

The Barron's 400 as a Mid Cap Allocation in a Domestic Equity Portfolio

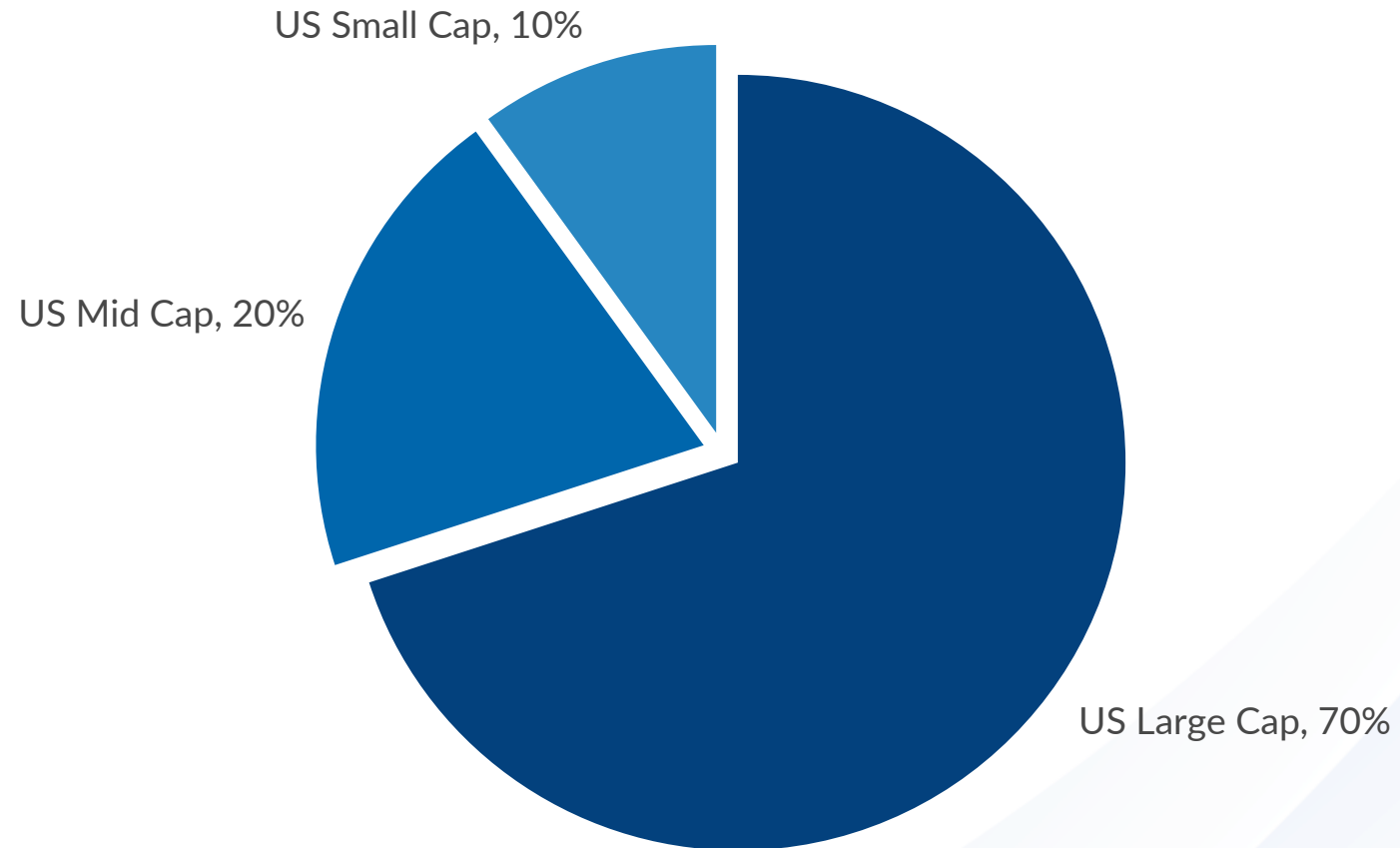
January, 2016

BARRON'S 400

- 1. The domestic equity policy mix is the single most significant determinant of the performance of the domestic equity portfolio.**
- 2. The B400 is an efficient tool to gain mid cap equity exposure in the domestic policy mix.**
- 3. Irrespective of the domestic equity policy mix, portfolios using the B400 outperform those using Russell Mid Cap and/or a majority of mid cap active managers.**

The Policy Portfolio Provides a Guide to Exposure by Size & Style – Example

A Domestic Equity Policy Portfolio



Note: Actual size and style exposures depend on the objectives and risk tolerance of the investor.

Asset Class Benchmarks by Size & Style

	Value	Blend	Growth
Large Cap	Russell 1K Value	Russell 1K S&P 500	Russell 1K Growth
Mid Cap	Russell Mid Cap Value	Russell Mid Cap	Barron's 400 Russell Mid Cap Growth
Small Cap	Russell 2K Value	Russell 2K	Russell 2K Growth

Source: MarketGrader Research.

Periodic Table of Benchmark Returns – Total Returns

KEY	R 1K	S&P 500	B400	R Mid	R 2K
-----	------	---------	------	-------	------

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Live							
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	28.6%	24.2%	15.9%	2.5%	-9.8%	47.3%	23.5%	12.7%	18.4%	6.2%	-33.8%	41.1%	26.9%	2.1%	17.3%	41.6%	13.7%	1.4%
	27.0%	21.3%	8.2%	-0.6%	-16.2%	45.1%	20.2%	12.0%	15.8%	5.8%	-37.0%	40.5%	25.5%	1.5%	16.4%	38.8%	13.2%	0.9%
	13.1%	21.0%	-3.0%	-5.6%	-20.5%	40.1%	18.3%	6.3%	15.5%	5.6%	-37.6%	28.4%	24.0%	0.5%	16.3%	34.8%	13.2%	-2.4%
	10.1%	20.9%	-7.8%	-11.9%	-21.7%	29.9%	11.4%	4.9%	15.3%	5.5%	-39.2%	27.2%	16.1%	-1.5%	16.0%	33.1%	7.1%	-3.1%
	-2.5%	18.2%	-9.1%	-12.4%	-22.1%	28.7%	10.9%	4.6%	12.7%	-1.6%	-41.5%	26.5%	15.1%	-4.2%	15.1%	32.4%	4.9%	-4.4%

Range 31.1% 6.0% 25.0% 14.9% 12.3% 18.6% 12.6% 8.1% 5.6% 7.7% 7.7% 14.7% 11.8% 6.3% 2.2% 9.2% 8.8% 5.8%

B400 Rank 3 1 1 2 1 2 1 2 5 1 4 1 3 3 5 1 4 4

Average Range (Maximum – Minimum)

All 18 Years = **11.6%**

Live 8 Years = **8.3%**

Average B400 Rank

All 18 Years = **2.4**

Live 8 Years = **3.1**

Source: MarketGrader Research. Benchmark total return data from FactSet.

Benchmark Total Return Performance: Ending 2015

Annualized (Ret)	R 1K	SP500	B400	R Mid	R 2K
1 Year	0.9%	1.4%	-3.1%	-2.4%	-4.4%
3 Years	15.0%	15.1%	13.7%	14.2%	11.7%
5 Years	12.4%	12.6%	11.2%	11.4%	9.2%
8 Years	6.6%	6.5%	7.7%	7.4%	6.5%
All (18 Years)	6.4%	6.2%	10.8%	8.8%	6.8%

Cumulative	R 1K	SP500	B400	R Mid	R 2K
1 Year	0.9%	1.4%	-3.1%	-2.4%	-4.4%
3 Years	52.1%	52.6%	46.9%	48.9%	39.2%
5 Years	79.8%	80.8%	69.9%	71.9%	55.2%
8 Years	67.3%	65.7%	80.7%	77.4%	65.8%
All (18 Years)	205.1%	194.2%	533.0%	356.4%	228.6%



Std. Dev. (SD)	R 1K	SP500	B400	R Mid	R 2K
3 Years	10.6%	10.6%	12.5%	11.0%	14.2%
5 Years	11.9%	11.7%	15.3%	13.0%	15.9%
8 Years	16.7%	16.4%	19.6%	19.3%	21.2%
All (18 Years)	15.7%	15.5%	18.6%	17.4%	20.4%

Ret / SD (bps)	R 1K	SP500	B400	R Mid	R 2K
3 Years	141	142	110	129	82
5 Years	105	107	73	88	58
8 Years	40	40	39	38	31
All (18 Years)	41	40	58	51	33

Mid Cap Benchmark Total Return Performance: Ending 2015

Annualized (Ret)	RUSSELL MID VALUE	B400	RUSSELL MID GROWTH
1 Year	-4.8%	-3.1%	-0.2%
3 Years	13.4%	13.7%	14.9%
5 Years	11.3%	11.2%	11.5%
Live (8 Years)	7.3%	7.7%	7.5%
All (18 Years)	8.9%	10.8%	7.5%



Cumulative	RUSSELL MID VALUE	B400	RUSSELL MID GROWTH
1 Year	-4.8%	-3.1%	-0.2%
3 Years	45.8%	46.9%	51.6%
5 Years	70.4%	69.9%	72.7%
Live (8 Years)	75.6%	80.7%	77.7%
All (18 Years)	363.2%	533.0%	269.3%



Std. Dev. (SD)	RUSSELL MID VALUE	B400	RUSSELL MID GROWTH
3 Years	10.9%	12.5%	11.5%
5 Years	12.6%	15.3%	13.7%
Live (8 Years)	19.5%	19.6%	19.5%
All (18 Years)	16.7%	18.6%	22.0%



Ret / SD (bps)	RUSSELL MID VALUE	B400	RUSSELL MID GROWTH
3 Years	123	110	130
5 Years	89	73	84
Live (8 Years)	37	39	38
All (18 Years)	53	58	34

Source: MarketGrader Research. Benchmark total return data from FactSet.

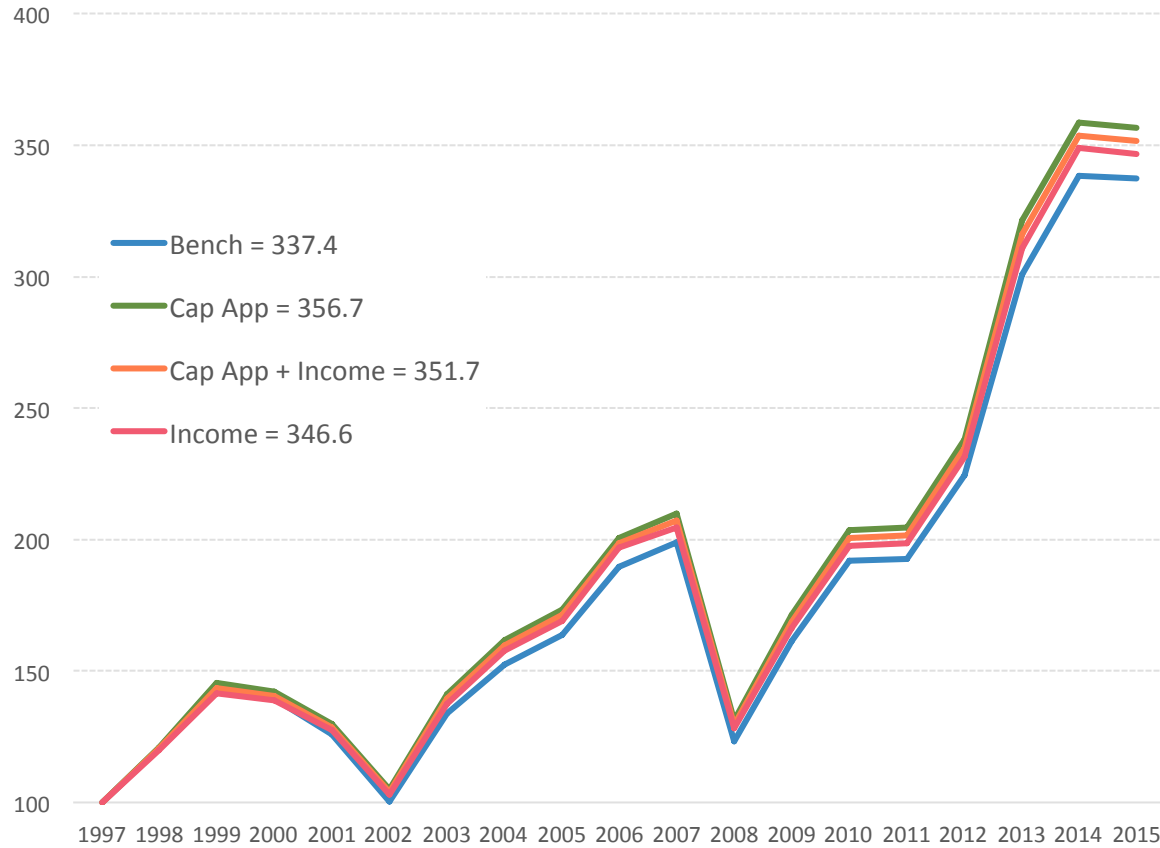
70 / 20 / 10 Policy Mix – Implementation by Investor Profile

US Asset Class	Passive Implementation	Benchmark	Investor Profile		
			Cap App	Cap App + Income	Income
Large Cap	Russell 1K	70%	70%	70%	70%
Mid Cap	Russell Mid Cap	20%			
Mid Cap Value	Russell Mid Cap Value		5%	10%	15%
Mid Cap Growth	B400		15%	10%	5%
Small Cap	Russell 2K	10%	10%	10%	10%
		100%	100%	100%	100%

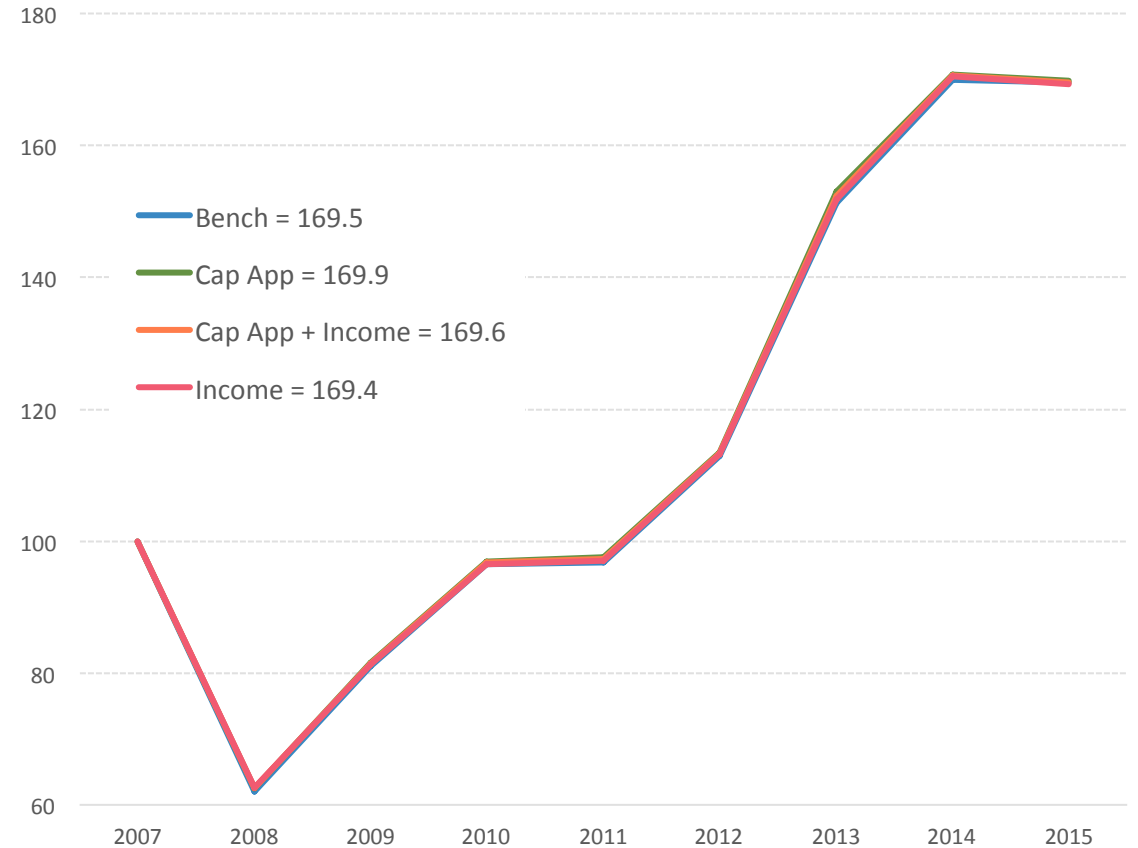
Source: MarketGrader Research.

70 / 20 / 10 Policy Mix - Growth of \$100 by Investor Profile

70 / 20 / 10 - Growth of 100 - Entire History



70 / 20 / 10 - Growth of 100 - LiveHistory



Source: MarketGrader Research. Benchmark total return data from FactSet. All portfolios are rebalanced annually to the mixes described in the corresponding “Policy Mix - Implementation by Investor profile” slide.

70 / 20 / 10 Policy Mix – Performance Summary by Investor Profile

	Investor Profile				S&P 500
	Benchmark	Cap App	Cap App + Income	Income	
Annualized Return					
1 Year	-0.3%	-0.5%	-0.6%	-0.7%	1.3%
3 Years	14.5%	14.4%	14.4%	14.4%	15.1%
5 Years	11.9%	11.9%	11.9%	11.9%	12.5%
Live (8 Years)	6.8%	6.9%	6.8%	6.8%	6.5%
All (18 Years)	7.0%	7.3%	7.2%	7.2%	6.2%
Cumulative Return					
1 Year	-0.3%	-0.5%	-0.6%	-0.7%	1.3%
3 Years	50.2%	49.8%	49.7%	49.7%	52.4%
5 Years	75.7%	75.4%	75.4%	75.4%	80.6%
Live (8 Years)	69.5%	69.9%	69.6%	69.4%	65.5%
All (18 Years)	237.4%	256.7%	251.7%	246.6%	193.9%

Source: MarketGrader Research. Benchmark total return data from FactSet. All portfolios are rebalanced annually to the mixes described in the corresponding “Policy Mix - Implementation by Investor profile” slide.

70 / 20 / 10 Policy Mix - Performance Summary: Excess Returns Relative to Benchmark

	Cap App	Cap App + Income	Income
Annualized			
Live (8 Years)	0.03%	0.01%	-0.01%
All (18 Years)	0.33%	0.25%	0.16%
Cumulative			
Live (8 Years)	0.38%	0.11%	-0.17%
All (18 Years)	19.4%	14.3%	9.3%

Source: MarketGrader Research.

Mid Cap (MC) Allocations by Policy Portfolio & Investor Profile

LC / MC / SC Policy Mix	Investor Profile					
	Capital Appreciation		Capital Appreciation & Income		Income	
	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>	<u>Value</u>	<u>Growth</u>
80 / 15 / 5	5%	10%	7.5%	7.5%	10%	5%
75 / 20 / 5	5%	15%	10%	10%	15%	5%
70 / 20 / 10	5%	15%	10%	10%	15%	5%
65 / 25 / 10	7.5%	17.5%	12.5%	12.5%	17.5%	7.5%
60 / 30 / 10	10%	20%	15%	15%	20%	10%

Increasing Risk Tolerance ↓