# Proposal Summary

## Proposed Strategy

Your advisor analyzed your current investment portfolio, considering the extent to which it fits your risk profile, the quality of the investment selections, and costs. Your advisor then selected a proposed portfolio. This report compares your current portfolio to the portfolio proposed by your advisor.

**Number of Accounts**
1

**Total AUM**
$624,333.73

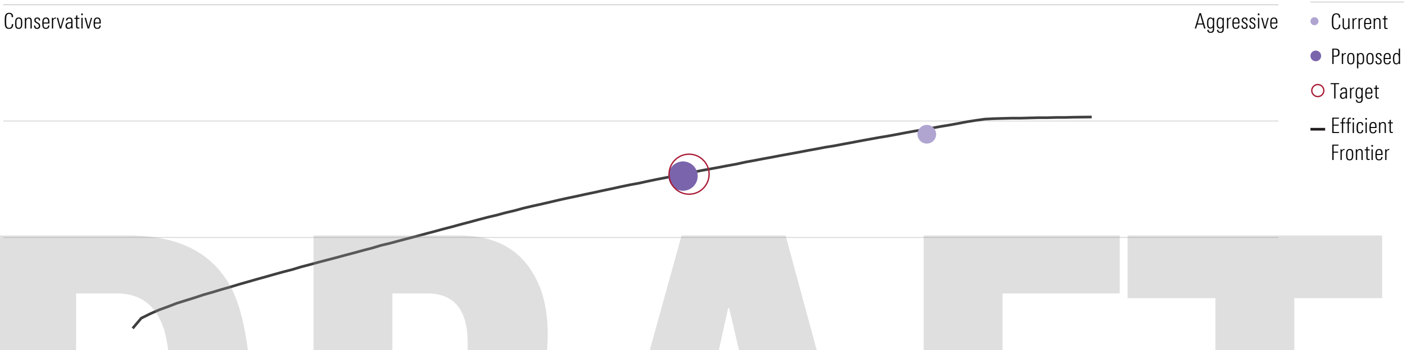
**Current**
Aggressive

**Proposed**
Moderate

**Target**
Moderate

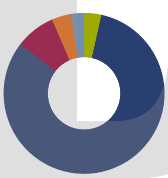
## Current vs. Proposed Strategy

**Risk Level by Percent of Expected Portfolio Return**



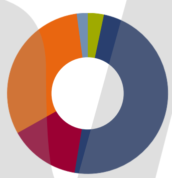



**Current**



| Asset Allocation | % |
|---|---|
| Cash | 3.51 |
| US Stocks | 82.03 |
| Non-US Stocks | 7.99 |
| Bonds | 3.86 |
| Other | 2.61 |

**Proposed**



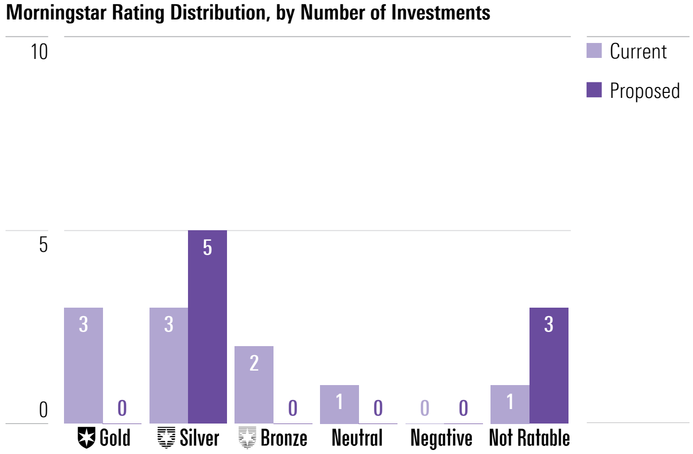
| Asset Allocation | % |
|---|---|
| Cash | 3.32 |
| US Stocks | 49.32 |
| Non-US Stocks | 14.21 |
| Bonds | 31.01 |
| Other | 2.13 |

**Target**

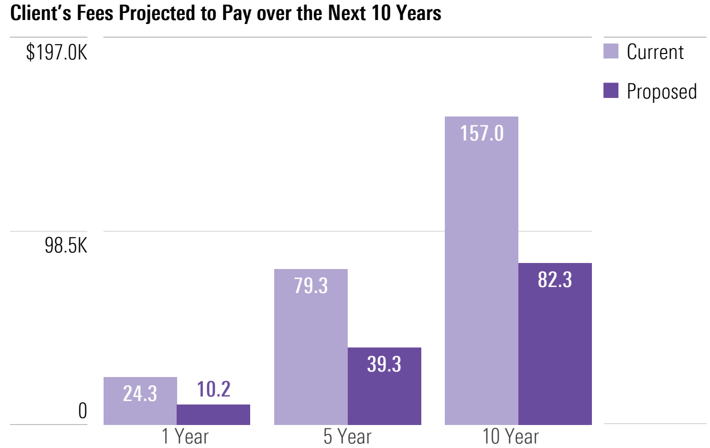
| Asset Allocation | % |
|---|---|
| Cash | 0.00 |
| US Stocks | 52.00 |
| Non-US Stocks | 13.00 |
| Bonds | 35.00 |
| Other | 0.00 |

## Portfolio Breakdown

**Morningstar Rating Distribution, by Number of Investments**




**Client's Fees Projected to Pay over the Next 10 Years**






MORNINGSTAR®

# Standardized and Tax Adjusted Returns Disclosure Statement

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

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

Standardized Returns assume reinvestment of dividends and capital gains. They depict performance without adjusting for the effects of taxation, but are adjusted to reflect sales charges and ongoing fund expenses.

If adjusted for taxation, the performance quoted would be significantly reduced. For variable annuities, additional expenses will be taken into account, including M&E risk charges, fund-level expenses such as management fees and operating fees, contract-level administration fees, and charges such as surrender, contract, and sales charges.

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



**Annualized returns** 12-31-2017

| **Standardized Returns (%)** | 7-day Yield Subsidized *as of date* | 7-day Yield Unsubsidized *as of date* | 1Yr | 5Yr | 10Yr | Since Inception | Inception Date | **Max Front Load %** | **Max Back Load %** | **Net Exp Ratio %** | **Gross Exp Ratio %** | **Max Redemption %** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AB Discovery Value Advisor | — | — | 12.98 | 14.80 | 9.89 | 11.42 | 03-29-2001 | **NA** | **NA** | **0.88** | **0.88** | **NA** |
| American Century Diversified Bond A | — | — | -1.47 | 0.71 | 3.38 | 3.74 | 12-03-2001 | **4.50** | **NA** | **0.85** | **0.85** | **NA** |
| American Century Equity Income A | — | — | 6.56 | 11.25 | 7.04 | 9.02 | 03-07-1997 | **5.75** | **NA** | **1.18** | **1.18** | **NA** |
| American Century Mid Cap Value Inv | — | — | 11.58 | 15.32 | 10.74 | 11.01 | 03-31-2004 | **NA** | **NA** | **0.96**[1] | **1.01** | **NA** |
| American Century Ultra® A | — | — | 24.01 | 15.41 | 7.94 | 7.15 | 10-02-1996 | **5.75** | **NA** | **1.23** | **1.23** | **NA** |
| American Funds Washington Mutual A | — | — | 13.28 | 13.48 | 7.41 | 11.84 | 07-31-1952 | **5.75** | **NA** | **0.58** | **0.58** | **NA** |
| BlackRock High Yield Bond Inv A | — | — | 3.68 | 4.78 | 6.96 | 6.90 | 11-19-1998 | **4.00** | **NA** | **0.93**[2] | **0.99** | **NA** |
| Fidelity® Blue Chip Growth | — | — | 36.06 | 18.68 | 11.12 | 11.69 | 12-31-1987 | **NA** | **NA** | **0.70** | **0.70** | **NA** |
| Fidelity® Capital & Income | — | — | 11.65 | 7.36 | 8.38 | 9.90 | 11-01-1977 | **NA** | **NA** | **0.73** | **0.73** | **NA** |
| Fidelity® International Small Cap | — | — | 32.90 | 14.34 | 6.71 | 14.48 | 09-18-2002 | **NA** | **NA** | **1.25** | **1.25** | **NA** |
| Harbor Capital Appreciation Instl | — | — | 36.59 | 17.81 | 10.15 | 11.76 | 12-29-1987 | **NA** | **NA** | **0.66**[3] | **0.71** | **NA** |
| Royce Special Equity Instl | — | — | 7.96 | 10.43 | 8.93 | 9.40 | 07-25-2003 | **NA** | **NA** | **1.07** | **1.07** | **NA** |
| T. Rowe Price High Yield | — | — | 7.37 | 5.76 | 7.33 | 8.28 | 12-31-1984 | **NA** | **NA** | **0.74** | **0.74** | **2.00** |
| USAA World Growth | — | — | 23.92 | 11.58 | 7.10 | 8.35 | 10-01-1992 | **NA** | **NA** | **1.13** | **1.13** | **NA** |
| Vanguard Alternative Strategies Investor | — | — | 0.35 | — | — | 2.51 | 08-11-2015 | **NA** | **NA** | **0.35** | **0.79** | **NA** |
| VY® T. Rowe Price Capital Apprec A | — | — | 14.72 | 12.00 | 8.43 | 9.21 | 12-16-2003 | **NA** | **NA** | **1.24** | **1.24** | **NA** |
| Wasatch Small Cap Growth Institutional | — | — | 21.96 | — | — | 19.55 | 02-01-2016 | **NA** | **NA** | **1.05**[4] | **1.11** | **2.00** |
| Wasatch Small Cap Value | — | — | 19.55 | 16.22 | 9.13 | 12.49 | 12-17-1997 | **NA** | **NA** | **1.41** | **1.41** | **2.00** |
| **BBgBarc US Agg Bond TR USD** | | | **3.54** | **2.10** | **4.01** | **—** | **01-01-1976** | | | | | |
| **Citi Treasury Bill 3 Mon USD** | | | **0.84** | **0.24** | **0.34** | **—** | **12-30-1977** | | | | | |
| **MSCI EAFE NR USD** | | | **25.03** | **7.90** | **1.94** | **—** | **—** | | | | | |
| **MSCI EAFE PR USD** | | | **21.78** | **5.04** | **-0.94** | **—** | **12-31-1969** | | | | | |
| **Russell 3000 TR USD** | | | **21.13** | **15.58** | **8.60** | **—** | **12-31-1978** | | | | | |
| **S&P 500 TR USD** | | | **21.83** | **15.79** | **8.50** | **—** | **—** | | | | | |
| **USTREAS T-Bill Auction Ave 3 Mon** | | | **0.97** | **0.29** | **0.34** | **—** | **—** | | | | | |

1. Contractual waiver; Expires 07-31-2018
2. Contractual waiver; Expires 01-31-2019; Interest expense 0.01%
3. Contractual waiver; Expires 02-28-2019

**Annualized returns** 12-31-2017

| Standardized Returns (%) | 7-day Yield Subsidized *as of date* | 7-day Yield Unsubsidized *as of date* | 1Yr | 5Yr | 10Yr | Since Inception | Inception Date | Max Front Load % | Max Back Load % | Net Exp Ratio % | Gross Exp Ratio % | Max Redemption % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

4. Contractual waiver; Expires 01-31-2019

| Return after Tax (%) | On Distribution | | | | | On Distribution and Sales of Shares | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1Yr | 5Yr | 10Yr | Since Inception | Inception Date | 1Yr | 5Yr | 10Yr | Since Inception |
| AB Discovery Value Advisor | 11.19 | 12.49 | 8.46 | 9.99 | 03-29-2001 | 8.59 | 11.30 | 7.71 | 9.36 |
| American Century Diversified Bond A | -2.28 | -0.26 | 2.17 | 2.41 | 12-03-2001 | -0.83 | 0.10 | 2.16 | 2.39 |
| American Century Equity Income A | 3.06 | 8.28 | 5.15 | 6.47 | 03-07-1997 | 5.10 | 7.98 | 4.97 | 6.27 |
| American Century Mid Cap Value Inv | 8.68 | 12.44 | 8.85 | 8.89 | 03-31-2004 | 7.91 | 11.29 | 8.10 | 8.26 |
| American Century Ultra® A | 22.33 | 13.93 | 7.21 | 5.96 | 10-02-1996 | 15.00 | 12.14 | 6.31 | 5.62 |
| American Funds Washington Mutual A | 10.87 | 11.56 | 6.02 | 8.72 | 07-31-1952 | 8.60 | 10.25 | 5.46 | 8.51 |
| BlackRock High Yield Bond Inv A | 1.24 | 2.07 | 4.12 | 3.68 | 11-19-1998 | 2.05 | 2.40 | 4.13 | 3.83 |
| Fidelity® Blue Chip Growth | 34.65 | 17.12 | 10.21 | 10.57 | 12-31-1987 | 21.47 | 14.80 | 8.97 | 9.95 |
| Fidelity® Capital & Income | 9.42 | 5.06 | 5.89 | 5.62 | 11-01-1977 | 6.76 | 4.69 | 5.51 | 5.53 |
| Fidelity® International Small Cap | 31.28 | 12.66 | 5.55 | 12.88 | 09-18-2002 | 18.94 | 10.98 | 4.94 | 12.08 |
| Harbor Capital Appreciation Instl | 33.22 | 16.03 | 9.29 | 10.54 | 12-29-1987 | 23.47 | 14.19 | 8.25 | 10.00 |
| Royce Special Equity Instl | 5.65 | 7.86 | 7.18 | 7.76 | 07-25-2003 | 6.04 | 7.72 | 6.88 | 7.46 |
| T. Rowe Price High Yield | 4.85 | 2.98 | 4.47 | 4.67 | 12-31-1984 | 4.14 | 3.12 | 4.43 | 4.78 |
| USAA World Growth | 22.43 | 10.71 | 6.46 | 7.45 | 10-01-1992 | 14.33 | 9.04 | 5.53 | 6.87 |
| Vanguard Alternative Strategies Investor | 0.08 | — | — | 1.77 | 08-11-2015 | 0.36 | — | — | 1.69 |
| VY® T. Rowe Price Capital Apprec A | 12.90 | 8.85 | 6.32 | 7.28 | 12-16-2003 | 9.31 | 8.52 | 6.09 | 7.00 |
| Wasatch Small Cap Growth Institutional | 18.93 | — | — | 16.81 | 02-01-2016 | 14.93 | — | — | 15.01 |
| Wasatch Small Cap Value | 17.72 | 15.83 | 8.94 | 11.40 | 12-17-1997 | 12.46 | 13.12 | 7.50 | 10.58 |

# Portfolio Comparison Report

## Current Portfolio

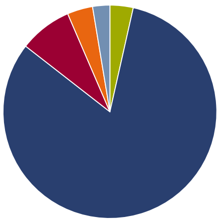
Benchmark:Custom

## Proposed Portfolio

Benchmark:Custom

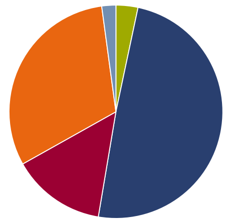
The following pages take a detailed look at the differences in the stock and bond exposures between investments in the selected portfolios. This report uses the benchmark shown as a point of comparison between the portfolios in the Stock Sector Analysis, Regional Exposure, Historical Returns and Portfolio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

### Asset Mix Comparison (Current Portfolio)



| Asset Allocation | Portfolio Net % | Bmark Net % |
|---|---|---|
| Cash | 3.52 | 3.78 |
| US Stocks | 82.03 | 83.85 |
| Non-US Stocks | 7.99 | 8.77 |
| Bonds | 3.86 | 3.60 |
| **Other** | **2.61** | **0.01** |

### Asset Mix Comparison (Proposed Portfolio)



| Asset Allocation | Portfolio Net % | Bmark Net % |
|---|---|---|
| Cash | 3.32 | 5.45 |
| US Stocks | 49.32 | 51.09 |
| Non-US Stocks | 14.21 | 14.56 |
| Bonds | 31.01 | 28.88 |
| **Other** | **2.13** | **0.02** |

The Asset Mix graph and table show how assets in each portfolio are allocated among asset classes.

### Morningstar® Style Box™ Analysis (Current Portfolio)

**Equity Style**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 14 | 16 | 36 |
| Mid | 2 | 4 | 8 |
| Small | 6 | 7 | 7 |

0-10 10-25 25-50 >50

**Fixed-Income Style**

| | Ltd | Mod | Ext |
|---|---|---|---|
| High | 0 | 0 | 0 |
| Med | 0 | 37 | 0 |
| Low | 36 | 0 | 0 |

0-10 10-25 25-50 >50

### Morningstar® Style Box™ Analysis (Proposed Portfolio)

**Equity Style**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 8 | 14 | 12 |
| Mid | 9 | 10 | 9 |
| Small | 16 | 13 | 9 |

0-10 10-25 25-50 >50

**Fixed-Income Style**

| | Ltd | Mod | Ext |
|---|---|---|---|
| High | 0 | 0 | 0 |
| Med | 0 | 0 | 0 |
| Low | 54 | 0 | 0 |

0-10 10-25 25-50 >50

The Equity Style box shows how the investments are classified in terms of the size of the companies (large, medium, and small) and their style characteristics (value, core, and growth). The Fixed-Income Style box shows how bond holdings are classified in terms of their credit quality (high, medium, and low) and interest rate sensitivity (limited, moderate, and extended). Note the percentages may not add up to 100% as some securities may not be classified.

### Sector Weightings (Current Portfolio)

| | Stock % | Bmark % |
|---|---|---|
| **Cyclical** | **35.23** | **36.57** |
| Basic Materials | 2.98 | 3.72 |
| Consumer Cyclical | 19.56 | 12.13 |
| Financial Services | 11.71 | 17.42 |
| Real Estate | 0.98 | 3.30 |
| **Sensitive** | **43.05** | **40.18** |
| Communication Services | 1.50 | 3.04 |
| Energy | 4.42 | 5.21 |
| Industrials | 10.76 | 11.46 |
| Technology | 26.37 | 20.47 |
| **Defensive** | **21.72** | **23.25** |
| Consumer Defensive | 7.54 | 7.35 |
| Healthcare | 12.52 | 13.18 |
| Utilities | 1.66 | 2.72 |
| **Not Classified** | **0.00** | **0.00** |

### Sector Weightings (Proposed Portfolio)

| | Stock % | Bmark % |
|---|---|---|
| **Cyclical** | **43.97** | **37.89** |
| Basic Materials | 3.69 | 4.43 |
| Consumer Cyclical | 16.51 | 12.10 |
| Financial Services | 17.65 | 18.03 |
| Real Estate | 6.12 | 3.33 |
| **Sensitive** | **36.34** | **38.78** |
| Communication Services | 1.29 | 3.19 |
| Energy | 6.20 | 5.21 |
| Industrials | 18.15 | 11.74 |
| Technology | 10.70 | 18.64 |
| **Defensive** | **19.69** | **23.33** |
| Consumer Defensive | 7.95 | 7.85 |
| Healthcare | 9.79 | 12.71 |
| Utilities | 1.95 | 2.77 |
| **Not Classified** | **0.00** | **0.00** |

Drilling down past the fund level, the Sector Analysis summarizes the stock allocation of the investments across 11 sectors.

# Portfolio Comparison Report

## Current Portfolio

Benchmark:Custom

### Regional Exposure

| % of Assets | Stock % | Bmark % |
|---|---|---|
| **Greater Europe** | **4.64** | **5.65** |
| United Kingdom | 1.11 | 1.49 |
| Europe-Developed | 3.17 | 4.10 |
| Europe-Emerging | 0.02 | 0.00 |
| Africa/Middle East | 0.34 | 0.06 |
| **Americas** | **91.48** | **90.58** |
| North America | 91.36 | 90.56 |
| Latin America | 0.12 | 0.02 |
| **Greater Asia** | **3.88** | **3.77** |
| Japan | 0.69 | 2.14 |
| Australasia | 0.06 | 0.60 |
| Asia-Developed | 0.07 | 0.41 |
| Asia-Emerging | 3.06 | 0.62 |
| **Not Classified** | **0.00** | **0.00** |

## Proposed Portfolio

Benchmark:Custom

### Regional Exposure

| % of Assets | Stock % | Bmark % |
|---|---|---|
| **Greater Europe** | **13.08** | **13.68** |
| United Kingdom | 3.63 | 3.69 |
| Europe-Developed | 8.27 | 9.88 |
| Europe-Emerging | 0.08 | 0.00 |
| Africa/Middle East | 1.10 | 0.11 |
| **Americas** | **80.02** | **77.82** |
| North America | 78.99 | 77.80 |
| Latin America | 1.03 | 0.02 |
| **Greater Asia** | **6.90** | **8.50** |
| Japan | 2.74 | 5.36 |
| Australasia | 0.73 | 1.50 |
| Asia-Developed | 1.43 | 1.02 |
| Asia-Emerging | 2.00 | 0.62 |
| **Not Classified** | **0.00** | **0.00** |

Investing overseas can provide valuable diversification. The Regional Exposure table helps you review the general location of the geographical distribution of stocks in each portfolio.

### Trailing Returns* 02-28-2018 (Current Portfolio)

| | 3 Mo % | 1 Yr % | 3 Yr % | 5 Yr % | 10 Yr % |
|---|---|---|---|---|---|
| Pre-Tax Port Ret | 2.75 | 18.38 | *9.43* | *12.65* | *9.01* |
| Benchmark Return | 2.12 | 15.10 | *9.27* | *12.56* | *8.49* |
| +/- Bmark Ret | 0.63 | 3.28 | *0.16* | *0.09* | *0.52* |

### Trailing Returns* 02-28-2018 (Proposed Portfolio)

| | 3 Mo % | 1 Yr % | 3 Yr % | 5 Yr % | 10 Yr % |
|---|---|---|---|---|---|
| Pre-Tax Port Ret | 0.33 | 11.04 | 7.99 | 10.38 | 9.29 |
| Benchmark Return | 1.00 | 10.80 | 6.30 | 8.54 | 6.43 |
| +/- Bmark Ret | -0.67 | 0.24 | 1.69 | 1.84 | 2.86 |

The Trailing Returns table shows the trailing returns of the portfolios over the periods shown. For comparison purposes, the return relative to the benchmark is shown as well.

### Risk and Return Statistics* (Current Portfolio)

| | 3 Yr | | 5 Yr | | 10 Yr | |
|---|---|---|---|---|---|---|
| | Portfolio | Bmark | Portfolio | Bmark | Portfolio | Bmark |
| Standard Deviation | *9.30* | 9.52 | *9.30* | 9.21 | *13.78* | 14.48 |
| Mean | *9.43* | 9.27 | *12.65* | 12.56 | *9.01* | 8.49 |
| Sharpe Ratio | *1.00* | 0.96 | *1.37* | 1.37 | *0.70* | 0.64 |

### Risk and Return Statistics* (Proposed Portfolio)

| | 3 Yr | | 5 Yr | | 10 Yr | |
|---|---|---|---|---|---|---|
| | Portfolio | Bmark | Portfolio | Bmark | Portfolio | Bmark |
| Standard Deviation | 7.65 | 6.81 | 7.69 | 6.60 | 13.83 | 10.51 |
| Mean | 7.99 | 6.30 | 10.38 | 8.54 | 9.29 | 6.43 |
| Sharpe Ratio | 1.01 | 0.88 | 1.34 | 1.27 | 0.72 | 0.63 |

The Risk and Return Statistics table shows the pre-tax return, standard deviation, and Sharpe ratio of each portfolio.

### Modern Portfolio Theory Statistics* (Current Portfolio)

| | 3 Yr | 5 Yr | 10 Yr |
|---|---|---|---|
| | Portfolio | Portfolio | Portfolio |
| Alpha | *0.53* | *0.33* | *0.93* |
| Beta | *0.95* | *0.98* | *0.94* |
| R-Squared | *95.66* | *94.24* | *97.04* |

### Modern Portfolio Theory Statistics* (Proposed Portfolio)

| | 3 Yr | 5 Yr | 10 Yr |
|---|---|---|---|
| | Portfolio | Portfolio | Portfolio |
| Alpha | 1.40 | 0.99 | 1.41 |
| Beta | 1.04 | 1.10 | 1.26 |
| R-Squared | 86.12 | 88.52 | 91.86 |

The MPT Statistics table shows investment statistics for each portfolio.

**Portfolio-Level Performance Disclosure**

*The portfolio-level performance shown is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown.*

**Full return history is not available for all securities. Please see Return Participation disclosure.*

# Portfolio Comparison Report

## Current Portfolio

Benchmark:Custom

**Portfolio Holdings**

| Holdings | Type | Allocation % |
|---|---|---|
| American Century Ultra® A (USD) | MF | 20.06 |
| American Century Equity Income A (USD) | MF | 17.86 |
| Fidelity® Blue Chip Growth (USD) | MF | 16.80 |
| Harbor Capital Appreciation Instl (USD) | MF | 10.93 |
| Royce Special Equity Instl (USD) | MF | 10.81 |
| Wasatch Small Cap Growth Institutional (USD) | MF | 8.80 |
| American Funds Washington Mutual A (USD) | MF | 6.88 |
| Vanguard Alternative Strategies Investor (USD) | MF | 4.73 |
| T. Rowe Price High Yield (USD) | MF | 1.57 |
| American Century Diversified Bond A (USD) | MF | 1.56 |
| | | **100.00** |

## Proposed Portfolio

Benchmark:Custom

**Portfolio Holdings**

| Holdings | Type | Allocation % |
|---|---|---|
| Fidelity® Capital & Income (USD) | MF | 21.14 |
| Wasatch Small Cap Value (USD) | MF | 19.15 |
| BlackRock High Yield Bond Inv A (USD) | MF | 16.70 |
| American Century Mid Cap Value Inv (USD) | MF | 12.58 |
| USAA World Growth (USD) | MF | 11.03 |
| Fidelity® International Small Cap (USD) | MF | 7.25 |
| AB Discovery Value Advisor (USD) | MF | 6.94 |
| VY® T. Rowe Price Capital Apprec A (USD) | MF | 5.20 |
| | | **100.00** |

The Holdings table shows the current holdings in each portfolio.

**Illustration Returns**



**Current Portfolio**

| **Total 18 holdings as of 02-28-2018** | Symbol | Type | Holdings Date | % of Assets | Holding Value $ | 7-day Yield | 1 Yr Ret % | 3 Yr Ret % | 5 Yr Ret % | 10 Yr Ret % |
|---|---|---|---|---|---|---|---|---|---|---|
| American Century Ultra® A (USD) | TWUAX | MF | 12-2017 | 20.06 | 125,246 | — | 28.13 | 12.47 | 15.99 | 9.70 |
| American Century Equity Income A (USD) | TWEAX | MF | 12-2017 | 17.86 | 111,536 | — | 5.24 | 8.37 | 9.76 | 7.08 |
| Fidelity® Blue Chip Growth (USD) | FBGRX | MF | 01-2018 | 16.80 | 104,869 | — | 31.25 | 12.72 | 17.58 | 11.91 |
| Harbor Capital Appreciation Instl (USD) | HACAX | MF | 12-2017 | 10.93 | 68,245 | — | 34.27 | 13.69 | 17.56 | 11.12 |
| Royce Special Equity Instl (USD) | RSEIX | MF | 12-2017 | 10.81 | 67,492 | — | 4.66 | 4.76 | 7.06 | 8.11 |
| Wasatch Small Cap Growth Institutional (USD) | WIAEX | MF | 12-2017 | 8.80 | 54,928 | — | 22.82 | *7.29* | *10.48* | *9.68* |
| American Funds Washington Mutual A (USD) | AWSHX | MF | 12-2017 | 6.88 | 42,984 | — | 14.66 | 9.32 | 12.58 | 7.96 |
| Vanguard Alternative Strategies Investor (USD) | VASFX | MF | 12-2017 | 4.73 | 29,524 | — | -2.31 | — | — | — |
| T. Rowe Price High Yield (USD) | PRHYX | MF | 12-2017 | 1.57 | 9,778 | — | 4.04 | 4.79 | 5.15 | 7.67 |
| American Century Diversified Bond A (USD) | ADFAX | MF | 12-2017 | 1.56 | 9,731 | — | 0.11 | 0.69 | 1.26 | 3.33 |

**Proposed Portfolio**

| **Total 18 holdings as of 02-28-2018** | Symbol | Type | Holdings Date | % of Assets | Holding Value $ | 7-day Yield | 1 Yr Ret % | 3 Yr Ret % | 5 Yr Ret % | 10 Yr Ret % |
|---|---|---|---|---|---|---|---|---|---|---|
| Fidelity® Capital & Income (USD) | FAGIX | MF | 10-2017 | 21.14 | 131,957 | — | 7.29 | 5.80 | 6.95 | 8.80 |
| Wasatch Small Cap Value (USD) | WMCVX | MF | 12-2017 | 19.15 | 119,574 | — | 16.31 | 9.79 | 14.34 | 9.85 |
| BlackRock High Yield Bond Inv A (USD) | BHYAX | MF | 01-2018 | 16.70 | 104,271 | — | 4.89 | 4.49 | 5.20 | 7.86 |
| American Century Mid Cap Value Inv (USD) | ACMVX | MF | 12-2017 | 12.58 | 78,551 | — | 6.05 | 9.36 | 13.47 | 11.34 |
| USAA World Growth (USD) | USAWX | MF | 01-2018 | 11.03 | 68,861 | — | 17.19 | 7.92 | 10.19 | 7.87 |
| Fidelity® International Small Cap (USD) | FISMX | MF | 10-2017 | 7.25 | 45,290 | — | 26.83 | 13.75 | 13.43 | 7.43 |
| AB Discovery Value Advisor (USD) | ABYSX | MF | 01-2018 | 6.94 | 43,343 | — | 6.77 | 8.01 | 12.01 | 10.09 |
| VY® T. Rowe Price Capital Apprec A (USD) | ITRAX | MF | 12-2017 | 5.20 | 32,487 | — | 10.54 | 8.13 | 11.09 | 8.94 |

## Asset-Based Fees

The returns and/or return statistics in this report reflect the deduction of the asset-based fees listed in the table below. The annual fee percentage and frequency were provided by your financial professional. This type of fee is in addition to the normal operating expenses of the securities within the portfolio.

**Current Portfolio**

| Portfolio | Annual Fee $ | Frequency |
|---|---|---|
| | 1,000.00 | Annually |

| Security | Annual Fee % | Frequency |
|---|---|---|
| American Century Equity Income A (USD, TWEAX) | 1.0000 | Quarterly |
| American Century Ultra® A (USD, TWUAX) | 1.0000 | Quarterly |
| American Funds Washington Mutual A (USD, AWSHX) | 1.0000 | Quarterly |
| Fidelity® Blue Chip Growth (USD, FBGRX) | 1.0000 | Quarterly |
| Harbor Capital Appreciation Instl (USD, HACAX) | 1.0000 | Quarterly |
| Royce Special Equity Instl (USD, RSEIX) | 1.0000 | Quarterly |
| Vanguard Alternative Strategies Investor (USD, VASFX) | 1.0000 | Quarterly |
| Wasatch Small Cap Growth Institutional (USD, WIAEX) | 1.0000 | Quarterly |

## Return Participation 02-28-2018

This portfolio report includes securities for which return data is not available for the entire history represented. When return is not available for a security, the remaining securities returns are reweighted to maintain consistent proportions for the securities that do have returns. The reweighting impacts trailing return data, as well as statistics that are calculated using return, including standard deviation, mean, Sharpe ratio, alpha, beta and R-squared. The following securities do not have 120 months of return data reflected in the report.

**Current Portfolio**

| Security | Start Date |
|---|---|
| Vanguard Alternative Strategies Investor (USD, VASFX) | 09-30-2015 |

# Proposal Summary Disclosure Statement

The Proposal Summary is supplemental sales literature, and therefore must be preceded or accompanied by the security/policy's current prospectus or an equivalent statement. Please read this information carefully. In all cases, this disclosure statement should accompany the Proposal Summary. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the portfolio. There is no assurance that the data will remain the same.

User defined securities may be included in this report. Morningstar cannot guarantee the completeness or accuracy of this data. For more information, please work with your advisor.

Risk measures (such as alpha, beta, r-squared, standard deviation, mean, or Sharpe ratio) are calculated for securities or portfolios that have at least a three-year history.

Most Morningstar rankings do not include any adjustment for one-time sales charges, or loads. Morningstar does publish load-adjusted returns, and ranks such returns within a Morningstar Category in certain reports. The total returns for ETFs and fund share classes without one-time loads are equal to Morningstar's calculation of load-adjusted returns. Share classes that are subject to one-time loads relating to advice or sales commissions have their returns adjusted as part of the load-adjusted return calculation to reflect those loads.



**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, publicly-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.

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**

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.

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.

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.

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  ate 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. Price evaluations are provided by Interactive Data Corporation (IDC).

Preferred stock usually offers a fixed dividend payment, which is paid out before variable dividends that may be paid to investors in a company's common stock. Therefore, preferred stock is typically less risky in terms of principal loss, but there is also less potential for return when compared to a company's common stock. If a company fails, their obligations to preferred stockholders must be met before those of the company's common stock holders, but after bondholders are reimbursed.

A separate account is a portfolio of securities (such as stocks, bonds, and cash) that follows a specified investment strategy and is managed by an investment professional. The securities in the portfolio are directly owned by the separate account's owner. Separate accounts are unregistered investment vehicles; therefore they do not have the same performance and holding reporting responsibilities that registered securities have. Separate account performance data is reported to Morningstar from the investment manager as a composite of similarly managed portfolios. As such, investors in the same separate account may have slightly different portfolio holdings because each investor has customized account needs, tax considerations and security preferences. The method for calculating composite returns can vary. The composite performance for each separate account manager may differ from actual returns in specific client accounts during the same period for a number of reasons. Different separate account managers may use different methods in constructing or computing performance figures. Thus, performance and risk figures for different separate account managers may not be fully comparable to each other. Likewise, performance and risk information of certain separate account managers may include only composites of larger accounts, which may or may not have more holdings, different diversification, different trading patterns and different performance than smaller accounts with the same strategy. Finally, composite performance of the separate account offered by the money manager may or may not reflect the reinvestment of dividends and capital gains. Gross returns are collected on a monthly and quarterly basis for separate accounts and commingled pools. This information is collected directly from the asset management firm running the product(s). Morningstar calculates total returns, using the raw data (gross monthly and quarterly returns), collected from these asset management firms. The performance data reported by the separate account managers will not represent actual performance net of management fees, brokerage commissions or other expenses. Management fees as well as other expenses a client may incur will reduce individual returns for that client. Because fees are deducted regularly, the compounding effect will increase the impact of the fee deduction on gross account performance by a greater percentage than that of the annual fee charged. For example, if an account is charged a 1% management fee per year and has gross performance of 12% during that same period, the compounding effect of the quarterly fee assessments will result in an actual return of approximately 10.9%. Clients should refer to the disclosure document of the separate account manager and their advisor for specific information regarding fees and expenses. The analysis in this report may be based, in part, on adjusted historical returns for periods prior to an insurance group separate account's (IGSA's) actual inception. When pre-inception data are presented in the report, the header at the top of the report will indicate this and the affected data elements will be displayed in italics. These calculated returns reflect the historical performance of the oldest share class of the underlying fund, adjusted to reflect the management fees of the current IGSA. While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of an IGSA based on the underlying fund's performance, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the IGSA itself. Morningstar % Rank within Morningstar Category does not account for a separate account's sales charge (if applicable).

A collective investment trust (CIT) may also be called a commingled or collective fund. CITs are tax-exempt, pooled investment vehicles maintained by a bank or trust company exclusively for qualified plans, including 401(k)s, and certain types of government plans. CITs are unregistered investment vehicles subject to banking regulations of the Office of the Comptroller of the Currency (OCC), which means they are typically less expensive than other investment options due to lower marketing, overhead, and compliance-related costs. CITs are not available to the general public, but are managed only for specific retirement plans.

A 529 Portfolio is a specific portfolio of securities created from a 529 plan's available investments. In general, the data presented for a 529 Portfolio uses a weighted average of the underlying holdings in the portfolio. Most 529 plans are invested in open-end mutual funds; however, other investment types are possible such as stable value funds, certificates of deposit, and separate accounts.

Offshore funds are funds domiciled in a country outside the one the investor resides in. Many banks have offshore subsidiaries that are under the standards and regulations of the particular country, which can vary considerably. Companies may establish headquarters offshore because of lower tax rates. Offshore funds are not regulated by the SEC and may have tax implications. Hedge funds are aggressively managed portfolios which make extensive use of unconventional investment tools such as derivatives as well as long and short positions. Managers of hedge-funds typically focus on specific areas of the market and/or trading strategies. Strategies may include the use of arbitrage, derivatives, leverage, and short selling, and may hold concentrated positions or private securities, which can make them risker than other investment types. Hedge funds are typically pooled investment vehicles available to sophisticated investors that meet high investing minimums. Many hedge funds are unregistered and are not subject to the same regulations as registered investment vehicles, such as mutual funds. Funds of hedge funds are pooled investment vehicles that invest in multiple unregistered hedge funds, and may be registered with the SEC. Registered funds of hedge funds typically have lower investment minimums than hedge funds, but they are usually not registered on an exchange and can be illiquid. Fund of hedge fund fees are generally higher than those of other pooled investments (like mutual funds) and may have tax consequences.

Cash is a short-term, highly liquid investment. Cash typically doesn't earn as much as other investments, such as stocks or bonds, but is less risky. Indexes are unmanaged and not available for direct investment. Indexes are created to measure a specified area of the stock market using a representative portfolio of securities. If a security is not available in Morningstar's database, your financial professional may choose to show a representative index. Please note that indexes vary widely, and it is important to choose an index that has similar characteristics to the security it is being used to represent. In no way should the performance of an index be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for an index and may include an individual client incurring a loss. Past performance is no guarantee of future results.

Morningstar assigns each security in its database to a Morningstar Category using the underlying securities in the security's portfolio. If a security is not available in Morningstar's database, your financial professional may choose to show the security's category. Please note that a category will not be an exact match to your securities. In no way should the performance of a category be considered indicative or a guarantee of the future performance of an actual security, be considered indicative of the actual performance achieved by a security, or viewed as a substitute for the actual security in your portfolio. Actual results of a security may differ substantially from the historical performance shown for a category and may include an individual client incurring a loss. Past performance is no guarantee of future results.

**Performance**
The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when sold, may be worth more or less than the original investment. Fund portfolio statistics change over time. Funds are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.

**Advisor-Input Data**
The Number of Accounts, Total AUM, and Current Strategy holdings inputs shown on this report were provided by your financial advisor when creating the Proposal Summary. It is important that these inputs be accurate.

**Asset Allocation**
Asset Allocation reflects asset class weightings of the portfolio. The "Other" category includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks, or cannot be classified by Morningstar as a result of missing data. Morningstar may display asset allocation data in several ways, including tables or pie charts. In addition, Morningstar may compare the asset class breakdown of the fund against its three-year average, category average, and/or index proxy.

Asset allocations shown in tables may include a breakdown among the long, short, and net (long positions net of short) positions. These statistics summarize what the fund's managers are buying and how they are positioning the fund's portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the fund's exposure and risk. Long positions involve buying the security outright and selling it later, with the hope the security's price rises over time. Short positions are taken with the hope of benefitting from anticipated price declines. The investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience a loss buying it at a higher price than the sale price.

Most fund portfolios hold fairly conventional securities, such as long positions in equities and bonds. Morningstar may generate a colored pie chart for these portfolios. Other portfolios use other investment strategies or securities, such as short positions or derivatives, in an attempt to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while other have unique return and risk characteristics. Portfolios that incorporate investment strategies resulting in short positions or portfolio with relatively exotic derivative positions often report data to Morningstar that does not meet the parameters of the calculation underlying a pie chart's generation. Because of the nature of how these securities are reported to Morningstar, we may not always get complete portfolio information to report asset allocation. Morningstar, at its discretion, may determine if unidentified characteristics of fund holdings are material. Asset allocation and other breakdowns may be rescaled accordingly so that percentages total to 100 percent. (Morningstar used discretion to determine if unidentified characteristics of fund holdings are material, pie charts and other breakdowns may rescale identified characteristics to 100% for more intuitive presentation.)

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

**Risk Profile**
Investors have different risk tolerances, with much of the difference stemming from an investor's investment time horizon. (Someone with a short investment time horizon is less able to withstand losses.) The remainder of the difference is attributable to an individual's appetite for risk. Recognizing the trade-off between risk and return is important in determining an appropriate asset allocation. Risk tolerance questionnaires are used to help measure an individual's ability and willingness to accept uncertainties in their investments' performance.

The Target Risk Profile shown in this report is determined by the responses you gave on Morningstar's Risk Tolerance Questionnaire. The Current and Proposed Risk Profiles are determined by matching your current and proposed portfolio, as input by your financial advisor, to the appropriate Risk Profile model portfolio. The Risk Profile model portfolios used in connection with Morningstar's Risk Tolerance Questionnaire and shown on this Proposal Summary range from least risky (conservative) to most risky (aggressive).

The model portfolios are hypothetical in nature and contain generic asset classes that do not represent an actual portfolio, may not reflect the impact that material economic and market factors might have had on portfolio construction or your adviser's decision-making if your adviser were actually managing your assets, and do not reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that you would have paid or actually paid. In no way should a model portfolio or its performance be considered indicative of or a guarantee of the future performance of a portfolio, nor should it be viewed as a substitute for an actual portfolios recommended to you. Past performance does not guarantee future results. Results of an investment made today in a portfolio may differ substantially from historical performance.

**Target Asset Allocation**
The Target Asset Allocation shows the asset class allocation for the Risk Profile model portfolio based on your responses to Morningstar's Risk Tolerance Questionnaire.

**Current versus Proposed Strategy Graph**
The Current versus Proposed Strategy graph plots risk versus expected return to illustrate the risk (as measured by standard deviation) and return (as measured by mean arithmetic return) for five model Risk Profile portfolios, your current portfolio, a proposed portfolio. Your current portfolio is based on portfolio holdings input by your financial advisor. The proposed portfolio is based on a portfolio your financial advisor has created for you. Model portfolios should not be used to assess the exact risk/return relationship between portfolios.

The return plotted in the graph is mean arithmetic return. Standard deviation is a statistical measure of the volatility of the security's or portfolio's returns in relation to the mean return. The larger the standard deviation, the greater the volatility of return in relation to the mean return.

This graph shows an efficient frontier. An efficient frontier represents every possible combination of asset classes that maximizes return at each level of portfolio risk, and minimizes risk at each level of portfolio return. An efficient frontier is the line that connects all optimal portfolios across all levels of risk. An optimal portfolio is simply the mix of assets that maximizes portfolio return at a given risk level. In this graph, the target asset allocation identified by your advisor for your investment is shown on the efficient frontier, along with your current asset allocation. Note that the calculation of an efficient frontier is based on forward-looking estimates of asset class return, risk, and correlation of return behavior between the asset classes. Therefore, the calculation of the efficient frontier is significantly impacted by subjectivity. The data assumes reinvestment of all income and does not account for taxes or transaction costs. Diversification does not eliminate the risk of experiencing investment losses.

**Please Note:** Although prudent assumptions have been applied, the rate of return and risk for an investment cannot be predicted with certainty, nor can correlation coefficients between investments. There is no guarantee that income or gain realized will be repeated. Past performance is no guarantee of future results. Further, security implementation decisions may have a significant effect on risk and return results. The returns and risks identified in the illustration in no way represent a guarantee that the portfolio will produce a particular result. There is no guarantee that the expected return, standard deviation, or Sharpe ratio indicated for either the current asset allocation or target asset allocation will be achieved over the investing horizon. Principal value and investment return will fluctuate, so that an investor's investment, when redeemed, may be worth more or less than the original investment.

**Morningstar Analyst Rating**
The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses 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 the Manager Research Group's conviction in a fund's prospects for outperformance. Analyst Ratings ultimately reflect the Manager Research Group's overall assessment, are overseen by an Analyst Rating Committee, and 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 global.morningstar.com/managerdisclosures/.

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a fund, (ii) involves unknown risks and uncertainties which may cause the Manager Research Group's expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell the fund.

**Morningstar Rating Distribution**

The Morningstar Rating Distribution graph displays, for the investor's current portfolio and the proposed portfolio, the number of securities in each Morningstar Analyst Rating category. For those securities that have been analyzed by the Manager Research Group and given a Morningstar Analyst Rating, a weighted average of the Morningstar Analyst Rating for each portfolio is calculated.

**Morningstar Category**

Morningstar Category is assigned by placing funds into peer groups based on their underlying holdings. The underlying securities in each portfolio are the primary factor in our analysis as the investment objective and investment strategy stated in a fund's prospectus may not be sufficiently detailed for our proprietary classification methodology. Funds are placed in a category based on their portfolio statistics and compositions over the past three years. Analysis of performance and other indicative facts are also considered. If the fund is new and has no portfolio history, Morningstar estimates where it will fall before giving it a permanent category assignment. Categories may be changed based on recent changes to the portfolio.

**Portfolio Cost**

The Portfolio Cost graph compares the costs of owning a portfolio over one-, five-, and ten-years for your current portfolio and the proposed portfolio. This analysis takes into consideration the purchase and redemption fees and expenses for each security along with any ongoing fees and expenses an investor incurs while holding the security.

This example assumes that your investment earns a 5.00% return and that the investment's operating expenses remain the same.

This graph is designed to provide information to help you assess the importance of fees and expenses, and to understand how changes in your holding period may impact your portfolio. Assumptions and calculations applied in this analysis are critical to the outcomes shown in this report. The portfolio cost analysis was generated using the securities and investment amounts entered by your financial advisor for your current and proposed portfolios. It is important that these assumptions, along with the hypothetical assumed rate of return, be accurate estimations, as they are key inputs that impact the portfolio cost analysis. Applicable front-end charges were assessed at the point of purchase and deferred charges and redemption fees, when applicable, were assessed at the point of sale. The analysis does not account for reinvestment of any applicable dividends or capital gains.

The information generated in this chart is hypothetical in nature and assumes the portfolio's returns and expenses remain the same each year. Because returns and expenses vary over time, your actual returns and expenses may be higher or lower. The hypothetical rate of return used in this analysis should not be considered indicative of future results. Actual results may differ substantially from that shown here. Principal value and investment return will fluctuate, so that your shares, when redeemed, may be worth more or less than your original investment, and may include a possible loss of your principal.

While most of the fees and expenses associated with owning a security are provided by Morningstar, this report may reflect other fees and expenses that were entered by your financial advisor. Morningstar does not guarantee that these fees are correct, complete, or accurate, nor does it guarantee that all applicable fees and expenses associated with owning a particular security were included.

# Investment Risks

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.

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.

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.

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.

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.

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.

Tax-Free Municipal Bonds: 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.

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.

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.

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.

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.

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.

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.

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: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

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.

Market Risk: 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.

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.

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.

# Portfolio Comparison Report Disclosure Statement

The Portfolio Comparison Report is supplemental sales literature, and therefore must be preceded or accompanied by the fund's current prospectus or an equivalent statement. Please read this information carefully. In all cases, this disclosure statement should accompany the Portfolio Comparison Report. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the portfolio. There is no assurance that the data will remain the same.

Unless otherwise specified, the definition of "funds" used throughout this Disclosure Statement includes closed-end funds, exchange-traded funds, grantor trusts, index mutual funds, open-ended mutual funds, and unit investment trusts. It does not include exchange-traded notes or exchange-traded commodities.

Prior to 2016, Morningstar's methodology evaluated open-end mutual funds and exchange-traded funds as separate groups. Each group contained a subset of the current investments included in our current comparative analysis. In this report, historical data presented on a calendar-year basis and trailing periods ending at the most-recent month-end reflect the updated methodology.

Risk measures (such as alpha, beta, r-squared, standard deviation, mean, or Sharpe ratio) are calculated for securities or portfolios that have at least a three-year history.

Most Morningstar rankings do not include any adjustment for one-time sales charges, or loads. Morningstar does publish load-adjusted returns, and ranks such returns within a Morningstar Category in certain reports. The total returns for ETFs and fund share classes without one-time loads are equal to Morningstar's calculation of load-adjusted returns. Share classes that are subject to one-time loads relating to advice or sales commissions have their returns adjusted as part of the load-adjusted return calculation to reflect those loads.

**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.

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**

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.

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.

**Performance**

The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when sold, may be worth more or less than the original investment. Fund portfolio statistics change over time. Funds are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution.

Morningstar calculates after-tax returns using the highest applicable federal marginal income tax rate plus the Medicare surcharge. As of 2016, this rate is 39.6% plus 0.9% Medicare surcharge, or 40.5%, this has been unchanged since 2013. This rate changes periodically in accordance with changes in federal law.

**Pre-Inception Returns**

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the inception of the share class of the fund shown in this report (“Report Share Class”). If pre-inception returns are shown, a performance stream consisting of the Report Share Class and older share class(es) is created. Morningstar adjusts pre-inception returns downward to reflect higher expenses in the Report Share Class, we do not hypothetically adjust returns upwards for lower expenses. For more information regarding calculation of pre-inception returns please see the Morningstar Extended Performance Methodology.

**When pre-inception data is presented in the report, the header at the top of the report will indicate this. In addition, the pre-inception data included in the report will appear in italics.**

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

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**7-day Yield**

The 7-day yield is a measure of performance in the interest rates of money market funds.

**Alpha**

Alpha is a measure of the difference between a security or portfolio’s actual returns and its expected performance, given its level of risk (as measured by beta.) Alpha is often seen as a measure of the value added or subtracted by a portfolio manager.

**Asset Allocation**

Asset Allocation reflects asset class weightings of the portfolio. The “Other” category includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks, or cannot be classified by Morningstar as a result of missing data. Morningstar may display asset allocation data in several ways, including tables or pie charts. In addition, Morningstar may compare the asset class breakdown of the fund against its three-year average, category average, and/or index proxy.

Asset allocations shown in tables may include a breakdown among the long, short, and net (long positions net of short) positions. These statistics summarize what the fund’s managers are buying and how they are positioning the fund’s portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the fund’s exposure and risk. Long positions involve buying the security outright and selling it later, with the hope the security’s price rises over time. Short positions are taken with the hope of benefitting from anticipated price declines. The investor borrows the security from another investor, sells it and receives cash, and then is obligated to buy it back at some point in the future. If the price falls after the short sale, the investor will have sold high and can buy low to close the short position and lock in a profit. However, if the price of the security increases after the short sale, the investor will experience a loss buying it at a higher price than the sale price.

Most fund portfolios hold fairly conventional securities, such as long positions in equities and bonds. Morningstar may generate a colored pie chart for these portfolios. Other portfolios use other investment strategies or securities, such as short positions or derivatives, in an attempt to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while other have unique return and risk characteristics. Portfolios that incorporate investment strategies resulting in short positions or portfolio with relatively exotic derivative positions often report data to Morningstar that does not meet the parameters of the calculation underlying a pie chart’s generation. Because of the nature of how these securities are reported to Morningstar, we may not always get complete portfolio information to report asset allocation. Morningstar, at its discretion, may determine if unidentified characteristics of fund holdings are material. Asset allocation and other breakdowns may be rescaled accordingly so that percentages total to 100 percent. (Morningstar used discretion to determine if unidentified characteristics of fund holdings are material, pie charts and other breakdowns may rescale identified characteristics to 100% for more intuitive presentation.)

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

**Beta**

Beta is a measure of a security or portfolio’s sensitivity to market movements (proxied using an index.) A beta of greater than 1 indicates more volatility than the market, and a beta of less than 1 indicates less volatility than the market.

**Deferred Load %**

The back-end sales charge or deferred load is imposed when an investor redeems shares of a fund. The percentage of the load charged generally declines the longer the fund’s shares are held by the investor. This charge, coupled with 12b-1 fees, commonly serves as an alternative to a traditional front-end load.

**Expense Ratio %**

The expense ratio is the annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as front-end or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund’s average net assets, is accrued on a daily basis. The gross expense ratio, in contract to the net expense ratio, includes interest and dividends on borrowed securities but does not reflect any fee waivers in effect during the time period.

**Front-end Load %**
The initial sales charge or front-end load is a deduction made from each investment in the fund and is generally based on the amount of the investment.

**Maximum Redemption Fee %**
The Maximum Redemption Fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase (for example, 30, 180, or 365 days).

**Mean**
Mean is the annualized geometric return for the period shown.

**Morningstar Category**
Morningstar Category is assigned by placing funds into peer groups based on their underlying holdings. The underlying securities in each portfolio are the primary factor in our analysis as the investment objective and investment strategy stated in a fund's prospectus may not be sufficiently detailed for our proprietary classification methodology. Funds are placed in a category based on their portfolio statistics and compositions over the past three years. Analysis of performance and other indicative facts are also considered. If the fund is new and has no portfolio history, Morningstar estimates where it will fall before giving it a permanent category assignment. Categories may be changed based on recent changes to the portfolio.

**Morningstar Style Box™**
The Morningstar Style Box™ reveals a fund's investment strategy as of the date noted on this report.

For equity funds, the vertical axis shows the market capitalization of the long stocks owned, and the horizontal axis shows the investment style (value, blend, or growth.) A darkened square in the style box indicates the weighted average style of the portfolio.

For fixed-income funds, the vertical axis shows the credit quality of the long bonds owned and the horizontal axis shows interest-rate sensitivity as measured by a bond's effective duration. Morningstar seeks credit rating information from fund companies on a periodic basis (for example, quarterly). In compiling credit rating information, Morningstar accepts credit ratings reported by fund companies that have been issued by all Nationally Recognized Statistical Rating Organizations. For a list of all NRSROs, please visit http://www.sec.gov/divisions/marketreg/ ratingagency.htm. Additionally, Morningstar accepts foreign credit ratings from widely recognized or registered rating agencies. If two rating organizations/ agencies have rated a security, fund companies are to report the lower rating; if three or more organizations/agencies have rated a security, fund companies are to report the median rating; and in cases where there are more than two organization/agency ratings and a median rating does not exist, fund companies are to use the lower of the two middle ratings.

Please Note: Morningstar, Inc. is not an NRSRO nor does it issue a credit rating on the fund. NRSRO or rating agency ratings can change from time to time.

For credit quality, Morningstar combines the credit rating information provided by the fund companies with an average default rate calculation to come up with a weighted-average credit quality. The weighted-average credit quality is currently a letter that roughly corresponds to the scale used by a leading NRSRO. Bond funds are assigned a style box placement of "low," "medium," or "high" based on their average credit quality. Funds with a "low" credit quality are those whose weighted-average credit quality is determined to be less than "BBB-"; "medium" are those less than "AA-", but greater or equal to "BBB-"; and "high" are those with a weighted-average credit quality of "AA-" or higher. When classifying a bond portfolio, Morningstar first maps the NRSRO credit ratings of the underlying holdings to their respective default rates (as determined by Morningstar's analysis of actual historical default rates). Morningstar then averages these default rates to determine the average default rate for the entire bond fund. Finally, Morningstar maps this average default rate to its corresponding credit rating along a convex curve.

For interest-rate sensitivity, Morningstar obtains from fund companies the average effective duration. Generally, Morningstar classifies a fixed-income fund's interest-rate sensitivity based on the effective duration of the Morningstar Core Bond Index, which is currently three years. The classification of Limited will be assigned to those funds whose average effective duration is between 25% to 75% of MCBI's average effective duration; funds whose average effective duration is between 75% to 125% of the MCBI will be classified as Moderate; and those that are at 125% or greater of the average effective duration of the MCBI will be classified as Extensive.

For municipal-bond funds, Morningstar also obtains from fund companies the average effective duration. In these cases, static breakpoints are used. These breakpoints are as follows: (i) Limited: 4.5 years or less; (ii) Moderate: more than 4.5 years but less than 7 years; and (iii) Extensive: more than 7 years. In addition, for non-U.S. taxable and non-U.S. domiciled fixed-income funds, static duration breakpoints are used: (i) Limited: less than or equal to 3.5 years; (ii) Moderate: more than 3.5 years but less than or equal to 6 years; (iii) Extensive: more than 6 years.

Interest-rate sensitivity for non-U.S. domiciled funds (excluding funds in convertible categories) may be measured with modified duration when effective duration is not available.

**R-Squared**
R-squared is the percentage of a security or portfolio's return movements that are explained by movements in its benchmark index, showing the degree of correlation between the security or portfolio and the benchmark. This figure is helpful in assessing how likely it is that beta and alpha are statistically significant. A value of 1 indicates perfect correlation between the security or portfolio and its benchmark. The lower the R-squared value, the lower the correlation.

**Regional Exposure**
The regional exposure is a display of the portfolio's assets invested in the regions shown on the report.

**Sector Weightings**
Super Sectors represent Morningstar's broadest classification of equity sectors by assigning the 11 equity sectors into three classifications. The Cyclical Super Sector includes industries significantly impacted by economic shifts, and the stocks included in these sectors generally have betas greater than 1. The Defensive Super Sector generally includes industries that are relatively immune to economic cycles, and the stocks in these industries generally have betas less than 1. The Sensitive Super Sector includes industries that ebb and flow with the overall economy, but not severely so. Stocks in the Sensitive Super Sector generally have betas that are close to 1.

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

**Sharpe Ratio**
Sharpe Ratio uses standard deviation and excess return (a measure of a security or portfolio's return in excess of the U.S. Treasury three-month

Treasury Bill) to determine the reward per unit of risk.

**Standard Deviation**
Standard deviation is a statistical measure of the volatility of the security or portfolio's returns. The larger the standard deviation, the greater the volatility of return.

**Standardized Returns**
Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experience if the security was purchased at the beginning of the period and sold at the end, incurring transaction charges.

**Total Return**
Total Return, or "Non Load-Adjusted Return", reflects performance without adjusting for sales charges (if applicable) or the effects of taxation, but it is adjusted to reflect all actual ongoing security expenses and assumes reinvestment of dividends and capital gains. It is the return an investor would have experienced if the fund was held throughout the period. If adjusted for sales charges and the effects of taxation, the performance quoted would be significantly reduced.

Total Return +/- indicates how a fund has performed relative to its peers (as measure by its benchmark index and/or Morningstar Category index) over the time periods shown.

**Trailing Returns**
Trailing Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the fund was purchased at the beginning of the period and sold at the end, incurring transaction charges.

Load-Adjusted Monthly Return is calculated applying the same methodology as Standardized Return, except that it represents return through month-end. As with Standardized Return, it reflects the impact of sales charges and ongoing fund expenses, but not taxation. If adjusted for the effects of taxation, the performance quoted would be significantly different.

Trailing Return +/- indicates how a fund has performed relative to its peers (as measure by its benchmark index and/or Morningstar Category index) over the time periods shown.

## Portfolio Fee Report Report Disclosure Statement

The Portfolio Fee Report is supplemental sales literature, and therefore must be preceded or accompanied by the fund or annuity subaccount's current prospectus or an equivalent statement and a variable annuity contract, if applicable. Please read this information carefully. In all cases, this disclosure statement should accompany the Portfolio Fee Report. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar as of the release date and may or may not be an accurate reflection of current data for securities included in the fund's portfolio or the variable annuity contract. There is no assurance that the data will remain the same.

Unless otherwise specified, the definition of "funds" used throughout this Disclosure Statement includes closed-end funds, exchange-traded funds, grantor trusts, index mutual funds, open-ended mutual funds, and unit investment trusts. It does not include exchange-traded notes or exchange-traded commodities.

**Fee Projections**
This report is designed to provide information to help you assess the importance of fees and expenses, and to understand how changes in your holding period may impact your portfolio. Assumptions and calculations applied in this analysis are critical to the outcomes shown in this report.

The fee projection analysis was generated using a portfolio of securities, investment amount, and hypothetical rate of return entered by your financial advisor. It is important that these assumptions be accurate estimations, as they are key inputs that impact the fee projection analysis. Applicable front-end charges were assessed at the point of purchase and deferred charges and redemption fees, when applicable, were assessed at the point of sale. The analysis does not account for reinvestment of any applicable dividends or capital gains.

The information generated in this report is hypothetical in nature and assumes the portfolio's returns and expenses remain the same each year. Because returns and expenses vary over time, your actual returns and expenses may be higher or lower. The hypothetical rate of return used in this analysis should not be considered indicative of future results. Actual results may differ substantially from that shown here. Principal value and investment return will fluctuate, so that your shares of securities, when redeemed, may be worth more or less than your original investment, and may include a possible loss of your principal.

**Important Note about Expense Ratios**
Morningstar uses the Prospectus Net Expense Ratio in its ongoing fees, fee level, and ranking calculations for most funds. However, the Annual Report Net Expense Ratio is used for closed-end funds because prospectuses are published infrequently.

**Account/Plan Level Fees**
Some fees, such as Asset Based, Annual Account, Actual Plan, and Benchmark Plan fees, are charged to an investor at the account level, rather than at the security level. We show these fees on the Single Investment Detail Report so that you are aware they will impact your account, but they are not used in calculating the fees for the security shown on the report. If a pro-rata portion of the Account/Plan Level Fees were included for this specific security, the overall cost and fees shown would be higher (in some cases, significantly so). Please ask your financial advisor for the Portfolio Fee Report to see how Account/Plan Level Fees impact your account.

**Purchase Fees and Expenses**
Purchase fees and expenses are those costs incurred by an investor when they buy shares of a fund or purchase a variable annuity. Such fees and expenses may include front-end loads and/or trading commissions.

**Redemption Fees and Expenses**
Redemption fees and expenses are those costs incurred by an investor when they sell shares of a fund.

**Ongoing Fees and Expenses**
Ongoing fees and expenses are those costs an investor incurs while holding shares of a fund or an annuity. For funds and annuities, such expenses may

include asset based fees and operating and management fees. Annuities may be charged additional fees related to M&E risk, administration, distribution, duration loads, optional benefits, and policy maintenance and administration fees.

**Deferred Load**
The maximum back-end sales fee imposed when an investor redeems shares of a fund.

**Deferred Sales Fee**
The back-end sales charge or deferred load is imposed when an investor redeems shares of a fund. The percentage of the load charged generally declines the longer the fund's shares are held by the investor. This charge, coupled with 12b-1 fees, commonly serves as an alternative to a traditional front-end sales charge or initial load.

**Expense Ratio**
The expense ratio is the annual fee that all funds charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as front-end or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund's average net assets, is accrued on a daily basis. The gross expense ratio, in contract to the net expense ratio, includes interest and dividends on borrowed securities but does not reflect any fee waivers in effect during the time period.

**Front-End Load**
The maximum initial sales fee imposed when an investment is made in a fund.

**Initial Sales Fee**
The initial sales charge or front-end load is a deduction made from each investment in the fund and is generally based on the amount of the investment. The initial sales charge or front-end load is a deduction made from each investment in the fund and is generally based on the amount of the investment.

**Net Prospectus Expense Ratio**
The net prospectus expense ratio is the percentage of fund assets paid for operating expenses and management fees and is pulled from the fund's most recent prospectus. Prospectus expense ratios reflect material changes to the expense structure for the current period, in contract to annual report.

**Standardized Return**
The performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original investment. Fund portfolio statistics change over time. The fund is not FDIC-insured, may lose value and is not guaranteed by a bank or other financial institution.

Standardized Return applies the methodology described in the Standardized Returns page of this report. Standardized Return is calculated through the most recent calendar-quarter end for one-year, five-year, 10-year, and/or since-inception periods, and it demonstrates the impact of sales charges (if applicable) and ongoing fund expenses. Standardized Return reflects the return an investor may have experienced if the fund was purchased at the beginning of the period and sold at the end, incurring transaction charges.

**Types**
The following security types may be represented in this report: closed-end fund (CE), collective investment trusts (CIT), college savings funds (529), exchange-traded fund (ETF), holding company depository receipt (HOLDR), money market mutual fund (MM), open-end mutual fund (MF), separate account (SA), stock (ST), unit investment trust (UIT), variable annuity contract (VAC), variable annuity subaccount (VA), and variable life subaccount (VL).

# Investment Risks

International/Emerging Market Equities: Investing in international securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

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.

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.

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 that the overall market average.

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.

High-Yield Bonds: Portfolios that invest in lower-rated debt securities (commonly referred 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.

Tax-Free Municipal Bonds: 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.

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 decline. Portfolios that hold bonds are subject to declines and increases in value due to general changes in interest rates.

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.

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.

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.

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: Closed-end fund, ETF, and HOLDR trading may be halted due to market conditions, impacting an investor's ability to sell a fund.

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.

Market Risk: The market prices of ETF's 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.

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 of when investors expect to begin withdrawing their money. 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.

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.

# Benchmark Disclosure

| **Custom Benchmark: Current Portfolio** | Allocation % | Type |
|---|---|---|
| MSCI EAFE PR USD | 7.99 | IDX |
| BBgBarc US Agg Bond TR USD | 3.86 | IDX |
| Russell 3000 TR USD | 84.63 | IDX |
| Citi Treasury Bill 3 Mon USD | 3.51 | IDX |

| **Custom Benchmark: Proposed Portfolio** | Allocation % | Type |
|---|---|---|
| MSCI EAFE PR USD | 14.21 | IDX |
| BBgBarc US Agg Bond TR USD | 31.01 | IDX |
| Russell 3000 TR USD | 51.45 | IDX |
| Citi Treasury Bill 3 Mon USD | 3.32 | IDX |

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

**Citi Treasury Bill 3 Mon USD**
Measures monthly return equivalents of yield averages that are not marked to market. This index consists of the last three three-month Treasury bill issues.

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

This disclosure applies to all MSCI indices: Certain information included herein is derived by Morningstar in part from MSCI's Index Constituents (the "Index Data"). However, MSCI has not reviewed any information contained herein and does not endorse or express any opinion such information or analysis. MSCI does not make any express or implied warranties, representations or guarantees concerning the Index Data or any information or data derived therefrom, and in no event will MSCI have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

**MSCI EAFE PR USD**
Description unavailable.

**Russell 3000 TR USD**
Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market.

**S&P 500 TR USD**
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 U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

**USTREAS T-Bill Auction Ave 3 Mon**
Three-month T-bills are government-backed, short-term investments considered to be risk-free and as good as cash because the maturity is only three months. Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.