

# North Carolina Supplemental Retirement Plans Wellington Quality Value Retention Review

November 2014

# Summary and Observations

- Wellington Quality Value was hired in March 2009 to replace a different Wellington Strategy
  - Primary focus was to find a Large Cap Value Manager with low correlation to offset Hotchkis & Wiley
- Wellington performed well in the down markets between 2007-2008.
  - Strategy's larger capitalization bias has hurt relative results in 2013, when smaller cap securities were in favor
  - Dividend focus was also out of favor in strong growth markets of 2012 and 2013
- Tenured PM (10 Years at Wellington) and a track record of outperformance in down markets
- Mercer Assessment:
  - The Wellington Quality Value Strategy is not rated by Mercer
  - Since the inception of the strategy in the North Carolina Large Cap Value Fund, the strategy has underperformed in three of the last five down markets, while also underperforming in strong growth markets
  - Mercer recommends looking at other managers in the large cap value space that are highly rated and that can play a similar role in the large cap value fund

# Evaluating Managers on Watch List Process

- Objective: Evaluate confidence in manager's ability to succeed in the future
- Watch List Manager Retention Evaluation
  - What is the manager's process and philosophy?
  - When should it be effective and when should it struggle?
  - Is recent performance consistent with expected pattern of performance?
  - Can the team execute the strategy successfully?
    - Is past performance indicative of ability or luck?
  - Can the strategy succeed in the future?
    - Stable Team
    - Process and Philosophy expected to work
    - Process and Philosophy can be implemented by manager

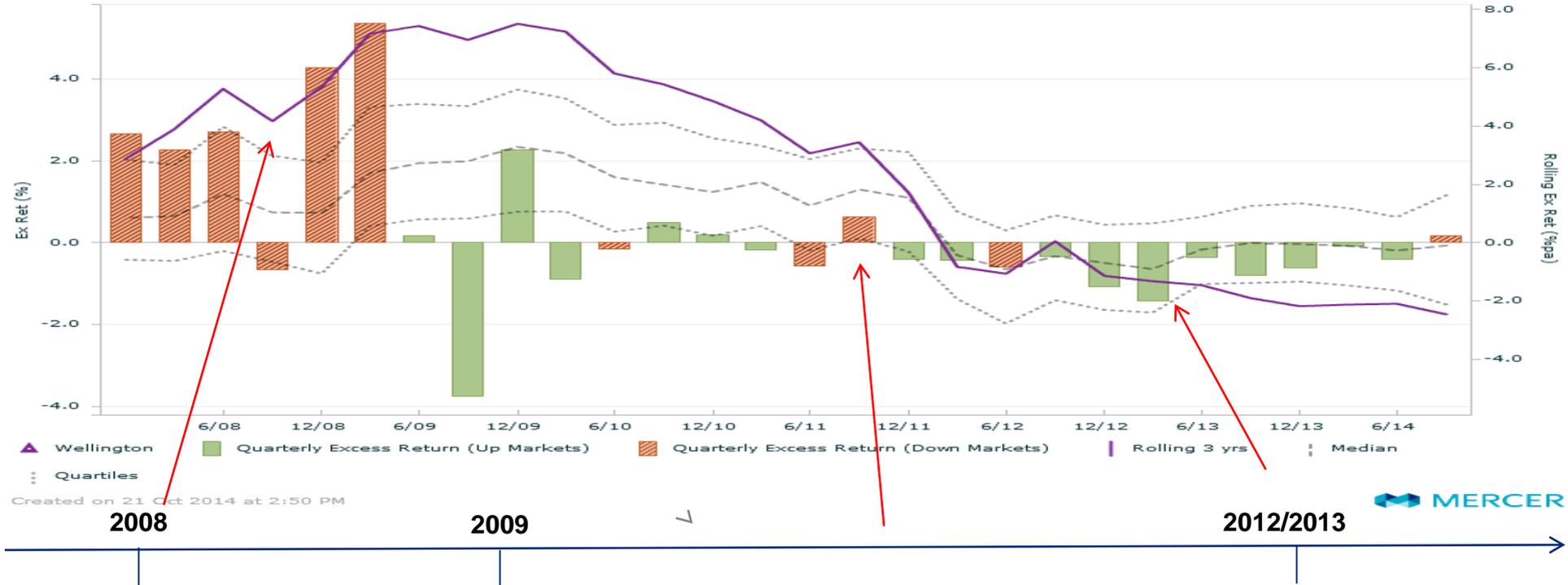
# Wellington Quality Value Philosophy and Process

- Quality Value approach based on premise that investing in high-quality companies at attractive valuations offer compelling reward to risk opportunity.
- Wellington believes the market underappreciates the importance of quality management teams and their ability to generate value and redistribute it to shareholders
  - Place an emphasis on dividends and effective capital allocation
  - Look for companies that are survivors and leaders of undercapitalized industries
  - Seek companies with resilient franchise values
- This philosophy should produce a portfolio that will
  - Perform well in most down markets
  - Will struggle in strong growth markets or markets that do not favor fundamentals

# Wellington Quality Value Performance Overview

## State of North Carolina Retirement System - Wellington Management Company - Quality Value

Quarterly Excess Return vs. Russell 1000 Value with rolling 3 yr line in \$US (before fees) over 7 yrs ending September-14  
Comparison with the US Equity Large Cap Value (Active) universe



- Substantial outperformance during down markets
- Bias towards quality factors was beneficial, as market sought stability
- Wellington Quality Value added to the North Carolina Supplemental Retirement Plans in March 2009
- We would expect the strategy to have outperformed by a wider margin in the 3Q of 2011 with the strategy's dividend tilt
- Underperformance expected in 2013, as equity markets rose sharply
- Larger capitalization bias hurt relative performance, as smaller cap securities outperformed in 2013

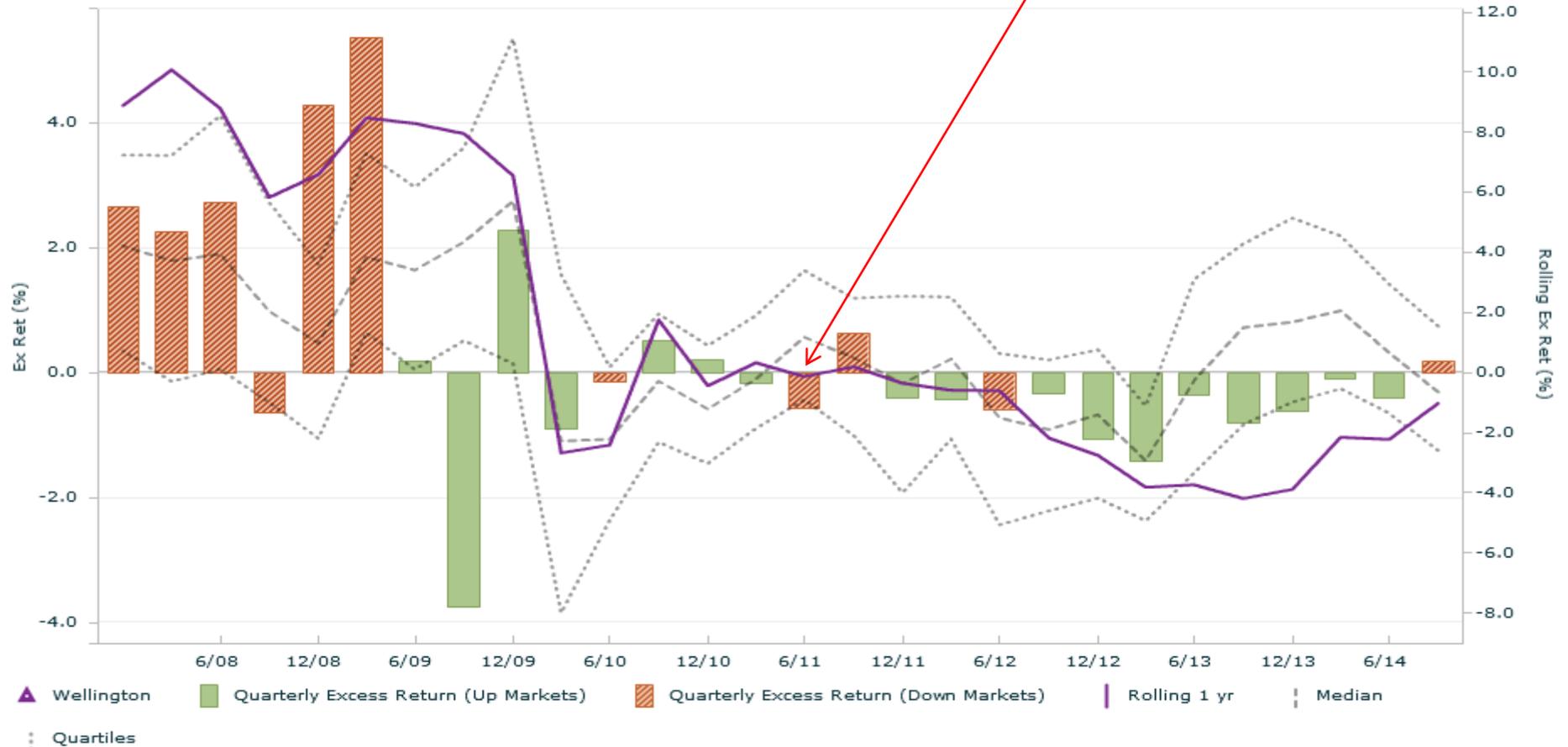
# Wellington Quality Value Performance Overview

Since inception in the North Carolina Large Cap Value Fund, the quality value strategy has underperformed in three of the five down markets

## State of North Carolina Retirement System - Wellington Management Company - Quality Value

Quarterly Excess Return vs. Russell 1000 Value with rolling 1 yr line in \$US (before fees) over 7 yrs ending September-14

Comparison with the US Equity Large Cap Value (Active) universe



Created on 21 Oct 2014 at 2:53 PM

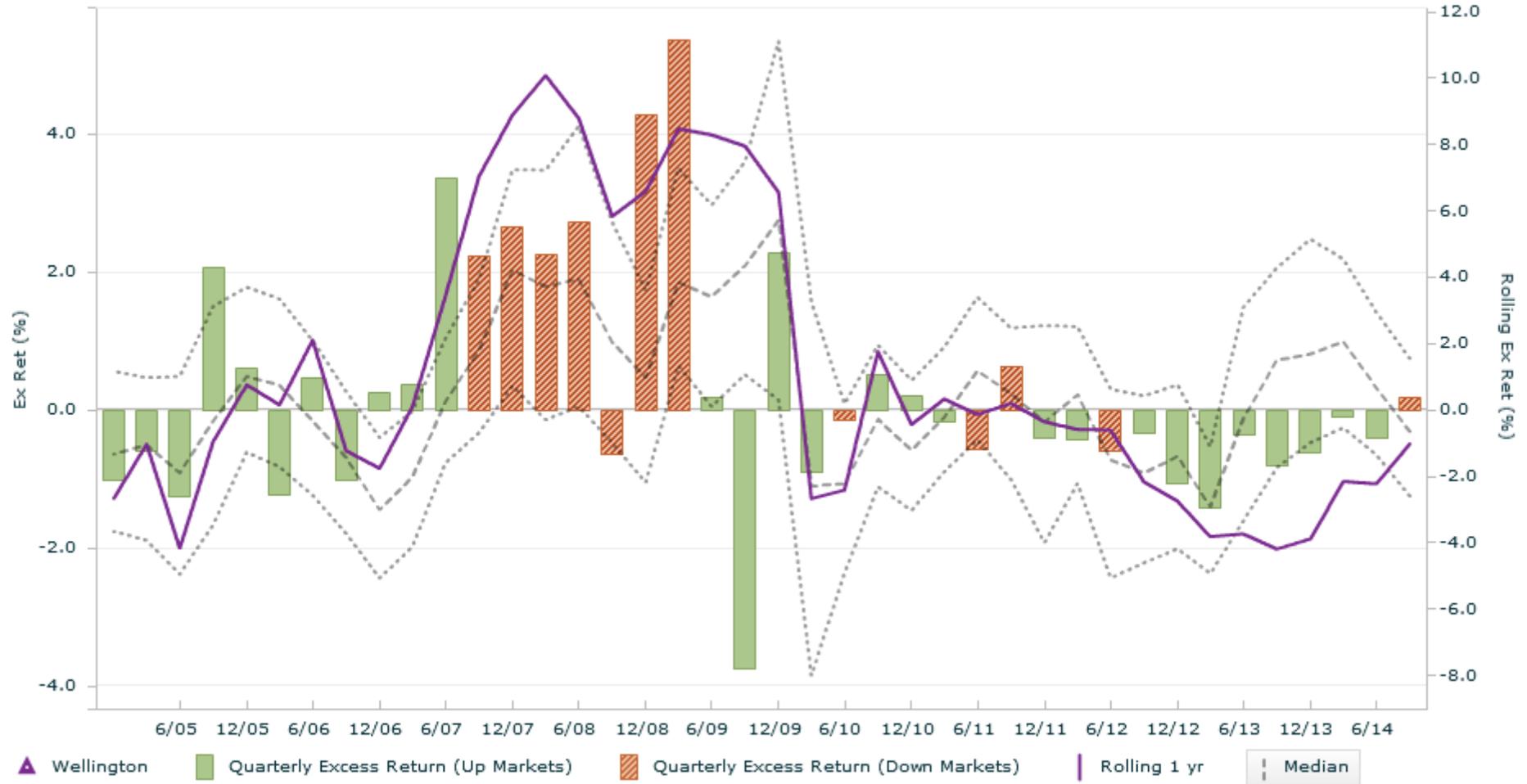


# Wellington Quality Value Long Term Performance Cycle

## State of North Carolina Retirement System - Wellington Management Company - Quality Value

Quarterly Excess Return vs. Russell 1000 Value with rolling 1 yr line in \$US (before fees) over 10 yrs ending September-14

Comparison with the US Equity Large Cap Value (Active) universe



▲ Wellington

■ Quarterly Excess Return (Up Markets)

▨ Quarterly Excess Return (Down Markets)

— Rolling 1 yr

⋯ Median

⋮ Quartiles

# Performance Analysis

Return in \$US (before fees) over 3 mths, 1 yr, 3 yrs, 5 yrs, 7 yrs ending September-14

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)



Wellington struggled during the market rally over the past five years but looks strong relative to the benchmark when you consider the outperformance in 2007-2008

Offsetting Performance

	3 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)
Hotchkis	-0.4 (61)	19.7 (31)	27.4 (7)	17.2(8)	5.7 (62)
Wellington	0.0 (48)	17.9 (55)	21.5 (80)	14.3(81)	6.6 (33)
Robeco	0.4 (32)	17.4 (64)	26.1 (20)	16.2(30)	7.6 (10)
RU1000V	-0.2 (56)	18.9 (42)	23.9 (48)	15.3(51)	4.8 (86)
5th Percentile	2.0	23.4	27.9	17.7	8.5
Upper Quartile	0.7	20.4	25.6	16.3	6.9
Median	-0.1	18.3	23.9	15.3	6.0
Lower Quartile	-0.9	16.3	21.8	14.4	5.2
95th Percentile	-3.1	13.2	18.8	12.9	3.7
Number	276	257	227	205	192

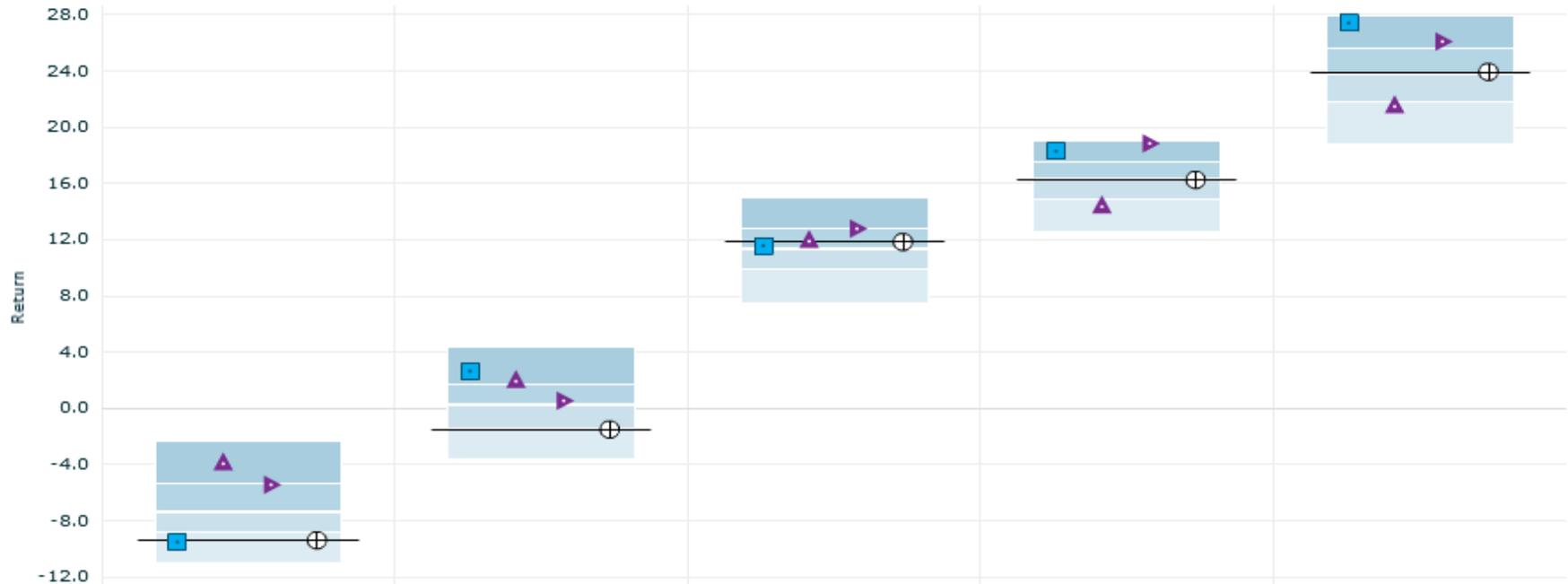
Created on 21 Oct 2014 at 2:58 PM



# Performance Analysis

Return in \$US (before fees) over 5 annual rolling periods ending September-14

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)



	3 yrs to 9/2010 (%pa)	3 yrs to 9/2011 (%pa)	3 yrs to 9/2012 (%pa)	3 yrs to 9/2013 (%pa)	3 yrs to 9/2014 (%pa)
Hotchkis	-9.5 (83)	2.6 (14)	11.6 (46)	18.3 (11)	27.4 (7)
Wellington	-4.0 (12)	1.9 (22)	11.9 (42)	14.3 (86)	21.5 (80)
Robeco	-5.4 (28)	0.6 (45)	12.8 (25)	18.9 (7)	26.1 (20)
RU1000V	-9.4 (81)	-1.5 (78)	11.8 (43)	16.2 (51)	23.9 (48)
5th Percentile	-2.3	4.4	15.0	19.0	27.9
Upper Quartile	-5.3	1.7	12.8	17.5	25.6
Median	-7.4	0.3	11.4	16.3	23.9
Lower Quartile	-8.9	-1.4	9.9	14.9	21.8
95th Percentile	-11.0	-3.6	7.5	12.6	18.8
Number	290	280	266	247	227

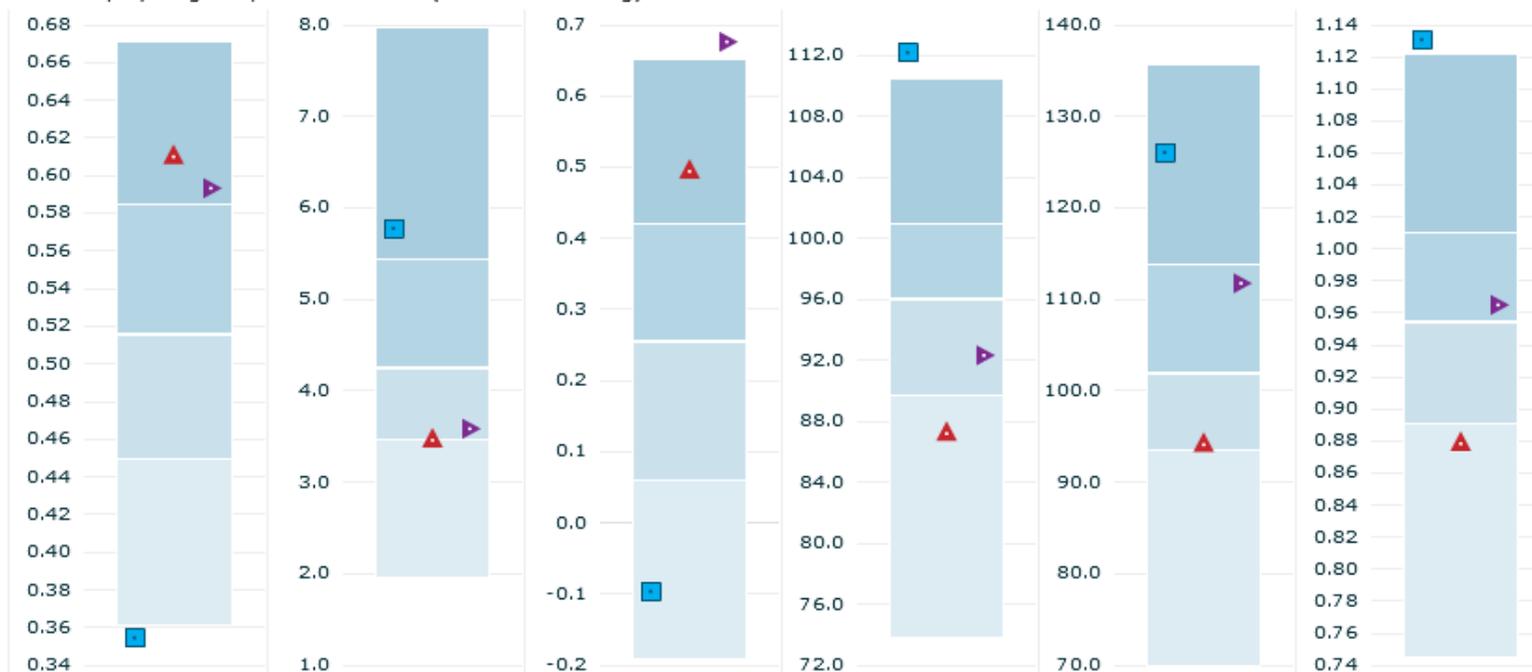
Created on 21 Oct 2014 at 3:06 PM



# Performance Analysis

Performance characteristics vs. Russell 1000 Value in \$US (before fees) over 10 yrs ending September-14 (quarterly calculations)

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)

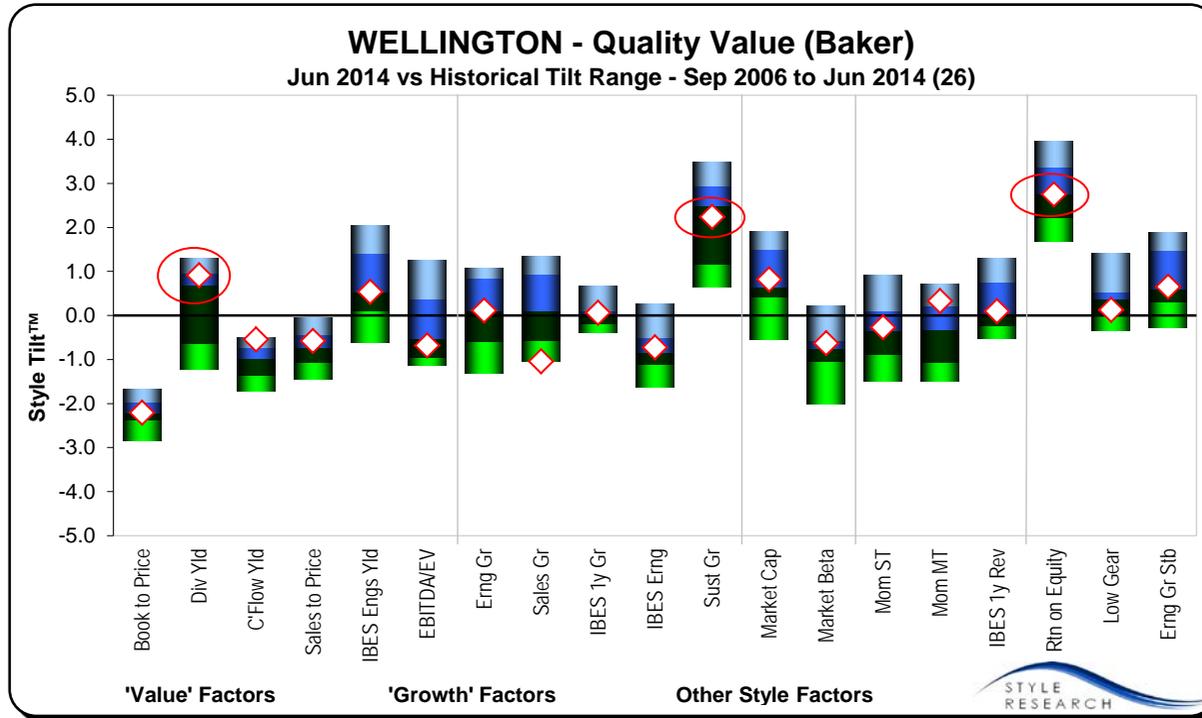


	Ret/SD	TE (%pa)	IR	Down Cap (%)	Up Cap (%)	Beta
Hotchkis	0.4 (96)	5.8 (24)	-0.1 (88)	112.2 (4)	126.0 (12)	1.1 (5)
Wellington	0.6 (15)	3.5 (76)	0.5 (18)	87.2 (83)	94.1 (74)	0.9 (84)
Robeco	0.6 (20)	3.6 (73)	0.7 (4)	92.3 (65)	111.7 (28)	1.0 (45)
5th Percentile	0.7	8.0	0.7	110.5	135.7	1.1
Upper Quartile	0.6	5.4	0.4	100.9	113.8	1.0
Median	0.5	4.3	0.3	96.0	101.9	1.0
Lower Quartile	0.4	3.5	0.1	89.7	93.6	0.9
95th Percentile	0.4	2.0	-0.2	73.9	70.0	0.7
Number	171	171	171	171	171	171

Created on 21 Oct 2014 at 3:08 PM



# Holdings Based Style Analysis



- Portfolio exposures are generally in line with the stated philosophy.
- High Sustainable Growth and RoE indicate portfolio holds stocks that have had strong financials results.
- High exposure to dividend yield, which is in line with the philosophies emphasis on capital distribution.
- The portfolio has generally had exposure to companies with larger market capitalizations relative to the Russell 1000 Value benchmark.

# Large Cap Value Fund – Role of current managers

Fund	Current Managers	Role in Fund
NC Large Cap Value Fund	Hotchkis & Wiley	<ul style="list-style-type: none"><li>• Deep value manager</li><li>• Higher tracking error</li><li>• Loose portfolio guidelines vs. benchmark</li></ul>
	Wellington	<ul style="list-style-type: none"><li>• Quality value manager</li><li>• Should provide strong downside protection</li><li>• Strategy has a heavy weight towards dividend paying stocks</li></ul>
	Robeco	<ul style="list-style-type: none"><li>• More of a relative value manager with a quality tilt</li><li>• Low tracking error</li><li>• Focus on valuation and balanced approach</li></ul>

# Multi-Manager Diversification

## State of North Carolina Retirement System - Hotchkis & Wiley Large Cap Value, Wellington Management

Rolling 3 yr Excess Return vs. Russell 1000 Value in \$US (before fees) over 20 yrs ending September-14

Comparison with the US Equity Large Cap Value (Active) universe

Wellington has been a good complement to Hotchkis over the long-term during several different market cycles

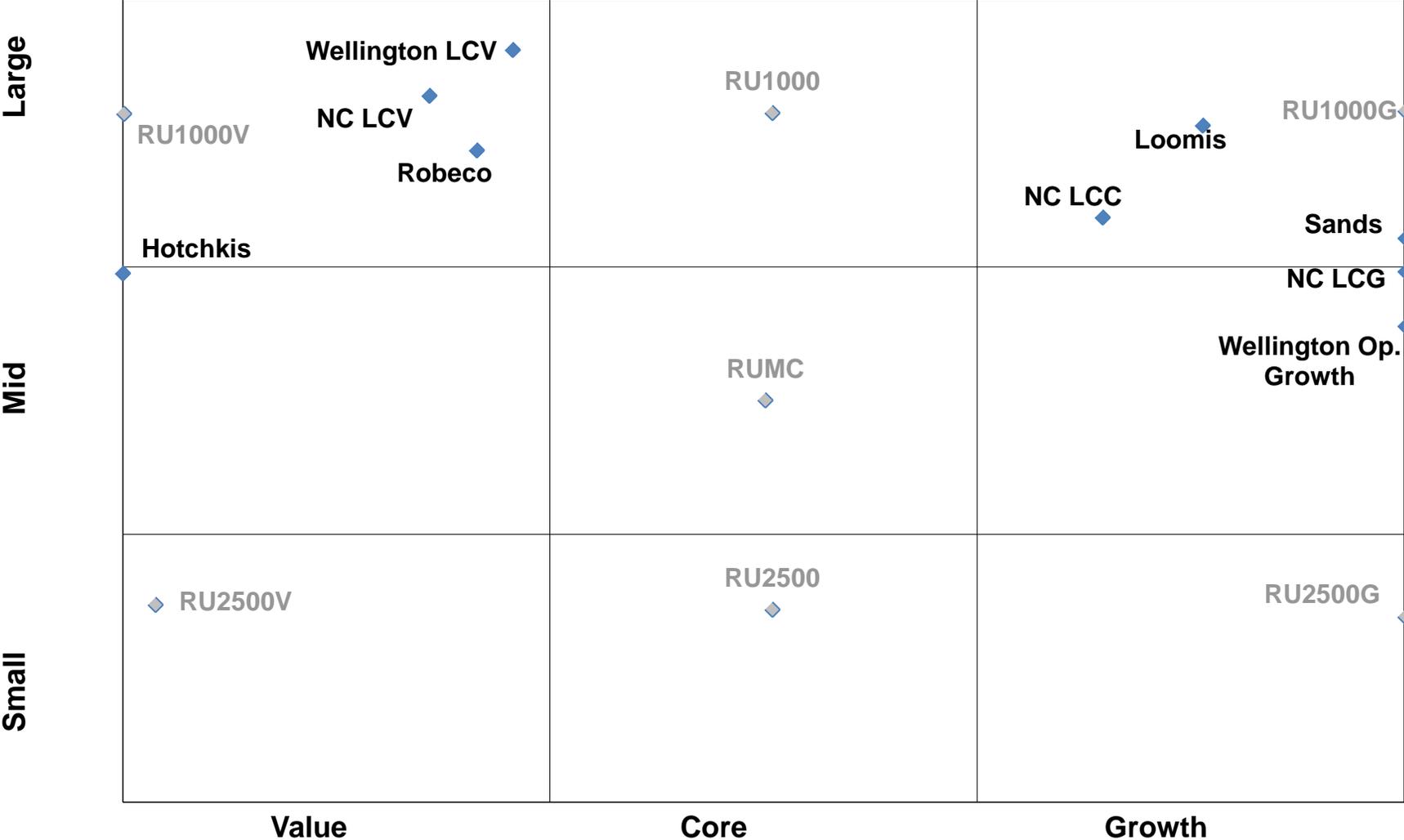


Created on 21 Oct 2014 at 3:10 PM



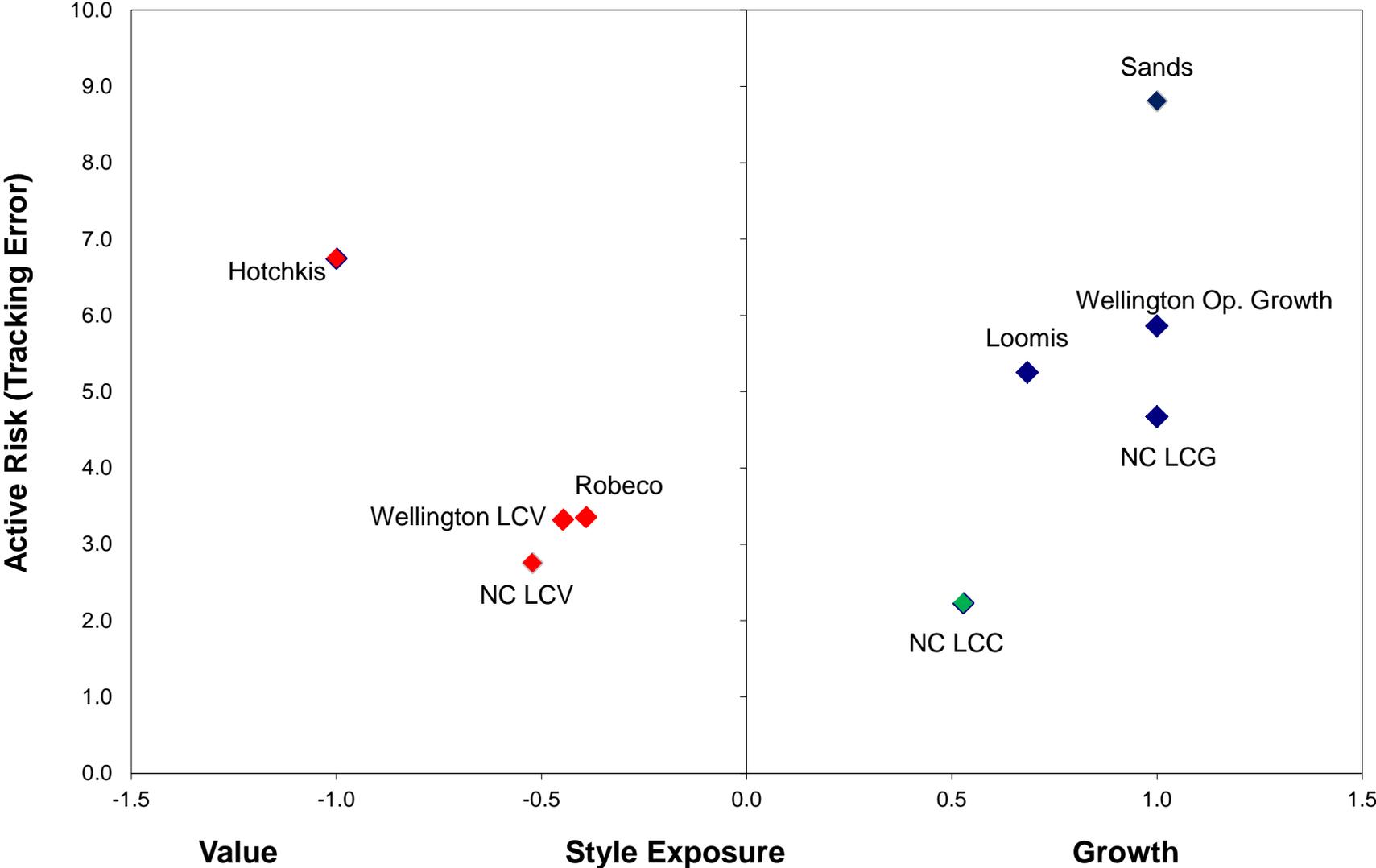
# North Carolina Style Map

## Return Based Style Analysis



# North Carolina Style Map

## Style Bias vs Active Risk



# Alternative Manager Comparison Fit with Existing Managers

**Correlation of Excess Returns vs. Russell 1000 Value in \$US (before fees) over 10 yrs ending September 2014(Quarterly calculations)**

	Hotchkis	Robeco	Wellington QV	AJO	Delaware	MFS	O'Shaughnessy	T. Rowe Price	Wellington VE
<b>Hotchkis and Wiley</b>		0.05	-0.28	-0.11	-0.23	-0.23	0.53	0.16	-0.52
<b>Robeco</b>	-1.20		0.43	0.53	0.03	0.56	0.01	0.34	0.13
<b>Wellington QV</b>	-1.69	-0.55		0.63	0.52	0.76	-0.24	0.39	0.60
<b>AJO</b>	-1.60	-0.48	-0.37		0.61	0.81	-0.26	0.11	0.38
<b>Delaware Invs</b>	-2.13	-1.21	-0.54	-0.49		0.47	-0.33	-0.07	0.60
<b>MFS</b>	-1.65	-0.42	-0.22	-0.18	-0.61		-0.18	0.35	0.52
<b>O'Shaughnessy</b>	-0.84	-1.39	-1.76	-2.09	-2.70	-1.71		0.31	-0.18
<b>T. Rowe Price</b>	-0.71	-0.48	-0.43	-0.70	-0.92	-0.47	-0.61		0.26
<b>Wellington VE</b>	-2.34	-0.93	-0.39	-0.69	-0.47	-0.48	-1.84	-0.56	

Notes:  
 Correlation is shown in the right hand side of the table.  
 Risk Reduction is shown in the left hand side of the table.  
 Risk Reduction is defined as the reduction in tracking error from diversification when using a 50:50 mix of the two managers.

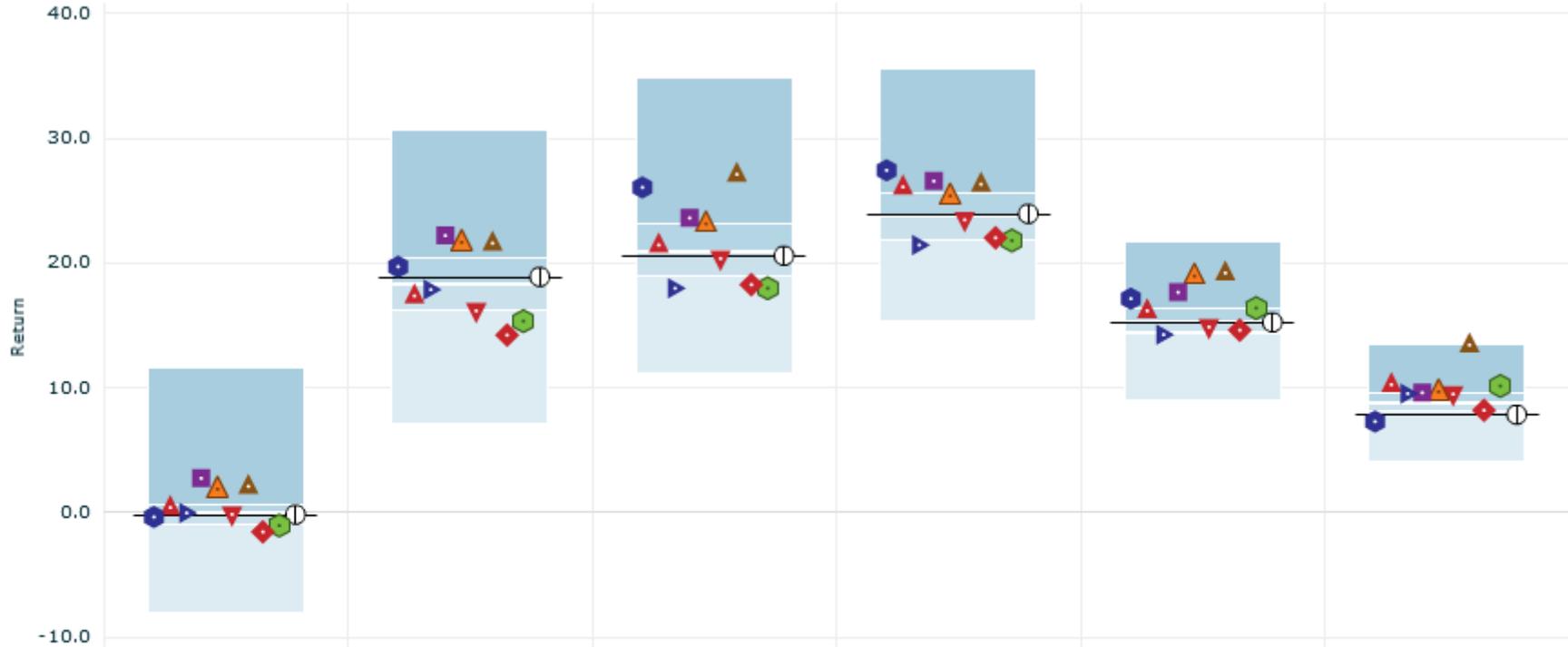
## Alternative Manager Comparison

	Rating	Strategy Assets (M)	Inception
AJO	A	2,097	1992
Delaware	A	14,573	2004
MFS	B+	63,112	1989
O'Shaughnessy	B+ (T)	2,605	1996
T. Rowe Price	A	47,260	1989
Wellington	B+	17,137	2000

# Alternative Manager Comparison

Return in \$US (before fees) over 3 mths, 1 yr, 2 yrs, 3 yrs, 5 yrs, 10 yrs ending September-14

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)



	3 mths (%)	1 yr (%)	2 yrs (%pa)	3 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
Hotchkis	-0.36 (61)	19.73 (31)	26.08 (6)	27.44 (7)	17.17 (8)	7.28 (91)
Robeco	0.41 (32)	17.36 (64)	21.45 (42)	26.10 (20)	16.17 (30)	10.27 (10)
Wellington QV	-0.02 (48)	17.86 (55)	17.99 (86)	21.47 (80)	14.28 (81)	9.55 (25)
AJO	2.75 (1)	22.22 (11)	23.61 (20)	26.60 (15)	17.67 (4)	9.59 (24)
Delaware	1.89 (6)	21.69 (14)	23.16 (26)	25.38 (28)	18.95 (1)	9.70 (21)
MFS	-0.13 (54)	16.20 (76)	20.36 (56)	23.48 (56)	14.89 (57)	9.51 (26)
O'Shaughnessy	2.08 (4)	21.61 (15)	27.14 (3)	26.35 (17)	19.23 (1)	13.43 (0)
T. Rowe Price	-1.54 (84)	14.24 (90)	18.29 (83)	22.02 (72)	14.63 (69)	8.20 (72)
Wellington VE	-1.06 (78)	15.36 (81)	17.98 (86)	21.81 (75)	16.39 (24)	10.15 (14)
RU1000V	-0.19 (56)	18.89 (42)	20.58 (54)	23.93 (48)	15.26 (51)	7.84 (81)

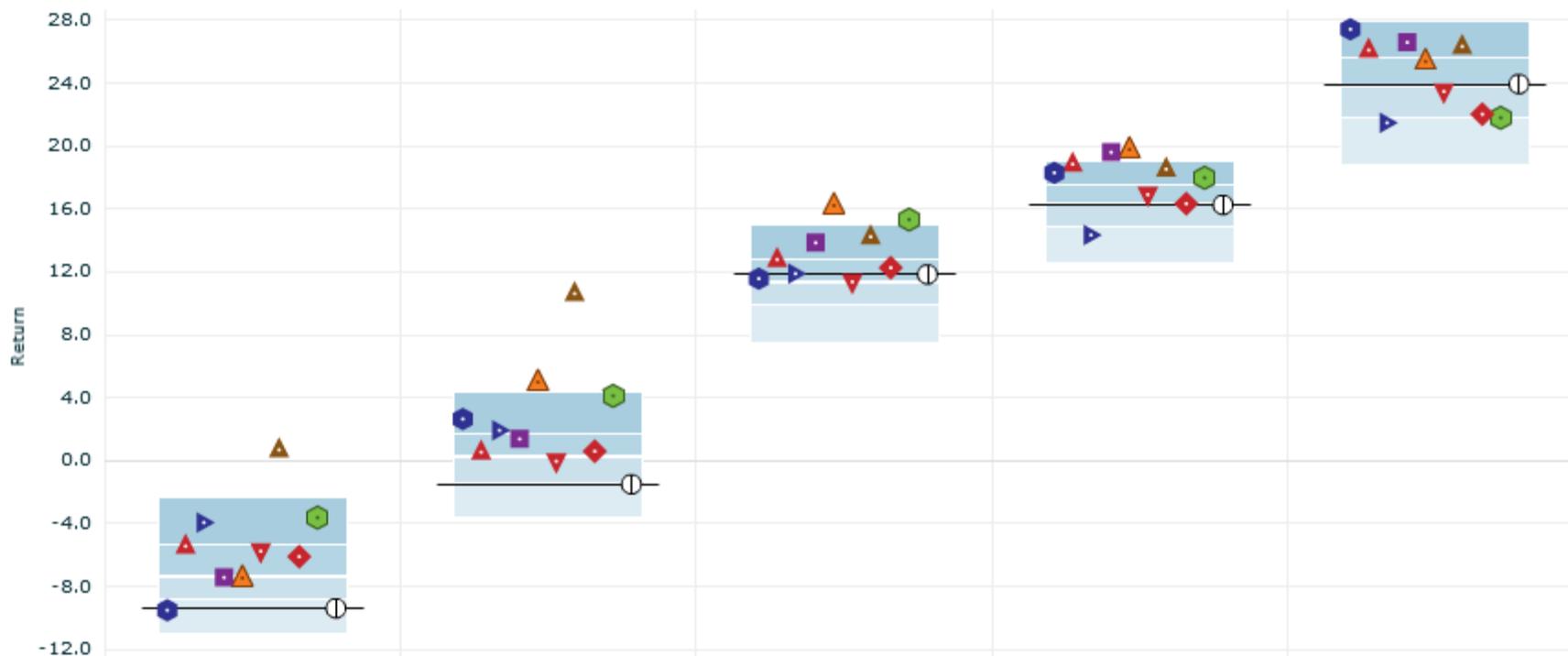
Created on 21 Oct 2014 at 3:14 PM



# Alternative Manager Comparison

Return in \$US (before fees) over 5 annual rolling periods ending September-14

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)



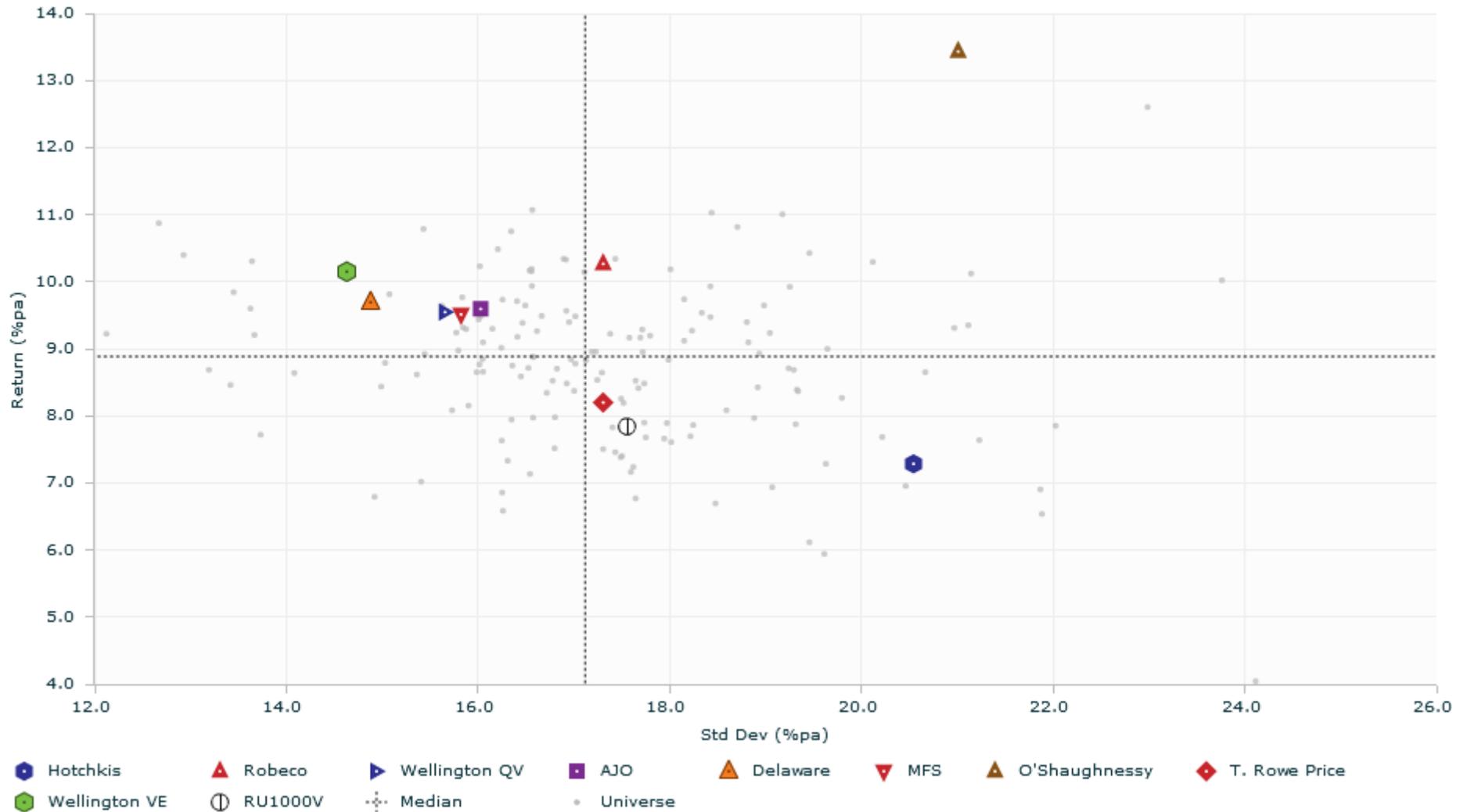
	3 yrs to 9/2010 (%pa)	3 yrs to 9/2011 (%pa)	3 yrs to 9/2012 (%pa)	3 yrs to 9/2013 (%pa)	3 yrs to 9/2014 (%pa)
Hotchkis	-9.51 (83)	2.64 (14)	11.57 (46)	18.32 (11)	27.44 (7)
Robeco	-5.45 (28)	0.55 (45)	12.79 (25)	18.86 (7)	26.10 (20)
Wellington QV	-3.95 (12)	1.92 (22)	11.88 (42)	14.34 (86)	21.47 (80)
AJO	-7.43 (50)	1.37 (28)	13.87 (15)	19.60 (3)	26.60 (15)
Delaware	-7.45 (51)	4.98 (4)	16.23 (1)	19.78 (2)	25.38 (28)
MFS	-5.74 (29)	-0.04 (56)	11.38 (50)	16.92 (36)	23.48 (56)
O'Shaughnessy	0.68 (1)	10.63 (0)	14.23 (10)	18.54 (9)	26.35 (17)
T. Rowe Price	-6.12 (34)	0.60 (42)	12.26 (34)	16.34 (49)	22.02 (72)
Wellington VE	-3.63 (10)	4.13 (6)	15.34 (3)	17.99 (16)	21.81 (75)
RU1000V	-9.38 (81)	-1.52 (78)	11.84 (43)	16.25 (51)	23.93 (48)

Created on 21 Oct 2014 at 3:17 PM



# Alternative Manager Comparison

Return and Std Deviation in \$US (before fees) over 10 yrs ending September-14 (quarterly calculations)  
Comparison with the US Equity Large Cap Value (Active) universe



Created on 21 Oct 2014 at 3:15 PM



# Alternative Manager Comparison

Excess Return and Tracking Error vs. Russell 1000 Value in \$US (before fees) over 10 yrs ending September-14 (quarterly calculations)  
 Comparison with the US Equity Large Cap Value universe



Created on 21 Oct 2014 at 3:15 PM



# Alternative Manager Comparison

Performance characteristics vs. Russell 1000 Value in \$US (before fees) over 10 yrs ending September-14 (quarterly calculations)

Comparison with the US Equity Large Cap Value universe (Percentile Ranking)



	Ret/SD	TE (%pa)	IR	Beta	Down Cap (%)	Up Cap (%)
Hotchkis	0.35 (96)	5.77 (24)	-0.10 (88)	1.13 (5)	112.20 (4)	126.04 (12)
Robeco	0.59 (20)	3.59 (73)	0.68 (4)	0.97 (45)	92.33 (65)	111.74 (28)
Wellington QV	0.61 (15)	3.46 (76)	0.49 (18)	0.88 (84)	87.19 (83)	94.11 (74)
AJO	0.60 (18)	4.20 (51)	0.42 (25)	0.89 (79)	87.52 (82)	95.16 (72)
Delaware	0.65 (7)	5.42 (25)	0.34 (36)	0.81 (93)	85.95 (88)	93.59 (75)
MFS	0.60 (16)	3.56 (74)	0.47 (21)	0.89 (79)	88.16 (79)	95.39 (71)
O'Shaughnessy	0.64 (9)	8.00 (5)	0.70 (2)	1.11 (5)	95.57 (51)	164.37 (1)
T. Rowe Price	0.47 (68)	2.11 (94)	0.17 (64)	0.98 (40)	97.11 (45)	97.95 (62)
Wellington VE	0.69 (4)	3.92 (60)	0.59 (8)	0.82 (92)	79.03 (92)	87.70 (83)
5th Percentile	0.67	7.96	0.65	1.12	110.52	135.67
Upper Quartile	0.58	5.45	0.42	1.01	100.94	113.83
Median	0.52	4.26	0.26	0.95	96.02	101.86
Lower Quartile	0.45	3.47	0.06	0.89	89.66	93.57
95th Percentile	0.36	1.97	-0.19	0.75	73.86	70.01
Number	171	171	171	171	171	171

Created on 21 Oct 2014 at 3:16 PM

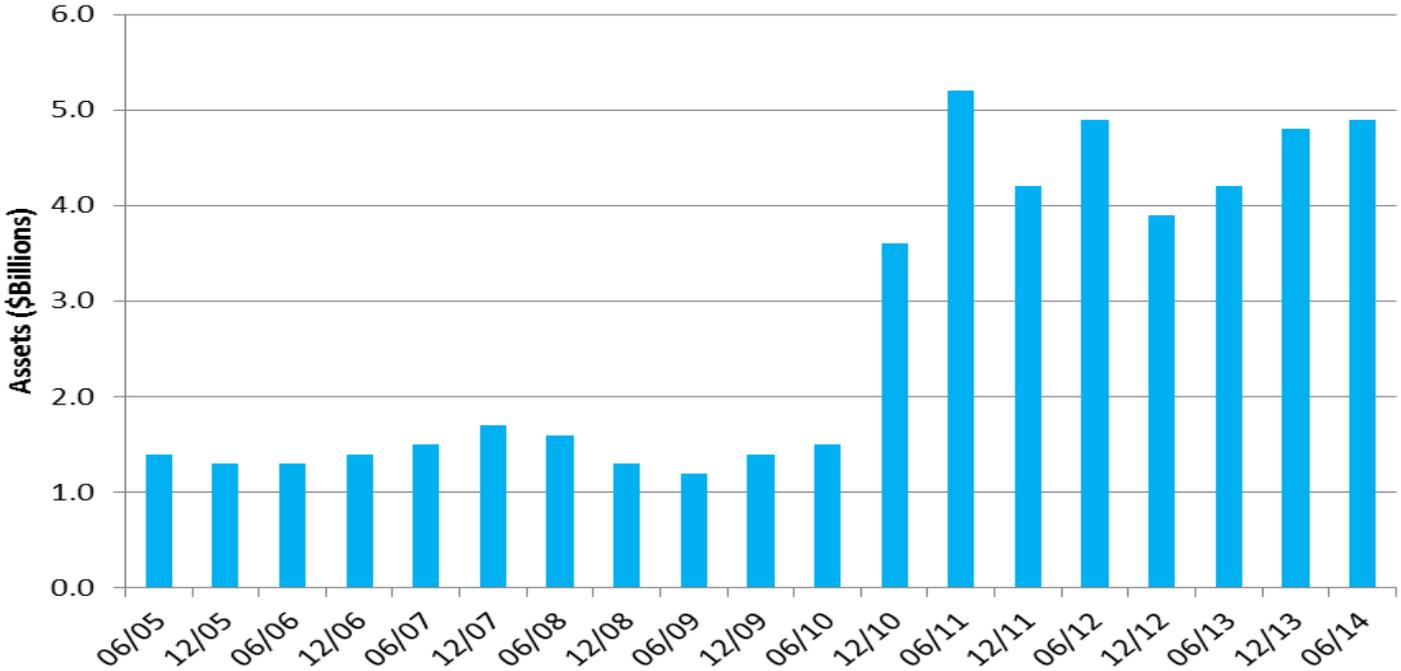


# Team and Resources

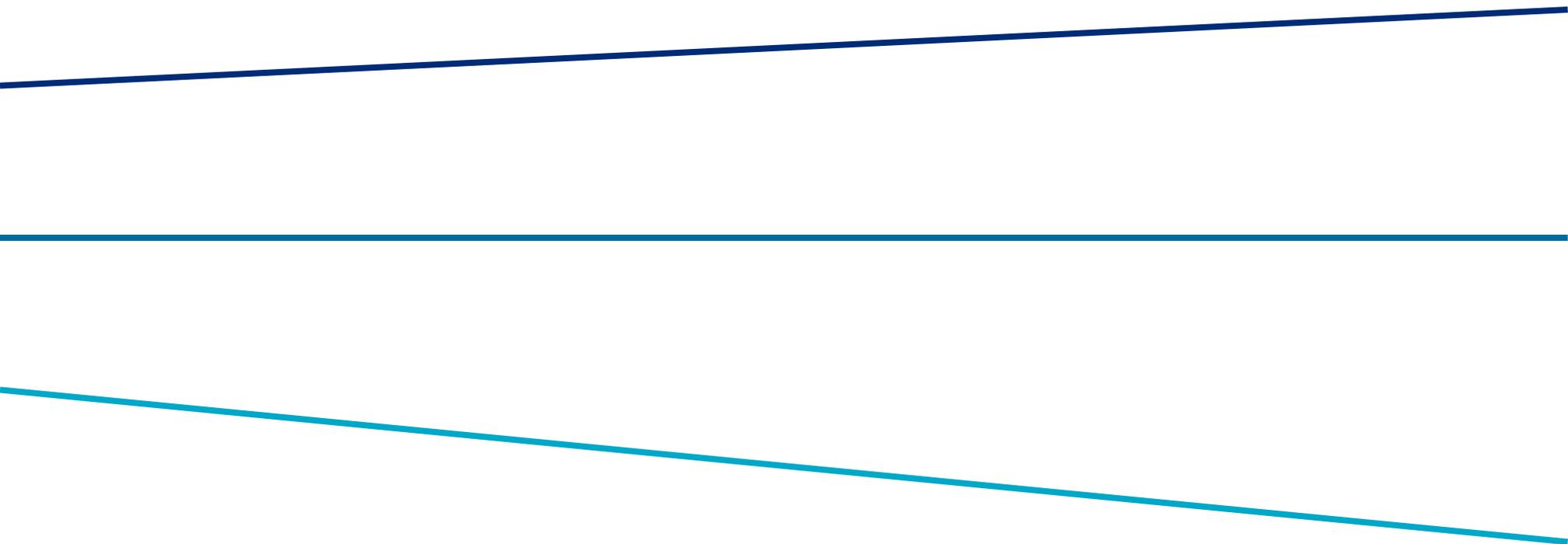
## KEY TEAM MEMBERS

Name	Title	Location	Joined Firm	Joined Industry
Matthew Baker	Senior Vice President, Portfolio Manager	Boston, MA	2004	1996
Edward Bousa	Senior Vice President	Boston, MA	2000	1980
Pete Fisher	Vice President	Boston, MA	2005	1993
Donald Kilbride	Senior Vice President	Boston, MA	2002	1986
Nataliya Kofman	Vice President	Boston, MA	2006	1998
Mark Vincent	Vice President	Boston, MA	2008	N/A

## History of Product Assets



# Appendix



# Disclaimer

## Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2014 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see [www.mercer.com/conflictsofinterest](http://www.mercer.com/conflictsofinterest).

**Mercer universes:** Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

The value of your investments can go down as well as up, and you may not get back the amount you have invested. Investments denominated in a foreign currency will fluctuate with the value of the currency. Certain investments, such as securities issued by small capitalization, foreign and emerging market issuers, real property, and illiquid, leveraged or high-yield funds, carry additional risks that should be considered before choosing an investment manager or making an investment decision.

Returns for periods greater than one year are annualized. Returns are calculated net of investment management fees, unless noted as gross of fees.

Style analysis graph time periods may differ reflecting the length of performance history available.

**THE FOLLOWING PROVISIONS APPLY TO DATA OR OTHER SERVICES PROVIDED BY THE FOLLOWING COMPANIES:** Where "End User" appears before the Vendor name, a direct end-user license with the Vendor is required to receive some indices. You are responsible for ensuring you have in place all such licenses as are required by Vendors.

**BARCLAYS:** © Barclays Bank PLC 2014. This data is provided by Barclays Bank PLC. Barclays Bank PLC and its affiliated companies accept no liability for the accuracy, timeliness or completeness of such data which is provided "as is." All warranties in relation to such data are hereby extended to the fullest extent permitted under applicable law.

**BARCLAYS CAPITAL:** The Barclays Indices are a proprietary product of Barclays. Barclays shall maintain exclusive ownership of and rights to the Barclays Indices and that inclusion of the Barclays Indices in this Service shall not be construed to vest in the subscriber any rights with respect to the Indices. The subscriber agrees that it will not remove any copyright notice or other notification or trade name or marks of Barclays that may appear in the Barclays Indices and that any reproduction and/or distribution of the Barclays Indices (if authorized) shall contain such notices and/or marks.

**BLOOMBERG L.P.:** © 2014 Bloomberg L.P. All rights reserved. BLOOMBERG, BLOOMBERG PROFESSIONAL, BLOOMBERG FINANCIAL MARKETS, BLOOMBERG NEWS, BLOOMBERG TRADEMARK, BLOOMBERG BONDTRADER, AND BLOOMBERG TELEVISION are trademarks and service marks of Bloomberg L.P. a Delaware Limited Partnership.

# Disclaimer

## Important Notices

**BNY Mellon Asset Servicing:** Source: © 2014 BNY Mellon Performance Risk and Analytics, LLC. All Rights Reserved.

**CITIGROUP GLOBAL MARKETS (formerly SALOMON SMITH BARNEY):** Smith Barney<sup>sm</sup> and Citigroup Global Equity Index<sup>sm</sup> are service marks of Citigroup Inc. "BECAUSE ACCURACY COUNTS®" is a registered service mark of Citigroup Inc. FloatWatch® is a trade mark of Citigroup Inc. Citigroup Global Equity Index System<sup>sm</sup>, Citigroup Broad Market Index<sup>sm</sup>, Citigroup Primary Market Index<sup>sm</sup>, Citigroup Extended Market Index<sup>sm</sup>, Citigroup Cap-Range Index<sup>sm</sup>, Citigroup Internet Index (NIX)<sup>sm</sup>, Citigroup Style Indices (Growth/Value)<sup>sm</sup>, Citigroup Property Index<sup>sm</sup> are service marks of Citigroup Inc. ©2014 Citigroup Inc All rights reserved. Any unauthorized use, duplication or disclosure is prohibited by law and may result in prosecution. Citigroup, including its parent, subsidiaries and/or affiliates ("the Firm"), usually makes a market in the securities discussed or recommended in its report and may sell to or buy from customers, as principal, securities discussed or recommended in its report. The Firm or employees preparing its report may have a position in securities or options of any company discussed or recommended in its report. An employee of the Firm may be a director of a company discussed or recommended in its report. The Firm may perform or solicit investment banking or other services from any company discussed or recommended in its report. Securities recommended, offered, or sold by SSB: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources SSB believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute SSB's judgment as of the date of the report and are subject to change without notice. Its report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Its report does not take into account the investment objectives or financial situation of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision.

**CREDIT SUISSE FIRST BOSTON LLC. (CSFB):** Copyright © 1996 – 2014 Credit Suisse First Boston LLC and/or its affiliate companies. All rights reserved.

**DataStream:** Source: ThomsonReuters Datastream

**Dow Jones:** The Dow Jones Indexes<sup>SM</sup> are proprietary to and distributed by Dow Jones & Company, Inc. and have been licensed for use. All content of Dow Jones Indexes<sup>SM</sup> © 2014 is proprietary to Dow Jones & Company, Inc.

**"End User" FTSE<sup>TM</sup>:** is a trade mark of the London Stock Exchange PLC and The Financial Times Limited and is used by FTSE International Limited under license. Russell Investment Group Europe Ltd is licensed by FTSE International Limited to distribute FTSE Advanced Service and other FTSE indices. FTSE shall not be responsible for any error or omission in FTSE data. All copyright and database rights in FTSE products belong to FTSE or its licensors. Redistribution of the data comprising the FTSE products is not permitted. You agree to comply with any restrictions or conditions imposed upon the use, access, or storage of the data as may be notified to you by FTSE or Russell/Mellon Europe Ltd. You are not permitted to receive the FTSE Advanced Service unless you have a separate agreement with FTSE. "FTSE<sup>TM</sup>", "FT-SE<sup>TM</sup>" and "Footsie<sup>TM</sup>" are trade marks of London Stock Exchange PLC and The Financial Times Limited and are used by FTSE International Limited under license.

The FTSE Private Investor Indices are owned and calculated by FTSE International and are produced in association with APCIMS (Association of Private Client Investment Managers and Stockbrokers). © FTSE International Limited 2014

The UK Value and Growth Indices are owned and calculated by FTSE International Limited in association with Russell Investment Group. © FTSE International Limited 2014.

**RUSSELL INVESTMENT GROUP:** Russell Investment Group is the source and owner of certain of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a user presentation of the data. Russell Investment Group is not responsible for the formatting or configuration of this material or for any inaccuracy in presentation thereof. Returns and security data for the Russell indices are provided by Mellon Analytical Solutions. Russell indices are trademarks/service marks of the Russell Investment Group. Russell® is a trademark of the Russell Investment Group.

**HFR:** Source: Hedge Fund Research, Inc., © HFR, Inc. 2014, [www.hedgefundresearch.com](http://www.hedgefundresearch.com)

**JPMORGAN:** The JPMorgan EMBI Index (i) is protected by copyright and JPMorgan claims trade secret rights, (ii) is and shall remain the sole property of JPMorgan, and (iii) title and full ownership in the JPMorgan EMBI Index is reserved to and shall remain with JPMorgan. All proprietary and intellectual property rights of any nature, including patents, copyrights, trademarks and trade secrets regarding the JPMorgan EMBI Index, and any and all parts, copies, modifications, enhancements and derivative works are owned by, and shall remain the property of JPMorgan and its affiliates. The JPMorgan EMBI Index and related materials and software were developed, compiled, prepared and arranged by JPMorgan through expenditure of substantial time, effort and money and constitute valuable intellectual property and trade secrets of JPMorgan. The JPMorgan EMBI Index shall not be used in a manner that would infringe the property rights of JPMorgan or others or violate the laws, tariffs, or regulations of any country.

# Disclaimer

## Important Notices

**LIPPER:** Performance data was supplied by Lipper, A Thomson Reuters Company, subject to the following: Copyright 2014 © Thomson Reuters. All rights reserved. Any copying, republication or redistribution of Lipper Information, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the Information, or for any actions taken in reliance thereon. Lipper performance data is total return, and is preliminary and subject to revision. The data contained herein has been obtained from company reports, financial reporting services, periodicals, and other resources believed to be reasonable. Although carefully verified, data on compilations is not guaranteed by Lipper Inc. - A Reuters Company and may be incomplete. No offer or solicitations to buy or sell any of the securities herein is being made by Lipper. Portions of the information contained in this report was derived by Mercer using Content supplied by Lipper, A Thomson Reuters Company.

**MERRILL LYNCH:** *The Merrill Lynch Indices are used with permission. Copyright 2014, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.*

This Product is not sponsored, endorsed, sold or promoted by Merrill Lynch. Merrill Lynch makes no guarantees, representations or warranties of any kind, express or implied, to any person, including, without limitation, any member of the public regarding the use of the Indices in the Product, the advisability of investing in securities generally or of the ability of the Index to track any market performance. Merrill Lynch's only relationship to Mellon Analytical Solutions or any other person or entity in respect to this Product is limited to the licensing of the Merrill Lynch Indices, which are determined, composed, and calculated by Merrill Lynch without regard to Mellon Analytical Solutions or this Product. Merrill Lynch retains exclusive ownership of the Indices and the programs and trademarks used in connection with the Indices. Merrill Lynch has no obligation to take the needs of Mellon Analytical Solutions or the purchasers, investors or participants in the Product into consideration in determining, composing or calculating the Indices, nor shall Merrill Lynch have any obligation to continue to calculate or provide the Indices in the future. Merrill Lynch may, in its absolute discretion and without prior notice, revise or terminate the Indices at any time. IN NO EVENT SHALL MERRILL LYNCH OR ANY OF ITS PARTNERS, AFFILIATES, EMPLOYEES, OFFICERS, DIRECTORS OR AGENTS HAVE ANY LIABILITY TO ANY PERSON OR ENTITY FOR ANY INDIRECT, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS.

**MOODY'S INVESTORS SERVICE:** Moody's © Copyright 2014, Moody's Investors Service, Inc. ("Moody's). Moody's ratings ("Ratings") are proprietary to Moody's or its affiliates and are protected by copyright and other intellectual property laws. Ratings are licensed to Distributor by Moody's. RATINGS MAY NOT BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. Moody's® is a registered trademark of Moody's Investors Service, Inc.

**MSCI®:** Portions of this report are copyright MSCI 2014. Unpublished. All Rights Reserved. This information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages. MSCI is a registered trademark of MSCI, Inc.

**NAREIT:** NAREIT® is the exclusive registered mark of the National Association of Real Estate Investment Trusts.

**NCREIF:** All NCREIF Data - Copyright by the National Council of Real Estate Investment Fiduciaries. This information is proprietary and may not be reported in whole or in part without written permission.

**STANDARD & POOR'S:** Standard & Poor's information contained in this document is subject to change without notice. Standard & Poor's cannot guarantee the accuracy, adequacy or completeness of the information and is not responsible for any errors or omissions or for results obtained from use of such information. Standard & Poor's makes no warranties or merchantability or fitness for a particular purpose. In no event shall Standard & Poor's be liable for direct, indirect or incidental, special or consequential damages from the information here regardless or whether such damages were foreseen or unforeseen.

**WILSHIRE ASSOCIATES:** Copyright © 2014 Wilshire Associates Incorporated.

