The Morningstar Box Score Report

Alpha-Seekers, Caveat Emptor

First Half 2009

Morningstar Indexes Research

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In this Issue:

- After accounting for risk, size, and style, only 37% of active funds beat the respective Morningstar Style Index over the past three years
- Top-performing funds have been less risky over the past three years than their underachieving peers
- Over the past three years, active funds holding more cash outperform their more fully invested counterparts

Figure I: % of Active Funds Outperforming Their Respective Morningstar Style Index

6-Month

	Value	Core	Growth
Large	96.24 / -5.8	84.34 / 0.31	16.95 / 16.04
Mid	76.92 / 2.65	54.01 / 8.11	41.39 / 13.3
Small	61.40 / 1.56	33.14 / 9.31	38.77 / 12.61

1-Year

	Value	Core	Growth
Large	63.17 / -27.79	26.06 / -22.5	48.80 / -26.96
Mid	37.17 / -24.41	62.88 / -0.301	74.18 / -35.95
Small	30.00 / -20.25	54.49 / -26.08	34.84 / -24.03

3-Year

	Value	Core	Growth
Large	70.54 / -11.39	18.46 / -5.44	37.68 / -6.15
Mid	79.05 / -11.44	52.03 / -9.21	58.04 / -8.54
Small	48.57 / -10.54	46.51 / -10.15	27.12 / -7.56

5-Year

	Value	Core	Growth
Large	47.77 / -2.26	22.42 / -0.46	83.33 / -3.81
Mid	53.54 / -1.23	45.28 / -0.94	24.38 / 0.7
Small	44.79 / -1.5	41.78 / -0.74	42.31 / -1.56

% of Active Funds Outperforming Their Respective Morningstar Style Index[1]
Index Returns (%) as of June 30, 2009

[1] Includes the oldest share class for all U.S. diversified mutual funds with at least a one-year history. As of December 31, 2008 there were 2,390 eligible funds. Morningstar classifies funds into style categories based on the average style score (using the same 10-factor methodology as underlying benchmarks) of all available portfolio holdings over a three-year period.

The Morningstar Style Indexes cover the entire playing field of the equity market, and it's natural to ask where on that field active funds have performed best against our style indexes. Answering this question can help investors formulate better investment strategies by combining active and passive investment choices. Most comparisons of active funds emphasize the overall performance results versus a set of indexes. The Box Score Report (BSR) will not only show these results, but also compare them with two regression based measures: Jensen's alpha and the Fama-French alpha. These techniques are quite comprehensive because they adjust for different levels of risk, as measured by sensitivity to the market, style and size.

In addition, some comparisons of this nature adjust for survivorship bias, and the BSR does too. Funds that merge, liquidate or close are usually underperforming funds, which would bias the results of active funds upward if obsolete funds were not counted. The BSR adjusts for survivorship bias by using the performance of obsolete funds for the period available. Obsolete funds are considered outperforming if the performance exceeds the respective Morningstar Style Index for the period available. As a result, the BSR eliminates the assumption that all obsolete funds are underperformers because at least some obsolete funds were outperformers. Given that six percent of funds went obsolete in the first six months of 2009, these funds can make an impact on the results.

This report is designed to provide a framework to assess active managers against the Morningstar Style Indexes in an objective and survivorship-bias free way. This semi-annual report will compare performance on an overall and asset-weighted basis. In every issue, the report will compare and contrast results on an overall and risk-adjusted basis to get a clearer picture of where active funds are adding value and where funds are not. The report is broken down into the overview, risk attribution, other factors, style-box assessment, and conclusion.

There are some additional practical questions that are related to active fund performance. In this issue, the BSR will look at size and cash-holding levels of funds. The past couple of years have been characterized as volatile and downward trending markets. It is natural to expect cash holdings of funds to increase substantially to brace for redemptions and as stocks become less appealing. The BSR takes a look at average cash holdings in relationship to fund performance for the current period and during the early 2000's recession.

Overview

Over the trailing five years, the odds are about even for an active fund to beat the Morningstar US Market Index or its respective Morningstar Style Index. However, both the average three-year Jensen's alpha and the average three-year Fama-French alpha are negative for actively managed mutual funds, suggesting that performance has not been enough to account for the increase in risk taken on compared with the Morningstar indexes. Moreover, Morningstar Style Indexes have outperformed their active counterparts in five of the nine domestic styles over the past one-year and three-year periods as of June 30, 2009. Blend funds are compared to the core indexes in the Morningstar Style Index Family.

> The Morningstar Style Indexes are style pure. This means the indexes use a comprehensive and non-overlapping approach based on the methodology for the Morningstar Style Box.

The Morningstar Style Indexes are style pure, which means that active funds tend to outperform most often in the style box category with the weakest results, and underperform the most often in the style box category with the strongest results. Thus, it is essential to understand active funds' portfolio characteristics to gain a better perspective on where they have done well and where they have struggled.

Figure II: Category Average 3-Year Return versus Asset Weighted Average 3-Year Return

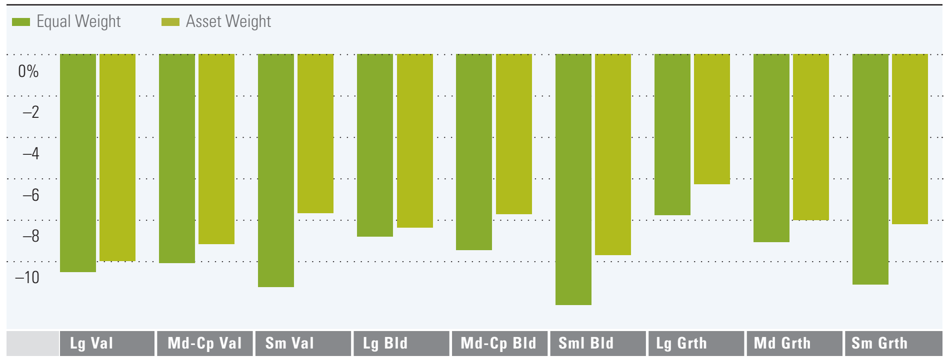
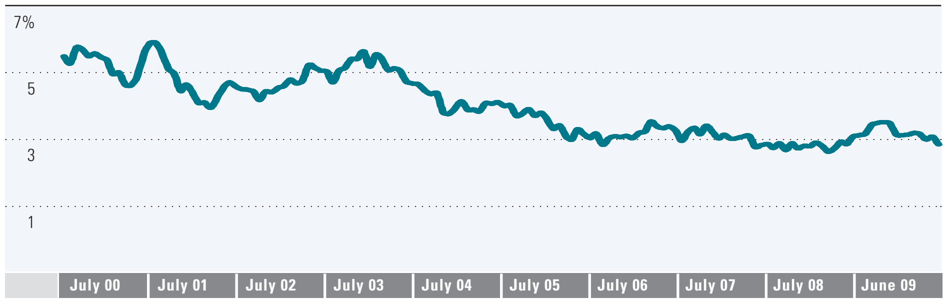


Figure III: Median Active Manager Cash Allocation on a Rolling 12-Month Basis



Risk Attribution

Risk—The Tortoise Beats the Hare

There are many studies that show that few active funds outperform the market. There may be years a fund beats the market, but over the long term, consistent outperformance is rare. Measuring fund performance can come in many forms. One way active funds could attempt to beat their respective index is by taking on more risk relative to the index. In the universe of more than 2,000 active funds we reviewed, in most cases the opposite turned up. The top-quartile funds have had lower standard deviations, lower betas, and lower tracking error than their underperforming peers over the trailing three-year period. While we would expect this, given the poor recent market returns, there is generally a positive relationship between risk and return, where better performing funds are riskier; however, this has not been the case over the last three years.

Size and Style—Does Controlling for Risk Change the Story?

We have chosen two ways to adjust for risk, using Jensen's alpha and the Fama-French alpha. These measures account for the varying sensitivities to the market of funds in order to determine risk-adjusted performance. Specifically, Jensen's alpha measures excess return of the fund compared with the market normalized to the same sensitivity. The more sensitive the fund is to the market, the more return the fund would have to generate, all else equal. A positive alpha means that a fund has outperformed the market and the flip side is true if alpha is negative. To understand how funds are doing by style category, we looked at the Jensen's alpha for each group.

In addition, we calculated the Fama-French alpha, or commonly referred to as the Three-Factor alpha. The Fama-French alpha not only accounts for a fund's sensitivities to the market, but also adjusts for the sensitivities to size and style. Many managers are benchmarked to broad indexes, which can lead to often misleading results. As already mentioned above, the size disparity between the broad indexes and active funds is a factor. Some other analyses of active management do account for style. However, it is difficult to capture the true diversity in style exposure within the active fund universe. Morningstar's Style Indexes avoids trying to capture this effect by having style pure indexes, and uses the Fama-French alpha to better capture all of these affects. The Fama-French alpha shows whether a manager achieves excess returns over the normalized benchmark with the same sensitivities to market moves, size and style.

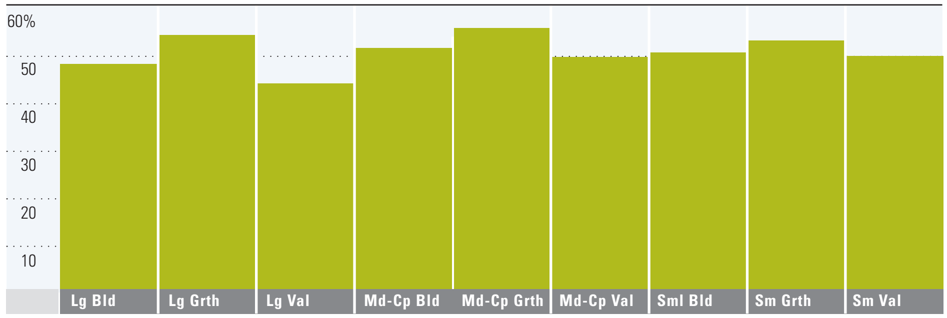
While roughly half of actively managed funds may have outperformed their respective index over the last three years based solely on overall returns, only 41% did so on a risk-adjusted basis when measured by Jensen's alpha, and only 37% did so when measured by Fama-French alpha (where the alpha factors are constructed using Morningstar's Broad Index series). The average Jensen's alpha across all funds was negative 88 basis points annualized and the average three-factor alpha was negative 81 basis points annualized. Among the nine styles, only large value and mid value had positive alpha for the Jensen's measure and none had positive alpha for the Fama-French measure.

Other Factors

Bigger Is Better

Looking at assets under management also reveals some interesting patterns. Some studies have shown that larger funds, or funds with more assets under management, can lead to lower expense ratios. The idea is that these larger funds can reap the economies of scale for research and other expenses. On the flip side, there is also research to show that large funds end up owning so many stocks that they are effectively closet index funds. There are forces that drive funds toward closet indexing as well. Some funds have generated significant outperformance, and assets generally follow after a fund posts solid results. As a result, a small fund that took risks that paid off will generally become a big fund. This leads to the next factor driving some fund managers to closet index. Large funds typically have large institutional investors, such as pension funds, that expect the fund to track a particular part of the market. Straying from this niche could lead to losses in these institutional mandates. Moreover, taking risks that do not turn out could lead to large outflows from the fund, so managers may choose to avoid these risks altogether.

Figure IV: 3-Year Batting Average



While the research has been mixed on the impact of fund assets and subsequent performance, there does appear to be a positive relationship between assets under management and historical performance for actively managed mutual funds, where active funds with more assets under management have outperformed their smaller counterparts. In fact, Figure II shows that the dollar-weighted category average return exceeds the equal weighted category average return over three years. This relationship isn't limited to a single category or time period, and it appears to be relatively persistent across time. For example, the dollar-weighted return of all actively managed mutual funds has averaged 67 basis points per annum higher than the average actively managed mutual fund.

It is also important to note that a quarter of the fund universe available five years ago was obsolete by June 30, 2009. In some studies this survivorship bias tends to overstate the average performance of mutual funds because funds that go under are typically those that performs poorly, not ones that perform well. Obsolete funds are incorporated into all areas of this report, such as the category average for the period they existed. Over the past six months, the range of fund survivorship was 97% for mid-core at the high end, to 90% for small growth at the low end.

In Down Markets, Cash is King

While long-term cash tends to underperform equity, portfolio managers may choose to hold cash for a variety of reasons: perhaps they are unable to find reasonably priced stocks, they want to hedge against a potential market decline, or they want to create liquidity for potential redemptions. Whatever the reason, the question of the right cash level is always a debatable point. In down markets holding cash can be fortuitous, and in up markets it can be a detriment. Figure III shows the median active manager cash allocation over the period July 2000 to June 2009.

The overall trend in cash has been down over the entire period graphed. During the fallout period from the technology-driven bubble, the median cash holdings for all active managers spiked to 6%. This percentage has fallen steadily since the peak, with the median fund holding 2.77% of the portfolio in cash as of June 30, 2009. Part of the decline can be explained by the fact that many funds are using innovative liquid investments, such as exchange-traded funds (ETFs), to maintain their equity exposure rather than hold cash. The percentage of active managers' holdings in ETFs is 1% on average.

While it is true that fewer active managers chose to boost their cash stakes in the current recession compared with the early 2000s recession, the top performers over the past three years did hold more cash across every style. Small-value funds had the biggest difference between the top performers and the bottom performers over the same period. This period was defined by the current U.S. recession and bear market performance, so holding more cash certainly helped. However, given the strong recent market performance, those mutual funds with higher levels of cash are likely to underperform their peers unless they've correctly timed the market.

Tweedy, Browne Value is an example of a top-returning fund that increased its cash stake, which helped it fall less than the broader market. In fact, its cash stake jumped from just 13% at the end of 2007 to 23% at the end of 2008. Tweedy may not have chosen the usual route that fund managers choose to weather storms, but there is clear evidence that cash holdings do go up in economic downturns.

The median cash position across the style box is relatively consistent; however, there is a considerable range within a given category. For example, while the median cash position for actively managed large-blend funds as of June 30, 2009, is4.29%, one in 20 funds had 18% or more of the portfolio invested in cash. The lowest median cash position across styles as of June 30, 2009, was 3.92% for small growth and the highest was 5.92% for mid core based on equal weight-category average.

Style-Box Assessment

Reversals Occur across the Style Box

Moving to the nine style box results, there has been a significant difference in relative outperformance over the last six months. Ninety-six percent of actively managed large-value funds outperformed the Morningstar Large Value Index, partly due to the fact that the Morningstar Indexes are style pure. On the flip side, only 17% of large-growth managers outperformed the Morningstar Large Growth Index. While the most recent six-month period has been a relatively impressive period for active managers, with 56% outperforming their respective index, the percentage falls to 45% on a five-year basis, with only two categories (large growth and mid-cap value) having more active managers outperforming the index than underperforming it. Looking across value and size over the last six months, active managers in the large-cap and value styles have tended to outperform their small and growth style peers. In addition, Figure IV shows the batting average of all active funds by category. Active managers meet or beat the index half of the time over three years.

Conclusion

Clearly, there are many factors that can work in favor or against active funds. A clearer picture emerges after accounting for risk, which is a critical element in accurate performance comparisons. On an absolute return basis, about half of the active funds have outperformed their respective Morningstar Style Index. However, the average three-year Jensen's alpha and the average three-year three-factor alpha is negative for actively managed mutual funds, suggesting that active funds have not generated enough return given the level of risk assumed in the portfolios.

Other patterns have shown persistence as well. Funds with more assets under management tend to have better performance than those funds with fewer assets. This can be partly explained by the significant economies of scale for large funds. Cash has also been a factor in fund performance. Many funds that outperformed the indexes over the past three years had significantly more cash stakes than those that did not. Given the smaller cash holdings, cash may not be as important as it was for the group, but it is still very important in determining the winners and losers. Still, several factors, such as funds holding ETFs, have made it harder to understand if cash holdings have truly gone down.

All in all, active funds have performed well on an absolute basis in the recent periods relative to their Morningstar Style Index. Nonetheless, over longer stretches active managers have a more difficult time beating the Morningstar Indexes. In addition, once the Fama-French factors are taken into account, active managers outperformance relative to the indexes falls materially. In other words, investors need to assess whether their funds perform well not only on an absolute basis, but after adjusting for the level of risk a fund takes as well.

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Data As of 6/30/2009

Indexes	Historical Returns % 6 Mo	1 Yr	3 Yr	5 Yr	Historical Risk % (Std Dev) 1 Yr	3 Yr	5 Yr	Jens-en's Alpha 3 Yr	Current Portfolio Statistics[1] Cash Position (%)*	P/E	P/B	Avg Mrkt Cap	Erngs Grth[2]	No. of Hold.	Fund Flows ($ Millions) 3 Mo	6 Mo	1 Yr
US Market	**4.29**	**–26.38**	**–7.99**	**–1.50**	**29.35**	**19.41**	**16.00**			**13.55**	**1.89**	**23,429**	**13.18**	**1,636**			
U.S. Value	2.34	–24.05	–6.39	–0.49	31.05	19.64	16.28			13.19	2.13	23,70	3.15	581			
U.S. Core	15.21	–28.66	–6.71	–2.59	30.01	19.91	17.49			18.18	2.94	19,718	12.05	539			
U.S. Growth	–3.59	–26.56	–11.27	–1.93	28.81	20.71	16.19			10.88	1.28	27,340	25.06	516			
Large Value Indexes	**–5.80**	**–27.79**	**–11.39**	**–2.26**	**25.52**	**18.45**	**15.26**			**10.72**	**1.42**	**62,091**	**3.91**	**68**			
Cat Avg (Asset Wgt)	2.40	–24.31	–8.91	–1.89	30.00	20.32	16.51	1.24	4.57	10.82	1.58	31,241	9.34	120	6,414	–116,925	–341,393
Cat Avg (Equal Wgt)	1.73	–26.60	–9.92	–2.16	30.18	19.95	16.25	1.46	4.25	13.40	1.46	36,773	6.60	89			
1st Qtr Funds	10.69	–18.58	–5.22	1.10	28.39	18.18	14.76	4.45	6.43	10.77	1.45	20,396	9.96	71	–22,190	–95,359	–249,639
2nd Qtr Funds	2.85	–24.46	–8.36	–1.10	29.21	19.08	16.04	2.34	5.88	11.52	1.63	28,240	9.49	91	–13,158	–48,354	–89,484
3rd Qtr Funds	–0.11	–27.51	–10.26	–2.50	30.59	20.27	16.20	1.33	2.99	10.77	1.52	28,723	9.31	95	–11,960	–24,814	–77,024
4th Qtr Funds	–3.96	–32.72	–13.56	–4.80	32.16	21.92	17.44	–0.91	2.71	10.93	1.58	29,597	8.75	105	40,894	51,604	74,754
Mid Value Indexes	**2.65**	**–24.41**	**–11.44**	**–1.23**	**39.08**	**24.40**	**19.92**			**11.58**	**1.04**	**3,866**	**0.00**	**187**			
Cat Avg (Asset Wgt)	6.57	–25.08	–8.18	–1.39	35.85	23.32	18.74	0.66	7.19	11.17	1.44	3,624	11.79	383	–29,353	–59,208	–208,280
Cat Avg (Equal Wgt)	6.19	–26.25	–9.28	–1.04	34.69	22.48	18.86	0.55	5.10	13.56	1.24	5,078	12.05	101			
1st Qtr Funds	16.79	–15.62	–3.66	2.90	32.67	19.18	16.04	4.11	8.44	9.20	1.24	3,768	11.15	71	34,556	39,942	21,578
2nd Qtr Funds	7.28	–24.21	–7.77	0.20	34.00	21.10	17.37	1.22	4.83	11.24	1.31	4,448	10.68	120	–62,710	–78,742	–157,874
3rd Qtr Funds	4.47	–27.75	–9.86	–1.50	34.48	21.98	17.40	–0.44	4.41	11.95	1.43	5,727	10.28	105	3,781	–178	7,204
4th Qtr Funds	–1.15	–32.65	–13.90	–4.00	37.49	26.14	20.08	–3.05	2.81	11.02	1.45	7,061	9.73	119	–4,980	–20,230	–79,189
Small Value Indexes	**1.56**	**–20.25**	**–10.54**	**–1.50**	**41.80**	**26.36**	**22.09**			**11.36**	**0.93**	**983**	**–1.38**	**261**			
Cat Avg (Asset Wgt)	2.13	–16.32	–6.84	–0.05	34.79	23.09	19.65	–0.08	4.32	12.42	1.38	1,072	12.71	307	48,583	62,834	109,055
Cat Avg (Equal Wgt)	3.70	–23.55	–10.51	–1.61	37.74	23.79	20.24	–1.20	5.78	12.09	1.07	1,190	8.31	183			
1st Qtr Funds	17.82	–11.96	–3.57	2.50	34.30	20.29	17.99	3.32	11.67	8.72	0.96	1,353	11.63	78	2,008	–244	–10,825
2nd Qtr Funds	6.32	–21.25	–8.39	–0.80	35.21	23.65	19.99	0.21	4.94	10.18	1.07	781	11.58	146	22,201	23,495	52,715
3rd Qtr Funds	1.76	–25.64	–11.69	–2.50	38.50	24.02	21.07	–2.35	4.20	11.16	1.17	874	11.19	271	23,051	39,970	61,527
4th Qtr Funds	–4.11	–31.10	–15.20	–5.00	38.82	25.17	21.60	–5.72	1.99	11.54	1.16	757	11.19	235	1,322	–387	5,637

1 Current portfolio holding statistics are quartiled based on 6-month performance, unless otherwise noted.
2 Earnings Growth Rate = The long-term projected earnings growth rate for the portfolio based on available third-party analysis estimates for EPS growth.
*Cash position quartiles are based on the active-funds three-year return.

Data As of 6/30/2009

	Historical Returns %				Historical Risk % (Std Dev)			Jensen's Alpha	Current Portfolio Statistics[1]						Fund Flows ($ Millions)		
Indexes	**6 Mo**	**1 Yr**	**3 Yr**	**5 Yr**	**1 Yr**	**3 Yr**	**5 Yr**	**3 Yr**	**Cash Position (%)***	**P/E**	**P/B**	**Avg Mrkt Cap**	**Erngs Grth[2]**	**No. of Hold.**	**3 Mo**	**6 Mo**	**1 Yr**
Large Core Indexes	**0.31**	**–22.50**	**–5.44**	**–0.46**	**29.33**	**18.96**	**15.32**			**13.55**	**2.36**	**51,473**	**11.05**	**80**			
Cat Avg (Asset Wgt)	5.14	–23.84	–7.47	–1.69	30.27	20.03	16.73	–2.52	6.46	14.07	2.26	25,727	12.45	189	13,549	–43,790	–145,249
Cat Avg (Equal Wgt)	2.64	–25.67	–7.84	–2.00	29.37	19.48	16.00	–2.46	4.29	13.81	1.77	45,771	11.18	134			
1st Qtr Funds	12.51	–19.05	–4.17	1.00	27.95	17.92	15.56	0.46	5.98	12.09	1.70	20,932	11.15	118	29,512	5,235,	–31,685
2nd Qtr Funds	5.92	–24.15	–6.81	–1.30	28.79	19.53	15.85	–1.76	3.49	12.49	1.91	25,406	10.72	157	–8,322	–36,475	–73,780
3rd Qtr Funds	2.78	–27.59	–8.71	–2.40	29.41	20.03	15.78	–3.31	2.63	12.27	1.90	29,286	10.53	149	–9,335	–22,520	–58,958
4th Qtr Funds	–0.92	–33.67	–11.73	–4.50	31.31	21.27	17.40	–5.91	2.80	11.47	1.87	29,406	10.26	118	1,694	9,970	19,174
Mid Core Indexes	**8.11**	**–30.11**	**–9.21**	**–0.94**	**36.78**	**23.75**	**19.99**			**12.23**	**1.74**	**3,910**	**15.70**	**209**			
Cat Avg (Asset Wgt)	7.67	–26.45	–6.88	–1.06	34.77	22.94	20.31	0.52	4.19	15.33	2.10	4,273	13.95	135	45,806	17,192	–101,593
Cat Avg (Equal Wgt)	10.05	–28.13	–9.00	–1.35	35.15	23.04	19.54	–0.94	5.92	14.28	1.22	4,139	14.23	97			
1st Qtr Funds	19.19	–15.69	–2.71	2.60	29.81	18.81	17.21	2.97	11.01	10.73	1.37	4,335	12.28	93	25,192	8,090	–68,441
2nd Qtr Funds	9.66	–24.36	–7.15	0.00	32.22	20.97	18.09	–0.21	5.50	12.44	1.53	4,167	12.99	108	8,603	4,622	–2,921
3rd Qtr Funds	7.40	–29.43	–10.11	–1.90	35.27	22.57	18.17	–1.82	4.24	11.66	1.61	4,254	11.12	92	14,957	16,131	8,438
4th Qtr Funds	0.76	–37.91	–13.29	–4.50	37.66	24.97	20.24	–4.29	2.91	12.89	1.73	5,234	11.45	106	–2,947	–11,651	–38,668
Small Core Indexes	**9.31**	**–26.08**	**–10.15**	**–0.74**	**40.31**	**25.45**	**21.89**			**12.00**	**1.52**	**1,015**	**13.45**	**292**			
Cat Avg (Asset Wgt)	7.30	–26.11	–8.64	–0.19	36.14	22.78	19.56	–0.58	4.40	15.09	1.90	1,219	15.43	223	18,134	–4,620	–57,854
Cat Avg (Equal Wgt)	6.11	–25.97	–10.78	–1.78	37.41	23.93	20.58	–1.63	3.96	13.72	1.46	1,333	15.83	237			
1st Qtr Funds	19.02	–15.46	–4.58	2.80	35.73	23.01	21.06	3.59	5.70	11.66	1.29	982	13.08	201	–2,436	–11,868	–30,246
2nd Qtr Funds	9.03	–23.37	–8.58	–0.30	37.67	23.22	19.66	0.02	4.95	12.23	1.38	1,119	12.87	231	13,307	8,668	–13,145
3rd Qtr Funds	4.43	–27.88	–11.17	–2.30	37.18	24.46	20.31	–3.30	3.26	12.58	1.39	1,059	12.64	239	11,150	6,499	–7,307
4th Qtr Funds	–1.09	–35.67	–15.89	–5.50	38.49	24.17	21.34	–7.44	1.90	11.73	1.31	1,123	12.08	281	–3,886	–7,920	–7,155

1 Current portfolio holding statistics are quartiled based on 6-month performance, unless otherwise noted.
2 Earnings Growth Rate = The long-term projected earnings growth rate for the portfolio based on available third-party analysis estimates for EPS growth.
*Cash position quartiles are based on the active-funds three-year return.

Data As of 6/30/2009

Indexes	Historical Returns % 6 Mo	1 Yr	3 Yr	5 Yr	Historical Risk % (Std Dev) 1 Yr	3 Yr	5 Yr	Jensen's Alpha 3 Yr	Current Portfolio Statistics Cash Position (%)*	P/E	P/B	Avg Mrkt Cap	Erngs Grth	No. of Hold.	Fund Flows ($ Millions) 3 Mo	6 Mo	1 Yr
Large Growth Indexes	**16.04**	**–26.96**	**–6.15**	**–3.81**	**28.46**	**19.82**	**16.56**			**18.08**	**3.10**	**41,753**	**26.60**	**85**			
Cat Avg (Asset Wgt)	10.20	–26.06	–5.59	–0.66	28.54	19.72	17.00	–0.38	4.24	11.08	1.75	28,304	10.60	184	32,957	–72,217	–305,903
Cat Avg (Equal Wgt)	10.50	–27.13	–6.86	–1.81	29.21	20.31	17.17	–1.00	4.16	16.21	2.38	34,289	24.06	91			
1st Qtr Funds	19.02	–18.54	–3.12	0.80	28.56	19.73	17.27	2.35	4.88	15.71	2.46	20,776	13.86	78	7,893	–28,569	–133,775
2nd Qtr Funds	11.61	–25.33	–5.93	–1.30	28.66	19.52	16.72	–0.16	3.94	14.41	2.44	24,732	12.50	127	28,787	–8,614	–51,975
3rd Qtr Funds	7.94	–28.62	–7.78	–2.50	29.10	20.25	16.76	–1.78	3.65	14.60	2.53	25,881	12.22	85	2,298	–7,556	–54,867
4th Qtr Funds	1.71	–35.50	–10.55	–4.40	29.29	20.88	17.03	–4.38	3.22	14.14	2.43	27,785	11.74	75	–6,022	–27,476	–65,285
Mid Growth Indexes	**13.30**	**–35.95**	**–8.54**	**0.70**	**34.07**	**23.45**	**20.28**			**18.09**	**2.70**	**4,221**	**21.47**	**186**			
Cat Avg (Asset Wgt)	11.12	–28.09	–7.14	–0.11	33.05	22.98	19.49	0.01	5.53	11.71	1.34	4,740	10.45	137	31,998	–4,122	–173,729
Cat Avg (Equal Wgt)	12.34	–30.56	–8.12	–1.08	33.07	22.76	19.80	–0.46	4.51	16.36	1.93	4,730	19.53	88			
1st Qtr Funds	21.00	–19.08	–3.66	2.20	31.21	21.62	19.54	3.43	7.80	15.71	2.22	4,524	14.35	75	1,281	–15,999	–74,662
2nd Qtr Funds	14.29	–27.56	–6.68	0.00	32.68	22.14	19.03	0.88	4.07	15.51	2.28	4,483	13.93	103	13,321	6,270	–56,276
3rd Qtr Funds	9.69	–33.03	–8.72	–1.80	33.85	23.03	20.16	–1.05	3.36	15.75	2.34	4,404	14.08	101	13,261	6,070	–27,997
4th Qtr Funds	1.02	–40.49	–12.92	–4.40	32.82	23.40	20.21	–5.00	3.19	15.29	2.23	4,075	13.88	81	4,133	–464	–14,792
Small Growth Indexes	**12.61**	**–24.03**	**–7.56**	**–1.56**	**36.55**	**24.19**	**21.92**			**19.69**	**2.37**	**1,093**	**17.23**	**268**			
Cat Avg (Asset Wgt)	6.53	–20.57	–7.31	–0.82	33.24	22.70	20.33	–2.28	5.65	10.73	1.15	926	10.60	252	35,630	32,089	18,510
Cat Avg (Equal Wgt)	10.72	–26.87	–9.48	–2.27	35.04	23.59	20.99	–2.44	3.92	17.37	2.00	1,418	17.79	121			
1st Qtr Funds	20.71	–16.73	–4.76	1.90	35.31	22.94	19.75	1.68	5.25	15.48	1.88	995	16.53	81	14,270	11,697	9,640
2nd Qtr Funds	12.70	–24.32	–7.93	–0.08	35.21	23.05	20.64	–1.34	3.74	15.08	1.87	1,045	15.53	156	8,144	3,370	–14,434
3rd Qtr Funds	8.00	–28.83	–10.24	–2.80	34.52	23.21	21.08	–3.61	4.38	15.49	1.95	1,079	15.17	125	4,916	4,881	–647
4th Qtr Funds	1.75	–35.23	–14.47	–5.90	34.56	24.77	22.18	–7.33	2.48	14.44	1.95	1,181	15.47	134	8,298	12,140	23,951

1 Current portfolio holding statistics are quartiled based on 6-month performance, unless otherwise noted.
2 Earnings Growth Rate = The long-term projected earnings growth rate for the portfolio based on available third-party analysis estimates for EPS growth.
*Cash position quartiles are based on the active-funds three-year return.

Methodology

Morningstar Style Categories
The Morningstar Indexes Box Score Report report covers all U.S. stock mutual funds including funds that have merged, liquidated, or otherwise become obsolete during the reporting period as represented by the Morningstar US Open End Mutual Funds Database. Morningstar currently tracks more than 22,000 individual share classes of mutual funds in the U.S. market, all of which have been aggregated up to the fund level pro-rata by total net assets for the purposes of this analysis.

The Morningstar Indexes Box Score Report applies several screens to our database in order to best define the set of actively managed investments.

For the purposes of this report we remove funds with the following characteristics:

Exchange Traded
Enhanced Index
Fund of Funds
Lifecycle Funds
Master-Feeder Funds
Term Trust Funds
Hedge Funds
Private Funds
Covered Call Funds
Offshore Vehicles
UCITS
Insurance Related Products

In addition to removing Sector Focused, Long/Short, and Bear Market funds as defined by the Morningstar categorization methodology, we have also removed funds that implement a passive-like investment strategy. These excluded funds include DFA funds, Vanguard Tax-Managed funds, and Direxion leveraged funds.

Methodology Links
Portfolio Classification
http://corporate.morningstar.com/US/documents/MethodologyDocuments/MethodologyPapers/Morningstar-Category_Classifications.pdf

US Market Index Definitions
http://corporate.morningstar.com/US/documents/MarketingOneSheets/INS_INX_OneSheet.pdf

Data Point Definitions
Morningstar Indexes Box Score Report Morningstar Category:
For purposes of this report, we hold the Morningstar category assignment constant for the period of analysis. For each six-month, one-, three-, and five-year period the category assigned at the beginning of the period is used for analysis. For the 10-year period, the midpoint category is selected.

Beginning Funds Count:
For each time period, the full set of mutual funds available for investment at that time is selected for consideration. Each is categorized according to the Morningstar Indexes Box Score Report category methodology, rendering a survivorship-bias-free data set for manager analysis.

Obsolete Funds Count:
Over the analysis time period, all funds rendered obsolete by either merging their assets to a new fund or liquidating the fund to shareholders are considered obsolete. These are the nonsurviving funds for that period.

Survivorship %:
Survivorship rates are calculated as percentage of beginning funds not rendered obsolete during the given observation window.

Outperformance Count:
Outperformance is determined as the number of all surviving funds that outperformed their respective Morningstar Box Score category during the test period. Obsolete funds that exceed the respective Morningstar Box Score category for the period available increase the outperformance count.

Outperformance Percentage:
This is defined as the Outperformance Count divided by the Beginning Funds Count.

Outperformance Average Return:
The average return of outperforming funds represents an equal weighted average of all funds found in the outperformance count.

Equal Weighted Category Return:
The equal weight category return is calculated using Morningstar category methodology. Morningstar category averages measure how a category performed over a period.

Asset Weighted Category Return:
The asset weight category return leverages the same methodology discussed in the equal weight return, except returns are weighted by assets of each share class at the beginning of the calculation period.

Fund Performance Calculations:
All fund performance is calculated for the oldest share class, in order to offer the longest-dated data set for analysis. Fund performance is reflected net of expense ratio; however, it is not adjusted for sales charges.

Morningstar Performance Calculations:
All index performance calculations are gross of fees.

N-tile Breakpoints:
All calculated breakpoints for the nth percentile represent the value, which is explicitly less than n percent of the data.

Cash Position:
This score is the percentage of the fund's assets in cash. This figure is calculated on only the long positions of the portfolio.

Batting Average:
The batting average measures the manager's ability to meet or beat the market consistently. It is calculated by dividing the number of quarters in which the manager beats or matches the index by the total number of quarters in the period.