T. Rowe Price Retirement Target-Date Fund Series Report

Morningstar Analyst Rating Silver

Key Features

Asset-Weighted Expense Ratio	0.76%
Active/Passive Exposure	86% Active
Open/Closed Architecture	100% Closed
Total Net Assets ($M)	138,621

Executive Summary **Rating:**

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

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

Performance **Positive**
The series' three-, five-, and 10-year returns through March 2016 handily outpace the majority of its peers. But the funds' relatively heavy equity stake can lead to greater short-term volatility than many rivals. For example, the funds lost more than their average competitor during 2008's market slide and rebounded more sharply than most during 2009's rally.

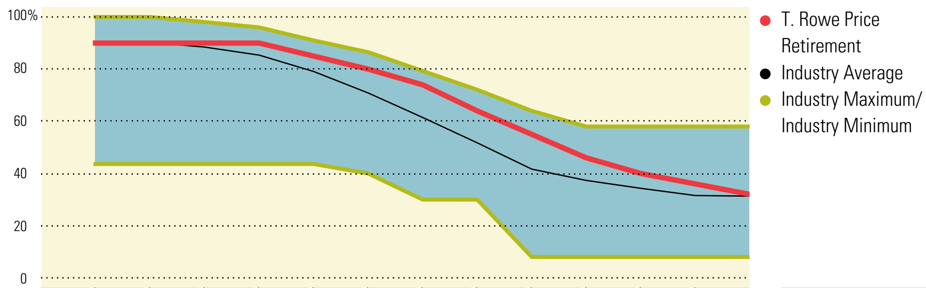
People **Positive**
T. Rowe Price's asset-allocation committee makes the strategic decisions for the funds, while firm veteran Jerome Clark leads a group of associate managers who run the funds' day-to-day operations. Longtime team member Wyatt Lee joined the manager roster in August 2015. The underlying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

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

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

Analyst Rating Spectrum
Gold Silver Bronze Neutral Negative

Strategic Glide Path Total Equity Exposure



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	80	74	64	55	46	40	36	32
Industry Average	91	90	88	85	79	71	61	52	42	37	34	32	31
3-Yr Total Return	7.94	7.92	7.94	7.92	7.86	7.68	7.33	6.91	6.40	5.79	5.34	-	-
3-Yr Performance Quartile												-	-

Available Funds

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

Morningstar Opinion

Leo Acheson
Analyst - Fund of Fund Strategies 05-04-2016

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

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

Within the portfolios, the series' lineup of skippers remains impressive. Morningstar analysts rate 16 of the series' 18 underlying T. Rowe Price funds; 11 are Morningstar Medalists as of this writing, reflecting analysts' conviction that they will outperform peers over the long haul. Five receive Neutral ratings, including three funds that were downgraded during the past three years because of manager changes, but the overall lineup still stands strong.

Even so, a more proactive role in advocating for the ongoing quality of underlying funds would be ideal. Morningstar considers it a best practice for target-date managers to continually assess the stand-alone merit of each underlying fund used within their series. In contrast, this series' management team leaves that oversight to each underlying fund's respective steering committee.

Nonetheless, the series has turned in excellent results, thanks largely to its supporting managers. All vintages have outperformed their typical rivals on an absolute and risk-adjusted basis in the trailing one-, three-, five-, and 10-year periods through March 2016. An equity-heavy approach has also boosted results.

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

T. Rowe Price Retirement Target-Date Fund Series Report

Process: Approach

Rating: Positive

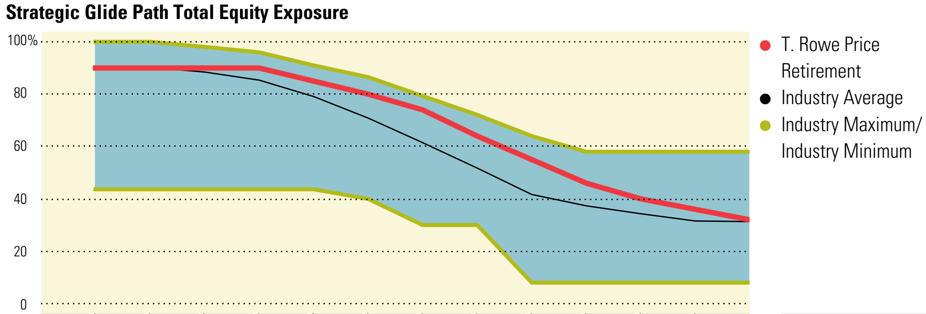
In conducting extensive in-house studies, T. Rowe Price found that 401(k) plan participants' average savings rate is less than half of the recommended rate, while the average withdrawal rate was more than twice the recommended rate. T. Rowe Price concluded that retirees' biggest risk is outliving their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

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

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

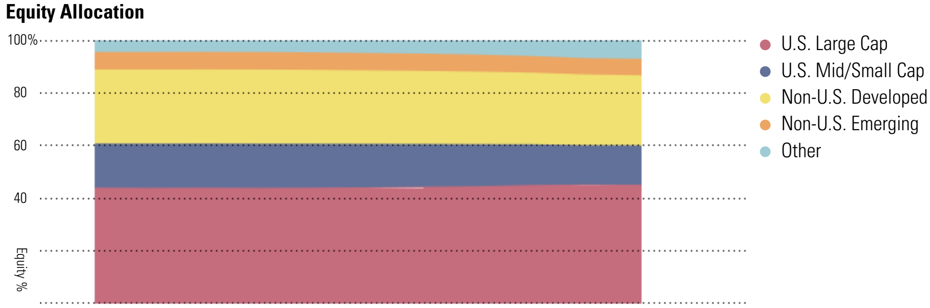
The asset-allocation approach has remained consistent and is supported by sound reasoning, earning the series a Positive Process rating. However, the team could enhance its method for selecting and overseeing underlying managers. The group picked underlying funds based on their mandates and won't swap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

Strategic Glide Path Total Equity Exposure



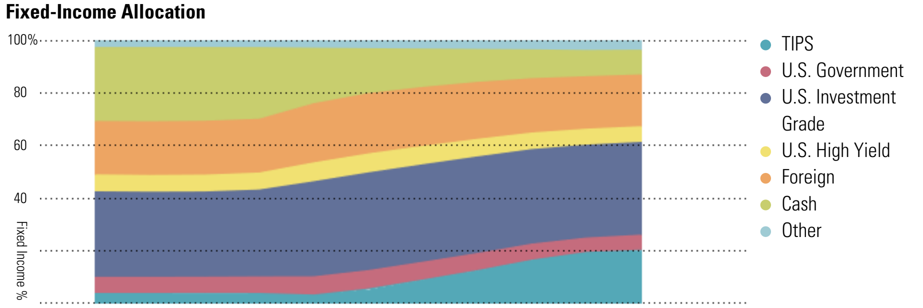
Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
T. Rowe Price Retirement	90	90	90	90	85	80	74	64	55	46	40	36	32
Industry Average	91	90	88	85	79	71	61	52	42	37	34	32	31
3-Yr Total Return	7.94	7.92	7.94	7.92	7.86	7.68	7.33	6.91	6.40	5.79	5.34	-	-
3-Yr Performance Quartile												-	-

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	44	44	44	45	45	45	–	–
U.S. Mid/Small Cap	17	17	17	17	17	17	16	16	16	15	15	–	–
Non-U.S. Developed	28	28	28	28	28	28	28	28	27	27	27	–	–
Non-U.S. Emerging	7	7	7	7	7	7	7	6	6	6	6	–	–
Other	4	4	4	4	5	5	5	5	6	7	7	–	–

Fixed-Income Allocation



Retirement Date	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995
TIPS	4	4	4	4	3	5	9	12	16	19	20	–	–
U.S. Government	6	6	6	6	7	7	7	7	6	5	6	–	–
U.S. Investment Grade	33	32	32	33	36	37	37	37	36	35	35	–	–
U.S. High Yield	6	6	6	7	7	7	7	7	6	6	6	–	–
Foreign	20	20	21	20	23	23	22	22	21	20	20	–	–
Cash	28	28	28	27	21	17	15	13	11	10	9	–	–
Other	3	3	3	3	3	3	3	3	3	4	4	–	–

T. Rowe Price Retirement Target-Date Fund Series Report

Process: Portfolio

Rating: Positive

This series' and its underlying funds benefit from T. Rowe's strong investment culture. Long manager tenures and an emphasis on high-quality securities are common. The funds used in the series generally have solid long-term records: Of the 15 underlying funds with 10 years of history through March 2016 (excluding the money market fund), all but one outperformed their Morningstar Category average.

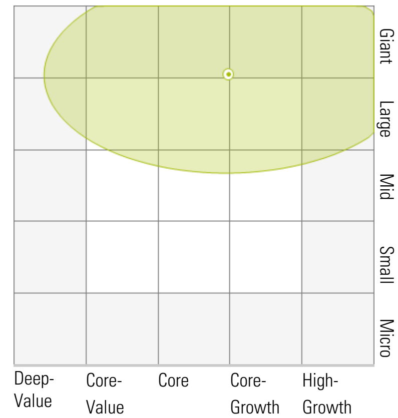
Morningstar analysts cover 16 of the 18 underlying funds, of which 11 received medals as of this report's publishing date. Five underlying funds, which account for more than 25% of the series' assets, receive Neutral ratings because of relatively recent manager changes or uninspiring results. The firm's portfolio manager changes are usually well-planned and allow for slow transitions to minimize disruption, though T. Rowe Price Growth Stock's manager unexpectedly departed in early 2014. In early 2016, the manager of T. Rowe Price Small-Cap Stock announced he'll step down in October; as a result, the fund's Morningstar Analyst Rating slipped to Neutral.

The underlying funds cover a wide range of asset classes. On the equity side, the series keeps a 70% U.S./30% international split (that includes a dedicated emerging-markets stock fund) that's similar to the target-date industry norm. The series equity stake also includes T. Rowe Price Real Assets, which invests in the stocks of commodity producers and REITs. T. Rowe's research suggests that this fund will help hedge inflation in the long run. The series targets a 5% allocation to the strategy throughout the glide path.

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

Series Holding-based Style Map - Equity

Data as of 06-30-2016



Zone represents 75% of series' largest domestic stock holdings

Fund centroid represents weighted average of series' domestic stock holdings

Top Investments as of 06-30-2016

	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	15.94	3.89	36	2.61	3.67	50	Bronze	★★★★
T. Rowe Price Equity Index 500	Large Blend	14.13	11.36	15	11.24	11.81	14	Bronze	★★★★
T. Rowe Price Growth Stock	Large Growth	12.47	12.40	20	13.64	12.04	11	Neutral	★★★★
T. Rowe Price Value	Large Value	12.06	9.91	15	11.60	11.61	9	Bronze	★★★★
T. Rowe Price International Gr & Inc	Foreign Large Value	6.80	1.67	32	12.37	0.94	32	Neutral	★★★
T. Rowe Price Overseas Stock	Foreign Large Blend	6.76	2.21	40	12.18	1.86	29	Bronze	★★★★
T. Rowe Price International Stock	Foreign Large Growth	5.92	3.88	30	12.94	2.19	53	Neutral	★★★
T. Rowe Price Ltd Dur Infl Focus Bd	Inflation-Protected Bond	4.18	0.41	84	1.91	0.36	91	—	★★
T. Rowe Price Emerging Markets Stock	Diversified Emerging Mkts	3.90	1.28	15	16.49	-1.72	22	Bronze	★★★★
T. Rowe Price Real Assets	Natural Resources	2.84	4.03	8	14.36	-0.85	20	—	★★★★

Total # Holdings	19
% Portfolio in Top 10 Holdings	84.99
Overall Average Morningstar Rating	3.81

Price

Rating: Positive

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

Asset-Weighted Cost vs. Industry Average

T. Rowe Price Retirement	0.76%
Industry Average	0.76%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets ($M)
No Load	0.69%	109,786
Adv	0.94%	15,643
Retirement	1.19%	10,443
Inst	0.57%	2,749
	–	–

T. Rowe Price Retirement Target-Date Fund Series Report

Performance

Rating: Positive

The series' above-average equity allocation shapes its performance. In the immediate years leading up to retirement, it keeps roughly 10 percentage points more in equities than the industry norm and remains above-average throughout retirement. Thus, 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 peer group averages.

The bold equity allocation has paid off as the market has risen in the past few years: The series' funds averaged a top-quartile ranking in their peer groups in five of the past seven calendar years. Even during 2011's tumultuous market, the majority of the funds in the series still surpassed their typical peer. That consistent record burnishes the series' long-term results: Among the funds with 10-year records through March 2016, every fund ranks at or near the top of its respective peer group.

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

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

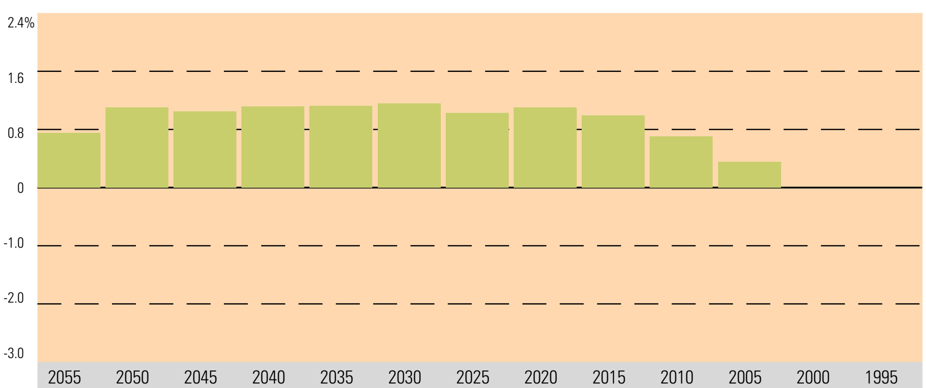
Target-Date Fund Performance as of 06-30-2016

	YTD Return %	YTD % Rank in Cat	2015 Return %	2014 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	16	-0.7	4.7	5.3	21	5.5	5.3	32	★★★★
T. Rowe Price Retirement 2010	4.7	20	-0.8	5.0	5.8	9	6.1	5.7	14	★★★★
T. Rowe Price Retirement 2015	4.1	35	-0.6	5.4	6.4	6	7.1	6.3	9	★★★★
T. Rowe Price Retirement 2020	3.5	52	-0.3	5.6	6.9	4	8.0	6.8	5	★★★★
T. Rowe Price Retirement 2025	2.9	59	-0.2	5.8	7.3	5	8.9	7.2	7	★★★★
T. Rowe Price Retirement 2030	2.4	62	0.0	6.1	7.7	4	9.6	7.6	5	★★★★
T. Rowe Price Retirement 2035	1.8	62	0.1	6.1	7.9	5	10.2	7.8	7	★★★★★
T. Rowe Price Retirement 2040	1.4	73	0.2	6.2	7.9	4	10.7	7.9	5	★★★★
T. Rowe Price Retirement 2045	1.4	71	0.2	6.1	7.9	4	10.7	7.9	7	★★★★
T. Rowe Price Retirement 2050	1.3	68	0.2	6.2	7.9	7	10.7	7.9	6	★★★★
T. Rowe Price Retirement 2055	1.3	69	0.2	6.2	7.9	6	10.7	7.9	9	★★★★
T. Rowe Price Retirement 2060	1.2	67	0.2	–	–	–	–	–	–	–

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 06-30-2016

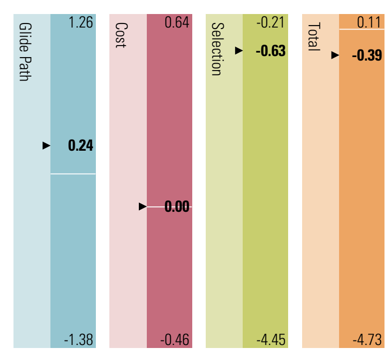


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

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 06-30-2016



	T. Rowe Price Retirement
Glide Path	0.24
Cost	0.00
Selection	-0.63
Total	**-0.39**

T. Rowe Price Retirement Target-Date Fund Series Report

People

Rating: Positive

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

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

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

Series Management

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

Average Tenure	7.4 years
Longest Tenure	13.8 years
Target-Date Industry Average Tenure	4.5 years

Underlying Funds' Management

Average Tenure	9.3 years
Longest Tenure	24.1 years
Mutual Fund Industry Average Tenure	6.5 years

Parent

Rating: Positive

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

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

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

Fund Family Data

Average Overall Star Rating	★★★★
% of Assets w/Star Rating	95.6%

Assets	**(listed in USD $Mil)**
Total Assets Under Mgt	623,379

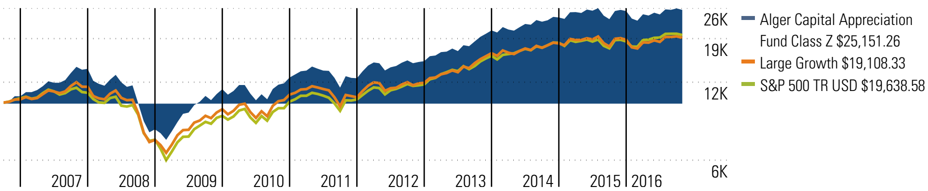
Average Manager Tenure	7.1 years
5-year Manager Retention Rate (%)	93.8%
Manager Investment Over 1 Million USD (% Assets)	32.9%
Average Fee Level (%)	38.0%
3-year Firm Success Ratio (%)	88.0%

Alger Capital Appreciation Fund Class Z ACAZX

Morningstar Analyst Rating
Bronze

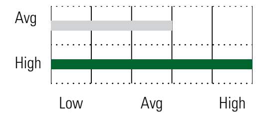
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
20.73	↓-0.01 | -0.05	0.00	2.5	Open	$500,000	None	0.90%	★★★★	Large Growth	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1482)
Return vs. Category (1482)



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 invest in foreign securities.

Pillars

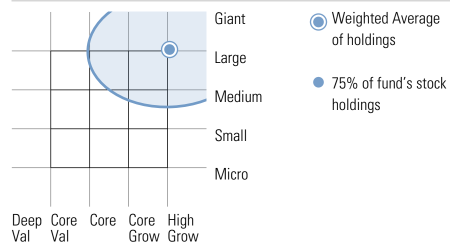
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Negative
Rating	Bronze

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,117	10,044	10,528	13,546	19,901	24,755
Fund	1.17	0.44	5.28	10.65	14.76	9.49
+/- S&P 500 TR USD	-5.30	1.18	-3.12	0.46	0.20	2.61
+/- Category	-0.77	0.77	1.21	2.18	1.76	2.37
% Rank in Cat	62	11	33	16	15	—
# of Funds in Cat	1,626	1,656	1,606	1,459	1,264	909

* Currency is displayed in BASE

Style Map

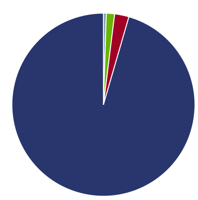


Top Holdings 07-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Alphabet Inc C	7.43	786.48 BASE	0.48 ↑	641.73 - 792.28
⊖ Amazon.com Inc	5.00	834.03 BASE	0.38 ↑	474.00 - 847.21
⊕ Apple Inc	4.68	117.36 BASE	0.87 ↑	89.47 - 123.82
⊖ Facebook Inc A	4.60	129.07 BASE	0.15 ↑	89.37 - 131.98
⊕ Microsoft Corp	4.38	57.11 BASE	-0.14 ↓	46.53 - 58.70
% Assets in Top 5 Holdings	26.08			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

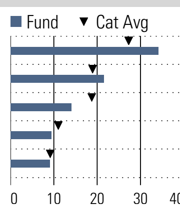
Asset Allocation



Asset Class	% Net
Cash	1.46
US Stock	95.51
Non US Stock	2.53
Bond	0.00
Other	0.50

Top Sectors 07-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	34.08	34.08	30.16	26.35
Healthcare	21.48	21.48	20.43	18.03
Consumer Cyclical	13.98	18.61	13.65	17.84
Industrials	9.40	12.97	9.40	10.10
Consumer Defensive	9.04	9.04	4.10	8.24



Management

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

Dividend and Capital Gains Distributions

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

MORNINGSTAR®

Alger Capital Appreciation Fund Class Z ACAZX

Analysis

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

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

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

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

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

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

Process Pillar: Positive

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

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Negative

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	1.17	-0.77
2015	6.56	2.96
2014	13.50	3.51
2013	35.31	1.39
2012	18.27	2.93

Alger Capital Appreciation Fund Class Z ACAZX

Analysis

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

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

Performance Pillar: Positive

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

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

People Pillar: Positive

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

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

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

Parent Pillar: Neutral

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

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

Price Pillar: Negative

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

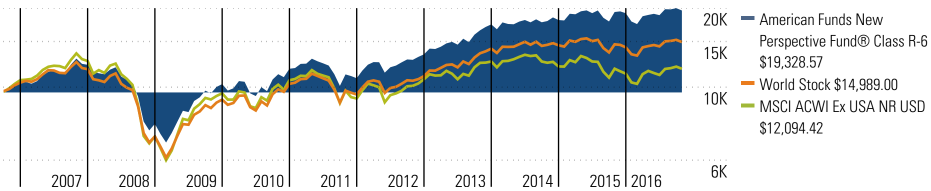
Investors also face high trading costs due to the fund's triple-digit annual portfolio turnover. In fiscal 2015, brokerage fees of 0.20% of average net assets were well above the 0.06% category norm.

American Funds New Perspective Fund® Class R-6 RNPGX

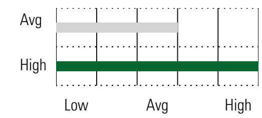
Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.82	↓-0.08 | -0.22	0.96	59.9	Open	$250	None	0.45%	★★★★	World Stock	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



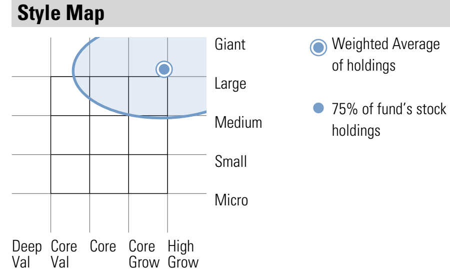
Pillars

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

Investment Strategy

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

Style Map

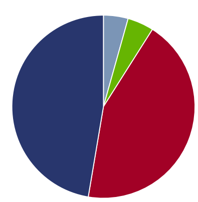


Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,222	9,874	10,372	12,059	17,198	19,160
Fund	2.22	-1.26	3.72	6.44	11.45	6.72
+/- MSCI ACWI Ex USA NR USD	-1.79	-0.65	3.84	7.22	7.00	4.85
+/- Category	-1.72	-0.02	0.49	2.69	2.44	2.49
% Rank in Cat	70	52	39	11	12	—
# of Funds in Cat	1,146	1,231	1,127	947	726	419

* Currency is displayed in BASE

Asset Allocation



Asset Class	% Net
Cash	4.64
US Stock	47.34
Non US Stock	43.66
Bond	0.00
Other	4.35

Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Novo Nordisk A/S B	5.05	265.70 BASE	-0.64 ↓	263.10 - 402.90
⊖ Amazon.com Inc	4.42	825.00 BASE	-1.08 ↓	474.00 - 847.21
Naspers Ltd Class N	1.72	— BASE	-4.80 ↓	168,594.00 - 255,359.00
⊕ Taiwan Semiconductor Manufacturing Co Ltd	1.68	188.50 BASE	-0.53 ↓	130.50 - 191.00
⊖ Microsoft Corp	1.67	56.79 BASE	-0.58 ↓	46.53 - 58.70
% Assets in Top 5 Holdings	14.53			

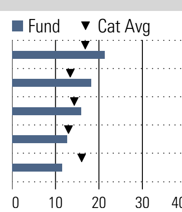
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Management

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

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	21.26	21.26	17.63	15.93
Consumer Cyclical	18.17	18.17	16.10	12.48
Healthcare	15.92	17.44	14.77	13.39
Consumer Defensive	12.59	12.72	11.32	12.07
Financial Services	11.47	14.44	11.47	15.10



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
12-23-2015	36.23	1.9500	0.0000	0.0000	0.3800	2.3300
12-26-2014	36.66	2.2900	0.0000	0.0000	0.3500	2.6400
12-26-2013	37.25	1.7500	0.0000	0.0000	0.4200	2.1700
12-26-2012	31.06	0.0000	0.0000	0.0000	0.4400	0.4400
12-27-2011	26.19	0.0000	0.0000	0.0000	0.3800	0.3800

American Funds New Perspective Fund® Class R-6 RNPGX

Analysis

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

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

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

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

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

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

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

Process Pillar: Positive

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	2.22	-1.72
2015	5.63	7.32
2014	3.56	0.77
2013	27.23	2.04
2012	21.19	5.35

American Funds New Perspective Fund® Class R-6 RNPGX

Analysis

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

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

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

Performance Pillar: Positive

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

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

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

People Pillar: Positive

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

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

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

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

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

American Funds New Perspective Fund® Class R-6 RNPGX

Analysis

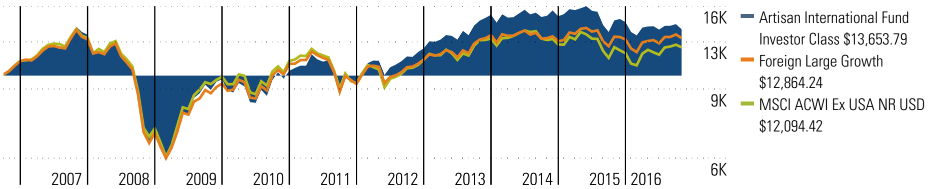
Trading costs across all share classes were also comparatively minuscule. Brokerage fees of 0.04% of average net assets in fiscal 2015 fell far below the category norm of 0.24%.

Artisan International Fund Investor Class ARTIX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
27.35	↓-0.13 | -0.47	0.45	16.0	Limited	$1,000	None	1.17%	★★★	Foreign Large Growth	Large Growth

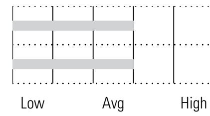
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (325) Avg

Return vs. Category (325) Avg



Investment Strategy

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

Pillars

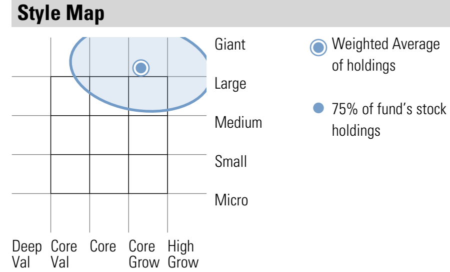
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Negative
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,536	9,730	9,755	9,759	14,171	13,518
Fund	-4.64	-2.70	-2.45	-0.81	7.22	3.06
+/- MSCI ACWI Ex USA NR USD	-8.65	-2.09	-2.33	-0.03	2.77	1.19
+/- Category	-5.76	-1.03	-3.24	-1.80	0.70	0.34
% Rank in Cat	98	93	82	83	31	41
# of Funds in Cat	361	382	352	322	272	187

* Currency is displayed in BASE

Style Map

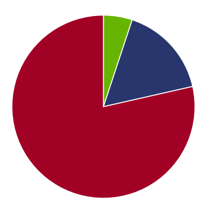


Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Medtronic PLC	5.90	83.20 BASE	-0.57 ↓	71.03 - 89.27
⊕ Nestle SA	5.10	74.35 BASE	-0.60 ↓	71.35 - 77.35
⊕ Japan Tobacco Inc	4.21	— BASE	-0.72 ↓	3,792.00 - 4,850.00
⊖ AIA Group Ltd	3.39	51.50 BASE	-3.01 ↓	36.85 - 54.15
⊕ Deutsche Boerse AG	3.22	67.63 BASE	-1.37 ↓	67.08 - 85.50
% Assets in Top 5 Holdings	21.82			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



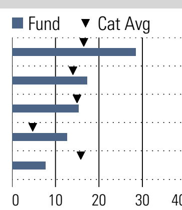
Asset Class	% Net
Cash	5.09
US Stock	16.36
Non US Stock	78.55
Bond	0.00
Other	0.00

Management

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

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Defensive	28.48	28.48	11.05	15.59
Healthcare	17.23	24.13	17.23	13.09
Financial Services	15.24	15.24	8.74	14.04
Communication Services	12.60	15.34	7.43	3.84
Technology	7.65	15.58	7.65	14.90



Dividend and Capital Gains Distributions

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

MORNINGSTAR®

Artisan International Fund Investor Class ARTIX

Analysis

Its flexible approach can test investors' patience, but this fund's virtues remain substantial.
By Greg Carlson 6/8/2016

Artisan International's veteran leader, deep team, and sensible approach continue to earn a Morningstar Analyst Rating of Silver. This closed fund's lead skipper, Mark Yockey, has steered it for more than 20 years, and the results have been superb: From its December 1995 inception through May 2016, the fund surpassed all of its foreign large-growth peers, as well as 95% of the larger foreign large-blend Morningstar Category, on both a total-return and risk-adjusted basis. It also trounced its MSCI EAFE benchmark as well as the MSCI EAFE Growth Index (to which its returns have been a bit more correlated).

Yockey has generated this stellar record utilizing a flexible approach. He invests in a mix of rapidly growing firms, more-mature and stable growers, and turnaround plays. The size of each group varies depending on where he and his team find the most opportunities, but the first two groups tend to predominate. In the late 1990s, the fund shone because of a hefty stake in tech and telecom. More recently, the fund’s hot streak from 2011-14 was due in part to a move into Macau-related gaming stocks and other firms benefiting from rising demand from Chinese consumers.

But the fund's shifts have also led to dry spells. For example, Yockey moved into beaten-down European banks in 2009-10, only to see those stocks drop further--a big reason the fund trailed more than 85% of peers in 2010. More recently, the fund's stake in China-related stocks was one reason why it trailed 95% of peers in 2015. Another was poor stock selection in automotive firms, which has again weighed on returns in 2016. (U.K. auto-parts maker Delphi Automotive lost 20% for the year to date through May 31.)

Thus, the fund requires patience at times. It's now tilted toward steady growers--its China weighting dropped from 9.0% to 2.4% during the past year, while its stake in European staples firms such as Unilever has nearly doubled. The fund has also been quite rewarding over the long term, and the depth of the team and a responsible approach to capacity management (the fund closed to new investors in 2015) trump concerns about modestly above-average fees.

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 moved back to the foreign large-growth category in 2014 after residing in foreign large-blend from 2010-13. 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. This distinctive approach earns a Positive Process score.

The fund typically holds 60-100 stocks; the number depends in part on how many compelling stocks Yockey finds, but the portfolio also became more diffuse in the mid-2000s when assets in the strategy exceeded $25 billion. Strategy assets reached $32 billion at the end of June 2015 (and are now about $28 billion), but the portfolio remains somewhat compact at 63 stocks.

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

The fund owns a bigger slug of large-cap stocks than usual, and its average market cap significantly exceeded both that of its MSCI EAFE benchmark and the foreign large-growth norm at the end of March 2016. Yockey has generally found better values among large caps lately, particularly in the

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	-4.64	-5.76
2015	-3.85	-4.81
2014	-0.97	2.96
2013	25.18	6.60
2012	25.39	7.69

Artisan International Fund Investor Class ARTIX

Analysis

healthcare sector: Behemoths such as drugmaker Bayer BAYN of Germany, U.S. device firm Medtronic MDT, and Swiss drugmaker Roche are among the fund's top 25 holdings. (The fund's overall stake in that sector was 20% of assets, well above the 13% category norm.) Other stocks near the top of the portfolio with very large market caps included Japan Tobacco, Hong Kong-based insurer AIA Group, and food giant Nestle of Switzerland.

Yockey may also have a difficult time these days taking a significant stake in a mid-cap stock; the team ran a total of $28 billion in the strategy at the end of April--strategy assets peaked at $33 billion before recent outflows and investment losses, and the fund closed to new investors in 2015. (Artisan has a long track record of closing its funds to preserve flexibility.) The number of holdings was recently 63 here, at the lower end of the fund's range, so it doesn't appear the portfolio has been altered because of liquidity concerns. But the fund's large-cap-heavy profile could hold it back if smaller fare outperforms.

Performance Pillar: Positive

This fund can run hot and cold, but it's been a strong performer over the long haul. 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 notched three consecutive finishes in the foreign large-blend category's top decile from 2011-13 before moving to foreign large growth and surpassing 80% of that peer group in 2014. Since then, the fund has struggled, lagging 95% of peers in 2015 and 88% of them in 2016 through May.

Despite its recent malaise, from stocks' October 2007 peak through May 2016 (arguably a full market cycle), the fund outpaced its MSCI EAFE benchmark, the MSCI All Country World ex USA Index, and the growth-oriented versions of those indexes while beating more than 60% of peers. And the fund looks stellar across Yockey's full tenure. From its late 1995 inception through May 2016, the fund has crushed the foreign large-growth and foreign large-blend norms by 3.2 and 3.5 percentage points annualized, respectively. Although its returns have been volatile at times, the fund has outpaced all other foreign large-growth funds on a risk-adjusted basis when measured on Sortino and Sharpe ratios. Thus, it earns a Positive Performance rating.

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 Artisan Global Equity, and a comanager of Artisan Global Small Cap when it launched in July 2013. He joined the team in 2000.

The trio is supported by 13 analysts and eight research associates. On average, the senior analysts have worked on the team for six years. Yockey's long resume and the depth of his supporting cast earn a Positive rating for People.

Barry Dargan, a former MFS manager, comanaged Artisan Global Equity from its inception through January 2013 before leaving the firm.

Parent Pillar: Positive

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

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

On a positive note, all but two of Artisan's funds have at least one manager with more than $1 million invested in fund shares, and seven have at least two managers who invest 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 could pressure management into keeping popular funds open to boost revenue, it has thus far continued to close them. Also, its executives retain tight control of the firm.

Price Pillar: Negative

The 1.17% expense ratio of this fund's Investor shares, which hold 53% of the assets, earns a Morningstar Fee Level of Above Average. The Institutional shares hold 31% of the remaining assets, charge 0.95%, and earn an Average. The fund's Advisor shares, launched in April 2015, hold 16% of the assets, charge 1.07% and earn an Above Average.

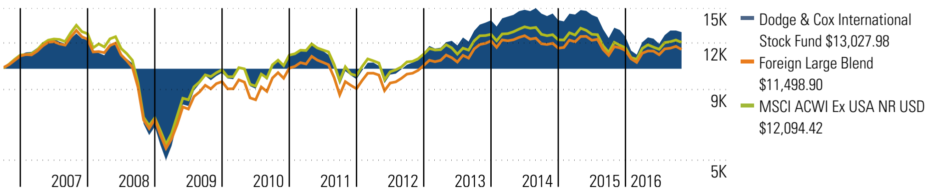
With assets of $17 billion, the fund is bigger than the vast majority of foreign large-cap funds, thus its expenses should be lower. It earns a Negative Price rating.

Dodge & Cox International Stock Fund DODFX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
37.77	↓-0.33 | -0.87	2.20	54.8	Limited	$2,500	None	0.64%	★★★	Foreign Large Blend	Large Value

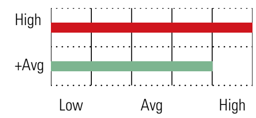
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (715)

Return vs. Category (715)



Investment Strategy

The investment seeks long-term growth of principal and income. Under normal circumstances, the fund will invest at least 80% of its total assets in equity securities of non-U.S. companies, including common stocks, depositary receipts evidencing ownership of common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks. The fund typically invests in medium-to-large well-established companies based on standards of the applicable market.

Pillars

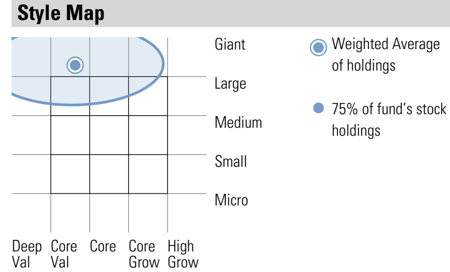
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,354	9,818	9,694	9,736	13,544	12,929
Fund	3.54	-1.82	-3.06	-0.89	6.26	2.60
+/- MSCI ACWI Ex USA NR USD	-0.47	-1.21	-2.94	-0.11	1.80	0.73
+/- Category	2.84	0.03	-1.69	-0.36	1.05	1.22
% Rank in Cat	20	43	70	57	23	19
# of Funds in Cat	870	903	843	701	621	377

* Currency is displayed in BASE

Style Map

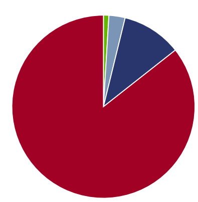


Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Samsung Electronics Co Ltd	4.51	— BASE	0.00 ↓	1,000.00 - 1,600.00
⊖ Naspers Ltd Class N	4.47	— BASE	-4.80 ↓	168,594.00 - 255,359.00
⊖ Schlumberger Ltd	3.91	81.47 BASE	0.04 ↑	59.60 - 83.97
⊖ Sanofi SA	3.70	68.19 BASE	-0.42 ↓	62.50 - 93.82
⊕ Schneider Electric SE	2.85	60.83 BASE	-1.38 ↓	45.31 - 63.59
% Assets in Top 5 Holdings	19.43			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

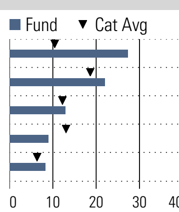
Asset Allocation



Asset Class	% Net
Cash	0.96
US Stock	10.57
Non US Stock	85.61
Bond	0.00
Other	2.86

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	27.28	27.28	25.02	9.51
Financial Services	21.93	25.53	21.93	17.72
Healthcare	12.82	13.92	12.82	11.30
Consumer Cyclical	8.92	10.89	6.57	12.13
Energy	8.21	8.21	5.91	5.44



Management

	Start Date
C. Bryan Cameron	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	03-30-2012
Englebert T. Bangayan	02-28-2015

Dividend and Capital Gains Distributions

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

Dodge & Cox International Stock Fund DODFX

Analysis

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

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

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

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

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

Process Pillar: Positive

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

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	3.54	2.84
2015	-11.35	-9.77
2014	0.08	5.06
2013	26.31	6.88
2012	21.03	2.74

Dodge & Cox International Stock Fund DODFX

Analysis

USA Index.

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

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

Performance Pillar: Positive

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

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

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

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

People Pillar: Positive

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

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

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

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

Parent Pillar: Positive

Dodge & Cox is an exemplary firm. CEO and president Dana Emery and chairman Charles Pohl are also lead members of the investment team and run both the firm and its funds with a long time horizon. The average fund manager tenure of more than 20 years is exceeded only by a few boutiques and is much higher than is typical for a large fund company.

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

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

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

Price Pillar: Positive

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

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

Dodge & Cox International Stock Fund DODFX

Analysis

ively managed equity-fund portfolios in any category.

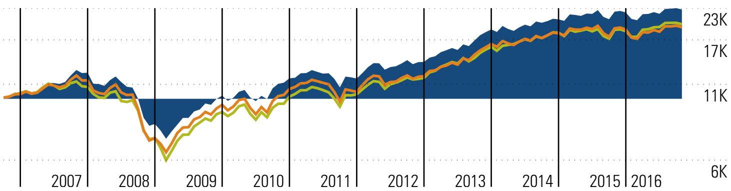
The fund's consistently low turnover rate also helps keep down trading costs, which aren't included in the expense ratio. The annual turnover rate is typically in the low teens, well below the average for foreign large-cap funds.

Fidelity® Contrafund® Fund FCNTX

Morningstar Analyst Rating
Silver

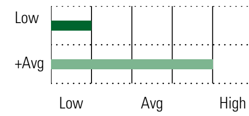
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
100.95	↑0.24 | 0.24	0.31	108.4	Open	$2,500	None	0.70%	★★★★★	Large Growth	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1482)
Return vs. Category (1482)



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

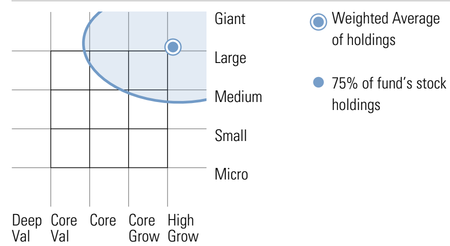
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,279	9,972	10,513	13,179	19,046	22,263
Fund	2.79	-0.28	5.13	9.64	13.75	8.33
+/- S&P 500 TR USD	-3.68	0.47	-3.27	-0.55	-0.81	1.45
+/- Category	0.85	0.06	1.06	1.17	0.76	1.22
% Rank in Cat	35	50	36	32	36	20
# of Funds in Cat	1,626	1,656	1,606	1,459	1,264	909

* Currency is displayed in BASE

Style Map



Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Facebook Inc A	6.12	127.10 BASE	-1.53 ↓	89.37 - 131.98
⊖ Berkshire Hathaway Inc A	4.83	— BASE	-1.58 ↓	186,900.00 - 226,490.00
⊖ Amazon.com Inc	3.87	823.01 BASE	-1.32 ↓	474.00 - 847.21
⊖ Alphabet Inc A	3.47	800.11 BASE	-1.45 ↓	670.70 - 819.86
⊖ Alphabet Inc C	3.07	774.29 BASE	-1.55 ↓	641.73 - 792.28
% Assets in Top 5 Holdings	21.35			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

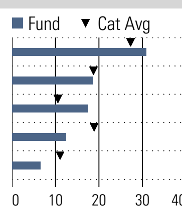
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	0.64	0.03	0.67	0.00	1.99
US Stock	90.82	0.00	90.82	99.96	92.45
Non US Stock	7.40	0.00	7.40	0.04	5.45
Bond	0.05	0.00	0.05	0.00	0.04
Other	1.10	0.00	1.10	0.00	0.07

Management

	Start Date
William Danoff	09-17-1990

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	30.86	30.86	23.03	26.36
Consumer Cyclical	18.58	19.63	14.68	17.82
Financial Services	17.48	21.53	17.48	9.63
Healthcare	12.42	18.98	12.42	17.97
Industrials	6.47	8.25	6.47	10.14



Dividend and Capital Gains Distributions

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

Fidelity® Contrafund® Fund FCNTX

Analysis

Still solid.
By Katie Rushkewicz Reichart, CFA 7/14/2016

Fidelity Contrafund maintains its Morningstar Analyst Rating of Silver. Led by manager Will Danoff since 1990, the $105 billion fund has long been one of the industry's biggest by assets. The challenges its size presents, plus fees that aren't as low as might be expected given its economies of scale, keep it from achieving a higher rating. However, the fund remains an attractive offering thanks to Danoff's experience and consistent execution through the years.

Danoff looks for companies poised to grow their earnings, preferring solid business franchises with capable management teams. As may be expected from a growth fund, technology is the bulk of assets (recently 30%) and includes big bets on Alphabet GOOGL, Facebook FB, and Amazon.com AMZN--the latter he doesn't mind paying up for given its success with Amazon Web Services and its growing market share in retail.

Top positions in the portfolio have largely remained intact for several years--turnover is moderate because of the fund's size--and include some financials names that aren't commonplace in other large-growth Morningstar Category funds. The fund has had a longtime bet on Berkshire Hathaway BRK.A and Wells Fargo WFC, though Danoff has trimmed the latter as rate increases have failed to materialize and earnings have remained pressured. But the inclusion of such stocks has dampened the fund's risk profile. Indeed, it's lost less than the Russell 1000 Growth Index in down markets and has been less volatile than large-growth peers under Danoff.

Danoff has Fidelity's large global analyst team at his disposal, which helps him keep tabs on the sprawling portfolio of 300-plus names and feeds him ideas that can help distinguish the fund from its benchmark. The fund owns some privately held companies, notably Uber and Pinterest. These remain a small portion of the fund's overall assets, but investing in them early could prove beneficial down the line if they have successful IPOs. Plus, they're another way the fund differentiates itself from popular passive funds.

Process Pillar: Positive

Will Danoff follows a typical growth strategy, looking for firms with improving earnings, but his execution sets the fund apart. He 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 more than $100 billion across accounts. (In 2013, Fidelity named John Roth as comanager at Danoff's other charge, Fidelity Advisor New Insights FINSX, which in the past looked very similar to Contrafund but has started deviating to a greater extent.) Even so, Contrafund is the second-biggest actively managed large-cap fund and is often a top owner of its holdings, so its size does limit its flexibility.

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

Danoff's consistent execution through the years earns the fund a Positive Process rating.

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 May was on the low end of its normal range during the past decade.

While the fund's size limits Danoff's ability to take meaningful positions throughout the portfolio, he doesn't shy away from making big bets where he

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	2.79	0.85
2015	6.46	2.86
2014	9.56	-0.44
2013	34.15	0.23
2012	16.26	0.92

Fidelity® Contrafund® Fund FCNTX

Analysis

can. Alphabet GOOGL and Berkshire Hathaway BRK.A are long-standing bets in the portfolio, each at more than 4% of assets as of May. Facebook is a top-five position based on Danoff's belief that it is a great franchise with excellent management. Technology remains the biggest sector weighting, at 30% of assets, and is a sector where the fund has done well in the long term. He's closely watching valuations at Amazon.com AMZN and management's execution at Alphabet but is comfortable with big positions in both companies.

The fund's 15% financials stake is above the large-growth norm (though similar to its S&P 500 prospectus benchmark) and includes top picks, such as longtime holding Wells Fargo WFC. However, Danoff has trimmed the banks as interest rates haven't risen as expected. The fund has stakes in some private technology companies, including Uber, Pinterest, and Airbnb, though these are a small percentage of overall assets.

Performance Pillar: Positive

This fund has been a top large-growth offering under Will Danoff, who has managed it since September 1990. During his tenure through June 2016, the fund has gained 12.7% annualized to the S&P 500's 9.9%, the Russell 1000 Growth Index's 9.3%, and the category's 8.6%. Danoff's record is all the more impressive considering the huge sum of money he oversees, totaling more than $100 billion. 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.

This fund isn't too volatile for a growth fund. 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. It's lagged its benchmark during the past year through June, dragged down by consumer and financials picks, including Chipotle CMG and Associated British Foods ABF. However, the fund's strong long-term record remains intact and earns a Positive Performance rating.

People Pillar: Positive

Will Danoff has run this fund since September 1990. On his watch, Contrafund has been one of the top-performing large-growth funds, even as it has grown in size. While Danoff's years of experience and stock-picking abilities have given the fund an edge and support its Positive People rating, he also relies on Fidelity's global analyst staff of 135. The analysts' input is essential, as it would be difficult to effectively oversee a portfolio of 300-500 stocks himself. The analysts have incentives to relay their best ideas to him, as he commands more than $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 $25 billion Fidelity Advisor New Insights FINSX in September 2013. That won't take too much off Danoff's plate, as he recently started running Fidelity Series Opportunistic Insights ($6 billion in assets as of June), which is used exclusively in the target-date series. Roth may be viewed as the heir apparent here, given he was handpicked by Danoff, but the latter has announced no intention of retiring soon. Danoff invests more than $1 million in both this fund and Fidelity Advisor New Insights.

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

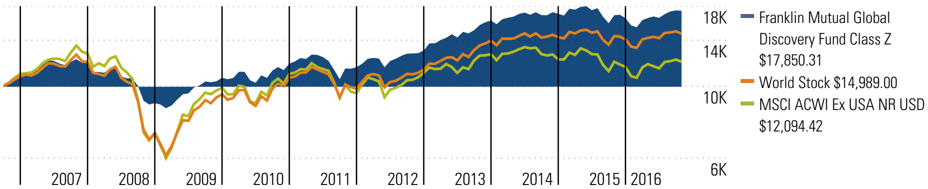
This fund has a performance fee, so its expense ratio can change based on how its three-year returns look relative to the S&P 500. (For every percentage point of out- or underperformance, the expense ratio is adjusted by 0.02%, up to a maximum of 0.20%.) The performance-based fee is in the interest of investors, who don't have to pay as much when the fund is underperforming. The fund's Price Pillar rating is determined without considering the performance adjustment. The no-load and K shares are priced below average relative to similarly sold peers, so the fund receives a Positive Price rating. Expenses have ranged from 0.64% to 1.01% during the past decade; the latter is hard to justify given the fund's huge asset base. Currently the no-load shares cost 0.70%.

Franklin Mutual Global Discovery Fund Class Z MDISX

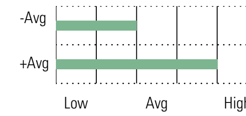
Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.59	↓-0.07 | -0.23	1.60	22.0	Open	$100,000	None	0.97%	★★★★	World Stock	Large Value

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



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). It may invest substantially and potentially up to 100% of its assets in foreign securities.

Pillars

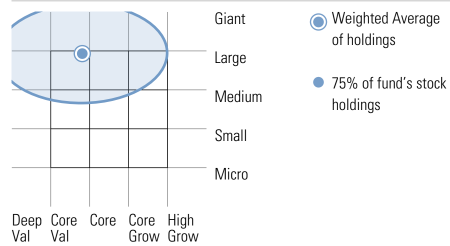
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,586	10,003	10,479	11,347	15,999	17,736
Fund	5.86	0.03	4.79	4.30	9.85	5.90
+/- MSCI ACWI Ex USA NR USD	1.85	0.65	4.91	5.08	5.40	4.03
+/- Category	1.92	1.27	1.56	0.56	0.85	1.67
% Rank in Cat	24	8	27	40	32	15
# of Funds in Cat	1,146	1,231	1,127	947	726	419

* Currency is displayed in BASE

Style Map



Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Microsoft Corp	2.45	56.80 BASE	-0.56 ↓	46.53 - 58.70
⊖ Merck & Co Inc	2.40	62.22 BASE	0.89 ↑	47.97 - 64.86
⊖ Medtronic PLC	2.17	83.20 BASE	-0.57 ↓	71.03 - 89.27
⊖ Royal Dutch Shell PLC Class A	1.99	— BASE	-0.62 ↓	1,256.00 - 2,140.00
⊖ Novartis AG ADR	1.88	75.77 BASE	-0.81 ↓	69.89 - 95.11
% Assets in Top 5 Holdings	10.89			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

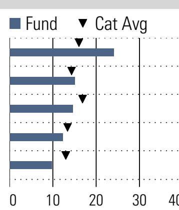
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	3.82	0.72	4.54	0.00	2.36
US Stock	51.03	0.59	51.62	52.78	51.81
Non US Stock	39.79	0.00	39.79	47.16	45.05
Bond	2.84	0.00	2.84	0.00	0.37
Other	2.52	0.14	2.65	0.06	0.42

Management

	Start Date
Philippe Brugère-Trélat	12-07-2009
Peter A. Langerman	12-07-2009
Timothy Rankin	12-31-2010

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	24.10	29.60	24.10	15.10
Healthcare	15.01	15.01	13.24	13.39
Technology	14.56	14.56	11.97	15.93
Consumer Cyclical	12.30	12.30	11.77	12.48
Consumer Defensive	9.70	9.81	9.31	12.07



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-02-2016	30.75	0.4300	0.0400	0.0000	0.0100	0.4800
12-18-2015	28.78	1.6100	0.2700	0.0000	0.5200	2.4000
09-04-2015	31.31	0.3600	0.0000	0.0000	0.0400	0.4000
12-19-2014	33.33	1.2100	0.0000	0.0000	0.7900	2.0000
09-05-2014	35.96	0.1700	0.0000	0.0000	0.0300	0.2000

Franklin Mutual Global Discovery Fund Class Z MDISX

Analysis

Bargain-hunting can be a pain.
By Alec Lucas 4/14/2016

Franklin Mutual Global Discovery has earned a Morningstar Analyst Rating of Silver for staying true to its value discipline.

Management's bottom-up approach is primarily oriented toward cheap stocks, but also includes merger-arbitrage and distressed debt. Focusing on fundamentals helps them look past short-term drops and buy more when they think a security has become a bigger bargain. In mid-2015, the managers built a top-25 equity position in Volkswagen VOW3 because they thought its stock price didn't reflect the value of its Porsche and Audi businesses. When Volkswagen's shares subsequently got crushed following its emissions scandal, management reassessed the company's value, including the impact of potential fines and lost sales, and increased the number of shares the fund held by roughly half.

The fund's appetite for risk extends to downtrodden sectors, too. While management remained relatively cautious in 2015 by maintaining a benchmark equity weighting in hard-hit energy names, they found opportunities in financials stocks, which on average have the lowest trailing 12-month P/E and price/book ratios of any global sector. Adding insurers like NN Group NN and several European banks caused the fund's financials stake to climb to 27.8% of assets by year-end 2015, which was 7.1 percentage points more than the MSCI World Index and ranked in the world-stock Morningstar Category's top decile.

The fund's nose for value and its mix of asset classes have served it well in market downturns. Its recent showing, however, has been an exception. Bad timing on the Volkswagen pick and lousy performers in energy drove a 7.7% bottom-quartile loss during the past year through March 2016. The fund would have fared even worse had it not largely hedged its foreign-currency exposure in a time period that was strong for the dollar.

The fund has disappointed of late but still has an edge over its typical rival since lead manager Peter Langerman began his second stint here at year-end 2009. He and his team are well schooled in the fund's proven multiasset approach and should keep it competitive.

Process Pillar: Positive

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

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

Management aims to layer downside protection into the structure of the portfolio. It holds a diverse mix of roughly 130 equity and fixed-income securities. Cheap stocks and merger-arbitrage equity positions typically take up 80%-90% of the fund's assets, while the remainder is split largely between distressed debt and cash, as opportunity dictates. As of March 2016, the fund's equity stake stood at 90%, with 4% of assets in distressed

Morningstar's Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	5.86	1.92
2015	-3.36	-1.67
2014	5.33	2.54
2013	25.64	0.45
2012	13.65	-2.20

Franklin Mutual Global Discovery Fund Class Z MDISX

Analysis

debt. Since bankruptcy plays, whether liquidations or reorganizations, move according to the courts' timing, they can reward investors independent of market movements. Yet they also come with their own brand of uncertainty.

The fund can invest all of its assets overseas and up to 25% in emerging markets. Foreign exposure peaked at 71% in 2007, 8% of which was in emerging markets (including South Korea and Taiwan). Since mid-2010, foreign exposure has generally trended downward. At 42.6% currently, it falls below the 45% world-stock category median. Most of the fund's stocks are multinationals like top-10 holding Royal Dutch Shell RDS.A. While the managers don't hedge the foreign-currency exposure of holdings that do most of their business in U.S. dollars, like Shell, they do hedge the rest of their international currency exposure.

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

Performance Pillar: Positive

By building a portfolio composed of cheap stocks, merger-arbitrage plays, and distressed debt, management aims to outperform on a risk-adjusted basis. The fund receives a Positive Performance Pillar rating because it has met that aim. Since lead manager Peter Langerman began his second stint here at year-end 2009, the fund's 7.3% annualized gain through March 2016 edges past the typical world-stock category rival's 6.9%. While the fund modestly lags the MSCI World Index during the same stretch, its Morningstar Risk-Adjusted Return is superior, thanks to volatility that is only about four fifths that of the bogy.

The fund's outperformance owes to holding up better than most in market downturns, like 2011, while keeping the pace in rallies, like 2013. The fund is not infallible, however. In 2015, its 3.4% loss placed in the category's bottom third. Falling commodity prices were a headwind for the fund's energy stocks. Building a top-25 position in Volkswagen VOW3 by mid-year also hurt. Its share price subsequently got crushed because of an emissions scandal.

Management's policy of generally hedging foreign-currency exposure can hurt the fund when the U.S. dollar is weak and help when it's strong. The fund's 13.4% cumulative loss from July 2014 through September 2015 could have been worse. Hedging helped during that roughly 18-month period as the trade-weighted U.S. Dollar Index shot up 23%.

People Pillar: Positive

This fund's Positive People Pillar rating reflects management's expertise and shared experience. That experience, though, has been somewhat varied as all three managers left the firm at one point before returning and two of three had prior stints here. Lead manager Peter Langerman and comanager Philippe Brugere-Trelat both joined predecessor Heine Securities in the 1980s, while comanager Timothy Rankin joined the firm shortly after Franklin's 1996 acquisition. Beginning with Brugere-Trelat's departure prior to that acquisition, all three left the firm for periods ranging from three to 10 years but returned by mid-2010. Langerman previously managed here from 1993 to 1998 and returned in late December 2009, around when Brugere-Trelat also started. Rankin was a comanager here from July 2001 to late 2004 and returned at year-end 2010.

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

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

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

Competitive fees earn the fund a Positive Price Pillar rating. Its legacy, no-load Z shares, which hold more than a third of the fund's $22 billion asset base, charged a 0.97% expense ratio in fiscal 2015. That's 5 basis points below the world-stock institutional peer median and placed in that group's second cheapest quintile. The newer broker-sold A shares, which house most of the fund's remaining assets, also sported a Below Average Morningstar Fee Level. However, their marketing-oriented 12b-1 fees were 30 basis points, which is 5 basis points more than what's typical.

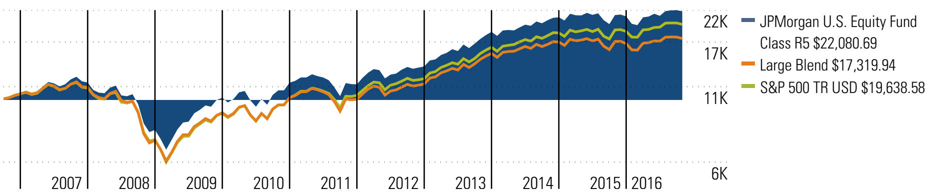
Trading costs were modest. Brokerage fees of 0.03% of average net assets in fiscal 2015 fell below the category norm of 0.16%.

JPMorgan U.S. Equity Fund Class R5 JUSRX

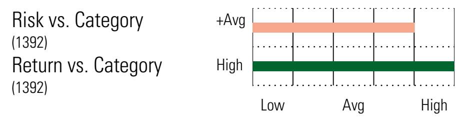
Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.33	↑0.01 | 0.07	1.09	12.0	Open	—	None	0.56%	★★★★★	Large Blend	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

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

Pillars

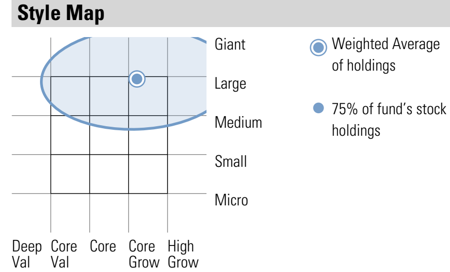
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,465	9,996	10,720	13,176	19,877	21,879
Fund	4.65	-0.04	7.20	9.63	14.73	8.14
+/- S&P 500 TR USD	-1.82	0.71	-1.20	-0.56	0.17	1.26
+/- Category	-0.03	0.76	1.81	1.79	1.82	2.15
% Rank in Cat	58	11	35	18	8	3
# of Funds in Cat	1,541	1,597	1,520	1,377	1,196	902

* Currency is displayed in BASE

Style Map

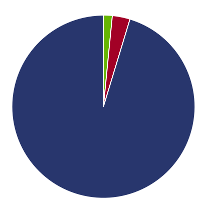


Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Microsoft Corp	3.12	56.80 BASE	-0.56 ↓	46.53 - 58.70
⊖ Wells Fargo & Co	2.56	44.39 BASE	-2.07 ↓	43.55 - 56.34
⊖ Apple Inc	2.29	116.53 BASE	-0.71 ↓	89.47 - 123.82
⊖ Broadcom Ltd	2.17	168.27 BASE	-1.30 ↓	112.38 - 179.42
⊖ Alphabet Inc A	2.07	802.52 BASE	-1.15 ↓	670.70 - 819.86
% Assets in Top 5 Holdings	12.20			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

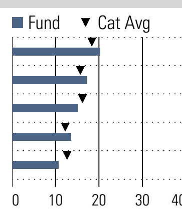
Asset Allocation



Asset Class	% Net
Cash	1.56
US Stock	95.31
Non US Stock	3.13
Bond	0.00
Other	0.00

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.28	22.27	20.28	17.45
Financial Services	17.18	17.96	16.77	14.81
Healthcare	15.22	16.02	15.22	15.29
Consumer Cyclical	13.58	13.82	12.88	11.32
Industrials	10.63	10.63	9.14	11.74



Management

	Start Date
Thomas Luddy	02-21-2006
Susan Bao	01-01-2001
Scott Davis	08-18-2014
David Small	07-21-2016

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
09-28-2016	14.44	0.0000	0.0000	0.0000	0.0400	0.0400
06-28-2016	13.41	0.0000	0.0000	0.0000	0.0300	0.0300
03-29-2016	13.60	0.0000	0.0000	0.0000	0.0400	0.0400
12-21-2015	13.65	0.0000	0.0000	0.0000	0.0500	0.0500
12-11-2015	13.64	0.6000	0.0900	0.0000	0.0000	0.7000

JPMorgan U.S. Equity Fund Class R5 JUSRX

Analysis

A careful, consistent winner.
By Laura Lallos 7/14/2016

JPMorgan U.S. Equity demonstrates that even a constrained benchmark-aware strategy can beat its index when skillfully applied by an experienced team. This reliable core holding continues to merit a Morningstar Analyst Rating of Silver.

The fund is designed to outperform incrementally without taking undue risk. Longtime managers Tom Luddy and Susan Bao run half the fund's assets, drawing on the research of J.P. Morgan's strong core analyst team using the firm's proprietary dividend-discount model. Industry weightings stay within close range of the S&P 500, and positions in the 200-stock portfolio are rarely as much as 2 percentage points off the benchmark weightings. In August 2014, Scott Davis, a media and Internet analyst on the team since 2006, was added as a comanager; he now runs 20% of assets. (While Luddy has not announced plans to retire, Davis is his intended successor.) Davis uses the same strategy as Bao and Luddy, relying on the same analyst research. The analysts contribute significantly to stock-picking, and in mid-2009 a portion of the fund was turned over to them to run directly. This sector-neutral sleeve is now 30% of the fund.

The end result has been low tracking error relative to the S&P 500 and active share that has stayed close to 50% during the past decade. That may sound like a recipe for mediocrity, but the fund has consistently outperformed thanks to solid stock-picking across the board. From January 2001 (Susan Bao's start date as comanager) through June 2016, its three-year rolling returns beat the S&P 500 70% of the time. Over the long term, the fund's Morningstar Risk ratings, which place greater emphasis on downside volatility, have been in line with the large-blend Morningstar Category average. That's what the strategy is designed to do: control risk, not minimize it.

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

Process Pillar: Positive

The benchmark-sensitive process aims to minimize sector and macroeconomic exposure relative to the S&P 500. The fund can deviate from market industry and stock weightings by 4 percentage points, but it generally stays within 2 points. It shows considerable correlation with the S&P 500, with an R-squared of about 98% over the long term. The portfolio is also diversified by name, with more than 150 holdings and about 20% of assets in the top 10. The strategy earns a Positive rating for Process because of what sets it apart: consistently strong stock-picking built on an in-house dividend-discount model and a strong core analyst team.

The core of the portfolio, 50% of assets, is run by longtime managers Tom Luddy and Susan Bao. Scott Davis runs 20% of the portfolio using the same strategy. All three rely on the research of the firm's core analyst team. These industry analysts rank stocks within each industry based on estimated fair value; they use an in-house model incorporating long-term earnings, cash flow, and growth-rate estimates. The managers incorporate these rankings into their stock-picking, expressing modest sector preferences based on their macroeconomic view.

The remaining 30% of the portfolio is run directly by the analysts. This portion is broadly sector-neutral relative to the S&P 500, though the analysts may express industry preferences within those sectors.

In keeping with a philosophy that stock-picking should drive performance, sector weightings remain fairly close to the S&P 500, with valuation driving differences. The fund continues to have an underweighting in overvalued consumer staples, utilities, and REITs, with a small overweighting in another more defensive sector, healthcare. Names such as UnitedHealth Group UNH are also part of a "cheap yield" theme comprising growth-at-a-reas-

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	4.65	-0.03
2015	0.84	1.91
2014	13.95	2.99
2013	36.07	4.57
2012	17.40	2.44

JPMorgan U.S. Equity Fund Class R5 JUSRX

Analysis

onable price names that have strong promise on the upside. This play includes Alphabet GOOG, GOOGL. Within energy, instead of pricey benchmark dominator Exxon Mobil XOM, the managers own Occidental Petroleum OXY for its better yield and balance sheet and have smaller positions in names like Diamondback Energy FANG.

The fund continues a tilt toward consumer discretionary, with a preference for auto-related and transportation stocks; top-10 holding Lowe's LOW is well-positioned for a continued housing recovery. They are also playing the cyclical recovery in technology, particularly semiconductors, including Broadcom AVGO, a big overweighting. (Picks are generally within 2 percentage points of the S&P 500.) Apple AAPL is a larger position, but a relative underweighting because of less-promising growth. Anticipating interest-rate normalization, the managers added to financials in recent years, including high-quality bank Wells Fargo WFC.

Performance Pillar: Positive

A carefully circumscribed strategy has led to consistently strong performance, earning the fund a Positive for the Performance Pillar. Outperformance is generally attributable to stock-picking across the board. From January 2001 (Susan Bao's start date as comanager) through June 2016, the fund's rolling three-year returns land in the top half of the category more than 80% of the time and never in the bottom quartile. The fund's standard deviation was 15.8, a bit higher than the S&P 500's 14.9. Over the long term, the fund's Morningstar Risk ratings, which emphasize downside volatility, have been in line with the category average, though they have been a bit higher in recent years. The strategy is designed to control risk, not minimize it.

The fund's three-year rolling returns have beaten its S&P 500 benchmark 70% of the time. Since January 2001, the fund's Institutional shares have returned an annualized 5.8% through June 30, 2016, versus 4% for the category and 5.2% for the the S&P 500. While the fund has had some manager changes on the edges in recent years, it ranks in the top quartile of the category over the past three and five years. It lags its benchmark, though, after a rough one-year period, with financials and healthcare picks (including former holding Valeant Pharmaceuticals VRX) holding it back. Set against its longer-term record, this is not cause for concern.

People Pillar: Positive

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

While Luddy has no plans to retire, succession planning has begun. Scott Davis, who started at JPMorgan in 2006 and was a media and Internet analyst on the team, took on the role of comanager in August 2014 and now runs about 20% of assets using the same strategy. He will eventually assume Luddy's role as lead here.

Comanager Helge Skibeli, who joined the firm in 1990, heads the U.S. core team of more than 25 analysts (averaging about a decade of tenure with the firm) that has run a sleeve of the fund since July 2009--currently, about 30% of assets. Skibeli has been named global head of research and will be succeeded here by David Small, who is currently associate director of U.S. research.

From July 2010 through mid-August 2014, up to 20% of assets were split between large-cap growth and large-cap value sleeves overseen by other managers.

Parent Pillar: Positive

J.P. Morgan Asset Management is one of the largest asset managers in the world, with nearly $2 trillion in assets. After healthy inflows in 2015, it continues to rank among the top 10 U.S. mutual fund companies. Its U.S. fund business boasts a diverse lineup of more than 120 funds and ETFs supported by a global investment team, and a distribution effort centered on education has built advisor trust.

Many of the most popular funds are Morningstar Medalists, and a number are run by managers on the job for a decade or more, including Jonathan Simon of JPMorgan Mid Cap Value FLMVX and Giri Devulapally of JPMorgan Large Cap Growth SEEGX. While Doug Swanson, longtime manager of the firm’s largest fund, JPMorgan Core Bond WOBDX, began a leave of absence in 2015, veteran Barb Miller stepped in, supported by the same strong team. The SmartRetirement target-date series is another bright spot. The lineup earns an average of 3 stars but has been improving. One concern has been whether the fast-growing JPMorgan Strategic Income Opportunities JSOSX has been adequately supported, though it has seen outflows lately.

An experienced board of trustees has maintained strong oversight, and fees are competitive. Manager investment in the funds has increased significantly, and compensation now factors in 10-year performance where applicable, which exceeds industry standards.

Price Pillar: Positive

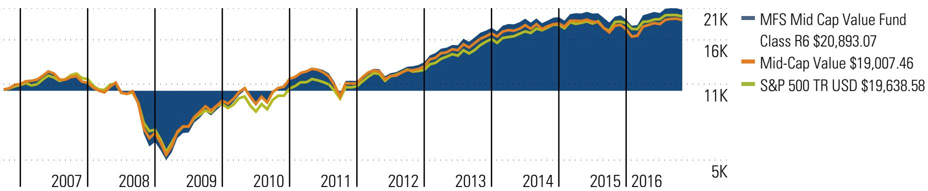
The fund easily earns a Positive Price rating. Most of its assets are in Institutional, Retirement, or Select shares. The Institutional shares, with a 0.62% expense ratio as of June 2015, have a Morningstar Fee Level of Below Average compared with other large-cap institutional shares. While the Select shares' 0.77% expense ratio ranks as Average compared with the same group, they are also available to retail investors through certain advisors. The Retirement shares are Below Average within their peer group. The rest of the fund's share classes rank either in the lowest or second-lowest quintile of the relevant fee-level comparison group.

MFS Mid Cap Value Fund Class R6 MVCKX

Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
20.77	↑0.06 | 0.29	0.60	5.4	Open	—	None	0.81%	★★★★	Mid-Cap Value	Mid Value

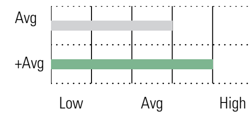
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (399) Avg

Return vs. Category (399) +Avg



Investment Strategy

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

Pillars

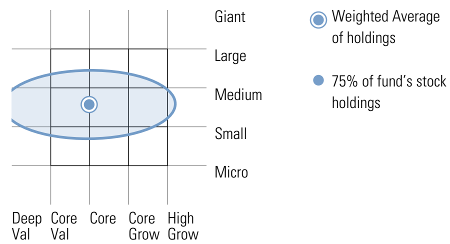
Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,932	9,933	10,740	12,684	20,014	20,697
Fund	9.32	-0.67	7.40	8.25	14.89	7.55
+/- S&P 500 TR USD	2.84	0.08	-1.00	-1.94	0.33	0.66
+/- Category	0.49	-0.19	1.51	1.94	1.86	1.09
% Rank in Cat	40	51	35	16	—	—
# of Funds in Cat	462	466	450	393	347	235

* Currency is displayed in BASE

Style Map



Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
Nasdaq Inc	1.21	66.50 BASE	0.08 ↑	53.22 - 71.92
Newell Brands Inc	1.13	51.31 BASE	-0.22 ↓	33.26 - 55.45
Fifth Third Bancorp	1.13	19.73 BASE	-3.19 ↓	13.84 - 21.14
Allison Transmission Holdings Inc	1.13	27.89 BASE	-0.94 ↓	20.56 - 30.52
The Hartford Financial Services Group Inc	1.08	42.79 BASE	-1.41 ↓	36.54 - 49.41
% Assets in Top 5 Holdings	5.69			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

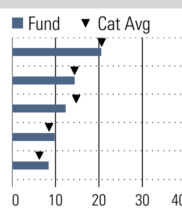
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	2.26	0.10	2.36	0.00	3.51
US Stock	95.32	0.00	95.32	99.39	91.22
Non US Stock	1.45	0.00	1.45	0.61	5.07
Bond	0.00	0.00	0.00	0.00	0.02
Other	0.97	0.00	0.97	0.00	0.18

Management

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

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	20.52	20.52	19.08	19.71
Consumer Cyclical	14.38	15.02	11.58	13.47
Industrials	12.23	12.23	10.29	13.85
Healthcare	9.74	10.02	9.03	7.60
Consumer Defensive	8.36	9.64	8.36	5.37



Dividend and Capital Gains Distributions

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

MFS Mid Cap Value Fund Class R6 MVCKX

Analysis

Morningstar's Take

Morningstar Analyst Rating —

Morningstar Pillars

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

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	9.32	0.49
2015	-2.14	3.27
2014	10.29	0.97

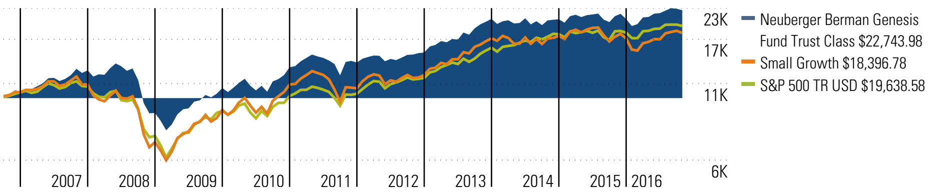
We do not currently publish an Analyst Report for this company.

Neuberger Berman Genesis Fund Trust Class NBGEX

Morningstar Analyst Rating
Bronze

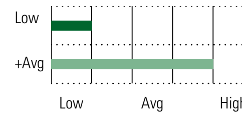
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
58.37	↑0.02 | 0.03	0.05	10.4	Open	—	None	1.10%	★★★★	Small Growth	Small Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

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



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

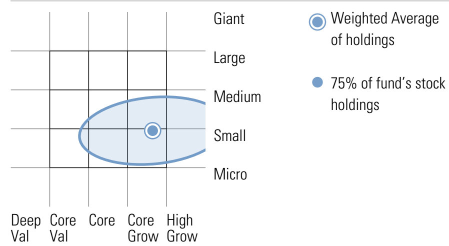
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Bronze

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,862	9,917	10,602	11,717	17,157	22,401
Fund	8.62	-0.83	6.02	5.42	11.40	8.40
+/- S&P 500 TR USD	2.14	-0.09	-2.37	-4.76	-3.16	1.52
+/- Category	3.23	-0.16	2.35	1.16	-0.76	1.44
% Rank in Cat	19	52	31	31	67	13
# of Funds in Cat	726	752	721	649	585	431

* Currency is displayed in BASE

Style Map

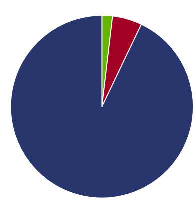


Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Church & Dwight Co Inc	2.46	47.73 BASE	-0.23 ↓	38.42 - 53.68
⊖ West Pharmaceutical Services Inc	2.31	73.47 BASE	-0.66 ↓	53.88 - 84.33
⊖ Sensient Technologies Corp	1.98	72.31 BASE	-1.14 ↓	52.69 - 76.15
⊖ AptarGroup Inc	1.98	75.92 BASE	0.32 ↑	66.33 - 81.50
⊖ Tyler Technologies Inc	1.95	169.56 BASE	-0.38 ↓	118.16 - 184.01
% Assets in Top 5 Holdings	10.68			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

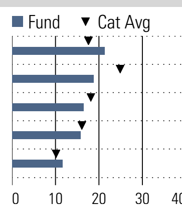
Asset Allocation



Asset Class	% Net
Cash	1.86
US Stock	92.90
Non US Stock	5.24
Bond	0.00
Other	0.00

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	21.32	22.61	20.69	16.67
Technology	18.70	18.97	17.45	23.97
Healthcare	16.41	16.76	13.54	17.22
Consumer Cyclical	15.74	16.18	15.74	15.14
Financial Services	11.61	11.98	10.74	9.21



Management

	Start Date
Judith M. Vale	02-01-1994
Robert W. D'Alelio	08-01-1997
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	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-17-2015	53.66	5.5500	0.0000	0.0000	0.0300	5.5800
12-15-2014	57.29	4.9100	0.0000	0.0000	0.0400	4.9400
12-16-2013	62.79	4.5000	0.0000	0.0000	0.1900	4.6900
12-14-2012	50.03	2.1100	0.0100	0.0000	0.1100	2.2200
12-16-2011	47.26	1.1000	0.0000	0.0000	0.5000	1.6000

Neuberger Berman Genesis Fund Trust Class NBGEX

Analysis

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

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

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

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

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

Process Pillar: Positive

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

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	8.62	3.23
2015	0.15	2.56
2014	-0.31	-2.74
2013	36.89	-4.02
2012	9.82	-3.33

Neuberger Berman Genesis Fund Trust Class NBGEX

Analysis

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

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

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

Performance Pillar: ⊕ Positive

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

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

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

People Pillar: ⊕ Positive

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

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

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

Parent Pillar: ⊕ Positive

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

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

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

Price Pillar: ⊕ Positive

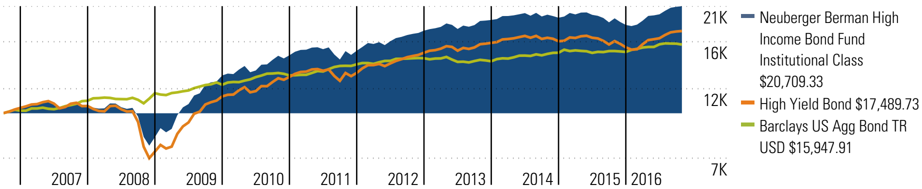
About one third of this fund's assets are in the Institutional shares, whose 0.85% expense ratio ranks in the second-cheapest quintile of Institutional shares of domestic small-cap funds; an agreement with the advisor will prevent it from rising above that level until 2021. Most of the remaining assets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

Neuberger Berman High Income Bond Fund Institutional Class NHILX

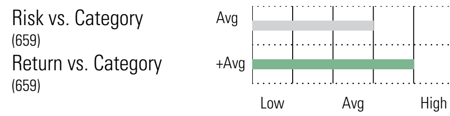
Morningstar Analyst Rating Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
8.76	↓-0.01 | -0.10	5.42	4.3	Open	$1 mil	None	0.69%	★★★	High Yield Bond	

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks high total return consistent with capital preservation. To pursue its goal, the fund normally invests mainly in a diversified portfolio of U.S. dollar-denominated, High-Yield Bonds, with an emphasis on debt securities rated below investment grade (commonly called "junk bonds"). The adviser normally expects to have a weighted average maturity between five and ten years.

Pillars

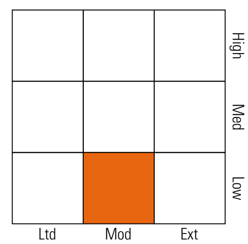
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,358	10,137	10,932	11,264	14,191	20,683
Fund	13.58	1.37	9.32	4.05	7.25	7.54
+/- Barclays US Agg Bond TR USD	8.48	1.57	4.87	0.24	4.12	2.77
+/- Category	1.76	0.28	1.75	0.41	0.34	1.40
% Rank in Cat	23	17	15	42	41	—
# of Funds in Cat	789	809	757	654	528	370

* Currency is displayed in BASE

Style Map 06-30-2016



Top Holdings 08-31-2016

	Weight %	Maturity Date	Amount Mil	Value Mil
⊕ iShares iBoxx $ High Yield Corporate Bd	1.66	—	0.82	70.77
⊕ Vrx Escrow 144A 5.875%	1.08	05-15-2023	52.40	46.11
Diamond 1 Fin Corp/Diamond 2 144A 6.02%	0.97	06-15-2026	38.64	41.42
Mohegan Tribal Gaming Auth 9.75%	0.94	09-01-2021	37.09	39.83
⊖ Arcelormittal Sa Luxembourg 7%	0.85	10-15-2039	33.64	36.16
% Assets in Top 5 Holdings	5.50			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

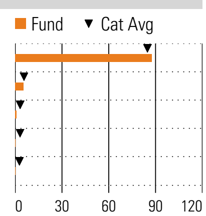
Bond Statistics	Value
Average Effective Duration (Years)	4.10
Average Effective Maturity (Years)	5.70
Average Credit Quality	BB
Average Weighted Coupon	5.94
Average Weighted Price	99.89

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	5.69	0.00	5.69	—	5.31
US Stock	0.00	0.00	0.00	—	0.54
Non US Stock	0.00	0.00	0.00	—	0.04
Bond	93.98	0.00	93.98	—	92.86
Other	0.34	0.00	0.34	—	1.26

Top Sectors 07-31-2016

	Fund	BMark	Cat Avg
Corporate Bond	87.71	—	82.24
Bank Loan	5.41	—	3.06
Convertible	0.65	—	0.58
Asset-Backed	0.00	—	0.54
Preferred	0.00	—	0.13



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-30-2016	8.74	0.0000	0.0000	0.0000	0.0400	0.0400
08-31-2016	8.72	0.0000	0.0000	0.0000	0.0400	0.0400
07-29-2016	8.58	0.0000	0.0000	0.0000	0.0400	0.0400
06-30-2016	8.42	0.0000	0.0000	0.0000	0.0400	0.0400
05-31-2016	8.40	0.0000	0.0000	0.0000	0.0400	0.0400

Neuberger Berman High Income Bond Fund Institutional Class NHILX

Analysis

Veteran managers and strong resources give this fund a leg up.
By Sumit Desai, CFA 3/8/2016

Neuberger Berman High Income Bond's Morningstar Analyst Rating of Silver is based on the stability of its management team and thorough, repeatable process.

The fund's team-based approach helps to minimize disruptions and provide management continuity. The benefits of this structure were evident recently as Tom O'Reilly took over leadership responsibilities following the late-2015 retirement of longtime lead manager Ann Benjamin. O'Reilly and Benjamin had worked together for more than two decades, and O'Reilly has served as a portfolio manager on the fund since 2005. Given his deep involvement in managing this fund during the past several years, investors should expect a seamless transition. Three other comanagers run this fund alongside O'Reilly, and they are supported by a team of 27 credit analysts.

A well-structured process also supports the fund's appeal. The fund's analysts use a thorough "credit checklist" that focuses on cash flow generation, repayment capabilities, management quality, and valuation, along with other factors to analyze issuers and individual bonds. The team will often search for mispriced bonds that are likely to experience an upgrade, and it 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.

Over time, this process has yielded admirable returns. Since O'Reilly and Benjamin took over the fund in October 2005, its 6.5% annualized return through February 2016 is better than 90% of peers in the high-yield bond Morningstar Category. The fund did run into a rough patch in 2015, thanks to an overweighting in high-yield energy bonds entering the year. However, the team changed its views on oil prices and ended the year underweight the struggling sector. While this positioning detracted from returns--the fund's 7.6% loss for the 12 months ended February 2016 ranks near the middle of the peer group--the team deserves credit for not anchoring on its views and adjusting its positioning when its thesis changed.

Process Pillar: Positive

This fund earns a Positive Process Pillar rating because it employs a thorough and repeatable process with a bias toward the higher-quality portions of the high-yield market. The fund's portfolio managers and analyst team use fundamental research and relative valuations to find potential upgrade candidates and avoid 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. 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 valuations, 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 most notable change in the portfolio was its exposure to the struggling energy sector. The portfolio started 2015 with a roughly 18% position in energy versus 14% for its benchmark, the BofA

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	13.58	1.76
2015	-4.77	-0.77
2014	1.51	0.40
2013	7.57	0.67
2012	14.64	-0.03

Neuberger Berman High Income Bond Fund Institutional Class NHILX

Analysis

Merrill Lynch U.S. High Yield Master II Constrained Index, but ended 2015 underweight the sector at 8.4% while the benchmark was at 10.9%. Some of the reduction came from market declines, but the team also sold out of several names in mid-2015 after it reconsidered its view that oil prices would rise and shifted to a "lower for longer" view. Other notable sector bets included an overweighting to healthcare issuers, which made up 12.7% of the portfolio versus 10.1% of the benchmark. Gaming-related firms also make up a large portion of the portfolio, at around 9.4% of total assets versus 4.3% for the benchmark.

On a credit-quality basis, the team has shifted the fund to a higher-quality stance during the past year. The fund's stake in BB rated bonds was in line with the fund's benchmark at around 49% of assets as of Dec 31, 2015, up from 38% last year, while single B names dropped from 38% last year to 31%. CCC rated bonds dropped to 9.8% of total assets at the end of 2015, compared with 12.9% for the benchmark and almost 20.0% of total assets last year. The team also added to its bank-loan position, which made up 7.4% of total assets at the end of 2015.

Performance Pillar: Positive

This fund’s admirable long-term returns are the basis for its Positive Performance Pillar rating. Since Tom O'Reilly and Ann Benjamin took over management of the portfolio in October 2005 through February 2016, the fund ranked ahead of 90% of the high-yield bond category, and its 6.5% annualized return during that time easily beat the 5.4% average return for the category. The fund's volatility-adjusted returns since October 2005 were similarly strong, as its Sharpe ratio of 0.6 was well ahead of the category average of 0.4. The team achieved these results via deft navigation through a variety of market environments. For example, the team shifted to a defensive stance in 2008, and though the fund suffered hefty losses that year, it still performed better than 90% of its category peers.

The fund did run into a rough patch in 2015. For the past year through February 2016, the fund's 7.6% decline landed right near the middle of the high-yield bond category. The primary detractor was the team's overweight exposure to the energy sector during the first half of 2015. The team eventually changed its view on the energy sector and lightened up on the space, which helped insulate the portfolio from heavier losses in the second half of the year.

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. This is the primary reason for the fund's Positive People Pillar rating. The benefits of the fund's management structure were evident following the late-2015 retirement of longtime lead manager Ann Benjamin. Benjamin had led the team that oversees this fund since she joined Neuberger Berman in 1997. Comanager Tom O'Reilly, who also worked with Benjamin for more than two decades, took over Benjamin's responsibilities following her retirement. Given O'Reilly's deep involvement in managing this fund during the past several years, investors should expect a seamless transition.

Further reinforcing the fund's team-based approach, O’Reilly is joined by comanagers Russ Covode and Dan Doyle, both experienced investors. Patrick Flynn, a manager in Neuberger Berman's distressed-debt group, joined this fund at the start of 2016 following Benjamin's retirement. These portfolio managers are supported by a deep team of 27 credit and portfolio analysts and five traders and one risk management specialist. In total, the below-investment-grade team now overseen by O'Reilly manages $36.8 billion in assets across high-yield bonds and bank loans. Manager ownership of this fund is also strong, as O'Reilly has more than $1 million invested here, and Covode has between $100,000 and $500,000.

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

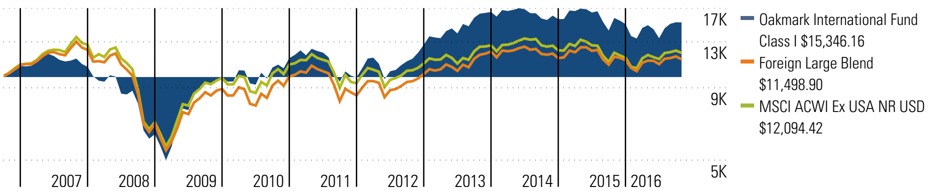
The fund earns a Positive Price Pillar rating because the majority of assets are held in share classes that earn a Morningstar Fee Level of Below Average. The fund's institutional share class holds 73% of assets and charges an expense ratio of 0.69% compared with 0.75% for the median of similarly distributed high-yield bond funds. The fund's retirement share class, NRHIX, holds another 19% of assets and charges a 0.61% expense ratio, which is similarly below the 0.69% charge for the median retirement share class in the high-yield bond category.

Oakmark International Fund Class I OAKIX

Morningstar Analyst Rating
Gold

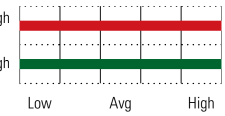
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
21.63	↓-0.01 | -0.05	2.23	23.6	Open	$1,000	None	0.95%	★★★★	Foreign Large Blend	Large Value

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (715) High
Return vs. Category (715) High



Investment Strategy

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

Pillars

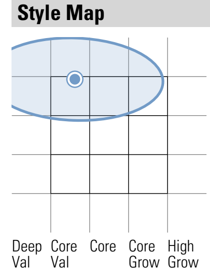
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,126	9,913	9,739	9,537	14,675	15,267
Fund	1.26	-0.87	-2.61	-1.57	7.97	4.32
+/- MSCI ACWI Ex USA NR USD	-2.75	-0.26	-2.49	-0.79	3.52	2.45
+/- Category	0.56	0.98	-1.24	-1.04	2.77	2.94
% Rank in Cat	36	12	63	73	5	5
# of Funds in Cat	870	903	843	701	621	377

* Currency is displayed in BASE

Style Map



Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Glencore PLC	4.78	231.15 BASE	-2.14 ↓	69.26 - 240.57
⊕ Credit Suisse Group AG	4.27	12.60 BASE	-3.37 ↓	9.76 - 24.60
⊕ Honda Motor Co Ltd	4.11	— BASE	0.33 ↑	2,417.00 - 4,142.00
⊖ BNP Paribas	3.27	46.81 BASE	-3.16 ↓	35.27 - 58.17
⊕ Intesa Sanpaolo	3.07	1.92 BASE	-2.73 ↓	1.52 - 3.30
% Assets in Top 5 Holdings	19.50			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

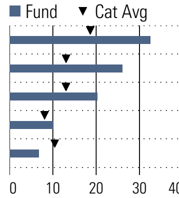
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.76	0.00	1.77	0.00	0.36
US Stock	2.05	0.00	2.05	0.91	3.06
Non US Stock	92.82	0.00	92.82	98.96	94.65
Bond	0.00	0.00	0.00	0.00	1.56
Other	3.36	0.00	3.36	0.13	0.37

Management

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

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	32.48	32.48	27.51	17.72
Consumer Cyclical	26.06	29.55	26.06	12.13
Industrials	20.29	21.17	18.88	12.11
Basic Materials	10.13	10.13	5.32	7.17
Technology	6.76	6.76	6.49	9.51



Dividend and Capital Gains Distributions

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

MORNINGSTAR®

Oakmark International Fund Class I OAKIX

Analysis

Despite the impending loss of a comanager, this newly reopened fund remains in proven hands.
By Greg Carlson 8/10/2016

Oakmark International will lose a veteran comanager in September, but its prospects remain strong. It continues to earn a Morningstar Analyst Rating of Gold.

On July 29, 2016, Harris Associates (the fund's advisor) announced that Rob Taylor, comanager of this fund since the end of 2008, will retire at the end of September. (The firm also announced that the fund, which had been closed to new investors except for those who invest directly or through retirement plans, would reopen to all investors.) David Herro, the fund's lead manager since its 1992 inception, will then manage it solo.

Taylor's departure will certainly represent a loss. A 22-year veteran of the firm, he had served as director of international research from 2004-15 and comanaged Gold-rated Oakmark Global OAKGX since 2005 (Herro will take his place there).

But this fund will remain in highly proven hands. Herro has amassed a superb record in his nearly 24-year tenure, and he has previously run the fund on his own twice for periods of roughly three years (1992-95 and 2005-08) with no drop-off in performance. He will also continue to be backed by a team that includes portfolio manager/analyst hybrids Eric Liu and Mike Manelli--the latter comanages Bronze-rated Oakmark International Small Cap OAKEX with Herro--and six analysts with an average of 6.5 years' tenure at the firm.

Although Herro runs $31 billion in this strategy, the reopening of the fund isn't a concern. Investment losses and redemptions because of poor recent performance pulled that number down from a peak of over $40 billion. Herro says he sees more buying opportunities now and hopes to match recent outflows with inflows, which makes it easier to buy and sell stocks at desired times. And the strategy remains focused on large caps.

The fund's recent slump owes in part to a large stake in financials; Credit Suisse and other European banks have been hammered lately. But Herro argues they're too cheap given their improved balance sheets and potential for earnings growth. The fund has been well out of step with the market before, but it remains a solid holding.

Process Pillar: Positive

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

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

Herro 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 entirely bottom-up process, judgments are made strictly on a case-by-case basis. Herro aims for long holding periods, but volatility can force his hand. Portfolio turnover typically ranges from 30% to 60% annually.

As usual, this fund looks significantly different from its typical peer and its benchmark. At the close of June 2016, the fund's combined 67% stake in the United Kingdom and the rest of developed Europe was well above the 57% stake of the MSCI World ex USA Index and the 58% foreign large-blend norm. The fund's hefty stake 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	1.26	0.56
2015	-3.83	-2.24
2014	-5.41	-0.43
2013	29.34	9.91
2012	29.22	10.93

Oakmark International Fund Class I OAKIX

Analysis

European financial-services firms such as Credit Suisse of Switzerland, BNP Paribas of France, and Intesa Sanpaolo of Italy drove that weighting.

Indeed, financials along with consumer discretionary companies were the fund's largest sector exposures, soaking up a combined 59% of assets at the end of the third quarter. With industrial stocks accounting for an additional 20% of assets, the fund tilts toward cyclicals, although (as usual) it has no exposure to energy--which served the fund well in 2015. Healthcare, typically a more defensive area of the market, is also absent from the portfolio, while it garners an 11% weighting in the benchmark MSCI World ex USA Index and 9% in its typical foreign large-blend rival.

David Herro managed a total of $31 billion in the strategy as of July 2016, down from a peak of over $40 billion. The fund reopened to all new investors in July and has always had a large-cap focus, but it would be 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 July 31, 2016, it delivered an annualized return of 9.3%, 3.6 percentage points better than the gain of its benchmark, the MSCI World ex USA Index. The fund's margin of victory versus the typical foreign-large blend fund is almost as large. It's performed consistently well, too. In the time frame's rolling five-year periods, the fund has bested those yardsticks more than 80% of the time.

Versus its benchmark, the fund has garnered most of its outperformance during downturns while hovering near the norm in rallies. Meanwhile, the fund has offered the best of both worlds versus typical peers, losing 93% as much in down markets while also gaining 10% more in upturns. True, the fund has been more volatile; its overall Morningstar Risk rating is Above Average. However, the fund's Sortino ratio, a measure of risk-adjusted return, is far higher than the benchmark's and typical peer's figures. Thus, its Performance rating is Positive.

That said, the fund is currently going through a tough stretch--the fund trailed more than 90% of peers over the past one and three years through July. The poor showing owes in part to a big stake in financials that has hurt badly. Positions in automakers Daimler, Honda, and Toyota have also been detractors. But the fund has still beaten more than 90% of peers and its benchmark over the trailing five, 10, and 15 years.

People Pillar: Positive

On July 29, 2016, Harris Associates (this fund's advisor) announced that Rob Taylor, a comanager here since 2008, will retire in September. David Herro, lead manager of the fund since its 1992 inception, will run it solo. Taylor's departure will certainly be a loss. He's a 22-year firm veteran, has comanaged Gold-rated Oakmark Global since 2005, and served as the head of international research from 2004-15.

However, we don't expect a drop-off here. Herro has generated a stellar record in his 24-year tenure, and previously ran the fund solo for two three-year stretches. He has also steered Bronze-rated Oakmark International Small Cap since its 1995 inception and has comanaged Silver-rated Oakmark Global Select OAKWX with veteran Bill Nygren since its 2006 launch. Herro will also take over Taylor's spot at Oakmark Global, managing the non-U.S. portion of that fund. While he will now be a manager on four funds, we're not too concerned about his workload. At this fund, Oakmark Global, and Oakmark Global Select, he uses the same large-cap-focused strategy with varying degrees of concentration.

Herro's support team includes manager and analyst Mike Manelli, an 11-year Harris veteran who comanages Oakmark International Small Cap, manager/analyst Eric Liu, who joined in 2009, and six analysts with an average of 6.5 years' tenure at Harris and 11 years of total investment experience.

Parent Pillar: Positive

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

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

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

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

Price Pillar: Positive

At 0.95% as of the most recent annual report (September 2015), the fund's price tag is significantly lower than the median price tag in the fund's fee-level comparison group of foreign large-cap no-load funds (1.04%) and earns a Morningstar Fee Level of Below Average.

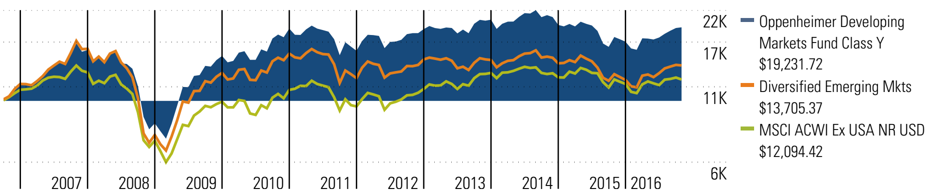
Judged by asset size, the fund doesn't look like a bargain. At $23 billion, it ranks among the Morningstar Category's largest offerings. To be sure, the trajectory of the fund's fees is encouraging, but there's room for costs to fall further. That said, management's lower-turnover approach has led to significantly below-average brokerage commissions. Overall, it earns a Positive rating for Price.

Oppenheimer Developing Markets Fund Class Y ODVYX

Morningstar Analyst Rating
Silver

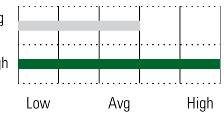
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.08	↓-0.02 | -0.06	0.66	30.4	Limited	$250,000	None	1.05%	★★★★	Diversified Emerging Mkts	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (602) Avg
Return vs. Category (602) High



Investment Strategy

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

Pillars

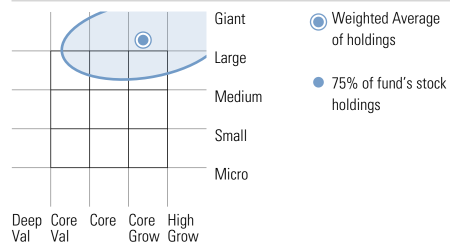
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive
Rating	Silver

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,364	10,149	10,936	9,392	11,909	18,888
Fund	13.64	1.49	9.36	-2.07	3.56	6.57
+/- MSCI ACWI Ex USA NR USD	9.63	2.10	9.48	-1.29	-0.90	4.69
+/- Category	-0.19	0.98	2.15	-0.42	1.31	3.32
% Rank in Cat	48	10	30	57	25	1
# of Funds in Cat	880	917	864	599	446	194

* Currency is displayed in BASE

Style Map

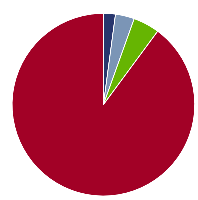


Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Tencent Holdings Ltd	5.13	210.00 BASE	-1.59 ↓	132.10 - 220.80
Housing Development Finance Corp Ltd	4.88	— BASE	-3.78 ↓	1,011.45 - 1,464.00
Alibaba Group Holding Ltd ADR	4.61	101.09 BASE	-2.47 ↓	59.25 - 109.87
⊕ Baidu Inc ADR	4.00	174.02 BASE	-0.84 ↓	139.61 - 217.97
Taiwan Semiconductor Manufacturing Co Ltd	3.76	188.50 BASE	-0.53 ↓	130.50 - 191.00
% Assets in Top 5 Holdings	22.38			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



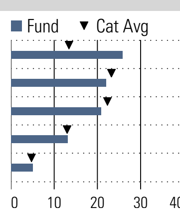
Asset Class	% Net
Cash	4.66
US Stock	2.11
Non US Stock	89.87
Bond	0.00
Other	3.36

Management

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

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	25.81	25.81	17.93	12.50
Financial Services	22.01	22.23	20.46	22.32
Technology	20.85	20.85	17.77	21.40
Consumer Defensive	13.13	16.91	13.13	12.07
Healthcare	5.02	5.95	4.36	3.83



Dividend and Capital Gains Distributions

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

Oppenheimer Developing Markets Fund Class Y ODVYX

Analysis

Going for growth.
By Patricia Oey 9/28/2016

This fund's well-established process, reasonable fees, and strong long-term performance instill confidence, making it a solid choice for emerging-markets exposure. The fund earns a Morningstar Analyst Rating of Silver.

Lead portfolio manager Justin Leverenz focuses on firms he thinks will benefit from trends such as a growing middle class, new technology, restructuring, and aging. The portfolio tilts toward consumer companies and large-cap growth names. Developed-markets names, which typically account for about 20% of the portfolio, include European names Prada PRDSF and LVMH LVMHF, and Hong Kong companies AIA Group AAIGF and Hong Kong Exchanges and Clearing 00388.

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

Performance has lagged recently, as strength in the emerging markets came from commodity-oriented countries such as Brazil, Russia, and South Africa, areas that had been very weak for years prior to 2016. The cyclical names from these countries are areas of the market Leverenz typically avoids. Because this portfolio is quite different from that of its benchmark, it can exhibit higher tracking error.

It has managed to stay ahead of the pack in a variety of market conditions since he took the reins in May 2007. From his start date through August 2016, its rolling 36-month performance has landed in the top quartile of the diversified emerging-markets Morningstar Category 77% of the time and in the top half 96% of the time.

At $30 billion, this is the largest U.S.-listed, actively managed emerging-markets fund. It is closed to new investors. Asset growth (in vehicles distributed around the world) bears monitoring, given emerging markets' lower levels of liquidity.

Process Pillar: Positive

The team has employed a thoughtful, bottom-up approach that earns the fund a Positive Process rating.

It aims to buy firms with competitive advantages and healthy free cash flows that can generate high returns on capital throughout a market cycle. Often these stocks fit an investment theme--for exposure to a growing middle class, the portfolio has held banks with a strong consumer finance business, hardware firms that are supplying components for next-generation consumer electronics, and Chinese Internet companies with a dominant retail platform. Given the long-term nature of these themes, the fund tends to hold names for years. As a result, annual turnover has averaged 20%-30%, well below the category norm.

Entry price and valuations are key parts of the strategy, and Leverenz strives to keep his team ready to get into names when the opportunity arises. In 2016's first quarter, the team initiated a position in clothing retailer Fast Retailing FRCOF (owner of Uniqlo), which Leverenz believes has a large opportunity in China and Southeast Asia. At the time of the purchase, the stock had been down almost 40% because of pricing missteps in its Japan operations. But, typically, buying opportunities tend to arise as a result of a macro event, not a company-specific event.

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

While the fund's focus on growth names has remained consistent, the portfolio's attributes have shifted slightly. Over the past year, Leverenz has pruned smaller holdings and smaller companies, and, as a result, the fund's average market cap has

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	13.64	-0.19
2015	-13.84	-0.05
2014	-4.55	-1.54
2013	8.68	8.82
2012	21.29	3.14

Oppenheimer Developing Markets Fund Class Y ODVYX

Analysis

trended higher. This shift may allow for greater capacity for the fund but may also limit the fund's investment universe, particularly for a growth-oriented fund. We will be monitoring this fund's portfolio shift and asset growth in the coming months.

Historically, the fund has held between 100 and 125 names, but it now holds about 90 companies. Of note, the top 10 holdings have grown more concentrated and currently account for about 35% of the portfolio. Leverenz said he plans to opportunistically shift allocations to achieve more equal weighting, especially across the top half of names in the portfolio, in the coming years.

The fund holds a healthy dose of pricey names and currently has a trailing 12-month price/earnings ratio of 24 times, significantly above the MSCI Emerging Markets Index’s 14 times and the category average's 14 times. Leverenz is content to hold on to some fast-growing stocks when he continues to see strong long-term potential, like Chinese Internet firm Tencent TCTZF and Mexican consumer name Femsa, both of which recently traded at 40-50 times earnings.

Performance Pillar: Positive

The fund tends to outshine its peers in challenging market conditions, and it hasn't sat out during market rallies. It earns a Positive Performance rating.

Good stock-picking, rather than being in the right countries at the right time, has kept the fund in good shape through a full market cycle. For example, from 2011 through 2015, the cumulative return for the MSCI China Index was 8%, whereas this fund's China holdings returned 51%. Similarly, the MSCI India Index, over the same time period, returned negative 9%, whereas this fund's India holdings returned 34%.

Valuation is also a key driver of long-term performance. In 2007, Leverenz had an underweighting in the largest, most liquid Chinese stocks because they were expensive, and those names were among the hardest-hit during the 2008 financial crisis. This portfolio positioning helped the fund outperform the category average return by more than 500 basis points in 2008, and it has since contributed to the fund's long-term outperformance relative to peers.

The overall results are impressive. Since Leverenz took over in May 2007, the fund's 46% cumulative gain through August 2016 landed well ahead of the category average return of 5% and the MSCI Emerging Markets Index's return of 15%. His record looks even better when accounting for risk, as downside protection has made for a less-volatile experience overall.

People Pillar: Positive

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

Leverenz has over 20 years of investment experience, has lived and worked in the Greater China region for over a decade, and is fluent in Chinese. He joined Oppenheimer's international equity team in July 2004 as an analyst for Rajeev Bhaman on Oppenheimer Global OPPAX. He took over as portfolio manager of Oppenheimer Developing Markets in May 2007. He is also the director of emerging-markets equities, where he leads a team of seven professionals. He and five others work on Oppenheimer Developing Markets, and the other two focus on small- and mid-cap Oppenheimer Emerging Markets Innovators EMIAX, which launched in 2014. The entire team works together in New York to share research and ideas.

In September 2015, Leverenz's second-in-command, John Paul Lech, was named co-portfolio manager; however, Leverenz retains all discretion on portfolio trades. Lech has 12 years of industry experience and joined Oppenheimer in 2008. Given the fund's idiosyncratic portfolio, we are a little concerned about key-man risk. Lech's promotion is a positive step, and we hope he assumes more portfolio decision-making responsibility in the near future.

Parent Pillar: Neutral

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

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

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

Price Pillar: Positive

The fund's fees are lower than those of similarly distributed peers within the emerging-markets category. As such, this fund earns a Positive Price rating.

The retail class A shares' fee for 2015 included a management fee of 0.77%, 12b-1 fees of 0.25%, other expenses of 0.29%, and a 0.01% waiver, for a total of 1.30%. That 1.30% level is lower than the median fee of 1.66% for emerging-markets funds distributed to retail investors with front

Oppenheimer Developing Markets Fund Class Y ODVYX

Analysis

loads (typically A shares).

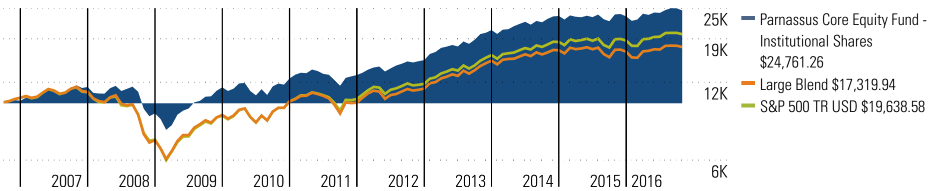
There are two institutional share classes: class Y, which charges 1.05%, and class I, which charges 0.86%. These fees are lower than the institutional group median of 1.25%.

Parnassus Core Equity Fund - Institutional Shares PRILX

Morningstar Analyst Rating
Silver

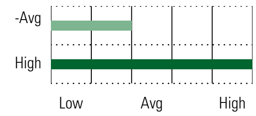
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
38.87	↑0.02 | 0.04	2.09	14.1	Open	$100,000	None	0.67%	★★★★★	Large Blend	Large Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1392)
Return vs. Category (1392)



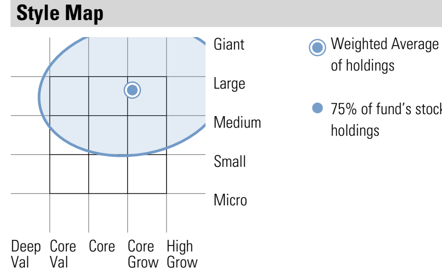
Pillars

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 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.

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,597	9,870	10,606	13,163	19,918	24,568
Fund	5.97	-1.30	6.06	9.59	14.78	9.40
+/- S&P 500 TR USD	-0.50	-0.55	-2.33	-0.59	0.22	2.52
+/- Category	1.28	-0.50	0.68	1.76	1.87	3.41
% Rank in Cat	34	81	49	20	8	1
# of Funds in Cat	1,541	1,597	1,520	1,377	1,196	902

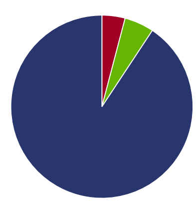
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
Wells Fargo & Co	4.53	44.72 BASE	-1.35 ↓	43.55 - 56.34
Gilead Sciences Inc	3.91	73.53 BASE	0.69 ↑	72.21 - 111.11
Danaher Corp	3.61	76.67 BASE	-0.14 ↓	61.58 - 82.64
Applied Materials Inc	3.51	27.63 BASE	-3.56 ↓	15.07 - 31.07
Charles Schwab Corp	3.45	31.01 BASE	-2.30 ↓	21.51 - 34.52
% Assets in Top 5 Holdings	19.01			

⊕ Increase ⊖ Decrease ✲ New to Portfolio

Asset Allocation



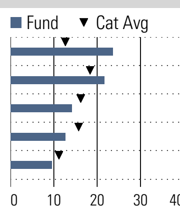
Asset Class	% Net
Cash	5.23
US Stock	90.66
Non US Stock	4.11
Bond	0.00
Other	0.00

Management

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

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	23.55	23.55	18.60	11.74
Technology	21.61	21.61	18.22	17.45
Healthcare	14.19	19.37	14.15	15.29
Financial Services	12.65	12.65	4.30	14.81
Consumer Defensive	9.49	15.22	9.49	10.26



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-30-2016	39.68	0.0000	0.0000	0.0000	0.1200	0.1200
06-30-2016	38.05	0.0000	0.0000	0.0000	0.1000	0.1000
03-31-2016	37.86	0.0000	0.0000	0.0000	0.1500	0.1500
12-30-2015	37.44	0.0000	0.0000	0.0000	0.5200	0.5200
11-24-2015	38.43	2.7500	0.0000	0.0000	0.0000	2.7500

Parnassus Core Equity Fund - Institutional Shares PRILX

Analysis

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

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

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

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

Process Pillar: Positive

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

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

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

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

Morningstar’s Take

Morningstar Analyst Rating: Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	5.97	1.28
2015	-0.33	0.74
2014	14.70	3.74
2013	34.15	2.65
2012	15.64	0.68

Parnassus Core Equity Fund - Institutional Shares PRILX

Analysis

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

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

Performance Pillar: Positive

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

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

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

People Pillar: Positive

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

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

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

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

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

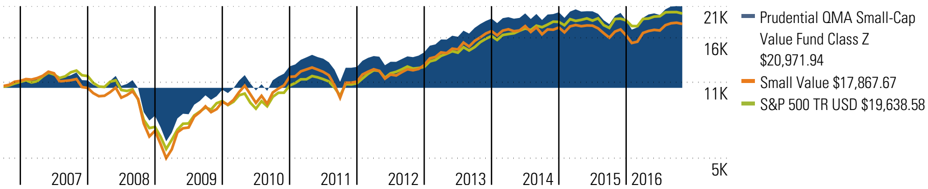
Institutional shareholders also get a good deal. Requiring a minimum investment of only $100,000, the share class charges 0.67% a year, below average for the large-cap institutional peer group.

Prudential QMA Small-Cap Value Fund Class Z TASVX

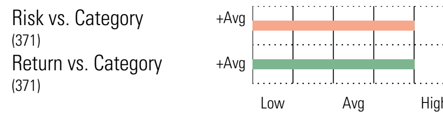
Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
18.65	↑0.06 | 0.32	2.41	1.4	Open	$5 mil	None	0.73%	★★★	Small Value	Small Value

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



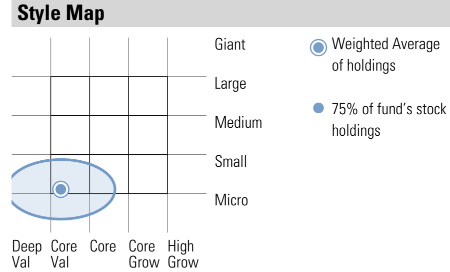
Pillars

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

Investment Strategy

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

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,358	10,087	11,005	11,976	18,446	20,613
Fund	13.58	0.87	10.05	6.19	13.03	7.50
+/- S&P 500 TR USD	7.11	1.61	1.66	-3.99	-1.53	0.62
+/- Category	2.55	0.84	3.32	1.34	0.55	1.54
% Rank in Cat	22	15	22	32	45	12
# of Funds in Cat	449	472	432	371	334	213

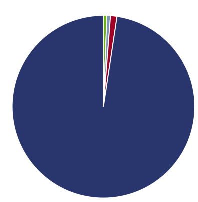
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Hope Bancorp Inc	1.21	17.09 BASE	-2.45 ↓	13.59 - 19.63
⊖ Washington Federal Inc	1.17	26.34 BASE	-1.50 ↓	19.10 - 27.20
Select Income REIT	1.16	25.69 BASE	0.27 ↑	17.07 - 27.97
⊖ Amkor Technology Inc	1.14	9.35 BASE	-1.27 ↓	4.09 - 10.13
Sanmina Corp	1.10	27.15 BASE	-1.09 ↓	16.31 - 29.70
% Assets in Top 5 Holdings	5.78			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

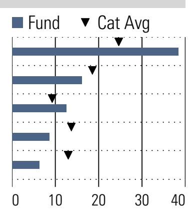
Asset Allocation



Asset Class	% Net
Cash	0.61
US Stock	97.62
Non US Stock	1.14
Bond	0.00
Other	0.63

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	38.37	38.37	23.93	23.71
Industrials	16.14	18.14	15.02	17.62
Real Estate	12.50	12.50	5.94	8.35
Consumer Cyclical	8.61	12.43	8.61	12.77
Technology	6.34	12.77	6.34	12.06



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

Prudential QMA Small-Cap Value Fund Class Z TASVX

Analysis

Morningstar's Take

Morningstar Analyst Rating		—

Morningstar Pillars

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

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	13.58	2.55
2015	-7.04	-0.34
2014	5.89	2.55
2013	35.87	-0.35
2012	14.14	-1.87

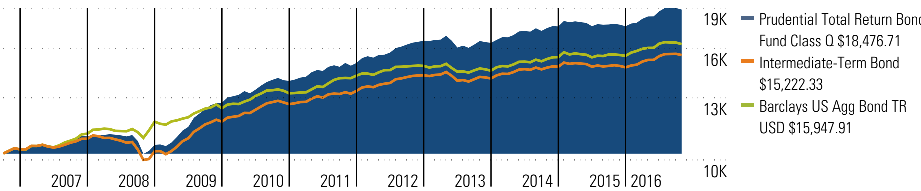
We do not currently publish an Analyst Report for this company.

Prudential Total Return Bond Fund Class Q PTRQX

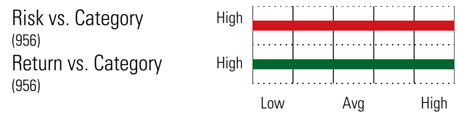
Morningstar Analyst Rating
Bronze

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.69	↓-0.01 | -0.06	2.94	18.7	Open	$5 mil	None	0.46%	★★★★★	Intermediate-Term Bond	

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



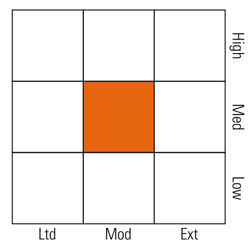
Pillars

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

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 06-30-2016



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,734	10,001	10,584	11,574	12,809	18,460
Fund	7.34	0.01	5.84	4.99	5.08	6.32
+/- Barclays US Agg Bond TR USD	2.25	0.21	1.40	1.18	1.94	1.55
+/- Category	1.92	0.07	1.49	1.46	1.55	1.78
% Rank in Cat	6	27	8	4	4	—
# of Funds in Cat	1,065	1,102	1,044	939	828	592

* Currency is displayed in BASE

Bond Statistics	Value
Average Effective Duration (Years)	5.76
Average Effective Maturity (Years)	—
Average Credit Quality	BBB
Average Weighted Coupon	2.77
Average Weighted Price	—

Top Holdings 08-31-2016

	Weight %	Maturity Date	Amount Mil	Value Mil
☼ US 5 Year Note (CBT) Dec16	25.41	12-30-2016	0.05	6,317.49
☼ Recv Ois 0.4655 02/18/16	7.27	02-18-2017	1,807.73	1,807.73
☼ Payb Ois 0.4655 02/18/16	-7.27	02-18-2017	1,807.73	-1,807.46
☼ US Ultra Bond (CBT) Dec16	7.14	12-19-2016	0.01	1,774.39
Payb Usd 1.55561 12/31/21	-6.15	12-31-2021	1,502.00	-1,528.72
% Assets in Top 5 Holdings	26.40			

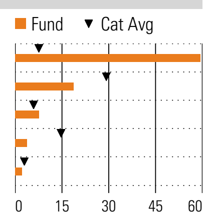
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	3.08	0.00	3.08	—	7.75
US Stock	0.00	0.00	0.00	—	0.02
Non US Stock	0.00	0.00	0.00	—	0.01
Bond	95.04	63.64	158.67	—	91.50
Other	1.89	3.49	5.38	—	0.72

Top Sectors 08-31-2016

	Fund	BMark	Cat Avg
Other Government Related	59.35	—	6.30
Corporate Bond	18.77	—	27.93
Asset-Backed	7.64	—	4.60
Commercial MBS	3.74	—	13.41
Non-Agency Residential MBS	2.24	—	1.65



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	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-30-2016	14.80	0.0000	0.0000	0.0000	0.0400	0.0400
08-31-2016	14.84	0.0000	0.0000	0.0000	0.0400	0.0400
07-29-2016	14.87	0.0000	0.0000	0.0000	0.0400	0.0400
06-30-2016	14.70	0.0000	0.0000	0.0000	0.0400	0.0400
05-31-2016	14.42	0.0000	0.0000	0.0000	0.0300	0.0300

MORNINGSTAR®

Prudential Total Return Bond Fund Class Q PTRQX

Analysis

More than what you might expect from an asset manager owned by a quiet insurance company.
By Eric Jacobson 4/19/2016

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

Prudential's history of running insurance assets--traditionally invested heavily in corporate bonds--has strongly influenced this fund’s strategy. So even though it's benchmarked against the Barclays U.S. Aggregate Bond Index, it has a bias toward credit. The fund's corporate exposure has long topped the benchmark's once high-yield bonds, and bank loans are included (neither are in the index). Corporate bonds and bank loans composed a 46% share of the fund--which jumps to 59% if you include 14% in collateralized loan obligations--as of February 2016, compared with a 24% corporate stake in the index, and roughly a third of assets for the intermediate-term bond Morningstar Category.

Though the implications for performance aren't quite the same, the fund also had 21% in securitized assets as of February 2016 (once CLOs are stripped out), including both nonagency residential and commercial mortgage-backed securities. It held a 3.6% sliver of U.S. Treasury and agency securities--down from 43% at the end of 2007--versus 73% for the index.

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

Process Pillar: Positive

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

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

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

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

The fund's credit emphasis has been more pronounced in recent years, as has a longer duration. After taking that figure to 3.8 years in March 2009, the fund's managers drove it up to 5.8 years as of February 2016, around a quarter-year longer than the benchmark and roughly a half-year longer than the intermediate-bond category institutional-share average.

As of February, the fund held 46% in corporates, roughly three fourths of which were investment-

Morningstar’s Take

Morningstar Analyst Rating: Bronze

Morningstar Pillars

Pillar	Rating
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	7.34	1.92
2015	0.09	0.34
2014	7.25	2.07
2013	-0.91	0.51
2012	9.96	2.95

Prudential Total Return Bond Fund Class Q PTRQX

Analysis

grade, and the rest high-yield bonds and bank loans. Another 14% was in CLOs, classified by Prudential as asset-backeds. Including the CLOs, the fund's credit exposure was more than 2 times the Barclays Aggregate Index's and close to double the category average, depending on classification quirks. Those numbers are high enough for the fund to teeter on the edge of Morningstar's dedicated corporate-bond category, which comprises funds that have generally averaged more than 65% in corporates.

The portfolio was rounded out with asset-backed (12.5% after stripping out CLOs) and commercial-mortgage-backed securities (8.8%) and exposure to foreign government debt (4.5%) and emerging-markets issues (6.1%). With only a 1.4% stake in agency mortgages, and 5.4% in Treasuries and agency debt, that leaves the fund with a massive underweighting in those sectors relative to its benchmark, and the category, albeit to a lesser degree.

Performance Pillar: Positive

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

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

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

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

People Pillar: Positive

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

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

Parent Pillar: Neutral

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

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

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

Price Pillar: Positive

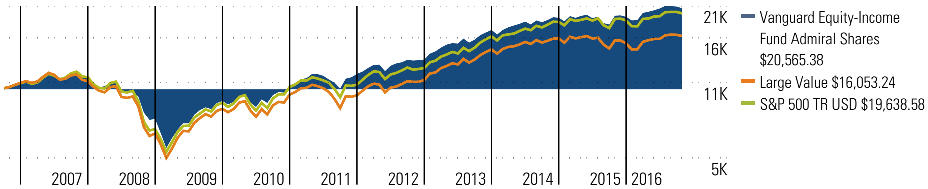
The fund's pricing had historically been a mixed bag, with share classes holding half its assets all priced below average relative to their respective peer groups of similarly distributed funds, while the other half of the fund's asset base residing in classes charging above-average fees. Prudential addressed that problem in early 2016, however, contractually limiting expenses on the fund's various share classes, beginning April 1, 2016, through February 2017. They're not required to maintain that agreement, but it would be unusual for a bond fund to raise its prices after such a move. At the new levels, just enough assets are priced below average to push the fund's Price Pillar rating to Positive.

Vanguard Equity-Income Fund Admiral Shares VEIRX

Morningstar Analyst Rating
Silver

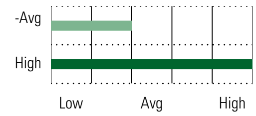
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
65.46	↑0.05 | 0.08	2.88	23.6	Open	$50,000	None	0.17%	★★★★★	Large Value	Large Value

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (1179)
Return vs. Category (1179)



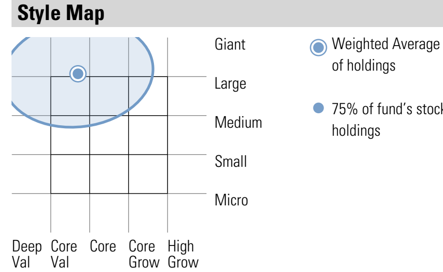
Pillars

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

Investment Strategy

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

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,798	9,855	11,035	13,092	19,361	20,420
Fund	7.98	-1.45	10.35	9.40	14.13	7.40
+/- S&P 500 TR USD	1.50	-0.70	1.95	-0.79	-0.43	0.52
+/- Category	1.32	-0.56	4.07	2.61	1.79	2.31
% Rank in Cat	30	86	9	6	12	4
# of Funds in Cat	1,380	1,417	1,356	1,168	1,025	751

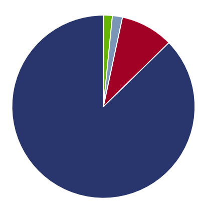
* Currency is displayed in BASE

Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Microsoft Corp	4.14	56.82 BASE	-0.53 ↓	46.53 - 58.70
⊕ Johnson & Johnson	3.49	117.75 BASE	-0.20 ↓	94.12 - 126.07
⊕ General Electric Co	2.96	28.79 BASE	-0.42 ↓	27.10 - 33.00
⊕ JPMorgan Chase & Co	2.85	67.12 BASE	-1.50 ↓	52.50 - 69.06
⊕ Wells Fargo & Co	2.73	44.43 BASE	-1.99 ↓	43.55 - 56.34
% Assets in Top 5 Holdings	16.17			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

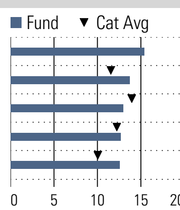
Asset Allocation



Asset Class	% Net
Cash	1.57
US Stock	87.32
Non US Stock	9.33
Bond	0.00
Other	1.78

Top Sectors 06-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	15.39	17.17	15.39	19.56
Industrials	13.70	13.70	12.54	11.08
Healthcare	12.93	12.93	12.60	13.49
Technology	12.66	14.44	12.66	11.77
Consumer Defensive	12.54	12.59	11.83	9.58



Management

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

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
09-16-2016	65.52	0.0000	0.0000	0.0000	0.4800	0.4800
06-16-2016	64.53	0.0000	0.0000	0.0000	0.4600	0.4600
03-16-2016	62.77	0.0000	0.0000	0.0000	0.4500	0.4500
12-16-2015	62.63	1.6800	0.4100	0.0000	0.5800	2.6700
09-18-2015	60.49	0.0000	0.0000	0.0000	0.4700	0.4700

Vanguard Equity-Income Fund Admiral Shares VEIRX

Analysis

An effective pair.
By Alec Lucas 6/13/2016

Aided by a tiny fee hurdle, Vanguard Equity-Income's subadvisor duo has combined to produce strong risk-adjusted results, earning it a Morningstar Analyst Rating of Silver.

The fund has the wind at its back whenever investors seek safety in yield-rich sectors. That's been the case during the past year through May 2016. Concerns about slowing global growth and easy money policies benefited dividend payers in the utilities, telecom, and consumer staples sectors. Relative to its typical peer, the fund's been overweight in each of these three sectors and its 25% combined stake, as of April 2016, ranked in the large-value Morningstar Category's top decile. That weighting, along with strong performers like top-five holding Johnson & Johnson JNJ, helped the fund to a top-decile 4% one-year gain through May 2016. Although the fund modestly lagged its FTSE High Dividend Yield Index benchmark during the same stretch, it maintains a longer-term edge against that bogy.

The fund has achieved this record by pairing teams from Wellington Management and Vanguard's in-house quantitative equity group. Michael Reckmeyer has led Wellington's two thirds of the portfolio since year-end 2007. James Stetler has overseen the rest of the fund's assets for Vanguard's team since 2003.

The teams use complementary strategies. Reckmeyer runs a roughly 60-70 stock portfolio of above-average dividend payers that he tries to buy when they're out of favor. That can get him into trouble, as it did here by owning Marathon Oil MRO when it cut its dividend in late 2015. Overall, though, Reckmeyer has shown good judgment, selling ConocoPhillips COP well before its dividend cut and making timely buys like adding to Home Depot HD in late 2013. The Vanguard team rounds out the portfolio by taking small stakes in 100-plus stocks based on factors like valuation and earnings sustainability.

The fund's income mandate leaves it prone to short-term underperformance when interest rates spike, as they did briefly in 2013. But its strong management, sound approach, and low fees make it a good long-term option.

Process Pillar: ⊕ Positive

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

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

The fund has a diverse portfolio of about 150-200 dividend-paying stocks. They consistently produce an above-average yield versus the large-value category norm, although they are typically well-capitalized firms. Currently, the fund derives its top-decile 2.8% trailing 12-month yield from stocks that, on average, have a return on assets that ranks near the category's top quartile. 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	7.98	1.32
2015	0.86	4.90
2014	11.38	1.16
2013	30.19	-1.02
2012	13.58	-0.99

Vanguard Equity-Income Fund Admiral Shares 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 British American Tobacco BATS, which has a wide Morningstar Economic Moat Rating.

Sector weightings tend to stay fairly close to the fund's benchmark but can diverge dramatically from the Russell 1000 Value Index. Financials claimed 16.1% of the fund's assets, as of April 2016. That's more than any other sector but still far below the Russell index's 28.6% stake. While exposure to dividend havens like telecom and utilities (a combined 13.4% presently) can be significant, the fund is more diversified than most income-oriented peers.

Performance Pillar: Positive

The fund's Positive Performance Pillar rating reflects its strong record under the current subadvisor lineup. Since Wellington Management and Vanguard's in-house quantitative equity group became solely responsible for this fund's asset base in late 2005, its 8.2% annualized gain through May 2016 beats the Russell 1000 Value Index by 1.7 percentage points and lands in the large-value category's top decile, with below-average volatility.

Wellington's management team underwent a change at year-end 2007, when Michael Reckmeyer took over the lead role from John Ryan. That transition went smoothly because Reckmeyer had been a longtime member of the firm's value equity-income team and he uses the same approach as his predecessor. The fund has continued to fare well. From January 2008 through May 2016, it has topped the Russell index in 41 of 42 five-year rolling periods. The fund has had less success against the FTSE High Dividend Yield Index, its primary prospectus benchmark since mid-2007, but maintains a slight cumulative edge versus that bogy during the same period.

Vanguard does not disclose individual subadvisors' results, but Reckmeyer's use of a nearly identical strategy on Hartford Equity Income HQIAX gives a sense of how the two teams have done. Although the Hartford fund has a bit better long-term gross returns, there are years when the quant group adds value, like 2011.

People Pillar: Positive

Consistent and capable subadvisor leadership earns the fund a Positive People Pillar rating. Since late 2005, the fund's assets have been split between anchor Wellington Management and Vanguard's in-house quantitative equity group. Wellington, a subadvisor here since 2000, boasts ample resources in overseeing about two thirds of assets. Michael Reckmeyer took over as lead manager of Wellington's slice in late 2007 and has been a member of the firm's eight-person value equity-income team since 1994. Its five analysts and two other portfolio managers have on average more than 20 years of industry experience. Two members of the otherwise Boston-based team live in London. They divide coverage primarily by sector. The team also draws upon the firm's 50-plus global industry analysts.

The quantitative equity group runs the rest of the portfolio. James Stetler has been investing at Vanguard since 1996 and has been running a slice of this fund since 2003. In early 2012, the quant group, which runs Vanguard's passive index funds and active quant strategies, added manager Michael Roach, who has been with the family since 1998 and investing since 2001. Binbin Guo came aboard in early 2016, replacing James Troyer, who had joined the fund at the same time as Roach. The entire group includes about 20 strategists, analysts, and managers combined, who have on average more than a decade of industry experience.

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

Rock-bottom fees earn the fund a Positive Price Pillar rating. The Investor shares' 0.26% fiscal 2015 expense ratio, which applied to about one fourth 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 at 0.17%, which also beat 95% of their rivals'. Modest trading costs were another plus. Brokerage fees of 0.01% of average net assets fell well below the category norm of 0.29%.

The fund's price tag will shift, however. Vanguard pays subadvisor Wellington an asset-based fee, with breakpoints, and the expense ratio also in-

Vanguard Equity-Income Fund Admiral Shares VEIRX

Analysis

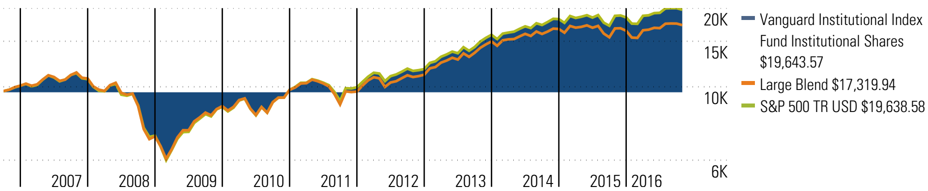
cludes a performance adjustment based on the fund's three-year rolling return versus the FTSE High Dividend Yield Index.

Vanguard Institutional Index Fund Institutional Shares VINIX

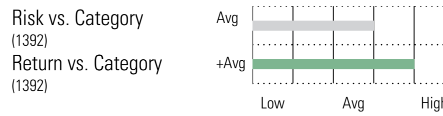
Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
195.59	↑0.24 | 0.12	2.06	208.8	Open	$5 mil	None	0.04%	★★★★★	Large Blend	Large Blend

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



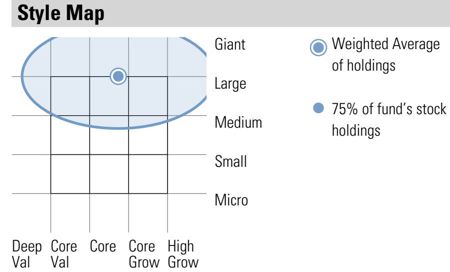
Pillars

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

Investment Strategy

The investment seeks 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. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,645	9,925	10,838	13,368	19,708	19,458
Fund	6.45	-0.75	8.38	10.16	14.53	6.88
+/- S&P 500 TR USD	-0.02	0.00	-0.02	-0.03	-0.03	0.00
+/- Category	1.76	0.05	2.99	2.32	1.63	0.89
% Rank in Cat	22	42	12	6	11	20
# of Funds in Cat	1,541	1,597	1,520	1,377	1,196	902

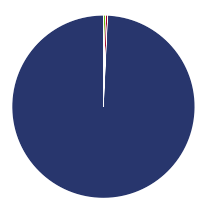
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	3.08	116.57 BASE	-0.67 ↓	89.47 - 123.82
⊕ Microsoft Corp	2.39	56.80 BASE	-0.56 ↓	46.53 - 58.70
⊕ Exxon Mobil Corp	1.91	86.26 BASE	-1.00 ↓	71.55 - 95.55
⊕ Johnson & Johnson	1.74	117.75 BASE	-0.20 ↓	94.12 - 126.07
⊕ Amazon.com Inc	1.58	825.75 BASE	-0.99 ↓	474.00 - 847.21
% Assets in Top 5 Holdings	10.70			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



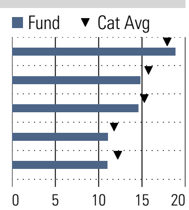
Asset Class	% Net
Cash	0.35
US Stock	99.27
Non US Stock	0.38
Bond	0.00
Other	0.00

Management

	Start Date
Donald M. Butler	12-31-2000
Scott E. Geiger	04-27-2016

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	18.84	18.84	17.88	17.45
Healthcare	14.81	15.66	14.71	15.29
Financial Services	14.57	15.24	14.57	14.81
Consumer Cyclical	11.03	11.25	10.58	11.32
Industrials	10.99	11.18	10.83	11.74



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-16-2016	195.36	0.0000	0.0000	0.0000	1.0400	1.0400
06-16-2016	189.79	0.0000	0.0000	0.0000	0.9300	0.9300
03-16-2016	185.05	0.0000	0.0000	0.0000	0.9900	0.9900
12-18-2015	183.00	0.0000	0.0000	0.0000	1.1200	1.1200
09-18-2015	178.79	0.0000	0.0000	0.0000	0.9700	0.9700

MORNINGSTAR®

Vanguard Institutional Index Fund Institutional Shares VINIX

Analysis

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

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

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

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

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

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

Process Pillar: Positive

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

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

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

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

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

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	6.45	1.76
2015	1.37	2.44
2014	13.65	2.69
2013	32.35	0.85
2012	15.98	1.02

Vanguard Institutional Index Fund Institutional Shares VINIX

Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

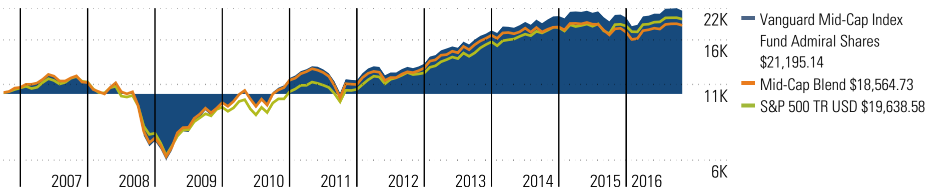
Price Pillar: ⊕ Positive
This fund’s low expense ratio earns a Positive Price Pillar rating. Vanguard passes the savings from economies of scale back to investors through lower fees. The fund's 0.04% expense ratio is among the lowest available, but it requires a $5 million initial investment. Investors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

Vanguard Mid-Cap Index Fund Admiral Shares VIMAX

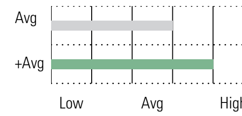
Morningstar Analyst Rating Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
156.73	↑0.28 | 0.18	1.44	73.6	Open	$10,000	None	0.08%	★★★★	Mid-Cap Blend	Mid Blend

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures



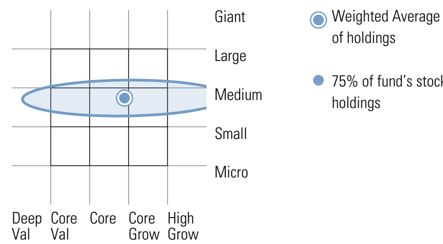
Pillars

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

Investment Strategy

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

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,646	9,884	10,487	12,848	19,625	20,949
Fund	6.46	-1.16	4.87	8.71	14.44	7.68
+/- S&P 500 TR USD	-0.01	-0.42	-3.53	-1.48	-0.12	0.79
+/- Category	0.14	-0.48	1.30	2.96	1.97	1.31
% Rank in Cat	59	69	48	9	15	28
# of Funds in Cat	427	462	412	370	323	222

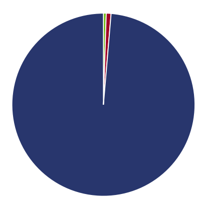
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ NVIDIA Corp	0.96	66.43 BASE	0.45 ↑	24.75 - 69.70
⊕ Fidelity National Information Services Inc	0.80	77.19 BASE	0.92 ↑	55.10 - 81.67
⊕ Equinix Inc	0.79	359.90 BASE	2.01 ↑	255.45 - 391.07
⊕ Newell Brands Inc	0.78	51.42 BASE	2.15 ↑	33.26 - 55.45
⊕ Ross Stores Inc	0.77	64.90 BASE	1.80 ↑	43.47 - 66.28
% Assets in Top 5 Holdings	4.09			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



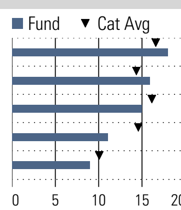
Asset Class	% Net
Cash	0.49
US Stock	98.66
Non US Stock	0.86
Bond	0.00
Other	0.00

Management

	Start Date
Donald M. Butler	05-21-1998
Michael A. Johnson	04-27-2016

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	17.97	18.82	17.97	16.13
Technology	15.91	15.91	14.62	13.89
Industrials	14.96	14.96	13.96	15.67
Financial Services	11.08	11.59	10.30	14.11
Healthcare	8.95	10.27	8.95	9.61



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-19-2016	157.19	0.0000	0.0000	0.0000	0.6300	0.6300
06-13-2016	151.78	0.0000	0.0000	0.0000	0.5800	0.5800
03-14-2016	146.62	0.0000	0.0000	0.0000	0.3500	0.3500
12-22-2015	147.80	0.0000	0.0000	0.0000	0.7500	0.7500
09-22-2015	147.50	0.0000	0.0000	0.0000	1.4000	1.4000

Vanguard Mid-Cap Index Fund Admiral Shares VIMAX

Analysis

Temper your expectations for mid-caps.
By Michael Rawson 3/8/2016

Vanguard Mid-Cap Index's low cost, tight tracking, and Vanguard's experience managing index funds support the Morningstar Analyst Rating of Gold. This fund may be suitable for investors who wish to add some diversification to a large-cap portfolio that lacks mid-caps or for those who want a tactical overweighting to mid-cap stocks. Paired with an appropriate investment in large-cap stocks, this fund can help form a diversified domestic-stock portfolio.

This fund's one-percentage-point expense ratio advantage over its average peer will likely help it beat the mid-blend Morningstar Category average performance in the long term. It has beaten more than three fourths of all mid-blend funds that survived the past 15 years.

Mid-cap stocks are more volatile than large caps and currently carry a couple of extra risks. Because their valuations are elevated compared with large caps, they have further to fall in an economic downturn. Mid-caps tend to have more leverage and lower profitability, which results in greater sensitivity to macroeconomic risks. But this fund exposes investors to risks similar to the mid-blend category average. For example, the fund's standard deviation of return during the past 15 years was equal to that of the category. In addition, the fund fell 58% during the financial crisis, so it offers scant downside protection relative to the category.

Investors should examine how this fund fits into their asset allocation. The fund tracks the CRSP U.S. Mid Cap Index, which targets stocks that fall between the largest 70th and 85th percentiles of the total U.S. market, based on market cap. Vanguard classifies the largest 70% of the market as mega-caps and classifies as large cap the combination of mega-caps and mid-caps. Because Vanguard Large-Cap Index Fund VLCAX covers the largest 85% of the market, it encompasses all of the mid-cap stocks in this fund.

The fund is fairly diverse, with no stock making up more than 1% of the fund and no sector accounting for more than 20%. Apparel retailer Ross Stores ROST and financial service firm Fiserv FISV are currently the two largest holdings.

Process Pillar: ⊕ Positive

The fund's scale and full replication of its market-cap-weighted index earn it a Positive Process Pillar rating.

Vanguard Mid-Cap Index tracks the CRSP U.S. Mid Cap Index, which captures stocks that represent the largest 70th-85th percentile of the U.S. market by market cap. The index employs modern index construction techniques designed to appropriately track its mandate while limiting the unnecessary turnover that can raise trading costs. When determining whether a stock has migrated from one size segment to another, CRSP applies a buffer that expands the boundary between size segments. When a stock does cross this buffered threshold, CRSP only moves half of the constituent's weight to the new index. If it remains in the new market-cap range at the subsequent index review, CRSP will transfer the remaining half.

This fund follows a full index-replication strategy, holding nearly every stock in the index at nearly identical weightings to the index. Like many Vanguard index funds, this fund has both mutual fund and exchange-traded fund share classes. This hybrid structure helps improve tax efficiency because the fund's managers can transfer low-cost-basis shares out of the fund in a tax-free transaction with the ETF's market makers to meet redemptions.

The portfolio currently consists of about 364 stocks with an average market cap of about $10 billion. That's less than the corresponding figure for the large-cap S&P 500 ($71 billion) but larger than the mid-blend category average as of the end of February 2016. Relative to the large-blend category, this mid-cap fund has a greater share of assets in consumer cyclical, real estate, basic materials, and industrials stocks but a smaller share of assets 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	6.46	0.14
2015	-1.34	3.41
2014	13.76	5.96
2013	35.15	1.05
2012	15.99	-0.16

Vanguard Mid-Cap Index Fund Admiral Shares VIMAX

Analysis

financials, healthcare, and technology.

Mid-cap stocks currently trade at a slight premium to large caps. Morningstar equity analysts estimate a price/fair value for the fund based on the stocks in the index. A price/fair value greater than 1 would indicate an overvalued market. While mid-caps currently look attractive, they are slightly more expensive compared with the price/fair value for stocks in the S&P 500. A premium valuation to large caps could be justified if mid-caps were lower-risk or expected to grow earnings at a faster rate. By most measures, mid-caps do not appear to be lower-risk. They have a lower return on invested capital and more debt. However, they do appear to offer faster earnings growth. Wall Street analysts currently forecast that stocks in the index will grow earnings by 10.2% during the next three to five years, compared with 9.5% growth for stocks in the S&P 500.

Performance Pillar: Positive

The Morningstar Mid Cap Index returned 7.9% during the past 15 years through February 2016, beating the 4.6% annualized return of the Morningstar Large Cap Index. During that span, the Investor share class of this fund has returned 8.1%, handily beating the 7.0% return of the average fund in the category and three quarters of all mid-blend funds that survived the period. Thus the fund earns a Positive Performance Pillar rating.

Investors in mid-cap stocks should be prepared for greater volatility, which is reflected in the higher volatility of this fund compared with large-cap funds. Index funds such as this strive to be fully invested, so investors are exposed to the full brunt of market downturns. Short-term volatility can derail performance for those that follow the crowd and sell during a market downturn. Investors have been rewarded in the long term for staying fully invested; both the Sharpe ratio and the Morningstar Risk-Adjusted Return are better for this fund than for the Morningstar Large Cap Index.

The fund tracks its index tightly. During the past 3 years, it trailed its composite index by just 0.06 percentage points. It has been tax-efficient as well. It has not issued a capital gain distribution since 2002, and its tax-cost ratio of 0.32% is lower than the 0.98% tax-cost ratio for the average fund in the category during the past 15 years.

People Pillar: Positive

A long-tenured manager and the depth of Vanguard's equity index group support the Positive People Pillar rating.

Donald Butler joined Vanguard in 1992 and has worked on this fund since its 1998 inception. That tenure is twice as long as the average manager tenure in the mid-blend category. Between 1998 and 2005, Butler shared portfolio management responsibilities with Gus Sauter, an indexing pioneer who later became Vanguard's chief investment officer. Butler became the sole portfolio manager in 2005 when Gus Sauter stepped aside to focus on his CIO duties.

In addition to this fund, Butler manages a number of index funds, including Vanguard Institutional Index VINIX, Vanguard Extended Market Index VEXMX, Vanguard Mid-Cap Value Index VMVAX, and Vanguard Mid-Cap Growth Index VMGMX. Butler holds the Chartered Financial Analyst designation.

Butler works in the equity index group under the direction of Joseph Brennan, who oversees a team of index portfolio managers, several of whom have over 20 years of experience at Vanguard, including Michael Buek, Gerard O'Reilly, and Michael Perre.

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

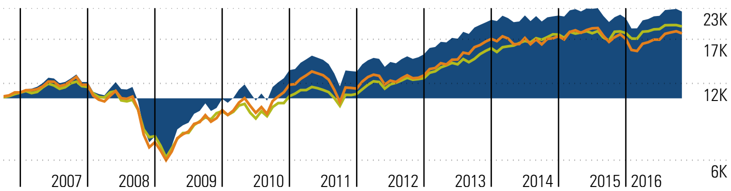
The Admiral shares charge just 0.09%, or $9 for every $10,000 invested, well below the category average of 1.20% and cheaper than most mid-cap ETFs, supporting the Positive Price Pillar rating. The share class requires a $10,000 minimum investment, whereas the ETF share class has the same expense ratio and no minimum beyond the price of one share. The Investor share class charges 0.24% and comes with a $3,000 minimum. Part of Vanguard's expense ratio advantage over other funds stems from the fact that Vanguard does not charge distribution fees and, as a mutually owned organization, Vanguard ostensibly operates its funds at cost. Vanguard Total Stock Market Index VTSAX charges just 0.05% and includes mid-cap stocks, so investors who choose to use separate funds for exposure to mid-cap stocks end up paying slightly more.

Vanguard Small-Cap Growth Index Fund Institutional Shares VSGIX

Morningstar Analyst Rating
Silver

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.23	↓-0.05 | -0.14	0.97	16.3	Open	$5 mil	None	0.07%	★★★★	Small Growth	Small Growth

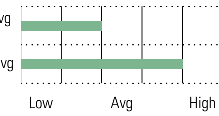
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (660) -Avg

Return vs. Category (660) +Avg



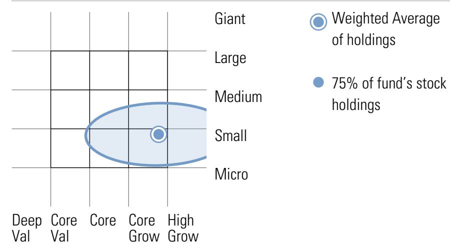
Pillars

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

Investment Strategy

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

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,658	9,839	10,457	11,557	18,511	22,167
Fund	6.58	-1.61	4.57	4.94	13.11	8.29
+/- S&P 500 TR USD	0.10	-0.86	-3.83	-5.25	-1.45	1.41
+/- Category	1.19	-0.93	0.90	0.68	0.94	1.33
% Rank in Cat	36	88	42	40	31	16
# of Funds in Cat	726	752	721	649	585	431

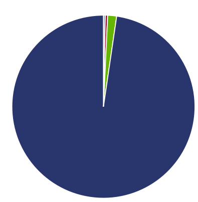
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Regency Centers Corp	0.60	74.47 BASE	0.72 ↑	64.28 - 85.35
⊕ Cadence Design Systems Inc	0.58	25.57 BASE	-0.74 ↓	18.32 - 26.45
⊕ Domino's Pizza Inc	0.56	150.29 BASE	-1.29 ↓	100.59 - 155.10
⊕ The Middleby Corp	0.56	117.12 BASE	-0.67 ↓	79.11 - 140.98
⊕ Diamondback Energy Inc	0.55	103.48 BASE	-0.99 ↓	55.48 - 106.84
% Assets in Top 5 Holdings	2.85			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



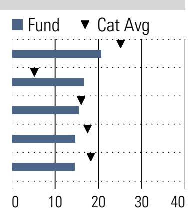
Asset Class	% Net
Cash	1.58
US Stock	97.68
Non US Stock	0.41
Bond	0.01
Other	0.32

Management

	Start Date
Gerard C. O'Reilly	12-30-2004
William A. Coleman	04-27-2016

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.58	21.85	20.58	24.18
Real Estate	16.52	16.52	14.16	4.29
Consumer Cyclical	15.44	16.15	15.44	15.09
Industrials	14.56	15.78	14.20	16.57
Healthcare	14.45	16.89	14.45	17.31



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-19-2016	36.67	0.0000	0.0000	0.0000	0.0900	0.0900
06-13-2016	34.51	0.0000	0.0000	0.0000	0.1000	0.1000
03-14-2016	32.60	0.0000	0.0000	0.0000	0.0400	0.0400
12-22-2015	34.07	0.0000	0.0000	0.0000	0.1300	0.1300
09-24-2015	34.42	0.0000	0.0000	0.0000	0.2000	0.2000

Vanguard Small-Cap Growth Index Fund Institutional Shares VSGIX

Analysis

One of the cheapest small-growth category funds available.
By Alex Bryan 6/17/2016

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

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

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

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

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

Process Pillar: Positive

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

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

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

This is a broadly diversified portfolio that includes more than 600 holdings, which helps limit exposure to speculative growth names and company-specific risk. These include firms such as WageWorks, Lions Gate Entertainment, and Domino's Pizza. About 30% of the fund’s holdings, repres-

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	6.58	1.19
2015	-2.52	-0.11
2014	4.04	1.60
2013	38.20	-2.71
2012	17.68	4.53

Vanguard Small-Cap Growth Index Fund Institutional Shares VSGIX

Analysis

enting 21% of the portfolio, were not profitable over the trailing 12 months through May 2016.

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

Market-cap weighting skews the portfolio toward the larger names in its target market segment, which are not necessarily the fastest growing. But this weighing approach also promotes low turnover, as do the fund’s style-buffering rules, which allow stocks with slowing growth to stay in the portfolio longer. At the end of May, consensus analyst estimates indicated that the fund’s holdings had slightly lower expected growth rates than the category average. The fund also had a larger market cap orientation than most of its category peers and the Russell 2000 Growth and S&P SmallCap 600 Growth Indexes.

Performance Pillar: ⊕ Positive

The fund has regularly outperformed its peers in the small-growth category, and thus warrants a Positive Performance Pillar rating. Over the trailing 10 years through May 2016, the fund landed in the category's top quintile, outpacing the category average by 1.4 percentage points annualized, with comparable volatility. This was largely due to its cost advantage and its peers’ poor stock selection in the consumer cyclical and healthcare sectors.

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 95% of all three-year rolling period over the trailing 13 years through May 2016. It has also been fairly tax-efficient. The fund has not distributed a capital gain in the past 10 years. Vanguard offers a separate exchange-traded fund share class of this fund, which allows the managers to transfer low-cost-basis shares out of the portfolio in a tax-free transaction with the ETF's market makers. This structure may help make the fund more tax-efficient than its peers.

Full index replication has kept tracking error low. Over the trailing 12 months through May 2016, the fund's Admiral and Investor share classes trailed the benchmark by 8 and 17 basis points, respectively, less than the amount of their fees. This is possible due to securities-lending income.

People Pillar: ⊕ Positive

A well-equipped group manages all of Vanguard’s equity index funds. The team's extensive experience, deep bench of talent, and strong trading infrastructure underpin this funds' Positive People Pillar rating.

Vanguard occasionally rotates managers across its equity index funds. It added William Coleman as a named manager on this fund in April 2016. Coleman has worked at Vanguard since 2006 and has been a named manager on some of Vanguard’s other index funds since 2013. He joined Gerard O'Reilly, who has managed the fund since the end of 2004. O’Reilly has served as a portfolio manager at Vanguard since 1994 and is a Principal with the firm. Both managers are members of Vanguard's Global Equity Index Group, which offers trade execution and risk-management support for the fund.

O'Reilly and Coleman manage several other index funds including Vanguard Total Stock Market Index, Vanguard FTSE Social Index, and Vanguard Small Cap Value Index. However, Vanguard's team approach and supporting infrastructure keep this workload manageable.

The managers do not have any money invested in this fund. Vanguard links their compensation to operating efficiency, which helps keep costs low and align their interests with investors’. Minimizing costs and tracking error are their primary objectives.

Parent Pillar: ⊕ Positive

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

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

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

Price Pillar: ⊕ Positive

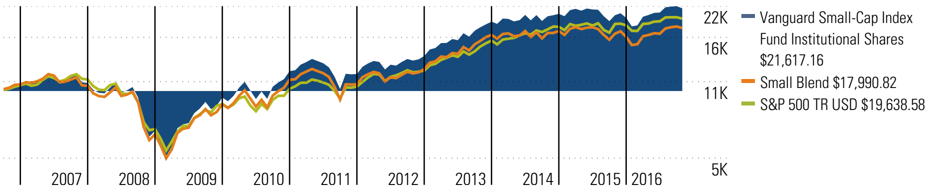
Vanguard charges a razor-thin 0.08% expense ratio for the fund's Admiral shares and 0.20% for the Investor shares, which makes it the cheapest small-cap growth mutual fund available and supports the Positive Price Pillar rating. The minimum investments for the Investor and Admiral shares are $3,000 and $10,000, respectively. Vanguard charges a $20 annual account maintenance fee for balances below $10,000, though investors can avoid it by agreeing to receive statements and fund documents electronically. Vanguard also offers this fund in an ETF format, Vanguard Small-Cap Growth ETF VBK, for a 0.08% fee with no minimum investment. The fund engages in securities lending, which generates ancillary income that partially offsets the fund's expenses.

Vanguard Small-Cap Index Fund Institutional Shares VSCIX

Morningstar Analyst Rating
Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
57.37	↑0.05 | 0.09	1.49	63.3	Open	$5 mil	None	0.07%	★★★★	Small Blend	Small Blend

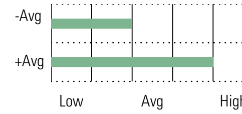
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (655) -Avg

Return vs. Category (655) +Avg



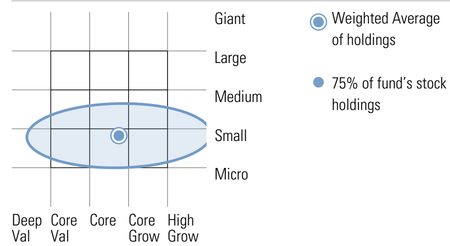
Pillars

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 US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Style Map



Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,926	9,893	10,641	12,204	19,583	21,235
Fund	9.26	-1.07	6.41	6.87	14.39	7.82
+/- S&P 500 TR USD	2.79	-0.33	-1.99	-3.32	-0.17	0.94
+/- Category	0.73	-0.84	1.07	2.18	2.06	1.69
% Rank in Cat	43	87	42	18	23	12
# of Funds in Cat	804	857	778	640	555	379

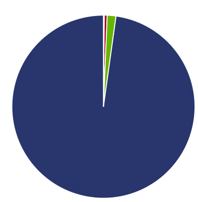
* Currency is displayed in BASE

Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Ingredion Inc	0.33	134.05 BASE	-0.17 ↓	84.57 - 140.00
⊕ Duke Realty Corp	0.33	25.65 BASE	0.43 ↑	18.52 - 28.99
⊕ Arthur J. Gallagher & Co	0.29	50.04 BASE	-0.84 ↓	35.96 - 51.24
⊕ Newfield Exploration Co	0.29	43.13 BASE	-0.36 ↓	20.84 - 47.56
⊕ Broadridge Financial Solutions Inc	0.28	65.37 BASE	0.02 ↑	48.56 - 71.74
% Assets in Top 5 Holdings	1.52			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation



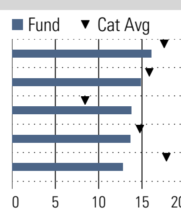
Asset Class	% Net
Cash	1.55
US Stock	97.79
Non US Stock	0.51
Bond	0.01
Other	0.14

Management

	Start Date
William A. Coleman	04-27-2016
Gerard C. O'Reilly	04-27-2016

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Industrials	16.05	16.70	15.39	17.10
Technology	14.84	15.49	14.84	15.39
Real Estate	13.78	13.78	11.96	7.97
Consumer Cyclical	13.67	14.90	13.67	14.29
Financial Services	12.79	13.36	12.79	17.36



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
09-19-2016	57.63	0.0000	0.0000	0.0000	0.2800	0.2800
06-13-2016	54.94	0.0000	0.0000	0.0000	0.1500	0.1500
03-14-2016	51.90	0.0000	0.0000	0.0000	0.1500	0.1500
12-22-2015	52.88	0.0000	0.0000	0.0000	0.3000	0.3000
09-24-2015	53.04	0.0000	0.0000	0.0000	0.4600	0.4600

Vanguard Small-Cap Index Fund Institutional Shares VSCIX

Analysis

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

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

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

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

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

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

Process Pillar: ⊕ Positive

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

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

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

The approach earns a Positive Process Pillar rating.

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

Morningstar's Take

Morningstar Analyst Rating: Gold

Morningstar Pillars

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

Morningstar Analyst Rating

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

Analyst Rating Spectrum

Gold | Silver | Bronze | Neutral | Negative

Fund Performance

	Total Return %	+/- Category
YTD	9.26	0.73
2015	-3.63	1.75
2014	7.53	3.74
2013	37.80	0.41
2012	18.26	2.80

Vanguard Small-Cap Index Fund Institutional Shares VSCIX

Analysis

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

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

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

Performance Pillar: Positive

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

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

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

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

People Pillar: Positive

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

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

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

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

Parent Pillar: Positive

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

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

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

Price Pillar: Positive

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

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

Vanguard Small-Cap Index Fund Institutional Shares VSCIX

Analysis

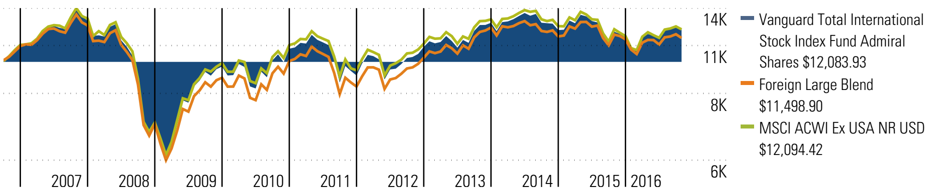
a total market fund, such as Vanguard Total Stock Market VTSAX. This would reduce the need for rebalancing and result in even lower costs because that fund includes small- and micro-cap stocks yet charges only 0.05%.

Vanguard Total International Stock Index Fund Admiral Shares VTIAX

Morningstar Analyst Rating Gold

NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
24.87	↓-0.02 | -0.08	2.77	226.0	Open	$10,000	None	0.12%	★★★	Foreign Large Blend	Large Blend

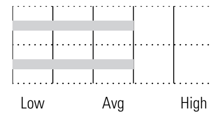
Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

Risk vs. Category (715) Avg

Return vs. Category (715) Avg



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 5,715 stocks of companies located in 45 countries.

Pillars

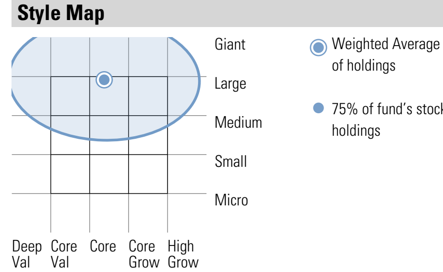
Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,480	9,853	10,100	9,932	12,710	11,974
Fund	4.80	-1.47	1.00	-0.23	4.91	1.82
+/- MSCI ACWI Ex USA NR USD	0.79	-0.85	1.13	0.55	0.46	-0.05
+/- Category	4.10	0.38	2.37	0.30	-0.29	0.43
% Rank in Cat	12	26	21	43	60	—
# of Funds in Cat	870	903	843	701	621	377

* Currency is displayed in BASE

Style Map



Top Holdings 08-31-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.21	74.35 BASE	-0.60 ↓	71.35 - 77.35
⊕ Novartis AG	0.92	74.55 BASE	-0.40 ↓	67.00 - 91.15
⊕ Roche Holding AG Dividend Right Cert.	0.86	233.90 BASE	-0.68 ↓	229.90 - 281.40
⊕ Toyota Motor Corp	0.84	— BASE	0.20 ↑	4,917.00 - 7,862.00
⊕ HSBC Holdings PLC	0.73	610.30 BASE	-1.01 ↓	392.37 - 626.30
% Assets in Top 5 Holdings	4.56			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

Asset Allocation

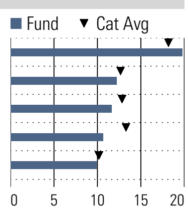
	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	2.03	0.01	2.04	0.00	0.36
US Stock	1.08	0.00	1.08	0.91	3.06
Non US Stock	95.87	0.00	95.87	98.96	94.65
Bond	0.01	0.00	0.01	0.00	1.56
Other	1.02	0.00	1.02	0.13	0.37

Management

	Start Date
Michael Perre	08-05-2008
Michelle Louie	02-25-2016

Top Sectors 08-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	19.74	22.19	19.74	17.71
Industrials	12.22	12.22	11.50	12.20
Consumer Cyclical	11.60	12.50	11.43	12.37
Consumer Defensive	10.66	10.66	9.56	12.83
Technology	9.92	9.92	8.64	9.71



Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Captial Gain	Return of Capital	Dividend Income	Distribution Total
09-12-2016	25.24	0.0000	0.0000	0.0000	0.1500	0.1500
06-13-2016	23.58	0.0000	0.0000	0.0000	0.2900	0.2900
03-14-2016	23.84	0.0000	0.0000	0.0000	0.0800	0.0800
12-18-2015	23.87	0.0000	0.0000	0.0000	0.1900	0.1900
09-24-2015	23.59	0.0000	0.0000	0.0000	0.1200	0.1200

Vanguard Total International Stock Index Fund Admiral Shares VTIAX

Analysis

This is one of the cheapest and broadly diversified funds in its category.
By Matthew Diamond 9/7/2016

Vanguard Total International Stock Index is a well-run, one-stop shop for broad exposure to stocks listed in foreign developed and emerging markets. Its diversified, market-cap-weighted portfolio and a sizable cost advantage from one of the industry's top stewards support its Morningstar Analyst Rating of Gold.

The fund owns approximately 6,000 stocks across all developed (excluding the United States) and emerging markets, representing 98% of the investable market. It employs a market-cap-weighting approach that promotes low turnover and skews the portfolio toward large multinationals with global operations, such as Nestle NSRGY, Toyota TM, and pharmaceuticals Roche RHHBY and Novartis NVS. These companies tend to be more profitable and less volatile than their smaller counterparts.

Sector weightings are consistent with the average fund in the foreign large-blend Morningstar Category, but the fund has above-average exposure to emerging-markets companies. Emerging-markets stocks currently account for 15% of the portfolio, compared with the 7% category average. As a result, the fund has an overweighting to Chinese stocks and an underweighting to developed Europe, including the United Kingdom, compared with its category peers.

Although recent emerging-markets performance has been a drag on returns, this fund's cost advantage gives it an edge over the long term. Its trailing 10- and 15-year returns through July 2016 best more than two thirds of its category peers. Vanguard's unique ability to offer an exchange-traded fund share class increases the fund's tax efficiency. Managers are able to mitigate capital gains by transferring shares out of the portfolio in a tax-free transaction, known as an in-kind redemption, with the ETF's market makers. Low turnover also reduces capital gains.

Like most of its peers, the fund does not hedge its currency risk, which can hurt performance and boost volatility when the U.S. dollar strengthens relative to foreign currencies. The fund has significant exposure to the euro, Japanese yen, and British pound.

Process Pillar: Positive

This fund employs near full replication to track the FTSE Global All Cap ex U.S. Index. This broad, market-cap-weighted index promotes low turnover, effectively diversifies risk, and accurately reflects the composition of its target market. These attributes support the fund's Positive Process rating.

The index comprises more than 5,700 constituents across all foreign developed and emerging markets. FTSE defines an investable universe that consists of all stocks listed in foreign developed and emerging markets that pass certain liquidity screens. The index sorts them on free-float-adjusted market cap and targets those representing the largest 98% of the universe by market cap. This includes large-, mid-, and small-cap stocks. The index then applies additional screens for liquidity and foreign ownership eligibility to make it easier to track. It also employs buffering rules to reduce unnecessary turnover.

Vanguard applies a fair value pricing policy, adjusting the fund's net asset value to reflect up-to-date market information for securities with stale prices. This policy protects shareholders from market-timing arbitragers who may otherwise exploit stale NAVs. Because there is no corresponding adjustment to the index, this can create tracking error over the short term, but long-term performance should closely match the index's.

This portfolio effectively diversifies company-specific risk. The fund's top 10 holdings account for less than 10% of assets, compared with the foreign large-blend category average of more than 25%. The portfolio ventures further into mid- and small-cap territory than most of its peers. Consequently, its holdings have a small average market cap. The fund has a combined 20% of assets 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	4.80	4.10
2015	-4.26	-2.67
2014	-4.17	0.81
2013	15.14	-4.29
2012	18.21	-0.08

Vanguard Total International Stock Index Fund Admiral Shares VTIAX

Analysis

small- and mid-cap stocks, compared with 11% for its typical peer, which adds a modest diversification benefit. Similar to other market-cap-weighted peers, financial services firms account for the fund's largest sector allocation, representing nearly one fifth of assets. Such large banks as HSBC Holdings HSBA, Commonwealth Bank of Australia CBA, and Royal Bank of Canada RBC are among the fund's top 20 holdings.

This fund may hold overseas-listed depository receipts in lieu of, or in addition to, the domestic listings of index constituents. As a result, the fund actually has more holdings than its index has constituents.

Performance Pillar: ⊕ Positive
Solid index tracking and peer-beating long-term performance earn this fund a Positive Performance rating. During the trailing 10- and 15-year periods through July 2016, the fund's Investor shares outperformed the category average by 39 and 68 basis points annualized, respectively, with comparable volatility. That lands it ahead of more than two thirds of its category peers. The fund's Admiral share class was incepted in 2010, and its modest cost advantage should further boost long-term performance.

The fund's relatively high emerging-markets allocation makes it susceptible to periods of significant underperformance when emerging markets lag developed markets. In 2013 and 2015, the fund trailed the category average by 4.4% and 2.78%, respectively, as a result of poor emerging-markets performance, landing it in the category's bottom quartile both years.

Vanguard changed the fund's index over the years, most recently in June 2013, making it difficult to assess its long-term tracking error, but the fund has used near full index replication the past three years through July 2016 to keep tracking error reasonably low. Vanguard utilizes a fair value pricing policy that can create modest tracking error over short time horizons.

People Pillar: ⊕ Positive
Vanguard's equity index funds are managed by a capable and experienced team with extensive internal support, supporting this fund's Positive People rating.

The fund is managed by comanagers Michael Perre and Michelle Louie, CFA. Perre has been a named manager of the fund since 2008. Perre began his career at Vanguard in 1990 and is currently a principal at the firm. Louie was promoted from equity trader to portfolio manager in 2016 and simultaneously named comanager of the fund. Both managers are members of Vanguard's global equity index group, which offers trade execution and risk-management support for the fund. Vanguard has a long-standing practice of rotating managers across its funds to facilitate their development.

Although this is the only fund they comanage together, both separately manage several other equity index funds, including Vanguard Total World Stock Index VTWSX, Vanguard Emerging Markets Index VEIEX, and Vanguard Developed Markets Index VTMGX. Vanguard's team approach and support offered by its global equity index group helps keep the workload manageable.

The managers do not have any money invested in this fund. Vanguard links their compensation to operating efficiency, which helps keep costs low and align their interests with fund investors'. Minimizing costs and tracking error are their primary objectives.

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

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

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

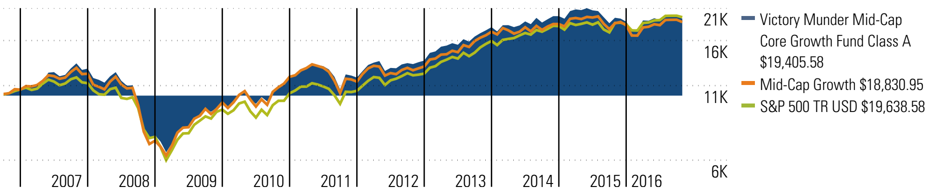
Price Pillar: ⊕ Positive
The fund's 0.12% expense ratio for the Admiral share class and 0.19% for the Investor share class make it one of the most competitively priced funds in the foreign large-blend category. The average annual fee in the category is 1.12%. The Investor and Admiral share classes have a minimum investment requirement of $3,000 and $10,000, respectively. Vanguard also manages an identical ETF, Vanguard Total International Stock ETF VXUS, for a 0.13% fee with no minimum. The fund engages in securities lending, which helps offset the fund's expenses.

Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Morningstar Analyst Rating
Neutral

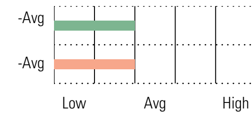
NAV $	NAV Day Change %	Yield TTM %	Total Assets $ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.41	↑0.06 | 0.17	0.00	4.6	Open	$2,500	5.75	1.32%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 10-12-2006 - 10-12-2016



3 Year Average Morningstar Risk Measures

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



Investment Strategy

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

Pillars

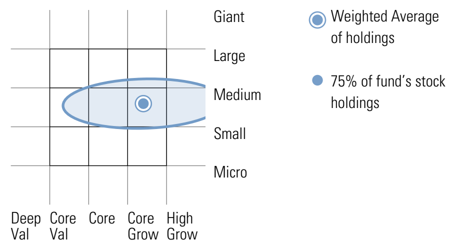
Process	Neutral
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative
Rating	Neutral

Performance 10-12-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,265	9,913	9,937	11,551	17,107	19,119
Fund	2.65	-0.87	-0.63	4.92	11.34	6.70
+/- S&P 500 TR USD	-3.82	-0.13	-9.02	-5.26	-3.22	-0.18
+/- Category	-0.28	0.31	-2.48	-0.67	-0.43	-0.18
% Rank in Cat	56	31	76	61	56	58
# of Funds in Cat	712	725	710	650	569	423

* Currency is displayed in BASE

Style Map

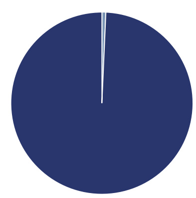


Top Holdings 09-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Ross Stores Inc	2.43	64.42 BASE	-0.76 ↓	43.47 - 66.28
⊕ Fidelity National Information Services Inc	2.13	76.34 BASE	-1.10 ↓	55.10 - 81.67
⊖ Reinsurance Group of America Inc	2.11	108.03 BASE	-2.27 ↓	76.96 - 111.08
⊖ Broadcom Ltd	2.00	168.27 BASE	-1.30 ↓	112.38 - 179.42
⊖ Macerich Co	1.91	76.65 BASE	0.22 ↑	71.82 - 94.51
% Assets in Top 5 Holdings	10.57			

⊕ Increase ⊖ Decrease ☼ New to Portfolio

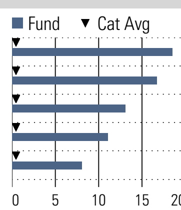
Asset Allocation



Asset Class	% Net
Cash	0.00
US Stock	99.31
Non US Stock	0.00
Bond	0.00
Other	0.69

Top Sectors 09-30-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg
Consumer Cyclical	18.50	19.34	18.50	—
Technology	16.73	20.48	14.69	—
Financial Services	13.04	15.21	13.04	—
Healthcare	11.07	11.70	8.30	—
Real Estate	8.07	8.07	4.54	—



Management

	Start Date
Tony Y. Dong	02-01-2001
Brian S. Matuszak	12-31-2005
Gavin Hayman	02-18-2010
Robert E. Crosby	02-14-2012
Sean D. Wright	01-09-2014
Robert D. Glise	09-14-2016

Dividend and Capital Gains Distributions

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

Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Analysis

No longer a standout.
By Greg Carlson 6/28/2016

It boasts a veteran skipper, but Victory Munder Mid-Cap Core Growth's failure to consistently deliver with a larger asset base, combined with lofty fees, earn a Morningstar Analyst Rating of Neutral. This fund once boasted a stellar record but has looked quite average over an extended period. To be sure, evaluating the fund's performance isn't a simple exercise. Tony Dong, lead manager since early 2001, keeps the fund's sector weightings close to that of the Russell Mid Cap Index. But he and his team favor companies within sectors that have solid profit growth prospects yet trade at modest valuations versus peers. Thus, the fund resides in the mid-growth Morningstar Category, but it is a stylistic blend.

The fund got off to a strong start after Dong took the helm, and its returns during the whole of his 15-year tenure still look strong. But from stocks' October 2007 peak through May 2016, the fund lands in the mid-growth category's middle and looks subpar on a risk-adjusted basis. It also trails both its benchmark and the Russell Mid Cap Growth Index during that span. The fund has been tripped up by stock-selection issues, as both fast-growth and valuation plays have fizzled at times. An overweighting to financials relative to the mid-growth norm has hurt lately. The fund's extended period of average returns has also coincided with asset growth; during Dong's fast start here, assets hadn't yet reached the $1 billion mark. The team now runs $7 billion in the strategy, although there haven't been telltale signs of asset bloat such as big stakes in individual companies or a lengthening holdings list. Portfolio turnover has declined, but Dong says that's a result of lower market volatility, at least prior to 2016. Persistently above-average fees, even as the fund has grown, haven't helped its cause.

Munder merged with Victory Capital in 2014, but that isn't cause for concern: Dong now has less administrative responsibility, thus he's able to devote more time to investing. Nevertheless, it's difficult to be confident in the fund's prospects.

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

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

As usual, this fund was leaning in the direction of growth compared with its benchmark, the Russell Mid Cap Index, at the end of March 2016. (The fund consistently lands in the mid-growth area of the Morningstar Style Box.) While it keeps its sector weightings within 3 percentage points of the index's, its current divergences aren't surprising--a bit more in "growthier" sectors such as consumer cyclicals and tech and a little less in value haunts such as utilities and energy.

Furthermore, 10 of the fund's recent 78 holdings were not constituents of the benchmark (four of those land in the large-growth portion of the style

Morningstar's Take

Morningstar Analyst Rating **Neutral**

Morningstar Pillars

Process	Neutral
Performance	Neutral
People	Positive
Parent	Neutral
Price	Negative

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

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Fund Performance

	Total Return %	+/- Category
YTD	2.65	-0.28
2015	-4.60	-3.66
2014	9.90	2.90
2013	33.38	-1.55
2012	15.72	1.65

Victory Munder Mid-Cap Core Growth Fund Class A MGOAX

Analysis

box, and three in mid-value), and many of the fund's largest holdings are small components of the index. (The fund's active share versus the Russell Mid Cap Index was 88.5%.) Indeed, second-largest holding Carter's CRI comprised 1.9% of the fund's assets but 0.1% of the index at the end of March. Reinsurance Group of America RGA garnered 1.8% of the fund's assets and just 0.1% of the index; laser builder IPG Photonics IPGP comprised 1.8% of the fund and 0.1% of the index; and regional commercial bank Signature Bank SBNY comprised 1.7% of the index and 0.1% of the index. The largest nonindex holding was semiconductor maker Broadcom AVGO, the fund's sixth-largest holding at 1.8% of assets.

Performance Pillar: Neutral

This fund's early strong returns are now rather distant in the rearview mirror. It excelled from February 2001, when lead manager Tony Dong took the helm, into 2007. Thus, its record during the whole of his tenure is strong: Through May 2016, the fund has beaten 84% of its mid-growth peers and the Russell Mid Cap Growth Index while modestly lagging the Russell Mid Cap Index (to which the fund's returns have been a bit more correlated).

However, the fund has been merely an average performer since stocks' October 2007 peak (which arguably represents a full market cycle). From that point through May 31, 2016, the fund has slightly lagged the mid-growth category norm while trailing both indexes. And the fund looks a bit weaker on a risk-adjusted basis. The same is true for its trailing 10-year return. The fund also hasn't cracked the category's top quartile in a calendar year during the past decade. (To be fair, it landed in the bottom quartile only once.)

The fund's rolling returns during the manager's full tenure are also modest. In five-year periods through May 2016, the fund beat its typical peer 60% of the time, the Russell Mid Cap Index 43% of the time, and the Russell Mid Cap Growth Index just 38% of the time.

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

People Pillar: Positive

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

Dong is backed by seven comanagers and analysts, most of whom oversee sectors and make decisions for those areas in concert with Dong. Brian Matuszak joined the team in 2002 and covers financials, healthcare, and utilities. Madan Gopal joined the team in 2008 and covers consumer discretionary, industrials, and tech. Gavin Hayman joined the team in 2010 and covers consumer discretionary, consumer staples, and tech and telecom. Robert Crosby joined this team in 2012 but has worked at the firm since 1993; he has worked with Dong on a small/mid-cap separate account since 2003. Crosby covers energy, industrials, materials, and REITs. Sean Wright joined the team in 2014 and covers energy. Michael Gura joined the firm in 1995 and covers healthcare, consumer discretionary, and consumer staples. And Regenia Bingham, who has also been with the firm since 1995, performs quantitative analysis.

The team runs $7 billion total in this strategy. Dong has more than $1 million invested in the fund. It earns a Positive People rating.

Parent Pillar: Neutral

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

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

Price Pillar: Negative

The fund has grown from $1 billion at the end of 2005 to a recent $5 billion (down from $6.5 billion in mid-2015), yet the expense ratio of the A shares has declined only 5 basis points during that span. Management blames this on a sharp increase in 401(k) shareholders for the fund, saying it has to pay 25 basis points in subtransfer agent fees for those assets.

The fund is bigger than 94% of mid-cap funds, yet each share class earns a Morningstar Fee Level of Above Average. The Y shares hold 60% of the assets, charge 1.07%, and earn an Above Average. The A shares hold 20% of the assets, charge 1.32%, and earn an Above Average. The R6 shares hold 15% of the assets, charge 0.89%, and earn an Above Average. The C and R shares are small, and each also earns an Above Average.