

New Investment Choices for the Money Purchase Plan



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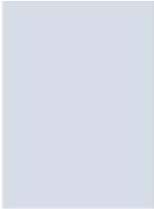
Agenda

1. How Does Strategies Create Investment Recommendations?
2. Why Fewer Funds
3. Introduction to New Asset Classes
4. Description of New Mutual Funds
5. New Target Date Funds





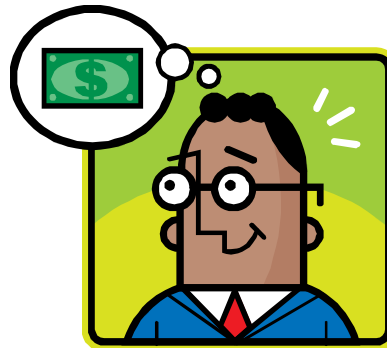
How Does Strategies Decide Which Investments to Recommend?





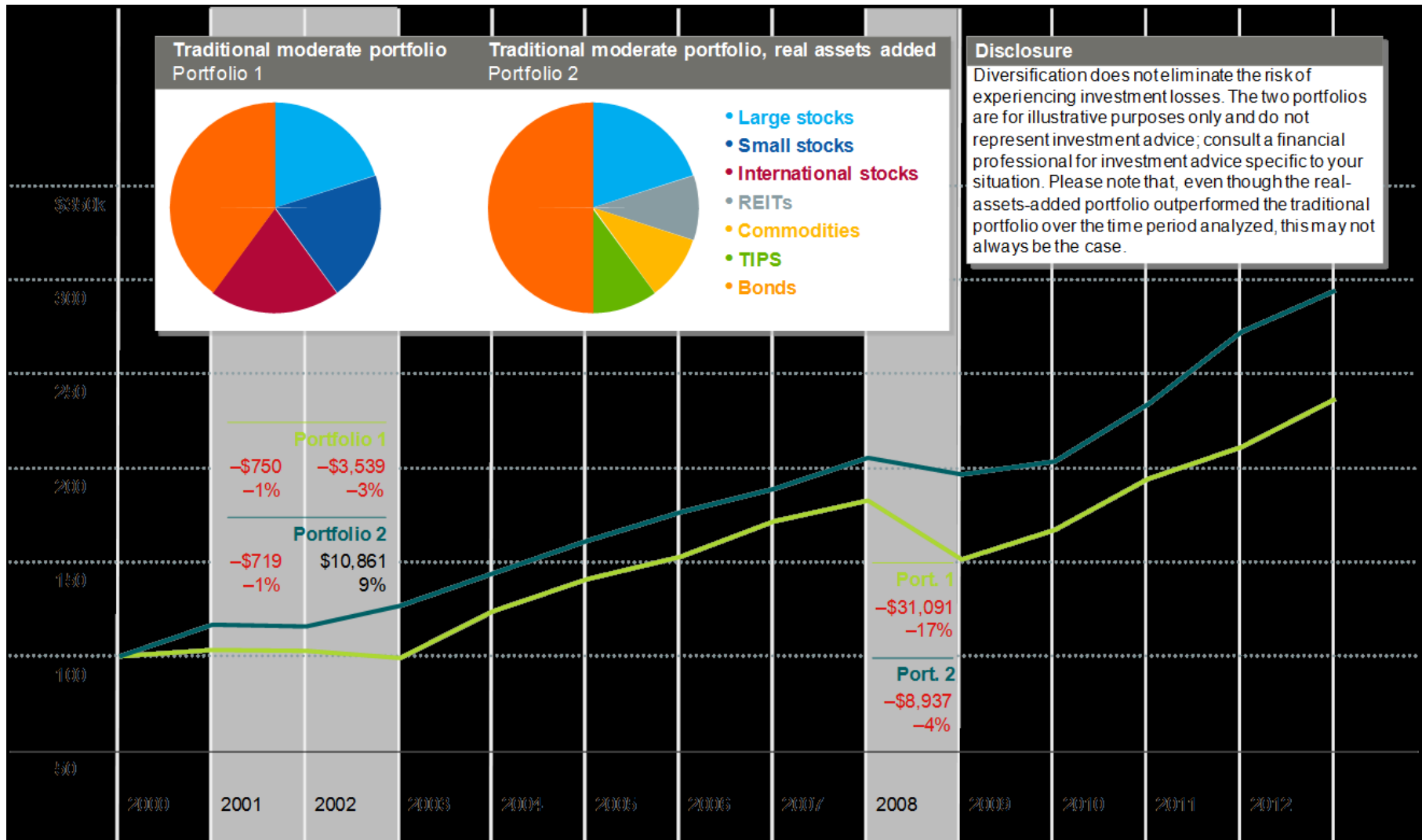
Investment Philosophy

- The markets are efficient
- Higher costs generally lead to lower returns
- Market timing is difficult to replicate with superior results
- Participants need clear and pure options
- Investment managers need flexibility to add value
- Menu must be geared toward participant demographics
- Past performance does not equate to future results





Using More Asset Classes Enhances Diversification





Mutual Fund Evaluation Process

Most Important

Organizational process

Investment process

Purity of investment style

Let them add value

Statistical analysis

Fee structure

Performance Evaluation

Apples-to-apples, consistency,

Extremely difficult to select future leaders

Past performance does not = future results

Least Important



Why are There Fewer Mutual Fund Options?



More Funds = More Confusion?



- In the study “Investing for Retirement: The Moderating Effect of Fund Assortment Size on the 1/N Heuristic, authors Morrin, Inman, Broniarczyk, Nenkov, and Reuter state, “The authors argue that choosing from larger mutual fund assortments in retirement plans (e.g., 401(k)s) taxes investors’ cognitive resources, which leads to reliance on more simplified diversification strategies.” This leads to participants dividing their money equally across all fund choices and can lead to poor diversification.
- Sheena Iyengar, professor of business at Columbia University, found in a study that when a retirement plan offered only 2 investment choices, 75% of people participated. When there were 59 choices, only 61% of those eligible participated in the plan.



Introduction to New Asset Classes



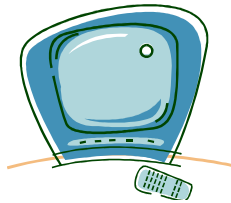
Correlation – What is it?

What is Correlation?

Correlation means how two things move in relation to each other.

Examples

- I want to watch House Hunters on HGTV.
- My husband wants to watch Modern Warfare on the Military Channel.
- Our evening activity preferences have LOW Correlation.



- Joe wants to order a Fat Tire at the bar.
- Jim wants to order a Coors at the bar.
- Kevin wants to order a Daiquiri at the bar.
- Steven wants to take a yoga class and not go to the bar at all.
- Joe and Jim's orders have HIGH Correlation.
- Jim and Joe have MEDIUM Correlation with Kevin.
- Steven has NEGATIVE Correlation with Joe, Jim, and Kevin.





Low Correlation Leads to Better Diversification

When creating a portfolio, choosing investment categories with low correlation to each other gives you more diversification.

Investments that are not well correlated to each other help lower portfolio volatility.

- Correlation of 100% means that two investments always move together.
- Correlation of 0% means that two investments move independently of each other.
- Correlation of -100% means that two investments always move completely opposite of each other.
- Sometimes you will see these numbers expressed as 1, 0, or -1.



Correlation of Different Asset Classes

Correlation Coefficient from 12/31/07 to 12/31/12

	S&P 500	Global Real Estate	US Real Estate	Foreign Bonds
S&P 500 US Large Companies	1	.83	.87	-.43
Global Real Estate	.83	1	.76	-.20
US Real Estate	.87	.76	1	-.25
Foreign Bonds	-.43	-.20	-.25	1

Less than 0

0 - .25

.26 - .50

.51 - .75

.76 - 1

Negative Correlation

No Correlation

Small Correlation

Moderate Correlation

Strong Correlation



New Asset Classes

Your fund menu now includes areas of the investment markets not previously available:

Global Real Estate- Invests in Real Estate Investment Trusts in the US and Foreign Countries.

Commodities – Things like gold, copper, oil, and other natural materials needed to make the stuff that makes the world go around.

Inflation Protected Bonds – US Treasuries that rise in price in relation to inflation as measured by the Consumer Price Index.

Short Term Bonds – Bond funds that hold only bonds that mature in 3 years or less.

Foreign Bonds – Investing in the debt of foreign companies or countries.

International Small Companies – Small companies based in countries outside the US.



Description of New Mutual Funds



US Stock Funds

Fund Name	Asset Class	Expense Ratio	Description
Vanguard 500 Index	US Large Company Blend	.05%	Passively managed fund invested in the 500 largest US Stocks
T. Rowe Price Large Cap Growth	US Large Company Growth	.57%	Actively managed fund looking for high-growth stocks
DFA US Large Cap Value	US Large Company Value	.27%	Actively managed fund looking for stocks that are priced lower than usual
DFA US Microcap	US Small Company	.52%	Invests in the smallest 5% of US stocks



International Stock and Bond Funds

Fund Name	Asset Class	Expense Ratio	Description
American Funds EuroPacific Growth	Foreign Large Blend	.5%	Invests in Large companies in Europe and Asia. Also has about 20% in Emerging Markets.
DFA International Small Cap Value	Foreign Small Companies	.71%	Small foreign companies with lower than usual stock prices.
PIMCO Foreign Bond Fund USD Hedged	Foreign Bonds	.5%	Actively managed bond fund investing in debt of foreign governments or corporations.



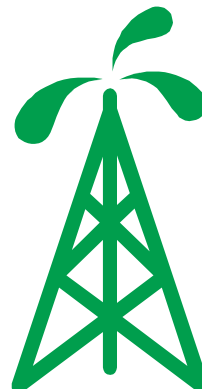
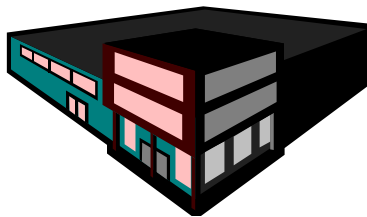
US Bond Funds

Fund Name	Asset Class	Expense Ratio	Description
PIMCO Total Return	US Intermediate Bonds	.46%	Invests in bonds of the US Government and high credit quality corporation with maturities of 3-10 Years
JP Morgan Short Duration Bond	US Short Term Bonds	.36%	US government and high quality corporate bonds with maturities of 3 years or less
Vanguard Inflation Protected Securities	US Treasury Inflation Protected Securities	.10%	US Government bonds that move up in price with the Consumer Price Index (inflation).
Federated Prime Obligations	Money Market	.28%	Ultra short term high quality bonds, no price movement up or down.



Alternative Asset Class Funds

Fund Name	Asset Class	Expense Ratio	Description
PIMCO Commodity Real Return	Commodities	.91%	Invests in derivatives of materials such as precious metals, oil and other hard goods.
Prudential Global Real Estate	Real Estate	.81%	Invests in US and Foreign commercial real estate.





JP Morgan Smart Retirement Target Date Funds

For those of us who don't have the time or desire to design and manage our own investment mix, the MPP offers the JP Morgan Smart Retirement series of Target Date Funds.

- Diversified investment mix using US Stocks, International Stocks, US Bonds, International Bonds, Commodities, and Real Estate.
- Automatic investment rebalancing when the markets make the portfolio deviate from target percentages.
- Appropriate risk for the time horizon named in the fund title (i.e. 2020, 2030, 2040)
- Funds automatically adjust over time to take less risk as you get closer to retirement.



JP Morgan Smart Retirement Target Date Funds

Fund Name	Expense Ratio	Description
JPMorgan Smart Retirement Income	.56%	For the current retiree. 15% Cash, 20% US Stock, 12% International Stock, 52% Bond, 1% Other
JP Morgan Smart Retirement 2010	.57%	For the recent retiree. 15% Cash, 20% US Stock, 12% International Stock, 52% Bonds, 1% Other
JP Morgan Smart Retirement 2020	.66%	For those retiring in about 6 or so years from now. 6% Cash, 32% US Stock, 20% International Stock, 41% Bond, 1% Other



JP Morgan Smart Retirement Target Date Funds

Fund Name	Expense Ratio	Description
JP Morgan Smart Retirement 2030	.73%	For those retiring in about 16 or so years from now. 6% Cash, 42% US Stock, 27% International Stock, 24% Bonds, 1% Other
JP Morgan Smart Retirement 2040	.76%	For those retiring in about 26 or so years from now. 6% Cash, 49% US Stock, 30% International Stock, 14% Bonds, 1% Other
JP Morgan Smart Retirement 2050	.75%	For those retiring in about 36 or so years from now. 6% Cash, 48% US Stock, 30% International Stock 14% Bonds, 1% Other



Conclusion and Questions



How to Access Your Account

Your MPP Plan Provider: Wells Fargo

- www.wellsfargo.com/retirementplan
- 800-728-3123 for one on one help
- Access your account to:
 - View your account balance
 - Change your investment elections

Strategies, LLC is the Investment Advisor for your plan.

- ksullivan@strategies-llc.net or 1-800-276-8952 for investment help on the MPP
- Strategies can give investment advice, but we cannot make changes to your account.

