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Target Date Funds The Next Retirement Dilemma

Second Edition, 2014

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Content Research: Mark Forgiel, Jennifer Dilbone, and Kyle Berns

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About the Author

Laurie Stegenga is President and founder of Foresight Capital Management Advisors, Inc., a fee-only Registered Investment Advisory firm. Her past financial work experience has spanned 31 years of managing and accounting for billions of dollars in investments. In 1983, Laurie began her career in big eight accounting, auditing large publicly traded corporations and performing audits and taxes for small entrepreneurial businesses. Five years later she joined Midwest Microwave, Inc. a defense manufacturing company as Chief Financial Officer and Human Resource Director.

In 1993, Laurie joined Alexander Hamilton Life Insurance Company as Manager of Investment Valuation and Statutory Reporting for their \$7.3 billion portfolio. Several years later Laurie became a Divisional Director of Accounting and an international finance consultant for Thomson Publishing, Inc.

Then she joined Tisch Investment Advisory, Inc., a regional mid-west Registered Investment Advisory firm in 1998, to form and develop their retirement plan division. During her nine years, as Vice President, with the firm she assisted in growing the retirement plan division to a \$140 million portfolio, which represented about forty percent of the assets under management for the firm. Laurie's expertise is in retirement plan services, providing on-site education and one-on-one personal financial planning for the employees, fiduciary consulting, and all aspects of personal wealth planning for the individual and family office. In 2008, she ventured out on her own and established Foresight Capital Management Advisors, Inc. as of 2014 the firm is managing over \$100 million in assets. She has been featured in an article on the Financial Advisor IQ website, a division of the Financial Times, interviewed at the National AIF Conference and an on-line video created regarding Foresight's investment process for portfolio selection and rebalance, featured in Forbes Magazine-Michigan Financial, and is a Fiduciary Consulting for the State of Michigan education facilities. Mrs. Stegenga is a graduate of Eastern Michigan University.

Target Date Funds the Next Retirement Dilemma

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Target Date Funds are headed to become the next retirement controversy as the young workers of today begin to reach middle age and realize the huge investment misstep they have made by investing virtually all their retirement savings in one investment called Target Date Funds (TDFs). This impending dilemma is not much different than the excessive company stock purchases that occurred in the 1970's-thru the Enron and Worldcom bankruptcies when employees suffered great losses of virtually all their retirement savings. ("Beware of Investing"). The point is too much of one type of investment can cause issues when employees depend on only one type of investment for their livelihood in retirement. Wise investing has shown that a single investment will likely need consistent rebalancing and allocation adjustments considering all the market and economic changes that will affect it.

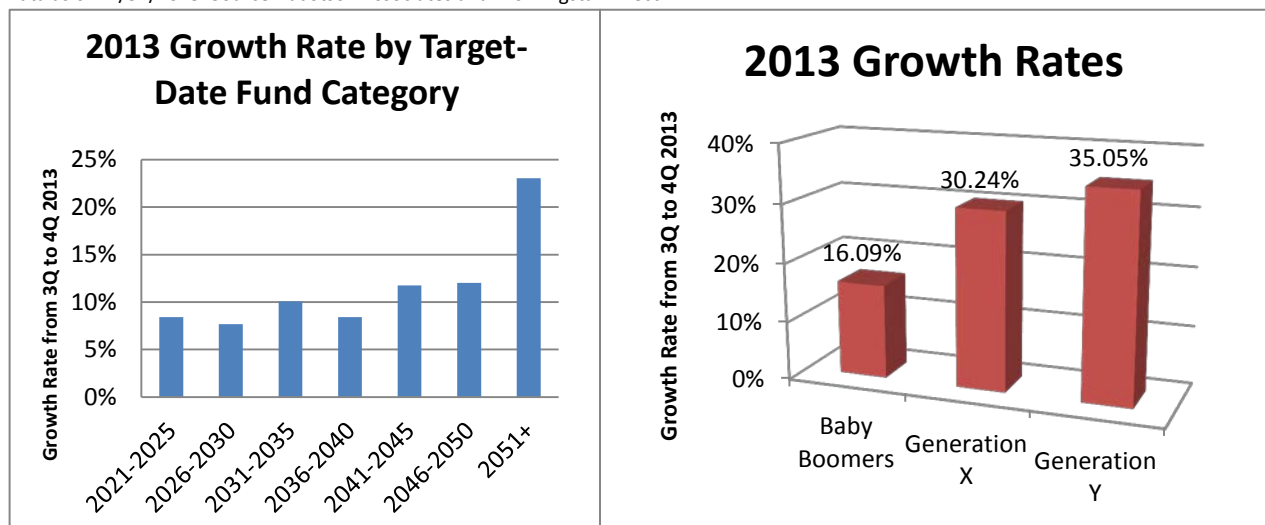
It is important for the investing public to understand what is really happening behind the scenes in most all of the Target Date Fund (TDF) providers. This is compiled from research our firm conducted as a fiduciary consultant which assists about 100,000 public sector employees, in Michigan. The research was compelling enough to share the information with the investors in hopes to pass along some alarming news and information about TDFs.

Target Date Funds (TDFs) are gaining massive momentum in the 21st century with \$1 Trillion expected invested in them by 2020. The TDFs gained popularity when the Pension Protection Act of 2006 named them Qualified Default Investment Alternatives (QDIAs) for ERISA plans. Therefore many retirement plan trustees

have hired 401(k) investment firms who offer TDFs. A question is would trustees actually allow TDFs as choices if they understood what was actually happening inside these investments? Remember trustees of ERISA retirement plans are personally liable for Investment Fiduciary Liability of the plan. When investing directly in TDFs the TDF Company does not accept Investment Fiduciary Liability for ERISA plans because they can't and they won't. TDF managers are brokerage firms or mutual fund companies. They are not independent from the TDFs since they created them or trade them on their platform. Therefore these firms will not accept ERISA section 3(38) Investment Fiduciary Liability for a retirement plan. This means the trustees of the plans offering TDFs are personally liable for the outcomes of the TDF offerings.

A current trend exists where many large companies and institutions only offer TDFs as choices for new employees enrolling for the first time in their retirement plan. Hence many of the young workers are only getting the choice of a TDF upon entry into their retirement plan. Notice in the charts below, the younger workers have the highest growth rate of deposits investing into TDFs.

Data as of 12/31/2013. Source: Ibbotson Associates and Morningstar Direct SM



The problem is once these young employees select the TDF most are continuing on for years and even decades only investing in the TDF they selected upon enrollment. Our firm meets weekly with prospective clients for investment advising only to discover they have invested in a TDF for years and cannot

understand why they do not have enough to retire. This research discloses why this is the case and why it is likely to cause the forthcoming investors dilemma.

The Race to Offer TDFs: All the national custodians and mutual fund companies jumped on the venue by offering TDFs when the Pension Protection Act of 2006 allowed them to offer TDFs as Qualified Default Investment Alternatives (QDIA). Today three mutual funds companies dominate with over 76% of all the TDF investments which are Fidelity, Vanguard, and T. Rowe Price, with the remaining mutual fund companies (see chart below) following up the leaders with the remaining 24%.

Source: Morningstar Fund Research “Net Assets, Organic Growth, and Market Share of Largest Target-Date Firms”

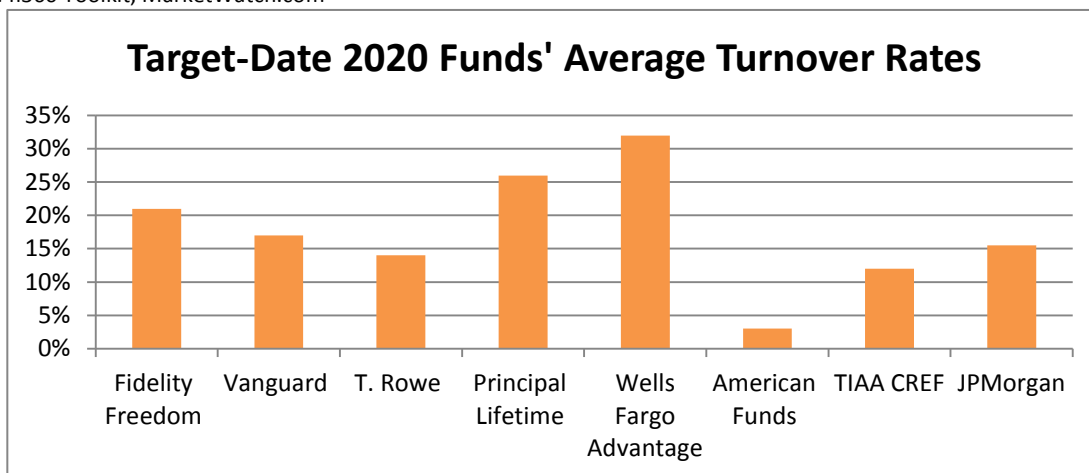
Fund Company	Total Net Assets 2012	Market Share %
Fidelity Investments	157,189,545,090	32.42
Vanguard	124,359,813,721	25.65
T. Rowe Price	80,234,687,672	16.55
Principal Funds	21,025,958,178	4.34
Wells Fargo Advantage	13,819,325,436	2.85
American Funds	13,268,889,133	2.74
TIAA-CREF Mutual Funds	12,692,934,184	2.62
John Hancock	9,794,158,343	2.02
JPMorgan	9,363,576,945	1.93
American Century Investments	6,569,258,606	1.35
ING Retirement Funds	5,371,784,439	1.11
BlackRock	4,802,718,407	0.99
State Farm	4,483,105,319	0.92
Great-West Funds	3,694,002,620	0.76
USAA	3,049,771,709	0.63
Vantagepoint Funds	2,526,624,573	0.52
Schwab Funds	1,825,302,181	0.38
AllianceBernstein	1,307,476,516	0.27
MassMutual	1,252,465,476	0.26
Nationwide	1,141,465,476	0.24
GuideStone Funds	1,137,905,806	0.23
MFS	830,665,329	0.17
Russell	806,955,252	0.17
Hartford Mutual Funds	697,766,477	0.14
DWS Investments	557,788,767	0.11

PIMCO	530,065,904	0.11
Manning & Napier	494,994,385	0.10
MainStay	360,331,663	0.07
Invesco	335,042,807	0.07
Putnam	229,133,559	0.05
Franklin Templeton Investment Funds	205,574,322	0.04
Allianz Funds	167,020,920	0.03

Investors Vision of TDFs: The investors have a rosy view of TDFs because they think if they select the year they want to retire they will be successful and sail into retirement with no worries. Some even think they can't lose their savings and their investments are guaranteed to be sufficient by the end year of the TDF. (Weiss and Pilotte 2-3)

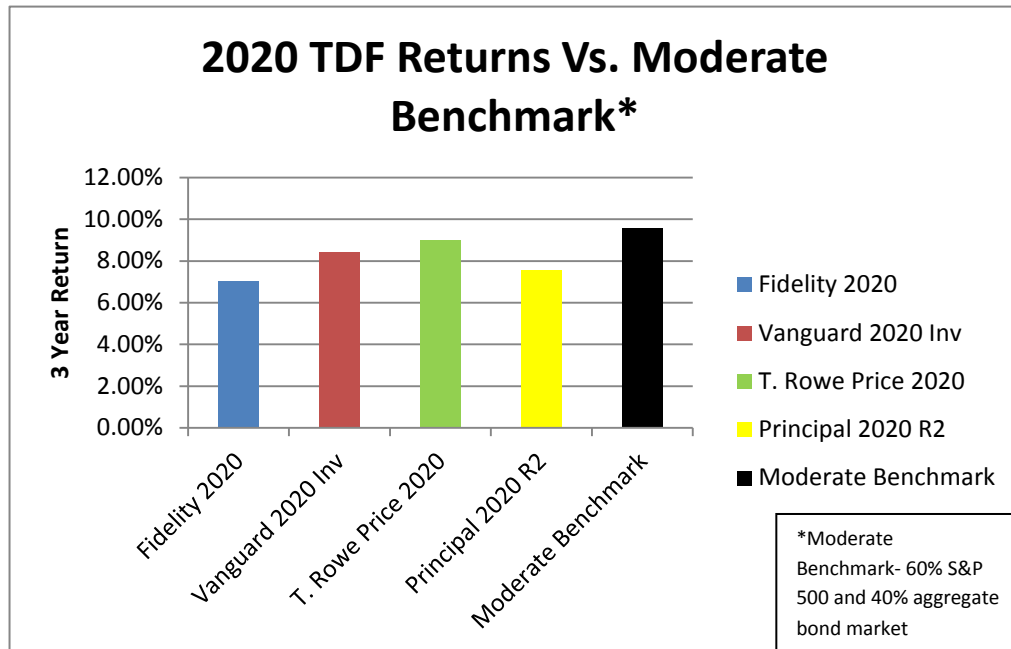
Cheap and Easy: You get what you pay for, in the case of TDFs that are touted as cheap and easy. Think about everything you have ever been passionate about and worked hard for, was it cheap and easy? Probably not, your college education, career success, raising children, or building a company all of which took relentless and tireless hours to produce the outcome of success. Investments are the same, they need continuous review, portfolio nurturing by implementing dynamic reallocations after careful fundamental review of the economic drivers of the market. Research found that most TDFs prospectuses did not even mention reallocation of the portfolio or rebalancing on a continuous basis and if it was mentioned it was yearly. TDFs are not rebalancing often enough to keep up with the changing market conditions. Simply put both investors and TDF managers have a "Set it and Forget it" mentality which will likely not sufficiently perform for investors over time. Note the low turnover ratio by target-date funds (Morningstar Glossary "Turnover") 20-30% indicates a buy and hold strategy.

Source: fi360 Toolkit, MarketWatch.com



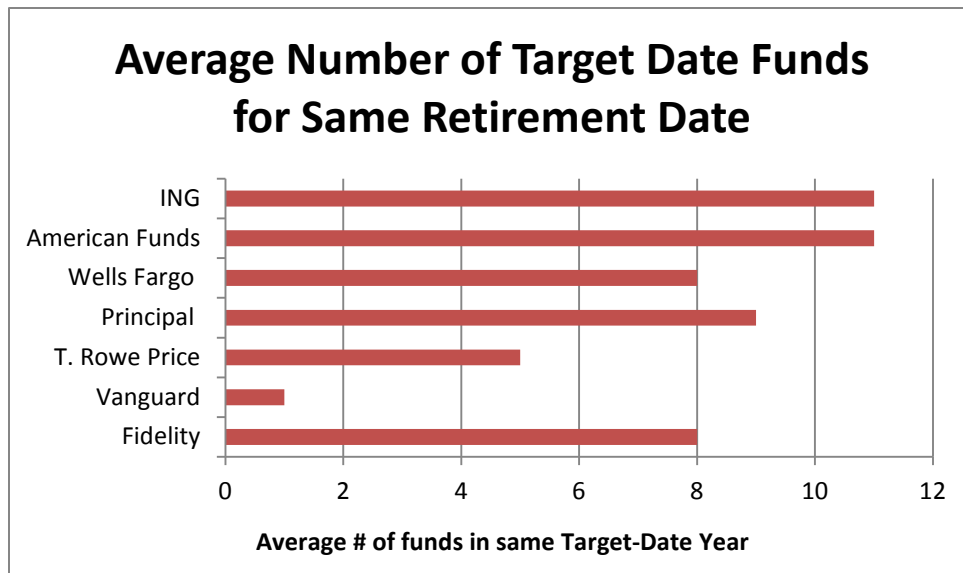
Most TDFs just set a standard allocation and it does not matter that the bond market is losing value, due to interest rates rising; they stay the course in intermediate and long bonds because the TDF mutual fund is a long term investment. One of our conclusions was that TDFs are non-committal on if they are watching the economy and changing the investments based on the current market environment. Ultimately their returns are showing it.

Source: Morningstar Inc.



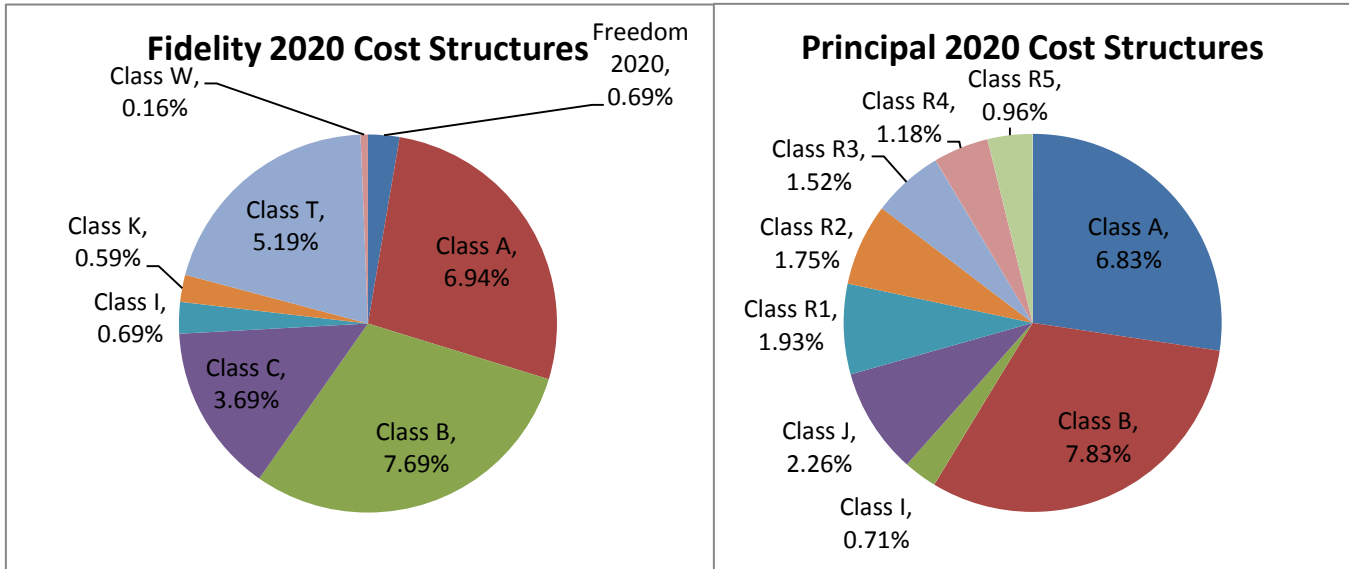
TDFs Have a Flavor for Every Palate: Our research has found within most mutual fund families there are numerous layers of the same year of TDF. A mutual fund manager will have eight or more TDFs for 2020.

Source: fi360 Toolkit



What this means, for example, is the TDF 2020 will have every cost structure imaginable so that commissioned based and fee-based registered representatives can sell these share classes to the investors and get paid from the TDF. See below, two TDF providers with the palate of share classes for the year 2020 and the cost structures associated with each share class. These cost structures include: front loads, deferred loads, internal expense ratios, and 12b-1 fees.

Source: Morningstar Inc., Marketwatch.com



This proliferation of the TDFs share classes has caused many of the TDFs to lag in performance as compared to their benchmarks. Some of this lagging performance is caused from more expensive cost structures and the remainder of it is caused from how the TDF is actually invested behind the scenes. We do not believe the general investor really knows this is happening inside the TDFs and how they are actually being invested.

Subpar Investments Within the TDF Allocation: Our research has found that most TDF providers are investing their TDF offerings with subpar investments that the general investor would not invest in directly. By hiding them inside the TDF the mutual fund company can have money flows into funds that otherwise would not get invested money from the general investor. Most TDF providers are using only their own funds to create the TDF so the investor only gets as good as that company has to offer. In the case of ING they have 98 ING TDFs, but instead of selling their own ING TDFs they have hired State Street Global Advisors (SSgA) to

manage the ING TDF offerings in separately managed funds so the investors cannot see or know what they are actually invested in. The SSgA separately managed TDFs do not have prospectuses and no way of knowing what they are invested in, a “black hole” in a sense.

Fidelity

Taking a look at the Fidelity Freedom 2020 portfolio composition, fi360 reveals that over half of the holdings have little to no history and are sub-par in comparison to Fidelity’s other fund choices. Of the various Freedom funds, 10 of the 11 are on Watch.

Fidelity Freedom 2020 Portfolio Holdings

Source: fi360 Data as of 2/28/2014 (Insert C)

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Large-Cap Equity																		
Fidelity Series 1000 Value Index (FIDOX)	Large Value	-	-	-	-	-	X	X	↓	X	X	↓	N/A	N/A	N/A	N/A	N/A	Watch
Fidelity Series Blue Chip Growth (FSDX)	Large Growth	-	-	-	-	-	X	X	↓	X	X	↓	N/A	N/A	N/A	N/A	N/A	Watch
Fidelity Series Equity-Income (FNLX)	Large Blend	-	-	-	-	-	X	X	↓	↓	↓	↓	N/A	N/A	X	N/A	N/A	Watch
Fidelity Series Growth & Income (FGLX)	Large Blend	-	-	-	-	-	X	X	↓	↓	↓	↓	N/A	N/A	X	N/A	N/A	Watch
Fidelity Series Growth Company (FGSX)	Large Growth	-	-	-	-	-	X	X	↓	X	X	↓	N/A	N/A	N/A	N/A	N/A	Watch
Fidelity Series Opportunistic Insights (FVWSX)	Large Growth	-	-	-	-	-	X	X	↓	↓	↓	↓	N/A	N/A	↓	N/A	N/A	Watch
Fidelity Series Stk Selec Lig Cp Val (FBLEX)	Large Value	-	-	-	-	-	X	X	↓	↓	↓	↓	N/A	N/A	X	N/A	N/A	Watch
Fidelity Series All-Sector Equity (FSAEX)	Large Growth	30	37	-	-	-	↓	↓	↓	↓	↓	↓	X	X	X	X	X	Watch
Fidelity Series 100 Index (FDHX)	Large Blend	35	26	27	-	-	↓	↓	↓	↓	↓	↓	↓	X	X	X	X	Watch
Small-Cap Equity																		
Fidelity Series Small Cap Discovery (FJACK)	Small Blend	-	-	-	-	-	X	X	↓	X	X	↓	N/A	N/A	N/A	N/A	N/A	Watch
Fidelity Series Small Cap Opps (FSOPX)	Small Blend	49	43	30	-	-	↓	↓	↓	↓	↓	↓	X	X	X	X	X	Watch

Source: fi360 Data as of 1/31/2014 (Insert A)

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Fidelity Freedom 2055 (FDEK)	Target Date 2055+	-	-	-	-	-	X	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2015 (FFVK)	Target Date 2011-2015	17	18	15	11	-	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2010 (FFFK)	Target Date 2000-2010	16	19	15	11	14	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2020 (FFDX)	Target Date 2016-2020	28	43	26	21	18	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2025 (FFTWK)	Target Date 2021-2025	28	34	20	13	-	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2040 (FFFKX)	Target Date 2036-2045	51	54	36	25	25	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2050 (FFHKX)	Target Date 2046-2050	52	54	43	-	-	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2030 (FFFKX)	Target Date 2036-2039	57	50	28	23	27	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2035 (FFHKX)	Target Date 2031-2035	66	61	45	33	-	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Freedom 2045 (FFDX)	Target Date 2041-2045	73	66	41	-	-	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch

Highlighted below are a few of Fidelity’s flagship funds, ironically falling in the same peer group as the failing funds in the current portfolio. Why isn’t Fidelity investing their TDFs in these well-established funds?

Source: fi360 Data as of 2/28/2014 (Insert B)

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Large-Cap Equity																		
Fidelity Blue Chip Growth (FBGRX)	Large Growth	0	2	5	13	30	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Contrafund (FCONX)	Large Growth	0	10	13	21	23	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch
Fidelity Spartan 500 Index Inv (FUSEX)	Large Blend	0	3	1	6	8	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	Watch

Vanguard

One alarming note when observing Vanguard's selection of Target-Date funds report is the failure of Manager Tenure. The future performance of these funds is reliant on the success of all new managers. Additionally, Vanguard is using sub-par picks for some of their TDF portfolio holdings.

Source: fi360 Data as of 2/28/14 (Insert D)

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action	
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11		
Allocation																			
Vanguard Target Retirement 2060 Inv (VTTSX)	Target Date 2051+	-	-	-	-	-	X	X	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	NIApp/NIApp	Watch	
Vanguard Target Retirement 2025 Inv (VTYX)	Target Date 2021-2025	65	29	14	13	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2015 Inv (VTYX)	Target Date 2011-2015	67	28	11	8	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2055 Inv (VPIX)	Target Date 2051+	67	-	-	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2020 Inv (VTHX)	Target Date 2016-2020	67	28	17	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2035 Inv (VTHX)	Target Date 2031-2035	68	31	15	10	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2050 Inv (VPIX)	Target Date 2046-2050	68	27	17	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2030 Inv (VTHX)	Target Date 2026-2030	68	32	15	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2045 Inv (VTHX)	Target Date 2041-2045	69	29	14	13	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2040 Inv (VGRX)	Target Date 2036-2040	69	33	17	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Vanguard Target Retirement 2010 Inv (VTBX)	Target Date 2006-2010	69	37	15	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	X	X	Watch

T. Rowe Price

Source: fi360 Data as of 2/28/14 (Insert E)

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action	
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11		
Large-Cap Equity																			
T. Rowe Price Value (TRVLX)	Large Value	0	1	0	12	14	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
T. Rowe Price Equity Index 500 (PREIX)	Large Blend	17	8	3	12	13	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
T. Rowe Price Growth Stock (PRGFX)	Large Growth	30	11	4	8	10	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Watch
Mid-Cap Equity																			
T. Rowe Price Mid-Cap Growth (RPHGX)	Mid-Cap Growth	0	0	3	2	2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
T. Rowe Price Mid-Cap Value (TRMXX)	Mid-Cap Value	36	22	19	14	17	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	Watch
Small-Cap Equity																			
T. Rowe Price Small-Cap Stock (OTCFX)	Small Growth	17	11	12	14	14	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓
T. Rowe Price New Horizons (PRNHX)	Small Growth	28	20	18	17	19	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Watch
T. Rowe Price Small-Cap Value (PRISX)	Small Blend	36	24	11	9	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	Watch
Developed International Equity																			
T. Rowe Price Intl Gr & Inc (TRIGX)	Foreign Large Value	0	10	14	15	15	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
T. Rowe Price Overseas Stock (TROXX)	Foreign Large Blend	0	0	0	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
T. Rowe Price International Stock Fd (PRITX)	Foreign Large Growth	43	40	24	18	16	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	Watch
T. Rowe Price Real Assets (PRAFV)	World Stock	90	-	-	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	X	X	Watch

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action		
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11			
Emerging Market Equity																				
T. Rowe Price Emerging Markets Stock (PRMSX)	Diversified Emerging Mkts	40	41	36	40	27	✓	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	X	X	Watch
Intermediate Fixed Income																				
T. Rowe Price Inflation Protected Bd (PRIPX)	Inflation-Protected Bond	16	10	8	8	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	X	
T. Rowe Price New Income (PRICX)	Intermediate-Term Bond	41	39	27	17	8	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	Watch	
International Fixed Income																				
T. Rowe Price Emerging Markets Bond (PREHX)	Emerging Markets Bond	16	21	31	26	31	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
T. Rowe Price International Bond (RPIBX)	World Bond	66	64	59	53	32	✓	X	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	X	X	Watch	
High Yield Fixed Income																				
T. Rowe Price High-Yield (PRHYX)	High Yield Bond	12	8	7	5	5	✓	✓	NIApp	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Allocation																				
T. Rowe Price Retirement 2020 (TRRRX)	Target Date 2016-2020	19	8	10	8	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	X	-	
Stable Value / Money Market																				
T. Rowe Price Summi Cash Reserves (TSCKX)	Money Market Taxable	33	21	-	-	-	✓	✓	NIApp/NIApp	✓	✓	✓	✓	✓	✓	✓	✓	X	Watch	

T. Rowe Price has exhibited decent performance during 2013 in all of the underlying equity funds, giving their TDF 2020 a presentable appearance. However, upon examination of the red X's, nine of the funds have a failing 1 year return. Additionally, another instance of sub-par picking presents itself. The failing score on the first page of the report, World Stock, T. Rowe used its fund, T. Rowe Price Real Assets, which got a score of 90 and failed in 5 of the 11 criteria categories, including 1 yr, 3 yr, and 5 yr returns. Now turning attention to all of the funds, T. Rowe has, better alternatives appear, namely T. Rowe Price Global Stock.

Principal

Principal maintains a wide range of share classes for each of their Target-Date (Lifetime) categories. Notably, each R1 TDF is on watch and half of them are failing in their 1 yr, 3 yr, and 5 year returns.

In the second report, the various share classes of the 2020 date are shown. As illustrated, the chosen share class has a drastic effect on performance. It must also be noted that Principal used sub-par funds, most notably in the Conservative Allocation and Large Cap peer groups.

Source: fi360 Data as of 1/31/14 (Insert F)

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Principal LifeTime 2010 R1 (PVASX)	Target Date 2000-2010	38	48	61	73	-	✓	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	Watch	
Principal LifeTime 2025 R1 (LTSNX)	Target Date 2021-2025	40	66	-	-	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	Watch		
Principal LifeTime 2030 R1 (PIASX)	Target Date 2026-2030	40	57	62	67	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	Watch		
Principal LifeTime 2020 R1 (PWASX)	Target Date 2016-2020	43	59	67	74	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	Watch		
Principal LifeTime 2015 R1 (LTSGX)	Target Date 2011-2015	45	59	-	-	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	Watch		
Principal LifeTime 2055 R1 (LTRGX)	Target Date 2051+	49	60	-	-	-	✓	✓	NApp/NApp	X	X	X	X	X	X	Watch		
Principal LifeTime 2050 R1 (PZASX)	Target Date 2046-2050	67	63	61	64	-	✓	✓	NApp/NApp	X	X	X	X	X	X	Watch		
Principal LifeTime 2035 R1 (LTANX)	Target Date 2031-2035	71	73	-	-	-	✓	✓	NApp/NApp	X	X	X	X	X	X	Watch		
Principal LifeTime 2040 R1 (PVASX)	Target Date 2036-2040	71	68	66	70	-	✓	✓	NApp/NApp	X	X	X	X	X	X	Watch		
Principal LifeTime 2045 R1 (LTRGX)	Target Date 2041-2045	78	75	-	-	-	✓	✓	NApp/NApp	X	X	X	X	X	X	Watch		

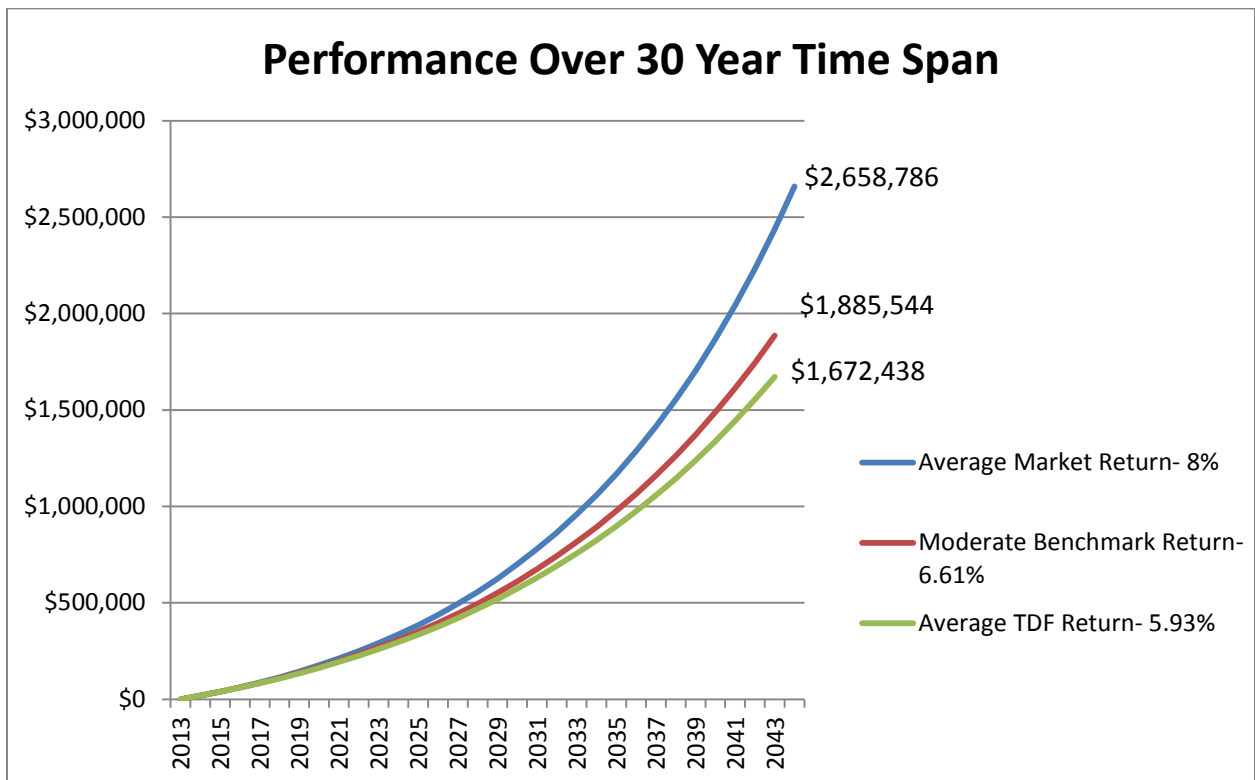
Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Principal LifeTime 2020 B (PLIBX)	Target Date 2016-2020	52	66	75	79	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 R1 (PWASX)	Target Date 2016-2020	42	57	67	73	-	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 R2 (PTBFX)	Target Date 2016-2020	42	56	64	70	48	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 R3 (PTBAX)	Target Date 2016-2020	42	33	41	48	35	✓	✓	NApp/NApp	X	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 A (PTBAX)	Target Date 2016-2020	19	24	37	46	-	✓	✓	NApp/NApp	✓	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 J (PLFX)	Target Date 2016-2020	19	23	36	46	32	✓	✓	NApp/NApp	✓	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 R4 (PTBSX)	Target Date 2016-2020	19	25	37	45	32	✓	✓	NApp/NApp	✓	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 R5 (PTBFX)	Target Date 2016-2020	19	16	31	40	29	✓	✓	NApp/NApp	✓	X	X	✓	✓	✓	✓	✓	
Principal LifeTime 2020 Instl (PLWIX)	Target Date 2016-2020	12	12	24	30	22	✓	✓	NApp/NApp	✓	X	✓	✓	✓	✓	✓	✓	

TDFs Lagging Rates of Return: We also have studied the ROR (rate of returns) of TDFs versus the market benchmark and have found the TDFs seem to generally be lagging the market. This is likely caused by the TDF manager utilizing subpar mutual funds inside the TDF and not reallocating the TDF when the market environment calls for it to change. We researched numerous of the large TDF providers and have assembled a summary of the findings by each provider. You will note in the case of all our examples each mutual fund provider had many other choices at their shop but chose to invest the TDF in either the new fund with no history or an established fund with sub-par rankings and returns. If the investors knew there were better choices for investment they would likely not choose the TDF investments. Note the fi360 Fiduciary Score Cards for numerous TDF providers and the red X's noting performance below the 50th percentile.

Next a scenario, assuming a Generation Y investor, took the 10 year average return of the largest four TDF managers for their 2020 no-load funds, which had a return average of 5.93% from 1/31/2004-1/31/2014. The four TDFs had an average return of 5.93% as compared to the Moderate benchmark of 6.61% giving a shortfall average of (.68%). This same scenario compared to the market average, as Janet Bodnar from Kiplinger.com assumes on the long term, of 8% would produce a shortfall of (2.07%). See graphs below of data supporting our results.

Name	Ticker	Average Annual Returns				Average Net		Morningstar Rank	Inception	Total Net Assets	Fee	Returns as of:
		1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return	3 Yr Alpha	Expense Ratio					
Fidelity 2020	FFFDX	9.49%	7.01%	11.41%	4.78%	-0.91%	0.69%	45	10/17/1996	13.17 Billion	No Load	1/31/2014
Vanguard 2020 Inv	VTWVX	10.93%	8.41%	13.80%	6.59%	-1.12%	0.16%	15	6/7/2006	24.1 Billion	No Load	1/31/2014
T. Rowe Price 2020	TRRBX	12.01%	9.00%	15.86%	7.16%	-1.95%	0.68%	3	9/30/2002	15.82 Billion	No Load	1/31/2014
Principal 2020 R2	PTBNX	9.70%	7.57%	14.21%	5.19%	-3.03%	1.45%	28	3/1/2001	6.59 Billion	No Load	1/31/2014
Average		10.53%	8.00%	13.82%	5.93%							
Average Shortfalls		-2.40%	-1.58%	-0.11%	-0.68%							
Moderate Benchmark		12.93%	9.58%	13.93%	6.61%							1/31/2014

*All data as of 1/31/2014
Moderate Benchmark 60% Equity(S&P500, Russell 2000, iShares MSCI EAFE) , 40% Bond (Barclays US Aggregate Bond)

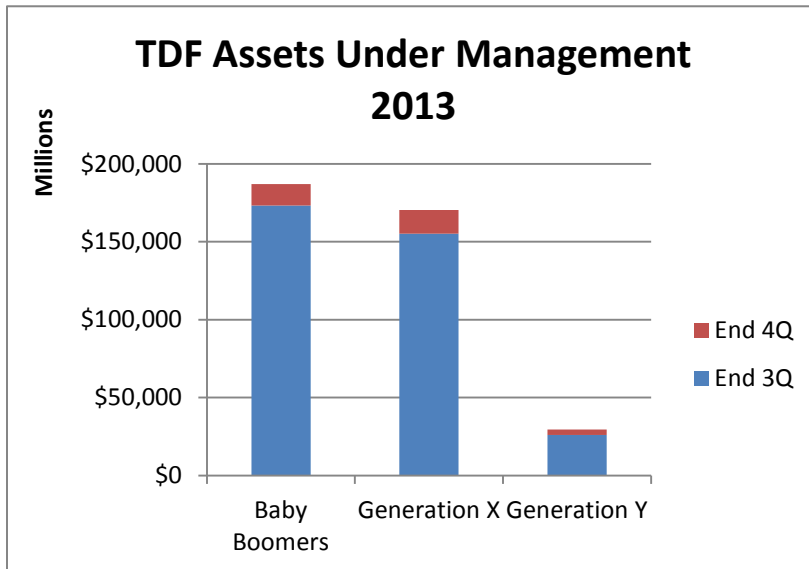


Taking these shortfalls and projecting it over a typical retirement savings for 30 years of contributing the IRS maximum in a retirement plan would likely produce

a shortage ranging from (\$238,500) up to (\$860,700). Would this upset a retiree to think they incurred a shortfall of this size in less returns due to TDF investing?

Inexperienced Investors Choose TDFs: Another alarming trend is young investors, Generation X, Y and Z, are signing up for TDFs because it is easy and they don't need to take the time to understand investments. The Baby Boomers actually have the most \$ money invested in TDFs currently, as shown in the graph below. However the young investors are catching up quickly and will likely surpass this statistic very soon given the trends of money flow and the time value of money. This is really alarming considering the fact TDFs do not have a great track record to date when compared to the benchmarks and other diversified portfolios. These young investors will likely stay in these TDFs for many years, as the Baby Boomers have. The harm will really be bore by these young investors, when they wake up in their 40's, and realize they have invested the bulk of their working life in a TDF which has lagged in return performance for practically their whole career.

Data as of 2013. Source: Ibbotson Associates Inc.

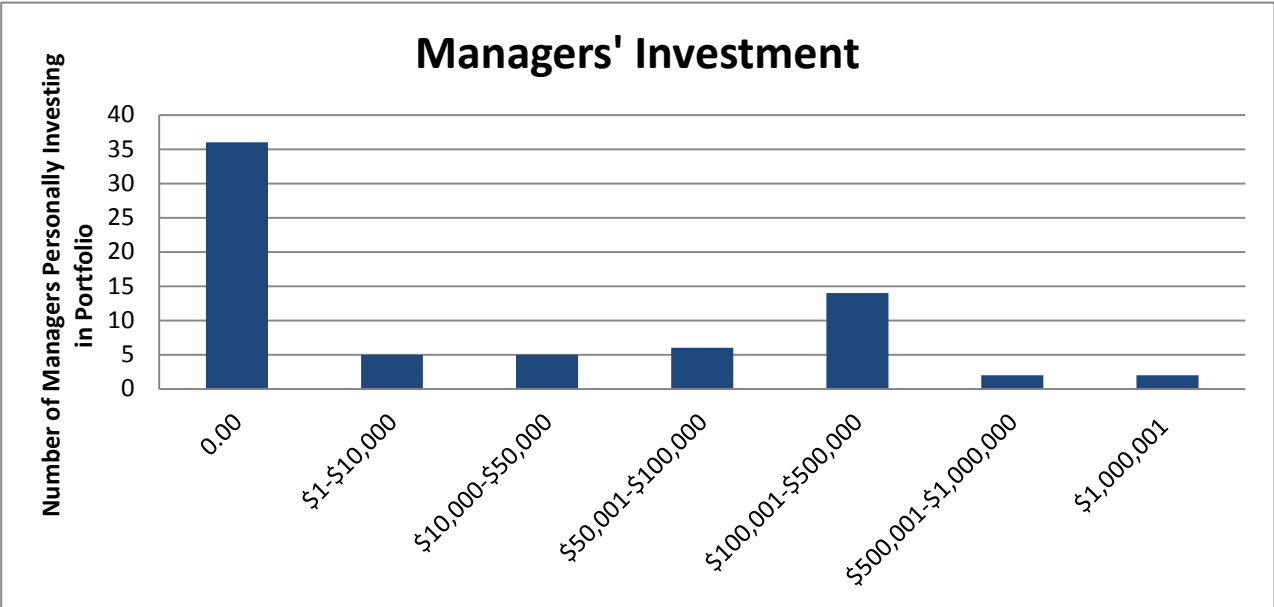


	<u>Estimated Target Retirement Date</u>
Baby Boomers	2020-2030
Generation X	2030-2045
Generation Y	2045-2065

TDF Managers Even Choose Other Investments for Their Own \$: About half of the TDF mutual fund managers, 36 out of 70, do not invest their own money in the

TDF they are managing. They obviously don't believe in their own cooking. The investors should be alerted when the person choosing the investments for the TDF won't even invest in it. This should send red flags up immediately. Notice the overwhelming number of managers with \$0 invested in their own TDF.

Source: Morningstar Fund Research "Target-Date Series Managers' Ownership of Series' Fund Shares"



Company Fiduciaries and Trustees Should be Concerned: The facts surrounding TDFs are beginning to compile a frightening evidential case that should be making trustees, company fiduciaries, and even our politicians in Washington shutter as to the size of the dilemma that is coming by allowing TDFs to be offered and handled so carelessly for our investors. There are large public education facilities, Fortune 500 companies, and public state employees all being forced by their employers into the TDFs, based on the employees retirement date, for their investments as the default investment for auto enrollment. These organizations

are touting the TDF as being offered as a choice for “free” from a transaction cost standpoint. Only if the employee reads the fine print do they realize there other decent investments offered in the plan, but these “will cost something extra” if you choose them.

Erisa law section 3(38) won't be accepted by TDF providers because they know they can't accept this liability. Therefore trustees and fiduciaries will be personally liable for TDF results.

TDF Conclusions: A retirement dilemma is likely coming. If TDFs are not governed and monitored to set guidelines for these investments then the investors will continue to suffer with mediocre investment results. The trustees and fiduciaries of retirement plans need to seek professional consulting help when choosing and analyzing TDF funds. Additionally, trustees and fiduciaries need to realize they are personally liable for the results of any investment inside their retirement plans according to the ERISA law section 3(38). Direct TDF investments assume no Investment Fiduciary Liability for the reasons stated within this report. The general investor will likely be harmed by lagging returns in Target Date Funds for decades, and they need to seek professional advice and education on how to properly invest for their future. TDFs need to be evaluated among all opportunities for retirement investors as compared to all other investment opportunities relative to market conditions. TDFs should not be assumed, based on a Target Date, that they are the best investment for a future retiree over the long haul.

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Fidelity

Taking a look at the Fidelity Freedom 2020 portfolio composition (Insert A), fi360 reveals that over half of the holdings have little to no history and are sub-par in comparison to Fidelity's other fund choices. Of the various Freedom funds, 10 of the 11 are on Watch.

Fidelity Source: fi360 Data as of 1/31/2014 **(Insert A)**

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Fidelity Freedom 2055 (FDEEX)	Target Date 2051+	-	-	-	-	-	X	√	√	N/App	N/App	√	N/Av	N/Av	X	N/Av	N/Av	Watch
	# of Peers																	
Fidelity Freedom 2015 (FFVFX)	Target Date 2011-2015	17	18	15	11	-	√	√	√	N/App	N/App	√	X	X	√	√	√	-
	# of Peers	143	132	76	35													
Fidelity Freedom 2010 (FFFCX)	Target Date 2000-2010	18	19	15	11	14	√	√	√	N/App	N/App	√	X	X	√	√	√	-
	# of Peers	138	128	108	72	12												
Fidelity Freedom 2020 (FFFDX)	Target Date 2016-2020	28	43	26	21	18	√	√	√	N/App	N/App	√	X	X	√	X	√	Watch
	# of Peers	183	170	126	77	17												
Fidelity Freedom 2025 (FFTWX)	Target Date 2021-2025	28	34	20	13	-	√	√	√	N/App	N/App	√	X	X	√	X	√	Watch
	# of Peers	137	121	72	31													
Fidelity Freedom 2040 (FFFFX)	Target Date 2036-2040	51	54	36	25	25	√	√	√	N/App	N/App	√	X	X	X	X	X	Watch
	# of Peers	181	168	120	68	13												
Fidelity Freedom 2050 (FFFHX)	Target Date 2046-2050	52	54	43	-	-	√	√	√	N/App	N/App	√	X	X	X	X	X	Watch
	# of Peers	151	135	78														
Fidelity Freedom 2030 (FFFEK)	Target Date 2026-2030	57	50	28	23	27	√	√	√	N/App	N/App	√	X	X	X	X	X	Watch
	# of Peers	183	170	126	77	13												
Fidelity Freedom 2035 (FFTHX)	Target Date 2031-2035	66	61	45	33	-	√	√	√	N/App	N/App	√	X	X	X	X	X	Watch
	# of Peers	137	121	72	31													
Fidelity Freedom 2045 (FFFGX)	Target Date 2041-2045	73	66	41	-	-	√	√	√	N/App	N/App	√	X	X	X	X	X	Watch
	# of Peers	135	119	71														

Insert B highlight a few of Fidelity's flagship funds, ironically falling in the same peer group as the failing funds in the current portfolio. Why isn't Fidelity investing their TDFs in these well-established funds?

Large-Cap Equity Source: fi360 Data as of /28/2014 **(Insert B)**

Fidelity Blue Chip Growth (FBGRX)	Large Growth	0	2	5	13	30	√	√	√	√	√	√	√	√	√	√	√	√
	# of Peers	1,452	1,374	1,226	960	578												
Fidelity Contrafund (FCNTX)	Large Growth	0	10	13	21	23	√	√	√	√	√	√	√	√	√	√	√	√
	# of Peers	1,452	1,374	1,226	960	578												
Fidelity Spartan 500 Index Inv (FUSEX)	Large Blend	0	3	1	6	8	√	√	√	√	√	√	√	√	√	√	√	√
	# of Peers	1,326	1,251	1,136	891	516												

Fidelity Freedom 2020 Portfolio Holdings Source: fi360 Data as of /28/2014

(Insert C)

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Large-Cap Equity																		
Fidelity Series 1000 Value Index (FIOOX)	Large Value # of Peers	-	-	-	-	-	X	X	√	X	X	√	N/Av	N/Av	N/Av	N/Av	N/Av	Watch
Fidelity Series Blue Chip Growth (FSBDX)	Large Growth # of Peers	-	-	-	-	-	X	X	√	X	X	√	N/Av	N/Av	N/Av	N/Av	N/Av	Watch
Fidelity Series Equity-Income (FNKLX)	Large Value # of Peers	-	-	-	-	-	X	X	√	√	√	√	N/Av	N/Av	X	N/Av	N/Av	Watch
Fidelity Series Growth & Income (FGLGX)	Large Blend # of Peers	-	-	-	-	-	X	X	√	√	√	√	N/Av	N/Av	X	N/Av	N/Av	Watch
Fidelity Series Growth Company (FCGSX)	Large Growth # of Peers	-	-	-	-	-	X	X	√	X	X	√	N/Av	N/Av	N/Av	N/Av	N/Av	Watch
Fidelity Series Opportunistic Insights (FVWSX)	Large Growth # of Peers	-	-	-	-	-	X	X	√	√	√	√	N/Av	N/Av	√	N/Av	N/Av	Watch
Fidelity Series Stk Selec Lg Cp Val (FBLEX)	Large Value # of Peers	-	-	-	-	-	X	X	√	√	√	√	N/Av	N/Av	X	N/Av	N/Av	Watch
Fidelity Series All-Sector Equity (FSAEX)	Large Growth # of Peers 1,452	30	14	-	-	-	√	√	√	√	√	√	X	√	X	X	√	Watch
Fidelity Series 100 Index (FOHIX)	Large Blend # of Peers 1,326	35	26	22	-	-	√	√	√	√	√	√	√	√	X	√	X	Watch
Small-Cap Equity																		
Fidelity Series Small Cap Discovery (FJACX)	Small Blend # of Peers	-	-	-	-	-	X	X	√	X	X	√	N/Av	N/Av	N/Av	N/Av	N/Av	Watch
Fidelity Series Small Cap Opps (FSOPX)	Small Blend # of Peers 594	49	43	30	-	-	√	√	√	√	X	√	X	X	√	X	√	Watch
Developed International Equity																		
Fidelity Series Intrinsic Opps (FDMLX)	World Stock # of Peers	-	-	-	-	-	X	X	√	N/App	N/App	√	N/Av	N/Av	√	N/Av	N/Av	Watch
Fidelity Series International Growth (FIGSX)	Foreign Large Growth # of Peers 230	0	0	-	-	-	√	√	√	√	√	√	√	√	√	√	√	-
Fidelity Series International Sm Cap (FSTSX)	Foreign Small/Mid Growth # of Peers 122	0	6	-	-	-	√	√	√	√	√	√	√	√	√	√	√	-
Fidelity Series International Value (FINVX)	Foreign Large Value # of Peers 315	55	49	-	-	-	√	√	√	√	√	√	X	X	X	X	X	Watch
Emerging Market Equity																		
Fidelity Series Emerging Markets (FEMSX)	Diversified Emerging Mkts # of Peers 421	0	8	-	-	-	√	√	√	√	N/App	√	√	√	√	√	√	-
Real Estate																		
Fidelity Series Real Estate Equity (FREDX)	Real Estate # of Peers	-	-	-	-	-	X	√	√	N/App	N/App	√	N/Av	N/Av	X	N/Av	N/Av	Watch
Fidelity Series Real Estate Income (FSREX)	Global Real Estate # of Peers	-	-	-	-	-	X	√	√	N/App	N/App	√	N/Av	N/Av	√	N/Av	N/Av	Watch
Intermediate Fixed Income																		
Fidelity Series Investment Grade Bond (FSIGX)	Intermediate-Term Bond # of Peers 914	15	22	-	-	-	√	√	√	√	√	√	√	X	√	√	√	X
Fidelity Series Infl-Prct Bd Idx (FSIPX)	Inflation-Protected Bond # of Peers 182	60	53	-	-	-	√	√	√	√	X	√	√	X	√	X	X	Watch
Short-Term Fixed Income																		
Fidelity Series Floating Rate High Inc (FFHCX)	Bank Loan # of Peers	-	-	-	-	-	X	√	√	N/App	N/App	√	N/Av	N/Av	√	N/Av	N/Av	Watch
Fidelity Short-Term Bond (FSHBX)	Short-Term Bond # of Peers 400	44	50	55	60	41	√	√	√	N/App	√	√	X	√	√	X	X	Watch
International Fixed Income																		
Fidelity Series Emerging Markets Debt (FEDCX)	Emerging Markets Bond # of Peers	-	-	-	-	-	X	√	√	N/App	N/App	√	N/Av	N/Av	√	N/Av	N/Av	Watch
High Yield Fixed Income																		
Fidelity Series High Income (FSHIX)	High Yield Bond # of Peers	-	-	-	-	-	X	√	√	N/App	X	√	N/Av	N/Av	√	N/Av	N/Av	Watch
Commodities																		
Fidelity Series Commodity Strategy (FCSSX)	Commodities Broad Basket # of Peers 85	62	69	-	-	-	√	√	√	N/App	N/App	√	X	X	√	X	X	Watch
Allocation																		
Fidelity Freedom 2020 (FFFDX)	Target Date 2016-2020 # of Peers 185	28	40	27	21	18	√	√	√	N/App	N/App	√	X	X	√	X	√	Watch
Stable Value / Money Market																		
Fidelity Instl MM Fds Money Market Instl (FNSXX)	Money Market Taxable # of Peers 901	0	0	-	-	-	√	√	√	N/App	N/App	√	N/Av	√	√	√	√	-

Vanguard (Insert D)

One alarming note when observing Vanguard’s selection of Target-Date funds report is the failure of Manager Tenure. The future performance of these funds is reliant on the success of all new managers. Additionally, Vanguard is using sub-par picks for some of their TDF portfolio holdings.

Vanguard Source: fi360 Data as of 2/28/14 **(Insert D)**

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Vanguard Target Retirement 2060 Inv (VTTSX)	Target Date 2051+ # of Peers	-	-	-	-	-	X	X	√	N/AppN/App	√	N/Av	N/Av	√	N/Av	N/Av	Watch	
Vanguard Target Retirement 2025 Inv (VTTVX)	Target Date 2021-2025 # of Peers	16	29	14	13	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2015 Inv (VTXVX)	Target Date 2011-2015 # of Peers	17	28	11	9	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2055 Inv (VFFVX)	Target Date 2051+ # of Peers	17	-	-	-	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2020 Inv (VTWVX)	Target Date 2016-2020 # of Peers	19	28	12	-	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2035 Inv (VTTHX)	Target Date 2031-2035 # of Peers	19	31	12	10	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2050 Inv (VFIFX)	Target Date 2046-2050 # of Peers	19	27	12	-	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2030 Inv (VTHRX)	Target Date 2026-2030 # of Peers	22	32	15	-	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2045 Inv (VTIVX)	Target Date 2041-2045 # of Peers	22	29	14	12	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2040 Inv (VFORX)	Target Date 2036-2040 # of Peers	23	33	13	-	-	√	X	√	N/AppN/App	√	√	√	√	√	√	-	
Vanguard Target Retirement 2010 Inv (VTENX)	Target Date 2000-2010 # of Peers	38	37	15	-	-	√	X	√	N/AppN/App	√	√	√	X	√	X	Watch	

T. Rowe Price (Insert E) has exhibited robust performance during 2013 in all of the underlying equity funds, giving their TDF 2020 a presentable appearance. However, upon examination of the red X's, nine of the funds have a failing 1 year return. Additionally, another instance of sub-par picking presents itself. The failing score on the first page of the report, World Stock, T. Rowe used its fund, T. Rowe Price Real Assets, which got a score of 90 and failed in 5 of the 11 criteria categories, including 1 yr, 3 yr, and 5 yr returns. Now turning attention to all of the funds, T. Rowe has, better alternatives appear, namely T. Rowe Price Global Stock.

T. Rowe Price Source: fi360 Data as of 2/28/14 (Insert E)

Investment Name	Peer Group	fi360 Fiduciary Score Average					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Large-Cap Equity																		
T. Rowe Price Value (TRVLX)	Large Value	0	1	9	12	14	√	√	√	√	√	√	√	√	√	√	√	
	# of Peers 1,054	995	905	707	365													
T. Rowe Price Equity Index 500 (PREIX)	Large Blend	17	8	3	12	13	√	√	√	√	√	√	√	X	√	√	-	
	# of Peers 1,326	1,251	1,136	891	516													
T. Rowe Price Growth Stock (PRGFX)	Large Growth	30	11	4	8	10	√	X	√	√	√	√	√	√	√	√	Watch	
	# of Peers 1,452	1,374	1,226	960	578													
Mid-Cap Equity																		
T. Rowe Price Mid-Cap Growth (RPMGX)	Mid-Cap Growth	0	0	3	2	2	√	√	√	√	√	√	√	√	√	√	-	
	# of Peers 645	604	537	428	271													
T. Rowe Price Mid-Cap Value (TRMCX)	Mid-Cap Value	36	22	19	14	17	√	√	√	√	√	√	√	X	X	X	Watch	
	# of Peers 365	346	311	225	87													
Small-Cap Equity																		
T. Rowe Price Small-Cap Stock (OTCFX)	Small Growth	17	11	12	14	34	√	√	√	√	√	√	√	√	X	√	-	
	# of Peers 617	588	535	407	248													
T. Rowe Price New Horizons (PRNHX)	Small Growth	28	20	18	17	19	√	√	√	√	X	√	√	√	√	√	Watch	
	# of Peers 617	588	535	407	248													
T. Rowe Price Small-Cap Value (PRSVX)	Small Blend	36	24	11	9	9	√	√	√	√	√	√	√	√	X	√	Watch	
	# of Peers 594	568	504	366	201													
Developed International Equity																		
T. Rowe Price Intl Gr & Inc (TRIGX)	Foreign Large Value	0	10	14	15	15	√	√	√	√	√	√	√	√	√	√	-	
	# of Peers 315	294	247	163	100													
T. Rowe Price Overseas Stock (TROSX)	Foreign Large Blend	0	0	9	-	-	√	√	√	√	√	√	√	√	√	√	-	
	# of Peers 681	645	558															
T. Rowe Price International Stock Fd (PRITX)	Foreign Large Growth	43	40	24	18	36	√	√	√	√	√	√	X	X	X	X	Watch	
	# of Peers 230	213	188	145	80													
T. Rowe Price Real Assets (PRAFV)	World Stock	90	-	-	-	-	√	√	√	N/AppN/App	√	X	X	X	X	X	Watch	
	# of Peers 757																	
Emerging Market Equity																		
T. Rowe Price Emerging Markets Stock (PRMSX)	Diversified Emerging Mkts	40	41	36	40	27	√	√	√	√	N/App	√	X	X	X	X	Watch	
	# of Peers 421	360	266	168	103													
Intermediate Fixed Income																		
T. Rowe Price Inflation Protected Bd (PRIPX)	Inflation-Protected Bond	18	12	6	4	-	√	√	√	√	√	√	X	X	X	√	-	
	# of Peers 182	166	142	110														
T. Rowe Price New Income (PRCIX)	Intermediate-Term Bond	41	39	22	16	8	√	√	√	√	√	√	X	X	X	X	Watch	
	# of Peers 914	864	750	572	397													
International Fixed Income																		
T. Rowe Price Emerging Markets Bond (PREMX)	Emerging Markets Bond	0	21	31	26	23	√	√	√	N/AppN/App	√	√	√	√	√	√	-	
	# of Peers 156	112	90	51	35													
T. Rowe Price International Bond (RPIBX)	World Bond	66	64	59	53	32	√	X	√	N/AppN/App	√	X	X	√	X	X	Watch	
	# of Peers 271	241	186	130	92													
High Yield Fixed Income																		
T. Rowe Price High-Yield (PRHYX)	High Yield Bond	0	3	7	5	5	√	√	√	N/App	√	√	√	√	√	√	-	
	# of Peers 528	488	432	328	212													
Allocation																		
T. Rowe Price Retirement 2020 (TRRBX)	Target Date 2016-2020	12	8	10	6	-	√	√	√	N/AppN/App	√	X	√	√	√	√	-	
	# of Peers 185	168	128	77														
Stable Value / Money Market																		
T. Rowe Price Summit Cash Reserves (TSCXX)	Money Market Taxable	33	21	-	-	-	√	√	√	N/AppN/App	√	N/Av	X	√	√	√	Watch	
	# of Peers 901	849																

Principal

Principal maintains a wide range of share classes for weach of their Target-Date (Lifetime) categories. Notably, each R1 TDF is on watch and half of them are failing in their 1 yr, 3 yr, and 5 year returns.

In the second report, the various share classes of the 2020 date are shown. As illustrated, the chosen share class has a drastic effect on performance. It must also be noted that Principal used sub-par funds, most notably in the Conservative Allocation and Large Cap peer groups.

Principal Source: fi360 Data as of 2/28/14 (Insert F)

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Principal LifeTime 2010 R1 (PVASX)	Target Date 2000-2010	38	48	61	73	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓	Watch	
	# of Peers	138	128	108	72													
Principal LifeTime 2025 R1 (LTSNX)	Target Date 2021-2025	40	66	-	-	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓	Watch	
	# of Peers	137	121															
Principal LifeTime 2030 R1 (PXASX)	Target Date 2026-2030	40	57	62	67	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓	Watch	
	# of Peers	183	170	126	77													
Principal LifeTime 2020 R1 (PWASX)	Target Date 2016-2020	43	59	67	74	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓	Watch	
	# of Peers	183	170	126	77													
Principal LifeTime 2015 R1 (LTSGX)	Target Date 2011-2015	45	59	-	-	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓	Watch	
	# of Peers	143	132															
Principal LifeTime 2055 R1 (LTFGX)	Target Date 2051+	49	60	-	-	-	✓	✓	✓	N/AppN/App	X	X	X	X	X	X	Watch	
	# of Peers	64	33															
Principal LifeTime 2050 R1 (PZASX)	Target Date 2046-2050	67	63	61	64	-	✓	✓	✓	N/AppN/App	X	X	X	X	X	X	Watch	
	# of Peers	151	135	78	15													
Principal LifeTime 2035 R1 (LTANX)	Target Date 2031-2035	71	73	-	-	-	✓	✓	✓	N/AppN/App	X	X	X	X	X	X	Watch	
	# of Peers	137	121															
Principal LifeTime 2040 R1 (PVASX)	Target Date 2036-2040	71	68	66	70	-	✓	✓	✓	N/AppN/App	X	X	X	X	X	X	Watch	
	# of Peers	181	168	120	68													
Principal LifeTime 2045 R1 (LTRGX)	Target Date 2041-2045	78	75	-	-	-	✓	✓	✓	N/AppN/App	X	X	X	X	X	X	Watch	
	# of Peers	135	119															

Investment Name	Peer Group	fi360 Fiduciary Score					fi360 Fiduciary Score Criteria											Action
		Score	1 Yr	3 Yr	5 Yr	10 Yr	1	2	3	4	5	6	7	8	9	10	11	
Allocation																		
Principal LifeTime 2020 B (PLIBX)	Target Date 2016-2020	52	66	75	79	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓		
	# of Peers	185	168	128	77													
Principal LifeTime 2020 R1 (PWASX)	Target Date 2016-2020	42	57	67	73	-	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓		
	# of Peers	185	168	128	77													
Principal LifeTime 2020 R2 (PTBNX)	Target Date 2016-2020	42	56	64	70	48	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓		
	# of Peers	185	168	128	77	17												
Principal LifeTime 2020 R3 (PTBMX)	Target Date 2016-2020	42	33	41	48	35	✓	✓	✓	N/AppN/App	X	X	X	✓	✓	✓		
	# of Peers	185	168	128	77	17												
Principal LifeTime 2020 A (PTBAX)	Target Date 2016-2020	19	24	37	46	-	✓	✓	✓	N/AppN/App	✓	X	X	✓	✓	✓		
	# of Peers	185	168	128	77													
Principal LifeTime 2020 J (PLFIX)	Target Date 2016-2020	19	23	36	46	32	✓	✓	✓	N/AppN/App	✓	X	X	✓	✓	✓		
	# of Peers	185	168	128	77	17												
Principal LifeTime 2020 R4 (PTBSX)	Target Date 2016-2020	19	25	37	45	32	✓	✓	✓	N/AppN/App	✓	X	X	✓	✓	✓		
	# of Peers	185	168	128	77	17												
Principal LifeTime 2020 R5 (PTBPX)	Target Date 2016-2020	19	16	31	40	29	✓	✓	✓	N/AppN/App	✓	X	X	✓	✓	✓		
	# of Peers	185	168	128	77	17												
Principal LifeTime 2020 Instl (PLWIX)	Target Date 2016-2020	12	12	24	30	22	✓	✓	✓	N/AppN/App	✓	X	✓	✓	✓	✓		
	# of Peers	185	168	128	77	17												