

Target Date Folios

Target Date Folios are investments designed to take you up to and then through retirement — like target date/life cycle mutual funds. Our Target Date investments are designed to provide you with a more effective retirement investment, one that reflects your selected risk tolerance, provides true diversification, and transparency while still being easy to use.

Over half a dozen years ago we began a study of the retirement and target date offerings in the market, and found them wanting. They were under-diversified, focused on asset allocation instead of risk, expensive and offered as one-size-fits all investments. We believed investors deserved better and the focus needed to be on maintaining targeted risk levels, not a stated asset allocation. We believed we could reduce costs while offering more customization, and deliver far greater diversification to mitigate market downturns while increasing expected returns. Our view is that Target Date offerings are long-term investments that need to do well over the long-term, not just in specific timeframes or markets. And, the funded model portfolio results have been outstanding:

The Target Date Folios launched at the end 2007¹ have out-performed traditional Target Date Funds by 0.36%² per year (through March 28, 2013), and have done so with lower sensitivity to market shocks.*

The Target Date Folio Solution

Our Target Date Folios are comprised of about a dozen low-cost ETFs. They are adjusted over time to reduce risk gradually as the selected target date approaches, while being periodically rebalanced and reviewed to maintain targeted risk levels. In addition, they are premised on a risk glide path, not an asset allocation glide path. We believe asset allocation is a means to the end of managing risk, not the end in itself—a major distinction compared to the competition. And, our Target Date Folios are far more diversified than other competing vehicles.

Our Target Date Folios are offered as a series of investments that cover 2010 through 2060³ (in 5-year increments) with conservative, moderate and aggressive risk levels for each. And, like all Folios, they can be customized to align with your more specific needs—a unique feature of implementing a solution through a Folio as opposed to through a mutual fund.

With Target Date Folios, your retirement investments can be customized for your risk tolerance, goals and timeline.

To obtain a copy of our whitepaper: Improving Target Date Offerings: Lessons Proven or to open an account today, visit www.folioinvesting.com.

Read the recommendations of the Securities and Exchange Commission's Investor Advisory Committee on Target Date Mutual Funds -- www.sec.gov/spotlight/investor-advisory-committee-2012/iac-recommendation-target-date-fund.pdf

Need more information? Contact a Customer Service Representative at 1-888-973-7890.

Target Date Folio Results*

TARGET DATE FOLIOS		Since inception (12/21/07 -- 3/28/13)	2008	2009	2010	2011	2012	2013 Q1	Annual Alpha ⁴
Target 2010	Conservative	26.1%	-12.6%	14.7%	10.6%	6.6%	4.4%	1.5%	3.2%
	Moderate	21.6%	-18.1%	18.0%	10.9%	5.2%	5.6%	2.1%	1.8%
	Aggressive	13.3%	-25.7%	22.3%	11.2%	2.9%	7.3%	2.0%	-0.1%
Average of Largest 3 Target Date 2010 Funds		22.1%	-24.7%	24.3%	12.1%	1.2%	10.9%	3.8%	1.4%
Target 2015	Conservative	20.9%	-13.7%	14.7%	10.5%	4.5%	3.9%	1.5%	2.1%
	Moderate	21.7%	-21.1%	19.3%	14.4%	4.7%	5.8%	2.2%	1.5%
	Aggressive	12.6%	-26.8%	23.0%	11.8%	1.6%	7.9%	2.6%	-0.3%
Average of Largest 3 Target Date 2015 Funds		20.9%	-27.6%	26.3%	12.9%	0.3%	11.8%	4.5%	1.0%
Target 2020	Conservative	20.4%	-17.0%	16.5%	11.3%	5.0%	4.3%	2.0%	1.7%
	Moderate	19.8%	-24.3%	21.2%	15.7%	3.4%	6.9%	2.5%	1.0%
	Aggressive	13.6%	-29.9%	25.9%	15.1%	0.1%	8.4%	3.1%	-0.3%
Average of Largest 3 Target Date 2020 Funds		18.3%	-31.4%	28.9%	13.9%	-0.7%	12.9%	5.1%	0.4%
Target 2025	Conservative	23.4%	-18.0%	18.1%	12.4%	5.3%	5.5%	2.1%	2.0%
	Moderate	19.7%	-25.7%	22.3%	16.1%	3.1%	8.1%	2.4%	0.8%
	Aggressive	16.1%	-31.1%	27.2%	16.4%	-0.1%	10.2%	4.1%	0.0%
Average of Largest 3 Target Date 2025 Funds		17.2%	-33.8%	30.6%	14.6%	-1.7%	14.0%	5.8%	0.1%
Target 2030	Conservative	21.5%	-21.1%	19.4%	14.4%	4.7%	5.7%	2.1%	1.5%
	Moderate	19.1%	-26.8%	23.0%	17.4%	1.6%	8.2%	3.0%	0.6%
	Aggressive	17.5%	-32.1%	30.0%	18.2%	-1.7%	10.8%	3.8%	0.2%
Average of Largest 3 Target Date 2030 Funds		14.5%	-36.5%	32.1%	15.2%	-2.4%	14.7%	6.2%	-0.4%
Target 2035	Conservative	21.9%	-22.8%	21.1%	14.8%	3.4%	7.7%	2.1%	1.4%
	Moderate	17.5%	-29.2%	26.0%	18.0%	0.1%	9.0%	3.1%	0.3%
	Aggressive	16.8%	-32.9%	31.1%	19.4%	-3.0%	10.9%	3.6%	0.1%
Average of Largest 3 Target Date 2035 Funds		14.1%	-37.7%	33.1%	15.7%	-3.4%	15.5%	6.8%	0.1%
Target 2040	Conservative	21.3%	-24.3%	21.1%	15.7%	3.8%	7.7%	2.6%	1.2%
	Moderate	17.0%	-31.1%	27.1%	18.5%	-0.1%	10.1%	3.2%	0.1%
	Aggressive	16.4%	-34.7%	34.2%	20.3%	-5.6%	12.3%	3.9%	0.1%
Average of Largest 3 Target Date 2040 Funds		14.0%	-38.0%	33.5%	15.8%	-3.6%	15.7%	7.0%	-0.5%
Target 2045	Conservative	21.2%	-24.3%	21.1%	16.2%	3.1%	8.1%	2.6%	1.1%
	Moderate	17.3%	-32.1%	27.1%	20.1%	-1.8%	10.7%	4.4%	0.2%
	Aggressive	17.7%	-34.7%	34.2%	21.1%	-7.0%	14.9%	3.5%	0.3%
Average of Largest 3 Target Date 2045 Funds		13.8%	-38.2%	33.5%	16.0%	-3.7%	15.9%	7.1%	-0.6%
S&P 500 Index (Including Dividends)		20.9%	-37.0%	26.5%	15.1%	2.1%	16.0%	10.6%	N/A

TARGET DATE FOLIOS		Since inception (07/14/10 -- 3/28/13)	2008	2009	2010	2011	2012	2013 Q1	Annual Alpha ⁴
Target 2050	Conservative	30.6%	N/A	N/A	N/A	3.1%	7.7%	2.7%	1.9%
	Moderate	35.6%	N/A	N/A	N/A	-1.8%	10.8%	4.0%	-0.4%
	Aggressive	31.4%	N/A	N/A	N/A	-7.0%	14.9%	3.5%	-4.5%
Average of Largest 3 Target Date 2050 Funds ⁵		39.4%	N/A	N/A	N/A	N/A	15.9%	7.1%	-2.0%
Target 2055	Conservative	30.0%	N/A	N/A	N/A	1.6%	8.2%	3.1%	1.0%
	Moderate	34.0%	N/A	N/A	N/A	-3.1%	10.9%	4.0%	-1.6%
	Aggressive	31.4%	N/A	N/A	N/A	-7.0%	14.9%	3.5%	-4.5%
Average of Largest 3 Target Date 2055 Funds ⁵		N/A	N/A	N/A	N/A	N/A	16.0%	7.2%	N/A
Target 2060	Conservative	30.0%	N/A	N/A	N/A	1.6%	8.2%	3.1%	1.0%
	Moderate	32.2%	N/A	N/A	N/A	-4.4%	10.9%	4.0%	-2.8%
	Aggressive	31.4%	N/A	N/A	N/A	-7.0%	14.9%	3.5%	-4.5%
Average of Largest 3 Target Date 2060 Funds ⁵		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S&P 500 Index (Including Dividends)		51.9%	-37.0%	26.5%	15.1%	2.1%	16.0%	10.6%	N/A

Past performance is no guarantee of future results.

Disclosures

1. Inception date for the 2010 to 2045 Folios is 12/21/2007 and the inception date for the 2050 to 2060 Folios is 7/14/2010.
2. Target Date Folio results have been reduced by 0.38% per year, to reflect an estimate for brokerage expenses. Brokerage fees at Folio Investing are charged as a flat annual fee of \$290. If an individual investor has \$75,000 invested in the Target Date Folios (comparable to the current average balance of 401(k) plans), the \$290 annual fee equates to 0.38% per year. We calculated the average returns for all Target Date mutual funds in the stated categories over the stated period. The 0.36% figure is the average out-performance for 2010, 2015, 2020, 2025, 2030, 2035, 2040, and 2045. We obtained data from Yahoo! Finance, QuoteMedia and mutual fund companies to determine the population of funds and as our source for fund performance information.
3. Comparisons to 2055 and 2060 are generally not shown as most target date fund offerings do not extend to those dates.
4. Alpha is a performance statistic that compares a portfolio's actual returns to its expected returns based on its risk level. It identifies investment return beyond what can be explained by market risk. Generating higher returns by investing in a riskier portfolio will not result in positive alpha, because the higher returns are attributed to market risk in the alpha measurement. For the same reason, generating above market returns during a market decline by investing in a low-risk portfolio will not result in positive alpha. This statistic helps investors make informed choices among different Target Date Folios, which have different risk levels. Alpha provides insight into the relative performance of the portfolio beyond differences in risk level. Alpha calculated over the period of December 21, 2007 through March 28, 2013.
5. These funds were not available during some of the time periods shown here, represented by N/A for Not Applicable.

*As with any investment, investments in Target Date Folios are subject to investment risk including the loss of the principal amount invested. Investors should consider the investment objectives and risks of the Target Date Folios before investing. For more information regarding the Target Date Folios, please visit www.folioinvesting.com. The results through August 2009 are model returns. Past performance is no guarantee of future results. Average performance of the largest 3 target date mutual funds is included to help you assess whether you would have been better off investing in such mutual funds, or with the Target Date Folios.

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