

Investment Policy Statement for MyHSA Program

Part I. THE PLAN

The Alliance Benefit Group of Illinois (“Sponsor”) sponsors a Health Savings Account program dba MyHSA (“Program”). This program was established for the exclusive benefit of Eligible Individuals under Section 223(d) of the Internal Revenue Code (“IRC”).

The methodology used to select and review the Program’s investment alternatives is detailed in this document. The Program offers a number of investment alternatives that have been selected in accord with the criteria set forth within this Investment Policy Statement. The Sponsor’s Investment Committee (“Committee”) will conduct a periodic review of the performance of these investment alternatives to determine whether to modify the alternatives.

Part II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement is to establish appropriate criteria and due diligence processes with respect to the selection of investment options offered within the Program.

Specifically, this Investment Policy Statement:

- Defines the investment objectives for the Program.
- Defines the roles of those responsible for the Program’s investments.
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes potential corrective actions the Committee can take should investment options (or their respective managers) fail to satisfy established objectives, if the Committee determines that such actions are appropriate and advisable given the circumstances.
- Describes the types of educational materials to be provided to Program Eligible Individuals and beneficiaries.

The guidelines provided in this Investment Policy Statement do not constitute a contract. These guidelines are also not meant to be a statement of mandatory requirements. Rather, these guidelines are only an explanation of general principles and guidelines being currently applied for investment option selection, retention and replacement. Furthermore, these guidelines are not the sole factors considered by the Committee in the process. This Investment Policy Statement is not intended to, and shall not be deemed to expand the fiduciary duties of the Committee, or its individual members.

This Investment Policy Statement will be reviewed periodically, and, if appropriate, may be amended by the Committee at any time to reflect changes in the capital markets, Program objectives, or other factors relevant to the Program.

Part III. INVESTMENT OBJECTIVES

In accordance with the relevant terms of the Program, the Committee will select the Plan's investment options based on criteria deemed relevant, from time to time, by the Committee. These criteria may include, but are not limited to, the following:

- Maximization of return within reasonable and appropriate levels of risk.
- Provision of returns comparable to returns for similar investment options.
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles.
- Control administrative and management fees.
- Provision of appropriate diversification within investment vehicles.
- Investment's adherence to stated investment objectives and style.

Part IV. ROLES AND RESPONSIBILITIES

Subject to the terms of the Program, the Committee is responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Periodically monitoring the performance and fees
- Periodically monitoring any other fees.

Subject to the terms of the Program and any contract or agreement entered into, the Committee is responsible for:

- Selecting the investment options (as limited by the last paragraph of Part VII).
- Periodically evaluating the Plan's investments' performances and considering investment option changes (as limited by the last paragraph of Part VII).

In executing its responsibilities, the Committee will act in accord with Best Practices as outlined in this Investment Policy Statement:

- Solely in the interest of Eligible Individuals, for the exclusive purpose of providing Program benefits;
- With the care, skill, and diligence under the circumstances then prevailing that a person, utilizing good judgement, acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims.

Part V. MONITORING OF SERVICE PROVIDERS

The Committee will monitor service providers on an ongoing and regular basis. Monitoring for these service providers should include, but not be limited to, an evaluation of the provider's:

- Investment offerings and services
- Recordkeeping technology and services

- Technology
- Eligible Individual access and communications
- Fees

Part VI. SELECTION OF INVESTMENT OPTIONS

Set forth below are the considerations and guidelines that the Committee will employ in selecting investment options for the Program.

The Program intends to provide an appropriate range of investment options that, in the aggregate, will allow Eligible Individuals to select portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. The Program will make available to Eligible Individuals broadly diversified investment options, each of which shall offer materially different risk and return characteristics and which in the aggregate are sufficient in permitting the Eligible Individuals, by choosing among them, to materially affect the potential return and degree of risk on their accounts, as well as minimizing the risk of large losses within the range normally appropriate for the Eligible Individual. The Committee shall be responsible for the Program-level investment selection process, as set forth in this Investment Policy Statement, but cannot guarantee investment results for any selected investment option.

Major asset classes to be considered may include, but are not limited to:

Conservative Investments

Cash and liquid investments including, but not limited to, money market, stable value, and guaranteed interest accounts.

Income Investments

Income oriented investments including, but not limited to, low, medium and high-quality bond investments, with short, intermediate and/or long-term duration. Management styles may be indexed and actively managed international, global and domestic styles.

Equity Investments

Investments that invest in equity securities, both domestic and foreign, including, but not limited to, small, medium and large market capitalization, with value, blend and growth investment objectives, which may be actively managed or indexed.

Asset Allocation Investments

Investments or accounts that invest in a combination of conservative, income, and equity investments, “fund of funds” accounts combining several of the above investments into one or a series of investments, and “manager of managers” accounts combining several different investment styles and fund managers into one account or a series of accounts.

After considering the desired asset classes, the Committee will evaluate and choose the appropriate investment option(s) desired to be offered by the Program’s investment menu. If an investment manager (responsible for the underlying investment vehicle, such as a mutual fund, commingled account, collective trust, or separate account) is chosen as a potential investment option, the following minimum criteria should be considered:

1. The investment manager should be a bank, insurance company, investment management, mutual fund company or an investment adviser registered under the Investment Advisers Act of 1940;

2. The investment's manager should operate in good standing with regulators and clients, with no material pending or concluded legal actions against it; and
3. All relevant quantitative and qualitative information on the manager and investment should be made available by the manager and/or vendor.

In addition to the minimum criteria above, the Committee should consider the following standards for selection of all investments:

1. Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer group (where appropriate and available, long-term performance of an investment manager may be inferred through the performance of another investment with similar style attributes managed by such investment manager);
2. Specific risk and risk-adjusted return measures should be reviewed by the Committee and be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
3. The investment should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
4. Fees and fee structures should be competitive compared with similar investments reasonably available to the Program;
5. The investment should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure; and
6. The investment should be able to provide performance, holdings and other relevant information in a timely fashion with specified frequency.

Furthermore, investments will be evaluated and selected utilizing a "Scorecard", illustrated in the "Addendum to Part VI: Scorecard System Methodology™".

Part VII. INVESTMENT MONITORING AND REPORTING

The Committee acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, they intend to evaluate investment manager performance from a long-term perspective.

The ongoing monitoring of investments is a regular and disciplined process intended to ensure that a previously selected investment option continues to satisfy the selection process and that an investment option continues to be an appropriate option offered for investment in the Program. The process of monitoring investment performance relative to specified guidelines will be consistently applied. Frequent change of investments is neither expected nor desired.

The Committee will bear in mind political, social, economic or other changes that may potentially require more frequent review and consideration of investments. The following are some, but not all, general factors that may be considered in ongoing monitoring:

- Current regulatory environment,
- Current state of capital markets,
- Performance of investment alternatives,
- Utilization of accounts by Program demographic,
- The appropriate applicability of this Investment Policy Statement as written, in light of prevailing facts and circumstances.

Monitoring will generally utilize criteria as deemed appropriate by the Committee. Unusual, notable, or extraordinary events should be communicated by each investment and/or provider on a timely basis to the

Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the investment management firm, or material changes in firm ownership structure and announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the Committee will monitor whether the investment is taking appropriate steps to remedy the deficiency. If over a reasonable period the issue remains unresolved, removal of the investment option may result.

If an investment fails to meet the criteria standards, as determined by its score, it may be placed on a “watch list” (as defined in the attached Addendum). If the investment maintains a watch list score for four consecutive quarters, or five out of eight quarters, the investment may be considered for further action (see Part IX below) by the Committee. In the event an investment receives a score which is below that of “watch list” status, or experiences extraordinary circumstances which may render it inappropriate to maintain, it may be considered for action (see Part IX below) by the Committee at the earliest administratively practicable date. If the investment meets criteria standards, as determined by its score as “acceptable” or “good” (as defined in the attached Addendum) for four consecutive quarters, it may be removed from the watch list.

Cash, or principal preservation, alternatives should be reviewed with a primary focus on the investment’s ability to preserve capital and minimize risk. Criteria reviewed should include, but not be limited to, credit quality, diversification, and stability of insurance provider, if applicable.

Asset allocation investments should be scored and monitored in the same manner as all other investments, using the previously described guidelines in Part VII. Because many of these investments contain separate underlying investment funds, it may also be appropriate to score and monitor those, as available and applicable. Unlike other investments which are monitored and scored individually, target-date investments, though potentially scored individually, should be evaluated as a group. Due to the unique importance of these investment options for Eligible Individuals in the Program, investments or suites of investments (as may be applicable), or managed accounts failing to achieve criteria standards should be carefully reviewed before removal from the Program (in the absence of a reasonable alternative).

In the event asset allocation investments have too brief a time history to be scored, the investment or suite should be evaluated both qualitatively and quantitatively on the underlying investments that may have a longer time history available, using a proxy, or a qualitative framework for all other instances.

Investments where no score is applied due to specialty focus, short time history or other unique circumstances should be reviewed using a proxy, where applicable and appropriate, or a qualitative framework for all other instances.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive, or controlling for removal, termination or continuation of an investment option. All determinations should be made by the Committee, in its sole discretion, taking into consideration all relevant facts and circumstances.

A Quarterly Monitoring Report (QMR) will be prepared and reviewed by the Committee. On a timely basis, but not less than annually, the Committee will review whether each investment manager continues to conform to the search criteria outlined in the previous section; specifically:

- The investment manager's adherence to the Program’s investment guidelines;
- Material changes in the investment manager's organization, investment philosophy and/or personnel; and,
- Any legal, SEC and/or other regulatory agency proceedings affecting the investment manager.

It is in the best interest of the Eligible Individuals that performance objectives be reviewed for each investment manager. The investment's performance will be evaluated against the fund's peers (investment category) and an appropriate market index. Listed below are the asset classes and indexes that will be used as a benchmark for each investment option:

Asset Class/ Peer Group	Index	Peer Group Universe
Large Cap Equity		
Large Cap Value	Russell 1000 Value TR	Large Cap Value
Large Cap Blend	Russell 1000 TR	Large Cap Core
Large Cap Growth	Russell 1000 Growth TR	Large Cap Growth
Mid Cap Equities		
Mid-Cap Value	Russell MidCap Value TR	Mid-Cap Value
Mid-Cap Blend	Russell MidCap TR	Mid-Cap Core
Mid-Cap Growth	Russell MidCap Growth TR	Mid-Cap Growth
Small Cap Equities		
Small Cap Value	Russell 2000 Value TR	Small Cap Value
Small Cap Blend	Russell 2000 TR	Small Cap Core
Small Cap Growth	Russell 2000 Growth TR	Small Cap Growth
Foreign Large Blend	Morningstar Developed ex US Index	Foreign Lrg Blend
Real Estate	Morningstar Real Estate Category Avg	Real Estate
Diversified Emerging Mkts	Morningstar Emerging Markets Index	Emerging Markets
Commodities Broad Bskt.	Morningstar Long-Only Commodities Idx	Commodities
Fixed Income		
Intermediate Bond	Mstar Intermed US Govt/Corp Bond Idx	Intermed.-Term Bond
Short Bond	Mstar Short-Term US Govt/Corp Bond Idx	Short-Term Bond
High Yield Bond	Credit Suisse High Yield Bond Index	High Yield Bond
Inflation-Protected Bond	Morningstar TIPS Index	TIPS
World Bond	Morningstar Global Govt Bond Index	World Bond
Money Market	Morningstar Cash Index	Money Market Database
Target Date Funds	Appropriate Morningstar Benchmark Index	Target Date Funds

The Investment Options will be monitored using certain Standards and Criteria. These Standards and Criteria are based upon "rankings" (i.e. returns and statistics for each investment ranked relative to the returns and statistics for all other investments within each investment's asset class). A score ("Pass" or "Watch") shall be assigned to each investment based on weightings assigned to each of the prior 8 quarterly reporting periods. Scoring Standards and weightings are illustrated in the "Addendum to Part VII - Monitoring Scoring Method".

PART VIII: INVESTMENT DEFAULT STRATEGY

The Committee will evaluate and choose an investment to serve as the default investment for the Program. The default investment will be the designated investment for dollars contributed to the Program by Eligible Individuals and/or the employer for which the Program has no active employee direction on file.

Part IX. MEASURING COSTS

The Committee will review at least annually all costs associated with the management of the Program's investment program, including:

- Expense ratios of each investment option against the appropriate peer group.
- Custody fees: The holding of the assets, collection of the income and disbursement of payments.
- Whether the investment manager is demonstrating attention to "best execution" in trading securities

Part X. COMMITTEE ACTION

An investment may be removed when the Committee has lost confidence in the investment manager's ability to:

- Achieve performance, style, allocation and/or risk objectives.
- Maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines).

If the investment manager has failed to adhere to and/or remedy one or both of the above conditions, the investment may be considered for removal from the Program. The Committee may also remove an investment option for any reason it deems necessary and appropriate.

Any decision by the Committee to remove such an investment will be made on an individual basis, and will be made based on all the known facts and circumstances, including, but not limited to:

- The objective analysis (described above)
- Administrative impact on the Program
- Timing
- Employee communication issues
- The availability of other (potential replacement) investments
- Financial considerations (hard and soft dollar fees)
- Professional or client turnover
- A material change in the investment process
- Other relevant factors

Considerable judgment will be exercised in the Committee decision-making process. The Committee may administer the following approaches with an investment that fails to consistently meet criteria of this Investment Policy Statement:

- Remove and replace (map assets) with a reasonably similar alternative investment.
- Freeze the assets in the investment and direct new assets to an alternative, reasonably similar, investment.
- Phase out the investment over a specific time period.

Replacement of a removed investment follows the criteria outlined in Part VI (Selection of Investment Options).

Part XI. ELIGIBLE INDIVIDUAL EDUCATION AND COMMUNICATION

The Program should communicate to employees that they can direct their own investments and investment changes. Investment communications materials, educational materials, and enrollment support should be available to help Eligible Individuals make educated and informed choices

Notwithstanding the foregoing, all investment education provided by the Program and/or Committee, and all communications connected thereto, is not intended, nor shall it be construed, as investment advice to Eligible Individuals.

Part XII. INVESTMENT INFORMATION AND ADMINISTRATIVE SUPPORT

The Committee should require its service providers (administrator, recordkeeper) to offer the following administrative information and support, which may include:

1. Daily valuation of all investments;
2. Daily access to account information via toll-free number and Internet access;
3. The ability to make investment transfers for both existing and future individual account balances on a daily basis (nonbusiness days and holidays excluded). Certain trading practices may be limited to comply with market timing, excess trading, liquidity driven and/or related policies and procedures of the service provider and/or specific investment options;
4. Eligible Individual account investment reports produced no less frequently than annually, with similar information available via the Internet at least quarterly; and
5. Quarterly investment performance updates available for Eligible Individual review via the Internet.

Part XIII. REVIEW PROCEDURES

This Investment Policy Statement will be periodically reviewed and may be amended, if appropriate, at any time and without notice, by action of the Committee.

It is not expected that this Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require amendments to this Investment Policy Statement.

ADDENDUM TO PART VI: SELECTION OF INVESTMENT OPTIONS

Scorecard System Methodology™

The **Scorecard System Methodology** incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The **Scorecard System** is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best) and has the ability to measure active, passive and asset allocation investing strategies. Active and asset allocation strategies are evaluated over a five-year time period, and passive strategies are evaluated over a three-year time period.

Eighty percent of the fund's score is quantitative (made up of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20 percent of the score is qualitative, taking into account things such as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy. The following pages detail the specific factors for each type of investing strategies.

Combined, these factors are a way of measuring the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into a plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table below. The Scorecard Point System is meant to be used in conjunction with our sample Investment Policy Statement, in order to help identify what strategies need to be discussed as a "watch-list" or removal candidate; what strategies continue to meet some minimum standards and continue to be appropriate; and/or identify new top-ranked strategies for inclusion into a plan.

<i>Scorecard Point System</i>	
Good:	9-10 Points
Acceptable:	7-8 Points
Watch:	5-6 Points
Poor:	0-4 Points

Scorecard System Methodology™

Asset Allocation Strategies

Asset allocation strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are typically structured in either a risk-based format (the strategies are managed to a level of risk, e.g., conservative or aggressive) or, in an age-based format (these strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached). For this type of investment strategy, the **Scorecard System** is focused on how well these managers can add value from both asset allocation and manager selection.

Multisector Bond (MSB) asset class follows the same evaluation criteria with some slightly different tolerance levels where noted. These managers are also evaluated on both their asset allocation and security selection.

Weightings	Asset Allocation Strategies	Maximum Points
Style Factors 30%	Risk Level: The fund's standard deviation is measured against the category it is being analyzed in. The fund passes if it falls within the range for that category.	1
	Style Diversity: Fund passes if it reflects appropriate style diversity (returns-based) among the four major asset classes (Cash, Fixed Income, U.S. & International Equity) for the given category. <i>MSB</i> funds pass if reflect some level of diversity among fixed income asset classes (Cash, U.S. Fixed Income, Non-U.S. Fixed Income and High Yield/Emerging Markets).	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 90 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
Total		10

Scorecard System Methodology™

Active Strategies

Active strategies are investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated fees due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the **Scorecard System** is trying to identify those managers who can add value on a consistent basis within their own style of investing.

Weightings	Active Strategies	Maximum Points
Style Factors 30%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
Risk/Return Factors 30%	Risk/Return: Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.	1
	Up/Down Capture Analysis: Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.	1
	Information Ratio: Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.	1
Peer Group Rankings 20%	Returns Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile.	1
	Information Ratio Peer Group Ranking: Fund passes if its median rank is above the 50 th percentile. This ranking ranks risk-adjusted excess return.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
Total		10

Scorecard System Methodology™

Passive Strategies

Passive strategies are investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower fees than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the **Scorecard System** is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

Weightings	Passive Strategies	Maximum Points
Style & Tracking Factors 40%	Style Analysis: Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.	1
	Style Drift: Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.	1
	R-Squared: Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 95 percent. This statistic measures whether the benchmark used in the analysis is appropriate.	1
	Tracking Error: Measures the percentage of a fund's excess return volatility relative to the benchmark. Fund passes with a tracking error less than 4. This statistic measures how well the fund tracks the benchmark.	1
Peer Group Rankings 40%	Tracking Error Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Expense Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Returns Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
	Sharpe Ratio Peer Group Ranking: Fund passes if its median rank is above the 75 th percentile.	1
Qualitative Factors 20%	Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.	2
Total		10

Manager Research Methodology

Beyond the Scorecard

The **Scorecard System™** uses an institutional approach which is comprehensive, independent, and utilizes a process and methodology that creates successful outcomes for plan sponsors and Eligible Individuals. The **Scorecard** helps direct the additional research the Investment team conducts with fund managers throughout the year. Three of the primary factors that go into the fund manager research are people, process and philosophy.

PEOPLE

Key Factors:

- Fund manager and team experience
- Deep institutional expertise
- Organizational structure
- Ability to drive the process and performance

PROCESS

Key Factors:

- Clearly defined
- Consistent application
- Sound and established
- Clearly communicated
- Successfully executed process

PHILOSOPHY

Key Factors:

- Research and ideas must be coherent and persuasive
- Strong rationale
- Logical and compelling
- Focus on identifying skillful managers

Scorecard System Disclosures

Investment objectives and strategies vary among fund, and may not be similar for funds included in the same asset class.

All definitions are typical category representations. The specific share classes or accounts identified above may not be available or chosen by the Plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the Plan. The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as *Markov Processes International*, *Morningstar*, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the **Scorecard System**, is intended for plan sponsor and/or institutional use only. The materials are not intended for Eligible Individual use.

The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the Plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case. Scores will change depending on the changes in the underlying pre-specified Scorecard™ factors.

Neither past performance nor statistics calculated using past performance are guarantees of a fund's future performance. Likewise, a fund's score using the **Scorecard System**™ does not guarantee the future performance or style consistency of a fund.

This report was prepared with the belief that this information is relevant to the Plan sponsor as the Plan sponsor makes investment selections.

Fund selection is at the discretion of the investment fiduciaries, which are either the Plan sponsor or the Committee appointed to perform that function.

Cash Equivalents (e.g., money market fund) and some specialty funds are not scored by the **Scorecard System**.

The enclosed Investment Due Diligence report and Scorecard™ is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For the most current month-end performance, please contact your advisor.

The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

ADDENDUM TO PART VII: INVESTMENT MONITORING AND REPORTING

Monitoring Scoring Method

Rankings may be measured within the following Standards:

- **Relative Return Standards** may include:
Returns/Performance Rank: The product's performance ranked against its peers for various periods.

- **Quantitative Analysis** may include:
 - Alpha Rank – Alpha is the measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.
 - Beta Rank – Beta is a measure of a fund's sensitivity to market movements. It compares a fund's volatility with that of a benchmark.
 - R-squared Rank – R-squared measures the relationship between the fund and its benchmark index – the correlation of the fund's returns to its benchmark's returns.
 - Sharpe Ratio Rank – Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk.
 - Sortino Ratio Rank – Sortino Ratio is similar to the Sharpe Ratio except it differentiates harmful volatility from volatility in general by using a value for downside deviation.
 - Information Ratio Rank – Information Ratio is a risk-adjusted performance measure and excess return and risk relative to a specific benchmark index.
 - Standard Deviation Rank – Standard Deviation is the statistical measurement of how far a fund's performance can stray from its expected (i.e. average) return over a period of time to assess the level of volatility.

- **Qualitative Review** may include:
 - Manager Tenure – Manager Tenure indicates the period of time the lead manager has been managing the fund's portfolio.
 - Net Expense Ratio Rank – Expense Ratio is the percentage of fund assets paid for operating expenses and management fees of that fund.

Watch/Pass Score: A score of Pass or Watch shall be assigned to each investment based on weightings assigned to each of the prior 8 quarterly reporting periods. The score is a percentage calculated using the sum of the weights of the standards that meet the specified criteria over the total sum of all the weights assigned.

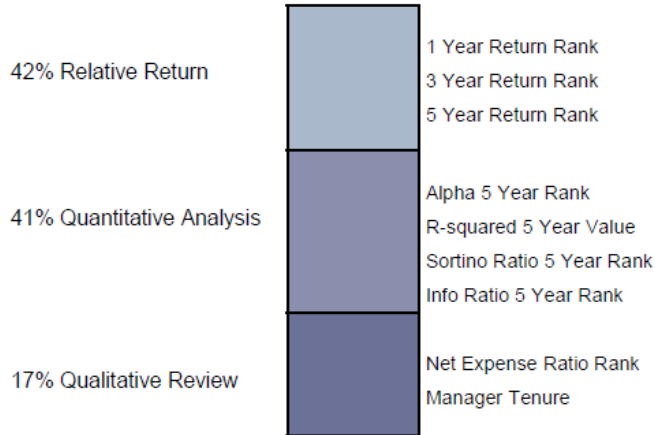
Each available investment will be classified as follows:

0 to 64	Watch
65 or greater	Pass

ALLIANCE BENEFIT GROUP - EVALUATION CRITERIA
Monitoring Standards

72 DATA POINTS

9 Standards - 8 Quarters - 229 Points



<u>Standard</u>	<u>Criteria</u>	<u>Weight</u>							
		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Return 1 Yr Rank	Top 50%	4	4	4	4	3	3	3	3
Return 3 Yr Rank	Top 50%	5	5	5	4	4	3	3	3
Return 5 Yr Rank	Top 50%	5	5	5	4	4	4	4	4
Alpha 5 Yr Rank	Top 50%	4	4	4	3	3	3	2	2
R-squared 5 Yr Value	80% or greater	1	1	1	1	1	1	1	1
Sortino Ratio 5 Yr Rank	Top 50%	4	4	4	3	3	3	2	2
Info Ratio 5 Yr Rank	Top 50%	5	5	5	5	4	4	4	4
Net Expense Ratio Rank	Lowest 50%	5	5	5	5	0	0	0	0
Manager Tenure	2 years or more	5	5	5	5	0	0	0	0

5-2017