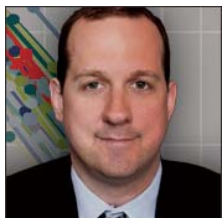


Ibbotson Target Maturity Report 4Q 2011



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Calendar-year 2011 ended with a strong fourth quarter as equity markets recovered from a very tough third quarter. The result was a volatile, yet relatively flat, 12-month performance in U.S. markets, while equity markets outside the United States struggled. As target maturity funds are a mix of multiple asset classes they experienced the mixed performance of global markets ending the year slightly down on average. Performance highlights (or lows) for the quarter include:

- All target maturity funds ended the quarter with a positive return; on average, the 386 target maturity funds (representing 46 unique glide paths or fund families) gained 6.8% during the quarter.
- For the full year 2011 there was wide dispersion among target maturity fund performance with those allocating to non-U.S. equity and commodities faring among the worst and those with allocations to TIPS generally coming out ahead.
- U.S. equity asset classes led the recovery during the fourth quarter, significantly outperforming non-U.S. asset classes and fixed income asset classes.
- Quarterly asset flows bounced back after several consecutive weak quarters of flows. For the quarter, target maturity funds saw more than \$9.7 billion of inflows.

In our fourth quarter report we review the target maturity industry during both the quarter and the calendar year 2011 by examining the performance of retail target maturity funds as well as investigating the drivers of performance. We again provide updates to industry fund flows, and revisit the Morningstar target maturity fund analyst ratings. As a reminder, our recent papers on glide path instability and selecting a target date benchmark are available for free on our website: ibbotson.com/research. Finally, a draft of our new paper on *using* a target maturity benchmark will be posted shortly.

Target Maturity Performance Summary

Target maturity funds experienced a welcome bounce-back during the fourth quarter. After an average loss of 11.8% during the third quarter, the fourth quarter saw an average gain of 6.8%. As is typical, the average target maturity fund return is approximately midway between the S&P 500 (11.8%) and the return of the BarCap U.S. Aggregate Bond Index (1.1%). Somewhat atypically, the average target maturity fund return bested the average return of the Morningstar Lifetime Moderate Index by 0.4%, which is impressive given the consistently strong performance of the index discussed in last quarter's report. For the full year 2011 the average target maturity fund had a 1.6% loss, driven primarily by the dismal performance of non-U.S. equity markets and commodities, both of which had declines of more than 11%.

Table 1: Target Maturity Performance Summary

	Q4 Return	12-Month Return
Average Target Maturity Fund*	6.8%	-1.6 %
Morningstar Lifetime Moderate Index	6.4%	0.6%
S&P 500 Index	11.8%	2.1%
BarCap U.S. Aggregate Bond Index	1.1%	7.8%

Source: Ibbotson Associates and Morningstar DirectSM (see end for important disclosure)

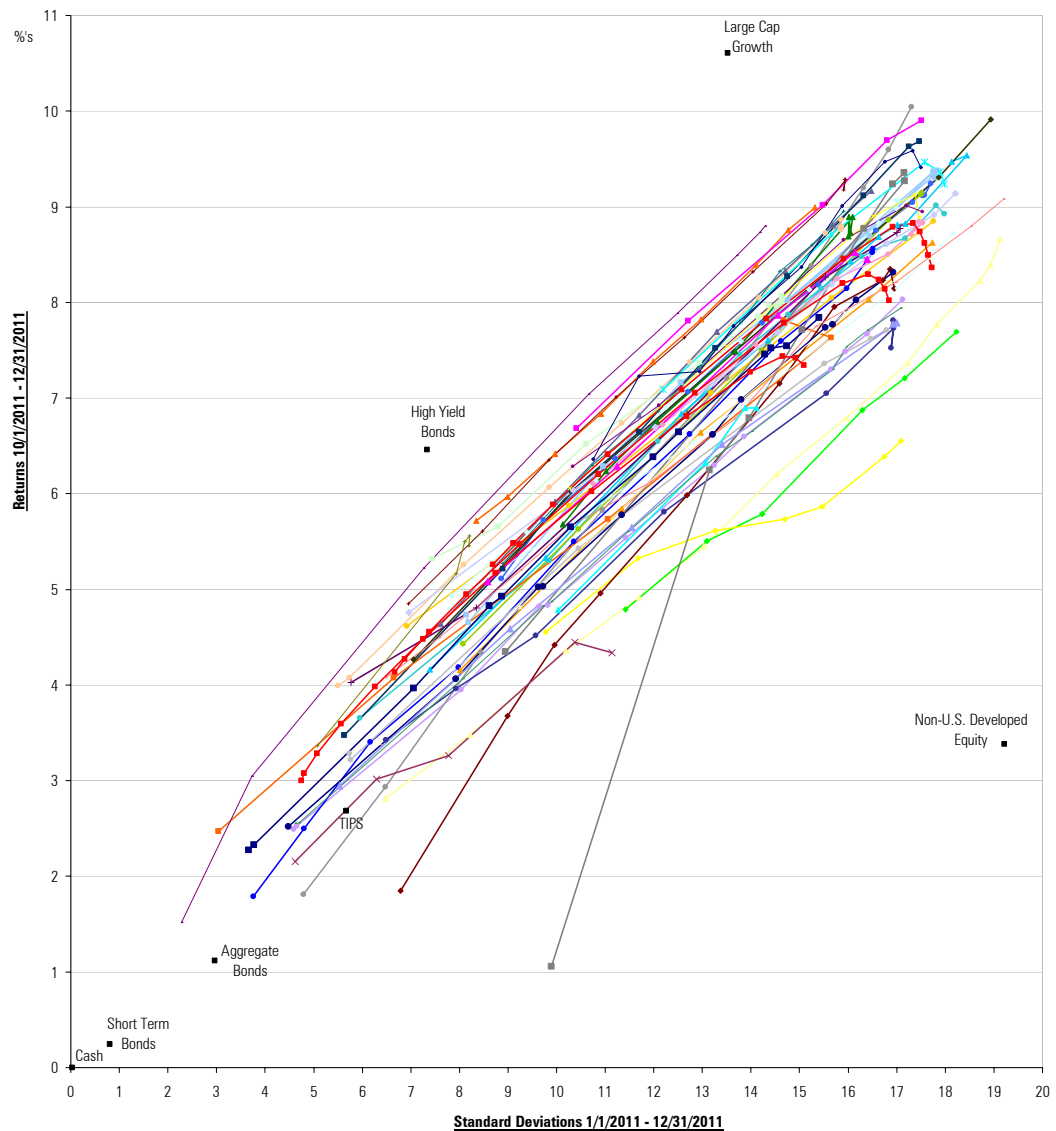
*Average of all open-end target maturity funds that are tracked by Morningstar

Indexes shown are not available for direct investment. Past Performance is not a guarantee of future performance.

Fund Family Performance

The performance of target maturity fund families during the fourth quarter is summarized in Figure 1. We are now tracking 386 unique target maturity funds with at least a one-year track record representing 46 fund families. The lines in the graph connect funds from the same fund family. Fourth quarter net returns are plotted on the vertical axis and 12-month standard deviations are plotted along the horizontal axis. In keeping with the first three quarters of 2011, the fourth quarter again saw a significant change in the slope of the fund family lines from the previous quarter. Due to the strong rebound in equity markets, the fourth quarter risk/return graph returned to upward sloping fund family lines for all of the fund families shown. Typically, as the risk among target maturity funds increased, they were rewarded with strong returns during this time. There was some dispersion among the fund family lines due primarily to a few outlier funds whose returns didn't keep up with the rest of the pack. The three Morningstar Lifetime Allocation Indexes, representing conservative, moderate, and aggressive glide paths are displayed along the bolded red lines.

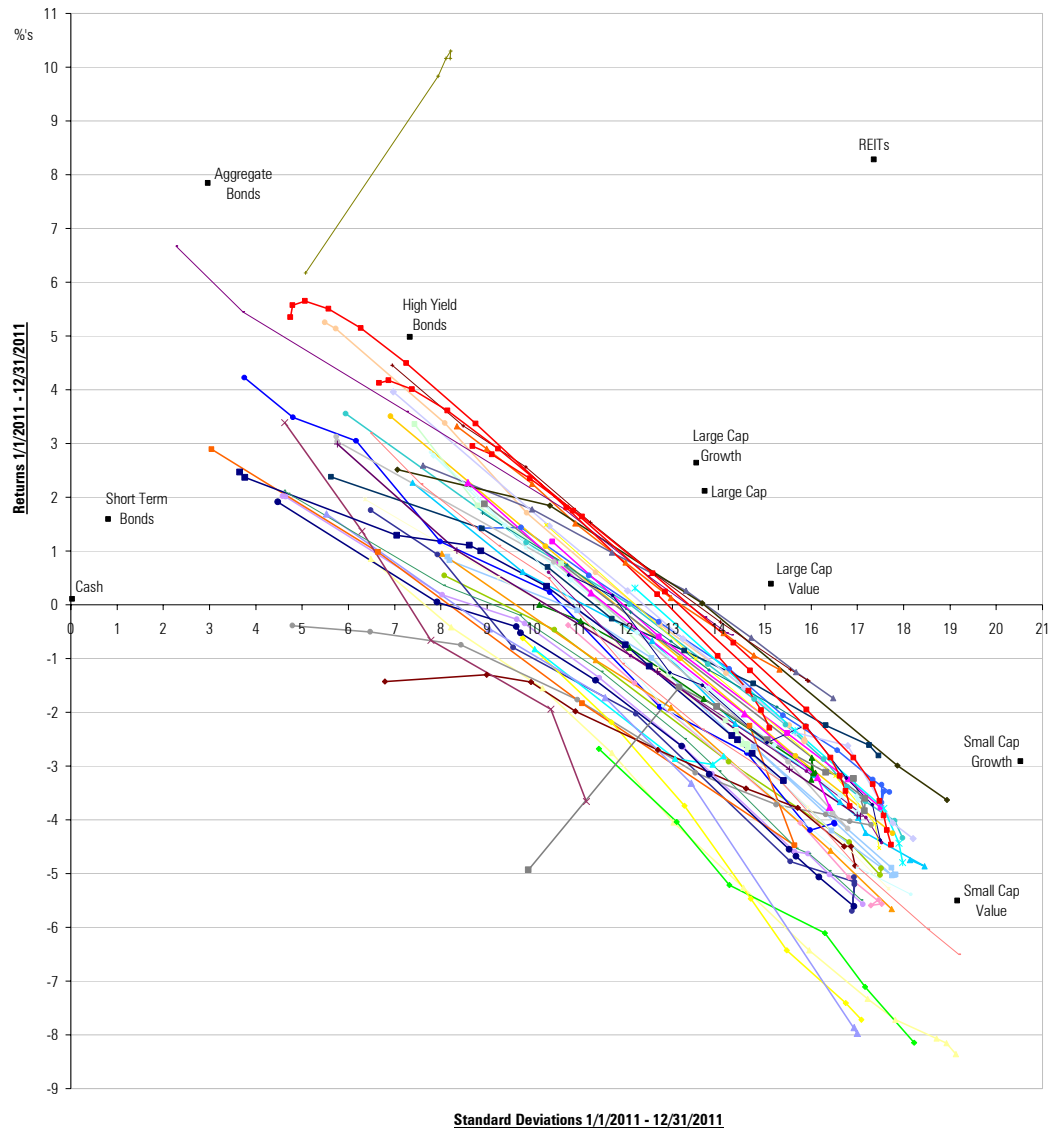
Figure 1: Fund Family Performance – Q4 Return and One-Year Risk Ending 12/31/2011



Source: Ibbotson Associates and Morningstar DirectSM (see end for important disclosures)

Similar information is shown in Figure 2, although instead of using net returns during the fourth quarter we show net returns over the full year 2011. It can easily be seen that there are drastic differences between the two graphs. First, the fund family lines over the past year are primarily downward sloping representing the outperformance of target maturity funds closer to retirement than those further from retirement. Next, there is a huge amount of dispersion among the fund family lines that can be attributed to the differences in performance among asset classes. More so than during past periods, in 2011 managers had the ability to outperform their peers through their intra-stock and intra-bond asset class decisions which can explain why for a given level of risk some funds performed distinctly from their peers. For example, the dispersion for funds with a standard deviation of approximately 10% ranges from about -5% to more than 2% for a range or returns of approximately 7 percentage points. The three Morningstar Lifetime Allocation Indexes are again displayed along the bolded red lines.

Figure 2: Fund Family Performance – One-Year Return and One-Year Risk Ending 12/31/2011

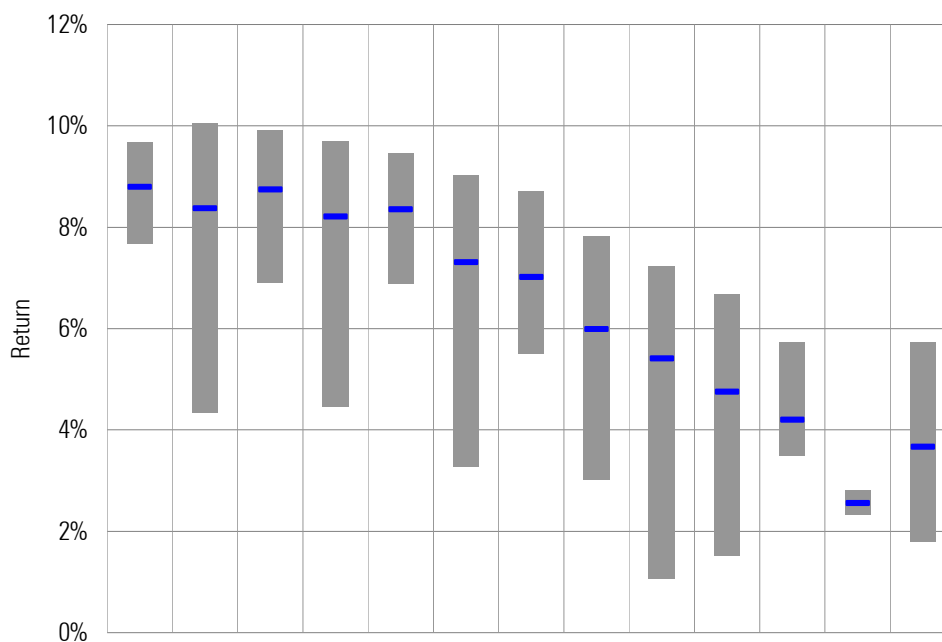


Source: Ibbotson Associates and Morningstar DirectSM (see end for important disclosures)

Target Maturity Fund Performance

Figure 3 offers performance data relative to each fund’s assigned Morningstar category as well as to the Morningstar Lifetime Allocation Moderate Index. The floating gray bars within the chart show the range of quarterly returns for the 13 target maturity fund categories. The blue line within each bar identifies the average fund performance for that category. There are meaningful differences between the best-performing funds (“Max” row within the table below) and the worst-performing funds (“Min” row within the table below) in each category, primarily reflecting the substantial “intra-category” differences in equity exposure. During the quarter there’s a trend in performance with the best-performing funds being those furthest from retirement and the worst-performing funds being those closest to, or in, retirement (although all funds had a positive return during the quarter). This is similar to what was seen in Figure 2. The table also identifies the number of target maturity funds with a minimum return history of one year in each category that outperformed or underperformed the category’s corresponding Morningstar Lifetime Moderate Index. For the quarter, the Index outperformed 55% of these funds across the 13 Morningstar categories. It is also evident from Figure 3 (both the graph and table) that the number of “2005” and “2000” funds are decreasing slightly and are being folded into the “Income” category.

Figure 3: Target Maturity Fund Category Performance Q4 2011



Category	2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	Income
Max	9.7%	10.0%	9.9%	9.7%	9.5%	9.0%	8.7%	7.8%	7.2%	6.7%	5.7%	2.8%	5.7%
Average	8.8%	8.4%	8.7%	8.2%	8.4%	7.3%	7.0%	6.0%	5.4%	4.8%	4.2%	2.6%	3.7%
Min	7.7%	4.3%	6.9%	4.4%	6.9%	3.3%	5.5%	3.0%	1.1%	1.5%	3.5%	2.3%	1.8%
# of Funds (vs. Index)													
Outperformers	12	21	22	16	18	13	15	16	19	11	1	0	11
Underperforms	3	13	13	24	18	27	22	24	20	17	7	4	19
Total	15	34	35	40	36	40	37	40	39	28	8	4	30
Index													
Aggressive	8.4%	8.5%	8.6%	8.7%	8.8%	8.8%	8.5%	7.8%	7.1%	6.4%	5.9%	5.5%	5.3%
Moderate	8.0%	8.1%	8.2%	8.3%	8.2%	7.8%	7.1%	6.2%	5.5%	5.0%	4.6%	4.3%	4.1%
Conservative	7.3%	7.4%	7.4%	7.3%	6.8%	6.0%	5.2%	4.5%	4.0%	3.6%	3.3%	3.1%	3.0%

Source: Ibbotson Associates and Morningstar, Inc. (see end for important disclosures)

Asset Class Performance

Quarterly performance for some of the most common asset classes that comprise target maturity funds are displayed in Table 4. This data allows us to determine which asset classes were the primary drivers and detractors from performance during the fourth quarter.

Table 4: Asset Class Performance – Q4 2011

Asset Class	Q4 2011 Return	12-Month Standard Deviation
U.S. Large Growth Equity	10.6%	13.5%
U.S. Large Value Equity	13.1%	15.1%
U.S. Small Growth Equity	15.0%	20.5%
U.S. Small Value Equity	16.0%	19.2%
Non-U.S. Developed Equity	3.4%	19.2%
Emerging Market Equity	4.4%	20.9%
Real Estate	15.3%	17.4%
Commodities (Futures)	0.3%	21.8%
High-Yield Bonds	6.5%	7.3%
U.S. Aggregate Bonds	1.1%	3.0%
U.S. Short-Term Bonds	0.2%	0.8%
TIPS	2.7%	5.7%
Cash	0.0%	0.0%

Source: Ibbotson Associates and Morningstar DirectSM

Indexes shown are not available for direct investment. Past Performance is not a guarantee of future performance.

The fourth-quarter asset class performance saw a sharp reversal of the third quarter's poor returns in equities and most higher-risk assets. All asset classes posted positive returns over the period, with domestic equities showing the strongest gains. Small-cap equities were the top-performing asset class along with U.S. REITs, all of which rose more than 15%. Large-cap U.S. equities also finished the year strong with double-digit gains. Non-U.S. equities, both developed and emerging, once again struggled on a relative basis, but posted positive returns during the quarter. These asset classes continue to be weighed down by fiscal issues in the eurozone along with a strengthening U.S. dollar. Diversified commodities (as represented by the DJ UBS Commodity Index in Table 4) were slightly positive for the quarter. Although not reported in Table 4, the S&P GSCI Index, which is another popular commodity index that has a much heavier weight to energy, gained significantly more with a return of nearly 9%.

Within fixed income, high-yield bonds were the largest beneficiary of the fourth quarter's "risk-on" environment. Its 6.5% gain was the largest since the third quarter of 2010 and the largest among the fixed income asset classes shown in Table 4. TIPS returned more than 2% for the fourth quarter in a row and easily beat out U.S. aggregate bonds, short-term bonds, and cash which posted minimal gains of 1.1% or less.

Moving from the quarterly returns in Table 4, Table 5 displays asset class returns and standard deviations for the past 12 months.

Table 5: Asset Class Performance – 12/31/2011 Trailing 12 Months

Asset Class	12-Month Return	12-Month Standard Deviation
U.S. Large Growth Equity	2.6%	13.5%
U.S. Large Value Equity	0.4%	15.1%
U.S. Small Growth Equity	-2.9%	20.5%
U.S. Small Value Equity	-5.5%	19.2%
Non-U.S. Developed Equity	-11.7%	19.2%
Emerging Market Equity	-18.2%	20.9%
Real Estate	8.3%	17.4%
Commodities (Futures)	-13.3%	21.8%
High-Yield Bonds	5.0%	7.3%
U.S. Aggregate Bonds	7.8%	3.0%
U.S. Short-Term Bonds	1.6%	0.8%
TIPS	13.6%	5.7%
Cash	0.1%	0.0%

Source: Ibbotson Associates and Morningstar DirectSM

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The full year 2011 was marked by a string of debt crises, natural disasters, and political uncertainties that all led to higher volatility. U.S. equity markets were generally flat to negative over the 12-month period with higher risk and non-U.S. asset classes suffering more substantial losses. U.S. large cap stocks managed to post positive returns while small-caps (growth and value) ended the year with losses of 2.9% and 5.5%, respectively. Growth stocks retained their lead over value during this period, although the margin was narrowed after value's impressive fourth-quarter return. Non-U.S. developed equity fell 11.7%, while commodities were dragged down by emerging market equities, which lost 13.3% and 18.2%, respectively.

Fixed income gained on the widespread pessimism of investors for equities and other risky assets. U.S. government bonds were particularly strong over the period despite a downgrade of the United States' credit in the third quarter. This is reflected in the 13.6% return of TIPS and the 7.8% gain in U.S. aggregate bonds. Record-low interest rates kept a lid on the return of short-term bonds which ended the year up 1.6%.

As one might imagine, the poor performance of non-U.S. asset classes hurt the performance of target maturity funds with the largest foreign exposures during the past year. Funds with significant allocations to TIPS were some of the better performers, although some of the funds with high TIPS exposure also had high exposure to commodities.

Morningstar Lifetime Allocation Indexes

Table 6 presents the performance figures for the complete Morningstar Lifetime Allocation Index family, which is based on Ibbotson's Lifetime Asset Allocation methodology. Given the strong rebound in equity markets during the fourth quarter, all of the indexes had a positive return last quarter with returns ranging from 3% to nearly 9%. For the full year 2011 the best performers were funds closest to retirement. Over this time there was an extremely wide range of more than 10% (between -4.5% and 5.7%) between the best- and worst-performing funds. During the last three years the overall returns of the indexes have been outstanding with some returns exceeding 14%.

Table 6: Morningstar Lifetime Allocation Indexes

(As of 12/31/2011; multiyear periods annualized)

	1 Month	3 Month	1 Year	3 Year	5 Year
Income					
Conservative Income	0.4%	3.0%	5.3%	8.6%	5.6%
Moderate Income	0.4%	4.1%	4.1%	9.8%	4.9%
Aggressive Income	0.4%	5.3%	2.9%	10.8%	4.1%
2000					
Conservative 2000	0.5%	3.1%	5.6%	8.9%	5.7%
Moderate 2000	0.5%	4.3%	4.2%	10.2%	4.8%
Aggressive 2000	0.5%	5.5%	2.8%	11.3%	3.9%
2005					
Conservative 2005	0.6%	3.3%	5.7%	9.4%	5.7%
Moderate 2005	0.6%	4.6%	4.0%	10.7%	4.7%
Aggressive 2005	0.5%	5.9%	2.4%	11.9%	3.6%
2010					
Conservative 2010	0.7%	3.6%	5.5%	9.9%	5.5%
Moderate 2010	0.7%	5.0%	3.6%	11.3%	4.4%
Aggressive 2010	0.5%	6.4%	1.6%	12.7%	3.0%
2015					
Conservative 2015	0.8%	4.0%	5.1%	10.5%	5.3%
Moderate 2015	0.7%	5.5%	2.9%	12.1%	3.9%
Aggressive 2015	0.5%	7.1%	0.6%	13.4%	2.3%
2020					
Conservative 2020	0.9%	4.5%	4.5%	11.3%	4.9%
Moderate 2020	0.6%	6.2%	1.7%	12.9%	3.1%
Aggressive 2020	0.4%	7.8%	-0.7%	14.0%	1.6%
2025					
Conservative 2025	0.8%	5.2%	3.4%	12.2%	4.2%
Moderate 2025	0.5%	7.1%	0.2%	13.7%	2.3%
Aggressive 2025	0.3%	8.5%	-2.0%	14.4%	0.9%
2030					
Conservative 2030	0.7%	6.0%	1.8%	13.0%	3.3%
Moderate 2030	0.4%	7.8%	-1.2%	14.1%	1.6%
Aggressive 2030	0.1%	8.8%	-2.8%	14.5%	0.6%
2035					
Conservative 2035	0.6%	6.8%	0.2%	13.6%	2.6%
Moderate 2035	0.2%	8.2%	-2.3%	14.3%	1.2%
Aggressive 2035	0.1%	8.8%	-3.3%	14.5%	0.5%
2040					
Conservative 2040	0.4%	7.3%	-1.0%	13.8%	2.2%
Moderate 2040	0.1%	8.3%	-2.8%	14.3%	1.0%
Aggressive 2040	0.0%	8.7%	-3.7%	14.6%	0.5%
2045					
Conservative 2045	0.3%	7.4%	-1.6%	13.9%	2.0%
Moderate 2045	0.1%	8.2%	-3.2%	14.4%	1.0%
Aggressive 2045	0.0%	8.6%	-3.9%	14.6%	0.5%
2050					
Conservative 2050	0.3%	7.4%	-2.0%	14.0%	1.9%
Moderate 2050	0.1%	8.1%	-3.5%	14.4%	1.0%
Aggressive 2050	-0.1%	8.5%	-4.2%	14.6%	0.5%
2055					
Conservative 2055	0.2%	7.3%	-2.3%	14.0%	1.9%
Moderate 2055	0.0%	8.0%	-3.7%	14.4%	0.9%
Aggressive 2055	-0.1%	8.4%	-4.5%	14.6%	0.4%

Source: Ibbotson Associates and Morningstar DirectSM

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Fund Flows

Target maturity fund flows experienced a major bounce after significant declines of 35% and 41% during the second and third quarters. In the fourth quarter, fund inflows increased by a whopping 53% to just shy of \$10 billion. The Morningstar categories that saw the biggest increase during the quarter were the 2011-2015 and 2016-2020 categories, both with more than 200% flow increases. The “big 3” of Fidelity, Vanguard, and T. Rowe Price continue to dominate the retail space accounting for nearly 72% of the total inflows during the quarter. Fidelity, which we noted saw an enormous decline in flows during the third quarter (\$114 million), bounced back with an inflow of nearly \$2.2 billion. One series that stuck out during the quarter was PIMCO’s target maturity fund series. Their target maturity funds averaged approximately \$7 million in positive flows for the previous four quarters but saw its flows jump nearly 20 fold to \$134 million during the fourth quarter.

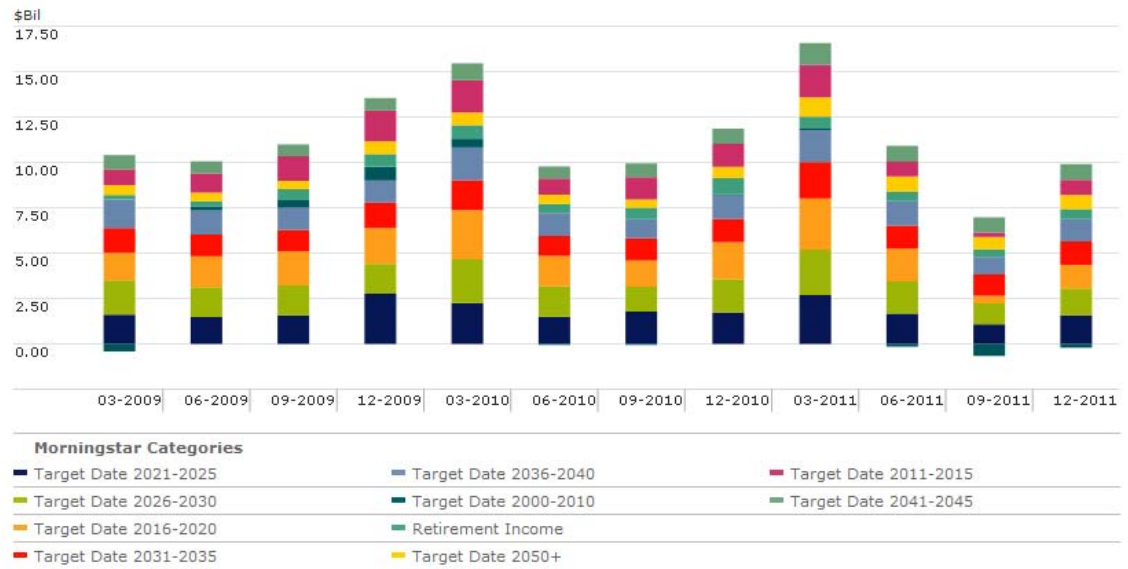
After a 10% decline in total assets from the second to third quarter, total target maturity assets recovered during the fourth quarter with a 9.5% increase. Total market share of the “big 3” inched down each quarter during 2011 (as a percent of the total retail market), although these firms continue to dominate the industry with more than 75% of the total assets. With PIMCO’s drastic increase in flows during the quarter, its total assets saw an impressive jump from less than \$87 million in total assets to more than \$223 million in total assets (still only approximately 0.06% of the retail industry, but an outstanding increase nonetheless).

Table 7: Target Maturity Fund Flows Q4 2011

Target Date	Asset Under Management (\$Mil)		Estimated Net Flow (\$Mil)	
	End Q3 2011	End Q4 2011	Q3 2011	Q4 2011
Income	17,012	18,183	420	540
2000-2010	33,602	35,016	(650)	(200)
2011-2015	40,215	43,312	235	834
2016-2020	66,781	72,247	433	1,309
2021-2025	46,241	51,045	1,087	1,572
2026-2030	52,406	57,776	1,148	1,491
2031-2035	30,792	34,582	1,169	1,279
2036-2040	33,480	37,453	966	1,235
2041-2045	15,034	17,169	839	869
2050+	10,062	11,686	682	785
Total	345,624	378,468	6,330	9,714

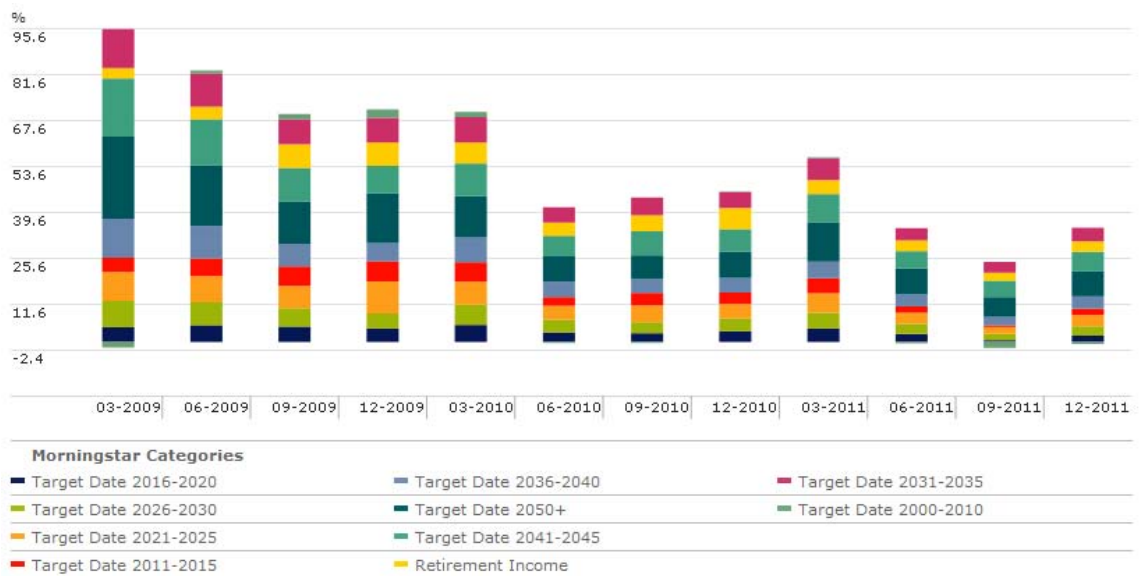
Source: Morningstar DirectSM

Figure 4: Quarterly Estimated Net Flows by Morningstar Category as of 12/31/11



Source: Morningstar DirectSM

Figure 5: Quarterly Organic Growth Rate as of 12/31/2011



Source: Morningstar DirectSM

Fund Family Ratings and Research Reports

Morningstar's mutual fund research team's target maturity fund series ratings as of 9/30/2011 are summarized in Table 8. This table reflects the 22 largest target maturity fund series tracked by Morningstar's fund analysts.

No changes to the fund family ratings have occurred since our previous report. The majority of these families continue to lie in the "Average" category, followed by the "Top" and "Above Average" categories.

Table 8: Overall Ratings Summary as of 9/30/2011

<i>Top</i>	<i>Above Average</i>	<i>Average</i>	<i>Below Average</i>	<i>Bottom</i>
American Funds	American Century	BlackRock	Putnam	AllianceBernstein
JP Morgan	TIAA-CREF	Fidelity	Schwab	DWS
T. Rowe Price	Vantagepoint	Fidelity Advisor	State Farm	Oppenheimer
Vanguard	Wells Fargo	ING Solution		
		John Hancock		
		MassMutual		
		MFS		
		Principal		

Source: Morningstar

The Morningstar Target Maturity Fund Series Ratings and Research Reports are available in Morningstar Principia[®], Morningstar Advisor WorkstationSM, Morningstar DirectSM, Morningstar Office[®], Morningstar Site BuilderSM, and through licensed data feeds. Morningstar.com, the company's website for individual investors, publishes the ratings and an abbreviated version of the report.

For additional information about Morningstar's target maturity fund evaluation and rating methodology, please visit <http://global.morningstar.com/TargetDateReports>.

About Ibbotson

Ibbotson Associates is part of the Morningstar Investment Management division of Morningstar, a leading independent provider of asset allocation, manager selection, and portfolio construction services. The company leverages its innovative and ground-breaking academic research to create customized investment advisory solutions that help investors meet their goals. Founded by Professor Roger Ibbotson in 1977, Ibbotson Associates is a registered investment advisor and a wholly owned subsidiary of Morningstar, Inc.

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Important Disclosures

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This commentary may contain forward-looking statements, which reflect our current expectations or forecasts of future events. Forward-looking statements are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. The forward-looking information contained in this commentary is as of the date of this report and subject to change. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.

Appendix: Index Definition

Morningstar Lifetime Allocation Indexes are a family of multi-asset class target maturity indices available in three risk tracks: Aggressive, Moderate, and Conservative. Each risk track consists of 13 indices ranging from a 2055 index to an income index. The glide paths and strategic asset allocations of the indices is based on Ibbotson's Lifetime Asset Allocation methodology. Security selection for each sub-asset class in the index family is provided by a matching Morningstar market index.

Standard & Poor's 500 Index: Market-capitalization-weighted index of 500 widely held stocks. Member companies are chosen based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies.

Barclays Capital US Aggregate Bond Index – Broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS.

BofA Merrill Lynch US 3-Month Treasury Bill - Comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest

to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date. While the index will often hold the Treasury Bill issued at the most recent 3-month auction, it is also possible for a seasoned 6-month Bill to be selected.

Barclays Capital Global Inflation Linked US TIPS Index – Includes securities which offer the potential for protection against inflation as their cash flows are linked to an underlying inflation index. The index represents a standalone multi-currency index exposed to the real yield curve for each relevant currency.

Barclays Capital US 1-3 Year Government/Credit Bond Index – An unmanaged market value weighted performance benchmark for government and corporate fixed-rate debt issues with maturities between one and three years.

Barclays Capital US Corporate High Yield Index – Covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

DJ-UBS Commodity Index – A broadly diversified index composed of futures contracts on physical commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME).

FTSE NAREIT Equity REITs Index – Spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors.

MSCI EAFE Index – Measures international performance and comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australia and the Far East.

MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin.

Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index – Measures the performance of the 2,000 smallest companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values.