

Portfolio Comparison Report

The following pages take a detailed look at the differences in the stock and bond exposures between investments in the selected portfolios. This report uses the benchmark shown as a point of comparison between the portfolios in the U.S. Stock Sector Analysis, Regional Exposure, Historical Returns and Portfolio Statistics sections.

	Portfolio A: Current Portfolio Benchmark: S&P 500 TR	Portfolio B: Recommended Portfolio Benchmark: S&P 500 TR																																																																																																						
<h3>Asset Mix Comparison</h3> <p>The Asset Mix bar chart and table show how assets in each portfolio are allocated among broad asset classes.</p>	<h4>Asset Mix</h4> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Net %</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>12.13</td> </tr> <tr> <td>U.S. Stks</td> <td>87.85</td> </tr> <tr> <td>Non-U.S. Stks</td> <td>0.02</td> </tr> <tr> <td>Bonds</td> <td>0.00</td> </tr> <tr> <td>Othr/Not Clsfd</td> <td>0.00</td> </tr> <tr> <td>Total</td> <td>100.00</td> </tr> </tbody> </table>	Asset Class	Net %	Cash	12.13	U.S. Stks	87.85	Non-U.S. Stks	0.02	Bonds	0.00	Othr/Not Clsfd	0.00	Total	100.00	<h4>Asset Mix</h4> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Net %</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>15.53</td> </tr> <tr> <td>U.S. Stks</td> <td>16.19</td> </tr> <tr> <td>Non-U.S. Stks</td> <td>10.22</td> </tr> <tr> <td>Bonds</td> <td>57.79</td> </tr> <tr> <td>Othr/Not Clsfd</td> <td>0.28</td> </tr> <tr> <td>Total</td> <td>100.00</td> </tr> </tbody> </table>	Asset Class	Net %	Cash	15.53	U.S. Stks	16.19	Non-U.S. Stks	10.22	Bonds	57.79	Othr/Not Clsfd	0.28	Total	100.00																																																																										
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Portfolio Comparison Report continued...

	Portfolio A: Current Portfolio Benchmark: S&P 500 TR			Portfolio B: Recommended Portfolio Benchmark: S&P 500 TR		
Regional Exposure	Regional Exposure			Regional Exposure		
Investing overseas can provide valuable diversification. The Regional Exposure table helps you review the general location of the geographical distribution of stocks in each portfolio.	% of Stocks	Portfolio%	Bmark%	% of Stocks	Portfolio%	Bmark%
	Americas	99.98	100.00	Americas	64.76	100.00
	North America	99.98	100.00	North America	64.63	100.00
	Latin America	0.00	0.00	Latin America	0.13	0.00
	Greater Europe	0.02	0.00	Greater Europe	21.47	0.00
	United Kingdom	0.00	0.00	United Kingdom	7.16	0.00
	Europe-Developed	0.02	0.00	Europe-Developed	14.28	0.00
	Europe-Emerging	0.00	0.00	Europe-Emerging	0.00	0.00
	Africa/Middle East	0.00	0.00	Africa/Middle East	0.02	0.00
	Greater Asia	0.00	0.00	Greater Asia	13.75	0.00
	Japan	0.00	0.00	Japan	7.08	0.00
	Australasia	0.00	0.00	Australasia	2.62	0.00
	Asia-Developed	0.00	0.00	Asia-Developed	2.17	0.00
	Asia-Emerging	0.00	0.00	Asia-Emerging	1.88	0.00
	Not Classified	0.00	0.00	Not Classified	0.02	0.00

	Trailing Returns						Trailing Returns					
	Return % Through 01/31/2010						Return % Through 01/31/2010					
	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr		3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	
The Trailing Returns table shows the trailing returns of the portfolios over the periods shown. For comparison purposes, the return relative to the benchmark is shown as well.	Pre-Tax Port Ret	5.1	28.6	0.2	5.0	7.8	Pre-Tax Port Ret	1.8	14.2	3.5	4.7	5.4
	+/- Bmark Ret	1.0	-4.5	7.4	4.8	8.6	+/- Bmark Ret	-2.4	-19.0	10.8	4.5	6.2

	Risk and Returns Statistics						Risk and Returns Statistics							
	3 Yr		5 Yr		10 Yr		3 Yr		5 Yr		10 Yr			
	Port	Bmkr	Port	Bmkr	Port	Bmkr	Port	Bmkr	Port	Bmkr	Port	Bmkr		
The Risk and Return Statistics table shows the pre-tax return, standard deviation, and Sharpe ratio of each portfolio.	Standard Dev	20.01	19.97	15.84	16.09	14.11	16.10	Standard Dev	6.25	19.97	5.04	16.09	4.15	16.10
	Mean	0.18	-7.24	4.99	0.17	7.82	-0.80	Mean	3.51	-7.24	4.68	0.17	5.43	-0.80
	Sharpe Ratio	0.01	-0.37	0.21	-0.09	0.41	-0.14	Sharpe Ratio	0.27	-0.37	0.36	-0.09	0.62	-0.14

	MPT Statistics			MPT Statistics				
	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr		
	Port	Port	Port	Port	Port	Port		
The MPT Statistics table shows investment statistics for each portfolio.	Alpha	5.98	4.33	7.06	Alpha	3.84	2.23	3.01
	Beta	0.77	0.77	0.57	Beta	0.29	0.28	0.19
	R-squared	59.64	60.56	42.56	R-squared	85.37	82.13	52.52

	Holdings				Holdings			
	Type		Alloc %		Type		Alloc %	
The Holdings Table shows the current holdings in each portfolio.	Berkshire Hathaway	ST	20.5		DFA Five-Year Global Fixed-Income I	MF	41.2	
	Wells Fargo	ST	20.2		iShares Barclays Aggregate Bond	ETF	17.5	
	Cash	CASH	12.1		DFA Intl Core Equity I	MF	9.1	
	Old Republic Intl	ST	9.5		Cash	CASH	7.9	
	ExxonMobil	ST	7.8		Vanguard Inter-Term Bond Index	MF	2.9	
	Union Pacific	ST	7.1		Janus Short-Term Bond T	MF	2.9	
	Kimberly-Clark	ST	6.2		DFA US Small Cap I	MF	2.9	
	Procter & Gamble	ST	3.3		Ivy Asset Strategy Y	MF	2.2	

Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please visit <http://advisor.morningstar.com/familyinfo.asp>.

See Disclosure Page for Standardized Returns.

Portfolio Comparison Report continued...

Portfolio A: Current Portfolio
Benchmark: S&P 500 TR

Portfolio B: Recommended Portfolio
Benchmark: S&P 500 TR

Holdings

	Type	Alloc %
Pfizer	ST	2.0
Norfolk Southern	ST	1.9
General Electric	ST	1.8
Amgen	ST	1.6
Applied Materials	ST	1.2
ConocoPhillips	ST	1.1
EMC	ST	0.8
Wal-Mart Stores	ST	0.6
Home Depot	ST	0.5
E.I. du Pont de nemours	ST	0.5
Capital One Financial	ST	0.4
Cisco Systems	ST	0.3
Dell	ST	0.3
Microsoft	ST	0.1
Transocean	ST	0.0
Ariba	ST	0.0
Ariad Pharmaceuticals	ST	0.0
Coca-Cola	ST	0.0
Bank of America	ST	0.0
Texas Instruments	ST	0.0
Enzo Biochem	ST	0.0
		100.0

Holdings

	Type	Alloc %
DFA US Large Cap Value I	MF	2.2
Fairholme	MF	2.0
Wal-Mart Stores	ST	1.2
Coca-Cola	ST	1.2
Procter & Gamble	ST	1.2
Berkshire Hathaway	ST	1.2
ExxonMobil	ST	1.2
Norfolk Southern	ST	1.1
Union Pacific	ST	1.1
Amgen	ST	0.6
EMC	ST	0.6
		100.0

Disclosure for Standardized™ and Tax Adjusted Returns

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An investment in a money-market vehicle is not insured or guaranteed by the FDIC or any other government agency. The current yield quotation reflects the current earnings of the money market more closely than the total return quotation. Although money markets seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in them.

Standardized Returns assume reinvestment of dividends and capital gains. They depict performance without adjusting for the effects of taxation, but are adjusted to reflect sales charges and ongoing fund expenses. If adjusted for taxation, the performance quoted would be significantly reduced. For variable

annuities, additional expenses will be taken in account, including M&E risk charges, fund-level expenses such as management fees and operating fees, and contract-level administration fees, charges such as surrender, contract and sales charges.

After-tax returns are calculated using the highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or an IRA. After-tax returns exclude the effects of either the alternative minimum tax or phase-out of certain tax credits. Any taxes due are as of the time the distributions are made, and the taxable amount and tax character of each distribution are as specified by the fund on the dividend declaration date. Due to foreign tax credits or realized capital losses, after-tax returns may be greater than before-tax returns. After-tax returns for exchange-traded funds are based on net asset value.

Annualized returns 12-31-2009										
Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
DFA Five-Year Global Fixed-Income I	--	4.19	3.80	4.76	6.29	11-06-1990	NA	NA	0.28	0.28
DFA Intl Core Equity I	--	39.29	--	--	3.15	09-15-2005	NA	NA	0.41	0.41
DFA US Large Cap Value I	--	30.19	-0.14	4.39	8.64	02-19-1993	NA	NA	0.28	0.28
DFA US Small Cap I	--	36.34	0.91	5.72	9.14	03-19-1992	NA	NA	0.38	0.38
Fairholme	--	39.01	7.83	13.21	13.43	12-29-1999	NA	NA	1.02	1.02
Ivy Asset Strategy Y	--	23.86	13.69	10.38	10.79	12-29-1995	NA	NA	1.00	1.09
Janus Short-Term Bond J	--	8.56	4.80	4.79	4.91	09-01-1992	NA	NA	0.65	0.98
Vanguard Interm-Term Bond Index	--	6.79	4.98	6.83	6.54	03-01-1994	NA	NA	0.22	0.22
iShares Barclays Aggregate Bond-NAV	--	5.14	4.76	--	4.69	09-22-2003	NA	NA	0.24	0.24
iShares Barclays Aggregate Bond-Market	--	3.00	4.71	--	4.71	09-22-2003	NA	NA	0.24	0.24
Standard & Poor's 500 TR	--	26.46	0.42	-0.95	--	--				
BarCap's Agg Bond Index	--	5.93	4.97	6.33	--	--				
MSCI EAFE Index Ndtr_D	--	31.78	3.54	1.17	--	--				
3 Month T-Bill	--	0.16	2.95	2.88	--	--				

1. Contractual waiver; expires 07/31/2010.

2. Contractual waiver; expires 03/01/2010.

Returns after Taxes (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
DFA Five-Year Global Fixed-Income I	2.94	2.79	3.37	4.18	11-06-1990	2.72	2.65	3.26	4.12
DFA Intl Core Equity I	38.04	--	--	2.19	09-15-2005	25.42	--	--	2.17
DFA US Large Cap Value I	29.15	-0.96	3.12	7.15	02-19-1993	19.42	-0.42	3.22	6.94
DFA US Small Cap I	35.90	-0.02	4.60	7.45	03-19-1992	23.57	0.53	4.49	7.23
Fairholme	38.58	7.30	12.74	12.96	12-29-1999	25.36	6.53	11.66	11.87
Ivy Asset Strategy Y	23.67	12.61	8.81	9.09	12-29-1995	15.51	11.39	8.16	8.50
Janus Short-Term Bond J	7.23	3.48	3.35	3.08	09-01-1992	5.54	3.32	3.24	3.05
Vanguard Interm-Term Bond Index	5.12	3.24	4.78	4.23	03-01-1994	4.37	3.21	4.64	4.17
iShares Barclays Aggregate Bond-NAV	6.36	3.31	--	--	09-22-2003	5.05	3.24	--	--

Comparison Report Disclosure Statement

Used as supplemental sales literature, the Comparison report must be preceded or accompanied by the fund's/policy's current prospectus or equivalent. Please read these carefully before investing. In all cases, this disclosure statement should accompany the Comparison report. Morningstar is not itself a FINRA-member firm.

The underlying holdings of the portfolio are not federally or FDIC insured and are not deposits or obligations of, or guaranteed by, any financial institution. Investment in securities involves investment risks including possible loss of principal and fluctuation in value.

This report summarizes the composition characteristics of a portfolio of securities. It considers broad asset allocation and regional exposures, security style, and sector exposure to provide a variety of ways for considering the level of diversification within a portfolio, its potential riskiness, and its possible behavior in the future.

The information contained in this report is from the most recent information available to Morningstar as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

Security Types

The following security types are represented herein: closed-end fund (CE), exchange-traded fund (ETF), holding company depository receipt (HOLDR), index (IDX), money market mutual fund (MM), open-end mutual fund (MF), separate account (SA), stock (ST), and variable annuity/life (VA/L).

Items to Note Regarding Certain Underlying Securities

A closed-end fund is an investment company, which typically makes one public offering of a fixed number of shares. Thereafter, shares are traded on a secondary market such as the New York Stock Exchange. As a result, the secondary market price may be higher or lower than the closed-end fund's net asset value (NAV). If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

An exchange-traded fund (ETF) is an investment company that typically has an investment objective of striving to achieve a similar return as a particular market index. The ETF will invest in either all or a representative sample of the securities included in the index it is seeking to imitate. Like closed-end funds, ETFs can be traded on a secondary market and thus have a market price that may be higher or lower than the net asset value. If these shares trade at a price above their NAV, they are said to be trading at a premium. Conversely, if they are trading at a price below their NAV, they are said to be trading at a discount.

Holding company depository receipts (HOLDRs) are similar to ETFs, but they focus on narrow industry groups. HOLDRs initially own 20 stocks, which are un-

managed, and can become more concentrated due to mergers or the disparate performance of their holdings. HOLDRs can only be bought in 100-share increments. Investors may exchange shares of a HOLDR for its underlying stocks at any time.

A money market fund is an investment company that invests in commercial paper, banker's acceptances, repurchase agreements, government securities, certificates of deposit and other highly liquid securities, and pays money market rates of interest. Money markets are not FDIC-insured, may lose money, and are not guaranteed by a bank or other financial institution. Although the money market seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

A Unit investment trust (UIT) is an investment company organized under a trust agreement between a sponsor and trustee. UITs typically purchase a fixed portfolio of securities and then sell units in the trust to investors. The major difference between a UIT and a mutual fund is that a mutual fund is actively managed, while a UIT is not. On a periodic basis, UITs usually distribute to the unit holder their pro rata share of the trust's net investment income and net realized capital gains, if any. If the trust is one that invests only in tax-free securities, then the income from the trust is also tax-free. UITs generally make one public offering of a fixed number of units. However, in some cases, the sponsor will maintain a secondary market that allows existing unit holders to sell their units and for new investors to buy units.

Variable annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account guaranteed by the insurance company, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. Any such guarantee does not affect or apply to the investment return or principal value of the separate account and its subaccount. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. If the variable annuity subaccount is invested in a money-market fund, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

Variable life insurance is a cash-value life insurance that has a variable cash value and/or death benefit depending on the investment performance of the subaccount into which premium payments are invested. Unlike traditional life insurance, variable life insurance has inherent risks associated with it, including market volatility, and is not viewed as a short-term liquid investment. For more information on a variable life product, including each subaccount, please read the current prospectus. Please note, the financial ratings noted on the report are quoted for an insurance company and do not apply to the separate account and its subaccount. If the variable life subaccount is invested in a money-market fund, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

Asset Allocation

The weighting of the portfolio in various asset classes, including "Other," is shown in this table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks.

In the table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These statistics summarize what the managers are buying and how they are

positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, the investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can now buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even exceeding 100% cash.

Note that all other portfolio statistics presented in this report are based on the long holdings of the fund only.

Morningstar Style Box Diversification

The Morningstar Style Box reveals a portfolio's investment strategy. For long equity holdings the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend or growth). For fixed-income holdings the vertical axis shows the average credit quality of the long bonds owned, and the horizontal axis shows interest rate sensitivity as measured by a bond's duration (short, intermediate or long).

Stock Sector

This table shows the percentage of the portfolio's long equity assets invested in each of the three "supersectors" (in bold) and 12 major industry subclassifications, in comparison with a benchmark. The Sector Graph accompanying the table demonstrates the sector orientation of the portfolio in relation to the Morningstar Broad Market Index. "Not Classified" is for those securities Morningstar does not recognize or track. The percentage of each sector that composes the benchmark index is also listed.

Regional Exposure

A broad breakdown of a portfolio's geographical exposure, by region and by market maturity. Only non-cash long equity assets are evaluated in determining the exposures. "Not Classified" indicates the percentage of the equity portion of the portfolio for which Morningstar is unable to assess region or origin.

Standardized Returns

For mutual funds, standardized return is total return adjusted for sales charges and reflects all ongoing fund expenses.

For money-market mutual funds, standardized return is total return adjusted for sales charges and reflects all ongoing fund expenses. Current 7-day yield more closely reflects the current earnings of the money-market fund than the total return quotation.

For VA subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses.

For VL subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses. For VLs, additional fees specific to a VL policy such as transfer fees and cost of insurance fees, which are based on specific characteristics on an individual policy, are not included. If VL fees were included in the return calculations, the performance would have been significantly lower. An investor should contact their financial advisor and ask for a personalized performance illustration, either hypothetical or historical, which reflects all applicable fees and charges including the cost of insurance. Please review the prospectus and SAI for more detailed information.

For ETFs and UITs, the standardized returns reflect performance, both at market price and NAV price, without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

For HOLDRs, the standardized returns reflect performance at market price, without adjusting for the effects of taxation or brokers commissions. These returns are adjusted to reflect all ongoing expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

The charges and expenses used in the standardized returns are obtained from the most recent prospectus and/or shareholder report available to Morningstar. For mutual funds and VA/VLs, all dividends and capital gains are assumed to be reinvested. For stocks, stock acquired via divestitures is assumed to be liquidated and reinvested in the original holding.

Trailing Returns

The portfolio's trailing returns reflect the weighted average of the underlying holding's non-standardized returns during the same periods.

Portfolio Returns

Monthly total returns for portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (i.e. due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions.

Past performance is no guarantee of future results.

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced.

For money-market funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the money market returns would be reduced.

For VA and VL subaccounts, total return illustrates performance of the subaccount since the inception date of the underlying fund and is adjusted to reflect all actual ongoing subaccount-level expenses including M&E risk charges and underlying fund-level expenses. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the subaccount returns would be reduced.

For ETFs, closed-end funds, and HOLDRS total returns are calculated based on market price as of the end of the business day for the period noted and do not include any fees or expenses incurred in buying or selling these securities, such as brokerage commissions do.

Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's list of holdings on the standardized returns page. When pre-inception data are presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics.

While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Benchmark Returns

Benchmark returns may or may not be adjusted to reflect ongoing expenses such as sales charges. An investment's portfolio may differ significantly from the securities in the benchmark.

Returns for custom benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Custom benchmark returns thus assume monthly rebalancing.

Risk and Return Statistics

All the following statistics are calculated for three-, five-, and 10-year periods for the portfolio and its benchmark.

Standard Deviation is a statistical measure of the volatility of a portfolio's returns around its mean.

Mean represents the annualized geometric return of the portfolio for the period shown.

Sharpe Ratio uses a portfolio's standard deviation and total return to determine reward per unit of risk.

Modern Portfolio Theory (MPT) Statistics

All the following MPT statistics are calculated for three-, five-, and 10-year periods for the portfolio.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its beta and the actual returns of the benchmark index. Alpha is often seen as a measurement of the value added or subtracted by a portfolio's manager.

Beta measures the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than the index.

R-squared reflects the percentage of a portfolio's movements that are explained by movements in its benchmark index, showing the degree of correlation between the portfolio and a benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

Best fit index: Alpha, beta, and R-squared statistics are presented for a broad market index and a "Best fit" index. The Best-Fit index identified in this report was determined by Morningstar by calculating R-squared for the fund against approximately 100 indexes tracked by Morningstar. The index representing the highest R-squared is identified as the best-fit index. The best-fit index may not be the fund's benchmark, nor does it necessarily contain the types of securities that may be held by the fund.

Holdings

This section reflects the underlying holdings used to derive the portfolio statistics noted within this report and their weighted average in terms of the overall portfolio. The determination of the holdings and to which portfolio they are assigned was made by your financial professional and not Morningstar.

Investment Risk

High-Yield Bond Funds/Subaccounts: Investing in lower-rated debt securities (commonly referred to as junk bonds) involves additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default.

HOLDRs: The investor should note that these are narrow industry focused products. If the industry is hit by hard times, HOLDRs will lack diversification and a loss of investment would be likely. These securities can trade at a discount to market

price and ownership is of a fractional share interest. The underlying investments of the HOLDR may not be representative of a particular industry and it might be delisted from the AMEX if the number of underlying companies drops below nine. If the HOLDR is delisted, investors may experience trading halts.

International/Emerging Market Funds/Subaccounts: The investor should note that funds/subaccounts that invest in international securities involve special/additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Market Price Risk: The market prices of ETFs and HOLDRs traded on the secondary market are subject to the forces of supply and demand and thus independent of the ETF's NAV. This can result in the market price trading at a premium or discount to the NAV which will affect an investor's value.

Market Risk: The market prices of ETFs and HOLDRs can fluctuate as to the result of several factors such as security-specific factors or general investor sentiment. Therefore, investors should be aware of the prospect of market fluctuations and the impact it may have on the market price.

Mid-Cap Funds/Subaccounts: Investing in companies with smaller market capitalizations involves additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

The investor should note that a fund/subaccount that invests most of its assets in a small number of issuers involves additional risks, including share price fluctuations, because of the increased concentration of investments.

Tax-Free Municipal Bond Funds/Subaccounts: The income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax.

Sector Funds/Subaccounts: Investing exclusively in one sector or industry involves additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Small-Cap Fund/ Subaccounts: The investor should note that funds/subaccounts that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Bank loan/senior debt funds: Funds that contain bank loans and senior loans are impacted by risks associated with fixed income in general, including interest rate risk and default risk. Because they often invest in non-investment grade issues, the risk of default is high. These securities are also relatively illiquid. Funds that invest in bank loans/senior debt are often highly leveraged, producing a high level of volatility.

Short Positions: The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

Long-Short Funds: Due to the strategies used by long-short funds, which may include but are not limited to leverage, short selling, short-term trading, and investing in derivatives, these funds may have greater risk, volatility, and expenses than those focusing on traditional investment strategies.

Benchmark Disclosure

USTREAS T-Bill Auction Ave 3 Mon

Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.

Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.

BarCap US Agg Bond TR USD

This index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns we publish for the index are total returns, which include reinvestment of dividends.

MSCI EAFE NR USD

This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

S&P 500 TR

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends.