MORNINGSTAR® | INVESTING CLASSROOM

Disclosures

Ownership and Copyright

By accessing the Morningstar Classroom (“Service”), you acknowledge and agree that the Service (including, without limitation, all information contained in or associated with it) is the property of Morningstar, Inc. and/or its third party content providers ("Content Providers") and is protected by international copyright and other intellectual property laws. All Rights Reserved. You further acknowledge and agree that the Service contains certain proprietary data and information of Morningstar and its Content Providers, that you will not use these data or information for any unlawful or unauthorized purpose, and that you will use reasonable efforts to protect them from illicit distribution or use. Each Content Provider is a third-party beneficiary of this agreement to the extent necessary to enable it to enforce its proprietary rights in the data and the applicable use restrictions contained in this agreement. You may not reproduce, retransmit, disseminate, sell, publish, broadcast, nor shall the Information be used in connection with creating, promoting, trading, marketing Investment Products without the express written consent of Morningstar, Inc. or its Information Providers. You are entitled to use the information it contains for your private, non-commercial use only.

Trademarks

Morningstar, Inc., Morningstar, and the Morningstar logo are registered marks of Morningstar. In addition, any other Morningstar marks appearing in the Service, are the property of Morningstar. You will not use or allow any third party to use any of Morningstar's marks, including but not limited to the foregoing, without Morningstar's prior express written consent. All marks not owned by Morningstar are the property of their respective owners.

Disclaimer of Warranties

THIS SERVICE IS PROVIDED "AS IS" WITH ALL FAULTS. MORNINGSTAR AND ITS CONTENT PROVIDERS DISCLAIM ALL WARRANTIES OF ANY KIND REGARDING THE SERVICE, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OWNERSHIP, NONINFRINGEMENT, ACCURACY OF INFORMATIONAL CONTENT, AND ABSENCE OF VIRUSES AND DAMAGING OR DISABLING CODE.

NEITHER MORNINGSTAR NOR ITS CONTENT PROVIDERS WARRANT THE ACCURACY, COMPLETENESS, OR TIMELINESS OF THE SERVICE. NEITHER MORNINGSTAR NOR ITS CONTENT PROVIDERS SHALL BE RESPONSIBLE FOR INVESTMENT DECISIONS, DAMAGES, OR OTHER LOSSES RESULTING FROM USE OF THE SERVICE.

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE. NEITHER MORNINGSTAR NOR ITS CONTENT PROVIDERS SHALL BE CONSIDERED AN "EXPERT" UNDER THE SECURITIES ACT OF 1933. NEITHER MORNINGSTAR NOR ITS CONTENT PROVIDERS WARRANT THAT THIS SERVICE COMPLIES WITH THE REQUIREMENTS OF THE NASD OR ANY SIMILAR ORGANIZATION OR WITH THE SECURITIES LAWS OF ANY JURISDICTION.

Some jurisdictions do not allow the exclusion or limitation of implied warranties, so the above exclusions or limitations may not apply in all cases.

Third-Party Web Sites, Links, and Information

The Service may contain information, products, and services provided by third parties and links (including advertisements) to Web sites made available by third parties. This information and these products, services, and links are provided only as a convenience to users of this Service. Morningstar does not control this information or these products, services, or Web sites. Morningstar does not make any representations or warranties, express or implied, regarding this information or these products, services, or Web sites and shall not be liable for any information or services received from them. Inclusion of any of the foregoing in conjunction with the Service does not constitute or imply an endorsement, authorization, sponsorship, or affiliation by or with Morningstar with respect to any third party, any third party's Web site or its content, or any information, products, or services provided by a third party.

Option Quotes

Option quotes are believed to be correct, but neither Morningstar nor its Content Providers warrant or guarantee the accuracy, completeness or timeliness of any such information. Morningstar advises that you should always confirm the accuracy of any information prior to use.

Nature of Service

The Service contains statements and statistics that have been obtained from sources believed to be reliable but are not guaranteed as to accuracy or completeness. References to any specific securities do not constitute an offer to buy or sell securities. The past performance of a mutual fund, stock, or investment strategy cannot guarantee its future performance.

Course Disclosures

Investments in securities are subject to investment risk, including possible loss of principal. Prices of securities may fluctuate from time to time and may even become valueless. Securities are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Before making any investment decision, investors should read and consider all the relevant investment product information. Investors should seriously consider if the investment is suitable for them by referencing their own financial position, investment objectives, and risk profile before making any investment decision. There can be no assurance that any financial strategy will be successful.

Investments in mutual funds involve risk, including loss of principal as a result of changing market and economic conditions and will not always be profitable.

ETFs, like all investments, carry certain risks that may adversely affect their net asset value, market price, and/or performance. An ETF's net asset value (NAV) will fluctuate in response to market activity. Because ETFs are traded throughout the day and the price is determined by market forces, the market price you pay for an ETF may be more or less than the net asset value. Because ETFs are not actively managed, their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to not match the performance of its underlying index. Like other concentrated investments, an ETF with concentrated holdings may be more vulnerable to specific economic, political, or regulatory events than an ETF that mirrors the general U.S. market.

Past performance is not a guarantee of future results.

Mutual funds, money market funds, and exchange-traded funds are sold by prospectus, which can be obtained from your financial professional or the fund company. Prospectuses contains complete information about a fund, including its investment objectives, risks, charges and expenses. Investors should read the prospectus and consider this information carefully before investing.

Insurance products, including annuities, may include guarantees and other riders that are provided by the issuer of the insurance product. These guarantees are subject to the claims-paying ability of the issuer.

References to specific funds are provided for informational purposes only and are not an offer to buy or sell a specific investment.

Diversification and asset allocation are methods used to help manage risk. They do not ensure a profit or protect against a loss. There can be no assurance that any financial strategy will be successful. Dollar-cost averaging does not ensure a profit or protect against a loss in declining markets. Dollar-cost averaging involves continuous investment regardless of fluctuating prices. Holding a portfolio of securities for the long-term does not ensure a profitable outcome and investing in securities always involves risk of loss.

Dollar-cost averaging does not ensure a profit or protect against a loss in declining markets. Dollar-cost averaging involves continuous investment regardless of fluctuating prices. Investors should consider their financial ability to continue purchases through periods of high price levels.

This information is provided for informational purposes only and should not be considered tax advice. Please consult a tax professional for advice specific to your individual circumstances.

Indexes are unmanaged and not available for direct investment.

Comparison of Fund Types

Funds, including closed-end funds, exchange-traded funds (ETFs), money market funds, open-end funds, and unit investment trusts (UITs), have many similarities, but also many important differences. In general, publically-offered funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended. Funds pool money from their investors and manage it according to an investment strategy or objective, which can vary greatly from fund to fund. Funds have the ability to offer diversification and professional management, but also involve risk, including the loss of principal.

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. 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. A closed-end mutual fund's expense ratio is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Closed-end funds may also have 12b-1 fees. Income distributions and capital gains of the closed-end fund are subject to income tax, if held in a taxable account.

An 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, an ETF can be traded on a secondary market and thus have a market price that may be higher or lower than its 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. ETFs are not actively managed, so their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to vary from that of its underlying index. The expense ratio of an ETF is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. ETFs do not have 12b-1 fees or sales loads. Capital gains from funds held in a taxable account are subject to income tax. In many, but not all cases, ETFs are generally considered to be more tax-efficient when compared to similarly invested mutual funds.

Exchange-Traded Notes, or ETNs, are unsecured, unsubordinated debt securities issued with the backing of a financial institution. Unlike an ETF, which physically holds a portfolio of securities in order to track its benchmark, an ETN represents a promissory obligation on behalf of the backing financial institution to deliver the performance of the referenced benchmark, less fees.

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

An open-end fund is an investment company that issues shares on a continuous basis. Shares can be purchased from the open-end mutual fund itself, or through an intermediary, but cannot be traded on a secondary market, such as the New York Stock Exchange. Investors pay the open-end mutual fund's current net asset value plus any initial sales loads. Net asset value is calculated daily, at the close of business. Open-end mutual fund shares can be redeemed, or sold back to the fund or intermediary, at their current net asset value minus any deferred sales loads or redemption fees. The expense ratio for an open-end mutual fund is an annual fee charged to a shareholder. It includes operating expenses and management fees, but does not take into account any brokerage costs. Open-end funds may also have 12b-1 fees. Income distributions and capital gains of the open-end fund are subject to income tax, if held in a taxable account.

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. A one-time initial sales charge is deducted from an investment made into the trust. UIT investors may also pay creation and development fees, organization costs, and/or trustee and operation expenses. UIT units may be redeemed by the sponsor at their net asset value minus a deferred sales charge, and sold to other investors. UITs have set termination dates, at which point the underlying securities are sold and the sales proceeds are paid to the investor. Typically, a UIT investment is rolled over into successive trusts as part of a long-term strategy. A rollover fee may be charged for the exercise of rollover purchases. There are tax consequences associated with rolling over an investment from one trust to the next.

Comparison of Other Security Types

529 plans are tax-deferred college savings vehicles. Any unqualified distribution of earnings will be subject to ordinary income tax and subject to a 10% federal penalty tax. Tax law is ever-changing and can be quite complex. It is highly recommended that you consult with a financial or tax professional with any tax-related questions or concerns. An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. More information about municipal fund securities is available in the issuer's official statement, and the official statement should be read carefully before investing.

A bond is a debt security. When an investor purchases a bond, the purchase amount is lent to a government, municipality, corporation or other entity known as an issuer. The issuer promises to pay a specified rate of interest during the life of the bond and repay the face value of the bond when it matures. U.S Treasuries can be purchased directly from the Treasury or through a brokerage firm. Most other newly issued bonds are offered through an underwriter. Older bonds are traded throughout the day on the secondary market and can be purchased through a brokerage firm, who will charge transaction fees and commission for the purchase or sale.

A stock is an ownership interest in a company. When an investor purchases a stock, they become a business owner, and the value of their ownership stake will rise and fall according to the underlying business. Stockholders are entitled to the profits, if any, generated by the company after everyone else – employees, vendors, lenders – get paid. Companies usually pay out their profits to investors in the form of dividends, or they reinvest the money back into the business. Stocks trade on exchanges throughout the day, through a brokerage firm who will charge a commission for the purchase or sale of shares. Income distributions and capital gains of the stock are subject to income tax upon their sale, if held in a taxable account.

An annuity is a tax-deferred investment structured to convert a sum of money into a series of payments over time. Variable annuity contracts have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a death or living benefit, a schedule of payments, a fixed investment amount 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.

Fixed annuities have a predetermined rate of return an investor earns and a fixed income payout that is guaranteed by the issuing investment company, and may be immediate or deferred. Payouts may last for a specific period or for the life of the investor. Investments in a deferred fixed annuity grow tax-deferred with income tax incurred upon withdrawal, and do not depend on the stock market. However, the insurance company's guaranteed rate of return and payments depends on the claims-paying ability of the insurance company. Fixed annuities typically do not have cost-of-living payment adjustments. Fixed annuities often have surrender charges if the event you need to withdraw your investment early. Fixed annuities are regulated by state insurance commissioners.

Fixed indexed annuities, also called equity index annuities, are a combination of the characteristics of both fixed and variable annuities. Fixed indexed annuities offer a predetermined rate of return like a fixed annuity, but they also allow for participation in the stock market, like a variable annuity. Fixed indexed annuities are typically risker and offer the potential for greater return than fixed annuities, but less so than a variable annuity. Investments in a fixed indexed annuity grow tax-deferred with income tax incurred upon withdrawal. The insurance company's guaranteed rate of return and ability to make payments depends on the claims-paying ability of the insurance company. While fixed indexed annuities may limit an investor's gains in an up market, they are also designed to help limit losses in a down market. Fixed indexed annuities can be complicated and an investor in a fixed indexed annuity should carefully read the insurance company's offering material to understand how a specific annuity's return will be determined. Fixed indexed annuities often have surrender charges in the event you need to withdraw your investment early and are regulated by state insurance commissioners.

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. The insurance company offering a variable life contract will charge several fees to investors, including annual contract charges that compensate the insurance company for the cost of maintaining and administering the variable life contract, mortality and expense risk (M&E Risk) charges based on a percentage of a subaccount's assets to cover costs associated with mortality and expense risk, and administration fees that are based on a percentage of a subaccount's assets to cover the costs involved in offering and administering the subaccount. A variable life investor will also be charged a front-end load by the insurance company on their initial contribution, ongoing fees related to the management of the fund, and surrender charges if the investor makes a withdrawal prior to a specified time. If the variable annuity subaccount is invested in a money-market fund, the money market fund is not FDIC-insured, may lose money, and is not guaranteed by a bank or other financial institution.

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. The insurance company offering a variable annuities will charge several fees to investors, including annual contract charges that compensate the insurance company for the cost of maintaining and administering the variable annuity contract, mortality and expense risk (M&E Risk) charges based on a percentage of a subaccount's assets to cover costs associated with mortality and expense risk, and administration fees that are based on a percentage of a subaccount's assets to cover the costs involved in offering and administering the subaccount. A variable annuity investor will also be charged a front-end load by the insurance company on their initial contribution, ongoing fees related to the management of the fund, and surrender charges if the investor makes a withdrawal prior to a specified time. If the variable life subaccount is invested in a money-market fund, the money market fund is not FDIC-insured, may lose money, and is not guaranteed by a bank or other financial institution.

Morningstar Data Point Disclosures

Morningstar Analyst Rating™

The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluated funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects an analyst's conviction in a fund's prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to http://corporate1.morningstar.com/AnalystRating/.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a fund. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.

Morningstar Economic Moat

The idea of an economic moat refers to how likely companies are to keep competitors at bay for an extended period. The following attributes can give companies a wider economic moat: huge market share; low cost producer; patents, copyrights, or governmental approvals and licenses; unique corporate culture; high customer-switching costs; and network effect. A company can be rated as having no economic moat, a narrow economic moat, or a wide economic moat. The moat ratings of the fund's underlying equities are aggregated and displayed as a percentage of the fund's equity holdings with moat ratings.

Morningstar Fair Value

Each stock's fair value is estimated by utilizing a proprietary discounted cash flow model (DCF). This model assumes that the stock's value is equal to the total of the free cash flows of the company is expected to generate in the future, discounted back to the present at the rate commensurate with the riskiness of the cash flows. As with any DCF model, the ending value is highly sensitive to Morningstar's projections of future growth.

Morningstar Pillar Ratings

Morningstar Pillar Ratings are subjective evaluations of funds performed by manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Morningstar's analysts assign each pillar a rating of Positive, Neutral, or Negative. Morningstar Pillar Scores are then used to help determine the fund's Morningstar Analyst Rating.

The Morningstar Pillar Rating should not be used as the sole basis in evaluating a fund. Morningstar Pillar Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.

Morningstar Rating™

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Morningstar Rating™ for Stocks

The Morningstar Rating for Stocks is a forward-looking, analyst-driven measure of a stock's current price relative to the analyst's estimate of what the shares are worth. Stock star ratings indicate whether a stock, in the equity analyst's educated opinion, is cheap, expensive, or fairly priced. To rate a stock, an analyst estimates what he thinks it is worth (its "fair value"), using a detailed, long-term cash flow forecast for the company. A stock's star rating depends on whether its current market price is above or below the fair value estimate. Those stocks trading at large discounts to their fair values receive the highest ratings (4 or 5 stars). Stocks trading at large premiums to their fair values receive lower ratings (1 or 2 stars). A 3-star rating means the current stock price is fairly close to the analyst's fair value estimate.

Investment Risks

401(k), 403(b), and IRA plans are long-term retirement-savings vehicles. Withdrawal of pretax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty. Direct contributions to a Roth IRA are not tax-deductible but may be withdrawn free of tax at any time. Earnings may be withdrawn tax and penalty free after a 5 year holding period if the age of 59 1/2 (or other qualifying condition) is met. Otherwise, a 10% federal tax penalty may apply. This is for informational purposes only and should not be considered tax or financial planning advice. Please consult with a financial or tax professional for advice specific to your situation.

Agency Bonds: Bonds issued or guaranteed by U.S. federal government agencies are backed by the "full faith and credit of the U.S. government," like Treasury bonds, which means the government commits to pay interest and the full principal investment of the bond. Bonds issued by government-sponsored enterprises are not backed by the same guarantee as federal government agencies and therefore carry additional risk as the agency may not be able to meet their obligations.

Alternative Strategies: Alternative strategies are more aggressive ways of striving to enhance the risk/return profile of a fund. Investing in alternative strategies may involve a greater degree of investment risk than traditional investment strategies. Alternative strategies generally have increased market, economic, political and currency instability risks than traditional investments. They may be more volatile, less liquid, less transparent, and subject to looser governmental and accounting regulations than traditional investments and may not be suitable for all investors.

American Depositary Receipts: American Depositary Receipts, or ADRs, are foreign stocks listed on a U.S. exchange. Investment risks associated with ADRs and foreign stocks include, but are not limited to, currency, inflationary, and liquidity risks as well as the risk of adverse political, economic and social developments of the underlying issuer's home country. The underlying issuers of certain ADRs are under no obligation to distribute shareholder communications to ADR holders, or to pass through any voting rights with respect to the deposited securities

Bank Loan/Senior Debt: Bank loans and senior loans are impacted by the risks associated with fixed income in general, including interest rate risk and default risk. They are often non-investment grade; therefore, the risk of default is high. These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility.

Bonds: Bonds are subject to interest rate risk. As the prevailing level of bond interest rates rise, the value of bonds already held in a portfolio declines. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. With corporate bonds an investor is a creditor of the corporation and the bond is subject to default risk, which is the risk associated with the issuer failing to meet its contractual obligations either through a default or credit downgrade. Corporate bonds are not guaranteed. With international bonds the investor is a creditor of a foreign government or corporation. TIPS are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. TIPS are subject to risks which include, but are not limited to, liquidity risk, credit risk, income risk, and interest-rate risk.

Common stocks: Investments in common stocks involve risk (e.g., market and general economic conditions) and will not always be profitable. Common stocks are typically subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions.

Call risk or reinvestment risk: If a bond is callable, the issuer can redeem it prior to maturity, on defined dates for defined prices. Bonds are usually called when interest rates are falling, leaving the investor to reinvest the proceeds at lower rates.

Commodities: Commodity transactions carry a high degree of risk, and a substantial potential for loss. In light of the risks, you should undertake commodities transactions only if you understand the nature of the contracts (and contractual relationships) you are entering into, and the extent of your exposure to risk. Trading in commodities is not suitable for many members of the public. You should carefully consider whether this type of trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Corporate bonds are issued by companies to generate capital for expenses and operations. Corporate bonds can vary greatly, and must be researched in terms of structure, maturity, credit quality, and interest rates. Interest is typically paid at regular intervals, and is subject to federal and state taxes. Non-investment grade bonds are called "high yield bonds" or "junk bonds" because they generally offer high yield potential than an investment grade bond or a Treasury bond due to their increased risks.

Default risk: Default risk is the possibility that a bond issuer will be unable to make interest or principal payments when they are due. If these payments are not made according to the agreements in the bond documentation, the issuer can default.

Derivatives: Derivatives are financial contracts between two parties where the return depends on the perofmrnace of a specific underlying asset. Common types of derivative contracts include futures, forwards, options, and swaps, and these can be based on assets like stocks, bonds, commodities, indexes, or foreign currencies. Investors can benefit if the derivatives strategy is more efficient than buying or selling the underlying asset outright, due to current market prices, transactions costs, taxes, or the structural advantages of these contracts. However, derivatives carry risks associated with the underlying asset ad additional risks unique to each type of contract. One risk is that the performance of the derivative will diverge from the performance of the underlying asset. Privately negotiated derivatives have risks related to the counterparty's ability to settle gains and losses.

Dividends: Dividends are not guaranteed and are paid at the discretion of the stock-issuing company.

Event risk: Event risk is the risk that a bond's issuer undertakes a leveraged buyout, debt restructuring, merger or recapitalization that increases its debt load, causing its bonds' values to fall, or interferes with its ability to make timely payments of interest and principal. Event risk can also occur due to natural or industrial accidents or regulatory change.

Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest. Although ETNs are listed on an exchange like an ETF, an active trading market for the ETN may not exist at any given time. Issuers are not required to make a market in an ETN and there are no guarantees of redemptions. Given their lack of liquidity, any redemptions of ETNs may come at a value far less than the purchase price. Some ETNs are subject to call risks such that the issuer may redeem the debt instrument prior to maturity and investors may have to forego future income. Tax issues for ETNs are highly complex and still unclear with respect to any income generated with ETNs.

Fat-Pitch Strategy: Morningstar, Inc. does not guarantee that the objectives of the fat-pitch strategy will be achieved. Actual results of an investor using this strategy will vary substantially and could include an individual incurring a loss. Opinions expressed are as of the current date; such opinions are subject to change without notice. This commentary is for informational purposes only and is not tailored to suit any individual.

Gold: Gold, like any other coin or bullion, is subject to investment risks like perceived scarcity of coin, its quality, current demand, market sentiment, and economic factors.

High double- and triple-digit returns: High double- and triple-digit returns were the result of extremely favorable market conditions, which may not continue to be the case. High returns for short time periods must not be a major factor when making investment decisions.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve 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 that, if the industry is hit by hard times, will lack diversification and possible loss of investment would be likely. These securities can trade at a discount to market price, ownership is of a fractional share interest, the underlying investments may not be representative of the particular industry, the HOLDR might be delisted from the AMEX if the number of underlying companies drops below nine, and the investor may experience trading halts.

Hedge Funds: The investor should note that hedge fund investing involves specialized risks that are dependent upon the type of strategies undertaken by the manager. This can include distressed or event-driven strategies, long/short strategies, using arbitrage (exploiting price inefficiencies), international investing, and use of leverage, options and/or derivatives. Although the goal of hedge fund managers may be to reduce volatility and produce positive absolute return under a variety of market conditions, hedge funds may involve a high degree of risk and are suitable only for investors of substantial financial means who could bear the entire loss of their investment.

Inflation risk: Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices. Inflation-indexed securities such as Treasury Inflation Protection Securities (TIPS) are structured to help mitigate inflation risk.

Interest rate risk: When interest rates rise, bond prices fall. Interest rate risk declines as the maturity date gets closer.

International/Emerging Market Equities: Investing in international securities involves 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.

Legislative risk: Legislative risk is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/gearing ratio is the amount of excess return that a leveraged investment is designed to achieve in comparison to its index performance (i.e. 200%, 300%, -200%, or -300% or 2X, 3X, -2X, -3X). Compounding has the ability to affect the performance of the fund to be either greater or less than the index performance multiplied by the multiple stated within the funds objective over a stated time period.

Long-Short: 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.

Liquidity risk: Liquidity risk is the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume. Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

Margin: Purchasing securities on margin is where the investment dealer lends a customer part of the purchase price of the securities. The client must deposit a "margin" and the balance is advanced by the investment dealer. Most investment firms will advance up to 50% of the value of securities in the margin account if the client holds acceptable collateral. But margin accounts are highly risky investment strategies for sophisticated investors. The investment dealer can make a margin call and demand that the client deposit more money when the value of the account falls below a certain level. In a falling market, a client may find it difficult to cover a margin call and may be forced to sell investments at a loss. It is possible for a client to lose more funds than they deposited in the margin account.

Market Risk: Market risk is the risk that the market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics. The market prices of ETFs and HOLDRs can fluctuate as a 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.

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

Master Limited Partnerships: Master Limited Partnerships, or MLPs, are securities that typically hold cash-generating assets, like oil and gas properties. MLPs have governance, volatility, distribution, industry and diversification risks. Investors in a MLP are responsible for federal and state taxes on their share of the MLP's income, gains, and losses and may need to file state tax returns in states where the MLP operates.

Mid Cap Equities: Portfolios that invest in companies with market capitalization below $10 billion involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Money Market Funds: An investment in a money-market vehicle is not insured or guaranteed by the FDIC or any other government agency. 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.

> Institutional Money Market Funds: You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.
>
> Government Money Market Funds that have chosen to rely on the ability to impose liquidity fees and suspend redemptions and Retail Money Market Funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance

Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Government Money Market Funds that have chosen not to rely on the ability to impose liquidity fees and suspend redemptions. You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Mortgage-backed Securities: Mortgage-backed securities are bonds issued or guaranteed by a U.S. government agency or private firm and secured by pooled home and real estate loans. The issuing organization pays the interest and principal payments, therefore, the creditworthiness of an issuing organization can vary greatly. Most mortgage-backed securities pay interest monthly, and the payment amount may vary. Pass-through mortgage-backed securities "pass through" mortgage payments received from a pool of similar fixed-rate, adjustable-rate, and other mortgage loans. Collateralized mortgage obligations, or CMOs, are created from many pooled securities and are more complex than pass through mortgage-backed securities. CMOs are typically used by sophisticated investors since they can vary greatly and require additional analysis in terms of the characteristics and risks (including credit quality, prepayment rates, average lifespan, interest rates and their effect on value and prepayment rates, tax considerations, minimum investments, transaction costs, and liquidity) and the CMO's structure. Government agency backed CMOs only back the face value of the CMO. A CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepare the mortgages underlying the CMO and changes in current interest rates. Mortgage-backed securities may not be suitable for many investors.

Municipal Bonds: Municipal bonds are issued by states, cities, counties and other governmental entities to raise money for public projects such as roads and schools. Municipal bonds typically pay interest semiannually and have a specific maturity date. Each municipal bond is different and therefore requires additional research before investing. Municipal bonds may be illiquid and may not be competitive in the marketplace and may have additional tax implications.

Non-Diversified Strategies: Portfolios that invest a significant percentage of assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Options: Options are contracts to buy or sell a security and may be speculative. It is possible to lose the entire amount invested in an option, and in some option types, losses may be unlimited. Option investing is subject to risk, may be complex, and may not be suitable for all investors. Additional information about options can be found in the Characteristics and Risks of Standardized Options document which can be found at: http://www.optionsclearing.com/components/docs/riskstoc.pdf.

Real Estate Investment Trusts: Investing in real estate involves risks including valuation and appraisal risks, financial risk, market risk, income volatility risk and foreign investment risks. Non-traded real estate investment trusts, or REITs, are typically illiquid and are not transparent.

Sector Strategies: Portfolios that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks.

Short Positions: When a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker may demand more collateral and a manager might have to close out a short position at an inopportune time to limit further losses.

Small Cap Equities: Portfolios 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.

Target-Date Funds: Target-date funds typically invest in other mutual funds and are designed for investors who are planning to retire during the target date year. The fund's target date is the approximate date when investors expect to begin withdrawing their money. A target-date fund's investment objective/strategy typically becomes more conservative over time, primarily by reducing its allocation to equity mutual funds and increasing its allocations in fixed-income mutual funds. An investor's principal value in a target-date fund is not guaranteed at any time, including at the fund's target date.

Tax-Free Municipal Bonds: A municipal bond investor is a creditor of the issuing municipality and the bond is subject to default risk. The investor should note that the income from tax- free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax, and federal taxes would apply to any capital gains distributions.

Common Indexes

Dow Jones Industrial average: The Dow Jones Industrial Average®, also referred to as The Dow® ,is a price-weighted measure of 30 U.S. blue-chip companies. The Dow® covers all industries with the exception of transportation and utilities.

FTSE All-World Index: The FTSE All-World Index is a market-capitalization weighted index representing the performance of the large and mid cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization.

NASDAQ 100 Index: The NASDAQ 100 includes 100 of the largest non-financial securities listed on the NASDAQ Stock Market based on market capitalization. It does not contain financial companies including investment companies.

NASDAQ Composite Index: The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market.

New York Stock Exchange Composite Index: The NYSE Composite Index is designed to measure the performance of all common stocks listed on the NYSE, including ADRs, REITs and tracking stocks.

NYSE US 100 Index: The NYSE U.S. 100 Index tracks the top 100 U.S. stocks trading on the NYSE. The companies represented have a market capitalization of $5.95 trillion, which covers 47% of the entire market capitalization of U.S. companies and over 62% of U.S. companies listed on the NYSE.

S&P 500 Index: A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the stock market.

Wilshire 5000 Index: The Wilshire 5000 Total Market Index measures the performance of all U.S. equity securities with readily available price data.