable conditions and then create opportunities, and likewise we believe we have created a structure in our funds that allows us to overweight the most compelling of these opportunities.

As we write this letter, April is again testing the mettle of investors. JP Morgan Asset Management recently published a research piece discussing how the highly volatile financial crisis and recovery (2008 to 2011) gave way to a period of easy money, with above-average equity returns and below-average volatility (2012-2013). JP Morgan forecasts a return to more modest equity performance and higher volatility going forward – something we have seen so far in 2014. Whether this holds true or not, we do know that we continue to see strong alpha opportunities and will continue to seek to position the portfolios to take advantage of the conditions we face.

As always, we welcome your comments and inquiries.

Best regards,

**LIGHTHOUSE PARTNERS**

## Performance Summary\*

Lighthouse Funds of Funds	1Q14	3 Year	5 Year	10 Year	3 Yr Vol
Lighthouse Diversified Fund Limited	2.97%	5.25%	8.33%	5.04%	3.69%
Lighthouse Diversified Fund, L.P.	2.73%	5.93%	8.31%	5.13%	3.51%
Lighthouse V Fund Limited (benefit plan dedicated)	2.73%	5.17%	7.29%	4.30%	3.36%
Lighthouse Multi-Strategy Fund Limited	3.59%	5.94%	6.95%	n/a	3.81%
Lighthouse Strategy Focused Funds	1Q14	3 Year	5 Year	10 Year	3 Yr Vol
Lighthouse Global Long/Short Fund Limited	0.83%	7.43%	7.68%	6.40%	5.29%
Lighthouse Global Long/Short Fund, L.P.	0.89%	7.77%	7.88%	n/a	5.30%
Lighthouse SRI Global Long/Short Fund Limited	3.35%	n/a	n/a	n/a	n/a
Lighthouse Managed Futures Fund LLC – Composite Series	0.55%	-3.15%	-0.30%	n/a	8.94%
Lighthouse Credit Opportunities Fund Limited	3.14%	6.65%	12.32%	7.37%	4.61%
Lighthouse Credit Opportunities Fund, L.P.	3.05%	8.51%	13.48%	6.76%	4.27%
Lighthouse Credit Compass Segregated Portfolio	2.98%	5.84%	n/a	n/a	5.19%
Lighthouse Healthcare Series	5.63%	9.82%	11.85%	n/a	9.84%
Lighthouse Asian Compass Series	-2.91%	n/a	n/a	n/a	n/a
Markets	1Q14	3 Year	5 Year	10 Year	3 Yr Vol
S&P 500 (with reinvested dividends)	1.80%	14.65%	21.15%	7.41%	12.47%
MSCI AC World Index	1.21%	9.14%	18.42%	7.53%	14.52%
Barclays Government / Credit Bond Index	1.97%	4.21%	5.08%	4.41%	3.28%
91-Day Treasury Bills	0.01%	0.08%	0.12%	1.65%	0.02%
HFRX Global Hedge Fund Index	1.11%	0.46%	3.81%	0.95%	4.21%
Newedge CTA Index	-2.15%	-2.50%	-0.47%	2.19%	6.78%

Note: Performance for the Lighthouse Diversified Fund Limited represents the returns to an investor in Class A. Performance for the Lighthouse Diversified Fund, L.P. represents the returns to an investor in Lighthouse Diversified Fund (QP) II, L.P. Series A. Performance for the Lighthouse V Fund represents the returns to an investor in Class A. Performance for the Lighthouse Multi-Strategy Fund Limited represents the returns to an investor in Class C. Performance for the Lighthouse Global Long/Short Funds represents the returns to an investor in Class/Series A. Performance for the Lighthouse SRI Global Long/Short Fund Limited represents the returns to an investor in Class A, constructed using actual fund returns net of a management fee of 1.5% per annum. Performance for the Lighthouse Composite Series represents the returns to an investor in Class A. The Lighthouse Composite Series is a series of the Lighthouse Managed Futures Fund, LLC. Performance for the Lighthouse Credit Opportunities Funds and Credit Compass Segregated Portfolio represents the returns to an investor in Class/Series A. The Lighthouse Credit Compass Segregated Portfolio is a segregated portfolio of the Lighthouse Strategies Fund SPC. Performance for the Lighthouse Healthcare Series and Lighthouse Asian Compass Series represents the returns to an investor in Class A. The Lighthouse Healthcare Series and Lighthouse Asian Compass Series are series of the Lighthouse Strategies Fund, LLC. The share classes of the funds listed above may not be available to every investor.

\* First quarter 2014 returns for the Lighthouse Fund and, consequently, the other figures appearing in this document that include these returns in their computation, are estimated and subject to revision near the 20th business day of the month and upon final audit. Certain funds noted above may have no external investors. The performance data above represents the returns for each of the respective Lighthouse Funds, or any related predecessor Fund, net of all fees and expenses, including reinvestment of earnings. Past performance is not indicative of future results. 2013 and 2014 performance is not audited and is subject to revision. This information is neither an offer to sell nor a solicitation of an offer to purchase any securities. Such an offer will only be made to qualified purchasers by means of a confidential private placement memorandum and related subscription documents.



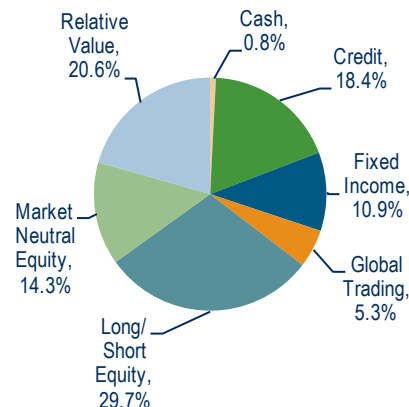
### Lighthouse Diversified Fund Strategy Review

Below is a table showing the estimated attribution and performance of each strategy for the quarter and the year, and to the right is a pie chart showing the distribution of strategy weightings in Lighthouse Diversified Fund Limited

Strategy Performance and Attribution	Attribution 1Q14	Attribution YTD	Performance 1Q14	Performance YTD
Credit	0.58%	0.58%	3.42%	3.42%
Fixed Income	0.40%	0.40%	3.80%	3.80%
Global Trading	0.11%	0.11%	2.03%	2.03%
Long/Short Equity	0.94%	0.94%	3.59%	3.59%
Market Neutral Equity	0.44%	0.44%	2.81%	2.81%
Relative Value	0.50%	0.50%	2.50%	2.50%
<b>Total</b>	<b>2.97%</b>	<b>2.97%</b>		

### Portfolio composition

March 2014 Strategy Allocations



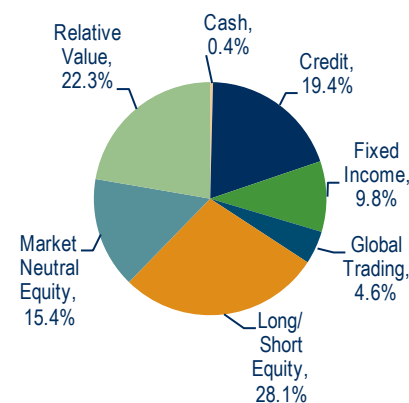
### Lighthouse V Fund Strategy Review

Below is a table showing the estimated attribution and performance of each strategy for the quarter and the year, and to the right is a pie chart showing the distribution of strategy weightings in Lighthouse V Fund Limited.

Strategy Performance and Attribution	Attribution 1Q14	Attribution YTD	Performance 1Q14	Performance YTD
Credit	0.60%	0.60%	3.41%	3.41%
Fixed Income	0.34%	0.34%	3.71%	3.71%
Global Trading	0.09%	0.09%	1.95%	1.95%
Long/Short Equity	0.77%	0.77%	3.11%	3.11%
Market Neutral Equity	0.41%	0.41%	2.53%	2.53%
Relative Value	0.52%	0.52%	2.46%	2.46%
<b>Total</b>	<b>2.73%</b>	<b>2.73%</b>		

### Portfolio composition

March 2014 Strategy Allocations



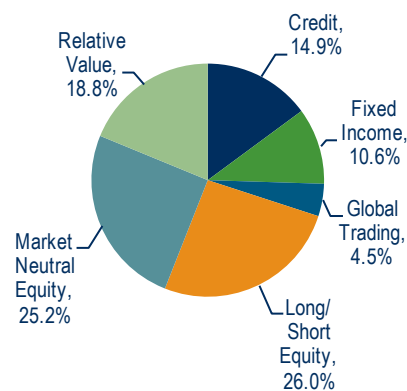
### Lighthouse Multi-Strategy Fund Strategy Review

Below is a table showing the estimated attribution and performance of each strategy for the quarter and the year, and to the right is a pie chart showing the distribution of strategy weightings in Lighthouse Multi-Strategy Fund Limited (formerly, Navigator).

Strategy Performance and Attribution	Attribution 1Q14	Attribution YTD	Performance 1Q14	Performance YTD
Credit	0.63%	0.63%	4.57%	4.57%
Fixed Income	0.39%	0.39%	4.07%	4.07%
Global Trading	0.07%	0.07%	1.20%	1.20%
Long/Short Equity	1.03%	1.03%	4.29%	4.29%
Market Neutral Equity	1.02%	1.02%	4.16%	4.16%
Relative Value	0.45%	0.45%	2.49%	2.49%
<b>Total</b>	<b>3.59%</b>	<b>3.59%</b>		

### Portfolio composition

March 2014 Strategy Allocations



Note: Monthly performance by strategy is subject to final audit. Performance and attribution data are based on estimates for the most recent quarter's month-end. Performance is net of underlying manager fees and Lighthouse fees. Past performance is not necessarily indicative of future results. Information is shown for illustrative purposes only, and no offer or solicitation to purchase any securities is made herein.



## UNDERLYING STRATEGY REVIEW

### **Relative Value**

Our relative value allocation was up during the quarter as all sub-strategies contributed positively to performance.

Event-driven investments led attribution with gains that were diversified across a variety of trade bundles. Positive contributors within the non-merger arbitrage category included closed-end fund rights offerings and Dutch tenders, as well as specific single names such as Safeguard Scientifics and an Asian mining company. Gains within the merger arbitrage strategy were led by Time Warner Cable, which received a topping bid from Comcast during the quarter.

We continue to believe the rationale for an increase in merger and acquisition activity in 2014 is high given sluggish revenue growth and high cash balances. Anecdotally, we have heard that investment bankers were very active in 2013 but the hit rate in terms of generating transactions fell significantly as companies could not cross the finish line. This trend has started to shift in 2014 as companies are getting closer on expectations, which could be the biggest driver of M&A volume.

M&A volumes aside, the amount of corporate activity outside of mergers has been very good the past twelve months as companies have attempted to increase shareholder value via spin-offs, asset sales and other corporate moves. The amount of corporate divestitures and spin-offs in 2013 was the most since 2008. With limited options for organic growth, we believe this trend will continue in 2014.

Elsewhere in relative value, options arbitrage had the highest return on capital of any sub-strategy, generating outsized gains in the index and warrant arbitrage sub-strategies. The small increase in equity volatility-of-volatility also contributed to returns as we generated gains in our VIX and single-name option sub-strategies.

Convertible bond arbitrage continued to generate positive absolute returns, with gains diversified across individual names. We believe that a balanced, lower duration portfolio of convertible securities offers exposure to a blend of volatility, carry, special situations, equity, and credit with less downside risk than either high yield or equity. Lastly, we believe the new issue market has the potential to add 100 to 200 basis points of return per year while also replenishing the opportunity set.

### **PDL BioPharma**

*PDL BioPharma (PDLI) owns royalty streams from biomedical patents. PDLI had patents rolling off and needed to raise capital to acquire new products that would provide future income streams. However, the company did not want to lever up by raising debt or further diluting themselves via a secondary offering.*

*PDLI had two convertible bonds outstanding earlier this year. Our manager identified the short dated 2.875% convertible bond as a flush candidate, as the company wants to remove debt from its balance sheet in conjunction with any further debt raises (i.e., debt neutral).*

*Our manager built a position in the PDLI 3.75% 2015 convertible bonds at parity with the thesis that a new deal to flush out the 2.875% convertible bonds would cause the stock borrow to improve, in turn causing the premium to expand for the 3.75% convertible. In February, the company flushed out \$100 mm of the 2.875% bonds and the stock borrow improved by 125 basis points, causing the premium to expand in the 3.75% bonds by two points (our manager purchased this bond at 0 points).*

*Overall, our manager felt the asymmetry of the position was very compelling. We had minimal, if any, market risk (equity, credit and interest rate) and we were able to carry the position flat, simply waiting to see if the event would take place.*

### **Credit**

During the first quarter, our credit investments performed well in absolute terms while doing so, in our view, with less risk than the overall markets.

During this low default environment, we have sought to position our credit portfolios to capture returns from liquidations, restructured equities and some relative value opportunities in capital structure arbitrage. Several restructured equities drove gains including Patriot Coal and Ally Financial (both are discussed later). We also experienced positive attribution from other sub-strategies, including an event-related energy position, the restructuring of a textbook publisher and our liquidations holdings.

Looking ahead, we have several events from which we believe our portfolios should benefit including a distribution from the MF Global bond and bank debt claims; the sale of several restructured businesses; and finally, several restructured equities which we believe are trading at substantial discounts to their peer groups

while also having substantial incremental revenue potential.

### ***Patriot Coal***

*While default rates are low, our managers seek to continue to find compelling opportunities in middle market credit, which may not be accessible for larger funds.*

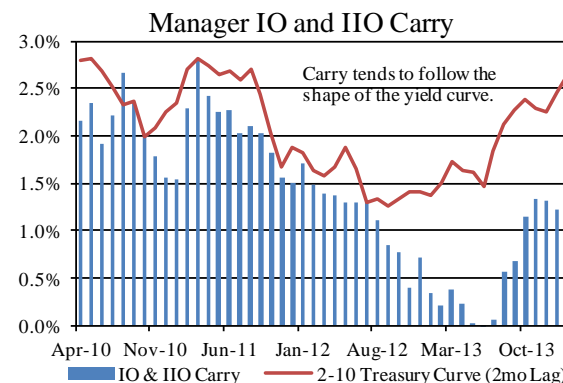
*Patriot is a coal company that sells both thermal and metallurgical coal. Patriot operates mines located in the eastern United States, which are heavily unionized. With falling demand, a high cost structure, and increasing environmental regulations, Patriot was forced into bankruptcy in 2012.*

*Through a managed account relationship, we originally were positioned in the pre-petition senior notes. The thesis was based on the view that they received guarantees from each of Patriot's operating subsidiaries. Our manager identified that Patriot needed \$250 million of new capital to emerge from bankruptcy as a strong company and to help satisfy unions and legacy liabilities. Our manager led a new money investment in a second lien note which carries a 15% interest rate. They also purchased warrants that are convertible into 95% of Patriot's reorganized equity. In essence, the manager was able to create a position with the downside protection of secured debt and the upside of equity. The new notes create the Company at 2.6x EBITDA, whereas comparables trade at 8-10x EBITDA. This position has subsequently traded up significantly, and we continue to expect it to be a driver of 2014 returns.*

### **Fixed Income**

The fixed income strategy was positive in the first quarter, with gains from all sub-strategies.

The agency RMBS strategy performed well despite a flattening in the yield curve. Carry provided the bulk of returns as prepayment activity continues to abate. Carry tends to follow the shape of the yield curve (as has our allocation to the strategy), with a steeper yield curve leading to greater carry and increased returns. A steep yield curve boosts the carry in two ways: (1) low short term rates increase coupon on our bonds, and (2) high long term rates reduce borrowers' incentive to refinance. We continue to closely model the interest rate and spread risk within the portfolio while monitoring qualitative factors such as policy risk to determine the overall risk / reward.

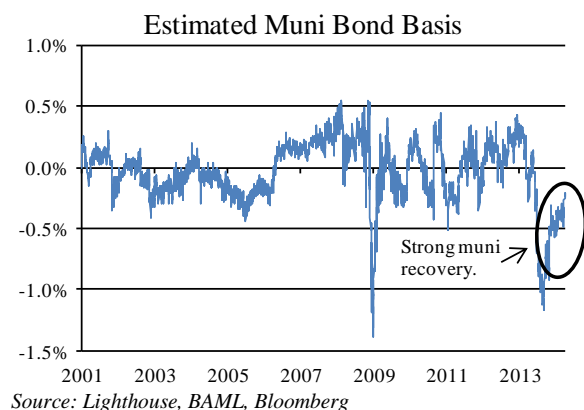


Source: Bloomberg, Lighthouse

The non-agency RMBS strategy was positive for the quarter. The biggest winner once again was a bespoke event-driven basket of Countrywide-issued bonds tied to a settlement from a bondholder lawsuit. These bonds rallied as the market gained a better understanding of their structure and value through settlement cash flows. Our manager liquidated the remaining position into substantially higher prices. The total trade had an IRR of nearly 40%, with certain bonds purchased in December 2013 having an IRR of over 300%. The remaining non-agency portfolio performed as expected, with slight mark-to-market gains.

Gains in the CMBS portfolio came from both carry and price appreciation. We remain cautious, with yield-hungry investors rotating into the market and bidding up risky bonds. Our manager is wary of investors seeking to achieve return targets utilizing outsized financial leverage on holdings already structurally levered through subordination. Anecdotally, we were able to sell a subordinated bond held in our account at a sizable profit, contingent upon the buyer securing financing to then lever the already risky bond. Eventually, fundamentals will catch up in the market as certain formerly AAA-rated CMBS bonds take losses, providing additional opportunities for our manager to pick the winners.

Municipal bond trading posted a strong first quarter. Our manager was able to capitalize on seasonally high first quarter demand to substantially sell down their inventory of municipal bonds. Additionally, the heightened demand coupled with low supply (the lowest quarterly issuance since 2011) richened municipal bonds relative to our hedges, providing additional returns. Turnover in our account remained below long-term expectations, and because of this we elected to further reduce exposure at the end of the quarter.



We believe our absolute return mandate and ability to move across markets provides the necessary flexibility to capitalize on this environment of tight spreads and rising rates, a deadly combination for traditional fixed income investing. We will continue to overweight agency mortgage strategies, which benefit from a steepening of the yield curve, while remaining selective in non-agency RMBS, CMBS and municipal bonds.

### **Equity**

Fundamental and quantitative equity strategies were both positive during the first quarter as global equity markets moved higher, despite some choppiness. Alpha generation was positive over the past three months as stock correlations remained below their long-term averages, yet a powerful rotation out of top performing growth stocks during the last nine trading days did create a headwind to profitability and alpha production.

U.S. equities were a strong driver of performance, particularly in the first two months. Nearly all sectors were profitable with healthcare, consumer, and industrial exposure amongst the top producers. Favorable FDA announcements continued their trend into 2014 and remained a primary driver of performance in the healthcare sector. An example of this was Intercept Pharmaceuticals (ICPT), our top contributor from the healthcare space. Intercept, which focuses on chronic liver disease, announced positive trial results significantly ahead of schedule pushing the stock up more than 380% during the quarter. Elsewhere among U.S. sector specialists, corporate events and fundamentals drove returns in the consumer and industrial space, including Signet Jewelers' purchase of Zale Corporation.

In the last two weeks of the quarter, volatility increased among certain market factors while growth stocks and small cap names significantly

underperformed their respective value and large cap counterparts. The extent of these moves was significant with many days experiencing multiple standard deviations of factor spread movement.

The impact to our portfolios was most widely seen in technology and healthcare exposure. Factor shifts are commonplace in the equity space but the size and speed of the recent moves are infrequent. Daily transparency and a strong proprietary risk system provided us with an additional layer of risk management and helped us to identify these shifts. Fundamentally, our managers in technology and healthcare believe they have a strong opportunity set ahead of them and that the underlying fundamentals have not changed.

While not a significant driver during the first quarter, one of the more interesting opportunities we have identified in the year ahead lies in the financial sector. According to our global financials manager, conditions in the sector are very supportive as U.S. loan growth is accelerating, credit quality is stable, and interest rates are likely to rise. With the loan to deposit ratio at banks approaching a 25-year low and consumer confidence figures breaking out to the upside, financial companies could be in a position to expand their balance sheets. Banks, brokers and life insurance companies are the primary beneficiaries in this scenario.

### **Cheniere Energy**

*One of the most successful investment themes during the quarter has been domestic energy companies' ability to take advantage of cheaper domestic shale oil and natural gas.*

*Cheniere Energy owns well-situated land positions on the Gulf Coast at Sabine Pass and Corpus Christi to export liquefied natural gas (LNG). The opportunity is vast as LNG demand is growing 3.0% annually and global LNG spot prices are a multiple of U.S. domestic prices. The majority of participants in the global LNG marketplace are large, well-capitalized companies such as Chevron, Total and Shell. Their strategy is finding and developing the gas fields, building the liquefaction sites and shipping the gas to the final customer. They price their LNG in relation to Brent oil prices.*

*Cheniere is pursuing a different pricing strategy as it is trying to secure long term (20 year) "take or pay" fixed fee contracts for just the liquefaction component of the value chain. Cheniere benefits from a utility-like revenue stream while the final customer takes the risk on LNG shipping rates and U.S. natural gas*

prices. In today's world, this is a more competitive option for the customer at nearly a 40% discount to prices that the major energy companies are targeting.

*Cheniere's pricing strategy highlights the potential importance of domestic shale gas to the global marketplace. Cheniere is better positioned to gain global market share and the company already has approval and "take or pay" contracts for 90% of the capacity for the first four production trains at Sabine Pass. The plant is being built under a fixed fee contract limiting construction cost overruns to shareholders. The first two trains will deliver gas in early 2016.*

*Despite more than a 200% move in a little over a year, managers are constructive on the stock as the company has optionality for further expansion and is far along in this process.*

During the quarter, country exposure across Europe was a significant return driver for stocks, both positive and negative. Eastern Europe came under intense scrutiny as the conflict between Ukraine and Russia unfolded while the recovery in Western Europe continued to gain traction and additional "verbal easing" by European Officials boosted confidence and stock markets in peripheral countries. Trading focused managers who are unwed to companies, despite their fundamental process, performed well by taking advantage of the shifting sentiment around the continent.

Asia, one of our best performers last year, was an area of weakness during the first quarter. In Japan, expectations around inflation, timing of additional stimulus and growth reforms in Japan waned, weighing most heavily on bank, broker, and real estate developer stocks as foreigners retreated from the country. Skepticism about Chinese investments increased during the quarter as news of potential investment trust defaults and questions around the Chinese banking system grabbed headlines. Even Chinese consumer exposure, historically an area of stability and solid returns, proved unsafe for our deep fundamental managers as displayed by the China Consumer ETF (CHIQ) returning -8.6% over the quarter. From the vantage point of our Hong Kong research office, our local managers are not nearly as bearish as the picture painted by Western media commentators. While our managers believe top-line growth to be slowing in China, the overall opportunity set to find winners and losers in the space has not changed.

### **Perfect World**

*Perfect World is a Nasdaq-listed Chinese online game developer and operator. Our China-focused managers believe gaming companies had been overlooked by the market until the last twelve months when investors began focusing on the Chinese Internet theme. Perfect World is a leader in their space and continues to make strong progress in mobile games, which managers believe will be the next wave of growth and the area where developers and investors are focused. The company has also announced a strategic partnership with telecom hardware producer Huawei to develop TV-based game consoles. Today, Perfect World is a roughly \$1.0 bn market cap, has nearly \$500 mm in cash on the balance sheet, pays a 2% dividend, generates a 13% free cash flow yield, and trades at 4x P/E (ex-cash). The managers believe Perfect World remains fundamentally well positioned going forward and could be a potential takeover target as we have seen a number of management buyouts in the gaming company space over the past 12 months.*

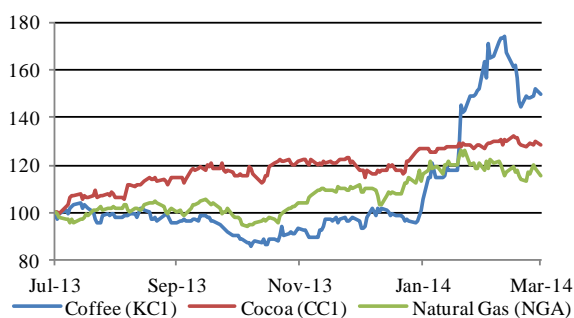
We remain focused on fundamental stock selection, using managed account control and transparency to manage and monitor risk as well as maintaining a significant short portfolio. Despite recent market volatility, we are encouraged by the contribution of our equity exposure and are working hard to find opportunities to drive performance going forward, including some areas mentioned that are out of favor today.

### **Global Trading**

Global trading was positive during the quarter, as short-term trading and fundamental strategies gained, while trend following was flat.

Commodities contributed the most to performance during the quarter, as fundamental managers gained from long positions in cocoa and coffee. Short-term managers were able to generate good performance on the long side of natural gas (as seen in the chart below). Most commodities were driven by micro supply and demand factors, with hot, dry South American weather pushing up Arabica coffee prices to near \$2.00/lb and strong demand in cocoa markets leading to higher prices, despite somewhat normal growing conditions. Exceptionally cold weather in most of the Eastern two-thirds of the U.S. increased demand for natural gas and provided opportunities for short term managers to trade from the long side on the way up and the short side on the way down within the same quarter, which is quite rare.

## Commodity Drivers

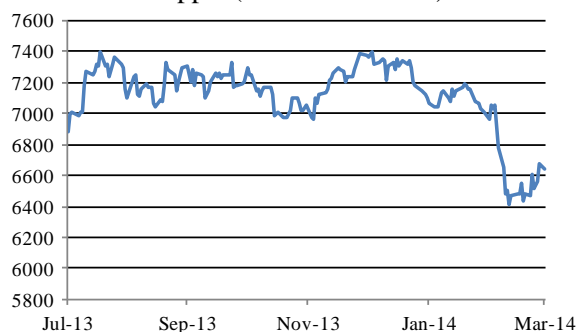


Source: Bloomberg

While many commodities responded to micro factors with an upward bias, copper, which was influenced more by macroeconomic factors, detracted from returns. While the micro fundamental factors largely suggest that supplies of refined metal are very low in Europe and below average in China with steady-to-rising global demand, concerns that the supply of Chinese credit may be reduced and may adversely impact industrial demand weighed on the metal in the first quarter.

While the supply of copper in Chinese warehouses is somewhat higher than it was a few months ago, metal continues to be imported into China, as premiums provide no economic incentive to export out of China and there have been no real signs of reduced end-user demand. Scrap supplies are virtually non-existent, smelting margins are negative, which along with government directives aimed at reducing fixed asset investment, should discourage new production capacity for refined copper. Demand outside of China also appears to be increasing moderately. It is unclear how China will engineer a soft-landing but, to the extent that China is able to approach its stated 7.5% GDP target, it appears that the fundamentals would support higher prices from here.

## Copper (London-3 month)

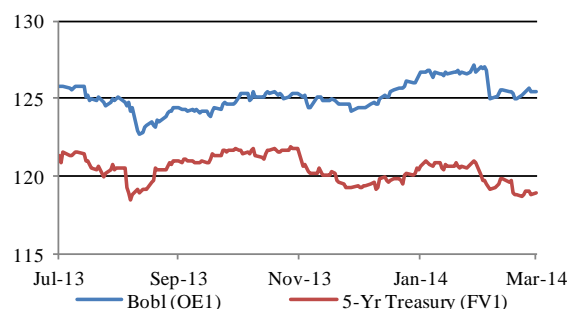


Source: Bloomberg

Despite the U.S. Federal Reserve taper, net gains were recorded in fixed income, with long positions from

trend followers and short-term traders in Europe driving the bulk of the positive attribution. Most of the gains came in January, as German Bunds and Bobl rallied when global equity markets sold off in the first few weeks of the New Year. European bonds were able to hold onto their gains as several EU policymakers suggested that the ECB may be moving to act more decisively to boost growth and to stem the specter of deflation, as the Eurozone CPI came in at 0.7% in the early part of the quarter. In the U.S. Treasury five and ten year parts of the curve, prices were not able to be sustained as the Fed methodically continues to reduce asset purchases, while clearly stating their preference to leave rates near zero until six months of inflation data suggests the need for higher short term rates.

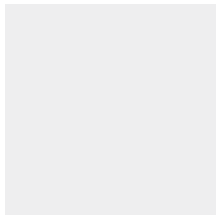
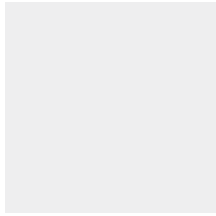
## Bond Futures



Source: Bloomberg

As central bankers and most other policy makers in the U.S., the EU and Japan continue to aggressively manage the level of interest rates to increase liquidity and asset prices, we maintain our under-weight position in trend following. We continue to push our research efforts to find variations of trend following programs that look different from basic long term price momentum-based trading signal drivers. We remain over-weight short term trading and have reduced our average holding period to around 2 days from around 5 days, in an effort to be more responsive to market movements in both fixed income and equity indices.

We expect volatility in the second, and possibly third, quarter to remain above the levels experienced in 2013, which could create opportunities for global trading strategies. Within fundamental strategies, we still favor commodity-focused specialists that are not biased to be long or short in order to allow fundamental supply and demand factors to drive positioning. If asset prices move closer to their historical averages in terms of volatility and correlation, the need for global trading strategies to provide positive returns and diversification will grow in importance.



## THIRD QUARTER 2013

SpringHarbour 2013 Private Equity Fund L.P.

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## SpringHarbour 2013 Private Equity Fund L.P.

To Our Limited Partners:

We are pleased to present a September 30, 2013 Update and Capital Account Statements for SpringHarbour 2013 Private Equity Fund L.P. ("SpringHarbour 2013" or the "Fund"). SpringHarbour 2013 is focused on building a portfolio of investments in private equity partnership funds (primary investments) located primarily in the U.S., complemented by investments in secondary purchases of private equity assets and direct co-investments in companies. These investments are made through HarbourVest-managed funds.

## Year to Date 2013 Activity

### Fund

The Fund made its first capital call in January 2013 and is 18.0% called at September 30. The investment pace is expected to continue to accelerate as the portfolio grows and the underlying private equity partnerships call additional capital for new investments. The total value of SpringHarbour 2013 at September 30, 2013 is \$4.6 million, or 1.1 times contributed capital.

In December 2013, SpringHarbour 2013 called 5.0% of capital and made its initial distribution in the amount of \$250,000. Through December, the Fund is 23.0% called and has distributed 4.8% of contributed capital.

### Portfolio

The SpringHarbour 2013 portfolio contains a total of over 2,100 companies, the ten largest of which represent 33.1% of net asset value. The largest holding in the portfolio at September 30, 2013 is online and mobile banking solution provider *Digital Insight*, which is held in the direct portfolio and announced its acquisition in December 2013 (detailed below).

HarbourVest is in the process of building the portfolio, with new commitments to partnerships managed by the groups below, as well new secondary and direct co-investments approved during the first three quarters of 2013. The investment team is currently performing due diligence on additional investment opportunities and has a strong pipeline for the remainder of the year.



## 2013 Commitments to Partnerships Managed by

Venture	Buyout	Secondary and Direct Investments
Battery Ventures	GTCR*	Digital Insight
Insight Ventures	H.I.G. Capital	Erico Global
Northbridge Venture Partners	KPS Capital	Hub International*
Redpoint Ventures	Marlin Equity Partners	Ingham Enterprises
Spark Capital	Pamlico Capital	Lighttower Fiber Networks
Third Rock Ventures	Sentinel Capital Partners	Magnum Capital
	Sterling Investment Partners	San Miguel Industrias
<b>Credit</b>	Thoma Bravo	Securus Technologies
--	Vista Partners	Project Beijing* (NewQuest Asia)
	WestView Capital Management	Project Bell* (Motion/Cognetus)
		Project Hermanus IV* (Absa)
		Project Tokyo (KKR 2006 Fund)
		Project Unison (Bridgepoint)
		Project Wildcat (Nova Capital)

\* Pending at September 30, 2013

Within the existing portfolio, there were 37 IPOs and a number of M&A events for underlying companies during the first nine months of 2013, many of which are held in the more mature secondary portfolio. There were eight IPOs during the third quarter, profiled below. There have been additional IPOs in the fourth quarter, including *Twitter* (TWTR), held via Kleiner Perkins Caufield & Byers.

## 3Q 2013 IPOs

Venture (Manager)	Buyout (Manager)
Accelaron Pharma (XLRN) (Polaris Ventures)	Athlon Energy (ATHL) (Apollo)
Conatus Pharmaceuticals (CNAT) (Bay City Capital)	Envision Healthcare (EVHC) (Clayton, Dubilier & Rice)
Control4 Corporation (CTRL) (Foundation Capital)	Sprouts Farmers Market (SFM) (Apollo)
Cvent (CVT) (New Enterprise Associates)	
OncoMed Pharmaceuticals (OMED) (Morgenthaler, USVP)	

In early December 2013, direct portfolio company *Digital Insight* announced its acquisition by consumer transaction technology provider NCR Corporation (NCR) for approximately \$1.65 billion, which is expected to close in January 2014. HarbourVest-managed funds invested the online and mobile banking solution provider in August 2013 alongside Thoma Bravo. Based on the pending sale, the investment is valued at 2.0 times the funds' cost just four months after the initial investment. HarbourVest funds are expected to receive proceeds from the sale in early 2014.

SpringHarbour 2013 holds *Digital Insight* directly as well as in the primary portfolio via Thoma Bravo.

# Market Commentary

## Economy Continues to Make Progress; Tapering Begins

Revised figures show that the U.S. economy grew at a healthy pace in the third quarter of 2013, with GDP increasing 4.1% (compared to 2.5% in the second quarter). As economic conditions continue to improve, the Federal Reserve has announced a modest reduction in quantitative easing starting in January 2014. Investors reacted positively to both sets of news with confidence about a better cycle of job growth and consumer spending. The employment market has continued to improve, and the unemployment rate has declined to 7% at the end of November 2013. Despite the positive news, the housing recovery may be losing some steam as higher interest rates take hold. Nevertheless, economists are projecting real GDP to accelerate in 2014 with growth between 2.8% and 3.2%.

Private equity fundraising remains healthy. While investment activity slowly picked up over the course of 2013, it remains muted. The IPO markets have been strong, and liquidity activity increased during the first three quarters of the year. Overall, private equity managers are expected to be more active on the investment front in 2014 as growth is anticipated to pick up. HarbourVest is confident that the seasoned managers in its portfolios have the discipline to deploy existing capital prudently as attractive investment opportunities arise as well as the experience to accelerate growth.

We thank you for your support and encourage you to contact us with your feedback, suggestions, or questions.

Sincerely,

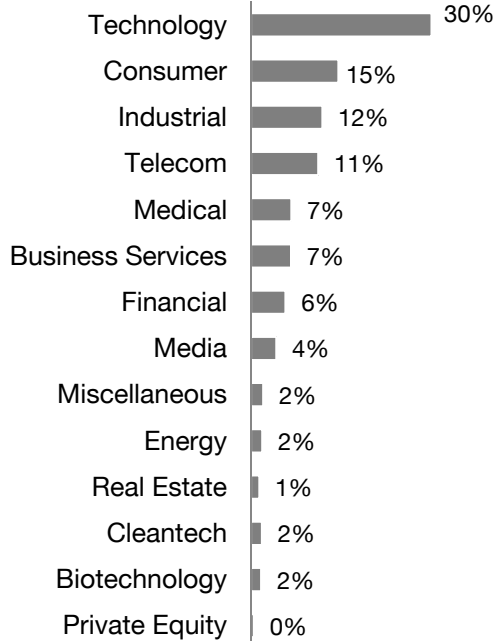
The HarbourVest Team

# Company Diversification – Based on Total Cost

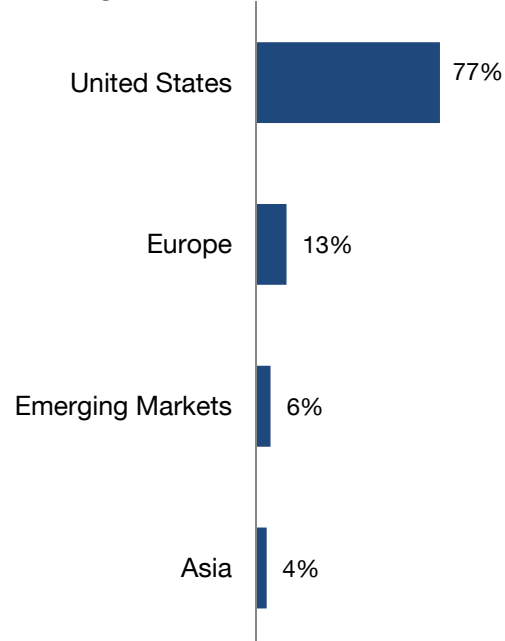
September 30, 2013

Percentages may not total 100% due to rounding.

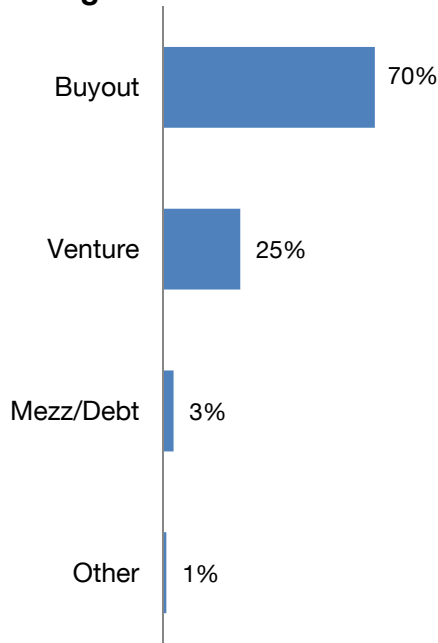
## Industry



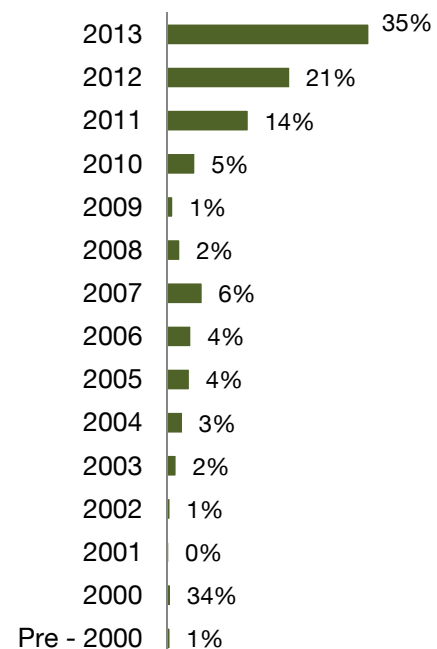
## Geography



## Stage



## Year of Initial Investment

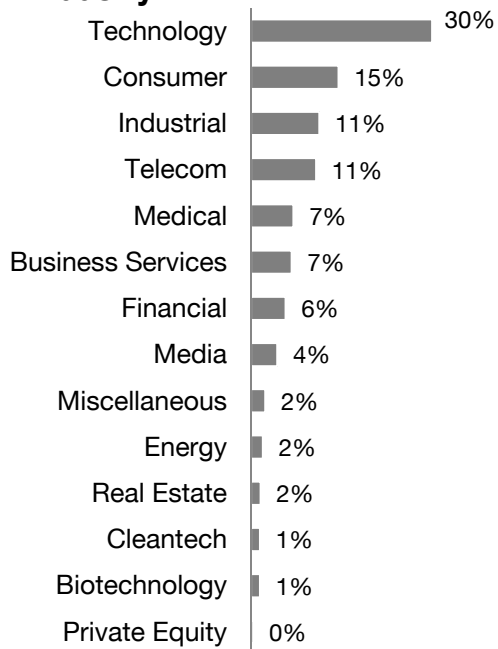


# Company Diversification – Based on Current Value

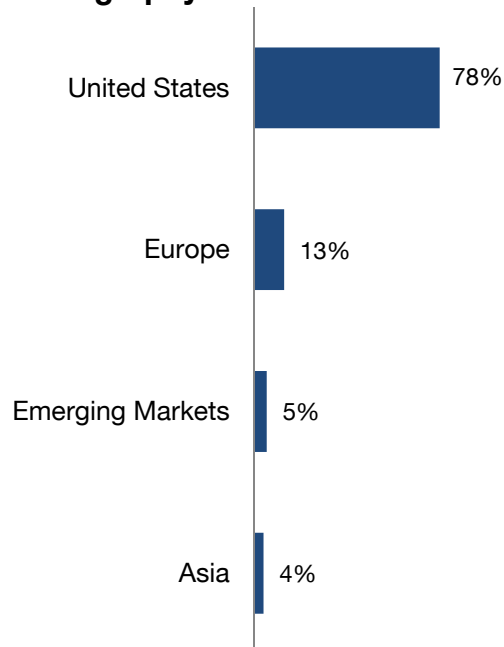
September 30, 2013

Percentages may not total 100% due to rounding.

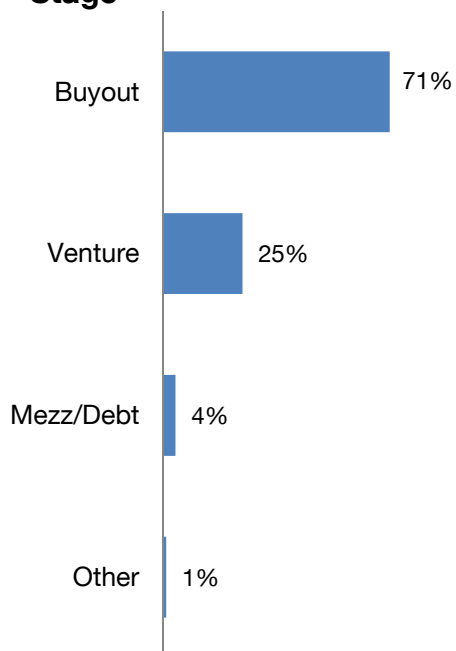
## Industry



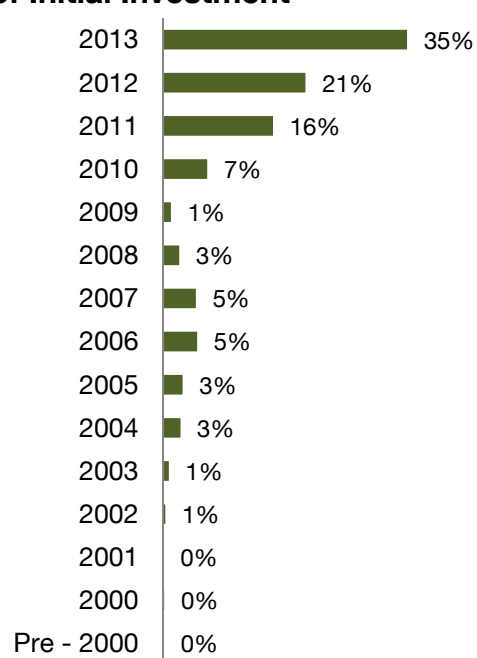
## Geography



## Stage



## Year of Initial Investment



# Portfolio Summary

TOP TEN HOLDINGS (NAV) AT SEPTEMBER 30, 2013			
Company	Manager(s)	Location	% of NAV
Digital Insight	HarbourVest (direct), Thoma Bravo	U.S.	10.3%
Lighttower Fiber Networks	HarbourVest (direct)	U.S.	4.5%
San Miguel Industrias	HarbourVest (direct)	Peru	3.3%
Securus Technologies	HarbourVest (direct)	U.S.	2.7%
ERICO Global	HarbourVest (direct), Court Square Capital Partners	U.S.	2.7%
Ingham Enterprises	HarbourVest (direct), TPG	Australia	2.5%
Zayo Bandwidth	HarbourVest (direct), GTCR, Media Communication Partners	U.S.	2.4%
Algeco Scotsman Group	TDR Capital	U.S.	1.7%
Amerock	Nova Capital Management	U.S.	1.5%
Protective Industries	HarbourVest (direct)	U.S.	1.5%

TOP TEN MANAGERS (NAV) AT SEPTEMBER 30, 2013		
Manager	Strategy	Geography
HarbourVest*	Buyout/Venture/Credit	Global
Bridgepoint Development Capital	Buyout	Europe
Thoma Bravo	Buyout	U.S.
TDR Capital	Buyout	Europe
GTCR	Buyout	U.S.
Masthead Management	Venture	U.S.
Battery Ventures	Venture	U.S.
Nova Capital Management	Buyout	Europe
Vista Partners	Buyout	U.S.
Insight Venture Management	Venture	U.S.

\* HarbourVest is the manager of the direct co-investments in the SpringHarbour 2013 portfolio.

# T. Rowe Price Instl Large Cap Growth (USD)

**Morningstar Analyst Rating™**  
Silver  
03-17-2014

**Overall Morningstar Rating™**  
★★★★  
1,491 US OE Large Growth

**Standard Index**  
S&P 500 TR USD

**Category Index**  
Russell 1000  
Growth TR USD

**Morningstar Cat**  
US OE Large Growth

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	19.48	-6.70	6.01	-0.53	17.55
2013	8.37	4.45	13.34	12.59	44.44
2014	0.07	—	—	—	0.07
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	33.38	16.38	24.19	9.17	8.94
Std 03-31-2014	33.38	—	24.19	9.17	8.94
Total Return	33.38	16.38	24.19	9.17	8.94
+/- Std Index	11.53	1.72	3.03	1.75	—
+/- Cat Index	10.16	1.76	2.51	1.31	—
% Rank Cat	3	6	7	13	—
No. in Cat	1713	1491	1305	911	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-638-5660 or visit [www.troweprice.com](http://www.troweprice.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.55

12b1 Expense %

NA

Net Expense Ratio %

0.57

Gross Expense Ratio %

0.57

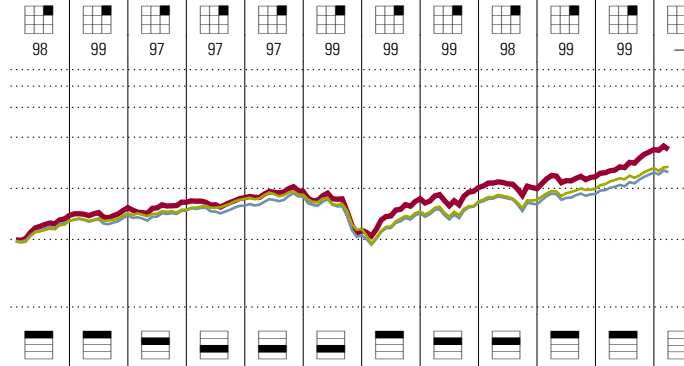
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	1491 funds	1305 funds	911 funds
Morningstar Rating™	4★	5★	4★
Morningstar Risk	+Avg	High	+Avg
Morningstar Return	High	High	+Avg
Standard Deviation	15.94	17.35	17.35
Mean	16.38	24.19	9.17
Sharpe Ratio	1.03	1.34	0.50

MPT Statistics	Standard Index	Best Fit Index Morningstar US Growth TR USD
Alpha	-0.55	0.41
Beta	1.18	1.12
R-Squared	84.55	95.89
12-Month Yield	—	—
Potential Cap Gains Exp	—	34.24%

## Operations

Family: T. Rowe Price  
Manager: Robert Sharps  
Tenure: 12.5 Years  
Objective: Growth



**Investment Style**  
Equity  
Stock %

## Growth of \$10,000

— T. Rowe Price Instl Large Cap Growth  
33,844  
— Category Average  
24,917  
— Standard Index  
26,765

**Performance Quartile**  
(within category)

## History

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	03-14	
NAV/Price	11.75	12.85	13.83	14.64	15.64	9.22	14.12	16.38	16.12	18.88	27.26	27.28	NAV/Price
Total Return %	38.52	11.09	7.70	6.29	8.69	-40.86	53.40	16.29	-1.40	17.55	44.44	0.07	Total Return %
+/- Standard Index	9.84	0.20	2.79	-9.51	3.19	-3.86	26.94	1.23	-3.51	1.55	12.05	-1.73	+/- Standard Index
+/- Category Index	8.77	4.79	2.44	-2.79	-3.13	-2.42	16.19	-0.42	-4.04	2.30	10.95	-1.05	+/- Category Index
% Rank Cat	8	22	38	60	74	52	5	41	44	25	3	—	% Rank Cat
No. of Funds in Cat	1311	1400	1495	1642	1748	1809	1796	1718	1683	1681	1712	1772	No. of Funds in Cat

## Portfolio Analysis 12-31-2013

Asset Allocation %	Net %	Long %	Short %	Share Chg since 09-2013	Share Amount	Holdings: 74 Total Stocks, 0 Total Fixed-Income, 42% Turnover Ratio	% Net Assets
Cash	0.89	0.89	0.00				
US Stocks	95.71	95.71	0.00				
Non-US Stocks	3.40	3.40	0.00	+	504,322	Google, Inc. Class A	5.84
Bonds	0.00	0.00	0.00	+	1 mil	Amazon.com Inc	5.23
Other/Not Clsfd	0.00	0.00	0.00	+	5 mil	Gilead Sciences Inc	4.21
Total	100.00	100.00	0.00	-	258,010	Priceline.com, Inc.	3.10
				+	1 mil	Precision Castparts Corp.	2.83
				+	4 mil	Crown Castle International Corp	2.81
				-	2 mil	Boeing Co	2.67
				-	3 mil	Danaher Corporation	2.62
				-	295,100	MasterCard Incorporated Class A	2.55
				+	1 mil	McKesson Corp	2.37
				+	3 mil	Las Vegas Sands Corp	2.12
				+	677,400	Biogen Idec Inc	1.96
				+	831,300	Visa, Inc. Class A	1.91
				+	8 mil	Juniper Networks, Inc.	1.90
				+	2 mil	Range Resources Corporation	1.83

## Equity Style

Value	Blend	Growth

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	29.9	1.66	1.24
P/C Ratio TTM	17.9	1.63	1.15
P/B Ratio TTM	4.9	1.92	1.21
Geo Avg Mkt Cap \$mil	48599	0.73	0.72

## Fixed-Income Style

Ltd	Mod	Ext

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	98.1	1.00
Greater Europe	0.0	0.00
Greater Asia	1.9	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>37.4</b>	<b>1.20</b>
Basic Materials	4.0	1.17
Consumer Cyclical	24.7	2.32
Financial Services	8.7	0.57
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>42.3</b>	<b>1.00</b>
Communication Services	2.8	0.71
Energy	3.9	0.38
Industrials	15.2	1.34
Technology	20.4	1.20
<b>Defensive</b>	<b>20.3</b>	<b>0.77</b>
Consumer Defensive	3.8	0.38
Healthcare	16.5	1.25
Utilities	0.0	0.00

# Hartford Dividend & Growth Y (USD)

**Morningstar Analyst Rating™**  
**Bronze**  
 05-28-2013

**Overall Morningstar Rating™**  
 ★★★★★  
 1,068 US OE Large Value

**Standard Index**  
 S&P 500 TR USD

**Category Index**  
 Russell 1000 Value  
 TR USD

**Morningstar Cat**  
 US OE Large Value

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	10.17	-2.61	5.30	0.41	13.44
2013	10.73	3.86	4.08	9.83	31.46
2014	2.73	—	—	—	2.73
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	21.97	13.56	19.70	8.62	9.37
Std 03-31-2014	21.97	—	19.70	8.62	9.37
Total Return	21.97	13.56	19.70	8.62	9.37
+/- Std Index	0.11	-1.10	-1.45	1.20	—
+/- Cat Index	0.40	-1.24	-2.05	1.03	—
% Rank Cat	37	44	51	10	—
No. in Cat	1239	1068	951	626	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	1.74	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 888-843-7824 or visit [www.hartfordfunds.com](http://www.hartfordfunds.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

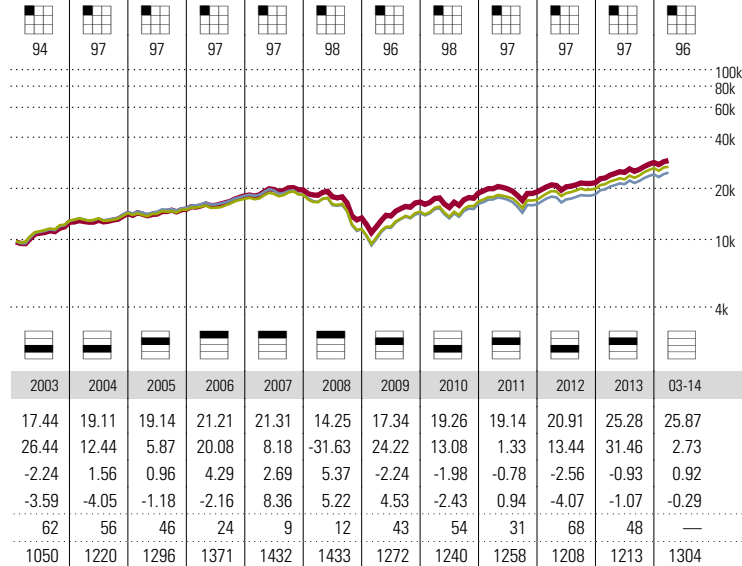
Management Fees %	0.61
12b1 Expense %	NA
Net Expense Ratio %	0.65
Gross Expense Ratio %	0.65

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	1068 funds	951 funds	626 funds
Morningstar Rating™	3★	3★	5★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	Avg	Avg	+Avg
	3 Yr	5 Yr	10 Yr
Standard Deviation	11.95	13.49	13.93
Mean	13.56	19.70	8.62
Sharpe Ratio	1.12	1.40	0.55
	Standard Index	Best Fit Index	
		Russell 1000 Value	
		TR USD	
Alpha	-0.26	0.23	
Beta	0.95	0.90	
R-Squared	97.60	98.91	
12-Month Yield		1.62%	
Potential Cap Gains Exp		31.46%	

## Operations

Family:	Hartford Mutual Funds
Manager:	Multiple
Tenure:	12.8 Years
Objective:	Equity-Income



**Investment Style**  
 Equity  
 Stock %

## Growth of \$10,000

Hartford Dividend & Growth Y	29,156
Category Average	24,711
Standard Index	26,765

**Performance Quartile**  
 (within category)

## History

NAV/Price	25.87
Total Return %	2.73
+/- Standard Index	0.92
+/- Category Index	-0.29
% Rank Cat	—
No. of Funds in Cat	1304

## Portfolio Analysis 02-28-2014

Asset Allocation %	Net %	Long %	Short %	Share Chg since 01-2014	Share Amount	Holdings:	% Net Assets
Cash	0.00	0.00	0.00			85 Total Stocks, 0 Total Fixed-Income, 30% Turnover Ratio	
US Stocks	87.77	87.77	0.00				
Non-US Stocks	8.56	8.56	0.00	+	7 mil	Wells Fargo & Co	4.39
Bonds	0.00	0.00	0.00	+	5 mil	Merck & Co Inc	3.66
Other/Not Clsfd	3.66	3.66	0.00	-	6 mil	Microsoft Corporation	2.73
Total	100.00	100.00	0.00	-	4 mil	JPMorgan Chase & Co	2.69
				+	4 mil	Verizon Communications Inc	2.52
				+	2 mil	Chevron Corp	2.45
				+	2 mil	Exxon Mobil Corporation	2.30
					2 mil	Johnson & Johnson	2.22
				+	3 mil	Comcast Corp Class A	1.93
				+	2 mil	PNC Financial Services Group Inc	1.92
				+	5 mil	Pfizer Inc	1.90
				+	1 mil	ACE Ltd	1.73
				+	2 mil	Eli Lilly and Company	1.71
				+	2 mil	CVS Caremark Corp	1.71
				+	2 mil	Prudential Financial Inc	1.68

## Equity Style

Value	Blend	Growth
Large		
Mid		
Small		

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	15.3	0.85	1.01
P/C Ratio TTM	9.8	0.90	1.09
P/B Ratio TTM	2.2	0.87	1.13
Geo Avg Mkt Cap \$mil	84383	1.26	1.02

## Fixed-Income Style

Ltd	Mod	Ext
High		
Mid		
Low		

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	92.6	0.94
Greater Europe	7.4	4.67
Greater Asia	0.0	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>29.8</b>	<b>0.96</b>
Basic Materials	1.5	0.44
Consumer Cyclical	7.3	0.68
Financial Services	21.0	1.38
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>41.2</b>	<b>0.97</b>
Communication Services	4.6	1.16
Energy	10.2	1.01
Industrials	12.8	1.13
Technology	13.6	0.80
<b>Defensive</b>	<b>29.0</b>	<b>1.10</b>
Consumer Defensive	7.2	0.70
Healthcare	18.3	1.38
Utilities	3.6	1.17

# JHancock Disciplined Value I (USD)

**Morningstar Analyst Rating™**  
Bronze  
03-07-2014

**Overall Morningstar Rating™**  
★★★★★  
1,068 US OE Large Value

**Standard Index**  
S&P 500 TR USD

**Category Index**  
Russell 1000 Value  
TR USD

**Morningstar Cat**  
US OE Large Value

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	14.30	-3.93	7.81	1.32	19.95
2013	10.92	5.73	4.81	10.59	35.93
2014	2.50	—	—	—	2.50
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	25.61	16.19	22.25	9.44	9.07
Std 03-31-2014	25.61	—	22.25	9.44	9.07
Total Return	25.61	16.19	22.25	9.44	9.07
+/- Std Index	3.76	1.53	1.09	2.02	—
+/- Cat Index	4.05	1.39	0.49	1.86	—
% Rank Cat	7	3	11	2	—
No. in Cat	1239	1068	951	626	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-225-5291 or visit [www.jhfunds.com](http://www.jhfunds.com).

## Fees and Expenses

### Sales Charges

**Front-End Load %**

NA

**Deferred Load %**

NA

### Fund Expenses

Management Fees %

0.70

12b1 Expense %

NA

**Net Expense Ratio %**

0.87

**Gross Expense Ratio %**

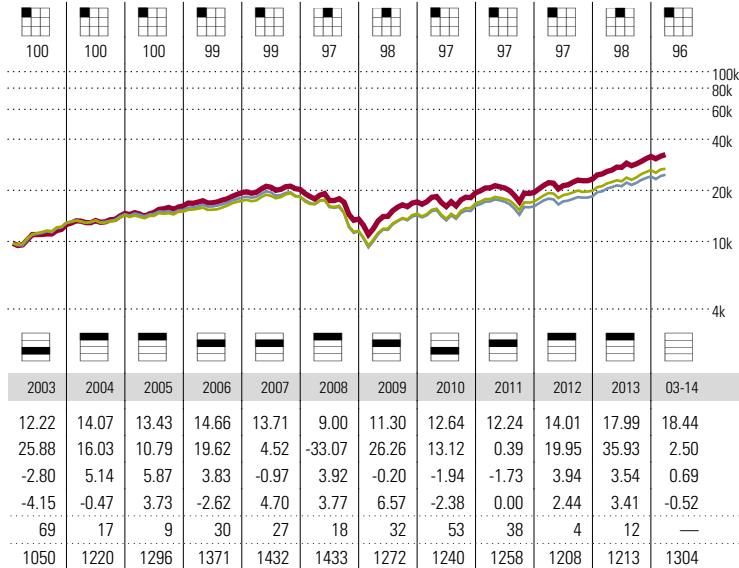
0.87

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	1068 funds	951 funds	626 funds
Morningstar Rating™	5★	4★	5★
Morningstar Risk	+Avg	Avg	Avg
Morningstar Return	High	+Avg	High
	3 Yr	5 Yr	10 Yr
Standard Deviation	14.07	15.12	15.19
Mean	16.19	22.25	9.44
Sharpe Ratio	1.14	1.41	0.57

### MPT Statistics

	Standard Index	Best Fit Index
	Russell 1000 Value	TR USD
Alpha	-0.01	0.61
Beta	1.11	1.05
R-Squared	96.37	97.19
12-Month Yield	—	—
Potential Cap Gains Exp	—	19.11%



## Portfolio Analysis 02-28-2014

Asset Allocation %	Net %	Long %	Short %
Cash	4.06	4.06	0.00
US Stocks	89.95	89.95	0.00
Non-US Stocks	5.99	5.99	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

### Equity Style

Value	Blend	Growth
Large	Mid	Small
Value	Blend	Growth
Large	Mid	Small

### Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	14.5	0.80	0.95
P/C Ratio TTM	10.4	0.95	1.14
P/B Ratio TTM	1.8	0.71	0.93
Geo Avg Mkt Cap \$mil	52511	0.79	0.64

### Fixed-Income Style

Ltd	Mod	Ext
High	Mid	Low
Ltd	Mod	Ext
High	Mid	Low

### Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

### Regional Exposure

	Stock %	Rel Std Index
Americas	93.8	0.95
Greater Europe	5.9	3.75
Greater Asia	0.3	—

## Top Holdings 01-31-2014

Share Chg since 01-2014	Share Amount	Holdings:	% Net Assets
		83 Total Stocks, 0 Total Fixed-Income, 44% Turnover Ratio	
+	4 mil	Exxon Mobil Corporation	4.68
+	6 mil	Wells Fargo & Co	3.68
+	2 mil	Berkshire Hathaway Inc Class B	3.59
+	8 mil	Pfizer Inc	3.17
+	4 mil	JPMorgan Chase & Co	2.95
+	4 mil	Citigroup Inc	2.91
+	12 mil	Bank of America Corporation	2.71
+	2 mil	Johnson & Johnson	2.43
+	3 mil	Comcast Corp Class A	2.24
+	2 mil	CVS Caremark Corp	2.08
+	7 mil	Cisco Systems Inc	1.97
+	2 mil	Capital One Financial Corp	1.97
+	795,262	McKesson Corp	1.91
+	2 mil	Occidental Petroleum Corporation	1.88
+	2 mil	Phillips 66	1.69

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>40.2</b>	<b>1.29</b>
Basic Materials	0.0	0.00
Consumer Cyclical	10.7	1.00
Financial Services	27.7	1.82
Real Estate	1.8	0.95
<b>Sensitive</b>	<b>36.8</b>	<b>0.87</b>
Communication Services	4.1	1.03
Energy	12.2	1.21
Industrials	8.3	0.73
Technology	12.2	0.72
<b>Defensive</b>	<b>23.0</b>	<b>0.87</b>
Consumer Defensive	4.5	0.44
Healthcare	16.5	1.25
Utilities	2.0	0.65

## Operations

Family: John Hancock  
 Manager: Multiple  
 Tenure: 17.3 Years  
 Objective: Growth and Income

Base Currency: USD  
 Ticker: JVLIX  
 Minimum Initial Purchase: \$250,000  
 Purchase Constraints: A

Incept: 01-02-1997  
 Type: MF  
 Total Assets: \$8,244.33 mil



# Vanguard Institutional Index I (USD)

Morningstar Analyst Rating™



04-02-2014

Overall Morningstar Rating™



1,361 US OE Large Blend

Standard Index

S&amp;P 500 TR USD

Category Index

Russell 1000 TR USD

Morningstar Cat

US OE Large Blend

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	12.58	-2.75	6.35	-0.39	15.98
2013	10.60	2.91	5.23	10.50	32.35
2014	1.79	—	—	—	1.79
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	21.81	14.63	21.15	7.42	9.57
Std 03-31-2014	21.81	—	21.15	7.42	9.57
Total Return	21.81	14.63	21.15	7.42	9.57
+/- Std Index	-0.04	-0.03	0.00	0.01	—
+/- Cat Index	-0.60	-0.12	-0.57	-0.38	—
% Rank Cat	42	23	24	29	—
No. in Cat	1577	1361	1219	806	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	2.02	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-662-7447 or visit [www.vanguard.com](http://www.vanguard.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.04

12b1 Expense %

NA

Net Expense Ratio %

0.04

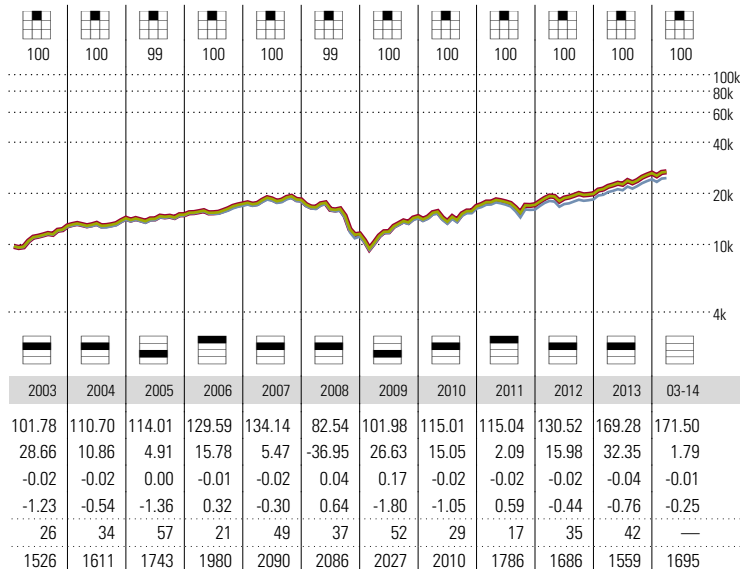
Gross Expense Ratio %

0.04

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	1361 funds	1219 funds	806 funds
Morningstar Rating™	4★	4★	4★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	+Avg	+Avg	+Avg
	3 Yr	5 Yr	10 Yr
Standard Deviation	12.47	14.00	14.70
Mean	14.63	21.15	7.42
Sharpe Ratio	1.16	1.44	0.45

MPT Statistics	Standard Index	Best Fit Index
	S&P 500 TR USD	S&P 500 TR USD
Alpha	-0.03	-0.03
Beta	1.00	1.00
R-Squared	100.00	100.00
12-Month Yield		1.90%
Potential Cap Gains Exp		33.40%



## Investment Style

Equity  
Stock %

## Growth of \$10,000

Vanguard Institutional Index I	26,775
Category Average	24,599
Standard Index	26,765

## Performance Quartile (within category)

### History

NAV/Price	171.50
Total Return %	1.79
+/- Standard Index	-0.01
+/- Category Index	-0.25
% Rank Cat	—
No. of Funds in Cat	1695

## Portfolio Analysis 03-31-2014

Asset Allocation % 02-28-2014	Net %	Long %	Short %
Cash	0.02	0.02	0.00
US Stocks	98.36	98.36	0.00
Non-US Stocks	1.62	1.62	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	18.0	1.00	1.00
P/C Ratio TTM	10.9	1.00	0.91
P/B Ratio TTM	2.6	1.00	1.03
Geo Avg Mkt Cap \$mil	66856	1.00	0.69

## Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Mid	—	—
Low	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	98.4	1.00
Greater Europe	1.6	1.00
Greater Asia	0.0	—

## Top Holdings 02-28-2014

Share Chg since 02-2014	Share Amount	Holdings:	% Net Assets
		502 Total Stocks, 10 Total Fixed-Income, 5% Turnover Ratio	
+	9 mil	Apple Inc	2.84
+	43 mil	Exxon Mobil Corporation	2.52
+	3 mil	Google Inc Class A	2.05
+	75 mil	Microsoft Corporation	1.75
+	28 mil	Johnson & Johnson	1.56
+	100 mil	General Electric Co	1.55
+	47 mil	Wells Fargo & Co	1.34
+	19 mil	Chevron Corp	1.33
+	27 mil	Procter & Gamble Co	1.28
+	37 mil	JPMorgan Chase & Co	1.28
+	64 mil	Pfizer Inc	1.25
+	41 mil	Verizon Communications Inc	1.18
+	17 mil	Berkshire Hathaway Inc Class B	1.17
+	10 mil	International Business Machines Co	1.13
+	106 mil	Bank of America Corporation	1.06

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>31.1</b>	<b>1.00</b>
Basic Materials	3.4	1.00
Consumer Cyclical	10.7	1.00
Financial Services	15.2	1.00
Real Estate	1.8	1.00
<b>Sensitive</b>	<b>42.4</b>	<b>1.00</b>
Communication Services	4.0	1.00
Energy	10.1	1.00
Industrials	11.4	1.00
Technology	16.9	1.00
<b>Defensive</b>	<b>26.5</b>	<b>1.00</b>
Consumer Defensive	10.2	1.00
Healthcare	13.2	1.00
Utilities	3.1	1.00

## Operations

Family:	Vanguard
Manager:	Donald Butler
Tenure:	13.3 Years
Objective:	Growth and Income

Base Currency:	USD
Ticker:	VINIX
Minimum Initial Purchase:	\$5 mil
Purchase Constraints:	—

Incept:	07-31-1990
Type:	MF
Total Assets:	\$166,923.50 mil

# Cambiar Small Cap Instl (USD)

Overall Morningstar Rating™

★★★

612 US OE Small Blend

Standard Index

S&amp;P 500 TR USD

Category Index

Russell 2000 TR

USD

Morningstar Cat

US OE Small Blend

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	14.18	-10.14	5.15	5.11	13.40
2013	10.89	2.68	7.70	11.94	37.28
2014	1.39	—	—	—	1.39
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	25.52	12.26	27.05	—	21.47
Std 03-31-2014	25.52	—	27.05	—	21.47
Total Return	25.52	12.26	27.05	—	21.47
+/- Std Index	3.66	-2.39	5.89	—	—
+/- Cat Index	0.62	-0.92	2.73	—	—
% Rank Cat	32	61	13	—	—
No. in Cat	687	612	554	—	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	—	—

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 866-777-8227 or visit [www.cambiar.com](http://www.cambiar.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

1.05

12b1 Expense %

NA

Net Expense Ratio %

1.06

Gross Expense Ratio %

1.17

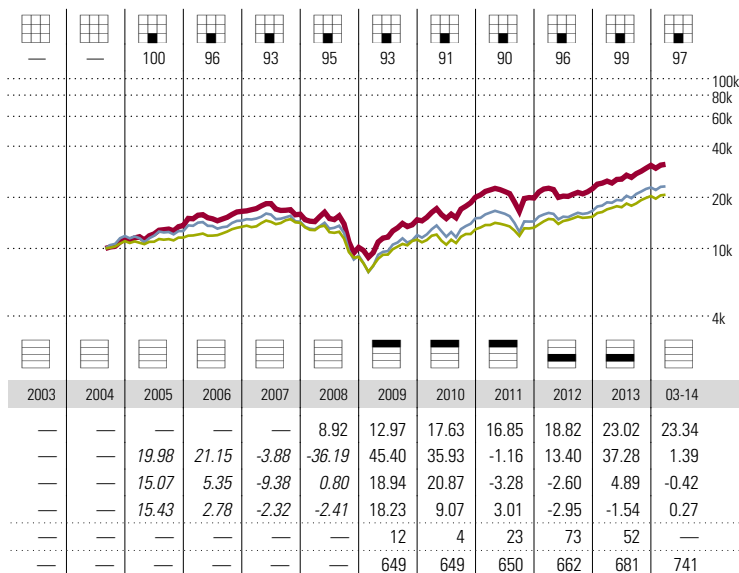
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	612 funds	554 funds	335 funds
Morningstar Rating™	2★	4★	—
Morningstar Risk	High	+Avg	—
Morningstar Return	Avg	+Avg	—
	3 Yr	5 Yr	10 Yr
Standard Deviation	19.16	19.42	—
Mean	12.26	27.05	—
Sharpe Ratio	0.70	1.33	—

MPT Statistics	Standard Index	Best Fit Index Morningstar Small Core TR USD
Alpha	-7.26	-0.89
Beta	1.43	1.08
R-Squared	85.99	93.82
12-Month Yield	—	—
Potential Cap Gains Exp	—	18.59%

## Operations

Family:	Cambiar Funds
Manager:	Multiple
Tenure:	9.7 Years
Objective:	Growth and Income



## Investment Style

Equity  
Stock %

## Growth of \$10,000

—	Cambiar Small Cap Instl	31,282
—	Category Average	23,197
—	Standard Index	20,711

## Performance Quartile (within category)

## History

NAV/Price	23.34
Total Return %	1.39
+/- Standard Index	-0.42
+/- Category Index	0.27
% Rank Cat	—
No. of Funds in Cat	741

## Portfolio Analysis 02-28-2014

Asset Allocation %	Net %	Long %	Short %
Cash	2.86	2.86	0.00
US Stocks	95.61	95.61	0.00
Non-US Stocks	1.53	1.53	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	17.4	0.97	0.87
P/C Ratio TTM	9.9	0.91	0.82
P/B Ratio TTM	1.9	0.73	0.85
Geo Avg Mkt Cap \$mil	2181	0.03	0.81

## Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Mid	—	—
Low	—	—

Avg Eff Maturity	—
Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	98.4	1.00
Greater Europe	1.6	0.99
Greater Asia	0.0	—

Share Chg since 01-2014	Share Amount	Holdings:	% Net Assets
		53 Total Stocks, 94 Total Fixed-Income, 71% Turnover Ratio	
	891,000	Diebold Incorporated	2.37
	944,000	Health Net Inc	2.29
	3 mil	Key Energy Services, Inc.	2.25
	2 mil	Teradyne Inc	2.21
	568,500	Cabot Corporation	2.19
	2 mil	JDS Uniphase Corp (CA)	2.17
	823,000	Air Lease Corp Class A	2.16
	890,000	SeaWorld Entertainment Inc	2.16
	409,000	Genesco, Inc.	2.16
	482,000	Magellan Health Services, Inc.	2.10
⊕	900,000	CST Brands Inc	2.08
	396,000	Regal-Beloit Corporation	2.08
	2 mil	TCF Financial Corporation	2.07
	412,000	Kaiser Aluminum Corporation	2.07
	2 mil	Tivo, Inc.	2.06

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>44.1</b>	<b>1.42</b>
Basic Materials	11.9	3.51
Consumer Cyclical	17.7	1.66
Financial Services	14.5	0.95
Real Estate	0.0	0.00
<b>Sensitive</b>	<b>46.4</b>	<b>1.09</b>
Communication Services	2.1	0.53
Energy	7.6	0.75
Industrials	15.9	1.40
Technology	20.8	1.23
<b>Defensive</b>	<b>9.5</b>	<b>0.36</b>
Consumer Defensive	1.7	0.17
Healthcare	7.8	0.59
Utilities	0.0	0.00

# MFS® Research International I (USD)

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	11.07	-6.89	6.76	5.94	16.98
2013	4.00	-0.55	10.56	4.00	18.92
2014	-0.49	—	—	—	-0.49
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	13.79	5.98	15.84	7.31	7.66
Std 03-31-2014	13.79	—	15.84	7.31	7.66
Total Return	13.79	5.98	15.84	7.31	7.66
+/- Std Index	1.48	1.83	0.32	0.18	—
+/- Cat Index	1.48	1.83	0.32	0.18	—
% Rank Cat	68	52	36	28	—
No. in Cat	797	701	625	332	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-225-2606 or visit <http://www.mfs.com>.

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

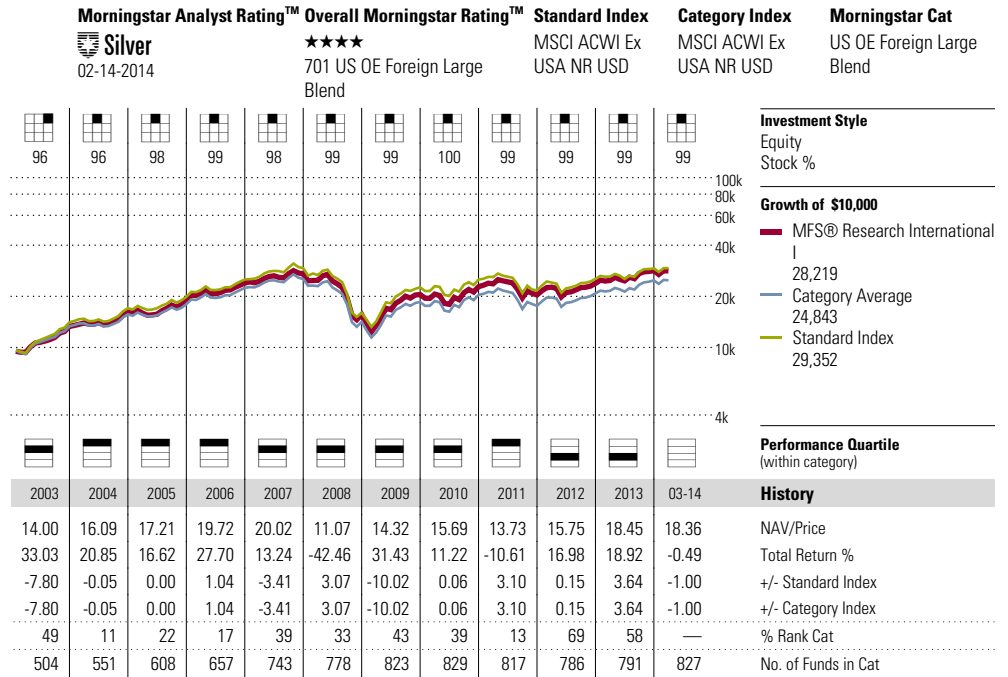
Management Fees %	0.75
12b1 Expense %	NA
Net Expense Ratio %	0.93
Gross Expense Ratio %	0.93

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	4★	4★
Morningstar Risk	-Avg	-Avg	Avg
Morningstar Return	Avg	Avg	+Avg
Standard Deviation	16.33	18.10	18.56
Mean	5.98	15.84	7.31
Sharpe Ratio	0.43	0.90	0.39
MPT Statistics	Standard Index	Best Fit Index	MSCI World Ex US
Alpha	1.92	-0.15	—
Beta	0.95	0.98	—
R-Squared	96.91	97.78	—
12-Month Yield	—	—	—
Potential Cap Gains Exp	—	-0.51%	—

## Operations

Family:	MFS
Manager:	Multiple
Tenure:	8.9 Years
Objective:	Foreign Stock



## Portfolio Analysis 02-28-2014

Asset Allocation %	Net %	Long %	Short %	Share Chg since 01-2014	Share Amount	Holdings: 113 Total Stocks, 0 Total Fixed-Income, 32% Turnover Ratio	% Net Assets
Cash	1.49	1.49	0.00				
US Stocks	1.59	1.59	0.00				
Non-US Stocks	96.91	96.91	0.00	⊕	3 mil	Novartis AG	3.36
Bonds	0.00	0.00	0.00	⊖	6 mil	Royal Dutch Shell PLC Class A	3.14
Other/Not Clsfd	0.00	0.00	0.00	⊕	3 mil	Nestle SA	2.80
Total	100.00	100.00	0.00	⊕	17 mil	HSBC Holdings PLC	2.53
				⊕	3 mil	Rio Tinto PLC	2.30
				⊕	5 mil	GlaxoSmithKline PLC	2.04
				⊕	977,816	Bayer AG	1.92
				⊕	2 mil	KDDI Corp.	1.91
				⊕	1 mil	Schneider Electric	1.81
				⊕	4 mil	Westpac Banking Corp	1.81
				⊕	6 mil	UBS AG	1.79
				⊕	967,615	Siemens AG	1.79
				⊕	2 mil	Denso Corporation	1.75
				⊕	2 mil	Akzo Nobel NV	1.75
				⊕	2 mil	KBC Group SA/NV	1.67

## Equity Style

Value	Blend	Growth
Large	Mid	Small

## Portfolio Statistics

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

Value	Blend	Growth
Large	Mid	Small

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>46.5</b>	<b>1.01</b>
Basic Materials	7.4	0.82
Consumer Cyclical	14.0	1.36
Financial Services	23.7	1.01
Real Estate	1.4	0.47
<b>Sensitive</b>	<b>30.8</b>	<b>0.95</b>
Communication Services	5.3	0.93
Energy	7.3	0.82
Industrials	11.3	1.09
Technology	6.8	0.92
<b>Defensive</b>	<b>22.7</b>	<b>1.05</b>
Consumer Defensive	9.6	0.97
Healthcare	10.4	1.26
Utilities	2.7	0.79

# Artisan International Value Investor (USD)

Morningstar Analyst Rating™



01-14-2014

Overall Morningstar Rating™



701 US OE Foreign Large Blend

Standard Index

MSCI ACWI Ex USA NR USD

Category Index

MSCI ACWI Ex USA NR USD

Morningstar Cat

US OE Foreign Large Blend

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	11.28	-5.19	8.50	7.29	22.82
2013	7.54	1.16	11.98	7.11	30.49
2014	0.20	—	—	—	0.20
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	21.59	13.28	22.22	11.44	15.65
Std 03-31-2014	21.59	—	22.22	11.44	15.65
Total Return	21.59	13.28	22.22	11.44	15.65
+/- Std Index	9.28	9.13	6.70	4.32	—
+/- Cat Index	9.28	9.13	6.70	4.32	—
% Rank Cat	8	1	3	1	—
No. in Cat	797	701	625	332	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	—	—

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-344-1770 or visit [www.artisanfunds.com](http://www.artisanfunds.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.93

12b1 Expense %

NA

Net Expense Ratio %

1.18

Gross Expense Ratio %

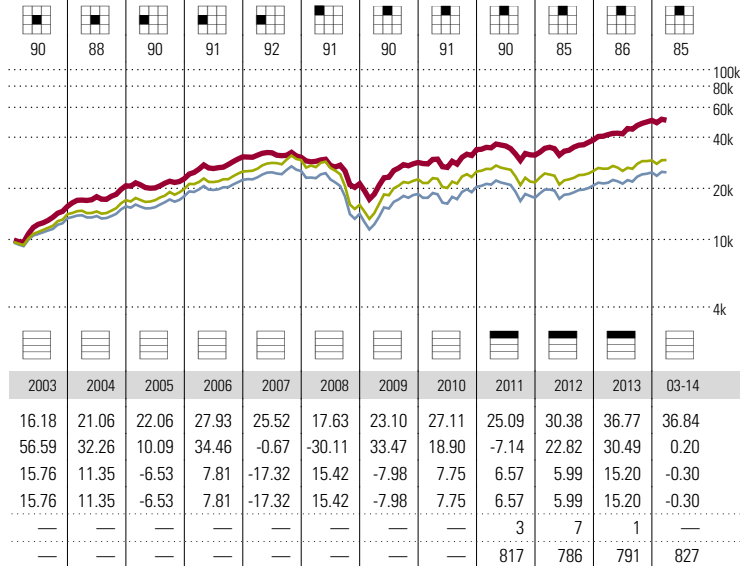
1.18

### Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	701 funds	625 funds	332 funds
Morningstar Rating™	5★	5★	5★
Morningstar Risk	Low	Low	Low
Morningstar Return	High	High	High
Standard Deviation	14.12	16.04	15.99
Mean	13.28	22.22	11.44
Sharpe Ratio	0.95	1.33	0.66
MPT Statistics	Standard Index	Best Fit Index	MSCI World NR USD
Alpha	9.16	3.01	—
Beta	0.79	0.98	—
R-Squared	89.38	94.66	—
12-Month Yield	—	—	—
Potential Cap Gains Exp	—	24.93%	—

### Operations

Family:	Artisan
Manager:	Multiple
Tenure:	11.6 Years
Objective:	Foreign Stock



## Investment Style

Equity Stock %

## Growth of \$10,000

Artisan International Value Investor 50,373  
Category Average 24,843  
Standard Index 29,352

## Performance Quartile (within category)

### History

NAV/Price  
Total Return %  
+/- Standard Index  
+/- Category Index  
% Rank Cat  
No. of Funds in Cat

## Portfolio Analysis 03-31-2014

Asset Allocation % 12-31-2013	Net %	Long %	Short %
Cash	11.90	11.90	0.00
US Stocks	8.91	8.91	0.00
Non-US Stocks	77.26	77.26	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	1.94	1.94	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth			Avg	Index	Cap
			Large	P/E Ratio TTM	19.8	1.35	1.32
				P/C Ratio TTM	13.1	1.55	1.41
			Mid	P/B Ratio TTM	1.8	1.15	1.06
				Geo Avg Mkt Cap	21349	0.67	0.57
			Small	\$mil			

## Fixed-Income Style

Ltd	Mod	Ext
High	Mid	Low
Avg Eff Maturity	—	—
Avg Eff Duration	—	—
Avg Wtd Coupon	—	—
Avg Wtd Price	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	15.5	1.44
Greater Europe	67.0	1.27
Greater Asia	17.5	0.48

## Top Holdings 12-31-2013

Share Chg since 12-2013	Share Amount	Holdings: 50 Total Stocks, 0 Total Fixed-Income, 33% Turnover Ratio	% Net Assets
+	38 mil	Compass Group PLC	5.52
+	8 mil	TE Connectivity Ltd	3.79
+	28 mil	Reed Elsevier PLC	3.78
+	70 mil	Tesco PLC	3.49
+	27 mil	ING Groep N.V.	3.40
+	4 mil	Novartis AG	3.14
+	6 mil	Arch Capital Group Ltd	3.14
+	5 mil	Covidien PLC	2.87
+	56 mil	Royal Bank of Scotland Group (The)	2.83
+	2 mil	Baidu, Inc. ADR	2.76
-	4 mil	Aon plc	2.73
+	9 mil	Kao Corporation	2.45
+	6 mil	Imperial Oil Ltd	2.38
-	201 mil	Lloyds Banking Group PLC	2.36
-	2 mil	Panalpina Welttransport (Holding)	2.31

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>39.7</b>	<b>0.87</b>
Basic Materials	0.0	0.00
Consumer Cyclical	17.3	1.69
Financial Services	22.3	0.95
Real Estate	0.2	0.05
<b>Sensitive</b>	<b>37.2</b>	<b>1.14</b>
Communication Services	1.2	0.21
Energy	7.1	0.79
Industrials	11.5	1.11
Technology	17.3	2.34
<b>Defensive</b>	<b>23.1</b>	<b>1.07</b>
Consumer Defensive	14.6	1.48
Healthcare	8.5	1.03
Utilities	0.0	0.00

# Oppenheimer Developing Markets Y (USD)

Morningstar Analyst Rating™

Silver

01-15-2014

Overall Morningstar Rating™

★★★★★

424 US OE Diversified  
Emerging Mkts

Standard Index

MSCI ACWI Ex

USA NR USD

Category Index

MSCI EM NR USD

Morningstar Cat

US OE Diversified

Emerging Mkts

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	14.91	-5.86	7.18	4.61	21.29
2013	0.17	-3.95	8.94	3.69	8.68
2014	-1.73	—	—	—	-1.73

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	6.61	2.32	19.90	—	11.66
Std 03-31-2014	6.61	—	19.90	—	11.66
Total Return	6.61	2.32	19.90	14.69	11.66

+/- Std Index -5.70 -1.83 4.38 7.57 —

+/- Cat Index 8.04 5.18 5.42 4.58 —

% Rank Cat 12 13 4 7

No. in Cat 621 424 317 156

7-day Yield —

30-day SEC Yield —

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-225-5677 or visit [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.78

12b1 Expense %

NA

Net Expense Ratio %

1.05

Gross Expense Ratio %

1.06

## Risk and Return Profile

3 Yr 5 Yr 10 Yr

424 funds 317 funds 156 funds

Morningstar Rating™

4★ 5★ 5★

Morningstar Risk

-Avg Avg -Avg

Morningstar Return

+Avg High High

Standard Deviation

17.98 21.01 22.53

Mean

2.32 19.90 14.69

Sharpe Ratio

0.21 0.97 0.66

MPT Statistics

Standard Index Best Fit Index

MSCI EM NR USD

Alpha

-1.73 4.80

Beta

1.02 0.89

R-Squared

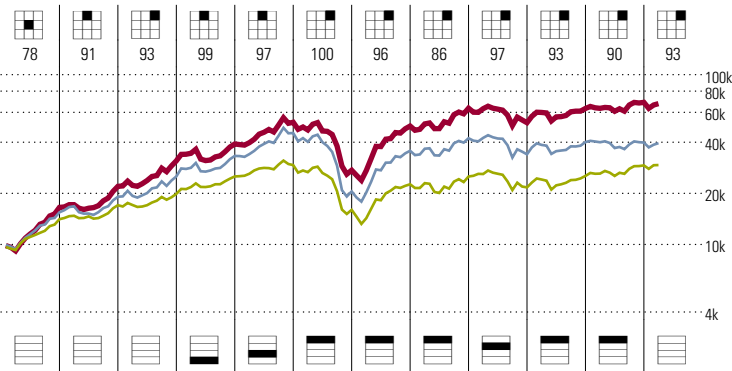
92.46 92.47

12-Month Yield

—

Potential Cap Gains Exp

16.63%



## Investment Style

Equity

Stock %

## Growth of \$10,000

Oppenheimer Developing

Markets Y

67,520

Category Average

39,504

Standard Index

29,352

## Performance Quartile

(within category)

## History

NAV/Price

Total Return %

+/- Standard Index

+/- Category Index

% Rank Cat

No. of Funds in Cat

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	03-14	History
—	—	36.28	41.16	48.60	15.71	28.43	36.07	28.97	34.88	37.56	36.91	NAV/Price
65.24	33.00	41.37	25.70	34.30	-47.84	82.10	27.39	-17.85	21.29	8.68	-1.73	Total Return %
24.41	12.09	24.75	-0.96	17.65	-2.32	40.65	16.24	-4.14	4.46	-6.61	-2.24	+/- Standard Index
9.42	7.44	7.37	-6.45	-5.12	5.49	3.59	8.52	0.57	3.06	11.28	-1.30	+/- Category Index
—	—	—	94	62	12	22	7	29	20	14	—	% Rank Cat
—	—	—	242	274	312	367	386	458	552	614	745	No. of Funds in Cat

## Portfolio Analysis 03-31-2014

Asset Allocation % 02-28-2014	Net %	Long %	Short %
Cash	5.53	5.53	0.00
US Stocks	0.84	0.84	0.00
Non-US Stocks	91.84	91.84	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	1.79	1.79	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
—	—	—
—	—	—
—	—	—
—	—	—

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	17.9	1.22	1.54
P/C Ratio TTM	11.7	1.39	1.57
P/B Ratio TTM	2.2	1.38	1.34
Geo Avg Mkt Cap \$mil	18370	0.58	0.96

## Fixed-Income Style

Ltd	Mod	Ext
—	—	—
—	—	—
—	—	—
—	—	—

Avg Eff Maturity	—
Avg Eff Duration	—
Avg Wtd Coupon	—
Avg Wtd Price	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	21.6	2.01
Greater Europe	32.0	0.61
Greater Asia	46.3	1.28

## Top Holdings 02-28-2014

Share Chg since 02-2014	Share Amount	Holdings:	% Net Assets
—	—	113 Total Stocks, 65 Total Fixed-Income, 29% Turnover Ratio	—
—	11 mil	Baidu, Inc. ADR	4.85
—	18 mil	Tencent Holdings Ltd.	3.69
+	7 mil	OAQ Novatek GDR	2.45
+	14 mil	Infosys Ltd	2.32
+	23 mil	Yandex NV	2.23
+	65 mil	Housing Development Finance Corp L	2.22
—	218 mil	Taiwan Semiconductor Manufacturing	2.02
+	3 mil	OJSC Magnit	2.00
+	7 mil	Carlsberg AS	1.91
+	133 mil	Glencore Xstrata PLC	1.90
+	87 mil	Prada SpA	1.69
+	32 mil	America Movil, S.A.B. de C.V. ADR	1.63
+	217 mil	Tingyi (Cayman Islands) Holding Co	1.58
+	978 mil	Astra International Tbk	1.52
+	136 mil	BMF Bovespa SA Bolsa Valores Merc	1.52

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>41.0</b>	<b>0.89</b>
Basic Materials	5.5	0.61
Consumer Cyclical	16.5	1.60
Financial Services	14.9	0.63
Real Estate	4.1	1.36
<b>Sensitive</b>	<b>34.3</b>	<b>1.05</b>
Communication Services	4.0	0.70
Energy	8.6	0.95
Industrials	4.8	0.46
Technology	16.9	2.29
<b>Defensive</b>	<b>24.7</b>	<b>1.14</b>
Consumer Defensive	21.5	2.18
Healthcare	3.2	0.38
Utilities	0.0	0.00

## Operations

Family:	OppenheimerFunds
Manager:	Justin Leverenz
Tenure:	6.9 Years
Objective:	Diversified Emerging Markets

Base Currency:	USD
Ticker:	ODVYX
Minimum Initial Purchase:	\$0
Purchase Constraints:	A/C

Incept:	09-07-2005
Type:	MF
Total Assets:	\$39,609.87 mil



# Eaton Vance Floating Rate I (USD)

Morningstar Analyst Rating™



02-11-2014

Overall Morningstar Rating™



147 US OE Bank Loan

Standard Index

Barclays US Agg  
Bond TR USD

Category Index

S&P/LSTA  
Leveraged Loan TR

Morningstar Cat

US OE Bank Loan

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	3.29	0.77	2.56	1.43	8.27
2013	2.02	-0.01	1.17	1.57	4.83
2014	0.56	—	—	—	0.56
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	3.32	4.54	11.41	4.33	4.30
Std 03-31-2014	3.32	—	11.41	4.33	4.30
Total Return	3.32	4.54	11.41	4.33	4.30
+/- Std Index	3.42	0.79	6.61	-0.13	—
+/- Cat Index	-1.02	-0.47	-1.11	-0.90	—
% Rank Cat	73	58	35	35	—
No. in Cat	209	147	111	38	—

7-day Yield	Subsidized	Unsubsidized
30-day SEC Yield	3.50	3.30

## Performance Disclosure

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-262-1122 or visit [www.eatonvance.com](http://www.eatonvance.com).

## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.64
12b1 Expense %	NA
Net Expense Ratio %	0.74
Gross Expense Ratio %	0.74

## Risk and Return Profile

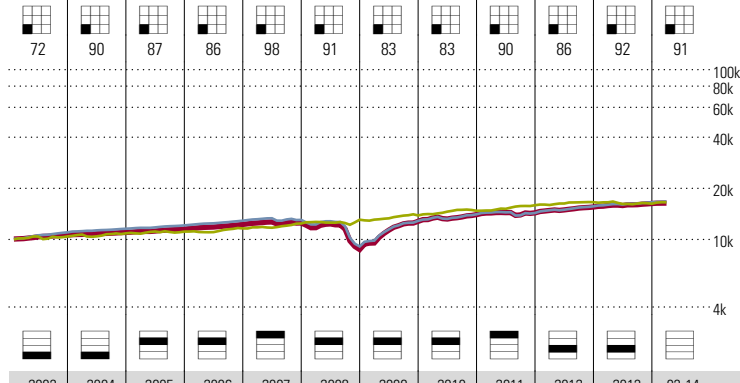
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	3★	4★
Morningstar Risk	-Avg	Avg	Avg
Morningstar Return	Avg	Avg	Avg

	3 Yr	5 Yr	10 Yr
Standard Deviation	3.24	5.63	7.93
Mean	4.54	11.41	4.33
Sharpe Ratio	1.37	1.94	0.37

MPT Statistics	Standard Index	Best Fit Index Credit Suisse HY USD
Alpha	4.79	0.71
Beta	-0.10	0.43
R-Squared	0.70	62.30
12-Month Yield		3.83%
Potential Cap Gains Exp		-0.90%

## Operations

Family:	Eaton Vance
Manager:	Multiple
Tenure:	13.3 Years
Objective:	Income



## Investment Style

Fixed-Income  
Bond %

## Growth of \$10,000

Eaton Vance Floating Rate I	16,368
Category Average	16,704
Standard Index	16,539

## Performance Quartile (within category)

## History

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	03-14	
NAV/Price	9.84	9.89	9.87	9.85	9.38	6.14	8.54	8.96	8.81	9.12	9.19	9.16	
Total Return %	6.12	3.68	4.63	6.48	2.01	-30.25	46.51	9.55	2.44	8.27	4.83	0.56	
+/- Standard Index	2.01	-0.65	2.21	2.15	-4.96	-35.49	40.58	3.01	-5.41	4.06	6.85	-1.29	
+/- Category Index	-3.85	-1.48	-0.42	-0.26	-0.07	-1.15	-5.11	-0.58	0.91	-1.38	-0.46	-0.64	
% Rank Cat	84	81	31	34	10	50	26	48	17	70	67	—	
No. of Funds in Cat	52	57	72	87	105	127	134	140	149	203	219	240	

## Portfolio Analysis 02-28-2014

Asset Allocation %	Net %	Long %	Short %	Share Chg since 01-2014	Share Amount	Holdings:	% Net Assets
Cash	8.00	8.00	0.00			6 Total Stocks, 724 Total Fixed-Income, 32% Turnover Ratio	
US Stocks	0.20	0.20	0.00				
Non-US Stocks	0.01	0.01	0.00	✱	166 mil	DELL INTERNATIONAL FLOATING COUPON M	0.91
Bonds	91.28	91.28	0.00		160 mil	HJ HEINZ CO FLOATING COUPON MATURI	0.88
Other/Not Clsfd	0.51	0.51	0.00	⊖	154 mil	ASURION LLC FIRST LIEN	0.84
Total	100.00	100.00	0.00		141 mil	INTELSAT JACKSON FLOATING COUPON M	0.77
				✱	139 mil	FMG RES AUG 2006 FLOATING COUPON M	0.77
					80 mil	ALLIANCE BOOTS HOLDINGS LIMITE GBP	0.74
				✱	122 mil	HILTON WORLDWIDE FLOATING COUPON M	0.67
				⊕	114 mil	RP CROWN PARENT FLOATING COUPON MA	0.62
				✱	110 mil	MEG ENERGY CORP FLOATING COUPON MA	0.60
				✱	109 mil	CHS/COMMUNITY FLOATING COUPON MATU	0.60
				✱	110 mil	INFOR US INC FLOATING COUPON MATUR	0.60
				✱	108 mil	US FOODSERVICE FLOATING COUPON MAT	0.59
				✱	113 mil	GETTY IMAGES INC FLOATING COUPON M	0.59
				✱	104 mil	BIOMET INC FLOATING COUPON MATURIT	0.57
				✱	75 mil	UPC FING PARTNERSHIP TERM LOAN AG	0.57

## Equity Style

Value	Blend	Growth

## Portfolio Statistics

	Port Avg	Rel Index	Rel Cat
P/E Ratio TTM	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	1610	—	—

## Fixed-Income Style

Ltd	Mod	Ext

	Port Avg	Rel Index	Rel Cat
Avg Eff Maturity	—	—	—
Avg Eff Duration	—	0.15	—
Avg Wtd Coupon	—	—	—
Avg Wtd Price	103.82	—	—

## Credit Quality Breakdown 12-31-2013

	Bond %
AAA	0.00
AA	0.00
A	0.00
BBB	2.50
BB	43.50
B	47.65
Below B	1.24
NR	5.11

## Regional Exposure

	Stock %	Rel Std Index
Americas	100.0	—
Greater Europe	0.0	—
Greater Asia	0.0	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>100.0</b>	—
Basic Materials	0.0	—
Consumer Cyclical	100.0	—
Financial Services	0.0	—
Real Estate	0.0	—
<b>Sensitive</b>	<b>0.0</b>	—
Communication Services	0.0	—
Energy	0.0	—
Industrials	0.0	—
Technology	0.0	—
<b>Defensive</b>	<b>0.0</b>	—
Consumer Defensive	0.0	—
Healthcare	0.0	—
Utilities	0.0	—

# PIMCO Total Return Instl (USD)

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	2.88	2.79	3.15	1.17	10.36
2013	0.60	-3.60	1.17	-0.03	-1.92
2014	1.30	—	—	—	1.30
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-1.24	4.15	6.87	5.89	7.92
Std 03-31-2014	-1.24	—	6.87	5.89	7.92
Total Return	-1.24	4.15	6.87	5.89	7.92
+/- Std Index	-1.15	0.40	2.07	1.43	—
+/- Cat Index	-1.15	0.40	2.07	1.43	—
% Rank Cat	88	43	44	5	—
No. in Cat	1079	942	808	581	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	2.00	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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## Fees and Expenses

### Sales Charges

Front-End Load %	NA
Deferred Load %	NA

### Fund Expenses

Management Fees %	0.46
12b1 Expense %	NA
Net Expense Ratio %	0.46
Gross Expense Ratio %	0.46

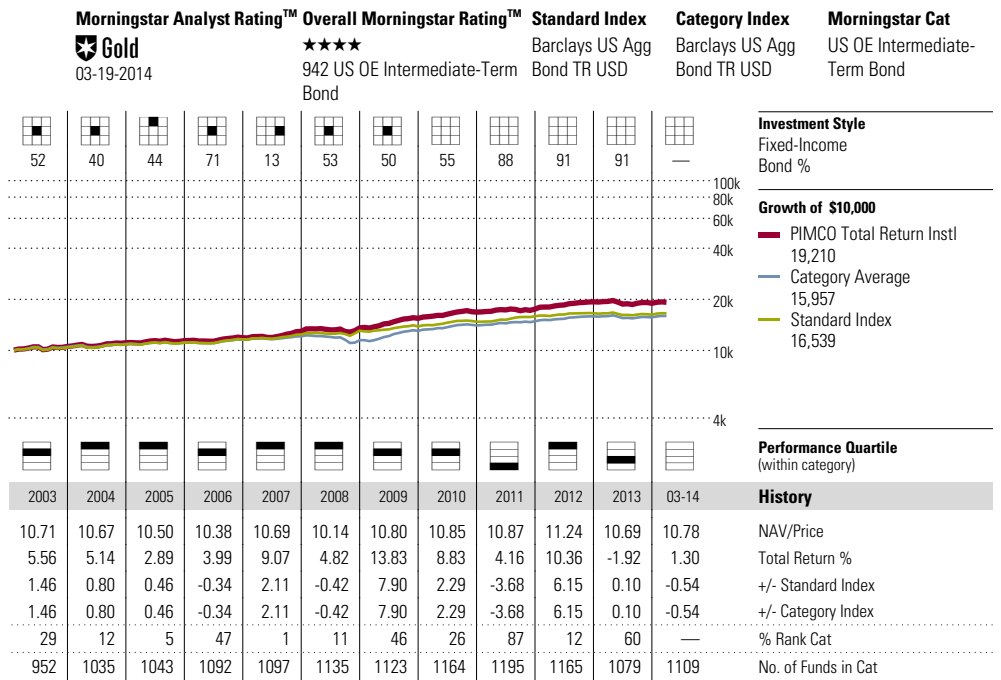
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	942 funds	808 funds	581 funds
Morningstar Rating™	3★	3★	5★
Morningstar Risk	High	+Avg	Avg
Morningstar Return	Avg	Avg	High
	3 Yr	5 Yr	10 Yr
Standard Deviation	3.97	3.82	4.01
Mean	4.15	6.87	5.89
Sharpe Ratio	1.03	1.74	1.03

MPT Statistics	Standard Index	Best Fit Index Barclays US Credit TR USD
Alpha	0.37	-0.39
Beta	1.02	0.79
R-Squared	52.95	74.57
12-Month Yield		2.28%
Potential Cap Gains Exp		1.14%

## Operations

Family:	PIMCO
Manager:	William Gross
Tenure:	26.9 Years
Objective:	Corporate Bond - General



## Portfolio Analysis 12-31-2013

Asset Allocation %	Net %	Long %	Short %	Share Chg since 09-2013	Share Amount	Holdings:	% Net Assets
Cash	-151.55	23.12	174.67			1 Total Stocks, 18,326 Total Fixed-Income, 380% Turnover Ratio	
US Stocks	0.00	0.00	0.00	+	386,155 mil	Fin Fut Euro\$ Cme 12/14/15	40.23
Non-US Stocks	0.31	0.31	0.00	+	248,844 mil	Fin Fut Euro\$ Cme 09/14/15	25.99
Bonds	249.81	258.19	8.38	+	147,372 mil	Fin Fut Euro\$ Cme 03/14/16	15.31
Other/Not Clsfd	1.43	1.50	0.07	+	35,754 mil	Irs Usd 1.500 03/18/15-1y (Red) Cme	15.17
Total	100.00	283.13	183.13	+	22,158 mil	Irs Usd 3.000 09/21/16-1y (Blu) Cme	9.38
				-	85,439 mil	Fin Fut Euro\$ Cme 06/15/15	8.94
				*	16,212 mil	Fin Fut Us 5yr Cbt 03/31/14	8.15
				*	16,050 mil	Irs Usd 1.500 12/16/15-1y (Grn) Cme	6.76
				*	57,189 mil	Fin Fut Euro\$ Cme 09/19/16	5.90
				*	41,699 mil	Fin Fut Euro\$ Cme 06/13/16	4.32
				*	7,015 mil	Fin Fut Us 10yr Cbt 03/20/14	3.64
				*	7,836 mil	US Treasury Note 0.625%	3.29
				*	6,908 mil	FNMA 4% TBA	3.00
				*	5,898 mil	US Treasury Note 1.25%	2.43
				*	5,440 mil	FNMA 4.5% TBA	2.43

## Equity Style

Value	Blend	Growth
P/E Ratio TTM	—	—
P/C Ratio TTM	—	—
P/B Ratio TTM	—	—
Geo Avg Mkt Cap \$mil	—	—

## Fixed-Income Style

Ltd	Mod	Ext
Avg Eff Maturity	—	6.04
Avg Eff Duration	—	5.37
Avg Wtd Coupon	—	3.19
Avg Wtd Price	—	162.39

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
<b>Sensitive</b>	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
<b>Defensive</b>	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

# PIMCO Emerging Local Bond Instl (USD)

Morningstar Analyst Rating™

★ Gold

04-02-2014

Overall Morningstar Rating™

★★

144 US OE Emerging Markets Bond

Standard Index

Barclays US Agg Bond TR USD

Category Index

JPM EMBI Global TR USD

Morningstar Cat

US OE Emerging Markets Bond

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	8.12	-1.08	4.41	3.70	15.80
2013	-0.17	-8.70	-0.36	-1.94	-10.95
2014	1.79	—	—	—	1.79
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	-9.20	0.73	10.17	—	6.32
Std 03-31-2014	-9.20	—	10.17	—	6.32
Total Return	-9.20	0.73	10.17	—	6.32
+/- Std Index	-9.10	-3.02	5.37	—	—
+/- Cat Index	-8.14	-6.43	-1.38	—	—
% Rank Cat	87	76	62	—	—
No. in Cat	302	144	99	—	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	4.65	—

## Performance Disclosure

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## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.90

12b1 Expense %

NA

Net Expense Ratio %

0.90

Gross Expense Ratio %

0.90

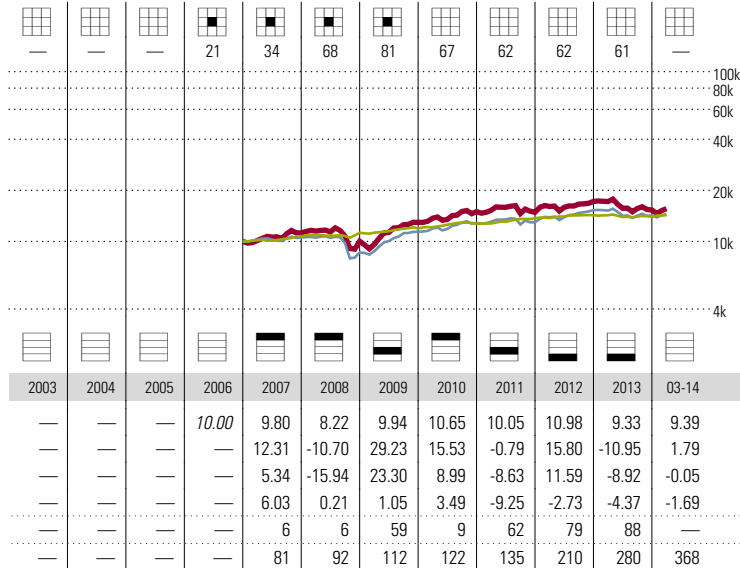
## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
	144 funds	99 funds	48 funds
Morningstar Rating™	2★	2★	—
Morningstar Risk	+Avg	+Avg	—
Morningstar Return	-Avg	Avg	—
Standard Deviation	13.19	12.71	—
Mean	0.73	10.17	—
Sharpe Ratio	0.12	0.82	—

MPT Statistics	Standard Index	Best Fit Index DJ Moderate TR USD
Alpha	-3.39	-8.52
Beta	1.34	1.26
R-Squared	8.39	63.71
12-Month Yield	—	4.85%
Potential Cap Gains Exp	—	-13.62%

## Operations

Family:	PIMCO
Manager:	Michael Gomez
Tenure:	7.3 Years
Objective:	Diversified Emerging Markets



## Portfolio Analysis 12-31-2013

Asset Allocation %	Net %	Long %	Short %
Cash	-18.11	52.38	70.49
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	103.52	106.18	2.65
Other/Not Clsfd	14.59	15.29	0.70
Total	100.00	173.84	73.84

### Equity Style

Value	Blend	Growth
—	—	—
—	—	—
—	—	—
—	—	—

### Portfolio Statistics

P/E Ratio TTM	Port Avg	Rel Index	Rel Cat
—	—	—	—
P/C Ratio TTM	—	—	—
P/B Ratio TTM	—	—	—
Geo Avg Mkt Cap \$mil	—	—	—

### Fixed-Income Style

Ltd	Mod	Ext
—	—	—
—	—	—
—	—	—
—	—	—

Avg Eff Maturity	5.98
Avg Eff Duration	4.75
Avg Wtd Coupon	7.42
Avg Wtd Price	—

### Credit Quality Breakdown

Credit Quality	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

### Regional Exposure

Region	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

Share Chg since 09-2013	Share Amount	Holdings:	% Net Assets
—	—	0 Total Stocks, 361 Total Fixed-Income, 47% Turnover Ratio	—
+	1 mil	Brazil(Fed Rep Of) 10%	3.71
+	1,146 mil	Poland(Rep Of) 5.5%	3.58
+	3,701 mil	Sth Africa(Rep Of) 7.25%	3.05
+	958 mil	Irs Brl Zcs R 11.32/Cdi 09/05/13 B	2.94
+	3,368 mil	Standard Bk Of South Africa 8.25%	2.92
+	2,551 mil	Sth Africa(Rep Of) 8%	2.19
+	209 mil	Irs Usd 3.000 12/18/13-10y Cme	-1.80
+	586 mil	Irs Brl Zcs R 11.32/Cdi 09/05/13 S	1.80
+	565 mil	Poland(Rep Of) 5.25%	1.73
+	629 mil	Irs Brl Zcs R 8.32/Cdi 12/05/12 Hus	1.73
+	628 mil	Irs Brl Zcs R 8.64/Cdi 07/26/12 Myc	1.73
+	6,509 mil	Rshb Cap S.A. 8.7%	1.72
+	23 mil	Mex Bonos Desarr Fix Rt Bd M 10	1.72
+	561 mil	Irs Brl Zcs R 11.32/Cdi 09/05/13 H	1.72
+	656 mil	Malaysian Government	1.70

### Sector Weightings

Sector	Stocks %	Rel Std Index
<b>Cyclical</b>	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
<b>Sensitive</b>	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
<b>Defensive</b>	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—



# Templeton Global Bond Adv (USD)

Morningstar Analyst Rating™



07-11-2013

Overall Morningstar Rating™



270 US OE World Bond

Standard Index

Barclays US Agg  
Bond TR USD

Category Index

Citi WGBI NonUSD  
USD

Morningstar Cat

US OE World Bond

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	7.20	-0.99	5.40	3.83	16.15
2013	1.41	-2.73	1.07	2.71	2.41
2014	0.76	—	—	—	0.76
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Load-adj Mthly	1.75	4.69	9.52	8.83	8.16
Std 03-31-2014	1.75	—	9.52	8.83	8.16
Total Return	1.75	4.69	9.52	8.83	8.16
+/- Std Index	1.85	0.94	4.72	4.36	—
+/- Cat Index	-0.67	3.33	5.37	4.56	—
% Rank Cat	30	20	19	1	—
No. in Cat	362	270	225	131	—

	Subsidized	Unsubsidized
7-day Yield	—	—
30-day SEC Yield	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-632-2301 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

## Fees and Expenses

### Sales Charges

Front-End Load %

NA

Deferred Load %

NA

### Fund Expenses

Management Fees %

0.39

12b1 Expense %

NA

Net Expense Ratio %

0.63

Gross Expense Ratio %

0.64

## Risk and Return Profile

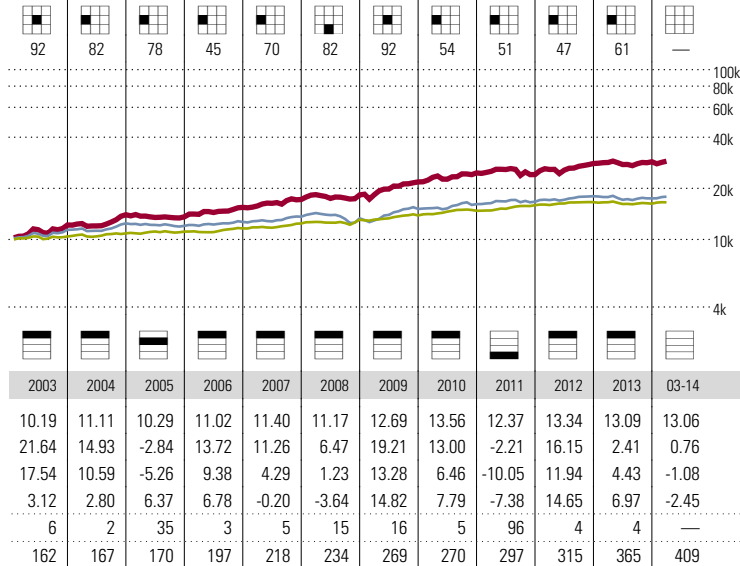
	3 Yr	5 Yr	10 Yr
	270 funds	225 funds	131 funds

Morningstar Rating™	4★	4★	5★
Morningstar Risk	High	High	+Avg
Morningstar Return	+Avg	+Avg	High

	3 Yr	5 Yr	10 Yr
Standard Deviation	9.39	8.66	8.15
Mean	4.69	9.52	8.83
Sharpe Ratio	0.53	1.09	0.88

MPT Statistics	Standard Index	Best Fit Index MSCI ACWI NR USD
Alpha	3.45	-0.14
Beta	0.42	0.55
R-Squared	1.58	73.58

12-Month Yield	—
Potential Cap Gains Exp	2.77%



## Portfolio Analysis 12-31-2013

Asset Allocation %	Net %	Long %	Short %	Share Chg since 09-2013	Share Amount	Holdings:	% Net Assets
Cash	39.32	39.32	0.00			0 Total Stocks, 225 Total Fixed-Income, 42% Turnover Ratio	
US Stocks	0.00	0.00	0.00				
Non-US Stocks	0.00	0.00	0.00		1,419 mil	Ireland(Rep Of) 5%	3.14
Bonds	60.85	60.85	0.00	⊕	5,169 mil	Poland(Rep Of) 6.25%	2.59
Other/Not Clsfd	-0.17	0.00	0.17		1,835,254 mil	Bk Of Korea 2.76%	2.49
Total	100.00	100.17	0.17	⊕	4,452 mil	Poland(Rep Of) 5.5%	2.18
					723 mil	Ireland(Rep Of) 5.4%	1.62
					927 mil	Hungary Rep 6.375%	1.43
				✱	1,053,568 mil	Korea Monetary Stab Bond	1.43
					1,062 mil	Canada Govt	1.43
					573 mil	Ireland(Rep Of) 5.9%	1.32
					975,822 mil	Korea Monetary Stab Bond	1.32
					582 mil	Ireland(Rep Of) 5.5%	1.30
				✱	2,472 mil	Poland(Rep Of) 5%	1.22
				⊕	97 mil	Mexico(Utd Mex St) 8%	1.15
					804,985 mil	Bk Of Korea 2.47%	1.09
					793,132 mil	Korea(Republic Of) 2.75%	1.07

## Credit Quality Breakdown 12-31-2013

	Bond %
AAA	13.92
AA	18.76
A	25.74
BBB	24.85
BB	9.57
B	6.77
Below B	0.40
NR	0.00

## Regional Exposure

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
<b>Sensitive</b>	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
<b>Defensive</b>	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

## Operations

Family:	Franklin Templeton Investments
Manager:	Multiple
Tenure:	12.3 Years
Objective:	Worldwide Bond

Base Currency:	USD
Ticker:	TGBAX
Minimum Initial Purchase:	\$1 mil
Purchase Constraints:	A

Incept:	12-31-1996
Type:	MF
Total Assets:	\$70,748.44 mil

## iShares Russell 1000 Value (USD)

Overall Morningstar Rating™ Standard Index Category Index Morningstar Cat

★★★★  
1,068 Large Value

S&amp;P 500 TR USD

Russell 1000 Value  
TR USD

Large Value

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	11.05	-2.22	6.44	1.48	17.28
2013	12.22	3.14	3.90	9.92	32.18
2014	2.97	—	—	—	2.97
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	21.45	—	21.61	7.43	6.32
Std NAV 03-31-14	21.28	—	21.51	7.43	6.32
Mkt Total Ret	21.45	14.58	21.61	7.43	6.32
NAV Total Ret	21.28	14.56	21.51	7.43	6.32
+/- Std Index	-0.58	-0.10	0.35	0.01	—
+/- Cat Index	-0.29	-0.24	-0.24	-0.16	—
% Rank Cat	28	48	48	29	—
No. in Cat	41	32	26	8	—

	Subsidized	Unsubsidized
30-day SEC Yield	—	—

## Performance Disclosure

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## Fees and Expenses

Fund Expenses	
Management Fees %	0.20
Expense Ratio %	0.21
12b1 Expense %	NA

## Risk and Return Profile

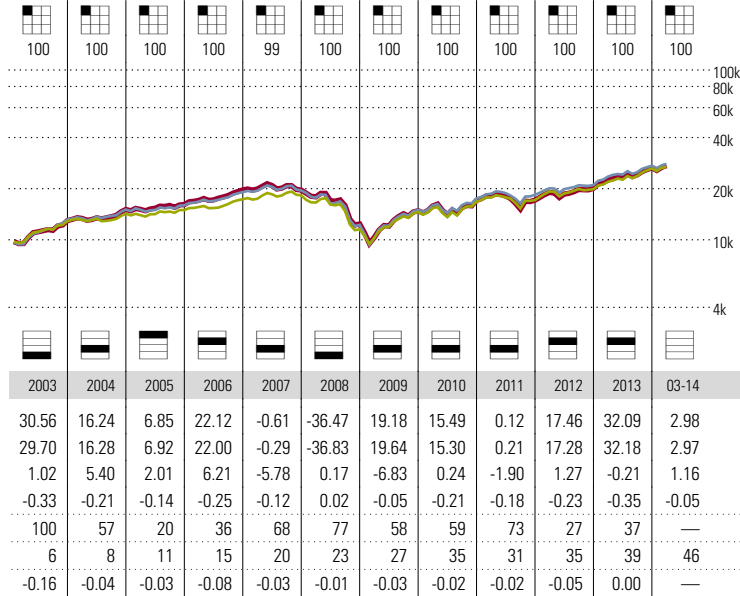
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	3★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	+Avg	+Avg	Avg
Standard Deviation NAV	13.19	14.72	15.54
Standard Deviation MKT	13.20	14.82	15.57
Mean NAV	14.56	21.51	7.43
Mean MKT	14.58	21.61	7.43
Sharpe Ratio	1.10	1.40	0.44

MPT Statistics	Standard Index	Best Fit Index
NAV	—	Russell 1000 Value
Alpha	-0.60	-0.17
Beta	1.04	1.00
R-Squared	97.06	100.00

12-Month Yield	—
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	Russell 1000 Value TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	6.3 Years
Total Assets:	\$21,432.6 mil
Shares Outstanding:	225.05 mil



Investment Style	Equity	Stock %
Growth of \$10,000		
iShares Russell 1000 Value	27,339	
Category Average	27,980	
Standard Index	26,765	
Performance Quartile	(within category)	History
Mkt Total Ret %	—	
NAV Total Ret %	—	
+/- Standard Index	—	
+/- Category Index	—	
% Rank Cat	—	
No. of Funds in Cat	—	
Avg Prem/Discount %	—	

## Portfolio Analysis 04-15-2014

Asset Allocation % 04-10-2014	Net %	Long %	Short %
Cash	0.10	0.10	0.00
US Stocks	98.50	98.50	0.00
Non-US Stocks	1.38	1.38	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.01	0.01	0.00
Total	100.00	100.00	0.00

Equity Style			Portfolio Statistics		Port Avg	Rel Index	Rel Cat
Value	Blend	Growth					
			Large	P/E Ratio TTM	16.1	0.89	1.05
				P/C Ratio TTM	8.9	0.82	0.99
			Mid	P/B Ratio TTM	1.8	0.69	3.51
			Small	Geo Avg Mkt Cap \$mil	51436	0.77	0.62

## Fixed-Income Style

	Ltd	Mod	Ext
Avg Eff Maturity	—	—	—
Avg Eff Duration	—	—	—
Avg Wtd Coupon	—	—	—
Avg Wtd Price	—	—	—

Credit Quality Breakdown —	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stock %	Rel Std Index
Americas	98.8	1.00
Greater Europe	1.2	0.73
Greater Asia	0.0	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 668 Total Stocks, 0 Total Fixed-Income, 16% Turnover Ratio	% Net Assets
+	10 mil	Exxon Mobil Corporation	4.58
+	23 mil	General Electric Co	2.84
+	5 mil	Johnson & Johnson	2.55
+	11 mil	Wells Fargo & Co	2.50
+	4 mil	Chevron Corp	2.42
+	8 mil	JPMorgan Chase & Co	2.37
+	4 mil	Berkshire Hathaway Inc Class B	2.36
+	6 mil	Procter & Gamble Co	2.35
+	15 mil	Pfizer Inc	2.22
+	12 mil	AT&T Inc	2.03
+	24 mil	Bank of America Corporation	1.88
+	7 mil	Merck & Co Inc	1.77
+	7 mil	Citigroup Inc	1.51
+	10 mil	Intel Corp	1.31
+	12 mil	Cisco Systems Inc	1.30

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>37.0</b>	<b>1.19</b>
Basic Materials	2.6	0.77
Consumer Cyclical	6.0	0.56
Financial Services	24.1	1.58
Real Estate	4.3	2.31
<b>Sensitive</b>	<b>37.3</b>	<b>0.88</b>
Communication Services	2.7	0.67
Energy	15.0	1.48
Industrials	10.5	0.92
Technology	9.1	0.54
<b>Defensive</b>	<b>25.8</b>	<b>0.97</b>
Consumer Defensive	6.2	0.61
Healthcare	13.3	1.01
Utilities	6.3	2.04

## iShares Russell 1000 Growth (USD)

Overall Morningstar Rating™

Standard Index

Category Index

Morningstar Cat

★★★★

S&amp;P 500 TR USD

Russell 1000

Large Growth

1,491 Large Growth

Growth TR USD

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	14.61	-4.06	6.05	-1.36	15.03
2013	9.49	2.02	8.05	10.36	33.19
2014	1.08	—	—	—	1.08
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	23.02	—	21.59	7.67	1.76
Std NAV 03-31-14	22.96	—	21.43	7.67	1.76
Mkt Total Ret	23.02	14.39	21.59	7.67	1.76
NAV Total Ret	22.96	14.41	21.43	7.67	1.76
+/- Std Index	1.10	-0.25	0.28	0.25	—
+/- Cat Index	-0.26	-0.22	-0.24	-0.19	—
% Rank Cat	71	80	64	67	—
No. in Cat	25	21	15	7	—

30-day SEC Yield

Subsidized

Unsubsidized

## Performance Disclosure

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## Fees and Expenses

Fund Expenses	
Management Fees %	0.20
Expense Ratio %	0.20
12b1 Expense %	NA

## Risk and Return Profile

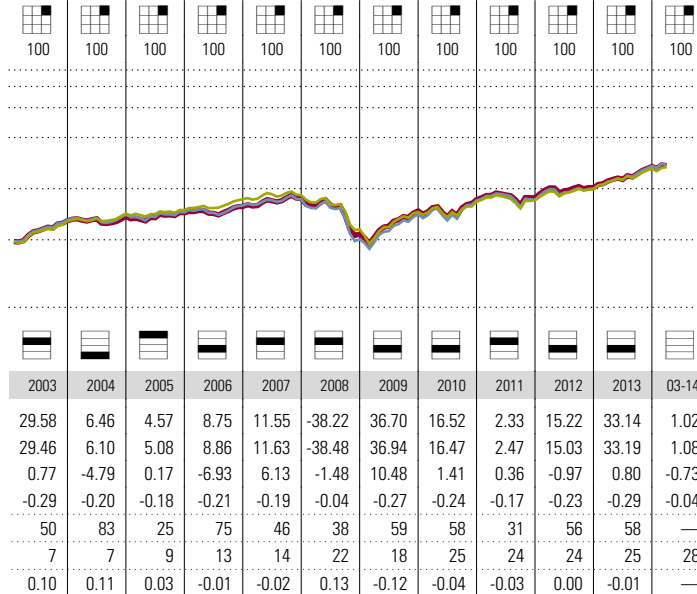
	3 Yr	5 Yr	10 Yr
	1491 funds	1305 funds	911 funds
Morningstar Rating™	4★	4★	4★
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	+Avg	+Avg	Avg
	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	12.74	14.23	15.05
Standard Deviation MKT	12.78	14.36	15.15
Mean NAV	14.41	21.43	7.67
Mean MKT	14.39	21.59	7.67
Sharpe Ratio	1.12	1.44	0.46

MPT Statistics	Standard Index	Best Fit Index
NAV		Russell 1000 Growth
Alpha	-0.18	-0.17
Beta	1.00	1.00
R-Squared	95.64	100.00

12-Month Yield	—
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	Russell 1000 Growth TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	6.3 Years
Total Assets:	\$22,235.9 mil
Shares Outstanding:	262.65 mil

Investment Style  
Equity  
Stock %

## Growth of \$10,000

iShares Russell 1000 Growth  
27,311  
Category Average  
27,549  
Standard Index  
26,765

Performance Quartile  
(within category)

## History

Mkt Total Ret %	1.02
NAV Total Ret %	1.08
+/- Standard Index	-0.73
+/- Category Index	-0.04
% Rank Cat	—
No. of Funds in Cat	28
Avg Prem/Discount %	—

## Portfolio Analysis 04-15-2014

Asset Allocation % 04-10-2014	Net %	Long %	Short %
Cash	0.05	0.05	0.00
US Stocks	98.08	98.08	0.00
Non-US Stocks	1.87	1.87	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
P/E Ratio TTM	20.5	1.14
P/C Ratio TTM	13.1	1.20
P/B Ratio TTM	4.6	1.77
Geo Avg Mkt Cap \$mil	49678	0.74

## Fixed-Income Style

Ltd	Mod	Ext
Avg Eff Maturity	—	—
Avg Eff Duration	—	—
Avg Wtd Coupon	—	—
Avg Wtd Price	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	98.2	1.00
Greater Europe	1.6	1.01
Greater Asia	0.2	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 632 Total Stocks, 0 Total Fixed-Income, 17% Turnover Ratio	% Net Assets
—	2 mil	Apple Inc	3.88
—	20 mil	Microsoft Corporation	3.47
—	10 mil	Verizon Communications Inc	2.07
—	2 mil	International Business Machines Co	1.98
—	9 mil	Coca-Cola Co	1.54
—	630,297	Google Inc Class A	1.52
—	630,297	Google Inc Class C	1.51
—	4 mil	Philip Morris International, Inc.	1.41
—	4 mil	Qualcomm, Inc.	1.41
—	8 mil	Oracle Corporation	1.38
—	4 mil	PepsiCo Inc	1.35
—	3 mil	Schlumberger NV	1.35
—	6 mil	Comcast Corp Class A	1.24
—	859,320	Amazon.com Inc	1.22
—	3 mil	Home Depot, Inc.	1.17

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>28.0</b>	<b>0.90</b>
Basic Materials	4.4	1.29
Consumer Cyclical	16.9	1.58
Financial Services	5.2	0.34
Real Estate	1.6	0.86
<b>Sensitive</b>	<b>47.2</b>	<b>1.11</b>
Communication Services	5.3	1.32
Energy	5.0	0.50
Industrials	13.6	1.19
Technology	23.4	1.38
<b>Defensive</b>	<b>24.8</b>	<b>0.93</b>
Consumer Defensive	12.9	1.26
Healthcare	11.7	0.89
Utilities	0.1	0.04

## iShares Russell 2000 Growth (USD)

Overall Morningstar Rating™

Standard Index

Category Index

Morningstar Cat

★★★

633 Small Growth

S&amp;P 500 TR USD

Russell 2000

Small Growth

Growth TR USD

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	13.28	-3.91	4.91	0.48	14.74
2013	13.24	3.77	12.82	8.21	43.44
2014	0.48	—	—	—	0.48
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	27.38	—	25.31	8.84	4.45
Std NAV 03-31-14	27.28	—	25.29	8.85	4.45
Mkt Total Ret	27.38	13.73	25.31	8.84	4.45
NAV Total Ret	27.28	13.73	25.29	8.85	4.45
+/- Std Index	5.43	-0.93	4.13	1.43	—
+/- Cat Index	0.09	0.11	0.05	-0.02	—
% Rank Cat	45	62	67	100	—
No. in Cat	10	9	7	4	—

	Subsidized	Unsubsidized
30-day SEC Yield	—	—

## Performance Disclosure

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## Fees and Expenses

Fund Expenses	
Management Fees %	0.25
Expense Ratio %	0.25
12b1 Expense %	NA

## Risk and Return Profile

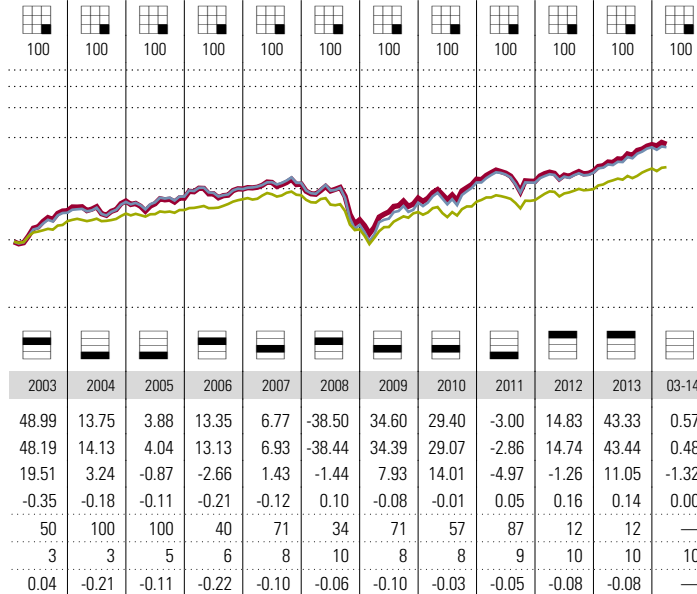
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	3★	3★
Morningstar Risk	Avg	+Avg	+Avg
Morningstar Return	+Avg	Avg	Avg
Standard Deviation NAV	17.56	19.32	20.29
Standard Deviation MKT	17.72	19.28	20.20
Mean NAV	13.73	25.29	8.85
Mean MKT	13.73	25.31	8.84
Sharpe Ratio	0.82	1.27	0.44

MPT Statistics	Standard Index	Best Fit Index
NAV		Russell 2000 Growth
Alpha	-4.72	0.11
Beta	1.32	1.00
R-Squared	87.89	100.00

12-Month Yield	—
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	Russell 2000 Growth TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	6.3 Years
Total Assets:	\$5,834.2 mil
Shares Outstanding:	44.90 mil

Investment Style  
Equity  
Stock %

## Growth of \$10,000

iShares Russell 2000 Growth	36,519
Category Average	35,081
Standard Index	26,765

Performance Quartile  
(within category)

## History

Mkt Total Ret %	0.57
NAV Total Ret %	0.48
+/- Standard Index	-1.32
+/- Category Index	0.14
% Rank Cat	—
No. of Funds in Cat	10
Avg Prem/Discount %	—

## Portfolio Analysis 04-15-2014

Asset Allocation %	Net %	Long %	Short %
Cash	0.00	0.00	0.00
US Stocks	99.02	99.02	0.00
Non-US Stocks	0.91	0.91	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.06	0.06	0.00
Total	100.00	100.00	0.00

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value	P/E Ratio TTM	24.4	1.36	0.87
Blend	P/C Ratio TTM	14.6	1.34	0.81
Growth	P/B Ratio TTM	3.9	1.52	15.38
	Geo Avg Mkt Cap \$mil	1700	0.03	0.61

## Fixed-Income Style

	Ltd	Mod	Ext
Avg Eff Maturity	—	—	—
Avg Eff Duration	—	—	—
Avg Wtd Coupon	—	—	—
Avg Wtd Price	—	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stock %	Rel Std Index
Americas	99.6	1.01
Greater Europe	0.2	0.11
Greater Asia	0.2	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 1,188 Total Stocks, 0 Total Fixed-Income, 32% Turnover Ratio	% Net Assets
—	303,586	Acuity Brands Inc	0.66
—	260,417	AthenaHealth, Inc.	0.64
—	202,296	CoStar Group, Inc.	0.58
—	133,203	Middleby Corporation	0.58
—	2 mil	SunEdison Inc	0.56
—	796,039	Isis Pharmaceuticals	0.51
—	367,745	Questcor Pharmaceuticals, Inc.	0.51
—	847,829	PTC Inc	0.50
—	295,872	FEI Company	0.49
—	518,354	Align Technology, Inc.	0.47
—	470,191	Heico Corporation	0.47
—	704,248	PolyOne Corporation	0.45
—	606,508	Brunswick Corporation	0.45
—	427,346	Spirit Airlines Inc	0.43
—	274,972	WEX Inc	0.42

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>29.8</b>	<b>0.96</b>
Basic Materials	5.9	1.76
Consumer Cyclical	15.8	1.49
Financial Services	3.9	0.26
Real Estate	4.0	2.19
<b>Sensitive</b>	<b>46.2</b>	<b>1.09</b>
Communication Services	1.0	0.25
Energy	3.8	0.38
Industrials	17.5	1.54
Technology	23.9	1.41
<b>Defensive</b>	<b>24.0</b>	<b>0.91</b>
Consumer Defensive	5.3	0.52
Healthcare	18.5	1.40
Utilities	0.2	0.06

# iShares Russell Mid-Cap Growth (USD)

Overall Morningstar Rating™

Standard Index

Category Index

Morningstar Cat

★★★★

641 Mid-Cap Growth

S&amp;P 500 TR USD

Russell Mid Cap

Mid-Cap Growth

Growth TR USD

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	14.45	-5.65	5.30	1.68	15.62
2013	11.44	2.83	9.26	8.17	35.44
2014	2.00	—	—	—	2.00
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	23.95	—	24.56	9.23	7.70
Std NAV 03-31-14	23.96	—	24.47	9.25	7.70
Mkt Total Ret	23.95	13.29	24.56	9.23	7.70
NAV Total Ret	23.96	13.30	24.47	9.25	7.70
+/- Std Index	2.10	-1.35	3.31	1.83	—
+/- Cat Index	-0.26	-0.21	-0.26	-0.23	—
% Rank Cat	9	10	30	50	—
No. in Cat	13	12	11	3	—

30-day SEC Yield	Subsidized	Unsubsidized
	—	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit [www.ishares.com](http://www.ishares.com).

## Fees and Expenses

Fund Expenses	
Management Fees %	0.25
Expense Ratio %	0.25
12b1 Expense %	NA

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	3★
Morningstar Risk	Avg	Avg	Avg
Morningstar Return	+Avg	+Avg	Avg

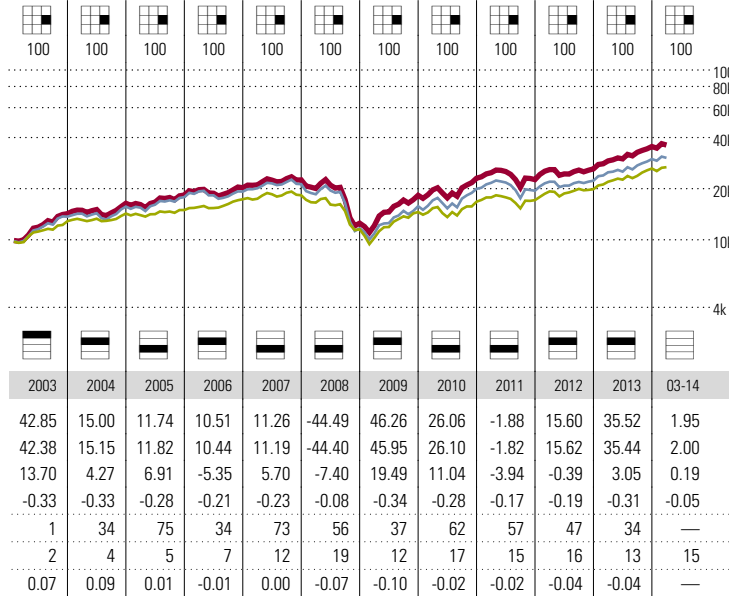
	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	15.24	16.77	18.07
Standard Deviation MKT	15.33	16.82	18.11
Mean NAV	13.30	24.47	9.25
Mean MKT	13.29	24.56	9.23
Sharpe Ratio	0.89	1.39	0.49

MPT Statistics	Standard Index	Best Fit Index
NAV		Russell Mid Cap Growth TR USD
Alpha	-3.21	-0.17
Beta	1.17	1.00
R-Squared	90.73	100.00

12-Month Yield	—
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	Russell Mid Cap Growth TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	6.3 Years
Total Assets:	\$4,679.1 mil
Shares Outstanding:	55.75 mil



Investment Style	Equity	Stock %
Growth of \$10,000		
iShares Russell Mid-Cap Growth	36,128	
Category Average	30,375	
Standard Index	26,765	
Performance Quartile	(within category)	History
Mkt Total Ret %	1.95	
NAV Total Ret %	2.00	
+/- Standard Index	0.19	
+/- Category Index	-0.31	
% Rank Cat	—	
No. of Funds in Cat	15	
Avg Prem/Discount %	—	

## Portfolio Analysis 04-15-2014

Asset Allocation % 04-10-2014	Net %	Long %	Short %
Cash	0.10	0.10	0.00
US Stocks	94.89	94.89	0.00
Non-US Stocks	5.01	5.01	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.00	0.00	0.00
Total	100.00	100.00	0.00

Equity Style	Portfolio Statistics	Port Avg	Rel Index	Rel Cat
Value	P/E Ratio TTM	22.5	1.25	0.86
Blend	P/C Ratio TTM	14.6	1.34	0.92
Growth	P/B Ratio TTM	4.5	1.76	18.08
	Geo Avg Mkt Cap \$mil	10817	0.16	1.28

## Fixed-Income Style

	Ltd	Mod	Ext
Avg Eff Maturity	—	—	—
Avg Eff Duration	—	—	—
Avg Wtd Coupon	—	—	—
Avg Wtd Price	—	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

Regional Exposure	Stock %	Rel Std Index
Americas	95.3	0.97
Greater Europe	4.2	2.65
Greater Asia	0.5	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 507 Total Stocks, 0 Total Fixed-Income, 25% Turnover Ratio	% Net Assets
	268,377	Actavis PLC	1.11
	301,944	Alexion Pharmaceuticals, Inc.	0.93
	516,902	Crown Castle International Corp	0.81
	804,687	Kroger Co	0.75
	459,427	Intuit, Inc.	0.73
	541,922	VF Corporation	0.68
	401,271	T. Rowe Price Group Inc	0.68
	483,753	Delphi Automotive PLC	0.67
	584,495	Lorillard, Inc.	0.66
	378,644	Discovery Communications Inc Class	0.65
	368,777	Aon plc	0.63
	573,883	Whole Foods Market, Inc.	0.61
	195,057	Perrigo Company PLC	0.61
	589,660	Mylan Inc	0.60
	155,959	Pioneer Natural Resources Company	0.60

Sector Weightings	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>35.6</b>	<b>1.14</b>
Basic Materials	5.2	1.55
Consumer Cyclical	23.7	2.23
Financial Services	4.8	0.31
Real Estate	1.9	1.02
<b>Sensitive</b>	<b>42.1</b>	<b>0.99</b>
Communication Services	2.9	0.73
Energy	6.7	0.67
Industrials	17.7	1.56
Technology	14.7	0.87
<b>Defensive</b>	<b>22.3</b>	<b>0.84</b>
Consumer Defensive	9.8	0.96
Healthcare	12.1	0.91
Utilities	0.4	0.14



## iShares Russell Mid-Cap Value (USD)

Overall Morningstar Rating™

Standard Index

Category Index

Morningstar Cat

★★★★

365 Mid-Cap Value

S&amp;P 500 TR USD

Russell Mid Cap  
Value TR USD

Mid-Cap Value

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	11.36	-3.29	5.74	3.87	18.27
2013	14.15	1.59	5.83	8.46	33.11
2014	5.15	—	—	—	5.15
Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	22.91	—	26.22	10.06	10.09
Std NAV 03-31-14	22.61	—	26.06	10.07	10.10
Mkt Total Ret	22.91	14.90	26.22	10.06	10.09
NAV Total Ret	22.61	14.93	26.06	10.07	10.10
+/- Std Index	0.75	0.27	4.90	2.65	—
+/- Cat Index	-0.34	-0.25	-0.29	-0.17	—
% Rank Cat	50	69	50	1	—
No. in Cat	15	14	13	3	—

30-day SEC Yield

Subsidized

Unsubsidized

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

## Fees and Expenses

Fund Expenses	
Management Fees %	0.25
Expense Ratio %	0.28
12b1 Expense %	NA

## Risk and Return Profile

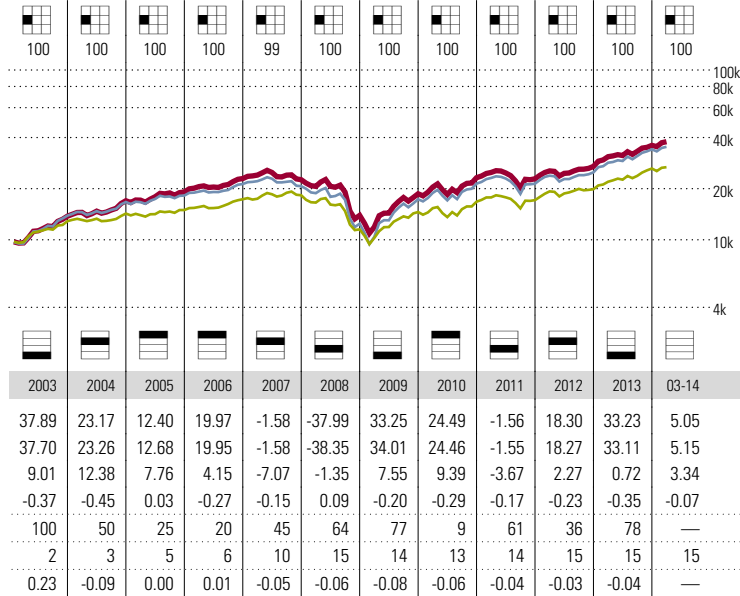
	3 Yr	5 Yr	10 Yr
Morningstar Rating™	4★	4★	4★
Morningstar Risk	-Avg	Avg	Avg
Morningstar Return	+Avg	+Avg	+Avg
Standard Deviation NAV	14.10	16.68	17.79
Standard Deviation MKT	14.17	16.94	17.96
Mean NAV	14.93	26.06	10.07
Mean MKT	14.90	26.22	10.06
Sharpe Ratio	1.06	1.48	0.54

MPT Statistics	Standard Index	Best Fit Index
NAV	—	Russell Mid Cap Value TR USD
Alpha	-0.93	-0.19
Beta	1.10	1.00
R-Squared	93.84	100.00

12-Month Yield	—
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	Russell Mid Cap Value TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	6.3 Years
Total Assets:	\$5,787.6 mil
Shares Outstanding:	84.75 mil

Investment Style  
Equity  
Stock %

## Growth of \$10,000

iShares Russell Mid-Cap Value  
37,829  
Category Average  
35,272  
Standard Index  
26,765

Performance Quartile  
(within category)

## History

Mkt Total Ret %	5.05
NAV Total Ret %	5.15
+/- Standard Index	3.34
+/- Category Index	-0.07
% Rank Cat	—
No. of Funds in Cat	15
Avg Prem/Discount %	—

## Portfolio Analysis 04-15-2014

Asset Allocation % 04-10-2014	Net %	Long %	Short %
Cash	0.03	0.03	0.00
US Stocks	98.35	98.35	0.00
Non-US Stocks	1.58	1.58	0.00
Bonds	0.00	0.00	0.00
Other/Not Clsfd	0.04	0.04	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
Large	—	—
Mid	—	—
Small	—	—
P/E Ratio TTM	17.6	0.98
P/C Ratio TTM	9.5	0.87
P/B Ratio TTM	1.8	0.69
Geo Avg Mkt Cap \$mil	9187	0.14

## Fixed-Income Style

Ltd	Mod	Ext
High	—	—
Med	—	—
Low	—	—
Avg Eff Maturity	—	—
Avg Eff Duration	—	—
Avg Wtd Coupon	—	—
Avg Wtd Price	—	—

## Credit Quality Breakdown —

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR	—

## Regional Exposure

	Stock %	Rel Std Index
Americas	98.6	1.00
Greater Europe	1.3	0.83
Greater Asia	0.0	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 539 Total Stocks, 0 Total Fixed-Income, 23% Turnover Ratio	% Net Assets
—	541,623	Forest Laboratories, Inc.	0.84
—	494,722	Sempra Energy	0.83
—	694,251	Cardinal Health Inc	0.83
—	2 mil	Micron Technology, Inc.	0.80
—	545,897	Cigna Corp	0.78
—	635,896	Noble Energy Inc	0.78
—	1 mil	SunTrust Banks Inc	0.76
—	1 mil	PPL Corp	0.74
—	1 mil	Prologis Inc	0.73
—	625,761	PACCAR Inc	0.71
—	2 mil	Fifth Third Bancorp	0.70
—	1 mil	Public Service Enterprise Group Inc	0.69
—	429,104	Western Digital Corporation	0.68
—	923,118	HCP Inc	0.65
—	661,756	Edison International	0.65

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	<b>44.0</b>	<b>1.41</b>
Basic Materials	4.3	1.28
Consumer Cyclical	8.2	0.77
Financial Services	18.3	1.20
Real Estate	13.1	7.11
<b>Sensitive</b>	<b>31.9</b>	<b>0.75</b>
Communication Services	0.7	0.17
Energy	7.3	0.72
Industrials	12.6	1.11
Technology	11.3	0.66
<b>Defensive</b>	<b>24.2</b>	<b>0.91</b>
Consumer Defensive	3.6	0.35
Healthcare	8.4	0.63
Utilities	12.2	3.96

# iShares iBoxx \$ High Yield Corporate Bd (USD)

Overall Morningstar Rating™

★★★  
550 High Yield Bond

Standard Index

Barclays US Agg  
Bond TR USD

Category Index

BofAML US HY  
Master II TR USD

Morningstar Cat

High Yield Bond

## Performance 03-31-2014

Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2012	4.49	1.55	4.01	3.13	13.83
2013	2.22	-1.87	2.17	3.33	5.90
2014	2.67	—	—	—	2.67

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Mkt 03-31-14	6.25	—	15.36	—	6.56
Std NAV 03-31-14	6.36	—	15.32	—	6.81
Mkt Total Ret	6.25	7.85	15.36	—	6.56
NAV Total Ret	6.36	8.04	15.32	—	6.81
+/- Std Index	6.46	4.29	10.52	—	—
+/- Cat Index	-1.21	-0.67	-2.87	—	—
% Rank Cat	57	20	50	—	—
No. in Cat	15	6	3	—	—

30-day SEC Yield	Subsidized	Unsubsidized
	4.48	—

## Performance Disclosure

The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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 sold or redeemed, may be worth more or less than their original cost.

Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 800-474-2737 or visit www.ishares.com.

## Fees and Expenses

Fund Expenses	
Management Fees %	0.50
Expense Ratio %	0.50
12b1 Expense %	NA

## Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	3★	3★	—
Morningstar Risk	+Avg	Avg	—
Morningstar Return	Avg	Avg	—

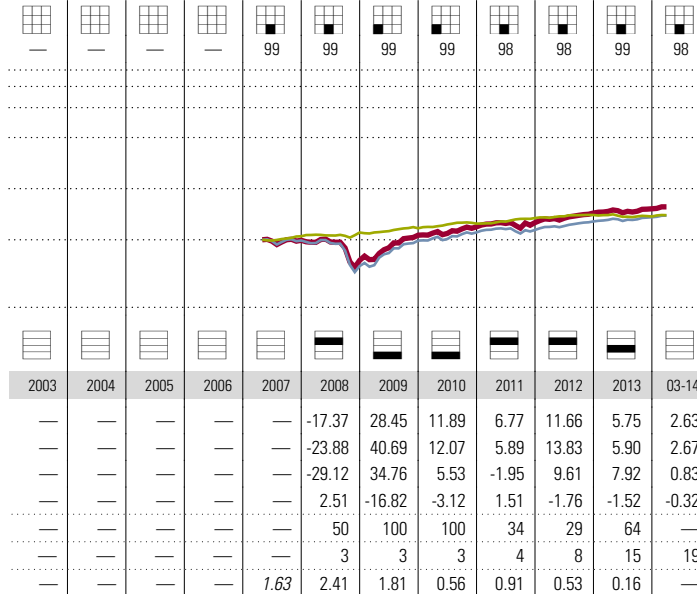
	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	7.37	8.54	—
Standard Deviation MKT	8.43	10.47	—
Mean NAV	8.04	15.32	—
Mean MKT	7.85	15.36	—
Sharpe Ratio	1.08	1.71	—

MPT Statistics	Standard Index	Best Fit Index
NAV	—	Credit Suisse HY
Alpha	6.13	-2.66
Beta	0.50	1.22
R-Squared	3.71	97.55

12-Month Yield	5.93%
Potential Cap Gains Exp	—
Leveraged	No
Leverage Type	—
Leverage %	100.00
Primary Prospectus Benchmark	IBOXX Liquid High Yield TR USD

## Operations

Family:	iShares
Manager:	Multiple
Tenure:	3.8 Years
Total Assets:	\$13,268.4 mil
Shares Outstanding:	141.20 mil

Investment Style  
Fixed-Income  
Bond %

## Growth of \$10,000

iShares iBoxx \$ High Yield Corporate Bd 15,627  
Category Average 13,882  
Standard Index 13,961

Performance Quartile  
(within category)

## History

Mkt Total Ret %	2.63
NAV Total Ret %	2.67
+/- Standard Index	0.83
+/- Category Index	-0.32
% Rank Cat	—
No. of Funds in Cat	19
Avg Prem/Discount %	—

## Portfolio Analysis 04-15-2014

Asset Allocation % 04-10-2014	Net %	Long %	Short %
Cash	1.13	1.13	0.00
US Stocks	0.00	0.00	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	98.57	98.57	0.00
Other/Not Clsfd	0.30	0.30	0.00
Total	100.00	100.00	0.00

## Equity Style

Value	Blend	Growth
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

## Fixed-Income Style

Ltd	Mod	Ext
—	—	—
—	—	—
—	—	—
—	—	—
—	—	—

## Credit Quality Breakdown —

	Bond %
AAA	0.00
AA	0.00
A	0.00
BBB	6.52
BB	48.56
B	30.37
Below B	11.69
NR	2.87

## Regional Exposure

	Stock %	Rel Std Index
Americas	—	—
Greater Europe	—	—
Greater Asia	—	—

## Top Holdings 04-07-2014

Share Chg since 04-2014	Share Amount	Holdings: 0 Total Stocks, 906 Total Fixed-Income, 19% Turnover Ratio	% Net Assets
—	66 mil	Sprint 144A 7.875%	0.55
—	50 mil	Sprint Nextel 144A 9%	0.47
—	52 mil	Hca 6.5%	0.44
—	48 mil	First Data 12.625%	0.43
—	52 mil	Reynolds Grp Issuer 5.75%	0.42
—	51 mil	Hawk Acquisition Sub 144A 4.25%	0.38
—	43 mil	Tenet Healthcare 8.125%	0.37
—	39 mil	Sallie Mae 8.45%	0.35
—	42 mil	Sprint 144A 7.125%	0.33
—	41 mil	First Data 11.75%	0.33
—	39 mil	Sallie Mae 6.25%	0.32
—	38 mil	Sprint 144A 7.25%	0.31
—	37 mil	Samson Invnt 144A 9.75%	0.31
—	36 mil	Reynolds Grp Issuer 9.875%	0.31
—	37 mil	Vpi Escrow 144A 6.375%	0.30

## Sector Weightings

	Stocks %	Rel Std Index
<b>Cyclical</b>	—	—
Basic Materials	—	—
Consumer Cyclical	—	—
Financial Services	—	—
Real Estate	—	—
<b>Sensitive</b>	—	—
Communication Services	—	—
Energy	—	—
Industrials	—	—
Technology	—	—
<b>Defensive</b>	—	—
Consumer Defensive	—	—
Healthcare	—	—
Utilities	—	—

## Important Disclosures

### SunTrust Foundations and Endowments Specialty Practice

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- Are not Bank Guaranteed
- May Lose Value

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### Federated Investors, Inc.

SunTrust Banks, Inc. has entered into an agreement with Federated Investors, Inc. relating to Federated's acquisition of the RidgeWorth money market funds. SunTrust Bank may receive compensation in exchange for services ("fees for services") that it provides to various Federated money market mutual funds. These fees for services shall be in addition to, and will not reduce, SunTrust Bank's compensation for serving in a fiduciary capacity. Such fees for services will not be paid by your account, but will be paid to SunTrust Bank by Federated or by the money market mutual fund itself. The compensation rate for such fees for services shall be up to 0.10% annually (10 basis points) of the total amount of the account assets invested in the Federated money market mutual fund.





## Important Disclosures

- **BarCap Aggregate Bond Index:** The broadest measure of the taxable U.S. bond market, including most Treasury, agency, corporate, mortgage-backed, asset-backed, and international dollar-denominated issues, all with investment-grade ratings (rated Baa3 or above by Moody's) and maturities of one year or more.
- **BarCap US Corporate High Yield:** The U.S. Corporate High-Yield Index the covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt.
- **BarCap US Treasury Long Index:** includes public obligations of the US Treasury with maturities of 10 years or more.
- **CBOE VIX: The CBOE Volatility Index®** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility. VIX is often referred to as the "investor fear gauge".
- **Dow Jones Wilshire RESI Index:** designed to provide measures of real estate securities that serve as proxies for direct real estate investing, in part by excluding securities whose value is not always closely tied to the value of the underlying real estate. To be included, a company must be both an equity owner and operator of commercial and/or residential real estate. A company must have a minimum total market capitalization of at least \$200 million at the time of its inclusion, and at least 75% of the company's total revenue must be derived from the ownership and operation of real estate assets.
- **MSCI All-Country World ex-US Index:** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, ex-US equities.
- **MSCI All Country World Index:** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.
- **MSCI EAFE Index:** The MSCI EAFE Index® comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australasia and the Far East.
- **MSCI Emerging Markets Index:** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*Note: Indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.*



## Important Disclosures

- The **MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.
- **Russell 2000 Index:** is comprised of 2000 smaller company stocks and is generally used as a measure of small-cap stock performance.
- **S&P 500 Index:** The S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.
- **S&P Equal Weight Index (S&P EWI).** The index is the equal-weight version of the widely regarded S&P 500. The index has the same constituents as the capitalization weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.
- **Barclays U.S. Municipal Index:** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
- **DJ-UBS Commodity Index** is composed of futures contracts on physical commodities. It currently includes 19 commodity futures in seven sectors. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.
- **MSCI BRIC Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the following four emerging market country indices: **Brazil, Russia, India and China.**
- The **MSCI AC (All Country) Asia ex Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. As of January 2009 the Index consisted of the following 10 developed and emerging market country indices: China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand
- **MSCI Germany:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.

*Note: Indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.*



## Important Disclosures

- **MSCI China:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.
- **MSCI Brazil:** every listed security in the market is identified. Securities are free float adjusted, classified in accordance with the Global Industry Classification Standard (GICS®), and screened by size, liquidity and minimum free float.
- **Citi World Broad Investment Grade (BIG) Bond Index:** includes investment grade global bonds with a fixed coupon and maturity longer than one year and a minimum credit rating of Baa3 by Moody's or BBB- by S&P.
- Generally, when interest rates rise, bond values fall, values rise when interest rates decline. If interest rates fall, it is possible that issuers of callable securities with high interest coupons will "call" (or prepay) their bonds before maturity date. Credit risk refers to the possibility that the issuer of a security will be unable and/or unwilling to make timely interest payments and/or repay the principal on its debt, which may adversely affect the value of the security.

As a new kind of bond offering, **Build America Bonds (BAB)** are subject to liquidity risk, there is a risk that not enough interested buyers will be available to permit an investor to sell at or near the current market price. BABs are also subject to Federal subsidy risk, the risk that the federal government would eliminate or reduce the subsidies for BABs in the future. Some BABs have been issued with provisions that allow state and local governments to "call" the bonds back and refinance if the federal government stops paying subsidy on the interest."

*Note: Indexes are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.*



## Important Disclosure Information

This material must be preceded or accompanied by a prospectus. An investor should consider the fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the RidgeWorth Funds can be found in the fund's prospectus. To obtain a prospectus, please call 1-888-784-3863, or by visiting [www.ridgeworth.com](http://www.ridgeworth.com). Please read the prospectus carefully before investing. Mutual fund investing involves risk, including possible loss of principal.

RidgeWorth Funds are advised by RidgeWorth Capital Management, Inc., which receives a fee for its services, and are distributed by Citi Fund Services, which is not affiliated with RidgeWorth Capital Management, Inc.

Effective 3/31/08, Trusco Capital Management, Inc. became RidgeWorth Capital Management, Inc.

Effective 3/31/08, the STI Classic Funds became RidgeWorth Funds.

### MPT STATISTICS/OTHER MEASUREMENTS

Alpha - is defined as the difference between the average realized return of a portfolio manager with private information and the expected return of the passive strategy based upon public information with equal systematic risk.

Beta – is a measure of an investment's volatility, relative to an appropriate asset class.

R-Squared – a statistical measure of how well a regression line approximates real data points; an r-squared of 1.0 (100%) indicates a perfect fit. r-squared measures how well the Capital Asset Pricing Model predicts the actual performance of an investment or portfolio.

Sharpe Ratio - also known as Reward-to-Volatility-Ratio, indicates the excess return per unit of risk associated with the excess return. The higher the Sharpe Ratio, the better the performance.

Standard Deviation – a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time.

### PORTFOLIO CHARACTERISTICS DEFINITIONS

30 Day SEC Yield – is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the offering price per share on that date. The figure is compounded and annualized.

5 Year EPS Growth – is the five-year reported earnings per share growth rate for each company in percent per year.

Price-to-Book – is used to compare a stock's market value to its book value. This ratio gives some idea of whether you're paying too much for what would be left if the company went bankrupt immediately.

P/E (12 months trailing) – is the price of a stock divided by its historical earnings per share.

Return on Equity – is a measure of a corporation's profitability, calculated by taking a company's net income and dividing it by the shareholder's equity.

Investments in the RidgeWorth Funds are not insured by the FDIC or any other Federal agency nor are they guaranteed by any bank, and may lose value.



