

Witan Ord WTAN

Morningstar Benchmark MSCI World NR USD
 Morningstar Category™ Global Large-Cap Blend Equity

Morningstar Analyst Rating



Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Morningstar Rating™



Last Closing Price GBP	965.50
Last Closing NAV GBP	997.15
Discount/Premium %	-3.40
Latest Published NAV	999.97
Latest Published NAV Date	05/04/2017
Traded Currency	GBX
Yield	1.99
Dividend Frequency	Quarterly
Total Assets £ Mil	2,064.5
Net Assets £ Mil	1,821.4
Market Cap £ Mil	1,731.4
Net Gearing %	10
Avg Daily Shares Traded Mil (3 month)	0.19
Inception Date	17/02/1909

Morningstar Analyst: David Holder

Executive Summary

People: The team at Witan is small but experienced. Manager Andrew Bell is supported by James Hart and they use external consultants such as Willis Towers Watson, adding another layer of due diligence to manager selection and monitoring.

Parent: Witan is a self-managed investment trust whose subsidiary, Witan Investment Services, acts as its AIFM and provides executive management services to Witan Pacific, another investment trust.

Board: The board brings deep investment experience to the management of the company and are very active in advising the manager on a range of issues. Bell is also an executive director on the board in his capacity as CEO of Witan.

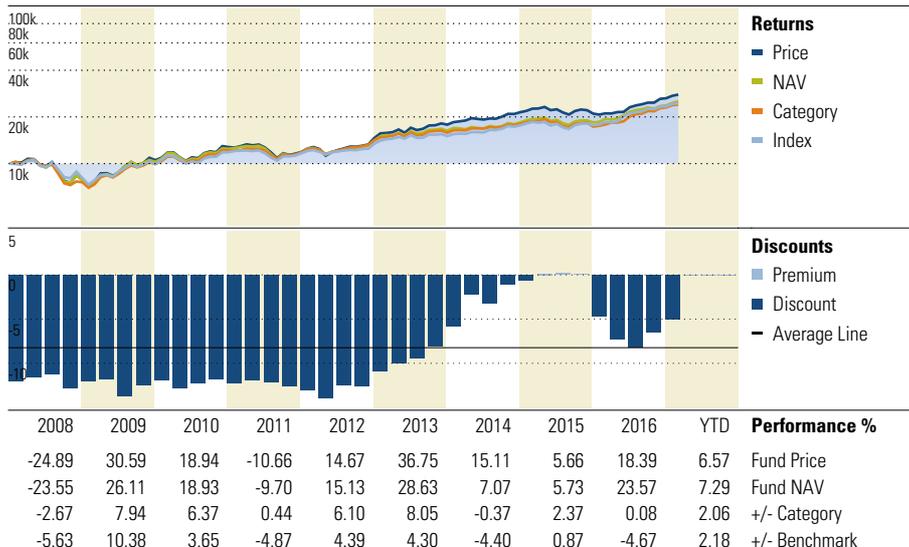
Process: Stock selection is majority outsourced to third-party managers with varying and complementary investment styles. Geographic allocation is a product of the managers' stock selection. Up to 10% of the portfolio is managed directly by the Witan team.

Performance: Investor returns over the short, medium, and long term have been strong and ahead of peers. The multi-manager process, which was initiated in 2004, has been fine-tuned under Bell and is bearing fruit for investors.

Fees: All in, this fund is competitively priced when compared with its category peers. Bell is focused on ensuring that the underlying managers are sourced on the best possible terms.

Role in Portfolio

The fund offers core exposure to global equity markets in a risk-controlled fashion. The underlying portfolio has around 500 underlying positions and whilst arguably this is a little too diversified it hasn't stopped the trust performing well. There is a bias to UK equities here but 70% of the benchmark is overseas. Finally, the dividend at Witan has been increased each year since 1975.



Morningstar Opinion

04 Apr 2017 |

Witan Investment Trust is a very solid choice for investors seeking core global equity exposure. The multi manager investment strategy is established and executed to good effect for investors by fund managers Andrew Bell and James Hart.

Whilst the investment process was in place prior to Bell's appointment in February 2010 he has developed and honed the investment approach. The board provide very extensive experience and support for the management duo. This adds a layer of additional due diligence which we find comforting.

Ideas for new managers can come from contacts that Bell and Hart have established over decades, from external consultants such as Willis Towers Watson, in house proprietary research, or through the board's advice. The key criterion is that each underlying manager must be able to add value to the portfolio through stock picking and adherence to their investment style. It could be said that the portfolio with 400+ positions is overly diversified but with Active Share of around 70% there are meaningful positions taken around the composite benchmark.

An interesting element is up to 10% of the portfolio managed directly by the Witan team. This sleeve encompasses attractive assets that are not able to be accessed by the underlying managers or specialist investment themes. This

has tended to be biased towards listed private equity vehicles but more latterly has included commodities funds (an underrepresented sector within their external managers) via Blackrock World Mining, UK small cap post EU referendum where they added to Aberforth Geared Income, EM small cap via Somerset and life sciences via Syncona. This was a strongly performing element of the portfolio through 2016 returning 34.4% vs the composite benchmarks return of 22.9%.

The board review the benchmark on an ongoing basis, but refrain from making regular changes. From effect of January 2017 it was changed to UK 30%, Europe 20%, US 25%, Asia (inc Japan) 20% and Emerging Markets 5%. The board reduced the UK and increased the US and Emerging Markets which reflects where the board, Bell and Hart see the most compelling opportunities for long term growth. In the case of EM it is of increasing relevance to investors and with the US it reflects the long term leadership of the US market and its base for influential growth industries such as Technology and Pharma. The UK remains a high weighting because over 80% of investors are UK individuals and as such it remains a key reference point. But exposure is still 280 percentage points more than the Morningstar category; at a time when many peers are increasingly focused more globally.

Overall, there's much to give us confidence at Witan. The strategy is clear and well executed, the fund is competitively priced, and results are solid. It retains its Silver rating.

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Manager	Andrew Bell
Manager Start	01/02/2010
Manager	James Hart
Manager Start	20/04/2015
Avg. Manager Tenure	4.6 Years
Other Funds Managed	—

Andrew Bell was appointed a director and CEO of Witan in February 2010. Previously he worked at Rensburg Sheppards as Head of Research and as a European equity strategist and Co-Head of the Investment Trusts team at BZW and CSFB. Prior to the City, he worked for Shell in Oman. He is a non-executive director of Henderson High Income Trust, Chairman of Gabelli Value Plus+ Trust and was Chairman of the Association of Investment Companies until January 2015. James Hart was appointed as Investment Director of Witan in April 2015. Hart previously worked at Cayenne as a portfolio manager specialising in listed investment companies and as an emerging market specialist and Head of Funds at Bank Julius Bar. Prior to investment management, he worked in insti-

tutional sales and as a research analyst at a boutique stockbroker. Whilst Bell had limited experience at running money prior to his role as CEO of Witan his responsibilities are asset allocation and manager selection. In both aspects, he is assisted by the experienced Hart and the seasoned board (of which he is a member). They also make use of the services of independent consultants such as Willis Towers Watson. They help with the initial appointment of a new fund manager, as well as the ongoing monitoring of those managers, not just from a performance perspective but also operationally. This adds another layer of due diligence for shareholders, as well as some heft in fee negotiations, both with new and existing third-party managers.

Parent

Fund Advisor	Witan Investment Services
Domicile	UK
Subadvisor	Multiple
Website	www.witan.com

The entire focus of Witan's business is the management of Witan Investment Trust and to act as the investment advisor to the board of Witan Pacific. It also operates two savings plans, JUMP (for investments in Witan) and Witan Wisdom (for both funds). The firm runs a tight ship in order to minimise costs as these are all borne by the funds. It numbers just seven employees; all administrative functions are outsourced, although the firm does have an in-house compliance consultant and a dedicated marketing director. This results in some key-man risk with regard to the manager, but the fact that the funds are run by third-party managers who have been selected for the long term helps to mitigate this. Their use of

consultants, such as Willis Towers Watson, to monitor managers also helps to allay concerns. The company's website is clear and easy to navigate, and Witan's level of openness and transparency with investors is of a commendable standard. The full portfolio is disclosed on a look-through basis monthly, with a three month lag. The company has negotiated competitive fees with its underlying managers and, although some are entitled to take performance fees, these have been well structured with high-water marks and a cap on the total amount that can be taken. The manager's remuneration aligns his interests well with shareholders' and he has substantial personal investment in Witan's shares.

Board of Directors

Tender Offer	No
Buyback Authorization	Yes

The board meets around 12 times a year and comprises an executive director (Bell) and eight nonexecutive directors. The most recent appointments are Ben Rogoff (October 2016), long-standing technology fund manager at Polar Capital, and Jack Perry (January 2017), former managing partner and industry leader at Ernst & Young. The average tenure here is over eight years. Chairman Harry Henderson has served on the board since 1988 and is a descendant of Lord Faringdon (Alexander Henderson), for whose estate management the fund was created. All of the directors on the board are also shareholders in the fund, and we like to see this alignment of interests. The directors comprise a mix of skills, although there is a definite bias to investment over industry which

is probably more relevant for the way in which Witan is managed. The board reviews the third-party managers annually and in addition receives quarterly updates from the Witan team. This ensures it is kept fully up to date on the overall portfolio and that it is able to monitor the underlying managers effectively. They also are actively engaged with the appointment of managers as a shortlist of three or four prospective managers present to the board. New manages require full board authorisation ahead of appointment. Although it's less common now to see an investment manager hold a position on the board, we think it makes sense here, given the way in which the fund is run.

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Process: Investment Approach

Investment Objective: To achieve long-term growth in income and capital through active multi-manager investment in global equities.

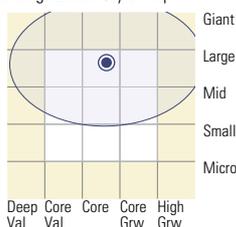
Hedging Policy
 Tactical Use of Cash No

Moribund performance persuaded the board to adopt a multimanager approach in 2004. In September that year, eight managers were appointed and half of the assets outsourced, with the remaining half of the assets being kept in index or quasi-index funds. These have been gradually phased out, with Bell reallocating the final 20% of assets away from passive funds into actively managed funds during 2010. Bell appoints the underlying managers with a long-term mindset mandating them the freedom to invest where they see the best opportunities. This results in low turnover and has also enabled Bell to negotiate favourable terms with his appointed managers. All are invested via segregated accounts

facilitating full disclosure and control of the portfolio. Despite the long term investment time horizon Bell has the ability to change managers at short notice should he wish to reposition the portfolio or if the underlying managers change their style or investment approach. The fund comprises 11 managers at the end of February 2017. Bell uses gearing, cash, and derivatives to tilt the portfolio in line with his macro views; for example, Bell allocated 2.5% assets to index futures on the Nikkei in response to the election of Abe in 2012. The portfolio has around 500 underlying positions, there are no sector constraints and regional exposure is limited to +/- 10% relative to the benchmark.

Process: Portfolio Positioning

Morningstar Holdings Based Style Map



As at the end of February 2017 the fund was 34% invested in the UK which is three times the Morningstar peer group average. Bell and Hart like the UK for its global leading businesses, dividend payments and corporate and legal safeguards. The investor base also renders it relevant here. Conversely North America is 27% which is approximately half that of peers and global benchmarks and which has the potential to be a sizeable influencer of peer group relative returns. Bell and Hart do not interfere with their manager's

geographic allocation as to do so would be to mitigate their investment style, but they will apply a top down overlay when appropriate. The most recent manager addition was the February 2017 appointment of GQG with a 4% position. They replaced the MSCI Emerging Markets futures position and Trilogy Emerging Markets fund which was sold in March 2016. In early 2016 FTSE futures were sold to increase overseas by way of Japan index futures which were closed out late 2016.

World Regions	Assets %
Greater Europe	53.42
United Kingdom	38.34
Europe-Developed	14.25
Europe-Emerging	0.28
Africa/Middle East	0.56
Americas	28.02
North America	27.68
Latin America	0.34
Greater Asia	18.56
Japan	5.78
Australasia	0.84
Asia-Developed	5.93
Asia-Emerging	6.00
Not Classified	0.00

Asset Allocation	% Assets	Long	Short	Net
Cash	0.3	0.4	0.0	
Equity	93.6	—	93.6	
Bond	0.0	0.0	0.0	
Other	6.4	0.0	6.4	

Top 10 Holdings 31/12/2016	% Assets
Comcast Corp Class A	1.91
Princess Private Equity Ord	1.64
London Stock Exchange Group PLC	1.58
BlackRock World Mining Trust plc	1.56
Apax Global Alpha Ord	1.54
Diageo PLC	1.43
JPMorgan Chase & Co	1.37
Syncona Ord	1.34
Alphabet Inc A	1.21
BT Group PLC	1.20

Sector Weightings	% Equity
Cyclical	43.0
Basic Materials	5.2
Consumer Cyclical	16.5
Financial Services	18.5
Real Estate	2.8
Sensitive	37.6
Communication Services	7.0
Energy	3.1
Industrials	14.8
Technology	12.7
Defensive	19.3
Consumer Defensive	9.6
Healthcare	8.7
Utilities	1.0

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Data as of 31-03-2017

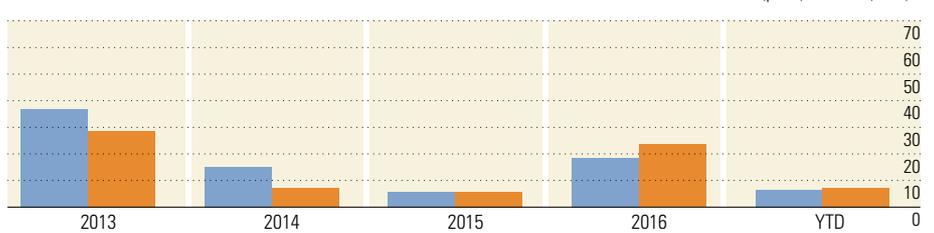
Trailing Returns Price	Total	+/-
	Rtn %	Bmark
3 month	6.57	1.46
6 Month	15.49	2.93
1 Year	32.17	0.26
3 Year Ann.	14.18	-1.95
5 Year Ann.	16.86	2.00

Trailing Returns NAV	Total	+/-	+/-	%Rnk
	Rtn %	Bmark	Cat	In Cat
3 month	6.92	1.80	1.69	9
6 Month	12.33	-0.23	1.64	28
1 Year	28.97	-2.94	1.34	40
3 Year Ann.	14.23	-1.91	1.20	39
5 Year Ann.	14.91	0.05	2.92	13

Under Bell's tenure (February 2010) the fund has gained 13.1% annualised compared with the Morningstar Category average of 10.2% (February 2017) and global equity benchmark returns of around 13%. Over one, three, five and 10 years, and since the switch to multimanager, the fund has outperformed its category peers. Over the last 12 months to the end of December 2016 performance of the underlying managers was generally disappointing with only three (2015: 8) of the

10 managers outperforming their respective benchmarks. These were the more value-oriented global managers (Pzena and Tweedy Browne), whilst of the UK managers Heronbridge (also a value manager) outperformed. Since the appointment of the various managers only Pzena and Tweedy Browne are (modestly) behind their respective benchmarks. The directly managed portfolio outperformed the composite benchmark by 11.5%.

Calendar Total Returns

**Discount / Premium**

Data as of 06-04-2017

Discount / Premium %	6 Mo	1Yr	3Yr
High	-4.40	-1.81	+1.98
Average	-6.28	-6.68	-3.22
Low	-9.01	-10.17	-10.17
Z-Statistic	1.55	1.62	-0.38

The board members do not operate a formal discount control mechanism, but they have made a commitment to keep it below 10%. In May 2016 the fund facilitated an exit for Aviva investors who had previously held some 16% of the share capital and who have been in the process of departing the investment trust sector. This was arranged by predominantly matching buyers of the trust and through a buy back. This was a significant

achievement for the company and one that removed uncertainty for investors and management alike. Over a 10 year period the funds rating has varied from a discount of 12% to a slight premium. More generally it has tended around high to mid single digits. There are currently some 20m shares in treasury which accounts for around 11% of the outstanding share capital. The current discount is 4% (March 2017).

Risk & Return

Data as of 31-03-2017

Morningstar Rating	Return	Risk	Rating
3 Year	Above Avg	Avg	★★★★
5 Year	Above Avg	Above Avg	★★★★
10 Year	High	Above Avg	★★★★
Overall	High	Above Avg	★★★★

The fund is diversified across 11 underlying managers and around 500 stock positions with the top 10 holdings accounting for less than 15% of the total portfolio compared to above 20% for the peer group. Over the last 5 years standard deviation (a statistical measure of risk) has tended to be in line or less than peers and global benchmarks with risk adjusted returns are ahead of peers. Tracking error is in the 3-4% level and is

modestly wider than peers. The fund's Beta or sensitivity to market movements is higher than peers reflecting the active use of gearing, which has led to higher than average upside and downside capture ratios. Over time it is likely that the portfolio will become slightly more concentrated by number of stocks with fewer managers held within the fund and with a greater emphasis on more focused portfolios.

Volatility Ratios	3 Yr NAV	5 Yr NAV	Risk vs Index	3 Year	5 Year
Standard Deviation	9.32	10.43	Alpha NAV	-1.95	-1.03
Mean	1.16	1.20	Beta NAV	1.06	1.12
Sharpe Ratio	0.31	0.71	R-Squared NAV	92.83	93.68
Sortino Ratio	0.48	1.09	Treynor Ratio NAV	3.80	8.63

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Management Fee %	0.49
Ongoing Charge ex Perf Fee %	0.79

Bell has negotiated competitive rates with his appointed managers. Of the 11 current managers, three are eligible to a performance fee and where they are in place they are structured appropriately with low annual charges. The weighted average fee (ex performance fee) of the appointed

managers was 0.49% at the end of 2016 (2015: 0.49%). With ongoing costs for the fund (ex performance fees) for fiscal 2016 of 0.75% (2015: 0.76) we think the fund is competitively priced, particularly in comparison with more traditional funds of funds vehicles.

Gearing

Total Assets £ Mil	2,064.5
Net Assets £ Mil	1,821.4

The maximum geared position is 20% so the managers like to limit their gearing to 15% so that they are not forced sellers if markets move adversely. Through 2016 they tactically added to gearing early in the year and around the Brexit vote on equity market weakness. Bell can hold net cash but this has not occurred and the typical gearing range will be in the 8%-12% region. The fund has some structural gearing in place, due for redemption in 2025 (GBP 63 million at 6.125%). In October 2016 a 30-year 8.5% debenture for GBP

45 million was repaid and ahead of this in April 2015 the company raised GBP 21 million (2035) and GBP 54 million (2045) debt at 3.29% and 3.47%, respectively. These funds were used to repay short-term borrowing of GBP 55 million and to help repay the maturing 2016 debenture. There is a short-term facility in place of GBP 70 million. The effect of the maturing debenture was to reduce fixed borrowing costs from 7% to 4.6%. Net gearing is currently 11% (March 2017).

Dividends

Dividend History	2014	2015	2016
Dividend	15.40	17.00	19.00
Special Dividend	0.00	0.00	0.00
Total	15.40	17.00	19.00

The fund's objective is to grow the dividend ahead of inflation, and by and large it has done so successfully over the past 42 years. Although the underlying managers aren't set a formal income target, Bell monitors the income levels and believes his managers have a degree of predictability associated with their investment style and that some element of underlying income generation verifies their investment approach. In mindfulness of the overwhelming retail nature of the

share register, the board in 2013 moved to quarterly dividend payments, from semiannually which was a sensible and consensual development. For fiscal 2016 dividends per share of 19p were paid (2015: 17p) on revenue per share of 22.1p (2015: 18.5p). After the final dividend payment there are revenue reserves of 30p or 1.5 years of income at current levels. Since 2006 dividends have risen by 107%. The current net yield is 2.01% (March 2017).

Global Closed-End Fund Report

Disclosure Statement

The Global Closed-End Fund Report is supplemental sales literature, and therefore should be preceded or accompanied by the fund's current prospectus, or equivalent, and this disclosure statement. Please read the fund information carefully. In all cases, this disclosure statement should accompany the Global Closed-End Fund Report. Morningstar is not itself a FINRA-member firm. All data presented is based on the most recent information available to Morningstar.

A key feature of closed-end funds is that they generally do not continuously offer their shares for sale. They sell a fixed number of shares initially, after which the shares typically trade on a secondary market. Closed-end funds may trade at, above, or below their net asset value. If a closed-end fund's shares trade at a price above their net asset value, they are said to be trading at a premium. Conversely, if they are trading at a price below their net asset value, they are said to be trading at a "discount."

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 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.

Total Return reflects performance without adjusting for the effects of taxation or brokerage commission, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, the effects of taxation would reduce the performance quoted.

Morningstar % Rank within Morningstar Category does not account for a fund's sales charge (if applicable) or brokerage commission. Rankings will not be provided for periods less than one year.

Morningstar Analyst Rating

The Morningstar Analyst Rating is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine how they believe funds are likely to perform over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weighting of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflect an Analyst's conviction in a fund's prospects for outperformance. Analyst Ratings 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 <http://corporate1.morningstar.com/AnalystRating/>.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what we expected.

Morningstar Rating for Funds

The Morningstar Rating for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a mutual fund

is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. If the managed product has been in its current category over the entire evaluation period, the weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. If the managed product's investment style and category have changed in the past, Morningstar modifies the weights for the Overall Morningstar Rating to reflect the average degree of similarity between the current category and the fund's historical categories. Slightly more weight is placed on the time periods when the fund was in the current category.

Morningstar Category

This is a proprietary Morningstar data point. While the investment objective stated in a fund's prospectus may or may not reflect how the fund actually invests, the Morningstar category is assigned based on the underlying securities in each portfolio. Morningstar categories help investors and investment professionals make meaningful comparisons between funds. The categories make it easier to build well-diversified portfolios, assess potential risk, and identify top-performing funds. We place funds in a given category based on their portfolio statistics and compositions over the past three years. If the fund is new and has no portfolio history, we estimate where it will fall before giving it a more permanent category assignment. When necessary, we may change a category assignment based on recent changes to the portfolio.

Last Closing Price

The most recent price available for the fund.

Last Actual NAV

While most closed-end funds report their net asset value daily, some do not. This is the last reported net asset value and it is calculated by dividing the total net assets of the fund by the total number of shares.

NAV Date

While most closed-end funds report their net asset value daily, some do not. This is the date of the last reported net asset value.

Discount %

The average premium or discount of the market price to the NAV (Net Asset Value), expressed as a percentage of the NAV.

Total Distribution Rate % (NAV)

Closed-end funds have distribution rates, not yields or dividend rates. The distribution can be comprised of dividends, interest income, realized capital gains, and return of capital. The Total Distribution Rate (NAV) is the total amount of the most recent distribution compared with NAV. For funds without a level or managed distribution policy, we calculate a 12-month trailing rate beginning a year after inception.

Total Assets \$ Mil

Closed-end funds can use leverage. Total assets represents the net asset value of the common shares, plus any leverage from debt, preferred shares, and non-'1940 Act leverage.

Net Assets \$ Mil

The assets of the fund attributable to common shareholders.

Market Capitalization \$ Mil

The total equity market value of the company, expressed in millions of dollars. It equals shares outstanding times the stock price.

1940 Act Leverage %

Closed-end funds are largely regulated by the Investment Company Act of 1940. Under the '40 Act, closed-end funds are explicitly permitted issue preferred shares and debt instruments (such as bonds). This 1940 Act leverage

ratio is the amount of preferred shares plus debt, expressed as a percentage of the fund's net assets.

Non-1940 Act Leverage %

In addition to preferred shares and debt, some closed-end funds utilize modern financial instruments to achieve leverage. This is known as "Non-1940 Act Leverage." Such leverage can take the form of tender option bonds and mortgage rolls, to name only two. This ratio is the amount of non-1940 Act leverage expressed as a percentage of the fund's net assets.

Average Daily Shares Traded Mil

The average daily trading volume of common shares over a given period. This is expressed in number of shares.

Distribution-Income

The amount of the distribution attributed by the fund to net investment income, such as interest and dividends.

Distribution-S/T Cap Gain

The amount of the distribution attributed by the fund to realized short-term capital gains.

Distribution-L/T Cap Gain

The amount of the distribution attributed by the fund to realized long-term capital gains.

Distribution-Return Cap

Return of capital is, in most instances, your own money being returned to you. Return of Capital can be destructive, meaning it is literally your own initial investment being return, or constructive, meaning that it is arising from unrealized capital gains. For closed-end funds investing primarily in Master Limited Partnerships, the return of capital is pass-through capital, and is neither destructive nor constructive.

Manager Name

The name of the individual or individuals who are employed by the advisor or subadvisor who are directly responsible for managing the fund's portfolio, as taken directly from the fund's prospectus. Other terms that may appear in this column include the following: Multiple Managers - This term appears when more than two people are involved in the fund management, and they manage independently. Where this term is used, quite often the fund has divided net assets in set amounts among the individual managers. In most cases, multiple managers are employed at different subadvisors or investment firms. Management Team - This is used when there are more than two people involved in fund management, and they manage together, or when the fund strongly promotes its team-managed aspect. Et al - When this term appears just after a manager name, it indicates that while other people are involved in fund management, the person listed acts as the leader or is recognized by the fund as being the principal management player.

Fixed-Income Portfolio Statistics

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

Duration is a time measure of a bond's interest rate sensitivity. Average effective duration is a weighted average of the duration of the underlying fixed income securities within the portfolio.

Average weighted coupon is generated from the fund's portfolio by weighting the coupon of each bond by its relative size in the portfolio. Coupons are fixed percentages paid out on a fixed-income security on an annual basis.

Maturity is the date a loan, bond or debenture comes due and is to be paid off. The Maturity Range shows the breakdown of the maturities in a fixed-income portfolio. It reveals the percentage of fixed-income securities that fall within each maturity range.

Coupon Range is a breakdown of each portfolio's bond coupons, or rates of interest payments. These ranges differ according to Morningstar Category

and, due to changing interest rates, are subject to alteration over time. Whatever the breakdown may be, the first number is always exclusive and the second number is always inclusive. A range of 8% to 10%, for example, would exclude bonds that have a weighted coupon rate of exactly 8% but would include bonds with a weighted coupon rate of 10%.

Credit quality breakdowns are shown for corporate-bond holdings and depict the quality of bonds in the underlying portfolio. The report shows the percentage of fixed-income securities that fall within each credit quality rating as assigned by an NRSRO. Bonds not rated by an NRSRO are included in the not rated (NR) category.

Asset Allocation

The weighting of the portfolio in various asset classes, including "Other" is shown in the table. "Other" includes security types that are not neatly classified in the other asset classes, such as convertible bonds and preferred stocks. In the table, allocation to the classes is shown for long positions, short positions, and net (long positions net of short) positions. 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. Note that all other portfolio statistics presented in this report are based on the long holdings of the fund only.

Super Sector: US Government

This Super Sector includes all conventional debt issued by the US government, including US Treasury inflation-protected instruments. It may also include debt obligations issued by government agencies as well as interest-rate swaps and Treasury futures that are generally considered to have a risk profile commensurate with government bonds but may not have explicit government backing. Bonds issued by government sponsored enterprises such as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation can be found in this Primary Sector.

Super Sector: Credit

This Super Sector includes US Corporate (bank loans, convertible bonds, conventional debt securities issued by corporations and preferred stock), Asset-Backed securities (which are based on the expected cash flows from debts such as auto loans, credit card receivables, and computer leases among others), Convertible securities (which give their owners the opportunity to

convert each security to a certain number of shares of common stock at a certain price), Municipal (taxable and tax exempt debt obligations issued under the auspices of states, cities, counties, provinces, and other nonfederal government entities), and Corporate Inflation-Protected securities.

Super Sector: Mortgage

This Super Sector includes all types of mortgage-backed securities and covered bonds. Rolling into this sector are items such as mortgage pass-thrus, mortgage CMOs, and mortgage ARMs. These securities are guaranteed by Ginnie Mae, an agency of the U.S. government, or by U.S.-government-sponsored enterprises such as Fannie Mae or Freddie Mac.

Super Sector: Foreign

This Super Sector includes all conventional debt issued by non-US governments, bonds issued by a Central Bank or Treasury, and bonds issued by local governments, cantons, regions, and provinces. It also includes bank loans, convertible bonds, conventional debt securities issued by non-US corporations.

Total Return

Total Return (also called "Non Load-Adjusted Return" in some reports) reflects performance without adjusting for sales charges 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 security was held throughout the period. If adjusted for sales charges and the effects of taxation, the performance quoted would be significantly reduced.

Morningstar % Rank in Category

Morningstar Rank is the total return percentile rank within each Morningstar category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of the funds as they were at the time of the calculation.

Discount

The amount by which a preferred stock or bond sells below its par value.

Premium

The amount by which a bond or preferred stock may sell above its face value. In new issues of stock, it is the amount by which the trading price of the shares exceeds the offering price. Regarding bonds, it is the amount by which a bond sells above its face value. For example, a bond that has a face value of \$1000 would sell at a \$200 premium when it costs \$1,200 (see discount).

Z-Statistic

The z-statistic is used to measure a fund's discount/premium relative to its average discount/premium. $Z = (\text{Current Discount} - \text{Average Discount}) / \text{Standard Deviation of the Discount}$. A negative z-score indicates the current discount is lower than the average, and vice versa. The magnitude suggests whether the z-statistic is significant: for instance, a z-statistic of +2 or greater would be expected to occur less than 2.25% of the time.

Risk and Return Profile

The risk measures below are calculated for funds with at least a three-year history.

The Morningstar Rating for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a mutual fund is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. If the managed product has been in its current category over the entire

evaluation period, the weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. If the managed product's investment style and category have changed in the past, Morningstar modifies the weights for the Overall Morningstar Rating to reflect the average degree of similarity between the current category and the fund's historical categories. Slightly more weight is placed on the time periods when the fund was in the current category.

The Morningstar Return rates a managed product's performance relative to other managed products in its Morningstar category. It is an assessment of a product's excess return over a risk-free rate (the return of the 90-day Treasury Bill), after adjusting for all applicable loads and sales charges, in comparison with the products in its Morningstar category. In each Morningstar category, the top 10% of products earn a High Morningstar Return (High), the next 22.5% Above Average (+Avg), the middle 35% Average (Avg), the next 22.5% Below Average (-Ave), and the bottom 10% Low (Low). Morningstar Return is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

Morningstar Risk evaluates a managed product's downside volatility relative to that of other products in its Morningstar category. It is an assessment of the variations in monthly returns, with an emphasis on downside variations, in comparison with the products in its Morningstar category. In each Morningstar category, the 10% of products with the lowest measured risk are described as Low Risk (Low), the next 22.5% Below Average (-Avg), the middle 35% Average (Avg), the next 22.5% Above Average (+Avg), and the top 10% High (High). Morningstar Risk is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the product. Products with less than three years of performance history are not rated.

Risk Measures

The risk measures below are calculated for funds with at least a three-year history.

Standard deviation is a statistical measure of the volatility of the fund's returns.

Mean represents the annualized geometric return for the period shown.

The Sharpe Ratio uses standard deviation and excess return to determine reward per unit of risk.

The Sortino ratio, a variation of the Sharpe ratio, differentiates harmful volatility from volatility in general by using a value for downside deviation.

Similar to the Sharpe Ratio, the Treynor Ratio is a measurement of efficiency utilizing the relationship between annualized risk-adjusted return and risk. Unlike Sharpe Ratio, the Treynor Ratio utilizes "market" risk (beta) instead of total risk (standard deviation). Good performance efficiency is measured by a high ratio.

Alpha measures the difference between a fund'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.

Beta is a measure of a fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

R-squared reflects the percentage of a fund's movements that is explained by

movements in its benchmark index, showing the degree of correlation between the fund and the benchmark. This figure is also helpful in assessing how likely it is that alpha and beta are statistically significant.

Total Expense Ratio %

The expense ratio is the annual fee that all funds or ETFs 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 initial 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.

If the fund's assets are small, its expense ratio can be quite high because the fund must meet its expenses from a restricted asset base. Conversely, as the net assets of the fund grow, the expense percentage should ideally diminish as expenses are spread across the wider base. Funds may also opt to waive all or a portion of the expenses that make up their overall expense ratio.

Total Expense Ratio Adjusted %

By regulation, closed-end funds utilizing debt for leverage must report their interest expense as part of their total expense ratio. This happens even if the leverage is profitable. Funds utilizing preferred shares or non-1940 Act leverage are not required to do so.

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.

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.

Benchmark Disclosure

Barclays 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 includes the daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Core Total US Bond Market ETF.

Barclays US Universal TR USD

BarCap U.S. Universal Bond Index: The U.S. Universal Index mirrors the increasingly popular "Core Plus" choice set used by many U.S.-dollar investors. It is the union of the U.S. Aggregate Index, the U.S. High Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, the non- ERISA portion of the CMBS Index, and the CMBS High Yield Index. Municipal debt, private placements, and non-dollar- denominated issues are excluded from the Universal Index.

BofAML US HY Master II TR USD

The US High Yield Master II Index tracks the performance of below investment grade US dollar-denominated corporate bonds publicly issued in the US domestic market. "Yankee" bonds are included in the Index provided the issuer is domiciled in a country having an investment grade foreign currency long-term debt rating. 144a issues are not included in the index until they are exchanged for registered securities. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of USD 100 million.

MSCI EAFE NR USD

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S&P 500 TR

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 stock market. TR (Total Return) indexes include daily reinvestment of dividends. The constituents displayed for this index are from the following proxy: iShares Core S&P 500 ETF.

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.