

Invesco Ltd.

Balanced-Risk Commodities

Last Updated: August 2014

Strategy Basics

Asset Class:	Commodities
Investment Style:	Quantitative
Firm Inception:	1935
Firm Assets:	\$802 Billion
Strategy Inception:	September 2008
Strategy Assets:	\$1.5 Billion
Min. Size, Sep. Acct:	\$25 Million
Fee, Separate Account:	70bps First \$100 Million 60 bps Thereafter
Min. Size, Comm. Fund:	\$1 Million
Fee, Commingled Fund:	70bps
Min. Size, Mutual Fund (BRCNX)	\$1 Million
Fee, Mutual Fund:	98 bps
Liquidity	Daily
Net Exposure limits	75% to 125%

Firm Background and History

Originally incorporated in December 1935, Invesco is an independent global investment management company. Invesco Ltd. was created by the 1997 combination of two asset management businesses: Invesco and Aim.

The firm provides operates in over 20 countries and is listed on the New York Stock Exchange. Collectively, Invesco's investment teams manage assets across a globally diversified set of investment strategies spanning major equity and fixed-income asset classes, asset allocation and alternatives, including real estate, private equity and commodities.

The Global Asset Allocation team responsible for the risk-balanced commodities strategy operates from Invesco's headquarters in Atlanta, GA. The commodities strategy is a subset of the firm's broad risk parity strategy.

Strategy Background

The investment strategy focuses on four key drivers of commodity returns: storage difficulty, rebalancing

return, optimal roll yield, and tactical allocation. It utilizes a risk premium capture approach to generate returns by investing in the commodity markets using a risk-balanced investment process. The portfolio is diversified across the commodity complex and includes, but is not limited to, energy, agriculture, precious metals, and industrial metals. The team selects the appropriate assets for the strategy's strategic exposure, allocates funds based on proprietary risk management and portfolio construction techniques, and then applies an active positioning process to improve expected returns.

The strategy is implemented primarily through exchange-traded futures and swaps. It also takes a very conservative approach to cash management with collateral invested in high quality money market funds and T-Bills. The objective of the strategy is to outperform the Dow Jones UBS Commodity Index by 5% per annum over a rolling 3 – 5 year investment horizon.

Key Investment Professionals

The Global Asset Allocation team manages investment strategies including risk parity, risk-balanced commodities and active-balanced solutions. Scott Wolle, CFA serves as Chief Investment Officer (CIO) for Invesco's Global Asset Allocation team. He is supported by portfolio managers Mark Ahnrud, CFA; Chris Devine, CFA; Scott Hixon, CFA; Dr. Bernhard Pfaff; Christian Ulrich, CFA; analyst Raymond Fu; and Client Portfolio Manager Michael McHugh. The members of the team are as follows:

Scott Wolle, CFA

Mr. Wolle is the Chief Investment Officer for Invesco's Global Asset Allocation team, which oversees strategic and tactical asset allocation investment strategies. Scott joined Invesco in 1999 and the Global Asset Allocation team in 2000. Mr. Wolle began his investment career in 1991 with Bank of America prior to joining Invesco. Mr. Wolle's career experience includes fundamental and quantitative research responsibilities covering the major asset classes with a focus on equity markets and

commodities. He received his B.S. in Finance from Virginia Tech, graduating magna cum laude. He received his MBA from the Fuqua School of Business at Duke University where he earned the distinction of Fuqua Scholar.

Mark Ahnrud, CFA

Mr. Ahnrud serves as a Portfolio Manager for Invesco's Global Asset Allocation team. He joined Invesco in 2000 and the Global Asset Allocation team in 2002. Mr. Ahnrud began his investment career in 1985 and prior to joining Invesco was a fixed income portfolio manager with Bank of America. He received his B.S. in Finance and Investments from Babson College, and MBA from the Fuqua School of Business at Duke University with a concentration in Finance and Real Estate Investment.

Chris Devine, CFA

Mr. Devine serves as Portfolio Manager on Invesco's Global Asset Allocation investment team. He joined Invesco in 1998 and worked on the portfolio construction and trading implementation for quantitative equity strategies. Mr. Devine joined with the Global Asset Allocation team in January of 2003. Chris began his investment management career in 1996 and worked for The Robinson-Humphrey Company prior to joining Invesco. He earned a B.A. in economics from Wake Forest University and an MBA from the University of Georgia.

Scott Hixon, CFA

Mr. Hixon currently serves as the Head of Research and Portfolio Manager on Invesco's Global Asset Allocation investment team. He joined Invesco in 1994 and was responsible for TAA strategies prior to joining the Global Asset Allocation team in 1997. Mr. Hixon began his investment management career in 1992. Prior to joining Invesco, Scott was with SunTrust Bank focusing on employee benefit master trusts. He received a B.B.A. in Finance, graduating Magna Cum Laude from Georgia Southern University, and an M.B.A. in Finance from Georgia State University.

Dr. Bernhard Pfaff

Dr. Pfaff currently serves as a Portfolio Manager for Invesco's Global Asset Allocation team. He joined Invesco in 2005 and the Global Asset Allocation team in 2009. Bernhard began his investment career in 1998 as an Economist at Commerzbank. Since 2001, he worked for Dresdner Kleinwort Wasserstein as a quantitative strategist. Bernhard studied economics at the Universities of Goettingen, Germany; UC Davis, CA and the University of Freiburg im Breisgau, Germany. He

received a Diploma with predicate and earned his Doctorate degree summa cum laude in Economics from the University of Freiburg.

Christian Ulrich, CFA

Mr. Ulrich serves as a Portfolio Manager for Invesco's Global Asset Allocation team. He joined Invesco in 2000 and the Global Asset Allocation team in 2009. Prior to affiliating as a Portfolio manager with Invesco's Global Asset Allocation team, Mr. Ulrich served as a client portfolio manager for Invesco Global Asset Management, covering both global equity and asset allocation strategies. He began his investment career in 1987 with Credit Suisse Group AG where he had assignments in Zurich, New York and London. At Credit Suisse Group, Mr. Ulrich served as a portfolio manager within the private banking division with institutional sales and product management responsibilities within the asset management department. He graduated from the KV Zurich Business School in Zurich, Switzerland.

Process

Invesco's investment process has two elements: Strategic and Tactical. The strategic element is design to capture the structural sources of commodities returns: storage difficulty and rebalancing. The tactical sources of returns include futures contract roll optimization and tactical allocation.

Strategic Portfolio Construction

The asset selection process has several considerations including diversification, probability of long-term excess return and liquidity. First, the team uses a correlation matrix to determine the marginal impact on diversification for each commodity. Second, they review particular commodities properties, such as the expense and difficulty of storage, that provide attractive expected returns. Third, they use specific liquidity, transparency, and flexibility criteria. The outcome of the process is a ranking score for each commodity within its complex (sub-commodity category) that determines the specific commodity's weight within its complex group. The top 30% receives full weighting and the bottom 30% is excluded. Commodities between 30% and 70% are ranked according to their term structure attractiveness (the higher the backwardation, the higher the allocation).

Strategic Risk-Based Portfolio Construction

The portfolio construction for the strategic asset allocation process begins by examining how each

complex contributes to overall portfolio risk. The portfolio is built so that an equal amount of risk comes from each major complex. The strategy maintains some level of exposure to assets in all four primary commodity complexes: precious metals, industrial metals, energy and agriculture. This results in a portfolio that typically has exposure to fewer than 20 individual commodity futures. The strategic allocation, however, is not static; it gradually adapts to changes in the relative attractiveness of the various commodities as the portfolio is rebalanced monthly. The strategic allocation is built without regard to benchmark considerations.

Tactical Shifts

The tactical allocation allows the asset weights to deviate from the balanced-risk strategic structure to take advantage of the attractiveness of each asset on a stand-alone basis. This active management is based purely on quantitative analysis of supply and demand balance for individual commodities, the economic environment and overall investor positioning (i.e., price trend and reversal). Active positioning is designed to provide a minority (15-20%) of the expected excess return for the strategy. Invesco targets 3% tracking error relative to strategic allocation. The tactical strategy is implemented monthly to allow the portfolio to be more adaptive to the near-term economic environment.

Roll Management

The strategy seeks to maximize a positive roll yield in the context of a commodity in backwardation or to minimize the negative roll yield of a commodity in contango. The average term structure is three months and the longest maturity contract is six months.

In summary, the strategic, equal-risk starting point attempts to position the portfolio to benefit from long-term structural considerations of the commodities complexes and their generalized risk contribution. The tactical aspects of the strategy seek to exploit shorter-term inefficiencies and technical trading patterns to enhance the overall return.

Risk Management

All derivative exposures are monitored via the portfolio management system, Ecos. Multiple risk criteria, including leverage, predicted tracking error, VaR and simulations are reviewed quarterly by the Invesco Global Asset Management Risk Oversight Committee. All portfolios are subject to risk constraints as well as individual position limits.

The strategy maintains a strategic risk allocation of 25% to each of the four primary commodity complexes. The tactical active positioning component is managed to maintain the risk contributed to the portfolio from each complex between 10-40% of total portfolio risk. There is no explicit borrowing in the portfolio; however, the net notional value of all futures contracts may vary from 75% to 125% of the strategy's net asset value.

Risk Factors and Potential Red Flags

The strategy relies on a quantitative analysis of the historical covariance matrix of the various commodities and their respective term structure. Should these historical relationships break down, the strategy could deviate materially from its risk targets. For example, the strategy maintains a relatively high capital allocation to precious metals due to its lower historical risk. If precious metals, for example, were to experience sudden, elevated levels of price volatility, the strategy would experience higher overall risk than targeted. The active positioning of the portfolio is a mitigating factor as it could provide short-term compensation and smooth the transition of the overall portfolio if this were to happen.

As mentioned, the notional value of all futures contracts could fluctuate between 75% and 125% of the strategy's net asset value. Historically, the exposure range has been between 92% - 119%. At exposures above 100%, the strategy is subject to higher volatility if the commodities market unexpectedly moves against it. In such a situation, the tactical model should intervene and help mitigate such exposure.

Performance

The strategy has outperformed the DJ UBS Commodity Index in each of the past three full calendar years. In the most recent quarter, the strategy gained +1.68% versus +0.08%. On a rolling basis Invesco has maintained strong excess returns of +182 bps on an annualized basis in the most recent 3 year period ending 6/30/2014.

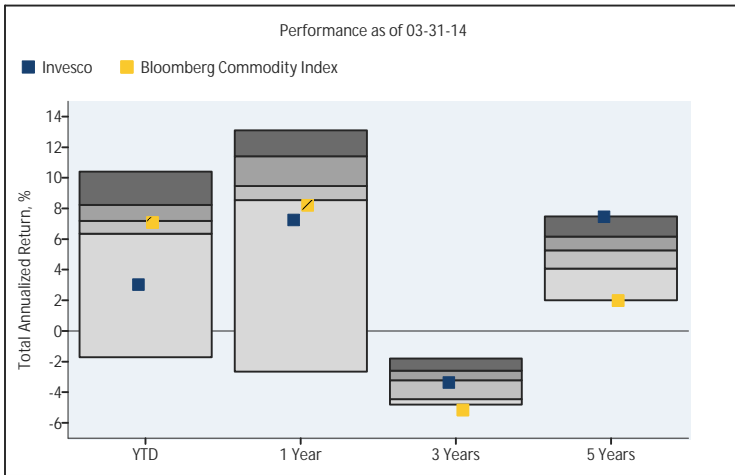
We expect the strategy to do well relative to Dow Jones-UBS Commodity Index and similar indices in down markets. Relative to the benchmark, the strategy should do well in such environments due to its greater degree of diversification but may have low absolute returns. Conversely, we expect relative underperformance during periods when energy commodity returns dominate those of other commodity complexes.

Strategy AUM	
2013	\$1,591m
2012	\$1,151m
2011	\$1,177m
2010	\$580m
2009	\$161m

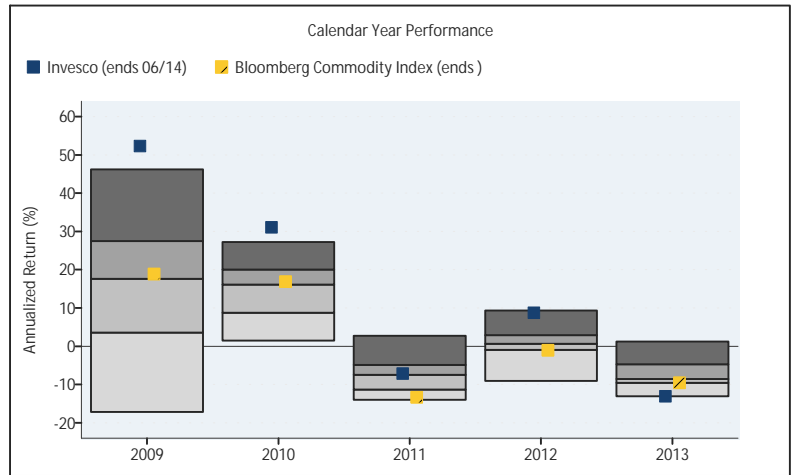
Recommendation

Wurts & Associates believes clients seeking to add a high tracking error, active, long-biased commodities manager should consider Invesco's Balanced-Risk Commodities Strategy for the following reasons:

- The strategy is based on principles that seek to take advantage of return opportunities in commodities, including rebalancing, asset allocation and tactical maneuvering
- Well diversified portfolio at the commodity complex level due to the risk-balanced approach
- Minimizes the exposure to commodities that tend to structurally generate negative roll yield
- May provide more robust protection against unexpected inflation



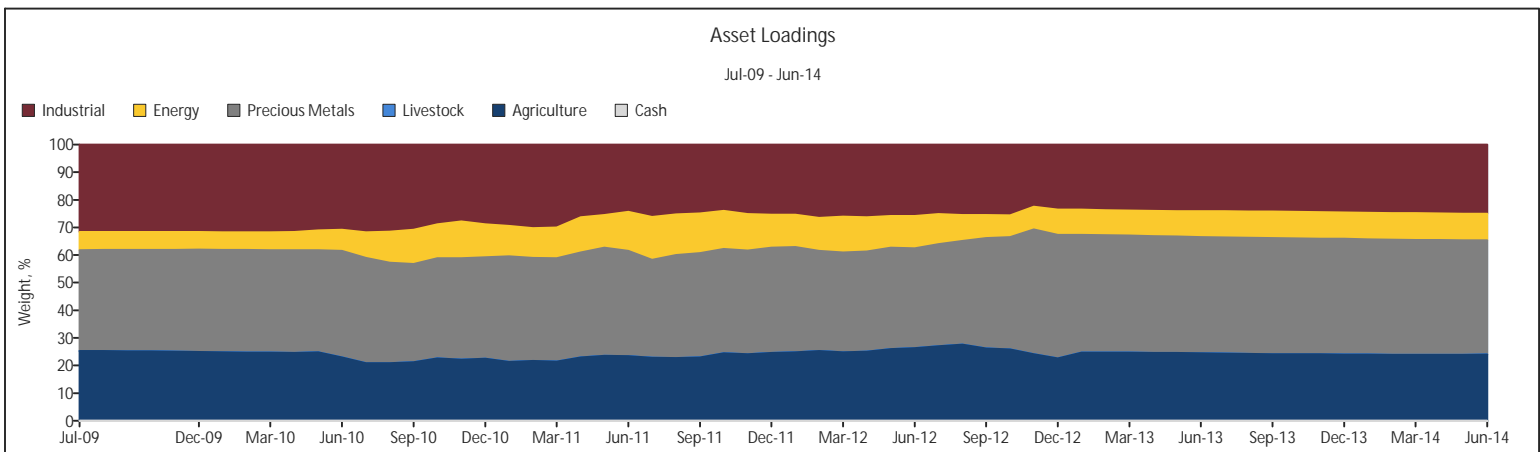
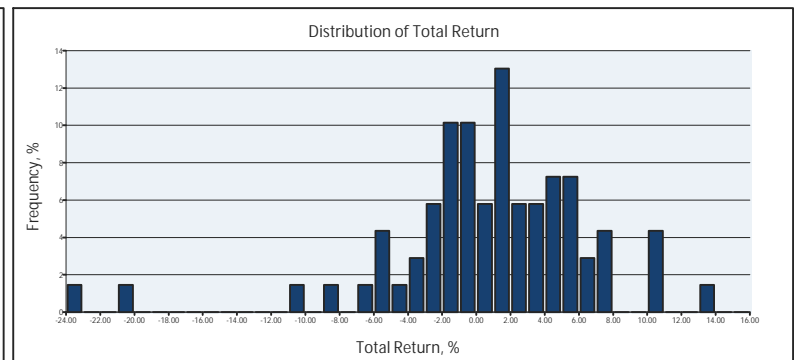
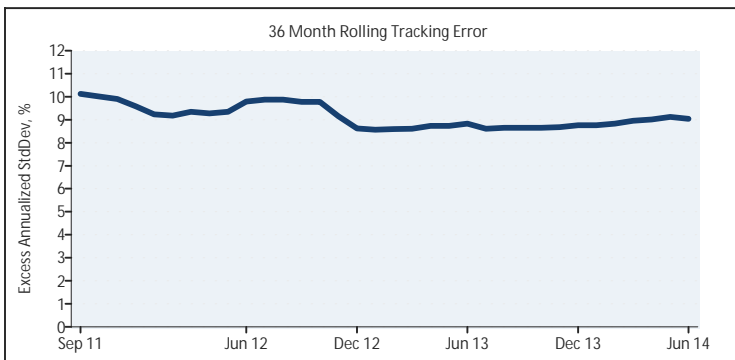
	Invesco	Bloomberg Commodity Index
QTD	1.7	0.1
YTD	3.0	7.1
1 Year	7.2	8.2
3 Years	-3.4	-5.2
5 Years	7.5	2.0



Calendar Year Performance	Invesco	DJ UBS Commodity
2013	-13.06	-9.52
2012	8.76	-1.06
2011	-7.14	-13.32
2010	31.08	16.83
2009	52.28	18.91

5 Year Statistics	Invesco
Alpha, %	5.63
Beta	1.06
R-Squared, %	76.89
Sharpe Ratio	0.48
Tracking Error, %	8.78
Batting Average	0.53

Correlation: Jul-09 - Jun-14	Invesco	Bloomberg Commodity Index
S&P 500	0.57	0.64
BC Agg	-0.01	-0.08
MSCI EAFE	0.54	0.66
CPI	0.05	-0.02
Bloomberg Commodity	0.88	1.00



Glossary of Terms

Active Management: A method of portfolio management based on the assumption that security prices do not always reflect their true, or intrinsic, value and that this disparity will be corrected over time. Managers engaging in active management attempt to find securities priced below their intrinsic value. It is theorized that as the rest of the market realizes the security is selling below its intrinsic value, the forces of supply and demand will drive the price up and the investment will make money.

Agency Securities: Obligations of agencies of the United States government but not obligations of the government itself. While not backed by the full faith and credit of the U.S. government, these securities are considered to be virtually default free because it is widely viewed that the United States government would not let one of its agencies default. Some of the agencies issuing these bonds are FNMA (Fannie Mae), FHLMC (Freddie Mac), and GNMA (Ginnie Mae).

Alpha (α): The excess return of a portfolio after adjusting for market risk. This excess return is attributable to the selection skill of the portfolio manager. Alpha is calculated as: Portfolio Excess Return – (Beta x Excess Market Return).

Arithmetic Mean: The mathematical average of a series of numbers.

Asset Allocation: The way in which the assets of an investment portfolio are split among asset classes. Studies have shown that more than 90% of the variability of the return of a portfolio is due to asset allocation.

Barclays Capital Aggregate Bond Index: Broadly diversified bond index that serves as a proxy for the bond market as a whole. It contains all types of fixed income securities, including mortgage- and other asset-backed securities.

Barclays Capital Government/Credit Bond Index (BCGC): Index containing Treasury securities, foreign (denominated in US dollars) and domestic corporate bonds, as well as agency securities.

Benchmark: Investment index used as a standard by which to measure the relative performance of an overall portfolio or an individual money manager. Appropriate benchmarks are selected based on their similarity to a portfolio or to the style of the individual money manager being measured. For example, a large cap core equity manager would be appropriately measured against the S&P 500 index. Alternatively, a fixed income core manager might be measured against the Barclays Capital Aggregate Bond index.

Beta (β): A measure of systematic, or market, risk, or that part of risk in a portfolio or security that is attributable to general market movements. It is calculated by dividing the covariance of a security by the variance of the market.

Book-to-Market: The ratio of book value per share to market price per share. Growth managers will typically have low book-to-market ratios while value managers will have high book-to-market ratios.

Bottom Up: An approach of equity management generally referred to as stock picking. Using this approach, a manager does not rely as much on industry or economic variables as much as on the characteristics of individual companies. These managers try to find companies that will fare well based on internal strength, possibly even in the face of adverse economic or industry movements.

Collateralized Mortgage Obligations (CMOs): A security backed by a pool of pass-through securities or mortgages that has a stated maturity. These securities provide a much more stable and predictable cash flow pattern than do pass-through securities. Different classes (tranches) of bonds are issued with different maturities, "A" being the shortest maturity bond and "Z" being the longest maturity bonds. The cash flows from the underlying assets are used to pay interest and retire the bonds in order of maturity.

Commercial Paper: A short-term, unsecured promissory note generally issued by corporations with high credit ratings. The maturity of these notes is usually less than 270 days. Commercial paper is considered to be part of the money market. The ratings of commercial paper range from P-1 (highest rating) to P-4 (lowest rating).

Commingled Fund: A fund consisting of assets from several accounts that are blended together. Investors in a commingled fund investment benefit from economies of scale, which allow for lower trading costs per dollar investment, diversification and professional money management.

Convertible Bonds: Bonds that contain an embedded call option. They are convertible into the common stock of the company issuing the bonds at some pre-specified price. The yield on these bonds is typically less than that of a non-convertible bond due to the embedded call option and the resulting increased opportunity to realize capital gains.

Correlation Coefficient (r): A measure of the relative movement of returns of one security or asset class versus another over time. A correlation of 1 means the returns of two securities move in lock step over time. A correlation of -1 means the returns of two securities move in the exact opposite direction over time. Correlation is used as a measure to help maximize the benefits of diversification when constructing an investment portfolio.

Credit Quality: A measure of credit worthiness of an issuing company or agency as reflected by a grade given to an interest bearing security. Credit quality is rated on a scale of AAA to D and measures the ability of the borrowing company or agency to make both interest and principal payments as set forth in the bond indenture, or contract.

Diversification: The practice of selecting several assets with differing return characteristics so as to reduce overall portfolio volatility.

Downside Risk: The likelihood that the return on an investment portfolio will fall below a pre-specified rate of return, e.g., the actuarial assumed rate of return.

Duration: A measure of a bond's effective term to maturity. Duration takes into account the size and timing of cash flows in order to determine the sensitivity of the price of a bond to a change in interest rates. The higher the duration, the more sensitive a bond is to interest rates changes.

Efficient Frontier: A line plotted on a risk / return graph that represents alternative portfolios with the highest amount of return for a given level of risk.

Emerging Markets: Securities markets in less developed countries. Emerging markets are typically characterized by market inefficiencies, lack of information, lack of price continuity, little liquidity, and lack of adequate rules and regulations. There are typically a small number of

players in these markets and price manipulation is common. High returns are available due to the extremely high risk associated with participation in these markets.

Excess Return: Rate of return in excess of the risk-free rate, typically defined by the rate of return on short-term U.S. government obligations, i.e., T-bills. (Also known as Risk Premium.)

Excess Return Ratio: A measure of a money manager's ability to earn additional return relative to the additional risk incurred in doing so. The ratio is calculated as follows: $(\text{Portfolio Return} - \text{Benchmark Return}) / \text{Tracking Error}$.

Geometric Mean: Equal to the annualized compound rate of return over a given period.

Growth Manager: Refers to the style of an equity manager. A growth manager typically seeks capital appreciation by choosing stocks that are expected to grow at a faster rate than their peers or the market as a whole. Typical portfolio characteristics of this strategy include high price-to-earnings ratio, low book-to-market ratio, and high and sustained earnings per share growth.

Index: A passively managed portfolio of securities that remains constant from one period to the next. Indexes are used to gauge the performance of sectors of the market or the market as a whole. In addition, indexes are used as a benchmark for measuring the performance of investment managers.

Information Ratio: A measure of a manager's ability to earn excess return without incurring additional risk. It can be calculated as follows: $\text{alpha} / \text{tracking error}$.

Investment Grade: Investment grade bonds are bonds that are rated BBB or higher.

Junk Bonds: Also called high-yield bonds, these are bonds with ratings from BB to D. They offer higher yields due to their increased risk of default. A bond rated D is already in default while a bond rated C is expected to default at some point in the future.

Large Capitalization Stocks: Also referred to as large-cap stocks, these are the securities of companies whose overall market capitalization is roughly greater than \$6 billion.

Market Capitalization: The total value of a publicly traded company. Market capitalization is determined by multiplying the total number of shares that a company has outstanding by the market price of each of those shares. Companies are classified by market capitalization as small, medium, or large.

Market Efficiency: Defined as the ability of a market to process information quickly and correctly so that every security traded in that market is always fairly priced based upon current expectations of the future.

Mean-Variance Optimization: The process of building an Efficient Frontier through the evaluation of all possible combinations of selected asset classes with different risk and return characteristics.

Medium Capitalization Stocks: Also referred to as mid-cap stocks, these are the securities of companies whose overall market capitalization is roughly between \$1.5 billion and \$6 billion.

Modern Portfolio Theory: Principles underlying analysis and evaluation of rational portfolio choices based on risk-return trade-offs and investment diversification.

MSCI EAFE Index: The Morgan Stanley Capital International Europe Australia and Far East (MSCI EAFE) Index is a value-weighted index composed of equity securities traded in the countries that give the index its name. This index is a typical benchmark for international equity managers as well as the basis for many international equity index funds.

Mutual Fund: Pools of money are managed by an investment company. They offer investors a variety of goals depending on the fund and its investment charter. Some funds, for example, seek to generate income on a regular basis. Others seek to preserve an investor's money. Still others seek to invest in companies that are growing at a rapid pace. Mutual funds are investment companies regulated by the Investment Company Act of 1940.

Passive Management: A method of portfolio management that is based on the belief that all securities are fairly priced and that there are no additional returns to be made from security selection. Often called a buy and hold strategy or indexing, this method comes from purchasing a well-diversified portfolio of securities and holding them indefinitely.

Pass-Through Securities: A pool of mortgages is formed and then shares in the pool are issued. Holders of the shares receive the cash flows from the underlying mortgage pool (i.e. the interest and principal payments). One problem with pass-through securities is the unpredictable nature of the cash flows due to events such as prepayment of the underlying mortgages.

Policy Index: A customized performance benchmark designed to reflect the characteristics of an investment portfolio. The policy index represents the return that would have been produced by passive investment in the target asset allocation of a plan.

Portfolio Excess Return: The rate of return of a portfolio over and above the risk-free rate. Portfolio excess return is attributed to the amount of additional market risk born by the portfolio plus the skill of the portfolio manager.

Portfolio Turnover: The percentage of a portfolio that is sold and replaced (turned over) during a given time period. Low portfolio turnover is indicative of a buy and hold strategy while high portfolio turnover implies a more active form of management.

Price-to-Earnings Ratio: Also called the earnings multiplier, it is calculated by dividing the price of a company's stock into earnings per share. Growth managers typically hold stocks with high price-to-earnings ratios whereas value managers hold stocks with low price-to-earnings ratios.

Price-Weighted Index: An index whose value is simply the arithmetic average of the prices of the securities that the index contains. In this type of index securities with the highest prices will have the greatest effect on the value and return of the index. The Dow-Jones Industrial average is an example of a price-weighted index.

Relative Return: The difference between the rate of return of a portfolio and its benchmark.

Residual Risk: The portion of total risk attributable to the unique risk of a given portfolio or security (also known as unsystematic risk). The key goal of diversified portfolio is to reduce residual risk to the greatest extent possible. It is calculated by subtracting market risk (or Beta) from total risk.

Risk Premium: An expected return in excess of the risk-free rate. The premium provides compensation for the assumption of risk.

Risk-Free Rate: The rate of interest that one can earn on an investment with no default risk. It is generally assumed to be the interest rate on a 91 day T-Bill.

R-Squared: Also called the coefficient of determination, it measures the amount of variation in one variable explained by variations in another. In the case of investments, the term is used to explain the amount of variation in a security or portfolio explained by movements in the market or the portfolio's benchmark.

Russell 2000 Index: A value-weighted small-cap stock index composed of the 2000 securities with the lowest market capitalization in the Russell 3000 index. This is one of the most common benchmarks for small-cap equity managers and is compiled by the Frank Russell Company.

Russell Mid-Cap Index: A value-weighted index composed of the 800 smallest companies, by market capitalization, in the Russell 1000 index. This index is compiled by the Frank Russell Company and, as its name implies, is used as a benchmark for mid-cap portfolios.

S & P 500 Index: A value-weighted index compiled by Standard and Poor's that is comprised of 500 of the largest companies traded on the NYSE and NASDAQ exchanges. This is the most common proxy for the equity market as a whole and is the typical benchmark for large-cap portfolios.

Sharpe Ratio: A measure of portfolio efficiency. The Sharpe Ratio indicates excess portfolio return for each unit of risk associated with achieving the excess return. The higher the Sharpe Ratio, the more efficient the portfolio. It can be calculated as: Portfolio Excess Return / Portfolio Standard Deviation.

Small Capitalization Stocks: Also referred to as small-cap stocks, these are securities of companies whose overall market capitalization is roughly less than \$1.5 billion.

Standard Deviation (σ): A measure of volatility, or risk, inherent in a security or portfolio. The standard deviation of a series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two-thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

Systematic Risk: Often called market risk, it is risk that is due to macroeconomic factors and as such this type of risk affects all risky assets and cannot be reduced through diversification.

Top Down: An approach to equity management whereby the manager first forms an opinion on the direction of the economy as a whole. Next, the manager determines how their economic forecast will affect certain industries and finally how the industry effect will apply to individual companies within those industries.

Tracking Error: The standard deviation of the difference between the rate of return of a portfolio and its benchmark.

Treasury Securities: Obligations of the United States government, which are considered free of default risk.

Universe: Also called a peer group, a universe is a large number of portfolios of a similar style. These portfolios can be divided into deciles or quartiles and then used for performance measurement and comparative purposes. Portfolios are ranked within the universe, which tells the investor how well a manager has done relative to his or her peers.

Unsystematic Risk: Also called company specific risk, it is risk that is unique to a particular company due to things such as the nature of their business or their use of leverage. Unsystematic risk can be reduced or eliminated by holding a well-diversified portfolio.

Value: Refers to the style of an equity manager. A value manager seeks to create returns by purchasing stocks selling at a discount to their true, or intrinsic, value. Typical portfolio characteristics of this strategy include a low price-to-earnings ratio, high book-to-market ratio, and high dividend yield.

Value-Weighted Index: An index whose value is computed by determining the relative weightings of each of the securities that it contains by dividing each securities total market capitalization by the total market capitalization of all of the securities in the index. This weight is then applied to a base value for the index, usually 100. The change in the index is computed by recalculating the relative weightings using the current market capitalization for each security divided by its base time period market capitalization and multiplying the sum of all the new weightings by the initial index value. In a value-weighted index companies with the largest market capitalization will have the greatest effect on the return of the index due to their larger relative weighting. The S & P is an example of a value-weighted index.

Weighted Average Maturity (WAM): A measure of the overall maturity of a bond portfolio that can assist an investor in determining a portfolio's sensitivity to changes in interest rates. The higher the weighted average maturity, the greater the effect of a change in interest rates on portfolio value.