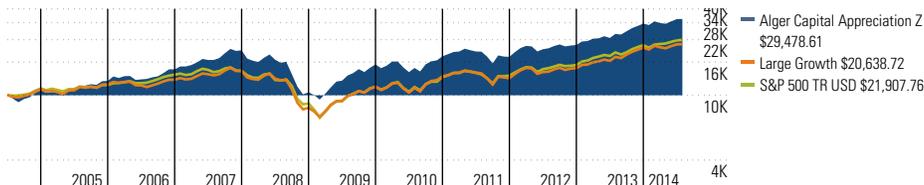


Alger Capital Appreciation Z ACAZX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
22.58	↓0.14 0.62	0.00	1.9	Open	\$500,000	None	0.93%	★★★★	Large Growth	Large Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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.

Pillars

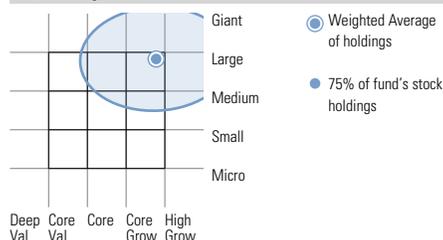
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,681	10,176	12,710	15,489	25,037	29,400
Fund	6.81	1.76	27.10	15.70	20.15	11.39
+/- S&P 500 TR USD	-1.08	0.49	5.19	-0.46	0.19	3.27
+/- Category	1.77	0.50	4.18	2.09	1.48	3.22
% Rank in Cat	20	19	14	16	—	—
# of Funds in Cat	1,730	1,766	1,693	1,493	1,330	905

* Currency is displayed in USD

Style Map



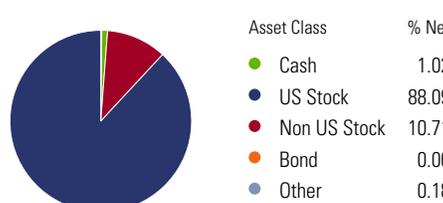
Top Holdings 04-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	5.17	95.38 USD	-0.01 ↓	59.75 - 96.80
NXP Semiconductors NV	2.75	65.44 USD	-1.43 ↓	31.54 - 67.79
Gilead Sciences Inc	2.63	89.11 USD	0.49 ↑	54.19 - 89.19
Facebook Inc Class A	2.58	64.99 USD	0.03 ↑	25.45 - 72.59
CVS Caremark Corp	2.35	76.76 USD	-0.10 ↓	56.32 - 79.43

% Assets in Top 5 Holdings 15.49

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Asset Allocation



Top Sectors 04-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	Fund	Cat Avg
Technology	24.28	27.13	22.73	23.10	24.28	23.10
Consumer Cyclical	17.76	25.03	17.76	17.58	17.76	17.58
Healthcare	16.50	16.50	12.23	15.89	16.50	15.89
Industrials	11.00	13.24	9.81	12.25	11.00	12.25
Financial Services	9.40	9.63	7.34	10.39	9.40	10.39

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-18	20.73	0.8300	0.7100	0.0000	0.0000	1.5300
2012-12-18	16.91	0.0700	0.0000	0.0000	0.1700	0.2400

Management

Patrick Kelly Start Date 2004-09-30

Alger Capital Appreciation Z ACAZX

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	6.81	1.77
2013	35.31	1.39
2012	18.27	2.93
2011	-0.69	1.77

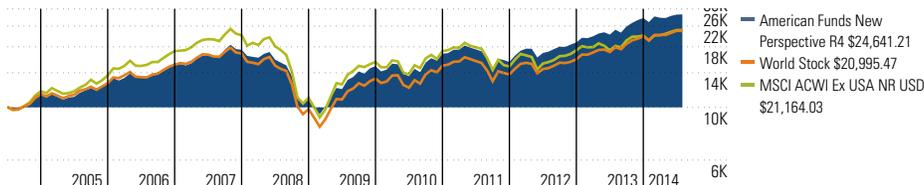
We do not currently publish an Analyst Report for this company.

American Funds New Perspective R4 RNPEX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
38.48	↓0.09 0.23	0.74	57.7	Open	\$250	None	0.80%	★★★★	World Stock	Large Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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.

Pillars

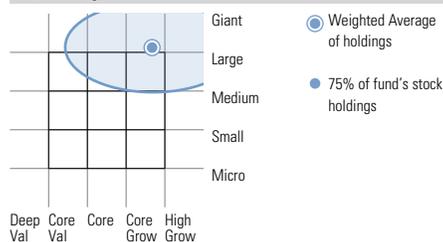
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 07-09-2014

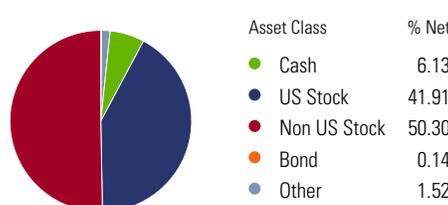
	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,355	10,023	11,905	13,900	21,346	24,502
Fund	3.55	0.23	19.05	11.60	16.38	9.38
+/- MSCI ACWI Ex USA NR USD	-2.01	-0.21	-1.62	6.01	4.49	1.62
+/- Category	-2.03	-0.26	-1.05	1.43	0.78	1.46
% Rank in Cat	78	62	60	29	39	21
# of Funds in Cat	1,160	1,194	1,095	822	675	333

* Currency is displayed in USD

Style Map



Asset Allocation



Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Novo Nordisk A/S	4.91	247.80 USD	0.24 ↑	179.60 - 265.30
⊕ Amazon.com Inc	2.67	327.62 USD	-0.71 ↓	279.33 - 408.06
Google Inc Class A	2.12	581.84 USD	-0.26 ↓	421.49 - 614.44
Bayer AG	1.69	—	—	—
⊖ Home Depot, Inc.	1.33	79.15 USD	-1.96 ↓	72.21 - 83.20
% Assets in Top 5 Holdings	12.71			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Cyclical	18.60	19.92	17.78	13.05
🏥 Healthcare	15.06	17.33	14.23	11.65
💻 Technology	14.50	14.50	11.11	13.86
🏦 Financial Services	14.41	16.00	11.36	15.84
🛒 Consumer Defensive	12.45	12.47	11.65	11.14

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	36.85	1.7500	0.0000	0.0000	0.3000	2.0500
2012-12-26	30.75	0.0000	0.0000	0.0000	0.3400	0.3400
2011-12-27	25.94	0.0000	0.0000	0.0000	0.2800	0.2800
2010-12-27	28.21	0.0000	0.0000	0.0000	0.2900	0.2900
2009-12-22	25.21	0.0000	0.0000	0.0000	0.3200	0.3200

Management

	Start Date
Gregg E. Ireland	1992-12-01
Robert W. Lovelace	2001-01-01
Jonathan Knowles	2004-12-01
Brady L. Enright	2005-12-01
Joanna F. Jonsson	2005-12-01
Steven T. Watson	2005-12-01
Isabelle de Wismes	2007-12-01
Noriko H. Chen	2014-04-30

American Funds New Perspective R4 RNPEX

Analysis

Have blue chips, will travel.

By Dan Culloton 6/27/2014

Don't judge American Funds New Perspective's holdings by their domiciles.

The fund's stake in U.S. stocks is higher than it has been in more than a decade, but it's arguably no less global. It had 44% of its money in domestic equities at the end of May 2014--down from 46% a year ago, but still larger than the fund's 36% 15-year average helping of U.S. stocks. It's true that on balance, the fund's managers have been more attracted to U.S.-based multinational companies during the past several years. There is, however, more to the story.

Growth prospects and share valuations have long mattered more to this fund's managers than domiciles. Seeking stocks that are best positioned to exploit opportunities in Asia, Africa, or the U.S., for instance, doesn't necessarily entail buying the shares of businesses based in those countries. To them, the best entree to e-commerce growth in China, India, and Eastern Europe is through South African media company Naspers.

A lot of funds claim to be domicile-neutral, but this one has never had specific geographic targets. The fund has been around for more than 40 years, and for the last 30, its U.S. stake has averaged about 40% of assets and ranged from about 15% in December 1995 to 66% in June 1989. Since 1973, the fund has gained 12.5% annualized, 3.7 percentage points better than the MSCI World Index, and ahead of each of the handful of world-stock funds old enough to have track records as long.

The fundamentals are in place to continue that performance edge over time. The fund charges a low fee and is run by multiple managers who have been around the block (indeed, the world) and who invest liberally alongside their fellow fundholders. It also follows a consistent, bottom-up, somewhat contrarian approach that seeks global giants whose share prices lowball their long-term growth prospects for ephemeral reasons. It's a large fund

with below-average emerging-markets exposure, but its diversified portfolio of carefully bought companies from around the world has earned compelling long-term returns. It should continue to do so.

Process Pillar: Positive

Eight managers run independent slices of this portfolio; American Funds analysts get about 20% of the portfolio as well. Their styles can differ somewhat, but they all tend to be bottom-up and rather contrarian growth stock-pickers.

The managers, who American Funds refers to as portfolio counselors, rely on the firm's large and well-seasoned research staff, as well as their own work to find multinational blue-chip companies whose shares are priced below their long-term growth potential. Though its managers tend to be valuation-conscious, their fund leans toward the growth side of the Morningstar Style Box; it tends to let winners run because of its managers' buy-and-hold ethos. Many of the managers also are not averse to accepting higher price multiples for companies with above-average long-term growth prospects, such as Amazon AMZN, which is furiously reinvesting profits into its business to drive revenue growth.

But one rarely sees speculative stocks in this fund. Its preference for large, profitable, competitively advantaged stocks limits risk. So does its 7% cap on emerging-markets stocks and its tendency to hold some cash, as many American Funds do. Yet, the fund is no benchmark-hugger or crowd-follower. It lets its managers' stock-picking determine its sector and region weightings, which can look quite different from those of its rivals and benchmark.

The fund's sector and geographic allocations are a byproduct of its managers' stock-picking. 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 42% on March 31, 2014, up from less than 30% near the U.S. market's 2007 peak.

Morningstar's Take

Morningstar Analyst Rating



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



Fund Performance

	Total Return %	+/- Category
YTD	3.55	-2.03
2013	26.79	1.60
2012	20.77	4.93
2011	-7.64	0.29
2010	12.73	-1.01

American Funds New Perspective R4 RNPEX

Analysis

The fund's managers seek growth across the globe, but buy when it is mispriced or misunderstood. That explains its current larger-than-average stake of health-care stocks, like diabetes drug-maker Novo Nordisk of Denmark, which the managers think can maintain pricing power and cash flows in a sluggish global economy. This fund's idea of contrarianism also could mean looking for defensible economic moats where they have been hard to sustain. It owns more consumer cyclical stocks, such as South Africa's dominant retailer, Shoprite Holdings, than it has in recent history, partly to benefit from the emerging markets' growing middle class.

The fund doesn't get carried away, either. It's optimistic about tech but still has reduced its tech weighting from more than 20% of assets in 2007 to less than 16% as of mid-2014 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 weights.

Performance Pillar: + Positive

This fund has been consistently good. Most of its trailing returns for the three- to 15-year periods ended June 24, 2014, rank in the top half or fourth of the world-stock category. It had finished eight of the past 10 calendar years in the top half of the peer group and never landed in the bottom fourth. Since its 1973 inception and over the 22-year tenure of the fund's longest-tenured manager, Gregg Ireland, it has trounced its typical category rival and the MSCI World Index; the results are similar if you compared the fund just with growth-oriented world-stock funds.

The fund has amassed this record without incurring more volatility than its average peer or benchmark. In fact, its Morningstar Risk ratings are below average for the three-, five-, and 10-year periods, as are most other measures of volatility. It also has captured 107% of the MSCI World Stock Index's upside and 92% of its downside since Ireland joined the fund. Both are better than the typical world-stock stock fund.

It's hard to be above the category average every year. In 2014 through June 24, for example, correcting consumer cyclical stocks, such as Amazon and other lagging holdings, including CME Group CME, have held the fund back. The fund, however, lacks other warning signs of a reversal of fortune, such as a huge influx of new money. In fact, the fund has seen more than \$16 billion in outflows since 2007.

People Pillar: + Positive

Like all American Funds, this fund uses a multi-manager system. Eight portfolio managers, or portfolio counselors, independently run a portion of the fund's assets. American Funds analysts run a slice of the fund as well. The managers' styles range from moderately aggressive to conservative, but they all tend to be price-conscious, risk-aware stock-pickers who don't trade much.

There are no neophytes on this management team. The average manager tenure on this fund spans more than a decade; the managers' average tenure at the firm is more than 23 years. That makes this squad one of the most seasoned in the world-stock category.

The team is also aligned with shareholders. Three of the eight managers have more than \$1 million invested alongside shareholders. Three have \$500,000 to \$1 million in the fund. The rest have smaller amounts on the line, but their compensation is tied to long-term performance, which encourages patience.

The managers here can tap the considerable resources of a large firm. They work closely with more than 40 analysts who, on average, have more than a dozen years of industry experience. Most of the managers also comanage other successful offerings, such as American Funds EuroPacific Growth AEPGX and American Funds New Economy ANEFX. The fund has lost experienced hands in the past because of internal reassignments, but it hasn't impaired the fund.

Parent Pillar: + Positive

The deep roots of American Funds' more than 80 years of investing success are many and inter-

twined, though for the most part, they can be traced to a few sources: the firm's trademark multi-manager system; a stable and long-tenured team of investment professionals; and an incentive system that allows those professionals to take the long-term view in an increasingly myopic market. Combined, American and its parent company, Capital Group, have leveraged those characteristics to impressive results, particularly on the equity side of their business, where the vast majority of American's assets under management reside.

The firm's fixed-income efforts haven't always enjoyed the same level of performance success. American continues to search for ways to adapt its multimanager process to the bond markets, and while there are signs that the firm remains several years behind its similarly resourced peers, recent high-level, outside hires bring with them the possibility that it will not take as long to catch up with the competition.

Other aspects of the business have been changing too, including new product launches and adjustments to the firm's organization. Overall, though, combined with the firm's unique manager incentives and peer-beating fees, American Funds remains a model steward of investor assets.

Price Pillar: + Positive

This fund has one of the lowest expense ratios among broker-sold funds in the world-stock category and looks affordable when compared with no-load funds, too. Its 0.79% expense ratio is little more than half that of its typical broker-sold rival and of the broad category average that includes all share classes. Relatively low turnover also keeps trading commissions down for the fund and its shareholders.

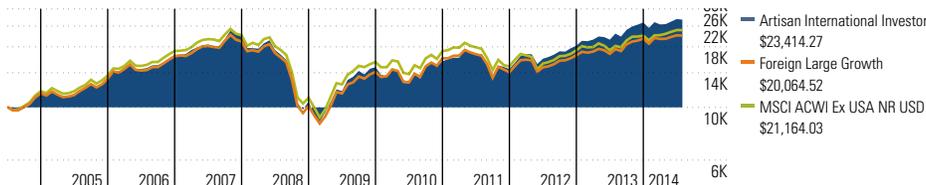
The fund hasn't been the most tax-efficient vehicle in its peer group, though. Its tax-cost ratio is above the world-stock average over the trailing three-, five- and 10-years due, in part, to big, mostly long-term capital gains distributions made from 2005 to 2008 and in 2013.

Artisan International Investor ARTIX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
31.33	↓-0.04 -0.13	0.93	17.3	Open	\$1,000	None	1.20%	★★★★	Foreign Large Growth	Large Growth Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks maximum long-term capital growth. The fund invests primarily in developed markets but also may invest in emerging and less developed markets. It 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. There are no restrictions on the size of the companies in which the fund may invest. The fund may also invest to a limited extent in equity-linked securities that provide economic exposure to a security of one or more non-U.S. companies without a direct investment in the underlying securities.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,279	10,106	11,994	13,971	20,632	23,319
Fund	2.79	1.06	19.94	11.79	15.59	8.84
+/- MSCI ACWI Ex USA NR USD	-2.77	0.62	-0.73	6.20	3.70	1.08
+/- Category	-0.08	0.96	2.53	5.24	2.89	1.62
% Rank in Cat	53	16	24	1	9	19
# of Funds in Cat	296	301	292	250	223	127

* Currency is displayed in USD

Top Holdings 03-31-2014

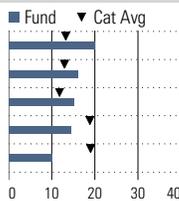
	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Bayer AG	3.90	100.80 USD	-2.28 ↓	81.82 - 106.80
⊕ Baidu, Inc. ADR	3.86	185.14 USD	0.11 ↑	92.40 - 193.89
⊕ Linde AG	3.78	151.05 USD	-1.21 ↓	137.05 - 158.45
⊕ Rolls-Royce Holdings PLC	3.17	— USD	-0.67 ↓	952.00 - 1,294.00
⊕ Nestle SA	3.15	68.45 USD	-0.51 ↓	60.50 - 72.05

% Assets in Top 5 Holdings 17.86

⊕ Increase ⊖ Decrease ✨ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏭 Industrials	20.07	20.54	18.82	12.33
🛒 Consumer Defensive	16.11	26.36	16.11	12.03
🏥 Healthcare	15.23	15.23	6.67	10.89
🔄 Consumer Cyclical	14.32	14.32	11.92	17.93
🏦 Financial Services	9.94	13.10	9.94	18.10



Dividend and Capital Gains Distributions

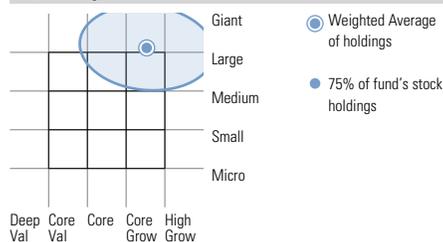
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-11-21	29.49	0.0000	0.0000	0.0000	0.2900	0.2900
2012-12-19	24.60	0.0000	0.0000	0.0000	0.2700	0.2700
2011-12-15	19.02	0.0000	0.0000	0.0000	0.2800	0.2800
2010-12-16	21.43	0.0000	0.0000	0.0000	0.1800	0.1800
2009-12-17	20.29	0.0000	0.0000	0.0000	0.2500	0.2500

Pillars

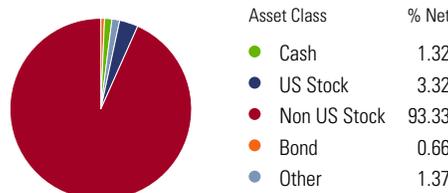
Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	-	Negative

Rating **Silver**

Style Map



Asset Allocation



Management

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

Artisan International Investor ARTIX

Analysis

Back with a vengeance.

By Greg Carlson 12/30/2013

Artisan International is on a superb run. Can that continue?

After a series of run-of-the-mill showings, this fund has come back with a vengeance. Between 2003 and 2010, it only cracked the top quartile of its category (which was foreign large growth until it moved to foreign large blend) once. Since then, the fund has beaten more than 90% of its peers in 2011, 2012, and 2013 for the year to date through Dec. 27.

Blame for the fund's more-ordinary previous returns (which followed a big run in the late 1990s) owes to several factors. First, assets under management in the strategy grew quickly in the late 1990s and early 2000s, and the portfolio arguably became too diffuse. Second, while lead skipper Mark Yockey (at the helm since the fund's 1995 inception) invests in a mix of faster-growing companies, steady-Eddie firms, and turnaround plays, he's a growth investor at heart and found fewer compelling ideas in the cyclical-led mid-2000s. Finally, missteps, such as a too-early foray into then-depressed European banks in 2010, dented returns.

Since then, the fund has been on a tear. And unlike the fund's last hot streak, when it rode the tech/media/telecom wave of the time, Yockey and his team have found winners in many corners of the market: casinos in Macau, consumer-products giants, and insurers benefiting from the rising middle class in emerging markets, European aerospace firms building more-efficient engines as airlines upgrade their fleets and e-commerce firms such as top holding Baidu BIDU.

Investors have responded by stashing more money in the fund and similarly managed separate accounts, and the strategy's total assets (\$24.7 billion at the end of November 2013) are nearing their previous peak, when performance slowed in the mid-2000s. But the widespread sources of out-

performance during this run suggest the fund won't necessarily slip into an extended period of mediocrity anytime soon.

This fund continues to make an excellent core holding.

Process Pillar: Positive

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 moved from Morningstar's foreign large-growth category to foreign large blend in 2010. (Its most recent portfolios have landed in growth again, though.) 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 75 to 100 stocks; the number depends in part on how many compelling stocks Yockey finds, but the portfolio also became more diffuse in the middle of the 2000s when assets in the strategy exceeded \$25 billion. Strategy assets reached \$24.8 billion at the end of November 2013, but the portfolio remained somewhat compact at 73 stocks.

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

In recent years, the fund has maintained a hefty stake in steadier consumer defensive firms, which comprised 23% of assets compared with 11% for its typical foreign large-blend peer in September 2013. Beverage makers Anheuser-Busch Inbev BUD, SABMiller SAB, and Pernod Ricard RI are all

Morningstar's Take

Morningstar Analyst Rating



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	2.79	-0.08
2013	25.18	6.60
2012	25.39	7.69
2011	-7.26	5.04
2010	5.91	-8.88

Artisan International Investor ARTIX

Analysis

among the fund's top 25 holdings, as are consumer goods firms Nestle NESN, Unilever UNA, and Beiersdorf Aktiengesellschaft BEI, along with Japan Tobacco and Imperial Tobacco IMT. Lead skipper Mark Yockey has favored such companies because they're seeing increased demand from the rising middle class in many emerging markets.

The fund's focus on consumer defensive companies has led to a bigger stake in large-cap stocks than usual, and the fund's average market capitalization exceeded both that of its MSCI EAFE benchmark and the foreign large-blend norm. Yet despite a bigger stake in the largest constituents of major foreign equity indexes, the fund's active share versus the MSCI EAFE was still a respectable 81%. The fund doesn't own behemoths at the top of the benchmark such as oil firms Royal Dutch Shell RDSA, BP BP, and Total FP, as well as Vodafone VOD, GlaxoSmithKline GSK, and BHP Billiton BHP. Meanwhile, the fund owns smaller-cap out-of-index names such as MTU Aero Engines of Germany, part of a broader aerospace theme that includes the U.K.'s Rolls-Royce RYCEY and France's Zodiac Aerospace ZODFY.

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 for the year to date through Dec. 27, 2013, it ranks in the top decile.

Over the trailing 10 years through Dec. 27, the fund has outpaced its MSCI EAFE benchmark by an annualized 2 percentage points and the MSCI All Country ex USA Index by an annualized 1.3%. The fund has often landed in the foreign large-growth category, though it moved to foreign large-blend in 2010. It's ahead of more than 85% of the funds in each category over 10 and 15 years.

The fund's returns also look stellar across Yockey's complete tenure. From its late 1995 inception through Dec. 19, 2013, the fund has crushed the foreign large-blend norm by an annualized 4.4 percentage points. Although its returns have been volatile at times (particularly in the late 1990s and ensuing bear market), the fund has beaten 90% of peers on a risk-adjusted basis. Finally, in rolling five-year periods since inception, the fund has beaten the MSCI EAFE 74% of the time and avoided the category's bottom quartile.

People Pillar: + Positive

Although this team lost a veteran in 2013, it remains highly experienced and proven.

Mark Yockey has managed this fund since its December 1995 inception. He's also run Artisan International Small Cap ARTJX, Artisan Global Equity ARTHX, and Artisan Global Small Cap ARTWX since their respective 2001, 2010, and 2013 inceptions. And before joining Artisan, he managed Waddell & Reed International Growth 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 Global Equity, and a comanager of Artisan Global Small Cap when it launched in July 2013. He joined the team as a consumer and business services analyst in 2000.

The trio is supported by 10 analysts and eight associate analysts. On average, the senior analysts have worked for Yockey for six years and have 15 years of investment-industry experience.

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

ment 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 the five teams employ investment strategies that are well-executed and have performed strongly over longer-term periods. (The exception is the emerging-markets team, which has generated mediocre results in its seven-year tenure.) The firm also closes funds to preserve their flexibility and increase the chances that these funds and managers will continue to outperform. Indeed, six of the firm's 13 funds are currently closed to new investors. The firm also has a clean regulatory history.

Artisan's board generally does a fine job, but it does get docked because the funds aren't priced for their size. It hasn't been as aggressive as it could be when negotiating fees on behalf of fund shareholders.

On a more positive note, all but one of the Artisan funds have at least one manager with more than \$1 million invested in fund shares and eight have at least two managers that 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 1.20% expense ratio of this fund's Investor shares, which hold 74% of the assets, barely earn a Morningstar Fee Level of Average--1 basis point higher and it would land in the Above Average category. The Institutional shares hold the other 26% of assets, charge 0.97%, and earn an Average fee level.

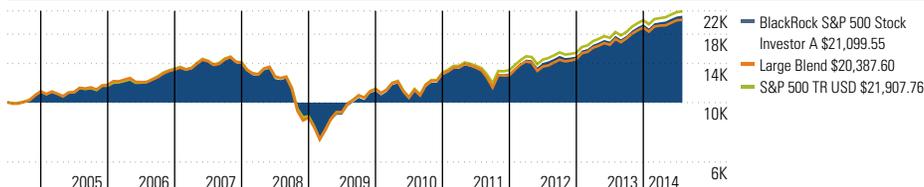
With assets of \$14.5 billion, the fund is bigger than 90% of its foreign large-blend peers, and its expenses should be lower.

BlackRock S&P 500 Stock Investor A BSPAX

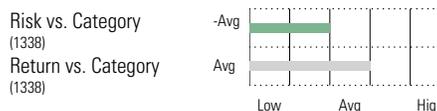
Morningstar Analyst Rating
Neutral

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
237.07	↓1.10 0.47	1.48	4.1	Open	\$1,000	None	0.48%	★★★★	Large Blend	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks to provide investment results that correspond to the total return performance of publicly-traded common stocks in the aggregate, as represented by the Standard & Poor's 500® Index. The fund is a "feeder" fund that invests all of its investable assets in the Master Portfolio of MIP, which has the same investment objective and strategies as the fund. At least 90% of the value of the fund's assets is invested in securities comprising the S&P 500 Index. The percentage of the fund's assets invested in a given stock is approximately the same as the percentage such stock represents in the S&P 500 Index.

Pillars

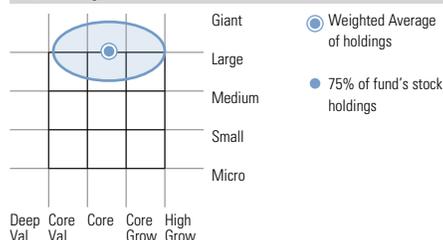
Process	Neutral
Performance	Neutral
People	Neutral
Parent	Neutral
Price	Neutral
Rating	Neutral

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,765	10,124	12,137	15,482	24,353	21,029
Fund	7.65	1.24	21.37	15.68	19.48	7.72
+/- S&P 500 TR USD	-0.24	-0.03	-0.54	-0.48	-0.47	-0.41
+/- Category	0.78	0.23	0.60	1.31	1.00	0.09
% Rank in Cat	32	31	44	—	—	—
# of Funds in Cat	1,633	1,676	1,564	1,337	1,204	796

* Currency is displayed in USD

Style Map



Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
BlackRock S&P 500 Stock Master Portfolio	100.33	—	—	—
% Assets in Top 5 Holdings 100.33				

⊕ Increase ⊖ Decrease ✖ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	Fund vs Cat Avg
Technology	16.89	17.25	16.85	16.26	▲
Financial Services	15.18	15.41	14.41	15.54	▼
Healthcare	13.17	13.17	11.87	13.70	▼
Industrials	11.32	11.71	10.91	13.59	▼
Consumer Cyclical	10.63	11.29	10.25	10.41	▼

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	235.42	0.0000	0.0000	0.0000	0.9600	0.9600
2014-03-31	224.85	0.0000	0.0000	0.0000	0.8600	0.8600
2013-12-11	213.85	0.0000	0.0000	0.0000	0.8500	0.8500
2013-09-30	201.88	0.0000	0.0000	0.0000	0.8100	0.8100
2013-06-28	192.81	0.0000	0.0000	0.0000	0.7100	0.7100

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	0.69	0.23	0.92	0.00	1.08
US Stock	98.07	0.00	98.07	98.57	92.76
Non US Stock	1.57	0.00	1.57	1.44	5.25
Bond	0.00	0.00	0.00	0.00	0.67
Other	-0.33	0.33	0.00	0.00	0.24

Management

	Start Date
Greg Savage	2008-01-01
Christopher Bliss	2009-05-01
Alan Mason	2014-02-04

BlackRock S&P 500 Stock Investor A BSPAX

Analysis

There are better alternatives.

By Michael Rawson 4/3/2014

While we like the improvements that this fund has made, it is still not the best S&P 500 Index fund option.

BlackRock S&P 500 Stock Investor is a suitable passive option for those looking to establish a core allocation to large-cap U.S. equities. Although the fund recently cut its expense ratio to 0.37% from 0.48%, it is still not among the lowest-cost S&P 500 Index funds available, hence the Morningstar Analyst Rating of Neutral.

Index fund management is a scalable business. More assets help index fund managers spread fixed costs. The best funds pass these savings on to investors in the form of lower expense ratios. This fund recently cut its expense ratio and adopted a master/feeder structure which should allow the fund to subadvise for similar funds and take advantage of economies of scale. Currently, BlackRock subadvises S&P 500 Index funds for a number of firms, including Federated, Nationwide, and State Farm.

The S&P 500 is often used as a performance benchmark for active fund managers. The S&P 500, as a market-cap-weighted index, puts emphasis on blue-chip companies such as General Electric GE and Apple AAPL. Compared with other indexes, S&P uses slightly more restrictive index-inclusion rules. Instead of relying on mechanical construction rules, a committee selects its constituents.

Because this fund only tracks large- and some mid-cap stocks it may not be ideal for investors who want exposure to the total U.S. stock market. However, investors could pair it with a small-cap fund or a completion index fund to get more comprehensive exposure to the U.S. stock market. A total stock market index fund may also be a suitable alternative.

Investors in this fund should be prepared for the

risk inherent in the stock market. Volatility has averaged about 15% in the last decade and the index fell 37% in 2008. While it did rebound over the course of the past several years, risk-averse investors or those with a short-term time horizon might consider limiting their allocations to U.S. stocks.

Process Pillar: ● Neutral

Because the fund follows a master/feeder structure, it owns shares of a master fund, BlackRock S&P 500 Master Portfolio, which in turn fully replicates the S&P 500 Index, essentially owning all of the stocks in the index as close to market capitalization weight as possible.

This benchmark offers broad coverage of the large-cap segment of the U.S. stock market. As its name implies, this index includes approximately 500 stocks, which it weights according to market capitalization. However, the index excludes small stocks with greater growth potential. While market-cap weighting should reflect all public information about the value of the index's holdings according to the efficient-market hypothesis, critics contend that it overweights the most expensive stocks.

Unlike more mechanically constructed indexes, the constituents of the S&P 500 Index are actually selected by a committee that considers factors such as profitability before admitting a new index constituent. At about 10%, turnover at the fund has been slightly higher than the best S&P 500 Index funds.

At about \$4 billion in assets, this fund is smaller than some of its rivals. However, the fund is managed by one of the largest index fund providers in the world. The amount of cash at the fund has been volatile and has reached as nearly 4% at times. Excess cash is invested in S&P 500 Index futures.

The cyclical technology and financials sectors represent the fund's largest sector weightings at 17% and 15%, respectively. The utility and real estate sectors carry the smallest weightings at 3% and

Morningstar's Take

Morningstar Analyst Rating **Neutral**

Morningstar Pillars

Process	● Neutral
Performance	● Neutral
People	● Neutral
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	7.65	0.78

BlackRock S&P 500 Stock Investor A BSPAX

Analysis

2%, respectively. The average market cap is \$66 billion, and the top-10 stocks account for 18% of the fund's assets. These numbers are lower than the large-blend category averages because most large-blend funds have a greater share of assets in giant-cap stocks.

At about 18 times, the S&P 500 Index's current price/trailing earnings ratio is above its post-World War II median of 16. Historically, future returns have been weaker when starting out at elevated valuations. Still, stocks look attractive relative to bonds. The 10-year U.S. Treasury note yield of 2.7% is only 70 basis points above the 2.0% dividend yield on the stocks in the S&P 500 Index. Over the past 70 years, the Treasury rate has averaged about 280 basis points above this dividend yield.

Based on Morningstar equity analysts' fair value assessments of the fund's underlying holdings, the fund is approximately fairly valued as of this writing.

Performance Pillar: ● Neutral

While this fund was reorganized in 2013, we can link its performance with its predecessor fund. During the past decade through February 2014, the fund returned 6.8%, lagging the S&P 500 Index by about 0.4% per year. That difference is what one would expect given its expense ratio. Trailing performance reflects the historical expense ratio, so we anticipate that the 11-basis-point fee reduction will likely reduce this performance gap in the future. The 6.8% return would place the fund in the top 46th percentile of all large-blend funds that survived the past 10 years. In comparison, the best S&P 500 Index funds have placed in the top 30th percentile. However, tracking error has not been a problem. The fund has enjoyed low tracking error that is in line with the best S&P 500 Index funds.

The standard deviation of the fund's return during the past decade was 14.7%. This figure was the same as the index and slightly lower than the large-blend category average.

The predecessor fund was tax-efficient and had not issued capital gains since 2002. So far the new fund has been tax-efficient as well. It was able to implement the reorganization without issuing a capital gains distribution last year.

People Pillar: ● Neutral

The fund has had a considerable amount of management turnover since 2012, with one portfolio manager joining the fund and four leaving during that span. Among the departures, Ed Corallo resigned from the firm in February 2014 after 16 years with BlackRock and Barclays Global Investors. He was replaced by Alan Mason. The current manager lineup also includes Greg Savage and Christopher Bliss, who joined the fund in 2008 and 2009, respectively. Each of the managers previously worked for Barclays Global Investors, which was acquired by BlackRock.

Savage currently serves as the head of iShares portfolio management within BlackRock's index equity team. He first joined Barclays Global Investors in 1999. Mason serves as head of the global structured solutions portfolio management team for BlackRock's multiasset client solutions, and oversees stock, bond, and target-date funds. His service to Barclays Global Investors dates back to 1991. Savage and Bliss both hold the Chartered Financial Analyst designation. The team manages many other index funds for BlackRock.

None of the portfolio managers has significant investments in this fund. While management ownership is a sign that managers' interests are aligned with shareholders', it is not uncommon for portfolio managers that run a suite of index funds to have minimum investments in the individual funds they manage.

Parent Pillar: ● Neutral

BlackRock BLK is a great entrepreneurial story, but its investment culture has lagged its business successes.

BlackRock began as a fixed-income manager at private equity firm Blackstone BX in the 1990s and has rapidly grown into the largest asset manager in the world with nearly \$4 trillion in assets. Black-

Rock's leaders consistently talk of putting clients first. The firm has unmatched scale and breadth. Though the family has a few regulatory pimples, there are no huge blemishes. The family also has a sound fund board in the United States.

Yet BlackRock still hasn't effectively harnessed its prowess for fundholder benefit. The firm's three-, five-, and 10-year success rates, which measure the percentage of funds that survive and outperform their category averages during the time periods, are poor. Personnel turnover continues: The family's five-year manager retention rate of 88% is lower than most of the largest 20 mutual fund families. Managers invest more in the funds they run than they used to, but still less than counterparts at other big firms. Fees, while not high relative to other similarly sold offerings, are on average middling. The firm doesn't chase every fad but is involved in many trends, and it has made retail asset growth a priority.

BlackRock has many advantages, but has yet to forge a fund family that matches its capabilities. It gets a Neutral parent grade.

Price Pillar: ● Neutral

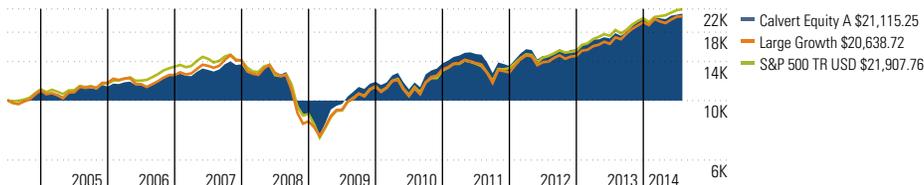
The fund recently cut its prospectus net expense ratio on its A share class to 0.37% from 0.48%. While that makes the fund more competitive, it is still more expensive than many no-load S&P 500 Index funds available to individual investors. However, the expense ratio is much lower than the 1.10% large-blend category average. The A share class requires only a \$1,000 investment minimum, while lower expense ratio share classes are available for investors who can meet higher investment minimums.

Calvert Equity A CSIEX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
49.96	↓0.26 0.52	0.10	2.9	Open	\$2,000	4.75	1.20%	★★	Large Growth	Large Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks growth of capital. The fund normally invests at least 80% of net assets, including borrowings for investment purposes, in equity securities (common stock). It invests primarily in common stocks of U.S. large-cap companies. The fund defines large-cap companies as those whose market capitalization falls within the range of the S&P 500 Index. It may also invest in mid-cap stocks and may invest up to 25% of its net assets in foreign stocks.

Pillars

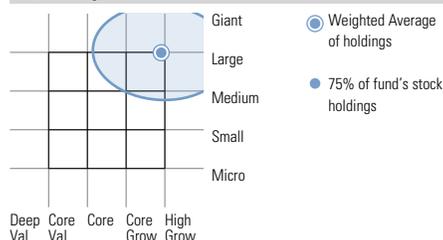
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,406	10,091	11,999	13,694	22,639	21,036
Fund	4.06	0.91	19.99	11.05	17.75	7.72
+/- S&P 500 TR USD	-3.83	-0.36	-1.92	-5.11	-2.20	-0.40
+/- Category	-0.98	-0.34	-2.94	-2.57	-0.91	-0.44
% Rank in Cat	69	74	80	89	66	61
# of Funds in Cat	1,730	1,766	1,693	1,493	1,330	905

* Currency is displayed in USD

Style Map



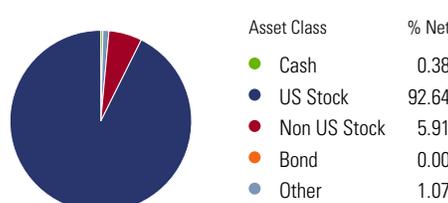
Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	4.76	95.09 USD	-0.32 ↓	59.75 - 96.80
CVS Caremark Corp	4.30	76.63 USD	-0.27 ↓	56.32 - 79.43
Gilead Sciences Inc	3.92	88.86 USD	0.20 ↑	54.19 - 88.98
Qualcomm Inc	3.71	80.47 USD	-0.37 ↓	59.20 - 81.66
Coca-Cola Co	3.14	42.13 USD	0.42 ↑	36.83 - 42.49

% Assets in Top 5 Holdings 19.84

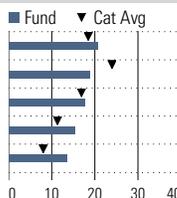
⊕ Increase ⊖ Decrease ☆ New to Portfolio

Asset Allocation



Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	20.59	20.76	12.73	17.54
Technology	18.77	28.59	18.77	23.07
Healthcare	17.61	17.61	12.32	15.98
Financial Services	15.43	15.43	11.82	10.40
Consumer Defensive	13.45	13.45	11.14	7.11



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	47.77	0.0000	0.0000	0.0000	0.0500	0.0500
2013-12-05	46.25	1.9900	0.0000	0.0000	0.0000	1.9900
2012-12-27	38.21	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-06	38.21	0.0500	0.0000	0.0000	0.0000	0.0500
2011-12-07	34.08	1.7000	0.0000	0.0000	0.0000	1.7000

Management

Manager	Start Date
Richard B. England	2006-07-31
Paul J. Marshall	2009-03-27

Calvert Equity A CSIEX

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	4.06	-0.98
2013	30.42	-3.50
2012	15.52	0.18
2011	-2.23	0.23
2010	17.23	1.70

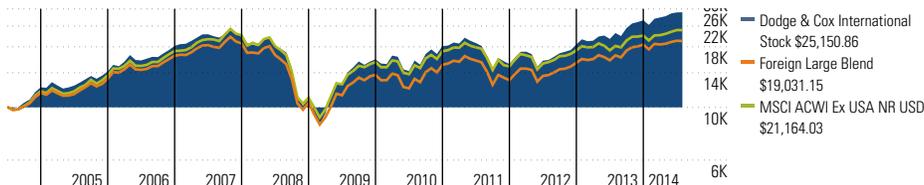
We do not currently publish an Analyst Report for this company.

Dodge & Cox International Stock DODFX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
46.50	↓0.12 0.26	1.50	62.8	Open	\$2,500	None	0.64%	★★★★★	Foreign Large Blend	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



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 common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks of non-U.S. companies. The fund invests primarily in medium-to-large well established companies based on standards of the applicable market. It may also invest directly or indirectly in restricted securities of U.S. and non-U.S. companies.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,804	9,942	12,742	13,512	20,731	25,102
Fund	8.04	-0.58	27.42	10.55	15.70	9.64
+/- MSCI ACWI Ex USA NR USD	2.48	-1.02	6.75	4.97	3.81	1.88
+/- Category	4.54	-0.27	8.73	4.07	3.88	2.80
% Rank in Cat	3	64	1	4	4	9
# of Funds in Cat	794	819	767	673	607	317

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Roche Holding AG	3.87	261.80 USD	-1.39 ↓	226.30 - 274.80
⊖ Naspers Ltd	3.53	— USD	-1.80 ↓	75,210.00 - 135,695.00
⊕ Sanofi	3.18	75.59 USD	-1.03 ↓	68.29 - 80.88
Hewlett-Packard Co	2.70	33.65 USD	0.45 ↑	20.25 - 35.20
⊖ Lafarge Sa	2.61	—	—	—

% Assets in Top 5 Holdings 15.88

⊕ Increase ⊖ Decrease ✱ New to Portfolio

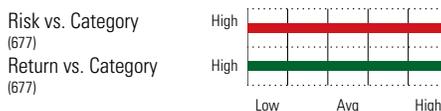
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	23.96	23.96	23.13	21.43	Bar chart showing Fund vs Cat Avg
Technology	21.64	21.99	14.00	7.84	
Healthcare	16.23	16.23	15.90	10.14	
Communication Services	12.07	12.90	12.07	5.10	
Energy	7.62	7.62	5.58	7.31	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-19	41.83	0.0000	0.0000	0.0000	0.6900	0.6900
2012-12-19	34.54	0.0000	0.0000	0.0000	0.7500	0.7500
2011-12-20	28.93	0.0000	0.0000	0.0000	0.7600	0.7600
2010-12-21	35.37	0.0000	0.0000	0.0000	0.4900	0.4900
2009-12-21	31.27	0.0000	0.0000	0.0000	0.4400	0.4400

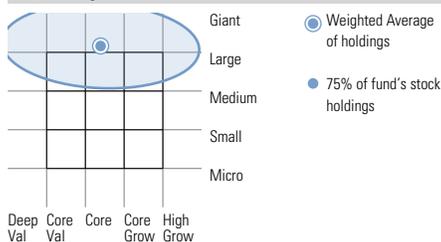
3 Year Average Morningstar Risk Measures



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	1.49	0.00	1.49	0.01	0.69
● US Stock	6.16	0.00	6.16	0.06	1.37
● Non US Stock	89.20	0.00	89.20	98.69	94.46
● Bond	0.00	0.00	0.00	0.00	2.41
● Other	3.15	0.00	3.15	1.25	1.07

Management

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

Dodge & Cox International Stock DODFX

Morningstar Analyst Rating
 Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
46.50	↓0.12 0.26	1.50	62.8	Open	\$2,500	None	0.64%	★★★★★	Foreign Large Blend	 Large Blend

Dodge & Cox International Stock DODFX

Analysis

Diving into the pool when most others were climbing out.

By Gregg Wolper 5/13/2014

Dodge & Cox International Stock is a standout, and for more than just its performance.

This fund's record is outstanding. From its 2001 launch through May 8, 2014, it has crushed the MSCI EAFE Index (its benchmark) and the MSCI ACWI ex-US Index (which has a hefty emerging-markets weighting, like this fund), as well as the foreign large-value and foreign large-blend category averages. (It was in the former category until 2012.) It has topped all four of those figures by at least 3 percentage points on an annualized basis. Recent performance has been stellar: It landed well into the top quartile of the foreign large-blend category in both 2012 and 2013 and sits there again for the year to date. Its showing in 2013 and so far this year are particularly impressive for a fund whose outsized emerging-markets stake could easily have derailed it at a time when emerging markets overall were distinct laggards.

The fund has achieved this by sticking to a patient, valuation-conscious, contrarian strategy. Both traits were on display in 2013. The fund already had an heavy emerging-markets stake, yet instead of trimming that exposure when such markets were struggling (and developed markets buoyant), they decided to jump in and buy more at lower prices. They added to ICICI Bank in India, for example, and initiated a position in Itau Unibanco of Brazil, even as doubts about the latter country's economy were rampant. The managers have gone against the tide elsewhere, too. Their commitment to embattled Hewlett-Packard finally paid off when that stock soared 100% in 2013 and another 15% so far this year.

The fund has other strong points. Its managers and analysts have lengthy tenures (in fact few leave before retirement), and its cost is quite low for an actively managed portfolio. It's worth watching, though, to see whether the fund's large asset base starts to have adverse effects (it's still open to all

investors). Moreover, although it has many positive traits and a fine record, the fund won't always outperform. It lagged in both recent extended downturns, those of late 2007 to early 2009, and in 2011. Its contrarian approach almost assures it will be out of step at times in the future.

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 13% in 2013.)

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 macroeconomic 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, though, they move gradually, targeting only the currency that they think is out of line and usually hedging just part of that exposure.

Not surprisingly, this fund's March 31, 2014 portfolio looks similar to previous versions. In some ways, it looks like a staid representative of the foreign large-blend category. It's almost fully inves-

Morningstar's Take

Morningstar Analyst Rating



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	8.04	4.54
2013	26.31	6.88
2012	21.03	2.74
2011	-15.97	-2.00
2010	13.69	3.45

Dodge & Cox International Stock DODFX

Analysis

ted in stocks (no unusual bond or cash stakes); it has no almost small caps and an average market cap even higher than the \$37 billion category norm; and its weighting in financial services, the category's most prominent sector, is just a bit above average. But a look past those numbers shows vast distinctions. Many of those financials holdings focus on emerging markets, and the fund's overall emerging-markets stake, 19% of assets, is roughly double the category average. And other sector weightings differ markedly with the average. The fund has more than double the category norm in technology and in communication services, and much less than average in basic materials, consumer cyclicals, and what Morningstar labels the consumer-defensive area. By and large these positions reflect the managers' obsession with valuation; they like many defensive companies, for example, but for years now they have simply felt they're too expensive. Conversely, when emerging markets sank in 2013, the managers boosted their already-large stake by buying a few new holdings such as Itaú Unibanco in Brazil and adding to existing holdings such as ICICI Bank in India and Mexico's America Movil. When America Movil sank further in 2014's first quarter, the managers bought a bit more.

Performance Pillar: + Positive

This fund has strong recent rankings. It hit the top quartile of the foreign large-blend category in 2012; it beat 92% of its peers in 2013; and it's in the top decile for the year to date through May 6.

Emerging-markets stocks--which are more plentiful here than in most foreign large-cap portfolios--continue to lag, but this fund overcame that headwind in 2013 with strong gains from a variety of stocks. For example, then-top holding Naspers (a South Africa-based Internet firm) was up 60% and number-two pick Roche climbed about 40%. (Each had 4.1% of assets at midyear and were still the top two on March 31, 2014.) And Hewlett-Packard has rewarded the managers' patience by zooming 100% in 2013 and another 15% so far this year.

Going back further, the fund's record truly stands out. Its 10-year return of 9.7% lands in the sev-

enth percentile of the category. From its 2001 launch to the present, it has crushed both the MSCI ACWI ex-US Index (which has a hefty emerging-markets weighting, like this fund) and the category average. That's not to say the road has always been smooth. In 2011, the fund's outsized emerging-markets stake took its toll in a rough year, and so did some individual problems, such as at Nokia and Hewlett-Packard. Overall, this fund does have higher-than-average volatility; it should not be considered a tame choice.

People Pillar: + Positive

Few funds can match this management team's depth and experience. A nine-person investment policy committee, whose members have an average tenure of 23 years, calls the shots at this fund. Several also serve on the committees for Dodge & Cox Stock DODGX or Dodge & Cox Global DODWX.

The analyst ranks are similarly 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 and does not put emphasis on individuals. Managers and analysts frequently travel to visit companies, as well as to Washington, D.C., to keep tabs on legislative developments. But San Francisco is the home base for the entire staff, which places a high priority on face-to-face interaction.

Nearly all of the analysts and managers have spent their entire careers at Dodge & Cox. Indeed, managers and analysts rarely leave for any reason besides retirement. The firm's five-year manager retention rate is very high. The personnel have ample incentive to stick around. Many of the research and investment management professionals are partners in the firm and have substantial amounts of money invested in their funds.

Parent Pillar: + Positive

Employee-owned Dodge & Cox is an exemplary firm. CEO and president Dana Emery and chairman Charles Pohl are also lead members of the investment team, and they run both the firm and its funds with a long time horizon. The average fund manager tenure of almost 23 years is exceeded by only a 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 anyone but must survive peer review to get into the portfolios. 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 now totals more than 55 managers and analysts.

Dodge & Cox has rolled out only five funds since it first opened in 1931. As a natural extension of its international-equity expertise, it is now developing its global-bond capabilities. Since 2009, three of the funds have become available overseas. 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, evinced in low costs, clear communications, and a sober long-term approach.

Price Pillar: + Positive

Dodge & Cox International is one of the least-expensive actively managed foreign-stock funds. It has just one share class, which doesn't carry a load, and its expense ratio was 0.64% in 2013, the same level of the prior two years.

The fund's huge asset base--it has about \$58 billion in assets as of May 2014--is a key reason for that modest cost. But it's not the only one. The moderate level of the advisor's management fee, just 60 basis points, also plays a role in making this fund unusually inexpensive when compared

Dodge & Cox International Stock DODFX

Analysis

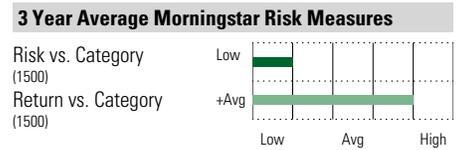
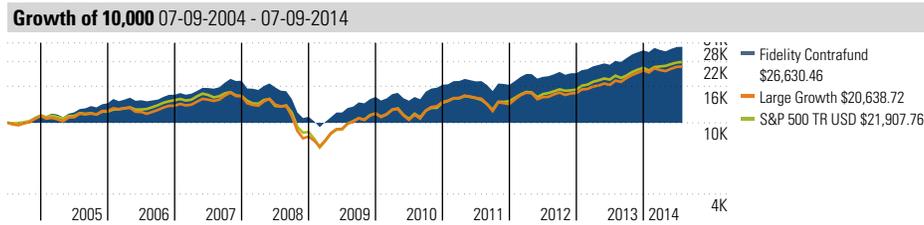
against actively managed equity-fund portfolios from any category.

Also worth noting: The fund's consistently low turnover rate helps keep down trading costs, which aren't included in the expense ratio.

Fidelity Contrafund FCNTX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
99.62	↓0.63 0.64	0.12	109.6	Open	\$2,500	None	0.66%	★★★★	Large Growth	Large Growth



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

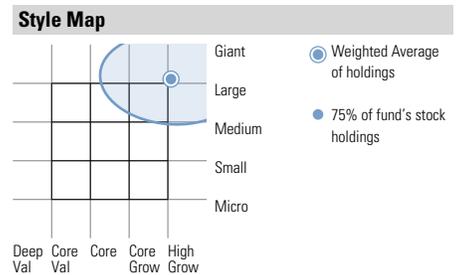
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Rating **Silver**

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000 Fund	10,469	10,125	12,224	15,213	24,017	26,605
+/- S&P 500 TR USD	-3.21	-0.02	0.32	-1.15	-0.80	2.16
+/- Category	-0.35	0.00	-0.69	1.40	0.49	2.12
% Rank in Cat	59	47	58	27	40	8
# of Funds in Cat	1,730	1,766	1,693	1,493	1,330	905

* Currency is displayed in USD



Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Berkshire Hathaway Inc Class A	4.39	— USD	-0.11 ↓	163,038.88 - 194,670.00
⊖ Google Inc Class A	3.62	581.84 USD	-0.26 ↓	421.49 - 614.44
⊖ Google Inc Class C	3.62	572.32 USD	-0.65 ↓	502.80 - 604.83
⊖ Wells Fargo & Co	3.21	51.81 USD	-0.73 ↓	40.07 - 53.08
⊕ Apple Inc	3.09	95.40 USD	0.01 ↑	59.75 - 96.80

% Assets in Top 5 Holdings: 17.93

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	5.59	0.06	5.65	0.00	2.18
● US Stock	86.09	0.00	86.09	98.79	90.22
● Non US Stock	7.99	0.00	7.99	1.21	7.31
● Bond	0.07	0.00	0.07	0.00	0.15
● Other	0.25	0.00	0.25	0.00	0.13

Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
📱 Technology	24.71	24.71	23.55	23.07
🏦 Financial Services	19.47	20.77	15.68	10.40
🛒 Consumer Cyclical	15.42	19.38	15.42	17.54
🏥 Healthcare	13.65	13.65	11.29	15.98
⚙️ Industrials	8.27	8.27	6.70	12.23

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-02-07	94.21	0.9700	0.0000	0.0000	0.0000	0.9700
2013-12-13	92.57	6.5800	0.0000	0.0000	0.1300	6.7100
2013-02-08	81.25	0.7400	0.0000	0.0000	0.0000	0.7400
2012-12-14	76.72	0.3500	0.3000	0.0000	0.1900	0.8400
2011-12-28	67.13	0.0000	0.0000	0.0000	0.0000	0.0000

Management
Start Date
William Danoff 1990-09-17

Fidelity Contrafund FCNTX

Analysis

Size hasn't slowed down this fund too much.

By Katie Rushkewicz Reichart, CFA 4/21/2014

Despite its size, Fidelity Contrafund remains a steady pick.

It's hard not to be impressed with Will Danoff's success. During his nearly 24-year tenure, the fund's 13% annualized gain through mid-April 2014 has surpassed both the S&P 500 and Russell 1000 Growth Indexes by more than 3 percentage points annualized. He's done so despite the fund's huge asset base (recently more than \$100 billion), which undoubtedly is harder to maneuver than a smaller, more nimble fund.

Indeed, Danoff has fared better at the much smaller Fidelity Series Opportunistic Insights [FVWSX](#), launched in late 2012 for exclusive use in Fidelity's target-date series. That fund, which can delve more easily into small- and mid-cap fare and take more concentrated positions, serves as a reminder that Contrafund's size is a limitation.

Even so, Danoff's experience is a real asset. He's successfully navigated the fund through various market environments by focusing on best-in-breed companies with strong growth prospects. While it typically lags more-aggressive funds in surging markets such as 2009 and 2013, the fund's ability to hold up better during market pullbacks has made it easier for investors to own than more volatile options, leading to reasonably good dollar-weighted returns.

Danoff's stock-picking within the technology and consumer discretionary sectors has stood out in recent years, yet the fund's past and future aren't wedded to those sectors alone. The fund held considerably less tech exposure than its growth peers during the late-1990s tech bubble, for instance, as Danoff instead sought out unconventional picks such as Berkshire Hathaway [BRK.A](#) (which remains a top position). Meanwhile, working alongside a more value-oriented comanager at his other charge, Fidelity Advisor New Insights [FNIAX](#), has led Danoff to consider ideas he normally would

have avoided, such as Microsoft [MSFT](#) and Bank of America [BAC](#).

The fund is not without its challenges, but those who have stuck with Contrafund have been rewarded.

Process Pillar: Positive

Will Danoff follows a typical growth strategy, looking for firms with improving earnings, but his execution is what 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, 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-caps, and maintaining a portfolio of 300 to 500 stocks. (The name count has trended downward during the past year as Danoff has focused on his best ideas.) These moves haven't affected 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).

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 February 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



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



Fund Performance

	Total Return %	+/- Category
YTD	4.69	-0.35
2013	34.15	0.23
2012	16.26	0.92
2011	-0.14	2.32
2010	16.93	1.40

Fidelity Contrafund FCNTX

Analysis

Google GOOG soaked up nearly 8% of assets as of February, a major chunk of the fund's 27% technology stake. That mirrors his previous big bet in Apple AAPL, which peaked in 2012 at 8% of assets and is now down to 2.5% on concerns about the firm's competitiveness and product innovation. He's significantly added to Facebook FB during the past year, which is now a top-10 position. The fund's large tech and consumer discretionary (19% of assets) stakes, while typical of large-growth funds and the Russell 1000 Growth Index, are well above those of the fund's official S&P 500 benchmark. However, the fund's 15% financials stake aligns more closely with the S&P 500 and includes a large, longtime stake in Berkshire Hathaway as well as a big position in Wells Fargo WFC. A new comanager at Danoff's other charge, Fidelity Advisor New Insights, has influenced Danoff to add picks that he previously avoided, including cash-heavy Microsoft (the position remained below both benchmarks as of February).

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 April 14, 2014, the fund has gained 13.2% annualized to the S&P 500's 10.0%, the Russell 1000 Growth's 9.3%, and the large-growth category's 8.8%. 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, which he's led to even better results since its late-2012 inception through mid-April (that fund is used exclusively in Fidelity's target-date series).

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 S&P 500 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. It also posted results closer to the middle of the category in 2013, when funds with more biotechnology exposure did better. But it has generally done well in a variety of market environments, fueling its strong long-term record.

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, 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 to 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 \$27 billion Advisor New Insights in September 2013. The comanager addition won't take too much off Danoff's plate, as he recently started running Fidelity Series Opportunistic Insights (\$6 billion in assets as of March), which is used exclusively in the target-date series. While Roth may be viewed as the heir apparent here, given he was handpicked by Danoff, the latter has announced no intention of retiring anytime soon.

Danoff does have his financial interests aligned with shareholders', investing more than \$1 million both in this fund and New Insights.

Parent Pillar: + Positive

As one of the mutual fund industry's giants, Fidelity has pockets of strength and weakness. Its fixed-income operations are among the industry's best. On the equity side, the firm is home to some talented fund managers, who in many cases run Fidelity's biggest funds. However, Fidelity's size

hasn't translated into success across the board. Its sprawling lineup leaves room for offerings that have produced mediocre results or have endured many manager changes. Fidelity's executive management and fund boards have made consistent performance a priority, but it will take time to gauge improvement.

Fidelity has shown signs it's willing to evolve. The firm has solidified an experienced-analyst track on the equity side and has kept its sector managers in place for longer. It also has added comanagers for some managers facing capacity constraints. In other ways, the firm is trying to regain its edge. Fidelity has grown its asset-allocation group and revamped its target-date series after losing market share to competitors. A latecomer to ETFs, Fidelity recently partnered with BlackRock on the passive side and is building out its capabilities for actively managed ETFs.

While Fidelity remains a work in progress in some respects, its fund lineup remains reasonably priced, and manager ownership has significantly improved. Both of these factors have boosted its Parent Grade to Positive.

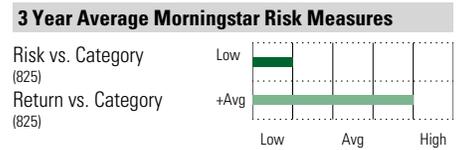
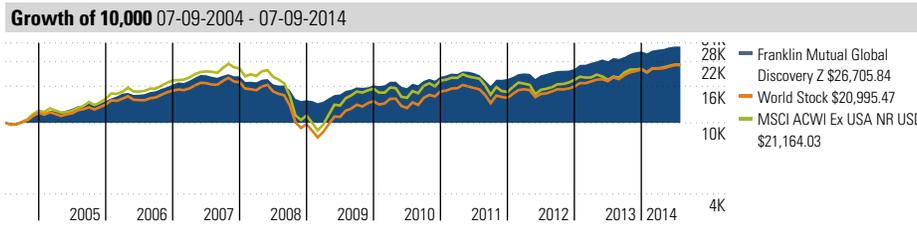
Price Pillar: + Positive

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 Index. (For every percentage point of out- or underperformance, the expense ratio is adjusted by 0.02%, up to a maximum of 0.2%.) 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 Price score of Positive. As of the December 2013 annual report, its 0.66% 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 0.74% to 1.01% during the past decade, a level that's hard to justify given the fund's huge asset base.

Franklin Mutual Global Discovery 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
35.86	↓0.07 0.20	1.53	25.9	Open	\$1,000	None	0.98%	★★★★	World Stock	Large Value



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 fund expects to invest substantially and potentially up to 100% of its assets in foreign securities.

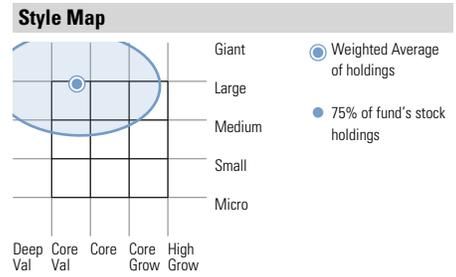
Pillars

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

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,635	9,981	11,800	14,045	18,789	26,632
Fund	6.35	-0.19	18.00	11.99	13.44	10.29
+/- MSCI ACWI Ex USA NR USD	0.79	-0.64	-2.67	6.40	1.56	2.53
+/- Category	0.76	-0.69	-2.10	1.81	-2.15	2.38
% Rank in Cat	35	84	70	21	82	6
# of Funds in Cat	1,160	1,194	1,095	822	675	333

* Currency is displayed in USD



Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Merck & Co Inc	2.14	58.73 USD	0.31 ↑	44.62 - 59.84
Apple Inc	1.97	95.40 USD	0.01 ↑	59.75 - 96.80
Microsoft Corp	1.88	41.95 USD	0.67 ↑	30.84 - 42.29
Teva Pharmaceutical Industries Ltd ADR	1.86	53.94 USD	0.13 ↑	36.26 - 55.24
ACE Ltd	1.82	104.04 USD	-0.60 ↓	87.11 - 108.61

% Assets in Top 5 Holdings: 9.66

⊕ Increase ⊖ Decrease ✦ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	7.68	0.00	7.68	0.00	2.61
US Stock	42.37	0.00	42.37	48.00	47.14
Non US Stock	42.02	0.00	42.02	51.36	49.43
Bond	3.40	0.00	3.40	0.00	0.50
Other	4.53	0.03	4.56	0.64	0.32

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	24.84	27.04	23.39	15.84
Healthcare	12.02	12.02	10.67	11.65
Technology	11.39	11.39	7.62	13.86
Energy	11.32	11.32	10.42	8.13
Consumer Defensive	11.24	16.78	11.24	11.14

Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-20	33.14	1.3100	0.1900	0.0000	0.5400	2.0400
2013-09-06	33.05	0.1300	0.0100	0.0000	0.0300	0.1800
2012-12-20	28.92	1.3500	0.2100	0.0000	0.5700	2.1300
2012-09-07	30.08	0.4100	0.0500	0.0000	0.0000	0.4600
2011-12-16	26.62	0.0000	0.0000	0.0000	0.5500	0.5500

Franklin Mutual Global Discovery Z MDISX

Analysis

Consistent

By Karin Anderson 5/30/2014

Mutual Global Discovery has what it takes to succeed.

Since taking over this fund in December 2009, Peter Langerman and Philippe Brugere-Trelat have delivered on preserving capital and minimizing volatility. They use the same approach here that they employ at their other charges: Mutual Shares TESIX and Mutual European TEMIX. At its core, the process revolves around firms with sustainable competitive advantages. As a result, nearly two thirds of this fund's equity portfolio is invested in firms with wide or narrow economic moats, as designated by Morningstar equity analysts, including nine of its top 10 holdings as of April 30, 2014. Then managers aim to buy these stocks when they trade at big discounts to their estimates of intrinsic value and keep a disciplined approach to selling when they reach their price targets.

The fund's ability to hold up to roughly 20% of the fund in cash means that investors must be able to sacrifice some gains on the upside when the managers put a more cautious foot forward. That was the case in 2010 and 2012's rallies. However, with cash on the lower side lately (roughly 7%), this fund managed to keep up with the typical world-stock fund in last year's strong rally. And so far this year, the managers' patience with struggling picks Petrobras PBR, Lorillard LO, and GDF Suez GSZ paid off, helping land its 4.6% gain through May 28 in the category's top third.

The fund's performance pattern has remained consistent on Langerman and Brugere-Telat's watch, which is a good sign. It should be able to deliver a smoother ride than most world-stock funds, which is reflected in its consistently low Morningstar Risk score. Though the analyst team has seen some recent additions, the managers have the support of several seasoned team members. And the process used here, which in addition to allowing large cash stakes also includes merger arbit-

rage and distressed debt plays, affords them plenty of flexibility. The combination of these traits earns the fund a Morningstar Analyst Rating of Silver.

Process Pillar: Positive

The fund is managed in a bottom-up, value style. Working with an in-house team of global sector analysts, the managers seek to identify stocks selling at discounts to intrinsic value. To determine intrinsic value, they use methods such as discounted cash flow and sum-of-the-parts analyses.

The portfolio is built with little regard for the MSCI World Index's stock and sector allocations. The fund can put between 0% and 100% of the portfolio in foreign stocks, but it has historically kept between 40% and 70% of assets there. The managers may also buy distressed debt--that is, invest in the securities of firms on the verge of or going through bankruptcy--and engage in merger-arbitrage strategies. On the M&A front, management may only buy the stock of the firm being acquired, but in some cases it also shorts the stock of the acquiring company. Derivatives are used at times for portfolio protection.

The investment horizon is long term, which results in below-average turnover. Positions are built gradually, with generally less than 4% of assets held in a single position. The fund usually holds about 100 positions. The managers will let cash grow substantially if they can't find attractive opportunities; although cash rose to 50% of assets in early 2009, the fund's current management is likely to keep cash between 5% and 20%.

The fund's exposure to U.S. stocks has continued to climb; at 42% of assets as of April 30, 2014, it is at a 10-year high, reflecting both the stronger recent performance of these stocks and the better opportunities the managers have found in the space. For example, they recently bought media company CBS because its management is tak-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process		Positive
Performance		Positive
People		Positive
Parent		Positive
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



Fund Performance

	Total Return %	+/- Category
YTD	6.35	0.76
2013	25.64	0.45
2012	13.65	-2.20
2011	-2.68	5.25
2010	11.37	-2.37

Franklin Mutual Global Discovery Z MDISX

Analysis

ing action that they like to see, namely, buying back shares.

In contrast, this fund's 42% stake in non-U.S. equities as of April 30, 2014, was on the low side compared with historic levels. That exposure clocked in above 50% of assets during the early to mid-2000s and has tapered from similar levels in 2010. It still includes several longtime European holdings, including British American Tobacco BATS and Royal Dutch Shell RDS.A, which still sit among the portfolio's top-10 holdings.

Fixed income hasn't played a significant role here lately as the managers haven't found many interesting opportunities, but they did add to some existing holdings including First Data and Clear Channel Communications over the past year, pushing that stake to 7% from 4%. A relatively large cash stake is a more typical feature here. The fund's 7% stake in dry powder on April 30 wasn't high by its own standards but is more than most rivals have. Over the past year the managers have kept the fund's foreign-currency exposure fully hedged.

Performance Pillar: + Positive

Although most of this world-stock fund's strong long-term track record is directly attributable to previous managers, it's been reassuring to see that the fund's performance pattern continues to reflect an attractive risk/reward profile. This has been a common result of Mutual Series' approach, which is valuation-sensitive and long-term-oriented and allows for significant cash cushions. That's helped the fund hold up better than most peers in downturns; for example, in 2011 its 3% loss was less than half the typical rival's. The trade-off is that it doesn't stand out in rallies, which was the case in 2012 when it landed in the bottom quartile and in 2013 when its 25% gain was just on par with the group norm. Last year, losses from some picks including Alstom ALSMY (now sold) and Transocean RIG weighed on relative results.

The global equity market has generally been on the upswing since the current lead managers took over in December 2009, so it's good to see that they've managed to keep the fund in respectable standing. From early December 2009 through May 28, 2014, the fund's 11.7% annualized gain was better than roughly 60% of the world-stock competition and edged out its MSCI World Index benchmark. Given the managers' experience and consistently applied approach, the fund has a good shot at delivering solid returns with less volatility compared with the category norm and index.

People Pillar: + Positive

Peter Langerman and Philippe Brugere-Trelat took the fund's reins in December 2009 following the departure of previous comanagers Anne Gudefin and Charles Lahr. Timothy Rankin was added as a third manager at the end of 2010. Although sudden manager departures are rarely a good thing for investors, there is little reason to be overly concerned here. Not only has the management duo been in place more than four years, Langerman is chairman, president, and CEO of Mutual Series. He is one of the most senior members of the team and has comanaged Mutual Shares since 2005. Brugere-Trelat, who rejoined Mutual Series in late 2004, has successfully run Mutual European over that time frame.

Furthermore, this experienced duo draws on a 17-member team of managers and analysts who all share the same value-driven philosophy. As evidence of that, there is a large degree of holdings overlap among the firm's eight different offerings, which helps mitigate the impact of an individual manager's departure. At this time, however, the team remains adequately resourced. It's good to see that Langerman, Brugere-Trelat, and Rankin invest more than \$1 million across the funds they run.

Parent Pillar: + Positive

Franklin Resources traces its roots to 1947, when Rupert H. Johnson Sr. named his brokerage firm

after Benjamin Franklin. While the firm has always run proprietary mutual funds, it also has grown through acquisition. It bought Templeton, Galbraith & Hansberger from Sir John Templeton in 1992, adding an array of international funds. Four years later it bought Heine Securities, investment advisor to the Mutual Series funds. Franklin Resources now centers on the Franklin, Franklin Templeton, and Mutual Series lineups. A Johnson still runs the firm.

Aspects of the firm are appealing. Most offerings levy below-average fees and are typically run by long-tenured managers who invest more than \$1 million in their funds. The firm has a sensible compensation plan, and the U.S. funds are overseen by experienced boards of directors.

That said, this global organization is complex. The firm's subsidiaries have distinct cultures employing different strategies. Mutual Series is value-oriented while Franklin Templeton is more growth-focused. Because the subsidiaries don't share investment resources, retention within each is vital. In 2009, Mutual Series lost several managers to PIMCO. In 2007, a number of Templeton managers jumped ship. While those defections are rare, another wave would be a red flag. Overall, though, the concerns here don't overshadow the firm's broader merits.

Price Pillar: ○ Neutral

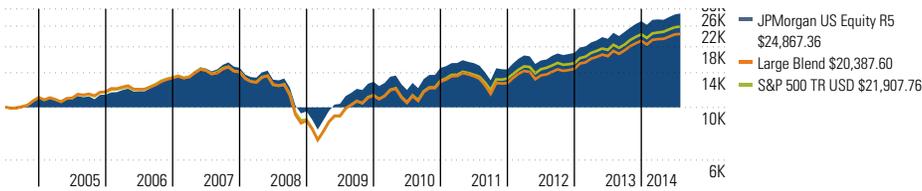
The 1.28% annual expense ratio for the fund's A shares is below average for world-stock funds that impose a front-end sales charge. The median fee for that peer group is 1.39%. However, the fund's expense ratio is on the high side compared with other front-load world-stock offerings with more than \$10 billion in assets.

JPMorgan US Equity R5 JUSRX

Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
15.11	↓0.09 0.60	0.99	10.9	Open	—	None	0.59%	★★★★	Large Blend	Large Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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. 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

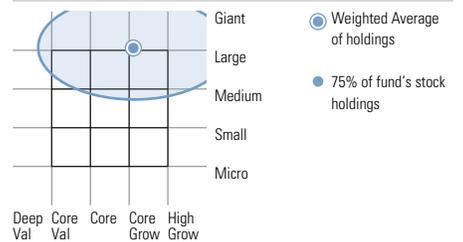
Process	Neutral
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive
Rating	Bronze

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,775	10,157	12,367	15,877	25,036	24,744
Fund	7.75	1.57	23.67	16.66	20.15	9.48
+/- S&P 500 TR USD	-0.14	0.30	1.75	0.50	0.19	1.36
+/- Category	0.88	0.57	2.89	2.28	1.66	1.86
% Rank in Cat	28	10	15	13	15	—
# of Funds in Cat	1,633	1,676	1,564	1,337	1,204	796

* Currency is displayed in USD

Style Map



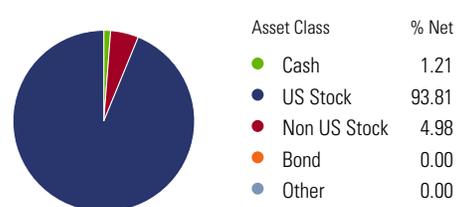
Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Johnson & Johnson	3.54	105.70 USD	-0.32 ↓	85.50 - 106.74
⊕ Apple Inc	3.09	95.40 USD	0.01 ↑	59.75 - 96.80
⊖ Exxon Mobil Corporation	2.60	102.58 USD	-0.94 ↓	84.79 - 104.61
⊖ Wells Fargo & Co	2.58	51.81 USD	-0.73 ↓	40.07 - 53.08
⊖ Time Warner Inc	2.38	72.33 USD	-0.11 ↓	60.07 - 73.07

% Assets in Top 5 Holdings 14.19

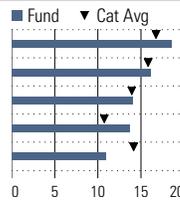
⊕ Increase ⊖ Decrease ☆ New to Portfolio

Asset Allocation



Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
📱 Technology	18.51	18.66	17.79	16.28
🏦 Financial Services	16.05	16.40	15.98	15.37
🏥 Healthcare	13.97	13.97	13.11	13.48
🛒 Consumer Cyclical	13.65	15.02	13.57	10.28
🏭 Industrials	10.93	10.93	9.62	13.69



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	14.96	0.0000	0.0000	0.0000	0.0400	0.0400
2014-03-31	14.31	0.0000	0.0000	0.0000	0.0400	0.0400
2013-12-20	13.86	0.0000	0.0000	0.0000	0.0400	0.0400
2013-12-12	13.53	0.5400	0.4300	0.0000	0.0000	0.9700
2013-09-30	13.65	0.0000	0.0000	0.0000	0.0400	0.0400

Management

	Start Date
Thomas Luddy	2006-02-01
Susan Bao	2001-01-01
Helge Skibeli	2009-07-30
Giri Devulapally	2010-07-26
Aryeh Glatter	2012-08-01

JPMorgan US Equity R5 JUSRX

Analysis

Steady does it.

By Laura Lalloos 10/16/2013

Little things add up in the long run for JPMorgan US Equity.

This fund aims 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 core industry analysts. 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. The analysts contribute significantly to stock-picking, and in mid-2009, a portion of the fund was turned over to them to run directly; this sector-neutral sleeve is 30% of the fund.

Paul Quinsee, CIO of JPMorgan's U.S. equity group, keeps a watchful eye on the fund's risk metrics. In mid-2010, 20% of the fund was split between large-cap growth and value sleeves to address capacity concerns while keeping the overall risk profile intact. (Giri Devulapally has a nice record at JPMorgan Large Cap Growth OLGAX; relative newcomer Aryeh Glatter took over the value sleeve in August 2012.) These sleeves can serve as ballast; for example, in mid-2013, the fund had 10% in large-cap value but less than 7% in the growth sleeve. This offset a slight growth tilt in the core portfolio.

The end result is a portfolio with a five-year tracking error relative to the S&P 500 of 2.1%, compared with a 3.5% average for the large-cap blend category. Meanwhile, the fund's active share has been low, ranging from 45%-55% during the past decade. That sounds like a recipe for mediocrity, but the fund has consistently outperformed its peers, almost never landing in the bottom quartile in any trailing three-year period. Since Bao came on in January 2001, the fund's Select shares have returned an annualized 5% through Oct. 13, compared with 3.2% for the category and 4% for its benchmark, the S&P 500.

Its record demonstrates that a carefully constrained strategy, skillfully applied, can beat an index; it is a testament to the strength of a long-tenured core analyst team. This reliable core holding merits a Morningstar Analyst Rating of Bronze.

Process Pillar: Neutral

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.

The core of the portfolio, 50% of assets, is run by Susan Bao and Tom Luddy. 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.

Another 30% of the portfolio is an extension of this core: Stocks are picked directly by the analysts who support Bao and Luddy, and the overall stake is sector-neutral. The remaining 20% is split evenly between a growth sleeve run by Giri Devulapally and a value portfolio run by Aryeh Glatter. Glatter also relies on the core analysts' quintile rankings, while Devulapally and his team of five dedicated growth analysts use a more growth-oriented screening process.

Bao reports that the four sleeves together are more tightly aligned with the benchmark in terms of risk factors than the core portion is on its own. The fund indeed shows considerable correlation with the S&P 500, with an R-squared greater than 98% over the short and long term, several points higher than the category norm.

In keeping with a philosophy that stock-picking should drive performance, sector weightings remain close to the S&P 500. The slight differences highlight the role valuation plays in stock-picking and an effort to maintain low tracking error. The fund has an underweighting in overvalued consumer staples, utilities, and REITs. To compensate,

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Neutral
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	7.75	0.88
2013	36.07	4.57
2012	17.40	2.44
2011	-1.48	-0.21
2010	14.42	0.42

JPMorgan US Equity R5 JUSRX

Analysis

it has an overweighting in another defensive sector, health care. Johnson & Johnson JNJ was the top holding at the end of August.

The fund continues to tilt toward consumer discretionary. While these names have done well, Bao believes they are still better values than defensive names and have room to go further in an improving economy. Top-five holding Time Warner TWX is a particularly significant pick for this benchmark-conscious strategy, as it is not even a top-50 name in the S&P 500. Everything is relative here; picks are generally within 2 percentage points of the S&P 500 weighting.

Bao notes that technology companies with healthy balance sheets, such as top-10 holdings Microsoft MSFT and Apple AAPL, are increasing dividends and buying back shares. She likes semiconductor manufacturers such as Applied Materials AMAT because they can leverage tech trends.

While the fund generally holds 10% each in its growth and value sleeves, the growth sleeve is down to about 6.5% of assets to offset the growth tilt of the core portfolio.

Performance Pillar: Positive

Since Susan Bao came on in January 2001, the fund's Select shares have returned an annualized 5% through Oct. 13, compared with 3.2% for the category and 4% for its benchmark, the S&P 500.

Shorter-term performance reflecting recent manager additions shows no cause for concern. Since the value/growth sleeves were added in mid-July 2010, the fund returned an annualized 16.8%, compared with 15.2% for the category and 17% for the S&P 500. Since Aryeh Glatter took over the value sleeve in August 2012, the fund has returned an annualized 26%, compared with 22.8% for the category and 21.9% for the benchmark.

The fund has been consistent, too. From January 2001 through September 2013, its rolling three-year returns land in the top half of the category more than 80% of the time and in the bottom quartile only 2%. Over that time, the fund's stand-

ard deviation was 16.5, a bit higher than the S&P 500's 15.6. 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 B and C share classes are notably more expensive, and over the trailing three years, those shares are closer to middling in the category. Over the past 10 years, though, they rank in the top quartile and beat the S&P 500.

People Pillar: Positive

The core portfolio, 50% of assets, has been run by Susan Bao since 2001 and Tom Luddy since 2006. Bao has been with JPMorgan for 15 years, and Luddy for 36--he helped develop the stock-valuation model at the center of this strategy. The two have also run a 130/30 fund since 2005, JPMorgan US Large Cap Core Plus JLCAX, with similar results.

They rely on the research of an analyst team headed by Helge Skibeli, who has a 22-year tenure at the company. Since July 2009, 30% of the fund's assets has been managed directly by Skibeli and 28 core analysts.

In July 2010, 20% of assets was evenly split between managers of large-cap growth and large-cap value strategies. Giri Devulapally has run the large-cap growth sleeve since then. He has been the lead manager of JPMorgan Large Cap Growth OLGAX since 2005, and the fund has earned a Bronze Morningstar Analyst Rating.

Aryeh Glatter joined JPMorgan in 2011 and has run JPMorgan Large Cap Value OLVAX with mixed results. He took over this fund's large-value sleeve in August 2012. Glatter spent 10 years at AllianceBernstein AB, part of a team that earned middling results at AllianceBernstein Global Risk Allocation CABNX. It is too soon to draw conclusions about his contribution here, but his small portion of the portfolio is to an extent offset by Devulapally's, and he is using the research of the strong core analyst team.

Parent Pillar: Neutral

J.P. Morgan Asset Management's fund business boasts a diverse lineup supported by a global investment team. Its assertive distribution effort centers on an educational approach that has built advisor trust. With more than \$200 billion in assets in late 2013, J.P. Morgan is among the 10 largest U.S. mutual fund firms.

While growing aggressively, the shop has been sorting through weaker spots in a lineup that now numbers nearly 130 funds. The roster includes some strong managers, such as the Columbus, Ohio, fixed-income team that runs the popular JPMorgan Core Bond WOBDX, and the core U.S. equity and value teams. The SmartRetirement target-date series is another bright spot. As a whole, however, performance has been middling. The wildly popular JPMorgan Strategic Income Opportunities JSOSX, which opened with good timing in late 2008, has had mediocre results since, raising a question of whether resources have been stretched.

Fees are competitive within their share classes, and manager investment in the funds has increased significantly over the past year. The funds' experienced board of trustees has maintained a strong committee and oversight structure. Parent company JPMorgan Chase JPM serves as a double-edged sword, offering both the stability of a multinational organization and the uncertain impact of increased regulatory and media scrutiny.

Price Pillar: Positive

About half of the fund's assets are in institutional Select shares, which have a 0.79% expense ratio--average compared with other large-cap institutional shares. These shares are available to retail investors through wrap accounts with certain advisors. The fund's higher-minimum Institutional shares have a 0.64% expense ratio, which is below average.

The rest of the fund's share classes rank either in the lowest or second-lowest quintile of the relevant fee level comparison group. In absolute terms, however, some share classes (notably, the B, C

JPMorgan US Equity R5 JUSRX

Analysis

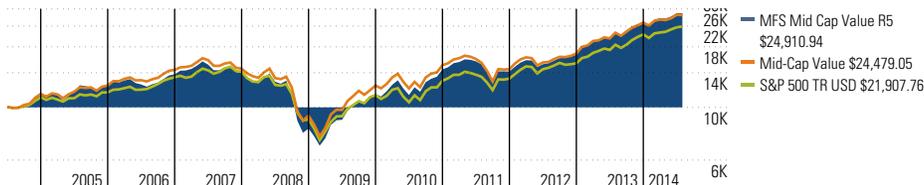
and Retirement 2 shares) are significantly more expensive, which weighs on their relative return rankings within the large-cap blend category.

MFS Mid Cap Value R5 MVCKX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
21.43	↓0.06 0.28	0.68	2.4	Open	—	None	0.88%	★★★★	Mid-Cap Value	Mid Value

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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. Equity securities include common stocks, preferred stocks, securities convertible into stocks, equity interests in real estate investment trusts (REITs), and depositary receipts for such securities.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,862	10,099	12,299	15,664	29,266	24,834
Fund	8.62	0.99	22.99	16.14	23.96	9.52
+/- S&P 500 TR USD	0.72	-0.28	1.08	-0.02	4.00	1.40
+/- Category	1.08	0.34	1.43	1.45	2.56	0.24
% Rank in Cat	27	18	32	—	—	—
# of Funds in Cat	434	458	424	371	318	204

* Currency is displayed in USD

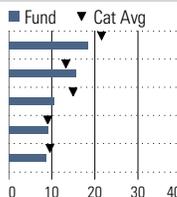
Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Crown Holdings Inc	1.20	51.27 USD	0.25 ↑	37.29 - 51.45
⊕ Newell Rubbermaid Inc	1.14	31.91 USD	-0.99 ↓	24.32 - 32.54
⊕ PerkinElmer Inc	1.07	46.69 USD	-0.36 ↓	33.26 - 48.26
⊕ Xerox Corporation	1.02	12.44 USD	-0.24 ↓	9.42 - 13.01
⊕ NASDAQ OMX Group, Inc.	1.01	38.65 USD	-1.20 ↓	29.51 - 41.25
% Assets in Top 5 Holdings	5.44			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏦 Financial Services	18.43	19.76	18.43	20.65
🛒 Consumer Cyclical	15.53	15.53	14.68	12.36
⚙️ Industrials	10.40	11.94	10.40	14.05
🏥 Healthcare	9.18	9.18	7.81	8.16
⚡ Energy	8.64	8.64	8.08	8.66



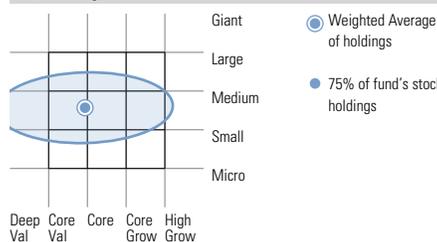
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-17	19.07	0.7800	0.1400	0.0000	0.1500	1.0800

Pillars

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

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	1.89	0.02	1.90	0.00	3.74
● US Stock	88.00	0.00	88.00	97.33	89.73
● Non US Stock	10.11	0.00	10.11	2.67	6.39
● Bond	0.00	0.00	0.00	0.00	0.04
● Other	0.00	0.00	0.00	0.00	0.11

Management

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

MFS Mid Cap Value 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



Fund Performance

	Total Return %	+/- Category
YTD	8.62	1.08

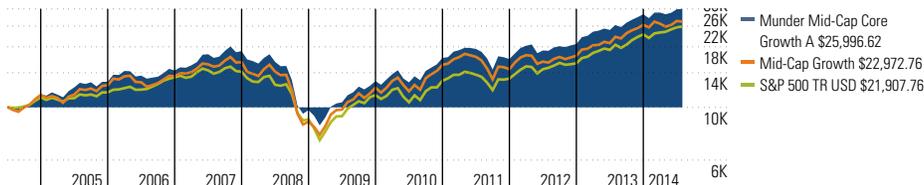
We do not currently publish an Analyst Report for this company.

Munder Mid-Cap Core Growth A MGOAX

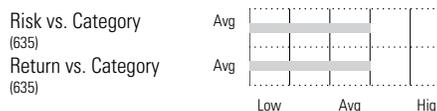
Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
44.06	↓0.21 0.48	0.00	6.3	Open	\$2,500	5.50	1.33%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks long-term capital appreciation. The fund normally invests at least 80% of the fund's assets in equity securities (i.e., common stocks, preferred stocks, convertible securities and rights and warrants) of mid-capitalization companies. Mid-capitalization companies means those companies with market capitalizations within the range of companies included in the S&P MidCap 400® Index. Although the fund will primarily be invested in domestic securities, up to 25% of the fund's assets may be invested in foreign securities.

Performance 07-09-2014

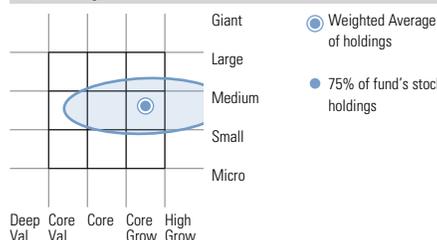
	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,538	10,112	11,911	14,398	25,995	25,938
Fund	5.38	1.12	19.11	12.92	21.05	10.00
+/- S&P 500 TR USD	-2.51	-0.14	-2.80	-3.24	1.10	1.88
+/- Category	2.08	0.39	-0.08	1.45	1.02	0.79
% Rank in Cat	27	28	49	27	31	36
# of Funds in Cat	762	775	729	633	577	415

* Currency is displayed in USD

Pillars

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

Style Map

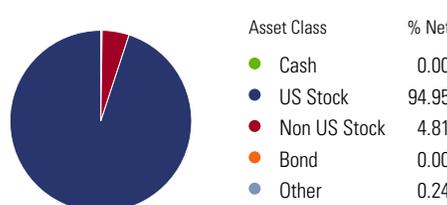


Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Affiliated Managers Group Inc	2.36	205.52 USD	-0.09 ↓	164.72 - 219.39
⊕ NiSource Inc	2.01	38.51 USD	0.63 ↑	28.85 - 39.69
⊖ Skyworks Solutions Inc	1.97	47.67 USD	1.06 ↑	21.30 - 49.10
⊕ Invesco Ltd	1.92	38.36 USD	0.71 ↑	30.09 - 38.84
⊕ Lincoln National Corp (Radnor PA)	1.85	52.21 USD	0.79 ↑	39.28 - 53.77
% Assets in Top 5 Holdings	10.10			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Cyclical	18.53	19.49	18.53	19.08
💻 Technology	14.88	15.93	12.06	18.70
🏦 Financial Services	14.47	15.34	13.98	9.28
⚙️ Industrials	11.98	14.51	11.98	19.77
🏥 Healthcare	10.60	10.60	7.65	13.12

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-27	41.60	0.7400	0.0400	0.0000	0.0000	0.7900
2009-12-29	22.55	0.0000	0.0000	0.0000	0.0300	0.0300
2008-12-29	16.00	0.0300	0.0000	0.0000	0.0000	0.0300

Management

	Start Date
Tony Y. Dong	2001-02-01
Brian S. Matuszak	2005-12-31
George L. Sanders II	2006-09-30
Madan Gopal	2009-10-31
Gavin Hayman	2010-02-18
Robert E. Crosby	2012-02-14
Sean D. Wright	2014-01-01

Munder Mid-Cap Core Growth A MGOAX

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	5.38	2.08
2013	33.38	-1.55
2012	15.72	1.65
2011	-1.04	2.92
2010	25.18	0.57

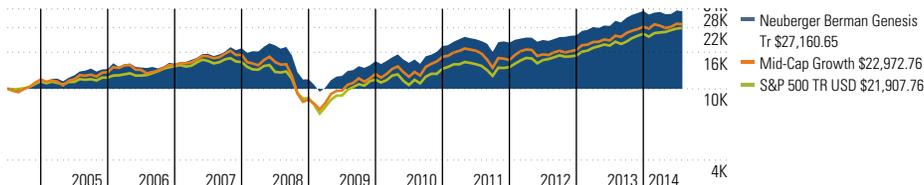
We do not currently publish an Analyst Report for this company.

Neuberger Berman Genesis Tr NBGEX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
64.30	↓-0.02 -0.03	0.28	14.5	Open	—	None	1.10%	★★★★	Mid-Cap Growth	Small Growth

Growth of 10,000 07-09-2004 - 07-09-2014



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

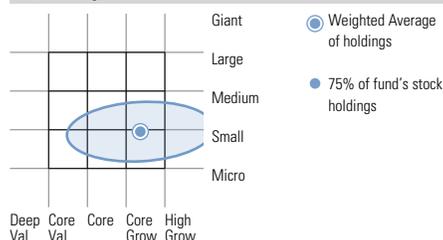
Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	+	Positive
Rating		Silver

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,961	10,017	11,599	13,924	24,228	27,140
Fund	-0.39	0.17	15.99	11.67	19.36	10.50
+/- S&P 500 TR USD	-8.28	-1.10	-5.92	-4.49	-0.59	2.38
+/- Category	-3.68	-0.56	-3.21	0.19	-0.67	1.29
% Rank in Cat	89	81	77	46	66	25
# of Funds in Cat	762	775	729	633	577	415

* Currency is displayed in USD

Style Map



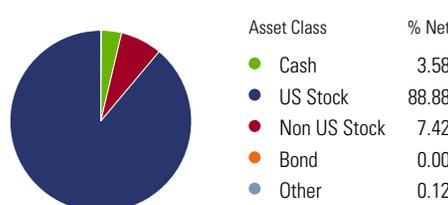
Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Westinghouse Air Brake Technologies Corp	2.29	81.20 USD	-1.01 ↓	54.52 - 84.44
Church & Dwight Company, Inc.	2.21	68.00 USD	-0.26 ↓	56.36 - 70.71
AptarGroup, Inc.	1.92	66.28 USD	-0.06 ↓	57.40 - 68.78
Polaris Industries Inc	1.70	131.47 USD	-1.20 ↓	96.96 - 146.99
Compass Minerals International Inc	1.63	96.14 USD	0.06 ↑	64.24 - 97.50

% Assets in Top 5 Holdings 9.75

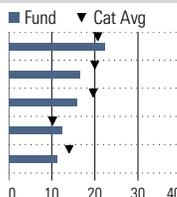
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	22.35	22.35	21.38	19.77
Consumer Cyclical	16.44	17.09	13.92	19.08
Technology	15.71	15.71	11.89	18.70
Financial Services	12.30	12.99	9.31	9.28
Healthcare	11.10	12.98	10.91	13.12



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-16	62.79	4.5000	0.0000	0.0000	0.1900	4.6900
2012-12-14	50.03	2.1100	0.0100	0.0000	0.1100	2.2200
2011-12-16	47.26	1.1000	0.0000	0.0000	0.5000	1.6000
2008-12-15	29.35	1.8900	0.0000	0.0000	0.0000	1.8900

Neuberger Berman Genesis Tr NBGEX

Analysis

Steadiness has always been a virtue for this fund.

By David Kathman, CFA 1/30/2014

Neuberger Berman Genesis is a great fund for long-term small- and mid-cap exposure.

At first glance, this fund might look volatile, because its annual return rankings have been all over the map. In the dozen years from 2002 through 2013, it landed in the top decile of its category four times, but in the bottom quartile four times, including twice in the bottom decile. In fact, though, this has been a remarkably steady fund, among the least volatile in its peer group; those wildly varied annual rankings have resulted from the gyrations of more-volatile peers around it.

Exemplifying this steadiness is the management team, whose leads, Judy Vale and Bob D'Alelio, have been with the fund since 1994 and 1997 respectively. They use a strategy that's very much focused on the long term, seeking out small-cap stocks that dominate a competitive niche and combine strong fundamentals (balance sheet, cash flows) with reasonable valuations. They don't mind hanging on to favorite stocks for years, resulting in very low turnover. Some top holdings, such as Church & Dwight CHD and Oceaneering International OII, have been in the portfolio for more than a decade and have grown into mid-caps, which is why the fund moved from the small-blend category to mid-cap growth in late 2011.

This patient approach has really paid off over time. The fund's 10- and 15-year returns rank in the top decile of both the mid-cap growth and small-blend categories, with significantly less volatility than either peer group, as noted above. In 2011, its 5% gain was good enough to rank in the top decile of the hard-hit mid-cap growth category, but in the 2012 rally its 10% gain landed it in the bottom quartile. In 2013, the fund's 37% gain beat the category thanks to a greater small-cap weighting than its peers, but would have trailed its old small-blend peer group.

The fund's \$15 billion asset base is an area of po-

tential concern, but the managers have done a fine job of handling it, thanks to their long-term focus. Net inflows have been negative for several years, so all the asset growth has come from capital appreciation.

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. Though 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.

Though 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, with cash seldom exceeding 5% of assets and no single holding taking 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



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



Fund Performance

	Total Return %	+/- Category
YTD	-0.39	-3.68
2013	36.89	1.96
2012	9.82	-4.26
2011	4.60	8.56
2010	21.38	-3.24

Neuberger Berman Genesis Tr NBGEX

Analysis

After hedging their bets for several years on the direction of the U.S. economy, the managers have recently tilted the portfolio more toward names that will benefit from a rebound. The fund is still heavy in defensive "steady-Eddies" such as Church & Dwight CHD and packaging maker AptarGroup ATR (two of the top three holdings as of Sept. 30, 2013), but the managers have recently trimmed some of that exposure and started to redeploy that money to economically sensitive areas such as consumer cyclicals and technology, though the fund remains underweight in both of those sectors relative to the mid-cap growth category. The managers also have added to interest-rate sensitive financials such as Ocwen Financial OCN and Cullen/Frost Bankers CFR.

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 are avoiding 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 Jan. 29, 2014, its 10- and 15-year returns ranked in the top decile of both its old small-blend category and its new mid-growth peer group. Its five-year returns currently don't look great now that the strong relative returns of 2008 have rolled off.

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). 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 five-year period, and its standard deviation (a measure of volatility) is among the lowest in either the small-blend or mid-growth categories.

The fund held up relatively well in 2008, thanks to the managers' emphasis on relatively stable cash

generators without a lot of debt, but for the same reasons it had a tough time keeping up in the speculation-driven market of 2009 and 2010. It held up very well in the shaky, risk-averse market of 2011, but once again trailed when the market rallied strongly in 2012. It beat the mid-cap growth category in 2013 thanks to its big weighting in small caps, but would have trailed its old small-blend category.

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. The team also includes four dedicated analysts: Lawrence Berman and Alexandra Utterman, who have been with the fund since 2006, and Solin Cho and Gregory Spiegel, who joined in 2012. Cho was previously an analyst on Neuberger's mid-cap value equity team, and Spiegel was previously an analyst and portfolio manager with several different firms.

As of Aug. 31, 2013, each of the four listed managers had more than \$1 million invested in the fund. Those are substantial investments that help align the managers' interests with those of shareholders.

The team has consistently maintained the same patient strategy for many years despite often volatile market conditions, and thus far they've handled the fund's growing asset base very well. Overall, there's plenty to like about this management team.

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 2014). 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

Almost 40% 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 and R6 shares, whose expenses are also in the second-cheapest quintile of their peer groups, and the trust shares, whose expenses are near the median of their peer group. Overall, this fund's expenses are quite reasonable.

Neuberger Berman High Income Bond Inv NHINX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
9.54	↓0.00 0.00	5.33	3.6	Limited	\$2,000	None	0.84%	★★★★	High Yield Bond	

Growth of 10,000 07-09-2004 - 07-09-2014



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. It normally expects to have a weighted averaged maturity between five and ten years. The fund 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. It may invest in securities whose ratings imply an imminent risk of default with respect to such payments.

Pillars

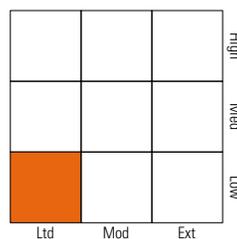
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,468	10,043	11,122	12,607	18,398	21,983
Fund	4.68	0.43	11.22	8.03	12.97	8.20
+/- Barclays US Agg Bond TR USD	0.96	0.00	6.55	4.66	8.30	3.36
+/- Category	-0.18	-0.03	0.79	0.06	0.43	0.68
% Rank in Cat	67	57	32	50	35	23
# of Funds in Cat	730	748	695	563	493	344

* Currency is displayed in USD

Style Map 03-31-2014



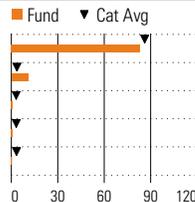
Top Holdings 04-30-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
⊕ Berry Plastics 9.75%	1.52	01-15-2021	46.04	53.40
⊕ First Data 12.625%	1.20	01-15-2021	35.24	42.29
Vpi Escrow 144A 6.375%	1.19	10-15-2020	38.90	41.81
Everest Acq Llc/Finance 9.375%	1.15	05-01-2020	35.08	40.43
Linn Engy 144A 6.25%	1.11	11-01-2019	37.80	39.07
% Assets in Top 5 Holdings	6.16			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 04-30-2014

	Fund	BMark	Cat Avg
Corporate Bond	83.20	—	83.60
Bank Loan	10.87	—	1.02
Commercial MBS	1.00	—	0.54
Convertible	0.77	—	0.62
Preferred	0.00	—	0.78



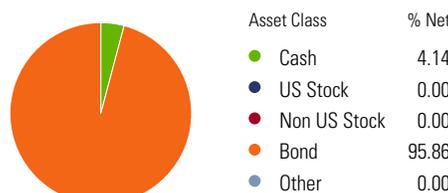
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	9.55	0.0000	0.0000	0.0000	0.0400	0.0400
2014-05-30	9.52	0.0000	0.0000	0.0000	0.0400	0.0400
2014-04-30	9.49	0.0000	0.0000	0.0000	0.0400	0.0400
2014-03-31	9.48	0.0000	0.0000	0.0000	0.0400	0.0400
2014-02-28	9.53	0.0000	0.0000	0.0000	0.0400	0.0400

Bond Statistics

	Value
Average Effective Duration (Years)	3.12
Average Effective Maturity (Years)	6.40
Average Credit Quality	B
Average Weighted Coupon	6.61
Average Weighted Price	106.38

Asset Allocation



Management

	Start Date
Ann H. Benjamin	2005-10-03
Thomas P. O'Reilly	2005-10-03
Russ Covode	2011-02-28
Daniel J. Doyle	2014-02-28

Neuberger Berman High Income Bond Inv NHINX

Analysis

Veteran managers and strong resources give this fund a leg up.

By Michelle Canavan Ward, CFA 1/15/2014

A tenured management team, deep resources, and thorough process make Neuberger Berman High Income a solid choice.

Lead managers Ann Benjamin and Tom O'Reilly have managed high-yield bonds together for more than 18 years and took over this fund in late 2005. Recently named co-portfolio manager Russ Covode joined the management team in 2011, and the fund is supported by a deep team of 21 analysts.

Since taking over the fund, the portfolio managers have instilled a sound 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 mis-priced 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 occasionally veer toward both BBB and CCC bonds when the team views relative valuations as attractive.

Recently, the fund has taken advantage of low defaults and improving balance sheets across high-yield issuers and has slowly increased its stake in CCC rated bonds to 21% of total assets through November 2013, up from 14% in 2012 and 10% in 2011. This move paid off as riskier bonds performed well in 2013 and the fund's CCC-rated holdings, including bonds from casino operator, Tribal Mohegan, and Momentive, a private chemical company, boosted returns. The fund gained 7.4% in 2013, placing it ahead of 70% of peers. Over time, the team's effort to protect the fund from losses with a willingness to take credit risk when they feel it's appropriate has been successful. Since Benjamin and O'Reilly took over in late 2005, its 8.5% annualized return through the end of 2013 easily beats the category average of 7.5%.

The fund's vast analyst team, a highly structured and repeatable process, and long-tenured managers suggest that this strong track record should continue and warrant a Silver analyst rating.

Process Pillar: Positive

The fund's massive analyst team and portfolio managers use fundamental research and relative valuations in an effort to minimize downside while still participating in upside 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 single-B and BB rated bonds, but will occasionally veer toward both BBB and CCC bonds if relative valuations are more attractive. Up to 20% of the fund can be invested in bank loans, which can help limit interest-rate risk. This is a diversified fund, and 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.

Despite its reputation as a conservative fund, portfolio holdings have slowly shifted toward riskier names. The fund has taken advantage of low defaults and improving balance sheets across high-yield issuers and has slowly increased its stake in CCC rated bonds to 21% of total assets, up from 14% in 2012 and 10% in 2011. Examples of the fund's CCC holdings include bonds issued by Linn Energy LINE, SandRidge Energy SD, and privately held First Data. The fund's CCC weighting is about 4% higher than its benchmark, the BofAML U.S.

Morningstar's Take

Morningstar Analyst Rating



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



Fund Performance

	Total Return %	+/- Category
YTD	4.68	-0.18
2013	7.42	0.53
2012	14.48	-0.19
2011	2.99	0.16
2010	14.63	0.39

Neuberger Berman High Income Bond Inv NHINX

Analysis

High Yield Master II Constrained Index. The portfolio is still dominated by BB and B rated bonds, but at 43% and 39% respectively, its allocations are lower than those of the index. On a sector basis, the fund is heavy in printing and publishing, mainly through its holdings in RR Donnelley debt, as well as telecommunications, health care, and gaming. The fund eschews traditional banking firms and is accordingly light in that sector, as well as consumer products and real estate.

The fund decreased its holdings of bank loans throughout 2013, with a 5% allocation as of Nov. 30, compared to 13% a year ago. As high yield bonds sold off during the middle of 2013, this fund opportunistically shifted assets away from bank loans and into attractively valued bonds.

Performance Pillar: + Positive

Benjamin, O'Reilly, and team have consistently navigated this fund into the top half of all high-yield bond funds. While volatility, measured by standard deviation, is generally higher than peers', the fund has met its objective of minimizing downside risk while still participating in upside. Since the current management team took over in October 2005, its 8.5% annualized return through the end of 2013 is better than almost 90% of high-yield funds. The team has managed to do so by protecting investor capital on the downside while still keeping up when the market is doing really well. For example, while the fund's absolute loss of 19% during 2008's downturn stung, it proved better than 90% of its high-yield peers'. Coming into 2008, the team had reduced exposure to the lowest-quality names and stashed more than 60% of the portfolio in debt rated BB and better.

In 2013, the fund returned 7.4%, placing it ahead of 70% of high-yield peers. The fund's exposure to gaming, printing, and health-care bonds helped drive the slightly better-than-average performance, while its banking and media exposure hurt results. On an individual basis, the fund's CCC holdings like Tribal Mohegan and Momentive helped drive strong performance. RR Donnelley RRD, the fund's largest overweight holding through the third quarter of 2013, also helped boost returns and the

team has recently trimmed its position in this name.

People Pillar: + Positive

Ann Benjamin and Tom O'Reilly have managed this fund since late 2005, but they have managed portfolios together since mid-1990s. The two worked previously at Stein Roe before joining Lincoln Capital Management in 1997. Lincoln Capital Management's fixed-income business eventually merged into Neuberger Berman, where Benjamin and O'Reilly managed high-yield portfolios for institutional clients before taking over this mutual fund. Benjamin leads Neuberger Berman's non-investment-grade credit platform, which houses the firm's high-yield, bank loan, and distressed debt teams. Russ Covode, an analyst with the team since 2004, was promoted to the fund's management team in mid-2011. Benjamin and O'Reilly are also charged with managing Neuberger Berman's Floating Rate Income fund and Short Duration High Income fund. In total, the two oversee almost \$26 billion in assets. Manager ownership in the fund is also strong, with Benjamin investing over \$1 million, O'Reilly between \$500,000 and \$1 million, and Covode with an investment between \$100,000 and \$500,000.

The portfolio managers are supported by a deep team of 21 credit analysts, five traders, and one risk-management specialist. The analyst staff is one of the largest in the high-yield category and gives the fund significant analytical breadth. The analyst team has an average of 10 years of investment experience.

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 2014). 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

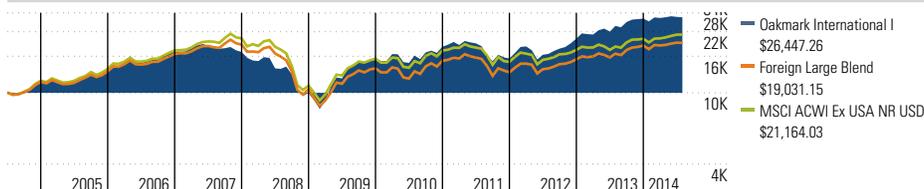
Approximately 60% of the fund's assets are held in the Institutional share class, which charges a below-average 0.7% expense ratio. The fund's Investor share class also costs less than competitor funds, as its 0.84% expense ratio is below the 0.90% median for similarly distributed funds. On a positive note, expense ratios have fallen slightly as the fund has grown in the past few years, passing on some benefit from economies of scale to investors.

Oakmark International I OAKIX

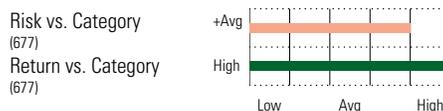
Morningstar Analyst Rating
★ **Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.76	↓0.01 0.04	1.60	32.6	Limited	\$1,000	None	0.98%	★★★★★	Foreign Large Blend	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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

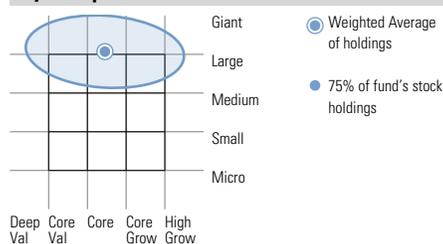
Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	○	Neutral
Rating	★★★★★ Gold	

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,167	9,817	11,712	14,025	22,680	26,335
Fund	1.67	-1.83	17.12	11.93	17.80	10.17
+/- MSCI ACWI Ex USA NR USD	-3.89	-2.28	-3.55	6.35	5.91	2.41
+/- Category	-1.83	-1.53	-1.56	5.45	5.97	3.33
% Rank in Cat	84	95	71	2	1	5
# of Funds in Cat	794	819	767	673	607	317

* Currency is displayed in USD

Style Map



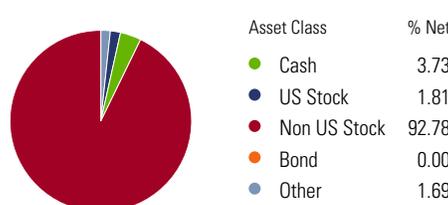
Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Credit Suisse Group	5.08	25.00 USD	-2.57 ↓	24.96 - 30.54
⊕ Allianz SE	3.54	127.20 USD	-1.09 ↓	108.40 - 134.40
⊕ Kering	3.07	155.45 USD	0.19 ↑	136.95 - 185.15
⊕ Diageo PLC	2.98	— USD	-0.48 ↓	950.00 - 2,152.50
⊕ CNH Industrial NV	2.95	6.87 USD	-3.31 ↓	6.84 - 9.85

% Assets in Top 5 Holdings 17.62

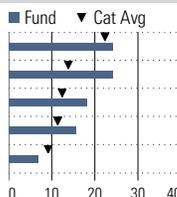
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	24.22	30.53	24.22	21.43
Consumer Cyclical	24.18	24.18	21.02	12.93
Industrials	18.20	21.87	17.18	11.52
Consumer Defensive	15.66	15.66	6.57	10.46
Basic Materials	6.81	8.25	6.81	8.24



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-19	25.55	0.2900	0.0000	0.0000	0.4400	0.7300
2012-12-13	20.17	0.0000	0.0000	0.0000	0.4400	0.4400
2011-12-15	16.07	0.0000	0.0000	0.0000	0.1300	0.1300
2010-12-16	19.26	0.0000	0.0000	0.0000	0.1600	0.1600
2009-12-17	16.58	0.0000	0.0000	0.0000	0.1200	0.1200

Management

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

Oakmark International I OAKIX

Analysis

Despite its girth, a top choice.

By Shannon Zimmerman 5/5/2014

Oakmark International closed to most new investors in October 2013 with more than \$24 billion in assets; that was a prudent decision.

Thanks to market appreciation and inflows from existing investors, its size now stands at nearly \$32 billion. To be sure, the fund's focus on highly liquid large caps mitigates the risks of asset bloat, but it doesn't eliminate them. Nearly one third of assets are invested in the fund's top-10 holdings.

Despite its girth, the fund's performance has remained strong. For the year to date through April 30, 2014, a modest gain of 1.8% places in the category's top third; an 18.2% return over the last 12 months ranks in the sixth percentile. The fund's returns during the trailing three-, five-, 10- and 15-year periods all place in the category's fifth percentile or higher.

Recent and long-term success comes from the same sensible, clearly repeatable strategy. Like all Oakmark managers, David Herro and Rob Taylor are strict value investors. They cull picks from the approved-for-purchase list maintained by Oakmark's research analysts, and, along with financial health, shareholder-aligned management teams, and solid growth prospects, they require a discount of at least 40% to their estimates of intrinsic value. As holdings approach those estimates, the pair trims positions, allocating assets to companies trading at deeper discounts to the team's view of the businesses' worth.

That strategy explains the fund's current exposure to Japan. At the close of 2012, nearly 25% of assets were invested in companies domiciled there. Following last year's dramatic gains for Japanese equities, however, the managers harvested gains and dialed up exposure to developed Europe. The fund's Japan stake now stands at approximately 13.6%.

The fund's size bears watching, but thanks to deft

execution of a sound strategy, and a sensible decision to restrict inflows, this remains a best-in-class option.

Process Pillar: Positive

Like all Oakmark stock-pickers, lead manager David Herro seeks companies trading at deep discounts to his and comanager Rob Taylor's 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. 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.

A portfolio that looks unusual relative to peers' often results from the fund's process. The team's strong stock-selection and valuation discipline, however, has generated unusual success, too. The process here is sensible and, as the track record attests, repeatable.

At the close of 2012, nearly 25% of this fund's assets were invested in Japanese equities; as of March 2014, that figure stood at roughly 13%. That isn't because lead manager David Herro and comanager Rob Taylor have soured on the Japanese companies they hold. Instead, after a dramatic runup for the country's stock market over the course of 2013, the pair of long-standing value hounds harvested gains and dialed up their expos-

Morningstar's Take

Morningstar Analyst Rating



Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
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	1.67	-1.83
2013	29.34	9.91
2012	29.22	10.93
2011	-14.07	-0.10
2010	16.22	5.98

Oakmark International I OAKIX

Analysis

ure to developed European markets. All told, three fourths of the fund's assets were invested there at the close of March, while the fund's Japan stake now represents an underweighting relative to the category norm.

Financials and consumer discretionary companies were the fund's largest sector exposures, soaking up 22.8% of assets each at the end of the first quarter. With industrial stocks accounting for an additional 15.5% of assets, the fund tilts toward cyclicals, although (as usual) it has no exposure to energy. Health care, typically a more defensive area of the market, is also only lightly represented. At 5% of assets, the fund's exposure is roughly half that of the benchmark MSCI World Ex US Index and typical category rival.

With just 10 names accounting for nearly a third of the fund's assets, the portfolio's concentration bears watching. Its three largest positions--Credit Suisse CSGN, Allianz ALV, and apparel manufacturer Kering KER--soak up more than 11% of assets.

Performance Pillar: + Positive

Between October 1992 and March 2014, this fund has delivered a cumulative return of 862%, nearly 3 times the gain of its benchmark, the MSCI World Ex U.S. Index. Its margin of victory versus the typical foreign-large blend fund is even larger. The fund's showing isn't due merely to occasional spasms of outsized performance, either. In the time frame's rolling-36-month periods, it has bested those yardsticks roughly three fourths of the time.

Versus the index, the fund has garnered most of its outperformance during downturns while hovering near the norm in rallies. That's not the case relative to the category's average entrant. The fund has offered the best of both worlds versus typical peers, surrendering less in down markets while also gaining 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, more than doubles the benchmark's and typical peer's figures, indicating that investors have been compensated handsomely for the fund's volatility.

Recent performance aligns with the fund's long-term track record. In the trailing 12 months through April 30, 2014, a gain of 18.2% ranks in the category's fourth percentile.

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 currently serves as the firm's chief investment officer for international equities and as lead manager on Oakmark International Small Cap OAKEX as well. With fellow Oakmark veteran Bill Nygren, Herro also comanages Oakmark Global Select OAKWX, a concentrated world-stock fund that boasts an impressive track record.

Results at Oakmark International Small Cap have also been strong. The ride there has been bumpier, but in the trailing 15-year period through April 30, 2014, an annualized gain of 10.4% ranks in the foreign small/mid-blend group's top percentile.

As he does at each of his charges, Herro invests more than \$1 million of his own money here. That's the case as well with the fund's comanager, Rob Taylor. With Clyde McGregor, Taylor also comanages Oakmark Global OAKGX, the shop's successful, broadly diversified world-stock fund. Taylor is responsible for the foreign-stock portion of that offering's portfolio.

Taylor signed on with Harris in 1994 and became comanager of Oakmark International in December 2008 and of Oakmark Global in October 2005. In addition to his portfolio management duties, he serves as the firm's director of international research.

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 15 years.

With 18 portfolio managers (seven of whom also serve as analysts) and eight 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 portfolio managers, they maintain the list of approved stocks from which all Oakmark managers choose for their portfolios.

Overall, Harris is an impressive parent organization, but its Oakmark lineup should cost less. Assets in Oakmark funds rose from roughly \$21.5 billion in December 2008 to more than \$79 billion in March 2014. (Harris manages \$125 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 recently appointed exceptions, all Oakmark managers invest more than \$1 million in their charges.

Price Pillar: ● Neutral

At 0.98% as of the most recent annual report (September 2013), the fund's price tag has fallen by 8 basis points year over year. The current expense ratio is significantly lower than the broad foreign large-blend category norm (1.24%) and the median price tag in the fund's fee-level comparison group of foreign large-cap no-load funds (1.11%).

Judged by asset size, though, the fund is pricey. At \$31.7 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

Oakmark International I OAKIX

Analysis

fall further.

Oppenheimer Developing Markets Y ODVYX

Analysis

Sets the bar high.

By Karin Anderson 5/13/2014

Investors in Oppenheimer Developing Markets have reason to be pleased.

This fund's 4.4% gain for the trailing year through May 6, 2014, was better than 90% of diversified emerging-markets offerings¹. While that time frame was difficult for emerging-markets stocks--the category average was negative 2.2%--Chinese Internet firms Baidu BIDU, Tencent TCEHY, and C.Trip International CTRP sat at the top of this portfolio and posted big gains. Manager Justin Leverenz also made good picks in harder-hit markets like India and Brazil, including Infosys INFY, Tata Consultancy Services TCS, and Kroton Educational KROTY.

Leverenz goes after companies with healthy free cash flows that can generate high returns on capital throughout a market cycle. This has kept the fund lighter than most in commodity-related fare as well as financials, which could leave it behind the competition when these stocks lead the way. However, the fund has managed to stand out in a variety of market conditions since Leverenz took the reins in May 2007.

The theme-based, valuation-sensitive approach led Leverenz to tread lightly on Chinese and Russian stocks, which were some of the hardest-hit in the October 2007-March 2009 downturn. The fund lost less than 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 in the bull markets. This was true in 2012: Brazil stocks were a tricky place to be that year, but picks like Bovespa BVMF3 and Natura Cosméticos NATU3 kept the fund in good relative standing and ahead of the index.

The fund's success has made it one of the more popular equity funds in recent years, with assets swelling to nearly \$40 billion. Oppenheimer responsibly closed the fund to new investors in early

2013, however, which should help mitigate liquidity problems with individual stocks. All told, current investors have a great holding here thanks to its skilled manager and time-tested process.

Process Pillar: Positive

Manager Justin Leverenz aims to buy companies with competitive advantages and healthy free cash flows that can generate high returns on capital throughout the market cycle. Often these stocks fit into an investment theme such as the retail migration from mom-and-pop shops to supercenters in emerging-markets countries. Within these themes, Leverenz seeks stocks he can hold for several years. This tack has kept the fund's turnover well below the category norm, a trait illustrated by its larger positions in Indian IT firm Infosys and Chinese Internet firm Baidu BIDU, which he's trimmed and added to for several years.

Leverenz does not hedge currency exposure and pays no heed to the sector and regional weights of the MSCI Emerging Markets Index. His hunt for consistent earners keeps the fund light on cyclical fare such as financials and materials stocks. He'll also avoid industries or regions where he sees excessive valuations. For instance, he kept the fund's China exposure below 5% in the second half of 2007--a level well below the group norm--due to valuation concerns. That move proved fortuitous as Chinese stocks suffered greatly in 2008. Going its own way has been a winning recipe for the fund so far, but investors should expect it trail the pack at times because of its unique profile.

Justin Leverenz keeps 100-125 stocks in the portfolio, and the fund's average market cap hovers in the \$15 billion-\$20 billion range. The portfolio continues to sport the same large bets it always has, the result of Leverenz's theme-based approach. That includes a focus on consumer defensive stocks. At 22% of assets that stake is more than twice the size of the typical rival's and the MSCI Emerging Markets Index's. The fund's 16% stake in consumer cyclical firms is also well above the norm and includes developed-markets picks like Pernod Ricard PDRDF and LVMH LVMHF, which get a large chunk of their revenues from emerging-

Morningstar's Take

Morningstar Analyst Rating



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



Fund Performance

	Total Return %	+/- Category
YTD	6.74	-0.23
2013	8.68	8.82
2012	21.29	3.14
2011	-17.85	2.01
2010	27.39	8.13

Oppenheimer Developing Markets Y ODVYX

Analysis

markets consumers.

Leverenz is content to hang onto some fast-growing stocks when he continues to see strong long-term potential, like in the case of Chinese Internet firms Baidu BIDU and Tencent TCEHY, which recently traded at 40-50 times earnings. But he also engages in a fair amount of bargain-hunting. Emerging-markets stocks were generally hit hard in 2013, and Leverenz took that opportunity to add new India-based holdings DLF and Apollo Hospitals Enterprise. Those purchases helped push the fund's India stake to 12% of assets, roughly twice the category norm and index weighting.

Performance Pillar: + Positive

The fund has tended to outshine its peers in challenging market conditions, and it hasn't sat out during market rallies. For instance, the theme-based and benchmark-agnostic approach led Leverenz to tread lightly on Chinese and Russian stocks, which were some of the hardest-hit in the October 2007-March 2009 downturn. The fund lost less than most peers and the MSCI Emerging Markets Index during that difficult period. And good stock-picking, rather than being in the right countries at the right time, has kept the fund in good shape in the bull markets of the past several years. Brazil stocks were a tricky place to be in 2012, for example, but picks like Bovespa and Natura Cosméticos helped propel the fund's returns ahead of most competitors'. In 2013's challenging conditions, Leverenz also made some good picks in harder-hit markets like India and Brazil, including Infosys, Tata Consultancy Services, and Kroton Educacional, putting the fund ahead of more than 80% of its peers.

The overall results are impressive. Since Leverenz took over in May 2007, the fund's 7% annualized gain through May 6 landed well ahead of the typical rival's 2.1% and the index's 2.9%. His record looks even better when accounting for risk, as the strong downside performance has made for a less-volatile experience overall.

People Pillar: + Positive

Justin Leverenz joined Oppenheimer's international equity team in July 2004. He has nearly 20 years of investment experience, having previously worked as director of Pan Asian technology research for Goldman Sachs. He also worked at Martin Currie Investment Management, where he ran offshore China and Taiwan funds and at Barclays de Zoete Wedd (now Credit Suisse) as an analyst.

Upon joining the team in 2004, Leverenz worked as an analyst for Rajeev Bhaman on world-stock fund Oppenheimer Global OPPAX. He took over this fund in May 2007 and has a solid support system in the team's six other international equity managers, all of whom use similar low-turnover, theme-based approaches. On average, the seven portfolio managers have more than 20 years of investment experience, more than half of it at Oppenheimer. Leverenz also has the support of six analysts who are fairly green overall. One analyst joined the team in 2008, while the others came on board between 2011 and 2013. Heidi Heikenfeld was one of the more recent additions and has the most investment experience. She joined the firm's international equity team in 2001 and previously worked with Frank Jennings on Oppenheimer Global Opportunities OPGIX.

Leverenz has done a great job steering this fund so far, and he invests more than \$1 million alongside fundholders.

Parent Pillar: ○ Neutral

The 2007-09 financial crisis sent the firm into a tailspin, as its primary fixed-income offerings, Oppenheimer Core Bond OPIGX and Oppenheimer Champion Income, collapsed because of their exposure to risky mortgage-related securities, which was amplified by economic leverage via swaps. The bond fund collapses reverberated across the fund lineup, resulting in big losses in the firm's fund of fund offerings, too.

CEO Bill Glavin has been in place since 2009. The executives and the fund boards have certainly been busy since then, replacing management teams on underperforming funds and merging away others. In 2012 the firm settled with the SEC

on charges that it misled investors regarding the fixed-income funds' positioning during the financial crisis, in a sense bookending the period of turmoil. Glavin and the boards have made many sensible moves with the underperforming funds, but it's too soon to say if the fixed-income and domestic-equity teams are capable of producing peer-beating performance, as well as investment team stability, over the long term.

It's good to see that portfolio managers are primarily compensated on a long-term performance metric of five years. But it's unfortunate that not many managers invest more than \$1 million in the funds they run. When it comes to fees, Oppenheimer's average fee-level percentile is 43, meaning that its funds are slightly less expensive, on average, than their peers.

Price Pillar: + Positive

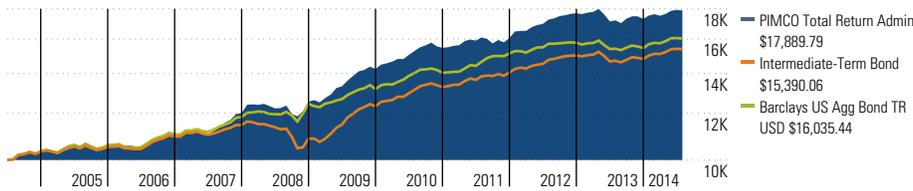
This fund's annual expense ratio of 1.35% is cheaper than four fifths of all diversified emerging-markets options and looks even more reasonably priced compared with other broker-sold offerings in the category. (The median fee for that distribution group is 1.71%.) The fund's Institutional shares levy 1.01% annually, which is also relatively inexpensive within that distribution channel.

PIMCO Total Return Admin PTRAX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.94	↓0.01 0.09	1.89	225.2	Open	\$1	None	0.71%	★★★★	Intermediate-Term Bond	

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

Pillars

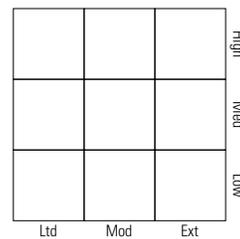
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive
Rating	Gold

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,335	10,045	10,492	11,184	13,297	17,870
Fund	3.35	0.45	4.92	3.80	5.86	5.98
+/- Barclays US Agg Bond TR USD	-0.38	0.01	0.26	0.43	1.19	1.15
+/- Category	-0.60	0.04	-0.45	0.00	0.02	1.31
% Rank in Cat	77	39	58	49	48	9
# of Funds in Cat	1,069	1,086	1,047	924	799	573

* Currency is displayed in USD

Style Map 03-31-2010



Top Holdings 03-31-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
Irs Usd 1.500 03/18/15-1y (Red) Cme	15.53	03-18-2016	35,754.00	36,006.02
✳ Irs Usd 3.000 09/21/16-1y (Grn) Cme	9.61	09-21-2017	22,157.50	22,292.66
✳ 5 Year US Treasury Note Future June14	8.52	06-30-2014	16,607.70	19,755.38
Irs Usd 1.500 12/16/15-1y (Grn) Cme	6.91	12-16-2016	16,049.50	16,030.85
Irs Usd 2.750 06/19/13-30y Cme	-2.50	06-19-2043	6,767.30	-5,789.03

% Assets in Top 5 Holdings 38.07

⊕ Increase ⊖ Decrease ✳ New to Portfolio

Bond Statistics

	Value
Average Effective Duration (Years)	4.97
Average Effective Maturity (Years)	5.29
Average Credit Quality	Not Rated
Average Weighted Coupon	3.05
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	-36.58	192.69	156.11	—	-0.38
Stock	0.35	0.00	0.35	—	0.22
Bond	132.53	8.20	140.73	—	97.82
Other	3.70	0.27	3.97	—	2.34

Management

	Start Date
William H. Gross	1987-05-11

Top Sectors 03-31-2014

	Fund	BMark	Cat Avg
Other Government Related	15.45	—	12.30
U.S. Treasury	7.57	—	15.21
Agency MBS Pass-Through	4.56	—	4.36
U.S. Treasury Inflation-Protected	3.77	—	1.73
Corporate Bond	3.00	—	25.72

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	10.97	0.0000	0.0000	0.0000	0.0200	0.0200
2014-05-30	10.95	0.0000	0.0000	0.0000	0.0200	0.0200
2014-04-30	10.84	0.0000	0.0000	0.0000	0.0200	0.0200
2014-03-31	10.78	0.0000	0.0000	0.0000	0.0200	0.0200
2014-02-28	10.86	0.0000	0.0000	0.0000	0.0100	0.0100

PIMCO Total Return Admin PTRAX

Analysis

Still among the very best.

By Eric Jacobson 3/19/2014

PIMCO Total Return remains a compelling choice.

There have been challenges. PIMCO's CEO and co-CIO Mohamed El-Erian resigned in January and departed in mid-March 2014. The firm also named six deputy CIOs including Andrew Balls, Dan Ivascyn, Mihir Worah, Mark Kiesel, Scott Mather, and Virginie Maisonneuve. Three not on the firm's Investment Committee were added, as was Fed guru Tony Crescenzi; Marc Seidner left when El-Erian resigned.

All of that came on top of other changes to the Investment Committee in recent years, and Morningstar questioned whether new members would be fit to challenge Gross. The situation is elevated with the impending sabbatical of veteran Chris Dialynas and the promotion of less-seasoned deputy CIOs, but Gross has acknowledged the impact of his domineering style and argues that he has made successful strides to improve the dynamic.

Time will tell whether that effort works, but it's encouraging. And despite other concerns—which drove a decision to lower PIMCO's Parent grade—there are reasons to maintain great confidence here. For one, Gross is still one of the best around; modest showings in 2011 and 2013 were disappointing, but expectations of perfection weren't realistic either. And while the Investment Committee has changed, it looks more balanced now, boasting new sector-level experts to complement a macro focus that had dominated. It's also backed by an eye-popping 245 portfolio managers, including 73 at senior levels.

The bottom line is that PIMCO as a whole is definitely changing, which has raised enough questions to adjust its Parent rating. And given the nature of the changes that have occurred thus far, it is important to continue watching for additional departures or signs that the new incarnation of the Investment Committee isn't working well. Those

changes have not, however, risen to a level that changes Morningstar's overall opinion of this fund. All of its pros and cons still add up to a world-class offering and a Morningstar Analyst Rating of Gold.

Process Pillar: Positive

Manager Bill Gross uses a mix of macroeconomic forecasting (supported by PIMCO's Investment Committee) and bottom-up analysis (supported by PIMCO's sector desks) to determine interest-rate, yield-curve, currency, country, sector, and issue-level decisions. The enormous number of assets Gross manages across PIMCO, however, makes it difficult for any issue-level bet to have an impact on returns. As such, the fund's overall performance has been driven more by bigger-picture decisions for some time.

Given recent changes to the Investment Committee involving the departures of co-CIO Mohamed El-Erian and Marc Seidner, the sabbatical of Chris Dialynas, and the appointment of several deputy-CIOs, adjustments seem likely. The committee has been dominated by macro specialists, but the deputy-CIOs have strong sector-level backgrounds. There are still macro thinkers in the group, but it's now more balanced and could reflect more diverse input.

The fund's derivatives usage has been cut back some relative to prior years, but PIMCO still uses as many or more than just about any of its competitors. The level of analytical research and operational support backing these is intense. That the fund has survived a number of trying market periods without its derivative exposures creating unexpected problems is a testament to the effectiveness of those efforts.

In the months leading to the 2013 summer sell-off, PIMCO argued that most asset classes were fully valued, and the portfolio grew more conservative afterward, hewing closer to the Barclays U.S. Aggregate. As of Feb. 28, 2014, its duration was almost a year short of the index, its Treasury focus was on short-maturities, and its investment-grade credit stake was light at 6% (versus 23% for the

Morningstar's Take

Morningstar Analyst Rating



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



Fund Performance

	Total Return %	+/- Category
YTD	3.35	-0.60
2013	-2.17	-0.74
2012	10.08	3.08
2011	3.91	-1.96
2010	8.56	0.85

PIMCO Total Return Admin PTRAX

Analysis

bogy). The fund also cut to 29% what had been a big mortgage bet; it was 53% in April 2012. Meanwhile, the fund's out-of-index exposures have moderated. Its combined mix of high-yield, non-U.S. developed, and emerging-markets debt was at 18% in February, while the fund maintained a 13% exposure to TIPS.

The fund's range is wider than its relatively conservative recent positioning would suggest, though, and the point was illustrated by more in-trepid decisions in 2011. The fund's duration ranged between three and five years during that year's first half, but Gross hiked it to seven years by September. That large number--the fund's benchmark was around five years for most of that stretch--still didn't tell the whole story, though. Gross had a yield-curve bet in place, for example, banking on a widening between short- and long-term yields, which kept a lid on exposure to long-maturity Treasuries. Meanwhile, much of the fund's excess duration came from non-U.S. bets. At the end of 2011, for example, the fund held 18% in non-U.S. developed markets.

Performance Pillar: + Positive

The fund stumbled in the summer of 2013, in part because of a spike in long-maturity yields that hit its TIPS allocation especially hard. What turned out to be premature talk of the Fed tapering its quantitative easing program helped drive up TIPS yields sharply between May 2 and Sept. 13, 2013. Between that and exposure to sinking emerging-markets debt, the fund tumbled 5.5% through that stretch, placing near the bottom of its peer group.

The fund had a tough 2011, too. Gross had kept duration and government-bond exposures muted, worrying that long-maturity Treasuries were too rich. They began rallying in the second quarter, though, and things got worse. The fund lost 1.1% in the third quarter, while its benchmark galloped to a 3.8% gain; the dearth of Treasuries, paired with the fund's risk exposures, was the main cause.

It hasn't been all cloudy given the fund's fat 10.4% return in 2012. A yield-curve bet worked well, and

it picked up gains over its benchmark from a range of sector exposures. That has played a big role in keeping the fund's three-year return above the category average.

Stalwarts can take heart overall. Despite the ugliness of its recent troubles, the fund's longer record remains among the category's best. It has fallen behind before, and each time Gross has found a way to get back to producing some of the best performance in the group.

People Pillar: + Positive

Bill Gross has managed this fund since inception with excellent results. He has won Morningstar Fund Manager of the Year accolades three times and is the reigning Morningstar Fund Manager of the Decade for bond funds. Once a bond-by-bond picker of corporate-debt securities, Gross' expertise evolved over the past 40 years, and today he is a titan in the world of investing across fixed-income sectors such as mortgages, corporates, and governments. One of his greatest strengths has been his ability to adapt to the challenges of size, in particular, as this strategy's massive asset base has grown.

PIMCO's staff has tremendous depth, boasting world-class practitioners and intellects across the board, even despite some high-level departures since 2008, in particular. A handful of managers were recently promoted to roles as deputy-CIOs, including bond specialists Andrew Balls, Dan Ivascyn, Mihir Worah, Scott Mather, and Mark Kiesel. The deep sector experience they bring should be a big plus for the firm's primary Investment Committee, but it's reasonable to wonder whether these highly skilled but less-seasoned folks will have the confidence and temerity to stand up to Gross' dominant presence and reputed temper. It's rarely a good idea to count him out, but it is at least fair to ask whether the firm's recent personnel changes, in particular, ultimately help or hurt this otherwise still-compelling fund and its sibling portfolios.

Parent Pillar: ○ Neutral

Still formidable, with areas for improvement and a few open questions.

The investment community was taken by surprise in January 2014 by CEO and co-CIO Mohamed El-Erian's decision to leave PIMCO. The firm quickly named longtime employees Doug Hodge as CEO and Jay Jacobs as president. It also designated six deputy CIOs, made additions to its Investment Committee, and reassigned El-Erian's investment and personnel management duties.

Those adjustments were designed to help ensure a degree of continuity, and there's reason to believe PIMCO can thrive going forward given the qualifications of its new deputy CIOs and its deep research resources. Yet it will take time to assess whether recent changes prove beneficial for investors. It's also an open question how effectively the firm will navigate a tougher environment for fixed income. Despite PIMCO's prowess, relatively high expenses on many of its funds' noninstitutional share classes have historically kept it from garnering Morningstar's highest marks. Arguably, its funds' boards have not done all they could do to aggressively negotiate for better economies of scale. In addition, the firm no longer stands out versus rivals in terms of its managers' investment in the funds they run.

These issues, plus the uncertainty associated with the recent disruptions, result in a Neutral rating.

Price Pillar: + Positive

This fund had more than \$235 billion in assets as of the end of February 2014. And while its Institutional and A share classes both carry Below Average expense ratios, its other share classes are rated Average to High. However, a fund so large most likely has further economies of scale to pass on to holders of all share classes. There are no management-fee breakpoints, according to the fund's most recent Statement of Additional Information; at \$235 billion, such breakpoints could have a meaningful impact on its expense ratio. The bottom line is that the fund's Institutional price tag is fair, and not a reason to avoid investing here, but even that figure--at 0.46%--is a difficult to justify for such a large portfolio.

Prudential Total Return Bond Z PDBZX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.40	↓0.01 0.07	3.73	3.3	Open	—	None	0.60%	★★★★★	Intermediate-Term Bond	☐☐☐

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

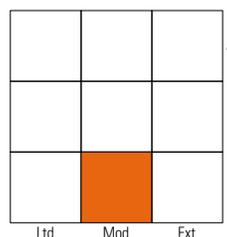
The investment seeks total return. The fund normally invests at least 80% of the investable assets in bonds, which include all fixed-income securities, other than preferred stock, with a maturity at date of issue of greater than one year. It may invest up to 50% of investable assets in high risk, below investment-grade securities having a rating not lower than CCC-also known as high-yield debt securities or junk bonds. The fund may invest up to 45% of investable assets in foreign debt securities.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,507	10,056	10,752	11,728	14,909	18,620
Fund	5.07	0.56	7.52	5.46	8.32	6.41
+/- Barclays US Agg Bond TR USD	1.34	0.13	2.85	2.09	3.64	1.58
+/- Category	1.12	0.15	2.15	1.65	2.47	1.74
% Rank in Cat	12	14	9	8	7	4
# of Funds in Cat	1,069	1,086	1,047	924	799	573

* Currency is displayed in USD

Style Map 03-31-2014



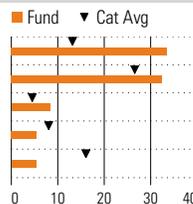
Top Holdings 05-31-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
Payb Fra Swap 7/30/14	-13.24	10-30-2014	420.00	-469.06
Recv Fra Swap 7/30/14	13.24	10-30-2014	420.00	469.01
✳ NYSE/Liffe 10 Year US Treasury Note Future Sept14	7.81	09-26-2014	0.00	276.89
✳ 5 Year US Treasury Note Future Sept14	6.95	09-30-2014	0.00	246.34
⊕ NYSE/Liffe 2 Year US Treasury Note Future Sept14	-3.52	09-26-2014	0.00	-124.83
% Assets in Top 5 Holdings	11.24			

⊕ Increase ⊖ Decrease ✳ New to Portfolio

Top Sectors 05-31-2014

	Fund	BMark	Cat Avg
Other Government Related	33.43	—	12.30
Corporate Bond	32.46	—	25.72
Asset-Backed	8.32	—	3.65
Commercial MBS	5.46	—	7.19
U.S. Treasury	5.32	—	15.21



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	14.42	0.0000	0.0000	0.0000	0.0400	0.0400
2014-05-30	14.43	0.0000	0.0000	0.0000	0.0500	0.0500
2014-04-30	14.25	0.0000	0.0000	0.0000	0.0400	0.0400
2014-03-31	14.17	0.0000	0.0000	0.0000	0.0400	0.0400
2014-02-28	14.22	0.0000	0.0000	0.0000	0.0400	0.0400

Bond Statistics

	Value
Average Effective Duration (Years)	6.08
Average Effective Maturity (Years)	—
Average Credit Quality	BB
Average Weighted Coupon	4.18
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	5.02	0.00	5.02	—	-0.38
US Stock	0.00	0.00	0.00	—	0.19
Non US Stock	0.00	0.00	0.00	—	0.03
Bond	93.69	36.10	129.79	—	97.82
Other	1.29	0.60	1.89	—	2.34

Management

	Start Date
Robert Tipp	2002-10-30
Kay T. Willcox	2008-12-30
Michael J. Collins	2009-11-18
Richard Piccirillo	2012-12-31
Gregory Peters	2014-03-05

Prudential Total Return Bond Z PDBZX

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	5.08	1.13
2013	-0.92	0.50
2012	9.82	2.81
2011	7.78	1.91
2010	9.93	2.22

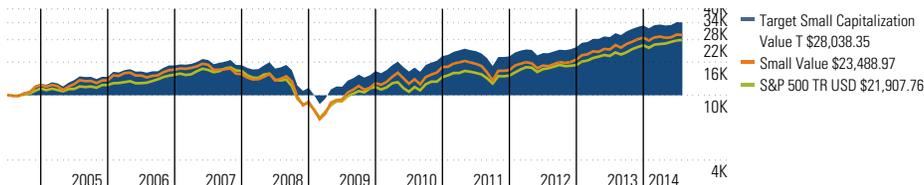
We do not currently publish an Analyst Report for this company.

Target Small Capitalization Value T TASVX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
27.98	↓0.03 0.11	0.92	2.0	Open	—	None	0.67%	★★★★	Small Value	Small Value

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks above-average capital appreciation. The Portfolio seeks investments that will increase in value. It normally invests at least 80% of its investable assets in common stocks of small companies. Small companies are those companies with market capitalizations comparable to those in the Russell 2000 Value Index. As of December 31, 2012, the Russell 2000 Value Index median market capitalization was approximately \$472 million and the largest company by market capitalization was \$4.664 billion. Market capitalization is measured at the time of purchase.

Pillars

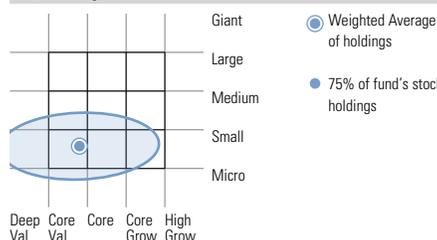
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,425	10,021	11,851	14,632	26,053	27,953
Fund	4.25	0.21	18.51	13.53	21.11	10.83
+/- S&P 500 TR USD	-3.65	-1.05	-3.40	-2.63	1.15	2.70
+/- Category	0.26	0.13	0.52	0.21	0.08	1.78
% Rank in Cat	43	36	44	47	52	9
# of Funds in Cat	392	408	377	337	262	172

* Currency is displayed in USD

Style Map



Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Firstmerit Corp	0.83	19.29 USD	-0.52 ↓	18.50 - 23.50
⊕ Bristow Group Inc	0.76	76.23 USD	-2.08 ↓	64.10 - 85.70
⊕ Teleflex Inc	0.74	106.74 USD	0.50 ↑	74.42 - 109.73
⊕ American Equity Investment Life Holding Co	0.70	23.99 USD	-0.29 ↓	16.22 - 26.46
⊕ Protective Life Corp	0.69	69.41 USD	-0.06 ↓	40.17 - 69.88
% Assets in Top 5 Holdings	3.72			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	Fund	Cat Avg
🏠 Financial Services	23.45	23.45	18.14	21.79	23	20
⚙️ Industrials	21.10	25.67	21.10	18.48	21	18
💻 Technology	13.08	13.46	8.12	12.80	13	12
🔄 Consumer Cyclical	10.76	11.72	10.10	12.61	11	12
🏥 Healthcare	6.62	6.91	6.50	5.66	7	6

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-16	25.96	1.4800	0.4400	0.0000	0.2800	2.1900
2012-12-28	21.06	0.0000	0.0000	0.0000	0.0400	0.0400
2012-12-13	20.93	0.6100	0.0000	0.0000	0.2600	0.8700
2011-12-01	19.27	0.6600	0.0000	0.0000	0.2400	0.9000
2010-12-10	20.35	0.0000	0.0000	0.0000	0.1800	0.1800

Management

	Start Date
Paul E. Viera	2001-12-31
Paul A. Magnuson	2003-10-31
Benno J. Fischer	2005-02-28
Dennis S. Ruhl	2005-07-31
R. Todd Vingers	2005-07-31
Chris D. Wallis	2005-11-30
Scott J. Weber	2005-11-30
Morley D. Campbell	2008-09-30
Phillip D. Hart	2012-02-24
Dennis G. Aliff	2013-10-01
Chad D. Fargason	2013-10-01
Robert W. Bridges	2014-01-15
Robert O. Weller	2014-01-15
John R. Mowrey	2014-02-14

Target Small Capitalization Value T 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	4.25	0.26
2013	35.87	-0.35
2012	14.14	-1.87
2011	-0.48	3.98
2010	23.63	-2.54

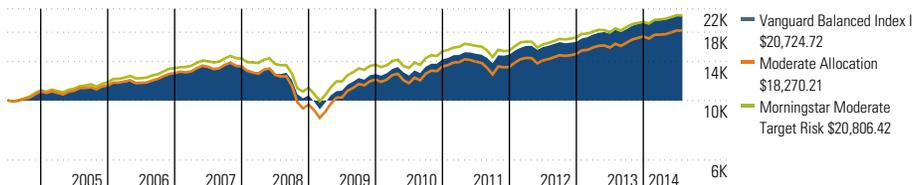
We do not currently publish an Analyst Report for this company.

Vanguard Balanced Index I VBAIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.88	↓0.08 0.28	1.85	23.1	Open	\$5	None	0.08%	★★★★	Moderate Allocation	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,592	10,086	11,470	13,661	19,451	20,679
Fund	5.92	0.86	14.70	10.96	14.23	7.54
+/- Morningstar Moderate Target Risk	0.23	0.21	0.69	2.23	1.70	-0.04
+/- Category	0.42	0.19	0.33	1.75	1.12	0.95
% Rank in Cat	32	21	45	18	24	15
# of Funds in Cat	859	880	833	723	652	421

* Currency is displayed in USD

Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	1.55	95.39 USD	0.00 ↓	59.75 - 96.80
⊕ Exxon Mobil Corporation	1.19	102.58 USD	-0.94 ↓	84.79 - 104.61
⊕ Microsoft Corp	0.84	41.94 USD	0.65 ↑	30.84 - 42.29
⊕ Johnson & Johnson	0.79	105.71 USD	-0.31 ↓	85.50 - 106.74
⊕ General Electric Co	0.74	26.24 USD	-0.30 ↓	22.92 - 28.09
% Assets in Top 5 Holdings	5.09			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
📱 Technology	16.84	16.84	16.61	13.64
🏦 Financial Services	14.31	14.88	13.59	16.34
🏥 Healthcare	12.77	12.77	11.53	12.83
⚙️ Industrials	12.27	12.69	12.17	12.25
🛒 Consumer Cyclical	11.23	11.97	11.22	11.74

	Fund	BMark	Cat Avg
Government	37.87	71.76	20.26
Agency Mortgage-Backed	21.89	0.09	12.90
Government-Related	6.22	2.58	6.37
Commercial MBS	1.21	0.02	2.58
Non-Agency Residential MBS	0.62	0.01	1.61

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-20	28.78	0.0000	0.0000	0.0000	0.1300	0.1300
2014-03-28	27.77	0.0000	0.0000	0.0000	0.1400	0.1400
2013-12-26	27.46	0.0000	0.0000	0.0000	0.1400	0.1400
2013-09-26	26.27	0.0000	0.0000	0.0000	0.1300	0.1300
2013-06-27	25.30	0.0000	0.0000	0.0000	0.1300	0.1300

3 Year Average Morningstar Risk Measures



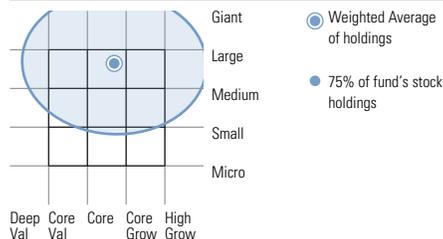
Pillars

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

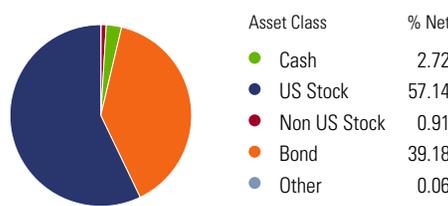
Investment Strategy

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 US 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



Asset Allocation



Management

Manager	Start Date
Joshua C. Barrickman	2013-02-22
Christine D. Franquin	2013-02-22
Paul M. Malloy	2013-02-22

Vanguard Balanced Index I VBAIX

Analysis

The quintessential core portfolio.

By Michael Rawson 5/28/2014

With diversified coverage of U.S. stocks and high-quality bonds, Vanguard Balanced Index is an excellent core holding.

Perhaps the most critical challenge faced by investors is to strike the right portfolio balance between stocks and bonds. Investors must also have the discipline to periodically rebalance their portfolio, even when that seems risky. Vanguard Balanced Index handles both of these tasks by maintaining a 60%/40% allocation to U.S. stocks and bonds. This index fund's low fee further enhances its appeal. The consistency of its approach and its cost advantage should help the fund land in the top half of the moderate-allocation Morningstar Category over the long term—hence its Gold Morningstar Analyst Rating.

This fund's strategy is passive from top to bottom, both in terms of asset allocation and security selection. Rather than market-timing and tactically shifting assets between stocks and bonds, this fund sticks to a 60%/40% portfolio. This places the fund squarely in Morningstar's moderate-allocation category. There is nothing magical about that ratio of stocks to bonds, so investors still need to determine if this is an appropriate mix for their goals and level of risk tolerance. A stagnant or target-risk approach that follows a 60%/40% mix has long been an investing rule of thumb. Another rule of thumb that reduces risk over time suggests that investors should place a percentage of their portfolios in bonds that is approximately equal to their age. Therefore, investors approaching retirement might prefer a more conservative asset mix. Target-date funds may be a more appropriate alternative for investors who wish to shift into a more conservative allocation as they approach retirement. Still, this fund's simple approach to asset allocation has merit, as evidenced by its top 15 percentile ranking over the past decade.

Within both the equity and fixed-income allocations, Vanguard Balanced replicates broad, mar-

ket-cap-weighted indexes, which results in a large number of holdings. This helps achieve an optimal amount of diversification and minimize the risk posed by any single security.

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, Vanguard Balanced doesn't waver. 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%. Historically, a disciplined rebalancing approach has helped to reduce risk.

The 60% equity sleeve follows the CRSP US 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 3,360 stocks including a large number of micro-cap offerings. These small stocks can offer a modest boost to returns but should not meaningfully increase risk because of their small allocation.

The fixed-income side of the portfolio also follows a passive approach, tracking the Barclays U.S. Aggregate Float Adjusted Bond Index. While it holds more than 7,000 bonds, this particular bond index does not include Treasury Inflation-Protected Securities, high-yield, or international bonds. The average duration, a proxy for interest-rate risk, is longer than the average fund's in the category. However, this is a reflection of the index and, in turn, issuance in the market.

This fund holds nearly 10,000 securities. While that may sound like an unwieldy smorgasbord doomed to mediocrity, Vanguard has the portfolio management process down to a science and has achieved results that place the fund in the top 15th percentile of the moderate-allocation category over the past 10 years. The level of diversification achieved by the fund is much greater than a typical allocation fund.

Vanguard Balanced's broad exposure to stocks,

Morningstar's Take

Morningstar Analyst Rating



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	5.92	0.42
2013	18.11	1.63
2012	11.51	-0.21
2011	4.31	4.42
2010	13.34	1.51

Vanguard Balanced Index I VBAIX

Analysis

which encompasses the full market-cap range, results in a smaller average market cap than a typical fund. Yet the fund's market-cap-weighting approach means that giant-cap names such as Apple AAPL, Exxon Mobil XOM, and General Electric GE hold the largest sway and that small- and micro-cap stocks do not substantially increase the overall risk. On the bond side, the portfolio is dominated by government and government-backed securities. It leaves out high-yield and 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. Because international stocks and bonds are not perfectly correlated to U.S. markets, holding them in combination with U.S. securities may help improve risk-adjusted returns. Investors will have to add a separate fund for that exposure.

Performance Pillar: + Positive

Because the fund tracks a mixture of two broad indexes, it should not be expected to outperform in any given year. Indeed, its average annual category rank over the past 10 years is in only about 40th percentile. However, its cost advantage and consistency gives it an edge over the long term. Over the entire 10-year span, the fund landed in the top 15th percentile of the moderate-allocation category. Additionally, its low turnover has allowed it to remain tax-efficient. The fund has not issued a capital gain since 2001. This tax efficiency makes the fund an ideal choice for a taxable account.

The fund has managed to generate this performance with lower risk than the moderate-allocation category average. Over the past 10 years, Vanguard Balanced has provided 90% of the return of the S&P 500 Index but only 60% of the risk. Because the fund has consistently produced above-average returns but below-average risk, its risk-adjusted return ranking is slightly better than its rank based purely on return. Many investors became disillusioned with the value of diversification in 2008. After all, the fund was down 22%. But patient investors recouped their losses in less than

two years.

People Pillar: + Positive

Vanguard recently brought in new managers, consistent with its long-standing practice of rotating its portfolios' managers across its fund lineup. But this is not a cause for concern. 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 and Paul Malloy have managed the fund's bond portfolio since February 2013. Barrickman, who leads the fixed-income indexing group, joined Vanguard in 1999 and has co-managed bond funds there since 2005. He also oversees the \$110 billion Vanguard Total Bond Market Index VBTLX, which has the same index as the bond portion of this fund. Malloy joined Vanguard in 2005 and also manages short-term, intermediate-term, and long-term bond funds for Vanguard.

Parent Pillar: + Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows

have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: + Positive

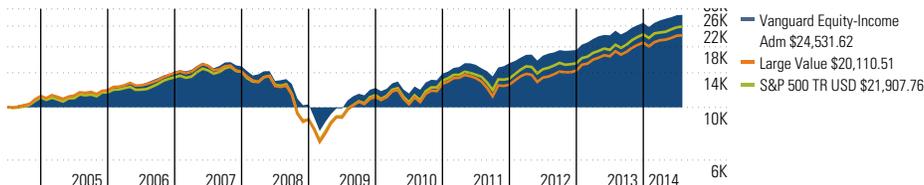
Vanguard's investment philosophy is based on the concept of low-cost investing, and this fund is no exception. The Admiral share class, which has a minimum initial investment of \$10,000, has an expense ratio of 0.09%, while the Investor share class, which has a minimum initial investment of \$3,000, charges 0.24%. The average expense ratio for the category is 0.97%. Thus, this fund enjoys an enormous cost advantage over its peers.

Vanguard Equity-Income Adm VEIRX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
66.43	↓0.16 0.24	2.54	17.7	Open	\$50,000	None	0.21%	★★★★★	Large Value	Large Value

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



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 stocks. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, the fund will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.

Pillars

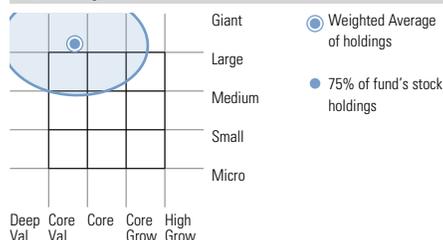
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,800	10,101	11,892	16,007	25,721	24,448
Fund	8.00	1.01	18.92	16.98	20.80	9.35
+/- S&P 500 TR USD	0.11	-0.26	-2.99	0.82	0.84	1.23
+/- Category	0.69	0.12	-0.39	2.42	2.50	1.82
% Rank in Cat	35	40	56	7	7	8
# of Funds in Cat	1,282	1,316	1,236	1,071	952	620

* Currency is displayed in USD

Style Map

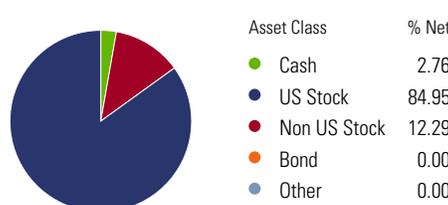


Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Johnson & Johnson	4.03	105.71 USD	-0.31 ↓	85.50 - 106.74
⊕ Wells Fargo & Co	3.90	51.79 USD	-0.77 ↓	40.07 - 53.08
⊕ Microsoft Corp	3.57	41.94 USD	0.65 ↑	30.84 - 42.29
⊖ Exxon Mobil Corporation	3.40	102.58 USD	-0.94 ↓	84.79 - 104.61
⊕ Verizon Communications Inc	3.03	49.48 USD	1.19 ↑	45.08 - 51.94
% Assets in Top 5 Holdings	17.92			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏦 Financial Services	16.29	16.29	13.52	21.28
🏥 Healthcare	12.91	13.20	12.69	13.25
⚙️ Industrials	12.90	14.95	12.90	10.31
💻 Technology	12.79	12.79	9.08	10.78
🛒 Consumer Defensive	12.71	15.12	12.71	9.19

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-20	66.57	0.0000	0.0000	0.0000	0.4200	0.4200
2014-03-28	62.84	0.0000	0.0000	0.0000	0.4900	0.4900
2013-12-17	60.10	1.6000	0.0800	0.0000	0.4300	2.1100
2013-09-26	59.83	0.0000	0.0000	0.0000	0.3800	0.3800
2013-06-27	57.78	0.0000	0.0000	0.0000	0.4400	0.4400

Management

	Start Date
James P. Stetler	2003-12-31
W. Michael Reckmeyer	2007-12-31
Michael R. Roach	2012-01-27
James D. Troyer	2012-01-27

Vanguard Equity-Income Adm VEIRX

Analysis

Well positioned.

By Kevin McDevitt, CFA 2/4/2014

Vanguard Equity Income is right where it should be.

This fund's second-consecutive bottom-half calendar-year return isn't as disappointing as it may seem. True, its 30.1% 2013 gain trailed the large-value average by 1.1 percentage points. But it fared better relative to its benchmark, the FTSE High Yield Dividend index, lagging by only about 0.3 percentage points.

Middling results during robust rallies are somewhat to be expected. The fund maintains a more conservative portfolio than many peers, and it tends to do better in relative terms when equities are flat or declining. It turned in one of the category's best showings during 2011's correction. Conversely, it's ill-suited for robust rallies such as 2013's, when small- and mid-cap stocks led the way. Just 8% of the portfolio is in such stocks, which is less than half the category average.

Five years into a bull market, the fund remains well positioned should equity markets back up. Comanager Michael Reckmeyer, who runs a little more than 60% of the portfolio with Vanguard's equity investment group handling the remainder, generally sticks to high-quality companies that can grow their dividends. This quality shows in a 7.67% average return on assets versus the category's 6.30%.

Moreover, Reckmeyer won't stretch for yield. With interest rates low, he believes investors have bid up high-yielding stocks. He prefers stocks such as Texas Instruments TXN with yields in the 2%-3% range. The fund's 2.4% trailing 12-month yield is in the category's highest decile, but this owes more to its 0.30% expense ratio, which is among the lowest for actively managed large-value funds. Meanwhile, the fund devotes less to income-oriented sectors such as telecom and utilities than the FTSE index, a combined 9.7% versus the benchmark's 12.4%.

Because of its ultra-low expense ratio, the fund balances its income mandate and quality portfolio better than most similar peers. Low expenses have helped the fund deliver one of the category's better long-term records without taking on extra risk.

Process Pillar: Positive

This fund splits its assets between two advisors, but it's not clear why. Both Wellington's Michael Reckmeyer, who manages a little more than 60% of assets, and Vanguard's equity investment group are tethered to the FTSE High Dividend Yield Index, which is composed primarily of high-quality U.S. companies with above-average yields. Vanguard's James Stetler keeps his portfolio sector neutral versus the benchmark, while Reckmeyer can over- or underweight sectors by up to 8 percentage points. Reckmeyer does diverge by investing up to 25% of his sleeve in foreign stocks. He has been adding to this area in recent years given generally higher yields overseas, taking the fund's overall weighting to nearly 11% from less 3.5% in June 2010.

Reckmeyer is a stickler for dividends, valuations, and quality. He buys stocks with above-average dividends, low valuations, but unappreciated growth prospects. This fund's quarry must pay a dividend and offer a yield above that of the S&P 500 Index upon purchase. Unlike sibling Wellesley Income VWINX, however, this fund can hold a stock if its yield falls below that of the S&P 500. Stetler and his team 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 quality.

Comanager Michael Reckmeyer is showing his valuation consciousness by adding to foreign equities. Foreign shares now claim 15% of his portfolio and nearly 11% of the overall fund, up from 3.5% four years ago. Yield-hungry investors have poured money into dividend-paying U.S. blue chip stocks--this fund's natural hunting ground--pushing valuations to multiyear highs.

Morningstar's Take

Morningstar Analyst Rating



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



Fund Performance

	Total Return %	+/- Category
YTD	8.00	0.69
2013	30.19	-1.02
2012	13.58	-0.99
2011	10.69	11.43
2010	14.99	1.33

Vanguard Equity-Income Adm VEIRX

Analysis

But outside of a continuing decline in consumer staples because of heightened valuations, the fund's sector weightings haven't changed much during the past 12 months. Owing to Reckmeyer's foreign pivot, their composition has evolved. Reckmeyer established a small position in embattled oil major BP in 2012's third quarter. And he recently added to National Grid, a United Kingdom-based utility primarily involved in distribution, which Reckmeyer believes carries less risk than power production.

Reckmeyer has continued to trim consumer staples, taking the overall weighting to 12.1% from 17.5% three years ago. But here, too, foreign positions have become more prevalent as Reckmeyer has added to British American Tobacco. Overall, staples remain one of the fund's biggest overweightings. While below the index's 19.5% weighting, the sector is still well above the 8.7% large-value average. Yet, the fund looks more balanced than its average peer. Financials have surged to nearly 22.0% for the average large-value fund, but remain just 14.4% here.

Performance Pillar: + Positive

This fund has undoubtedly been successful, but there's little need for its bifurcated portfolio. Wellington's Michael Reckmeyer runs 60% of the fund with Vanguard's equity investment group handling the remainder. But it isn't clear that the Vanguard sleeve is adding value. Reckmeyer, who took over Wellington's sleeve in December 2007, manages similar Hartford Equity Income HQIAX. That fund's 17.7% five-year annualized gross return beats this fund's by nearly 30 basis points through December 2013. Nor has the Vanguard sleeve reduced volatility. Hartford Equity Income's five-year standard deviation is 14.9% versus this fund's 15.2%.

Nevertheless, Reckmeyer, along with his Vanguard counterparts, is building a solid track record. The fund's return since he became the lead manager lands in the large-value category's top quintile, and it has beaten the FTSE index by 0.4 percentage points annualized. It has managed this while delivering less volatility,

as measured by standard deviation, than most category peers.

Plus, the two teams have succeeded over the years at generating an above-average yield from securities of higher-than-average quality, although this is largely due to the fund's low expenses. It currently derives its above-average 2.4% trailing 12-month yield from stocks that have higher returns on assets than do its typical peer's holdings.

People Pillar: + Positive

Wellington Management, which runs nearly two thirds of this fund, brings ample resources to bear on this assignment.

Michael Reckmeyer took over as lead manager of Wellington's slice in late 2007 and has been a member of Wellington's value equity-income team since 1994. He also has run the stock portion of Vanguard Wellesley Income since June 2008. A 12-member team--including eight analysts--supports Reckmeyer, as do Wellington's more than 50 global industry analysts. At least three of the value equity-income analysts--Karen Grimes, Ian Link, and Toby Jayne--run funds from other families, such as Hartford Balanced Income HBLAX and Hartford Equity Income, in addition to contributing ideas to this one.

Vanguard's in-house quantitative equity group runs the rest of this portfolio. James Stetler has been investing at Vanguard since 1996 and has been running a slice of this fund since 2003. The quantitative equity group, which runs Vanguard's passive index funds and active quant strategies, recently added 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, as managers on the fund. The quantitative equity group has about 14 managers and analysts with an average of 14 years in the investment industry working on active portfolios.

Parent Pillar: + Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance

overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: + Positive

This is a very competitively priced mutual fund. It is one of the cheapest actively managed funds that retail investors can buy in the large-value category, and its expense ratio is lower than about half of the exchange-traded funds in that peer group. Its low-turnover approach also helps to keep tax and transaction costs down and to keep a lid on the total cost of ownership.

The fund's fees have fluctuated some over time as assets have ebbed and flowed. The fees also change depending on how subadvisor Wellington Management performs versus its benchmark--its management fee is adjusted for performance versus the FTSE High Dividend Yield Index over

Vanguard Equity-Income Adm VEIRX

Analysis

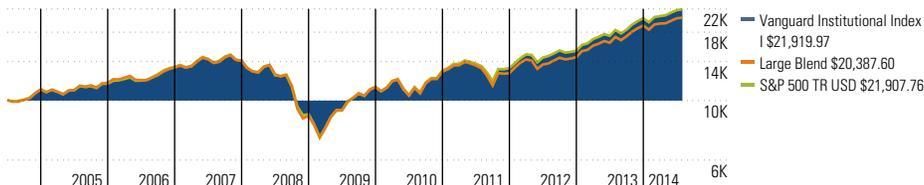
three-year periods. In the future, though, this should remain a very cheap fund.

Vanguard Institutional Index I VINIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
180.93	↓0.85 0.47	1.83	175.5	Open	\$5	None	0.04%	★★★★	Large Blend	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



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 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

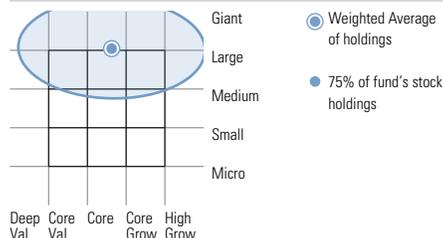
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,787	10,127	12,187	15,661	24,818	21,847
Fund	7.87	1.27	21.87	16.13	19.94	8.13
+/- S&P 500 TR USD	-0.02	0.00	-0.05	-0.03	-0.02	0.01
+/- Category	1.00	0.27	1.09	1.75	1.46	0.50
% Rank in Cat	24	26	34	20	19	28
# of Funds in Cat	1,633	1,676	1,564	1,337	1,204	796

* Currency is displayed in USD

Style Map

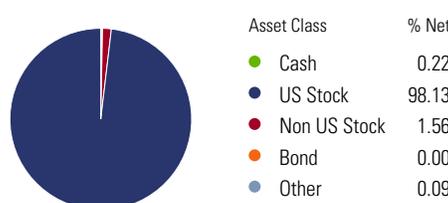


Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	3.28	95.39 USD	0.00 ↓	59.75 - 96.80
Exxon Mobil Corporation	2.53	102.58 USD	-0.94 ↓	84.79 - 104.61
Microsoft Corp	1.80	41.93 USD	0.62 ↑	30.84 - 42.29
Johnson & Johnson	1.67	105.71 USD	-0.31 ↓	85.50 - 106.74
General Electric Co	1.56	26.23 USD	-0.34 ↓	22.92 - 28.09
% Assets in Top 5 Holdings	10.84			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.19	17.21	16.77	16.28
Financial Services	14.64	15.33	14.41	15.37
Healthcare	13.19	13.19	11.93	13.48
Industrials	11.33	11.68	11.05	13.69
Consumer Cyclical	10.50	11.24	10.15	10.28

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-20	179.83	0.0000	0.0000	0.0000	0.8000	0.8000
2014-03-28	170.15	0.0000	0.0000	0.0000	0.8100	0.8100
2013-12-26	168.64	0.0000	0.0000	0.0000	0.8900	0.8900
2013-09-26	155.55	0.0000	0.0000	0.0000	0.7800	0.7800
2013-06-27	147.70	0.0000	0.0000	0.0000	0.7800	0.7800

Management

Donald M. Butler
Start Date: 2000-12-31

Vanguard Institutional Index I VINIX

Analysis

This fund offers low-cost, efficient tracking of the S&P 500 Index.

By Michael Rawson 4/2/2014

While it's not possible to invest directly in an index, Vanguard Institutional Index is the next best thing.

For investors who can meet the \$5 million minimum, this fund has had better performance and lower tracking error than any other S&P 500 Index fund. Vanguard 500 Index VFIAX may be more appropriate for investors of more modest means. While there are many S&P 500 Index funds, this fund's low expense ratio, tax efficiency, and minimal tracking error set it apart. During the past 10 years through February 2014, the fund has beaten S&P 500 Index by 4 basis points. In terms of index fund management, no one has done it better. Hence, this fund's Morningstar Analyst Rating of Gold.

The S&P 500 Index has proved to be a difficult benchmark for active managers to beat over the long term, after fees. In simply tracking this benchmark, this fund outpaced more than two thirds of its surviving peers in the large-blend Morningstar Category. Its aftertax performance looks even better, partly because of the index's low turnover.

As a market-cap-weighted index, the S&P 500 Index puts most of its emphasis on large-cap companies, though it also includes some mid-cap stocks. Investors looking for comprehensive exposure to the U.S. stock market could pair this fund with a small-cap fund or a completion index fund. Vanguard Total Stock Market Index VTSAX may also be a suitable alternative. It charges 0.05% but covers a broader swath of the equities market.

Investors in this fund should be prepared for the risk inherent in the stock market. Volatility has averaged about 15% in the last decade, and the index fell 37% in 2008. While it did rebound during the past several years, risk-averse investors or those with a short-term time horizon might consider limiting their allocations to U.S. stocks.

Process Pillar: Positive

Vanguard founder Jack Bogle launched the first S&P 500 Index mutual fund in 1976. At the time, the endeavor was derided as "Bogle's folly" because it was widely believed that the only way to manage money was through active stock selection. Since that time, roughly 36% of U.S. equity fund assets have become passively managed. Vanguard has turned index investing into a science.

This fund follows a full replication strategy, holding essentially all of the 500 stocks in the S&P 500 Index at close to their market-capitalization weights. Scale is important when managing an index fund, as it allows a portfolio to closely mirror an index and helps improve efficiency. With \$160 billion in assets, this is among the largest index funds.

Mutual funds, particularly those with a wide retail following, need to maintain some cash to fund redemptions. Compared with other index funds, this fund has very stable flows, a testament to Vanguard's philosophy of investing for the long term. This allows the fund to hold a lower cash balance than most other funds, which further improves efficiency. Excess cash is invested in S&P 500 futures.

Turnover has averaged about 6%. Low turnover reduces transaction costs and improves tax efficiency. This fund is among the most tax-efficient S&P 500 Index funds available.

The cyclical technology and financials sectors represent the fund's largest sector weightings at 17% and 15%, respectively. The utility and real estate sectors carry the smallest weightings at 3% and 2%, respectively. The average market cap is \$66 billion, and the top-10 stocks account for 18% of the fund's assets. These numbers are lower than the large-blend category averages because most large-blend funds have a greater share of assets in giant-cap stocks.

At about 18 times, the S&P 500 Index's current price/trailing earnings ratio is above its post-World War II median of 16. Historically, future returns have been weaker when starting out at elev-

Morningstar's Take

Morningstar Analyst Rating



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	7.87	1.00
2013	32.35	0.85
2012	15.98	1.02
2011	2.09	3.36
2010	15.05	1.04

Vanguard Institutional Index I VINIX

Analysis

ated valuations. Still, stocks look attractive relative to bonds. The 10-year U.S. Treasury note yield of 2.7% is only 70 basis points above the 2.0% dividend yield on the stocks in the S&P 500 Index. During the past 70 years, the Treasury rate has averaged about 280 basis points above this dividend yield.

Based on Morningstar equity analysts' fair value assessments of the fund's underlying holdings, the fund is approximately fairly valued as of this writing.

Performance Pillar: + Positive

This fund has one goal: track the performance of the S&P 500 Index as closely as possible. Aided by its low expense ratio, it has enjoyed remarkable success, too.

Investors have gotten more than they paid for. During the past 10 years through February 2014, the fund has returned 7.2% annualized, actually beating the index by 4 basis points. That performance places the fund in the top 29th percentile of all large-blend funds. In any given year, its lowest relative performance rank was 57%. Well-run and low-cost S&P 500 Index funds such as this are unlikely to land at the bottom of any performance ranking.

The standard deviation of the fund's return during the past decade has averaged 14.7%, the same as the index and slightly less than the large-blend category. No fund has had lower tracking error to the S&P 500 Index, a sign of this fund's efficient management.

The fund has been among the most tax-efficient S&P 500 Index funds. In fact, its performance rank improves from the top 29th percentile to the top 21st percentile on an aftertax basis. The fund has not issued a capital gains distribution since 1999.

People Pillar: + Positive

Donald Butler, who joined Vanguard in 1992, has been involved with the day-to-day management of this fund since 2000 and has been lead manager since 2005. Butler manages nine other funds for Vanguard, including Vanguard Extended Market In-

dex and Vanguard Mid-Cap Index. He has earned the right to use the Chartered Financial Analyst designation. Butler does not currently have any money invested in this fund.

Butler works within the Vanguard Equity Index Group, which is led by Joseph Brennan. That group includes other long-tenured index portfolio managers such as Donald Butler, Gerard O'Reilly, and Michael Perre. The depth of talent and Vanguard's practice of rotating managers serves to minimize key-manager risk.

Gus Sauter recently resigned as chief investment officer and was replaced by Tim Buckley, who previously led the retail investment group and worked as the chief information officer prior to that. Efficient operations are critical to running an index fund, so Buckley's process-improvement background makes him a sensible successor for Sauter.

Parent Pillar: + Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--

especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: + Positive

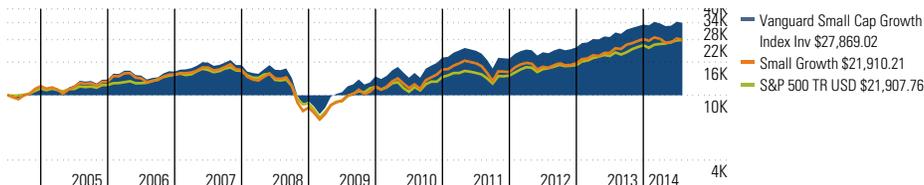
Vanguard passes the savings from economies of scale back to the investor in the form of lower fees. The fund's 0.04% expense ratio is among the lowest available, but it requires a \$5 million initial investment. Investors with that much money to invest often command low fees. In fact, that fee is well 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 it also has a higher investment minimum of \$200 million. Fidelity Spartan 500 Index FXSIX charges 0.04% but also 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.

Vanguard Small Cap Growth Index Inv VISGX

Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
35.16	↓0.10 0.29	0.46	15.8	Open	\$3,000	None	0.24%	★★★★	Small Growth	Small Growth

Growth of 10,000 07-09-2004 - 07-09-2014



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 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. 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.

Performance 07-09-2014

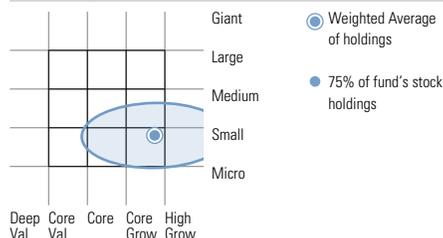
	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,231	10,069	11,726	14,355	28,357	27,743
Fund	2.31	0.69	17.26	12.81	23.18	10.74
+/- S&P 500 TR USD	-5.59	-0.58	-4.65	-3.35	3.22	2.62
+/- Category	3.38	0.40	1.89	1.92	2.37	1.71
% Rank in Cat	14	26	34	22	14	11
# of Funds in Cat	735	743	718	642	566	377

* Currency is displayed in USD

Pillars

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

Style Map

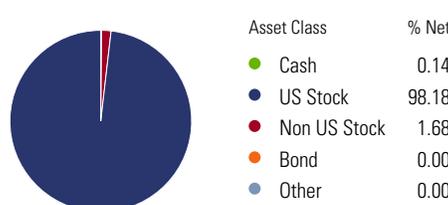


Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Harman International Industries Inc	0.59	113.75 USD	-0.02 ↓	53.69 - 115.00
Salix Pharmaceuticals Ltd	0.57	133.31 USD	0.02 ↑	64.93 - 141.80
Alkermes PLC	0.55	48.27 USD	-0.90 ↓	28.86 - 54.25
W P Carey Inc	0.53	64.95 USD	0.79 ↑	55.23 - 72.19
Cooper Companies	0.51	149.31 USD	-0.15 ↓	116.95 - 149.95
% Assets in Top 5 Holdings	2.75			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Asset Allocation



Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.44	21.19	19.51	24.16
Industrials	16.68	22.59	16.68	20.07
Consumer Cyclical	15.36	17.44	15.36	15.72
Healthcare	13.92	16.14	13.92	14.20
Real Estate	12.72	12.72	3.26	3.03

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-24	35.09	0.0000	0.0000	0.0000	0.0000	0.0000
2013-12-23	34.14	0.0000	0.0000	0.0000	0.1600	0.1600
2013-03-19	27.77	0.0000	0.0000	0.0000	0.0000	0.0000
2012-12-21	24.94	0.0000	0.0000	0.0000	0.2200	0.2200
2012-03-21	24.39	0.0000	0.0000	0.0000	0.0000	0.0000

Management

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

Vanguard Small Cap Growth Index Inv VISGX

Analysis

A new benchmark should make this low-cost offering even better.

By Alex Bryan 6/27/2014

Vanguard Small Cap Growth Index is one of the cheapest funds of its kind.

It invests in the faster-growing and more expensive half of the U.S. small-cap market. 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 often trade at rich valuations. Additionally, they may not hold up as well as large caps during recessions. Therefore, this fund is best suited as a satellite holding for investors with a high risk tolerance.

In order for growth companies to generate superior returns, they must exceed the expectations embedded in their valuations. Yet, in forming these expectations, investors may extrapolate past growth too far into the future, or become overly optimistic about a firm's outlook. This could explain why growth stocks have historically underperformed their value counterparts in nearly every country studied over long horizons.

Because this fund covers approximately half the small-cap market, it includes some stocks with only modest growth characteristics that dilute its growth tilt. That said, 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.

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 the small-growth Morningstar Category. Its Admiral share class enjoys an even greater cost advantage. Its 0.09% fee is only a fraction of the category's median levy, 1.2%. Tax efficiency adds to the fund's appeal.

In April 2013, Vanguard transitioned it from the MSCI US Small Cap Growth Index to the CRSP US Small Cap Growth Index, citing potential cost savings. The new benchmark has generous buffer rules to mitigate turnover and transaction costs. In light of its cost advantages, we give this fund a Morningstar Analyst Rating of Silver.

Process Pillar: Positive

The fund employs full replication to track the market-cap-weighted CRSP US Small Cap Growth Index. CRSP ranks all U.S. stocks by market capitalization 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 a multifactor model. The growth factors 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 inclusion of return on assets as a growth 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 most dominant 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 improve the fund's style purity.

While the fund's holdings are trading at richer valuations, on average, than the broad CRPS US Small Cap Index, they are comparable to the category average. Many of these stocks have attractive business prospects that may justify these high valuations. But they may have further to fall than their value counterparts if they miss expectations. The fund's broad reach limits its exposure to speculative names. Its assets are well diversified

Morningstar's Take

Morningstar Analyst Rating



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	2.31	3.38
2013	37.98	-2.93
2012	17.52	4.37
2011	-1.58	1.98
2010	30.69	3.71

Vanguard Small Cap Growth Index Inv VISGX

Analysis

across more than 600 stocks. In fact, the top-10 holdings account for just more than 5% of the portfolio.

Like most of its peers, the fund gives overweightings to technology and health-care stocks and underweightings to the financial-services and utilities sectors relative to the CRSP US Small Cap Index. However, it has less exposure to technology stocks than the category average.

CRSP's buffering rules could allow some modest style drift, as stocks with diminishing growth characteristics remain in the portfolio. However, a marginal reduction in style purity is a reasonable price to pay for lower transaction costs. The fund climbs a bit further up the market-cap ladder than the Russell 2000 and S&P SmallCap 600 Growth indexes, but the average market capitalization of its holdings is similar to the category average.

Performance Pillar: Positive

In part due to its low fees, the fund has consistently outperformed its peers in the small-growth category. Over the trailing 10 years through May 2014, the fund landed in the category's top quintile, outpacing the category average by 1.6% annualized. During that time it exhibited comparable volatility to the category average. However, it managed to lose a little less than the category average in 2008.

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 decade. Given its substantial cost advantage, the fund should continue to offer attractive long-run performance relative to its peers. It is also 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.

As a result of its full index replication, the fund has exhibited low tracking error. Over the trailing 12 months through May 2014, the fund lagged its benchmark by the amount of its expense ratio.

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. However, O'Reilly is not alone. He is 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. Together, 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.

Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: Positive

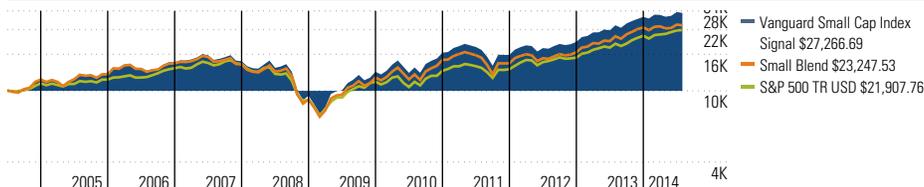
Vanguard charges a razor-thin 0.09% expense ratio for the fund's Admiral shares and 0.24% for the Investor shares, making it one of the cheapest small-cap growth funds available. In comparison, the median fund in the category charges 1.2%. The minimum investments for the Investor and Admiral shares are \$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, the practice of lending out the underlying holdings in exchange for a fee. This ancillary income partially offsets the fund's expenses.

Vanguard Small Cap Index Signal VSISX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
49.97	↓0.10 0.20	1.22	49.1	Limited	—	None	0.09%	★★★★★	Small Blend	Small Blend

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

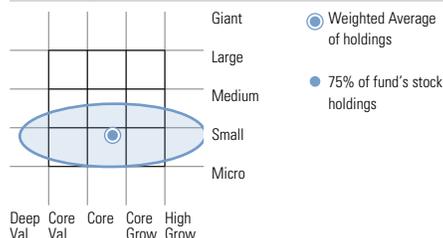
The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. 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.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,523	10,052	12,031	15,048	28,696	27,150
Fund	5.23	0.52	20.31	14.59	23.47	10.50
+/- S&P 500 TR USD	-2.66	-0.75	-1.60	-1.57	3.52	2.38
+/- Category	2.39	0.48	2.54	1.74	2.60	1.48
% Rank in Cat	14	17	19	25	11	—
# of Funds in Cat	722	753	684	595	544	337

* Currency is displayed in USD

Style Map



Top Holdings 05-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Hanesbrands Inc	0.31	98.37 USD	1.57 ↑	51.90 - 99.99
⊕ Rite Aid Corp	0.30	7.32 USD	0.69 ↑	2.74 - 8.61
⊕ Harman International Industries Inc	0.27	113.77 USD	3.38 ↑	53.69 - 115.00
⊕ Foot Locker Inc	0.26	50.74 USD	0.06 ↑	31.91 - 52.07
⊕ Arthur J Gallagher & Co	0.26	46.69 USD	0.73 ↑	41.11 - 49.46
% Assets in Top 5 Holdings	1.41			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

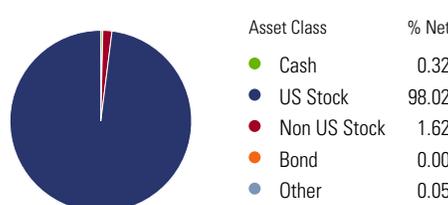
Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏭 Industrials	17.57	19.32	17.57	18.79
🛒 Consumer Cyclical	14.72	15.41	13.32	15.04
💻 Technology	14.65	15.00	14.65	16.20
🏦 Financial Services	12.55	13.22	12.55	15.46
🏠 Real Estate	11.03	11.03	9.84	5.90

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-24	48.67	0.0000	0.0000	0.0000	0.0000	0.0000
2013-12-23	47.09	0.0000	0.0000	0.0000	0.6100	0.6100
2013-03-19	38.88	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-21	34.87	0.0000	0.0000	0.0000	0.6400	0.6400
2012-03-21	33.94	0.0000	0.0000	0.0000	0.0100	0.0100

Asset Allocation



Management

Michael H. Buek
Start Date: 1991-12-30

Vanguard Small Cap Index Signal VSISX

Analysis

This fund provides great low-cost, diversified exposure to U.S. small-cap stocks.

By Michael Rawson 5/29/2014

Gold-rated Vanguard Small Cap Index is an ideal portfolio building block for long-term, buy-and hold-investors or for those who wish to tactically overweight small cap stocks.

This fund offers low-cost, diversified exposure to U.S. small cap stocks. Despite their higher volatility, over very long periods of time small-cap stocks may outperform large caps, but this is far from guaranteed. Aggressive investors commonly overweight small caps, which typically make up less than 15% of total market capitalization of the U.S. equity market.

U.S. small caps have historically provided some diversification benefits. The Morningstar Small Cap Index had a correlation of around 0.94 with the S&P 500 Index over the past 10 years. That said, small-cap stocks tend to be riskier, as they exhibit greater sensitivity to macroeconomic risks and typically lack economic moats--or sustainable competitive advantages. The greater risk in small-cap stocks is evident in their volatility. Over the past 10 years, the standard deviation of monthly returns of this fund was 20%, more than 5 percentage points greater than that of large-cap equities, as represented by the S&P 500 Index.

With this greater volatility comes a higher beta, a measure of market risk. Small-cap stocks have earned a return premium of about 2% over large-cap stocks since 1926. For those who want to reap this size premium, be forewarned that the returns for smaller stocks can vary drastically over time, and small-cap stocks can lag large-cap stocks for decade-long periods. Investors should be even more cautious on the prospects of the small-cap premium, given that small caps currently look expensive relative to large caps.

Over the past 10 years, the fund has returned 10.2% on an annualized basis. That outpaced 80% of the competition, which had an average return of

8.3%. Its lowest relative rank in any given year was 52nd percentile. Given the consistency of its performance, low fee, and well-regarded parent, we give this fund a Morningstar Analyst Rating of Gold.

Process Pillar: Positive

The fund employs full replication to track the CRSP US Small Cap Index. Vanguard 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 volatility, CRSP incorporates bands around its target market-cap ranges that act as buffer zones and transitions stocks between categories in "packets." Effectively, this smooths the movement of a stock from one size segment to the next, which reduces the tendency for volatility to create unnecessary turnover. CRSP excludes business development corporations and uses an inevitability 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.

This fund has an ETF share class, which feeds into the same pool of assets as the mutual fund share class. This 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.

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 of the total stock market. Currently, this results in an index composed of 1,440 stocks. Because this approach pulls in a handful of mid-cap names and fewer micro-cap names than the Russell 2000 In-

Morningstar's Take

Morningstar Analyst Rating



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	5.23	2.39
2013	37.79	0.40
2012	18.25	2.79
2011	-2.68	1.39
2010	27.85	2.24

Vanguard Small Cap Index Signal VSISX

Analysis

dex, the average market cap is higher, clocking in at \$2.7 billion versus \$1.4 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 large-cap funds, small-cap indexes have greater exposure to the real estate and industrial sectors but less exposure to energy and consumer staples. The fund's dividend yield is also lower than that of many large-cap funds because many small-cap companies do not pay a dividend.

Performance Pillar: + Positive

Over the 10-year period ended April 2014, the fund has returned 10.2% annualized, while the indexes the fund has tracked over that period returned 10.1%. How can an index fund beat its index? The fund's secret is the efficiency derived from its large size combined with its low costs. The fund also employs a conservative securities lending program that helps offset costs. That performance placed the fund in the top quintile of small-blend funds over that 10-year span.

Volatility over this same time frame was 20%, in line with that of its benchmark index. This level of volatility is higher than what is observed in large-cap stocks. This fund's standard deviation of returns was slightly above the category average over the decade in question. 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

Michael Buek has been managing the fund since 1991 and has been with Vanguard since 1987. In addition to this fund, Buek manages several other index funds, including the Vanguard 500 Index.

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. In addition to Buek, the equity index group includes 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 index funds.

At Vanguard, compensation 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 become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education,

commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

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. The fund's expense ratio is nearly 1.2 percentage points lower than the expense ratio for the average small-blend fund.

Instead of holding separate funds for large-cap and small-cap exposure, passive investors may be better off building the core of their portfolio with 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, since that fund includes small- and micro-cap stocks yet charges only 0.05%.

Vanguard Total Bond Market Index Signal VBTXS

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.80	↓0.00 0.00	2.59	117.9	Limited	—	None	0.08%	★★	Intermediate-Term Bond	

Growth of 10,000 07-09-2004 - 07-09-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks the performance of a broad, market-weighted bond index. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States-including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities-all with maturities of more than 1 year. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,370	10,040	10,458	11,027	12,500	15,953
Fund	3.70	0.40	4.58	3.31	4.56	4.78
+/- Barclays US Agg Bond TR USD	-0.03	-0.03	-0.08	-0.06	-0.11	-0.05
+/- Category	-0.25	0.00	-0.79	-0.49	-1.28	0.11
% Rank in Cat	63	50	68	65	79	—
# of Funds in Cat	1,069	1,086	1,047	924	799	573

* Currency is displayed in USD

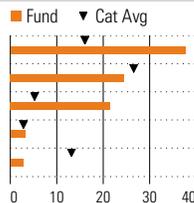
Top Holdings 05-31-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
US Treasury Note 0.375%	0.67	11-15-2015	805.95	807.84
US Treasury Note 0.25%	0.60	02-29-2016	732.05	731.71
US Treasury Note 1.5%	0.55	08-31-2018	664.43	669.82
US Treasury Note 0.375%	0.54	01-15-2016	652.45	653.77
US Treasury Note 0.25%	0.52	05-15-2016	637.70	636.40
% Assets in Top 5 Holdings	2.88			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 05-31-2014

	Fund	BMark	Cat Avg
U.S. Treasury	37.70	—	15.21
Corporate Bond	24.49	—	25.72
Agency MBS Pass-Through	21.52	—	4.36
U.S. Agency	3.21	—	1.97
Other Government Related	2.76	—	12.30



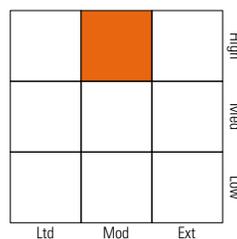
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-30	10.83	0.0000	0.0000	0.0000	0.0200	0.0200
2014-05-30	10.84	0.0000	0.0000	0.0000	0.0200	0.0200
2014-04-30	10.75	0.0000	0.0000	0.0000	0.0200	0.0200
2014-03-31	10.69	0.0000	0.0000	0.0000	0.0200	0.0300
2014-02-28	10.73	0.0000	0.0000	0.0000	0.0200	0.0200

Pillars

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

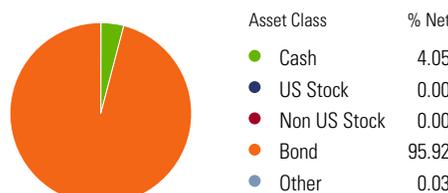
Style Map 03-31-2014



Bond Statistics

	Value
Average Effective Duration (Years)	5.62
Average Effective Maturity (Years)	7.70
Average Credit Quality	AA
Average Weighted Coupon	3.59
Average Weighted Price	107.46

Asset Allocation



Management

Joshua C. Barrickman (Start Date: 2013-02-22)

Vanguard Total Bond Market Index Signal VBTSX

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	3.70	-0.25
2013	-2.15	-0.72
2012	4.15	-2.86
2011	7.69	1.82
2010	6.54	-1.18

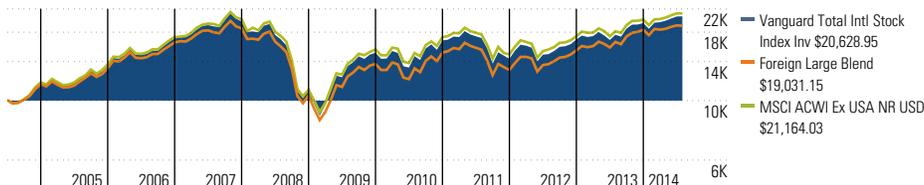
We do not currently publish an Analyst Report for this company.

Vanguard Total Intl Stock Index Inv VGTSX

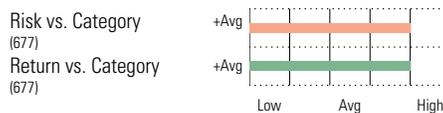
Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.43	↓0.03 0.17	2.99	130.0	Open	\$3,000	None	0.22%	★★★	Foreign Large Blend	Large Blend

Growth of 10,000 07-09-2004 - 07-09-2014



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 free-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 more than 5,330 stocks of companies located in 45 countries.

Performance 07-09-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,595	10,058	12,108	11,830	17,401	20,573
Fund	5.95	0.58	21.08	5.76	11.72	7.48
+/- MSCI ACWI Ex USA NR USD	0.39	0.13	0.41	0.17	-0.17	-0.28
+/- Category	2.45	0.88	2.39	-0.72	-0.11	0.64
% Rank in Cat	13	12	16	68	55	30
# of Funds in Cat	794	819	767	673	607	317

* Currency is displayed in USD

Top Holdings 05-31-2014

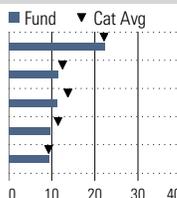
	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.15	68.45 USD	-0.51 ↓	60.50 - 72.05
⊕ Novartis AG	0.96	79.65 USD	-0.44 ↓	65.70 - 81.70
⊕ Roche Holding AG	0.95	262.20 USD	-1.24 ↓	226.30 - 274.80
⊕ HSBC Holdings PLC	0.93	589.00 USD	-1.26 ↓	585.00 - 763.26
⊕ BP PLC	0.72	503.70 USD	-0.85 ↓	426.55 - 526.80

% Assets in Top 5 Holdings 4.71

⊕ Increase ⊖ Decrease ✖ New to Portfolio

Top Sectors 05-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	22.17	22.42	20.89	21.22
Industrials	11.43	12.58	10.74	11.59
Consumer Cyclical	11.09	11.45	10.39	12.84
Consumer Defensive	9.57	9.86	9.21	10.55
Basic Materials	9.27	11.00	9.27	8.36



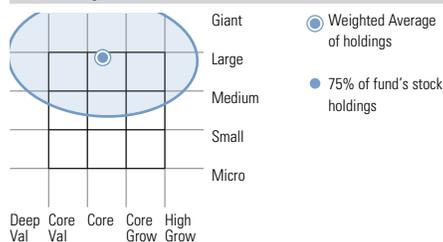
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-06-23	17.40	0.0000	0.0000	0.0000	0.1900	0.1900
2014-03-24	16.26	0.0000	0.0000	0.0000	0.1200	0.1200
2013-12-19	16.26	0.0000	0.0000	0.0000	0.1400	0.1400
2013-09-20	16.25	0.0000	0.0000	0.0000	0.0700	0.0700
2013-06-21	14.51	0.0000	0.0000	0.0000	0.1900	0.1900

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	0.47	0.00	0.47	0.01	0.69
● US Stock	0.13	—	0.13	0.06	1.37
● Non US Stock	96.91	—	96.91	98.69	94.46
● Bond	0.00	0.00	0.00	0.00	2.41
● Other	2.50	0.00	2.50	1.25	1.07

Management

Michael Perre Start Date 2008-08-12

Vanguard Total Intl Stock Index Inv VGTSX

Analysis

One of the broadest foreign-equity options, with small exposures to emerging markets and small caps.

By Patricia Oey 3/17/2014

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.

Investors can use this fund to cover the international-equities portion of a diversified stock/bond portfolio. By investing in large-, mid-, and small-cap companies in proportion to each firm's free-float-adjusted market value, this fund takes passive equity investing to the extreme. It's well-suited for those who don't believe they can allocate capital more effectively than the market at large.

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, 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. Indeed, the underperformance of emerging markets has negatively impacted the performance of this fund over the last few years.

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. But over the long term, currency volatility comprises a small portion of the

total risk of an international-equity portfolio.

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 5,300 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.

Vanguard is required by the SEC to employ fair value pricing for its foreign-equity funds. This means it adjusts the fund's net asset value to reflect market events that have occurred since the close of foreign markets. This is to ensure that the fund's NAV reflects true value and to minimize arbitrage opportunities for market-timers. There is no adjustment made to the fund's underlying index, so on a day with high market volatility, the fund's NAV may deviate slightly from its index. This difference usually corrects itself when foreign markets reopen. Long-term investors should not be impacted by these very small, short-term discrepancies.

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.

In addition to the fund's relative overweighting in emerging-markets stocks, its exposure to small caps (3.2%) is higher than the category average (0.5%).

Technically, this fund employs representative sampling as it may hold overseas-listed depositary receipts (DRs) in lieu of, or in addition to, the

Morningstar's Take

Morningstar Analyst Rating



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	5.95	2.45
2013	15.04	-4.39
2012	18.14	-0.15
2011	-14.56	-0.60
2010	11.12	0.89

Vanguard Total Intl Stock Index Inv VGTSX

Analysis

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 weights. 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 a foreign corporation are considered to be qualified only if the U.S. has an income tax treaty with the corporation's country of domicile. The U.S. does not have an income tax treaty with every nation. 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 Feb. 28, 2014, the fund's Investor share class has returned 6.86% (after fees), while the index has returned 6.93% (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 due to a sizable fair value adjustment at year end. This 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.

The Investor share class has produced second-quartile performance versus its peers in both the trailing 15- and 10-year periods. This ranking is not survivorship-adjusted and only includes funds that have been in existence during the entire period; it excludes funds that have closed or merged. 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 emer-

ging markets underperform.

People Pillar: + Positive

Contrary to popular belief, management matters at index funds. Passive fund managers have to be familiar with a wide variety of trading and portfolio management techniques to ensure their funds hew as closely to their bogies as possible. These techniques and special situations range from securities lending and the use of futures to index rebalancing and corporate actions.

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 become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund

launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

Price Pillar: + Positive

The fund's Admiral shares (which require a \$10,000 minimum investment) levy an annual fee of 0.14%. This is one of the cheapest foreign large-blend funds. 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%. The median expense ratio for the foreign large-blend category is 1.11%.

An ETF option, iShares Core MSCI Total International Stock ETF IXUS, carries an annual fee of 0.16%.

T. Rowe Price Retirement Target-Date Fund Series Report

Morningstar Analyst Rating



Key Features

Asset-Weighted Expense Ratio	0.79%
Active/Passive Exposure	86% Active
Open/Closed Architecture	100% Closed
Total Net Assets (\$M)	110,439

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

These funds aren't as cheap as some passively managed options, but they are reasonably priced, especially compared with other actively managed series.

Performance

Positive

The series' three-, five-, and 10-year returns as of March 2014 were solid versus its peers. But the funds' relatively heavy equity allocations can lead to greater short-term volatility than many rivals. For example, the funds lost more than their typical competitors during 2008's market slide and rebounded more sharply than most peers 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. 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 also does a good job describing its target-date funds and communicating with investors, and manager transitions are typically planned well in advance.

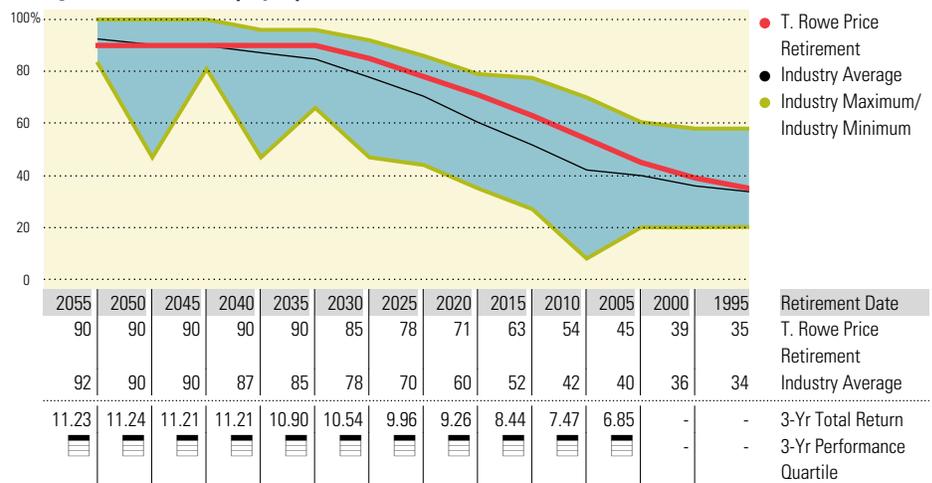
Morningstar Analyst Rating

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

Analyst Rating Spectrum



Strategic Glide Path Total Equity Exposure



Available Funds

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

Morningstar Opinion

It's been the right kind of market for T. Rowe Price Retirement funds.

Nearly all of the funds in this series boast category-topping records for the five years through March 2014. (The Retirement Income and 2005 funds' rankings are less impressive on a relative basis but still land in the top 40% of their categories.) The series' strong performance during the period isn't surprising; the glide path features a higher equity stake than most in the industry, and the equity market has surged since reaching a low in March 2009.

Robust performance from the underlying equity funds hasn't hurt, either, giving the series more than just an asset-allocation advantage. All but one equity fund (Mid-Cap Value) landed in its category's top half during the past five years, with most in the top quartile, reflecting strong performance from domestic- and international-equity funds alike.

Of course, the five-year period doesn't encompass the traumatic market plunge of 2008, when the equity-heavy glide path was a headwind and the majority of the series' funds fell in the bottom half of their categories. Investors close to retirement may have been rattled by such losses, which served as a blunt reminder that this is no conservative investment. However, those who stuck with it have recouped their losses

Katie Rushkewicz Reichart, CFA

Senior Fund Analyst, Active Funds Research 05-05-2014

since. The series has rewarded investors over a long time period, even when considering its more-aggressive equity stance. Risk-adjusted returns during the past decade for the funds with records that long were above the category norms.

Investors who aren't comfortable with the equity exposure here now have another option. T. Rowe Price launched its Target Retirement funds in August 2013, featuring a glide path with equity exposure closer to the industry norm. For example, the Retirement funds hold 55% in equities at the retirement date, while the new Target Retirement funds own 42.5%. The Target Retirement funds might appeal to investors concerned about steep losses near or in retirement, especially those with a shorter window for withdrawals.

With either option, investors are getting topnotch, experienced management in the underlying funds and from an asset-allocation perspective. T. Rowe's asset-allocation committee, which recommends slight tactical shifts, has added value over time. Managers often spend their careers at the firm, as evidenced by above-average tenure numbers for the underlying funds in the series, and transitions are handled well. Investors must know which asset-allocation mix best fits their needs, but T. Rowe Price remains a compelling option.

T. Rowe Price Retirement Target-Date Fund Series Report

Process: Approach

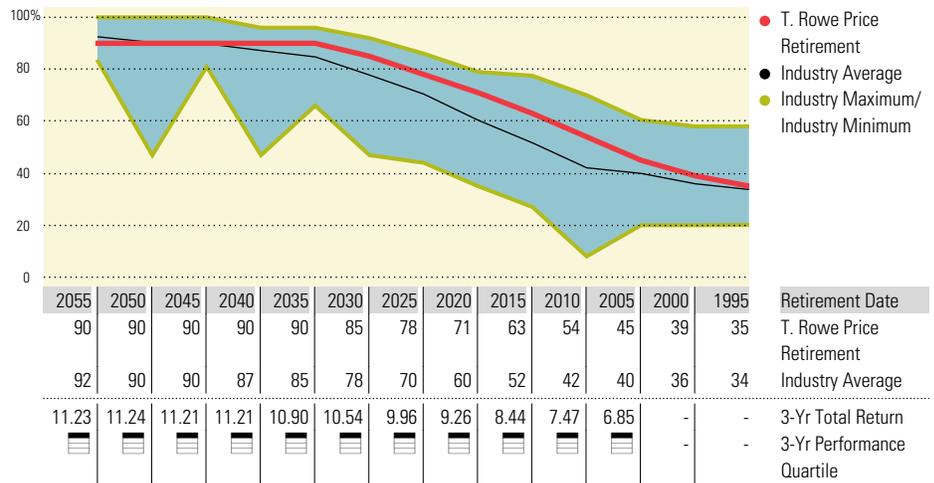
T. Rowe Price based the construction of its Retirement funds on extensive in-house studies that compared the recommended rates at which individuals save for retirement and withdraw money after retirement with the actual rates at which these activities occur. While most of the asset-allocation strategies it tested could accommodate the recommended savings and withdrawal rates, T. Rowe Price has found that 401(k) plan participants' average savings rate is lower 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 to outlive their savings, so it boosted the equity allocation in the funds to compensate. It also extended the glide path well beyond the retirement date in an effort to prolong the higher returns that should come from stocks. The concern with this approach, of course, is that a greater equity allocation means additional volatility or greater risk of loss in declining equity markets.

The series' asset mix is fairly aggressive. It begins at 90% equity/10% fixed income when investors are the furthest from retirement. That split is roughly in line with 2055-plus fund peers, yet the Retirement funds maintain a higher equity stake than many of their rivals both leading up to and during retirement. Retirement 2010, for example, contained about 60% equities in the year before it hit its target date, about 10 percentage points higher than the average target-date 2010 fund. The funds adjust their asset allocations at the end of each quarter until they reach the target allocation of 55% equity at retirement. The shifting doesn't stop at retirement, however, and T. Rowe doesn't view the retirement year as a distinct year in the course of an individual's retirement planning. Once the retirement allocation of 55% equity/45% fixed income is reached, the quarterly shifts continue for 30 years after retirement until the equity stake plateaus at 20%. The underlying holdings remain the same over the life of the funds, with the exception of T. Rowe Price Inflation Focused Bond, which is introduced 15 years before retirement and whose stake increases into retirement in order to produce near-term income for retirees and to protect against inflation. Management keeps all fund weightings within 5 percentage points of their targets.

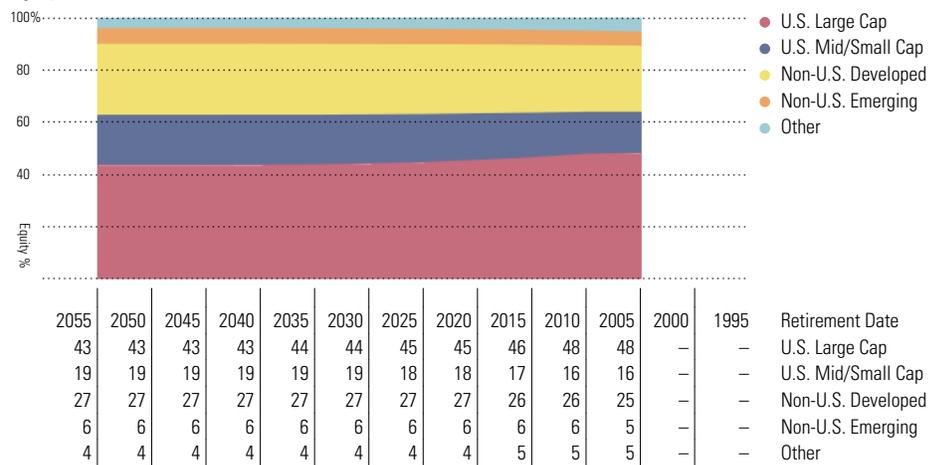
T. Rowe's disclosures regarding the series' glide path, tactical allocations, and underlying holdings are among the best in the industry.

Rating: Positive

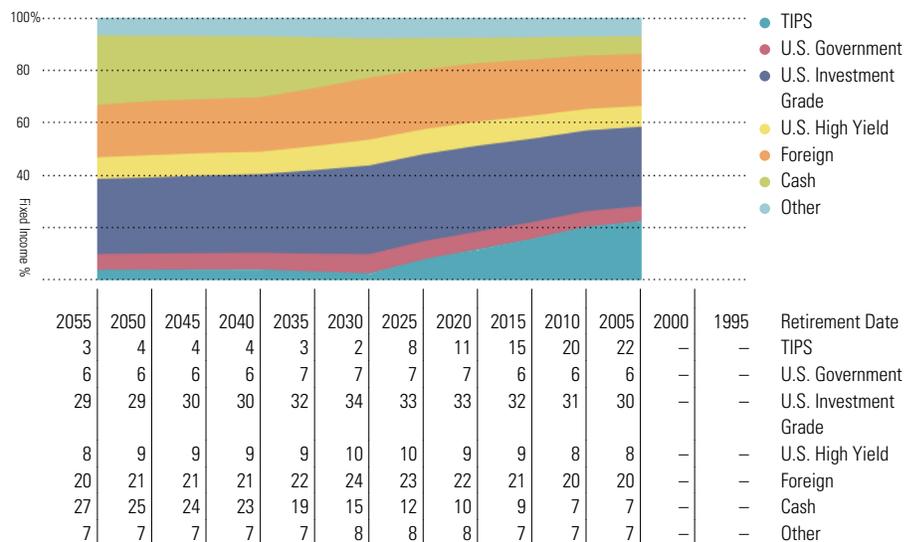
Strategic Glide Path Total Equity Exposure



Equity Allocation



Fixed-Income Allocation



T. Rowe Price Retirement Target-Date Fund Series Report

Process: Portfolio

The underlying funds in this target-date series benefit from T. Rowe Price's strong investment culture. Long manager tenures are common, as is an emphasis on high-quality securities. The funds used in the target-date series have strong long-term records: Of the 15 underlying funds with 10-year records through March 2014, all but three landed in the top half of their categories.

Morningstar analysts cover 16 of the 18 underlying funds, of which 13 received medals as of March 2014. A few underlying funds receive Neutral ratings because their managers don't have very long track records. The firm usually transitions to new managers slowly to minimize disruption, though the early 2014 departure of Growth Stock's manager was unexpected.

Two portfolio changes occurred in July 2010 to increase the series' inflation protection. Short-Term Income, which previously invested in cash and short-term bonds, was renamed Inflation Focused Bond. It's run by Dan Shackelford, who has successfully man-

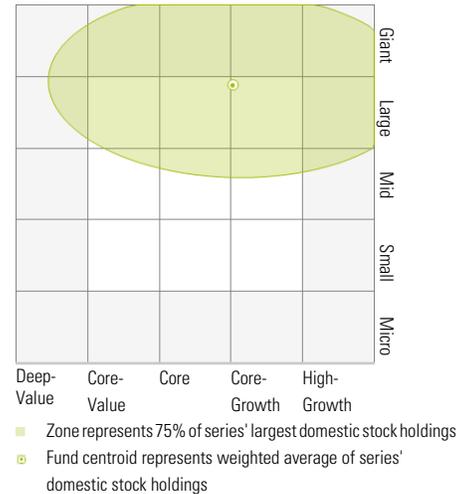
Rating: Positive

aged T. Rowe Price Inflation Protected Bond since its 2002 inception. The renamed fund is different because it has the flexibility to hold as much as 80% in non-TIPS investment-grade bonds, depending on the market environment. As was the case with Short-Term Income, the series' allocation to Inflation Focused Bond kicks in 15 years before the target retirement date.

The series also added a fund that invests in the stocks of commodity producers and REITs. Although commodity-related stocks often are correlated 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 fund's allocation is targeted at 5% of assets throughout the glide path, while overall equity exposure remains unchanged. Meanwhile, in recent years the series' international exposure increased to 30% of total equity allocation from 20% to further increase diversification.

Series Holding-based Style Map - Equity

Data as of 03-31-2014



Top Investments as of 03-31-2014

		% 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 Growth Stock	Large Growth	14.71	15.46	12	14.81	22.03	19	Neutral	★★★★
T. Rowe Price Equity Index 500	Large Blend	14.13	14.36	30	12.48	20.85	30	Bronze	★★★★
T. Rowe Price New Income	Intermediate-Term Bond	13.51	3.79	57	3.01	5.99	60	Silver	★★★★
T. Rowe Price Value	Large Value	12.75	15.91	4	14.15	24.54	3	Bronze	★★★★★
T. Rowe Price Intl Gr & Inc	Foreign Large Value	6.62	7.03	36	16.82	17.31	16	Neutral	★★★★
T. Rowe Price Overseas Stock	Foreign Large Blend	6.00	7.52	18	16.48	17.43	12	Bronze	★★★★
T. Rowe Price International Stock Fd	Foreign Large Growth	5.91	5.45	57	17.34	17.97	24	Silver	★★★
T. Rowe Price Inflation Focused Bond	Short-Term Bond	4.21	0.76	—	1.80	2.24	—	—	—
T. Rowe Price Emerging Markets Stock	Diversified Emerging Mkts	3.72	-2.88	56	19.67	15.43	29	Bronze	★★★
T. Rowe Price Real Assets	World Stock	2.97	-1.58	99	17.96	—	—	—	★

Total # Holdings

% Portfolio in Top 10 Holdings

Overall Average Morningstar Rating

19

84.52

3.94

Price

Rating: Positive

T. Rowe Price's Retirement funds are relatively cheap for actively managed target-date funds available to retail investors. The series' asset-weighted cost is well below the target-date asset-weighted industry average. T. Rowe does not charge an additional fee for its strategic and tactical asset-allocation services, so shareholders only pay the cost of the underlying funds.

In 2013, the calculation for Morningstar's price rating changed to include the asset-weighted fees across the series rather than a single selected share class' fees. The change did not affect this series' price rating.

Asset-Weighted Cost vs. Industry Average

T. Rowe Price Retirement	0.79%
Industry Average	0.87%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets (\$M)
No Load	0.71%	87,253
Adv	0.96%	14,062
Retirement	1.21%	9,123

T. Rowe Price Retirement Target-Date Fund Series Report

Performance

Rating: Positive

The series' above-average equity allocation shapes its performance. Its equity stake leading up to retirement is more than 10 percentage points greater 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 the past few years: The series' funds landed near the top of their peer groups in 2009, 2010,

2012, and 2013, resulting in category-topping five-year records through March 2014 for all but the Income and 2005 funds. Meanwhile, the funds that have 10-year records also come out ahead of nearly all peers.

Despite the series' above-average equity allocation, which has resulted in above-average standard deviations, the funds' risk-adjusted returns over the trailing three-, five-, and 10-year periods are all in the top half of their categories, with most in the top decile. In 2013, Morningstar changed its performance rating methodology, which improved this series' standing.

The new methodology better captures the series' long-term, risk-adjusted returns relative to peers'.

The underlying funds are critical to the series' overall performance. Nine of the 16 funds Morningstar analysts cover earn a Positive rating for their Performance pillar, with the rest Neutral. During the trailing five-year period through March 2014, more than three fourths of the underlying funds ranked in the top half of their respective peer groups. Over long periods, the domestic-equity funds have been particularly strong, though the series' international-equity offerings have gained steam in recent years.

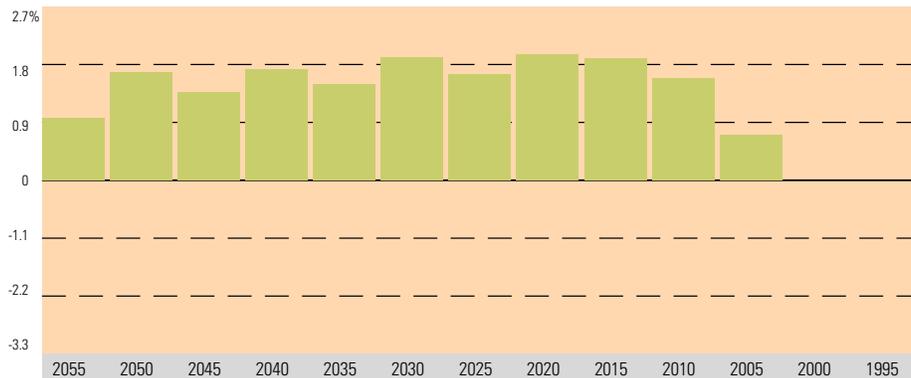
Target-Date Fund Performance as of 03-31-2014

	YTD Return %	YTD % Rank in Cat	2013 Return %	2012 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	1.7	23	9.7	11.4	6.8	21	7.4	12.8	30	★★★★★
T. Rowe Price Retirement 2010	1.7	26	11.9	12.4	7.5	9	8.4	14.2	5	★★★★★
T. Rowe Price Retirement 2015	1.6	43	15.2	13.8	8.4	5	9.6	15.9	2	★★★★★
T. Rowe Price Retirement 2020	1.6	35	18.1	15.0	9.3	4	10.7	17.3	1	★★★★★
T. Rowe Price Retirement 2025	1.6	42	20.8	16.0	10.0	7	11.7	18.5	1	★★★★★
T. Rowe Price Retirement 2030	1.5	42	23.1	16.8	10.5	5	12.5	19.4	1	★★★★★
T. Rowe Price Retirement 2035	1.4	49	24.9	17.4	10.9	6	13.2	20.0	1	★★★★★
T. Rowe Price Retirement 2040	1.4	50	25.9	17.5	11.2	5	13.5	20.2	1	★★★★★
T. Rowe Price Retirement 2045	1.3	58	25.9	17.6	11.2	6	13.5	20.2	1	★★★★★
T. Rowe Price Retirement 2050	1.4	50	25.9	17.6	11.2	5	13.4	20.2	1	★★★★★
T. Rowe Price Retirement 2055	1.4	52	25.9	17.6	11.2	9	13.4	20.3	1	★★★★
T. Rowe Price Retirement Income	1.4	74	9.2	10.1	6.3	34	6.7	11.4	38	★★★★

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 03-31-2014

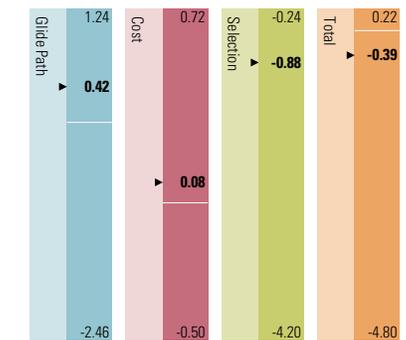


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

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 03-31-2014



T. Rowe Price Retirement

● Glide Path	0.42
● Cost	0.08
● Selection	-0.88
● Total	-0.39

T. Rowe Price Retirement Target-Date Fund Series Report

People

T. Rowe Price's 12-member asset-allocation committee is responsible for making the strategic decisions for the funds. The committee has a successful long-term track record on the firm's asset-allocation products, including the Spectrum, Personal Strategy, and target-date funds. Ned Notzon, longtime committee chairman and comanager of the series, retired from the firm in 2011. Committee member Rich Whitney, who joined the firm in 1985, became chairman May 1, 2011. Charles Shriver filled the open spot on the committee. Shriver is a 20-year veteran at the firm who worked with Notzon on the Personal Strategy and Spectrum asset-allocation funds for 12 years before becoming sole manager.

Jerome Clark, a T. Rowe Price veteran and asset-allocation committee member, runs the funds' day-to-day

Rating: Positive

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 and Kim DeDominicis assist him. The asset-allocation team includes 14 other members. Clark and the allocation team were nominated for Morningstar's 2012 Allocation Fund Manager of the Year Award. Average manager tenure of the series' underlying funds is 9.3 years, higher than the mutual fund industry's average of 4.8 years. T. Rowe Price has a history of handling manager changes for the underlying funds well, with a long transition period being the norm.

According to T. Rowe Price's compliance department, Clark has more than \$1 million invested in T. Rowe's target-date collective trusts, which he runs with a similar strategy.

Series Management

Manager	Start Date
Jerome Clark	09-2002

Average Tenure	11.6 years
Longest Tenure	11.6 years
Target-Date Industry Average Tenure	5.5 years

Underlying Funds' Management

Average Tenure	9.4 years
Longest Tenure	22.7 years
Mutual Fund Industry Average Tenure	4.9 years

Parent

T. Rowe Price has long exhibited many attractive attributes. 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.

T. Rowe experienced a few unexpected departures in 2013, including Kris Jenner of T. Rowe Price Health Sciences PRHSX and Joe Milano of T. Rowe Price New America Growth PRWAX, who independently left to start their own hedge funds. While their exits are a loss for the firm, such occurrences are

Rating: Positive

rare, and flight risk for other managers (beyond retirements) does not appear heightened. Departures on the analyst side also bear watching, as the domestic-equity team saw a few more than usual in 2013, particularly within the health-care sector. Elsewhere, the firm has bolstered resources, particularly on the fixed-income side, which saw a rise in analysts from 33 in 2007 to 74 in 2013.

More broadly, the firm 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 also help. However, manager ownership of fund shares is not industry-leading.

Fund Family Data

Average Overall Star Rating	★★★★
% of Assets w/Star Rating	99.6%

Assets	(listed in USD \$Mil)
Total Assets Under Mgt	569,761

Average Manager Tenure	7.5 years
5-year Manager Retention Rate (%)	95.0%
Manager Investment Over 1 Million USD (% Assets)	28.0%

Average Fee Level (%)	38.0%
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3-year Firm Success Ratio (%)	78.0%
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