T. Rowe Price Retirement Target-Date Fund Series Report

Morningstar Analyst Rating Silver

Key Features

Asset-Weighted Expense Ratio	0.77%
Active/Passive Exposure	86% Active
Open/Closed Architecture	100% Closed
Total Net Assets ($M)	131,297

Executive Summary **Rating:**

Process **Positive**
Management's research suggests investors spend more money in retirement than they anticipate and risk outliving their savings. As a result, the funds' glide path has a higher equity allocation than many of its rivals', both before and during retirement. The majority of the underlying funds are highly regarded by Morningstar analysts.

Price **Positive**
This series' funds aren't as cheap as its peers that invest in passively managed options, but they are reasonably priced, especially compared with other series that invest predominantly in active strategies.

Performance **Positive**
The series' three-, five-, and 10-year returns through December 2015 handily outpace the majority of its peers. But the funds' relatively heavy equity stake can lead to greater short-term volatility than many rivals. For example, the funds lost more than their average competitor during 2008's market slide and rebounded more sharply than most during 2009's rally.

People **Positive**
T. Rowe Price's asset-allocation committee makes the strategic decisions for the funds, while firm veteran Jerome Clark leads a group of associate managers who run the funds' day-to-day operations. Longtime team member Wyatt Lee joined the manager roster in August 2015. The underlying funds largely feature solid, proven managers.

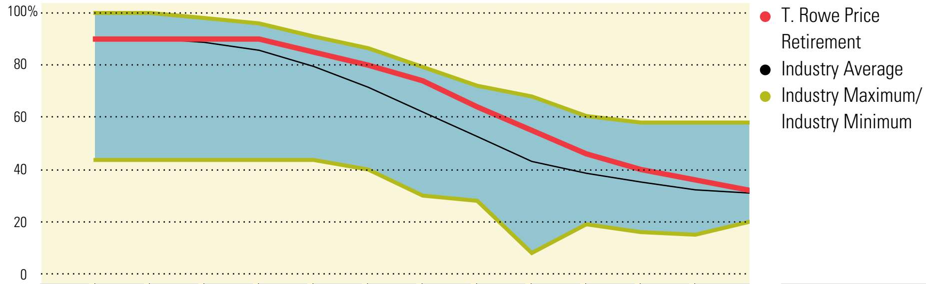
Parent **Positive**
T. Rowe Price's corporate culture and regulatory history are impressive. The firm stresses long-term investing, high-quality securities, and sensible risk management. T. Rowe Price also does a good job describing its target-date funds and communicating with investors, and manager transitions are typically planned well in advance.

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum
Gold Silver Bronze Neutral Negative

Strategic Glide Path Total Equity Exposure



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	80	74	64	55	46	40	36	32
Industry Average	91	90	89	86	80	72	62	53	43	39	35	32	31
3-Yr Total Return	10.21	10.23	10.22	10.23	9.87	9.28	8.47	7.52	6.46	5.26	4.48	-	-
3-Yr Performance Quartile												-	-

Available Funds

2005 Fund	2020 Fund	2035 Fund	2050 Fund
2010 Fund	2025 Fund	2040 Fund	2055 Fund
2015 Fund	2030 Fund	2045 Fund	2060 Fund

Morningstar Opinion

Leo Acheson
Analyst - Fund of Fund Strategies 02-03-2016

Solid underlying funds and a steady asset-allocation approach give the T. Rowe Price Retirement series a discernible edge over most peers. However, the team's tendency to stick with the status quo when underlying manager concerns arise gives pause, and continued asset growth might lead to a small shift away from active management, a meaningful driver of the series' outstanding long-term results. Therefore, the series' Morningstar Analyst Rating has fallen to Silver--still a strong vote of confidence--from Gold.

This series' advantages begin with its consistency. Jerome Clark has served as series' lead manager since its 2002 inception, making him the industry's longest tenured target-date manager. A growing asset-allocation group, which includes 23 other members, supports Clark. With the risk of outliving one's assets in mind, the group designed a glide path that looks more aggressive than the typical target-date competitor. With the exception of the early savings years, the series keeps a higher equity weighting than the industry norm throughout the glide path.

Within the portfolios, the series' lineup of skippers remains impressive. Morningstar analysts rate 16 of the series' 18 underlying T. Rowe Price funds; 12 earn Morningstar Medalist designations, reflecting analysts' conviction that they will outperform peers over the long haul. Four receive Neutral ratings, including two funds that were downgraded in 2014 due to manager changes, but the overall lineup still stands strong. Even so, a more proactive role in advocating for the ongoing quality of underlying funds would be ideal. Morningstar considers it a best-practice for target-date managers to continually assess the stand-alone merit of each underlying fund used within their target-date series. In contrast, this series' management team leaves that oversight to each underlying fund's respective steering committee.

Nonetheless, the series has turned in excellent results, thanks largely to its supporting managers. All of the vintages have outperformed their typical rivals on an absolute- and risk-adjusted basis over the trailing one-, three-, five-, and 10-year periods through December 2015. An equity-heavy approach has also boosted results.

Strong returns have attracted investors: As of 2015's end, the series has accumulated more than $130 billion in assets. That raises concerns about capacity, as four of the series' five small- and mid-cap funds are closed to new investors. To address the capacity issue, the series may begin investing in small- and mid-cap index funds in 2016. The series' access to top-tier active funds, including the small- and mid-cap strategies, has been one of its key strengths and has helped deliver excellent long-term results. The inclusion of index funds hints at a philosophical shift, even if they end up taking a small percentage of overall assets.

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T. Rowe Price Retirement Target-Date Fund Series Report

Process: Approach

Rating: **Positive**

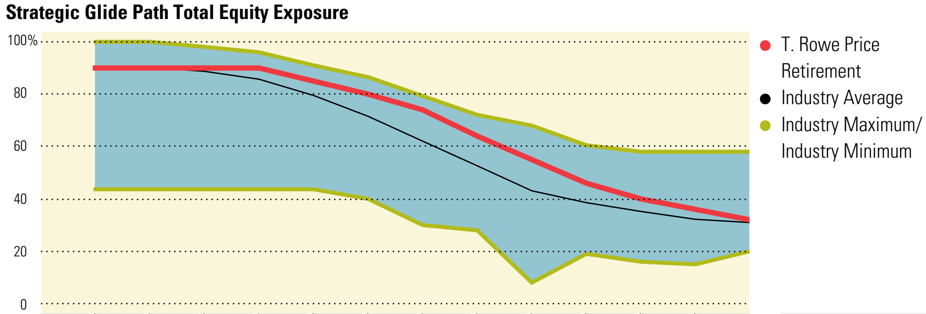
In conducting extensive in-house studies, T. Rowe Price found that 401(k) plan participants' average savings rate is less than half of the recommended rate, while the average withdrawal rate was more than twice the recommended rate. T. Rowe Price concluded that retirees' biggest risk is outliving their savings. As a result, it emphasizes sizable exposure to stocks to boost asset growth.

The series has a relatively aggressive asset-allocation glide path. It begins with a 90% equity/10% fixed-income portfolio when investors are the furthest from retirement. That split roughly matches the typical peer 40 years from retirement, but the series' funds maintain a higher equity stake than most their rivals both leading up to and during retirement. The funds slowly transition from stocks to bonds at the end of each quarter until they reach the target allocation of 55% equity at retirement. The shifting doesn't stop at retirement, though, because T. Rowe Price doesn't view the retirement year as a distinct year in the course of an individual's retirement planning. Even after investors reach arrive at the 55% equity/45% fixed-income allocation at the target retirement date, the quarterly shifts continue for 30 more years until the equity stake plateaus at 20%.

Management has modest tactical leeway to adjust the funds' stock/bond split (up to 5 percentage points) as well as make subasset class tilts, such as growth versus value stocks or developed-markets versus emerging-markets stocks. A committee of veteran T. Rowe Price managers uses qualitative inputs to determine which asset classes appear to have the most favorable return prospects for the next six to 18 months.

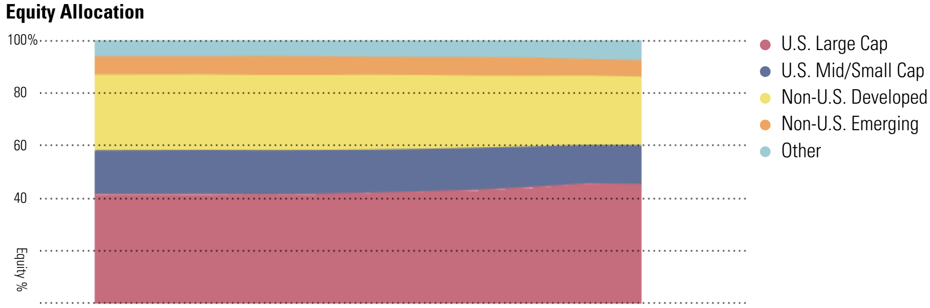
The asset-allocation approach has remained consistent and is supported by sound reasoning, earning the series a Positive Process rating. However, the team could enhance its method for selecting and overseeing underlying managers. The group picked underlying funds based on their mandates and won't swap out strategies unless their approaches or styles change. In fact, the series has not fired a manager since its 2002 inception. Instead, it relies on various steering committees at T. Rowe Price to provide oversight. Moreover, although the series' management team ensures that the underlying funds provide style-pure exposure, it has not run additional analytics, such as correlation of excess returns, to assess how the funds complement one another.

Strategic Glide Path Total Equity Exposure



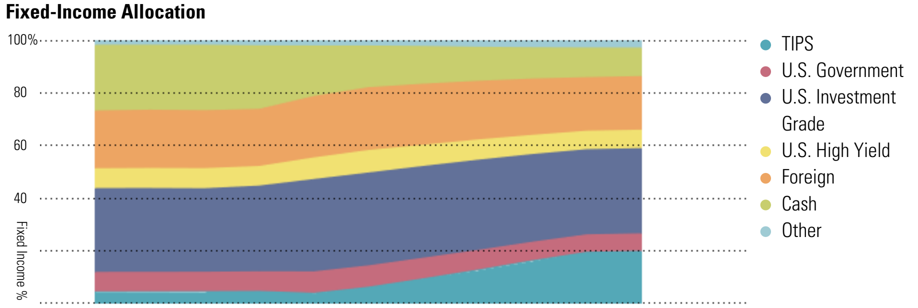
Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	80	74	64	55	46	40	36	32
Industry Average	91	90	89	86	80	72	62	53	43	39	35	32	31
3-Yr Total Return	10.21	10.23	10.22	10.23	9.87	9.28	8.47	7.52	6.46	5.26	4.48	-	-
3-Yr Performance Quartile												-	-

Equity Allocation



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
U.S. Large Cap	41	41	41	41	41	42	42	43	44	45	45	–	–
U.S. Mid/Small Cap	17	17	17	17	17	16	16	16	15	15	15	–	–
Non-U.S. Developed	29	29	29	29	29	29	28	28	27	26	26	–	–
Non-U.S. Emerging	7	7	7	7	7	7	7	7	7	6	6	–	–
Other	6	6	6	6	6	6	6	6	7	7	8	–	–

Fixed-Income Allocation



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
TIPS	4	4	4	4	4	6	9	12	16	19	20	–	–
U.S. Government	7	7	7	7	8	8	8	7	7	7	7	–	–
U.S. Investment Grade	32	32	32	33	35	35	35	34	33	32	33	–	–
U.S. High Yield	8	8	8	7	8	9	8	8	7	7	7	–	–
Foreign	22	22	22	22	23	24	23	22	21	20	20	–	–
Cash	25	25	25	24	19	16	14	13	12	11	11	–	–
Other	2	2	2	2	2	2	2	2	3	3	3	–	–

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T. Rowe Price Retirement Target-Date Fund Series Report

Process: Portfolio

Rating: Positive

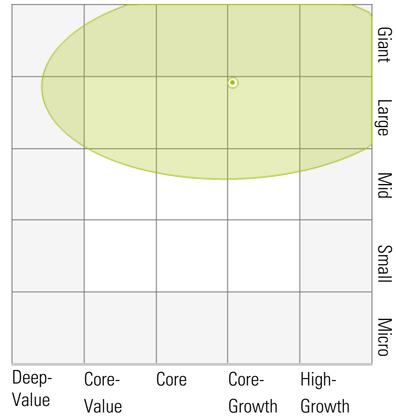
The underlying funds in this target-date series benefit from T. Rowe Price's strong investment culture. Long manager tenures and an emphasis on high-quality securities are common. The funds used in the target-date series generally have solid long-term records: Of the 15 underlying funds with 10 years of history through December 2015 (excluding the money market fund), all but three outperformed their category average.

Morningstar analysts cover 16 of the 18 underlying funds, of which 12 received medals as of December 2015. Four underlying funds, which account for more than 25% of the series' assets, receive Neutral ratings because of relatively recent manager changes or uninspiring results. The firm's portfolio managers changes are usually well-planned and allow for slow transitions to minimize disruption, though T. Rowe Price Growth Stock's manager unexpectedly departed in early 2014.

The underlying funds cover a wide range of asset classes. On the equity side, the series keeps a 70% U.S./30% international split (that includes a dedicated emerging-markets stock fund) that's similar to the target-date industry norm. The series equity stake also includes T. Rowe Price Real Assets, which invests in the stocks of commodity producers and REITs. Although commodity-related stocks often have high correlation with the broad market in the short run, T. Rowe's research argues that they behave more like the underlying commodities in the long run and should hedge inflation. The series targets a 5% allocation to the strategy throughout the glide path.

A core bond fund anchors the fixed-income exposure. More specialized funds, such as an emerging-markets debt strategy and a high-yield bond fund, fill out the remainder of the bond stake. The series uses T. Rowe Price Inflation Focused Bond as a buffer against inflation in the years leading up to retirement, but the fund has the flexibility to hold as much as 80% in non-TIPS investment-grade bonds, depending on the market environment.

Series Holding-based Style Map - Equity
Data as of 12-31-2015



Zone represents 75% of series' largest domestic stock holdings
Fund centroid represents weighted average of series' domestic stock holdings

Top Investments as of 12-31-2015

	Category	% of Assets	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Analyst Rating	Star Rating
T. Rowe Price New Income	Intermediate-Term Bond	15.09	1.17	50	3.08	3.09	59	Bronze	★★★
T. Rowe Price Equity Index 500	Large Blend	13.73	14.82	24	10.62	12.27	20	Bronze	★★★★
T. Rowe Price Growth Stock	Large Growth	12.96	18.86	8	11.86	14.61	6	Neutral	★★★★★
T. Rowe Price Value	Large Value	12.33	15.22	2	11.17	12.36	6	Bronze	★★★★
T. Rowe Price International Gr & Inc	Foreign Large Value	7.03	4.09	37	11.80	3.02	34	Neutral	★★★★
T. Rowe Price Overseas Stock	Foreign Large Blend	6.56	4.25	39	11.33	3.85	23	Bronze	★★★★
T. Rowe Price International Stock	Foreign Large Growth	5.95	3.99	65	11.95	3.20	58	Neutral	★★★
T. Rowe Price Emerging Markets Stock	Diversified Emerging Mkts	4.15	-5.07	40	14.05	-3.58	34	Bronze	★★★
T. Rowe Price Ltd Dur Infl Focus Bd	Inflation-Protected Bond	4.08	-1.04	4	1.77	0.28	96	—	★★★
T. Rowe Price Real Assets	Natural Resources	2.89	-5.09	26	12.15	-3.83	24	—	★★★★

Total # Holdings	19
% Portfolio in Top 10 Holdings	84.77
Overall Average Morningstar Rating	3.82

Price

Rating: Positive

The no-load share classes of T. Rowe Price's retirement funds, which hold about 80% of the series' assets, carry relatively inexpensive price tags for primarily actively managed target-date funds sold to retail investors. T. Rowe Price does not charge an additional fee for its strategic and tactical asset-allocation services, so shareholders only pay the cost of the underlying funds. The Retirement and Advisor share classes look pricey, as they include additional distribution fees.

Asset-Weighted Cost vs. Industry Average

T. Rowe Price Retirement	0.77%
Industry Average	0.77%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets ($M)
No Load	0.69%	105,689
Adv	0.95%	15,276
Retirement	1.20%	10,282
Other	0.75%	50
	–	–

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T. Rowe Price Retirement Target-Date Fund Series Report

Performance

Rating: Positive

The series' above-average equity allocation shapes its performance. In the immediate years leading up to retirement, it keeps roughly 10 percentage points more in equities than the industry norm and remains above-average throughout retirement. As a result, the strength of the equity market can make a big difference in the series' performance pattern. For instance, during 2008's financial crisis, nearly all of the series' funds trailed their respective peer group averages.

The bold equity allocation has paid off as the market has risen in the past few years: The series' funds averaged a top-quartile ranking in their peer groups in five of the past seven calendar years. Even during 2011's tumultuous market, the majority of the funds in the series still surpassed their typical peer. That consistent record burnishes the series' long-term results: Among the funds with 10-year records through December 2015, every fund ranks at or near the top of its respective peer group.

The series' above-average equity allocation has resulted in above-average volatility, as measured by standard deviation. Still, the funds' gains have more than compensated for the bumpy ride. Most of the funds' risk-adjusted returns over the trailing five- and 10-year periods rank in the top quartile of their categories, helping the series earn a Positive Performance rating.

A solid cast of underlying funds further aids the series' overall performance. The underlying funds show a similar level of consistency in their calendar-year rankings as the series' funds, with the majority outperforming their typical peer each year. Twelve of the 18 underlying funds in the series with Morningstar ratings earn 4 or 5 stars, reflecting their strong long-term, risk-adjusted results.

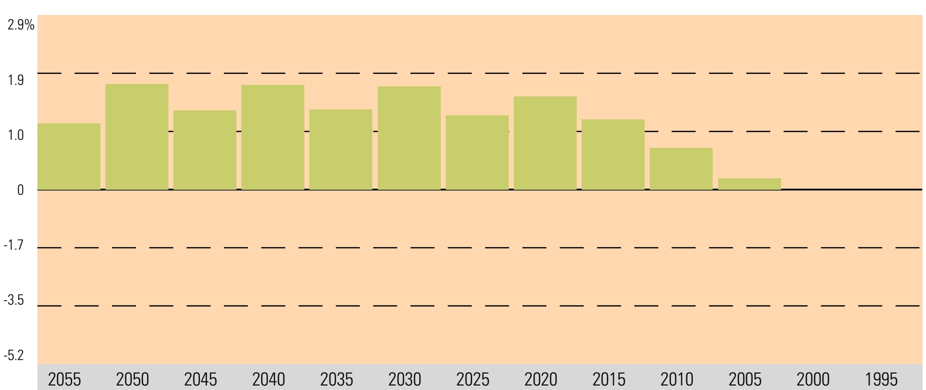
Target-Date Fund Performance as of 12-31-2015

	2015 Return %	2015 % Rank in Cat	2014 Return %	2013 Return %	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Star Rating
T. Rowe Price Retirement 2005	-0.7	21	4.7	9.7	4.5	42	5.3	5.2	35	★★★★
T. Rowe Price Retirement 2010	-0.8	23	5.0	11.9	5.3	19	5.8	5.7	19	★★★★
T. Rowe Price Retirement 2015	-0.6	14	5.4	15.2	6.5	5	6.7	6.5	8	★★★★
T. Rowe Price Retirement 2020	-0.3	12	5.6	18.1	7.5	4	7.5	7.2	4	★★★★★
T. Rowe Price Retirement 2025	-0.2	6	5.8	20.8	8.5	5	8.2	7.7	6	★★★★★
T. Rowe Price Retirement 2030	0.0	7	6.1	23.1	9.3	5	8.8	8.2	4	★★★★★
T. Rowe Price Retirement 2035	0.1	4	6.1	24.9	9.9	4	9.3	8.5	6	★★★★★
T. Rowe Price Retirement 2040	0.2	4	6.2	25.9	10.2	4	9.7	8.7	4	★★★★★
T. Rowe Price Retirement 2045	0.2	4	6.1	25.9	10.2	6	9.7	8.7	6	★★★★★
T. Rowe Price Retirement 2050	0.2	4	6.2	25.9	10.2	6	9.7	8.8	7	★★★★★
T. Rowe Price Retirement 2055	0.2	5	6.2	25.9	10.2	11	9.7	8.8	11	★★★★★
T. Rowe Price Retirement 2060	0.2	3	–	–	–	–	–	–	–	–

For peer comparisons, 1 = highest return or lowest risk, 100 = lowest return or highest risk.

Target Date Funds Risk-Adjusted Returns +/- Category Average

Data as of 12-31-2015

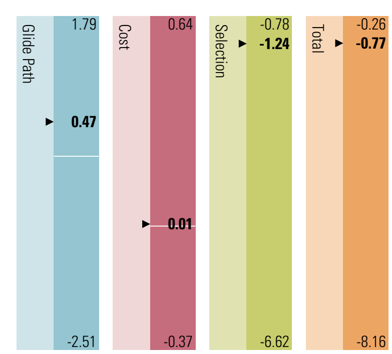


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

Data is based on longest available performance history: three or five years. For series with more than 18 months of history, but less than three years of history, the risk-adjusted return of the appropriate Morningstar Lifetime Moderate Index is used to create a 3-year history.

Attribution Analysis

Trailing 3-Year Returns as of 12-31-2015



	T. Rowe Price Retirement
Glide Path	0.47
Cost	0.01
Selection	-1.24
Total	**-0.77**

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T. Rowe Price Retirement Target-Date Fund Series Report

People

Rating: Positive

The experience and tenure of T. Rowe Price's asset-allocation group and the strength of the underlying funds lead to a Positive People rating. T. Rowe Price added its asset-allocation group in mid-2015 with the hire of Sebastien Page, a transplant from PIMCO. Along with Rich Whitney, Page leads the teams in charge of the firm's asset-allocation strategies. Whitney continues in his role as chair of the firm's asset-allocation committee, which guides the tactical decisions for these target-date funds. The committee has a successful long-term track record on the firm's asset-allocation products, including the Spectrum and Personal Strategy funds. The group's membership includes leaders from both the firm's equity and fixed-income funds, and most of the members have spent the majority of their careers at the firm.

Jerome Clark, a T. Rowe Price veteran and asset-allocation committee member, runs the funds' day-to-day operations. Clark joined the firm in 1992 and launched what is now the firm's college-savings plan before taking the reins here. Wyatt Lee, a longtime associate to Clark, officially joined the manager roster in August 2015. Kim DeDominicis assists Clark and Lee. The asset-allocation team has grown with three net hires since 2014, and currently stands at 24 members. Clark and the allocation team were nominated for Morningstar's 2012 Allocation Fund Manager of the Year Award. Although he does not invest directly in the target-date mutual funds, Clark has more than $1 million invested in T. Rowe's similarly managed target-date collective trusts according to T. Rowe Price's compliance department.

The underlying fund managers used in the series are also a sound bunch. The 9.3-year average manager tenure of the series' underlying funds lands well ahead that of the mutual fund industry's average. T. Rowe Price has a history of handling manager changes for the underlying funds well, with a long transition period being the norm. T. Rowe Price Growth Stock represents one of the rare exceptions: Former manager Rob Bartolo unexpectedly resigned from the firm in mid-January 2014. His successor, Joe Fath, who served as assistant portfolio manager on another large-growth fund at the firm from 2008 to 2014, took over the portfolio.

Series Management

Manager	Start Date
Jerome Clark	09-2002
Wyatt Lee	08-2015

Average Tenure	9.7 years
Longest Tenure	13.4 years
Target-Date Industry Average Tenure	4.3 years

Underlying Funds' Management

Average Tenure	9.5 years
Longest Tenure	23.6 years
Mutual Fund Industry Average Tenure	6.3 years

Parent

Rating: Positive

T. Rowe Price is an industry leader, with a strong lineup of funds across asset classes. The firm's disciplined, risk-conscious investment process has consistently produced successful results across its fund lineup, often with less volatility than peers. Many managers spend their careers at the firm, providing continuity for fund shareholders. Manager retirements are typically announced well in advance, allowing for a long transition process.

After a few unexpected departures of top managers in 2013 and 2014 and an uptick in analyst departures on the U.S. equity team, the pace of turnover has slowed. The departure of head of fixed income Mike Gitlin was a surprise, but the firm quickly filled the role with 31-year T. Rowe Price veteran Ted Wiese. Other executive changes have been handled with ease, including that of CEO James Kennedy, who will be succeeded by Bill Stromberg in 2016. Meanwhile, the firm is in a strong financial position and remains amply resourced.

T. Rowe Price has acted in fundholders' interests by closing funds with surging asset bases and avoiding trendy fund launches. Reasonable fees and a manager compensation plan focused on long-term performance are other pluses. One area of weakness is manager ownership of fund shares, which is not among the industry's best and could stand to improve.

Fund Family Data

Average Overall Star Rating	★★★★
% of Assets w/Star Rating	99.2%

Assets	**(listed in USD $Mil)**
Total Assets Under Mgt	599,852

Average Manager Tenure	7.1 years
5-year Manager Retention Rate (%)	93.8%
Manager Investment Over 1 Million USD (% Assets)	24.2%

Average Fee Level (%)	40.0%

3-year Firm Success Ratio (%)	80.0%

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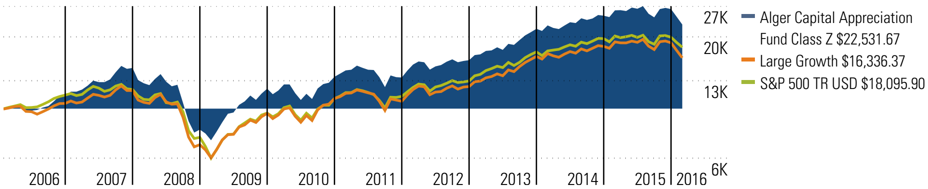
Alger Capital Appreciation Fund Class Z ACAZX

Morningstar Analyst Rating
Bronze

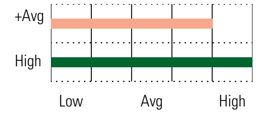
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.66	↑0.03 | 0.17	0.00	2.2	Open	$500,000	None	0.90%	★★★★	Large Growth	Large Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category
(1546)
Return vs. Category
(1546)



Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Negative
Rating	Bronze

Investment Strategy

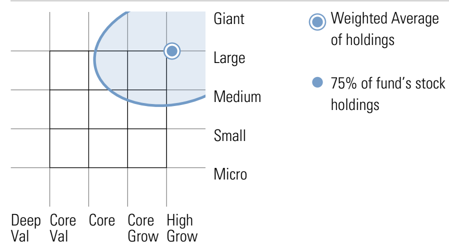
The investment seeks long-term capital appreciation. The fund invests at least 85% of its net assets, plus any borrowings for investment purposes, in equity securities of companies of any market capitalization that Fred Alger Management, Inc. believes demonstrate promising growth potential. It can leverage, that is, borrow money to buy additional securities. The fund can also invest in derivative instruments.

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,619	9,217	9,175	13,215	15,558	22,675
Fund	-13.81	-7.83	-8.25	9.74	9.24	8.53
+/- S&P 500 TR USD	-4.62	-4.34	-0.68	0.62	-0.06	2.41
+/- Category	-0.34	-0.46	2.37	2.18	1.82	2.91
% Rank in Cat	58	60	27	17	16	—
# of Funds in Cat	1,752	1,752	1,656	1,524	1,307	920

* Currency is displayed in BASE

Style Map

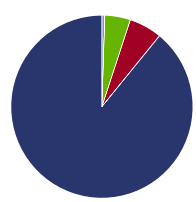


Top Holdings 11-30-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Alphabet Inc C	5.88	693.50 BASE	2.50 ↑	515.18 - 789.87
⊕ Amazon.com Inc	4.64	497.09 BASE	3.12 ↑	365.65 - 696.44
⊕ Apple Inc	4.58	95.49 BASE	0.51 ↑	92.00 - 134.54
⊕ Facebook Inc A	4.31	102.72 BASE	3.25 ↑	72.00 - 117.59
Microsoft Corp	3.96	50.03 BASE	1.52 ↑	39.72 - 56.85
% Assets in Top 5 Holdings	23.37			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

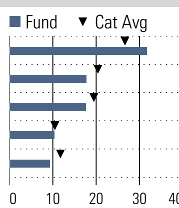
Asset Allocation



Asset Class	% Net
Cash	4.55
US Stock	89.10
Non US Stock	5.84
Bond	0.00
Other	0.51

Top Sectors 11-30-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	31.67	31.67	22.73	25.72
Healthcare	17.72	21.38	15.30	19.48
Consumer Cyclical	17.61	25.03	13.65	18.55
Industrials	10.37	12.97	9.81	9.55
Financial Services	9.24	9.63	9.06	10.83



Management

	Start Date
Patrick Kelly	09-30-2004
Ankur Crawford	06-01-2015

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-16-2015	20.69	1.6700	0.0000	0.0000	0.0000	1.6700
12-18-2014	20.88	2.6800	0.5500	0.0000	0.0000	3.2300
12-18-2013	20.73	0.8300	0.7100	0.0000	0.0000	1.5300
12-18-2012	16.91	0.0700	0.0000	0.0000	0.1700	0.2400

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Alger Capital Appreciation Fund Class Z ACAZX

Analysis

Talent at the top.
By Alec Lucas 2/1/2016

Talented leadership sustains Alger Capital Appreciation's Morningstar Analyst Rating of Bronze.

Since taking the helm in late 2004, lead manager Patrick Kelly has proved effective in executing Alger's firmwide aggressive-growth approach. From October 2004 through December 2015, the fund's five-year returns beat the Russell 1000 Growth Index in two thirds of 76 five-year rolling periods and the large-growth Morningstar Category norm in all of them.

Kelly has not achieved this record alone. He relies on the firm's 30 analysts and, since June 2015, a comanager. Alger promoted veteran tech analyst Ankur Crawford last summer in part because the fund has fared well in her sector. Divided into nine teams based on global sectors and regions, Alger's analysts come up with one-, three-, and five-year target prices for each firm, modeling earnings and cash flows over five years. Kelly then picks stocks with the most upside potential relative to their price targets. Throughout 2015's third quarter, for example, he built a sizable position in YUM Brands YUM. Spinning off its China business will improve the firm's prospects, he says.

This fund's consistency over multiyear periods breeds confidence, but its aggressive profile leaves it liable to short-term underperformance. The fund treads heavily in tech and consumer discretionary. As of December 2015, the fund had 57.5% of its assets in these two sectors combined, versus 49.2% for the index. The fund's high turnover increases the opportunities for mistakes, such as when it bought and sold a modest position in Alibaba BABA during 2015's third quarter. Alibaba and poor-performing biotech stocks figured into the fund's 8% loss during that three-month stretch, 2.7 percentage points worse than the index's.

Investors need a stomach for volatility to use this fund well. Its lofty fee hurdle also remains a perennial challenge. On the whole, though, Kelly and Crawford have shown they can compensate long-term investors for its risks.

Process Pillar: Positive

Lead manager Patrick Kelly's skilled use of Alger's firmwide approach to growth investing merits a Positive Process Rating. Like his colleagues, Kelly looks for companies that are poised for growth in one of two stages. Some have high unit volume growth leading to increased product demand and market share, like search-engine giant Alphabet GOOG. Others undergo positive life cycle changes, such as benefiting from new management or product advancements. Apple AAPL, with its series of innovative iPhone, iPad, and Apple Pay launches, is an example.

Kelly taps Alger's sizable team of analysts to find growing firms within their respective sectors. The analysts come up with one-, three-, and five-year target prices for each firm, modeling earnings and cash flows over five years. Kelly ultimately picks the stocks that he thinks have the most upside potential relative to their price targets and is willing to deviate from the Russell 1000 Growth Index's sector weightings. He monitors risk/reward tradeoffs and often trims positions after they come within 10% of their price targets, which is one reason for the portfolio's above-average, triple-digit annual turnover. Kelly is willing to pay up for growth, but the portfolio's average price multiples tend to be in line with and sometimes below the benchmark's and typical rival's, suggesting that he's not insensitive to valuation.

This portfolio looks less aggressive than in the past. Since June 2013, the fund's average market cap has been either in line with or higher than the Russell 1000 Growth Index's for the first time in manager Patrick Kelly's more than 10-year tenure. Sector bets also have generally become less pronounced, but they can still be sizable. As of December 2015, the fund's 36.2% stake in tech was 8 percentage points more than the benchmark's.

The portfolio is not tame in other ways. The fund's

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Negative

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-13.81	-0.34
2015	6.56	2.96
2014	13.50	3.51
2013	35.31	1.39
2012	18.27	2.93

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Alger Capital Appreciation Fund Class Z ACAZX

Analysis

top 10 holdings include meaningful overweightings in usual suspects Alphabet GOOG, Amazon.com AMZN, and Facebook FB, as Kelly is optimistic about the prospects for firms that can benefit from increases in Internet usage. Amazon and Facebook, though, have lofty valuations based on earnings. Kelly is also not averse to taking big relative bets on lesser known firms. Currently, the fund's 1.3% stake in Delphi Automotive DLPH is 6 times the index's weighting.

Although the fund's portfolio sits squarely in the large-growth section of the Morningstar Style Box, some holdings cross over into value. The fund's 1% stake in Molson Coors Brewing TAP, as of October 2015, is an example. As part of broader merger activity, the brewer recently announced that it plans to end its joint venture with SABMiller by fully acquiring MillerCoors in 2016. The resultant synergies between the businesses should help streamline operations.

Performance Pillar: Positive

A topnotch, albeit volatile, record under lead manager Patrick Kelly earns the fund a Positive Performance Pillar rating. His aggressive tactics tend to pay off in rallies. but can lead to significant losses in market declines. The fund posted top-decile calendar-year returns among large-growth peers in 2005-07, as well as in 2009's rebound, but fared worse than roughly four fifths of rivals in 2008. That year Kelly bought speculative fare like JA Solar JASO, which did not have positive cash flows, and he was too slow to sell amid the burgeoning credit crisis. Yet, even with the fund's poor bear-market showing, it maintains an impressive edge against rivals. Since Kelly took the helm in late September 2004, the fund's 12.2% annualized return through December 2015 beats the Russell 1000 Growth Index by 3.3 percentage points and earns the category's fifth spot, while Kelly's other charge, Alger Spectra SPECX, places first. That fund is more of an all-cap strategy and since September 2008 has also been able to short up to 10% of assets.

Since year-end 2009, performance has been more moderate but still strong. Over the past year through December 2015, the fund benefited from hefty healthcare and tech stakes, two of the better-performing sectors. Picks like current top-five holding Amazon.com AMZN also helped. The fund's top-third 6.3% gain edged past the index.

People Pillar: Positive

The fund's Positive People Pillar rating reflects lead manager Patrick Kelly's talent and experience. Since taking the helm here and at Alger Spectra SPECX in late September 2004, his first shot at portfolio management, Kelly has successfully executed the firm's aggressive approach. This fund and Spectra, its more flexible counterpart, have consistently been top performers in the large-growth category. In June 2015, the firm tapped Ankur Crawford to assist Kelly as comanager on both funds. She joined Alger around the time Kelly took over here. Crawford subsequently completed Alger's in-house training program, the same one Kelly went through in the late 1990s, and like Kelly worked initially as a tech analyst. She's been a portfolio manager on Alger Mid Cap Growth AMCGX and its clones since November 2010. They have not fared as well as Kelly's funds have during her tenure, but significant turnover among Crawford's comanagers make them an imperfect gauge of her abilities.

Kelly and Crawford draw support from roughly 30 analysts who divide coverage into nine teams based on global sectors and regions. About a third of the analysts have less than 10 years of industry experience while the rest have a decade or more.

Kelly and Crawford each invest $50,000-$100,000 in the Alger Capital Appreciation strategy. Kelly also invests over $1 million in Alger Spectra.

Parent Pillar: Neutral

Established in 1964 as a growth shop, privately held Fred Alger Management has overcome a great deal since the early 2000s. Its World Trade Center headquarters were decimated on 9/11, claiming the lives of most of the firm's investment staff, including David Alger, the founder's brother and manager of Alger Spectra SPECX, which Smart Money magazine praised as the most successful mutual fund of the 1990s. Alumni returned to help rebuild the firm, but soon afterward it was implicated in the market-timing and late-trading scandal of 2003. Alger settled those charges by 2007. With a bolstered compliance department, it has had a clean regulatory record since. Spectra has returned to prominence as it has consistently been a top-performing large-cap growth fund since manager Patrick Kelly took the helm in September 2004.

Kelly's Alger Capital Appreciation ALARX has also excelled, but the firm has had less success running other strategies. That could change, though, with the early 2015 addition of veteran small-cap manager Amy Zhang. She had a stellar record at her previous firm and is off to a good start at Alger using the same benchmark-agnostic, low-turnover strategy. While Zhang's addition is promising, Alger has room for improvement in other areas. Fees are above average, and overall manager investment is weak, as is that of independent board members. Only two of five invest in Alger funds.

Price Pillar: Negative

The fund's lofty fees merit a Negative Price Pillar rating. The A shares' 1.23% fiscal 2015 expense ratio, which applied to over half of the fund's asset base, was 6 basis points above the large-cap front-load peer median. That made them more expensive than about two thirds of those peers. At 0.90%, the Z shares of Alger Capital Appreciation ACAZX were more competitively priced, but their $500,000 minimum investment places them in the large-cap institutional fee level comparison group. As a result, even the Z shares have an Above Average Morningstar Fee Level.

Investors also face high trading costs due to the fund's triple-digit annual portfolio turnover. In fiscal 2015, brokerage fees of 0.20% of average net assets were well above the 0.06% category norm.

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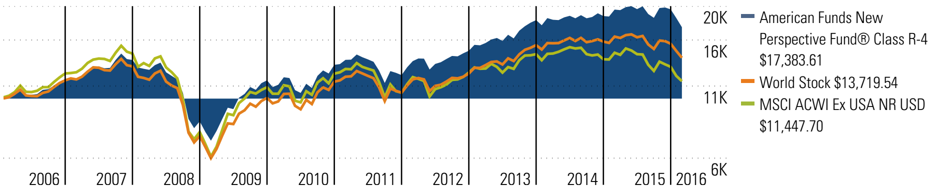
American Funds New Perspective Fund® Class R-4 RNPEX

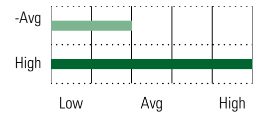
Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.99	↓-0.19 | -0.61	0.69	51.8	Open	$250	None	0.79%	★★★★★	World Stock	Large Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



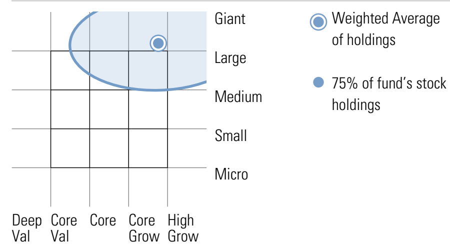
Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Investment Strategy

The investment seeks long-term growth of capital; future income is a secondary objective. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around the world. In pursuing its primary investment objective, it invests primarily in common stocks that the investment adviser believes have the potential for growth. In pursuing its secondary objective, the fund invests in common stocks of companies with the potential to pay dividends in the future.

Style Map

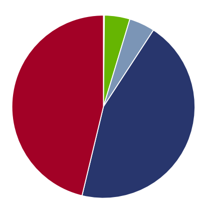


Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,710	9,329	9,123	11,419	12,981	17,325
Fund	-12.90	-6.71	-8.77	4.52	5.36	5.65
+/- MSCI ACWI Ex USA NR USD	-2.38	-2.20	7.97	7.78	7.08	4.39
+/- Category	-2.62	-2.05	3.65	2.09	2.02	2.34
% Rank in Cat	76	75	16	17	16	6
# of Funds in Cat	1,308	1,308	1,202	977	778	422

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	4.50
US Stock	44.55
Non US Stock	46.24
Bond	0.17
Other	4.54

Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Novo Nordisk A/S B	5.65	326.20 BASE	6.46 ↑	275.90 - 415.00
Amazon.com Inc	4.71	497.09 BASE	3.12 ↑	365.65 - 696.44
⊕ Regeneron Pharmaceuticals Inc	2.30	372.95 BASE	1.97 ↑	350.26 - 605.93
Microsoft Corp	2.27	50.03 BASE	1.52 ↑	39.72 - 56.85
⊕ Naspers Ltd Class N	1.60	— BASE	2.25 ↑	152,198.00 - 227,000.00
% Assets in Top 5 Holdings	16.53			

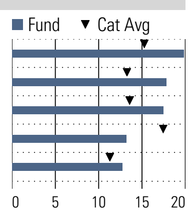
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

	Start Date
Robert W. Lovelace	12-01-2000
Jonathan Knowles	12-01-2004
Brady L. Enright	12-01-2005
Joanna F. Jonsson	12-01-2005
Steven T. Watson	12-01-2005
Isabelle de Wismes	12-01-2007
Noriko H. Chen	04-30-2012

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	19.81	19.81	12.61	14.80
Consumer Cyclical	17.79	19.92	16.10	12.81
Healthcare	17.44	17.44	14.23	13.11
Financial Services	13.16	16.00	13.16	16.98
Consumer Defensive	12.72	12.72	11.32	10.83



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-23-2015	35.79	1.9500	0.0000	0.0000	0.2400	2.1900
12-26-2014	36.23	2.2900	0.0000	0.0000	0.2200	2.5100
12-26-2013	36.85	1.7500	0.0000	0.0000	0.3000	2.0500
12-26-2012	30.75	0.0000	0.0000	0.0000	0.3400	0.3400
12-27-2011	25.94	0.0000	0.0000	0.0000	0.2800	0.2800

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MORNINGSTAR®

American Funds New Perspective Fund® Class R-4 RNPEX

Analysis

A banner year and decade.
By Alec Lucas 1/7/2016

American Funds New Perspective's consistency confirms its Morningstar Analyst Rating of Gold.

Outperformance has been the norm here. Amid considerable turbulence, the fund's 5.3% one-year gain through December 2015 beat the MSCI All Country World Index by 7.7 percentage points and landed in the world-stock Morningstar Category's top decile. Although that marks the fund's best calendar-year category showing during the past decade, the fund has placed in the peer group's top half in each of the past 10 years, which includes 2008's bear market as well as rallies in 2009, 2012, and 2013.

Focusing on multinational blue chips and treading carefully in emerging markets has helped the fund to achieve this record. The fund's managers seek growth across the globe but buy when it is mispriced or misunderstood, often hanging on through subsequent rough patches. They built most of their stake in current top holding Novo Nordisk in mid-2009 and held fast in 2014 when its share price stalled as the market worried about a product delay and generic-drug competition. The fund thus benefited when Novo's shares shot up 55% in 2015. Its second biggest position, Amazon.com AMZN, followed a similar storyline.

The fund benefits from experienced leadership. Even with the June 2015 retirement of Gregg Ireland, who had managed here since the early 1990s, the seven-person team is packed with veterans. Each manager has at least two decades of industry experience and has spent the majority of that time at Capital.

The firm's multimanager system is another plus. Each manager oversees a separate sleeve of the portfolio in line with his or her own style. Jonathan Knowles, for example, runs a very top-heavy portfolio of about 30 stocks with high returns on equity, while Steven Watson can be quite contrarian in his more diffuse portfolio of 50-60 stocks. The combination of varied sleeves mutes volatility for the fund as a whole and helps it to fare well in different market conditions.

The fund's next decade may not top its prior one, but its strategy and team breed confidence.

Process Pillar: Positive

The fund's singular focus combined with its willingness to adapt merit a Positive Process Pillar rating. Since its March 1973 inception, the fund has sought to invest in firms poised to benefit from changing global trade patterns. While that mission has endured, the fund's methods have evolved with the market. In its early days, the investable universe consisted largely of the constituents of the MSCI World Index, the fund's longtime benchmark. As the global opportunity set broadened to include developing markets, the fund began investing there, too, and in October 2011 changed its benchmark to the MSCI All Country World Index. The fund can now invest in firms located anywhere in the world as long as they receive at least 25% of their revenues from outside their home region and have at least a $5 billion market cap at time of purchase. Although those requirements lend themselves to a continued emphasis on developed-markets blue chips, the fund has laid the foundation for increasing its emerging-markets exposure beyond its mid- to upper-single-digit historical norm.

American's multimanager approach lets the managers play to their strengths. With distinct styles, they can invest in their best ideas or hold cash and wait for compelling opportunities. Meanwhile, the combination of separately managed sleeves mutes the overall fund's volatility. Only high turnover is frowned upon.

Sector and geographic allocations in the fund's roughly 200-stock portfolio are largely a byproduct of its managers' bottom-up analysis. The fund's balance of domestic and foreign stocks also shifts based on where the managers see the best opportunities. Its helping of U.S. stocks has ranged from more than half to less than a fourth of assets during the past three decades and stood at 48.1% in

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-12.90	-2.62
2015	5.30	6.99
2014	3.18	0.39
2013	26.79	1.60
2012	20.77	4.93

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American Funds New Perspective Fund® Class R-4 RNPEX

Analysis

September 2015, up from less than 30.0% near the U.S. market's 2007 peak.

The fund's managers seek growth across the globe but buy when it is mispriced or misunderstood. They built most of their stake in current top holding Novo Nordisk in mid-2009 and held fast in 2014 when its share price stalled as the market worried about a product delay and generic-drug competition. This fund's idea of contrarianism also includes companies with defensible economic moats in industries where they have been hard to sustain. It owns more consumer discretionary stocks, such as Burberry Group BRBY, than it has in recent history, partly to benefit from brand appeal to the emerging markets' growing middle class.

The fund doesn't get carried away, either. The team is optimistic about tech but still has reduced that weighting from more than 20.0% of assets in 2007 to 16.5% as of late 2015 to focus on what the managers think will be the few big long-term winners, though it remains one of the fund's larger sector weightings.

Performance Pillar: Positive

Consistent outperformance earns the fund a Positive Performance Pillar rating. Its trailing returns for the three- to 15-year periods through December 2015 all rank in the world-stock category's top quintile or better. It has finished in the top half of the peer group in every single one of the past 10 calendar years. Since its 1973 inception and over longest-tenured manager Robert Lovelace's 15-plus years, it has trounced its typical category rival and the MSCI All-Country World Index; the results are similar if you compare the fund with its former benchmark, the MSCI World Index.

The fund has amassed this record without incurring more volatility than its average peer or index. In fact, its Morningstar Risk ratings are below average for the trailing three-, five-, and 10-year periods through December 2015. It also has captured 105% of the MSCI All Country World Index's upside and 92% of its downside since Lovelace joined the fund in December 2000.

The fund's focus on multinational blue chips has seldom hurt shareholders. In its 40-plus calendar years, the fund has lost money in only seven (1974, 1990, 2000-02, 2008, 2011). In each of those years the fund lost significantly less than the benchmark, with the exception of 2011. Even then, the fund held its own during 2011's peak-to-trough plunge but lagged in the subsequent rebound and lost 7.6% for the year, versus the index's 5.5% drop.

People Pillar: Positive

American Funds' multimanager approach helps to handle this fund's $60 billion asset base, the world-stock category's second largest. The fund's Positive People Pillar rating reflects its systemic strengths as well as the managers' experience, ability, and aligned interests.

Capital Group, the parent of American Funds, divides these assets between international management teams from subsidiaries Capital International Investors and Capital World Investors. Longest-tenured manager Robert Lovelace heads up the fund as a whole and CII's team, which also includes Noriko Chen, while Joanna Jonsson oversees CWI's team, which is composed of Jonathan Knowles, Brady Enright, Steven Watson, and Isabelle de Wismes. Each of the managers, based in the U.S., England, and Asia, oversees a separate sleeve of the portfolio, with Lovelace and Jonsson helping to ensure that their investing styles complement one another. For example, Knowles runs a very top-heavy portfolio of about 30 stocks with high returns on equity, while Watson sticks largely to value names in a more diffuse portfolio of 50-60 stocks. They're a veteran group. Each manager has been in the industry for at least two decades. The CII and CWI teams are both supported by about 40 analysts, with each analyst group also responsible for its own slice of the portfolio.

Each manager has at least $100,000 in the fund, with three investing more than $1 million.

Parent Pillar: Positive

Capital Group and its subsidiaries, including American Funds, remain among the industry's strongest stewards of investors' capital. The firm boasts experienced and long-tenured investment teams, which have the incentives in place to do right by investors, as well as funds with generally strong long-term track records that are offered at attractive prices. The firm readily earns its Positive Parent rating.

That care and performance have won Capital Group both investors and assets, and the firm is among the world's largest asset managers. Staying on top isn't a forgone conclusion, so the firm has been active in recent years trying to maintain its position. For example, relatively new goals-based funds have helped stem six years of outflows. Expanding its salesforce around the world has also helped, including growing its U.S. wholesaling force by almost a third to 150-strong.

Despite growth in the sales group, investment personnel remain firmly in control of Capital Group's strategic direction. That's apparent in the intensity of resources committed to evolving the firm's signature multimanager system to work better amid a changing fixed-income market. Recent market turbulence suggests the firm's modest goals--for fixed income to be a source of ballast rather than growth--are achievable. Still, investors should follow in the steps of the firm's management team and take the long view to decide how well the changes work.

Price Pillar: Positive

This fund is one of the cheapest broker-sold options in the world-stock category, and it looks affordable when compared with no-load funds, too. The A shares, which hold more than half of the fund's assets, charged a 0.75% expense ratio in fiscal 2015. That was 60 basis points below the world-stock, front-load peer median and ranked in that group's cheapest percentile. Plus, 14 of the fund's 16 other share classes sported bottom-quintile expense ratios versus similarly distributed rivals, while the two exceptions (together accounting for 1% of assets) had below-average price tags.

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American Funds New Perspective Fund® Class R-4 RNPEX

Analysis

Trading costs across all share classes were also comparatively minuscule. Brokerage fees of 0.04% of average net assets in fiscal 2015 fell far below the category norm of 0.24%.

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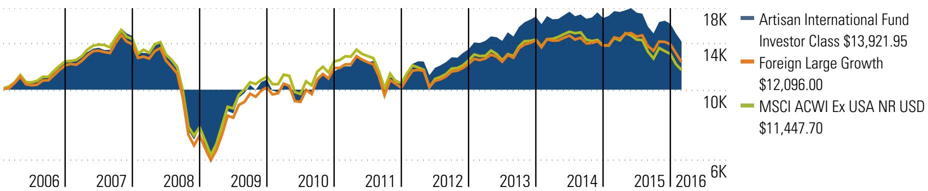
Artisan International Fund Investor Class ARTIX

Morningstar Analyst Rating
Silver

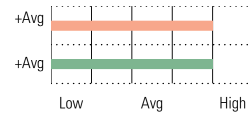
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
25.38	↓-0.08 | -0.31	0.48	18.2	Limited	$1,000	None	1.17%	★★★	Foreign Large Growth	Large Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (323) +Avg
Return vs. Category (323) +Avg



Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Negative
Rating	Silver

Investment Strategy

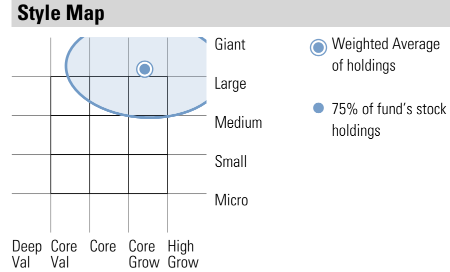
The investment seeks maximum long-term capital growth. The fund invests primarily in developed markets but also may invest up to 35% of the fund's total assets at market value at the time of purchase in emerging and less developed markets. Under normal market conditions, the fund is substantially fully invested in common stocks and similar securities, and invests at least 65% of its net assets at market value at the time of purchase in securities of non-U.S. companies.

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,849	9,442	8,421	10,195	11,898	13,750
Fund	-11.51	-5.58	-15.79	0.65	3.54	3.24
+/- MSCI ACWI Ex USA NR USD	-0.99	-1.06	0.94	3.90	5.26	1.98
+/- Category	-0.01	-0.04	-3.91	0.94	2.64	1.08
% Rank in Cat	48	49	92	32	12	21
# of Funds in Cat	378	378	361	320	286	191

* Currency is displayed in BASE

Style Map

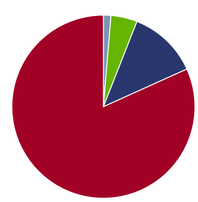


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Medtronic PLC	4.98	75.20 BASE	2.97 ↑	55.54 - 79.50
⊖ Bayer AG	4.34	94.85 BASE	1.80 ↑	92.35 - 146.45
⊖ Baidu Inc ADR	3.85	147.73 BASE	4.92 ↑	100.00 - 223.95
⊖ AIA Group Ltd	3.63	39.40 BASE	-1.25 ↓	37.10 - 58.20
⊕ Nestle SA	2.94	72.85 BASE	1.60 ↑	65.70 - 77.00
% Assets in Top 5 Holdings	19.73			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

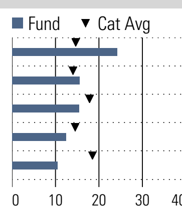
Asset Allocation



Asset Class	% Net
Cash	4.65
US Stock	12.28
Non US Stock	81.75
Bond	0.00
Other	1.32

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Healthcare	24.13	24.13	12.59	13.74
Technology	15.58	15.58	6.72	13.11
Consumer Cyclical	15.41	15.41	10.57	16.91
Consumer Defensive	12.46	18.33	11.05	13.61
Financial Services	10.45	11.66	8.74	17.59



Management

	Start Date
Mark L. Yockey	12-28-1995
Andrew J. Euretig	02-01-2012
Charles-Henri Hamker	02-01-2012

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
11-19-2015	29.32	0.0000	0.0000	0.0000	0.1300	0.1300
11-19-2014	30.46	0.0000	0.0000	0.0000	0.2300	0.2300
11-21-2013	29.49	0.0000	0.0000	0.0000	0.2900	0.2900
12-19-2012	24.60	0.0000	0.0000	0.0000	0.2700	0.2700
12-15-2011	19.02	0.0000	0.0000	0.0000	0.2800	0.2800

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MORNINGSTAR®

Artisan International Fund Investor Class ARTIX

Analysis

Going its own way has served this fund well.
By Greg Carlson 7/22/2015

Artisan International's risks have lately come to the fore, but its veteran leader and proven approach merit a Morningstar Analyst Rating of Silver. This fund beat at least 80% of its foreign large-growth Morningstar Category peers, as well as both the MSCI EAFE and the MSCI ACWI ex-US indexes, for four consecutive calendar years, but it now resides near the bottom of its category for the year to date through July 16, 2015.

The fund's recent success, as well as its lagging returns thus far in 2015, both owe to the willingness of lead manager Mark Yockey and his team to diverge from the pack. They invest in a mix of steady growers, faster-growing fare, and turnaround plays; country and sector weightings are a fallout of the stock-selection process. One recent outcome has been an above-average stake in China—9.4% of assets at the end of March, double the category norm. Although that market has been hit-or-miss in recent years, this fund's China picks have generally thrived. It's been a different story in 2015, though, especially as that market has lately tanked. Internet search firm Baidu BIDU, the top holding, lost 17% through July 16, and while Internet content firm Tencent gained 37%, that position is half the size of Baidu. Well down the holdings list, industrial conglomerate Beijing Enterprises lost 1% and online marketplace Alibaba BABA lost 22%.

While the fund has had similarly off years in the past, it's generated superb returns over the whole of Yockey's tenure here since the fund's 1995 launch and since stocks' October 2007 peak. He's backed by a sizable team that includes comanagers Charles-Henri Hamker and Andrew Euretig. The team also manages the closed Gold-rated Artisan International Small Cap ARTJX.

The team ran a total of $32 billion in this strategy at the end of June 2015, which limits its ability to take significant stakes in individual mid-cap stocks (in which the fund often held a double-digit stake through the early 2000s). But the portfolio has shown no signs of asset bloat such as an increase in holdings or tight correlations with benchmarks.

Process Pillar: Positive

Lead manager Mark Yockey is a growth investor at heart. But he's always spread the fund's assets among faster-growing, somewhat pricey companies; higher-quality stable growers; and value plays, although the weightings of those three groups have shifted over time. The stable growers have lately played a bigger role at times, which helps explain why the fund resided in the foreign large-blend category from 2010 to 2013 before moving back to foreign large-growth. Yockey invests loosely along themes, and the fund has always had somewhat of an independent streak; regional and sector weightings often stray significantly from the norm, and emerging-markets exposure has swung from minimal to 20% of assets over time. Thus, returns have been less correlated to the MSCI EAFE and the MSCI World ex USA indexes than those of the typical foreign large-blend or foreign large-growth fund.

The fund typically holds 70-100 stocks; the number depends in part on how many compelling stocks Yockey finds, but the portfolio also became more diffuse in the mid-2000s when assets in the strategy exceeded $25 billion. Strategy assets reached $32 billion at the end of June 2015, but the portfolio remained somewhat compact at 67 stocks.

Yockey trades around positions at times but will hold on to solid picks for years. Portfolio turnover typically runs from 50% to 85%.

The fund owns a bigger slug of large-cap stocks than usual, and its average market cap significantly exceeded both that of its MSCI EAFE benchmark and the foreign large-growth norm at the end of March 2015. Yockey has generally found better values among large caps lately, particularly in the health-care sector: Behemoths such as drugmaker Bayer BAYN of Germany, U.S. device firm Medtronic MDT, and Swiss drugmaker Roche ROG are among the fund's top 25 holdings. (The fund's

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Negative

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-11.51	-0.01
2015	-3.85	-4.81
2014	-0.97	2.96
2013	25.18	6.60
2012	25.39	7.69

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Artisan International Fund Investor Class ARTIX

Analysis

overall stake in that sector was 19% of assets, well above the 12% category norm.) Other stocks near the top of the portfolio with very large market caps included top holding Chinese Internet search firm Baidu, beverage maker Anheuser Busch Inbev ABI, and food giant Nestle NESN of Switzerland.

Yockey may also have a difficult time these days taking a significant stake in a mid-cap stock; the team ran a total of $33 billion in the strategy at the end of May owing to a combination of appreciation and increased inflows. (The fund took in a net $3 billion in 2014.) Yockey says he's keeping an eye on capacity but isn't very concerned because of increased liquidity among foreign stocks in recent years. Artisan also has a long track record of closing its funds to preserve flexibility. But the fund's large-cap-heavy profile could hold it back if smaller fare outperforms.

Performance Pillar: Positive

This fund has come back with a vengeance. It posted a spectacular run of performance in the late 1990s as manager Mark Yockey played the runup in tech, media, and telecom quite well. In the 2000s, the fund's returns weren't nearly as impressive (on either an absolute or relative basis), but it still turned in respectable performance. More recently, the fund has delivered superior results. It finished in the foreign large-blend category's top 5% in both 2011 and 2012, and in its top decile in 2013. The fund surpassed 80% of foreign large-growth funds (its new category) in 2014 (though it's in the category's bottom decile thus far in 2015).

From stocks' October 2007 peak through June 2015 (arguably a full market cycle), the fund outpaced its MSCI EAFE benchmark, the MSCI All Country ex USA Index, and the growth-oriented versions of those indexes by at least 1.6% annualized. The fund has often landed in the foreign large-growth category, though it moved to foreign large-blend from 2010 to 2013.

The fund's returns also look stellar across Yockey's complete tenure. From its late 1995 inception through June 2015, the fund has crushed the foreign large-growth and foreign large-blend norms by 3.6 and 4.0 percentage points annualized, respectively. Although its returns have been volatile at times, the fund has outpaced all other foreign large-growth funds on a risk-adjusted basis.

People Pillar: Positive

Although this team lost a veteran in early 2013, it remains quite proven.

Mark Yockey has managed this fund since its December 1995 inception. He's also run Artisan International Small Cap, Artisan Global Equity ARTHX, and Artisan Global Small Cap ARTWX since their respective 2001, 2010, and 2013 inceptions. Before Artisan, he managed Waddell & Reed International Growth UNCGX for six years. All his charges boast fine results.

Andrew Euretig was named an associate manager here in February 2012 and a comanager in January 2013. He has comanaged Artisan Global Equity since January 2013. He joined the team in 2005 and covers industrials. Charles-Henri Hamker was named an associate manager of this fund and Artisan International Small Cap in February 2012. In January 2013, he became a comanager of the latter fund and Artisan Global Equity, and a comanager of Artisan Global Small Cap when it launched in July 2013. He joined the team in 2000.

The trio is supported by nine analysts and nine associate analysts. On average, the senior analysts have 17 years of investment-industry experience.

Barry Dargan, a former MFS manager, comanaged Artisan Global Equity from its inception through January 2013 before leaving the firm. No team members besides Yockey have significant portfolio management experience.

Parent Pillar: Positive

Artisan hires proven or very promising managers and allows them to build and run their teams with a large degree of autonomy. Four of Artisan's teams employ investment strategies that are well-executed and have performed strongly over longer-term periods. The firm's emerging-markets team has generated mediocre results in its 8.5-year tenure, and two teams have launched since only early 2014. The firm tends to close funds to preserve their flexibility and increase the chances that they will continue to outperform. Indeed, seven of the firm's 15 funds are currently closed to new investors. The firm also has a clean regulatory history.

Artisan's board generally does a fine job, but the board could push the advisor to pass on economies of scale through a more aggressive negotiation of fees or management-fee breakpoints. Some of the firm's funds aren't priced well for their size.

On a more positive note, all but two of the Artisan funds have at least one manager with more than $1 million invested in fund shares and seven have at least two managers who invest that heavily in their funds. That's the highest level of manager investment disclosed to the SEC and an industry best-practice.

The firm went public in March 2013. While this move could pressure management into keeping popular funds open to boost revenue, it has thus far continued to close them. Also, its executives retain tight control of the firm.

Price Pillar: Negative

The 1.17% expense ratio of this fund's Investor shares, which hold 66% of the assets, earns a Morningstar Fee Level of Above Average. The Institutional shares hold most of the remaining assets, charge 0.95%, and earn an Average. The fund's newly launched Advisor shares hold just 2% of the assets.

With assets of $20 billion, the fund is bigger than 95% of its foreign large-growth peers, and its expenses should be lower.

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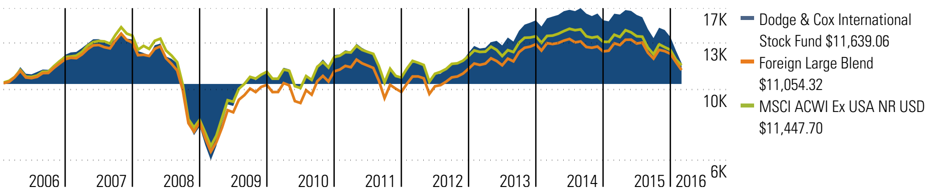
Dodge & Cox International Stock Fund DODFX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.24	-0.74 | -2.39	2.54	51.6	Limited	$2,500	None	0.64%	★★	Foreign Large Blend	Large Value

Growth of 10,000 02-09-2006 - 02-09-2016



Investment Strategy

The investment seeks long-term growth of principal and income. The fund invests primarily in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different countries, including emerging market countries. It will invest at least 80% of its total assets in equity securities of non-U.S. companies. The fund typically invests in medium-to-large well established companies based on standards of the applicable market. It may enter into forward currency contracts or currency futures contracts to hedge foreign currency exposure.

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,289	9,046	7,281	8,896	9,137	11,566
Fund	-17.11	-9.54	-27.19	-3.82	-1.79	1.47
+/- MSCI ACWI Ex USA NR USD	-6.59	-5.03	-10.46	-0.57	-0.07	0.21
+/- Category	-5.97	-4.34	-13.22	-2.48	-1.26	0.38
% Rank in Cat	99	97	99	90	83	33
# of Funds in Cat	890	891	779	688	601	344

* Currency is displayed in BASE

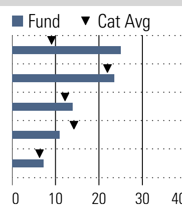
Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Naspers Ltd Class N	4.21	— BASE	2.25 ↑	152,198.00 - 227,000.00
⊕ Samsung Electronics Co Ltd	3.80	— BASE	0.69 ↑	1,033,000.00 - 1,510,000.00
⊖ Sanofi SA	3.74	68.71 BASE	-0.33 ↓	67.24 - 101.10
Schlumberger Ltd	3.40	68.42 BASE	0.99 ↑	59.60 - 95.13
⊖ Roche Holding AG	3.36	243.10 BASE	1.25 ↑	238.40 - 280.00
% Assets in Top 5 Holdings	18.49			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	25.02	25.73	25.02	8.18
Financial Services	23.49	25.53	22.49	21.04
Healthcare	13.91	15.76	13.91	11.28
Consumer Cyclical	10.89	10.89	5.91	13.32
Communication Services	7.23	8.57	7.11	5.41

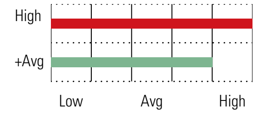


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-21-2015	36.10	0.0000	0.0000	0.0000	0.8400	0.8400
12-19-2014	42.41	0.0000	0.0000	0.0000	0.9700	0.9700
12-19-2013	41.83	0.0000	0.0000	0.0000	0.6900	0.6900
12-19-2012	34.54	0.0000	0.0000	0.0000	0.7500	0.7500
12-20-2011	28.93	0.0000	0.0000	0.0000	0.7600	0.7600

3 Year Average Morningstar Risk Measures

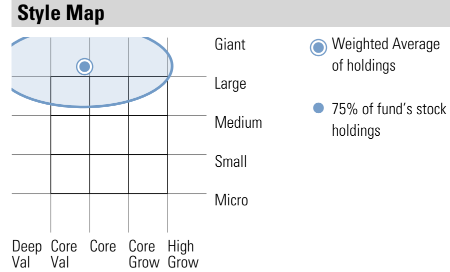
Risk vs. Category (701) High
Return vs. Category (701) +Avg



Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	0.17	0.06	0.23	0.00	4.27
US Stock	10.13	0.00	10.13	0.34	2.03
Non US Stock	86.16	0.00	86.16	99.43	94.35
Bond	0.00	0.00	0.00	0.00	-0.92
Other	3.54	0.00	3.54	0.23	0.27

Management

	Start Date
C. Bryan Cameron	05-01-2001
Gregory R. Serrurier	05-01-2001
Diana S. Strandberg	05-01-2001
Mario C. DiPrisco	01-01-2004
Roger G. Kuo	05-01-2006
Keiko Horkan	05-01-2007
Charles F. Pohl	05-01-2007
Richard T. Callister	05-01-2012
Englebert T. Bangayan	02-28-2015

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MORNINGSTAR®

Dodge & Cox International Stock Fund DODFX

Analysis

A tough year for this longtime standout.
By Gregg Wolper 1/15/2016

Dodge & Cox International Stock's boldness has stung lately, but over the long term it should pay off as it has in the past.

The year 2015 was painful for this fund. Its 11.4% loss lagged 98% of the foreign large-blend Morningstar Category, landing nearly 10 percentage points behind the group average. That's quite out of character for this offering. More often than not, it has outperformed its peers since its 2001 inception, and when it does lag--which can certainly happen, given its contrarian style--it hasn't fallen short by such a wide margin.

The reasons aren't hard to find. This fund's managers have favored companies in emerging markets for a long time, believing that the faster growth rates in emerging markets justify that stance. In 2015, investors soured on emerging markets--and emerging-markets currencies--almost across the board. With roughly 24% of assets in emerging markets, triple the category average, this fund suffered the effects. (Although some emerging-markets holdings performed well, such as Naspers, the top holding entering 2015.) In addition, Standard Chartered STAN (based in Britain but with most of its business in emerging markets) fell sharply, plagued by doubts about its business model. (The managers added to some of these emerging-markets stocks, following their contrarian approach, which didn't help in the short term.) Another top-10 name, longtime holding Hewlett-Packard HPQ, also hurt, but that controversial name has paid off in the past. Meanwhile, the fund was underweight in the consumer staples sector, which held up well; the managers have long considered the choices there too costly.

Although 2015's showing is disappointing, there's good reason to have confidence in this fund's future. Management remains largely intact (Dodge & Cox said late last year that Greg Serrurier will retire in June after more than 30 years at the firm, but eight experienced managers remain and a veteran analyst could be promoted when the yearly assessments are done soon.) The fund's time-tested strategy remains intact, and its costs are low. That combination has paid off for a long time and should do so again.

Process Pillar: Positive

This fund essentially uses a standard value-investing approach but executes it with unusual dedication and patience. Its managers look for companies they consider undervalued versus their true long-range worth. That often leads them to very unpopular stocks, such as major pharmaceutical firms when concerns about the effects of health-care reform legislation and lackluster drug pipelines were rampant, or, more recently, European banks. They tend to stick with their holdings for years. (The turnover rate was just 14% in 2014.)

The managers invest mostly in large-cap stocks and use bottom-up, fundamental research to determine which to invest in. They don't align country or industry weightings with the indexes or with category averages. Broader macro views or other high-level factors play lesser roles, though the managers consider issues such as potential legislation. And one top-down opinion does influence the portfolio: The managers' conviction that faster growth rates in emerging markets will be a long-term phenomenon that merits consistently tilting the portfolio strongly in that direction.

This fund typically does not hedge its foreign-currency exposure into the U.S. dollar but will do so when the managers feel a currency's value has moved far out of its normal range. Even then, they move gradually, targeting only the currency that they think is out of line and usually hedging just part of that exposure.

There are few notable changes in this fund's Sept. 30, 2015, portfolio. In some ways, the fund looks like a staid representative of the foreign large-blend category. It's almost fully invested in stocks and owns no small caps and fewer mid-caps than the average. Its weighting in the big financial-services sector is similar to that of the MSCI ACWI ex

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-17.11	-5.97
2015	-11.35	-9.77
2014	0.08	5.06
2013	26.31	6.88
2012	21.03	2.74

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Dodge & Cox International Stock Fund DODFX

Analysis

USA Index.

But a look past those numbers shows vast distinctions. Many of those financials holdings focus on emerging markets rather than big European or Japanese banks, and the fund's overall emerging-markets stake, about 24% of assets, is roughly triple the category average. And other sector weightings differ markedly from the average. The fund has more than double the category and index weightings in technology and also has an overweighting in healthcare. Conversely, it is light in basic materials and consumer staples.

By and large, these positions reflect the managers' obsession with valuation; they like many consumer-staples firms, for example, but simply feel they're too expensive. Conversely, when emerging markets as a whole sank in 2013 and again in 2015, the managers boosted their already-large stake by buying a few new holdings and adding to existing holdings. In 2015's third quarter, for example, they added to Chinese Internet firm Baidu and Itau Unibanco and Petrobras in Brazil and added Hyundai as a new holding.

Performance Pillar: Positive

A rough ride in 2015 has dented this fund's record, but that subpar showing was not typical for this stellar offering.

After three straight years of impressive outperformance, the fund stumbled in 2015. It had hit the top quartile of the foreign large-blend category in 2012; it beat 92% of its peers in 2013; and it topped 91% of them in 2014 as its meager 0.1% gain was much better than the category average loss of 5.0%.

In 2015, its overweighting in emerging markets and some other issues proved harmful, as sentiment toward emerging markets soured and the fund's willingness to add to its stakes as prices fell deepened the damage, at least in the short term. And outside of companies based in emerging markets, top-10 holdings Hewlett-Packard and Standard Chartered fell especially hard. The fund lost 11.4%, landing in the 98th percentile. At year-end, the fund's three- and five-year rankings were both around the category's midpoint.

That's not the first time the fund has stumbled. In 2011, its outsized emerging-markets stake, and other issues such as Nokia NOK, took their toll in a rough year. However, the fund's 10-year return through 2015 lands in the top quartile, and from its 2001 launch through year-end, it crushed both the MSCI ACWI ex-U.S. Index and the category average. Its history instills confidence, but it shouldn't be considered a tame choice.

People Pillar: Positive

This team will have one change soon. After 30-plus years at Dodge & Cox, management team member Greg Serrurier will retire in June 2016. While that's worth noting, it's not a concern. The investment policy committee that runs this fund has eight other members, all of whom have been with the firm at least 13 years. Charles Pohl and Diana Strandberg, who have two of the longest tenures, also serve on the committees for Dodge & Cox Stock DODGX and Dodge & Cox Global DODWX. The firm says a veteran analyst could be promoted to the investment committee, but that's not required.

The analyst ranks are broad and deep. There are about 35 industry analysts and portfolio managers on the equity side, not including junior-level research analysts on two-year contracts. (There are another 24 managers and analysts on the fixed-income side.)

The firm stresses collaboration and teamwork. Managers and analysts frequently travel to visit companies, as well as to Washington, DC, to keep tabs on legislative developments, but San Francisco is the home base for the entire staff.

Nearly all of the analysts and managers have spent their entire careers at Dodge & Cox. Managers and analysts rarely leave for any reason besides retirement. The firm's five-year manager-retention rate is very high. They have good reason to stick around: Many managers are partners in the firm.

Parent Pillar: Positive

Dodge & Cox is an exemplary firm. CEO and president Dana Emery and chairman Charles Pohl are also lead members of the investment team and run both the firm and its funds with a long time horizon. The average fund manager tenure of more than 20 years is exceeded by few companies, and the firm's five-year manager-retention rate is 98%.

There are no stars here; each fund is run collaboratively by an investment policy committee. Ideas can come from any analyst but must survive extensive peer review. Although the funds have seen outflows in recent years, the firm has continued to build the investment team at a slow-and-steady clip. It totals roughly 60 managers and analysts, most of whom become partners.

Dodge & Cox has rolled out only six strategies since it first opened in 1931. The most recent is a global fixed-income offering that launched in May 2014; the firm developed its foreign-bond capabilities as a natural extension of its international-equity expertise. While the firm has eschewed marketing, it is among the largest mutual fund companies today. Asset growth can hinder execution, but management has proved willing in the past to safeguard its strategies by closing funds.

Managers are heavily invested in the funds and the firm and have ample incentive to serve shareholders, as evinced by low costs, clear communications, and a sober long-term approach.

Price Pillar: Positive

Dodge & Cox International Stock is one of the least-expensive actively managed foreign-stock funds. It has one share class, which doesn't carry a load; in 2014, its expense ratio was 0.64% for the fourth consecutive year.

A huge asset base--$57 billion in January 2016--helps keep costs down. However, Dodge & Cox starts funds out of the gate with low expenses by keeping management fees low. A modest management fee of 60 basis points is key to why this fund is unusually inexpensive compared against actively managed equity-fund portfolios in any cat-

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Dodge & Cox International Stock Fund DODFX

Analysis

egory.

The fund's consistently low turnover rate also helps keep down trading costs, which aren't included in the expense ratio. The annual turnover rate is typically in the low teens, well below the average for foreign large-cap funds.

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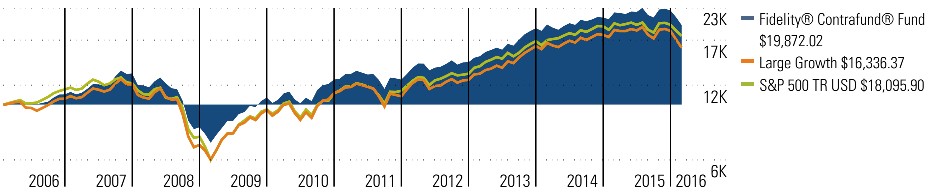
Fidelity® Contrafund® Fund FCNTX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
86.52	↑0.27 | 0.31	0.32	102.9	Open	$2,500	None	0.64%	★★★★★	Large Growth	Large Growth

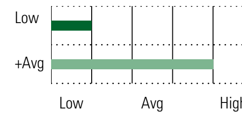
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1546) Low

Return vs. Category (1546) +Avg



Investment Strategy

The investment seeks capital appreciation. The fund normally invests primarily in common stocks. It invests in securities of companies whose value the advisor believes is not fully recognized by the public. The fund invests in domestic and foreign issuers. It invests in either "growth" stocks or "value" stocks or both. The fund uses fundamental analysis of factors such as each issuer's financial condition and industry position, as well as market and economic conditions to select investments.

Pillars

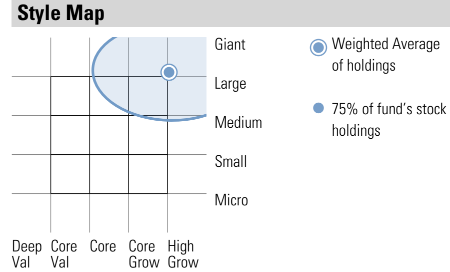
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,810	9,416	9,357	13,040	15,384	19,937
Fund	-11.90	-5.84	-6.43	9.25	9.00	7.14
+/- S&P 500 TR USD	-2.72	-2.35	1.13	0.13	-0.30	1.02
+/- Category	1.57	1.53	4.18	1.69	1.57	1.52
% Rank in Cat	32	31	11	25	19	14
# of Funds in Cat	1,752	1,752	1,656	1,524	1,307	920

* Currency is displayed in BASE

Style Map



Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Facebook Inc A	4.91	102.68 BASE	3.21 ↑	72.00 - 117.59
⊖ Berkshire Hathaway Inc A	4.21	— BASE	0.44 ↑	186,900.00 - 225,820.00
⊖ Wells Fargo & Co	3.34	46.58 BASE	0.26 ↑	45.35 - 58.76
⊕ Alphabet Inc A	3.29	715.43 BASE	2.11 ↑	529.00 - 810.35
⊖ Apple Inc	3.25	95.46 BASE	0.47 ↑	92.00 - 134.54
% Assets in Top 5 Holdings	19.00			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

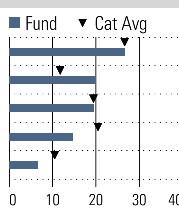
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	4.10	0.00	4.10	0.00	2.19
US Stock	86.98	0.00	86.98	99.29	91.06
Non US Stock	8.90	0.00	8.90	0.71	6.51
Bond	0.02	0.00	0.02	0.00	0.09
Other	0.00	0.00	0.00	0.00	0.15

Management

	Start Date
William Danoff	09-17-1990

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	26.76	26.76	23.06	25.72
Financial Services	19.64	21.50	19.64	10.83
Consumer Cyclical	19.54	19.54	14.68	18.51
Healthcare	14.75	18.98	11.63	19.56
Industrials	6.67	8.25	6.67	9.56



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
02-05-2016	88.14	0.6200	0.0000	0.0000	0.0100	0.6400
12-11-2015	97.64	4.0100	0.0000	0.0000	0.3100	4.3200
02-06-2015	97.92	0.9500	0.0000	0.0000	0.0000	0.9500
12-12-2014	96.19	5.9200	0.0000	0.0000	0.2500	6.1700
02-07-2014	94.21	0.9700	0.0000	0.0000	0.0000	0.9700

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MORNINGSTAR®

Fidelity® Contrafund® Fund FCNTX

Analysis

A 25-year success story.
By Katie Rushkewicz Reichart, CFA 7/27/2015

Under the capable leadership of a longtime manager, Fidelity Contrafund earns a Morningstar Analyst Rating of Silver. Will Danoff will hit his 25-year anniversary at the fund in September 2015, making him one of the longest-tenured and most successful large-growth managers in the industry. On his watch, the fund has gained 13.3% annualized through June, well ahead of the S&P 500 benchmark's 10.1% and the large-growth Morningstar Category's 9.6%. Risk-adjusted results are compelling as well.

Danoff looks for companies with good business models and improving earnings potential, placing much emphasis on company management. While that premise could define many large-growth competitors, the fund's process has been successful because of Danoff's execution. He's hands on, participating in many of the hundreds of company meetings that occur at Fidelity every year, but also relying on the firm's analysts to help keep tabs on the broad portfolio, which has more than 200 stocks.

Danoff has a good eye for picking companies that are on an upward trajectory, particularly in technology. He was an early investor in names that have gone on to be quite successful for the fund, such as Facebook FB. More recently, he's invested in some private companies that have given the fund a boost--notably ride-sharing service Uber, which has seen its valuation climb in the private market. Positions in private companies are barely a drop in the bucket for this fund, which sticks mostly to publicly traded firms, so liquidity risk is limited.

At $112 billion in assets, the fund is one of the biggest actively managed offerings out there. It's been big for awhile, and Danoff has responded by slowing turnover and investing in fewer small and mid-caps. Despite occasionally pedestrian results over short periods, its long-term track record remains intact. Even so, it's worth noting that Danoff's much smaller and more flexible charge, Fidelity Series Opportunistic Insights FVWSX (used exclusively in Fidelity's target-date series) has outperformed this fund since its 2012 inception, suggesting that size can be a headwind.

Process Pillar: ⊕ Positive

Will Danoff follows a typical growth strategy, looking for firms with improving earnings, but his execution sets the fund apart. He effectively weaves together his own analytical insights, gleaned from nearly 30 years at Fidelity, with research from 135 global analysts. As the biggest owner of many stocks, Danoff has unparalleled access to company management, helping him understand a business' growth drivers. Capacity has long been a risk, given that Danoff manages well over $100 billion across accounts. (In 2013, Fidelity named John Roth as comanager at Danoff's other charge, Fidelity Advisor New Insights FINSX, which in the past looked very similar to Contrafund but has started deviating to a greater extent.) Even so, Contrafund is the second-biggest actively managed large-cap fund and is often a top owner of its holdings, so its size does limit its flexibility.

Danoff has made tweaks to the process over the years to accommodate its growing size, including trading less often, owning fewer mid- and small-cap names, and maintaining a portfolio of 270-500 stocks. (The name count has trended downward recently as Danoff has focused on his best ideas.) These moves haven't affected long-term performance, which remains strong, but there's always the risk that the fund won't handle future asset growth as well (the fund has been closed in the past but is currently open and has experienced outflows in 2015).

Despite the fund's large asset base and portfolio of hundreds of names, it has avoided looking too marketlike. The fund has held as much as 20% in non-U.S. equities in the past, though its 9% non-U.S. stake as of May was on the low end of its normal range during the past decade. While the fund's size limits Danoff's ability to take meaningful positions throughout the portfolio, he doesn't shy away from making big bets where he can.

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-11.90	1.57
2015	6.46	2.86
2014	9.56	-0.44
2013	34.15	0.23
2012	16.26	0.92

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Fidelity® Contrafund® Fund FCNTX

Analysis

Google GOOG and Berkshire Hathaway BRK.A are long-standing bets in the portfolio, each at more than 4% of assets as of May. Facebook has become a top-five position based on Danoff's belief that it is a great franchise and has boosted recent performance. Technology remains the biggest sector weighting, at more than a fourth of assets, and is a sector where the fund has done well long-term. The fund benefited from a below-average stake in energy in 2015's first half. Danoff is cautious given how capital-intensive and competitive that sector is. The fund's 16% financials stake is above the large-growth norm (though similar to its S&P 500 benchmark). A new comanager at Danoff's other charge, Fidelity Advisor New Insights, has influenced Danoff to add turnaround picks that he previously avoided, including Bank of America BAC. Meanwhile, the fund has stakes in some private technology companies, including Uber, Pinterest, and Airbnb, though these are a small percentage of overall assets.

Performance Pillar: Positive

This fund has been a top large-growth offering under Will Danoff, who has managed it since September 1990. During his tenure through June 2015, the fund has gained 13.3% annualized to the S&P 500's 10.1%, the Russell 1000 Growth's 9.6%, and the large-growth category's 9.1%. Danoff's record is all the more impressive considering the huge sum of money he oversees, totaling well over $100 billion across vehicles. Undoubtedly, this fund is less flexible than the $6 billion Fidelity Series Opportunistic Insights used exclusively in Fidelity's target-date series, which he's led to even better results since its late-2012 inception through June.

This fund isn't extremely volatile for a growth offering. Danoff, who has run money long enough to witness a few major market blowups, has outperformed large-growth peers and the Russell 1000 Growth Index in down markets during his tenure, including in both bear markets of the 2000s. The fund's Morningstar Risk score, which penalizes downside deviations in returns, is low. Danoff prefers proven growers showing tangible signs of improving earnings to more-speculative fare, which means the fund can lag in certain market environments, such as 2009's rally. The fund's three- and five-year returns through June slightly lag the Russell 1000 Growth Index and are around the category's middle. However, the fund's strong long-term record remains intact and earns a Positive Performance rating.

People Pillar: Positive

Will Danoff has run this fund since September 1990. On his watch, Contrafund has been one of the top-performing large-growth funds, even as it has grown in size. While Danoff's years of experience and stock-picking abilities have given the fund an edge and support its Positive People rating, he also relies on Fidelity's global analyst staff of 135. The analysts' input is essential, as it would be difficult to effectively oversee a portfolio of 300-500 stocks himself. The analysts have incentives to relay their best ideas to him, as he commands well over $100 billion in assets across all his charges. But Danoff is actively involved in stock-specific research and carries around a thick notebook listing the tickers of companies he's met with.

Given Danoff's heavy asset load, capacity has been a long-standing concern. Fidelity has taken small steps to address that, naming John Roth as Danoff's comanager at the $29 billion Fidelity Advisor New Insights in September 2013. That won't take too much off Danoff's plate, as he recently started running Fidelity Series Opportunistic Insights ($6 billion in assets as of June), which is used exclusively in the target-date series. Roth may be viewed as the heir apparent here, given he was handpicked by Danoff, but the latter has announced no intention of retiring soon. Danoff has his financial interests aligned with shareholders', investing more than $1 million in both this fund and Fidelity Advisor New Insights.

Parent Pillar: Positive

Industry giant Fidelity is well resourced and remains an industry leader in technology, trading, and its brokerage platform. Its fixed-income division has been stable and features funds with strong long-term risk-adjusted records. The sprawling equity lineup hasn't always been as consistent beyond some of its most well-known managers. But the equity division has shown signs of stabilizing since the 2007-09 financial crisis. Performance and manager tenure have improved, and Fidelity has handled manager changes more carefully. The equity analyst team is now more experienced overall, and there's evidence that the build-out of the international-equity team has borne fruit. The effort to carve out value and equity-income teams should serve investors well.

Even so, the huge fund lineup leaves room for some mediocre funds. The firm also has much to prove with its revamped target-date funds, which have lost market share to competitors following weak performance and have since undergone management changes and process tweaks.

Still, Fidelity is headed in the right direction. The funds' boards and managers have made consistent performance and manager ownership a priority. The lineup remains reasonably priced. Improvements on the equity side are encouraging, and its fixed-income funds remain among the industry's best. Fidelity earns a Positive Parent rating.

Price Pillar: Positive

This fund has a performance fee, so its expense ratio can change based on how its three-year returns look relative to the S&P 500. (For every percentage point of out- or underperformance, the expense ratio is adjusted by 0.02%, up to a maximum of 0.20%.) The performance-based fee is in the interest of investors, who don't have to pay as much when the fund is underperforming. Without considering the performance adjustment, the fund's expense ratio is below average relative to similarly sold peers, so it receives a Positive Price rating. As of the December 2014 annual report, its 0.64% fee clocked in as low relative to peers. However, that's the lowest it's been in years; given the fund's strong performance, expenses have ranged from 0.64% to 1.01% during the past decade, a level that's hard to justify given the fund's huge asset base.

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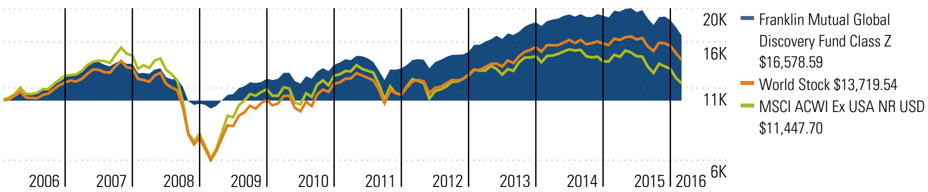
Franklin Mutual Global Discovery Fund Class Z MDISX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.06	↓-0.21 | -0.80	1.84	22.6	Open	$1,000	None	0.96%	★★★★	World Stock	Large Value

Growth of 10,000 02-09-2006 - 02-09-2016



Investment Strategy

The investment seeks capital appreciation. The fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). It invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The managers expect to invest substantially and potentially up to 100% of its assets in foreign securities.

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,879	9,377	8,491	10,726	12,013	16,512
Fund	-11.21	-6.23	-15.09	2.36	3.74	5.14
+/- MSCI ACWI Ex USA NR USD	-0.69	-1.71	1.65	5.62	5.46	3.88
+/- Category	-0.93	-1.56	-2.68	-0.07	0.40	1.84
% Rank in Cat	55	70	78	57	45	10
# of Funds in Cat	1,308	1,308	1,202	977	778	422

* Currency is displayed in BASE

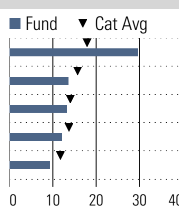
Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Microsoft Corp	2.76	49.98 BASE	1.42 ↑	39.72 - 56.85
Merck & Co Inc	2.08	49.98 BASE	1.59 ↑	45.69 - 61.70
Medtronic PLC	2.05	75.14 BASE	2.89 ↑	55.54 - 79.50
⊕ NN Group NV	1.87	27.70 BASE	4.59 ↑	23.37 - 33.60
ACE Ltd	1.87	111.62 BASE	1.00 ↑	94.35 - 134.49
% Assets in Top 5 Holdings	10.62			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	29.60	29.60	27.04	16.98
Technology	13.56	13.56	11.04	14.80
Healthcare	13.24	13.85	10.70	13.11
Consumer Cyclical	12.06	12.06	9.49	12.81
Consumer Defensive	9.31	12.22	9.31	10.83

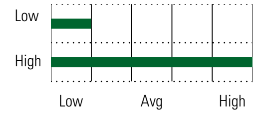


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-18-2015	28.78	1.6100	0.2700	0.0000	0.5200	2.4000
09-04-2015	31.31	0.3600	0.0000	0.0000	0.0400	0.4000
12-19-2014	33.33	1.2100	0.0000	0.0000	0.7900	2.0000
09-05-2014	35.96	0.1700	0.0000	0.0000	0.0300	0.2000
12-20-2013	33.14	1.3100	0.1900	0.0000	0.5400	2.0400

3 Year Average Morningstar Risk Measures

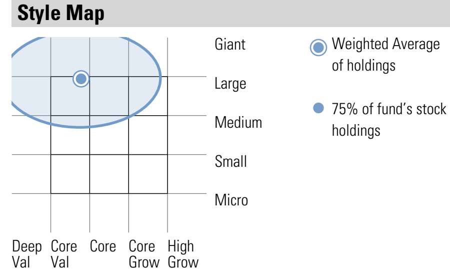
Risk vs. Category (987)
Return vs. Category (987)



Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	2.55	0.08	2.63	0.00	2.66
US Stock	47.65	0.21	47.86	53.11	49.76
Non US Stock	46.16	0.00	46.16	46.74	46.33
Bond	1.89	0.00	1.89	0.00	0.60
Other	1.75	0.00	1.75	0.15	0.65

Management

	Start Date
Philippe Brugere-Trelat	12-07-2009
Peter A. Langerman	12-07-2009
Timothy Rankin	12-31-2010

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Franklin Mutual Global Discovery Fund Class Z MDISX

Analysis

Still contrarian.
By Alec Lucas 5/1/2015

Franklin Mutual Global Discovery's homecoming has been done on the cheap.

The fund has made less use the past few years of its freedom to invest overseas. Its domestic equity weighting has steadily increased since mid-2010 from roughly a third of assets to half as of March 2015. Granted, that's in line with the world-stock Morningstar Category median and still falls short of the MSCI World Index's 57% U.S. weighting. But the shift looks curious for a fund with a deep-value strategy, given that U.S. stocks on average continue to trade at higher price multiples than their international developed-market counterparts.

However, the fund hasn't abandoned its appetite for bargains. Its trailing one-year average P/E of 17 is below the benchmark's 18.6 and ranks within the category's bottom third. Plus, spurred on by easy money policies, the European markets in which this fund likes to tread have shot up recently. The average one-year P/E of the MSCI Europe Index has surged from 15.7 in October 2014 to its current 19.6, versus 19.1 for the S&P 500. The fund also remains overweight in out-of-favor industries, like energy, and since year-end 2014 has added positions in U.S.-based oil and gas exploration and production firms Whiting Petroleum WLL and Anadarko Petroleum APC.

The portfolio's composition does not reflect any macro calls. Veteran lead manager Peter Langerman and his team build it from the bottom up, looking across asset classes for mispriced securities. While rooted in cheap stocks, the portfolio typically includes merger-arbitrage plays and distressed debt as well. Distressed debt currently accounts for about 5% of assets. The fund's value-tilted portfolio has helped it hold up well in down markets like 2011. Through April 2015, it has delivered superior risk-adjusted performance versus its benchmark and typical category peer since Langerman's second stint began at year-end 2009.

With its versatile mandate and seasoned leadership, the fund is a strong choice for contrarian investors. It earns a Morningstar Analyst Rating of Silver.

Process Pillar: Positive

Along with its Mutual Series siblings, this fund takes an integrated, fundamentals-based value approach. It's focused on cheap stocks, but also includes merger-arbitrage plays on announced acquisitions and distressed debt. While the managers pay attention to standard valuation metrics like price multiples, they concentrate on firms' enterprise values as a function of what each individual business line is worth. Their activity in merger-arbitrage helps them keep tabs on what informed buyers are willing to pay. Once they find companies whose securities are trading at a material discount to their estimate of intrinsic value, they look across the capital structure and invest where they see the best risk/reward opportunities. Positions often migrate across that structure. An initial stake in a bankrupt firm's senior collateralized debt can lead to buying its junior unsecured debt, as management becomes comfortable with its restructuring plan, or can lead to an exchange for equity once the reorganization takes place.

The managers court risk by investing in troubled firms, but their expertise combined with an insistence on an appropriate margin of safety provides some protection. They're also willing to wait years for theses to play out and readily go to cash if compelling alternatives are lacking. And they're quick to sell once securities reach their estimate of fair value.

Management aims to layer downside protection into the structure of the portfolio. It holds a diverse mix of roughly 130 equity and fixed-income securities. Cheap stocks and merger-arbitrage equity positions typically take up 80%-90% of the fund's assets, while the remainder is split largely between distressed debt and cash, as opportunity dictates. As of March 2015, the fund's equity stake stood at 85%, with 5% of assets in distressed debt. Since bankruptcy plays, whether liquidations or reorganizations, move according to the courts'

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-11.21	-0.93
2015	-3.36	-1.67
2014	5.33	2.54
2013	25.64	0.45
2012	13.65	-2.20

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Franklin Mutual Global Discovery Fund Class Z MDISX

Analysis

timing, they can reward investors independent of market movements. The use of index puts provides another buffer against loss.

The fund can invest all of its assets overseas and up to 25% in emerging markets. Foreign exposure peaked at 71% in 2007, 8% of which was in emerging markets (including South Korea and Taiwan). Since mid-2010, foreign exposure has trended downward. At 37%, it's nearly the lowest it's been since late 2008. Most of these stocks are multinationals like top-20 holding Royal Dutch Shell RDS.A. While the managers don't hedge its currency exposure for foreign holdings that do most of their business in U.S. dollars, like Shell, they do hedge the rest of their international currency exposure.

Cash was near 30% when the current team took over in late 2009. It quickly came down and has since ranged from roughly 5% to 15%.

Performance Pillar: Positive

By building a portfolio composed of cheap stocks, merger-arbitrage plays, and distressed debt, management aims to outperform on a risk-adjusted basis. Since lead manager Peter Langerman began his second stint here at year-end 2009, the fund has met that aim. Its 10.7% annualized gain from his start date through April 2015 beats the typical world-stock category rival by 1.2 percentage points. While the fund modestly lags the MSCI World Index's gross return over the same stretch, its Morningstar Risk-Adjusted Return is superior, thanks to volatility that is roughly one fourth less than the bogy's.

The fund's outperformance owes to holding up better than most in downturns while keeping pace in rallies. As concerns about sovereign debt weighed on world markets in 2011, the fund's 2.7% loss was good enough to land in the category's top quintile. A bottom-third 13.7% gain followed in 2012's rebound, but the fund subsequently fared better than its average rival in 2013 and had a top-quartile showing in 2014.

Management's policy of generally hedging foreign-currency exposure can hurt the fund when the U.S. dollar is weak and help when it's strong. The fund's 3% gain from July 2014 through February 2015 roughly tripled its typical rival's. While health-care picks like Hospira HSP were strong contributors, hedging also helped during that eight-month period as the trade-weighted U.S. Dollar Index shot up 20%.

People Pillar: Positive

This fund benefits from seasoned leadership. That's not necessarily clear from management's five-year average tenure, but that figure does not include the prior stints here of two of the fund's three managers nor the ample industry experience of all three. Lead manager Peter Langerman and comanager Philippe Brugere-Trelat both joined predecessor Heine Securities in the 1980s, while comanager Timothy Rankin joined the firm shortly after Franklin's 1996 acquisition. Beginning with Brugere-Trelat's departure prior to that acquisition, all three left the firm for periods ranging from three to 10 years but returned by mid-2010. Langerman previously managed here from 1993 to 1998 and returned in late December 2009, around when Brugere-Trelat also started. Rankin was a comanager here from July 2001 to late 2004 and returned at year-end 2010.

The managers are part of Franklin's Mutual Series team. Tracing its lineage back to pioneering value investor Max Heine and his protégé Michael Price, the team is currently composed of 15 portfolio managers and five analysts, who have been with the firm, or its predecessor, for 10-plus years on average. They divide coverage by global industry, region, and asset class. Brugere-Trelat, for example, focuses on European equities. He also leads Franklin Mutual European MEURX.

Langerman and Rankin each invest over $1 million in the fund and Brugere-Trelat at least $500,000.

Parent Pillar: Positive

Public since 1971 and traded on the New York Stock Exchange since 1986, Franklin Resources BEN is the parent company of Franklin Templeton Investments. Now a global asset manager with $866.5 billion in assets as of June 2015, the California-based firm has offices in more than 35 countries. That its assets are almost evenly split between fixed-income and equity strategies points to balance achieved through multiple acquisitions over the years, including major purchases in the 1990s of the Templeton and Mutual Series lineups.

The firm's "Ben Head" logo symbolizes what is in reality a diverse group of fund families. While they share back-office functions, the freedom to run their own strategies extends to hiring and training. This combination of support mixed with autonomy has led to above-average manager retention and investment as well as solid long-term performance, while keeping fees mostly in check. Credit goes to the Johnson family, whose members have led the firm since its 1947 founding, and an engaged board divided into three clusters.

To be sure, the firm's strengths have the potential to work against it. Steady leadership by the Johnsons concentrates power in the hands of a few, while managers' freedom can lead to risky bets in places like Ukraine and Puerto Rico. Overall, the firm's merits stand out, earning it a Positive Parent Pillar rating.

Price Pillar: Positive

This fund's legacy, no-load Z shares, which hold not quite half of the fund's $26 billion asset base, charged a 0.96% expense ratio in fiscal 2014. That was 7 basis points below the world-stock institutional peer median and ranked in that group's second-cheapest quintile. Each of the fund's four other share classes also sported Below Average Morningstar Fee Level ratings versus similarly distributed rivals. Compared with funds of a similar size, though, the fund looks somewhat pricey. Plus, its A shares' 12b-1 fee is 5 basis points above the norm.

Investors, however, benefit from modest trading costs across all share classes. Brokerage fees of 0.04% of average net assets in fiscal 2014 fell well below the category norm of 0.24%.

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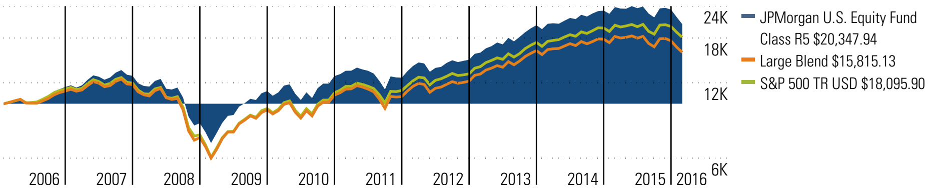
JPMorgan U.S. Equity Fund Class R5 JUSRX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
12.13	↓-0.01 | -0.08	1.19	11.6	Open	—	None	0.57%	★★★★	Large Blend	Large Growth

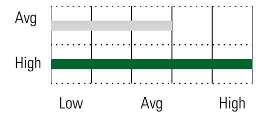
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1409) Avg

Return vs. Category (1409) High



Investment Strategy

The investment seeks to provide high total return from a portfolio of selected equity securities. Under normal circumstances, the fund invests at least 80% of its assets in equity securities of U.S. companies. "Assets" means net assets, plus the amount of borrowings for investment purposes. In implementing its strategy, the fund primarily invests in common stocks of large- and medium-capitalization U.S. companies, but it may also invest up to 20% of its assets in common stocks of foreign companies, including depositary receipts.

Pillars

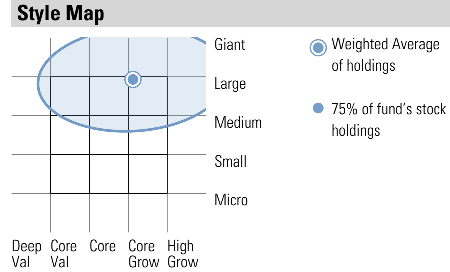
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,783	9,425	8,876	12,830	15,203	20,385
Fund	-12.17	-5.75	-11.24	8.66	8.74	7.38
+/- S&P 500 TR USD	-2.98	-2.26	-3.68	-0.46	-0.56	1.26
+/- Category	-2.37	-1.69	-0.82	1.70	1.29	2.22
% Rank in Cat	86	85	63	21	23	—
# of Funds in Cat	1,676	1,676	1,585	1,388	1,226	885

* Currency is displayed in BASE

Style Map

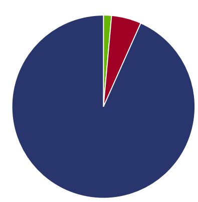


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Apple Inc	3.30	95.47 BASE	0.48 ↑	92.00 - 134.54
⊕ Microsoft Corp	3.29	49.99 BASE	1.44 ↑	39.72 - 56.85
⊖ Wells Fargo & Co	2.93	46.58 BASE	0.26 ↑	45.35 - 58.76
Lowe's Companies Inc	2.22	64.47 BASE	0.52 ↑	62.62 - 78.13
⊕ Alphabet Inc C	2.17	693.50 BASE	2.50 ↑	515.18 - 789.87
% Assets in Top 5 Holdings	13.90			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



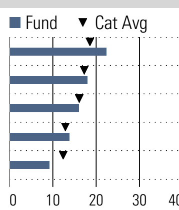
Asset Class	% Net
Cash	1.43
US Stock	93.31
Non US Stock	5.26
Bond	0.00
Other	0.00

Management

	Start Date
Thomas Luddy	02-21-2006
Susan Bao	01-01-2001
Helge Skibeli	07-29-2009
Scott Davis	08-18-2014

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	22.27	22.27	17.79	17.64
Financial Services	17.96	17.96	16.40	16.32
Healthcare	16.02	16.02	13.11	15.17
Consumer Cyclical	13.82	15.02	12.88	11.97
Industrials	9.14	10.60	9.14	11.46



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-21-2015	13.65	0.0000	0.0000	0.0000	0.0500	0.0500
12-11-2015	13.64	0.6000	0.0900	0.0000	0.0000	0.7000
09-28-2015	13.27	0.0000	0.0000	0.0000	0.0400	0.0400
06-26-2015	15.08	0.0000	0.0000	0.0000	0.0400	0.0400
03-27-2015	14.75	0.0000	0.0000	0.0000	0.0300	0.0300

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MORNINGSTAR®

JPMorgan U.S. Equity Fund Class R5 JUSRX

Analysis

A careful, consistent winner.
By Laura Lallos 7/22/2015

This reliable core holding merits an upgrade of its Morningstar Analyst Rating to Silver. Its record demonstrates that even a constrained benchmark-aware strategy can beat its index when skillfully applied by an experienced team.

The fund is designed to outperform incrementally without taking undue risk. Longtime managers Susan Bao and Tom Luddy run half the fund's assets, drawing on the research of JPMorgan's strong core analyst team using the firm's proprietary dividend discount model. Industry weightings stay within close range of the S&P 500, and positions in the 200-stock portfolio are rarely as much as 2 percentage points off the benchmark weightings. In August 2014, Scott Davis, a media and Internet analyst on the team since 2006, was added as a comanager and given 10% of assets. (While Luddy has no plans to retire soon, Davis is his intended successor.) Davis uses using the same strategy as Bao and Luddy, relying on the same analyst research. The analysts contribute significantly to stock-picking, and in mid-2009, a portion of the fund was turned over to them to run directly, under the lead of Helge Skibeli. This sector-neutral sleeve is now 40% of the fund.

The end result has been low tracking error relative to the S&P 500 and active share that has stayed close to 50% during the past decade. That may sound like a recipe for mediocrity, but the fund has consistently outperformed, thanks to solid stock-picking across the board. From January 2001 (Susan Bao's start date as comanager) through June 2015, its three-year rolling returns beat the S&P 500 70% of the time. Over the long term, the fund's Morningstar Risk ratings, which place greater emphasis on downside volatility, have been in line with the large-blend Morningstar Category average. That's what the strategy is designed to do: control risk, not minimize it.

Given the fund's carefully circumscribed strategy and long-tenured team, shareholders have reason to expect consistent performance going forward, particularly given its competitive expenses.

Process Pillar: ⊕ Positive

The benchmark-sensitive process aims to minimize sector and macroeconomic exposure relative to the S&P 500. The fund can deviate from market industry and stock weightings by 4 percentage points, but it generally stays within 2 points. It shows considerable correlation with the S&P 500, with an R-squared of about 98% over the long term. The strategy earns a Positive rating for Process because of what sets it apart: Consistently strong stock-picking built on an in-house dividend-discount model and a strong core analyst team.

The core of the portfolio, 50% of assets, is run by longtime managers Tom Luddy and Susan Bao. Scott Davis runs 10% of the portfolio using the same strategy. All three rely on the research of the firm's core analyst team. These industry analysts rank stocks within each industry based on estimated fair value; they use an in-house model incorporating long-term earnings, cash flow, and growth rate estimates. The managers incorporate these rankings into their stock-picking, expressing modest sector preferences based on their macroeconomic view.

The remaining 40% of the portfolio is run directly by the analysts, under the direction of Helge Skibeli. This portion is broadly sector-neutral relative to the S&P 500, though the analysts may express industry preferences within those sectors.

In keeping with a philosophy that stock-picking should drive performance, sector weightings remain close to the S&P 500. The differences highlight the role valuation plays in stock-picking. The fund has an underweighting in overvalued consumer staples, utilities, and REITs, as it has for several years. It does have a small overweighting in another more-defensive sector, health care. Names such as UnitedHealth Group UNH are also part of a "cheap yield" theme comprising growth-at-a-reasonable price names that may not pay high

Morningstar's Take

Morningstar Analyst Rating — Silver

Morningstar Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-12.17	-2.37
2015	0.84	1.91
2014	13.95	2.99
2013	36.07	4.57
2012	17.40	2.44

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JPMorgan U.S. Equity Fund Class R5 JUSRX

Analysis

dividends today but have strong promise on the upside, combined with some downside protection. This play includes Google GOOG and Time Warner TWX.

The fund continues a tilt toward consumer discretionary, but with significant distinctions: The managers prefer auto-related and transportation stocks and media names and are also playing the cyclical recovery in technology, particularly semiconductors, including Avago Technologies AVGO and Lam Research LRCX, both significant overweightings relative to the S&P 500 for this benchmark-conscious strategy. (Picks are generally within 2 percentage points of the S&P 500 weighting.)

Anticipating interest-rate normalization, the managers have been adding to financials, including high-quality bank Wells Fargo WFC, insurance company Marsh & McLennan MMC, and more recent addition Goldman Sachs GS.

Performance Pillar: Positive

A carefully circumscribed strategy has led to consistently strong performance, earning the fund a Positive for the Performance Pillar. Outperformance is generally attributable to stock-picking across the board. From January 2001 (Susan Bao's start date as comanager) through June 2015, the fund's rolling three-year returns land in the top half of the category more than 80% of the time and never in the bottom quartile. The fund's standard deviation was 15.8, a bit higher than the S&P 500's 15. Over the long term, the fund's Morningstar Risk ratings, which place greater emphasis on downside volatility, have been in line with the category average. That's what the strategy is designed to do: control risk, not minimize it.

The fund's three-year rolling returns have beaten its S&P 500 benchmark 70% of the time. Since January 2001, the fund's Institutional shares have returned an annualized 6.2% through June 30, 2015, versus 4.5% for the category and 5.5% for the the S&P 500. While the fund has had some manager changes on the edges in recent years, its shorter-term performance shows no ill effect. Over the trailing one-, three-, and five-year periods, the Institutional shares both rank in the top quintile of the category and beat the benchmark. Some of the more expensive share classes have lagged the benchmark but do rank competitively within the category.

People Pillar: Positive

An experienced team earns a Positive for the People Pillar. The core portfolio is run by Tom Luddy and Susan Bao, who together manage a number of JPMorgan's core large-cap U.S. equity vehicles. Luddy is the lead here; he joined the firm in 1976 and helped develop the stock-valuation model at the strategy's center. Bao has been with JPMorgan since 1997 and a comanager here since 2001. The two also run a 130/30 fund, JPMorgan US Large Cap Core Plus JLCAX, and Bao leads JPMorgan Tax Aware Equity JPDEX.

While Luddy has no plans to retire, succession planning has begun. Scott Davis, who started at JPMorgan in 2006 and was a media and Internet analyst on the team, took over 10% of the portfolio in August 2014. Davis uses the same strategy and has the same analyst support.

Comanager Helge Skibeli, who joined the firm in 1990, heads the core analyst team that has run a sleeve of the fund since July 2009, currently 40% of assets. The group currently includes 28 analysts averaging about a decade with the firm. (The health-care group is shorter-tenured, but the analysts have significant industry experience.)

From July 2010 through mid-August 2014, up to 20% of assets were split between large-cap growth and large-cap value sleeves overseen by other managers. The firm ended this practice to help keep the fund's overall profile within tight parameters.

Parent Pillar: Positive

J.P. Morgan Asset Management's U.S. fund business boasts a diverse lineup supported by a global investment team, and a distribution effort centered on education has built advisor trust. With more than $250 billion in assets toward the end of 2014, the firm ranks among the 10 largest U.S. mutual fund companies.

Many of the most popular funds are Morningstar Medalists, and a number are run by managers who have been at the helm for a decade or more. These include Doug Swanson of JPMorgan Core Bond WOBDX, Jonathon Simon of JPMorgan Mid Cap Value FLMVX, and Giri Devulapally of JPMorgan Large Cap Growth's SEEGX. The core U.S. equity team, supported by a large, long-tenured analyst team, is strong, and the SmartRetirement target-date series is another bright spot. The lineup overall earns an average of 3 stars but has been improving. One concern is whether JPMorgan Strategic Income Opportunities JSOSX, which quickly grew to be one of the largest funds, is adequately supported.

While growing aggressively, the shop has been sorting through weaker spots in a lineup that now numbers more than 120 funds. An experienced board of trustees has maintained strong oversight structure. Fees are competitive, manager investment in the funds has increased significantly, and equity manager bonuses now factor in 10-year performance where applicable, which exceeds industry standards.

Price Pillar: Positive

The fund easily earns a Positive Price rating. Most of its assets are in Institutional, Retirement, or Select shares. The Institutional shares, with a 0.64% expense ratio, have a Morningstar Fee Level of Below Average compared with other large-cap institutional shares. While the Select shares' 0.79% expense ratio ranks as Average compared with the same group, they are also available to retail investors through wrap accounts with certain advisors. The Retirement shares are Below Average within their peer group. The rest of the fund's share classes rank either in the lowest or second-lowest quintile of the relevant fee level comparison group.

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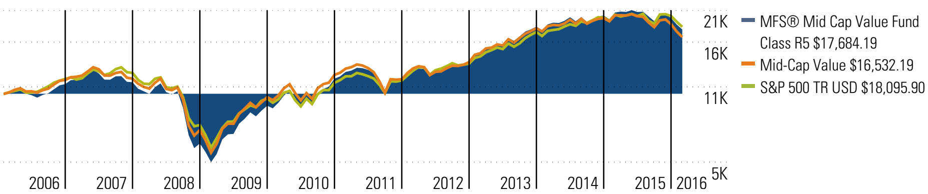
MFS® Mid Cap Value Fund Class R5 MVCKX

Morningstar Analyst Rating —

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.17	↓-0.01 | -0.06	0.70	3.7	Open	—	None	0.81%	★★★★★	Mid-Cap Value	Mid Value

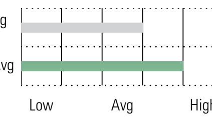
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (404) Avg

Return vs. Category (404) +Avg



Investment Strategy

The investment seeks capital appreciation. The fund normally invests at least 80% of the fund's net assets in issuers with medium market capitalizations. The adviser generally defines medium market capitalization issuers as issuers with market capitalizations similar to those of issuers included in the Russell Midcap® Value Index over the last 13 months at the time of purchase. It normally invests the fund's assets primarily in equity securities.

Pillars

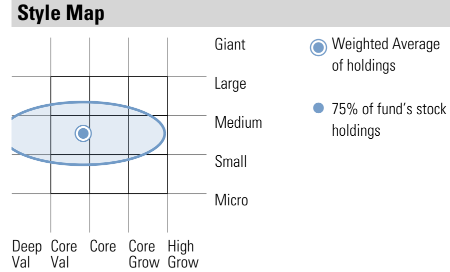
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,037	9,608	8,852	12,307	14,772	17,737
Fund	-9.63	-3.92	-11.48	7.16	8.12	5.90
+/- S&P 500 TR USD	-0.44	-0.43	-3.92	-1.96	-1.19	-0.23
+/- Category	1.25	1.03	4.40	2.82	2.59	0.88
% Rank in Cat	28	28	15	13	—	—
# of Funds in Cat	480	480	461	399	336	231

* Currency is displayed in BASE

Style Map



Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Newell Rubbermaid Inc	1.35	34.99 BASE	2.10 ↑	33.43 - 50.90
⊕ Fifth Third Bancorp	1.31	14.80 BASE	-0.24 ↓	14.45 - 21.93
⊕ Nasdaq Inc	1.25	61.15 BASE	-0.52 ↓	47.81 - 62.77
⊕ Allison Transmission Holdings Inc	1.16	22.08 BASE	-3.98 ↓	20.56 - 32.76
⊕ Hartford Financial Services Group Inc	1.07	39.99 BASE	-0.05 ↓	36.54 - 50.95
% Assets in Top 5 Holdings	6.14			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

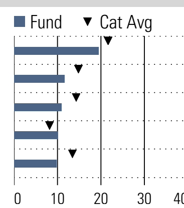
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.99	0.12	2.11	0.00	3.29
US Stock	93.26	0.00	93.26	99.32	91.98
Non US Stock	3.83	0.00	3.83	0.68	4.60
Bond	0.00	0.00	0.00	0.00	0.04
Other	0.91	0.00	0.91	0.00	0.09

Management

	Start Date
Kevin J. Schmitz	11-20-2008
Brooks A. Taylor	11-20-2008

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	19.47	19.76	19.08	20.73
Consumer Cyclical	11.58	15.02	11.58	13.90
Industrials	10.90	11.13	10.29	13.38
Healthcare	10.02	10.02	8.73	7.25
Technology	9.74	9.74	7.77	12.52



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-17-2015	18.85	0.4400	0.3600	0.0000	0.1300	0.9300
12-18-2014	20.22	0.9600	0.2700	0.0000	0.1600	1.3800
12-17-2013	19.07	0.7800	0.1400	0.0000	0.1500	1.0800

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MFS® Mid Cap Value Fund Class R5 MVCKX

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-9.63	1.25
2015	-2.14	3.27
2014	10.29	0.97

We do not currently publish an Analyst Report for this company.

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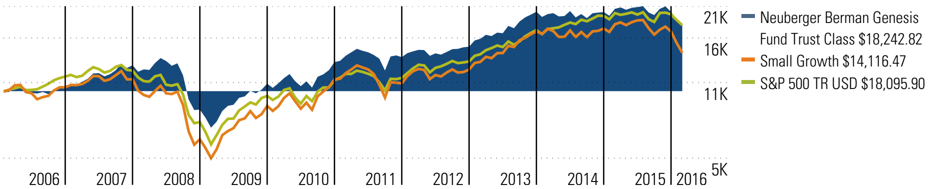
Neuberger Berman Genesis Fund Trust Class NBGEX

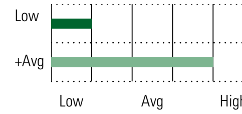
Morningstar Analyst Rating
Bronze

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
48.11	↓-0.04 | -0.08	0.06	8.9	Open	—	None	1.10%	★★★★	Small Growth	Small Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks growth of capital. The fund invests mainly in common stocks of small-capitalization companies, which it defines as those with a total market value of no more than $2 billion at the time the fund first invests in them. It may continue to hold or add to a position in a stock after the company's market value has grown beyond $2 billion. The fund seeks to reduce risk by diversifying among many companies and industries.

Pillars

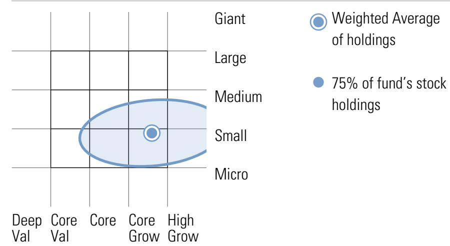
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Bronze

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,952	9,635	9,008	11,409	13,634	18,459
Fund	-10.48	-3.65	-9.92	4.49	6.40	6.32
+/- S&P 500 TR USD	-1.29	-0.16	-2.36	-4.63	-2.91	0.20
+/- Category	6.84	6.52	9.14	1.83	2.01	1.90
% Rank in Cat	5	5	6	24	19	7
# of Funds in Cat	757	757	722	655	584	422

* Currency is displayed in BASE

Style Map

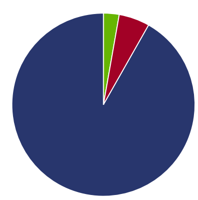


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Icon PLC	2.40	68.35 BASE	2.38 ↑	56.26 - 84.14
⊖ Church & Dwight Company Inc	2.37	88.79 BASE	0.32 ↑	76.85 - 90.73
⊖ West Pharmaceutical Services Inc	2.11	56.50 BASE	1.67 ↑	49.87 - 64.59
⊖ Tyler Technologies Inc	2.00	137.38 BASE	4.28 ↑	109.82 - 184.01
⊖ AptarGroup Inc	1.95	73.93 BASE	-0.69 ↓	60.73 - 75.96
% Assets in Top 5 Holdings	10.84			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

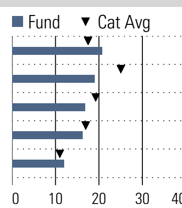
Asset Allocation



Asset Class	% Net
Cash	2.77
US Stock	91.78
Non US Stock	5.45
Bond	0.00
Other	0.00

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	20.69	22.61	20.69	16.59
Technology	18.97	18.97	14.23	24.13
Healthcare	16.76	16.76	10.91	18.33
Consumer Cyclical	16.18	17.09	16.09	16.04
Financial Services	11.98	12.99	10.74	10.08



Management

	Start Date
Judith M. Vale	02-01-1994
Robert W. D'Alelio	08-01-1997
Michael L. Bowyer	12-19-2005
Brett S. Reiner	12-19-2005
Gregory G. Spiegel	02-01-2015

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-17-2015	53.66	5.5500	0.0000	0.0000	0.0300	5.5800
12-15-2014	57.29	4.9100	0.0000	0.0000	0.0400	4.9400
12-16-2013	62.79	4.5000	0.0000	0.0000	0.1900	4.6900
12-14-2012	50.03	2.1100	0.0100	0.0000	0.1100	2.2200
12-16-2011	47.26	1.1000	0.0000	0.0000	0.5000	1.6000

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Neuberger Berman Genesis Fund Trust Class NBGEX

Analysis

This fund has been a strong long-term performer among small- and mid-cap funds.
By David Kathman, CFA 12/9/2015

Neuberger Berman Genesis has always been a tough fund to pigeonhole, a fact that's reflected in its several Morningstar Category changes. After many years in the small-blend category, the fund moved to mid-cap growth in 2015, then in 2015 it moved again, to small growth. No matter what peer group it's compared with, though, this remains an excellent fund for small- and mid-cap exposure, earning it a Morningstar Analyst Rating of Bronze.

Veterans Judy Vale and Bob D'Alelio lead a team of portfolio managers and analysts who implement a long-term, fundamentally driven strategy. They look for small-cap stocks, preferably not too cyclical, that dominate a competitive niche and feature solid balance sheets, strong cash flows, and reasonable valuations. Although they typically only buy stocks with market caps under $2 billion, they often hold on to favorites for many years until they grow into mid-caps, which is why the fund has long straddled the border between small-cap and mid-cap territory. A good example is top-holding Church & Dwight CHD, which has been in the portfolio since 2002 and now has a market cap of over $11 billion.

This patient approach has worked very well over the long term. As of December 2015, the fund’s 15-year returns rank in the top 2% of the small-growth category and also in the top 10% of its old mid-cap growth and small-blend peer groups; its 10-year returns have ranked in the top one third of all three categories. It has also been one of the least volatile funds in any of these categories, and that has sometimes caused it to trail its peers and the Russell 2000 benchmark in the short term, especially in periods when risky, low-quality stocks perform best.

With more than $10 billion in assets, this is the fourth-largest fund in the small-growth category, even after suffering $5 billion in net outflows over the past three years. The managers argue that the fund’s quality bias and low turnover allows them to handle size and outflows more easily than most peers can. Even so, that asset base and level of outflows are cause for some concern going forward.

Process Pillar: Positive

As with most Neuberger Berman stock funds, this fund's managers pay little attention to benchmarks, picking stocks through a bottom-up process that's informed by long-term macroeconomic trends. They focus on small companies that generate good free cash flows by dominating a competitive niche, generally preferring firms that aren't too cyclical and can grow over the next three to five years regardless of the broader economy. Although they do use some screens to identify promising small-cap stocks, they evaluate companies primarily through hands-on research, including one-on-one meetings with management and follow-up phone calls. Wall Street research plays a minor role, mainly in determining the consensus view on a company.

Management takes a long-term, patient perspective, often holding on to stocks for years; thus, the portfolio's annual turnover is low, usually around 20%. The managers will buy only stocks with market caps under $1.5 billion, but the low turnover means that holdings often grow into mid-caps, so the fund historically has tended to straddle the line between small- and mid-cap territory.

Although the team members consider themselves value managers and try to keep the portfolio's price/earnings ratio below that of the Russell 2000 Index, in practice they're willing to pay up a bit for attractive stocks in growing industries, so the fund has had a growth tilt.

The managers keep this fund diversified and close to fully invested; cash seldom exceeds 5% of assets and no single holding takes up more than about 3%. They don't worry too much about benchmarks, so sector weightings often differ from those of category peers or the Russell 2000 Index, but they try not to let any sector get too big.

Morningstar’s Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-10.48	6.84
2015	0.15	2.56
2014	-0.31	-2.74
2013	36.89	-4.02
2012	9.82	-3.33

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Neuberger Berman Genesis Fund Trust Class NBGEX

Analysis

The fund is still heavy in defensive steady-Eddies such as Church & Dwight and packaging maker AptarGroup (two of the top six holdings as of Sept. 30, 2015). It also holds some more-cyclical names, provided they meet the necessary quality criteria. The portfolio's technology weighting has increased in the two years since Greg Spiegel joined the team (specifically to cover tech), though it still has a modest underweighting in the sector relative to its small-growth peers.

The fund has an overweighting in financials relative to its peers but an underweighting relative to the Russell 2000. That sector was the biggest detractor from performance in 2014, as Ocwen Financial, Altisource Portfolio Solutions ASPS, and Altisource Asset Management AAMC all suffered losses of more than 50% after running into regulatory problems.

The managers have been paying more attention to dividend yield lately, so that about three fourths of the fund's holdings paid a dividend. However, they avoid real estate investment trusts, which have too much leverage for their liking.

Performance Pillar: Positive

This fund has been an outstanding long-term performer. As of December 2015, its 15-year returns are among the best in the small-growth category, and they also rank in the top decile of mid-cap growth, where it was from 2011 to 2015, and small blend, where it was until 2011. Its 10-year returns rank in the top one third of all three categories.

At first glance, the fund's annual returns look like they've been all over the map, with top-decile rankings in some years (2002, 2005, 2007) and bottom-decile rankings in others (2003, 2006, 2014). However, that pattern says more about the volatility of the market during the past decade than it does about this fund, which actually has been one of the least volatile small- or mid-cap offerings around. It has a Morningstar Risk rating of Low over the trailing 10-year period, and its standard deviation (a measure of volatility) is among the lowest in the small-growth, mid-growth, or small-blend categories.

The fund tends to hold up well in down markets such as 2008 and 2011, thanks to the managers' emphasis on relatively stable cash generators without a lot of debt, but for the same reasons it has a tough time keeping up in speculation-driven bull markets such as those of 2009 and 2010. It badly underperformed peers in 2014, when low-quality, debt-heavy stocks performed best, but rebounded nicely in 2015 with top-quartile returns.

People Pillar: Positive

The managers here are an experienced lot. Judy Vale became a manager of the fund in February 1994, and Bob D'Alelio was named a manager in August 1997. Both have more than 30 years of investment experience, and they've done a fine job of overseeing the fund's management team for more than a decade. Michael Bowyer and Brett Reiner were named comanagers in December 2005 after having been analysts on the fund since 2001 and 2003, respectively. Gregory Spiegel was named the fifth comanager in March 2015 after three years as a technology analyst on the fund.

The team also includes three dedicated analysts: Solin Cho, who joined the fund in 2012 and has been with Neuberger since 2006; and Abhishek Rathod and James Graeber, who joined the fund in 2014. Cho and Rathod were previously analysts elsewhere in Neuberger. Each member of the team covers specific sectors except Vale and D'Alelio, who are generalists, and Graeber, who is a research associate and doesn't cover specific stocks.

As of Aug. 31, 2015, Vale, D'Alelio, and Reiner each had more than $1 million invested in the fund, and Bowyer and Spiegel had $100,000 to $500,000 invested. Those are substantial investments that help align the managers' interests with those of shareholders.

Parent Pillar: Positive

Unlike fund shops that tightly control risk, resulting in a lineup of bland index-huggers, Neuberger Berman lets its managers invest with conviction. Neuberger funds tend to be concentrated, with relatively low turnover and significant sector bets. That leads to more-volatile returns, but the funds have mostly performed quite well over time, with few duds and several standouts.

This culture faced a threat in 2008 when then-parent Lehman Brothers collapsed, but a group of Neuberger insiders eventually took the firm private. It's now owned by about 300 employees, including most portfolio managers and many analysts, providing good incentives for them to stick around. Neuberger is focused solely on investment management, though its retail mutual funds only make up a fraction of assets under management (about 15% as of late 2015). Since 2008, it gradually has been shifting its distribution emphasis to advisor-sold share classes with sales charges, though existing shareholders can still buy no-load shares.

Neuberger has made a handful of acquisitions during the past decade and launched a flurry of new funds in recent years, including some trendy ones such as absolute return, long-short, and China funds. Such moves are potential causes for concern that bear watching, but at heart, Neuberger remains a boutique with a nicely distinctive investing culture.

Price Pillar: Positive

About one third of this fund's assets are in the Institutional shares, whose 0.85% expense ratio ranks in the second-cheapest quintile of Institutional shares of domestic small-cap funds; an agreement with the advisor will prevent it from rising above that level until 2021. Most of the remaining assets are split between the Investor, R6, and Trust shares, whose expenses are also in the second-cheapest quintile of their peer groups. Overall, this fund's expenses are quite reasonable.

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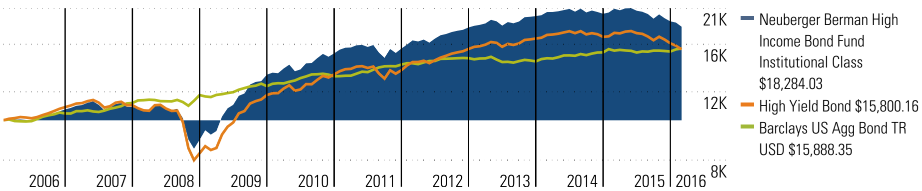
Neuberger Berman High Income Bond Fund Institutional Class NHILX

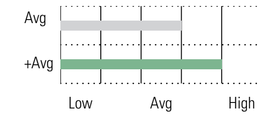
Morningstar Analyst Rating Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
7.74	↓-0.03 | -0.39	6.08	2.8	Open	$1 mil	None	0.69%	★★★	High Yield Bond	

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks high total return consistent with capital preservation. The fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in High-Yield Bonds. The advisor normally expects to have a weighted averaged maturity between five and ten years. It does not normally invest in or continue to hold securities that are in default or have defaulted with respect to the payment of interest or repayment of principal, but may do so depending on market conditions. The fund may invest in securities whose ratings imply an imminent risk of default with respect to such payments.

Pillars

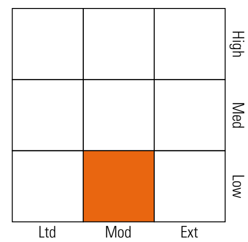
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,664	9,673	9,015	9,970	11,501	18,301
Fund	-3.36	-3.27	-9.85	-0.10	2.84	6.23
+/- Barclays US Agg Bond TR USD	-5.36	-4.61	-11.32	-2.42	-1.00	1.50
+/- Category	0.40	0.14	-1.24	0.22	0.09	1.15
% Rank in Cat	31	40	66	50	52	—
# of Funds in Cat	750	750	698	571	468	319

* Currency is displayed in BASE

Style Map 09-30-2015



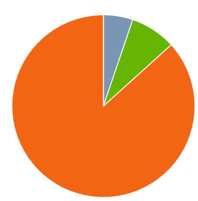
Top Holdings 12-31-2015

	Weight %	Maturity Date	Amount Mil	Value Mil
Gaming & Leisure P 4.875%	1.14	11-01-2020	34.38	33.69
Sallie Mae 4.875%	0.93	06-17-2019	29.91	27.51
⊕ Numericable Grp Sa 144A 6%	0.93	05-15-2022	28.36	27.50
Mohegan Tribal Gaming Auth 9.75%	0.87	09-01-2021	25.83	25.77
Scientific Games Intl Inc. 10%	0.86	12-01-2022	35.69	25.34
% Assets in Top 5 Holdings	4.73			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

Bond Statistics	Value
Average Effective Duration (Years)	4.04
Average Effective Maturity (Years)	6.34
Average Credit Quality	B
Average Weighted Coupon	6.16
Average Weighted Price	94.87

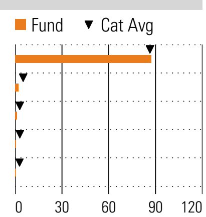
Asset Allocation



Asset Class	% Net
Cash	8.09
US Stock	0.00
Non US Stock	0.00
Bond	86.72
Other	5.20

Top Sectors 12-31-2015

	Fund	BMark	Cat Avg
Corporate Bond	87.25	—	83.84
Bank Loan	1.97	—	2.51
Convertible	1.27	—	0.33
Commercial MBS	0.52	—	0.40
Preferred	0.00	—	0.20



Management

	Start Date
Thomas P. O'Reilly	10-03-2005
Russ Covode	02-28-2011
Daniel J. Doyle	02-28-2014
Patrick Flynn	01-01-2016

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
01-29-2016	7.96	0.0000	0.0000	0.0000	0.0400	0.0400
12-31-2015	8.06	0.0000	0.0000	0.0000	0.0400	0.0400
11-30-2015	8.26	0.0000	0.0000	0.0000	0.0400	0.0400
10-30-2015	8.51	0.0000	0.0000	0.0000	0.0400	0.0400
09-30-2015	8.32	0.0000	0.0000	0.0000	0.0400	0.0400

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Neuberger Berman High Income Bond Fund Institutional Class NHILX

Analysis

Veteran managers and strong resources give this fund a leg up.
By Sumit Desai, CFA 3/9/2015

Neuberger Berman's long-term returns stand out near the top of the high-yield Morningstar Category. The fund's track record, along with long-tenured managers, a deep analyst team, and a highly structured process, justify its Morningstar Analyst Rating of Silver.

Lead manager Ann Benjamin and comanager Tom O'Reilly have managed high-yield bonds together for more than 18 years and took over this fund in late 2005. Benjamin recently announced her plans to retire at the end of 2015, and investors should expect minimal disruption as O'Reilly transitions into the lead manager role. The team is supported by 22 analysts. Since taking over the fund, the portfolio managers have instilled a systematic investment process. Analysts start with a credit checklist that focuses on cash flow generation, repayment capabilities, management quality, and valuation, along with other factors. The team will often search for mispriced bonds that are likely to experience an upgrade and avoids bonds with poor fundamentals that may default. Accordingly, the portfolio is typically dominated by B and BB rated bonds, but will include both BBB and CCC bonds when the team views relative valuations as attractive.

The portfolio's most noteworthy position was an 18% stake in the energy sector as of Nov. 30, 2014, compared with 14% for the Bank of America Merrill Lynch High Yield Master Constrained Index. As oil prices plunged in the second half of the year, bonds issued by energy firms fell swiftly and dramatically. However, the team's energy analysts have run models assuming oil prices remain at $50 per barrel, are comfortable that their positions can withstand low energy prices, and are considering adding to the portfolio's energy stake as valuations have become more attractive following the sell-off. Many of the fund's energy holdings have rebounded in early 2015.

The fund's longer-term performance is impressive. Since the current management team took over in October 2005 through Feb. 28, 2015, the fund's 8% annualized return landed in the top 13% of its category, beating its average peer by 150 basis points annualized during the period.

Process Pillar: Positive

The fund's portfolio managers and massive analyst team use fundamental research and relative valuations in an effort to minimize downside risk while still participating in upside appreciation during strong high-yield markets. The team looks for potential upgrade candidates and avoids credits with declining fundamentals in order to minimize the likelihood of defaults. As a result, holdings are biased toward B and BB rated bonds but will occasionally veer toward both BBB and CCC bonds if relative valuations look attractive. Up to 20% of the fund can be invested in bank loans, which helps limit interest-rate risk. This is a diversified fund, and it will generally maintain exposure to anywhere between 100 and 150 different issuers, and portfolio managers will also rotate across industries based on valuation and fundamentals.

Analysts use a thorough credit checklist to guide their analysis and ensure consistency across different holdings. Security selection begins by screening out illiquid bonds as well as low-quality names that the team views as susceptible to downgrades. The credit checklist requires a focus on cash flows, repayment options, and valuation, including a scenario analysis to project upside and downside cases. Analysts assign a proprietary credit rating to each bond and then compare its valuation with other bonds in similar industries or of similar credit quality.

The fund's most noteworthy position as of Nov. 30, 2014, was an 18% stake in the energy sector, compared with 14% for its benchmark, the Bank of America Merrill Lynch High Yield Master Constrained Index. The fund's top 10 issuer over-

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-3.36	0.40
2015	-4.77	-0.77
2014	1.51	0.40
2013	7.57	0.67
2012	14.64	-0.03

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Neuberger Berman High Income Bond Fund Institutional Class NHILX

Analysis

weightings include energy names like Linn Energy LINE (2.0% overweighting), Newfield Exploration NFX (1.3%), and SandRidge Energy SD (1.3%). These positions all detracted significantly from performance in 2014. That said, the team has been watching the energy sector closely following the sell-off and is beginning to find opportunities in higher-quality exploration and production and pipeline-related names. The fund's energy analysts have run models assuming oil prices remain at $50 per barrel and are comfortable that their positions can withstand sustained low energy prices.

Aside from the energy sector, other overweight positions relative to the benchmark include gaming/lodging (3.0% overweighting), telecom (2.7%), and media (3.6%). The fund tends to avoid traditional banking firms and is 3% underweight that sector relative to its benchmark.

On a credit-quality basis, the majority of assets are equally invested in BB and B rated bonds, at around 38% each. The fund's CCC stake has remained steady since last year around 20%, compared with 17% for the benchmark and 15% on average for the category.

Performance Pillar: Positive

This fund consistently lands in the top half of the high-yield bond category. Since the current management team took over in October 2005, the fund's 8% annualized return through Feb. 28, 2015, is in the top 13% of the high-yield bond category and beat its average peer by 150 basis points annualized during the period. The team has managed to do so by protecting investor capital on the downside while still keeping up when the junk-bond market performs well. For example, a well-timed shift toward higher-quality bonds helped the fund outperform 90% of its category peers during the 2008 financial crisis. The fund's trailing three- and five-year returns of 6.9% and 8.5%, respectively, are both just above average relative to its peers.

A 1.3% return in 2014 put the fund right in the middle of its peers, as a large energy overweighting hurt returns. A steep sell-off in oil prices and the bonds of high-yield energy firms caused the category to suffer in the back half of 2014. This fund dropped 3.3% in the second half of last year due in part to its 18% stake in energy-related bonds. This sector declined 13% during this time, but manager Ann Benjamin and team were able to avoid the hardest-hit areas, including oil-services firms. The fund's decline in the second half of 2014 was still better than the 3.6% drop for the average peer and many of its energy holdings have bounced back in early 2015.

People Pillar: Positive

The fund is managed with a team-based approach, which helps to minimize disruptions and provide management continuity without dramatic changes to process. These benefits are evident in Ann Benjamin's recently announced plans to retire at the end of 2015. Comanager Tom O'Reilly will take over Benjamin's lead-manager responsibilities following her retirement and investors should expect a seamless transition. Benjamin and O'Reilly have managed this fund since late 2005 and have managed portfolios together since the mid-1990s. They are also charged with managing Neuberger Berman Floating Rate Income NFIIX and Neuberger Berman Short Duration High Income NHSIX. In total, the two oversee almost $38 billion in assets.

Benjamin and O'Reilly are joined by comanagers Russ Covode and Dan Doyle, both experienced investors. Patrick Flynn, a manager in Neuberger Berman's distressed-debt group, will join as another comanager following Benjamin's retirement. Manager ownership in the fund is also strong, with Benjamin investing more than $1 million, O'Reilly between $500,000 and $1 million, and Covode between $100,000 and $500,000.

The managers are supported by a team of 22 credit and portfolio analysts, five traders, and one risk-management specialist. The analyst team has an average of 10 years' investment experience, and each analyst is assigned specific sectors to cover.

Parent Pillar: Positive

Unlike fund shops that tightly control risk, resulting in a lineup of bland index-huggers, Neuberger Berman lets its managers invest with conviction. Neuberger funds tend to be concentrated, with relatively low turnover and significant sector bets. That leads to more-volatile returns, but the funds have mostly performed quite well over time, with few duds and several standouts.

This culture faced a threat in 2008 when then-parent Lehman Brothers collapsed, but a group of Neuberger insiders eventually took the firm private. It's now owned by about 300 employees, including most portfolio managers and many analysts, providing good incentives for them to stick around. Neuberger is focused solely on investment management, though its retail mutual funds only make up a fraction of assets under management (about 15% as of late 2015). Since 2008, it gradually has been shifting its distribution emphasis to advisor-sold share classes with sales charges, though existing shareholders can still buy no-load shares.

Neuberger has made a handful of acquisitions during the past decade and launched a flurry of new funds in recent years, including some trendy ones such as absolute return, long-short, and China funds. Such moves are potential causes for concern that bear watching, but at heart, Neuberger remains a boutique with a nicely distinctive investing culture.

Price Pillar: Positive

Sixty percent of the fund's assets are held in the Institutional share class, which charges a below-average 0.70% expense ratio. The fund's Investor share class also costs less than competitor funds, as its 0.84% expense ratio is below the 0.90% median for similarly distributed funds. And expenses have fallen slightly as the fund has grown in the past few years, passing on some benefit from economies of scale to investors.

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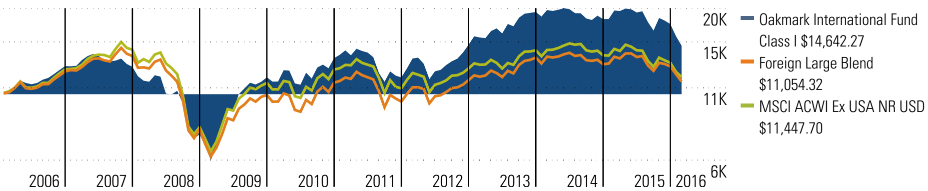
Oakmark International Fund Class I OAKIX

Morningstar Analyst Rating
Gold

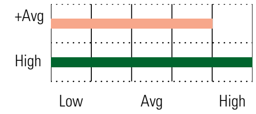
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
18.04	↓-0.53 | -2.85	2.48	22.9	Limited	$1,000	None	0.95%	★★★★	Foreign Large Blend	Large Value

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (701)
Return vs. Category (701)



Investment Strategy

The investment seeks long-term capital appreciation. The fund invests primarily in a diversified portfolio of common stocks of non-U.S. companies. It may invest in non-U.S. markets throughout the world, including emerging markets. Ordinarily, the fund will invest in the securities of at least five countries outside of the U.S. There are no geographic limits on the fund's non-U.S. investments. The fund may invest in securities of large-, mid-, and small- capitalization companies.

Pillars

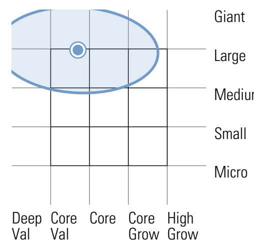
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,446	9,237	8,026	9,294	10,403	14,507
Fund	-15.54	-7.63	-19.74	-2.41	0.79	3.79
+/- MSCI ACWI Ex USA NR USD	-5.02	-3.11	-3.01	0.85	2.51	2.53
+/- Category	-4.41	-2.43	-5.76	-1.07	1.32	2.71
% Rank in Cat	97	91	93	71	20	6
# of Funds in Cat	890	891	779	688	601	344

* Currency is displayed in BASE

Style Map



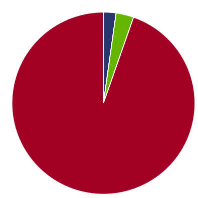
Weighted Average of holdings
75% of fund's stock holdings

Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Credit Suisse Group AG	4.82	13.44 BASE	3.31 ↑	12.86 - 28.94
⊖ Honda Motor Co Ltd	3.87	— BASE	-0.75 ↓	2,851.00 - 4,499.00
⊖ BNP Paribas	3.75	39.76 BASE	4.89 ↑	37.19 - 61.00
⊕ Nomura Holdings Inc	3.50	491.90 BASE	-3.55 ↓	486.00 - 909.20
⊖ Daimler AG	3.26	59.30 BASE	0.25 ↑	57.72 - 96.07
% Assets in Top 5 Holdings	19.20			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



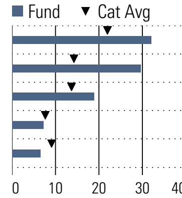
Asset Class	% Net
Cash	3.13
US Stock	2.22
Non US Stock	94.65
Bond	0.00
Other	0.00

Management

	Start Date
David G. Herro	09-30-1992
Robert A. Taylor	12-31-2008

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	32.04	32.04	27.00	21.04
Consumer Cyclical	29.55	29.55	23.12	13.32
Industrials	18.88	21.17	17.18	12.77
Basic Materials	7.22	7.48	5.32	6.73
Technology	6.49	6.63	5.49	8.18



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-17-2015	21.23	0.5800	0.0000	0.0000	0.5000	1.0800
12-18-2014	23.58	0.9200	0.1500	0.0000	0.5100	1.5700
12-19-2013	25.55	0.2900	0.0000	0.0000	0.4400	0.7300
12-13-2012	20.17	0.0000	0.0000	0.0000	0.4400	0.4400
12-15-2011	16.07	0.0000	0.0000	0.0000	0.1300	0.1300

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Oakmark International Fund Class I OAKIX

Analysis

This closed fund remains a keeper.
By Greg Carlson 11/23/2015

Oakmark International's bets generally haven't paid off lately. But its veteran leader, disciplined strategy, and excellent long-term results earn a Morningstar Analyst Rating of Gold. This closed fund lost 5% in 2014, modestly trailing both its typical foreign large-blend Morningstar Category peer and its MSCI World ex USA benchmark. In 2015 through Nov. 18, the fund has lost 1%; it's once again trailing the category norm, although it's slightly ahead of the index. A major reason for this recent mediocre performance is its hefty stake in European financial services firms such as Credit Suisse of Switzerland CSGN and France's BNP Paribas BNP (which has done well in 2015 but lost 10% in 2014). All told, the fund's financial weighting is well above both the category norm and the benchmark's, as is its stake in developed Europe outside the U.K..

Atypical portfolios and uneven calendar-year rankings are not new here. Managers David Herro and Rob Taylor ply a value-oriented philosophy that can look contrarian at times, and they allow their picks to cluster in certain regions, countries, and sectors. The fund is currently tilted toward economically sensitive fare--in addition to financials, it is overweight industrials and consumer cyclicals--but that's not the result of a macroeconomic bet by the managers. Rather, they've simply found value in these areas. European financials, which have seen their growth prospects restrained by regulation, aren't given enough credit for their higher-quality balance sheets, according to the managers. In consumer cyclicals, automakers BMW, Daimler, Honda, and Toyota are among the fund's top 10 holdings, while luxury goods makers Kering KER, Prada, and Richemont CFR (each hit to a degree by China's slowdown) aren't far behind. In industrials, the managers have added to holdings hit by their exposure to declining commodity prices, such as CNH Industrial.

While such positioning can cause short-term bumps, the fund has trounced its typical peer and benchmark both over the whole of Herro's 23-year tenure and since stocks' October 2007 peak on a risk-adjusted basis. Shareholders here are fortunate.

Process Pillar: Positive

Like all Oakmark stock-pickers, lead manager David Herro and comanager Rob Taylor seek companies trading at deep discounts to the managers' assessment of their intrinsic value. Their estimates of a business' worth are based on multiple valuation models and, depending on the company under consideration, may focus on a firm's likely private-market acquisition price, its tangible book value, or normalized discounted cash flows.

That's not unusual, but the degree to which Oakmark focuses on absolute, not relative, value sets the shop and this team apart and contributes to the fund's Positive Process rating. Firms that appear attractively valued compared with industry peers will only garner attention if they also seem cheap relative to their own stringently vetted prospects.

The pair also favors companies with shareholder-aligned managements, as evidenced by (among other things) their own investment in the firm and their capital-allocation skill. Stock-repurchase programs, dividend hikes, and sensible acquisitions that are accretive to earnings are generally regarded favorably, but as with all aspects of the team's entirely bottom-up process, judgments are made strictly on a case-by-case basis. They aim for long holding periods, but volatility can force their hand. Portfolio turnover typically ranges from 30% to 60% annually.

As usual, this fund looks significantly different from its typical peer and its benchmark. At the close of September 2015, the fund's nearly 52% stake in developed Europe outside the United Kingdom was well above the 42% stake of the MSCI World ex USA Index and the 40% foreign large-blend norm. The fund's hefty stake in European financial services firms such as Credit Suisse of Switzerland, Allianz of Germany ALV, and BNP Paribas of France drove that weighting.

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-15.54	-4.41
2015	-3.83	-2.24
2014	-5.41	-0.43
2013	29.34	9.91
2012	29.22	10.93

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Oakmark International Fund Class I OAKIX

Analysis

Indeed, financials along with consumer discretionary companies were the fund's largest sector exposures, soaking up a combined 59% of assets each at the end of the third quarter. With industrial stocks accounting for an additional 18% of assets, the fund tilts toward cyclicals, although (as usual) it has no exposure to energy--which has certainly served the fund well lately. Healthcare, typically a more defensive area of the market, is also only lightly represented. At 1% of assets, the fund's exposure is dwarfed by the 11% weighting of the benchmark MSCI World ex USA Index and its typical foreign large-blend rival.

David Herro and Rob Taylor managed a total of $39 billion in the strategy as of November 2015. The fund, which closed to new investors in October 2013, has always had a large-cap focus, but it would be it tough to take hefty positions in firms at the low end of the fund's capitalization range ($5 billion).

Performance Pillar: Positive

Between the fund's October 1992 inception and Oct. 31, 2015, it has delivered an annualized return of 10%, four percentage points better than the gain of its benchmark, the MSCI World ex USA Index. Its margin of victory versus the typical foreign-large blend fund is almost as large. The fund's performed consistently well, too. In the time frame's rolling five-year periods, the fund has bested those yardsticks more than 80% of the time.

Versus its benchmark, the fund has garnered most of its outperformance during downturns while hovering near the norm in rallies. Meanwhile, the fund has offered the best of both worlds versus typical peers, losing 90% as much in down markets while also gaining 9% more in upturns.

Unsurprisingly, the fund strikes an impressive risk/reward profile. True, performance swings have been modestly wider than both the index and category norm; its overall Morningstar Risk rating is Above Average as well. However, the fund's Sortino ratio, a volatility gauge that penalizes poor performance in declining markets, is far higher than the benchmark's and typical peer's figures, indicating that investors have been compensated handsomely for the fund's volatility. Thus, its Performance rating is Positive.

The fund has also beaten more than 90% of peers and its benchmark over the trailing three, five, 10, and 15 years.

People Pillar: Positive

Lead manager David Herro joined Oakmark Funds advisor Harris Associates in 1992 and has led this offering since its inception in September of that year. He serves as the firm's chief investment officer for international equities and has been the lead manager on Oakmark International Small Cap since its 1995 inception. With fellow Oakmark veteran Bill Nygren, Herro also comanages Oakmark Global Select OAKWX. All three funds boast impressive long-term records.

In 2010, Morningstar named Herro as the International-Stock Fund Manager of the Decade. As he does at each of his charges, Herro invests more than $1 million of his own money alongside fundholders here. That's also true of Herro's comanager, Rob Taylor. Taylor, who joined Harris Associates in 1994 as an analyst, also comanages Oakmark Global OAKGX and serves as the firm's director of international research. The managers' experience and accomplishments merit a Positive People rating.

Taylor and Herro steer the firm's international stock-selection committee along with Mike Manelli, a 10-year Harris veteran who comanages Oakmark International Small Cap OAKEX. The three are supported by an analyst team that has seen turnover through the years (several analysts have left to manage funds elsewhere). The team currently comprises five analysts with an average of 3.4 years' tenure at Harris and nine years of total investment experience.

Parent Pillar: Positive

Harris Associates boasts an admirable investing-centric culture. New fund launches, for example, aren't driven by marketing trends but by money managers with decades of experience and outstanding long-term track records. Indeed, Oakmark has launched only one new fund in the past 16 years.

With 17 portfolio managers (nine of whom also serve as analysts) and 10 dedicated investment analysts, Harris is well-staffed with investment professionals. Analysts at the firm are divided into international and domestic teams and, in collaboration with managers, maintain the list of approved stocks from which all Oakmark managers choose for their portfolios.

Overall, Harris is an impressive parent, but its fund lineup should cost less. Assets in the funds rose from roughly $21.5 billion in December 2008 to more than $84 billion in July 2015. (Harris manages $135 billion overall.) While fund fees have declined during the period, the amounts haven't been commensurate with asset growth.

That shortcoming aside, Oakmark investors have been well served over the long haul by managers who also are significant investors in their funds. With just two exceptions (each appointed two years ago), all Oakmark managers invest more than $1 million in their charges. The firm's leading managers are aging, but the firm appears well-prepared for their eventual departures.

Price Pillar: Positive

At 0.95% as of the most recent annual report (September 2014), the fund's price tag fell by 3 basis points from the previous year. The current expense ratio is significantly lower than the median price tag in the fund's fee-level comparison group of foreign large-cap no-load funds (1.05%) and earns a Morningstar Fee Level of Below Average.

Judged by asset size, the fund doesn't look like a bargain. At $29 billion, it ranks among the category's largest offerings. To be sure, the trajectory of the fund's fees is encouraging, but there's room for costs to fall further. That said, management's lower-turnover approach has led to significantly below-average brokerage commissions.

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Oakmark International Fund Class I OAKIX

Analysis

Overall, it earns a Positive rating for Price.

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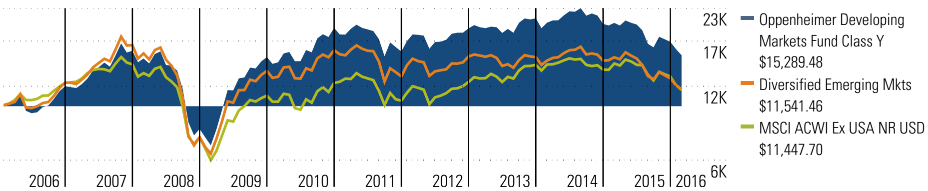
Oppenheimer Developing Markets Fund Class Y ODVYX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.83	↓-0.27 | -1.00	0.79	25.0	Limited	—	None	1.05%	★★★★★	Diversified Emerging Mkts	Large Growth

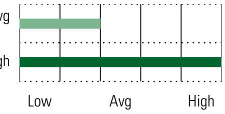
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (581) -Avg

Return vs. Category (581) High



Investment Strategy

The investment seeks capital appreciation. The fund mainly invests in common stocks of issuers in developing and emerging markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities. Under normal market conditions, it will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in a developing market, i.e. are in a developing market or are economically tied to a developing market country. The fund will invest in at least three developing markets.

Pillars

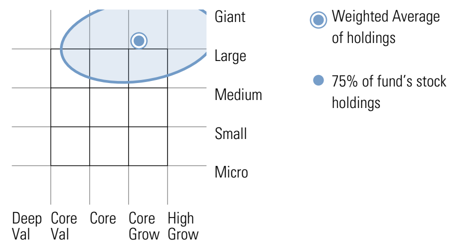
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,946	9,655	7,741	7,788	8,462	15,207
Fund	-10.54	-3.45	-22.59	-8.00	-3.29	4.28
+/- MSCI ACWI Ex USA NR USD	-0.02	1.06	-5.86	-4.74	-1.57	3.02
+/- Category	-2.06	-1.31	-0.83	0.89	2.25	2.92
% Rank in Cat	83	78	51	34	17	3
# of Funds in Cat	921	922	842	583	392	175

* Currency is displayed in BASE

Style Map

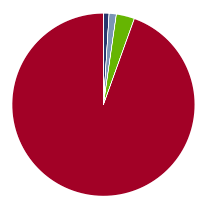


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Housing Development Finance Corp Ltd	4.56	— BASE	-3.74 ↓	1,093.20 - 1,402.30
Tencent Holdings Ltd	4.06	143.90 BASE	1.41 ↑	124.00 - 171.00
Alibaba Group Holding Ltd ADR	3.72	62.40 BASE	1.70 ↑	57.20 - 95.06
⊕ Magnit PJSC	3.14	— BASE	-0.33 ↓	9,251.00 - 12,944.00
Baidu Inc ADR	3.14	147.71 BASE	4.91 ↑	100.00 - 223.95
% Assets in Top 5 Holdings	18.61			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



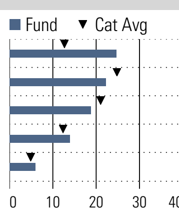
Asset Class	% Net
Cash	3.22
US Stock	0.99
Non US Stock	94.51
Bond	0.00
Other	1.28

Management

	Start Date
Justin M. Leverenz	05-01-2007
John Paul Lech	09-09-2015

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	24.58	24.58	15.26	11.76
Financial Services	22.23	22.23	13.49	23.87
Technology	18.77	18.77	17.73	20.11
Consumer Defensive	13.93	23.81	13.93	11.44
Healthcare	5.95	5.95	3.03	3.97



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-02-2015	30.90	0.0000	0.0000	0.0000	0.2200	0.2200
12-05-2014	36.45	0.6000	0.0000	0.0000	0.2200	0.8200
12-06-2013	37.07	0.1800	0.0000	0.0000	0.1600	0.3400
12-07-2012	33.82	0.0000	0.0000	0.0000	0.2500	0.2500
12-09-2011	29.56	0.0000	0.0000	0.0000	0.6800	0.6800

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Oppenheimer Developing Markets Fund Class Y ODVYX

Analysis

Sets the bar high.
By Patricia Oey 10/6/2015

This fund's thoughtful process, proven management, and strong long-term performance instill confidence, making it a top choice for emerging-markets exposure. The fund earns a Morningstar Analyst rating of Silver.

What the fund doesn't own is just important as what it does. Lead portfolio manager Justin Leverenz is benchmark-agnostic. One reason is that the MSCI Emerging Markets Index includes many quasi-government-controlled large-cap companies, which often put political goals ahead of shareholder interests, making them unattractive long-term investments. The index also has loads of cyclical, capital-intensive names, areas Leverenz tends to avoid. Instead, he prefers firms with good returns on invested capital and stable cash flows.

Leverenz focuses on firms that he thinks will benefit from trends such as a growing middle class, new technology, restructuring (particularly in China), and aging. His portfolio tilts toward consumer companies and large-cap growth names. Off-benchmark bets, which typically account for about a third of the portfolio, include New York-listed Chinese tech companies such as Baidu BIDU and luxury goods firms such as Prada and LVMH.

Over the past few months, this fund has lagged, as outperformance within the emerging markets came from the large government-controlled Chinese banks, tech hardware component companies from Taiwan, and capital-intensive cyclicals from South Korea, areas of the market Leverenz typically avoids.

But the fund has managed to stand out in a variety of market conditions since Leverenz took the reins in May 2007. From his start date through September 2015, the fund's rolling 36-month performance has landed in the top quartile of the diversified emerging markets Morningstar Category 89% of the time.

The fund's strong performance has drawn investors, and it is by far the largest U.S.-listed, actively managed emerging-markets mutual fund. Oppenheimer closed the fund to new investors in early 2013, when assets under management neared $40 billion. Current investors have a great holding here thanks to its skilled manager and time-tested process.

Process Pillar: Positive
Justin Leverenz and his team have consistently executed a prudent, bottom-up approach that earns the fund a Positive Process rating. They aim to buy firms with competitive advantages and healthy free cash flows that can generate high returns on capital throughout a market cycle. Often these stocks fit an investment theme, such as the retail migration from mom-and-pop shops to supercenters in emerging markets. Within these themes, he seeks stocks he can hold for several years. This tack has kept the fund's turnover of 20%-30% per year well below the category norm.

Emerging markets can be volatile, and Leverenz strives to keep his team ready to get into names when the opportunity arises. In 2011, accounting irregularities at overseas-listed Chinese solar companies depressed the valuations of many New York-listed Chinese firms, which is when Leverenz boosted his allocation to Baidu. More recently, in the wake of a rapid slide in the Russian equity markets, he has been adding to Russian holdings such as grocery chain Magnit. He stresses that this is not a value or mean-reversion strategy but rather an opportunistic move. He also tends to maintain around a 5% cash stake to use as dry powder and a buffer for portfolio flows.

Like most international equity funds, this fund does not hedge its foreign-currency exposure.

This fund typically holds about 100-125 stocks, and its average market cap hovers in the $15 billion-$20 billion range. The fund holds a healthy dose of pricey names and currently has a trailing 12-month price/earnings ratio of 20 times, significantly

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-10.54	-2.06
2015	-13.84	-0.05
2014	-4.55	-1.54
2013	8.68	8.82
2012	21.29	3.14

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Oppenheimer Developing Markets Fund Class Y ODVYX

Analysis

above the MSCI Emerging Markets Index's 13 times and the category average's 14 times. Leverenz is content to hold on to some fast-growing stocks when he continues to see strong long-term potential, like Chinese Internet firm Tencent and Mexican media company Grupo Televisa TV, both of which recently traded at 40-50 times earnings.

Leverenz pays no heed to the sector and regional weightings of the MSCI Emerging Markets Index. Large off-benchmark bets include New York-listed Chinese Internet names, European luxury goods firms, and Hong Kong firms that are leveraged to growth trends in China, such as insurance company AIA, Hang Lung Properties, and Hong Kong Exchanges and Clearing. His hunt for consistent earners keeps the fund light on cyclical fare such as financials and energy stocks. He also maintains very low allocations to South Korea, Taiwan, and South Africa, which together account for 25% of the MSCI Emerging Markets benchmark. Going its own way has been a winning recipe for the fund so far, but investors should expect it to trail the pack at times because of its unique profile.

Performance Pillar: Positive

The fund tends to outshine its peers in challenging market conditions, and it hasn't sat out during market rallies. It earns a Positive Performance rating. For instance, the theme-based and benchmark-agnostic approach led Leverenz to tread lightly on Chinese and Russian stocks during the 2008 financial crisis; these stocks were some of the hardest-hit within the emerging markets. This helped the fund outperform most peers and the MSCI Emerging Markets Index during that difficult period.

Good stock-picking, rather than being in the right countries at the right time, has kept the fund in good shape through a full market cycle. Brazil has been a weak market in the four years through 2014, with the MSCI Brazil Index (in U.S. dollars) losing 14.6%, annualized. The fund's Brazilian holdings, however, have lost just 5.7% over the same time period. India's equity markets have been very volatile, rising 20%-plus in 2014 and 2012 and falling 37% in 2011. The MSCI India Index lost 1% from 2011 through 2014, annualized, but this fund's India holdings gained 7.3%.

The overall results are impressive. Since Leverenz took over in May 2007, the fund's 18% cumulative gain through September 2015 landed well ahead of the typical rival's decline of 12% and the index's decline of 5%. His record looks even better when accounting for risk, as downside protection has made for a less-volatile experience overall.

People Pillar: Positive

Lead manager Justin Leverenz has done a great job steering this fund so far, and he invests more than $1 million alongside fundholders. The fund earns a Positive People rating.

Leverenz joined Oppenheimer's international equity team in July 2004. He has over 20 years of investment experience, has lived and worked in the Greater China region for over a decade, and is fluent in Mandarin. Upon joining the team in 2004, Leverenz worked as an analyst for Rajeev Bhaman on world-stock fund Oppenheimer Global OPPAX. He took over as portfolio manager of this fund in May 2007. He is also the director of emerging markets equities, where he leads a team of six professionals. He, along with four others, primarily work on the Developing Markets fund, and the other two focus on small- and mid-cap Oppenheimer Emerging Markets Innovators EMIAX, which launched in 2014. However, the entire team works together (in New York) to share research and ideas. In September 2015, Leverenz's second-in-command John Paul Lech was named co-portfolio manager; however, Leverenz retains all discretion on portfolio trades. Lech has 11 years of industry experience and joined Oppenheimer in 2008.

Parent Pillar: Neutral

Art Steinmetz became CEO of OppenheimerFunds in July 2014, the firm's first from its investment ranks, after managing several of its taxable-bond funds for many years. Steinmetz replaced Bill Glavin, who joined the firm in 2009 to help clean up the mess that occurred following the 2008 financial crisis, when several key Oppenheimer fixed-income funds suffered massive losses due to hidden risks. Since taking over, Steinmetz has been trying to move Oppenheimer forward in a positive way, launching new funds and emphasizing offerings that can (he hopes) outperform in areas where passive and index vehicles don't do well.

Overall fund performance has improved since the financial crisis, and the company has made strides in the area of manager ownership of fund shares. More than half of fund assets are run by managers with at least $1 million personally invested alongside fundholders, twice the level of two years ago. And although the firm's average fee-level percentile still lands in the "average" range for fees overall, it represents continued improvement.

That being said, Oppenheimer still has to show that it can attract and retain top portfolio managers in all parts of its business. It still remains to be seen if Oppenheimer can stand out from the industry set as it transitions from "fix-it" mode to one more of growth and new-product initiatives and one under new leadership.

Price Pillar: Positive

The retail Class A shares' annual fees are composed of a management fee of 0.77%, 12b-1 fees of 0.25%, and other expenses of 0.30%, for a total of 1.32%. There is also a maximum sales charge of 5.75%. Excluding the sales charge, this fund's net 1.32% annual fee is slightly lower than the median fee for similar funds in that distribution channel (retail) of 1.42%.

There are two institutional share classes: Class Y, which charges 1.07%, and Class I, which charges 0.86%. These fees are lower than the group median of 1.29%. As such, this fund receives an Average Morningstar Fee Level rating and earns a Positive Price rating.

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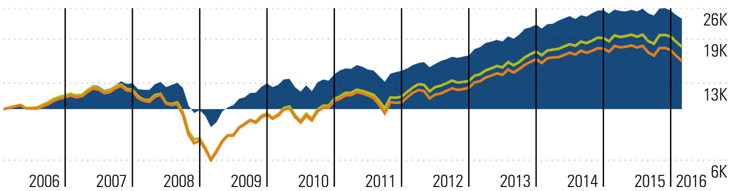
Parnassus Core Equity Fund - Institutional Shares PRILX

Morningstar Analyst Rating
Silver

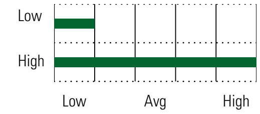
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.26	↑0.08 | 0.23	2.33	11.1	Open	$100,000	None	0.67%	★★★★★	Large Blend	Large Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1409)
Return vs. Category (1409)



Investment Strategy

The investment seeks to achieve both capital appreciation and current income. The fund's objective is to achieve both capital appreciation and current income by investing primarily in a diversified portfolio of equity securities. Equity securities include common and preferred stock. Under normal circumstances, the fund will invest a minimum of 80% of its net assets (plus borrowings for investment purposes) in equity securities. At least 75% of the fund's total assets will normally be invested in equity securities that pay interest or dividends.

Pillars

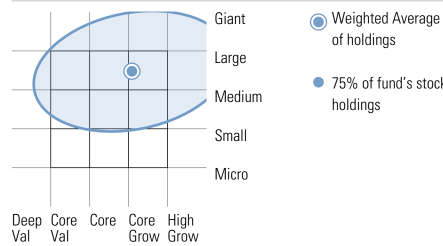
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,253	9,805	9,397	13,186	16,003	23,645
Fund	-7.47	-1.95	-6.03	9.66	9.86	8.99
+/- S&P 500 TR USD	1.72	1.54	1.53	0.53	0.56	2.86
+/- Category	2.33	2.11	4.39	2.70	2.41	3.83
% Rank in Cat	16	14	9	5	5	—
# of Funds in Cat	1,676	1,676	1,585	1,388	1,226	885

* Currency is displayed in BASE

Style Map

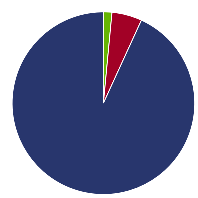


Top Holdings 01-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
Danaher Corp	4.63	85.80 BASE	0.81 ↑	81.25 - 97.62
⊖ Motorola Solutions Inc	4.14	62.74 BASE	0.84 ↑	56.40 - 72.97
Mondelez International Inc Class A	4.04	37.83 BASE	2.13 ↑	33.97 - 48.58
Intel Corp	3.39	28.53 BASE	-0.97 ↓	24.87 - 35.59
⊖ Procter & Gamble Co	3.22	82.05 BASE	-0.73 ↓	65.02 - 86.39
% Assets in Top 5 Holdings	19.42			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



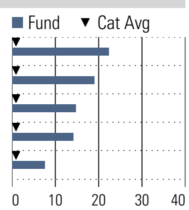
Asset Class	% Net
Cash	1.51
US Stock	93.16
Non US Stock	5.33
Bond	0.00
Other	0.00

Management

	Start Date
Todd C. Ahlsten	05-01-2001
Benjamin E. Allen	05-01-2012

Top Sectors 01-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	22.28	22.28	18.60	—
Technology	18.99	19.93	18.22	—
Consumer Defensive	14.68	15.22	12.75	—
Healthcare	14.17	19.37	14.15	—
Consumer Cyclical	7.60	7.62	5.35	—



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-30-2015	37.44	0.0000	0.0000	0.0000	0.5200	0.5200
11-24-2015	38.43	2.7500	0.0000	0.0000	0.0000	2.7500
09-30-2015	38.38	0.0000	0.0000	0.0000	0.1400	0.1400
06-30-2015	40.08	0.0000	0.0000	0.0000	0.1300	0.1300
03-31-2015	40.35	0.0000	0.0000	0.0000	0.1000	0.1000

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MORNINGSTAR®

Parnassus Core Equity Fund - Institutional Shares PRILX

Analysis

Not just for the socially conscious.
By David Kathman, CFA 11/19/2015

With more than $10 billion in assets under management, Parnassus Core Equity is the largest U.S. mutual fund in the socially conscious or ESG --environmental, social, governance--investing space, and one of the most attractive overall. Managers Todd Ahlsten and Ben Allen avoid stocks that get more than 10% of their revenue from alcohol, tobacco, gambling, weapons, or nuclear power, or which have financial ties to Sudan. They also prefer firms that score well on various governance, workplace, and environmental criteria, and which have good relations with their community and customers. Unlike some peers, this fund doesn't avoid all fossil-fuel stocks, but the managers will only own those they consider especially strong on ESG criteria, such as National Oilwell Varco NOV.

From the firms that meet the criteria, Ahlsten and Allen look for those with strong competitive advantages, increasingly relevant products or services, quality management, and temporarily depressed valuations. They maintain a fairly concentrated portfolio of about 40 stocks, so that a few holdings can have a significant effect on returns, but various factors help mitigate the risks. For example, the managers make an effort to keep the fund diversified by sectors, so that stock selection is the main driver of returns, and they argue that their ESG criteria help them avoid firms prone to corporate scandals and other risks.

This approach has led to topnotch long-term returns that rank in the large-blend Morningstar Category's top 2% over the past 10 and 15 years (as of November 2015), with much less volatility than the average peer. The fund goes through occasional rough patches in the short term, but it always bounces back. The first half of 2015 was one such stretch, as the fund was hurt by its energy exposure, direct (via National Oilwell Varco) and indirect (via industrial and materials stocks such as Pentair PNR and MDU Resources MDU). But Ahlsten and Allen stuck to their guns, and the fund held up very well in the third-quarter sell-off. Such resilience, alongside the managers' discipline and experience, earns the fund a Morningstar Analyst Rating of Silver.

Process Pillar: Positive

This fund has typical socially conscious restrictions: It avoids companies deriving significant revenue from alcohol, tobacco, weapons, nuclear power, or gambling, or those with ties to Sudan. However, Parnassus also emphasizes positive environmental, social, and governance criteria, believing that such criteria also identify companies likely to outperform industry peers. They seek out firms that score well on corporate governance, employee benefits, stakeholder relations, products, environmental impact, and customer and supply-chain relationships.

From the 400 or so stocks that pass those screens, managers Todd Ahlsten and Ben Allen look for companies with wide or increasing economic moats that sell increasingly relevant products or services and that are guided by good management. While they do not make top-down sector calls, they buy when a stock is undervalued based on a range of outcomes incorporating a variety of macroeconomic scenarios. That can lead to sector biases, but the managers avoid sector weightings that are more than twice that of the S&P 500 benchmark. They also won't put more than 5% of the portfolio in any individual stock.

The fund must have 75% of assets in dividend-paying stocks, but there is no particular emphasis on high dividends or dividend growth. What's more, as of November 2015, the portfolio had more than 30% in mid-cap names and a smattering of small caps.

Todd Ahlsten and Ben Allen are patient, high-conviction investors. They hold 40 or so names and initiate a position only if they are willing to stake at least 1% of assets. As of November 2015, the portfolio's biggest sector overweights relative to the S&P 500 were in industrials and basic materials, both of which have hurt returns lately, and in consumer defensive stocks, which have been a modestly positive contributor.

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-7.47	2.33
2015	-0.33	0.74
2014	14.70	3.74
2013	34.15	2.65
2012	15.64	0.68

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MORNINGSTAR®

Parnassus Core Equity Fund - Institutional Shares PRILX

Analysis

The fund is significantly underweight in energy, consumer cyclicals, and financials, though National Oilwell Varco NOV, which the managers like for its socially responsible policies and wide moat, is a top-20 holding. The managers explicitly say that the fund is not fossil-fuel-free, as some socially responsible peers are, but they have a high bar for energy stocks to make it into the portfolio. In the spring of 2015 they trimmed the fund's healthcare exposure, especially in biotech, due to valuation concerns. The fund is now slightly underweight in that sector, but it still owns such stocks as Gilead GILD, Allergan AGN (the top holding in late 2014, but now not in the top 30), and Perrigo PRGO.

The top holding as of November 2015 is Danaher DHR, which only entered the portfolio in the first quarter of 2015. The managers like it for the way it acquires companies and improves their profitability. The second-biggest holding is Motorola Solutions MSI, which has been in the fund since 2011 and a top holding since late 2013.

Performance Pillar: Positive

The fund has an excellent long-term record. As of November 2015, its 10- and 15-year returns rank in the large-blend category's top 2%, and its three- and five-year returns rank in the top quartile. It also ranks in the top 2% since Todd Ahlsten became manager in May 2001, and in the top decile since Ben Allen became comanager in May 2012. Ahlsten got off to a rocky start with an ill-timed cash stockpile and some poor picks, but he soon righted the ship while Parnassus began building its research team in earnest.

The fund beat the large-blend category in eight of the nine calendar years from 2006 through 2014, including top-decile finishes in 2007 and 2008. (Ahlsten made a good call by avoiding financials ahead of the crisis.) The one exception was 2010, when it landed in the bottom decile due to poor performance by such prominent holdings as Cisco CSCO and Microsoft MSFT, and due to not owning Apple AAPL and various risky names that led the pack.

The fund bounced back with four straight years of solid, category-beating returns. It had an especially nice run in 2014, when it gained 14% to rank in the category's top 11% and beat the S&P 500 benchmark, thanks to big gains from Allergan and other picks such as Apple. It landed in the middle of the pack in the first 10 months of 2015, trailing the S&P 500. The fund trailed its peers in the first half, due partly to its energy exposure, but held up much better in the third-quarter downturn.

People Pillar: Positive

Lead manager Todd Ahlsten is Parnassus' chief investment officer. He joined the firm as a research analyst in 1995 and became director of research in 1998. Ahlsten began comanaging this fund with Parnassus' founder Jerome Dodson in 2001. He took over as sole manager in 2002 and has earned excellent results since. Ahlsten has more than $1 million invested in this fund.

Ben Allen joined as comanager on May 1, 2012, and is Parnassus' director of research. Allen started at Parnassus as an analyst in 2005 and was part of a three-manager team that earned a nice record at Parnassus Mid-Cap PARMX from October 2008 through April 2012 before moving on to this fund. Allen has increased his investment here, and it now stands between $100,000 and $500,000.

While Ahlsten has final say on picks, each manager is responsible for half of the fund's 40 or so holdings. Ahlsten generally covers healthcare and technology stocks, while Allen favors industrials and business services. They are supported by a 12-person team of research analysts, all of whom contribute to this fund to some extent, though some have other responsibilities as well. Five of these analysts serve as portfolio managers on other Parnassus funds (Matt Gershuny is director of research as well as comanager of Parnassus Mid-Cap), while three of them primarily do ESG research.

Parent Pillar: Positive

Parnassus Investments is an employee-owned company founded by Jerome Dodson in 1984. It has six funds, the newest of which is an Asia fund launched in April 2013. While a foreign fund is a first for the company, the firm has not grown recklessly; the last time it had launched a new fund was in 2005. The firm has also steadily built its investment team. In 2013, the firm hired from the outside to bring fixed-income expertise to Parnassus Fixed-Income PRFIX, but portfolio managers are generally promoted from the analyst ranks, and retention on the investment team is high.

The funds invest only in securities that pass its environmental, social, and governance screens. From there, the managers find companies with relevant products, sustainable competitive advantages, quality management, and ethical practices, and it buys when the stock is undervalued. The fixed-income fund also uses equity research for security selection.

In recent years, Parnassus has made a concerted effort to attract 401(k) and institutional clients, which has resulted in steady, but manageable, inflows. Most have gone to Parnassus Core Equity PRBLX, which has excellent long-term risk-adjusted performance. Four of the six funds, accounting for 95% of assets, have manager investment greater than $1 million. The funds' board of directors is experienced and has negotiated average fees overall.

Price Pillar: Positive

The 0.87% expense ratio of this fund's Investor shares is a bit below the median for its peer group. The fund's expenses have always been reasonable, and as its asset base has grown, its net expense ratio has decreased gradually from 1.07% a decade ago.

Institutional shareholders also get a good deal. Requiring a minimum investment of only $100,000, the share class charges 0.67% a year, below average for the large-cap institutional peer group.

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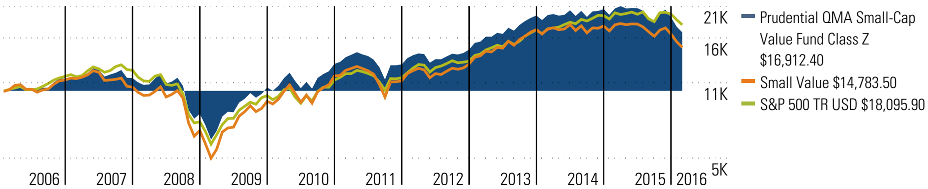
Prudential QMA Small-Cap Value Fund Class Z TASVX

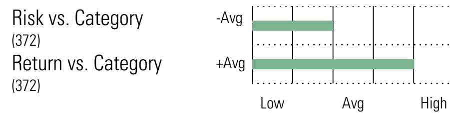
Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.34	↓-0.09 | -0.62	2.81	1.1	Open	—	None	0.72%	★★★	Small Value	Small Value

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



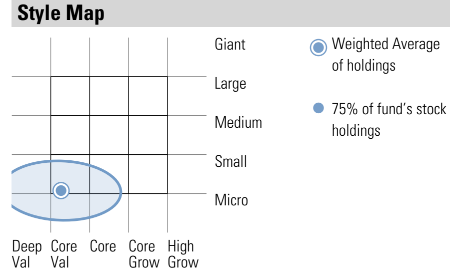
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Investment Strategy

The investment seeks above-average capital appreciation. The fund normally invests at least 80% of its investable assets in equity and equity-related securities of small-cap companies. The subadviser considers small cap companies to be companies with market capitalizations within the market cap range of companies included in the Russell 2000 Index or the Standard & Poor's SmallCap 600 Index. While most assets will typically be invested in U.S. equity and equity-related securities, including real estate investment trusts (REITs), the fund may also invest in foreign equity and equity-related securities.

Style Map



Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,733	9,453	8,221	10,845	12,694	16,997
Fund	-12.67	-5.47	-17.79	2.74	4.89	5.45
+/- S&P 500 TR USD	-3.48	-1.98	-10.23	-6.38	-4.42	-0.68
+/- Category	-1.42	-0.79	-1.38	0.17	0.52	1.24
% Rank in Cat	72	69	71	55	43	20
# of Funds in Cat	476	476	430	371	322	208

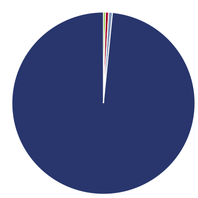
* Currency is displayed in BASE

Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Convergys Corporation	1.25	24.42 BASE	1.84 ↑	20.40 - 26.59
⊖ Washington Federal Inc	1.22	20.81 BASE	1.64 ↑	20.20 - 26.34
⊖ Cooper Tire & Rubber Co	1.18	36.04 BASE	3.36 ↑	31.18 - 43.94
⊖ Sanmina Corp	1.12	19.77 BASE	1.39 ↑	16.31 - 25.64
⊖ Select Income REIT	1.12	19.32 BASE	1.68 ↑	17.07 - 25.90
% Assets in Top 5 Holdings	5.88			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



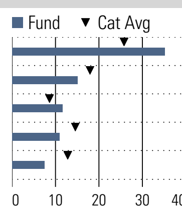
Asset Class	% Net
Cash	0.37
US Stock	98.42
Non US Stock	0.55
Bond	0.00
Other	0.67

Management

	Start Date
Stephen Courtney	01-15-2015
Robert Leung	01-15-2015
Mitchell B. Stern	01-15-2015
Deborah D. Woods	01-15-2015

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	35.15	35.15	21.13	24.86
Industrials	15.02	23.84	15.02	17.02
Real Estate	11.56	11.56	4.27	7.70
Consumer Cyclical	10.88	12.43	10.10	13.64
Technology	7.48	13.46	7.48	11.90



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-15-2015	16.42	6.3800	0.3700	0.0000	0.6100	7.3700
12-22-2014	25.45	2.4000	0.1400	0.0000	0.2800	2.8200
12-16-2013	25.96	1.4800	0.4400	0.0000	0.2800	2.1900
12-28-2012	21.06	0.0000	0.0000	0.0000	0.0400	0.0400
12-13-2012	20.93	0.6100	0.0000	0.0000	0.2600	0.8700

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Prudential QMA Small-Cap Value Fund Class Z TASVX

Analysis

Morningstar's Take

Morningstar Analyst Rating	—

Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-12.67	-1.42
2015	-7.04	-0.34
2014	5.89	2.55
2013	35.87	-0.35
2012	14.14	-1.87

We do not currently publish an Analyst Report for this company.

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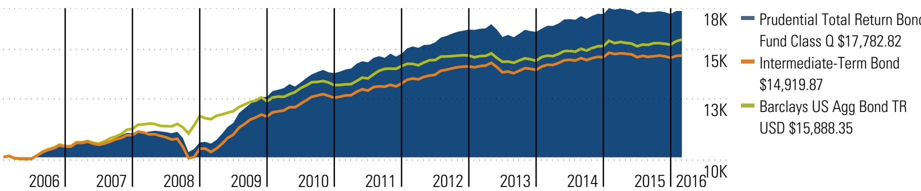
Prudential Total Return Bond Fund Class Q PTRQX

Morningstar Analyst Rating
Bronze

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.11	↓-0.04 | -0.28	3.23	12.7	Open	—	None	0.46%	★★★★★	Intermediate-Term Bond	

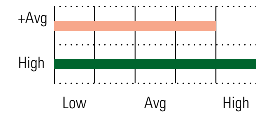
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category
(947)

Return vs. Category
(947)



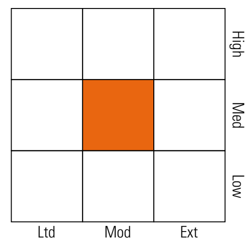
Investment Strategy

The investment seeks total return. The fund will seek to achieve its objective through a mix of current income and capital appreciation as determined by the fund's investment subadviser. It invests, under normal circumstances, at least 80% of the fund's investable assets in bonds. For purposes of this policy, bonds include all fixed-income securities, other than preferred stock, with a maturity at date of issue of greater than one year. The fund may invest up to 30% of its investable assets in high risk, below investment-grade securities having a rating of not lower than CCC. It may invest up to 30% of its investable assets in foreign debt securities.

Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Neutral
Rating	Bronze

Style Map 12-31-2015



Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,115	10,044	9,985	10,768	12,747	17,766
Fund	1.15	0.44	-0.15	2.50	4.97	5.92
+/- Barclays US Agg Bond TR USD	-0.85	-0.91	-1.63	0.18	1.14	1.19
+/- Category	0.25	0.07	0.22	0.94	1.49	1.61
% Rank in Cat	47	52	51	11	4	—
# of Funds in Cat	1,093	1,093	1,026	938	818	585

* Currency is displayed in BASE

Bond Statistics	Value
Average Effective Duration (Years)	6.26
Average Effective Maturity (Years)	—
Average Credit Quality	BBB
Average Weighted Coupon	2.80
Average Weighted Price	—

Top Holdings 12-31-2015

	Weight %	Maturity Date	Amount Mil	Value Mil
⊕ 5 Year US Treasury Note Future Mar16	20.26	03-31-2016	0.03	4,005.38
⊕ 10 Year US Treasury Note Future Mar16	17.19	03-22-2016	0.03	3,398.21
Recv Usd 1.55561 12/31/21	10.30	12-31-2021	2,035.00	2,035.00
Payb Usd 1.55561 12/31/21	-10.13	12-31-2021	2,035.00	-2,002.16
Payb Usd 2.23662 5/31/22	-4.93	05-31-2022	953.80	-974.86
% Assets in Top 5 Holdings	32.69			

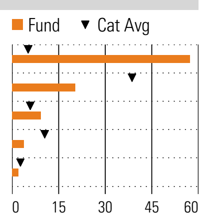
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	2.42	0.00	2.42	—	11.20
US Stock	0.00	0.00	0.00	—	0.11
Non US Stock	0.00	0.00	0.00	—	-0.05
Bond	95.43	37.25	132.67	—	87.34
Other	2.15	0.59	2.74	—	1.41

Top Sectors 12-31-2015

	Fund	BMark	Cat Avg
Other Government Related	57.26	—	3.87
Corporate Bond	20.36	—	37.35
Asset-Backed	9.17	—	4.56
Commercial MBS	3.85	—	9.22
Non-Agency Residential MBS	2.06	—	1.39



Management

	Start Date
Robert Tipp	10-30-2002
Michael J. Collins	11-18-2009
Richard Piccirillo	12-31-2012
Gregory Peters	03-05-2014

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
01-29-2016	14.12	0.0000	0.0000	0.0000	0.0300	0.0300
12-31-2015	13.99	0.0000	0.0000	0.0000	0.0600	0.0600
12-10-2015	14.08	0.0000	0.0000	0.0000	0.0000	0.0000
11-30-2015	14.14	0.0000	0.0000	0.0000	0.0300	0.0300
10-30-2015	14.23	0.0000	0.0000	0.0000	0.0300	0.0300

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MORNINGSTAR®

Prudential Total Return Bond Fund Class Q PTRQX

Analysis

More than what you might expect from an asset manager owned by a quiet insurance company.
By Eric Jacobson 1/8/2016

Prudential Total Return Bond is run by a fixed-income group that rivals the largest in the industry in terms of research manpower and that boasts similarly massive investments in number-crunching analytics. The fruits of those efforts have earned the fund a good long-term record and a Morningstar Analyst Rating of Bronze.

Prudential's history of running insurance assets--traditionally invested heavily in corporate bonds--has strongly influenced this fund's strategy. So even though it's benchmarked against the Barclays U.S. Aggregate Bond index, it has a bias toward credit. The fund's corporate exposure has long topped the benchmark's once high-yield bonds, and bank loans are included (neither are in the index). Corporate bonds and bank loans comprised a 50% share of the fund--which jumps to 64% if you include 14% in collateralized loan obligations--as of October 2015, compared with a 24% corporate stake in the index, and roughly a third of assets for the intermediate-term bond Morningstar Category.

Though the implications for performance aren't quite the same, the fund also had 21% in securitized assets as of October 2015 (once CLOs are stripped out), including both nonagency residential and commercial mortgage-backed securities. It held a 3.6% sliver of U.S. Treasury and agency securities--down from 43% at the end of 2007--versus 73% for the index.

There's nothing inherently wrong with that profile, but it places the fund on the category's edge in terms of credit risk; its rate sensitivity has also risen in recent years. It was buffeted by both rates and credit in 2015, for example, pushing the fund's return for the year below the midpoint of distinct peers in its group. But despite greater-than-average volatility, the fund has survived rough credit markets without lasting damage: In 2008, it had exposure to rallying Treasuries as its other sectors struggled, placing in the category's middle. Combined with success during more favorable markets, that has earned the fund top-decile trailing long-term returns. As such, it cuts an attractive profile, albeit one that requires comfort with its risks.

Process Pillar: Positive

The strategy here is similar to those of its high-profile competitors. The fund's managers focus on finding issues that have good fundamentals but generate a healthy amount of income. An analyst rates every issue by fundamental value each month, and sector managers rerank them based on relative value among other sectors.

The team has long gravitated toward corporate credit. In that context, the managers compare internal credit scores against rating agencies', assign scores based on yield premiums versus the broad market, and build rankings based on liquidity and event risk. Internally developed risk analytics are then applied to portfolios.

The team targets a goal of 150 basis points of outperformance per year over the Barclays U.S. Aggregate Index, ideally averaging contributions of roughly 75 basis points from sector allocation, 40 basis points from subsector and security selection, and 35 basis points from plays on duration, currency, and the yield curve. With the use of its risk models, the team also looks to cap the fund's tracking error at 250 basis points.

Overall, the fund has managed strong execution of a straightforward, well-developed strategy, which has earned it a Positive Process Pillar rating.

The fund's credit emphasis has been more pronounced in recent years, as has a tilt toward longer duration. After taking duration to 3.8 years in March 2009, the fund's managers have driven it up to 6.1 years as of November 2015, nearly half a year longer than the benchmark's and roughly a year longer than the intermediate-bond category average.

As of October 2015, the fund held 50% in corporates, roughly three fourths of which were investment-grade, and the rest in high-yield bonds and

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Neutral

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	1.15	0.25
2015	0.09	0.34
2014	7.25	2.07
2013	-0.91	0.51
2012	9.96	2.95

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Prudential Total Return Bond Fund Class Q PTRQX

Analysis

bank loans. Another 14% in CLOs, which Prudential classifies as asset-backeds. Including the CLOs, that brings the fund's credit exposure to more than 2.5 times the Barclays Aggregate Index's and close to double the category average. Those numbers are high enough for the fund to teeter on the edge of Morningstar's dedicated corporate bond category, which comprises funds that have generally averaged more than 65% in corporates.

The portfolio is rounded out with asset-backed (12% after stripping out CLOs) and commercial-mortgage-backed securities (9%) and exposure to foreign government debt (5%) and emerging-markets issues (6.5%). With only a 1.5% stake in agency mortgages, and 2% in Treasuries and agency debt, that leaves the fund with a massive underweighting in that sector relative to its benchmark, and the category, albeit to a lesser degree.

Performance Pillar: Positive

The fund's long-term record has been attractive: Its trailing returns of three years or longer all place in its category's best quartile. And though its volatility over those periods has been higher than average, the fund hasn't suffered serious blows. It earns a Positive Performance rating.

The ride has been a bit choppy at times. The fund's duration was 3.8 years in early 2009 and ratcheted up to 6.1 years by November 2015. Many rivals trimmed rate sensitivity, though, producing different relative outcomes.

When Treasury yields spiked between Oct. 8, 2010, and Feb. 10, 2011, for example, the fund's duration was still in the range of 4.5-4.9 years, and its 1.4% loss placed in the best third of distinct funds in the group. Its duration was longer when yields spiked in early 2013, hitting 6.1 years by the end of September 2013 from 5.3 years at March 31. As yields spiked from April 26 to Sept. 5, the fund lost 5.9% and placed near the bottom of its category.

The fund has also been more aggressive with credit since 2008 when it placed in the category's middle, dipping to the group's bottom half during the third-quarter 2011 credit sell-off. The fund also had some poor relative months when credit sold off in the second half of 2014 and then 2015, but it didn't fare notably worse on a relative basis than during the third quarter of 2011.

People Pillar: Positive

The fund is run by Michael J. Collins, Robert Tipp, Richard Piccirillo, and Gregory Peters; they also manage other portfolios for Prudential Financial, including Prudential Absolute Return Bond PADZX. They average 19 years of investment experience and are backed by a fixed-income group with big research manpower by virtue of a cadre of portfolio managers and 90 analysts. The group also draws on a 50-plus member team focused on proprietary analytics, risk management, and performance attribution. The team's record and substantial resources earn it a Positive People Pillar rating.

Collins also manages some of the firm's other multisector strategies. He has been at Prudential since 1986 and has experience as a high-yield manager and developing proprietary quantitative international interest-rate and currency models.
Tipp has been with the firm since 1991; he heads its global bonds team and drives global rate positioning for several portfolios. Piccirillo has been with Prudential since 1993 and specializes in mortgage- and asset-backed securities. Prior to joining the firm he worked as a fixed-income analyst for Fischer Francis Trees & Watts. Peters has experience as Morgan Stanley's global director of fixed income and economic research and was responsible for the firm's macro research and asset-allocation strategy. His prior experience included stints at Salomon Smith Barney and the U.S. Treasury.

Parent Pillar: Neutral

The Prudential funds are a small piece of Prudential Investment Management, which in turn is part of conglomerate Prudential Financial. They have some notable strengths, including a culture that's positive in many ways. The fixed-income team is well-resourced and risk-aware, the actively managed equity funds are run with an established, repeatable investment process, and the Prudential funds as a group have respectable long-term records. Nearly all of them are subadvised by subsidiaries of PIM, primarily Jennison, Quantitative Management Associates, and Prudential Fixed Income.

Prudential has launched three or four new funds a year since 2010, and it plans to launch more. These have mostly been in popular areas such as high yield, alternatives, and emerging markets, but Prudential says it will only launch new funds for which it already has the resources. The firm has broadened its distribution over the past decade so the funds are widely available among third-party distributors.

Prudential's funds are overseen by an engaged, active board. The trustees have approved cheap expenses on the firm's biggest funds, but across the lineup, fees are about average. In addition, manager investment in the Prudential funds is subpar overall, so that managers' interests aren't as aligned with shareholders' as they could be. That, plus the middling overall fees, keep the firm's overall Parent rating at a Neutral.

Price Pillar: Neutral

The fund's pricing is a mixed bag, with its A, Q, and R shares--comprising 50% of its asset base--all priced below average relative to their respective peer groups of similarly distributed funds. The other half, however, nearly all of which is invested in the fund's Z shares, carries above-average fees relative to other institutional fund shares in the intermediate-term bond category. As such, the fund earns a Neutral Price Pillar rating.

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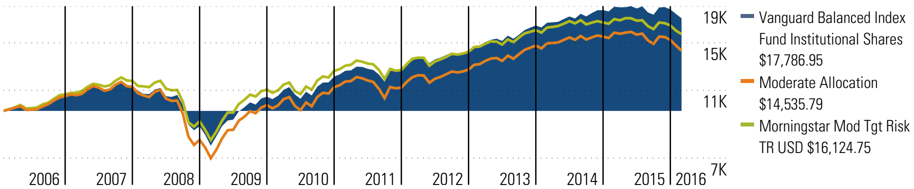
Vanguard Balanced Index Fund Institutional Shares VBAIX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
27.64	↓-0.03 | -0.11	2.17	25.6	Open	$5 mil	None	0.08%	★★★★★	Moderate Allocation	Large Blend

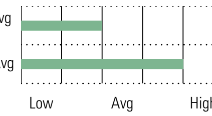
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (860) -Avg

Return vs. Category (860) +Avg



Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,459	9,788	9,476	11,883	13,988	17,796
Fund	-5.41	-2.12	-5.24	5.92	6.94	5.93
+/- Morningstar Mod Tgt Risk TR USD	-0.17	-0.22	2.03	3.35	2.73	1.05
+/- Category	1.15	0.91	3.55	2.66	2.46	1.57
% Rank in Cat	21	24	10	9	7	10
# of Funds in Cat	981	981	928	853	739	499

* Currency is displayed in BASE

Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Top Holdings 12-31-2015

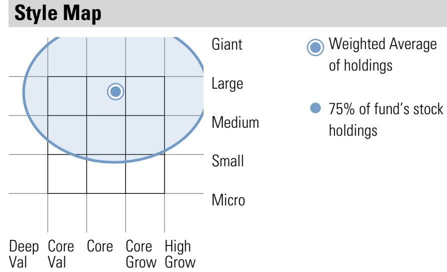
	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Apple Inc	1.51	95.48 BASE	0.50 ↑	92.00 - 134.54
⊕ Microsoft Corp	1.14	50.01 BASE	1.48 ↑	39.72 - 56.85
⊕ Exxon Mobil Corporation	0.88	80.32 BASE	0.24 ↑	66.55 - 93.45
⊕ General Electric Co	0.80	28.47 BASE	0.64 ↑	19.37 - 31.49
⊕ Johnson & Johnson	0.77	102.23 BASE	0.24 ↑	81.79 - 105.49
% Assets in Top 5 Holdings	5.09			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

Investment Strategy

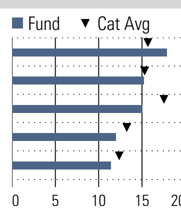
The investment seeks to track the performance of a broad, market-weighted bond index and a benchmark index that measures the investment return of the overall U.S. stock market. The fund employs an indexing investment approach designed to track the performance of two benchmark indexes. With approximately 60% of its assets, the fund seeks to track the investment performance of the CRSP U.S. Total Market Index. With approximately 40% of its assets, the fund seeks to track the investment performance of the Barclays U.S. Aggregate Float Adjusted Index.

Style Map

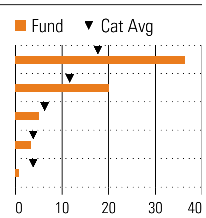


Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.83	17.83	16.61	15.22
Healthcare	15.21	15.21	12.37	14.84
Financial Services	15.05	15.05	14.88	17.07
Consumer Cyclical	11.97	11.97	11.32	12.78
Industrials	11.37	12.69	11.37	11.91



	Fund	BMark	Cat Avg
Government	36.40	36.58	16.83
Agency Mortgage-Backed	20.00	30.72	10.78
Government-Related	5.03	0.97	5.41
Commercial MBS	3.37	0.08	2.96
Asset-Backed	0.71	0.00	2.95



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.65	0.00	1.65	1.04	6.55
US Stock	58.46	0.00	58.46	49.79	45.54
Non US Stock	0.41	0.00	0.41	26.21	12.92
Bond	39.46	0.01	39.47	19.62	32.45
Other	0.02	0.00	0.02	3.34	2.54

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-24-2015	29.39	0.0000	0.0000	0.0000	0.1800	0.1800
09-18-2015	28.85	0.0000	0.0000	0.0000	0.1500	0.1500
06-19-2015	30.16	0.0000	0.0000	0.0000	0.1300	0.1300
03-26-2015	29.87	0.0000	0.0000	0.0000	0.1500	0.1500
12-26-2014	29.87	0.0000	0.0000	0.0000	0.1700	0.1700

Management

	Start Date
Joshua C. Barrickman	02-22-2013
Christine D. Franquin	02-22-2013
Christopher E. Wrazen	07-07-2015

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Vanguard Balanced Index Fund Institutional Shares VBAIX

Analysis

Success by doing less.
By Gretchen Rupp 12/21/2015

Vanguard Balanced Index takes a straightforward approach to asset allocation, maintaining a steady 60% stocks/40% bonds allocation. The fund's index-based underlying holdings lead to a portfolio with relatively high-quality fixed-income securities and broad exposure to the U.S. stock market, and they have also produced more stable returns than most moderate-allocation Morningstar Category peers. These positive attributes, along with rock-bottom fees, have resulted in category-leading results and earn the fund a Morningstar Analyst rating of Gold.

This fund stands out among its peers for its simplicity. Unlike many rival fund managers who use tactical management to adjust attributes like overall stock/bond weighting, credit quality, or growth and value tilts, this fund doesn't waver. Maintaining this predictable mix mitigates the risk of ill-timed portfolio changes. Its stock portfolio tracks the CRSP U.S. Total Stock Market Index, which includes virtually the entire domestic stock market, while the bond sleeve follows the Barclays U.S. Aggregate Float Adjusted Bond Index, which serves as a proxy for U.S. investment-grade taxable bonds. The result is a U.S.-centric portfolio. So, while the fund's average peer has about 10% invested in foreign equities, this fund invests almost solely in domestic fare. And fixed-income picks don't reach below investment-grade debt, while the average moderate-allocation fund invests over 20% in unrated bonds or those rated BB and below.

The low-maintenance approach hasn't hampered this fund's performance over the long term--over the past 10 years through November 2015, for example, its 6.7% annualized gain ranks in its peer group's top quintile. It has achieved those results with less volatility than most, as shown by a Sharpe ratio that tops about 85% of peers over that period. Eschewing foreign holdings has provided a tailwind recently, as domestic equities have generally led the market since 2013. Meanwhile, the fund's fixed-income allocation provided a buffer in 2015's second half as high-yield market liquidity concerns dragged down many peers.

Process Pillar: Positive

This fund maintains a near constant 60%/40% balance between U.S. stocks and bonds. While many allocation funds will make shifts in asset allocations, this fund doesn't waver. To the extent possible, the fund will use cash flows, both into and out of the portfolio, in order to bring the allocation back toward its target. The implication is that following a period of strong equity market appreciation, the fund will add to its fixed-income portfolio to bring the balance back to 60%/40% (and vice versa). Historically, a disciplined rebalancing approach has helped to keep relative volatility in check, earning the fund a Positive Process rating.

The equity sleeve follows the CRSP U.S. Total Stock Market Index, which tracks nearly every stock in the U.S. market and allows it to achieve the level of diversification deemed optimal by the efficient-market hypothesis. The fund holds nearly 3,300 names, spanning mega- to micro-cap stocks.

The fixed-income side of the portfolio also follows a passive approach, tracking the Barclays U.S. Aggregate Float Adjusted Bond Index. The fund holds about 6,400 bonds compared with about 9,600 in the index. Because of the large number of bonds in the index and their lack of trading volume, it is common for bond funds to engage in sampling. Still, this fund carefully replicates the index's key characteristics, such as duration and credit quality.

The fund's equity exposure stays in line with its index's norms, and some of these traits distinguish it from the moderate-allocation crowd. Because of the expansive nature of its target stock index, the CRSP U.S. Total Stock Market Index, it has considerably more sector and industry breadth and somewhat more market-cap diversification than the majority of its peers. It replicates a purely domestic stock index, so it normally has nothing in foreign equities; most of its rivals invest 10% or so of their stock assets abroad. Yet the fund's market-cap-weighting approach means that giant-cap names

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	-5.41	1.15
2015	0.52	2.45
2014	10.00	3.79
2013	18.11	1.63
2012	11.51	-0.21

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Vanguard Balanced Index Fund Institutional Shares VBAIX

Analysis

such as Apple AAPL, Exxon Mobil XOM, and General Electric GE hold the largest sway.

Government and government-backed securities dominate the bond side of the portfolio. The average duration of the fund's holdings, a proxy for interest-rate risk, is longer than the category average. However, this reflects the index, which excludes securities with less than one year to maturity. In addition, the fund strives to be fully invested so it holds less cash than the category average. The credit quality of the portfolio is slightly higher than the category's because the index excludes high-yield securities. The index also excludes Treasury Inflation-Protected Securities.

In addition to these omissions, the fund lacks exposure to international securities, whereas most funds in the category include a stake.

Performance Pillar: ⊕ Positive

Because the fund tracks a mixture of two broad indexes, it should not be expected to outperform its blended index in any given year. While the fund's relatively unique composition may cause performance to vary from the typical moderate-allocation fund, its steady and broadly diversified asset mix isn't likely to become too far out of favor. In fact, the fund has never landed in the bottom quartile of its peer group across three-year rolling periods for the 10-year period through November 2015. The fund's cost advantage continues to give it an edge over the long term.

The exceptionally diversified nature of its stock and bond portfolios serves to moderate risk. Over the past 10 years, the fund's standard deviation is less than about 85% of its category peers. Because the fund has consistently produced above-average returns with below-average risk, its risk-adjusted return ranking is slightly better than its rank based purely on return. The fund's investor returns suggest that some investors became disillusioned with the promise of diversification in 2008. After all, the fund was still down 22% that year. But patient investors recouped their losses in less than two years.

People Pillar: ⊕ Positive

Vanguard brought in new managers as of 2013, consistent with its long-standing practice of rotating its portfolios' managers across its fund lineup. Vanguard's experienced support teams help mitigate the impact of these changes. Christine Franquin has overseen the fund's stock portfolio since February 2013. Franquin is the portfolio manager for a number of equity index funds, including global, developed-markets, and emerging-markets funds. She has been with Vanguard since 2000 and has overseen both U.S. and European equity index products since 2004.

Joshua Barrickman has managed the fund's bond portfolio since February 2013. Barrickman, who leads the fixed-income indexing group, joined Vanguard in 1999 and has comanaged the firm's bond funds since 2005. He also oversees the $130 billion Vanguard Total Bond Market Index VBTLX, which has the same index as the bond portion of this fund. Christopher Wrazen joined the fund in 2015 when previous comanager Paul Malloy took a new position managing fixed-income operations in London. Given Barrickman's continuity and tenure at Vanguard, the change in personnel is not a cause for concern and the fund's People rating remains Positive.

Parent Pillar: ⊕ Positive

Vanguard has one of the mutual fund industry's strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm's own behavior. Vanguard's fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm's funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors' interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor's.

Fees are very often the industry's lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: ⊕ Positive

Vanguard's investment philosophy is based on the concept of low-cost investing, and this fund is no exception, earning a Positive Price rating. The Admiral share class, which has a minimum initial investment of $10,000, has an expense ratio of 0.09%, while the Investor share class, which has a minimum initial investment of $3,000, charges 0.23%. The median expense ratio for the category is 1.15%. Thus, this fund enjoys an enormous cost advantage over its peers. Unlike many of Vanguard's funds, this fund does not offer an exchange-traded fund share class. However, investors could invest a similar 60/40 split in cheaper broad market Vanguard ETFs VTI and BND, but this approach requires that the investor rebalance to maintain the target allocation.

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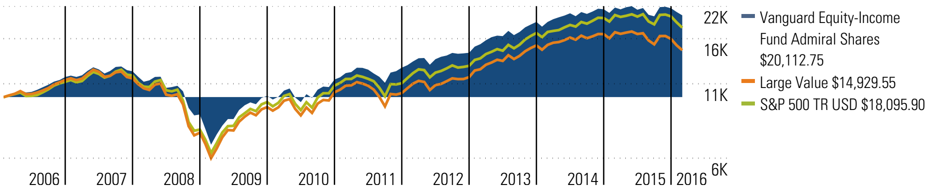
Vanguard Equity-Income Fund Admiral Shares VEIRX

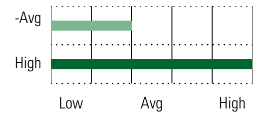
Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
58.33	↓-0.04 | -0.07	3.04	18.6	Open	$50,000	None	0.17%	★★★★★	Large Value	Large Value

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



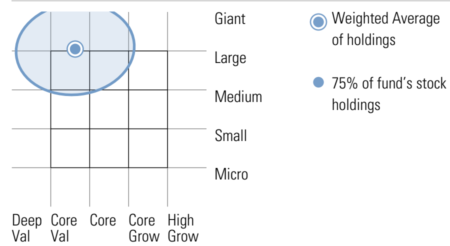
Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Investment Strategy

The investment seeks to provide an above-average level of current income and reasonable long-term capital appreciation. The fund invests mainly in common stocks of mid-size and large companies whose stocks typically pay above-average levels of dividend income and are, in the opinion of the purchasing advisor, undervalued relative to other such stocks. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, it will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.

Style Map



Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,416	9,954	9,553	12,939	16,619	20,092
Fund	-5.84	-0.46	-4.47	8.97	10.69	7.23
+/- S&P 500 TR USD	3.34	3.03	3.09	-0.15	1.39	1.10
+/- Category	3.27	2.91	7.72	3.30	4.05	2.87
% Rank in Cat	13	12	6	7	3	3
# of Funds in Cat	1,458	1,461	1,349	1,171	1,027	741

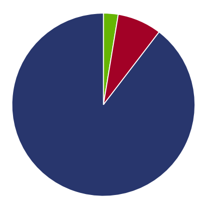
* Currency is displayed in BASE

Top Holdings 09-30-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Microsoft Corp	4.18	50.02 BASE	1.50 ↑	39.72 - 56.85
⊕ Wells Fargo & Co	3.95	46.58 BASE	0.26 ↑	45.35 - 58.76
JPMorgan Chase & Co	3.30	56.35 BASE	0.21 ↑	50.07 - 70.61
⊕ Johnson & Johnson	2.82	102.23 BASE	0.24 ↑	81.79 - 105.49
⊖ Verizon Communications Inc	2.73	49.96 BASE	-0.44 ↓	38.06 - 51.20
% Assets in Top 5 Holdings	16.98			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



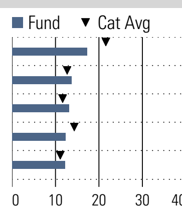
Asset Class	% Net
Cash	2.59
US Stock	89.60
Non US Stock	7.81
Bond	0.00
Other	0.00

Management

	Start Date
James P. Stetler	12-31-2003
W. Michael Reckmeyer	08-15-2007
Michael R. Roach	01-27-2012
Binbin Guo	01-27-2016

Top Sectors 09-30-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	17.23	17.23	15.57	20.66
Technology	13.69	14.44	11.08	11.76
Industrials	13.09	14.95	12.54	10.73
Healthcare	12.28	12.69	12.28	13.40
Consumer Defensive	12.16	12.91	12.16	10.18



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-16-2015	62.63	1.6800	0.4500	0.0000	0.5400	2.6700
09-18-2015	60.49	0.0000	0.0000	0.0000	0.4700	0.4700
06-19-2015	65.95	0.0000	0.0000	0.0000	0.4500	0.4500
03-26-2015	64.45	0.0000	0.0000	0.0000	0.4300	0.4300
12-17-2014	64.08	1.6600	0.4700	0.0000	0.5000	2.6200

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MORNINGSTAR®

Vanguard Equity-Income Fund Admiral Shares VEIRX

Analysis

A strong subadvisor duo.
By Alec Lucas 6/16/2015

Consistent leadership, complementary processes, and proven results confirm Vanguard Equity-Income's Morningstar Analyst Rating of Silver. Since late 2005, the fund's assets have between split between anchor Wellington Management and Vanguard's in-house quantitative equity group. Michael Reckmeyer has led Wellington's roughly two-thirds slice of the portfolio since year-end 2007. He's an industry veteran, who has been part of Wellington's nine-person value equity-income team since 1994. The quant group, which runs the rest of the fund, is also very experienced. Lead James Stetler, for example, has been investing at Vanguard since 1996 and has been running a slice of this fund since 2003.

Both subadvisors try to find value in the market's short-term dislocations but do so in distinct ways. Reckmeyer likes stocks with above-average dividends and low valuations but unappreciated growth prospects. That often leads him to names in downtrodden sectors. Since late 2014, he's bought energy stocks like Marathon Oil MRO, a low-cost provider whose shale business is nimble enough to take advantage of continued volatility in the price of oil. Unlike Reckmeyer, who is willing to diverge from the sector weightings of the FTSE High Dividend Yield Index by up to 10 percentage points, Stetler and his quant team stay close to the bogy's weightings, as they use computer models to pick stocks based on valuation, growth, management decisions, momentum, and earnings sustainability. If a stock is not in the bogy's universe, then they won't own it. In early 2015, they exited the fund's sizable position in Apple AAPL when FTSE dropped the stock from its index because its yield no longer met the minimum threshold for inclusion.

The fund's larger-cap tilt can cause it to lag when small caps soar, but the two subadvisors have shown they can add value through a market cycle. From Reckmeyer's 2007 start through May 2015, the fund's 7.6% annualized gain modestly outpaces the index, with less volatility while also landing in the large-value category's top quintile. The fund should continue to deliver competitive results while keeping risk in check.

Process Pillar: Positive

Two subadvisors here take distinct but effective approaches to finding value in the market's short-term dislocations, earning the fund a Positive Process Pillar rating. Manager Michael Reckmeyer, who runs about two thirds of the fund's assets, is a stickler for dividends, valuations, and healthy balance sheets. He buys stocks with above-average dividends and low valuations but unappreciated growth prospects. Typically, these stocks offer a yield above the S&P 500's upon purchase.
Unlike the strategy he runs for Vanguard Wellesley Income VWINX, however, his portfolio here can hold a stock if its yield falls below the S&P 500's. Reckmeyer can be contrarian, adding to solid but out-of-favor stocks whose challenges are more than reflected in their share prices. While he generally holds stocks for about four to five years, Reckmeyer is quick to sell if stocks' fundamentals deteriorate or hit their target price. He can also swap a name for a similar stock trading at a better valuation.

Vanguard's James Stetler and his quant team manage about one third of the fund's assets. They rely on computer models that pick stocks from the FTSE High Dividend Yield Index based on valuation, growth, management decisions (stock buybacks, dividend increases, and so on), momentum, and earnings sustainability. They turn their portfolio over more than Reckmeyer, but the fund's overall turnover still tends to be below average.

The fund has a diverse portfolio of about 150-180 dividend-paying stocks. They consistently produce an above-average yield versus the large-value Morningstar Category norm, although they are typically well-capitalized firms. Currently, the fund derives its top-decile 2.5% trailing 12-month yield from stocks that, on average, have a return on assets that ranks in the category's top quintile. The fund largely steers clear of higher-yielding stocks, which can signal a distressed dividend or limited

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-5.84	3.27
2015	0.86	4.90
2014	11.38	1.16
2013	30.19	-1.02
2012	13.58	-0.99

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Vanguard Equity-Income Fund Admiral Shares VEIRX

Analysis

growth prospects.

While Vanguard's portion of the portfolio doesn't stray too far from the U.S.-focused FTSE High Dividend Yield Index, Wellington's Michael Reckmeyer has recently found a number of attractively valued dividend payers overseas. Since early 2013, the fund's foreign stake has hovered around 10%. Most of these holdings are multinationals that pay stout dividends, like Europe's Unilever UN, which has a wide Morningstar Economic Moat Rating.

Sector weightings tend to stay fairly close to the fund's benchmark but can diverge dramatically from the Russell 1000 Value Index. Financials claimed 16.3% of the fund's assets, as of April 2015. That's more than any other sector but still far below the Russell index's nearly 30% stake. While exposure to dividend havens like telecom and utilities (a combined 11.3% presently) can be significant, the fund's more diversified than most income-oriented peers.

Performance Pillar: Positive

The fund's Positive Performance Pillar rating reflects its strong record under the current subadvisor lineup. Since Wellington Management and Vanguard's in-house quantitative equity group became solely responsible for this fund's asset base in late 2005, its 8.7% annualized gain through May 2015 beats the Russell 1000 Value Index by 1.5 percentage points and lands in the large-value category's top decile, with below-average volatility.

Wellington's management team underwent a change at year-end 2007, when Michael Reckmeyer took over the lead role from John Ryan. But that transition has been marked by continuity as Reckmeyer had been a longtime member of the firm's value equity-income team and he uses the same approach as his predecessor. The fund has continued to fare well. From early 2008 through May 2015, the fund has topped the Russell index in 97% of roughly 30 five-year rolling periods, while also beating in 57% of those same periods the FTSE High Dividend Yield Index, its primary prospectus benchmark since mid-2007.

Vanguard does not disclose individual subadvisors' results, but Reckmeyer's use of the same strategy on Hartford Equity Income HQIAX gives a sense of how the two teams have done. Although the Hartford fund has superior long-term gross returns, there are years when the quant group adds value. In 2011, the Hartford fund's 7% gain fell short of this fund by 3.6 percentage points.

People Pillar: Positive

Consistent and capable subadvisor leadership earns the fund a Positive People Pillar rating. Since late 2005, the fund's assets have between split between anchor Wellington Management and Vanguard's in-house quantitative equity group. Wellington, a subadvisor here since 2000, boasts ample resources in overseeing about two thirds of assets. Michael Reckmeyer took over as lead manager of Wellington's slice in late 2007 and has been a member of the firm's nine-person value equity-income team since 1994. That group currently includes five analysts and three other portfolio managers, one of whom, John Ryan--Reckmeyer's predecessor here--is retiring in June 2015. Even without Ryan the group averages 20-plus years of industry experience. The team also draws upon the firm's 50-plus global industry analysts.

The quantitative equity group runs the rest of the portfolio. James Stetler has been investing at Vanguard since 1996 and has been running a slice of this fund since 2003. In early 2012, the quant group, which runs Vanguard's passive index funds and active quant strategies, added as managers Michael Roach, who has been with the family since 1998 and investing since 2001, and James Troyer, who has run funds for Vanguard since 1995. The entire group includes 18 strategists, analysts, and managers, who average 10-plus years of industry experience.

Parent Pillar: Positive

Vanguard has one of the mutual fund industry's strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm's own behavior. Vanguard's fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm's funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors' interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor's.

Fees are very often the industry's lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: Positive

Rock-bottom fees earn the fund a Positive Price Pillar rating. The Investor shares' 0.29% fiscal 2014 expense ratio, which applied to about one third of the fund's assets, was 66 basis points below the large-cap no-load peer median and lower than 95% of those peers. The Admiral shares, which contain the rest of the fund's assets, were even cheaper, as their 0.20% expense ratio beat 97% of rivals'. Modest trading costs were another plus. Brokerage fees of 0.02% of average net assets fell well below the category norm of 0.09%.

The fund's price tag will shift some, however. Vanguard pays subadvisor Wellington Management an asset-based fee, with breakpoints, and the expense ratio also includes a performance adjustment based on the fund's three-year rolling return versus the FTSE High Dividend Yield Index.

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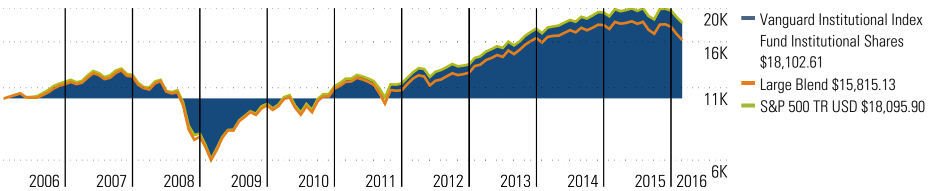
Vanguard Institutional Index Fund Institutional Shares VINIX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
169.47	↓-0.08 | -0.05	2.58	185.5	Open	$5 mil	None	0.04%	★★★★	Large Blend	Large Blend

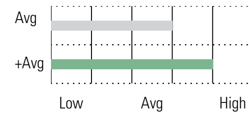
Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category
(1409)

Return vs. Category
(1409)



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Pillars

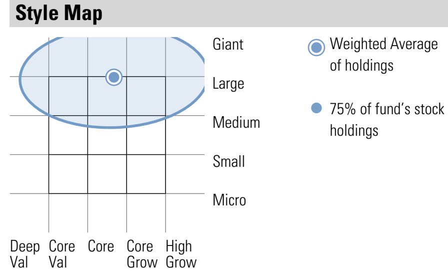
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,081	9,651	9,243	12,984	15,582	18,128
Fund	-9.19	-3.49	-7.57	9.09	9.28	6.13
+/- S&P 500 TR USD	0.00	0.00	-0.01	-0.03	-0.03	0.00
+/- Category	0.61	0.58	2.85	2.13	1.83	0.97
% Rank in Cat	30	29	18	11	10	17
# of Funds in Cat	1,676	1,676	1,585	1,388	1,226	885

* Currency is displayed in BASE

Style Map

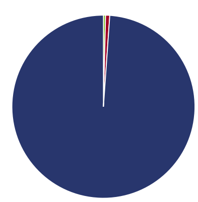


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Apple Inc	3.27	95.50 BASE	0.52 ↑	92.00 - 134.54
⊕ Microsoft Corp	2.47	50.02 BASE	1.50 ↑	39.72 - 56.85
⊕ Exxon Mobil Corporation	1.81	80.39 BASE	0.32 ↑	66.55 - 93.45
⊕ General Electric Co	1.64	28.48 BASE	0.65 ↑	19.37 - 31.49
⊕ Johnson & Johnson	1.58	102.26 BASE	0.27 ↑	81.79 - 105.49
% Assets in Top 5 Holdings	10.76			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



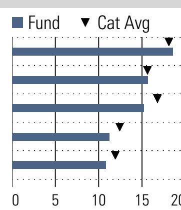
Asset Class	% Net
Cash	0.37
US Stock	98.89
Non US Stock	0.74
Bond	0.00
Other	0.00

Management

	Start Date
Donald M. Butler	12-31-2000

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	18.57	18.57	16.77	17.64
Healthcare	15.66	15.66	12.80	15.17
Financial Services	15.17	15.33	15.17	16.32
Consumer Cyclical	11.25	11.25	10.58	11.97
Industrials	10.83	11.68	10.83	11.46



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-18-2015	183.00	0.0000	0.0000	0.0000	1.1200	1.1200
09-18-2015	178.79	0.0000	0.0000	0.0000	0.9700	0.9700
06-19-2015	192.67	0.0000	0.0000	0.0000	0.8800	0.8800
03-26-2015	187.70	0.0000	0.0000	0.0000	1.6000	1.6000
12-19-2014	189.65	0.0000	0.0000	0.0000	1.0500	1.0500

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MORNINGSTAR®

Vanguard Institutional Index Fund Institutional Shares VINIX

Analysis

A low-cost index fund for institutions that can meet its high minimum.
By Michael Rawson 12/1/2015

Low costs, a mutually owned parent, and a robust indexing infrastructure differentiate Vanguard Institutional Index and earn the fund the Morningstar Analyst Rating of Gold.

This is the best S&P 500 mutual fund for investors who can meet the $5 million minimum. Because of the high minimum, this fund is intended for large institutional investors, such as pension funds and endowments. However, Vanguard also offers Vanguard 500 Index VFIAX, which is nearly identical to this fund except that it carries a lower investment minimum that makes it accessible to the average investor. But for institutions, no other fund has had better performance and lower tracking error. This fund's low expense ratio, tax efficiency, and minimal tracking error set it apart from other S&P 500 funds. During the past 10 years through October 2015, the fund has had the same return as S&P 500, matching it move for move.

This fund's low cost gives it an edge. Its 0.04% expense ratio gives it more than a 1-percentage-point expense ratio advantage over the average actively managed fund. This fund outpaced more than two thirds of its surviving peers in the large-blend Morningstar Category during the past 10 years. Its aftertax performance looks even better, thanks to the index's low turnover.

The S&P 500 is popular, if not complete. It skews larger than the average large-blend fund, and since it excludes most mid-caps and all small-caps, it leaves out roughly 20% of the U.S. market. Investors looking for comprehensive exposure to the U.S. stock market should choose a total stock market fund instead or pair this fund with a small-cap fund.

This fund exposes investors to the risks inherent in the stock market. It remains fully invested at all times and does not take any steps to offer better downside protection. Volatility has averaged about 15% in the past decade, and the index fell 37% in 2008. Still, it has delivered on its promise to track the index, with a tracking error among the lowest of any S&P 500 fund.

Process Pillar: Positive

This fund's success tracking its index and large scale supports its Positive Process Pillar rating.

The fund employs full replication to track the S&P 500. With roughly $200 billion in assets, it is able to hold each stock in the index at precise index weightings. The fund's large asset base and institutional following also help reduce the need to hold large amounts of cash to fund potential redemptions. As a result, cash has averaged less than 1% of the portfolio. Excess cash is invested in S&P 500 futures.

The index includes approximately 500 constituents, which it weights according to market capitalization. While market-cap-weighting is a passive approach that reflects the dollar-weighted opinion of all investors, critics contend that it overweights the most expensive stocks. This certainly was the case during the technology bubble, when stocks such as Cisco CSCO and Yahoo YHOO became overpriced. During the financial crisis, the index's weighting in financials stocks fell by half.

Unlike more mechanically constructed indexes, the constituents of the S&P 500 are selected by a committee that considers factors such as profitability and sector representation before admitting a new index constituent. Because the index has low turnover, the fund does as well. Low turnover helps reduce transaction costs and improve tax efficiency.

The S&P 500 is often used as a barometer for the economic health of the United States' biggest companies. Yet stocks in the index derive nearly half of their revenue outside of the U.S. Many of these stocks are household names such as Apple AAPL and General Electric GE. The index encompasses about 80% of the total U.S. equity market and leaves out some mid-cap stocks and all small- and micro-cap stocks.

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-9.19	0.61
2015	1.37	2.44
2014	13.65	2.69
2013	32.35	0.85
2012	15.98	1.02

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Vanguard Institutional Index Fund Institutional Shares VINIX

Analysis

Stocks in the fund have a larger average market cap than its typical peer because market-cap-weighting places more emphasis on the biggest stocks. Yet the index holds many more stocks than the average fund in the large-blend category, resulting in less concentration among the top 10 stocks. The technology, financials, and healthcare sectors represent the fund's largest sector weightings, while utilities, basic materials, and real estate carry the smallest weightings. Relative to its peer funds, this fund is overweight technology and underweight financials.

Morningstar equity analysts cover stocks that account for 96% of the assets in this fund. Based on their fair value assessments of the fund's underlying holdings, the fund is trading at a price/fair value ratio comparable to the category average as of this writing. It may be prudent to exercise caution when the price/fair value ratio is significantly above 1.

Performance Pillar: Positive

This fund’s success in tracking its index earns it a Positive Performance Pillar rating.

Index funds aim to deliver performance as close as possible to the index, gross of fees. This fund's large scale, focus on cost control, and process management have enabled it to exceed expectations. During the trailing 10 years through October 2015, this fund's 7.85% annualized return matched the return of the S&P 500. That places it among the best-performing S&P 500 funds and in the top third of all large-blend funds. It has lagged the category average in only two of the last 10 years.

Since 2008, turnover has averaged about 6%, well below the category average of 66%. Low turnover helps reduce the incidence of capital gains distributions, which should improve aftertax performance. This fund is among the most tax-efficient funds available, making it a good choice for taxable accounts.

The standard deviation of the fund's return was 15.1% during the past decade. This is the same volatility as the index and slightly less than the category average. The fund's ups and downs have almost identically matched the index, so tracking error has been low.

In addition, Vanguard uses a conservative securities-lending program that returns all income to the fund. Vanguard typically only lends out a small portion of the portfolio but lends those shares that are in high demand.

People Pillar: Positive

Vanguard’s experienced team of portfolio managers warrant a Positive People Pillar rating.

Donald Butler became a portfolio manager on this fund in 2000 and the sole portfolio manager in 2005. He joined Vanguard in 1992. His tenure on the fund is twice as long as the average equity index fund manager. Butler also manages five other funds for Vanguard, including Vanguard Extended Market Index VEXMX and Vanguard Mid-Cap Index VIMSX. He has earned the Chartered Financial Analyst designation. Butler does not currently have any money invested in this fund. Although less common with index funds, manager ownership is a tangible sign that a manager's incentives are aligned with shareholders.

Butler is a member of Vanguard’s equity index group. That group includes 26 investment professionals, of which 15 are portfolio managers with an average tenure at Vanguard of 15 years. Other members of the group include seasoned portfolio managers such as Michael Buek, Michael Perre, and Gerard O'Reilly, each of whom have been at Vanguard for over 20 years. This depth of talent and Vanguard's practice of rotating managers serves to minimize key-manager risk. Joe Brennan leads the team, and Tim Buckley is the chief investment officer. Buckley previously led the retail investment group and worked as the chief information officer.

Parent Pillar: Positive

Vanguard has one of the mutual fund industry’s strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm’s own behavior. Vanguard’s fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm’s funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors’ interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor’s.

Fees are very often the industry’s lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: Positive

This fund’s low expense ratio earns a Positive Price Pillar rating. Vanguard passes the savings from economies of scale back to investors through lower fees. The fund's 0.04% expense ratio is among the lowest available, but it requires a $5 million initial investment. Investors with that much money to invest often command low fees. Still, that fee is well below even the cheapest institutional share classes at most other fund providers. The fund's sister share class VIIIX has a 0.02% expense ratio but has a higher investment minimum of $200 million. Fidelity Spartan 500 Index FXSIX charges 0.04% but restricts access to institutional investors. Vanguard S&P 500 ETF VOO is available for 0.05% with no investment minimum beyond the market price of one share.

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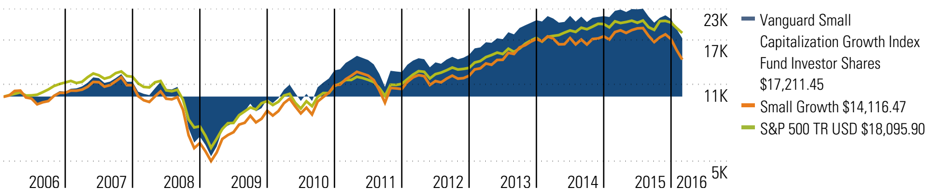
Vanguard Small Capitalization Growth Index Fund Investor Shares
VISGX

Morningstar Analyst Rating
Silver

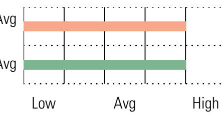
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.55	↓-0.18 | -0.63	0.92	13.7	Open	$3,000	None	0.23%	★★★★	Small Growth	Small Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (660) +Avg
Return vs. Category (660) +Avg



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Growth Index, a broadly diversified index of growth stocks of small U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Pillars

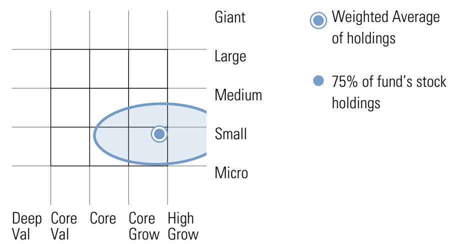
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,353	9,023	8,024	10,798	12,805	17,261
Fund	-16.47	-9.77	-19.76	2.59	5.07	5.61
+/- S&P 500 TR USD	-7.28	-6.28	-12.20	-6.53	-4.23	-0.52
+/- Category	0.84	0.40	-0.71	-0.07	0.68	1.19
% Rank in Cat	37	42	55	51	35	20
# of Funds in Cat	757	757	722	655	584	422

* Currency is displayed in BASE

Style Map

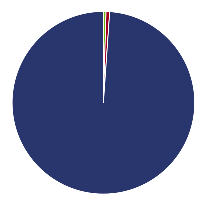


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Ionis Pharmaceuticals Inc	0.60	34.57 BASE	4.25 ↑	31.66 - 77.80
⊕ Signature Bank	0.59	129.96 BASE	1.71 ↑	121.96 - 163.15
⊕ Waste Connections Inc	0.56	57.91 BASE	0.73 ↑	44.81 - 60.32
⊕ United Therapeutics Corp	0.55	123.26 BASE	3.29 ↑	113.20 - 190.29
⊕ Mednax Inc	0.55	68.27 BASE	3.50 ↑	61.40 - 86.09
% Assets in Top 5 Holdings	2.85			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



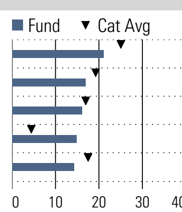
Asset Class	% Net
Cash	0.39
US Stock	98.90
Non US Stock	0.64
Bond	0.00
Other	0.07

Management

	Start Date
Gerard C. O'Reilly	12-30-2004

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	21.04	21.85	21.04	24.13
Healthcare	16.89	16.89	14.32	18.33
Consumer Cyclical	16.15	16.52	15.81	16.04
Real Estate	14.84	14.84	11.22	3.51
Industrials	14.20	17.10	14.20	16.59



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-22-2015	34.03	0.0000	0.0000	0.0000	0.1200	0.1200
09-24-2015	34.38	0.0000	0.0000	0.0000	0.1600	0.1600
03-24-2015	37.86	0.0000	0.0000	0.0000	0.0100	0.0100
12-19-2014	35.35	0.0000	0.0000	0.0000	0.3000	0.3000
03-24-2014	35.09	0.0000	0.0000	0.0000	0.0000	0.0000

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Vanguard Small Capitalization Growth Index Fund Investor Shares VISGX

Analysis

A great option for low-cost exposure to small-cap growth stocks.
By Alex Bryan 6/19/2015

Vanguard Small Cap Growth Index is one of the cheapest funds of its kind. Its cost advantage, low turnover, and broad market-cap-weighted approach support its Morningstar Analyst Rating of Silver.

The fund invests in the faster-growing and more expensive half of the U.S. small-cap market and weights its holdings by market capitalization. While these companies tend to grow more quickly than their large-cap counterparts, they also carry greater risk. Most of the fund's holdings lack meaningful competitive advantages and may not hold up as well as large caps during market downturns. Therefore, this fund is best suited as a satellite holding for investors with a high risk tolerance. Growth is attractive, but it must exceed the market's expectations to translate into superior returns. There is always a risk that investors' expectations for the fund's holdings may be overly optimistic.

Because this fund covers approximately half the small-cap market, it includes some stocks with only modest growth characteristics. These holdings help limit the fund's exposure to more expensive, and potentially riskier, stocks. The fund has less overlap with its value counterpart (Vanguard Small Cap Value Index VSIAX) than do rival value and growth funds based on the Russell 2000 and S&P SmallCap 600 indexes. Many of its sector weightings are similar to the small-growth Morningstar Category average, but it has much greater exposure to the real estate sector.

Low fees give the fund a sustainable edge over the long run. Over the past decade, the fund’s Investor share class landed in the top quintile of its category. The Admiral share class enjoys an even greater cost advantage. Its 0.09% fee is only a fraction of the median levy for small-cap no-load funds (1.16%).

In 2013, Vanguard transitioned from the MSCI US Small Cap Growth Index to the CRSP US Small Cap Growth Index, citing potential cost savings. The CRSP index has generous buffer rules to mitigate turnover and transaction costs. Tax efficiency adds to the fund's appeal. It hasn't distributed a capital gain in the past decade.

Process Pillar: Positive

The fund employs full replication to track the CRSP US Small Cap Growth Index. This broad, market-cap-weighted index diversifies risk and helps keep turnover low relative to the category, earning the fund a Positive Process Pillar rating.

CRSP ranks all U.S. stocks by market cap and excludes the largest 85% and smallest 2% from the mid-cap universe. It then assigns composite value and growth scores to each of these stocks using several metrics. The growth metrics include projected short- and long-term earnings-per-share growth, three-year historical earnings and sales-per-share growth, current investment/assets, and return on assets. The last metric penalizes companies for undisciplined growth. CRSP evaluates value on book/price, forward and trailing earnings/price, dividend yield, and sales/price. It fully allocates stocks with the strongest growth characteristics to the small-cap growth index until it represents half the assets in the small-cap market.

CRSP keeps 100% of each stock in its respective style index until it passes through a buffer zone. At that point, CRSP only moves 50% of the stock from one style index to the other. If the stock stays on the opposite side of the buffer zone at the following quarterly review, CRSP will transfer the remaining half. This mitigates turnover where it does not significantly affect the fund's style characteristics.

This is a very broadly diversified portfolio, which helps limit exposure to speculative growth names and company-specific risk. It includes more than 700 stocks, while the top 10 account for less than 6% of its assets. These holdings include medical device maker Cooper Companies COO, Domino's

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-16.47	0.84
2015	-2.64	-0.22
2014	3.88	1.44
2013	37.98	-2.93
2012	17.52	4.37

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Vanguard Small Capitalization Growth Index Fund Investor Shares VISGX

Analysis

Pizza DPZ, and Brookdale Senior Living BKD. Market-cap weighting skews the portfolio toward the larger names in its target market segment.

Like most of its peers, the fund has greater exposure to the health-care and technology sectors and less exposure to financial services and utility stocks than the broad CRSP US Small Cap Index. However, it has much greater exposure to real estate stocks than the category average. It is also a little lighter than average in the financial services sector.

CRSP's buffering rules allows stocks with slowing growth to stay in the portfolio longer, but that is a reasonable trade-off for lower turnover. At the end of May, the fund's holdings were trading at comparable multiples of forward earnings to the category average. The average market cap of its holdings is also similar to the category average, though the fund climbs further up the market-cap ladder than the Russell 2000 and S&P SmallCap 600 Growth indexes.

Performance Pillar: Positive

The fund has consistently outperformed its peers in the small-growth category, largely thanks to its cost advantage. Over the trailing 10 years through May 2015, the fund landed in the category's top quintile, outpacing the category average by 1.3% annualized, with comparable volatility. Consequently, it earns a Positive Performance Pillar rating.

Its performance also looks good over shorter horizons. In fact, the fund's returns ranked in the top half of the small-growth category average in every three-year rolling period over the past 12 years. It has also been fairly tax-efficient. The fund has not distributed a capital gain in the past 10 years. Vanguard offers a separate exchange-traded fund share class of this fund, which allows the managers to transfer low-cost-basis shares out of the portfolio in a tax-free transaction with the ETF's market makers. This structure may help make the fund more tax-efficient than its peers.

Full index replication has kept tracking error low. Over the trailing 12 months through May 2015, the fund's Admiral share class outpaced the benchmark by 7 basis points, while the Investor share classes lagged by 8 basis points, less than the amount of its expense ratio. This is partially because of securities-lending income.

People Pillar: Positive

Gerard O'Reilly has managed the fund since the end of 2004, but he has served as a portfolio manager at Vanguard since 1994. He is a principal and a member of Vanguard's equity investment group, which oversees all of the firm's equity index funds. This group includes Vanguard's other senior portfolio managers and a deep bench of support personnel. This team offers trade execution and risk-management support for the fund.

O'Reilly manages several other index funds including Vanguard Total Stock Market Index VTSMX, Vanguard Growth Index VIGRX, and Vanguard Value Index VIVAX. However, Vanguard's support infrastructure keeps this workload manageable.

While O'Reilly does not have any money invested in this fund, Vanguard's compensation approach helps align his interests with fund investors'. Vanguard links his compensation to operating efficiency, which helps keep costs low. Because minimizing both costs and tracking error are O'Reilly's primary objectives, it is less important for him to invest in the fund than it would be for an active manager.

O'Reilly's experience at Vanguard and the support he enjoys justify the Positive People Pillar rating.

Parent Pillar: Positive

Vanguard has one of the mutual fund industry’s strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm’s own behavior. Vanguard’s fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm’s funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors’ interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor’s.

Fees are very often the industry’s lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: Positive

Vanguard charges a razor-thin 0.09% expense ratio for the fund's Admiral shares and 0.23% for the Investor shares, making it one of the cheapest small-cap growth funds available. Therefore, it earns a Positive Price Pillar rating. The median fee for small-cap no-load funds is considerably higher (1.16%). The minimum investments for the Investor and Admiral shares are $3,000 and $10,000, respectively. Vanguard charges a $20 annual account maintenance fee for balances below $10,000. Vanguard also offers this fund in an ETF format, Vanguard Small-Cap Growth ETF VBK, for a 0.09% fee with no minimum investment. The fund engages in securities lending, which generates ancillary income that partially offsets the fund's expenses.

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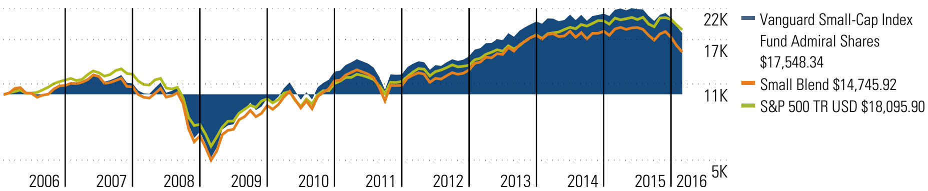
Vanguard Small-Cap Index Fund Admiral Shares VSMAX

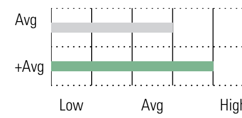
Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
45.99	↓-0.26 | -0.56	1.60	49.9	Open	$10,000	None	0.09%	★★★★	Small Blend	Small Blend

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Pillars

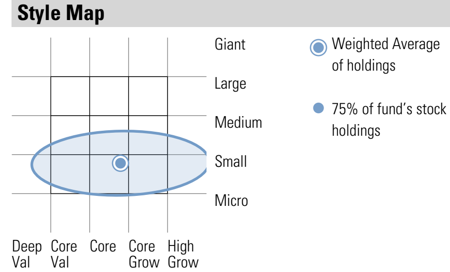
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,669	9,323	8,315	11,443	13,617	17,601
Fund	-13.31	-6.77	-16.85	4.60	6.37	5.82
+/- S&P 500 TR USD	-4.12	-3.28	-9.29	-4.53	-2.93	-0.31
+/- Category	-0.55	-0.78	0.06	1.77	1.84	1.58
% Rank in Cat	56	62	54	31	24	13
# of Funds in Cat	829	830	762	625	554	361

* Currency is displayed in BASE

Style Map

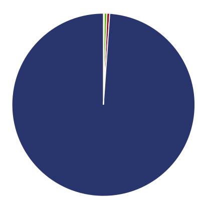


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ AGL Resources Inc	0.28	64.76 BASE	0.18 ↑	46.36 - 64.99
⊕ Ionis Pharmaceuticals Inc	0.28	34.57 BASE	4.25 ↑	31.66 - 77.80
⊕ Signature Bank	0.27	129.96 BASE	1.71 ↑	121.96 - 163.15
⊕ Duke Realty Corp	0.27	19.42 BASE	2.37 ↑	17.60 - 22.63
⊕ Arthur J Gallagher & Co	0.27	38.16 BASE	0.90 ↑	35.96 - 49.59
% Assets in Top 5 Holdings	1.37			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

Asset Allocation



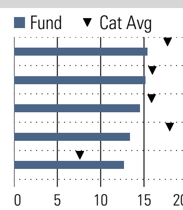
Asset Class	% Net
Cash	0.47
US Stock	98.90
Non US Stock	0.48
Bond	0.00
Other	0.15

Management

	Start Date
Michael H. Buek	12-30-1991

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	15.39	18.05	15.39	17.25
Technology	15.12	15.49	14.90	15.51
Consumer Cyclical	14.49	15.41	14.49	15.41
Financial Services	13.36	13.36	12.90	17.51
Real Estate	12.64	12.64	10.11	7.14



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-22-2015	52.88	0.0000	0.0000	0.0000	0.3000	0.3000
09-24-2015	53.05	0.0000	0.0000	0.0000	0.4600	0.4600
03-24-2015	58.84	0.0000	0.0000	0.0000	0.0300	0.0300
12-19-2014	55.56	0.0000	0.0000	0.0000	0.8000	0.8000
03-24-2014	54.03	0.0000	0.0000	0.0000	0.0000	0.0000

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Vanguard Small-Cap Index Fund Admiral Shares VSMAX

Analysis

This fund provides great, low-cost, diversified exposure to U.S. small-cap stocks.
By Michael Rawson 11/10/2015

Vanguard Small Cap Index earns the Morningstar Analyst Rating of Gold because its low costs, long-tenured manager, and respected parent give it an edge over the typical small-blend fund.

This fund offers passive, diversified exposure to U.S. small-cap stocks. It market-cap weights more than 1,500 small-cap stocks--those in the smallest 15% of the market. Its top-10 holdings account for less than 3% of the fund. Its sector allocation reflects the small-cap market with no sector representing more than 20% of assets.

The fund is low-cost. Its 0.09% expense ratio gives it nearly a 120-basis-point advantage over the typical small-blend fund. That advantage makes is difficult for the average actively managed small-cap funds to overcome on a consistent basis. The fund has landed in the top quartile of the category during the past decade.

Small-cap stocks have historically outperformed large caps. Since Michael Buek took over this fund at the end of 1991 through October 2015, its 10.3% return beats the 9.2% return of the S&P 500. While small caps have outperformed over the long haul, that outperformance is far from guaranteed and they can underperform for long stretches of time, as they did for the entire decade of the 1990s. And those higher returns come with more risk. The fund dropped 59.3% during the bear market from 2007 to 2009, compared with a 55.0% drop for the S&P 500. Small caps exhibit greater sensitivity to macroeconomic risks and typically lack economic moats--or sustainable competitive advantages. The fund is highly correlated with the S&P 500, so its diversification potential is limited.

Its low turnover helps keep the taxman at bay. In 2014, the fund had just 10% turnover compared with 67% for the typical small-blend fund. In addition, the fund has an exchange-traded fund share class, which provides an additional avenue to improve tax efficiency. During the past 10 years, the fund's tax-cost ratio was just 0.34%. That loss to taxes is less than half the typical small-blend funds.

Process Pillar: Positive

The fund employs full replication to track the CRSP US Small Cap Index. Vanguard has a history of encouraging best practices in index design and worked closely with CRSP in the development of the index. Vanguard's institutional knowledge of indexing helps set this fund apart.

The volatility of small-cap stocks can lead to turnover within an index as stocks at the upper end of the small-cap spectrum outgrow the ranks of their peers, often only to fall back into small-cap territory again. To minimize excessive turnover stemming from such migration, CRSP incorporates buffer zones around its target market-cap ranges. In addition, the index transitions stocks between market-cap segments in "packets." Effectively, this smooths the movement of a stock from one size segment to the next. CRSP excludes business development corporations and uses an investability screen that eliminates illiquid stocks such as those that have less than 10% of their share base publicly trading or those with a market cap of less than $10 million.

The ETF share class can help improve tax efficiency because the managers can transfer low-cost-basis shares out of the fund in a tax-free transaction with the ETF's market makers. The fund has not made a capital gains distribution since 2000.

The approach earns a Positive Process Pillar rating.

Small-cap stocks typically account for less than 15% of the value of the total U.S. stock market, but they are many in number. CRSP defines "small cap" as all those stocks that fall between the 85th and 98th percentile of the market-cap spectrum. Currently, this results in an index composed of 1,511 stocks. Because this approach pulls in a

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-13.31	-0.55
2015	-3.64	1.74
2014	7.50	3.71
2013	37.81	0.42
2012	18.24	2.78

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Vanguard Small-Cap Index Fund Admiral Shares VSMAX

Analysis

handful of mid-cap names and fewer micro-cap names than the Russell 2000 Index, the average market cap is higher, clocking in at $2.8 billion versus $1.5 billion for the Russell 2000.

The CRSP index includes all stocks that fall in the market-cap range and meet minimum liquidity requirements. In contrast, the S&P SmallCap 600 Index uses more strict criteria for index additions, such as requiring new constituents to be profitable over the most recent four quarters. The result is that the CRSP index is a more complete representation of the small-cap opportunity, whereas the S&P Index has a slight quality tilt.

Compared with other small-cap funds, this fund has greater exposure to the real estate and industrial sectors but less exposure to healthcare, technology, and financial-service sectors. The fund's dividend yield is slightly higher than the typical small-blend fund, although other valuation ratios are similar.

Performance Pillar: Positive
The fund's strong returns relative to its category earns it a Positive Performance rating.

The fund has returned 8.7% annualized during the 10-year period ended October 2015. That compares with 8.6% for the spliced index that the fund has followed and 7.0% for the average fund in the small-blend Morningstar Category. While it may seem surprising that this index fund beat its index, its large size and low costs helped it accomplish this. The fund also employs a conservative securities-lending program that helps offset costs. That performance placed the fund in the top quintile of the category over that 10-year span.

Investors in small caps need to be able to stomach greater risk. Stocks in the portfolio have lower profitability compared with large caps. They also enjoy fewer competitive economic advantages and are typically less diversified by product line and geography. It is not uncommon for index funds, which strive to be fully invested, to have higher volatility than actively managed funds, which often maintain a small cash position or can shift exposure over time.

The strong performance of small-cap stocks over the past decade has brought them to a point where they now sell at a higher valuation multiple relative to large caps based on measures such as price/prospective earnings ratios. Investors should temper their return expectations for the next 10-year period.

People Pillar: Positive
The experience and depth of Vanguard's indexing team deserve a Positive People rating.

Michael Buek has been a portfolio manager on this fund since 1991 and has been the sole portfolio manager since 2005. He has worked at Vanguard since 1987. In addition to this fund, Buek manages several other index funds, including the Vanguard 500 Index and Vanguard Tax-Managed Small Cap.

Buek works within Vanguard's equity index group. Joseph Brennan was appointed to lead that group in February 2013. Brennan previously worked as the chief investment officer for Vanguard's Asia-Pacific region. Brennan reports to Vanguard's chief investment officer, Tim Buckley, who replaced Gus Sauter in 2012. The equity index group consists of 26 investment professionals with an average tenure on the team of 10 years. That group includes seasoned portfolio managers such as Gerard O'Reilly, Michael Perre, Donald Butler, and Christine Franquin. Although the listed portfolio manager has ultimate responsibility for the funds that he manages, this group shares resources and best practices across each of Vanguard's equity index funds.

Although Buek does not own any share of this fund, compensation at Vanguard helps align managers' interests with shareholders', as bonuses are linked to factors such as operating efficiency, which helps drive down costs.

Parent Pillar: Positive
Vanguard has one of the mutual fund industry's strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm's own behavior. Vanguard's fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm's funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors' interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor's.

Fees are very often the industry's lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: Positive
The Admiral share class charges just 0.09%, which is incredibly low for a small-cap fund. While that does require a $10,000 investment, the ETF share class, Vanguard Small-Cap ETF VB, also charges 0.09% but does not have an investment minimum. It does have trading costs, however. The average small-blend fund charges 1.26%.

Instead of holding separate funds for large-cap and small-cap exposure, passive investors may be better off building the cores of their portfolios with

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Vanguard Small-Cap Index Fund Admiral Shares VSMAX

Analysis

a total market fund, such as Vanguard Total Stock Market VTSAX. This would reduce the need for re-balancing and result in even lower costs because that fund includes small- and micro-cap stocks yet charges only 0.05%.

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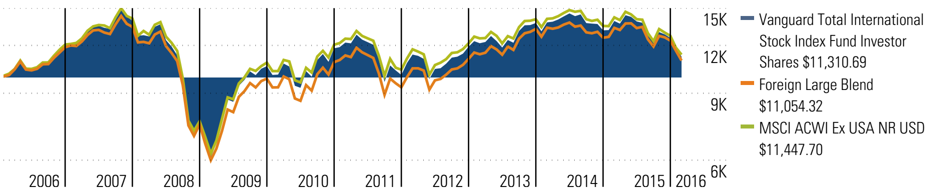
Vanguard Total International Stock Index Fund Investor Shares VGTSX

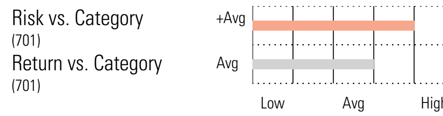
Morningstar Analyst Rating Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
12.97	↓-0.15 | -1.14	2.93	183.4	Open	$3,000	None	0.19%	★★★	Foreign Large Blend	Large Blend

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States. The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes approximately 5,550 stocks of companies located in 46 countries.

Pillars

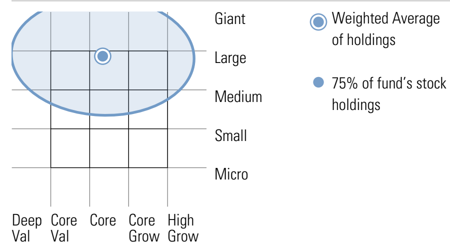
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,951	9,565	8,419	9,179	9,265	11,265
Fund	-10.49	-4.35	-15.81	-2.82	-1.51	1.20
+/- MSCI ACWI Ex USA NR USD	0.03	0.16	0.92	0.44	0.21	-0.06
+/- Category	0.64	0.85	-1.84	-1.47	-0.99	0.12
% Rank in Cat	31	26	73	79	77	39
# of Funds in Cat	890	891	779	688	601	344

* Currency is displayed in BASE

Style Map

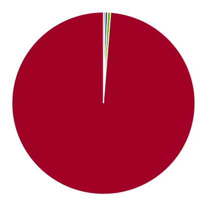


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.21	72.85 BASE	1.60 ↑	65.70 - 77.00
⊕ Roche Holding AG Dividend Right Cert.	1.03	245.50 BASE	1.53 ↑	240.10 - 283.90
⊕ Novartis AG	0.95	71.90 BASE	2.13 ↑	70.00 - 103.20
⊕ Toyota Motor Corp	0.90	— BASE	-0.44 ↓	6,020.00 - 8,783.00
⊕ HSBC Holdings PLC	0.80	440.02 BASE	1.74 ↑	428.80 - 674.57
% Assets in Top 5 Holdings	4.88			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



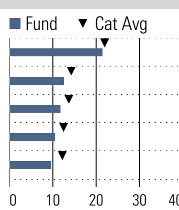
Asset Class	% Net
Cash	0.54
US Stock	0.41
Non US Stock	98.73
Bond	0.00
Other	0.32

Management

	Start Date
Michael Perre	08-05-2008

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	21.35	22.42	21.35	21.04
Consumer Cyclical	12.50	12.50	11.43	13.32
Industrials	11.68	11.68	10.74	12.77
Consumer Defensive	10.46	10.46	9.21	11.55
Healthcare	9.52	9.52	7.74	11.28



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-18-2015	14.28	0.0000	0.0000	0.0000	0.1100	0.1100
09-24-2015	14.11	0.0000	0.0000	0.0000	0.0700	0.0700
06-25-2015	16.63	0.0000	0.0000	0.0000	0.1700	0.1700
03-24-2015	16.47	0.0000	0.0000	0.0000	0.0500	0.0500
12-19-2014	15.61	0.0000	0.0000	0.0000	0.1300	0.1300

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Vanguard Total International Stock Index Fund Investor Shares VGTSX

Analysis

One of the broadest foreign-equity options, with a 20% exposure to emerging markets.
By Patricia Oey 9/8/2015

Vanguard Total International Stock Index is a solid choice for broad exposure to international equities. This cap-weighted index fund invests in more than 5,000 companies in developed and emerging markets (excluding the United States) that together account for about 50% of the world's market cap. Vanguard is well known for its expertise in managing index funds, and this fund has done a solid job tracking its benchmark.

This all-cap fund can be used to cover the international-equities portion of a diversified stock/bond portfolio. Alternatively, investors can use this fund as a low-priced core holding (the Admiral shares charge a mere 0.14% annual expense ratio) and customize their style, size, or regional tilts with more specialized funds.

This fund falls in the foreign large-blend Morningstar Category. Most of the large, actively managed funds in this category have a very small allocation to emerging-markets stocks. However, given that this fund is market-cap-weighted, about 20% of its portfolio is invested in emerging-markets equities (including Taiwan and South Korea). This is significantly higher than the category average of 8%. As such, this fund's performance relative to its peers in the foreign large-blend category can be impacted by the relative performance of emerging-markets equities. Over the past few years, this overweighting in emerging markets has been a drag on the performance of this fund, relative to its category peers.

Like most international equity strategies, this fund does not hedge its currency exposure, so its returns reflect both asset-price changes and changes in exchange rates between the U.S. dollar and other currencies. During periods of high volatility in the global markets, the U.S. dollar tends to rise, which would weigh on the short-term returns of this fund. That said, free-floating currencies tend to move in a cyclical fashion, so over the long term, these currency movements net each other out.

Solid tracking performance, a broad portfolio, a strong parent firm, and low fees underpin this fund's Morningstar Analyst Rating of Gold.

Process Pillar: Positive

This fund tracks the FTSE Global All Cap ex US Index. Prior to June 2, 2013, it had tracked the MSCI ACWI ex USA Investable Market Index. These indexes are both free-float-adjusted and market-cap-weighted and are basically the same. The FTSE index consists of about 5,600 securities and represents almost 98% of the world's (outside of the U.S.) total investable stock capitalization. Vanguard said it changed this fund's benchmark, along with those for 21 other index funds, in an effort to reduce index-licensing expenses.

Prior to the 2013 index change, this fund changed its index in December 2010 from the MSCI EAFE + Emerging Markets Index to the MSCI ACWI ex USA Investable Market Index. That change added small caps and Canadian securities.

Vanguard believes the best proxy for an asset class is one that provides comprehensive coverage of a market. As such, this all-cap, all-country (excluding the U.S.) fund is used as the international equity allocation in Vanguard’s target-date and LifeStrategy allocation funds.

As an index fund, this Vanguard fund has had low turnover and has not made a capital gains distribution in over a decade. This compares favorably with actively managed funds, which tend to have higher turnover and more capital gains distributions.

This index fund is a bit different from its average category peer. It has a 20% weighting in emerging markets (versus the category average of 8%) and a 45% weighting in mega-caps (versus the category average of 59%). The largest currency exposures are the euro (20%), the yen (18%), and the British pound (15%).

Morningstar’s Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-10.49	0.64
2015	-4.37	-2.79
2014	-4.24	0.74
2013	15.04	-4.39
2012	18.14	-0.15

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Vanguard Total International Stock Index Fund Investor Shares VGTSX

Analysis

Technically, this fund employs representative sampling as it may hold overseas-listed depository receipts (DRs) in lieu of, or in addition to, the domestic listings of index constituents. As a result, the fund actually has more holdings than its index has constituents. But if we consider locals and DRs to be economic equivalents, then the fund holds nearly the entire index at close to benchmark weightings. The fund may use futures contracts to manage cash in the portfolio.

The fund distributes dividends quarterly, and during the past two years, the Internal Revenue Service classified about 70% of this fund's dividends as qualified. Dividends from companies domiciled in emerging markets tend to be considered not qualified. In addition, some of the dividends are subject to foreign tax withholding. Investors can claim their portion of the withheld taxes as a tax credit, but only if they hold this fund in a taxable account.

Performance Pillar: Positive

This fund has one goal: to track the performance of its benchmark. During the 10-year period to Aug. 31, 2015, the fund's Investor share class returned 3.88% (after fees), while the index returned 4.02% (Vanguard introduced the Admiral share class in November 2010). The index figure is a spliced index to incorporate the 2010 and 2013 index changes and was calculated by Vanguard. In some calendar years, the fund may underperform its benchmark by more than its expense ratio. This is likely caused by a sizable fair value adjustment at year-end and is usually corrected in the following year. Over the long term, these fair value adjustments usually net out. Overall, the fund has done a solid job tracking its index, as it has trailed its index by less than its annual expense ratio during the past three years.

The Investor share class has produced second-quartile performance versus its peers in both the trailing 15- and 10-year periods. Again, we note this fund has a relatively larger allocation to emerging-markets stocks versus its category peers, so it will tend to beat its peer group when emerging markets outperform and lag when emerging markets underperform. Over the past three years, emerging markets have significantly underperformed developed markets.

People Pillar: Positive

Contrary to popular belief, management does matter at index funds. Passive fund managers have to be familiar with a wide variety of trading techniques and situations--from securities lending and futures to index rebalancing and corporate takeovers--to ensure that their funds effectively track their benchmarks.

The listed manager is Michael Perre, who has advised the fund since 2008. Although Perre is listed as the portfolio manager, day-to-day management of the fund is a team effort, as Perre works closely with his colleagues from the Vanguard Equity Index Group. The group is based in three locations (Pennsylvania, London, and Australia) and is composed of about 40 portfolio managers and traders who sit together on a trading floor. Trades are handled by regional desks where managers and traders may have more insights on regional trade dynamics and flows and can trade during regular market hours.

Parent Pillar: Positive

Vanguard has one of the mutual fund industry’s strongest corporate cultures. Its consistent messages to investors to keep costs low, diversify, and stay the course are illustrated by the firm’s own behavior. Vanguard’s fundholders own the firm through small investments by each mutual fund, eliminating potential conflicts of interest that can exist at other firms that are serving two masters. Fund performance is strong overall: Over the past three-, five-, and 10-year periods, its Morningstar Success Ratios and Morningstar Risk-Adjusted Success Ratios, which measure what percentage of a firm’s funds have both survived and outperformed a given time period, check in at greater than 70%--high among large, diversified fund families.

Over the past year, the firm has collected more than $200 billion in net inflows, thanks in large part to investors’ interest in passive investing. The firm's indexing and ETF prowess, low costs, and success in penetrating the financial-advisor sales channel all have fueled growth. These fund flows, as well as market appreciation, have brought total assets under management to more than $3 trillion. In this number is a nearly 20% market share of U.S. mutual funds, roughly double its next-closest competitor’s.

Fees are very often the industry’s lowest, but manager investment, particularly by index and in-house fixed-income managers, could be better. Vanguard earns a Positive Parent rating.

Price Pillar: Positive

The fund's Admiral shares (which require a $10,000 minimum investment) levy an annual fee of 0.14%. The exchange-traded fund share class VXUS has an identical annual expense ratio of 0.14%, while the Investor shares VGTSX ($3,000 minimum investment) have an annual expense ratio of 0.22%. These expense ratios are extremely low. The median expense ratio for foreign large-blend funds in the retail distribution channel is 1.06%. As such, this fund earns a Positive Price rating.

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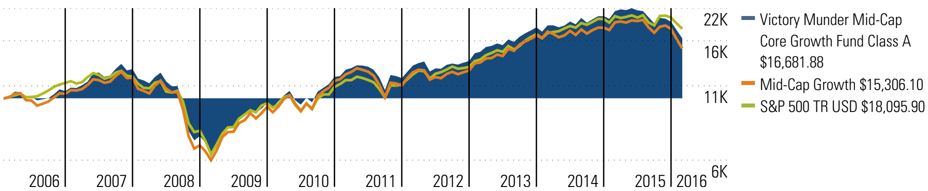
Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Morningstar Analyst Rating
Neutral

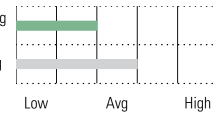
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.79	↓-0.03 | -0.10	0.00	4.8	Open	$2,500	5.75	1.32%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 02-09-2006 - 02-09-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (646) -Avg
Return vs. Category (646) Avg



Investment Strategy

The investment seeks long-term capital appreciation. The Adviser pursues long-term capital appreciation in the fund by investing, under normal circumstances, at least 80% of the fund's net assets in equity securities (i.e., common stocks, preferred stocks, convertible securities and rights and warrants) of mid-capitalization companies. Mid-capitalization companies mean those companies with market capitalizations within the range of companies included in the S&P MidCap 400® Index.

Pillars

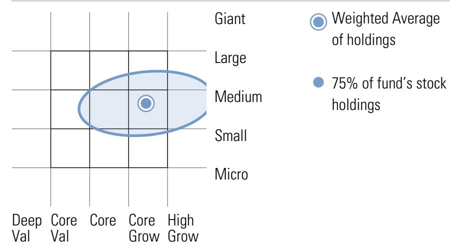
Process	Neutral
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative
Rating	**Neutral**

Performance 02-09-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,681	9,311	8,209	11,199	13,346	16,738
Fund	-13.19	-6.89	-17.91	3.85	5.94	5.29
+/- S&P 500 TR USD	-4.01	-3.41	-10.35	-5.28	-3.36	-0.84
+/- Category	2.08	2.15	-1.48	-0.31	0.89	0.37
% Rank in Cat	24	26	65	56	35	41
# of Funds in Cat	742	742	727	640	576	432

* Currency is displayed in BASE

Style Map

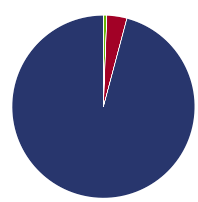


Top Holdings 12-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Avago Technologies Ltd	2.18	120.89 BASE	1.05 ↑	100.00 - 150.50
⊕ Biomarin Pharmaceutical Inc	1.92	68.73 BASE	5.51 ↑	62.12 - 151.75
⊕ SPDR® S&P MidCap 400 ETF	1.92	230.80 BASE	1.17 ↑	216.91 - 282.41
⊕ Ross Stores Inc	1.92	54.55 BASE	0.04 ↑	43.47 - 57.19
⊕ Cognizant Technology Solutions Corp Class A	1.84	53.81 BASE	2.85 ↑	51.22 - 69.80
% Assets in Top 5 Holdings	9.77			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

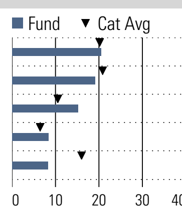
Asset Allocation



Asset Class	% Net
Cash	0.59
US Stock	95.86
Non US Stock	3.55
Bond	0.00
Other	0.00

Top Sectors 12-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.48	20.48	14.69	19.26
Consumer Cyclical	19.10	19.37	19.10	19.93
Financial Services	15.21	15.34	14.09	9.62
Consumer Defensive	8.36	8.36	4.61	5.55
Healthcare	8.30	11.70	7.65	15.08



Management

	Start Date
Tony Y. Dong	02-01-2001
Brian S. Matuszak	12-31-2005
Madan Gopal	10-31-2009
Gavin Hayman	02-18-2010
Robert E. Crosby	02-14-2012
Sean D. Wright	01-09-2014

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-29-2015	36.03	3.7200	0.1600	0.0000	0.0000	3.8800
12-29-2014	41.79	4.6300	0.2000	0.0000	0.0000	4.8300
12-27-2013	41.60	0.7400	0.0400	0.0000	0.0000	0.7900

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MORNINGSTAR®

Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Analysis

Not quite up to the task.
By Greg Carlson 7/15/2015

Victory Munder Mid-Cap Core Growth's failure to consistently deliver as it has grown larger has spurred a downgrade of its Morningstar Analyst Rating to Neutral from Bronze. This fund once boasted a stellar record, but it has looked pretty average over an extended period. To be sure, evaluating the fund's performance isn't a simple exercise. Tony Dong, lead manager since early 2001, keeps the fund's sector weightings close to that of the Russell Mid Cap Index. But he and his team favor companies within those sectors that have solid profit growth prospects and competitive advantages yet still trade at modest valuations versus peers. Thus, the fund resides in the mid-growth Morningstar Category, but it is somewhat of a 'tweener; its returns are often equally correlated with both the Russell Mid Cap and the Russell Mid Cap Growth indexes.

The fund got off to a strong start after Dong took the helm, a big reason why its returns during his 14-year tenure still look strong. But the fund trails both indexes over the past three, five, and 10 years through July 12, 2015, and it hasn't beaten either index by more than 0.8% in a calendar year since 2007. Since stocks' October 2007 peak, the fund lands in the mid-growth category's middle and looks subpar on a risk-adjusted basis. It has been tripped up by stock-selection issues, as both fast-growth and valuation plays have fizzled at times. The fund's extended period of average returns has also coincided with asset growth; during Dong's fast start here, assets hadn't yet reached the $1 billion mark. The team now runs $7.5 billion in the strategy, although there haven't been telltale signs of asset bloat such as big stakes in individual companies or a lengthening holdings list. Persistently above-average fees, even as the fund has grown, haven't helped its cause.

Munder merged with Victory Capital in 2014, but the downgrade here isn't related to that transaction--Dong now has less administrative responsibility, thus he should be able to devote more time to investing. Nevertheless, confidence in the fund has waned.

Process Pillar: Neutral

Since taking the helm in 2001, lead manager Tony Dong has forged a stylistic middle path between growth and blend. (Indeed, "Core" was added to the fund's name in 2012 to acknowledge this.) Part of his mandate is to keep the fund's sector weightings within 3 percentage points of those of its benchmark, the blend-oriented Russell Mid Cap Index. On the other hand, he and his team invest with a clear growth bias--they like companies that are somewhat well-established, have strong profit growth prospects, generate a lot of cash, and trade cheaply relative to those prospects. The team also likes to see solid competitive advantages. (It also uses technical factors, such as stock-price momentum, to see if the team is missing anything in its fundamental analysis.) Indeed, the fund's returns are often equally correlated with those of its benchmark and the returns of the Russell Mid Cap Growth Index.

The fund typically holds 70-100 stocks, and in addition to limiting sector bets, Dong and company keep a lid on stock-specific risk by capping individual positions at 3% of assets. The team will occasionally invest in short-term turnaround or high-growth/high-valuation plays, but it's generally a little more patient than most of its category peers; annual portfolio turnover usually runs in the 40% to 65% range, a bit below the 70% category norm.

As usual, this fund was leaning in the direction of growth compared with its benchmark, the Russell Mid Cap Index, at the end of June 2015. While it keeps its sector weightings within 3 percentage points of the index's, its current divergences aren't surprising--a bit more in growthier sectors such as consumer cyclicals and tech, and a little less in value haunts such as industrials and real estate.

Furthermore, 14 of the fund's recent 81 holdings were not constituents of the benchmark (four of those land in the large-growth portion of the Morningstar Style Box), and many of the fund's largest holdings are small components of the in-

Morningstar's Take

Morningstar Analyst Rating	Neutral

Morningstar Pillars

Process	Neutral
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	-13.19	2.08
2015	-4.60	-3.66
2014	9.90	2.90
2013	33.38	-1.55
2012	15.72	1.65

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Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Analysis

dex. (The fund's active share versus the Russell was 89.5%.) Indeed, second-largest holding Affiliated Managers Group AMG comprised 2.1% of the fund's assets, yet just 0.2% of the index at the end of June. Reinsurance Group of America RGA garnered 1.6% of the fund's assets, and just 0.1% of the index's; children's clothing maker Carter's CRI comprised 1.47% of the fund and 0.09% of the index; and education loan provider SLM SLM comprised 1.4% of the index and 0.07% of the index. The largest nonindex holding is Radian Group RDN, a small-cap mortgage insurer.

Performance Pillar: Neutral

This fund's early strong returns are now rather distant in the rearview mirror. It excelled from February 2001, when lead manager Tony Dong took the helm, into 2007. Thus, its record over the whole of his tenure is strong: Through May 2015, the fund has beaten 88% of its mid-growth peers and the Russell Mid Cap Growth Index while matching the Russell Mid Cap Index (to which the fund's returns have been a bit more correlated).

However, the fund has been merely an average performer since stocks' October 2007 peak (which arguably represents a full market cycle). From that point through May 31, 2015, the fund has matched the mid-growth category norm while trailing both indexes. And the fund looks a bit weaker on a risk-adjusted basis. The same is true for its trailing 10-year return. The fund also hasn't cracked the category's top quartile in a calendar year over the past decade. (To be fair, it hasn't landed in the bottom quartile, either.)

The fund's rolling returns during the manager's full tenure are also modest. In five-year periods through May 2015, the fund beat its typical peer 56% of the time, the Russell Mid Cap 48% of the time, and the Russell Mid Cap Growth just 43% of the time.

Much of the fund's strong start also came when the fund was small; performance has slowed as the asset base has grown. All told, the fund earns a Neutral for Performance.

People Pillar: Positive

Tony Dong has been the fund's lead manager since February 2001. He joined the firm in 1988 and previously worked as an investment officer at Manufacturers Bank. He was Munder's co-CIO and vice chairman before the firm's 2014 merger with Victory Capital and now focuses on overseeing this team.

Dong is supported here by five comanagers who oversee sectors and make decisions for those areas in concert with the lead manager. Brian Matuszak has worked as an analyst on the team since 2002, was promoted to comanager in 2006, and covers financials, health care, and utilities. Madan Gopal joined the team in 2008, was promoted to comanager in 2009, and covers consumer discretionary, industrials, and tech. Gavin Hayman joined the team and became a manager in 2010 and covers consumer discretionary, consumer staples, and tech and telecom. Robert Crosby joined this team in 2012 but has worked at the firm since 1993; he has worked with Dong on the small/mid-cap separate account since 2003. Crosby covers energy, industrials, materials, and REITs. Sean Wright joined the team as an analyst in 2014 following Geoffrey Wilson's retirement; Wright joined Munder in 2012.

The team runs $7.5 billion total in this strategy; Dong thinks it can handle another $1 billion-$2 billion before running into capacity issues. Dong has more than $1 million invested in the fund.

Parent Pillar: Neutral

Victory Capital Management is a Cleveland-based investment firm that has seen significant changes of late. In 2013, it became a stand-alone firm after breaking away from owner KeyCorp, the retail banking firm. In 2014, the firm acquired Munder Capital Management (and wholly owned subsidiary Integrity Asset Management). Munder, like Victory, was largely owned by private equity firm Crestview Partners (which owns about 60% of the combined entity). The deal was initiated by Victory executives rather than Crestview, which assigned separate teams to each side of the deal to make it essentially an arm's-length transaction.

Both Munder and Victory previously earned Parent ratings of Neutral, and this combination does as well. While the firm's structure--nine essentially autonomous investment teams in separate offices that rely on the main office for trading and administrative functions along with some oversight--holds appeal, there aren't many other positives here. Performance and portfolio-manager retention have been so-so, on average, across the strategies, and while manager investment levels are modestly above average, so are fees. Both firms had clean regulatory records going into the deal. We'll keep an eye on turnover among the investment teams in the wake of the deal. We don't expect many fund launches, as the firm already runs a number of tiny funds.

Price Pillar: Negative

The fund has grown from $1 billion at the end of 2005 to a recent $6.3 billion, yet the expense ratio of the A shares has declined only 5 basis points, to 1.32% from 1.37% over that span. Management blames this on a sharp increase in 401(k) shareholders for the fund, saying it has to pay 25 basis points in subtransfer agent fees for those assets.

The fund is bigger than 94% of mid-cap funds, yet its fees generally earn Morningstar Fee Levels of Above Average. The Y shares hold 64% of the assets, charge 1.07%, and earn an Above Average fee level. The A shares hold 20% of the assets, charge 1.32%, and earn an Average. The R6 shares hold 12% of the assets, charge 0.89%, and earn an Above Average.

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