
State of Montana 401(a) Plan

Investment Performance Evaluation Report

As of September 30, 2014

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Introduction

This report reviews the investment performance of the State of Montana's 401(a) Plan for the quarter ending September 30, 2014, as well as other periods ending on that date. While the most recent quarter is the focus point of this report, we recommend concentration on longer time periods for the consideration of any changes to the investment policy or manager structure.

Performance measurement in this report is designed to:

- Provide an understanding of the environment in which the funds were managed;
- Verify that the assets were managed in compliance with guidelines;
- Assess the managers' strengths, continuity of style, and the means of achieving the performance; and
- Serve as a communications tool for internal focus, as well as to fulfill fiduciary obligations.

This report is based upon data provided by The State of Montana, Morningstar, Great West and fund management firms.

Plan Overview

Net Assets

- Plan assets totaled \$128.8 million, as of September 30, 2014. This is up from \$128.0 million, as of June 30, 2014.

Asset Allocation

- Plan assets were allocated 8% to Stable Value funds, 2% to Bond funds, 53% to Target Date/Balanced funds, 29% to U.S. Equity funds, and 8% to International Equity funds.

Fund Update

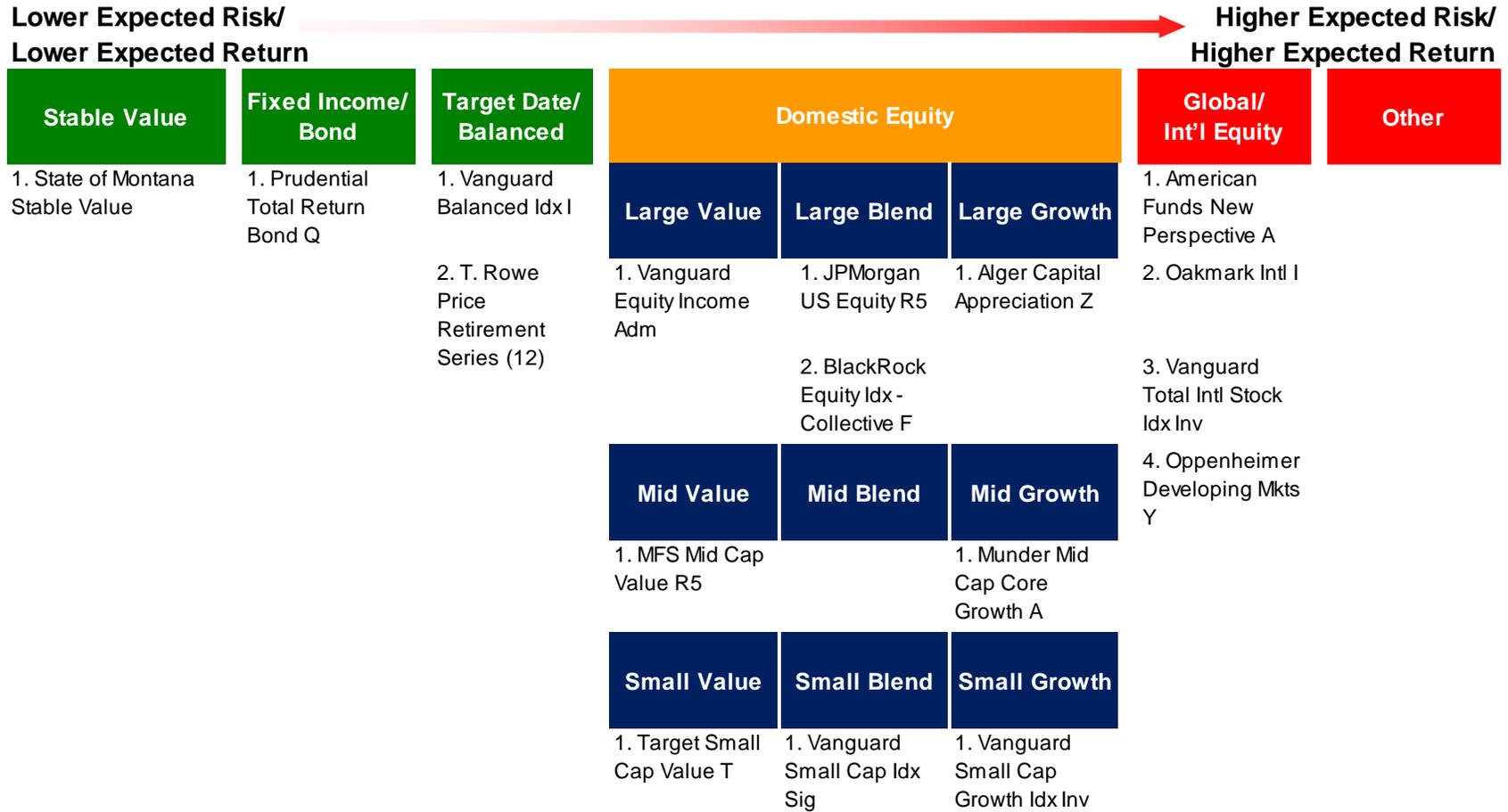
- During the third quarter, the Prudential Total Return Bond Q fund was added to the lineup. This fund replaced Vanguard Total Bond Market Index Signal.

Asset Allocation

As of September 30, 2014

# of Options	Options	Plan Assets	% of Plan	# of Participants
1	State of Montana Stable Value	\$10,471,234	8.1%	391
	Total Stable Value Funds	\$10,471,234	8%	
1	Prudential Total Return Bond Q	\$2,301,248	1.8%	369
	Total Bond Funds	\$2,301,248	2%	
13	Vanguard Balanced Index I	\$57,409,992	44.6%	1,702
	T. Rowe Price Retirement Income	\$26,775	<1%	12
	T. Rowe Price Retirement 2005	\$248,819	<1%	40
	T. Rowe Price Retirement 2010	\$88,820	<1%	13
	T. Rowe Price Retirement 2015	\$366,101	<1%	43
	T. Rowe Price Retirement 2020	\$597,885	<1%	69
	T. Rowe Price Retirement 2025	\$1,504,397	1.2%	98
	T. Rowe Price Retirement 2030	\$1,280,813	<1%	88
	T. Rowe Price Retirement 2035	\$1,889,436	1.5%	119
	T. Rowe Price Retirement 2040	\$1,137,359	<1%	115
	T. Rowe Price Retirement 2045	\$1,452,408	1.1%	152
	T. Rowe Price Retirement 2050	\$1,234,635	<1%	127
	T. Rowe Price Retirement 2055	\$648,037	<1%	78
	Total Target Date/Balanced Funds	\$67,885,479	53%	
9	Vanguard Equity-Income Adm	\$6,263,003	4.9%	429
	BlackRock Equity Idx - Collective F	\$1,771,043	1.4%	187
	JPMorgan US Equity R5	\$2,567,379	2.0%	242
	Alger Capital Appreciation Z	\$7,569,140	5.9%	480
	MFS Mid Cap Value R5	\$4,887,397	3.8%	466
	Munder Mid-Cap Core Growth A	\$3,624,702	2.8%	379
	Target Small Capitalization Value T	\$3,028,344	2.4%	336
	Vanguard Small Cap Index Sig	\$3,544,250	2.8%	356
	Vanguard Small Cap Growth Index Inv	\$4,014,704	3.1%	403
	Total U.S. Equity Funds	\$37,269,962	29%	
4	American Funds New Perspective A	\$5,138,756	4.0%	462
	Oakmark International I	\$4,098,698	3.2%	430
	Vanguard Total Intl Stock Index Inv	\$1,145,897	<1%	202
	Oppenheimer Developing Markets Y	\$451,372	<1%	86
	Total International Equity Funds	\$10,834,723	8%	
	TOTAL	\$128,762,646		

Range of Investment Options



Net-of-Fee Total Returns and Standard Deviations

As of September 30, 2014

Fund/Benchmark	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio	
	YTD 10/9/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years		5 Years
State of Montana Stable Value (net)	-	-0.48	1.43	1.11	1.65	3.31	4.06	-	-	0.50
Barclays US Govt/Credit Interm +0.35%	-	0.06	2.39	2.55	2.36	3.77	4.40	-	-	-
Prudential Total Return Bond Q	6.36	0.07	5.24	6.01	5.23	6.90	6.02	3.87	3.62	0.52
Barclays US Agg Bond	5.09	0.17	4.10	3.96	2.43	4.12	4.62	2.67	2.83	-
Avg Intermediate-Term Bond	4.77	-0.09	4.01	4.34	3.41	4.80	4.45	2.93	2.97	0.88

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

Net-of-Fee Total Returns and Standard Deviations

As of September 30, 2014

Fund/Benchmark	YTD		(periods longer than 1 year are annualized)					Standard Deviation			Expense Ratio
	10/9/14	3 Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr		
T. Rowe Price Retirement Income	2.61	-1.23	3.34	6.86	9.28	7.36	5.93	5.74	6.67	0.57	
Avg Retirement Income	2.53	-1.17	3.06	5.90	7.87	6.89	4.53	5.07	6.13	0.95	
T. Rowe Price Retirement 2005	3.17	-1.25	3.87	7.69	10.30	8.20	6.47	6.26	7.45	0.59	
Avg Target Date 2000-2010	2.40	-1.34	3.14	6.42	8.88	7.31	4.95	5.76	7.14	0.91	
T. Rowe Price Retirement 2010	3.09	-1.28	3.98	8.49	11.66	9.01	6.74	7.09	8.60	0.60	
Avg Target Date 2000-2010	2.40	-1.34	3.14	6.42	8.88	7.31	4.95	5.76	7.14	0.91	
T. Rowe Price Retirement 2015	2.79	-1.39	4.05	9.47	13.45	10.03	7.16	8.09	9.90	0.65	
Avg Target Date 2011-2015	2.45	-1.40	3.26	6.88	9.77	7.81	5.44	6.32	7.86	0.94	
T. Rowe Price Retirement 2020	2.50	-1.53	4.12	10.33	15.07	10.90	7.47	8.98	11.07	0.69	
Avg Target Date 2016-2020	2.21	-1.55	3.30	7.54	10.86	8.40	5.47	7.08	8.72	0.99	
T. Rowe Price Retirement 2025	2.21	-1.60	4.16	11.15	16.44	11.60	7.73	9.79	12.08	0.72	
Avg Target Date 2021-2025	1.98	-1.73	3.45	8.68	13.09	9.63	6.37	8.33	10.58	0.96	
T. Rowe Price Retirement 2030	1.99	-1.67	4.20	11.78	17.68	12.23	8.01	10.47	12.95	0.75	
Avg Target Date 2026-2030	1.64	-1.90	3.34	9.02	13.65	9.69	5.98	8.97	11.14	1.03	
T. Rowe Price Retirement 2035	1.72	-1.80	4.12	12.15	18.49	12.61	8.06	10.99	13.60	0.77	
Avg Target Date 2031-2035	1.31	-2.05	3.36	9.89	15.52	10.69	6.66	9.95	12.62	0.99	
T. Rowe Price Retirement 2040	1.54	-1.81	4.14	12.47	18.97	12.83	8.18	11.26	13.81	0.78	
Avg Target Date 2036-2040	1.25	-2.14	3.34	9.90	15.37	10.45	6.26	10.19	12.60	1.05	
T. Rowe Price Retirement 2045	1.47	-1.81	4.10	12.43	18.94	12.83	-	11.28	13.80	0.78	
Avg Target Date 2041-2045	1.02	-2.19	3.35	10.43	16.85	11.10	7.56	10.76	13.31	1.01	
T. Rowe Price Retirement 2050	1.53	-1.81	4.13	12.43	18.95	12.82	-	11.23	13.78	0.78	
Avg Target Date 2046-2050	1.19	-2.21	3.41	10.25	15.95	10.68	6.66	10.60	12.99	1.05	
T. Rowe Price Retirement 2055	1.55	-1.82	4.10	12.45	18.91	12.82	-	11.27	13.76	0.78	
Avg Target Date 2051+	0.92	-2.18	3.34	10.79	17.21	10.73	-	10.99	14.17	0.97	
Vanguard Balanced Index I	4.74	0.07	5.85	12.06	14.51	11.29	7.37	6.69	8.00	0.08	
Custom Vanguard Bal Index ⁽¹⁾	4.84	0.08	5.92	12.22	14.72	11.49	7.66	6.66	8.00	-	
Avg Moderate Allocation	2.52	-1.28	4.06	9.80	13.26	9.75	6.34	7.73	9.24	1.30	
Barclays US Agg Bond	5.09	0.17	4.10	3.96	2.43	4.12	4.62	2.67	2.83	-	
S&P 500	5.99	1.13	8.34	19.73	22.99	15.70	8.11	10.57	13.20	-	

⁽¹⁾ Reflect's fund's index changes over time. 60% DJ US Total Market Index/40% Barclays US Agg Float Adj Index since 1/14/13.

Net-of-Fee Total Returns and Standard Deviations

As of September 30, 2014

Fund/Benchmark	(periods longer than 1 year are annualized)							Standard Deviation		Expense Ratio
	YTD 10/9/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
Vanguard Equity-Income Adm	4.48	-0.53	7.07	16.70	21.68	16.34	8.96	9.65	11.61	0.21
Russell 1000 Value	5.45	-0.19	8.07	18.89	23.93	15.26	7.84	10.98	13.71	-
Avg Large Value	3.53	-0.55	6.38	16.35	21.41	13.69	7.19	11.05	13.56	1.15
BlackRock Equity Idx*	5.66	1.04	8.02	19.23	22.49	15.25	7.70	10.57	13.20	0.04
JPMorgan US Equity R5	5.18	1.27	8.04	19.94	24.22	15.82	9.40	11.92	14.21	0.59
S&P 500	5.99	1.13	8.34	19.73	22.99	15.70	8.11	10.57	13.20	-
Avg Large Blend	3.71	-0.08	6.33	16.84	21.59	14.10	7.51	11.28	13.83	1.10
Alger Capital Appreciation Z	5.58	2.26	8.94	21.43	24.12	15.72	12.22	12.23	15.11	0.93
Russell 1000 Growth	5.53	1.49	7.89	19.15	22.45	16.50	8.94	11.09	13.66	-
Avg Large Growth	2.71	0.68	5.40	16.24	21.28	14.60	8.26	12.48	14.86	1.22
MFS Mid Cap Value R5	1.37	-4.06	4.31	13.78	23.82	17.40	8.96	11.66	14.89	0.88
Russell Mid Cap Value	5.65	-2.65	8.20	17.46	24.72	17.24	10.17	11.80	15.00	-
Avg Mid Value	1.07	-3.42	4.13	13.56	22.86	15.01	8.68	12.74	15.72	1.25
Munder Mid-Cap Core Growth A	0.67	-0.96	4.02	12.79	21.12	15.98	9.67	13.16	14.88	1.32
Russell Mid Cap	4.00	-1.66	6.87	15.83	23.79	17.19	10.34	12.27	15.27	-
Avg Mid Growth	-1.36	-2.29	1.63	10.05	20.14	14.82	9.07	13.80	16.17	1.33

* BlackRock performance is shown for A shares.

Net-of-Fee Total Returns and Standard Deviations

As of September 30, 2014

Fund/Benchmark	(periods longer than 1 year are annualized)							Standard Deviation		Expense Ratio
	YTD 10/9/14	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
Target Small Capitalization Value T	-3.95	-5.79	-1.27	7.42	20.62	14.66	9.83	13.40	15.77	0.68
Russell 2000 Value	-6.99	-8.58	-4.74	4.13	20.61	13.02	7.25	14.63	18.10	-
Avg Small Value	-5.52	-7.14	-2.67	6.31	20.98	13.57	8.01	14.65	17.72	1.35
Vanguard Small Cap Index Sig	-2.50	-5.48	0.64	9.52	23.57	16.27	9.82	14.38	17.81	0.09
Custom Vanguard SC Index ⁽¹⁾	-2.48	-5.47	0.66	9.56	23.54	16.23	9.77	14.35	17.79	-
Avg Small Blend	-6.21	-6.75	-3.22	5.66	20.91	14.18	8.10	14.92	17.78	1.27
Vanguard Small Cap Growth Index Inv	-5.05	-5.56	-1.65	5.71	22.34	16.45	10.33	15.20	18.56	0.24
Custom Vanguard SC Growth Index ⁽²⁾	-4.96	-5.54	-1.58	5.82	22.23	16.35	10.24	15.19	18.56	-
Avg Small Growth	-7.96	-5.80	-4.99	2.78	20.06	14.84	8.63	15.61	18.23	1.40
American Funds New Perspective A	-1.92	-1.85	1.49	10.13	18.20	11.27	9.17	11.69	14.27	0.79
MSCI ACWI	1.32	-2.30	3.73	11.32	16.61	10.07	7.28	12.14	14.64	-
Avg World Stock	-1.16	-3.27	2.26	9.78	16.68	10.46	7.45	12.49	15.19	1.35
Oakmark International I	-8.85	-7.03	-4.98	-0.64	17.98	10.61	9.37	15.46	17.28	0.98
MSCI World Ex USA	-3.83	-5.74	-0.66	4.86	13.15	6.52	6.53	14.02	16.35	-
Vanguard Total Intl Stock Index Inv	-3.29	-5.56	-0.06	4.77	12.28	5.88	6.78	14.25	17.01	0.22
Custom Vanguard Intl Index ⁽³⁾	-2.08	-5.33	0.39	5.18	12.01	5.98	6.90	14.29	16.54	-
Avg Foreign Large Blend	-5.66	-5.62	-2.01	3.75	13.05	6.22	6.25	13.89	16.74	1.23
Oppenheimer Developing Markets Y	2.26	-3.52	2.29	6.06	11.93	9.05	14.55	15.95	17.80	1.01
MSCI EM	2.77	-3.49	2.43	4.30	7.19	4.42	10.68	17.19	18.55	-
Avg Diversified Emerging Mkts	1.76	-3.47	2.08	4.81	7.92	4.28	9.83	16.29	18.36	1.59

⁽¹⁾ Reflects changes to fund's index over time. Russell 2000 Index through 5/16/03; MSCI US Small Cap 1750 Index through 1/30/13; and the CRSP US Small Cap Index thereafter.

⁽²⁾ Reflects changes to fund's index over time. S&P SmallCap 600 Growth Index through 5/16/03; MSCI US Small Cap Growth Index through 4/16/13; and the CRSP US Small Cap Growth Index thereafter.

⁽³⁾ Reflects changes to fund's index over time. MSCI EAFE & EM Index through 12/15/10; MSCI ACWI ex US Index through 6/02/13; and the FTSE Global All Cap ex US Index thereafter.

Modern Portfolio Theory (MPT) Analytics

As of September 30, 2014

Fund/Benchmark	5 - Year					Downside Capture	10 Year Batting Average
	Alpha	Beta	Tracking Error	Information Ratio	Upside Capture		
Vanguard Equity-Income Adm	2.64	0.85	3.41	0.19	93	81	47
Avg Large Value	-1.66	1.00	3.39	-0.63	96	105	46
JPMorgan US Equity R5	-0.80	1.07	2.00	0.06	104	107	58
Avg Large Blend	-1.71	1.03	2.72	-1.27	98	107	43
Alger Capital Appreciation Z	-1.30	1.10	4.25	0.01	107	115	58
Avg Large Growth	-1.80	1.07	4.67	-0.29	101	109	50
MFS Mid Cap Value R5	0.39	1.09	4.17	0.41	111	111	58
Avg Mid Value	-2.21	1.13	5.36	-0.14	109	124	53
Munder Mid-Cap Core Growth A	-0.42	1.06	5.17	0.06	104	107	52
Avg Mid Growth	-2.17	1.12	6.84	-0.13	106	120	53
Target Small Capitalization Value T	-2.41	1.12	5.69	-0.18	110	128	54
Avg Small Value	-4.51	1.22	8.15	-0.27	114	145	50
Vanguard Small Cap Index Sig	-2.71	1.25	7.38	0.08	122	143	53
Avg Small Blend	-4.12	1.23	7.98	-0.19	115	143	51
Vanguard Small Cap Growth Index Inv	-2.79	1.28	8.59	0.09	123	142	53
Avg Small Growth	-3.25	1.21	9.19	-0.10	114	136	52
American Funds New Perspective A	5.72	0.83	4.92	1.06	99	74	49
Avg World Stock	4.96	0.85	6.31	0.73	99	78	49
Oakmark International I	4.48	0.99	5.96	0.77	113	95	51
Vanguard Total Intl Stock Index Inv	-0.25	1.03	2.05	-0.08	104	105	46
Avg Foreign Large Blend	0.31	0.99	3.99	0.06	101	101	46
Oppenheimer Developing Markets Y	2.97	1.01	6.40	0.47	102	88	66
Avg Diversified Emerging Mkts	-1.48	1.02	7.62	-0.22	92	99	55

Reported modern portfolio theory (MPT) statistics are calculated with respect to the S&P 500 Index for domestic equity funds. Statistics are calculated relative to the MSCI EAFE Index for international equity funds.

Bond Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
State of Montana Stable Value	-1.95	4.82	5.04	6.47	13.71	-3.45	9.35	4.48	1.34	3.61
Barclays US Govt/Credit Interm +0.35%	-0.51	4.24	6.15	6.24	5.59	5.43	7.74	4.43	1.93	3.39
Prudential Total Return Bond Q	-0.91	9.96	7.93	9.73	19.68	-3.55	5.42	4.39	2.45	4.91
Barclays US Agg Bond	-2.02	4.21	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34
Avg Intermediate-Term Bond	-1.42	7.01	5.86	7.72	13.97	-4.70	4.70	4.15	1.80	3.91

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

Target Date Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
T. Rowe Price Retirement Income	9.15	10.05	1.43	10.10	22.07	-18.39	6.09	9.98	4.87	7.66
Avg Retirement Income	7.36	9.01	1.60	8.94	18.36	-18.06	4.46	7.34	3.30	6.46
T. Rowe Price Retirement 2005	9.74	11.35	1.43	11.51	24.55	-22.24	6.67	11.50	5.57	-
Avg Target Date 2000-2010	8.30	9.61	0.91	10.68	22.42	-22.46	5.22	8.58	3.68	6.82
T. Rowe Price Retirement 2010	11.93	12.44	0.54	12.70	27.95	-26.71	6.65	12.84	6.25	11.11
Avg Target Date 2000-2010	8.30	9.61	0.91	10.68	22.42	-22.46	5.22	8.58	3.68	6.82
T. Rowe Price Retirement 2015	15.18	13.81	-0.32	13.79	31.35	-30.22	6.75	13.73	6.69	-
Avg Target Date 2011-2015	9.65	10.65	-0.27	11.50	23.55	-27.76	5.84	11.13	4.64	7.39
T. Rowe Price Retirement 2020	18.05	15.01	-1.20	14.74	34.19	-33.48	6.73	14.66	7.17	12.82
Avg Target Date 2016-2020	11.57	11.68	-0.22	12.27	24.25	-29.46	6.02	11.95	5.80	9.61
T. Rowe Price Retirement 2025	20.78	16.00	-2.06	15.37	36.29	-35.90	6.81	15.44	7.42	-
Avg Target Date 2021-2025	15.30	13.03	-2.06	13.29	28.32	-34.15	6.52	14.16	6.59	8.96
T. Rowe Price Retirement 2030	23.09	16.82	-2.70	16.01	37.99	-37.79	6.83	16.14	8.12	14.15
Avg Target Date 2026-2030	16.65	13.59	-2.26	13.47	28.87	-36.04	6.50	13.60	6.81	10.95
T. Rowe Price Retirement 2035	24.86	17.35	-3.26	16.34	39.04	-38.88	6.81	16.18	8.05	-
Avg Target Date 2031-2035	20.00	14.64	-3.51	14.28	30.06	-37.04	7.02	14.55	7.35	9.94
T. Rowe Price Retirement 2040	25.93	17.55	-3.49	16.51	39.07	-38.85	6.77	16.24	8.14	14.11
Avg Target Date 2036-2040	19.97	14.64	-3.49	14.37	30.90	-37.94	6.21	14.67	7.41	11.71
T. Rowe Price Retirement 2045	25.93	17.62	-3.47	16.44	39.10	-38.83	6.84	16.15	-	-
Avg Target Date 2041-2045	22.00	15.31	-4.10	14.60	30.88	-38.11	6.89	15.95	7.65	12.89
T. Rowe Price Retirement 2050	25.90	17.55	-3.36	16.41	38.92	-38.80	6.82	-	-	-
Avg Target Date 2046-2050	21.02	15.07	-3.82	14.53	32.02	-38.67	5.91	15.51	8.76	12.60
T. Rowe Price Retirement 2055	25.86	17.60	-3.35	16.41	38.97	-38.89	6.82	-	-	-
Avg Target Date 2051+	23.14	15.52	-4.13	14.45	32.20	-38.86	5.94	15.51	8.76	12.60
Vanguard Balanced Index I	18.11	11.51	4.31	13.34	20.18	-22.10	6.34	11.10	4.77	9.45
Custom Vanguard Bal Index ⁽¹⁾	18.25	11.71	4.66	13.45	20.34	-20.94	6.53	11.17	4.96	9.34
Avg Moderate Allocation	16.48	11.72	-0.11	11.83	24.13	-28.00	5.99	11.29	5.13	8.86
Barclays US Agg Bond	-2.02	4.21	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34
S&P 500	32.39	16.00	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88

Large and Mid-Cap Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Vanguard Equity-Income Adm	30.19	13.58	10.69	14.99	17.26	-30.86	4.99	20.77	4.52	13.69
Russell 1000 Value	32.53	17.51	0.39	15.51	19.69	-36.85	-0.17	22.25	7.05	16.49
Avg Large Value	31.21	14.57	-0.75	13.66	24.13	-37.09	1.42	18.15	5.95	12.97
BlackRock Equity Idx	32.41	16.00	2.20	-	-	-	-	-	-	-
JPMorgan US Equity R5	36.07	17.40	-1.48	14.42	33.29	-34.51	10.49	17.36	2.63	10.96
S&P 500	32.39	16.00	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88
Avg Large Blend	31.50	14.96	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02
Alger Capital Appreciation Z	35.31	18.27	-0.69	12.15	48.45	-44.85	31.01	17.89	14.02	6.82
Russell 1000 Growth	33.48	15.26	2.64	16.71	37.21	-38.44	11.81	9.07	5.26	6.30
Avg Large Growth	33.92	15.34	-2.46	15.53	35.68	-40.67	13.35	7.05	6.71	7.81
MFS Mid Cap Value R5	36.63	18.52	-2.04	27.08	39.75	-41.90	1.67	10.85	7.75	21.47
Russell Mid Cap Value	33.46	18.51	-1.38	24.75	34.21	-38.44	-1.42	20.22	12.65	23.71
Avg Mid Value	35.14	16.60	-3.96	21.92	35.41	-36.77	0.83	15.87	8.82	17.85
Munder Mid-Cap Core Growth A	33.38	15.72	-1.04	25.18	32.45	-43.57	20.64	11.58	12.79	21.95
Russell Mid Cap	34.76	17.28	-1.55	25.48	40.48	-41.46	5.60	15.26	12.65	20.22
Avg Mid Growth	34.93	14.07	-3.96	24.61	39.11	-43.77	15.09	9.00	9.84	13.23

Small Cap and International Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Target Small Capitalization Value T	35.87	14.14	-0.48	23.63	26.69	-27.45	0.52	17.72	10.10	24.02
Russell 2000 Value	34.52	18.05	-5.50	24.50	20.58	-28.92	-9.78	23.48	4.71	22.25
Avg Small Value	36.22	16.00	-4.45	26.17	31.32	-32.24	-6.08	16.27	6.40	21.14
Vanguard Small Cap Index Sig	37.79	18.25	-2.68	27.85	36.34	-36.00	1.25	15.66	7.36	19.90
Custom Vanguard SC Index ⁽¹⁾	37.77	18.20	-2.75	27.82	36.15	-36.20	1.20	15.77	7.48	20.01
Avg Small Blend	37.39	15.46	-4.07	25.61	31.80	-36.56	-1.10	15.03	6.75	18.94
Vanguard Small Cap Growth Index Inv	37.98	17.52	-1.58	30.69	41.85	-40.00	9.63	11.95	8.64	16.06
Custom Vanguard SC Growth Index ⁽²⁾	37.87	17.24	-1.64	30.58	41.79	-40.17	9.62	11.93	8.60	16.05
Avg Small Growth	40.91	13.15	-3.55	26.98	35.46	-41.55	7.59	10.81	6.02	12.41
American Funds New Perspective A	26.77	20.77	-7.60	12.76	37.43	-37.83	16.04	19.87	11.28	14.27
MSCI ACWI	22.80	16.13	-7.35	12.67	34.63	-42.19	11.66	20.95	10.84	15.23
Avg World Stock	25.19	15.84	-7.93	13.74	35.27	-41.91	11.28	19.72	11.61	15.27
Oakmark International I	29.34	29.22	-14.07	16.22	56.30	-41.06	-0.51	30.60	14.12	19.09
MSCI World Ex US	21.02	16.41	-12.21	8.95	33.67	-43.56	12.44	25.71	14.47	20.38
Vanguard Total Intl Stock Index Inv	15.04	18.14	-14.56	11.12	36.73	-44.10	15.52	26.64	15.57	20.84
Custom Vanguard Intl Index ⁽³⁾	15.88	17.04	-14.31	10.70	40.44	-45.52	15.85	27.25	15.92	20.82
Avg Foreign Large Blend	19.44	18.29	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39
Oppenheimer Developing Markets Y	8.68	21.29	-17.85	27.39	82.10	-47.84	34.30	25.70	41.37	33.00
MSCI EM	-2.60	18.22	-18.42	18.88	78.51	-53.33	39.42	32.14	34.00	25.55
Avg Diversified Emerging Mkts	-0.14	18.15	-19.86	19.26	73.81	-54.44	36.68	32.06	31.54	23.54

Peer Group Rankings

As of September 30, 2014

(yellow indicates fund performed above median in peer group)
(1=Best Ranking / 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Prudential Total Return Bond Q	Intermediate-Term Bond	35	11	14	10	6	5
T. Rowe Price Retirement Income	Conservative Allocation	52	47	43	35	44	26
T. Rowe Price Retirement 2005	Target Date 2000-2010	42	15	20	28	32	6
T. Rowe Price Retirement 2010	Target Date 2000-2010	49	12	5	1	3	1
T. Rowe Price Retirement 2015	Target Date 2011-2015	56	10	4	1	1	1
T. Rowe Price Retirement 2020	Target Date 2016-2020	51	9	3	1	1	1
T. Rowe Price Retirement 2025	Target Date 2021-2025	48	15	4	5	2	1
T. Rowe Price Retirement 2030	Target Date 2026-2030	41	13	4	3	2	1
T. Rowe Price Retirement 2035	Target Date 2031-2035	44	19	7	1	1	1
T. Rowe Price Retirement 2040	Target Date 2036-2040	40	22	7	1	1	1
T. Rowe Price Retirement 2045	Target Date 2041-2045	35	24	8	1	1	
T. Rowe Price Retirement 2050	Target Date 2046-2050	38	26	8	3	1	
T. Rowe Price Retirement 2055	Target Date 2051+	39	27	13	5	1	
Vanguard Balanced Index I	Moderate Allocation	15	18	23	33	15	14

Peer Group Rankings

As of September 30, 2014

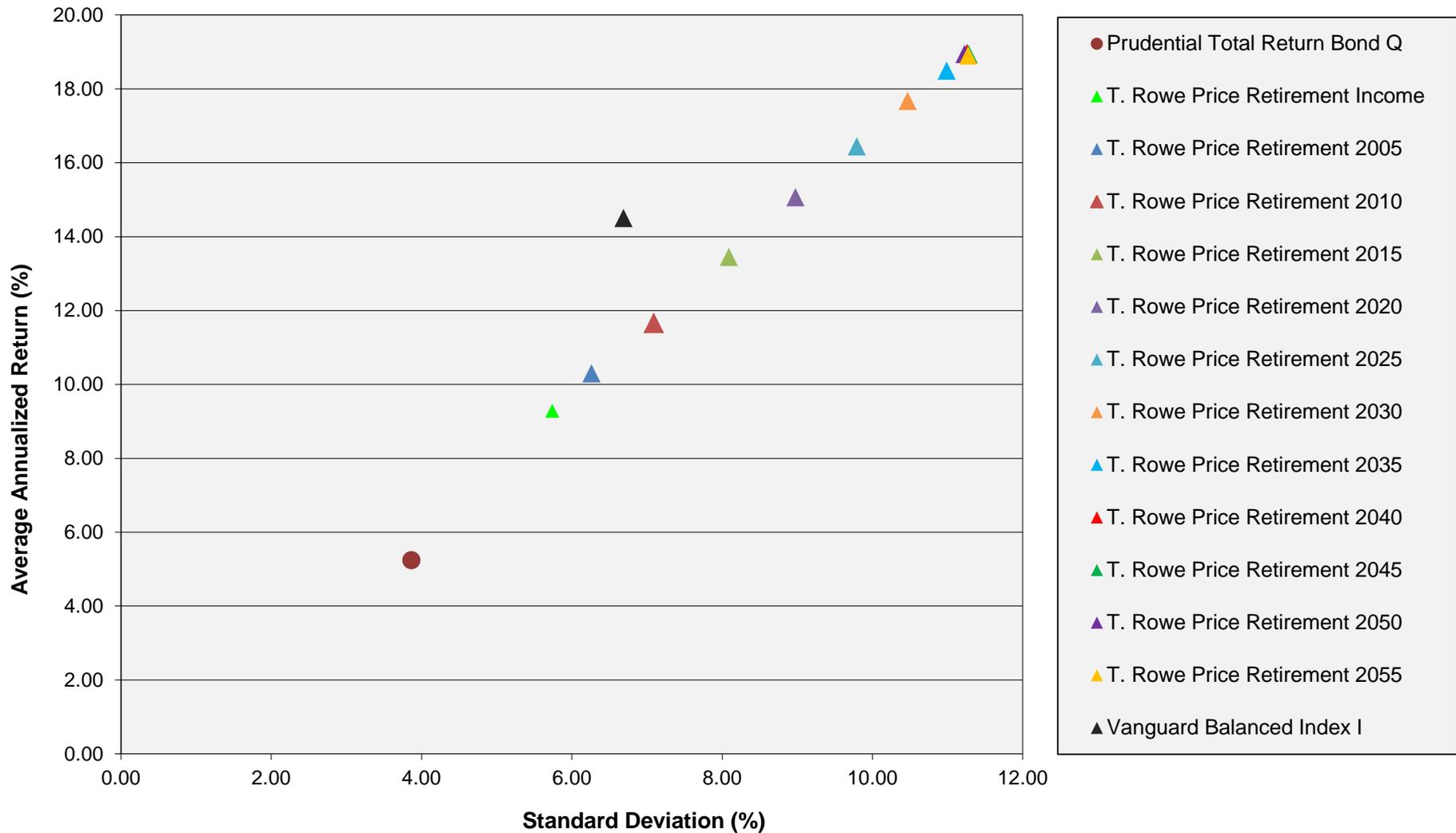
(yellow indicates fund performed above median in peer group)
(1=Best Ranking / 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Vanguard Equity-Income Adm	Large Value	56	39	47	51	4	9
BlackRock Equity Idx*	Large Blend	23	23	25	41	27	42
JPMorgan US Equity R5	Large Blend	14	23	16	13	14	7
Alger Capital Appreciation Z	Large Growth	13	9	7	10	28	2
MFS Mid Cap Value R5	Mid-Cap Value	70	50	53	35	7	46
Munder Mid-Cap Core Growth A	Mid-Cap Growth	22	24	24	35	29	38
Target Small Capitalization Value T	Small Value	17	32	36	58	25	10
Vanguard Small Cap Index Sig	Small Blend	20	9	11	19	14	12
Vanguard Small Cap Growth Index Inv	Small Growth	48	15	23	22	24	11
American Funds New Perspective A	World Stock	19	60	44	30	36	15
Oakmark International I	Foreign Large Blend	87	91	95	3	2	4
Vanguard Total Intl Stock Index Inv	Diversified Emerging Mkts	45	19	35	65	62	34
Oppenheimer Developing Markets Y	Diversified Emerging Mkts	41	43	29	10	3	1

* BlackRock characteristics are shown for A shares.

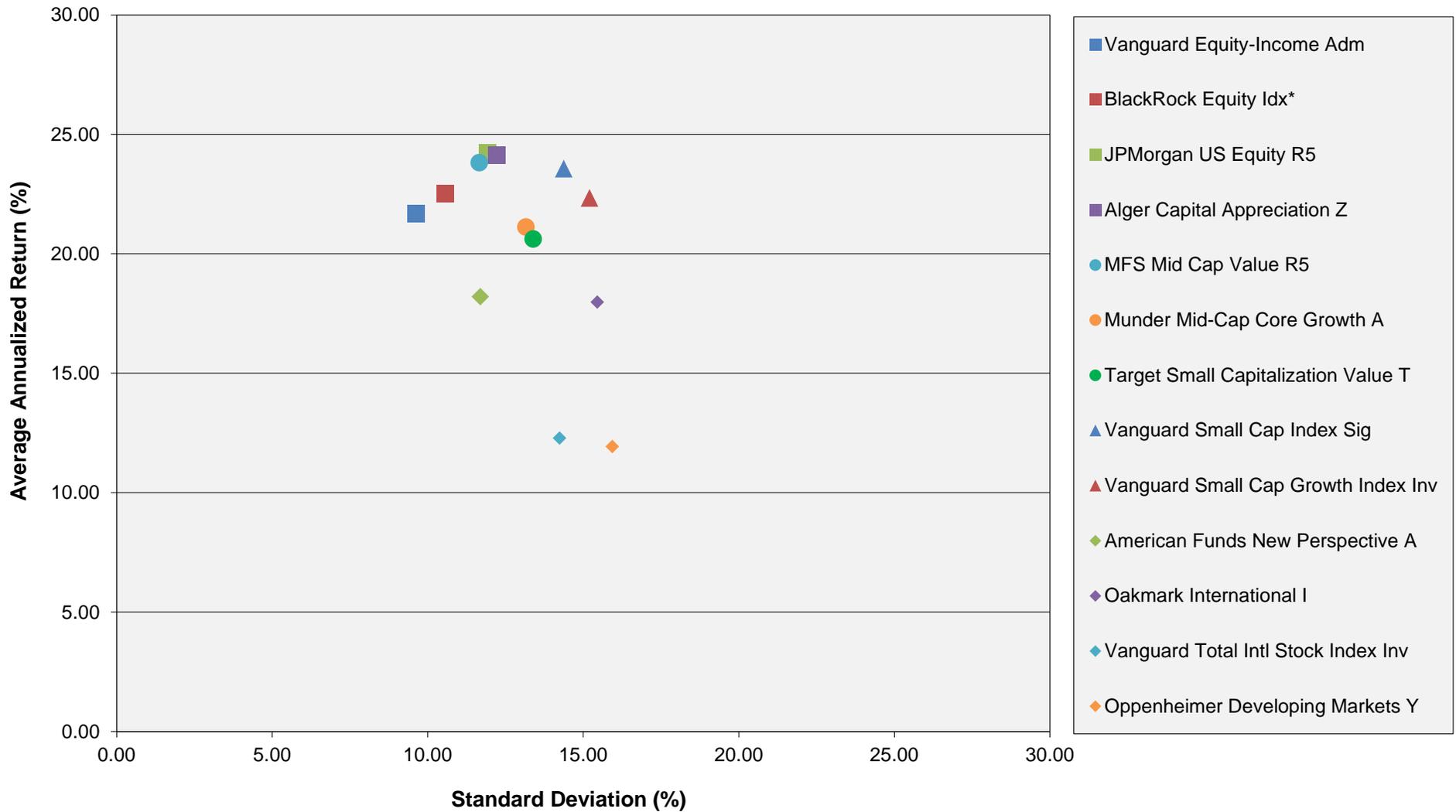
Three Year Risk/Return Profile Bond and Target Date Funds

As of September 30, 2014



Three Year Risk/Return Profile Equity Funds

As of September 30, 2014



* BlackRock characteristics are shown for A shares.

Stable Value Performance as of September 30, 2014

	Quarter	YTD	1 Year	Annualized			Management Fees	Wrap Fees	Other Fees
				3 Years	5 years	10 years			
Montana Stable Value (market, gross)	-0.41	1.64	1.39	1.93	3.59	4.35	0.29	0.20	0.01
Barclays US Govt/Credit Interm +0.35%	0.06	2.39	2.55	2.36	3.77	4.40	-	-	-

Stable Value Portfolio Characteristics as of September 30, 2014

	Yield-to Maturity (%)	Effective Duration (years)	Credit Quality Distribution (%)				
			Investment Grade				High Yield
			AAA	AA	A	BBB	Below BBB
Montana Stable Value	2.09	3.94	50	5	31	13	0
Barclays US Govt/Credit Interm	-	3.88	65	7	14	14	-

Market to Book Value Ratio

End of Month	Mar-14	Jun-14	Sep-14
Market-to-Book Value Ratio (%)	103.3	104.1	103.0

Fixed Income Portfolio Characteristics

As of September 30, 2014

	Average Maturity (years)	Average Duration (years)	Average Credit Quality	Total Number of Holdings
Prudential Total Return Bond Q*	8.3	5.9	BBB	1,324
BarCap Aggregate	7.7	5.6	AA	8,908
Avg Intermediate Term Bond	6.7	4.9	BBB	784

* As of August 31, 2014

	Investment Grade				High Yield Bonds			Other
	AAA	AA	A	BBB	BB	B	Below B	NR/NA
Prudential Total Return Bond Q*	35	7	18	20	14	5	0	0
BarCap Aggregate	72	5	12	12	0	0	0	0
Avg Intermediate Term Bond	51	9	16	18	3	1	1	1

* As of August 31, 2014

Equity Portfolio Style Characteristics

As of September 30, 2014

Vanguard Equity-Income Adm

42	36	13
7	2	1
1	0	0

BlackRock Equity Idx

29	32	27
5	4	3
0	0	0

JPMorgan US Equity R5

22	33	35
2	4	4
0	0	0

Alger Capital Appreciation Z

8	27	48
2	6	8
0	0	1

MFS Mid Cap Value R5

5	5	8
31	27	8
7	5	2

Munder Mid-Cap Core Growth A

3	5	14
6	23	42
3	4	0

Vanguard Small Cap Index Sig

0	0	0
12	13	17
19	19	19

Vanguard Small Cap Growth Index Inv

0	0	0
4	10	31
5	17	32

American Funds New Perspective A

15	27	49
2	3	4
0	0	0

Oakmark International I

28	37	31
2	2	0
0	0	0

Vanguard Total Intl Stock Index Inv

26	29	25
6	6	5
2	1	1

Oppenheimer Developing Markets Y

12	25	51
2	2	8
0	0	0

Style Legend

Large Value	Large Core	Large Growth	50% <	54
Mid Value	Mid Core	Mid Growth	25% <	27
Small Value	Small Core	Small Growth	10% <	19

Equity Portfolio Characteristics

As of September 30, 2014

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
Vanguard Equity-Income Adm	\$84,587	16.6	2.6	164	30	34	13	0
Russell 1000 Value	\$51,916	16.4	1.8	690	25			
Avg Large Value	\$87,266	16.5	2.2	-	36	54	7	0
JPMorgan US Equity R5	\$67,850	19.0	2.6	174	23	73	0	0
S&P 500	\$70,098	18.4	2.6	502	18			
Avg Large Blend	\$97,838	17.9	2.7	-	47	60	5	0
Alger Capital Appreciation Z	\$45,927	22.0	3.7	153	24	124	10	0
Russell 1000 Growth	\$52,394	21.6	4.9	674	22			
Avg Large Growth	\$72,963	23.1	4.4	-	39	71	8	1
MFS Mid Cap Value R5	\$8,045	17.8	2.0	159	10	35	6	1
Russell Mid Cap Value	\$9,183	18.2	1.7	566	7			
Avg Mid Value	\$8,727	17.7	1.7	-	17	70	6	0
Munder Mid-Cap Core Growth A	\$8,920	22.9	2.9	84	18	37	4	0
Russell Mid Cap	\$10,032	20.7	2.5	838	4			
Avg Mid Blend	\$8,271	19.5	2.4	-	19	67	4	0

Equity Portfolio Characteristics

As of September 30, 2014

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
Target Small Capitalization Value T	\$2,188	17.3	1.8	778	7	42	1	0
Russell 2000 Value	\$1,231	17.1	1.4	1,307	4			
Avg Small Value	\$2,553	18.0	1.7	-	22	80	2	0
Vanguard Small Cap Index Sig	\$2,911	21.2	2.3	1,477	3	29	2	0
CRSP US Small Cap	\$2,746	20.0	2.2	1,463	3			
Avg Small Blend	\$2,695	20.0	2.1	-	22	68	2	0
Vanguard Small Cap Growth Index Inv	\$2,959	27.1	3.2	721	5	50	2	0
CRSP US Small Cap Growth	\$2,818	26.5	3.1	719	5			
Avg Small Growth	\$2,797	25.4	3.6	-	30	82	4	1
American Funds New Perspective A	\$52,955	18.7	2.9	286	18	30	49	3
MSCI ACWI	\$44,594	16.7	2.0	2,449	8			
Avg World Stock	\$39,847	17.3	2.2	-	21	63	48	5
Oakmark International I	\$39,360	16.1	1.6	66	32	37	94	0
MSCI World Ex USA	\$35,001	15.9	1.6	995	12			
Vanguard Total Intl Stock Index Inv	\$22,257	15.6	1.6	5,626	8	5	97	15
FTSE Global All Cap ex US	\$20,996	15.1	1.5	5,564	8			
Avg Foreign Large Blend	\$38,151	15.8	1.7	-	15	68	90	6
Oppenheimer Developing Markets Y	\$20,806	19.6	2.2	122	24	29	92	74
MSCI EM	\$18,511	12.4	1.5	834	16			
Avg Diversified Emerging Mkts	\$20,392	13.6	1.9	-	21	76	88	69

Equity Portfolio Sector Allocations

As of September 30, 2014

(yellow shading indicates largest sector allocation)

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
Vanguard Equity-Income Adm	12.3	3.8	12.1	5.9	12.4	12.7	16.7	13.5	4.1	6.6
Russell 1000 Value	12.9	3.3	10.2	6.2	7.1	13.5	29.2	9.4	2.3	6.0
Avg Large Value	13.2	3.7	9.9	9.0	8.8	13.0	22.5	11.8	3.5	4.6
BlackRock Equity Idx*	10.9	3.5	10.5	11.8	9.5	13.3	16.1	18.8	2.4	3.2
JPMorgan US Equity R5	10.1	3.8	11.0	13.8	6.7	14.4	15.5	21.3	1.2	2.2
S&P 500	9.7	3.5	10.3	11.7	9.5	13.9	16.3	19.7	2.4	3.0
Avg Large Blend	10.4	3.7	11.8	13.4	9.2	13.6	15.5	17.8	2.0	2.6
Alger Capital Appreciation Z	6.6	3.3	11.0	18.2	6.0	17.1	6.9	28.9	1.9	0.0
Russell 1000 Growth	5.7	4.2	11.9	18.2	10.3	13.6	5.1	28.4	2.4	0.1
Avg Large Growth	6.8	3.4	10.5	20.4	6.7	16.4	6.8	27.9	0.7	0.4
MFS Mid Cap Value R5	9.5	8.1	13.2	13.6	5.8	8.5	23.8	8.2	1.6	7.7
Russell Mid Cap Value	5.4	7.1	9.5	10.0	3.4	9.3	32.2	10.8	0.3	11.9
Avg Mid Value	8.6	6.2	14.5	12.4	4.2	8.4	26.0	12.3	0.8	6.7
Munder Mid-Cap Core Growth A	7.7	7.9	15.8	16.9	3.9	10.9	17.8	13.2	1.9	4.1
Russell Mid Cap	6.1	5.9	13.0	16.9	5.6	11.2	20.2	14.6	0.7	5.8
Avg Mid Blend	7.1	7.0	16.3	16.3	3.7	11.1	18.9	15.6	0.8	3.2

* BlackRock characteristics are shown for A shares.

Equity Portfolio Sector Allocations

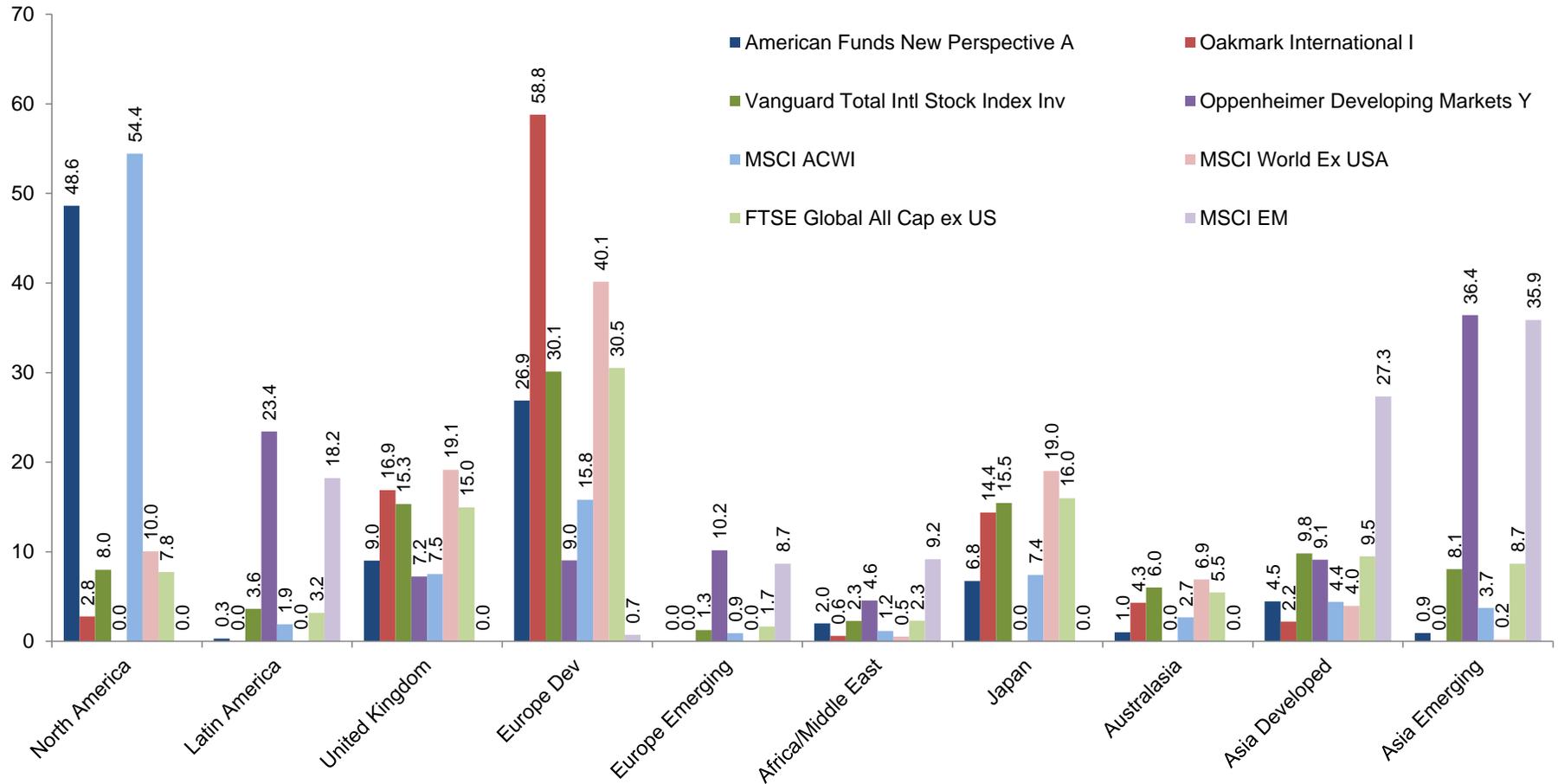
As of September 30, 2014

(yellow shading indicates largest sector allocation)

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
Vanguard Small Cap Index Sig	5.6	6.3	15.9	14.2	2.8	11.1	23.2	16.6	0.6	3.7
CRSP US Small Cap	5.4	6.2	15.9	13.8	2.9	10.9	23.8	16.8	0.6	3.7
Avg Small Blend	7.7	6.8	14.3	15.4	5.1	10.3	20.9	16.0	0.7	2.8
Vanguard Small Cap Growth Index Inv	6.7	3.7	14.1	15.7	3.1	15.6	17.7	21.8	0.8	0.9
CRSP US Small Cap Growth	6.6	3.7	14.1	15.7	3.2	15.3	17.8	21.9	0.8	0.9
Avg Small Growth	5.6	4.0	11.8	15.0	3.1	21.8	13.5	24.2	0.5	0.5
American Funds New Perspective A	4.8	4.5	12.5	19.4	12.8	14.5	14.7	15.5	1.0	0.2
MSCI ACWI	9.4	5.7	10.5	11.4	9.5	11.3	21.5	13.4	3.9	3.3
Avg World Stock	9.1	4.2	11.4	15.2	10.3	12.0	16.0	15.4	3.2	3.2
Oakmark International I	0.0	4.9	18.1	25.5	14.1	4.1	26.0	7.4	0.0	0.0
MSCI World Ex USA	8.8	8.0	12.0	10.8	10.1	10.5	27.1	4.4	4.7	3.6
Vanguard Total Intl Stock Index Inv	8.6	8.7	12.4	11.2	9.4	8.1	25.8	7.4	4.8	3.5
FTSE Global All Cap ex US	8.5	8.4	12.5	11.3	9.2	8.4	26.1	7.3	4.8	3.5
Avg Foreign Large Blend	8.3	7.8	11.7	13.2	10.4	10.6	23.0	7.7	4.7	2.7
Oppenheimer Developing Markets Y	10.4	5.1	4.2	16.4	17.6	4.6	21.8	16.7	3.2	0.0
MSCI EM	9.8	7.9	6.9	9.1	8.5	2.2	27.6	16.9	7.8	3.4
Avg Diversified Emerging Mkts	9.1	6.7	6.9	11.9	10.6	2.7	25.5	16.4	7.5	2.9

International Fund Regional Allocations

As of September 30, 2014



International Fund Country Allocations

As of September 30, 2014

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
American Funds New Perspective A	0.1	1.0		1.1		2.6		0.2		5.3	1.0	3.8	3.4		1.5		0.8		0.7			6.8			4.0
MSCI ACWI		2.6		0.4	0.8	3.8	0.2	1.9		0.6	0.3	3.5	3.0		1.0		0.8	0.3	0.1	0.2	0.9	7.4	0.4	0.6	1.0
Oakmark International I		4.3				0.7						15.9	10.8							0.6	3.3	14.4			7.3
MSCI World Ex USA		6.8	0.2	1.1		9.8				1.4	0.8	8.9	7.6		2.6				0.3	0.5	2.2	19.0			2.4

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
American Funds New Perspective A		0.2						0.8		2.0	0.3	1.0	0.6	5.7	1.5			9.0	46.1	53.9					
MSCI ACWI		0.3		0.1	0.2		0.5	0.5		0.8	1.6	1.3	1.1	3.3	1.3	0.3	0.2	7.5	50.6	49.5					
Oakmark International I											2.2		4.8	16.8				16.9	2.1	97.9					
MSCI World Ex USA	0.1	0.7				0.2		1.3				3.3	2.7	8.3				19.1	0.3	99.7					

International Fund Country Allocations

As of September 30, 2014

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
Vanguard Total Intl Stock Index Inv		5.8	0.2	0.9	2.1	7.8	0.3	3.7		1.1	0.7	5.9	5.7		2.2		2.0	0.5	0.4	0.4	1.8	15.5	0.9	1.0	1.9
FTSE Global All Cap ex US		5.3	0.2	0.9	1.6	7.7	0.3	4.1		1.1	0.7	6.3	5.6	0.1	2.2		2.1	0.5	0.3	0.5	1.8	16.0	1.0	1.1	1.7
Oppenheimer Developing Markets Y					14.4		0.9	15.1		1.5		2.8			6.2		13.9	2.9			1.9		1.2	5.7	
MSCI EM					7.7		1.5	18.0	0.3					0.7		0.2	7.3	2.8					4.1	5.6	

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
Vanguard Total Intl Stock Index Inv	0.2	0.7		0.3	0.3	0.2	0.5	1.1		1.7	3.4	2.3	2.2	6.1	3.1	0.6	0.4	15.3	0.2	99.8					
FTSE Global All Cap ex US	0.2	0.7		0.4	0.4	0.2	0.9	1.1		1.5	3.2	2.5	2.2	6.0	3.0	0.6	0.3	15.0		99.9					
Oppenheimer Developing Markets Y				2.1			7.1			2.0	0.9			1.4	2.0	1.1	3.1	7.2		100.0					
MSCI EM				1.3	1.8		4.8			7.6	14.9				12.4	2.5	1.6			100.0					

General Fund Information

As of September 30, 2014

Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
Prudential Total Return Bond Q	Robert Tipp (4)*	5	12	\$4,568	★★★★★	
T. Rowe Price Retirement Income	Jerome A. Clark	12	12	\$3,767	★★★	
T. Rowe Price Retirement 2005	Jerome A. Clark	11	11	\$1,572	★★★★★	Gold
T. Rowe Price Retirement 2010	Jerome A. Clark	12	12	\$6,542	★★★★★	Gold
T. Rowe Price Retirement 2015	Jerome A. Clark	11	11	\$10,079	★★★★★	Gold
T. Rowe Price Retirement 2020	Jerome A. Clark	12	12	\$23,415	★★★★★	Gold
T. Rowe Price Retirement 2025	Jerome A. Clark	11	11	\$15,506	★★★★★	Gold
T. Rowe Price Retirement 2030	Jerome A. Clark	12	12	\$21,739	★★★★★	Gold
T. Rowe Price Retirement 2035	Jerome A. Clark	11	11	\$11,209	★★★★★	Gold
T. Rowe Price Retirement 2040	Jerome A. Clark	12	12	\$14,839	★★★★★	Gold
T. Rowe Price Retirement 2045	Jerome A. Clark	9	9	\$6,273	★★★★★	Gold
T. Rowe Price Retirement 2050	Jerome A. Clark	8	8	\$4,416	★★★★★	Gold
T. Rowe Price Retirement 2055	Jerome A. Clark	8	8	\$1,245	★★★★★	Gold
Vanguard Balanced Index I	Joshua C. Barrickman (3)*	2	2	\$24,288	★★★★★	Gold

* Longest tenured manager listed with total number of fund managers listed in parentheses

General Fund Information

As of September 30, 2014

Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
Vanguard Equity-Income Adm	James P. Stetler (4)*	6	11	\$17,702	★★★★★	Silver
BlackRock Equity Idx**	Greg Savage (3)*	4	7	\$4,047	★★★	Neutral
JPMorgan US Equity R5	Susan Bao (4)*	7	14	\$11,312	★★★★	Bronze
Alger Capital Appreciation Z	Patrick Kelly	10	10	\$1,847	★★★★★	
MFS Mid Cap Value R5	Brooks A. Taylor (2)*	6	6	\$2,594	★★★★	
Munder Mid-Cap Core Growth A	Tony Y. Dong (7)*	6	14	\$6,260	★★★	
Target Small Capitalization Value T	Paul E. Viera (14)*	6	13	\$2,023	★★★★	
Vanguard Small Cap Index Sig	Michael H. Buek	23	23	\$49,237	★★★★	Gold
Vanguard Small Cap Growth Index Inv	Gerard C. O'Reilly	10	10	\$15,492	★★★★	Silver
American Funds New Perspective A	Gregg E. Ireland (8)*	10	22	\$53,832	★★★★	Gold
Oakmark International I	David G. Herro (2)*	14	22	\$32,581	★★★★★	Gold
Vanguard Total Intl Stock Index Inv	Michael Perre	6	6	\$133,182	★★★	Gold
Oppenheimer Developing Markets Y	Justin M. Leverenz	7	7	\$44,598	★★★★★	Silver

* Longest tenured manager listed with total number of fund managers listed in parentheses

** BlackRock characteristics are shown for A shares.

Glossary of Investment Terms

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive Alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by beta.

Average Credit Quality gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio. For corporate bond and municipal bond funds, Morningstar also shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's. Because it's rare to find individual bonds in a portfolio with a rating below B, the average credit quality of bond funds in Morningstar's database ranges from AAA (highest) to B (lowest). AAA bonds carry the highest credit rating, while bonds issued by speculative companies usually carry the lowest credit ratings. For taxable bonds, anything at or below BB is considered a high-yield or junk bond. For the purpose of Morningstar's calculations, U.S. government bonds are considered AAA and other nonrated bonds generally are considered B.

Average Duration is a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration.

Average Maturity is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. Average effective maturity takes into consideration all mortgage prepayments, puts, and adjustable coupons. Longer-maturity funds are generally considered more interest-rate sensitive than their shorter counterparts.

Batting Average is a measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period. For example, a manager who meets or outperforms the market every month in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

Beta is a measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement. It is the ratio of what the excess return of the fund would be to the excess return of the benchmark if there were no fund-specific sources of return. If beta is greater than one, movements in value of the fund that are associated with movements in the value of the benchmark tend to be amplified. If beta is one, they tend to be the same, and if beta is less than one, they tend to be dampened. If such movements tend to be in opposite directions, beta is negative. Beta is measured as the slope of the regression of the excess return on the fund as the dependent variable and the excess return on the benchmark as the independent variable. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a portfolio's excess return over T-bills to the benchmark's excess return over T-bills, so a beta of 1.10 shows that the portfolio has performed 10% better than its benchmark in up markets and 10% worse in down markets, assuming all other factors remain constant.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself. For example, if the ratio is 90%, the manager has captured 90% of the down-market and outperformed the market on the downside.

Geometric Average Market Cap provides a measure of the size of the companies in which the fund invests. It is the weighted mean of the market capitalizations of the stocks in the fund's portfolio and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

Information Ratio is a risk-adjusted performance measure. The information ratio is a special version of the Sharpe Ratio in that the benchmark is typically the fund's performance benchmark instead of the risk free rate. A higher information ratio indicates higher active returns per unit of active risk while a lower information ratio may indicate low levels of active returns, high levels of active risk or both.

P/B Ratio is the weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain. In practice, book value is an accounting number and for a variety of reasons may not reflect the actual value assigned to a company or security by market participants.

P/E Ratio is the weighted average of the price/earnings ratios of all the stocks in a portfolio. A fund's price/earnings ratio can act as a gauge of the fund's investment strategy in the current market climate, and whether it has a value or growth orientation. Companies in those industries enjoying a surge of popularity tend to have high P/E ratios, reflecting a growth orientation. More staid industries tend to have low P/E ratios, reflecting a value orientation. Morningstar generates this figure in-house on a monthly basis, based on the most-recent portfolio holdings submitted by the fund and stock statistics gleaned from our internal U.S. equities databases. Negative P/Es are not used, and any P/E greater than 60 is capped at 60 in the calculation of the average.

Peer Group Ranking is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. Morningstar categorizes funds based on their portfolio holdings (portfolio statistics and compositions over the past 3 years). The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 60-month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a fund that is an investor's sole holding. The Sharpe Ratio can be used to compare two funds directly on how much risk a fund had to bear to earn excess return over the risk-free rate.

Standard Deviation is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Total Return is determined by taking the change in net asset value, reinvesting all income and capital-gains distributions, and dividing by the starting net asset value (NAV). Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly. Total return is expressed as a percentage.

Tracking Error is a measure of the volatility of excess returns relative to a benchmark.

Turnover Ratio is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. A low turnover figure (20% to 30%) would indicate a buy-and-hold strategy while a high turnover (more than 100%) would indicate an investment strategy involving considerable buying and selling of securities.

Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself. For example, if the ratio is 110%, the manager has captured 110% of the up-market and outperformed the market on the upside.

Sector Definitions

Energy Sector: The Energy Sector comprises companies whose businesses are dominated by either of the following activities: The construction or provision of oil rigs, drilling equipment and other energy related service and equipment, including seismic data collection. Companies engaged in the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal and other consumer fuels.

Materials Sector: The Materials Sector encompasses a wide range of commodity-related manufacturing industries. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies, including producers of steel.

Industrials Sector: The Industrials Sector includes companies whose businesses are dominated by one of the following activities: The manufacture and distribution of capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery. The provision of commercial services and supplies, including printing, employment, environmental and office services. The provision of transportation services, including airlines, couriers, marine, road and rail and transportation infrastructure.

Consumer Discretionary Sector: The Consumer Discretionary Sector encompasses those industries that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles and apparel and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services.

Consumer Staples Sector: The Consumer Staples Sector comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food and drug retailing companies as well as hypermarkets and consumer super centers.

Health Care Sector: The Health Care Sector encompasses two main industry groups. The first includes companies who manufacture health care equipment and supplies or provide health care related services, including distributors of health care products, providers of basic health-care services, and owners and operators of health care facilities and organizations. The second regroups companies primarily involved in the research, development, production and marketing of pharmaceuticals and biotechnology products.

Financials Sector: The Financials Sector contains companies involved in activities such as banking, mortgage finance consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, and financial investment, and real estate, including REITs.

Information Technology Sector: The Information Technology Sector covers the following areas: firstly, Technology Software and Services, including companies that primarily develop software in various fields such as the Internet, applications, systems, database management and/or home entertainment, and companies that provide information technology consulting and services, as well as data processing and outsourced services; secondly, Technology Hardware and Equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronic equipment and related instruments; and thirdly, Semiconductors and Semiconductor Equipment Manufacturers.

Telecommunications Services Sector: The Telecommunications Services Sector contains companies that provide communications services primarily through a fixed-line, cellular, wireless, high bandwidth and/or fiber optic cable network.

Utilities Sector: The Utilities Sector encompasses those companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

Regional Definitions

North America: United States and Canada

Emerging Central & Latin America: Mexico and Central and South America

United Kingdom: England, Northern Ireland, Scotland, Wales

Developed Europe: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain

Emerging Europe: Russia and other Eastern European countries

Africa/Middle East: Africa and Western Asian countries

Japan: Japan

Australasia: Australia and New Zealand

Developed Asia: Hong Kong, Singapore, South Korea

Emerging Asia: China, India, Indonesia, Malaysia, Philippines, Thailand