



MASON
INVESTMENT ADVISORY
SERVICES, INC.

Investment Stewardship

Community Foundation of the Florida Keys
November 13, 2012

Investment Stewardship: So You Can Focus on Your Mission

Presented by:
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Mason Investment Advisory Services, Inc.

- **Founded 1982 – Financial Planning Roots**
 - Independent, No Proprietary Products
- **Investment Advisory Summary**
 - Assets Under Management
 - Investment Management Clients
 - Average Account Size
- **Employees – 55 Total**
 - Dedicated to Investment Management
 - Internal Investment Managers
- **Clients in 37 States**
- **Focus on Community Foundations**
 - 17 Clients, \$475M in Assets, Average \$28M
- **Strategic Partnerships**
 - Council on Foundations

	<u>Total</u>	<u>Institutional</u>
– Assets Under Management	\$3B	\$940M
– Investment Management Clients	759	44
– Average Account Size	\$3.94M	\$21.4M

– Dedicated to Investment Management	14
– Internal Investment Managers	6



Community Foundation Focus

**Mason Investment Advisory Services, Inc.
Community Foundation Relationships
Through September 30, 2012**

Number	Account Type	Account Value*	(Year-Month)	State
1	Community Foundation of the Eastern Shore	\$ 77,000,000	1998 - 07	MD
2	Wyoming Community Foundation	\$ 73,000,000	2010 - 07	WY
3	First Community Foundation of Pennsylvania	\$ 62,000,000	2006 - 12	PA
4	Community Foundation of Central Georgia	\$ 57,000,000	2008 - 03	GA
5	Community Foundation of Greater Lafayette	\$ 33,000,000	2010 - 09	IN
6	Community Foundation of North Central Massachusetts	\$ 33,000,000	2005 - 06	MA
7	Porter County Community Foundation	\$ 25,000,000	2009 - 12	IN
8	Blue River Community Foundation	\$ 24,000,000	2006 - 03	IN
9	Community Foundation of Washington County	\$ 20,000,000	2008 - 12	MD
10	Community Foundation of Bloomington and Monroe County	\$ 18,000,000	2012 - 02	IN
11	York County Community Foundation	\$ 13,000,000	2010 - 09	PA
12	Bucyrus Area Community Foundation	\$ 11,000,000	2012 - 06	OH
13	Hancock County Community Foundation	\$ 9,000,000	2006 - 03	IN
14	Community Foundation of the Central Blue Ridge	\$ 9,000,000	2009 - 07	VA
15	Community Foundation of the Florida Keys	\$ 7,400,000	2008 - 06	FL
16	Richmond Community Foundation	\$ 3,000,000	2012 - 02	CA
17	Community Foundation of the Northern Shenandoah Valley	\$ 1,000,000	2008 - 09	VA
Total		\$ 475,400,000		

* Account Values are Approximated



Power of Endowment



Interest Rate Trends

	5 Year Nominal	5 Year TIPS	10 Year Nominal	10 Year TIPS	20 Year Nominal	20 Year TIPS
Current Yield (as of 10-31-12)	0.72	-1.40	1.72	-0.78	2.46	-0.07
Average 2003-October 2012*	2.92	0.97	3.71	1.53	4.35	1.83
Min	0.62	-1.47	1.53	-0.75	2.22	-0.01
Max	5.07	3.69	5.11	2.89	5.46	3.00
Rise from current level to bring in line with recent historical average.	2.20	2.37	1.99	2.31	1.89	1.90

*Average, Maximum, and Minimum Yields are based on monthly averages from 2003 through October 2012 except for 20 Year TIPS which are from July 2004 to October 2012.

Current Environment

Treasury Yields as of October 31, 2012	Nominal	TIPS	Implicit Inflation
5 Year	0.72	-1.40	2.12
10 Year	1.72	-0.78	2.50
20 Year	2.46	-0.07	2.53



“C” Allocation with - 30% Rebalancing Bands

Asset Allocation Targets - "C" Portfolio (Growth & Income)
(30% bands)

<u>Asset Category</u>	<u>Rebalancing Trigger - Low End</u>	<u>Portfolio Percentage Allocation</u>	<u>Rebalancing Trigger - High End</u>
I. Safety Assets	1.4%	2.0%	2.6%
Total Safety Assets		2.0%	
II. Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	5.1%	7.25%	9.4%
Intermediate Term Maturities (5-10 yrs)	5.3%	7.5%	9.8%
Long Term Maturities (10+ yrs)	5.3%	7.5%	9.8%
Inflation Protected Bond	4.0%	5.75%	7.5%
International Bonds	3.5%	5.0%	6.5%
Total Income Assets		33.0%	
III. Growth Assets			
Large Cap U.S. Stocks - Value	9.5%	13.5%	17.6%
Large Cap U.S. Stocks - Growth	5.6%	8.0%	10.4%
International Stocks - Value	5.6%	8.0%	10.4%
International Stocks - Growth	3.9%	5.5%	7.2%
Growth Real Estate	7.7%	11.0%	14.3%
Total Growth Assets		46.0%	
IV. Aggressive Assets			
Small Cap U.S. Stocks - Value	3.5%	5.0%	6.5%
Small Cap U.S. Stocks - Growth	2.1%	3.0%	3.9%
International Small Cap	1.8%	2.5%	3.3%
Energy/Natural Resources	3.0%	4.25%	5.5%
Commodities	3.0%	4.25%	5.5%
Total Aggressive Assets		19.0%	
TOTAL PORTFOLIO		100.0%	

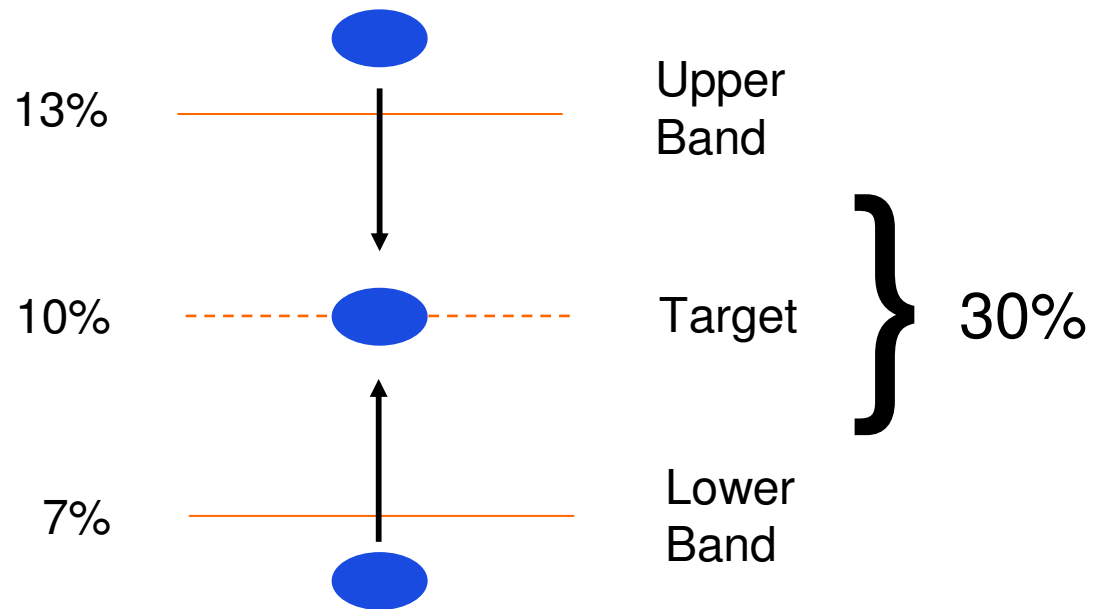


Annual Asset Class Leaders

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Best ↑ Performance ↓ Worst	Large Growth	Small Growth	Commodities	Small Value	Commodities	International Small Cap	Real Estate	Natural Resources	Real Estate	Natural Resources	Cash	Natural Resources	Real Estate	Long Term Bond
	Foreign Lg Growth	Foreign Lg Growth	Natural Resources	Real Estate	Inflation Protected Bond	Small Growth	International Small Cap	International Small Cap	Foreign Lg Value	Foreign Lg Growth	Zero Return	International Small Cap	Small Growth	Inflation Protected Bond
	Large Value	Large Growth	Real Estate	Long Term Bond	World Bond	Small Value	Natural Resources	Commodities	Foreign Lg Growth	Commodities	World Bond	Foreign Lg Growth	Small Value	Real Estate
	Foreign Lg Value	Natural Resources	Small Value	Inter-Term Bond	Long Term Bond	Foreign Lg Value	Foreign Lg Value	Foreign Lg Growth	International Small Cap	Large Growth	Long Term Bond	Large Growth	International Small Cap	Inter-Term Bond
	World Bond	Foreign Lg Value	Inflation Protected Bond	Short Term Bond	Inter-Term Bond	Real Estate	Small Value	Foreign Lg Value	Large Value	Inflation Protected Bond	Inflation Protected Bond	Small Growth	Natural Resources	World Bond
	Inter-Term Bond	International Small Cap	Large Value	Inflation Protected Bond	Short Term Bond	Foreign Lg Growth	Foreign Lg Growth	Real Estate	Small Value	Foreign Lg Value	Short Term Bond	Small Value	Commodities	Short Term Bond
	Short Term Bond	Commodities	Inter-Term Bond	Cash	Real Estate	Natural Resources	Large Value	Large Growth	Small Growth	International Small Cap	Inter-Term Bond	Real Estate	Large Growth	Cash
	International Small Cap	Small Value	Long Term Bond	World Bond	Cash	Large Growth	Small Growth	Small Value	Natural Resources	Small Growth	Small Value	Foreign Lg Value	Foreign Lg Growth	Zero Return
	Long Term Bond	Large Value	Short Term Bond	Zero Return	Zero Return	Large Value	Commodities	Large Value	Large Growth	World Bond	Commodities	Large Value	Large Value	Large Value
	Inflation Protected Bond	Cash	Cash	Large Value	Natural Resources	Commodities	World Bond	Small Growth	World Bond	Cash	Large Value	Commodities	Long Term Bond	Large Growth
	Small Growth	Short Term Bond	World Bond	Small Growth	International Small Cap	World Bond	Large Growth	Cash	Cash	Inter-Term Bond	Large Growth	Long Term Bond	Inter-Term Bond	Small Growth
	Cash	Inflation Protected Bond	Zero Return	Natural Resources	Small Value	Long Term Bond	Inflation Protected Bond	Long Term Bond	Long Term Bond	Short Term Bond	Small Growth	Inter-Term Bond	Foreign Lg Value	Small Value
	Zero Return	Zero Return	Foreign Lg Value	International Small Cap	Foreign Lg Value	Inflation Protected Bond	Long Term Bond	Inflation Protected Bond	Inter-Term Bond	Long Term Bond	Real Estate	World Bond	World Bond	Foreign Lg Growth
	Small Value	Inter-Term Bond	Small Growth	Foreign Lg Value	Large Value	Inter-Term Bond	Inter-Term Bond	Inter-Term Bond	Short Term Bond	Large Value	Foreign Lg Value	Inflation Protected Bond	Inflation Protected Bond	Foreign Lg Value
	Real Estate	World Bond	International Small Cap	Commodities	Foreign Lg Growth	Short Term Bond	Short Term Bond	Short Term Bond	Commodities	Zero Return	Foreign Lg Growth	Short Term Bond	Short Term Bond	Commodities
Natural Resources	Real Estate	Large Growth	Large Growth	Large Growth	Cash	Cash	Zero Return	Zero Return	Small Value	International Small Cap	Cash	Cash	Natural Resources	
Commodities	Long Term Bond	Foreign Lg Growth	Foreign Lg Growth	Small Growth	Zero Return	Zero Return	World Bond	Inflation Protected Bond	Real Estate	Natural Resources	Zero Return	Zero Return	International Small Cap	

Rebalancing Example

Overweight



Underweight



Rebalancing Studies

- **“Opportunistic Rebalancing: A New Paradigm for Wealth Managers”**
 - Journal of Financial Planning – 2008
- **“Rebalancing in a Volatile Market”**
 - Mason Internal Study – 2009
- **Mason Study on Rebalancing Bands**
 - Mason Internal Study – 2011

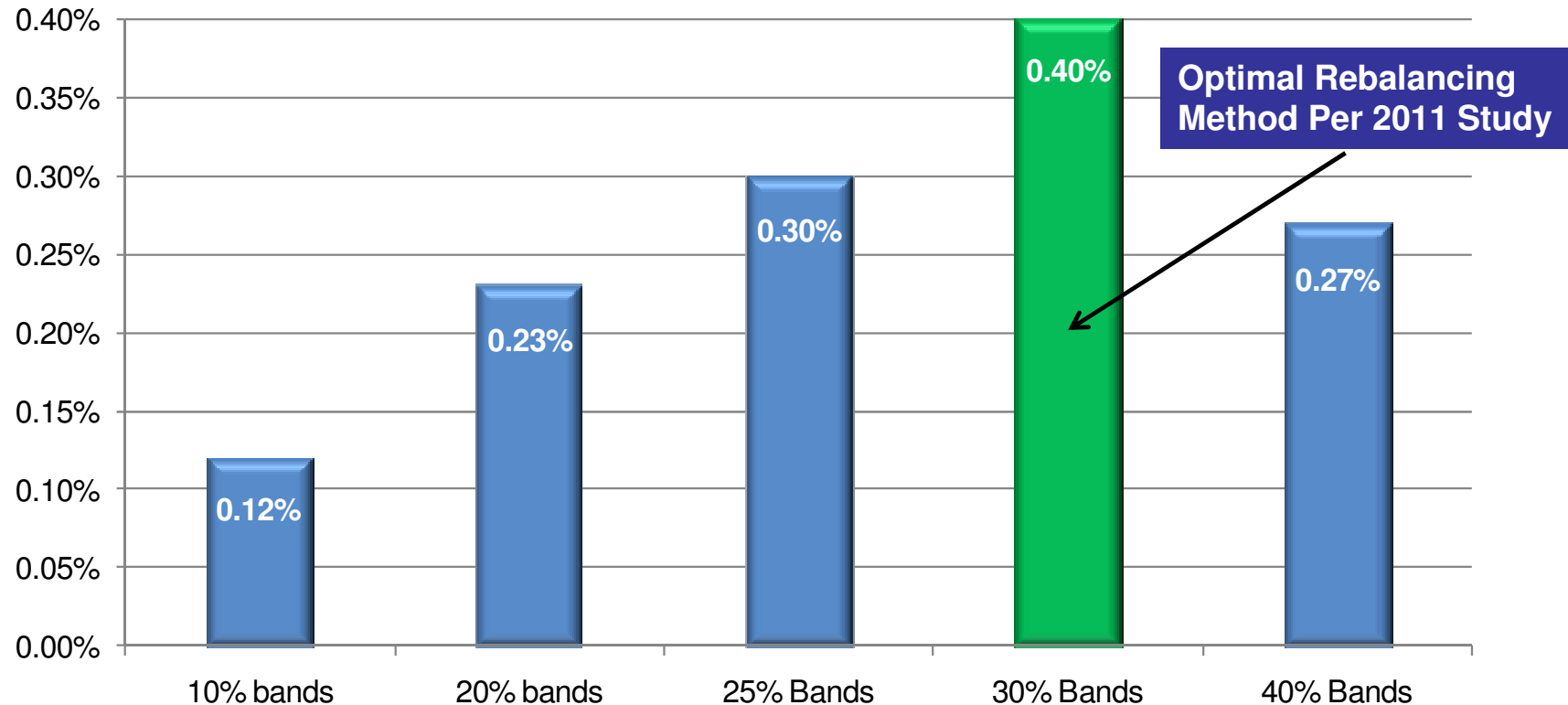


Rebalancing Methodology

- **Buy low/sell high**
- **Evolution of Mason's Rebalancing Methodology**
 - Technology moves us forward
 - Up to 2006 - Review and rebalance quarterly, 15% rebalance bands
 - 2006 to 2011 – Review every 10 business days, rebalance if necessary, 20% bands
 - 2011 to Present – Review every 10 business days, rebalance if necessary, 30% bands
- **Implementation Plan Options**
 - Board, Committee, Staff
 - Delayed implementation may lead to missed opportunities
 - Potential for less discipline – more emotion
 - Investment Consultant
 - Delegation via limited discretion
 - Oversight by Committee



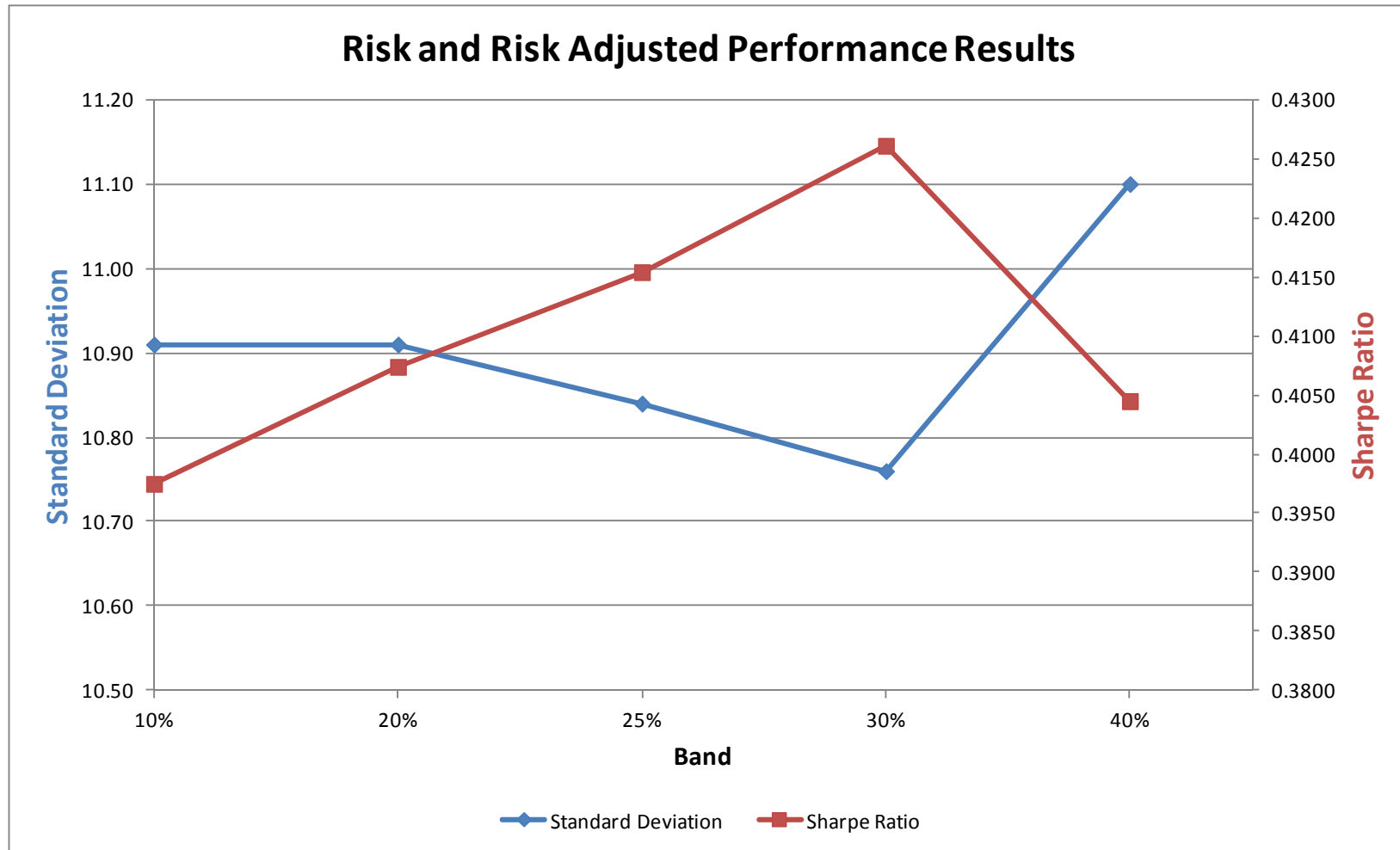
2011 Rebalancing Study Results



The chart above displays the additional return (or “*excess return rebalance benefit*”) over a portfolio in which all asset classes were **rebalanced each quarter back to target**. As indicated by the green colored bar, a **portfolio utilizing 30% rebalancing parameters** for each asset class generated an **additional annualized 0.40% return**, compared to a portfolio that was rebalanced every quarter.



2011 Rebalancing Study Results



Foundation's Performance

	<u>Year-To-Date</u> 12-31-11 to 09-30-12	<u>1 Year</u> 09-30-11 to 09-30-12	<u>3 Year</u> 09-30-09 to 09-30-12	<u>Inception</u> 09-30-08 to 09-30-12
Foundation Portfolio	10.24	16.88	8.52	7.71
Growth & Income Reference Point	10.10	16.69	8.25	6.75
65/35 Global Stock/Global Taxable Bond	9.99	15.18	6.57	6.38



Target Return Analysis

as of 09/30/12

	<u>3 Year</u>	<u>5 Year</u>	<u>Since Inception</u> <u>(09/30/08)</u>
Consolidated Portfolio Return (IRR)	8.51%	N/A	6.11%
	<u>3 Year</u>	<u>5 Year</u>	<u>Since Inception</u> <u>(09/30/08)</u>
Consolidated Portfolio Return (TWR)	8.52%	N/A	7.71%
Consumer Price Index (CPI)	<u>2.35%</u>	<u>N/A</u>	<u>1.41%</u>
Consolidated Portfolio Return Minus CPI	6.17%	N/A	6.30%
Target Return From IPS: Real Return Rolling Five Year Period (Grantmaking Rate 4.5% + Avg. Admin Fee 1.5%)			6.00%

TWR - Time Weighted Rate of Return

IRR - Internal Rate of Return



Council on Foundations Investment Survey Results as of 06/30/12

	<u>Qtr.</u>	<u>1 Year</u>	<u>3 Year</u>
CFFK (as calculated by COF)	-2.18%	-0.91%	11.67%
Median Returns - CFs \$5 to \$24.9 million	-2.70%	-1.10%	10.70%
CFFK TWR (as calculated by Mason)	-2.21%	-0.98%	11.71%
CFFK IRR (as calculated by Mason)	-2.19%	-0.99%	12.02%

TWR - Time Weighted Rate of Return

IRR - Internal Rate of Return



QUESTIONS?



Additional Slides



Mason Investment Committee Members

BARRY C. BEACH, MBA, CFP®, AIF, **Voting Member** - joined The Mason Companies in December, 1994. Prior to that date, Mr. Beach was a Vice President and Trust Investment Officer with Riggs National Bank. He received an MBA with a concentration in finance and investments from George Washington University in 1993. Mr. Beach received a Bachelor of Business Administration degree in accounting from James Madison University in 1982. He also received is Certified Financial Planner designation in 1997 and his AIF certification in 2011.

ALLISON CLARK, CFP, **Voting Member** - joined The Mason Companies in July, 2008. Prior to joining The Mason Companies, Ms. Clark worked for Merrill Lynch as a financial advisor in the Global Wealth Management division. Prior to that, Ms. Clark was a student at George Mason University where she graduated in May 2005 with a Bachelor of Science degree in Finance.

GREG DRUEHL, CFA, MBA, AIF, **Voting Member** - joined The Mason Companies in September 2011 as a Senior Investment Consultant. Prior to joining The Mason Companies, Mr. Druehl worked for Fannie Mae as the Director of Fixed-Income Marketing, Capital Markets. He is a former Assistant Adjunct Professor at Marymount University. He received his MBA from Columbia Business School in 1994; and, his Bachelor of Arts from Pomona College in 1990. In 2000, Mr. Druehl received his CFA designation and in 2011 he received his AIF certification.

SCOTT S. GEORGE, MBA, **Voting Member** - joined The Mason Companies in April, 1988. Mr. George started his career at Equity Programs Investment Corporation as an accountant and, later, as a financial analyst and assistant treasurer for several subsidiary companies. Starting in 1983, he was employed by The Fortune Companies where he was responsible for personal financial planning and investment analysis, which lead to several years in independent practice. He was appointed President and Director of Mason Securities, Inc. in March, 1991. He is also chairman of the investment committee of Mason Investment Advisory Services, Inc. Mr.

George received his Bachelor of Business Administration degree with a concentration in accounting in 1980 and his Master of Business Administration, with a concentration in finance and investments in 1985, both from the George Washington University.

MAX GONSON, CPA, MBA, CFP®, **Voting Member** - joined The Mason Companies in September, 1998. Prior to that date, Mr. Gonson was a Senior Contracts Manager with Family Health International. Prior to that, he was a Finance and Administration Manager with World Learning, Inc. He received his Masters of Business Administration with a concentration in finance and information systems from the University of California, Berkeley, in 1985 and his Bachelors of Science degree in accounting from The University of Maryland in 1979. Mr. Gonson obtained his Certified Public Accountant designation in 1981 and his Certified Financial Planner designation in 2001.

JOYCE M. HAMMAN, MBA, **Voting Member** - joined The Mason Companies in February, 2000. Prior to that date, Ms. Hamman was a Financial Consultant with Wheat First Securities. Prior to that, she was a Branch Manager for First Bank, Strasburg. Ms. Hamman received her Masters of Business Administration from Shenandoah University in 1983 and her Bachelor of Science degree from Virginia Polytechnic Institute and State University in 1976.

BRIAN M. KELLEY, CFP®, **Voting Member** - joined the Mason Companies in August, 1998. He graduated from Denison University in 1998 with a Bachelor of Arts in economics. Prior to that, he worked as an intern at J.W. Garrett & Company, an investment management company in Phoenix, Arizona. He obtained his Certified Financial Planner designation in 2006.

Mason Investment Committee Members – Cont.

WILLIAM N. MASON, III, Founder and President, **Voting Member** - founded The Mason Companies in 1982. Prior to that date, Mr. Mason was a financial consultant with Connecticut General, where he was employed for 18 years. While at Connecticut General, Mr. Mason developed a national clientele in the fields of executive compensation and estate planning, and he served for three years on the Corporate Advisory Committee of Connecticut General. Since its inception, Mr. Mason has grown The Mason Companies from two employees to its current staff of over 45 full-time employees. During this period, Mr. Mason has advised heads of the nation's largest corporations and counseled many of the wealthiest families in the U.S. and around the world.

THOMAS R. PUDNER, CPA, CFA, CFP®, MST, **Voting Member** - joined The Mason Companies in February, 2006. Prior to joining the Mason Companies, Mr. Pudner served as a Senior Financial Advisor with Freed Myers and as a Private Wealth Advisor with Merrill Lynch's Private Banking and Investment Group. Mr. Pudner has also served as a Personal Financial Planning Manager and Registered Investment Advisor with KPMG, LLP. Mr. Pudner received his Certified Financial Planner designation in 2001. He received his CFA in 2006, received his Masters in Taxation from Virginia Commonwealth University in 1994 and his Bachelor of Business Administration from The College of William and Mary in 1991. He has been quoted in several publications including *The Wall Street Journal* and *Money Magazine* and has appeared on National Public Radio's *Morning Edition*.

ROBERT RHEA joined The Mason Companies in May, 2008. Prior to that date, Mr. Rhea worked for the National Association of College and University Business Officers (NACUBO) in Washington, DC. Prior to that, Mr. Rhea was a student at The Pennsylvania State University where he graduated in May of 2004 with a Bachelors of Science in Finance.

RANDY RYAN CPA, MSA, PSA, **Voting Member** - joined The Mason Companies in April, 2007. Prior to joining the Mason Companies,

Mr. Ryan worked at Watkins, Meegan, Drury & Co. as a senior manager in Bethesda, Maryland. Prior to that Mr. Ryan worked for AICPA as a senior manager in Jersey City, New Jersey. Prior to that he worked at PriceWaterhouseCoopers in Columbus, Ohio. He received a Masters in Accounting with a concentration in Tax from the University of Virginia in May 1995 and a Bachelors of Science in Accounting and Finance from Ohio Northern University in 1994. He received his Certified Public Accountant designation in 1999 and his Personal Financial Specialist designation in 2000.

CHRIS SCHREINER, CPA, MS, CFP®, **Voting Member** – joined The Mason Companies in February, 2000. Prior to that, Mr. Schreiner was a Manager with PriceWaterhouseCoopers, LLP. Prior to that, he was a Senior Tax Consultant with Deloitte & Touche, LLP. Mr. Schreiner received his Masters of Science with a concentration in tax in May, 1994 and his Bachelor of Science with a concentration in accounting in May 1993, both from the University of Virginia. He obtained his Certified Public Accountant designation in 1994 and his Certified Financial Planner designation in 1998.

WILLIAM C. THORPE, MBA - joined The Mason Companies in October, 2003. Prior to that date, Mr. Thorpe was a Financial Advisor with UBS Financial Services. Prior to that, Mr. Thorpe was a Consultant with BTS, Inc in Stamford, CT. Mr. Thorpe also held positions with Teligent, Crestar Bank and Pioneer Technologies Group. He received both his Bachelor of Business Administration in Finance in 1993 and his MBA, with a concentration in Finance in 2002 from The University of Maryland.

Endowment Analysis

See Important Disclosures



Disclosures – Asset Class Leaders

Performance of the Morningstar Categories and the two indices used for Commodities and Cash was derived from the Morningstar Principia Mutual Funds Advanced, with the exception of the International Small Cap index, which is derived from Morningstar Encorr Attribution. All data is derived as of December 31, 2011.

In an effort to distinguish funds by what they own, as well as by their prospectus objectives and styles, Morningstar developed the Morningstar Categories. While the prospectus objective identifies a fund's investment goals based on the wording in the fund prospectus, the Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, Morningstar estimates where it will fall before assigning a more permanent category. When necessary, Morningstar may change a category assignment based on current information.

The following is a description of the Morningstar Categories and indices used in the illustration.

Short-Term Bond Category: Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

Intermediate-Term Bond Category: Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or, if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

Long-Term Bond Category: Long-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of more than six years (or, if duration is unavailable, average effective maturities greater than 10 years). Due to their long durations, these portfolios are exposed to greater interest rate risk.

Inflation-Protected Bond Category: Inflation-protected bond portfolios invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer for these securities.

World Bond Category: World bond portfolios invest 40% or more of their assets in foreign bonds. Some world bond portfolios follow a conservative approach, favoring high-quality bonds from developed markets. Others are more adventurous, and own some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the U.S., while others regularly invest in both U.S. and non-U.S. bonds.

Large Value: Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Large Growth: Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

Small Value: Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Small Growth: Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Real Estate Category: Real estate portfolios invest primarily in real-estate investment trusts (REITs) of various types. REITs are companies that develop and manage real-estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs.

International Large Value Category: International large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). International Large Value is referred to as Foreign Large Value in Morningstar.

International Large Growth Category: International large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). International Large Growth is referred to as Foreign Large Growth in Morningstar.

International Small Cap Category: The S&P Developed Ex US Cap Range <\$2 billion index was used to illustrate the performance of International Small Cap. This index is a market capitalization weighted index that defines and measures the investable universe of publicly traded companies domiciled in developed countries outside the U.S.

Natural Resources Category: Natural resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S.

Commodities Category: The Dow Jones - UBS Commodity Total Return Index was used to illustrate the performance of commodities. This index reflects the returns that are potentially available through an unleveraged investment in the futures contracts on physical commodities comprising the index plus the rate of interest that could be earned on cash collateral invested in specified Treasury Bills. This index is composed of futures contracts on 19 physical commodities.

Cash: Three-month T-bills were used to illustrate the performance of cash. Three-month T-bills are government-backed short-term investments considered to be a reasonable cash proxy because the maturity is only three months and they are guaranteed by the US Government.



Sustainable Withdrawal Model Disclosures

Mason Investment Advisory Services, Inc. Sustainable Withdrawal Model:

The attached analysis provides results computed from a proprietary model designed by employees of Mason Investment Advisory Services, Inc. The model assumes historical investments in one or more of the eleven hypothetical portfolios discussed below. The returns of these portfolios are computed based on actual historic index returns as outlined below. These returns come from data sources we believe to be reliable but we have not verified the accuracy of these historic returns.

The model computes outcomes based on an analysis of five, ten, twenty five, and fifty year rolling periods from January 1926 to December 31, 2011. A total of 3,052 separate and comprehensive calculations are made in order to calculate the summary conclusions. For example, there are 973 separate 5 year rolling periods from January 1926 to December 31, 2011. The model is designed to assist investors with determining how a portfolio would have performed in various environments to assist with making informed decisions regarding investment allocation and withdrawal rates.

For each of the 3,052 rolling periods, the analysis assumes an initial investment of \$1 million unless otherwise indicated. It is assumed that this amount is invested in the indicated portfolio and that it earns returns of the indicated set of indexes assuming monthly rebalancing. It is assumed that withdrawals are taken as a stated percent of the portfolio under one of two calculation methods which incorporate a calculation based on rolling quarterly ending values and/or by inflation adjusting an initial distribution rate as indicated. It is assumed spending is computed on an annual basis based on one of the following two methods and that distributions are taken out based on this computed rate on a monthly basis:

Rolling Quarters:

In all cases during the initial year distributions are taken as a percent of the beginning value. During subsequent years distributions are calculated based on quarterly ending values as of the end of the third quarter of the preceding year (through September 30 of the preceding year in the case of calendar years). For example, the 1927 distributions are based on the average quarter ending balances from March, June and September of 1926. These would be the same regardless of the 1, 3, or 5 year period selected. In 1928, distributions are based on the average ending values for the seven quarters ending 9-30-1927. This calculation would be the same whether the

3 or 5 year rolling average payout was selected. However, if the one year rolling average had been selected this calculation would have been based on the 4 quarters ending 9-30-1927. In 1930, the distribution is based on the 15 quarters ending 9-30-1929. Again had the three year rolling periods option been selected this calculation would have been based on the 12 rolling quarters ending 9-30-1929. Once 20 quarters of data are available all future year distributions are calculated at the beginning of each year based on the previous 4, 12, or 20 quarter ending balances depending on the method selected.

Banded Approach:

Here the program runs three distinct calculations during for each yearly spending calculation. First it adjusts the initial distribution amount each year based on cumulative inflation through the third quarter of the previous year (September 30 in the case of a calendar year). For example, the 1927 distribution is based on the initial distribution reduced by 2.2% due to deflation over the January 1, 1926 to September 30, 1926 period. The 1928 distribution is calculated based on deflation of 3.4% from January 1, 1926 to September 30, 1927. The 1975 distribution of \$11,778 is based on the initial distribution adjusted by cumulative inflation of 182.7% from January 1, 1926 to September 30, 1974. This column essentially computes a constant payout in real dollar terms. The other two calculations establish maximum and minimum distribution amounts based on the portfolio's value.

Maximum and minimum monthly distributions are calculated based on previous rolling quarter ending balances through September 30 of the previous year. Where this method is used these maximum and minimum constraints are identified as the "Lower Band" and "Upper Band". The methodology is similar to that discussed above except the distribution amount depends on the min and max constraints and the computations are based on quarter ending balances which incorporate actual distributions taken each month (which may be the inflation adjusted amounts discussed in the previous paragraph).

The program computes the amount to be distributed if the banded approach is being utilized based on the following rules. It will be the inflation adjusted amount discussed in the first paragraph if that amount is higher than the minimum established and lower than the maximum established in the second paragraph. If it is less than the minimum, the minimum will be



Sustainable Withdrawal Model Disclosures (Continued)

used as the distribution for that year. If it is greater than the maximum, the maximum will be used for that year.

The banded approach essentially blends two methods of calculating distributions (inflation adjusted and rolling quarters). It seeks to maintain a constant distribution in terms of real dollars but has built in brakes during bad times for the portfolio and allows for additional spending, to a point during good times. This method would be appropriate where a goal is to maintain an initial budget (in real dollars) where possible but to adjust this amount so that future generations are not harmed because of lean times (potentially depleting the portfolio) or given excess benefit (at the expense of current beneficiaries during good times).

There are two additional variables which may be incorporated into the analysis.

1. **Deferral Period:** Unless otherwise indicated it is assumed that distributions are withdrawn during each month beginning with the first month. If a number appears in this field then it is assumed that fees are taken out in each month but that no “spending” distributions are taken out until the stated month. For example, if 60 is entered in this field then it is assumed that spending does not commence until the 61st month (and that there is no spending for the first five years).
2. **Acceptable Termination Value (as percent of beginning value).** Unless otherwise indicated it is assumed the ending target value is equal to the beginning portfolio value. If a percent is entered here, that target is adjusted based on the percent entered. For example if 70% was entered here it would be assumed that an ending value of \$700K would be deemed a success for purposes of reaching the ending portfolio target goal. Where the ending portfolio target goal is an inflation adjusted target then success in this case would be defined as a portfolio with an ending target value of \$700K adjusted for inflation (or deflation).

The model was designed to produce a variety of output based on various “what if” scenarios. In all cases, historical returns are assumed as indicated above.

Below we describe the output provided. Unless otherwise indicated, an annual fee of 2.0% (0.16667% per month) is assumed. This is meant to incorporate total consulting and investment manager fees of 1% per year plus administrative fees of the foundation or other entity totaling 1% per year. Your handout may not include all output indicated below. Please ask your Mason advisor if you would like to see additional scenarios not provided with this handout. It is assumed that these withdrawals are taken out monthly.

At the end of each rolling period three primary observations are made:

1. Whether the portfolio was able to fully fund the inflation adjusted monthly distribution, without fully depleting the portfolio. This is considered a success in that the investor would have been able to fund all distributions over the stated time horizon.
2. Ending Value in nominal dollar terms. Here it is generally considered a success if the portfolio funds all distributions on an inflation adjusted basis and the portfolio ends up with at least \$1 million (or the stated beginning portfolio value).
3. Growth or decline of portfolio in real terms. To determine this amount we adjust the ending portfolio value for inflation (or deflation). Here it is generally considered a success if the portfolio funds all distributions on an inflation adjusted basis and the portfolio ends up with at least \$1 million in today’s dollars (or the stated beginning portfolio value in today’s dollars).

Your output may provide the percent of times that these goals would have been met. For example there are 913 rolling ten year calculations. A success rate of 96% would indicate that the stated goal would have been reached about 877 of these historic periods.

The average ending balance is calculated by taking the ending portfolio value at the end of each rolling period and dividing it by the total number of rolling periods. For example, there are 913 rolling ten year calculations. To calculate the average ending balance for the ten year time horizon, we add the ending balance from each of the 913 scenarios and divide this total by 913. This may be shown as a nominal or inflation adjusted dollar amount as indicated.



Sustainable Withdrawal Model Disclosures (Continued)

Percentiles:

A percentile is the value of a variable below which a certain percent of observations fall. So the 20th percentile is the value below which 20% of the observations may be found. Put differently, the 20th percentile indicates the value at which the portfolio would have ended with that value or higher 80% of the time. For example, there are 913 rolling ten year periods. In order to calculate the percentiles for the ten year scenario we rank the returns at the end of each separate 10 year period (913 in all). The first portfolio indicates approximately the 9th worst outcome (In 904 of 913 periods you would have ended with a greater value). The 10th percentile indicates the value which would have been exceeded in 822 of 913 rolling ten year periods. Percentile analysis is very important in understanding the range of historical outcomes to allow for a more informed decision regarding the appropriate portfolio allocation and distribution policy.

Historical Back test of current Five Risk Profile Portfolios:

In order to provide a long term perspective of how these allocations might have performed over various historical environments we've created model portfolios of the indices discussed below going back to January 1926. One or more of these five model portfolios are included in some of the charts contained in this document. Where index data is not available for earlier periods we allocated those categories to similar categories for which index data is available. The following pages show the assumptions we've made for each of the five portfolios. For example, since a hedged foreign bond index was not available prior to 1985, we assumed the entire foreign bond allocation was invested in unhedged foreign bonds from 1978 to 1984.

Additionally, in some places we may show returns of a hypothetical investment in the following simple Equity/Bond blends or an "All Bond" portfolio:

37/63, 48.5/51.5, 65/35, 77/23, 87/13

In each case these blends represent a hypothetical investment in a blend of the S&P Composite Index and the Ibbotson Associates US IT Government Bond Index. Monthly rebalancing is assumed in all hypothetical portfolio backtests.

S&P Composite Index: The S&P Composite Index is a readily available, carefully constructed, market-value-weighted index of large company stock performance.

Ibbotson Associates Intermediate Government Bond Index: This is an index designed to be representative of returns on intermediate (5 year) US Government bonds from 1926 to present.

Inflation: The rate of change in consumer prices. The Consumer Price Index for All Urban Consumers (CPI-U), not seasonally adjusted, is used to measure inflation. Prior to January 1978, the CPI (as compared to the CPI-U) was used.



Sustainable Withdrawal Model Disclosures (Continued)

Risk Level 1

Series Name	March 1997 to Present	Jan 1985 to Feb 1997	Feb 1978 to Dec 1984	Jan 1975 to Jan 1978	Jan 1972 to Dec 1974	Jan 1970 to Dec 1971	July 1927 to Dec 1969	January 1926 to June 1927
U.S. 30 Day TBill TR	13	13	13	13	13	13	13	0
Short Term Bond Proxy	22	24	24	26	26	26	26	0
Intermediate Term Bond Proxy	9	10	10	12	12	12	12	0
Long Term Bond Proxy	9	10	10	12	12	12	12	0
Inflation Protected Bonds	5	0	0	0	0	0	0	0
Citigroup US \$ Hdgd Non US	2.5	3	0	0	0	0	0	0
Citi WGBI NonUSD USD TR	2.5	3	6	0	0	0	0	0
Ibbotson Associates US IT Gov't TR	0	0	0	0	0	0	0	63
US Large Value Proxy	9	9	9	9	14.3	14.8	18	0
US Large Growth Proxy	5	5	5	5	7.7	8.2	10	0
Foreign Large Value Proxy	5	5	5	5	0	0	0	0
Foreign Large Growth Proxy	3	3	3	3	0	0	0	0
Real Estate Proxy	2	2	2	2	2	0	0	0
US Small Value Proxy	5	5	5	5	5	5.5	5.5	0
US Small Growth Proxy	3	3	3	3	3	3.5	3.5	0
Foreign Small Cap Proxy	0	0	0	0	0	0	0	0
Energy & Natural Resources Proxy	2.5	2.5	2.5	2.5	2.5	2.5	0	0
Commodity Plus Proxy	2.5	2.5	2.5	2.5	2.5	2.5	0	0
S&P Composite Index	0	0	0	0	0	0	0	37
	100	100	100	100	100	100	100	100

Risk Level 2

Series Name	March 1997 to Present	Jan 1985 to Feb 1997	Feb 1978 to Dec 1984	Jan 1975 to Jan 1978	Jan 1972 to Dec 1974	Jan 1970 to Dec 1971	July 1927 to Dec 1969	January 1926 to June 1927
U.S. 30 Day TBill TR	2	2	2	2	2	2	2	0
Short Term Bond Proxy	14	14	14	15.8	15.8	15.8	15.8	0
Intermediate Term Bond Proxy	10	13.5	13.5	15.3	15.3	15.3	15.3	0
Long Term Bond Proxy	10	13.5	13.5	15.4	15.4	15.4	15.4	0
Inflation Protected Bonds	7	0	0	0	0	0	0	0
Citigroup US \$ Hdgd Non US	2.75	2.75	0	0	0	0	0	0
Citi WGBI NonUSD USD TR	2.75	2.75	5.5	0	0	0	0	0
Ibbotson Associates US IT Gov't TR	0	0	0	0	0	0	0	48.5
US Large Value Proxy	14	14	14	14	19	21.9	24.3	0
US Large Growth Proxy	7	7	7	7	12	14.6	16.2	0
Foreign Large Value Proxy	6	6	6	6	0	0	0	0
Foreign Large Growth Proxy	4	4	4	4	0	0	0	0
Real Estate Proxy	6.5	6.5	6.5	6.5	6.5	0	0	0
US Small Value Proxy	5	5	5	5	5	5.5	6.5	0
US Small Growth Proxy	3	3	3	3	3	3.5	4.5	0
Foreign Small Cap Proxy	0	0	0	0	0	0	0	0
Energy & Natural Resources Proxy	3	3	3	3	3	3	0	0
Commodity Plus Proxy	3	3	3	3	3	3	0	0
S&P Composite Index	0	0	0	0	0	0	0	51.5
	100	100	100	100	100	100	100	100



Sustainable Withdrawal Model Disclosures (Continued)

Risk Level 3

Series Name	March 1997 to Present	Jan 1985 to Feb 1997	Feb 1978 to Dec 1984	Jan 1975 to Jan 1978	Jan 1972 to Dec 1974	Jan 1970 to Dec 1971	July 1927 to Dec 1969	January 1926 to June 1927
U.S. 30 Day TBill TR	2	2	2	2	2	2	2	0
Short Term Bond Proxy	7.25	8.7	8.7	10.3	10.3	10.3	10.3	0
Intermediate Term Bond Proxy	7.5	9.6	9.6	11.3	11.3	11.3	11.3	0
Long Term Bond Proxy	7.5	9.7	9.7	11.4	11.4	11.4	11.4	0
Inflation Protected Bonds	5.75	0	0	0	0	0	0	0
Citigroup US \$ Hdgd Non US	2.5	2.5	0	0	0	0	0	0
Citi WGBI NonUSD USD TR	2.5	2.5	5	0	0	0	0	0
Ibbotson Associates US IT Gov't TR	0	0	0	0	0	0	0	35
US Large Value Proxy	13.5	13.5	13.5	13.5	22.6	27.2	32	0
US Large Growth Proxy	8	8	8	8	13.4	16.5	19	0
Foreign Large Value Proxy	8	8	8	8	0	0	0	0
Foreign Large Growth Proxy	5.5	5.5	5.5	5.5	0	0	0	0
Real Estate Proxy	11	11	11	11	11	0	0	0
US Small Value Proxy	5	5	5	5	6	8	8.75	0
US Small Growth Proxy	3	3	3	3	3.5	4.8	5.25	0
Foreign Small Cap Proxy	2.5	2.5	2.5	2.5	0	0	0	0
Energy & Natural Resources Proxy	4.25	4.25	4.25	4.25	4.25	4.25	0	0
Commodity Plus Proxy	4.25	4.25	4.25	4.25	4.25	4.25	0	0
S&P Composite Index	0	0	0	0	0	0	0	65
	100	100	100	100	100	100	100	100

Risk Level 4

Series Name	March 1997 to Present	Jan 1985 to Feb 1997	Feb 1978 to Dec 1984	Jan 1975 to Jan 1978	Jan 1972 to Dec 1974	Jan 1970 to Dec 1971	July 1927 to Dec 1969	January 1926 to June 1927
U.S. 30 Day TBill TR	1	1	1	1	1	1	1	0
Short Term Bond Proxy	4	5.25	5.25	7.05	7.05	7.05	7.05	0
Intermediate Term Bond Proxy	4.25	5.5	5.5	7.3	7.3	7.3	7.3	0
Long Term Bond Proxy	4.25	5.75	5.75	7.65	7.65	7.65	7.65	0
Inflation Protected Bonds	4	0	0	0	0	0	0	0
Citigroup US \$ Hdgd Non US	2.75	2.75	0	0	0	0	0	0
Citi WGBI NonUSD USD TR	2.75	2.75	5.5	0	0	0	0	0
Ibbotson Associates US IT Gov't TR	0	0	0	0	0	0	0	23
US Large Value Proxy	17	17	17	17	25.8	28.8	32.4	0
US Large Growth Proxy	11	11	11	11	17.2	19.2	21.6	0
Foreign Large Value Proxy	9	9	9	9	0	0	0	0
Foreign Large Growth Proxy	6	6	6	6	0	0	0	0
Real Estate Proxy	7	7	7	7	7	0	0	0
US Small Value Proxy	11	11	11	11	13	14.5	16	0
US Small Growth Proxy	5	5	5	5	6	6.5	7	0
Foreign Small Cap Proxy	3	3	3	3	0	0	0	0
Energy & Natural Resources Proxy	4	4	4	4	4	4	0	0
Commodity Plus Proxy	4	4	4	4	4	4	0	0
S&P Composite Index	0	0	0	0	0	0	0	77
	100	100	100	100	100	100	100	100



Sustainable Withdrawal Model Disclosures (Continued)

<i>Risk Level 5</i>								
<i>Series Name</i>	<i>March 1997 to Present</i>	<i>Jan 1985 to Present</i>	<i>Feb 1978 to Dec 1984</i>	<i>Jan 1975 to Jan 1978</i>	<i>Jan 1972 to Dec 1974</i>	<i>Jan 1970 to Dec 1971</i>	<i>July 1927 to Dec 1969</i>	<i>January 1926 to June 1927</i>
U.S. 30 Day TBill TR	1	1	1	1	1	1	1	0
Short Term Bond Proxy	0	0	0	0	0	0	0	0
Intermediate Term Bond Proxy	0	0	0	0	0	0	0	0
Long Term Bond Proxy	3	6	6	12	12	12	12	0
Inflation Protected Bonds	3			0	0	0	0	0
Citigroup US \$ Hdgd Non US	3	3	0	0	0	0	0	0
Citi WGBI NonUSD USD TR	3	3	6	0	0	0	0	0
Ibbotson Associates US IT Gov't TR	0	0	0	0	0	0	0	13
US Large Value Proxy	17.5	17.5	17.5	17.5	29.7	31.2	33.7	0
US Large Growth Proxy	12	12	12	12	19.8	21.3	23.8	0
Foreign Large Value Proxy	12	12	12	12	0	0	0	0
Foreign Large Growth Proxy	8	8	8	8	0	0	0	0
Real Estate Proxy	5	5	5	5	5	0	0	0
US Small Value Proxy	11.5	11.5	11.5	11.5	14.7	15.7	17.2	0
US Small Growth Proxy	8	8	8	8	9.8	10.8	12.3	0
Foreign Small Cap Proxy	5	5	5	5	0	0	0	0
Energy & Natural Resources Proxy	4	4	4	4	4	4	0	0
Commodity Plus Proxy	4	4	4	4	4	4	0	0
S&P Composite Index	0	0	0	0	0	0	0	87
	100	100	100	100	100	100	100	100



Sustainable Withdrawal Model Disclosures (Continued)

Asset Allocation Index Data Series				
Category	Index	From	To	
Cash	U.S. 30 day Tbill TR	Jan-26	Present	
Short Term Bond	BC 1-5 Govt/Credit IA Govt Bonds 1-4.99 Year Maturities	Jan-76 Jan-26	Present Jan-75	1-5 years
Interm Term Bond	BC 5-10 Yr Govt/Credit IA IT Govt/Corp	Jan-76 Jan-26	Present Dec-75	5-10 years
Long Term Bond	BC LT Govt/Credit IA LT Gvt/LT Corporate	Jan-73 Jan-26	Present Dec-72	10+ Years (Maturity Range)
Inflation Protected Bonds	Merrill Lynch U.S. Inflation-linked Sec TR	Mar-97	Present	
International Bond Hedged	Citigroup US \$ Hedged Non-US\$ Gvt TR	Jan-85	Present	
International Bond Non Hedged	Citi WGBI NonUSD USD	Feb-78	Present	
Equity- U.S. Large Value	MSCI U.S. Prime Market Value (Value half of aprx top 88% US Market) Fama-French Large Value	Jun-92 Jul-27	Present May-92	
Equity- U.S. Large Growth	MSCI U.S. Prime Market Growth (Growth half of aprx top 88% US Market) Fama-French Large Growth	Jun-92 Jul-27	Present May-92	
Equity - Non U.S. Large Growth	S&P Developed Ex US LargeMid Value MSCI World ex US Value	Jul-89 Jan-75	Present Jun-89	
Equity- Non-U.S. Large Value	S&P Developed Ex US LargeMid Growth MSCI World ex US Growth	Jul-89 Jan-75	Present Jun-89	
Equity- REITS	50% S&P Developed Property TR/50% NAREIT (Equity) NAREIT (Equity)	Jan-03 Jan-72	Present Dec-02	
Equity- U.S. Small Value	MSCI U.S. Small Cap Value (Value half of aprx Next 10% US Market) Fama-French Small Value	Jun-92 Jul-27	Present May-92	
Equity- U.S. Small Growth	MSCI U.S. Small Cap Growth (Growth half of aprx next 10% US Market) Fama-French Small Growth	Jun-92 Jul-27	Present May-92	
Equity- Non-U.S. Small Cap	Citigroup EMI World Ex-U.S IIA International Small Cap	Jul-89 Jan-75	Present Jun-89	
Energy/Natural Resources	20.25% S&P 400 Energy, 20.25% S&P 600 Energy, 40.5% S&P Global 1200 Energy Sector, 3% S&P 400 Materials Sector, 3% S&P 600 Materials Sector, and 13% S&P Global 1200 Materials Sector.	Jan-98	Present	
Energy/Natural Resources	Lipper Energy & Natural Resources - (Historical Monthly Constituants)	Oct-90	Dec-97	
Energy/Natural Resources	Morningstar Specialty - Natural Resources Open End Fund Category Average:	Feb-69	Sep-90	
Commodities	DJ-UBS Commodity PR/ML US Treasury Inflation-linked DJ-UBS Commodity PR/ML Treasury TR GS Commodity PR/ML Treasury TR GS Commodity TR	Mar-97 Jan-91 Jan-78 Jan-70	Present Feb-97 Dec-90 Dec-77	



Sustainable Withdrawal Model Disclosures (Continued)

U.S. 30 day Tbill TR (Ibbotson Associates)

For this index, each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. To measure holding period returns for this portfolio, the bill is priced as of the last trading day of the previous month-end and as of the last trading day of the current month.

Barclays Capital Government/Credit

This index is composed of the BC Government Bond Index and the BC Credit Index. This index is split into three composites: Aggregate, Intermediate and Long-Term. For our analysis we use the 1-5, 5-10, and long term (over 10 years) components.

Ibbotson Associates Government Bonds 1-4.99 Years

This index consists of negotiable direct obligations of the United States Treasury with maturities ranging from 1 to 4.99 years.

Ibbotson Associates Government/Corporate (Intermediate and Long Term)

An index made up of the Barclays Aggregate Government and Corporate Bond indexes, including U.S. government Treasury and agency securities, as well as corporate and Yankee bonds.

Merrill Lynch U.S. Inflation-linked Sec TR

A rules-based index consisting of securities that meet the following criteria: Equal to or greater than one year remaining term to final maturity; at least \$1 billion face value outstanding; inflation-linked bonds issued by the U.S. Treasury.

Citigroup US \$ Hedged Non-US\$ Gvt TR

A hedged, market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity.

Citigroup World Government Bond Index

A market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity.

MSCI® U.S. Investable Universe

This universe includes the largest 2,500 US companies, which covers more than 98% of the market cap of all publicly traded US companies.

Fama-French Domestic Indices (1927 through May 1992):

These indices, which include both small and large-capitalization stocks going back to July 1927, are useful for analysis of growth and value investing.

Foreign Equities

The Citigroup Global Equity Indices (SSBGEI) measure the performance of the entire universe of investable securities. It is a comprehensive, top-down, float capitalization-weighted index that includes shares of nearly 8,700 companies in 49 countries.

In our study we use the Citigroup PMI Value World Ex US, Citigroup PMI Growth World Ex US, and Citigroup EMI World Ex US as proxies for our three foreign categories for periods July 1989 to present.



Sustainable Withdrawal Model Disclosures (Continued)

MSCI® All Country World Free ex U.S.

This index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets outside the United States. As of June 2009 this index consisted of 44 country indices comprising 22 developed and 22 emerging markets indices.

MSCI® International Small Cap 1999-Present

MSCI® defines the Small Cap universe of each country as all listed securities that have a company market capitalization in the range of US\$200 – 1,500 million. It is intended to capture 40% of the Small Cap Universe in each country.

IIA Methodology:

IIA starts with the MSCI® indices and breaks down each country or region into eight market cap weighted indices: Growth, Value, Large, Small, Small Growth, Small Value, Large Growth and Large Value. There are three fundamental differences between the IIA indices and the MSCI® indices: reinvestment of dividends, inclusion criteria, and rebalancing frequency. The reinvestment of dividends differs between the two vendors in that MSCI® reinvests dividends at the overall index level, while IIA reinvests dividends in each country. Secondly, MSCI® aims for roughly 60% of the market capitalization coverage of a particular country, while IIA aims for a higher market capitalization coverage, approximately 80%, by including every security that MSCI® covers. Lastly, MSCI® rebalances quarterly while IIA rebalances twice a year in January and July.

Large vs Small: In each market, stocks are ranked by their market capitalization. The large index encompasses the top

70% of the market capitalization, while the small index encompasses the bottom 30% of the market capitalization.

Real Estate

Through December 2002, the FTSE NAREIT® is used as the proxy for real estate. After that date the proxy includes equal weights to the FTSE NAREIT® and the S&P/Citigroup World (ex-U.S.) Property Broad Market Index.

FTSE NAREIT® Equity REIT Index (U.S.)

An unmanaged, market-capitalization-weighted index of all tax-qualified equity REITs listed on the NYSE, AMEX, and the Nasdaq that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

S&P/Citigroup World Property Broad Market Index:

An unmanaged market-weighted total return index that is designed to provide an accurate measure of the broad global property market. It covers companies domiciled in 52 developed and emerging market countries and includes companies with floats larger than \$100 million and that derive more than half of their revenue from property-related activities.

Energy & Natural Resources Proxy (1998 to present)

From 1998 to present, the S&P 1500 (multi-cap domestic) and S&P 1200 (Global Large Cap) provide reasonable proxies for the types of securities in which our energy and natural resource funds invest.

The S&P Global 1200 Index

This index is comprised of six distinct, regional, component indices: US-S&P 500, Canada-S&P/TSE 60, S&P Latin America 40, Japan-S&P TOPIX 150, S&P Asia Pacific 100,



Sustainable Withdrawal Model Disclosures (Continued)

and the S&P Europe 350. It provides economic representation of the broad market over the 10 GICS (Global Industry Classification Standard) economic sectors.

The S&P Global 1200 Energy Sector and the S&P Global 1200 Materials Sector are included in the weights indicated previously in the Energy & Natural Resources Proxy used in this study for the period January 1998 to present.

Lipper Energy & Natural Resources® (Historical Monthly Constituents): This data series includes historical returns for all funds which Lipper categorizes into the Energy & Natural Resources Category.

Morningstar® Open End Natural Resources Category Average:

This mutual fund universe consists of natural resources portfolios focused on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S. Some portfolios invest across this spectrum to offer broad natural resources exposure. Others concentrate heavily or even exclusively in specific industries.

PIMCO Commodity Strategy Proxy:

An available fund which seeks to track the Dow AIG Commodity Index while managing a portfolio of bonds, structured notes and other derivatives which are managed with the goal of outperforming a portfolio of Treasury Inflation Protected Securities (TIPS).

Goldman Sachs Commodity Index®:

This composite index of commodity sector returns represents an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

Note that it is not possible to invest directly in any of these indices and these returns are not adjusted for fees or transaction costs. Past performance is not indicative of future results.

