

Morningstar Market Barometer[™] Five-Year Recap, 2001–2005

The Morningstar Market Barometer[®] provides an at-a-glance perspective of the market, allowing instant analysis of performance trends. This analysis helps to identify investment opportunities and explain the long-term benefits of diversification. This particular five-year period reflects the end of the bear market, followed by a rebound during the past three years led by small and mid-cap stocks. Value stocks outperformed growth stocks for most of the decline and rebound periods, except for a growth comeback in 2003. Growth and large-cap stocks, however, showed signs of life in 2005.



Total Annual Return: -11.9% Though the US Market[™] Index bounced back from its post-September 11 lows, it still closed the year down 11.9%. Growth stocks took a beating as the US Growth[™] Index tumbled 26.3%, versus a 9.3% loss incurred by the US Core[™] Index and the 0.7% drop in the US Value[™] Index. Opportunities surfaced as the Small Value[™] Index posted a respectable 18.6% gain. Large tech stocks took the hardest hit, causing the Large Growth[™] Index to drop 29.1%. Total Annual Return: –22.2% Neither style nor size sheltered investors from stormy 2002 as the US Market Index dropped 22.2%. Value stocks fared better than their pricier growth counterparts, and investors favored small and midsize stocks—neglected during the bull market. The Small Value Index emerged as the year's best performer with a modest 8.2% loss. The US Growth Index trailed the rest of the market with a dramatic 33.2% drop. Total Annual Return: +30.7% The US Market Index rallied from the previous year's losses by gaining 30.7%. All of Morningstar's style indexes finished the year with sizeable gains. The year's winner was the Small Growth[™] Index, which gained 52.7%. Small stocks fared far better than large-cap stocks, and growth outperformed value. The worst performer, the Large Core[™] Index, gained a comparably mundane 24.7%. Total Annual Return: +12.4% Despite lingering uncertainty over the prospects for the U.S. economy, the stock market closed 2004 on an optimistic note. The US Market Index gained 12.4% thanks in part to a 10.1% spike in the fourth quarter. Growth stocks continued to lag behind value stocks—the US Growth Index gained only 4.4% while the US Value Index picked up 16.9%. Similarly, largecap stocks trailed small-cap stocks. **Total Annual Return: +6.5%** The US Market Index posted a modest gain of 6.5% against the difficult backdrop of interest rate increases and an increasingly flat yield curve. The index achieved nearly half its gain in the fourth quarter, as rate increases appeared to be coming to an end. Mid-cap stocks ruled the roost, with the Mid Growth^{®4} Index leading the way with a gain of 16.3%. Large-cap stocks lagged for the year again, but outperformed during the fourth-ouarter rally.

About Morningstar[®] Indexes

Broad Market Index US Market[™]



Cap Indexes Large Cap[™]





Composite Style Indexes

US Value[™]

Style Indexes

US Core[™]

Large Core^{s™}

Mid Core[™]





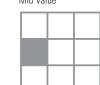
Mid Growth[™]

US Growth^s™

Mid Capsm







Small Cap[™]











Small Growth[™]

The Morningstar® Index family consists of 16 indexes that track the U.S. equity market by capitalization and investment style. Based on the methodology of the Morningstar Style Box™, the index system includes a broad market index, three capitalization indexes, three composite style indexes, and nine style indexes.

Distinct and Style-Pure

The Morningstar Indexes are distinct in style and capitalization, allowing for a non-overlapping division of the market. Each security's investment style is determined using the 10-factor methodology that separately measures the growth and the value characteristics of each stock. Assessing growth and value characteristics independently results in style-pure indexes.

Best of Breed

The Morningstar Indexes incorporate the best practices of index construction, including:

Broad Market Coverage

The Morningstar[®] US Market Index[™] represents 97% of the U.S. market to achieve the broadest market representation, excluding only smaller illiquid issues.

Transparent Methodology

Morningstar Indexes are entirely rules-basedgoverned by transparent, objective, and clearly published rules for security selection and exclusion, rebalancing, and adjustments for corporate actions.

Liquidity

Securities that have more than 10 non-trading days in the prior quarter or that have average daily trading volume over the preceding six months that falls in the bottom quartile are excluded.

Free-Float Weighted

Stock weights within each index are based on the available free float of shares outstanding, with total shares outstanding adjusted for institutional holdings and cross-ownership.

Minimal Turnover

To eliminate unnecessary index turnover caused by short-term variations in style, stocks are reclassified only if their style or capitalization moves beyond minimum thresholds.

Flexible Cap Bands

Market cap breakpoints for large, mid, and small are based on the percentage of the overall market, rather than a fixed number of stocks or targeted dollar amounts.

Availability in Principia®

The Morningstar Indexes are included in all Principia® modules, offering additional investment research capabilities.

The Morningstar Indexes are integral for developing sound asset allocation strategies, serve as superior benchmarks to measure and monitor manager performance, and represent better "building blocks" for constructing diversified portfolios without any unintended overlaps or gaps in capitalization or style.

For More Information

Please visit http://indexes.morningstar.com or call 800 698-5933.