

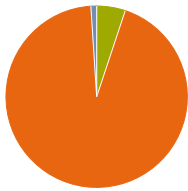
Am Fds C share Models: Am Fds C share Model A 5-31-2010

Portfolio Snapshot

Portfolio Value
\$100,000.00

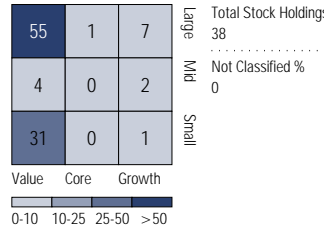
Benchmark
S&P 500 TR

Analysis 05-31-2010

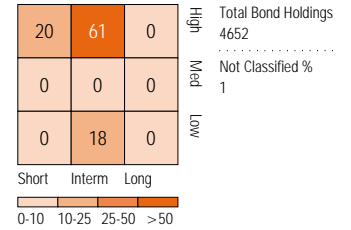


Asset Allocation	Portfolio Net %	Bmk Net %
Cash	5.58	0.08
US Stocks	0.45	99.92
Non-US Stocks	0.00	0.00
Bonds	92.30	0.00
Other/Not Classified	1.67	0.00
Total	100.00	100.00

Morningstar Equity Style Box %

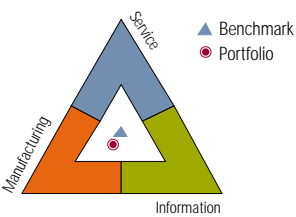


Morningstar Fixed Income Style Box %

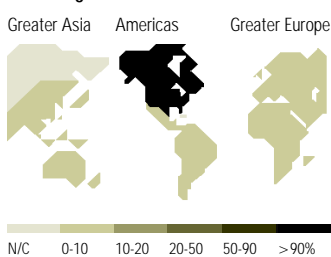


Stock Analysis 05-31-2010

Stock Sectors



Stock Regions

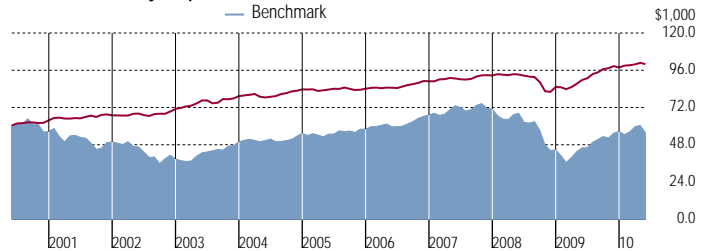


% of Stocks	Portfolio %	Bmk %
Information	20.67	23.50
Software	0.00	4.30
Hardware	4.68	11.18
Media	1.02	2.78
Telecom	14.98	5.24
Service Economy	38.36	40.05
Healthcare	3.42	11.00
Consumer Svcs	0.67	9.24
Business Svcs	10.10	3.55
Financial Svcs	24.17	16.26
Mfg Economy	40.91	36.40
Consumer Goods	5.68	11.14
Industrial Mtrls	35.24	11.03
Energy	0.00	10.77
Utilities	0.00	3.46
Not Classified	0.05	0.05

% of Stocks	Portfolio %	Bmk %
Americas	99.99	100.00
North America	99.99	100.00
Latin America	0.00	0.00
Greater Europe	0.00	0.00
United Kingdom	0.00	0.00
Europe-Developed	0.00	0.00
Europe-Emerging	0.00	0.00
Africa/Middle East	0.00	0.00
Greater Asia	0.00	0.00
Japan	0.00	0.00
Australasia	0.00	0.00
Asia-Developed	0.00	0.00
Asia-Emerging	0.00	0.00
Not Classified	0.01	0.00

Performance 05-31-2010

Investment Activity Graph



Trailing Returns	3Mo	1Yr	3Yr	5Yr	10Yr
Pre-Tax Portfolio Return	0.77	11.50	3.31	3.66	5.17
Benchmark Return	-0.89	20.99	-8.69	0.31	-0.82
+/- Benchmark Return	1.66	-9.49	12.00	3.35	5.99

Time Period Return	Best %	Worst %
3 Months	7.05 (05-09/07-09)	-10.44 (09-08/11-08)
1 Year	20.21 (12-08/11-09)	-11.57 (12-07/11-08)
3 Years	8.19 (06-00/05-03)	-0.55 (12-05/11-08)

Portfolio Yield	Yield %
Trailing 12 Month	3.36

Performance Disclosure

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 data <http://advisor.morningstar.com/familyinfo.asp>.

See Disclosure Page for Standardized Returns.

Holdings 05-31-2010

Top 5 holdings out of 5

Holdings	Ticker	Type	Holding Value \$	% Assets
American Funds Interm Bond Fd of Amer C	IBFCX	MF	20,000.00	20.00
American Funds US Government Sec C	UGSCX	MF	20,000.00	20.00
American Funds Bond Fund of Amer C	BFACX	MF	20,000.00	20.00
American Funds American Hi Inc Tr C	AHTCX	MF	20,000.00	20.00
American Funds Capital World Bond C	CWBCX	MF	20,000.00	20.00

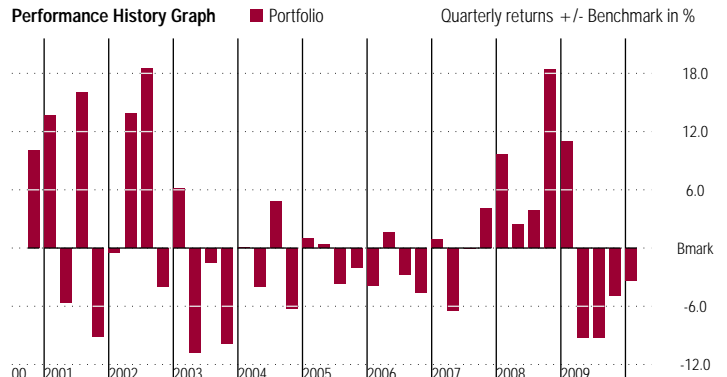
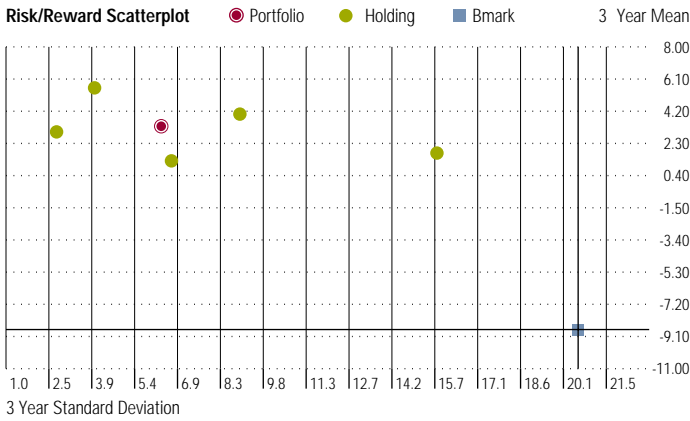
Am Fds C share Models: Am Fds C share Model A 5-31-2010

Portfolio Snapshot

Portfolio Value
\$100,000.00

Benchmark
S&P 500 TR

Risk Analysis 05-31-2010



Risk and Return Statistics	3 Year		5 Year		10 Year	
	Portfolio	Bmark	Portfolio	Bmark	Portfolio	Bmark
Standard Deviation	6.31	20.57	5.08	16.66	4.58	16.09
Mean	3.31	-8.69	3.66	0.31	5.17	-0.82
Sharpe Ratio	0.32	-0.40	0.20	-0.06	0.55	-0.13

MPT Statistics	3Yr Portfolio	5Yr Portfolio	10Yr Portfolio
Alpha	4.04	1.24	2.86
Beta	0.24	0.22	0.15
R-squared	59	48	26

Fundamental Analysis 05-31-2010

Asset Allocation

	Portfolio Net %	Portfolio Long %	Portfolio Short %
Cash	5.58	5.58	0.00
US Stocks	0.45	0.45	0.00
Non-US Stocks	0.00	0.00	0.00
Bonds	92.30	92.30	0.00
Other/Not Classified	1.67	1.67	0.00
Total	100.00	100.00	0.00

Market Maturity

	Portfolio	Bmark
% of Stocks	100.00	100.00
Developed Markets	100.00	100.00
Emerging Markets	0.00	0.00
Not Available	0.00	0.00

Valuation Multiples

	Portfolio	Bmark
Price/Earnings	3.52	17.24
Price/Book	1.39	2.20
Price/Sales	0.31	1.32
Price/Cash Flow	8.09	9.28

Geometric Avg Capitalization (\$Mil)

Portfolio	12,228.80
Benchmark	45,945.74

Credit Quality % of Bonds

AAA	58.89
AA	5.38
A	9.10
BBB	8.98
BB	5.33
B	8.01
Below B	4.31
NR/NA	0.00

Type Weightings

% of US Stocks ■ Portfolio □ Bmark

High Yield	0.00	0.44
Distressed	33.23	1.88
Hard Asset	0.00	12.10
Cyclical	49.51	34.51
Slow Growth	1.41	16.93
Classic Growth	8.05	16.86
Aggressive Growth	7.74	14.55
Speculative Growth	0.00	2.35
Not Available	0.05	0.38

Profitability

	Portfolio 2009	Bmark 2009
% of US Stocks	100.00	100.00
Net Margin	2.62	11.02
ROE	27.60	18.88
ROA	2.88	7.33
Debt/Capital	64.73	36.22

Interest Rate Risk Portfolio

Maturity	—
Duration (total portfolio)	3.91
Avg Credit Quality	—

Fund Statistics

Potential Cap Gains Exposure	-0.58
Avg Net Expense Ratio	1.52
Avg Gross Expense Ratio	1.52

Am Fds C share Models: Am Fds C share Model A 5-31-2010

Portfolio Snapshot

Portfolio Value	Benchmark
\$100,000.00	S&P 500 TR

Disclosure for Standardized™ and Tax Adjusted Returns

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 in account, including M&E risk charges, fund-level expenses such as management fees and operating fees, and contract-level administration fees, 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 03-31-2010

Standardized Returns (%)	7-day Yield	1Yr	5Yr	10Yr	Since Inception	Inception Date	Max Front Load %	Max Back Load %	Net Exp Ratio %	Gross Exp Ratio %
American Funds American Hi Inc Tr C	--	49.80	5.39	--	6.23	03-15-2001	NA	1.00	1.58	1.58
American Funds Bond Fund of Amer C	--	16.03	2.24	--	3.76	03-15-2001	NA	1.00	1.44	1.44
American Funds Capital World Bond C	--	14.34	4.38	--	6.96	03-15-2001	NA	1.00	1.70	1.70
American Funds Interm Bond Fd of Amer C	--	4.96	2.69	--	2.82	03-15-2001	NA	1.00	1.46	1.46
American Funds US Government Sec C	--	0.46	3.87	--	3.67	03-15-2001	NA	1.00	1.43	1.43
Standard & Poor's 500 TR	--	49.77	1.92	-0.65	--	--				
BarCap's Agg Bond Index	--	7.69	5.44	6.29	--	--				
MSCI EAFE Index Ndrtr_D	--	54.44	3.75	1.27	--	--				
3 Month T-Bill	--	0.13	2.82	2.74	--	--				

Returns after Taxes (%)	On Distribution					On Distribution and Sales of Shares			
	1Yr	5Yr	10Yr	Since Inception	Inception Date	1Yr	5Yr	10Yr	Since Inception
American Funds American Hi Inc Tr C	46.03	2.70	--	3.41	03-15-2001	32.07	2.97	--	3.58
American Funds Bond Fund of Amer C	14.64	0.67	--	2.04	03-15-2001	10.39	0.99	--	2.18
American Funds Capital World Bond C	13.12	3.10	--	5.79	03-15-2001	9.30	3.00	--	5.37
American Funds Interm Bond Fd of Amer C	4.11	1.57	--	1.68	03-15-2001	3.22	1.64	--	1.72
American Funds US Government Sec C	-0.40	2.78	--	2.56	03-15-2001	0.29	2.66	--	2.47

Am Fds C share Models: Am Fds C share Model A 5-31-2010

Portfolio Snapshot

Portfolio Value
\$100,000.00

Benchmark
S&P 500 TR

Non-Load Adjusted Returns

Total 5 holdings as of 05-31-2010	Type	Holdings Date	% of Assets	Holding Value \$	7-day Yield	1Yr Ret %	3Yr Ret %	5Yr Ret %	10Yr Ret %	Since Inception	Inception Date	Max Front Load %	Max Back Load %
American Funds Interm Bond Fd of-IBFCX	MF	03-10	20.00	20,000	—	6.05	2.98	2.68	3.73	2.91	03-01	NA	1.00
American Funds US Government Sec-UGSCX	MF	03-10	20.00	20,000	—	4.62	5.58	3.90	4.68	3.85	03-01	NA	1.00
American Funds Bond Fund of Amer-BFACX	MF	03-10	20.00	20,000	—	12.41	1.27	2.23	4.48	3.83	03-01	NA	1.00
American Funds American Hi Inc T-AHTCX	MF	03-10	20.00	20,000	—	29.03	1.73	4.99	5.92	5.95	03-01	NA	1.00
American Funds Capital World Bon-CWBCX	MF	03-10	20.00	20,000	—	6.56	4.03	3.86	6.49	6.57	03-01	NA	1.00

Performance Disclosure

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>.

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See Disclosure Page for Standardized Returns.

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Portfolio Snapshot Report Disclosure Statement

General

Investment portfolios illustrated in this report can be scheduled or unscheduled. With an unscheduled portfolio, the user inputs only the portfolio holdings and their current allocations. Morningstar calculates returns using the given allocations assuming monthly rebalancing. Taxes, loads, and sales charges are not taken into account.

With "scheduled" portfolios, users input the date and amount for all investments into and withdrawals from each holding, as well as tax rates, loads, and other factors that would have affected portfolio performance. A hypothetical illustration is one type of scheduled portfolio.

Both scheduled and unscheduled portfolios are theoretical, for illustrative purposes only, and are not reflective of an investor's actual experience. For both scheduled and unscheduled portfolios, the performance data given represents past performance and should not be considered indicative of future results. Principal value and investment return of stocks, mutual funds, and variable annuity/life products will fluctuate, and an investor's shares/units, when redeemed, will be worth more or less than the original investment. Stocks, mutual funds, and variable annuity/life products are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Portfolio statistics change over time.

Used as supplemental sales literature, the Portfolio Snapshot report must be preceded or accompanied by the fund/policy's current prospectus or equivalent. In all cases, this disclosure statement should accompany the Portfolio Snapshot report. Morningstar is not itself a FINRA-member firm.

The underlying holdings of the portfolio are not federally or FDIC-insured and are not deposits or obligations of, or guaranteed by, any financial institution. Investing in securities involves investment risks including possible loss of principal and fluctuation in value.

The information contained in this report is from the most recent information available to Morningstar as of the release date, and may or may not be an accurate reflection of the current composition of the securities included in the portfolio. There is no assurance that the weightings, composition and ratios will remain the same.

Items to Note Regarding Certain Underlying Securities

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 such as the New York Stock Exchange. 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.

An exchange-traded fund (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, ETFs 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.

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. Although the money market seeks to preserve a stable per share value (i.e. \$1.00 per share), it is possible to lose money by investment in the fund.

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.

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. If the variable annuity subaccount is invested in a money-market fund, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

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. If the variable life subaccount is invested in a money-market fund, it seeks to preserve a stable per share value (i.e. \$1.00 per share), but it is possible to lose money by investment in the fund.

Pre-inception Returns

The analysis in this report may be based, in part, on adjusted historical returns for periods prior to the fund's actual inception. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. These fees and expenses are referenced in the report's list of holdings and again on the standardized returns page. 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.

Portfolio Snapshot Report Disclosure Statement (continued)

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. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Scheduled Portfolio Trailing Returns

Scheduled Portfolios are customized by the user to account for loads, taxes, cash flows, and specific investment dates. Scheduled portfolios use the portfolio's investment history to calculate final market values and returns. For scheduled portfolios, both individual holding and portfolio returns are internal-rate-of-return calculations that reflect the timing and dollar size of all purchases and sales. For stocks and mutual funds, sales charges and tax rates are taken into account as specified by the user (except in the pre-tax returns, which reflect the impact of sales charges but not taxes). Note that in some scheduled portfolio illustrations, dividends and capital gains distributions, if applicable, are reinvested at the end of the month in which they are made at the month-end closing price. This can cause discrepancies between calculated returns and actual investor experience.

Scheduled Portfolio Returns-Based Performance Data

For scheduled portfolios, the monthly returns used to calculate alphas, betas, R-squareds, standard deviations, Sharpe ratios, and best/worst time-period data are internal rates of return.

Important VA Disclosure for Scheduled Portfolios

For variable annuity products, policy level charges (other than front-end loads, if input by the advisor) are not factored into returns. When withdrawals and liquidations are made, increases in value over the purchase price are taxed at the capital gains rate that currently is in effect. This is not reflective of the actual tax treatment for these products, which requires the entire withdrawal to be taxed at the income tax rate. If adjusted for sales charges and the effects of taxation, the subaccount returns would be reduced.

Scheduled Portfolio Investment Activity Graph

The historic portfolio values that are graphed are those used to track the portfolio when calculating returns.

Unscheduled Portfolio Returns

Monthly total returns for unscheduled portfolios are calculated by applying the ending period holding weightings supplied by the user to an individual holding's monthly returns. When monthly returns are unavailable for a holding (i.e. due to it not being in existence during the historical period being reported), the remaining portfolio holdings are re-weighted to maintain consistent proportions. Inception dates are listed in the Disclosure for Standardized and Tax Adjusted Returns. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Unscheduled portfolio returns thus assume monthly rebalancing. Returns for individual holdings are simple time-weighted trailing returns. Neither portfolio returns nor holding returns are adjusted for loads or taxes, and if they were, the returns stated would be reduced. The returns stated assume the reinvestment of dividends and capital gains. Mutual fund returns include all ongoing fund expenses. VA/VL returns reflect subaccount level fund expenses, including M&E expenses, administration fees, and actual ongoing fund level expenses.

Unscheduled Portfolio Investment Activity Graph

The historic performance data graphed is extrapolated from the ending portfolio value based on the monthly returns.

Benchmark Returns

Benchmark returns may or may not be adjusted to reflect ongoing expenses such as sales charges. An investment's portfolio may differ significantly from the securities in the benchmark.

Returns for custom benchmarks are calculated by applying user-supplied weightings to each benchmark's returns every month. Trailing returns are calculated by geometrically linking these weighted-average monthly returns. Custom benchmark returns thus assume monthly rebalancing.

Standardized Returns

For mutual funds, standardized return is total return adjusted for sales charges, and reflects all ongoing fund expenses. Following this disclosure statement, standardized returns for each portfolio holding are shown.

For money-market mutual funds, standardized return is total return adjusted for sales charges and reflects all ongoing fund expenses. Current 7-day yield more closely reflects the current earnings of the money-market fund than the total return quotation.

For VA subaccounts, standardized return is total return based on the inception date within the separate account and is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum M&E risk charge, administration fees, and actual ongoing fund-level expenses.

For ETFs, the standardized returns reflect performance, both at market price and NAV price, without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing ETF expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

For HOLDRs, the standardized returns reflect performance at market price, without adjusting for the effects of taxation or brokerage commissions. These returns are adjusted to reflect all ongoing expenses and assume reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

The charges and expenses used in the standardized returns are obtained from the most recent prospectus and/or shareholder report available to Morningstar. For mutual funds and VAs, all dividends and capital gains are assumed to be reinvested. For stocks, stock acquired via divestitures is assumed to be liquidated and reinvested in the original holding.

Non-Standardized Returns

For mutual funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the mutual fund returns would be reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

For money-market funds, total return is not adjusted for sales charges and reflects all ongoing fund expenses for various time periods. These returns assume reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the money-market returns would be reduced.

For VA and VL subaccounts, non-standardized returns illustrate performance that is adjusted to reflect recurring and non-recurring charges such as surrender fees, contract charges, maximum front-end load, maximum deferred load, maximum

Portfolio Snapshot Report Disclosure Statement (continued)

M&E risk charge, administrative fees and underlying fund-level expenses for various time periods. Non-Standardized performance returns assume reinvestment of dividends and capital gains. If adjusted for the effects of taxation, the subaccount returns would be significantly reduced. Please note these returns can include pre-inception data and if included, this data will be represented in italics.

Investment Advisory Fees

The investment(s) returns do not necessarily reflect the deduction of all investment advisory fees. Client investment returns will be reduced if additional advisory fees are incurred such as deferred loads, redemption fees, wrap fees, or other account charges.

Asset Allocation

The weighting of the portfolio in various asset classes, including "Other," is shown in this graph and table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks. "Not classified" represents the portion of the portfolio that Morningstar could not classify at all, due to missing data.

In the graph and table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. These new portfolio statistics help investors look "under the hood" of a portfolio. These statistics summarize what the managers are buying and how they are positioning the portfolio. When short positions are captured in these portfolio statistics, investors get a more robust description of the funds' exposure and risk.

Most managed product portfolios hold fairly conventional securities, such as long positions in stocks and bonds. Other portfolios use other investment strategies or securities, such as short positions or derivatives, to reduce transaction costs, enhance returns, or reduce risk. Some of these securities and strategies behave like conventional securities, while others have unique return and risk characteristics.

Most portfolios take long positions in securities. Long positions involve buying the security outright and then selling it later, with the hope that the security price rises over time. In contrast, short positions are taken to benefit from anticipated price declines. In this type of transaction, 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 now 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 losses by buying it at a higher price than the sale price.

The strategy of selling securities short is prevalent in specialized portfolios, such as long-short, market-neutral, bear-market, and hedge funds. Most conventional portfolios do not typically short securities, although they may reserve the right to do so under special circumstances. Funds may also short derivatives, and this is sometimes more efficient than shorting individual securities. Short positions produce negative exposure to the security that is being shorted. This means that when the security rises in value, the short position will fall in value and vice versa. Morningstar's portfolio statistics will capture this negative exposure. For example, if a fund has many short stock positions, the percent of assets in stocks in the asset allocation breakdown may be negative. Funds must provide their broker with cash collateral for the short position, so funds that short often have a large cash position, sometimes even

exceeding 100% cash.

Investment Style

The Morningstar® Style Box™ combines the various funds' investment strategies. For the equity style box, the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend, or growth). For the fixed-income style box, the vertical axis shows the average credit quality of the bonds owned and the horizontal axis shows interest rate sensitivity as measured by a bond's duration (short, intermediate, or long). Style box data is presented only for the long positions in the portfolio.

Stock Sectors

This section provides a comparison of exposure to various industry sectors between the long stock positions in the portfolio and a benchmark.

Stock Regions

This section provides the allocation of the portfolio's long stock positions to the world regions, in comparison with a benchmark.

Risk and Return

Standard deviation is a statistical measure of the volatility of a portfolio's returns around its mean.

Mean represents the annualized geometric return for the period shown.

Sharpe ratio uses a portfolio's standard deviation and total return to determine reward per unit of risk.

Alpha measures the difference between a portfolio's actual returns and its expected performance, given its beta and the actual returns of the benchmark index. Alpha is often seen as a measurement of the value added or subtracted by a portfolio's manager.

Beta is a measure of the degree of change in value one can expect in a portfolio given a change in value in a benchmark index. A portfolio with a beta greater than one is generally more volatile than its benchmark index, and a portfolio with a beta of less than one is generally less volatile than its benchmark index.

R-squared reflects the percentage of a portfolio's movements that is explained by movements in its benchmark index, showing the degree of correlation between the portfolio and a benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

Portfolio Yield

The dividend yield produced for the most recent 12 months is presented.

Fundamental Analysis

The below referenced data elements are a weighted average of the long equity holdings in the portfolio.

The median market capitalization of a subaccount's equity portfolio gives you a measure of the size of the companies in which the subaccount invests.

The Price/Cash Flow ratio is a weighted average of the price/cash-flow ratios of the stocks in a subaccounts portfolio. Price/cash-flow shows the ability of a business to generate cash and acts as a gauge of liquidity and solvency.

The Price/Book ratio is a weighted average of the price/book ratios of all the stocks in the underlying fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation.

The Price/Earnings ratio is calculated by dividing the market value of the equity assets by the trailing 12 month earnings. The 12 month earnings value comes from multiplying the number of shares and the adjusted trailing 12 months' earnings per

Portfolio Snapshot Report Disclosure Statement (continued)

share for each equity asset and summing the results.

The Price/Sales ratio is a weighted average of the price/sales ratios of the stocks in the underlying fund's portfolio. The P/S ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' revenues per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents.

The return on assets (ROA) is the percentage a company earns on its assets in a given year. The calculation is net income divided by end-of-year total assets, multiplied by 100.

The Return on Equity (ROE) is the percentage a company earns on its shareholders' equity in a given year. The calculation is net income divided by end-of-year net worth, multiplied by 100.

Market Maturity shows the percentage of a holding's long common stocks that are domiciled in developed and emerging markets.

The below referenced data elements listed below are a weighted average of the long fixed income holdings in the portfolio.

The average credit quality is derived by taking the weighted average of the credit rating for each bond in the portfolio.

Average maturity is used for holdings in the taxable fixed-income category. This is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each maturity date by the market value of the security. Credit quality breakdowns are shown for corporate-bond holdings and depict the quality of bonds in the underlying portfolio. The analysis reveals the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poors or Moodys. This figure is not provided for financial companies.

Debt as a percentage of capital is calculated by dividing long-term debt by total capitalization (the sum of common equity plus preferred equity plus long-term debt). This figure is not provided for financial companies.

Duration is a time measure of a bonds interest-rate sensitivity.

Net Margin is a measure of profitability. It is equal to annual net income divided by revenues from the same period for the past five fiscal years, multiplied by 100.

Type Weightings divide the stocks in a given holding's portfolio into eight type designations each of which defines a broad category of investment characteristics. Not all stocks in a given holding's portfolio are assigned a type. These stocks are grouped under NA.

The below referenced data elements listed below are a weighted average of the total holdings in the portfolio.

The average expense ratio is the percentage of assets deducted each year for operating expenses, management fees, and all other asset-based costs incurred by the fund, excluding brokerage fees. Please note for mutual funds, variable annuities/life, ETFs and closed-end funds we use the gross prospectus ratio as provided in the prospectus. Separate accounts and stocks are excluded from the average expense ratio.

Potential capital gains exposure is the percentage of a holdings total assets that represent capital appreciation.

Investment Risks

Market Price Risk: The market price of ETFs and HOLDRs 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 to the 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.

International Emerging Market Funds/Subaccounts: The investor should note that funds and subaccounts that invest in international securities take on 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 normally accentuates these risks.

Sector Funds/Subaccounts: The investor should note that funds and subaccounts 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 Funds/Subaccounts: The investor should note that funds or subaccounts that invest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of the increased concentration of investments.

Small-Cap Funds/Subaccounts: The investor should note that funds and subaccounts 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 price volatility than the overall market average.

Mid-Cap Funds/Subaccounts: The investor should note that funds and subaccounts that invest in companies with market capitalizations 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 Bond Funds/Subaccounts: The investor should note that funds and subaccounts 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.

Bond Funds: Investors should note that bond funds 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. Funds and subaccounts that hold bonds are subject to declines and increases in value due to general changes in interest rates.

Tax-Free Municipal Bond Funds: 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.

HOLDRs: The investor should note that HOLDRs are narrow industry focused products. If the industry is hit by hard times they will lack diversification and possible loss of investment would be likely. HOLDRs can trade at a discount to market price, ownership is of a fractional share interest, and the underlying investments of a HOLDR may not be representative of the particular industry. If the number of underlying companies in the HOLDR drops below nine, it might be delisted from the AMEX, which may cause the investor to experience trading halts.

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Bank loan/senior debt funds: Funds that contain bank loans and senior loans are impacted by risks associated with fixed income in general, including interest rate risk and default risk. Because they often invest in non-investment grade issues, the risk of default is high. These securities are also relatively illiquid. Funds that invest in bank loans/senior debt are often highly leveraged, producing a high level of volatility.

Short Positions: The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

Long-Short Funds: 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.

Benchmark Disclosure

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.

BarCap 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.

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.

S&P 500 TR

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. TR (Total Return) indexes include daily reinvestment of dividends.