T. Rowe Price Retirement Target-Date Fund Series Report

Morningstar Analyst Rating Gold

Key Features

Asset-Weighted Expense Ratio	0.78%
Active/Passive Exposure	86% Active
Open/Closed Architecture	100% Closed
Total Net Assets ($M)	121,851

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 December 2014 handily outrank the majority of 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.

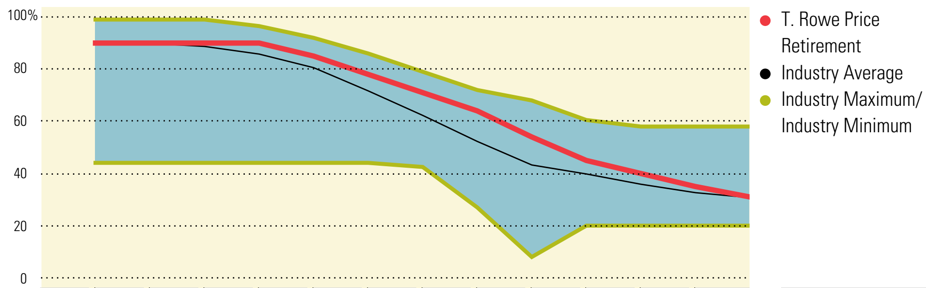
People **Positive**
T. Rowe Price's asset-allocation committee makes the strategic decisions for the funds, while firm veteran Jerome Clark leads a group of associate managers who run the funds' day-to-day operations. The underlying funds largely feature solid, proven managers.

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
Gold Silver Bronze Neutral Negative

Strategic Glide Path Total Equity Exposure



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	78	71	64	54	45	40	35	31
Industry Average	91	90	89	86	81	72	62	52	43	40	36	33	31
3-Yr Total Return	16.26	16.26	16.28	16.27	15.83	15.11	14.04	12.77	11.37	9.73	8.57	-	-
3-Yr Performance Quartile												-	-

Available Funds

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

Morningstar Opinion

Kathryn Spica, CFA
Senior Analyst, Fund-of-Funds Strategies 02-04-2015

T. Rowe Price Retirement's stock-heavy asset mix has provided a tailwind in recent years. The firm designed this flagship series to maximize wealth in retirement, helping investors avoid longevity risk (the risk of outliving their assets) and inflation risk (the risk of not having enough money to cover the cost of living during their retirement). As a result, the asset split along the series' glide path is more aggressive than the industry norm. It begins with an industry-average 90% allocation to stocks, but it maintains that position longer than most, waiting until 20 years from retirement to begin rolling down that exposure. At retirement age, the glide path's 55% allocation to stocks is more than 10 percentage points above the norm. The series continues to cut its equity exposure during the 30-year period following retirement, prolonging the higher returns expected from stocks. As stocks have rebounded strongly since the depth of the credit crisis, the funds in this series have shone.

A fortuitous strategic asset allocation isn't this series only strength, as it also benefits from capable management, at both the series and underlying fund level. Manager Jerome Clark has skippered the series since its 2002 inception and also serves on the firm's 12-member asset-allocation committee that directs its subtle tactical shifts. The T. Rowe Price managers of the underlying funds used in the series also have long tenures, on average, nearly double that of the industry norm. A few funds have received new management in recent years, but for the most part the changes have been planned well in advance. The underlying funds are well-diversified and have delivered impressive results, with the majority earning a 4- or 5-star Morningstar Rating, a reflection of their peer-beating, risk-adjusted results. Plus, 12 of the 16 funds with Morningstar Analyst Ratings earn a medal, reflecting analysts' views that they will continue to outperform over the long haul.

A mix of attractive pieces and a strong stock rally have boosted the results of the series. The funds in the series have, on average, outperformed their typical peer in all but one of the calendar years since the series' 2002 launch, creating a strong long-term record.

A low price tag for the series' no-load share classes, which hold the majority of assets and have received the largest inflow of assets, gives the series a head start against the competition. Along with a sensible glide path, capable management, and peer-beating underlying funds, the series handily earns an Analyst Rating of Gold.

T. Rowe Price Retirement Target-Date Fund Series Report

Process: Approach

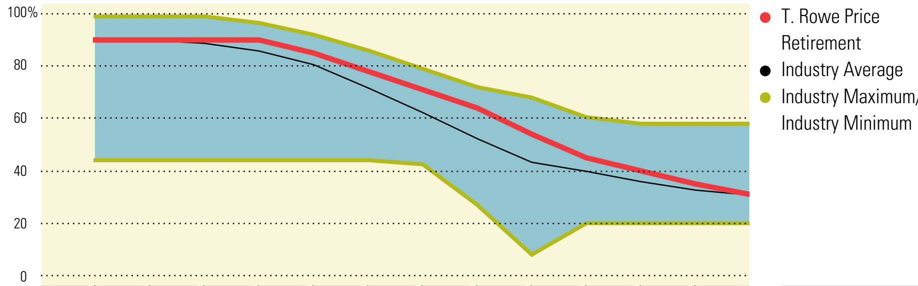
Rating: **Positive**

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. 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%. Most of the underlying holdings remain the same over the life of the funds. T. Rowe Price Inflation Focused Bond starts to increase its allocation 15 years before retirement in order to produce near-term income for retirees and to protect against inflation.

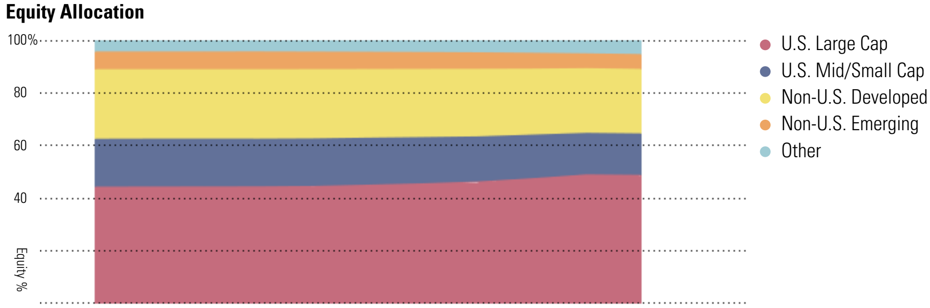
Management has modest tactical leeway to adjust the funds' stock/bond split (up to five percentage points) as well as make subasset allocation tilts, such as growth stocks versus value stocks or developed versus emerging-markets stocks. A committee of veteran T. Rowe Price managers use qualitative inputs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

Strategic Glide Path Total Equity Exposure



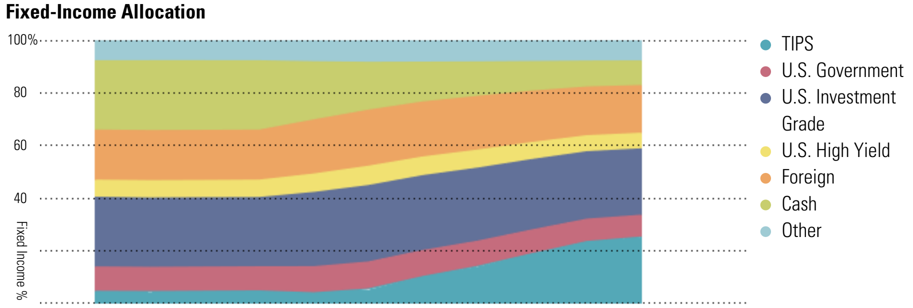
Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	78	71	64	54	45	40	35	31
Industry Average	91	90	89	86	81	72	62	52	43	40	36	33	31
3-Yr Total Return	16.26	16.26	16.28	16.27	15.83	15.11	14.04	12.77	11.37	9.73	8.57	-	-
3-Yr Performance Quartile												-	-

Equity Allocation



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
U.S. Large Cap	44	44	44	44	44	45	45	46	47	49	49	–	–
U.S. Mid/Small Cap	18	18	18	18	18	18	18	17	17	16	16	–	–
Non-U.S. Developed	27	27	26	27	26	26	26	26	25	25	25	–	–
Non-U.S. Emerging	7	7	7	7	7	7	6	6	6	6	6	–	–
Other	4	4	4	4	4	4	4	5	5	5	5	–	–

Fixed-Income Allocation



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
TIPS	4	4	4	5	4	5	10	14	19	23	25	–	–
U.S. Government	9	9	9	9	10	10	10	10	9	9	8	–	–
U.S. Investment Grade	27	26	26	26	28	29	29	28	27	26	25	–	–
U.S. High Yield	7	7	7	7	7	7	7	7	7	6	6	–	–
Foreign	19	19	19	19	21	21	21	20	20	19	18	–	–
Cash	26	27	27	26	22	18	15	13	11	10	9	–	–
Other	8	8	8	8	8	8	8	8	8	8	8	–	–

T. Rowe Price Retirement Target-Date Fund Series Report

Process: Portfolio

Rating: Positive

The underlying funds in this target-date series benefit from T. Rowe Price's strong investment culture. Long manager tenures 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 December 2014, all but one outperformed their category average.

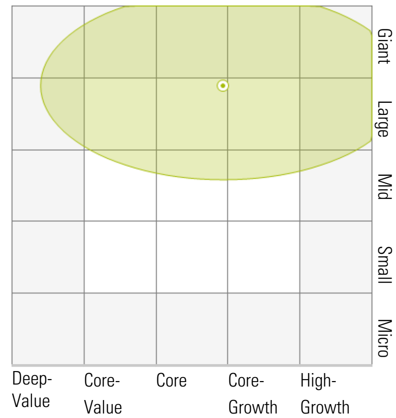
Morningstar analysts cover 16 of the 18 underlying funds, of which 12 received medals as of December 2014. Four underlying funds receive Analyst Ratings of Neutral because of relatively recent or upcoming manager changes. The firm usually transitions to new managers slowly to minimize disruption, though the early-2014 departure of T. Rowe Price Growth Stock's manager was unexpected.

The underlying funds are a diversified mix and cover a wide range of asset classes. On the equity side, the allocation is 70% U.S. stocks and 30% international stocks (including a dedicated emerging-markets stock fund), near the target-date industry norm. The series equity stake also includes T. Rowe Price Real Assets PRAFX, which 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.

For fixed-income exposure, the series is anchored with a core bond fund and also includes more-specialized funds, such as an emerging-markets debt fund and a high-yield bond fund. T. Rowe Price Inflation Focused Bond is used to provide a buffer against inflation in the years leading up to retirement, but it also has the flexibility to hold as much as 80% in non-TIPS investment-grade bonds, depending on the market environment.

Series Holding-based Style Map - Equity

Data as of 12-31-2014



Zone represents 75% of series' largest domestic stock holdings

Fund centroid represents weighted average of series' domestic stock holdings

Top Investments as of 12-31-2014

	Category	% of Assets	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Analyst Rating	Star Rating
T. Rowe Price New Income	Intermediate-Term Bond	15.11	3.04	63	2.88	4.49	62	Silver	★★★★
T. Rowe Price Growth Stock	Large Growth	14.36	21.68	15	11.51	15.84	17	Neutral	★★★★
T. Rowe Price Equity Index 500	Large Blend	13.77	20.09	35	9.10	15.14	25	Bronze	★★★★
T. Rowe Price Value	Large Value	13.36	22.97	2	9.87	16.14	5	Bronze	★★★★
T. Rowe Price Intl Gr & Inc	Foreign Large Value	6.48	10.34	31	12.57	5.77	16	Neutral	★★★★
T. Rowe Price Overseas Stock	Foreign Large Blend	6.02	11.31	27	12.19	6.51	15	Bronze	★★★★
T. Rowe Price International Stock Fd	Foreign Large Growth	5.56	10.40	62	12.61	6.19	45	Neutral	★★★
T. Rowe Price Emerging Markets Stock	Diversified Emerging Mkts	3.75	5.08	40	15.34	2.26	41	Bronze	★★★
T. Rowe Price Inflation Focused Bond	Inflation-Protected Bond	3.73	-0.24	–	1.73	0.86	–	–	–
T. Rowe Price Real Assets	Natural Resources	2.86	3.73	18	12.92	–	–	–	★★★★

Total # Holdings	19
% Portfolio in Top 10 Holdings	85.00
Overall Average Morningstar Rating	3.87

Price

Rating: Positive

The no-load share classes of T. Rowe Price's retirement funds are relatively cheap for actively managed target-date funds sold to retail investors. 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. The Retirement and Advisor share classes are on the pricey side, as they include additional distribution fees.

Asset-Weighted Cost vs. Industry Average

T. Rowe Price Retirement	0.78%
Industry Average	0.83%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets ($M)
No Load	0.70%	97,097
Adv	0.96%	14,804
Retirement	1.21%	9,941
Other	0.76%	9
	–	–

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 averaged a top-quartile ranking in their peer groups in five of the past six calendar years. Even during 2011's tumultuous market, the majority of the funds in the series still surpassed their typical peer. That consistent record burnishes the series' long-term results: Among the funds with 10-year records, every fund ranks as the first or second among its respective peer group.

The series' above-average equity allocation has resulted in above-average volatility, as measured by standard deviation. Still, the funds' gains have more than compensated for the bumpy ride. The funds' risk-adjusted returns over the trailing three-, five-, and 10-year periods are almost all in the top quartile of their categories, with most in the top decile.

A solid cast of underlying funds further aids the series' overall performance. The underlying funds show a similar level of consistency in their calendar year rankings as the series' funds, with the majority outperforming their typical peer each year. Twelve of the 17 underlying funds in the series with Morningstar Ratings earn 4 or 5 stars, reflecting their strong long-term, risk-adjusted results.

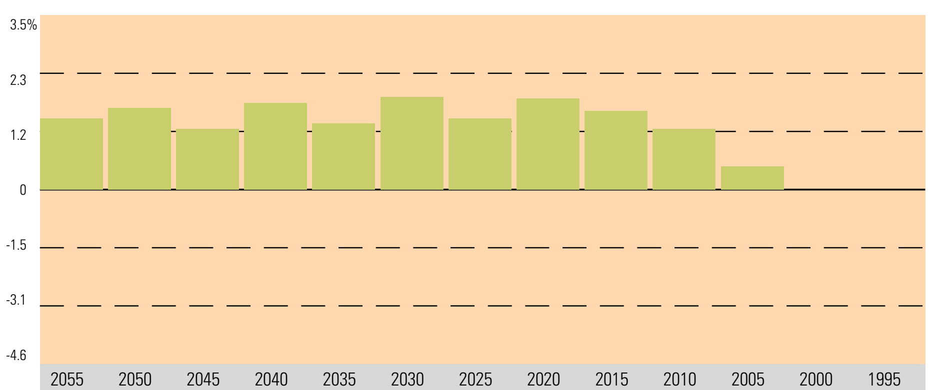
Target-Date Fund Performance as of 12-31-2014

	2014 Return %	2014 % 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	4.7	23	9.7	11.4	8.6	35	5.4	7.7	30	★★★★★
T. Rowe Price Retirement 2010	5.0	19	11.9	12.4	9.7	3	6.0	8.4	5	★★★★★
T. Rowe Price Retirement 2015	5.4	27	15.2	13.8	11.4	1	6.9	9.4	1	★★★★★
T. Rowe Price Retirement 2020	5.6	24	18.1	15.0	12.8	1	7.6	10.2	1	★★★★★
T. Rowe Price Retirement 2025	5.8	29	20.8	16.0	14.0	5	8.3	10.9	2	★★★★★
T. Rowe Price Retirement 2030	6.1	26	23.1	16.8	15.1	4	8.8	11.5	2	★★★★★
T. Rowe Price Retirement 2035	6.1	28	24.9	17.4	15.8	5	9.3	11.8	1	★★★★★
T. Rowe Price Retirement 2040	6.2	29	25.9	17.5	16.3	2	9.5	12.1	1	★★★★★
T. Rowe Price Retirement 2045	6.1	28	25.9	17.6	16.3	4	9.6	12.1	1	★★★★★
T. Rowe Price Retirement 2050	6.2	31	25.9	17.6	16.3	5	9.5	12.1	1	★★★★★
T. Rowe Price Retirement 2055	6.2	32	25.9	17.6	16.3	7	9.6	12.1	1	★★★★★
T. Rowe Price Retirement 2060	–	–	–	–	–	–	–	–	–	–

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

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

Data as of 12-31-2014

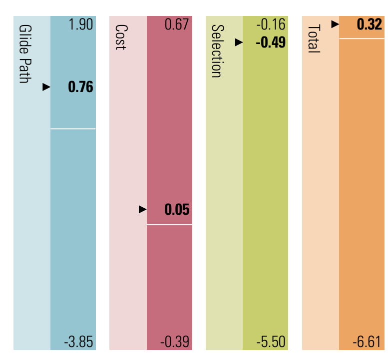


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

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 12-31-2014



	T. Rowe Price Retirement
Glide Path	0.76
Cost	0.05
Selection	-0.49
Total	**0.32**

T. Rowe Price Retirement Target-Date Fund Series Report

People

Rating: Positive

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 and Personal Strategy funds. The group's membership includes leaders from both the firm's equity and fixed-income funds, and most of the members have spent the majority of their careers at the firm. Committee member Rich Whitney, who joined the firm in 1985, became chairman on May 1, 2011, after his predecessor retired.

Jerome Clark, a T. Rowe Price veteran and asset-allocation committee member, runs the funds' day-to-day operations. Clark joined the firm in 1992 and launched what is now the firm's college-savings plan before taking the reins here. Wyatt Lee 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. Although he does not invest directly in the target-date mutual funds, according to T. Rowe Price's compliance department, Clark has more than $1 million invested in T. Rowe's similarly managed target-date collective trusts.

The underlying fund managers used in the series are also a sound bunch. The 9.2-year average manager tenure of the series' underlying funds is nearly double that of the mutual fund industry's average. T. Rowe Price has a history of handling manager changes for the underlying funds well, with a long transition period being the norm. T. Rowe Price Growth Stock TRSAX is one of the rare exceptions: Former manager Rob Bartolo unexpectedly resigned from the firm in mid-January 2014. His successor, Joe Fath, has been at the firm for more than a decade and, as assistant portfolio manager on another large-growth fund at the firm, was familiar with many of the fund's top holdings when he took over the portfolio.

Series Management

Manager	Start Date
Jerome Clark	09-2002

Average Tenure	12.3 years
Longest Tenure	12.3 years
Target-Date Industry Average Tenure	5.8 years

Underlying Funds' Management

Average Tenure	9.0 years
Longest Tenure	22.6 years
Mutual Fund Industry Average Tenure	5.9 years

Parent

Rating: Positive

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 of top managers in 2013 and 2014. Their exits are a loss, but such occurrences are rare, and flight risk for other managers (beyond retirements) does not appear heightened. Analyst departures bear watching, as the domestic-equity team saw more than usual in 2013 and 2014. The firm has bolstered resources elsewhere, particularly on the fixed-income side. The increase in head count occurred in advance of the launch of a few new funds, including Credit Opportunities in 2014 and Global High Income Bond and Global Unconstrained Bond, expected in 2015.

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 help. Changes to the analyst compensation plan place more emphasis on long-term performance and portfolio impact; this is good for fund shareholders. Manager ownership of fund shares needs improvement.

Fund Family Data

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

Assets	**(listed in USD $Mil)**
Total Assets Under Mgt	595,227

Average Manager Tenure	7.6 years
5-year Manager Retention Rate (%)	95.0%
Manager Investment Over 1 Million USD (% Assets)	30.1%

Average Fee Level (%)	38.0%

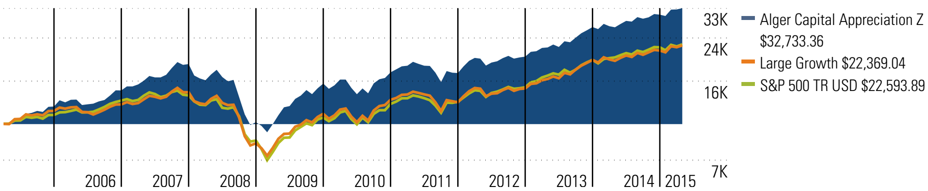
3-year Firm Success Ratio (%)	75.0%

Alger Capital Appreciation Z ACAZX

Morningstar Analyst Rating
—

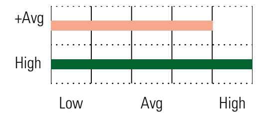
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
22.21	↓-0.15 | -0.67	0.00	2.2	Open	$500,000	None	0.93%	★★★★★	Large Growth	Large Growth

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1551)
Return vs. Category (1551)



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

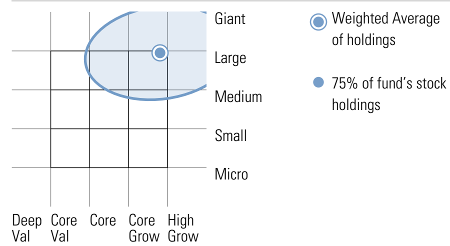
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,688	10,132	12,265	16,649	20,638	32,776
Fund	6.88	1.32	22.65	18.52	15.59	12.60
+/- S&P 500 TR USD	3.84	-1.11	7.15	1.52	0.95	4.16
+/- Category	1.49	-0.70	4.46	2.71	1.60	3.63
% Rank in Cat	20	77	16	9	—	—
# of Funds in Cat	1,752	1,765	1,710	1,543	1,326	930

* Currency is displayed in BASE

Style Map

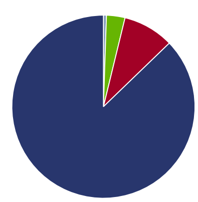


Top Holdings 01-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Apple Inc	6.50	133.08 BASE	0.30 ↑	81.79 - 134.54
Facebook Inc Class A	4.41	81.51 BASE	-0.48 ↓	54.66 - 86.07
⊕ Actavis PLC	4.12	289.11 BASE	1.23 ↑	193.00 - 317.72
⊕ Google Inc Class C	2.95	555.34 BASE	-0.03 ↓	486.23 - 598.01
Gilead Sciences Inc	2.36	103.12 BASE	0.14 ↑	72.77 - 116.83
% Assets in Top 5 Holdings	20.35			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

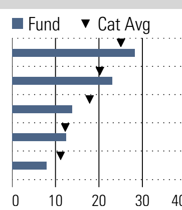
Asset Allocation



Asset Class	% Net
Cash	3.27
US Stock	87.21
Non US Stock	8.99
Bond	0.00
Other	0.53

Top Sectors 01-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	28.25	30.16	22.73	24.13
Healthcare	23.05	23.05	15.30	19.29
Consumer Cyclical	13.79	25.03	13.65	16.93
Industrials	12.38	12.97	9.81	11.33
Financial Services	7.89	9.63	7.89	10.26



Management

	Start Date
Patrick Kelly	09-30-2004

Dividend and Capital Gains Distributions

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

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	—	—

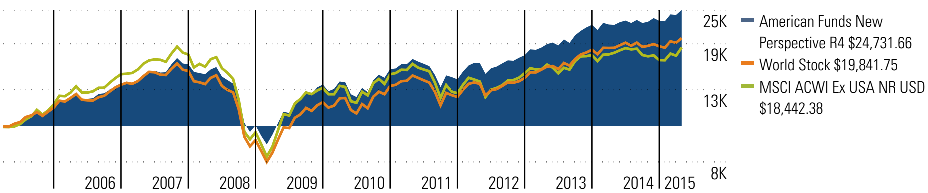
We do not currently publish an Analyst Report for this company.

American Funds New Perspective R4 RNPEX

Morningstar Analyst Rating
Gold

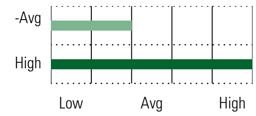
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
39.04	↓-0.04 | -0.10	0.55	61.6	Open	$250	None	0.80%	★★★★★	World Stock	Large Growth

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (903)
Return vs. Category (903)



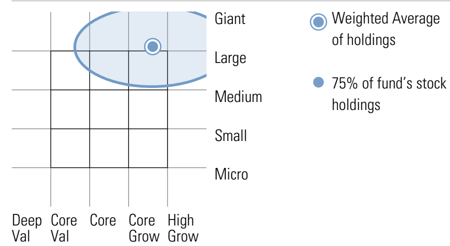
Pillars

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

Investment Strategy

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

Style Map

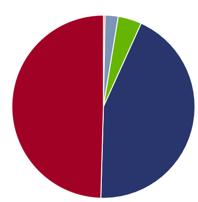


Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,887	10,377	11,356	15,117	17,673	24,741
Fund	8.87	3.77	13.56	14.77	12.06	9.48
+/- MSCI ACWI Ex USA NR USD	-1.47	-2.40	8.52	5.50	5.83	3.07
+/- Category	2.27	0.17	4.68	2.29	1.92	2.21
% Rank in Cat	14	40	15	18	18	7
# of Funds in Cat	1,254	1,280	1,163	901	707	365

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	4.17
US Stock	43.69
Non US Stock	49.54
Bond	0.30
Other	2.30

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Novo Nordisk A/S B	5.39	382.20 BASE	-3.00 ↓	229.40 - 400.20
⊖ Amazon.com Inc	2.58	434.64 BASE	-0.93 ↓	284.00 - 452.65
⊕ Regeneron Pharmaceuticals Inc	1.83	470.30 BASE	-0.70 ↓	269.50 - 495.50
Naspers Ltd Class N	1.66	— BASE	-1.53 ↓	98,325.00 - 202,997.00
⊕ Microsoft Corp	1.57	49.00 BASE	2.05 ↑	38.51 - 50.04
% Assets in Top 5 Holdings	13.04			

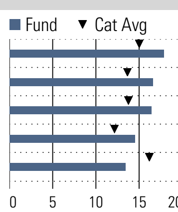
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

	Start Date
Gregg E. Ireland	12-01-1992
Robert W. Lovelace	12-01-2000
Jonathan Knowles	12-01-2004
Brady L. Enright	12-01-2005
Joanna F. Jonsson	12-01-2005
Steven T. Watson	12-01-2005
Isabelle de Wismes	12-01-2007
Noriko H. Chen	04-30-2012

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.84	17.84	12.61	14.56
Consumer Cyclical	16.59	19.92	16.10	13.19
Healthcare	16.42	16.42	14.23	13.30
Industrials	14.50	14.50	11.33	11.69
Financial Services	13.44	16.00	13.44	15.72



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-26-2014	36.23	2.2900	0.0000	0.0000	0.2200	2.5100
12-26-2013	36.85	1.7500	0.0000	0.0000	0.3000	2.0500
12-26-2012	30.75	0.0000	0.0000	0.0000	0.3400	0.3400
12-27-2011	25.94	0.0000	0.0000	0.0000	0.2800	0.2800
12-27-2010	28.21	0.0000	0.0000	0.0000	0.2900	0.2900

American Funds New Perspective R4 RNPEX

Analysis

Growing with the world.
By Alec Lucas 3/30/2015

American Funds New Perspective has long cast its gaze on a globalized world. Since its March 1973 inception, the fund has sought to invest in firms poised to benefit from changing trade patterns. While that mission has remained constant, the fund's methods have evolved with the market. In its early days, the investable universe consisted largely of the constituents of the MSCI World Index, the fund's longtime benchmark. As the global opportunity set broadened to include developing markets, the fund began investing there, too, and in October 2011 changed its benchmark to the MSCI All Country World Index. Thus far, the fund's emerging-markets exposure has remained within its mid- to upper-single-digit historical norms. At year-end 2014, the fund's 5.5% stake (including South Korea and Taiwan) was about half that of its new bogy and also below the world-stock Morningstar Category norm of 6.4%. The fund has laid the foundation, though, for increased emerging-markets exposure.

Regardless of domicile, management's standards remain consistent. Potential investments must have a $5 billion market cap at minimum and derive at least 25% of their revenues from beyond their home region. That should keep the portfolio centered on multinational blue chips like Novo Nordisk NOVO B. Although headquartered in Denmark, it claims half of the global insulin market and receives nearly 40% of its revenues from the United States. Novo's growth, though, will most likely be fueled by emerging markets, whose rising middle class will become more prone to diabetes as their diets westernize.

The fund's eight veteran stock-pickers collectively tilt toward growth, but they're not insensitive to valuations. They built most of the Novo stake when its share price stalled late in 2014's first quarter, as the market worried about a product delay and generic-drug competition. Moves like that have helped the fund deliver above-average returns with below-average risk in trailing periods of three years or more through February 2015.

Flexibility and consistency combine to earn the fund a Morningstar Analyst Rating of Gold.

Process Pillar: Positive

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

American's multimanager approach lets the managers play to their strengths. With distinct styles, they can invest in their best ideas or hold cash and wait for compelling opportunities. Meanwhile, the combination of separately managed sleeves mutes the overall fund's volatility. High turnover, however, is forbidden. The managers' long-term perspective allows them to buy stocks that may take several years to work out.

Sector and geographic allocations in the fund's roughly 200-stock portfolio are largely a byproduct of its managers' bottom-up analysis. The fund's balance of domestic and foreign stocks also shifts based on where the managers see the best opportunities. Its helping of U.S. stocks has ranged from more than half to less than a fourth of assets during the past three decades and stood at 47.6% in February 2015, up from less than 30.0% near the U.S. market's 2007 peak.

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

American Funds New Perspective R4 RNPEX

Analysis

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

The fund doesn't get carried away, either. The team is optimistic about tech but still has reduced that weighting from more than 20% of assets in 2007 to less than 16% as of early 2015 to focus on what the managers think will be the few big long-term winners, though it remains one of the fund's larger sector weights.

Performance Pillar: Positive

This fund has been consistently good. Its trailing returns for the three- to 15-year periods through February 2015 all rank in the world-stock category's top third or better. It has finished nine of the past 10 calendar years in the top half of the peer group and never landed in the bottom third. Since its 1973 inception and over longest-tenured manager Gregg Ireland's 22-plus years, it has trounced its typical category rival and the MSCI World Index; the results are similar if you compare 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 trailing three-, five-, and 10-year periods through February 2015, 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 in December 1992.

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

People Pillar: Positive

American Funds' multimanager system helps to handle this fund's massive $60 billion asset base, the world-stock category's second largest. Capital Group, the parent of American Funds, divides these assets between international management teams from subsidiaries Capital International Investors and Capital World Investors. Robert Lovelace heads up the fund as a whole and CII's team, which also includes Noriko Chen, while longest-tenured manager Gregg Ireland oversees CWI's team, composed of Jonathan Knowles, Brady Enright, Joanna Jonsson, Steven Watson, and Isabelle de Wismes. Each of the managers, based in the U.S., England, and Asia, oversees a separate sleeve of the portfolio, with Lovelace and Ireland helping to ensure that their investing styles complement one another. For example, Knowles runs a very top-heavy portfolio of about 30 stocks with high returns on equity, while Watson sticks largely to value names in a more diffuse portfolio of 50-60 stocks. The eight-person team has an average tenure of 10-plus years, making it one of the category's most experienced.

The CII and CWI managers are each supported by about 40 analysts. Both analyst groups also run their own slice of the portfolio. That provides the analysts with significant experience managing money and facilitates transitions into portfolio management.

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

Parent Pillar: Positive

American Funds and parent Capital Group are adapting to changing markets. The firm has been subject to net outflows from 2008 to 2013, prompted, in part, by investors' embrace of index-based strategies and exacerbated by a middling showing in 2008.

But on matters of stewardship, American stands firm: Investors in its well-priced funds access some of the most experienced investment teams in the industry via the firm's signature multimanager system. Further, its incentive system supports long-term thinking, and its investment managers have meaningful stakes in their funds. The firm's equity offerings have delivered consistently impressive results.

New efforts at transparency should give investors better views into individual portfolio managers' contributions to their funds. The firm also continues its multiyear effort to make its multimanager model better fit the peculiarities of fixed-income investing. The bond team has made strides in recent years, though the efforts haven't established it as an industry leader.

The firm has also made over and grown its sales and marketing arms; investment personnel still remain firmly in control of Capital Group's strategic direction, though new explicit sales goals could marginally shift the firm's culture. The goals are modest--essentially keeping the firm apace with annual outflows--though they bear monitoring.

Price Pillar: Positive

This fund is one of the cheapest broker-sold options in the world-stock category, and it looks affordable when compared with no-load funds, too. The A shares, which hold nearly two thirds of the fund's assets, charged a 0.76% expense ratio in fiscal 2014. That was 61 basis points below the world-stock, front-load peer median and ranked in that group's second-cheapest percentile. Plus, 14 of the fund's 16 other share classes sported low expense ratios versus similarly distributed rivals, while the two exceptions (together accounting for 1% of assets) had below-average price tags.

Trading costs across all share classes were also comparatively minuscule. Brokerage fees of 0.04%

American Funds New Perspective R4 RNPEX

Analysis

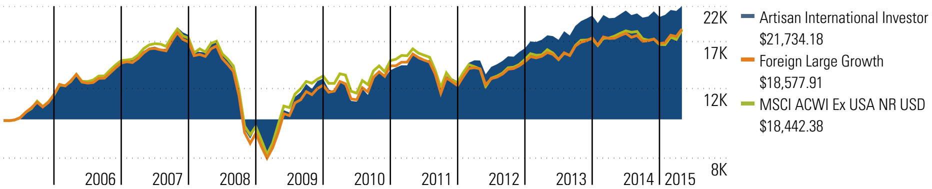
of average net assets in fiscal 2014 fell far below the category norm of 0.24%.

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
32.26	↑0.21 | 0.66	0.73	19.6	Open	$1,000	None	1.17%	★★★★	Foreign Large Growth	Large Growth

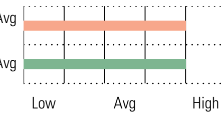
Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (293) +Avg

Return vs. Category (293) +Avg



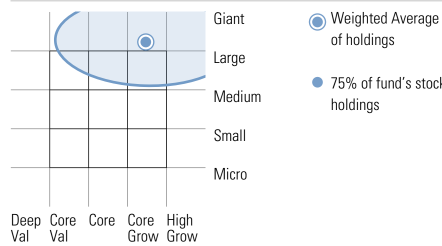
Pillars

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

Investment Strategy

The investment seeks maximum long-term capital growth. The fund invests primarily in developed markets but also may invest up to 35% of the fund's total assets at market value at the time of purchase in emerging and less developed markets. 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. 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.

Style Map

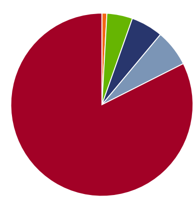


Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,768	10,320	10,903	14,481	17,293	21,947
Fund	7.68	3.20	9.03	13.14	11.58	8.18
+/- MSCI ACWI Ex USA NR USD	-2.66	-2.97	4.00	3.87	5.34	1.77
+/- Category	-2.86	-1.58	1.70	2.94	3.33	1.62
% Rank in Cat	92	90	28	8	4	11
# of Funds in Cat	346	352	339	291	276	174

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	4.56
US Stock	5.67
Non US Stock	82.41
Bond	0.88
Other	6.49

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Baidu Inc ADR	4.94	219.17 BASE	-0.56 ↓	148.16 - 251.99
⊕ Bayer AG	4.28	133.50 BASE	-3.51 ↓	94.22 - 146.45
⊕ AIA Group Ltd	3.77	52.20 BASE	0.19 ↑	36.70 - 58.20
⊕ Toyota Motor Corp	3.64	— BASE	2.10 ↑	5,376.00 - 8,783.00
⊕ Medtronic PLC	3.30	75.37 BASE	-1.13 ↓	58.00 - 79.50
% Assets in Top 5 Holdings	19.93			

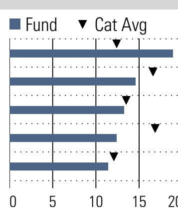
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

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

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Healthcare	18.90	18.90	12.59	11.94
Consumer Cyclical	14.59	14.59	10.57	16.15
Technology	13.27	13.27	6.72	13.04
Financial Services	12.36	12.36	8.74	16.39
Consumer Defensive	11.41	18.33	11.05	11.62



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
11-19-2014	30.46	0.0000	0.0000	0.0000	0.2300	0.2300
11-21-2013	29.49	0.0000	0.0000	0.0000	0.2900	0.2900
12-19-2012	24.60	0.0000	0.0000	0.0000	0.2700	0.2700
12-15-2011	19.02	0.0000	0.0000	0.0000	0.2800	0.2800
12-16-2010	21.43	0.0000	0.0000	0.0000	0.1800	0.1800

MORNINGSTAR®

Artisan International Investor ARTIX

Analysis

Size may become a short-term obstacle, but the long-term picture remains bright.
By Greg Carlson 8/20/2014

Artisan International is getting hefty, but its prospects remain solid.

This fund has been on a tear lately. After cracking the top quartile of its category just once in a calendar year between 2000 and 2010, it beat more than 90% of its peers in 2011, 2012, and 2013. (The fund resided in the foreign large-blend category from 2010 to 2013 but has otherwise been in foreign large-growth.) As a result, flows have reversed here: Investors pulled a combined net $2.3 billion out in 2010 and 2011, the fund saw a small net inflow in 2012, and a net $4 billion came in between 2013 and the first seven months of 2014. Coupled with price appreciation as the market has rallied, the fund has grown to $17.5 billion--up from $8.2 billion at the end of 2011. The team runs a total of $28.4 billion in the strategy.

The team's large asset load isn't a major concern yet. True, the fund now has a bigger stake in large-cap stocks than is typical, but lead manager Mark Yockey says that's a reflection of where the team is finding value. Also, while the fund's holdings list grew to more than 100 in number the last time assets peaked--near $25 million--in the mid-2000s, its 69 holdings at the end of June 2014 was near the low end of its historical range. Finally, Artisan has a long history of closing its funds to preserve their flexibility. Indeed, one of the team's other charges, Artisan International Small Cap ARTJX, has been closed to new investors for more than a decade. That said, Yockey and company would likely have difficulty taking a big stake in a mid-cap stock at this point, and the fund may lag if smaller-cap stocks lead the market.

The fund's long-term prospects are still bright. Yockey has plied this strategy with great success for nearly 19 years here and 25 in all, and he's backed by a large team that includes several key longtime comanagers and analysts. The team has demonstrated deep fundamental knowledge of its holdings and built distinctive portfolios, performing in line with its typical peer and major benchmarks in down markets while gaining ground on the upside. This fund remains a keeper.

Process Pillar: Positive

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

The fund typically holds 70-100 stocks; the number depends in part on how many compelling stocks Yockey finds, but the portfolio also became more diffuse in the mid-2000s when assets in the strategy exceeded $25 billion. Strategy assets reached $28.4 billion at the end of July 2014, but the portfolio remained somewhat compact at 69 stocks.

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

The fund's once-hefty stake in steady consumer defensive firms--which manager Mark Yockey favors because, he says, they're seeing increased demand from the rising middle class in many emerging markets--is smaller now, but the fund still has substantial exposure to consumer spending. Consumer defensive firms comprised 16% of assets at the end of June 2014, a fourth more than the foreign large-growth category norm. Winners

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Negative

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Artisan International Investor ARTIX

Analysis

Japan Tobacco and U.K. grocer Tesco were sold as they hit valuation targets, but food giant Nestle and beverage makers Anheuser-Busch Inbev and SABMiller still resided in the top 10. Media firms Grupo Televisa and Liberty Global also land in the top third of the portfolio.

The fund's consumer defensive stake is one reason the fund owns a bigger slug of large-cap stocks than usual, and the fund's average market cap exceeded both that of its MSCI EAFE benchmark and the foreign large-growth norm at the end of June. Yockey has also generally found better values among large caps lately. But he may have a difficult time these days putting a mid-cap stock into the fund's top 10--the team ran a total of $28.4 billion in the strategy at the end of July. He says he's keeping an eye on capacity, and Artisan has a long track record of closing its funds to preserve flexibility. But the fund's large-cap-heavy profile could hold it back if smaller fare outperforms.

Performance Pillar: Positive

This fund has come back with a vengeance. It posted a spectacular run of performance in the late 1990s as manager Mark Yockey played the runup in tech, media, and telecom quite well. In the 2000s, the fund's returns weren't nearly as impressive (on either an absolute or relative basis), but it still turned in respectable performance. More recently, the fund has delivered superior results. It finished in the foreign large-blend category's top 5% in both 2011 and 2012, and in its top decile in 2013. The fund has surpassed 55% of its peers in 2014 through Aug. 12.

Over the trailing 10 years through Aug. 12, the fund outpaced its MSCI EAFE benchmark, the MSCI All Country ex USA Index and the growth-oriented versions of those indexes by at least 1.3% annualized. (The fund's returns have been roughly equally correlated to all four indexes over that span.) The fund has often landed in the foreign large-growth category, though it moved to foreign large-blend from 2010 to 2013. 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 Aug. 12, the fund has crushed the foreign large-growth and foreign large-blend norms by 3.9 and 4.5 percentage points annualized, respectively. Although its returns have been volatile at times, the fund has outpaced all of its peers on a risk-adjusted basis.

People Pillar: Positive

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

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

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

Parent Pillar: Positive

Artisan hires proven or very promising managers and allows them to build and run their teams with a large degree of autonomy. Four of the six teams employ investment strategies that are well-executed and have performed strongly over longer-term periods. (The exceptions are the emerging-markets team, which has generated mediocre results in its 8.5-year tenure, and the high-yield team, added in 2014.) The firm closes funds to preserve their flexibility and increase the chances that they will continue to outperform. Indeed, seven of the firm's 14 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 often 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 two 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 who invest that heavily in their funds. That's the highest level of manager investment disclosed to the SEC and an industry best practice.

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

Price Pillar: Negative

The 1.2% expense ratio of this fund's Investor shares, which hold 77% of the assets, earns a Morningstar Fee Level of Above Average. The Institutional shares hold the other 23% of assets, charge 0.97%, and earn an Average Fee Level score.

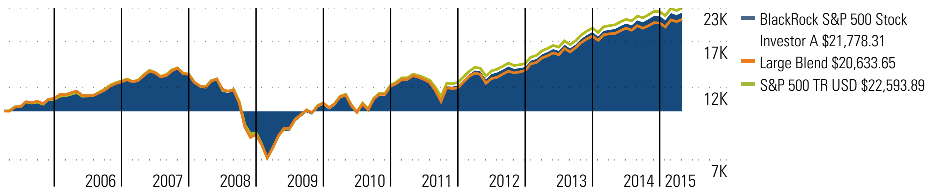
With assets of $17.5 billion, the fund is bigger than 95% of its foreign large-growth peers, and its expenses should be lower.

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
253.74	↓-1.06 | -0.42	1.53	5.4	Open	$1,000	None	0.39%	★★★	Large Blend	Large Blend

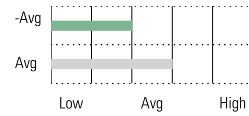
Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1333)

Return vs. Category (1333)



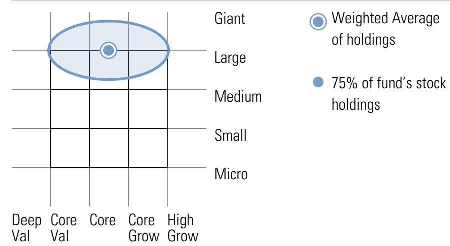
Pillars

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

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.

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,294	10,241	11,510	15,830	19,415	21,690
Fund	2.94	2.41	15.10	16.54	14.19	8.05
+/- S&P 500 TR USD	-0.11	-0.03	-0.40	-0.46	-0.45	-0.40
+/- Category	0.03	0.25	1.94	0.85	1.10	0.28
% Rank in Cat	51	37	30	—	—	—
# of Funds in Cat	1,615	1,620	1,547	1,324	1,179	802

* Currency is displayed in BASE

Top Holdings 12-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
BlackRock S&P 500 Stock Master Portfolio	100.01	—	—	—
% Assets in Top 5 Holdings	100.01			

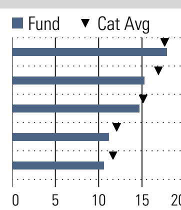
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.50	0.27	1.77	0.00	2.28
US Stock	97.50	0.00	97.50	98.82	92.22
Non US Stock	1.01	0.00	1.01	1.18	4.45
Bond	0.00	0.00	0.00	0.00	0.87
Other	-0.01	0.01	0.00	0.00	0.18

Top Sectors 12-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.88	17.88	16.85	17.15
Financial Services	15.24	15.41	14.41	16.44
Healthcare	14.71	14.71	11.87	14.67
Industrials	11.18	11.71	10.91	11.62
Consumer Cyclical	10.58	11.29	10.25	11.20



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-31-2015	248.64	0.0000	0.0000	0.0000	0.8600	0.8600
12-10-2014	243.20	0.0000	0.0000	0.0000	1.0300	1.0300
09-30-2014	236.92	0.0000	0.0000	0.0000	0.9500	0.9500
06-30-2014	235.42	0.0000	0.0000	0.0000	0.9600	0.9600
03-31-2014	224.85	0.0000	0.0000	0.0000	0.8600	0.8600

BlackRock S&P 500 Stock Investor A BSPAX

Analysis

There are lower-cost alternatives to this S&P 500 fund.
By Michael Rawson 4/14/2015

BlackRock S&P 500 Stock Investor A is a suitable passive option for those looking to establish a core allocation to large-cap U.S. equities. The fund has made improvements to its structure, lowered its fee, and is managed by an experienced provider of index funds. However, it is still overpriced relative to the best S&P 500 funds and deserves only the Morningstar Analyst Rating of Neutral.

Index fund investors benefit from scale when investing in liquid stocks such as those in the S&P 500. A larger asset base helps index fund managers spread fixed costs. The best funds pass these savings on to investors in the form of lower expense ratios. This fund cut its expense ratio and adopted a master/feeder structure in 2013. This should allow the fund to subadvise for other S&P 500 funds and take advantage of economies of scale.

Although this share class is new, the fund dates back to 1993. Based on the 0.37% expense ratio of this share class, it would have returned 7.61% during the past decade through March 2015. That trails the S&P 500 by 40 basis points per year and would place the fund in the top half of the large-blend category.

While not the lowest-cost S&P 500 fund, the fund still shares many of the desirable attributes of a passive index fund. Low turnover minimizes trading costs and promotes tax efficiency. As a market-cap-weighted index, the S&P 500 puts most of its emphasis on large-cap companies and investors should expect performance to match the large-cap U.S. equity market over the long term. Investors looking for more comprehensive exposure to the U.S. stock market should pair this fund with a small-cap fund or consider a total stock market index fund. Investors should not expect better downside protection. Passive index funds strive to remain fully invested so they will catch the full brunt of any market downturn. During the past decade, the fund's standard deviation was 15% and it fell 55.2% in the bear market from October 2007 to March 2009. However, the fund has provided better risk-adjusted returns than the category average.

Process Pillar: Neutral
The fund follows a master/feeder structure. Instead of buying individual stocks, it owns shares of a master fund, BlackRock S&P 500 Master Portfolio, which in turn fully replicates the S&P 500. The advantage of this structure is that it allows the fund to more efficiently gain scale when subadvising other S&P 500 funds. Investors could benefit from this scale if it brings down fixed costs. At about $5 billion in assets, this fund is still smaller than some of its lower-cost rivals. That does not mean the fund lacks management expertise. The fund is managed by one of the largest asset managers and index fund providers in the world.

The S&P 500 offers broad coverage of the large-cap segment of the U.S. equity market. As its name implies, this index includes approximately 500 stocks and weights them by market capitalization. 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.

The fund engages in securities lending, but had less than 1% of the portfolio on loan at the end of 2014. The fund retains 80% of securities lending income. The fund's allocation to cash has averaged less than 2% since the fund converted to its current structure. Excess cash is invested in S&P 500 futures.

This fund invests in a portfolio rather than individual stocks. While it appears to have only one holding, that portfolio holds all 500 stocks in the S&P 500 at weights nearly identical to the index. The S&P 500 encompasses about 80% of the total U.S. equity market and leaves out some mid-cap stocks and all small- and micro-cap stocks. The average market cap of the fund's holdings is lower than the large-blend category average. That's be-

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	—	—

BlackRock S&P 500 Stock Investor A BSPAX

Analysis

cause most large-blend funds have a greater share of assets in mega-cap stocks. Its top-10 holdings also represent a smaller portion of its portfolio than the category average. Sector weightings are similar to the average large-blend fund. The technology, health-care, and financial-services sectors represent the fund's largest sector weightings while utility and real estate sectors carry the smallest weightings.

Historically, future returns have been weaker when starting out at elevated valuations. Investors can look at several measures to gauge market valuations, such as the fund's price/fair value multiple. This is derived from Morningstar analysts' fair value estimates based on discounted cash flow analysis of the fund's underlying holdings. A price/fair value ratio significantly above one indicates lower expected returns in the future.

Performance Pillar: Neutral

The fund returned 7.61% during the past decade through March 2015, lagging the S&P 500 by about 40 basis points per year. Because this share class is new, that return number is based on the older K share class and adjusting for this fund’s higher expense ratio. That return would place the fund in the top half of all large-blend funds that survived the past 10 years. Passive index funds that are a good representation of the category typically end up in the middle of the pack and low fees help give them an edge. However, the S&P 500 has been particularly difficult to beat during the bull market of the past five years--a situation that could reverse.

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.

While highly correlated to the broad market, the S&P 500 excludes small-cap stocks, which can result in slight performance differences between S&P 500 funds and total stock market index funds in the large-blend category.

People Pillar: Neutral

The portfolio-management team consists of Greg Savage, Christopher Bliss, and Alan Mason. Each of these executives previously worked for Barclays Global Investors, which was acquired by BlackRock in 2009. These same individuals oversee many other index funds for BlackRock—a nod to the fact that index fund management relies heavily on process. Combined, the team manages nearly a trillion dollars in pooled investment vehicles.

Savage and Bliss both serve as heads of portfolio management within BlackRock’s index equity team, with Bliss focused on institutional accounts. Savage first joined Barclays Global Investors in 1999 while Bliss joined in 2004. Savage and Bliss both hold the Chartered Financial Analyst designation. 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.

None of the portfolio managers has significant investments in the fund or the master portfolio. While it is not uncommon for index portfolio managers to have negligible investments in the funds they manage, management ownership is a tangible sign that managers' interests are aligned with shareholders'.

Parent Pillar: Neutral

BlackRock has become the world’s largest asset manager via acquisitions. The firm, with $4.3 trillion in assets, only runs money, and its executives stress its fiduciary duty. Communication with clients and employees is clear, and its funds’ boards of trustees are independent.

BlackRock’s size can work against it, though. It’s still culling hundreds of acquired strategies. Its iShares ETF lineup is responsible, but it has some niche funds and others that could be cheaper. It has cut some mutual funds’ fees, but they’re still no bargain. Manager ownership of funds has improved but could be higher. It has made progress in revamping its actively managed fixed-income funds but not as much in active equities. Fund manager tenure and retention still rank behind most top 25 U.S.-based fund families. BlackRock doesn't chase every fad, but there are few trends in which it's not involved. Not one of its regulatory issues in recent years amounts to much, but it’s had more than other top U.S.-based fund families. And BlackRock must balance the interests of its clients with its public shareholders’ growth expectations.

BlackRock’s culture deserves an upgrade for its unparalleled scale and resources, reputation for operational competence, and disciplined, experienced, and competitive leadership. It still gets a C Parent pillar score overall, though, because there’s still progress to make on fees, manager incentives, and regulatory history.

Price Pillar: Neutral

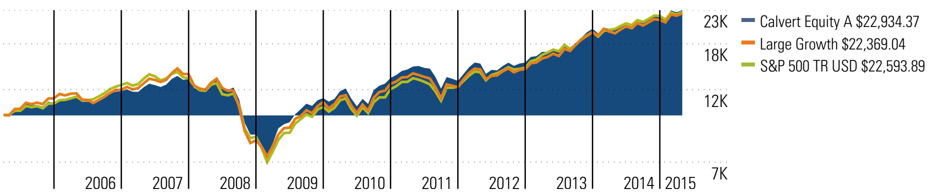
The fund has a number of share classes each with a different expense ratio depending on the investment minimum and the distribution channel. The Investor A share class requires a $1,000 investment minimum and charges 0.37%, down from 0.48% in 2013. While the expense ratio is lower than the 1.09% large-blend category average, it is more than twice the fee charged by a number of other S&P 500 funds available to individual investors. The fee consists of a 0.05% management fee, a 0.07% administrative fee, and a 0.25% service fee. The fund does not charge a load.

Calvert Equity A CSIEX

Morningstar Analyst Rating
—

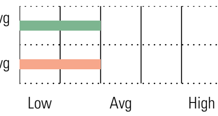
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
50.53	↓-0.13 | -0.26	0.03	2.9	Open	$2,000	4.75	1.14%	★★	Large Growth	Large Growth

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1551) -Avg
Return vs. Category (1551) -Avg



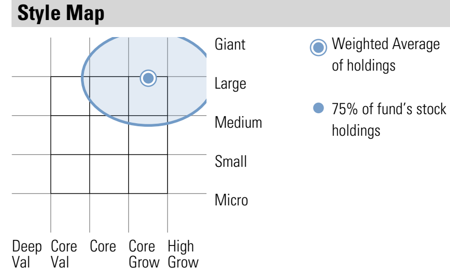
Pillars

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

Investment Strategy

The investment seeks growth of capital. The fund normally invests at least 80% of its net assets, including borrowings for investment purposes, in equity securities. It invests primarily in common stocks of U.S. large-cap companies. The managers define 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. The fund seeks to invest in companies and other enterprises that demonstrate positive environmental, social and governance performance as they address corporate responsibility and sustainability challenges.

Style Map

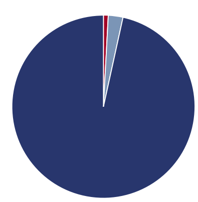


Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,438	10,212	11,708	15,200	18,572	22,809
Fund	4.38	2.12	17.08	14.98	13.18	8.59
+/- S&P 500 TR USD	1.34	-0.31	1.58	-2.03	-1.46	0.15
+/- Category	-1.01	0.10	-1.11	-0.83	-0.81	-0.38
% Rank in Cat	69	42	61	67	68	58
# of Funds in Cat	1,752	1,765	1,710	1,543	1,326	930

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	0.00
US Stock	96.56
Non US Stock	0.85
Bond	0.00
Other	2.59

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
CVS Health Corp	4.76	101.81 BASE	0.57 ↑	72.43 - 105.46
⊕ Google Inc Class C	4.37	555.34 BASE	-0.03 ↓	486.23 - 598.01
Apple Inc	4.11	132.92 BASE	0.18 ↑	81.79 - 134.54
Gilead Sciences Inc	3.91	103.11 BASE	0.13 ↑	72.77 - 116.83
Lowe's Companies Inc	3.51	72.11 BASE	0.38 ↑	44.13 - 76.25
% Assets in Top 5 Holdings	20.65			

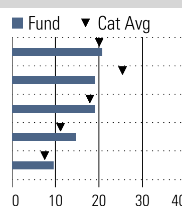
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

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

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Healthcare	20.72	20.72	16.72	19.15
Technology	19.02	19.53	18.36	24.50
Consumer Cyclical	18.96	20.76	18.10	16.99
Financial Services	14.74	16.20	14.36	10.24
Consumer Defensive	9.55	11.74	9.12	6.60



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-29-2014	49.04	0.0000	0.0000	0.0000	0.0200	0.0200
12-11-2014	47.78	4.6600	0.1500	0.0000	0.0000	4.8200
12-26-2013	47.77	0.0000	0.0000	0.0000	0.0500	0.0500
12-05-2013	46.25	1.9900	0.0000	0.0000	0.0000	1.9900
12-27-2012	38.21	0.0000	0.0000	0.0000	0.0100	0.0100

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	—	—

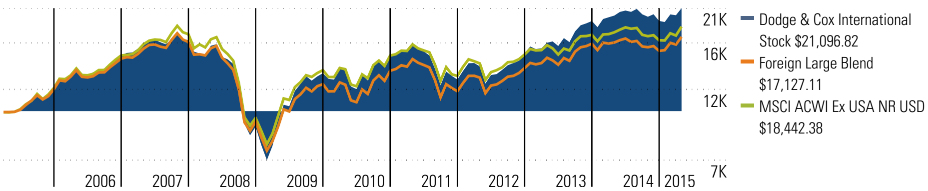
We do not currently publish an Analyst Report for this company.

Dodge & Cox International Stock DODFX

Morningstar Analyst Rating
Gold

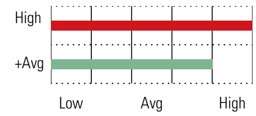
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
46.19	↑0.21 | 0.46	2.21	69.1	Limited	$2,500	None	0.64%	★★★★	Foreign Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category
(635)
Return vs. Category
(635)



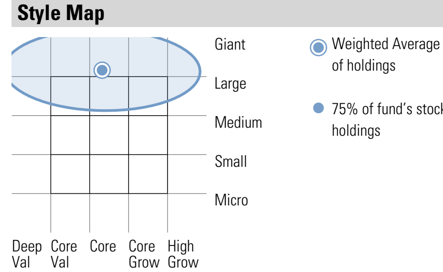
Pillars

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

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.

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,969	10,498	10,680	15,183	15,654	21,306
Fund	9.69	4.98	6.80	14.93	9.38	7.86
+/- MSCI ACWI Ex USA NR USD	-0.65	-1.20	1.76	5.67	3.14	1.45
+/- Category	-1.02	0.06	1.59	4.63	2.15	2.00
% Rank in Cat	77	35	25	3	9	15
# of Funds in Cat	778	785	733	623	556	313

* Currency is displayed in BASE

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.60	0.00	1.60	0.01	-0.28
US Stock	8.56	0.00	8.56	0.13	2.03
Non US Stock	86.57	0.00	86.57	98.81	93.67
Bond	0.00	0.00	0.00	0.00	3.69
Other	3.27	0.02	3.29	1.06	0.89

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Naspers Ltd Class N	3.89	— BASE	-0.17 ↓	98,325.00 - 202,997.00
⊕ Roche Holding AG Dividend Right Cert.	3.13	274.00 BASE	-1.72 ↓	238.80 - 295.80
⊕ Schlumberger NV	2.95	92.33 BASE	0.79 ↑	75.60 - 118.76
⊕ Sanofi	2.90	94.49 BASE	-2.92 ↓	69.58 - 99.23
⊕ Standard Chartered PLC	2.84	— BASE	-2.78 ↓	867.50 - 1,355.50
% Assets in Top 5 Holdings	15.72			

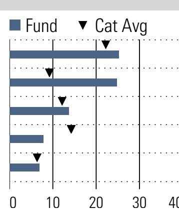
⊕ Increase ⊖ Decrease ✲ New to Portfolio

Management

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

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	25.19	25.53	22.49	21.30
Technology	24.81	25.73	24.81	8.29
Healthcare	13.63	15.76	13.63	11.22
Consumer Cyclical	7.82	7.82	5.91	13.32
Communication Services	6.82	8.57	6.82	5.45



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-19-2014	42.41	0.0000	0.0000	0.0000	0.9700	0.9700
12-19-2013	41.83	0.0000	0.0000	0.0000	0.6900	0.6900
12-19-2012	34.54	0.0000	0.0000	0.0000	0.7500	0.7500
12-20-2011	28.93	0.0000	0.0000	0.0000	0.7600	0.7600
12-21-2010	35.37	0.0000	0.0000	0.0000	0.4900	0.4900

MORNINGSTAR®

Dodge & Cox International Stock DODFX

Analysis

Manager of the Year--again.
By Gregg Wolper 2/2/2015

The context of its performance, rather than the absolute size of its return, helps explain why the team behind Dodge & Cox International Stock won Morningstar's International-Stock Fund Manager of the Year award for 2014.

The fund gained a mere 0.1% last year. But with non-U.S. economies, stock markets, and currencies nearly all struggling or declining, posting any kind of positive return was an achievement. The MSCI ACWI Ex USA Index dropped 3.9%, and the foreign large-blend Morningstar Category average tumbled 5%. This fund didn't make spectacular, head-turning trades in order to evade the damage; rather, by sticking with its patient, contrarian approach over time, it ended up in a place that enabled it to outperform.

In 2013, it already had a marked overweighting in emerging markets, but its managers--a nine-person team, all at the firm more than a decade--dove in deeper when prices fell. In India, where a plunging currency and slowing economy had most investors very worried, these managers added to ICICI Bank repeatedly in the first three quarters of 2013 as the stock's price sank. It climbed more than 50% in 2014 as investors warmed to India's prospects under a new government. Similar patience with Hewlett-Packard HPQ paid off in 2014; that stock rose 46%.

The fund's return also benefited from a low expense ratio and relatively light trading costs (because it trades much less frequently than most rivals, with an annual turnover rate typically in the low teens). Its managers and analysts tend to stay at Dodge & Cox for many years, often for their entire careers, so turnover is minimal in that important sphere as well. This team, with much the same roster, also won Morningstar's International-Stock Fund Manager of the Year Award 10 years ago, in 2004. Consistency of approach, stability of management, and low costs, combined with the willingness to differ sharply from benchmarks if warranted, make this fund a keeper. New investors can no longer buy in--after several years of strong inflows, the fund closed its doors on Jan. 16, 2015.

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

There are few notable changes in this fund's Dec. 31, 2014, portfolio. In some ways, the fund looks like a staid representative of the foreign large-blend category. It's almost fully invested in stocks and owns almost no small caps and fewer mid-caps than the average. Its weighting in the big financial-services sector is similar to that of the MSCI ACWI ex USA Index.

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Dodge & Cox International Stock DODFX

Analysis

But a look past those numbers shows vast distinctions. Many of those financials holdings focus on emerging markets rather than big European or Japanese banks, and the fund's overall emerging-markets stake, about 23% of assets, is roughly triple the category average. And other sector weightings differ markedly with the average. The fund has more than double the category and index weightings in technology and also has an overweighting in health care. Conversely, it is light in basic materials and consumer staples.

By and large, these positions reflect the managers' obsession with valuation; they like many consumer-staples firms, for example, but simply feel they're too expensive. And when emerging markets sank in 2013, the managers boosted their already-large stake by buying a few new holdings such as Itau Unibanco in Brazil and adding to existing holdings such as ICICI Bank in India and Mexico's America Movil. About 22% of the euro position was hedged into the dollar as of late 2014, according to comanager Diana Strandberg, with no other hedges in place.

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 topped 91% of them in 2014 as its meager 0.1% gain was much better than the foreign large-blend average loss of 5.0% and the MSCI ACWI ex-USA's loss of 3.9%.

Emerging-markets stocks--which are more plentiful here than in most foreign large-cap portfolios--continued to be a mixed bag overall, 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 was still in the top three as of Dec. 31, 3014, and both again posted strong gains in 2014.) And Hewlett-Packard HPQ has rewarded the managers' patience by zooming 100% in 2013 and another 46% in 2014.

Going back further, the fund's record truly stands out. Its 10-year return of 7.1% through Jan. 27, 2015, lands in the top 15% of the category. From its 2001 launch to the present, it has crushed both the MSCI ACWI ex-US Index 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 NOK 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 24 years, calls the shots here. Several, such as Charles Pohl and Diana Strandberg, who have two of the longest tenures, 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 investments in their funds.

Parent Pillar: Positive

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

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

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

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

Price Pillar: Positive

Dodge & Cox International Stock is one of the least-expensive actively managed foreign-stock funds. It has one share class, which doesn't carry a load; its expense ratio was 0.64% in 2013 and 0.65% for the first half of 2014.

A huge asset base--$64 billion in January 2015--helps keep costs down. However, Dodge & Cox starts funds out of the gate with low expenses by keeping management fees low. A modest management fee of 60 basis points is key to why this fund is unusually inexpensive compared against actively managed equity-fund portfolios from any category.

Dodge & Cox International Stock DODFX

Analysis

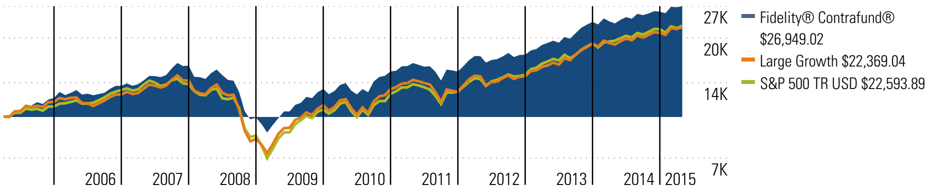
The fund's consistently low turnover rate also helps keep down trading costs, which aren't included in the expense ratio. Turnover was just 14% of assets (annualized) in the first half of 2014, typical for this fund.

Fidelity® Contrafund® FCNTX

Morningstar Analyst Rating
Silver

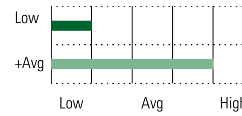
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
101.96	↓-0.51 | -0.50	0.23	111.8	Open	$2,500	None	0.64%	★★★★★	Large Growth	Large Growth

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1551)
Return vs. Category (1551)



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

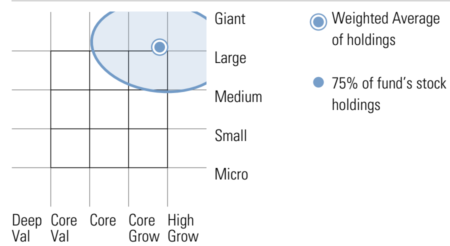
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,508	10,106	11,795	15,524	19,910	27,115
Fund	5.08	1.06	17.95	15.79	14.77	10.49
+/- S&P 500 TR USD	2.04	-1.37	2.46	-1.22	0.13	2.04
+/- Category	-0.31	-0.96	-0.23	-0.02	0.78	1.51
% Rank in Cat	54	84	53	52	34	16
# of Funds in Cat	1,752	1,765	1,710	1,543	1,326	930

* Currency is displayed in BASE

Style Map



Top Holdings 02-28-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Berkshire Hathaway Inc Class A	4.69	— BASE	0.41 ↑	185,005.00 - 229,374.00
⊖ Apple Inc	3.85	132.94 BASE	0.21 ↑	81.79 - 134.54
⊕ Wells Fargo & Co	3.42	55.24 BASE	0.47 ↑	46.44 - 56.29
⊕ Facebook Inc Class A	3.29	81.47 BASE	-0.55 ↓	54.66 - 86.07
⊕ Biogen Inc	3.09	382.30 BASE	-1.84 ↓	275.39 - 480.18
% Assets in Top 5 Holdings	18.35			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

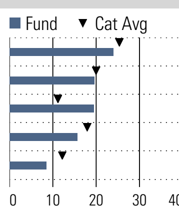
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.01	0.00	1.01	0.00	2.00
US Stock	89.55	0.00	89.55	98.34	90.66
Non US Stock	8.72	0.00	8.72	1.66	7.12
Bond	0.10	0.00	0.10	0.00	0.08
Other	0.62	0.00	0.62	0.00	0.14

Management

	Start Date
William Danoff	09-17-1990

Top Sectors 02-28-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	23.99	24.24	23.06	24.43
Healthcare	19.61	19.61	11.63	19.05
Financial Services	19.42	21.50	19.42	10.26
Consumer Cyclical	15.62	19.23	14.68	17.01
Industrials	8.51	8.51	7.60	11.26



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
02-06-2015	97.92	0.9500	0.0000	0.0000	0.0000	0.9500
12-12-2014	96.19	5.9200	0.0000	0.0000	0.2500	6.1700
02-07-2014	94.21	0.9700	0.0000	0.0000	0.0000	0.9700
12-13-2013	92.57	6.5800	0.0000	0.0000	0.1300	6.7100
02-08-2013	81.25	0.7400	0.0000	0.0000	0.0000	0.7400

Fidelity® Contrafund® FCNTX

Analysis

Patience should pay off.
By Katie Rushkewicz Reichart, CFA 12/3/2014

Fidelity Contrafund can still win out over time.

Manager Will Danoff has run this fund for 24 years, producing competitive long-term returns despite its bulky $109 billion asset base. Danoff's strategy is simple enough: invest in companies with improving earnings and compelling management teams. The real challenge is putting all that money to work in a way that differentiates the fund from cheaper, passive options.

That's been a challenge for Danoff (and many active managers) lately. The fund modestly lags the Russell 1000 Growth Index for the trailing five years through late November (it lands in the large-growth Morningstar Category's top half during that period). Stock-picking has been weak outside of technology and consumer discretionary, according to attribution. A cash stake of 2% to 7% has also weighed on results in such a robust market.

Even so, the case for the fund remains intact. Danoff is experienced and has been through many market cycles, coming out ahead in the long run. He has the backing of Fidelity's huge analyst team, which feeds him ideas. Recently, that's meant upping the fund's exposure to industry-leading health-care firms with good runways for growth, such as Gilead Sciences GILD, while trimming margin-pressured stocks such as Amazon.com AMZN.

The fund has historically benefited from getting into successful growth names early on, including Google GOOG. It's taken the same path recently, investing in the Alibaba IPO BABA. Meanwhile, Danoff has waded into a few up-and-coming private companies, including web and mobile website Pinterest and ride-sharing startup Uber. Those positions make up very small parts of the fund for now.

As large-growth funds go, this offering has been fairly tame: It's been less volatile and has posted smaller losses than peers and the benchmark in down markets, as top positions such as Berkshire Hathaway BRK.A have provided ballast. All told, there's reason to keep the faith in this fund.

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 270 to 500 stocks. (The name count has trended downward recently as Danoff has focused on his best ideas.) These moves haven't affected long-term performance, which remains strong, but there's always the risk that the fund won't handle future asset growth as well (the fund has been closed in the past but is currently open and has experienced outflows in 2014).

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 8% non-U.S. stake as of September was on the low end of its normal range during the past decade. While the fund's size limits Danoff's ability to take meaningful positions throughout the portfolio, he doesn't shy away from making big bets where he can.

Morningstar's Take

Morningstar Analyst Rating — Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Fidelity® Contrafund® FCNTX

Analysis

Google soaked up 7% of assets as of September, a major chunk of the fund's 24% technology stake. That mirrors his previous big bet in Apple AAPL, which peaked in 2012 at 8% of assets and is now down to 2.9% 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, and took a stake in recent IPO Alibaba. Consumer discretionary has historically played a big role in the fund, though the stake has dipped recently as Danoff has scaled back on Amazon.com and upped exposure to health-care picks such as UnitedHealth Group UNH. The fund's 15% financials stake is above the large-growth norm 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 Bank of America BAC and Microsoft MSFT.

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 Nov. 24, 2014, the fund has gained 13.4% annualized to the S&P 500's 10.3%, the Russell 1000 Growth's 9.7%, and the large-growth category's 9.1%. Danoff's record is all the more impressive considering the huge sum of money he oversees, totaling well over $100 billion across vehicles. Undoubtedly, this fund is less flexible than the $6 billion Fidelity Series Opportunistic Insights used exclusively in Fidelity's target-date series, which he's led to even better results since its late-2012 inception through late November.

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

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 $28 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

Fidelity has long been an industry leader in technology, trading, and its brokerage platform, but it has had ups and downs within its own mutual fund business. The dependable fixed-income division remains a crown jewel, though it's often overshadowed by the larger equity division, which for years was inconsistent but has shown signs of improvement. Manager tenure across Fidelity's equity funds has improved in recent years, as has performance. Fidelity has been more careful in how it has handled manager transitions on some equity funds, and its effort to build out its value and equity-income teams should serve investors well. Fidelity employs plenty of talented investors, including at its biggest funds.

That said, Fidelity's huge fund lineup leaves room for some mediocre funds. The firm also has much to prove with its revamped target-date funds, which have lost considerable market share to competitors following weak performance.

Still, Fidelity is headed in the right direction. The funds' boards and managers have made consistent performance and manager ownership a priority. Fidelity's lineup remains reasonably priced, and investors are poised for better outcomes now than just a few years ago after incremental improvements on the equity side. Its fixed-income funds remain among the industry's best. Fidelity earns a Positive Parent score.

Price Pillar: Positive

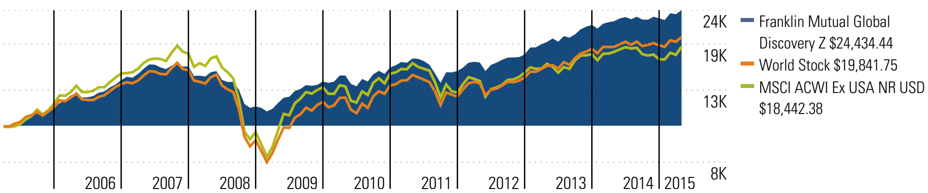
This fund has a performance fee, so its expense ratio can change based on how its three-year returns look relative to the S&P 500 Index. (For every percentage point of out- or underperformance, the expense ratio is adjusted by 0.02%, up to a maximum of 0.20%.) The performance-based fee is in the interest of investors, who don't have to pay as much when the fund is underperforming. Without considering the performance adjustment, the fund's expense ratio is below average relative to similarly sold peers, so it receives a 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

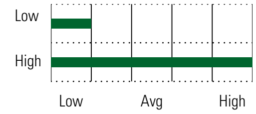
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
35.47	↑0.02 | 0.06	2.30	26.6	Open	$1,000	None	0.96%	★★★★★	World Stock	Large Value

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (903)
Return vs. Category (903)



Investment Strategy

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

Pillars

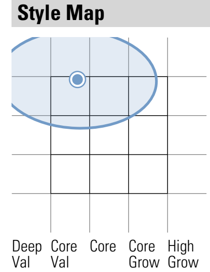
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Neutral
Rating	Silver

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,645	10,335	11,003	14,943	16,549	24,545
Fund	6.45	3.35	10.03	14.33	10.60	9.39
+/- MSCI ACWI Ex USA NR USD	-3.89	-2.82	5.00	5.06	4.37	2.99
+/- Category	-0.14	-0.26	1.16	1.85	0.46	2.13
% Rank in Cat	53	58	38	26	46	9
# of Funds in Cat	1,254	1,280	1,163	901	707	365

* Currency is displayed in BASE

Style Map



Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Teva Pharmaceutical Industries Ltd ADR	2.09	61.05 BASE	-0.96 ↓	47.36 - 68.75
Merck & Co Inc	2.07	60.04 BASE	5.17 ↑	52.49 - 63.62
Apple Inc	2.01	131.29 BASE	-1.03 ↓	81.79 - 134.54
⊕ Microsoft Corp	1.85	48.61 BASE	1.23 ↑	38.51 - 50.04
Volkswagen AG	1.60	243.60 BASE	-0.75 ↓	147.40 - 262.45
% Assets in Top 5 Holdings	9.62			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

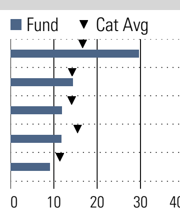
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	8.47	0.00	8.47	0.00	2.37
US Stock	47.45	0.59	48.04	50.86	49.95
Non US Stock	37.41	0.00	37.41	48.63	46.87
Bond	2.43	0.00	2.43	0.00	0.41
Other	4.25	0.04	4.29	0.51	0.40

Management

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

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	29.57	29.57	27.04	15.72
Healthcare	14.33	14.33	10.70	13.30
Consumer Cyclical	11.78	11.78	9.49	13.19
Technology	11.66	11.97	11.04	14.56
Consumer Defensive	9.04	12.22	9.04	10.47



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-19-2014	33.33	1.2100	0.0000	0.0000	0.7900	2.0000
09-05-2014	35.96	0.1700	0.0000	0.0000	0.0300	0.2000
12-20-2013	33.14	1.3100	0.1900	0.0000	0.5400	2.0400
09-06-2013	33.05	0.1300	0.0100	0.0000	0.0300	0.1800
12-20-2012	28.92	1.3500	0.2100	0.0000	0.5700	2.1300

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 arbitrage 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 CBS because its management is tak-

Morningstar's Take

Morningstar Analyst Rating: Silver

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	—	—

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

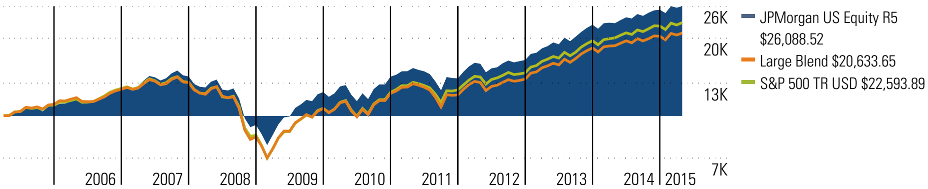
The 1.28% annual expense ratio for the fund's A shares is below average for world-stock funds that impose a front-end sales charge. The median fee for that peer group is 1.39%. However, the fund's expense ratio is on the high side compared with other front-load world-stock offerings with more than $10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

JPMorgan US Equity R5 JUSRX

Morningstar Analyst Rating
Bronze

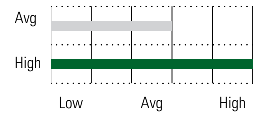
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.99	↓-0.08 | -0.53	1.17	12.7	Open	—	None	0.59%	★★★★	Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1333)
Return vs. Category (1333)



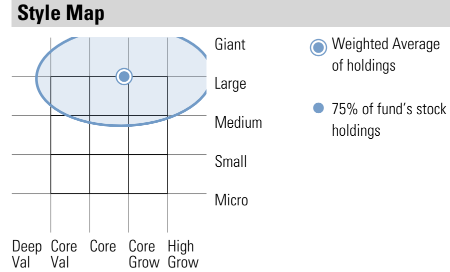
Pillars

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

Investment Strategy

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

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,319	10,163	11,695	16,439	19,993	25,963
Fund	3.19	1.63	16.95	18.02	14.86	10.01
+/- S&P 500 TR USD	0.15	-0.80	1.45	1.02	0.22	1.56
+/- Category	0.29	-0.53	3.79	2.33	1.77	2.24
% Rank in Cat	39	77	11	13	11	—
# of Funds in Cat	1,615	1,620	1,547	1,324	1,179	802

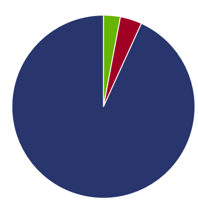
* Currency is displayed in BASE

Top Holdings 02-28-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	4.19	132.94 BASE	0.21 ↑	81.79 - 134.54
⊕ Wells Fargo & Co	2.58	55.24 BASE	0.47 ↑	46.44 - 56.29
⊕ Microsoft Corp	2.44	48.99 BASE	2.03 ↑	38.51 - 50.04
⊕ Honeywell International Inc	1.89	102.71 BASE	0.17 ↑	82.89 - 106.15
⊖ Avago Technologies Ltd	1.89	117.47 BASE	-2.25 ↓	60.01 - 136.28
% Assets in Top 5 Holdings	12.99			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



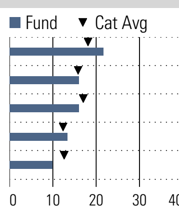
Asset Class	% Net
Cash	2.98
US Stock	93.19
Non US Stock	3.83
Bond	0.00
Other	0.00

Management

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

Top Sectors 02-28-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	21.65	21.65	17.79	17.19
Healthcare	16.02	16.02	13.11	14.91
Financial Services	15.97	16.77	15.97	16.10
Consumer Cyclical	13.37	15.02	12.88	11.44
Industrials	9.92	10.60	9.92	11.69



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-27-2015	14.75	0.0000	0.0000	0.0000	0.0300	0.0300
12-19-2014	14.61	0.0000	0.0000	0.0000	0.0700	0.0700
12-12-2014	14.20	0.8900	0.3800	0.0000	0.0000	1.2700
09-30-2014	15.11	0.0000	0.0000	0.0000	0.0400	0.0400
06-30-2014	14.96	0.0000	0.0000	0.0000	0.0400	0.0400

JPMorgan US Equity R5 JUSRX

Analysis

Little things add up.
By Laura Lallos 9/11/2014

Changes at the margins shouldn't weaken JPMorgan US Equity's strong core.

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 now 40% of the fund.

In August 2014, Scott Davis was added as a comanager and given 10% of assets, using the same strategy as Bao and Luddy, and relying on the same research. (Davis had been a media and Internet analyst on the team.) While Luddy has no plans to retire soon, the firm has begun succession planning with Davis in mind. Davis replaces Giri Devulapally and Aryeh Glatter, who each ran a small sleeve based on their own respective growth and value strategies used elsewhere. While the allocation to these sleeves could be adjusted to keep the profile of the fund within the tight parameters it is designed to follow, they proved more of a hindrance than a help.

The overall profile of the fund should not change, and Paul Quinsee, CIO of JPMorgan's U.S. equity group, will continue to keep a watchful eye on risk metrics. The end result has been a portfolio with a low tracking error relative to the S&P 500 and active share that has stayed close to 50% during the past decade. That sounds like a recipe for mediocrity, but the fund has consistently outperformed its peers. Overall, since Bao came on in January 2001, the fund's Institutional shares have returned an annualized 6.1% through Aug. 31, compared with 5.1% for the S&P 500.

This record demonstrates that a carefully constrained strategy, skillfully applied, can beat an index. This reliable core holding continues to merit 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 longtime managers Susan Bao and Tom Luddy, who together run a substantial portion of J.P. Morgan's large-cap core strategies. They each run a portion independently but follow the same strategy and rely on the research of the firm's core analyst team. These industry analysts rank stocks within each industry based on estimated fair value; they use an in-house model incorporating long-term earnings, cash flow, and growth rate estimates. The managers incorporate these rankings into their stock-picking, expressing modest sector preferences based on their macroeconomic views. In August 2014, Scott Davis was named a comanager. He runs 10% of the portfolio, using the same strategy and research as Bao and Luddy.

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

Overall, the fund shows considerable correlation with the S&P 500, with an R-squared of about 98% over the short and long term.

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, as it has for several years. It does have a small overweighting in another more-defensive sector, health care.

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Neutral
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	—	—

JPMorgan US Equity R5 JUSRX

Analysis

Names such as Johnson & Johnson JNJ, however, are also part of a growth-at-a-reasonable price play. The managers were able to add to names such as Google GOOG when growth names were hit earlier this year. Bao notes that technology companies have the healthiest balance sheets and still have low P/E ratios relative to historic levels.

The fund continues a slight tilt toward consumer discretionary, but with significant distinctions. Bao notes that the managers now have underweightings in retail, restaurants, and hotels, which tend to do better in the beginning of an economic cycle. As they have over the past year, they prefer auto-related stocks and media names. Top-10 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.

Performance Pillar: Positive
Since Susan Bao came on in January 2001, the fund's Institutional shares have returned an annualized 6.1% through Aug. 31, compared with 4.2% for the category and 5.1% for the fund's benchmark, the S&P 500.

While the fund has had some manager changes in recent years, its shorter-term performance shows no ill effect. Over the trailing one-, three-, and five-year periods, the Institutional shares rank in the top quintile of the category. Comanager Scott Davis is new to the team, but he is running only 10% of assets and using the same strategy and analyst research his colleagues have used for years. Given the fund's carefully circumscribed strategy, shareholders have reason to expect a consistent performance profile.

That profile has been consistently strong. From January 2001 through August 2014, its rolling three-year returns land in the top half of the category nearly 80% of the time and in the bottom quartile only 2%. Over that time, the fund's standard deviation was 16.1, a bit higher than the S&P 500's 15.3. Over the long term, the fund's Morningstar Risk ratings, which place greater emphasis on downside volatility, have been in line with the category average. That's what the strategy is designed to do: control risk, not minimize it.

The fund's B and C share classes are notably more expensive and over some time periods are closer to middling relative to the category and 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 since 1997, and Luddy since 1976--he helped develop the stock-valuation model at the strategy's center. The two have also run a 130/30 fund since 2005, JPMorgan US Large Cap Core Plus JLCAX.

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%-40% of the fund's assets have been managed directly by Skibeli and about 25 core analysts, many also long-tenured.

From July 2010 through mid-August 2014, 15%-20% of assets were split between managers of large-cap growth and large-cap value sleeves. Giri Devulapally (the lead manager of Bronze-rated JPMorgan Large Cap Growth OLGAX) ran the growth sleeve over that time, while the the value sleeve saw some changes.

The firm decided to do away with the growth and value sleeves of the fund partly to help keep the overall profile within the tight parameters the core managers prefer. Also, while Luddy has no plans to retire, succession planning has begun. Scott Davis, who started at JPMorgan in 2006 and who was a media and Internet analyst on the team, was given a 10% portion to run. Davis will run his small portion of the portfolio with the same strategy and analyst support that has served Bao and Luddy well.

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

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

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

Price Pillar: Positive
More than half of the fund's assets are in Institutional or Select shares. The Institutional shares, with a 0.64% expense ratio, are priced below-average compared with other large-cap institutional shares. While the Select shares' 0.79% expense ratio ranks as average compared with the same group, they are also available to retail investors through wrap accounts with certain advisors.

The rest of the fund's share classes rank either in the lowest or second-lowest quintile of the relevant Morningstar Fee Level comparison group. In

JPMorgan US Equity R5 JUSRX

Analysis

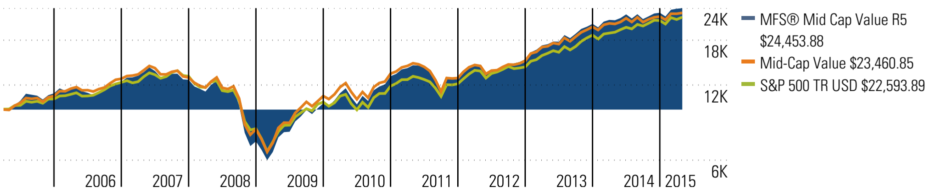
absolute terms, however, some share classes (notably, the B, C, and Retirement 2 shares) are significantly more expensive, which weighs on their relative return rankings within the large-cap blend category.

MFS® Mid Cap Value R5 MVCKX

Morningstar Analyst Rating
—

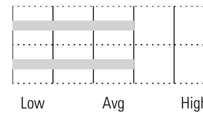
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
21.21	↓-0.13 | -0.61	0.70	3.3	Open	—	None	0.84%	★★★★	Mid-Cap Value	Mid Value

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (415) Avg
Return vs. Category (415) Avg



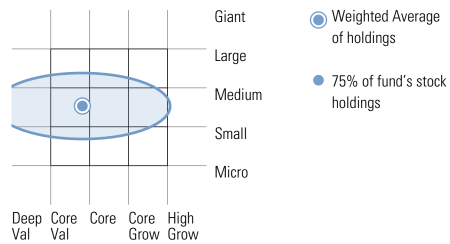
Investment Strategy

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

Pillars

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

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,412	10,158	11,211	16,616	20,241	24,416
Fund	4.12	1.58	12.11	18.44	15.15	9.34
+/- S&P 500 TR USD	1.08	-0.85	-3.39	1.44	0.51	0.89
+/- Category	0.75	-0.01	1.20	1.74	2.07	0.40
% Rank in Cat	29	41	40	—	—	—
# of Funds in Cat	500	501	458	415	349	237

* Currency is displayed in BASE

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	2.42	0.22	2.64	0.00	3.53
US Stock	92.21	0.00	92.21	99.50	91.76
Non US Stock	5.06	0.00	5.06	0.50	4.51
Bond	0.00	0.00	0.00	0.00	0.06
Other	0.32	0.00	0.32	0.00	0.13

Top Holdings 02-28-2015

	Weight %	Last Price	Day Chg %	52 Week Range
Newell Rubbermaid Inc	1.32	39.37 BASE	-0.43 ↓	28.27 - 40.73
NASDAQ OMX Group, Inc.	1.28	48.26 BASE	-0.64 ↓	34.70 - 51.22
Endo International PLC	1.19	90.64 BASE	-2.82 ↓	57.14 - 96.58
Crown Holdings Inc	1.13	55.20 BASE	-0.16 ↓	42.50 - 55.88
Xerox Corporation	1.05	11.62 BASE	-3.09 ↓	11.32 - 14.36
% Assets in Top 5 Holdings	5.96			

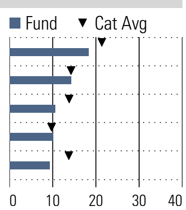
⊕ Increase ⊖ Decrease ✲ New to Portfolio

Management

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

Top Sectors 02-28-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	18.33	19.76	18.33	20.44
Consumer Cyclical	14.25	15.02	14.25	13.32
Industrials	10.51	11.13	10.29	12.90
Healthcare	10.14	10.14	8.73	8.82
Technology	9.27	9.27	7.77	12.81



Dividend and Capital Gains Distributions

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

MORNINGSTAR®

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

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

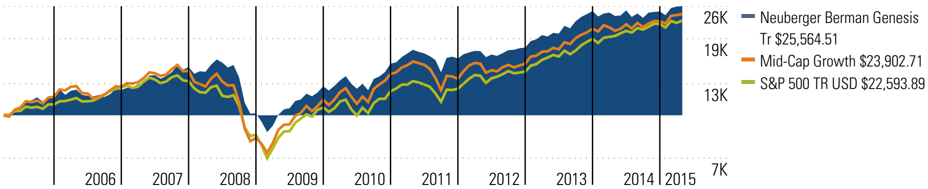
We do not currently publish an Analyst Report for this company.

Neuberger Berman Genesis Tr NBGEX

Morningstar Analyst Rating
Bronze

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
61.97	↓-0.38 | -0.61	0.05	12.5	Open	—	None	1.10%	★★★	Mid-Cap Growth	Small Growth

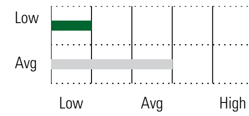
Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category
(655)

Return vs. Category
(655)



Investment Strategy

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

Pillars

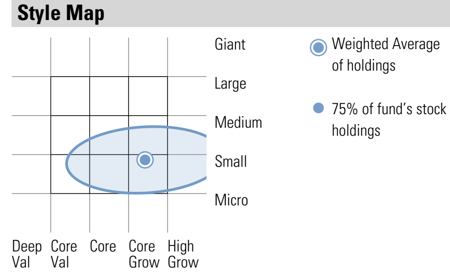
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Bronze

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,461	10,104	10,898	14,656	18,249	25,594
Fund	4.61	1.04	8.98	13.59	12.78	9.85
+/- S&P 500 TR USD	1.57	-1.39	-6.51	-3.42	-1.86	1.41
+/- Category	-1.75	-0.55	-7.43	-1.66	-1.08	0.20
% Rank in Cat	80	78	91	74	72	50
# of Funds in Cat	773	773	753	653	583	437

* Currency is displayed in BASE

Style Map

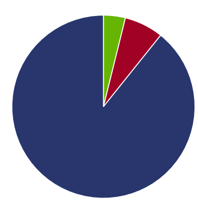


Top Holdings 12-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Westinghouse Air Brake Technologies Corp	2.49	95.68 BASE	-0.57 ↓	70.20 - 105.10
⊖ Church & Dwight Company, Inc.	2.40	83.28 BASE	-0.24 ↓	63.85 - 87.25
⊖ AptarGroup, Inc.	1.90	62.63 BASE	-0.29 ↓	55.59 - 68.67
⊖ Polaris Industries Inc	1.80	140.60 BASE	-0.55 ↓	124.73 - 159.33
⊕ West Pharmaceutical Services Inc	1.75	55.32 BASE	-1.04 ↓	39.11 - 60.30
% Assets in Top 5 Holdings	10.34			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

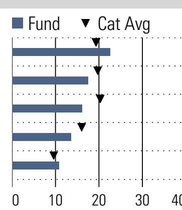
Asset Allocation



Asset Class	% Net
Cash	3.87
US Stock	89.25
Non US Stock	6.89
Bond	0.00
Other	0.00

Top Sectors 12-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	22.61	22.61	21.38	18.41
Technology	17.45	17.45	11.89	18.80
Consumer Cyclical	16.09	17.09	13.92	19.37
Healthcare	13.54	13.54	10.91	15.10
Financial Services	10.74	12.99	9.31	8.67



Management

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

Dividend and Capital Gains Distributions

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

MORNINGSTAR®

Neuberger Berman Genesis Tr NBGEX

Analysis

A bad year is no reason for panic here, though there are longer-term concerns.
By David Kathman, CFA 12/19/2014

Neuberger Berman Genesis remains solid, but its size is an issue.

This fund has had a tough year in 2014, with a year-to-date loss as of mid-December that ranked in the mid-cap growth Morningstar Category's bottom decile. There's no need to be too alarmed--occasional tough stretches are inevitable given the fund's strategy, and it has always bounced back. Its long-term record remains excellent, with 15-year returns ranking in the top 1% of the category. Even so, the fund's large asset base has long been a concern, and an abundance of caution has led us to move its Morningstar Analyst Rating to Bronze from Silver.

The strategy here is a patient one, very much focused on the long term. The managers look for small-cap stocks that dominate a competitive niche and combine solid balance sheets and cash flows with reasonable valuations. They prefer stocks that can grow over the next three to five years regardless of the broader economy, and they're willing to hold favorite stocks for a long time, resulting in very low annual turnover. Some top holdings, such as Church & Dwight CHD and AptarGroup ATR, have been in the portfolio for more than a decade.

This approach has been very successful over the long run, but there will inevitably be times when the fund will have a hard time keeping up. That's what has happened in 2014, when still-low interest rates and loose monetary policy caused low-quality, high-debt stocks to outperform, leaving many of this fund's high-quality holdings in the dust. Blowups by Ocwen Financial OCN and several related holdings have also hurt returns.

While the fund's long-term track record should ease worries about its recent problems, its $13 billion asset base--third-largest in the mid-growth category and largest among actively managed funds with more than half their assets in small caps--is cause for more concern. The managers have handled those assets well, and it's still a fine fund; however, we're a bit concerned that this size will make it tougher to perform as well going forward and that liquidity could become an issue with the fund's smaller-cap holdings.

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; cash seldom exceeds 5% of assets and no single holding takes up more than about 3%. They don't worry too much about benchmarks, so sector weightings often differ from those of category peers or the Russell 2000 Index,

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Neuberger Berman Genesis Tr NBGEX

Analysis

but they try not to let any sector get too big.

The fund is still heavy in defensive steady-Eddies such as Church & Dwight and packaging maker AptarGroup (two of the top four holdings as of Sept. 30, 2014). It also holds some more-cyclical names, provided they meet the necessary quality criteria. The portfolio's technology weighting has increased in the two years since analyst Greg Siegel joined the team (specifically to cover tech), though it's still modestly underweight in the sector relative to its peers.

The fund is overweight in financials relative to its peers, and that sector has been the biggest detractor from performance in 2014. Most notably, Ocwen Financial, Altisource Portfolio Solutions ASPS, and Altisource Asset Management AAMC all suffered losses of more than 50% after running into regulatory problems.

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

Performance Pillar: Positive

This fund has been an outstanding long-term performer. As of December 2014, its 15-year returns are among the best in the mid-growth category, and its 10-year returns rank in the top quartile; both returns would rank in the top decile of the fund's old small-blend peer group.

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

The fund tends to hold up well in down markets such as 2008 and 2011, thanks to the managers' emphasis on relatively stable cash generators without a lot of debt, but for the same reasons it has a tough time keeping up in speculation-driven bull markets such as those of 2009 and 2010. It has badly underperformed peers in 2014, when low-quality, debt-heavy stocks have performed best, though blowups by several financial holdings also contributed to the poor results.

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

As of Aug. 31, 2014, 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. 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

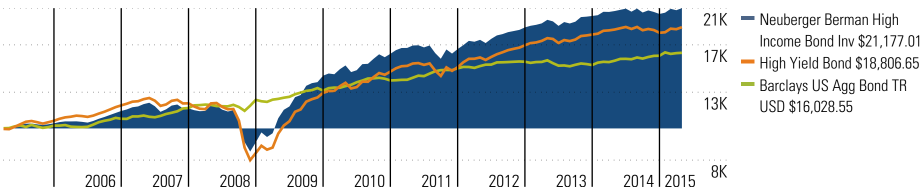
Almost 40% of this fund's assets are in the Institutional shares, whose 0.85% expense ratio ranks in the second-cheapest quintile of Institutional shares of domestic small-cap funds; an agreement with the advisor will prevent it from rising above that level until 2021. Most of the remaining assets are 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

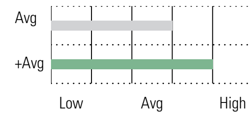
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
9.10	↓0.00 | 0.00	5.44	3.5	Limited	$2,000	None	0.83%	★★★★	High Yield Bond	

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category
(595)
Return vs. Category
(595)



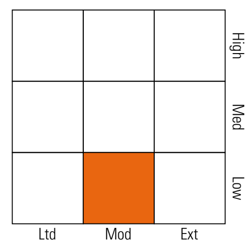
Pillars

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

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.

Style Map 12-31-2014



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,368	10,143	10,196	12,214	14,275	21,243
Fund	3.68	1.43	1.96	6.89	7.38	7.83
+/- Barclays US Agg Bond TR USD	1.85	1.10	-3.23	4.07	3.10	3.01
+/- Category	0.12	-0.03	0.20	0.30	0.07	0.86
% Rank in Cat	46	53	54	40	50	15
# of Funds in Cat	783	789	726	593	507	352

* Currency is displayed in BASE

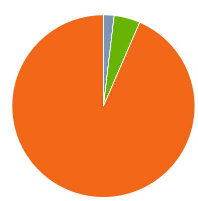
Bond Statistics	Value
Average Effective Duration (Years)	3.90
Average Effective Maturity (Years)	6.60
Average Credit Quality	B
Average Weighted Coupon	6.37
Average Weighted Price	104.23

Top Holdings 02-28-2015

	Weight %	Maturity Date	Amount Mil	Value Mil
Berry Plastics 9.75%	1.44	01-15-2021	47.11	52.47
⊕ Everest Acq Llc/Finance 0.4036%	1.33	05-01-2020	45.37	48.43
First Data 12.625%	1.29	01-15-2021	39.24	46.91
Reynolds Grp Issuer 9.875%	1.03	08-15-2019	35.10	37.60
⊕ Gaming & Leisure P 4.875%	0.92	11-01-2020	31.99	33.43
% Assets in Top 5 Holdings	6.01			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

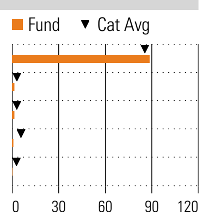
Asset Allocation



Asset Class	% Net
Cash	4.63
US Stock	0.00
Non US Stock	0.00
Bond	93.50
Other	1.87

Top Sectors 02-28-2015

	Fund	BMark	Cat Avg
Corporate Bond	88.69	—	82.95
Commercial MBS	1.35	—	0.50
Convertible	1.32	—	0.45
Bank Loan	0.82	—	3.13
Preferred	0.00	—	0.25



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-31-2015	9.02	0.0000	0.0000	0.0000	0.0400	0.0400
02-27-2015	9.14	0.0000	0.0000	0.0000	0.0400	0.0400
01-30-2015	8.96	0.0000	0.0000	0.0000	0.0400	0.0400
12-31-2014	8.93	0.0000	0.0000	0.0000	0.0400	0.0400
12-17-2014	8.75	0.0500	0.0100	0.0000	0.0000	0.0600

Neuberger Berman High Income Bond Inv NHINX

Analysis

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

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

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

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

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

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Neuberger Berman High Income Bond Inv NHINX

Analysis

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

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

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

Performance Pillar: Positive

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

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

People Pillar: Positive

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

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

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

Parent Pillar: Positive

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

This culture faced a threat in 2008 when then-parent Lehman Brothers collapsed, but a group of Neuberger insiders eventually took the firm private. It's now owned by about 300 employees, including most portfolio managers and many analysts, providing good incentives for them to stick around. Neuberger is focused solely on investment management, though its retail mutual funds only make up a fraction of assets under management (about 15% as of 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.

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Price Pillar: Positive

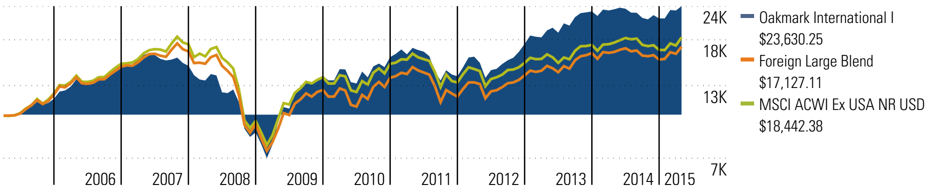
Sixty percent of the fund's assets are held in the Institutional share class, which charges a below-average 0.70% expense ratio. The fund's Investor share class also costs less than competitor funds, as its 0.84% expense ratio is below the 0.90% median for similarly distributed funds. And expenses have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

Oakmark International I OAKIX

Morningstar Analyst Rating
Gold

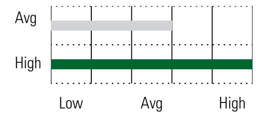
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
25.73	↑0.16 | 0.63	1.95	31.0	Limited	$1,000	None	0.95%	★★★★★	Foreign Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category
(635)
Return vs. Category
(635)



Pillars

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

Investment Strategy

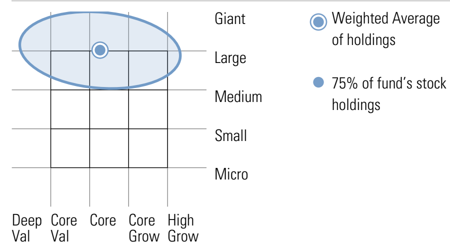
The investment seeks long-term capital appreciation. The fund invests primarily in a diversified portfolio of common stocks of non-U.S. companies. It may invest in non-U.S. markets throughout the world, including emerging markets. Ordinarily, the fund will invest in the securities of at least five countries 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.

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,024	10,243	10,314	15,550	16,645	23,832
Fund	10.24	2.43	3.14	15.85	10.73	9.07
+/- MSCI ACWI Ex USA NR USD	-0.10	-3.74	-1.89	6.59	4.49	2.67
+/- Category	-0.47	-2.49	-2.07	5.55	3.51	3.22
% Rank in Cat	68	99	76	1	5	4
# of Funds in Cat	778	785	733	623	556	313

* Currency is displayed in BASE

Style Map

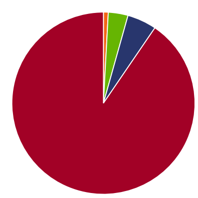


Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Credit Suisse Group	5.84	25.14 BASE	-1.33 ↓	18.57 - 28.45
⊕ BNP Paribas	4.23	58.61 BASE	-0.95 ↓	43.14 - 59.69
⊕ Allianz SE	3.78	155.00 BASE	-1.99 ↓	115.05 - 170.15
⊕ Honda Motor Co Ltd	3.54	— BASE	0.32 ↑	3,239.00 - 4,400.00
⊕ Toyota Motor Corp	3.51	— BASE	2.10 ↑	5,376.00 - 8,783.00
% Assets in Top 5 Holdings	20.88			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

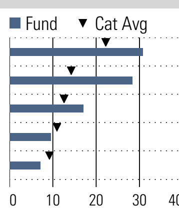
Asset Allocation



Asset Class	% Net
Cash	3.48
US Stock	5.17
Non US Stock	90.50
Bond	0.85
Other	0.00

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	30.72	30.72	27.00	21.30
Consumer Cyclical	28.31	28.31	23.12	13.32
Industrials	17.02	21.17	17.02	11.68
Consumer Defensive	9.57	14.08	9.17	10.03
Technology	7.09	7.09	5.49	8.29



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-18-2014	23.58	0.9200	0.1500	0.0000	0.5100	1.5700
12-19-2013	25.55	0.2900	0.0000	0.0000	0.4400	0.7300
12-13-2012	20.17	0.0000	0.0000	0.0000	0.4400	0.4400
12-15-2011	16.07	0.0000	0.0000	0.0000	0.1300	0.1300
12-16-2010	19.26	0.0000	0.0000	0.0000	0.1600	0.1600

Oakmark International I OAKIX

Analysis

There's still a lot to like here.
By Greg Carlson 11/24/2014

Despite its hefty asset base and subpar recent performance, Oakmark International is topnotch.

This closed fund has had a tough 2014, losing 5% for the year to date through Nov. 18, 2014, and trailing more than 85% of its foreign large-blend peers in the process. A heavy emphasis on developed markets in Europe other than the United Kingdom--57% of assets versus a group norm of 40%--has weighed on returns because of anemic growth there, as has a light stake in emerging markets. Picks such as the French bank BNP Paribas, Dutch electronics firm Royal Philips, and Japan's Honda Motor have been among the biggest individual detractors this year.

The fund's 2014 showing contrasts sharply with its excellent performance in recent years. It surpassed more than 95% of its category rivals in four of the five previous calendar years, while also holding up better than 60% of the category in 2008's sharp decline. But lead manager David Herro has strong contrarian instincts and will let bottom-up stock picks cluster in certain sectors and countries--while completely avoiding others--for years at a time, so the fund is likely to be well out of step with its peers (as well as its MSCI World ex USA benchmark) in some periods. Nevertheless, relative returns have been strong here over the vast majority of rolling five-year periods since the fund's 1992 inception, and the fund lands in the category's top 5% over the trailing 10 and 15 years through Nov. 18.

The fund's size bears watching; it weighs in at $29 billion in assets, and Herro and comanager Rob Taylor run a total of $42 billion in this strategy. While the fund focuses on large caps (small-caps, and smaller mid-cap stocks, land in Herro's other charge, Oakmark International Small Cap OAKEX) and the managers tend to buy and sell stocks gradually, liquidity could be an issue given the somewhat compact portfolio of 59 stocks. Mitigating concerns are the fund's closure to new investors in October 2013 and the ensuing slowdown of inflows.

This remains an excellent core international holding.

Process Pillar: Positive

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

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

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

At the close of 2012, nearly 25% of this fund's assets were invested in Japanese equities; as of September 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 exposure to developed European markets. All told, three fourths of the fund's assets were invested there at

Morningstar's Take

Morningstar Analyst Rating: Gold

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	—	—

Oakmark International I OAKIX

Analysis

the close of September, 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 27% of assets each at the end of the third quarter. With industrial stocks accounting for an additional 21% 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 3% of assets, the fund's exposure is one third that of the benchmark MSCI World ex USA Index and its typical foreign large-blend rival.

Herro and Taylor managed a total of $42 billion in the strategy as of July 2014. The fund, which closed to new investors in October 2013, has always had a large-cap focus, but it would be it tough to take hefty positions in firms at the low end of the fund's capitalization range ($5 billion).

Performance Pillar: Positive

Between the fund's October 1992 inception and Nov. 10, 2014, it has delivered an annualized return of 10.5%, more than 4 percentage points better than the gain of its benchmark, the MSCI World ex USA Index. Its margin of victory versus the typical foreign-large blend fund is almost as large. The fund's showing isn't due merely to occasional spasms of outsized performance, either. In the time frame's rolling five-year periods, the fund has bested those yardsticks roughly three fourths of the time.

Versus its benchmark, 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, is far higher than the benchmark's and typical peer's figures, indicating that investors have been compensated handsomely for the fund's volatility.

The fund has also beaten more than 95% of peers and its benchmark over the trailing three, five, 10, and 15 years.

People Pillar: Positive

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

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

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

Parent Pillar: Positive

Harris Associates boasts an admirable investing-centric culture. New fund launches, for example, aren't driven by marketing trends but by money managers with decades of experience and outstanding long-term track records. Indeed, Oakmark has launched only one new fund in the past 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 fell by 8 basis points from the previous year. The current expense ratio is significantly lower than the median price tag in the fund's fee-level comparison group of foreign large-cap no-load funds (1.11%).

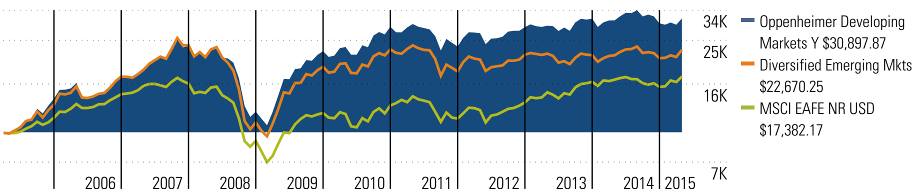
Judged by asset size, though, the fund is pricey. At $29 billion, it ranks among the category's largest offerings. To be sure, the trajectory of the fund's fees is encouraging, but there's room for costs to fall further.

Oppenheimer Developing Markets Y ODVYX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.80	↓-0.04 | -0.11	0.64	41.0	Limited	—	None	1.03%	★★★★★	Diversified Emerging Mkts	Large Growth

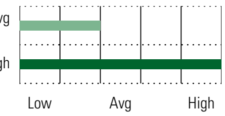
Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (528) -Avg

Return vs. Category (528) High



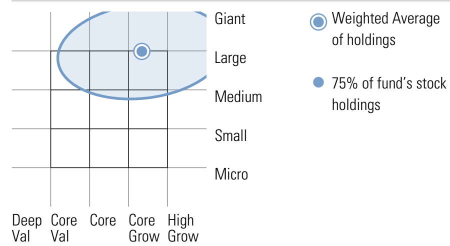
Pillars

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

Investment Strategy

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

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,496	10,723	10,259	11,590	13,351	30,932
Fund	4.96	7.23	2.59	5.04	5.95	11.95
+/- MSCI EAFE NR USD	-5.82	2.76	-1.54	-6.62	-1.59	6.18
+/- Category	-3.79	-1.69	-3.62	1.57	3.00	3.41
% Rank in Cat	88	75	77	26	8	—
# of Funds in Cat	888	904	793	527	340	163

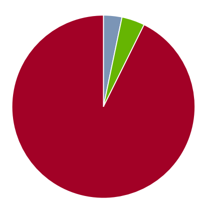
* Currency is displayed in BASE

Top Holdings 02-28-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Baidu Inc ADR	4.24	219.50 BASE	-0.44 ↓	148.16 - 251.99
Housing Development Finance Corp Ltd	3.77	— BASE	1.46 ↑	810.00 - 1,402.30
Infosys Ltd	3.30	— BASE	-1.21 ↓	1,440.00 - 2,336.00
⊕ Magnit PJSC	2.68	— BASE	-1.96 ↓	6,565.30 - 12,504.00
Tencent Holdings Ltd	2.51	163.60 BASE	0.62 ↑	93.00 - 171.00
% Assets in Top 5 Holdings	16.50			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



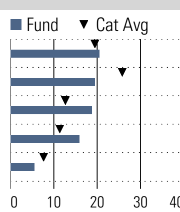
Asset Class	% Net
Cash	4.07
US Stock	0.00
Non US Stock	92.67
Bond	0.00
Other	3.26

Management

	Start Date
Justin M. Leverenz	05-01-2007

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.49	20.49	17.73	18.56
Financial Services	19.44	20.46	13.49	24.86
Consumer Cyclical	18.80	18.80	15.26	11.74
Consumer Defensive	15.84	23.81	15.84	10.45
Basic Materials	5.52	5.79	5.46	6.71



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-05-2014	36.45	0.6000	0.0000	0.0000	0.2200	0.8200
12-06-2013	37.07	0.1800	0.0000	0.0000	0.1600	0.3400
12-07-2012	33.82	0.0000	0.0000	0.0000	0.2500	0.2500
12-09-2011	29.56	0.0000	0.0000	0.0000	0.6800	0.6800
12-21-2010	35.02	0.0000	0.0000	0.0000	0.1400	0.1400

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 offerings'. 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 Educacional 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 Cosmeticos 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: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

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 Cosmeticos 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

Art Steinmetz became CEO of OppenheimerFunds in July 2014, the firm's first from its investment ranks. He joined the firm 28 years ago and has managed several of its taxable-bond offerings, though he will give up his remaining portfolio-management duties on Sept. 30, 2014. Steinmetz replaced Bill Glavin, who had been in place since 2009. Glavin was responsible for much of the cleanup that occurred following the 2008 financial crisis, primarily due to massive losses posted by a couple of Oppenheimer funds, that included replacing management teams and merging away funds, as well as an SEC settlement.

Overall fund performance has improved since the financial crisis, and the company has made strides in the area of manager ownership of fund shares: 57% of assets are run by managers with at least $1 million personally invested alongside fundholders, nearly twice last year's level. And although the firm's average fee-level percentile is 41 and thus lands at the low end of the "average" range for fees overall, it represents continued improvement.

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

Price Pillar: Positive

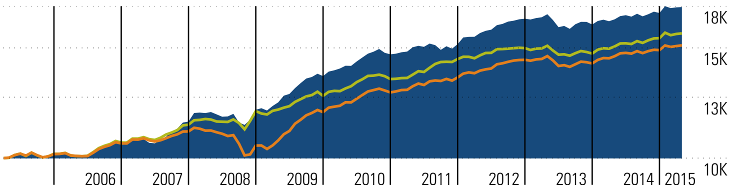
This fund's annual expense ratio of 1.35% is cheaper than four fifths of all diversified emerging-markets options and looks even more reasonably priced compared with other broker-sold offerings in the category. (The median fee for that distribution group is 1.71%.) The fund's Institutional shares levy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

PIMCO Total Return Admin PTRAX

Morningstar Analyst Rating
Bronze

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.85	↓0.00 | 0.00	3.69	117.4	Open	$1 mil	None	0.71%	★★★★	Intermediate-Term Bond	

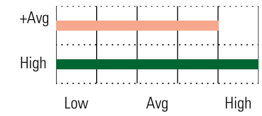
Growth of 10,000 04-27-2005 - 04-27-2015



- PIMCO Total Return Admin $17,700.73
- Intermediate-Term Bond $15,323.09
- Barclays US Agg Bond TR USD $16,028.55

3 Year Average Morningstar Risk Measures

Risk vs. Category (905) +Avg
Return vs. Category (905) High



Pillars

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

Investment Strategy

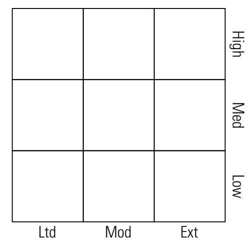
The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives 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.

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,227	10,040	10,495	11,030	12,504	17,666
Fund	2.27	0.40	4.95	3.32	4.57	5.86
+/- Barclays US Agg Bond TR USD	0.44	0.06	-0.24	0.49	0.29	1.04
+/- Category	0.42	-0.03	0.58	0.10	0.12	1.29
% Rank in Cat	16	51	34	45	46	8
# of Funds in Cat	1,061	1,081	1,028	902	799	582

* Currency is displayed in BASE

Style Map 03-31-2010



Top Holdings 12-31-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
☼ 10 Year US Treasury Note Future Mar15	25.21	03-27-2015	28,503.30	36,141.29
☼ Irs Usd 0.665 04/17/15-1y (Wht) Cme	-23.91	04-17-2016	34,273.00	-34,278.70
☼ 30 Year US Treasury Bond Future Mar15	13.13	03-20-2015	13,016.00	18,816.26
☼ Irs Usd 1.000 04/17/15-2y Cme	-9.48	04-17-2017	13,623.10	-13,587.22
☼ Fin Fut Euro$ Cme (Wht) 06/15/15	-9.11	06-16-2015	52,456.00	-13,056.95
% Assets in Top 5 Holdings	-4.16			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Bond Statistics

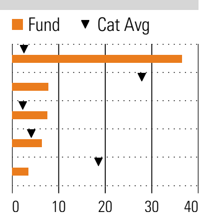
Bond Statistics	Value
Average Effective Duration (Years)	4.87
Average Effective Maturity (Years)	10.47
Average Credit Quality	Not Rated
Average Weighted Coupon	4.19
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	46.67	29.15	75.81	—	5.37
US Stock	0.00	0.00	0.00	—	0.04
Non US Stock	0.00	0.00	0.00	—	0.02
Bond	46.27	116.99	163.26	—	91.92
Other	7.07	1.39	8.46	—	2.64

Top Sectors 12-31-2014

	Fund	BMark	Cat Avg
Non-U.S. Government	36.43	—	1.69
Corporate Bond	7.76	—	26.99
U.S. Treasury Inflation-Protected	7.60	—	1.43
Agency MBS Pass-Through	6.39	—	3.26
U.S. Treasury	3.46	—	17.69



Management

	Start Date
Mark R. Kiesel	09-26-2014
Scott A. Mather	09-26-2014
Mihir P. Worah	09-26-2014

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-31-2015	10.86	0.0000	0.0000	0.0000	0.0100	0.0100
02-27-2015	10.84	0.0000	0.0000	0.0000	0.0100	0.0100
01-30-2015	10.93	0.0000	0.0000	0.0000	0.0100	0.0100
12-31-2014	10.66	0.0000	0.0000	0.0000	0.0200	0.0200
12-29-2014	10.64	0.0000	0.0000	0.0000	0.2100	0.2100

PIMCO Total Return Admin PTRAX

Analysis

There's reason for continued, cautious optimism as PIMCO settles into a new era.
By Sarah Bush 4/22/2015

Nearly seven months out from Bill Gross' abrupt departure from PIMCO, there are signs of progress at the firm and its flagship fund PIMCO Total Return. The new three-manager investment team of PIMCO veterans Scott Mather, Mark Kiesel, and Mihir Worah is off to strong start, with Mather responsible for final decision-making. That said, we are maintaining its Morningstar Analyst Rating of Bronze to reflect risks associated with ongoing outflows and because it will take some time to see how the three new portfolio managers, all strongly opinionated and talented investors, coalesce as a team.

One of the fears following Gross' departure was that the firm would see an exodus of top investment talent. However, despite a handful of departures (notably, Saumil Parikh and Paul McCulley), PIMCO's senior investment ranks have been otherwise stable. Meanwhile, several high-profile new and returning hires have bolstered the ranks of the firm's investment committee and the macroeconomic team backing its efforts. These additions, together with efforts made since early 2014 to broaden this group's makeup and to increase debate and discussion, are encouraging. The smooth functioning of the committee, which includes all three portfolio managers, is key to this fund's success.

Redemptions remain a worry, even though they slowed some in March and PIMCO's senior management team has indicated that they expect them to taper further in upcoming months. Flows have not yet taken a significant toll on returns--over the trailing six months through March 2015, the fund's 3.6% gain tops that of the Barclays U.S. Aggregate Bond Index and roughly 90% of its peers thanks in part to astute currency positioning--but they could still pose a problem should performance weaken or should the bond markets hit a period of turbulence.

These risks notwithstanding, PIMCO's depth of investment talent continues to inspire confidence in this fund's ability to reassert itself as a topnotch choice for bond investors.

Process Pillar: Positive

The new manager trio of Scott Mather, Mark Kiesel, and Mihir Worah hasn't made any significant changes to the fund's strategy. All three portfolio managers are members of PIMCO's investment committee, which forecasts macroeconomic and market conditions and sets the fund's broad portfolio parameters. Mather serves as the tie-breaker on any disagreements and takes the lead in implementing portfolio positioning, with input from Kiesel and Worah, especially in their individual areas of expertise.

Although the portfolio has shrunk considerably since its peak in April 2013, Mather notes that it will likely continue to be dominated by macroeconomic positioning, which seems reasonable given its girth. That makes the smooth functioning of the investment committee, which has undergone a number of changes over the past couple of years, particularly important to the fund's success. Efforts to improve that body's effectiveness by adding bottom-up thinkers like Kiesel and group CIO Dan Ivascyn, investing in the quantitative tools and people backing the firm's macroeconomic research, and encouraging dissent and healthy debate are all reassuring.

Today's investment committee is designed to do a better job of channeling the expertise of PIMCO's talented investors into a coherent and successful strategy. That said, the fund's success ultimately depends on how well this body and the firm's new management team coalesce.

This fund has historically drawn from a broad tool kit. Former manager Bill Gross was active in adjusting the fund's exposures to the traditional core bond sectors of Treasuries and other government fare, mortgages, and corporates and would also hold meaningful stakes in non-U.S. developed and emerging-markets and high-yield debt. That wide-ranging approach is likely to continue under the

Morningstar's Take

Morningstar Analyst Rating — Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

PIMCO Total Return Admin PTRAX

Analysis

fund's new managers.

The new manager trio has quickly put its stamp on the portfolio. Significant themes as of March 2015 included short exposures to the euro (6%) and the yen (4%) and underweightings to investment-grade credit (7%) and agency mortgages (25%), in favor of nonagency mortgages (8%), taxable municipal bonds (4%), TIPS (17%), and emerging-markets debt (24%, inclusive of of a large stake in short-term high-quality bonds). Meanwhile, since the beginning of 2015, the team has pared back the fund's interest-rate exposure, which stood at 4.3 years as of March 2015, a significant underweighting relative to its Barclays U.S. Aggregate Bond Index's 5.5 years. Within the U.S. the managers favor intermediate-term bonds; they've also maintained exposure to interest rates in Germany and other eurozone countries. Finally, the team continues to run the fund with a hefty liquidity stake including roughly 18% in cash and other short-term, high-quality securities.

Performance Pillar: Positive

When managers leave, it often makes sense to discount a fund's past performance. However, Bill Gross never denied having a tremendous amount of help, and group CIO Dan Ivascyn and this fund's three comanagers have long been contributors to the success of the firm and the fund.

So it makes sense to give some attention to the fund's prior record. True, the fund had run into several difficult stretches on Gross' watch. During 2011, for example, a relatively short duration and limited exposure to government bonds hurt in the year's rocky third quarter as long-term Treasuries rallied. The fund stumbled again in the summer of 2013, in part because of a spike in long-maturity yields that hit its Treasury Inflation-Protected Securities allocation especially hard and because of its exposure to sinking emerging-markets debt. However, the fund's five-year 5.0% annualized gain through March 2015 still outpaced roughly two thirds of its peers' in the intermediate-bond Morningstar Category, and its longer-term record was topnotch.

The fund is off to a good start under its new team: Its 3.6% six-month return topped the Barclays U.S. Aggregate Bond Index and roughly 90% of the fund's intermediate-bond peers, thanks in part to astute currency positioning. The fund's new managers will not get all of their calls right, yet over the longer haul, PIMCO as a firm has gotten things more right than wrong.

People Pillar: Positive

PIMCO CEO Bill Gross' September 2014 departure from PIMCO for Janus was momentous. However, he left behind an enormous staff of talented managers and analysts that he had hired and trained over the years, and they have stepped up to take on important roles in his absence.

The three portfolio managers who replaced Gross all came to the job with impressive and complementary resumes. Prior to taking over here, Scott Mather, who has final decision-making responsibility on the portfolio, had served a number of roles across PIMCO, including a stint co-heading the firm's mortgage- and asset-backed securities group and, most recently, running its global portfolio management team. Mark Kiesel, 2012 Morningstar Fixed-Income Manager of the Year, heads up the firm's global credit effort. Mihir Worah rounds out the team and brings important perspective from his role heading the firm's real return and multiasset portfolios. Finally, in his role as group CIO Dan Ivascyn, not a named a portfolio manager here, has an impressive record in his own right, which includes recognition as Morningstar's 2013 Morningstar Fixed-Income Manager of the Year. All four are permanent members of the firm's investment committee.

Overall, PIMCO's staff has tremendous depth boasting world-class practitioners and intellects across the board.

Parent Pillar: Neutral

PIMCO's new normal, without founder and former chief investment officer William H. Gross, hinges on leadership from a relatively new multi-CIO structure. Daniel Ivascyn, who was promoted to group CIO in September 2014 upon Gross' departure, is also leading the investment committee that shapes the firm's fixed-income and multiasset portfolios. PIMCO named six deputy CIOs in 2014's first quarter after then-CEO and co-CIO Mohamed El-Erian announced his departure. These changes to PIMCO's leadership structure are significant, but the firm remains a leading, well-resourced fixed-income manager.

PIMCO has faced sizable redemptions since Gross' departure, and fund flows bear watching--if they accelerate from recent levels or fail to wane, they eventually could begin to impair the firm's ability to manage assets or retain personnel. To be clear, neither of those risks is an immediate concern, and as of early 2015 PIMCO is very well-situated to accommodate recent flow levels. Other threats include high expenses on many noninstitutional share classes and an SEC investigation into securities pricing in the exchange-traded fund version of the Total Return strategy. Although PIMCO's fund boards are expected to add independent directors in 2015, the boards have been relatively small with below-average levels of independent trustees.

These risks are not insurmountable, but warrant a continued Parent rating of Neutral.

Price Pillar: Positive

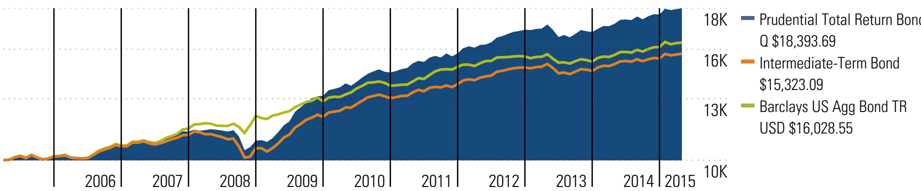
This fund has been a big revenue driver for PIMCO. Its advisory fee generated more than $641 million for the fiscal year through March 2014, and its supervisory and administrative fees pulled in $608 million. While the fund has shrunk considerably since then, it is still a major contributor to the fund's revenues. The fund has not featured management-fee breakpoints that would lower fees as assets grew, and some share classes--at this fund, the A shares and Institutional shares--are competitively priced, but others are relatively steep. As such, it's important to be choosy when picking a share class here. The better-priced classes have a big advantage.

Prudential Total Return Bond Q PTRQX

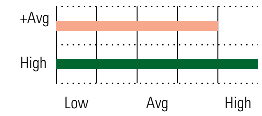
Morningstar Analyst Rating —

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.66	↓0.00 | 0.00	3.50	9.8	Open	—	None	0.49%	★★★★★	Intermediate-Term Bond	

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures



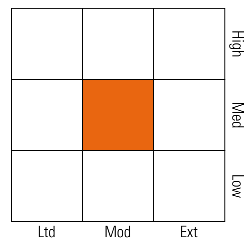
Pillars

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

Investment Strategy

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

Style Map 12-31-2014



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,258	10,047	10,662	11,591	13,530	18,377
Fund	2.58	0.47	6.62	5.05	6.23	6.27
+/- Barclays US Agg Bond TR USD	0.75	0.13	1.43	2.22	1.96	1.45
+/- Category	0.73	0.04	2.25	1.83	1.78	1.71
% Rank in Cat	4	34	2	5	—	—
# of Funds in Cat	1,061	1,081	1,028	902	799	582

* Currency is displayed in BASE

Bond Statistics	Value
Average Effective Duration (Years)	5.50
Average Effective Maturity (Years)	—
Average Credit Quality	BBB
Average Weighted Coupon	3.58
Average Weighted Price	104.45

Top Holdings 02-28-2015

	Weight %	Maturity Date	Amount Mil	Value Mil
☼ 5 Year US Treasury Note Future June15	8.90	06-30-2015	0.01	884.23
☼ Recv Cms 10y Fra 3/3/15	7.79	03-03-2015	771.00	773.36
☼ Payb Cms 10y Fra 3/3/15	-7.76	03-03-2015	771.00	-771.00
☼ Payb Cmm 100y Fra 3/3/15	-7.76	03-03-2015	771.00	-771.00
☼ Recv Cmm 100y Fra 3/3/15	7.74	03-03-2015	771.00	768.56
% Assets in Top 5 Holdings	8.90			

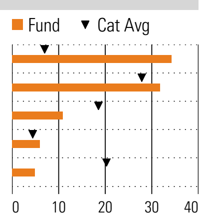
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	5.14	0.00	5.14	—	5.37
US Stock	0.00	0.00	0.00	—	0.04
Non US Stock	0.00	0.00	0.00	—	0.02
Bond	92.93	29.16	122.09	—	91.92
Other	1.92	0.17	2.09	—	2.64

Top Sectors 02-28-2015

	Fund	BMark	Cat Avg
Other Government Related	34.23	—	6.13
Corporate Bond	31.76	—	26.99
U.S. Treasury	10.92	—	17.69
Asset-Backed	5.98	—	3.57
Commercial MBS	4.84	—	19.41



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-31-2015	14.64	0.0000	0.0000	0.0000	0.0400	0.0400
02-27-2015	14.62	0.0000	0.0000	0.0000	0.0400	0.0400
01-30-2015	14.74	0.0000	0.0000	0.0000	0.0400	0.0400
12-31-2014	14.44	0.0000	0.0000	0.0000	0.0400	0.0400
12-30-2014	14.42	0.0000	0.0000	0.0000	0.0100	0.0100

Prudential Total Return Bond Q PTRQX

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	—	—

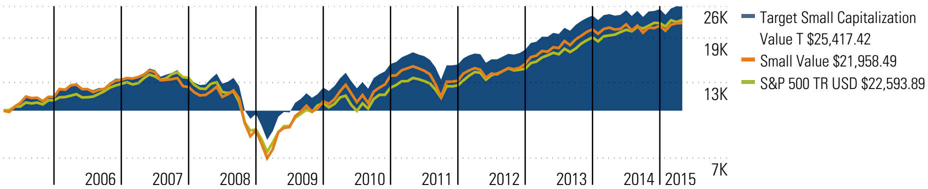
We do not currently publish an Analyst Report for this company.

Target Small Capitalization Value T TASVX

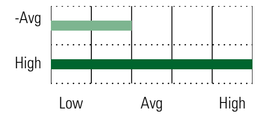
Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.17	↓-0.19 | -0.72	0.96	2.0	Open	—	None	0.68%	★★★★	Small Value	Small Value

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures



Investment Strategy

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

Pillars

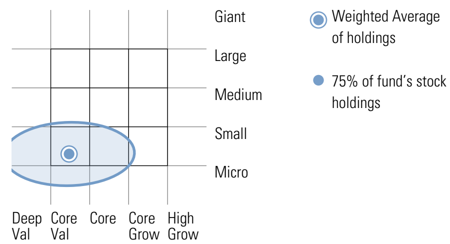
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,227	10,073	10,870	15,209	18,079	25,287
Fund	2.27	0.73	8.70	15.00	12.57	9.72
+/- S&P 500 TR USD	-0.78	-1.70	-6.80	-2.00	-2.07	1.27
+/- Category	-0.34	-0.63	2.31	0.39	1.30	1.28
% Rank in Cat	62	76	35	48	25	14
# of Funds in Cat	446	450	413	361	297	202

* Currency is displayed in BASE

Style Map

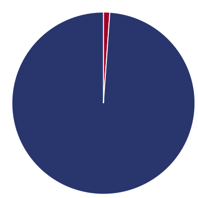


Top Holdings 02-28-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ iShares Russell 2000 Value	1.52	103.80 BASE	0.73 ↑	90.00 - 105.12
Stifel Financial Corp	1.23	54.00 BASE	1.01 ↑	41.47 - 57.75
Webster Financial Corp	1.20	36.30 BASE	1.40 ↑	26.53 - 37.60
Teledyne Technologies Inc	1.09	108.02 BASE	-0.54 ↓	90.54 - 110.08
American Equity Investment Life Holding Co	1.02	28.68 BASE	1.04 ↑	20.97 - 29.90
% Assets in Top 5 Holdings	6.05			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

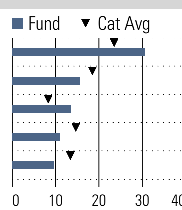
Asset Allocation



Asset Class	% Net
Cash	0.00
US Stock	98.88
Non US Stock	1.11
Bond	0.00
Other	0.00

Top Sectors 02-28-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	30.68	30.68	21.13	22.60
Industrials	15.52	23.84	15.52	17.57
Real Estate	13.60	13.60	4.27	7.39
Consumer Cyclical	10.96	12.43	10.10	13.74
Technology	9.50	13.46	9.50	12.48



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-22-2014	25.45	2.4000	0.1400	0.0000	0.2800	2.8200
12-16-2013	25.96	1.4800	0.4400	0.0000	0.2800	2.1900
12-28-2012	21.06	0.0000	0.0000	0.0000	0.0400	0.0400
12-13-2012	20.93	0.6100	0.0000	0.0000	0.2600	0.8700
12-01-2011	19.27	0.6600	0.0000	0.0000	0.2400	0.9000

MORNINGSTAR®

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	—	—

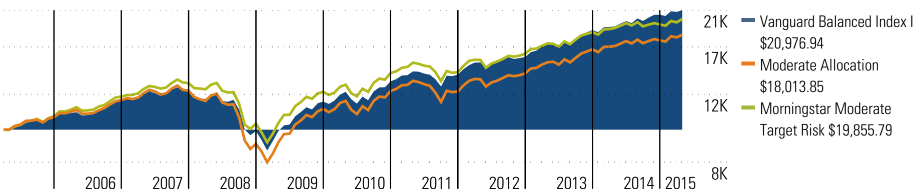
We do not currently publish an Analyst Report for this company.

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
30.39	↓-0.09 | -0.30	1.94	25.9	Open	$5 mil	None	0.08%	★★★★	Moderate Allocation	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,289	10,144	11,129	13,792	16,617	20,932
Fund	2.89	1.44	11.29	11.31	10.69	7.67
+/- Morningstar Moderate Target Risk	-0.57	-0.75	5.03	2.56	2.20	0.56
+/- Category	-0.61	-0.42	2.99	1.30	1.61	1.14
% Rank in Cat	72	82	10	24	11	12
# of Funds in Cat	949	951	917	787	696	463

* Currency is displayed in BASE

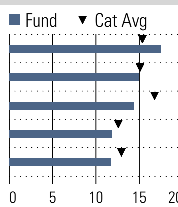
Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Apple Inc	1.82	132.93 BASE	0.19 ↑	81.79 - 134.54
⊖ Exxon Mobil Corporation	0.89	87.37 BASE	0.40 ↑	82.68 - 104.76
⊖ Microsoft Corp	0.75	48.98 BASE	2.00 ↑	38.51 - 50.04
⊖ Wells Fargo & Co	0.70	55.24 BASE	0.47 ↑	46.44 - 56.29
⊖ Johnson & Johnson	0.70	100.48 BASE	-0.10 ↓	95.10 - 109.49
% Assets in Top 5 Holdings	4.86			

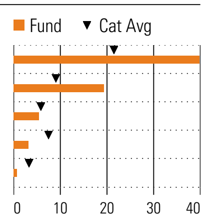
⊕ Increase ⊖ Decrease ✲ New to Portfolio

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.44	17.47	16.61	14.90
Healthcare	15.00	15.00	12.37	14.63
Financial Services	14.36	14.88	14.36	16.31
Industrials	11.81	12.69	11.81	12.12
Consumer Cyclical	11.74	11.97	11.32	12.48



	Fund	BMark	Cat Avg
Government	39.80	72.71	20.64
Agency Mortgage-Backed	19.31	0.06	8.19
Government-Related	5.37	1.89	4.98
Commercial MBS	3.19	0.07	6.62
Asset-Backed	0.66	0.00	2.43



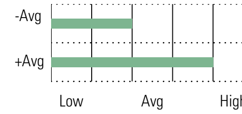
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-26-2015	29.87	0.0000	0.0000	0.0000	0.1500	0.1500
12-26-2014	29.87	0.0000	0.0000	0.0000	0.1700	0.1700
09-19-2014	29.07	0.0000	0.0000	0.0000	0.1400	0.1400
06-20-2014	28.78	0.0000	0.0000	0.0000	0.1300	0.1300
03-28-2014	27.77	0.0000	0.0000	0.0000	0.1400	0.1400

3 Year Average Morningstar Risk Measures

Risk vs. Category (787)

Return vs. Category (787)



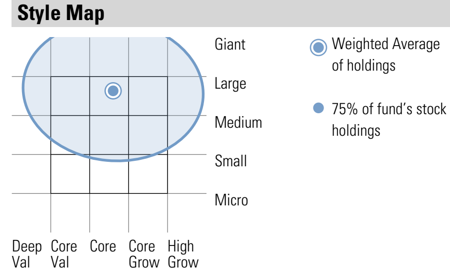
Pillars

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

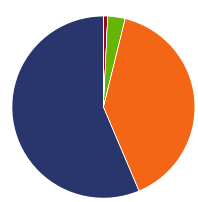
Investment Strategy

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 U.S. Total Market Index. With approximately 40% of its assets, the fund seeks to track the investment performance of the Barclays U.S. Aggregate Float Adjusted Index.

Style Map



Asset Allocation



Asset Class	% Net
Cash	3.09
US Stock	56.36
Non US Stock	0.73
Bond	39.81
Other	0.01

Management

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

MORNINGSTAR®

Vanguard Balanced Index I VBAIX

Analysis

Hands-free exposure to both stocks and bonds.
By Michael Rawson 12/19/2014

With diversified coverage of U.S. stocks and high-quality bonds, Vanguard Balanced Index is an excellent option as either a portfolio building block or as a complete solution. 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.

One of the most critical decisions investors make is how to allocate between stocks and bonds. Investors must also have the discipline to periodically rebalance their portfolios, 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 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 the 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 constant 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, market-cap-weighted indexes, which results in a large number of holdings and minimizes 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. To the extent possible, the fund will use cash flows, both into and out of the portfolio, in order to bring the allocation back toward its target. The implication is that following a period of strong equity market appreciation, the fund will add to its fixed-income portfolio to bring the balance back to 60%/40%. 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 3,300 stocks including a large number of micro-cap offerings.

The fixed-income side of the portfolio also follows a passive approach, tracking the Barclays U.S. Aggregate Float Adjusted Bond Index. The fund holds more than 5,000 bonds compared with about 9,000 in the index. Because of the large number of bonds in the index and their lack of trading volume, it is common for bond funds to engage in sampling to a much greater extent than stock funds. Still, this fund holds many more bonds than the typical bond fund.

Vanguard Balanced's broad exposure to stocks, 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 over-

Morningstar's Take

Morningstar Analyst Rating — Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Vanguard Balanced Index I VBAIX

Analysis

all risk.

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

In addition to these omissions, the fund lacks exposure to international securities, whereas most funds in the category include a stake. 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 separate funds 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 91% of the return of the S&P 500 but only 63% 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 promise of diversification in 2008. After all, the fund was still down 22% that year. But patient investors recouped their losses in less than two years.

People Pillar: Positive

Vanguard 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 comanaged bond funds there since 2005. He also oversees the $130 billion Vanguard Total Bond Market Index VBTLX, which has the same index as the bond portion of this fund. 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

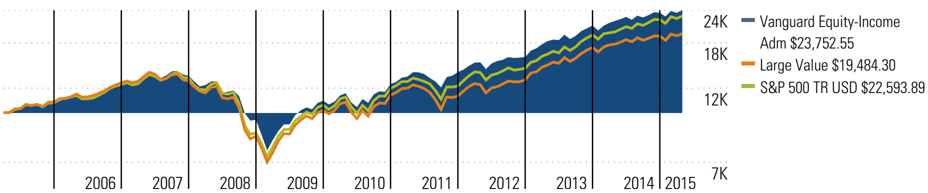
Vanguard's investment philosophy is based on the concept of low-cost investing, and this fund is no exception. The Admiral share class, which has a minimum initial investment of $10,000, has an expense ratio of 0.09%, while the Investor share class, which has a minimum initial investment of $3,000, charges 0.24%. The average expense ratio for the category is 1.00%. Thus, this fund enjoys an enormous cost advantage over its peers. Unlike many of Vanguard's funds, this fund does not offer an exchange-traded fund share class.

Vanguard Equity-Income Adm VEIRX

Morningstar Analyst Rating
Silver

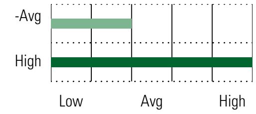
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
66.43	↓-0.23 | -0.35	2.63	19.0	Open	$50,000	None	0.20%	★★★★★	Large Value	Large Value

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1125)
Return vs. Category (1125)



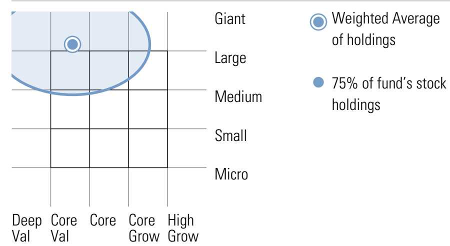
Pillars

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

Investment Strategy

The investment seeks to provide an above-average level of current income and reasonable long-term capital appreciation. The fund invests mainly in common stocks of mid-size and large companies whose stocks typically pay above-average levels of dividend income and are, in the opinion of the purchasing advisor, undervalued relative to other 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.

Style Map



Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,224	10,269	11,098	15,470	20,210	23,678
Fund	2.24	2.69	10.98	15.66	15.11	9.00
+/- S&P 500 TR USD	-0.80	0.26	-4.52	-1.35	0.47	0.55
+/- Category	0.30	0.43	0.76	0.36	2.73	1.87
% Rank in Cat	39	26	44	46	3	8
# of Funds in Cat	1,379	1,399	1,310	1,125	989	693

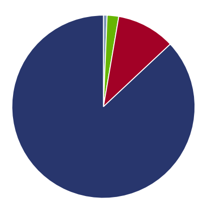
* Currency is displayed in BASE

Top Holdings 12-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Wells Fargo & Co	3.90	55.24 BASE	0.47 ↑	46.44 - 56.29
⊕ Microsoft Corp	3.63	48.98 BASE	2.00 ↑	38.51 - 50.04
⊖ Johnson & Johnson	3.37	100.48 BASE	-0.10 ↓	95.10 - 109.49
⊕ JPMorgan Chase & Co	3.14	62.50 BASE	0.23 ↑	52.97 - 64.48
⊕ Exxon Mobil Corporation	3.10	87.37 BASE	0.40 ↑	82.68 - 104.76
% Assets in Top 5 Holdings	17.14			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



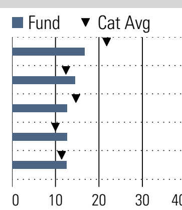
Asset Class	% Net
Cash	2.04
US Stock	86.97
Non US Stock	10.34
Bond	0.00
Other	0.65

Management

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

Top Sectors 12-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.72	16.72	13.52	20.86
Technology	14.44	14.44	9.08	11.49
Healthcare	12.63	13.20	12.63	13.78
Consumer Defensive	12.59	15.12	12.59	9.07
Industrials	12.54	14.95	12.54	10.50



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-26-2015	64.45	0.0000	0.0000	0.0000	0.4300	0.4300
12-17-2014	64.08	1.6600	0.4700	0.0000	0.5000	2.6200
09-19-2014	66.83	0.0000	0.0000	0.0000	0.4100	0.4100
06-20-2014	66.57	0.0000	0.0000	0.0000	0.4200	0.4200
03-28-2014	62.84	0.0000	0.0000	0.0000	0.4900	0.4900

Vanguard Equity-Income Adm VEIRX

Analysis

This fund is living up to its name and then some.
By Alec Lucas 12/15/2014

Vanguard Equity-Income earns a Silver rating in part by consistently delivering an above-average yield, thanks to its minimal expense ratio. The fund currently boasts a top-decile 2.4% trailing 12-month yield as investors have had to pay only 0.29% in fees. Rock-bottom fees have helped the fund look attractive from a total return standpoint, too. Its 10-year 8.7% annualized gain through November 2014 beats the FTSE High Dividend Yield Index by nearly 4 percentage points and lands near the category's top decile.

The fund's expense edge allows it to keep risks low while still delivering a competitive payout. Its holdings tend to have less debt and higher returns on assets than its typical rival's holdings. The fund also largely steers clear of high-yielding stocks, which can signal a distressed dividend or limited growth prospects.

Credit also goes to a stable subadvisor lineup. Since late 2005 Wellington Management and Vanguard's in-house quantitative equity group have shared the portfolio, with Wellington managing a larger slice (currently about two thirds of assets). Wellington's management team underwent a change in late 2007 when Michael Reckmeyer took over the lead role from John Ryan, but Reckmeyer had been a longtime member of the firm's value equity-income team and he uses the same approach as his predecessor.

Both Reckmeyer and the quant group try to find values created by the market's short-term dislocations, but they do so in complementary ways. While Vanguard's factor-based strategy doesn't stray too far from the fund's U.S.-focused benchmark, Reckmeyer has recently found a number of attractively valued dividend payers overseas. Since early 2013, the fund's foreign stake has hovered around 10%. Most of these holdings are multinationals that pay stout dividends, like Europe's Unilever UN, which has a wide moat according to Morningstar equity analysts.

Dominated by larger-cap names, this fund will lag when smaller-cap stocks soar. But solid leadership, an effective strategic mix, and the tailwind of low fees should help the fund deliver competitive results while keeping risk in check.

Process Pillar: Positive

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

Vanguard's James Stetler and his quant team manage about one third of the fund's assets. They rely on computer models that pick stocks from the FTSE High Dividend Yield Index based on valuation, growth, management decisions (stock buybacks, dividend increases, and so on), momentum, and earnings quality. They turn their portfolio over more than Reckmeyer, but the fund's overall turnover still tends to be below average. In fiscal 2014, it was 33% versus 54% for the large-value category norm.

The fund has a diverse portfolio of about 150-180 dividend-paying stocks. They consistently produce an above-average yield versus the large-value category norm, although they are typically high-quality names. Currently, the fund derives its top-decile 2.4% trailing 12-month yield from stocks that, on average, have less debt and higher returns on assets than its typical rival's holdings. The fund

Morningstar's Take

Morningstar Analyst Rating	Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Vanguard Equity-Income Adm VEIRX

Analysis

largely steers clear of higher-yielding stocks, which can signal a distressed dividend or limited growth prospects.

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

Sector weights tend to stay fairly close to the fund's benchmark but can diverge dramatically from the Russell 1000 Value Index. Financials claimed 16.2% of the fund's assets, as of October 2014. That's more than any other sector but still far below the Russell's nearly 30% stake. While exposure to dividend havens like telecom and utilities (a combined 11.4% presently) can be significant, the fund's more diversified than most income-oriented peers.

Performance Pillar: Positive

The fund has a stellar record under the current subadvisor lineup. Since Wellington Management and Vanguard's in-house quantitative equity group became solely responsible for this fund's asset base in late 2005, its 8.9% annualized gain through November 2014 beats the FTSE High Dividend Yield Index by 4.3 percentage points and lands in the large-value category's top decile. Plus, it has achieved that record with below-average volatility.

Wellington's management team underwent a change in late 2007, when Michael Reckmeyer took over the lead role from John Ryan. But that transition has been marked by continuity as Reckmeyer had been a longtime member of the firm's value equity-income team and he uses the same approach as his predecessor. The fund's performance has hardly missed a beat. From October 2005 through November 2014, the fund has beaten its index in 86% of roughly 50 five-year rolling periods, while not losing to its typical peer a single time during those same periods.

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

People Pillar: Positive

The fund's subadvisor lineup has been consistent since late 2005, when Vanguard fired John A. Levin & Company and reallocated the fund's assets to the current duo, Wellington Management and Vanguard's in-house quantitative equity group. Wellington, a subadvisor here since 2000, boasts ample resources in overseeing about two thirds of assets. Michael Reckmeyer took over as lead manager of Wellington's slice in late 2007 and has been a member of the firm's value equity-income team since 1994. He also has run the stock portion of Vanguard Wellesley Income VWINX since 2008. Reckmeyer works as part of a nine-member team, which includes three other portfolio managers and five analysts. They average 20-plus years of industry experience. He also has the support of Wellington's more than 50 global industry analysts.

The quantitative equity group runs the rest of the portfolio. James Stetler has been investing at Vanguard since 1996 and has been running a slice of this fund since 2003. In early 2012, the quant group, which runs Vanguard's passive index funds and active quant strategies, added as managers Michael Roach, who has been with the family since 1998 and investing since 2001, and James Troyer, who has run funds for Vanguard since 1995. The entire group includes 18 strategists, analysts, and managers, who average 12-plus years of industry experience.

Reckmeyer has over $1 million in the fund.

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

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

Vanguard Equity-Income Adm VEIRX

Analysis

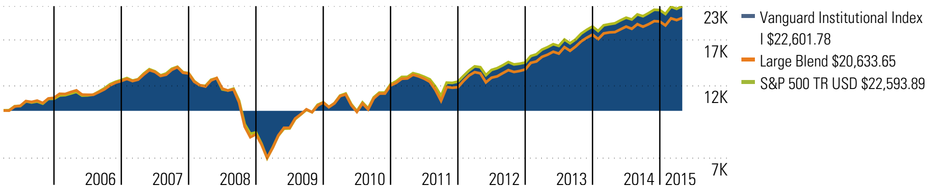
The fund's price tag will shift some, however. Vanguard pays subadvisor Wellington Management an asset-based fee, with breakpoints, and the expense ratio also includes a performance adjustment based on the fund's three-year rolling return versus the FTSE High Dividend Yield Index.

Vanguard Institutional Index I VINIX

Morningstar Analyst Rating
Gold

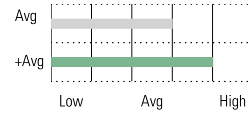
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
192.75	↓-0.80 | -0.41	2.30	193.8	Open	$5 mil	None	0.04%	★★★★	Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1333)
Return vs. Category (1333)



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

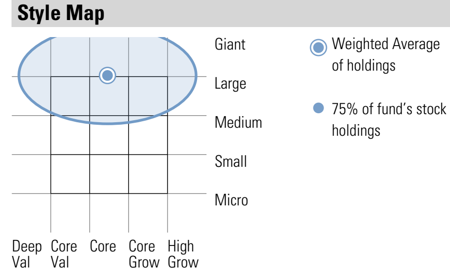
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,304	10,243	11,547	16,006	19,777	22,508
Fund	3.04	2.43	15.47	16.98	14.61	8.45
+/- S&P 500 TR USD	-0.01	0.00	-0.03	-0.03	-0.03	0.00
+/- Category	0.13	0.27	2.31	1.28	1.52	0.68
% Rank in Cat	44	33	22	30	16	23
# of Funds in Cat	1,615	1,620	1,547	1,324	1,179	802

* Currency is displayed in BASE

Style Map

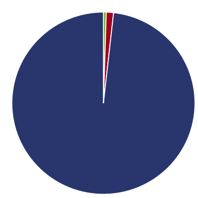


Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	3.94	132.00 BASE	-0.50 ↓	81.79 - 134.54
⊕ Exxon Mobil Corporation	1.94	87.40 BASE	0.44 ↑	82.68 - 104.76
⊕ Microsoft Corp	1.81	48.98 BASE	2.00 ↑	38.51 - 50.04
⊕ Johnson & Johnson	1.52	100.43 BASE	-0.15 ↓	95.10 - 109.49
⊕ Wells Fargo & Co	1.39	55.17 BASE	0.35 ↑	46.44 - 56.29
% Assets in Top 5 Holdings	10.60			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

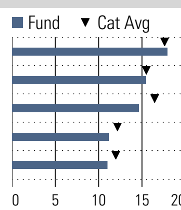
Asset Allocation



Asset Class	% Net
Cash	0.50
US Stock	98.22
Non US Stock	1.29
Bond	0.00
Other	0.00

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.91	17.91	16.77	17.15
Healthcare	15.44	15.44	12.80	15.04
Financial Services	14.60	15.33	14.60	16.00
Industrials	11.17	11.68	11.17	11.71
Consumer Cyclical	11.02	11.24	10.58	11.52



Management

	Start Date
Donald M. Butler	12-31-2000

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-26-2015	187.70	0.0000	0.0000	0.0000	1.6000	1.6000
12-19-2014	189.65	0.0000	0.0000	0.0000	1.0500	1.0500
09-19-2014	184.21	0.0000	0.0000	0.0000	0.8900	0.8900
06-20-2014	179.83	0.0000	0.0000	0.0000	0.8000	0.8000
03-28-2014	170.15	0.0000	0.0000	0.0000	0.8100	0.8100

Vanguard Institutional Index I VINIX

Analysis

A low-cost index fund for institutions that can meet the high minimum.
By Michael Rawson 12/4/2014

Low costs, a mutually owned parent, and a robust indexing infrastructure differentiate Vanguard Institutional Index.

This is the best mutual fund for passive exposure to the S&P 500 Index for investors who can meet the $5 million minimum. Because of the high minimum, this fund is intended for large institutional investors, such as pension funds and endowments. However, Vanguard also offers Vanguard 500 Index VFIAX, which is nearly identical to this fund except that it carries a low investment minimum that makes it accessible to the average investor. But for institutions, no other fund has had better performance and lower tracking error. This fund's low expense ratio, tax efficiency, and minimal tracking error set it apart from other S&P 500 Index funds. During the past 10 years through mid-November 2014, the fund has beaten the S&P 500 Index by 1 basis point. In terms of index fund management, no one has done it better. Hence, this fund's Morningstar Analyst Rating of Gold.

This fund might be passive, but it has beaten most active funds. As a market-cap-weighted index, the S&P 500 represents the dollar-weighted opinion of all investors. The wisdom of crowds has proved difficult 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 during the past 10 years. Its aftertax performance looks even better, partly because of the index's low turnover.

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

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 time horizon might consider limiting their allocations to U.S. stocks.

Process Pillar: Positive

The fund employs full replication to track the S&P 500 Index. 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, which typically have 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 selected by a committee that considers factors such as profitability and sector representation before admitting a new index constituent. Because the index has low turnover, the fund does as well. Low turnover helps reduce transaction costs and improve tax efficiency.

With more than $180 billion in assets, the fund's large asset base and institutional following help reduce the need to hold large amounts of cash to fund potential redemptions. As a result, cash has averaged less than 1% of the portfolio. Excess cash is invested in S&P 500 Index futures.

The cyclical technology and financials sectors represent the fund's largest sector weightings, at 18% and 15%, respectively. The utility and real estate sectors carry the smallest weightings, 3% and 2%, respectively. The average market cap for a stock in the index is $71 billion, and the top-10

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Vanguard Institutional Index I VINIX

Analysis

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 mega-cap stocks. The S&P 500 Index encompasses about 80% of the total stock market and leaves out some mid-cap stocks and all small- and micro-cap stocks.

At about 19 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 2.3% is only 20 basis points above the 2.1% 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. The average large-blend fund has about 52% of assets invested in wide-moat stocks, compared with 47% for the S&P 500.

Performance Pillar: Positive

During the past 10 years through mid-November 2014, this fund's 8.21% annualized return beat the S&P 500 Index by 1 basis point per year. That places it among the best-performing S&P 500 Index funds and in the top 30th percentile of all large-blend funds.

Since 2008, turnover has averaged about 6%, well below the category average of 70%. Low turnover helps reduce the incidence of capital gains distributions and improves aftertax performance. In fact, this fund is among the most tax-efficient fund available, making it a good choice for taxable accounts.

The standard deviation of the fund's return was 14.7% during the past decade. This is the same volatility as the index and slightly less than the category average. The fund's ups and downs have almost identically matched the index, so tracking error has been low.

We expect index funds to deliver performance as close as possible to the index, net of fees. This fund's large scale, focus on cost control, and process management have enabled it to exceeded expectations. In addition, Vanguard uses a conservative securities-lending program that gives back all income to the fund. Instead of lending out as much as allowed by law, Vanguard typically only lends out a small portion of the portfolio but lends those shares that are in high demand.

People Pillar: Positive

Donald Butler has been the sole portfolio manager on this fund since 2005. He joined Vanguard in 1992 and began working on this fund with Gus Sauter in in 2000. Sauter, who built out Vanguard's indexing infrastructure, stepped away from the fund in 2005. Butler manages nine other funds for Vanguard, including Vanguard Extended Market Index and Vanguard Mid-Cap Index. He has earned 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 Michael Buek, Christine D. Franquin, Gerard O'Reilly, and Michael Perre.

The depth of talent and Vanguard's practice of rotating managers serves to minimize key-manager risk.

Tim Buckley became Vanguard's chief investment officer in 2013, replacing Sauter. Buckley 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 has a higher investment minimum of $200 million. Fidelity Spartan 500 Index FXSIX charges 0.04% but restricts access to institutional investors. Vanguard S&P 500 ETF VOO is available

Vanguard Institutional Index I VINIX

Analysis

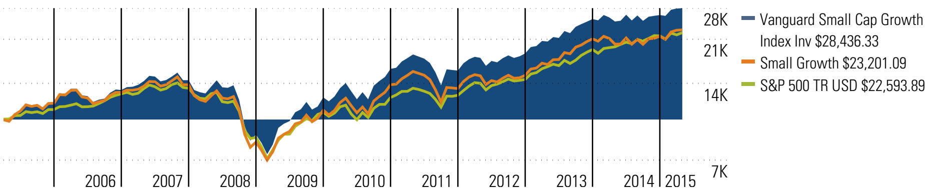
for 0.05% with no investment minimum beyond
the market price of one share.

Vanguard Small Cap Growth Index Inv VISGX

Morningstar Analyst Rating
Silver

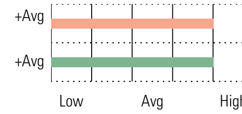
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
37.75	↓-0.43 | -1.13	0.81	16.6	Open	$3,000	None	0.23%	★★★★	Small Growth	Small Growth

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (656)
Return vs. Category (656)



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 U.S. 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.

Pillars

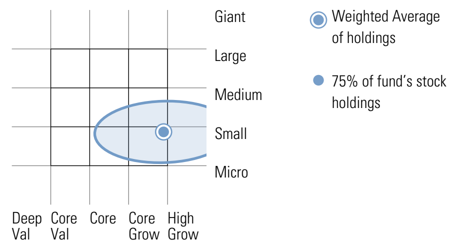
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,666	10,123	11,393	15,782	20,047	28,497
Fund	6.66	1.23	13.93	16.43	14.92	11.04
+/- S&P 500 TR USD	3.61	-1.20	-1.57	-0.58	0.28	2.59
+/- Category	0.51	-0.01	-0.91	1.05	0.83	1.35
% Rank in Cat	38	50	64	31	34	14
# of Funds in Cat	752	753	725	655	574	404

* Currency is displayed in BASE

Style Map

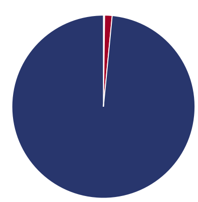


Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Cooper Companies	0.65	180.70 BASE	-0.03 ↓	127.02 - 190.00
⊕ The Whitewave Foods Company	0.55	45.28 BASE	-0.12 ↓	26.35 - 47.07
⊖ United Therapeutics Corp	0.54	166.89 BASE	-3.03 ↓	84.63 - 190.29
⊕ CDK Global Inc	0.54	48.86 BASE	0.14 ↑	25.00 - 49.80
⊕ ISIS Pharmaceuticals Inc	0.54	60.43 BASE	-2.61 ↓	22.25 - 77.80
% Assets in Top 5 Holdings	2.81			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



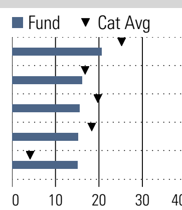
Asset Class	% Net
Cash	0.17
US Stock	98.47
Non US Stock	1.32
Bond	0.00
Other	0.04

Management

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

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.65	21.83	20.65	24.30
Consumer Cyclical	16.15	16.52	15.57	15.89
Industrials	15.55	17.10	15.55	18.82
Healthcare	15.21	15.21	14.32	17.42
Real Estate	15.05	15.05	11.22	3.24



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-24-2015	37.86	0.0000	0.0000	0.0000	0.0100	0.0100
12-19-2014	35.35	0.0000	0.0000	0.0000	0.3000	0.3000
03-24-2014	35.09	0.0000	0.0000	0.0000	0.0000	0.0000
12-23-2013	34.14	0.0000	0.0000	0.0000	0.1600	0.1600
03-19-2013	27.77	0.0000	0.0000	0.0000	0.0000	0.0000

MORNINGSTAR®

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	Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

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.

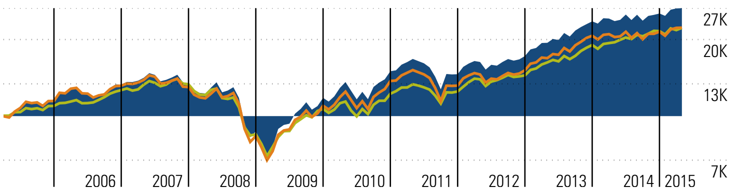
MORNINGSTAR®

Vanguard Small Cap Index Adm VSMAX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
58.67	↓-0.56 | -0.95	1.40	54.9	Open	$10,000	None	0.09%	★★★★	Small Blend	Small Blend

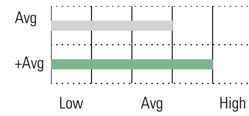
Growth of 10,000 04-27-2005 - 04-27-2015



Vanguard Small Cap Index Adm $27,104.96
Small Blend $22,638.08
S&P 500 TR USD $22,593.89

3 Year Average Morningstar Risk Measures

Risk vs. Category (620)
Return vs. Category (620)



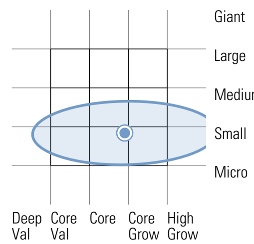
Pillars

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

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 U.S. 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.

Style Map



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

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,506	10,126	11,327	16,287	19,672	27,105
Fund	5.06	1.26	13.27	17.66	14.49	10.49
+/- S&P 500 TR USD	2.01	-1.17	-2.22	0.65	-0.15	2.04
+/- Category	1.24	0.11	3.90	2.59	1.95	1.71
% Rank in Cat	24	37	21	21	19	11
# of Funds in Cat	771	771	743	617	556	363

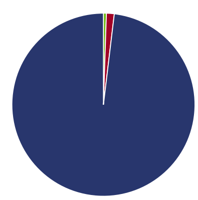
* Currency is displayed in BASE

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Cooper Companies	0.30	180.89 BASE	-0.07 ↓	127.02 - 190.00
⊖ Alaska Air Group Inc	0.29	66.66 BASE	-1.17 ↓	40.69 - 71.40
⊕ Snap-on Inc	0.28	152.52 BASE	-0.33 ↓	111.28 - 154.98
⊕ Rite Aid Corp	0.28	8.08 BASE	0.00 ↓	4.42 - 9.07
⊕ Gannett Co Inc	0.28	35.08 BASE	0.60 ↑	25.95 - 37.76
% Assets in Top 5 Holdings	1.44			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



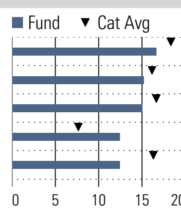
Asset Class	% Net
Cash	0.51
US Stock	98.10
Non US Stock	1.39
Bond	0.00
Other	0.00

Management

	Start Date
Michael H. Buek	12-30-1991

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	16.63	18.05	16.63	17.87
Technology	15.18	15.70	14.90	15.69
Consumer Cyclical	15.04	15.41	14.67	16.19
Real Estate	12.45	12.45	10.11	7.20
Financial Services	12.42	12.93	12.42	15.85



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-24-2015	58.84	0.0000	0.0000	0.0000	0.0300	0.0300
12-19-2014	55.56	0.0000	0.0000	0.0000	0.8000	0.8000
03-24-2014	54.03	0.0000	0.0000	0.0000	0.0000	0.0000
12-23-2013	52.27	0.0000	0.0000	0.0000	0.6800	0.6800
03-19-2013	43.15	0.0000	0.0000	0.0000	0.0100	0.0100

Vanguard Small Cap Index Adm VSMAX

Analysis

This fund provides great low-cost, diversified exposure to U.S. small-cap stocks.
By Michael Rawson 11/12/2014

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 have outperformed large caps. The continuation of this historical trend is far from guaranteed. Small caps typically make up less than 15% of total market capitalization of the U.S. equity market and should thus be a small part of a passive investor's portfolio.

U.S. small caps have historically provided some diversification benefits. The Morningstar Small Cap Index had a correlation of around 0.92 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 9.8% on an annualized basis. That outpaced 85% of the competition, which had an average return of 7.6%. 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 has a history of encouraging best practices in index design and worked closely with CRSP in the development of the index. Vanguard's institutional knowledge of indexing helps set this fund apart.

The volatility of small-cap stocks can lead to turnover within an index as stocks at the upper end of the small-cap spectrum outgrow the ranks of their peers, often only to fall back into small-cap territory again. To minimize excessive turnover stemming from such 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 investability screen that eliminates illiquid stocks such as those that have less than 10% of their share base publicly trading or those with a market cap of less than $10 million.

This fund also has a separate ETF 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 1,460 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: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Vanguard Small Cap Index Adm VSMAX

Analysis

dex, the average market cap is higher, clocking in at $2.9 billion versus $1.5 billion for the Russell 2000. The CRSP index includes all stocks that fall in the market-cap range and meet minimum liquidity requirements. In contrast, the S&P SmallCap 600 Index uses more strict criteria for index additions, such as requiring new constituents to be profitable over the most recent four quarters. The result is that the CRSP index is a more complete representation of the small-cap opportunity, whereas the S&P Index has a slight quality tilt.

Compared with 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

During the 10-year period ended September 2014, the fund has returned 9.84% annualized, while the spliced index the fund has tracked over that period returned 9.77%. While it may seem surprising that this index fund beat its index, its large size and low costs helped it accomplish this. The fund also employs a conservative securities lending program that helps offset costs. That performance placed the fund in the top quintile of the small-blend category 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 listed as a portfolio manager on this fund since 1991 and has been the sole portfolio manager since 2005. He has worked at Vanguard since 1987. In addition to this fund, Buek manages several other index funds, including the Vanguard 500 Index and Vanguard Tax-Managed Small Cap.

Buek works within Vanguard's equity index group. Joseph Brennan was appointed to lead that group in February 2013. Brennan previously worked as the chief investment officer for Vanguard's Asia-Pacific region. Brennan reports to Vanguard's chief investment officer, Tim Buckley, who replaced Gus Sauter in 2012. 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.

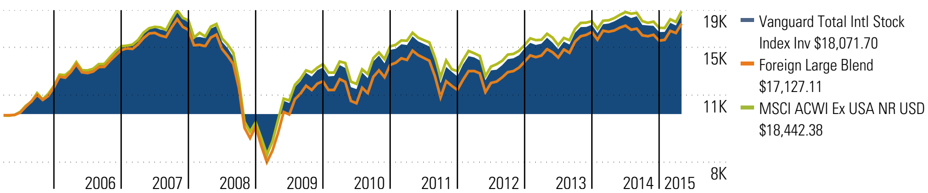
Instead of holding separate funds for large-cap and small-cap exposure, passive investors may be better off building the core of their portfolio with a total market fund, such as Vanguard Total Stock Market VTSAX. This would reduce the need for rebalancing and result in even lower costs, since that fund includes small- and micro-cap stocks yet charges only 0.05%.

Vanguard Total Intl Stock Index Inv VGTSX

Morningstar Analyst Rating
Gold

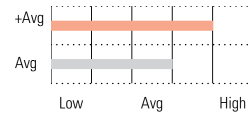
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.20	↑0.09 | 0.53	2.78	148.2	Open	$3,000	None	0.22%	★★★	Foreign Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category
(635)
Return vs. Category
(635)



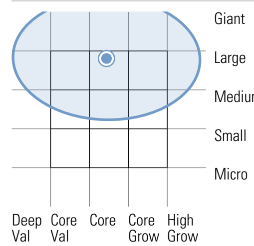
Pillars

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

Investment Strategy

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

Style Map

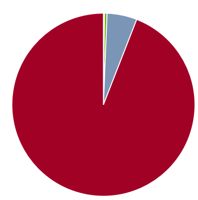


Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,093	10,598	10,536	13,086	13,784	18,116
Fund	10.93	5.98	5.36	9.38	6.63	6.12
+/- MSCI ACWI Ex USA NR USD	0.59	-0.20	0.33	0.12	0.40	-0.29
+/- Category	0.22	1.06	0.15	-0.92	-0.59	0.27
% Rank in Cat	51	15	41	68	71	40
# of Funds in Cat	778	785	733	623	556	313

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	0.46
US Stock	0.18
Non US Stock	94.07
Bond	0.00
Other	5.29

Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.14	74.75 BASE	-0.33 ↓	64.15 - 77.00
⊕ Novartis AG	1.10	98.95 BASE	-1.44 ↓	74.80 - 102.70
⊕ Roche Holding AG Dividend Right Cert.	0.92	272.50 BASE	-2.26 ↓	238.80 - 295.80
⊕ Toyota Motor Corp	0.88	— BASE	2.10 ↑	5,376.00 - 8,783.00
⊕ HSBC Holdings PLC	0.77	643.30 BASE	-0.92 ↓	550.67 - 737.00
% Assets in Top 5 Holdings	4.81			

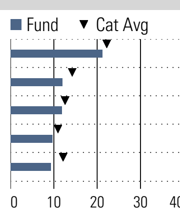
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

	Start Date
Michael Perre	08-05-2008

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	21.15	22.42	21.15	21.30
Consumer Cyclical	11.96	11.96	11.43	13.32
Industrials	11.78	11.78	10.74	11.68
Consumer Defensive	9.65	9.65	9.21	10.03
Healthcare	9.24	9.24	7.74	11.22



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-24-2015	16.47	0.0000	0.0000	0.0000	0.0500	0.0500
12-19-2014	15.61	0.0000	0.0000	0.0000	0.1300	0.1300
09-23-2014	16.65	0.0000	0.0000	0.0000	0.0800	0.0800
06-23-2014	17.40	0.0000	0.0000	0.0000	0.1900	0.1900
03-24-2014	16.26	0.0000	0.0000	0.0000	0.1200	0.1200

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 9/11/2014

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.

This fund is extremely broad and includes a 3.5% allocation in small-cap stocks. As such, investors can use this fund to cover the international-equities portion of a diversified stock/bond portfolio. Alternatively, investors can use this fund as a low-priced core holding (the Admiral shares charge a mere 0.14% annual expense ratio) and customize their style, size, or regional tilts with more specialized funds.

This fund falls in the foreign large-blend Morningstar Category. Most of the large, actively managed funds in this category have a very small allocation to emerging-markets stocks. However, given that this fund is market-cap-weighted, 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.

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 depository receipts (DRs) in lieu of, or in addition to, the domestic listings of index constituents. As a result,

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Vanguard Total Intl Stock Index Inv VGTSX

Analysis

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 Aug. 31, 2014, the fund's Investor share class has returned 7.64% (after fees), while the index has returned 7.72% (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, as it has trailed its index by less than its annual expense ratio during the last three years.

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 emerging 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%.

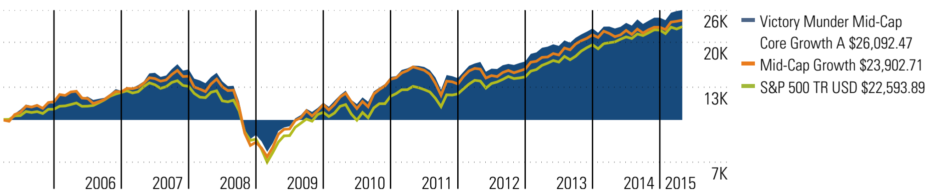
Since the launch of the Admiral share class in 2010, Vanguard has cut the annual expense ratio from 0.18% to its current 0.14%. This is perhaps due to strong inflows. At this time, this fund (which includes all share classes) is the largest in the foreign large-blend category, with $133 billion in assets under management.

Victory Munder Mid-Cap Core Growth A MGOAX

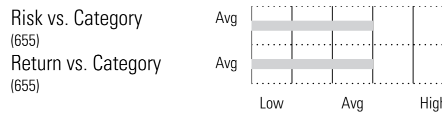
Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
43.99	↓-0.25 | -0.57	0.00	6.6	Open	$2,500	5.75	1.32%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 04-27-2005 - 04-27-2015



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.

Pillars

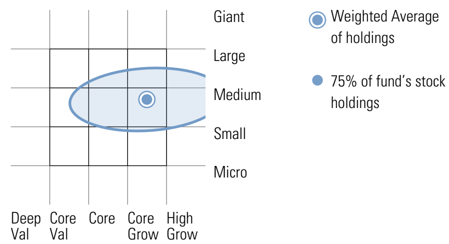
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Performance 04-27-2015

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,680	10,159	11,842	15,616	20,309	26,159
Fund	6.80	1.59	18.42	16.02	15.22	10.09
+/- S&P 500 TR USD	3.76	-0.84	2.92	-0.99	0.58	1.65
+/- Category	0.44	0.00	2.00	0.77	1.36	0.44
% Rank in Cat	41	44	38	36	23	40
# of Funds in Cat	773	773	753	653	583	437

* Currency is displayed in BASE

Style Map

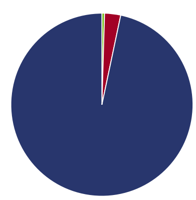


Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Skyworks Solutions Inc	2.78	94.50 BASE	-0.04 ↓	39.95 - 102.77
⊖ Biomarin Pharmaceutical Inc	2.02	117.63 BASE	0.52 ↑	55.36 - 133.54
⊖ SBA Communications Corp	1.98	118.04 BASE	-1.06 ↓	87.98 - 126.65
⊖ Affiliated Managers Group Inc	1.97	224.52 BASE	0.70 ↑	174.43 - 226.02
⊖ NiSource Inc	1.91	44.03 BASE	-0.31 ↓	35.64 - 45.25
% Assets in Top 5 Holdings	10.66			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

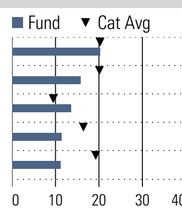
Asset Allocation



Asset Class	% Net
Cash	0.46
US Stock	96.68
Non US Stock	2.86
Bond	0.00
Other	0.00

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	20.30	20.30	19.34	19.34
Technology	15.76	15.93	14.69	19.19
Financial Services	13.55	15.34	13.55	8.58
Healthcare	11.37	11.70	7.65	15.51
Industrials	11.12	13.64	11.09	18.33



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
12-29-2014	41.79	4.6300	0.2000	0.0000	0.0000	4.8300
12-27-2013	41.60	0.7400	0.0400	0.0000	0.0000	0.7900
12-29-2009	22.55	0.0000	0.0000	0.0000	0.0300	0.0300

Victory 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	—	—

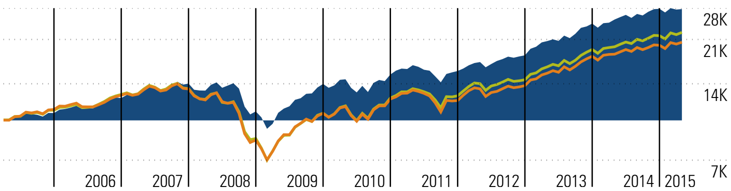
We do not currently publish an Analyst Report for this company.

Parnassus Core Equity Institutional PRILX

Morningstar Analyst Rating
Silver

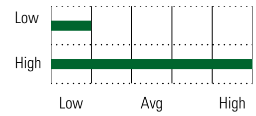
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
40.54	↓-0.21 | -0.52	1.60	12.1	Open	$100,000	None	0.67%	★★★★	Large Blend	Large Blend

Growth of 10,000 04-27-2005 - 04-27-2015



3 Year Average Morningstar Risk Measures

Risk vs. Category (1333)
Return vs. Category (1333)



Pillars

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

Investment Strategy

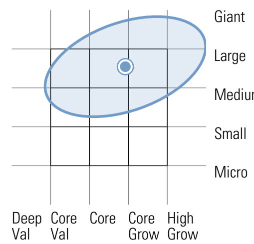
The investment seeks to achieve both capital appreciation and current income. The Parnassus Core Equity Fund's objective is to achieve both capital appreciation and current income by investing primarily in a diversified portfolio of equity securities. Equity securities include common and preferred stock.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

Performance

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann

* Currency is displayed in BASE

Style Map

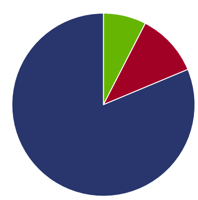


Top Holdings 03-31-2015

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Actavis PLC	4.39	288.90 BASE	1.16 ↑	193.00 - 317.72
⊕ Motorola Solutions Inc	4.04	60.60 BASE	-0.63 ↓	57.79 - 70.26
Pentair PLC	3.37	62.19 BASE	-0.47 ↓	59.09 - 79.20
⊕ Qualcomm Inc	3.22	69.46 BASE	0.32 ↑	62.26 - 81.97
Gilead Sciences Inc	3.13	103.13 BASE	0.19 ↑	72.77 - 116.83
% Assets in Top 5 Holdings	18.15			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

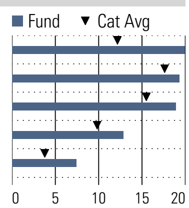
Asset Allocation



Asset Class	% Net
Cash	7.57
US Stock	81.30
Non US Stock	11.14
Bond	0.00
Other	0.00

Top Sectors 03-31-2015

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	19.91	21.63	18.60	11.71
Technology	19.28	19.93	18.90	17.15
Healthcare	18.89	19.37	11.23	15.04
Consumer Defensive	12.87	18.46	12.75	9.36
Basic Materials	7.40	7.40	4.80	3.32



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
03-31-2015	40.35	0.0000	0.0000	0.0000	0.1000	0.1000
12-30-2014	41.18	0.0000	0.0000	0.0000	0.2200	0.2200
11-25-2014	40.79	0.6700	0.0000	0.0000	0.0000	0.6700
09-30-2014	39.16	0.0000	0.0000	0.0000	0.2200	0.2200
06-30-2014	39.58	0.0000	0.0000	0.0000	0.1100	0.1100

MORNINGSTAR®

Parnassus Core Equity Institutional PRILX

Analysis

This fund gets a lot of things right.
By Laura Lallos 12/23/2014

Parnassus Core Equity has been one of the strongest performers among domestic-equity funds this year, thanks in part to top holding Allergan AGN, which has surged on buyout news. But this is not a case of one lucky call. Longtime lead manager Todd Ahlsten and comanager Ben Allen are scrupulous stock-pickers who maintain a low-turnover portfolio of about 40 companies with relevant products or services, significant barriers to entry, and capable management.

Conviction has paid off: This has been one of the best funds in the large-cap blend category during Ahlsten's tenure. Yet even though the fund is focused both in names and sectors, it has low Morningstar Risk scores, which emphasize downside volatility. (The managers assert that companies that pass Parnassus' environmental, social, and governance, or ESG, screens are less risky than others within the same industries.) The fund has been easy to own: It has enjoyed steady net inflows every year since 2007, which is unusual for a domestic-equity fund.

When Ahlsten and Allen evaluate a stock, they anticipate a wide range of outcomes, incorporating a variety of macroeconomic scenarios. The fund has had little in financials because they don't think the stocks are priced to reflect the risk inherent in the financial system. The fund was also light on the sector going into the crisis because Ahlsten didn't like these stocks' balance sheets, and he'd avoided housing names because they lacked economic moats. Consequently, this fund lost less than 98% of its peers in 2008. It was also in the black in 2011.

This concentrated portfolio also has an above-average stake in small- and mid-cap names, and the managers are keeping an eye on asset growth. With about $11 billion in the fund, and minimal assets run in the strategy in separate accounts, they believe they still have ample capacity.

This fund is the standout in a small lineup from a small shop. Its long-tenured managers have consistently applied an attractive strategy, and their track record of strong risk-adjusted returns has been boosted by below-average expenses. The fund merits an Analyst Rating of Silver.

Process Pillar: Positive

This fund has typical socially conscious restrictions: It eschews companies deriving significant revenue from alcohol, tobacco, weapons, or nuclear power, or those directly involved in gambling. However, Parnassus places more emphasis on environmental, social, and governance (ESG) criteria. Believing that ESG screens also identify companies likely to outperform industry peers, they seek out those that score well on corporate governance, employee benefits, stakeholder relations, products, environmental impact, and customer and supply chain relationships.

From there, managers Todd Ahlsten and Ben Allen invest in companies with wide or increasing economic moats that sell increasingly relevant products or services and that are guided by good management. While they do not make top-down sector calls, they buy when a stock is undervalued based on a range of outcomes incorporating a variety of macroeconomic scenarios. That can lead to sector biases; the fund has much more in consumer staples and industrials than large-blend peers and far less in consumer discretionary names and financials.

The fund must have 75% of assets in dividend-paying stocks, but there is no particular emphasis on high dividends or dividend growth. What's more, as of November 2014, the portfolio had 30% in mid-cap names and a smattering of small caps.

Todd Ahlsten and Ben Allen are patient, high-conviction investors. They hold 40 or so names and initiate a position only if they are willing to stake at least 1% of assets. Recent addition Allergan AGN paid off in spades in 2014. Noting the value of the company's pipeline and Botox franchise, they added the pick toward the end of 2013, after valuations came down on concerns about generic

Morningstar's Take

Morningstar Analyst Rating Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	—	—

Parnassus Core Equity Institutional PRILX

Analysis

competition. The stock has since soared on buyout news.

Apple's AAPL decline in early 2013 spelled an opportunity to buy a company with a strong moat, and it became a top holding. It has been one of the biggest contributors to performance during the past year. Motorola MSI has been a significant detractor, but the managers say it has one of the best moats in the portfolio, as it dominates the global radio market.

Ahlsten and Allen regularly adjust position sizes as valuations and risk profiles change. Biopharmaceutical company Gilead Sciences GILD has an "exceptional moat and exceptional management" but is no longer exceptionally undervalued, so it has dropped from the top 10 to a core position.

Schwab SCHW and MasterCard MA are the only financials the fund owns; the managers are uncomfortable with the risk/reward profiles of money center banks. They are also skeptical about retailers' ability to sustain moats, and the fund is underweight consumer cyclicals.

Performance Pillar: Positive

The fund had a nice run in 2014, returning 14.1% through November and edging past its benchmark, the S&P 500 (14%). Through Dec. 19, it had increased its gain to 15.2% widening its lead a bit. Much of that owes to headliner Allergan, but a number of picks, such as Apple, also contributed.

This performance follows competitive returns in 2012 and 2013, and a top showing in 2011's rough market. The fund did lag in 2010, which accounts for its middling five-year record; Todd Ahlsten says a number of his high-quality names surged in the fourth quarter of 2009 and then fell behind riskier names that led in 2010. But he has met his goal of staying competitive on the upside while minimizing downside risk.

Ahlsten took over as sole manager in 2002, and Ben Allen came on in May 2012. Ahlsten got off to rocky start with an ill-timed cash stockpile and some poor picks. But he foreswore cash bets and Parnassus began building its research team in earnest. (Allen joined as a senior research analyst in 2005.) This fund now boasts one of the best 10-year records in its category. During the past 10 years through November 2014, the fund has captured 95% of the upside of the S&P 500, but only 78% of its downside. It is worth noting that Ahlsten made an excellent call by avoiding financials before the crisis, and the fund's 2008 performance is a big part of its success.

People Pillar: Positive

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

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

While Ahlsten has final say on picks, each manager is responsible for half of the fund's 40 or so holdings. (As Parnassus' managers and analysts provide support across the lineup, Allen covered a number of the names before coming on as comanager.) Ahlsten generally covers health-care and technology stocks, while Allen favors industrials and business services.

Ahlsten and Allen are part of a 15-member investment team, which together provides research for all the funds in the lineup. While the team recently lost a member, retention overall has been good.

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

This fund's 87-basis-point expense ratio is below average for large-cap no-load funds.

Except for a blip up to 1.04% in 2004 (which Morningstar criticized at the time), the fund's expenses have always been reasonable. As the fund's asset base has grown, its net expense ratio has decreased during the past few years.

Institutional shareholders also get a good deal. Requiring a minimum investment of only $100,000, the share class charges 69 basis points a year. That is below average for the large-cap institutional peer group.