

# Trustee Meeting – February 6 – 7, 2019



Mark Wilkerson, HRA Consulting  
Charlie Isaacs, Area President  
John Fulbright, Senior Client Manager  
Sheilla Jones, Area Counsel, Client Consultant

## MISSION STATEMENT

The HRA VEBA Trust provides public employees a tax-free health reimbursement arrangement (HRA), compliant with regulatory requirements, efficient administration, prudent investments, and superb service.

# HRA VEBA Board of Trustees Meeting Agenda

Cedarbrook Lodge | 18525 36<sup>th</sup> Ave S, SeaTac, WA 98188 | (206) 901-9268


Wednesday, February 6, 2019; 3:00 PM to 5:00 PM PT | Thursday, February 7, 2019; 8:00 AM to 1:00 PM PT

Asterisk (\*) indicates Board action item.

Wednesday, February 6, 2019   3:00 PM to 5:00 PM PT; Dinner to follow		
Time Check	Agenda Item	Service Provider Attendees
3:00 p.m.	1. *Approval of Minutes (2 minutes)	Gallagher, Russ Greenblatt
3:02 p.m.	2. Legal & Compliance Report—Russ Greenblatt, Gallagher (43 minutes)	Gallagher, Russ Greenblatt
	2.1 *Proposed Changes to Whistleblower Policy	
	2.2 CMS Demand Letters	
	2.3 Right to Try Act Update	
3:45 p.m.	3. Plan Consultant Report—Gallagher (1.25 hours)	Gallagher, Russ Greenblatt
	3.1 Gallagher Service Report	
	3.2 *Replacement Trustee Election	
	3.3 Satisfaction Surveys	
	3.4 Brand Personality Update	
	3.5 Fee Comparison	
5:00 p.m.	Adjourn	
6:00 p.m.	DINNER	Gallagher, Russ Greenblatt, OneBridge, Hyas
Thursday, February 7, 2019   8:00 AM to 1:00 PM PT		
Time Check	Agenda Item	Service Provider Attendees
7:30 a.m.	BREAKFAST (30 minutes)	Gallagher, Russ Greenblatt, Hyas
8:00 a.m.	4. Investment Consultant Report—Hyas Group (1 hour)	Gallagher, Russ Greenblatt, Hyas
	4.1 *Investment Portfolio Review	
	4.2 *Investment Policy Statement Review	
9:00 a.m.	5. Int'l Equity Fund Manager Presentation—American Funds/Capital Group (30 minutes)	Gallagher, Russ Greenblatt, Hyas, Capital Group
9:30 a.m.	BREAK (30 minutes)	
10:00 a.m.	Executive Session (45 minutes)	Gallagher, Russ Greenblatt
10:45 a.m.	6. Auditor Report—Schoedel & Schoedel (45 minutes)	Gallagher, Russ Greenblatt, Hyas, Schoedel & Schoedel
	6.1 *Annual Trust Audit and IRS Form 990	
	6.2 2017 IRS Form 1099 Print Issue	
11:30 a.m.	7. Plan Administration Report (1 hour)	Gallagher, Russ Greenblatt, OneBridge
	7.1 Financial Report for Period Ending December 31, 2018	
	7.2 OneBridge Security Initiatives Final Update	
	7.3 Service Provider Performance Reports	
	7.4 Debit Card BIN Sponsor Change Update	
	7.5 2018 Annual Goals Review	
	7.6 *2019 Annual Goal Setting	
12:30 p.m.	8. Next Meeting Dates (5 minutes)	Gallagher, Russ Greenblatt, OneBridge
	8.1 April 8 or 9, 2019; Conference Call (Trustee nomination approval)	
	8.2 June 27-28, 2019; Gallagher Offices; Spokane	
	8.3 October 2-3, 2019; Willows Lodge; Woodinville	
	8.4 February 2020; Dates and Location TBD	
12:35 p.m.	9. New Business for Next Meeting (5 minutes)	Gallagher, Russ Greenblatt, OneBridge
12:40 p.m.	LUNCH (20 minutes)	Gallagher, Russ Greenblatt, OneBridge
1:00 p.m.	Adjourn	

## AGENDA ITEM 4.1: INVESTMENT PORTFOLIO REVIEW

 **SNAPSHOT:** Hyas Group's **December 31, 2018 Performance Report** is enclosed for the Board's review.

 **RELEVANT GOAL(S):** 7. Provide Trustee education and training; and 9. Monitor Trust service providers.

### BACKGROUND

Hyas Group's **December 31, 2018 Performance Report** (copy enclosed) includes the following:

- Market Overview
- Plan Review
- Investment Performance Review
- Plan Fee/Revenue Review
- Fund Attributions

Hyas Group's presentation will include a couple of recommended share class upgrades as well as a comparison of index funds and consideration of a replacement of the Trust's Large Cap Equity fund, which currently is the Vanguard Institutional Index (S&P 500) fund.

### ACTION ITEM

YES

NO

### SAMPLE MOTION

#1: I move to approve and implement the share class upgrades as presented and discussed to become effective when administratively feasible as determined by Gallagher and OneBridge.



**HRA VEBA TRUST**  
**Employees in the Northwest**  
December 31, 2018 Performance Report

~For Institutional Use Only – Not for Public Distribution~

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# Section 1



#### BACK TO NORMAL – “RETURN OF VOLATILITY”

For most investors 2018 likely felt anything but normal. December was a particularly difficult month that saw the US equity market (S&P 500 Index) down 9%, the worst December since 1931. The equity markets were up or down more than 1% nine times in December alone, and 64 times in 2018. In contrast, we saw 1% moves only eight times in all of 2017. The year also saw the Dow Jones, an index representing the largest blue-chip stocks, post swings of 1,000 points five times. It's only done so eight times in its entire 100+ year history. So what's normal about this?

A closer look at volatility through a long-term historical lens shows a very different picture. The average daily VIX (a leading measure of volatility) in 2018 was 16.6, nearly identical to the median historical calendar year for the past 25 years. This compares to a VIX of 11.1 in 2017. This year-over-year change in the VIX is among the largest in history. Hence, our perception is likely skewed by a recent and extended period of historically low market volatility during an extended bull market.

The question then becomes what's driven this return of volatility? In short, monetary policy has been a leading contributor to both historically low volatility during an extended period of accommodative (easing) policy and now higher volatility as the Federal Reserve (Fed) transitions to a restrictive (tightening) policy. In our last quarterly market commentary we cited a domestic yield curve that indicated a disconnect between the Fed and the broader financial markets with respect to projected future economic growth and inflation. The tension created by these diverging views came to a flash point in the final quarter of 2018. Despite a strong contractionary demand shock from China and subsequent declining global growth forecasts, the Fed held steadfastly to its previous policy guidance. Global equity markets responded with a sharp selloff that took US equities down 13.5% and foreign stocks down 11.5% in the fourth quarter.

Despite the equity market declines, nowhere have the diverging views of economic growth been reflected more clearly than the recent bond market. 10-year Treasury yields marched steadily higher over most of the year, rising from 2.40% at the beginning of the year to 3.15% at the end of October. Yield increases were supported by strong economic growth, low unemployment and signs of modest wage inflation. Market opinions on global growth changed sharply as the fourth quarter progressed. Slowing economic data out of China seemed to suddenly make the impacts of tough trade rhetoric a tangible reality. Slower expected growth in combination with aggressive Fed tightening resulted in a near freefall in bond yields. Yields dropped from 3.15% to 2.69% by year-end, a largely unprecedented pace.

In reaction to a combination of new economic data and increasing political pressure the Fed appears to have acquiesced from its rigid policy stance to start off the new year. Fed Chairman Jerome Powell made a public statement acknowledging an economic slowdown and assuring markets the Fed would be patient and flexible in policy decisions this year. At least for now, it would appear views are converging around slower growth expectations going forward. Expect volatility to normalize, but understand that after 10 years of a bull market, “normal” may look and feel very different.

## GLOBAL ECONOMIC LANDSCAPE

- December's headline employment number came in well above estimates as employers added 312,000 workers, versus expectations of 184,000. On a rolling three-month basis, employers are adding 254,000 workers per month. Despite higher job creation the unemployment rate actually ticked up slightly to 3.9% due to an increase in the labor force participation rate. Average hourly earnings rose 0.4% for the month of December. This translates to annualized wage growth of 3.2%, the highest since 2009.
- The Fed raised short-term borrowing rates four times in 2018 and is forecasting two rate hikes for 2019. Recent policy language appears to signal an end to the current tightening cycle in the face of slowing global economic growth.
- Global central banks look poised to continue their path to normalized interest rates which may continue to be a headwind for global growth. The Bank of Canada raised interest rates three times and the Bank of England once during 2018. The European Central Bank and Bank of Japan have kept rates low and are expected to continue this policy through 2019.
- Economic global divergence has emerged over the course of 2018. Major economies appear to be in very different stages of economic cycles. The US and UK look to be in the very late stages of an economic cycle followed closely by Canada and China. The Eurozone appears to be near the middle of an economic cycle while India and Brazil are on the verge of accelerating into a new economic cycle. While the increasing divergence brings more uncertainty, the International Monetary Fund is projecting a relatively strong 3.7% global growth rate in 2019.
- The latest data shows China's economy growing at 6.5% annualized, the slowest pace since 2016 despite continued stimulus efforts. Consumer spending, manufacturing, credit growth and housing are all showing signs of weakness. A slower growth China is likely to have a large impact on other nations, especially emerging markets whose economies are dependent on Chinese imports of raw materials.

## GLOBAL FINANCIAL MARKETS

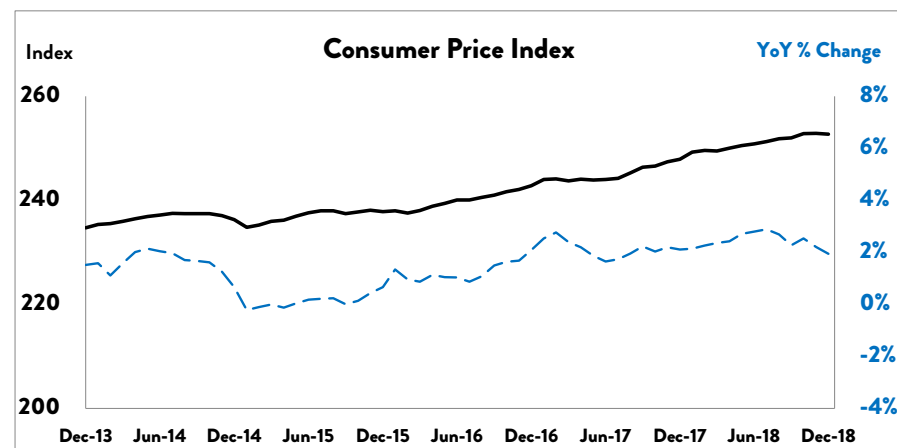
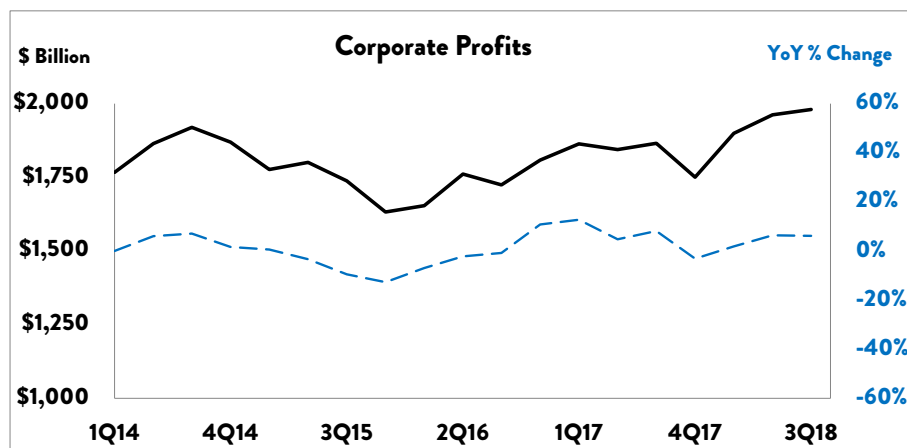
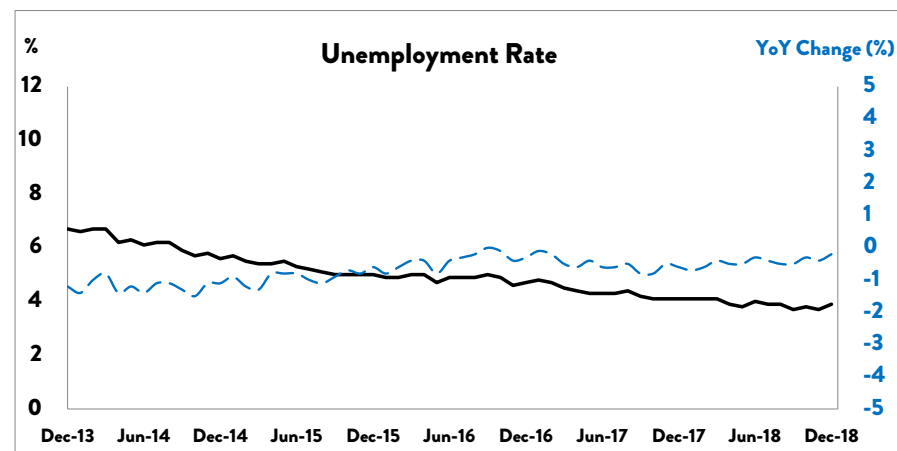
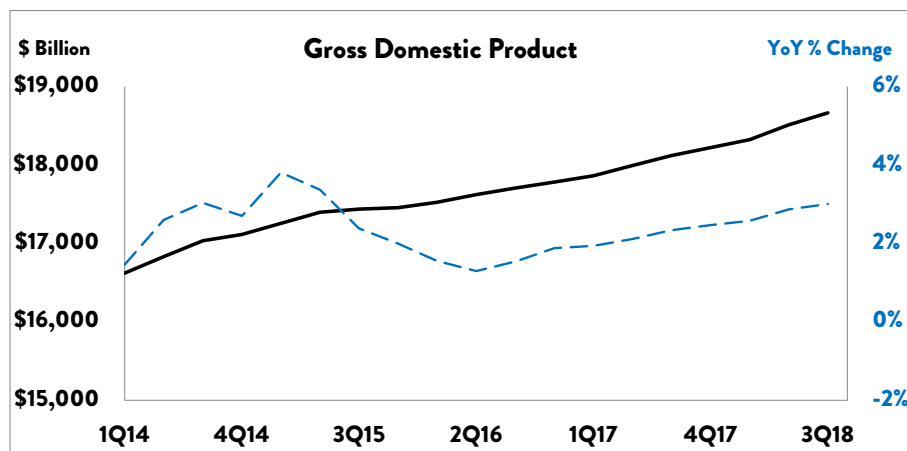
- Domestic credit spreads widened modestly throughout most of 2018, but suddenly gapped wider during the fourth quarter. Credit spreads on investment grade and high yield bonds ended the year at levels not seen since 2016. Despite the wider end of year spreads, investment grade and high yield bonds ended the year with only minor losses.
- Technology stocks (including the new communications services stocks) have grown to represent nearly 30% of the S&P 500 Index and increasingly provide market leadership. Technology stocks led the market sharply lower in the fourth quarter of the year despite largely strong earnings. Concerns over slowing growth rates coupled with relatively high valuations drove negative investment sentiment. It is worth noting that the technology sector has gained over 500% since the last bear market.
- Is this the turning point for value stocks? The past 10 years have been the most difficult in modern history for value stocks relative to growth stocks. On a rolling 3-year basis, global value stocks have underperformed growth stocks for more than 130 months! Some in the value investing community are referring to this lagging decade as the "nuclear winter".
- The MSCI All Country World Index entered the year trading at 21 times trailing 1-year earnings. As of the end of the year the Index traded at 17 times trailing earnings, the result of higher earnings and declining stock prices in 2018. While global valuations are broadly lower, emerging markets have been hit the hardest. Emerging markets now trade at 13 times trailing earnings.
- For nearly a decade, international and emerging equity markets have lagged domestic markets. In fact, the relative performance of US stocks vs. international stocks is at the highest level in nearly 14 years. However, the performance gap is not without credible support in the form of higher earnings growth rates.

This report is being provided for informational purposes only. The information and opinions presented in this report do not constitute investment advice and have been obtained from sources believed by Hyas Group to be reliable. Hyas Group makes no representation as to their accuracy or completeness. All opinions expressed herein are subject to change.

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## 4Q2018 Economic Data



Labor Market Statistics (Monthly)					
Category	Recent	5-Yr High	5-Yr Low	5-Yr Avg.	Date
Jobs Added/Lost Monthly	312,000	351,000	14,000	214,783	Dec-18
Unemployment Rate	3.9%	6.7%	3.7%	4.9%	Dec-18
Median Unemployment Length (Weeks)	8.9	18.4	6.6	11.2	Dec-18
Average Hourly Earnings	\$27.48	\$27.48	\$24.22	\$25.70	Dec-18

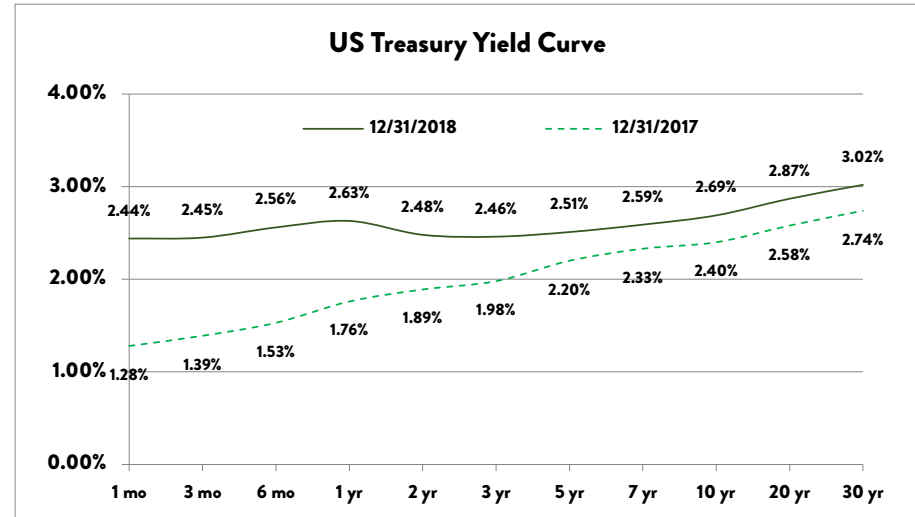
Source: Federal Reserve Bank of St. Louis and Bureau of Labor Statistics

Other Prices and Indexes (Monthly)					
Category	Recent	5-Yr High	5-Yr Low	% Off Peak	Date
Gas: Price per Gallon	\$2.33	\$3.70	\$1.79	-36.9%	Dec-18
Spot Oil	\$56.96	\$105.79	\$30.32	-46.2%	Nov-18
Case-Shiller Home Price Index	213.6	213.6	166.0	28.7%*	Oct-18
Medical Care CPI	489.1	489.1	430.1	13.7%*	Dec-18

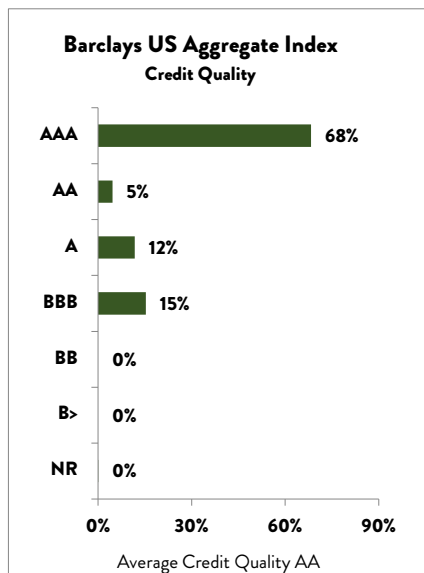
\*% Off Low

## 4Q2018 Bond Market Data

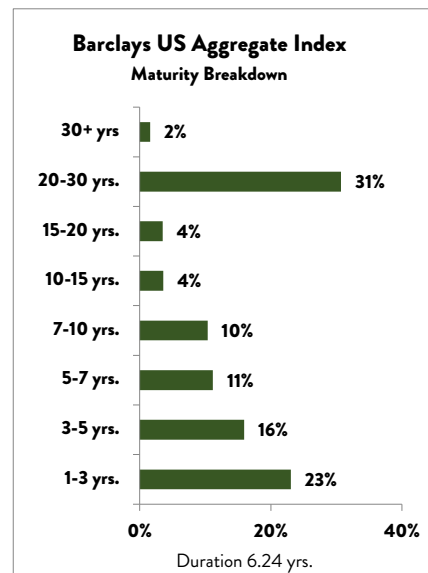
Index	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
90-Day T-Bill	0.50%	1.69%	1.69%	0.88%	0.54%	0.32%
Barclays US Aggregate	1.64%	0.01%	0.01%	2.06%	2.52%	3.48%
Barclays Short US Treasury	0.60%	1.88%	1.88%	1.07%	0.68%	0.46%
Barclays Int. US Treasury	2.24%	1.41%	1.41%	1.20%	1.47%	1.79%
Barclays Long US Treasury	4.19%	-1.84%	-1.84%	2.58%	5.93%	4.09%
Barclays US TIPS	-0.42%	-1.26%	-1.26%	2.11%	1.69%	3.64%
Barclays US Credit	0.01%	-2.11%	-2.11%	3.16%	3.22%	5.52%
Barclays US Mortgage-Backed	2.08%	0.99%	0.99%	1.71%	2.53%	3.11%
Barclays US Asset-Backed	1.25%	1.77%	1.77%	1.78%	1.70%	4.55%
Barclays US 20-Yr Municipal	1.83%	1.08%	1.08%	2.96%	5.10%	6.32%
Barclays US High Yield	-4.53%	-2.08%	-2.08%	7.23%	3.83%	11.12%
Barclays Global	1.20%	-1.20%	-1.20%	2.70%	1.08%	2.49%
Barclays International	0.91%	-2.15%	-2.15%	3.15%	-0.01%	1.74%
Barclays Emerging Market	-0.18%	-2.46%	-2.46%	5.05%	4.23%	8.47%



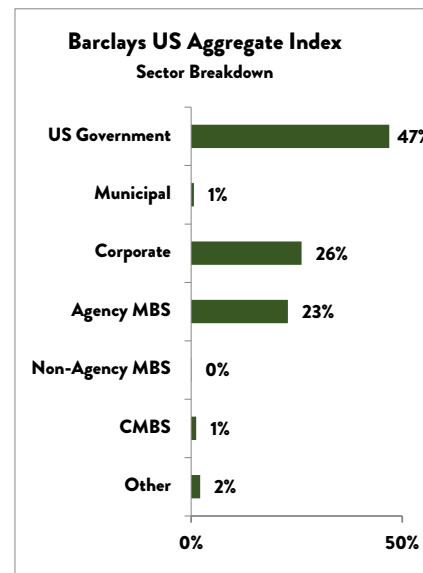
Source: Department of US Treasury



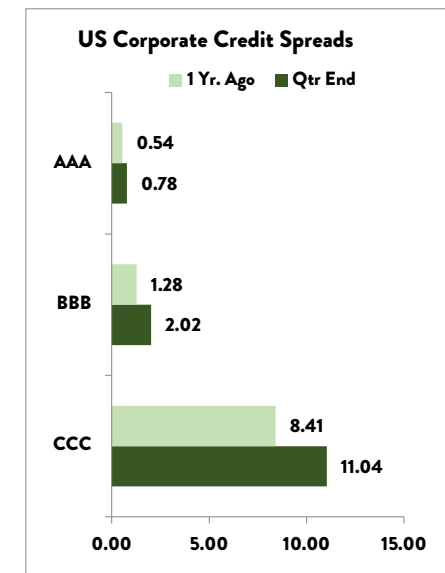
Source: Morningstar



Source: Morningstar



Source: Morningstar



Source: Federal Reserve / Bank of America

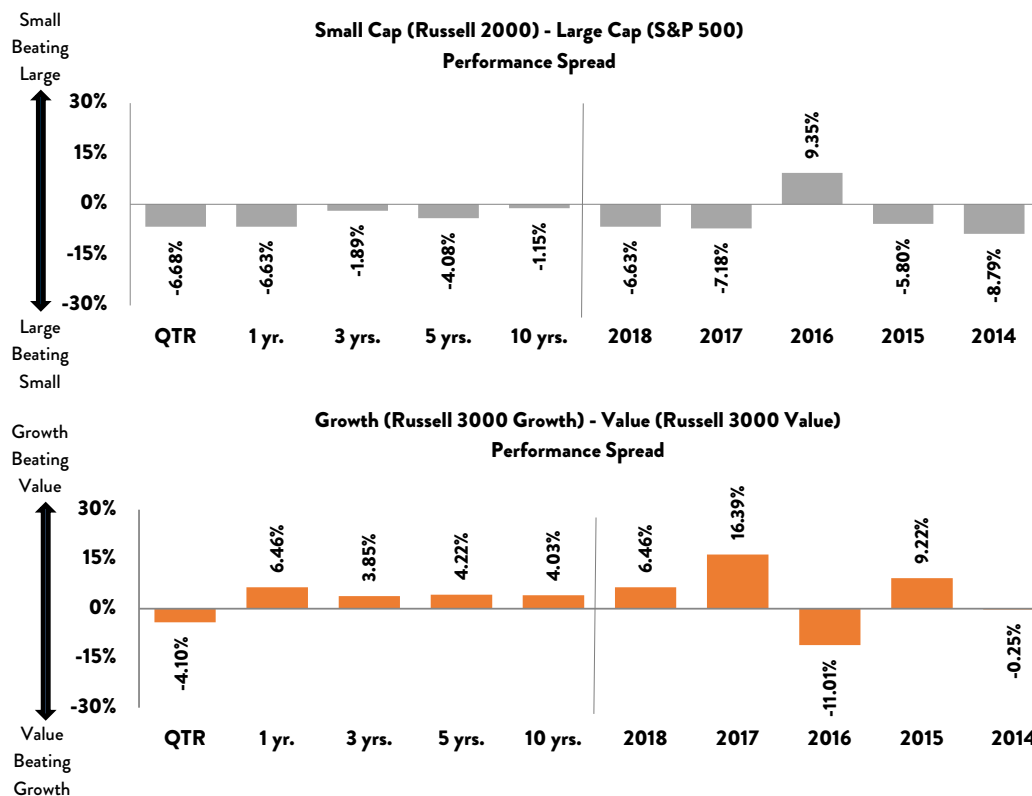
## 4Q2018 US Equity Market Data

### Sectors Weights/Returns (ranked by quarter performance)

S&P 500 Index	Wgt.	Sector	QTR	YTD	1 Yr.
	3%	Utilities	1.36%	4.11%	4.11%
	3%	Real Estate	-3.83%	-2.22%	-2.22%
	7%	Consumer Staples	-5.21%	-8.38%	-8.38%
	16%	Health Care	-8.72%	6.47%	6.47%
	3%	Materials	-12.31%	-14.70%	-14.70%
	13%	Financials	-13.11%	-13.03%	-13.03%
	10%	Communication Services	-13.19%	-12.53%	-12.53%
	10%	Consumer Discretionary	-16.42%	0.83%	0.83%
	9%	Industrials	-17.29%	-13.29%	-13.29%
S&P Midcap 400 Index	20%	Information Technology	-17.34%	-0.29%	-0.29%
	5%	Energy	-23.78%	-18.10%	-18.10%
	Wgt.	Sector	QTR	YTD	1 Yr.
	6%	Utilities	-0.72%	6.81%	6.81%
	3%	Consumer Staples	-8.01%	-7.15%	-7.15%
	3%	Communication Services	-9.97%	2.27%	2.27%
	10%	Real Estate	-10.56%	-5.99%	-5.99%
	16%	Financials	-15.77%	-15.95%	-15.95%
	15%	Information Technology	-16.85%	-5.47%	-5.47%
	12%	Consumer Discretionary	-18.16%	-17.92%	-17.92%
S&P Smallcap 600 Index	15%	Industrials	-18.58%	-14.89%	-14.89%
	7%	Materials	-19.50%	-20.37%	-20.37%
	10%	Health Care	-19.93%	6.51%	6.51%
	4%	Energy	-41.67%	-29.42%	-29.42%
	Wgt.	Sector	QTR	YTD	1 Yr.
	3%	Utilities	-5.64%	-0.41%	-0.41%
	7%	Real Estate	-11.16%	-11.10%	-11.10%
	19%	Financials	-14.19%	-6.29%	-6.29%
	4%	Consumer Staples	-14.34%	-4.86%	-4.86%
	14%	Information Technology	-17.67%	-8.93%	-8.93%
	14%	Consumer Discretionary	-19.53%	-8.12%	-8.12%
	2%	Communication Services	-21.06%	0.90%	0.90%
	11%	Health Care	-23.07%	9.93%	9.93%
	19%	Industrials	-23.32%	-12.15%	-12.15%
	4%	Materials	-26.46%	-22.25%	-22.25%
	3%	Energy	-45.80%	-42.77%	-42.77%

### Index Performance Data

Index	QTR	YTD	1 yr.	Annualized		
				3 yrs.	5 yrs.	10 yrs.
S&P 500	-13.52%	-4.38%	-4.38%	9.26%	8.49%	13.12%
Russell 1000 Value	-11.72%	-8.27%	-8.27%	6.95%	5.95%	11.18%
Russell 1000 Growth	-15.89%	-1.51%	-1.51%	11.15%	10.40%	15.29%
Russell Mid Cap	-15.37%	-9.06%	-9.06%	7.04%	6.26%	14.03%
Russell Mid Cap Value	-14.95%	-12.29%	-12.29%	6.06%	5.44%	13.03%
Russell Mid Cap Growth	-15.99%	-4.75%	-4.75%	8.59%	7.42%	15.12%
Russell 2000	-20.20%	-11.01%	-11.01%	7.36%	4.41%	11.97%
Russell 2000 Value	-18.67%	-12.86%	-12.86%	7.37%	3.61%	10.40%
Russell 2000 Growth	-21.65%	-9.31%	-9.31%	7.24%	5.13%	13.52%
Russell 3000	-14.30%	-5.24%	-5.24%	8.97%	7.91%	13.18%
DJ US Select REIT	-6.61%	-4.22%	-4.22%	1.97%	7.89%	12.05%



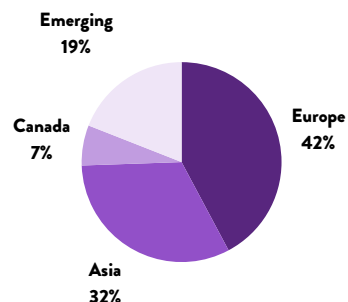
# 4Q2018 International Market Data

## Index Performance Data (net)

Index (US\$)	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
MSCI ACWI ex-US	-11.46%	-14.20%	-14.20%	4.48%	0.68%	6.57%
MSCI EAFE	-12.54%	-13.79%	-13.79%	2.87%	0.53%	6.32%
Europe	-12.72%	-14.86%	-14.86%	2.10%	-0.61%	6.15%
United Kingdom	-11.78%	-14.15%	-14.15%	1.60%	-1.71%	6.84%
Germany	-15.48%	-22.17%	-22.17%	0.70%	-2.13%	5.55%
France	-15.05%	-12.76%	-12.76%	5.61%	1.17%	5.49%
Pacific	-12.20%	-12.02%	-12.02%	4.54%	2.73%	6.76%
Japan	-14.23%	-12.88%	-12.88%	3.41%	3.06%	5.33%
Hong Kong	-4.53%	-7.83%	-7.83%	8.68%	6.05%	12.22%
Australia	-10.01%	-11.99%	-11.99%	5.56%	0.46%	8.88%
Canada	-15.30%	-17.20%	-17.20%	6.18%	-1.62%	5.72%
MSCI EM	-7.47%	-14.58%	-14.58%	9.25%	1.65%	8.02%
MSCI EM Latin America	0.36%	-6.57%	-6.57%	14.85%	-1.73%	4.98%
MSCI EM Asia	-9.29%	-15.45%	-15.45%	8.63%	3.94%	9.81%
MSCI EM Eur/Mid East	-4.31%	-8.07%	-8.07%	9.18%	-4.69%	4.09%
MSCI ACWI Value ex-US	-10.71%	-13.97%	-13.97%	4.75%	-0.38%	5.95%
MSCI ACWI Growth ex-US	-12.20%	-14.43%	-14.43%	4.19%	1.69%	7.15%
MSCI ACWI Sm Cap ex-US	-14.43%	-18.20%	-18.20%	3.82%	1.96%	10.02%

## Regional Exposure

MSCI ACWI ex-USA

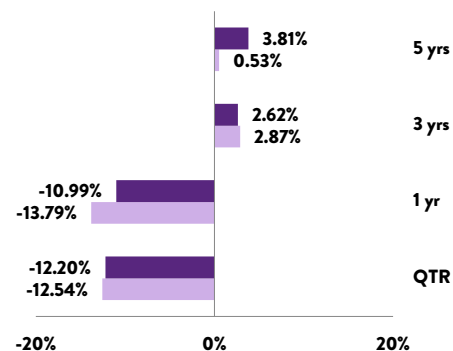


## Top 10 Countries (MSCI AC World ex-USA)

Japan	16%
UK	12%
China	8%
France	7%
Canada	7%
Germany	6%
Switzerland	6%
Australia	5%
South Korea	4%
Taiwan	3%

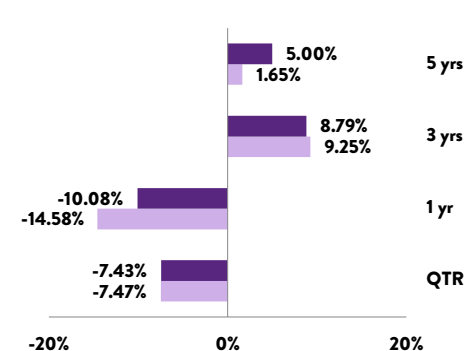
## MSCI EAFE Index Return

Local US\$

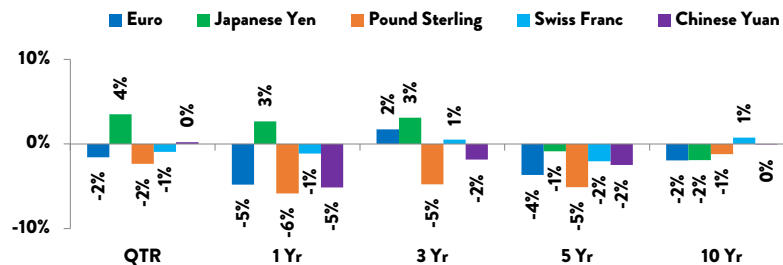


## MSCI Emerging Index Return

Local US\$

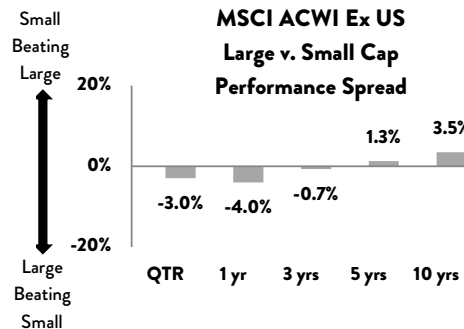


## Foreign Currency v. US\$ Returns

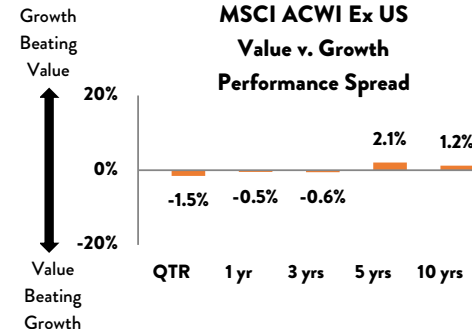


Exchange Rates	QTR	3Q18	2Q18	1Q18	4Q17	3Q17
Japanese Yen	109.70	113.48	110.71	106.20	112.69	112.64
Euro	0.87	0.86	0.86	0.81	0.83	0.85
British Pound	0.78	0.77	0.76	0.71	0.74	0.75
Swiss Franc	0.98	0.98	0.99	0.95	0.97	0.97
Chinese Yuan	6.88	6.87	6.62	6.27	6.51	6.65

## MSCI ACWI Ex US Large v. Small Cap Performance Spread



## MSCI ACWI Ex US Value v. Growth Performance Spread



## Historical Market Returns

Ranked by Performance

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	4Q18
Emerging Markets 25.55%	Emerging Markets 34.00%	Emerging Markets 32.14%	Emerging Markets 39.42%	US Bonds 5.24%	Emerging Markets 78.51%	Small Cap 26.85%	Core Real Estate 14.96%	Emerging Markets 18.22%	Small Cap 38.82%	Large Cap 13.68%	Core Real Estate 13.95%	Small Cap 21.30%	Emerging Markets 37.28%	Core Real Estate 7.38%	US Bonds 1.64%
Intl 20.91%	Commod. 21.36%	Intl 26.65%	Intl 16.65%	Global Bonds 4.79%	High Yield 58.21%	Mid Cap 25.48%	TIPS 13.56%	Mid Cap 17.28%	Mid Cap 34.76%	Mid Cap 13.21%	Large Cap 1.38%	High Yield 17.12%	Intl 27.19%	Cash 1.69%	Core Real Estate 1.53%
Mid Cap 20.22%	Core Real Estate 20.15%	Small Cap 18.37%	Commod. 16.23%	Cash 1.39%	Intl 41.45%	Emerging Markets 18.88%	US Bonds 7.84%	Intl 16.83%	Large Cap 32.39%	Core Real Estate 11.44%	US Bonds 0.55%	Mid Cap 13.79%	Large Cap 21.83%	US Bonds 0.01%	Global Bonds 1.20%
Small Cap 18.33%	Intl 16.62%	Large Cap 15.79%	Core Real Estate 14.84%	TIPS -2.35%	Mid Cap 40.48%	Commod. 16.83%	Global Bonds 5.64%	Small Cap 16.35%	Intl 15.29%	US Bonds 5.97%	Cash 0.03%	Large Cap 11.95%	Mid Cap 18.52%	Global Bonds -1.20%	Cash 0.50%
Global Balanced 12.18%	Mid Cap 12.65%	Core Real Estate 15.27%	TIPS 11.64%	Core Real Estate -10.70%	Small Cap 27.17%	Core Real Estate 15.26%	High Yield 4.98%	Large Cap 16.00%	Global Balanced 14.46%	Small Cap 4.89%	TIPS -1.43%	Commod. 11.76	Global Balanced 15.87%	TIPS -1.26%	TIPS -0.42%
Core Real Estate 12.00%	Large Cap 4.91%	Mid Cap 15.26%	Global Bonds 9.48%	Global Balanced -24.51%	Large Cap 26.46%	High Yield 15.12%	Large Cap 2.11%	High Yield 15.81%	Core Real Estate 12.95%	TIPS 3.64%	Global Balanced -1.45%	Emerging Markets 11.18%	Small Cap 14.65%	High Yield -2.08%	High Yield -4.53%
High Yield 11.13%	Small Cap 4.55%	Global Balanced 14.53%	Global Balanced 9.07%	High Yield -26.16%	Global Balanced 20.49%	Large Cap 15.06%	Cash 0.06%	Global Balanced 11.06%	High Yield 7.44%	Global Balanced 3.17%	Mid Cap -2.43%	Core Real Estate 7.76%	High Yield 7.50%	Large Cap -4.38%	Emerging Markets -7.47%
Large Cap 10.88%	Global Balanced 4.16%	High Yield 11.85%	US Bonds 6.97%	Small Cap -33.79%	Commod. 18.91%	Intl 11.15%	Global Balanced -0.97%	Core Real Estate 9.76%	Cash 0.07%	High Yield 2.45%	Global Bonds -3.15%	Global Balanced 5.38%	Global Bonds 7.39%	Global Balanced -5.30%	Global Balanced -7.61%
Global Bonds 9.27%	Cash 3.25%	Global Bonds 6.64%	Mid Cap 5.60%	Commod. -35.65%	TIPS 11.41%	Global Balanced 9.40%	Mid Cap -1.55%	TIPS 6.98%	US Bonds -2.02%	Global Bonds 0.59%	Small Cap -4.41%	TIPS 4.68%	Core Real Estate 6.66%	Mid Cap -9.06%	Commod. -9.41%
Commod. 9.15%	TIPS 2.84%	Cash 4.85%	Large Cap 5.49%	Large Cap -37.00%	Global Bonds 6.93%	US Bonds 6.54%	Small Cap -4.18%	Global Bonds 4.32%	Global Bonds -2.60%	Cash 0.04%	High Yield -4.46%	Intl 4.50%	US Bonds 3.54%	Small Cap -11.01%	Intl -11.46%
TIPS 8.46%	High Yield 2.74%	US Bonds 4.33%	Cash 4.44%	Mid Cap -41.46%	US Bonds 5.93%	TIPS 6.31%	Commod. -13.32%	US Bonds 4.21%	Emerging Markets -2.60%	Emerging Markets -2.18%	Intl -5.66%	US Bonds 2.65%	TIPS 3.01%	Commod. -11.25%	Large Cap -13.52%
US Bonds 4.34%	US Bonds 2.43%	Commod. 2.07%	High Yield 1.87%	Intl -45.53%	Cash 0.16%	Global Bonds 5.54%	Intl -13.71%	Cash 0.08%	TIPS -8.61%	Intl -3.86%	Emerging Markets -14.90%	Global Bonds 2.09%	Commod. 1.70%	Intl -14.20%	Mid Cap -15.37%
Cash 1.44%	Global Bonds -4.49%	TIPS 0.41%	Small Cap -1.57%	Emerging Markets -53.33%	Core Real Estate -30.40%	Cash 0.15%	Emerging Markets -18.42%	Commod. -1.06%	Commod. -9.52%	Commod. -17.00%	Commod. -24.60%	Cash 0.25%	Cash 0.71%	Emerging Markets -14.58%	Small Cap -20.20%

Global Balanced is composed of 60% MSCI World Stock Index, 35% Barclays Global Aggregate Bond Index, and 5% US 90-Day T-Bills.

# Section 2

## HRA VEBA TRUST

Employees in the Northwest

## TRUST ASSET ALLOCATION

Fourth Quarter 2018

Fixed Income	Ticker	Assets	%
HRA VEBA Stable Value	-	\$84,882,510	17.5%
Metropolitan West Total Return Bond Plan	MWTSX	\$7,740,795	1.6%
<b>Total</b>		<b>\$92,623,305</b>	<b>19.1%</b>

Large Cap	Ticker	Assets	%
Vanguard Institutional Index Instl	VINIX	\$74,653,472	15.4%
<b>Total</b>		<b>\$74,653,472</b>	<b>15.4%</b>

Mid Cap	Ticker	Assets	%
Carillon Scout Mid Cap I	UMBMX	\$9,411,479	1.9%
<b>Total</b>		<b>\$9,411,479</b>	<b>1.9%</b>

Small Cap	Ticker	Assets	%
Champlain Small Company Instl	CIPNX	\$8,155,884	1.7%
<b>Total</b>		<b>\$8,155,884</b>	<b>1.7%</b>

International	Ticker	Assets	%
American Funds EuroPacific Growth R6	RERGX	\$5,009,432	1.0%
<b>Total</b>		<b>\$5,009,432</b>	<b>1.0%</b>

Asset Allocation	Ticker	Assets	%
Vanguard Balanced Index I	VBAIX	\$61,776,293	12.7%
Vanguard LifeStrategy Income Inv	VASIX	\$76,544,228	15.8%
Vanguard LifeStrategy Conservative Gr Inv	VSCGX	\$65,960,388	13.6%
Vanguard LifeStrategy Moderate Growth Inv	VSMGX	\$32,004,957	6.6%
Vanguard LifeStrategy Growth Inv	VASGX	\$59,806,092	12.3%
<b>Total</b>		<b>\$296,091,958</b>	<b>60.9%</b>

**TOTAL TRUST ASSETS**

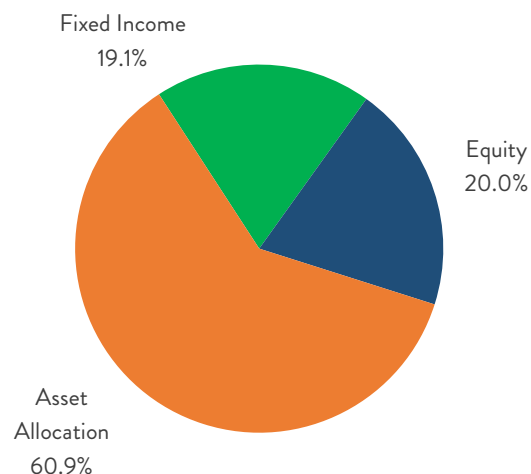
**\$485,945,531**

# HRA VEBA TRUST

Employees in the Northwest

# TRUST ASSET ALLOCATION

Fourth Quarter 2018



## HISTORICAL TRUST ALLOCATION

Asset Class	4Q18	2017	2016	2015	2014	2013	2012	2011
<b>Fixed Income</b>	19.1%	17.2%	19.6%	20.8%	21.4%	23.8%	28.4%	N/A
<b>Large Cap</b>	15.4%	16.6%	16.0%	16.2%	17.2%	17.3%	15.3%	N/A
<b>Mid Cap</b>	1.9%	2.0%	1.7%	1.6%	1.7%	1.7%	1.5%	N/A
<b>Small Cap</b>	1.7%	1.7%	1.7%	1.6%	1.7%	1.9%	1.6%	N/A
<b>International</b>	1.0%	1.2%	0.9%	1.0%	1.0%	1.2%	1.0%	N/A
<b>Asset Allocation</b>	60.9%	61.3%	60.1%	58.8%	57.0%	54.0%	52.2%	N/A

## EQUITY STYLE\*

Core Growth Value

4 Q18	86.5%	13.5%
2017	86.6%	13.4%
2016	87.0%	13.0%
2015	79.5%	20.5%
2014	79.7%	20.3%
2013	78.5%	21.5%
2012	79.0%	21.0%

## BY EQUITY REGION\*

US Non-US

4 Q18	94.8%	5.2%
2017	94.5%	5.5%
2016	95.5%	4.5%
2015	95.1%	4.9%
2014	95.2%	4.8%
2013	94.8%	5.2%
2012	94.9%	5.1%

## ACTIVE V PASSIVE\*\*

Active Passive

4 Q18	60.7%	39.3%
2017	57.2%	42.8%
2016	60.0%	40.0%
2015	60.7%	39.3%
2014	60.0%	40.0%
2013	62.2%	37.8%
2012	67.5%	32.5%

\*Excludes Fixed Income and Asset Allocation assets

\*\*Excludes Asset Allocation assets



# HRA VEBA TRUST

Employees in the Northwest

# TRUST ASSET ALLOCATION

Fourth Quarter 2018

## TRUST LEVEL CASH FLOWS

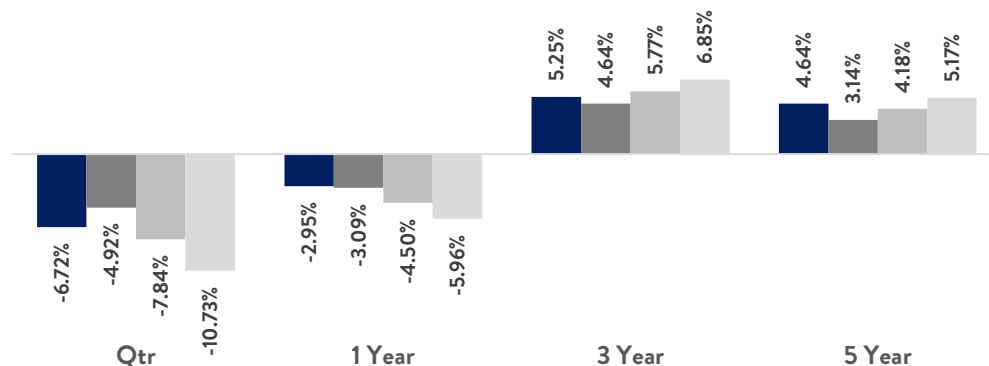
	Beginning Value	Cash Flow (+)	Cash Flow (-)	Market Gain/Loss	Ending Value
<b>Fixed Income</b>	\$86,674,371	\$5,524,229	(\$119,469)	\$544,174	\$92,623,305
<b>Large Cap</b>	\$86,783,934	\$0	(\$405,536)	(\$11,724,926)	\$74,653,472
<b>Mid Cap</b>	\$11,382,790	\$0	(\$62,732)	(\$1,908,579)	\$9,411,479
<b>Small Cap</b>	\$10,181,984	\$0	(\$51,543)	(\$1,974,558)	\$8,155,884
<b>International</b>	\$5,787,930	\$0	(\$51,460)	(\$727,037)	\$5,009,432
<b>Asset Allocation</b>	\$311,420,929	\$4,409,463	(\$806,265)	(\$18,932,169)	\$296,091,958
<b>Total</b>	\$512,231,938	\$9,933,692	(\$1,497,005)	(\$34,723,094)	\$485,945,531

## HISTORICAL TRUST CASH FLOWS

	Beginning Value	Net Cash Flow	Market Gain/Loss	Ending Value
<b>4Q18</b>	\$512,231,938	\$8,436,687	(\$34,723,094)	\$485,945,531
<b>YTD</b>	\$465,730,499	\$35,198,031	(\$14,982,999)	\$485,945,531
<b>2017</b>	\$398,215,112	\$17,548,361	\$49,967,026	\$465,730,499
<b>2016</b>	\$357,293,760	\$15,351,569	\$25,569,783	\$398,215,112
<b>2015</b>	\$344,104,376	\$11,901,821	\$1,287,563	\$357,293,760
<b>2014</b>	\$295,012,945	\$26,822,459	\$22,268,973	\$344,104,376

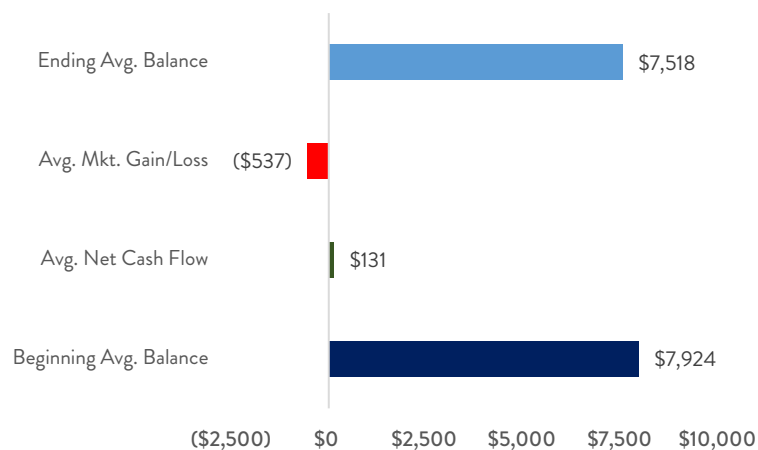
## Returns

■ HRA VEBA Trust ■ 40 Equity/60 Fixed ■ 60 Equity/40 Fixed ■ 80 Equity/20 Fixed



Equity Indices: Russell 3000, MSCI ACWI ex USA; Fixed Indices: US Treasury 90 Day T-Bill, Barclays Global Aggregate Bond (rebalanced quarterly)

## Avg. Balance



Only active participants are included in the average.

# Section 3

# HRA VEBA TRUST

Employees in the Northwest

# INVESTMENT POLICY STATEMENT COMPLIANCE REPORT

Fourth Quarter 2018

Key: Ⓟ Pass / ● Fail

## Investment Policy Status

	Performance Factors	Qualitative Factors	On-Watch Date Initiated	Notes
HRA VEBA Stable Value	Ⓟ	Ⓟ	-	
Metropolitan West Total Return Bond Plan	Ⓟ	Ⓟ	-	
Vanguard Institutional Index Instl	Ⓟ	Ⓟ	-	
Carillon Scout Mid Cap I	Ⓟ	Ⓟ	-	
Champlain Small Company Instl	Ⓟ	Ⓟ	-	
American Funds EuroPacific Growth R6	Ⓟ	Ⓟ	-	
Vanguard Balanced Index I	Ⓟ	Ⓟ	-	
Vanguard LifeStrategy Income Inv	Ⓟ	Ⓟ	-	
Vanguard LifeStrategy Conservative Gr Inv	Ⓟ	Ⓟ	-	
Vanguard LifeStrategy Moderate Growth Inv	Ⓟ	Ⓟ	-	
Vanguard LifeStrategy Growth Inv	Ⓟ	Ⓟ	-	

# HRA VEBA TRUST

Employees in the Northwest

# PERFORMANCE REVIEW

Fourth Quarter 2018

	QTR	YTD	1Yr	Annualized			2017	2016	2015	2014	2013	2012
				3Yr	5Yr	10Yr						
<b>HRA VEBA Stable Value</b>	<b>0.52</b>	<b>1.92</b>	<b>1.92</b>	<b>1.69</b>	<b>1.61</b>	<b>1.64</b>	<b>1.64</b>	<b>1.52</b>	<b>1.42</b>	<b>1.56</b>	<b>1.27</b>	<b>1.38</b>
5 Yr Constant Maturity US Treasury Yield	0.71	2.75	2.75	2.03	1.85	1.68	1.91	1.44	1.53	1.64	1.16	0.76
US 90 Day T-Bill	0.50	1.69	1.69	0.88	0.54	0.32	0.71	0.25	0.03	0.04	0.07	0.08
+/- Index	(0.19)	(0.83)	(0.83)	(0.34)	(0.24)	(0.04)	(0.27)	0.08	(0.11)	(0.08)	0.10	0.62
US Stable Value	40	43	43	40	38	67	39	40	40	25	49	72
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Metropolitan West Total Return Bond Plan</b>	<b>1.49</b>	<b>0.29</b>	<b>0.29</b>	<b>2.10</b>	<b>2.52</b>	<b>5.69</b>	<b>3.49</b>	<b>2.56</b>	<b>0.25</b>	<b>6.16</b>	<b>0.45</b>	<b>11.54</b>
BBgBarc Capital US Aggregate Bond Index	1.64	0.01	0.01	2.06	2.52	3.48	3.54	2.65	0.55	5.97	-2.02	4.21
+/- Index	(0.14)	0.27	0.27	0.05	0.00	2.21	(0.05)	(0.09)	(0.30)	0.19	2.47	7.33
US Fund Intermediate-Term Bond	25	20	20	49	33	10	58	64	35	22	9	6
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Vanguard Institutional Index Instl</b>	<b>-13.53</b>	<b>-4.42</b>	<b>-4.42</b>	<b>9.22</b>	<b>8.46</b>	<b>13.11</b>	<b>21.79</b>	<b>11.93</b>	<b>1.37</b>	<b>13.65</b>	<b>32.35</b>	<b>15.98</b>
S&P 500 Index	-13.52	-4.38	-4.38	9.26	8.49	13.12	21.83	11.96	1.38	13.69	32.39	16.00
+/- Index	(0.01)	(0.04)	(0.04)	(0.04)	(0.03)	(0.01)	(0.04)	(0.03)	(0.01)	(0.04)	(0.04)	(0.02)
US Fund Large Blend	43	27	27	15	10	19	29	27	20	18	42	35
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Carillon Scout Mid Cap I</b>	<b>-16.83</b>	<b>-9.74</b>	<b>-9.74</b>	<b>9.82</b>	<b>6.93</b>	<b>14.85</b>	<b>24.02</b>	<b>18.31</b>	<b>1.41</b>	<b>4.09</b>	<b>37.68</b>	<b>9.89</b>
Russell Mid Cap Index	-15.37	-9.06	-9.06	7.04	6.26	14.03	18.52	13.80	-2.44	13.22	34.76	17.28
+/- Index	(1.46)	(0.68)	(0.68)	2.77	0.67	0.83	5.51	4.51	3.85	(9.12)	2.92	(7.39)
US Fund Mid-Cap Blend	58	39	39	6	5	4	3	23	5	83	21	88

# HRA VEBA TRUST

Employees in the Northwest

# PERFORMANCE REVIEW

Fourth Quarter 2018

	QTR	YTD	1Yr	<i>Annualized</i>			2017	2016	2015	2014	2013	2012
<b>Champlain Small Company Instl</b>	<b>-19.49</b>	<b>-2.97</b>	<b>-2.97</b>	<b>11.30</b>	<b>7.23</b>	<b>13.07</b>	<b>10.81</b>	<b>28.22</b>	<b>-1.21</b>	<b>4.07</b>	<b>36.21</b>	<b>10.66</b>
Russell 2000 Index	-20.20	-11.01	-11.01	7.36	4.41	11.97	14.65	21.31	-4.41	4.89	38.82	16.35
Russell 2000 Growth Index	-21.65	-9.31	-9.31	7.24	5.13	13.52	22.17	11.32	-1.38	5.60	43.30	14.59
+/- Index	0.71	8.04	8.04	3.93	2.82	1.10	(3.83)	6.92	3.20	(0.82)	(2.61)	(5.69)
US Fund Small Blend	46	2	2	2	1	18	66	10	11	53	60	88
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>American Funds EuroPacific Growth R6</b>	<b>-12.59</b>	<b>-14.91</b>	<b>-14.91</b>	<b>4.08</b>	<b>1.86</b>	<b>7.69</b>	<b>31.17</b>	<b>1.01</b>	<b>-0.48</b>	<b>-2.29</b>	<b>20.58</b>	<b>19.64</b>
MSCI AC World Ex-USA Growth (Net) Index	-12.20	-14.43	-14.43	4.19	1.69	7.15	32.01	0.12	-1.25	-2.65	15.49	16.67
+/- Index	(0.39)	(0.48)	(0.48)	(0.11)	0.17	0.54	(0.84)	0.89	0.77	0.36	5.09	2.97
US Fund Foreign Large Growth	33	58	58	33	36	42	44	20	66	27	36	34
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Vanguard Balanced Index I</b>	<b>-8.06</b>	<b>-2.82</b>	<b>-2.82</b>	<b>6.38</b>	<b>5.89</b>	<b>9.56</b>	<b>13.86</b>	<b>8.81</b>	<b>0.52</b>	<b>10.00</b>	<b>18.11</b>	<b>11.51</b>
Vanguard Balanced Composite Index	-8.07	-2.80	-2.80	6.44	5.99	9.65	13.93	8.89	0.76	10.06	18.25	11.72
+/- Index	0.01	(0.02)	(0.02)	(0.06)	(0.10)	(0.09)	(0.07)	(0.08)	(0.24)	(0.06)	(0.14)	(0.21)
US Fund Allocation--50% to 70% Equity	39	11	11	13	10	19	43	21	12	9	37	61
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Vanguard LifeStrategy Income Inv</b>	<b>-1.38</b>	<b>-1.05</b>	<b>-1.05</b>	<b>3.45</b>	<b>3.44</b>	<b>5.18</b>	<b>6.98</b>	<b>4.58</b>	<b>0.22</b>	<b>6.76</b>	<b>3.40</b>	<b>6.54</b>
Vanguard LifeStrategy Income Index	-1.41	-0.98	-0.98	3.60	3.60	5.31	7.15	4.79	0.47	6.84	3.71	6.83
+/- Index	0.03	(0.07)	(0.07)	(0.15)	(0.16)	(0.13)	(0.17)	(0.21)	(0.25)	(0.08)	(0.31)	(0.29)
US Fund Conservative Allocation	1	2	2	46	13	77	81	72	7	10	87	86
US Fund Allocation--15% to 30% Equity	12	11	11	29	13	47	49	65	8	4	68	78

\*The LifeStrategy funds may demonstrate longer-term tracking error due to the fact that prior to 2011 they applied some active amangement in the strategy. The funds moved to an all passive strategy in late 2011 and tracking error has been minor since this change.

# HRA VEBA TRUST

Employees in the Northwest

# PERFORMANCE REVIEW

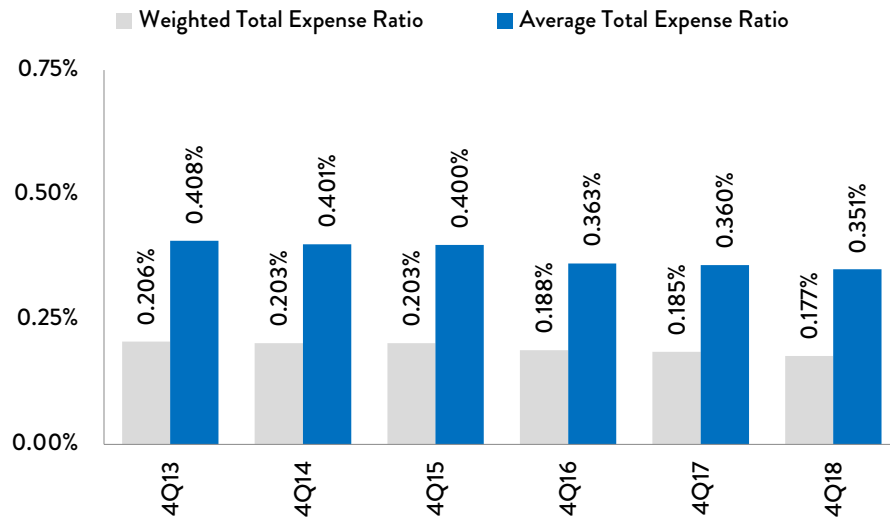
Fourth Quarter 2018

	QTR	YTD	1Yr	Annualized			2017	2016	2015	2014	2013	2012
				3Yr	5Yr	10Yr						
<b>Vanguard LifeStrategy Conservative Gr Inv</b>	<b>-4.42</b>	<b>-2.95</b>	<b>-2.95</b>	<b>4.48</b>	<b>4.02</b>	<b>6.74</b>	<b>10.92</b>	<b>5.96</b>	<b>-0.17</b>	<b>6.95</b>	<b>9.08</b>	<b>9.19</b>
Vanguard LifeStrategy Conservative Growth Index	-4.44	-2.88	-2.88	4.62	4.19	6.82	11.11	6.11	-0.14	7.12	9.40	9.33
+/- Index	0.02	(0.07)	(0.07)	(0.14)	(0.17)	(0.08)	(0.19)	(0.15)	(0.03)	(0.17)	(0.32)	(0.14)
US Fund Conservative Allocation	36	22	22	12	6	36	18	39	12	9	33	57
US Fund Allocation--30% to 50% Equity	22	14	14	21	9	45	30	54	12	9	33	57
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Vanguard LifeStrategy Moderate Growth Inv</b>	<b>-7.42</b>	<b>-4.91</b>	<b>-4.91</b>	<b>5.43</b>	<b>4.53</b>	<b>8.17</b>	<b>15.04</b>	<b>7.13</b>	<b>-0.57</b>	<b>7.07</b>	<b>15.04</b>	<b>11.76</b>
Vanguard LifeStrategy Moderate Growth Index	-7.40	-4.81	-4.81	5.59	4.71	8.37	15.19	7.37	-0.39	7.35	15.36	11.89
+/- Index	(0.02)	(0.10)	(0.10)	(0.16)	(0.18)	(0.20)	(0.15)	(0.24)	(0.18)	(0.28)	(0.32)	(0.13)
US Fund Moderate Allocation	28	33	33	25	25	51	30	44	32	38	68	56
US Fund Allocation--50% to 70% Equity	27	39	39	29	28	54	26	42	32	38	68	56
	QTR	YTD	1Yr	3Yr	5Yr	10Yr	2017	2016	2015	2014	2013	2012
<b>Vanguard LifeStrategy Growth Inv</b>	<b>-10.35</b>	<b>-6.90</b>	<b>-6.90</b>	<b>6.33</b>	<b>4.95</b>	<b>9.51</b>	<b>19.21</b>	<b>8.33</b>	<b>-1.17</b>	<b>7.18</b>	<b>21.20</b>	<b>14.38</b>
Vanguard LifeStrategy Growth Index	-10.30	-6.78	-6.78	6.51	5.18	9.73	19.39	8.56	-0.94	7.54	21.58	14.36
+/- Index	(0.05)	(0.12)	(0.12)	(0.18)	(0.23)	(0.22)	(0.18)	(0.23)	(0.23)	(0.36)	(0.38)	0.02
US Fund Aggressive Allocation	23	21	21	10	6	23	23	23	30	20	53	37
US Fund Allocation--70% to 85% Equity	28	34	34	19	14	32	20	34	30	20	53	37

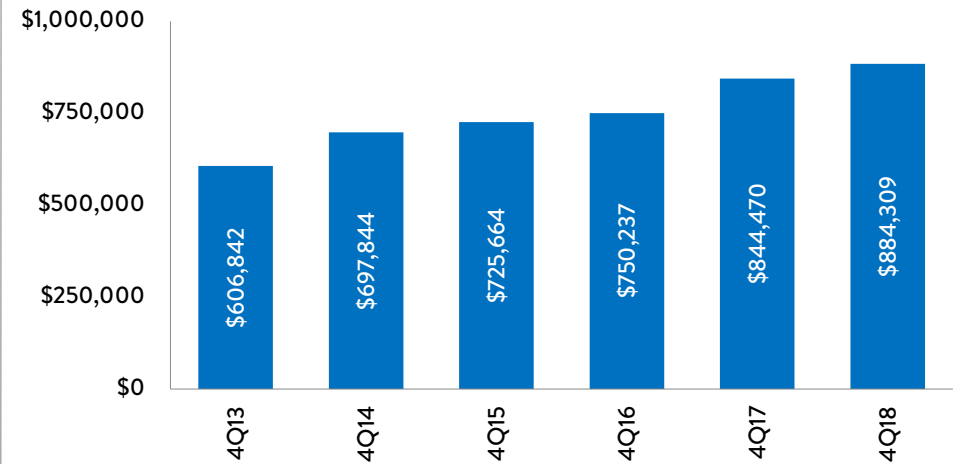
\*The LifeStrategy funds may demonstrate longer-term tracking error due to the fact that prior to 2011 they applied some active amangement in the strategy. The funds moved to an all passive strategy in late 2011 and tracking error has been minor since this change.

# Section 4

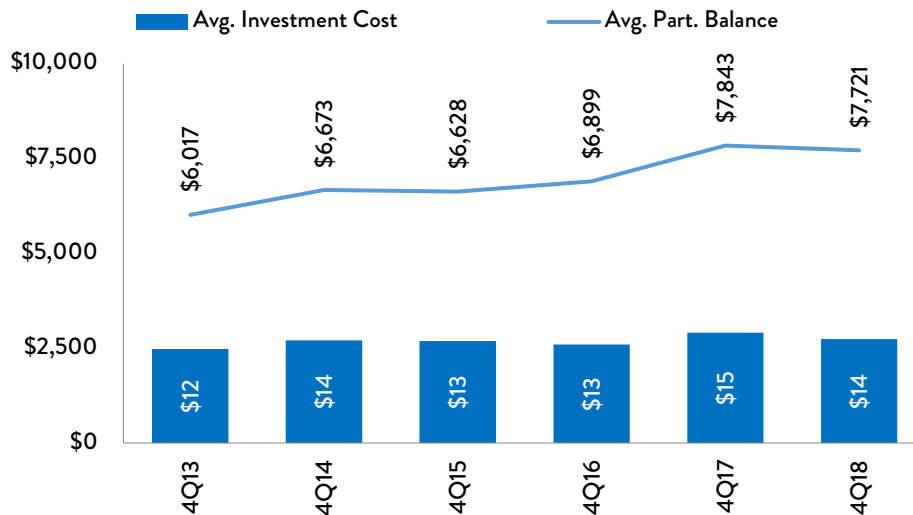
### Annualized Investment Costs (%)



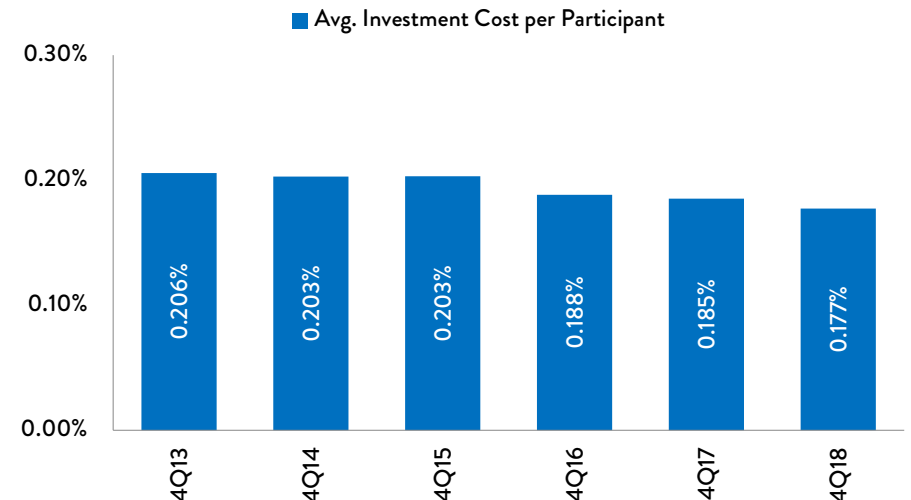
### Annualized Investment Costs (\$)



### Average Participant Balance & Investment Costs (\$)



### Annualized Investment Cost Summary (as a % of total assets)





# HRA VEBA TRUST

Employees in the Northwest

# TRUST FEE ANALYSIS

Fourth Quarter 2018

Fund	Ticker	Quarter Average Assets	Expense Ratio	Est. Annual Invest. Cost
HRA VEBA Stable Value	-	\$81,904,993	0.32%	\$263,734
Metropolitan West Total Return Bond Plan	MWTSX	\$7,743,845	0.37%	\$28,652
Vanguard Institutional Index Instl	VINIX	\$80,718,703	0.04%	\$28,252
Carillon Scout Mid Cap I	UMBMX	\$10,397,135	1.03%	\$107,090
Champlain Small Company Instl	CIPNX	\$9,168,934	1.05%	\$96,274
American Funds EuroPacific Growth R6	REGX	\$5,398,681	0.49%	\$26,454
Vanguard Balanced Index I	VBAIX	\$64,917,164	0.06%	\$38,950
Vanguard LifeStrategy Income Inv	VASIX	\$76,143,965	0.11%	\$83,758
Vanguard LifeStrategy Conservative Gr Inv	VSCGX	\$66,644,331	0.12%	\$79,973
Vanguard LifeStrategy Moderate Growth Inv	VSMGX	\$32,995,071	0.13%	\$42,894
Vanguard LifeStrategy Growth Inv	VASGX	\$63,055,912	0.14%	\$88,278
TOTAL		\$499,088,734		\$884,309

Weighted Expense Ratio: 0.18%

Average Expense Ratio: 0.35%

Total Number of Participants: 64,641

Average Participant Balance: \$7,721

Average Participant Investment Cost: \$14

# Section 5

# HRA VEBA TRUST

Employees in the Northwest

# HRA VEBA STABLE VALUE (GS)

Third Quarter 2018

Portfolio Characteristics	9/30/2018
Average Credit Quality	AA/Aa1
Net Spot Yield	2.09%
Portfolio Duration	2.13 yrs
Management Fees	0.15%
Wrap Fees	0.18%
3-Month Cash Flow	\$2,679,039

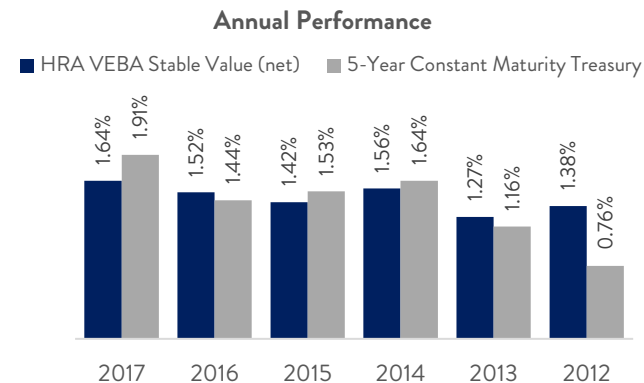
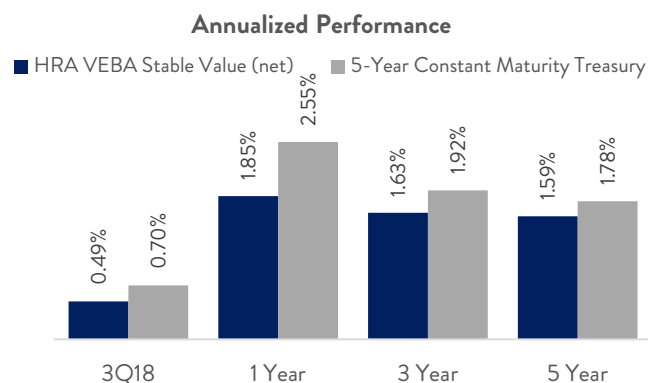
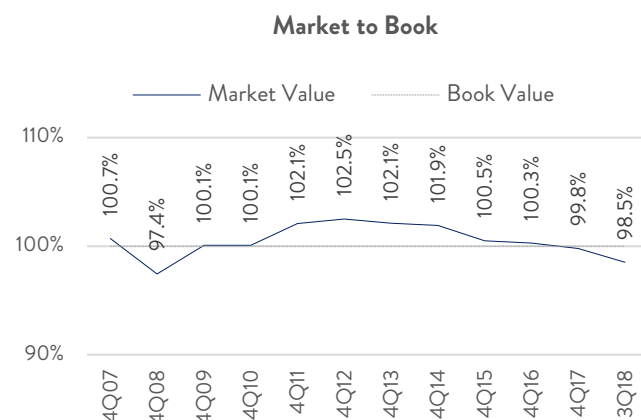
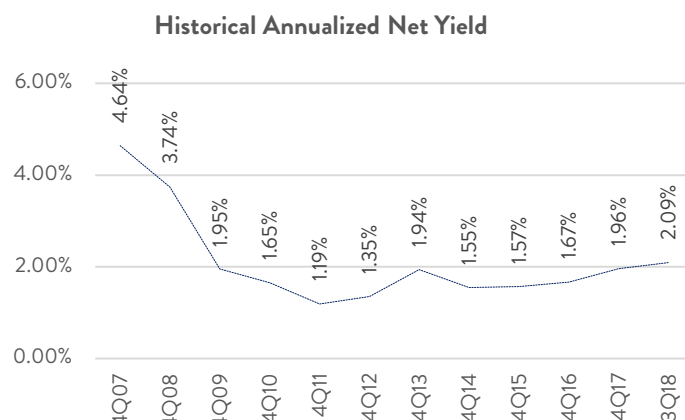
Portfolio Guidelines	Min/Max
Cash	0%-35%
GIC	0%-40%
Wrapped Fixed	0%-100%
Wrapped Broad Market	0%-100%
Duration	2.00 yrs./3.50 yrs.

Period	Book Value	M/B Ratio
3Q17	\$71,580,432	100.4%
4Q17	\$72,413,002	99.8%
1Q18	\$73,497,633	98.8%
2Q18	\$75,918,193	98.6%
3Q18	\$79,003,622	98.5%

Sector Breakdowns	9/30/2018
US Treasury	24%
Agency	4%
Investment Grade Corporate	35%
Cash	14%
Mortgage-Backed Security	9%
ABS	8%
Non-Corp. Credit	7%

Credit Quality	9/30/2018
AAA	65%
AA	3%
A	16%
BBB	16%
<BBB	0%
NR	1%

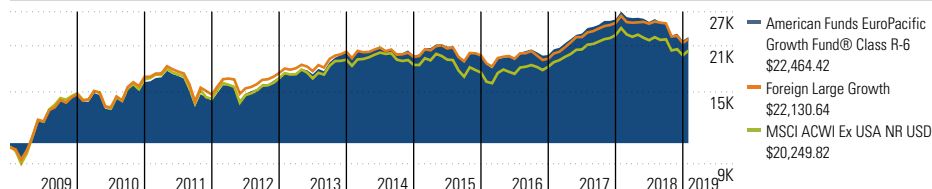
Manager Allocation	9/30/2018
Goldman Sachs Govt MM Fund	13%
Collateral Account	1%
RGA Wrapped Bond	43%
State Street Wrapped Bond	43%



# American Funds EuroPacific Growth Fund® Class R-6 RERGX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
46.23	↓ -0.30   -0.65	1.70	142.6	Open	\$250	None	0.49%	★★★	Foreign Large Growth	Large Growth

**Growth of 10,000** 01-14-2009 - 01-14-2019

**Investment Strategy**

The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally will invest at least 80% of its net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in emerging markets.

**Performance** 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,276	10,140	8,398	12,387	11,222	23,127
Fund	2.76	1.40	-16.02	7.40	2.33	8.75
+/- MSCI ACWI Ex USA NR USD	-0.84	-0.57	-1.76	-1.30	0.73	1.16
+/- Category	-0.29	-0.01	-1.32	0.65	0.25	0.27
% Rank in Cat	67	50	63	36	39	—
# of Funds in Cat	457	453	435	361	312	224

\* Currency is displayed in BASE

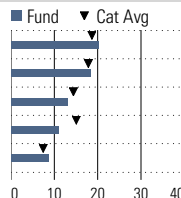
**Top Holdings** 09-30-2018

	Weight %	Last Price	Day Chg %	52 Week Range
AIA Group Ltd	2.70	69.60 BASE	3.73 ↑	58.20 - 75.00
⊖ Airbus SE	2.49	92.31 BASE	2.67 ↑	77.50 - 111.16
⊕ Nintendo Co Ltd	2.35	— BASE	4.62 ↑	27,055.00 - 49,980.00
⊕ Samsung Electronics Co Ltd	2.34	— BASE	2.62 ↑	36,850.00 - 54,140.00
⊖ Reliance Industries Ltd	2.32	— BASE	3.00 ↑	871.00 - 1,329.00
% Assets in Top 5 Holdings	12.19			

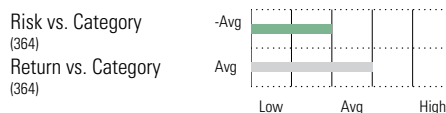
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 09-30-2018

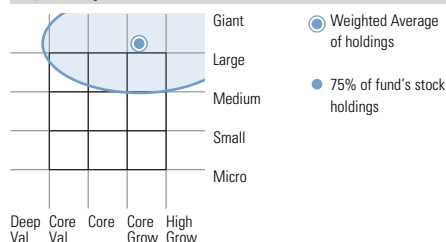
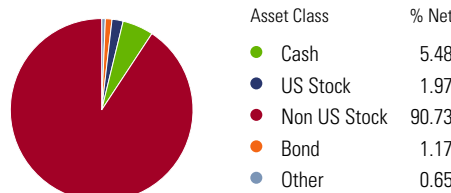
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	20.14	22.50	17.34	17.76
Financial Services	18.28	19.55	18.28	16.92
Consumer Cyclical	12.97	12.97	11.19	13.48
Industrials	11.07	11.07	9.39	14.14
Basic Materials	8.73	8.73	6.98	6.50


**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-20-2018	44.51	0.6235	0.0000	0.0000	0.7495	1.3730
06-13-2018	55.61	1.6190	0.0000	0.0000	0.0522	1.6712
12-21-2017	55.70	1.1693	0.0000	0.0000	0.5026	1.6719
06-14-2017	51.95	0.9630	0.0000	0.0000	0.1654	1.1284
12-22-2016	44.95	0.0000	0.0000	0.0000	0.7373	0.7373

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Gold

**Style Map**

**Asset Allocation**

**Management**

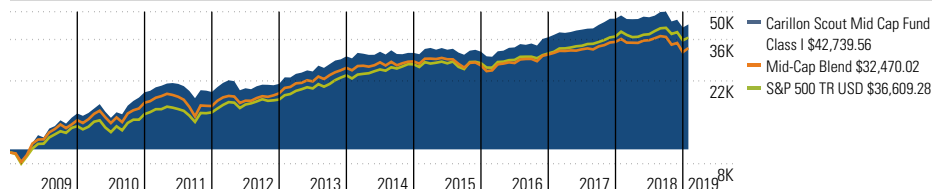
	Start Date
Mark E. Denning	12-31-1991
Carl M. Kawaja	06-01-2001
Nicholas J. Grace	06-01-2002
Sung Lee	06-01-2002
Jesper Lyckeus	06-01-2004
Jonathan Knowles	06-01-2006
Andrew B. Suzman	06-01-2007
Christopher M. Thomsen	06-01-2008
Lawrence Kymisis	06-01-2014

# Carillon Scout Mid Cap Fund Class I UMBMX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
16.45	↓-0.10   -0.60	0.52	2.4	Open	\$100,000	None	1.03%	★★★★★	Mid-Cap Blend	Mid Blend

## Growth of 10,000 01-14-2009 - 01-14-2019



## Investment Strategy

The investment seeks long-term growth of capital. Under normal circumstances, at least 80% of the fund's net assets will be invested in mid cap equity securities. The fund's portfolio managers consider mid-capitalization companies to be those companies that, at the time of initial purchase, have market capitalizations greater than \$1 billion and equal to or less than the largest company in the Russell Midcap® Index during the most recent 12-month period. It maintains a portfolio of investments diversified across companies and economic sectors.

## Performance 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,372	9,992	8,956	14,675	14,558	44,651
Fund	3.72	-0.08	-10.44	13.64	7.80	16.14
+/- S&P 500 TR USD	0.62	0.45	-4.97	1.00	-1.46	1.90
+/- Category	-1.18	-1.14	-0.32	3.57	2.78	2.98
% Rank in Cat	79	84	64	8	6	4
# of Funds in Cat	464	463	455	373	326	232

\* Currency is displayed in BASE

## Top Holdings 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
✱ AGNC Investment Corp	3.14	17.95 BASE	0.00 ↓	16.96 - 19.77
✱ Mid-America Apartment Communities Inc	2.82	97.97 BASE	1.50 ↑	85.16 - 104.98
⊕ Evergy Inc	2.58	56.35 BASE	0.55 ↑	50.89 - 61.10
⊕ Xcel Energy Inc	2.49	49.89 BASE	1.96 ↑	41.51 - 54.11
⊕ CMS Energy Corp	2.45	50.22 BASE	1.74 ↑	40.48 - 53.82
% Assets in Top 5 Holdings	13.48			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

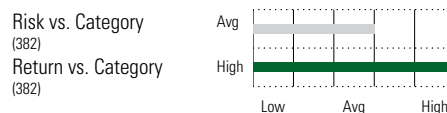
## Top Sectors 12-31-2018

	Fund	3 Yr High	3 Yr Low	Cat Avg	
💡 Utilities	16.36	16.36	5.49	4.05	■ Fund ▼ Cat Avg
💻 Technology	15.30	18.40	15.30	16.58	
🏠 Real Estate	14.48	14.48	5.38	7.58	
⚙️ Industrials	12.02	13.94	12.02	15.23	
🏥 Healthcare	11.03	11.03	8.37	10.24	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-20-2018	15.67	1.1947	0.0000	0.0000	0.0880	1.2827
12-21-2017	19.09	1.1118	0.4275	0.0000	0.0224	1.5617
06-16-2017	18.14	0.0000	0.0000	0.0000	0.0311	0.0311
12-16-2016	16.66	0.2874	0.0125	0.0000	0.0418	0.3417
06-17-2016	14.87	0.0000	0.0000	0.0000	0.0545	0.0545

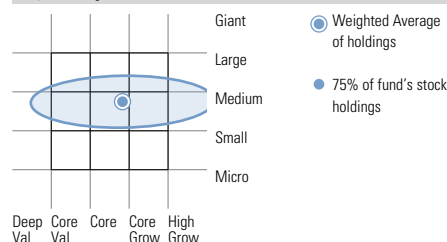
## 3 Year Average Morningstar Risk Measures



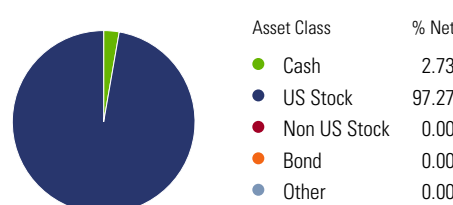
## Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

## Style Map



## Asset Allocation



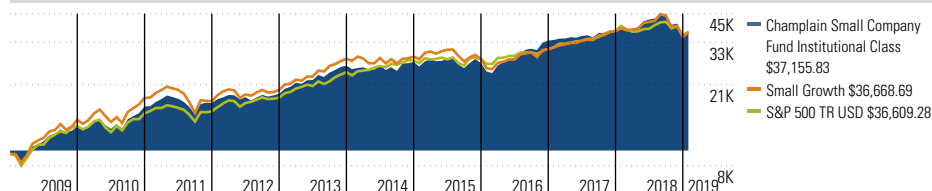
## Management

	Start Date
G. Patrick Dunkerley	10-31-2006
Derek M. Smashey	10-31-2006
John A. Indellicate	06-15-2011
Jason J. Votruba	10-31-2013

# Champlain Small Company Fund Institutional Class CIPNX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.65	↓-0.15   -0.84	0.00	1.5	Limited	\$1 mil	None	1.05%	★★★★	Small Growth	Small Growth

**Growth of 10,000 01-14-2009 - 01-14-2019**

**Investment Strategy**

The investment seeks capital appreciation. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in securities of small companies. It seeks capital appreciation by investing mainly in common stocks of small companies that the Adviser believes have strong long-term fundamentals, superior capital appreciation potential and attractive valuations.

**Performance 01-14-2019**

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,334	10,012	9,825	15,553	14,744	38,526
Fund	3.34	0.12	-1.75	15.86	8.07	14.44
+/- S&P 500 TR USD	0.24	0.64	3.72	3.23	-1.18	0.20
+/- Category	-2.12	-1.53	2.61	1.69	1.93	-0.40
% Rank in Cat	95	95	30	—	—	—
# of Funds in Cat	693	691	666	577	509	386

\* Currency is displayed in BASE

**Top Holdings 10-31-2018**

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Integra Lifesciences Holdings Corp	2.86	45.87 BASE	2.66 ↑	42.14 - 67.50
⊕ Welbilt Inc	2.65	12.57 BASE	-0.40 ↓	10.66 - 23.85
⊕ Sensient Technologies Corp	2.64	59.22 BASE	0.65 ↑	51.93 - 78.40
⊕ Ritchie Bros Auctioneers Inc	2.64	46.41 BASE	0.30 ↑	37.59 - 50.66
⊕ John Wiley & Sons Inc Class A	2.47	50.52 BASE	-0.16 ↓	44.67 - 71.75
% Assets in Top 5 Holdings	13.26			

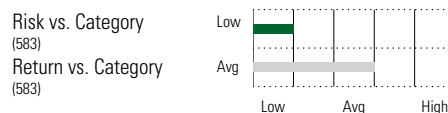
⊕ Increase ⊖ Decrease ☆ New to Portfolio

**Top Sectors 10-31-2018**

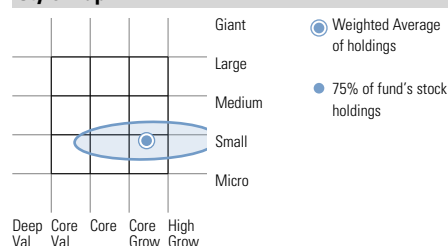
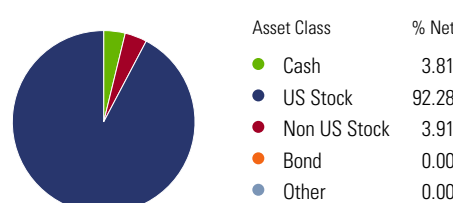
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	20.43	22.73	15.87	25.54	■ Fund ▼ Cat Avg
Healthcare	19.93	19.93	18.07	19.22	
Financial Services	17.44	21.86	17.32	9.85	
Industrials	16.79	19.12	16.42	16.27	
Consumer Defensive	12.18	12.43	9.68	4.28	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-20-2018	16.69	1.9199	0.3337	0.0000	0.0000	2.2536
12-20-2017	20.05	1.6509	0.2950	0.0000	0.0000	1.9459
12-20-2016	20.05	0.5378	0.0000	0.0000	0.0000	0.5378

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊖ Negative
Rating	★★★★ Gold

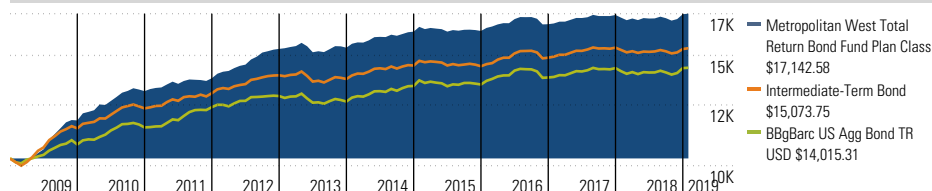
**Style Map**

**Asset Allocation**

**Management**

	Start Date
Scott T. Brayman	11-30-2004
Finn R. McCoy	12-31-2008
Erik C. Giard-Chase	12-31-2009
Corey N. Bronner	12-31-2010
Joseph M. Caligiuri	12-31-2010
Andrew J. Hanson	12-31-2010
Joseph J. Farley	12-31-2014
Robert D. Hallisey	12-31-2016
Courtney A Willson	11-30-2018

# Metropolitan West Total Return Bond Fund Plan Class MWTSX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
9.79	↓-0.01   -0.09	2.81	69.4	Open	\$25 mil	None	0.37%	★★★★	Intermediate-Term Bond	Med/Mod

**Growth of 10,000 01-14-2009 - 01-14-2019**

**Investment Strategy**

The investment seeks to maximize long-term total return. The fund pursues its objective by investing, under normal circumstances, at least 80% of its net assets in investment grade fixed income securities or unrated securities that are determined by the Adviser to be of similar quality. Up to 20% of the fund's net assets may be invested in securities rated below investment grade. The fund also invests at least 80% of its net assets plus borrowings for investment purposes in fixed income securities it regards as bonds.

**Performance 01-14-2019**

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,021	10,108	10,092	10,608	11,264	17,178
Fund	0.21	1.08	0.92	1.99	2.41	5.56
+/- BBGBarc US Agg Bond TR USD	0.09	0.04	0.28	0.13	0.00	2.14
+/- Category	-0.10	0.11	0.78	-0.14	0.20	1.31
% Rank in Cat	55	30	17	53	36	—
# of Funds in Cat	1,069	1,068	1,001	857	749	546

\* Currency is displayed in BASE

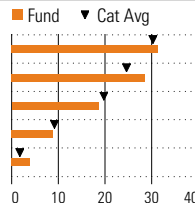
**Top Holdings 09-30-2018**

	Weight %	Maturity Date	Amount Mil	Value Mil
✳ United States Treasury Notes 2.88%	4.17	08-15-2028	3,083.83	3,037.25
✳ United States Treasury Notes 2.75%	3.27	07-31-2023	2,404.84	2,383.79
✳ United States Treasury Bonds 3%	3.18	08-15-2048	2,411.37	2,321.13
✳ United States Treasury Notes 2.88%	2.76	09-30-2023	2,018.62	2,011.91
⊖ United States Treasury Bonds 3.12%	1.88	05-15-2048	1,385.20	1,367.07
% Assets in Top 5 Holdings	15.25			

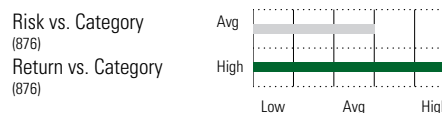
⊕ Increase ⊖ Decrease ✳ New to Portfolio

**Top Sectors 09-30-2018**

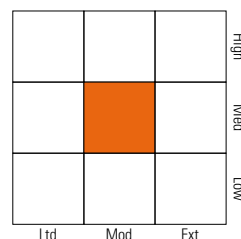
	Fund	BMark	Cat Avg
Corporate Bond	31.32	—	29.43
Agency MBS Pass-Through	28.55	—	23.76
U.S. Treasury	18.59	—	18.90
Asset-Backed	8.88	—	8.32
Non-Agency Residential MBS	3.92	—	0.90


**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-31-2018	9.78	0.0000	0.0000	0.0000	0.0258	0.0258
11-30-2018	9.63	0.0000	0.0000	0.0000	0.0247	0.0247
10-31-2018	9.60	0.0000	0.0000	0.0000	0.0236	0.0236
09-28-2018	9.71	0.0000	0.0000	0.0000	0.0241	0.0241
08-31-2018	9.79	0.0000	0.0000	0.0000	0.0239	0.0239

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Neutral
Price	+	Positive
Rating		Gold

**Style Map 09-30-2018**

**Bond Statistics**

	Value
Average Effective Duration	6.09
Average Effective Maturity (Years)	7.59
Average Credit Quality	BBB
Average Weighted Coupon	3.52
Average Weighted Price	98.48

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.88	2.39	4.26	—	-5.22
US Stock	0.00	0.00	0.00	—	-0.04
Non US Stock	0.00	0.00	0.00	—	-0.01
Bond	97.98	0.00	97.98	—	103.86
Other	0.14	0.00	0.14	—	1.42

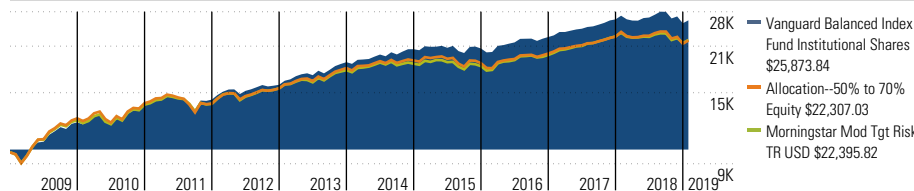
**Management**

	Start Date
Stephen M. Kane	03-31-1997
Laird R. Landmann	03-31-1997
Tad Rivelle	03-31-1997
Bryan T. Whalen	12-31-2004

# Vanguard Balanced Index Fund Institutional Shares VBAIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
33.72	↓-0.11   -0.33	2.33	36.5	Open	\$5 mil	None	0.06%	★★★★	Allocation--50% to 70% Equity	Large Blend

**Growth of 10,000** 01-14-2009 - 01-14-2019

**Performance** 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,218	10,043	9,707	12,757	13,584	26,391
Fund	2.18	0.43	-2.93	8.45	6.32	10.19
+/- Morningstar Mod Tgt Risk TR USD	-0.11	-0.72	1.67	0.32	1.76	1.59
+/- Category	-0.29	-0.17	2.85	1.37	2.09	1.20
% Rank in Cat	63	63	11	16	11	19
# of Funds in Cat	769	769	755	680	595	435

\* Currency is displayed in BASE

**Top Holdings** 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Microsoft Corp	1.87	105.01 BASE	2.90 ↑	83.83 - 116.18
⊕ Apple Inc	1.61	153.07 BASE	2.05 ↑	142.00 - 233.47
⊕ Amazon.com Inc	1.49	— BASE	3.55 ↑	1,265.93 - 2,050.50
⊕ Berkshire Hathaway Inc B	0.88	196.94 BASE	0.59 ↑	184.75 - 224.07
⊕ Johnson & Johnson	0.83	129.36 BASE	0.84 ↑	118.62 - 148.99
% Assets in Top 5 Holdings	6.67			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

**Top Sectors** 11-30-2018

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	21.08	21.39	17.73	18.82	■ Fund ▼ Cat Avg
Financial Services	16.01	16.64	15.67	17.16	
Healthcare	14.89	14.90	13.28	14.56	
Consumer Cyclical	12.03	12.13	11.32	11.47	
Industrials	10.75	11.43	10.41	10.48	

	Fund	BMark	Cat Avg	
Government	—	15.12	11.01	■ Fund ▼ Cat Avg
Government-Related	—	0.96	2.51	
Agency Mortgage-Backed	—	15.39	6.46	
Non-Agency Residential MBS	—	0.00	0.22	
Commercial MBS	—	0.00	0.57	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-21-2018	32.19	0.0000	0.0000	0.0000	0.2041	0.2041
09-27-2018	36.11	0.0000	0.0000	0.0000	0.2032	0.2032
06-21-2018	35.08	0.0000	0.0000	0.0000	0.1814	0.1814
03-21-2018	34.70	0.0000	0.0000	0.0000	0.1791	0.1791
12-22-2017	34.72	0.0000	0.0000	0.0000	0.1908	0.1908

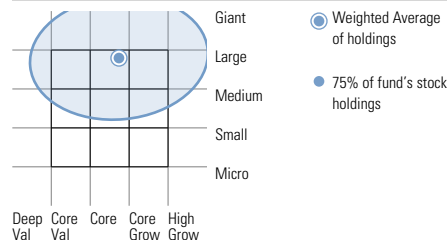
**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Investment Strategy**

The investment seeks to track the performance of the benchmark index that measures the investment return of the overall U.S. stock market with 60% of its assets; the fund seeks to track the performance of a broad, market-weighted bond index with 40% of its assets. The fund employs an indexing investment approach designed to track the performance of two benchmark indexes. With approximately 60% of its assets, the fund seeks to track the investment performance of the CRSP US Total Market Index. With approximately 40% of its assets, the fund seeks to track the investment performance of the Bloomberg Barclays U.S. Aggregate Float Adjusted Index.

**Style Map**

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.83	0.00	1.83	1.01	5.71
US Stock	58.37	0.00	58.37	35.88	45.84
Non US Stock	0.49	0.00	0.49	23.19	12.74
Bond	39.22	0.13	39.36	39.84	33.60
Other	0.09	0.00	0.09	0.08	2.11

**Management**

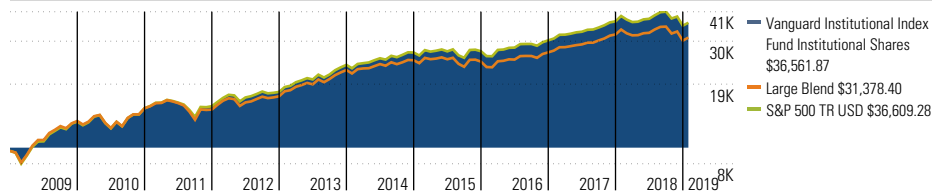
	Start Date
Joshua C. Barrickman	02-22-2013
William A. Coleman	04-26-2016
Gerard C. O'Reilly	04-26-2016



# Vanguard Institutional Index Fund Institutional Shares VINIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
234.60	↓-1.21   -0.51	2.12	200.0	Open	\$5 mil	None	0.04%	★★★★	Large Blend	Large Blend

**Growth of 10,000 01-14-2009 - 01-14-2019**

**Investment Strategy**

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The advisor attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance 01-14-2019**

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,310	9,947	9,449	14,275	15,547	37,828
Fund	3.10	-0.53	-5.51	12.60	9.23	14.23
+/- S&P 500 TR USD	0.00	-0.01	-0.04	-0.04	-0.03	-0.01
+/- Category	-0.15	-0.28	1.60	1.42	1.79	1.15
% Rank in Cat	56	61	27	20	10	19
# of Funds in Cat	1,458	1,455	1,382	1,190	1,052	792

\* Currency is displayed in BASE

**Top Holdings 12-31-2018**

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Microsoft Corp	3.72	105.01 BASE	2.90 ↑	83.83 - 116.18
⊖ Apple Inc	3.37	153.07 BASE	2.05 ↑	142.00 - 233.47
⊕ Amazon.com Inc	2.92	— BASE	3.55 ↑	1,265.93 - 2,050.50
⊕ Berkshire Hathaway Inc B	1.85	196.94 BASE	0.59 ↑	184.75 - 224.07
⊕ Johnson & Johnson	1.64	129.36 BASE	0.84 ↑	118.62 - 148.99
% Assets in Top 5 Holdings	13.49			

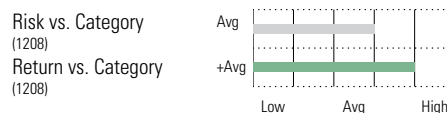
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors 11-30-2018**

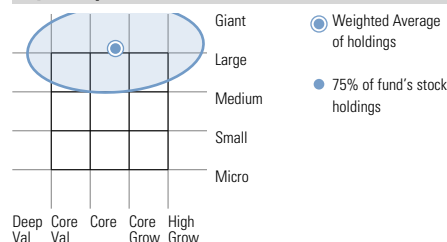
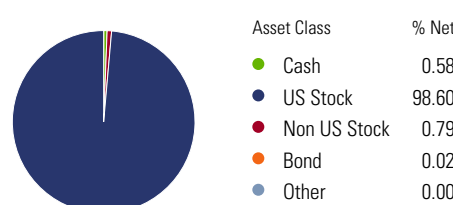
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	21.71	21.94	18.58	21.01	■ Fund ▼ Cat Avg
Financial Services	16.14	16.80	15.87	16.79	
Healthcare	15.49	15.50	13.75	15.02	
Consumer Cyclical	11.70	11.82	10.97	11.65	
Industrials	10.13	11.03	9.75	11.10	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-18-2018	230.99	0.4957	0.2023	0.0000	1.3336	2.0316
09-21-2018	266.82	0.0000	0.0000	0.0000	1.3676	1.3676
06-15-2018	253.25	0.0000	0.0000	0.0000	1.1362	1.1362
03-15-2018	250.22	0.0000	0.0000	0.0000	0.9996	0.9996
12-22-2017	244.26	0.0000	0.0000	0.0000	1.2258	1.2258

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Style Map**

**Asset Allocation**

**Management**

	Start Date
Donald M. Butler	12-31-2000
Michelle Louie	11-30-2017

# Vanguard LifeStrategy Conservative Growth Fund Investor Shares

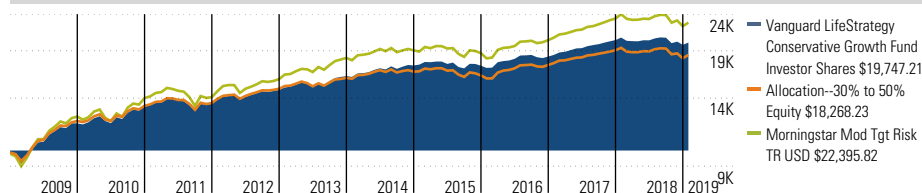
## VSCGX

Morningstar Analyst Rating

Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
18.94	↓-0.05   -0.26	2.67	9.1	Open	\$3,000	None	0.12%	★★★★	Allocation--30% to 50% Equity	Large Blend

### Growth of 10,000 01-14-2009 - 01-14-2019



### Performance 01-11-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,171	10,096	9,759	11,868	12,346	19,590
Fund	1.71	0.96	-2.41	5.87	4.31	6.96
+/- Morningstar Mod Tgt Risk TR USD	-0.89	-0.21	1.54	-2.23	-0.31	-1.30
+/- Category	-0.57	0.24	1.51	0.51	1.32	0.07
% Rank in Cat	84	25	20	33	13	44
# of Funds in Cat	545	545	534	457	362	259

\* Currency is displayed in BASE

### Top Holdings 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Vanguard Total Bond Market II Idx Inv	41.70	10.41 BASE	-0.10 ↓	10.19 - 10.66
⊕ Vanguard Total Stock Mkt Idx Inv	24.21	64.27 BASE	-0.57 ↓	58.17 - 73.61
⊖ Vanguard Total Intl Bd Idx Investor	18.21	10.87 BASE	0.09 ↑	10.77 - 11.05
⊕ Vanguard Total Intl Stock Index Inv	15.85	15.71 BASE	-0.51 ↓	14.72 - 19.62
% Assets in Top 5 Holdings	99.97			

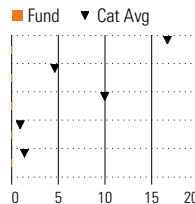
⊕ Increase ⊖ Decrease ☆ New to Portfolio

### Top Sectors 11-30-2018

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	18.06	18.42	17.89	16.36
Technology	17.37	17.37	14.54	16.98
Healthcare	12.30	12.47	11.10	13.42
Consumer Cyclical	11.80	11.80	11.50	10.89
Industrials	11.28	11.96	11.28	10.73



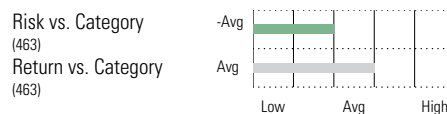
	Fund	BMark	Cat Avg
Government	—	25.26	16.26
Government-Related	—	1.58	4.20
Agency Mortgage-Backed	—	19.65	9.54
Non-Agency Residential MBS	—	0.00	0.48
Commercial MBS	—	0.00	0.95



### Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-28-2018	18.60	0.1792	0.0262	0.0000	0.2100	0.4154
09-21-2018	20.02	0.0000	0.0000	0.0000	0.1040	0.1040
06-15-2018	19.88	0.0000	0.0000	0.0000	0.1208	0.1208
03-15-2018	19.94	0.0000	0.0000	0.0000	0.0700	0.0700
12-28-2017	19.98	0.0289	0.0217	0.0000	0.1625	0.2131

### 3 Year Average Morningstar Risk Measures



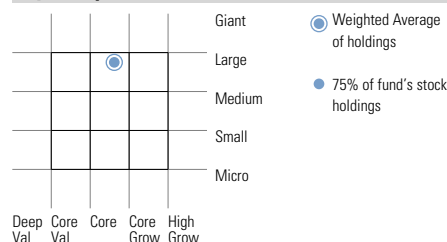
### Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Gold

### Investment Strategy

The investment seeks current income and low to moderate capital appreciation. The fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure).

### Style Map



### Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.21	0.00	1.21	1.01	5.88
US Stock	24.12	0.00	24.12	25.03	26.85
Non US Stock	15.30	0.00	15.30	14.05	9.05
Bond	59.10	0.14	59.23	59.84	54.52
Other	0.28	0.00	0.28	0.07	3.70

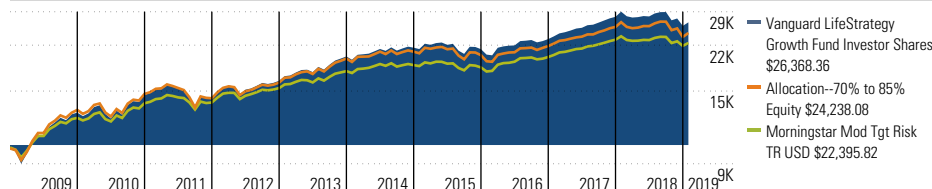
### Management

Management Team	Start Date 09-30-1994
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# Vanguard LifeStrategy Growth Fund Investor Shares VASGX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.91	↓-0.14   -0.45	2.52	13.5	Open	\$3,000	None	0.14%	★★★★	Allocation--70% to 85% Equity	Large Blend

**Growth of 10,000** 01-14-2009 - 01-14-2019

**Performance** 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,283	10,087	9,268	13,033	13,114	27,194
Fund	2.83	0.87	-7.32	9.23	5.57	10.52
+/- Morningstar Mod Tgt Risk TR USD	0.54	-0.28	-2.72	1.10	1.01	1.92
+/- Category	-0.35	0.32	0.72	1.09	1.32	0.54
% Rank in Cat	70	33	38	23	16	31
# of Funds in Cat	354	354	348	313	271	192

\* Currency is displayed in BASE

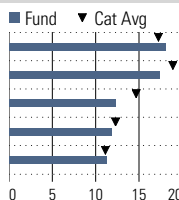
**Top Holdings** 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	48.05	64.27 BASE	-0.57 ↓	58.17 - 73.61
⊕ Vanguard Total Intl Stock Index Inv	31.82	15.71 BASE	-0.51 ↓	14.72 - 19.62
⊖ Vanguard Total Bond Market II Idx Inv	14.03	10.41 BASE	-0.10 ↓	10.19 - 10.66
⊖ Vanguard Total Intl Bd Idx Investor	6.11	10.87 BASE	0.09 ↑	10.77 - 11.05
% Assets in Top 5 Holdings	100.00			

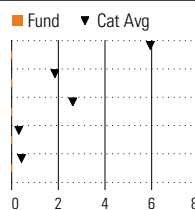
⊕ Increase ⊖ Decrease ☆ New to Portfolio

**Top Sectors** 11-30-2018

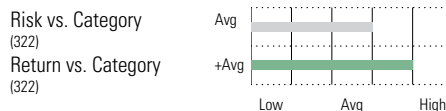
	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	18.06	18.41	17.90	16.79
Technology	17.37	17.34	14.75	18.45
Healthcare	12.30	12.45	11.23	14.21
Consumer Cyclical	11.80	11.80	11.50	11.84
Industrials	11.28	12.04	11.29	10.66



	Fund	BMark	Cat Avg
Government	—	7.19	5.77
Government-Related	—	0.51	1.68
Agency Mortgage-Backed	—	8.22	2.45
Non-Agency Residential MBS	—	0.00	0.14
Commercial MBS	—	0.00	0.25


**Dividend and Capital Gains Distributions**

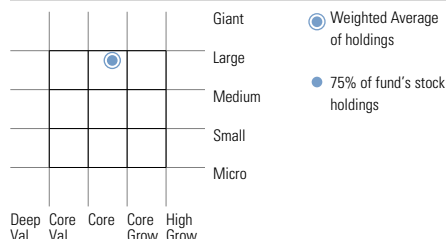
Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-28-2018	29.88	0.4659	0.0740	0.0000	0.4416	0.9815
06-15-2018	34.06	0.0000	0.0000	0.0000	0.3287	0.3287
12-28-2017	33.75	0.0000	0.0143	0.0000	0.3852	0.3995
06-27-2017	31.22	0.0000	0.0000	0.0000	0.3190	0.3190
12-28-2016	28.84	0.0000	0.0034	0.0000	0.3470	0.3504

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Gold

**Investment Strategy**

The investment seeks capital appreciation and some current income. The fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure).

**Style Map**

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.51	0.00	1.51	0.00	4.19
US Stock	48.04	0.00	48.04	47.85	56.00
Non US Stock	30.48	0.00	30.48	31.49	19.32
Bond	19.71	0.05	19.75	20.59	17.74
Other	0.26	0.00	0.26	0.08	2.75

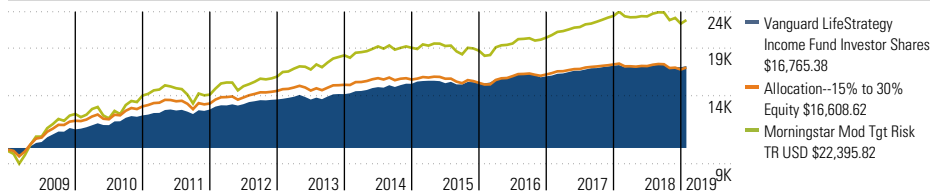
**Management**

Management Team	Start Date 09-30-1994
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# Vanguard LifeStrategy Income Fund Investor Shares VASIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.99	↓-0.02   -0.13	2.76	4.0	Open	\$3,000	None	0.11%	★★★★	Allocation--15% to 30% Equity	Large Blend

**Growth of 10,000** 01-14-2009 - 01-14-2019

**Performance** 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,081	10,099	9,930	11,245	11,874	16,904
Fund	0.81	0.99	-0.70	3.99	3.50	5.39
+/- Morningstar Mod Tgt Risk TR USD	-1.48	-0.16	3.90	-4.15	-1.06	-3.21
+/- Category	-0.49	0.12	1.97	0.01	1.10	-0.39
% Rank in Cat	85	30	11	57	15	48
# of Funds in Cat	198	197	195	170	145	84

\* Currency is displayed in BASE

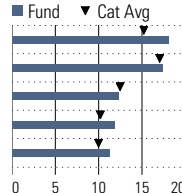
**Top Holdings** 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Vanguard Total Bond Market II Idx Inv	56.02	10.41 BASE	-0.10 ↓	10.19 - 10.66
⊕ Vanguard Total Intl Bd Idx Investor	24.13	10.87 BASE	0.09 ↑	10.77 - 11.05
⊕ Vanguard Total Stock Mkt Idx Inv	11.99	64.27 BASE	-0.57 ↓	58.17 - 73.61
⊕ Vanguard Total Intl Stock Index Inv	7.82	15.71 BASE	-0.51 ↓	14.72 - 19.62
% Assets in Top 5 Holdings	99.95			

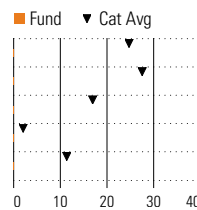
⊕ Increase ⊖ Decrease ☆ New to Portfolio

**Top Sectors** 11-30-2018

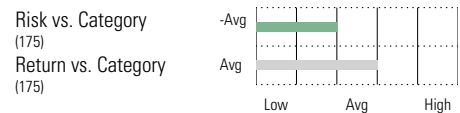
	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	18.06	18.43	17.88	14.76
Technology	17.37	17.38	14.54	16.58
Healthcare	12.30	12.47	11.10	12.01
Consumer Cyclical	11.80	11.80	11.50	9.73
Industrials	11.28	11.96	11.28	9.53



	Fund	BMark	Cat Avg
Government	—	37.29	23.86
Corporate	—	16.86	26.67
Securitized	—	24.46	16.08
Municipal	—	0.00	1.17
Cash & Equivalents	—	2.00	10.52


**Dividend and Capital Gains Distributions**

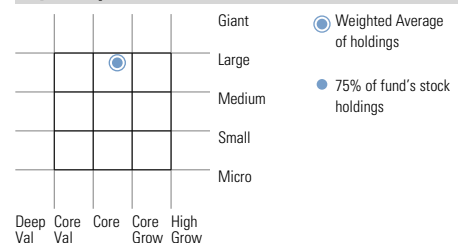
Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-28-2018	14.83	0.1034	0.0108	0.0000	0.1823	0.2965
09-21-2018	15.39	0.0000	0.0000	0.0000	0.0843	0.0843
06-15-2018	15.36	0.0000	0.0000	0.0000	0.0869	0.0869
03-15-2018	15.42	0.0000	0.0000	0.0000	0.0600	0.0600
12-28-2017	15.56	0.0092	0.0105	0.0000	0.1368	0.1565

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Investment Strategy**

The investment seeks current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize foreign currency exposure).

**Style Map**

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.07	0.00	1.07	2.00	10.14
US Stock	12.06	0.00	12.06	12.43	15.82
Non US Stock	7.65	0.00	7.65	6.95	4.92
Bond	78.94	0.18	79.12	78.55	65.51
Other	0.29	0.00	0.29	0.07	3.61

**Management**

Management Team	Start Date
	09-30-1994

# Vanguard LifeStrategy Moderate Growth Fund Investor Shares

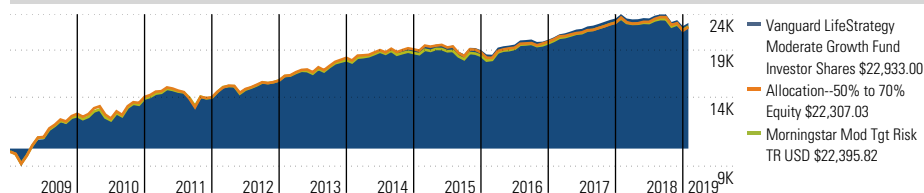
## VSMGX

Morningstar Analyst Rating

Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
25.33	↓-0.09   -0.35	2.62	14.8	Open	\$3,000	None	0.13%	★★★★	Allocation--50% to 70% Equity	Large Blend

### Growth of 10,000 01-14-2009 - 01-14-2019



### Performance 01-14-2019

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,214	10,092	9,489	12,429	12,738	23,475
Fund	2.14	0.92	-5.11	7.52	4.96	8.91
+/- Morningstar Mod Tgt Risk TR USD	-0.15	-0.23	-0.52	-0.62	0.40	0.31
+/- Category	-0.33	0.32	0.66	0.43	0.73	-0.09
% Rank in Cat	68	26	40	35	30	51
# of Funds in Cat	769	769	755	680	595	435

\* Currency is displayed in BASE

### Top Holdings 12-31-2018

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	36.16	64.27 BASE	-0.57 ↓	58.17 - 73.61
⊖ Vanguard Total Bond Market II Idx Inv	27.67	10.41 BASE	-0.10 ↓	10.19 - 10.66
⊕ Vanguard Total Intl Stock Index Inv	23.89	15.71 BASE	-0.51 ↓	14.72 - 19.62
⊖ Vanguard Total Intl Bd Idx Investor	12.27	10.87 BASE	0.09 ↑	10.77 - 11.05
% Assets in Top 5 Holdings	99.99			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

### Top Sectors 11-30-2018

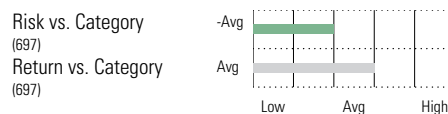
	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	18.06	18.42	17.90	17.16
Technology	17.37	17.35	14.54	18.82
Healthcare	12.30	12.46	11.10	14.56
Consumer Cyclical	11.80	11.80	11.50	11.47
Industrials	11.28	11.96	11.28	10.48

	Fund	BMark	Cat Avg
Government	—	15.12	11.01
Government-Related	—	0.96	2.51
Agency Mortgage-Backed	—	15.39	6.46
Non-Agency Residential MBS	—	0.00	0.22
Commercial MBS	—	0.00	0.57

### Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
12-28-2018	24.68	0.3093	0.0530	0.0000	0.3945	0.7568
06-15-2018	27.24	0.0000	0.0000	0.0000	0.2634	0.2634
12-28-2017	27.18	0.0238	0.0196	0.0000	0.3296	0.3730
06-27-2017	25.71	0.0000	0.0000	0.0000	0.2530	0.2530
12-28-2016	24.12	0.0017	0.0088	0.0000	0.2940	0.3045

### 3 Year Average Morningstar Risk Measures



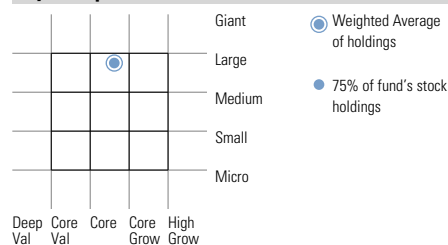
### Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Gold

### Investment Strategy

The investment seeks capital appreciation and a low to moderate level of current income. The fund invests in other Vanguard mutual funds according to a fixed formula that reflects an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar.

### Style Map



### Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	1.35	0.00	1.35	1.01	5.71
US Stock	36.10	0.00	36.10	35.88	45.84
Non US Stock	22.92	0.00	22.92	23.19	12.74
Bond	39.36	0.09	39.45	39.84	33.60
Other	0.27	0.00	0.27	0.08	2.11

### Management

Management Team	Start Date 09-30-1994
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## **HRA VEBA Trust**

### **Employees in the Northwest**

Comparison of Index Funds

*February 2019*

~For Institutional Use Only – Not for Public Distribution~

# HRA VEBA Trust

Employees in the Northwest

## Comparison of Index Funds

February 2019

### Summary

Fidelity recently announced that it was lowering the expenses of its index funds and reducing their minimum initial investment to \$0, causing Fidelity to be among the lowest-cost providers for many investor groups. This document has been prepared to compare the current investment expenses and performance of your Plan's current passive offerings to those of a Fidelity alternative (where applicable). Additionally, Fidelity is not altering its securities lending policies, which are to return their proceeds (net of operating costs paid to a third party) to the applicable fund. All performance data in this document is as of the most recent quarter-end.

Asset Class	\$ in Funds	+/- % Expense	+/- \$ Expense
Total	\$74,653,472	-0.020%	-\$14,931
US Large Cap	\$74,653,472	-0.020%	-\$14,931

Asset Class	Fund	Ticker	Expense Ratio	5 Yr Ret.	+/- Idx	5 Yr Tracking Error	Tracking Index	Plan \$
US Large Cap	Fidelity 500 Index	fxaix	0.015%	8.483%	-0.012%	0.021%	S&P 500 TR USD	\$74,653,472
	Vanguard Institutional Index I	vinix	0.035%	8.463%	-0.031%	0.011%	S&P 500 TR USD	

# US LARGE CAP

## Summary

Name	Index Tracked	# Holdings	Fund Size
Fidelity 500 Index	S&P 500 TR USD	506	\$153,361,616,202
Vanguard Institutional Index I	S&P 500 TR USD	511	\$200,003,573,140

## Performance

Annualized Returns

Name	Ticker	Exp.	Qtr	Ytd	1 Yr	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Fidelity 500 Index	fxaix	0.015%	-13.53%	-4.40%	-4.40%	7.91%	9.25%	8.48%	13.10%
S&P 500 TR USD	-	-	-13.52%	-4.38%	-4.38%	7.93%	9.26%	8.49%	13.12%
<i>+/- Index</i>	-	-	<b>-0.007%</b>	<b>-0.018%</b>	<b>-0.018%</b>	<b>-0.020%</b>	<b>-0.010%</b>	<b>-0.012%</b>	<b>-0.014%</b>
Vanguard Institutional Index I	vinix	0.035%	-13.53%	-4.42%	-4.42%	7.89%	9.22%	8.46%	13.11%
S&P 500 TR USD	-	-	-13.52%	-4.38%	-4.38%	7.93%	9.26%	8.49%	13.12%
<i>+/- Index</i>	-	-	<b>-0.010%</b>	<b>-0.040%</b>	<b>-0.040%</b>	<b>-0.041%</b>	<b>-0.037%</b>	<b>-0.031%</b>	<b>-0.011%</b>

## Index Tracking

Calendar Year Returns


Tracking Error

Standard Deviation

Name	2017	2016	2015	2014	2013	3 Yrs	5 Yrs	3 Yrs	5 Yrs
Fidelity 500 Index	21.81%	11.97%	1.38%	13.66%	32.37%	0.016%	0.021%	10.95%	10.94%
S&P 500 TR USD	21.83%	11.96%	1.38%	13.69%	32.39%	-	-	10.95%	10.94%
<i>+/- Index</i>	<b>-0.021%</b>	<b>0.009%</b>	<b>0.001%</b>	<b>-0.031%</b>	<b>-0.014%</b>	-	-	<b>0.000%</b>	<b>0.000%</b>
Vanguard Institutional Index I	21.79%	11.93%	1.37%	13.65%	32.35%	0.009%	0.011%	10.96%	10.95%
S&P 500 TR USD	21.83%	11.96%	1.38%	13.69%	32.39%	-	-	10.95%	10.94%
<i>+/- Index</i>	<b>-0.042%</b>	<b>-0.030%</b>	<b>-0.011%</b>	<b>-0.035%</b>	<b>-0.039%</b>	-	-	<b>0.002%</b>	<b>0.001%</b>



## AGENDA ITEM 4.2: INVESTMENT POLICY STATEMENT REVIEW

 **SNAPSHOT:** Hyas Group is recommending updates to the Trust's Investment Policy Statement.

 **ACTION ITEM**

 **RELEVANT GOAL(S):** None

### BACKGROUND

Hyas Group completed its annual review of the Trust's **Investment Policy Statement** (IPS) and has a few recommended updates. Specifically, several peer group categories should be updated to be consistent with the actual naming conventions used by Morningstar, a third party peer group data supplier.

The IPS provides qualitative and quantitative investment evaluation metrics for the Trust's available investment menu. The IPS also outlines the process for evaluating the investment menu and underlying investment options, and provides for Trustee actions when investment options fall short of prescribed metrics. The Board and its investment consultant, Hyas Group, review the IPS annually make updates as necessary.

### ACTION ITEM

☒ YES

☐ NO

### SAMPLE MOTION

I move to approve the updated Investment Policy Statement as presented and discussed.

VEBA Trust for Public Employees in the Northwest  
Investment Policy Statement

HRA VEBA Trust  
For Public Employees in the  
Northwest

October 2006  
(Revised February 2012)  
(Revised December 2012)  
(Revised September 2013)  
(Revised June 2014)  
(Revised June 2015)  
(Revised February 2016)  
(Reviewed February 2017)  
(Reviewed February 2018)  
[\(Revised February 2019\)](#)

INVESTMENT POLICY STATEMENT

**INTRODUCTION AND PURPOSE**

The Trustees for the Voluntary Employees' Beneficiary Association Trust for Public Employees in the Northwest ("Trustees"), that manage the HRA VEBA Trust for Public Employees in the Northwest ("Trust"), adopt this Investment Policy Statement to provide a clear understanding of the Trustees' investment policies, guidelines, and objectives with respect to the Trust. It also gives other parties an understanding of the guidelines, limitations, and direction that the Trustees feel are most appropriate for the Trust.

The Trust's purpose is to provide a qualified health reimbursement arrangement for participants. Employers make contributions for the benefit of Trust participants. The Trustees make the final decision regarding the selection of investment fund options. Trust participants direct the investment of the assets in their individual accounts.

The Trust shall provide participants with a choice of investments to meet the varying needs, wants, and time frames of participants. These choices shall provide for a different range of risks and asset classes, using successful investment advisors at a competitive cost.

The purpose of this Investment Policy Statement is to assist the Trustees in effectively supervising and monitoring the re-investment of its assets by:

1. Stating in a written document the Trustees' objectives and expectations regarding investment of Trust assets;
2. Establishing guidelines for the investment of the Trust's assets that are consistent with the expectations of participants in the HRA VEBA program and the HRA VEBA Trustees; and
3. Establishing criteria to monitor and evaluate the performance results achieved with the Trust assets.

This Investment Policy Statement is intended to be consistent with the investment objectives and policies of the Trust and will be reviewed on a regular basis and revised when necessary or appropriate to ensure that they continue to be responsive to the objectives of the participants and the Trustees.

### **INVESTMENT POLICY STATEMENT REVIEW**

This Investment Policy Statement is designed to endure multiple market environments and to not be reactive to what might be considered normal short-term events. This Investment Policy Statement should be reviewed every three years, or more often whenever a significant change in Trust characteristics occurs (such as a change in investment products).

### **TRUST FIDUCIARIES AND OTHER PARTIES**

Several fiduciaries, as well as other parties, have varying responsibilities with respect to the Trust. Trust fiduciaries include:

#### **Trustees**

The Trustees' responsibilities are detailed in a separate trust agreement, but in summary they include:

- Establishing and maintaining the Investment Policy Statement;
- Selecting investment products;
- Determining an appropriate asset allocation for any custom pre-mixed fund-of-funds;
- Periodically evaluating the investment products' performance and recommending investment product changes;
- Selecting, hiring, delegating responsibilities to, and monitoring the recordkeeper, investment management consultant, and the trust custodian;
- Communicating expectations and responsibilities to the Trust's service providers (the Custodian, Recordkeeper, Investment Manager, and Investment Management Consultant);
- Interpreting provisions of the Trust;
- Managing and controlling the operation and administration of the Trust; and
- Monitoring the Trust for compliance with all applicable laws, rules, and regulations.

#### **Custodian**

The custodian's responsibilities include:

- Carrying out appropriate instructions from the Trustees;
- Holding and accounting for Trust assets; and
- Making benefit payments to Trust participants as directed.

#### **Recordkeeper**

To the extent specified in the recordkeeping and administrative services agreement with the Trust, the recordkeeper is responsible for maintaining and updating individual account balances as well as information regarding Trust contributions, withdrawals, and distributions.

#### **Investment Manager and Investment Products**

An investment manager, as defined in this Investment Policy Statement, is an entity that manages assets for the Trust. The typical vehicle through which the investment manager manages assets for the Trust is an investment product. Investment products are pools of assets managed on behalf of the investor and these pools may not be exclusively managed for the Trust. Mutual funds are the most common example of investment products selected for similar Trusts.

### **Investment Management Consultant**

The investment management consultant is responsible for providing advice to the Trustees on the following:

- Developing and making decisions with regard to the Investment Policy Statement and appropriate changes thereto;
- Selecting appropriate asset classes for any custom fund-of-funds which are each comprised of investment products;
- Developing an appropriate asset allocation, if applicable;
- Investment product selection, monitoring, and replacement;
- Determining appropriate market benchmarks and peer groups for the asset classes and the investment products;
- Monitoring and reporting to the Trustees on adherence of investment products to the Investment Policy Statement;
- Periodic, unbiased performance reporting and advice to the Trustees regarding each investment product versus appropriate benchmarks and peer groups;
- Periodic due diligence on the existing investment managers responsible for managing the investment products.

### **GENERAL INVESTMENT OBJECTIVES AND STANDARDS**

The Trust is designed to provide investments for participants with varying requirements for risk and return:

- 1) The segment of the participant base that seeks access to full diversification based on their particular risk profile and/or time horizon.
- 2) The segment of the participant base that wishes to make asset allocation and individual investment product selection decisions.

The Trustees shall periodically, and no less than two times per year, review the investment products' progress in meeting the Trust's investment objectives. The Trustees realize investment products should be given a full market cycle to achieve stated objectives. Market cycles normally occur over 3-5 year time periods. The Trustees expect investment products to meet or exceed their predetermined benchmark index, net of fees. The Trustees also recognize that styles of investment management have historically cycled in and out of favor. Investment products are expected to perform within the upper half of a recognized sample of same style peers identified by the investment management consultant, net of fees.

### **INVESTMENTS**

The Trust is designed to meet its objectives by providing the following combinations of investment choices:

- a) **Asset Class Funds**
  - Stable Value Fund
  - Total Return Bonds
  - Large Cap Stocks
  - Mid Cap Stocks
  - Small Cap Stocks
  - International Stocks

**b) Premixed Funds**

- Income Portfolio
- Conservative Growth Portfolio
- Balanced Portfolio
- Moderate Growth Portfolio
- Growth Portfolio

The Trustees shall periodically review the above categories and add or delete categories over time, as they deem appropriate.

**INVESTMENT OBJECTIVES**

The following outlines the objectives and benchmarks for each of the Trust's investment options.

**ASSET CLASS OR PRE-MIXED FUND****BENCHMARKS****PEER GROUP****STABLE VALUE FUND**

- Provide preservation of capital. Within this objective, the Manager will also seek to achieve a reasonably stable monthly return, a high level of liquidity for participant withdrawals, and a total return which, over time, exceeds that of the 5-Year Treasury Constant Maturity.

Five-Year Treasury  
Constant Maturity Index

Stable Value

Investment strategy, permissible investments, fund structure, duration, liquidity, and other information is detailed in the investment guidelines between the fund's investment manager and the Trust.

**TOTAL RETURN BONDS**

- Provide capital appreciation and income through a diversified fixed income portfolio. The expected duration and credit quality for the portfolio shall, on average, be comparable to that of its benchmark or peer group. The fund may at times make tactical deviations from these levels as management sees fit. The fixed income portfolio shall normally be comprised of money market instruments and U.S. Government and Agency bonds, mortgage-backed securities, and corporate bonds (including convertibles). Foreign holdings and corporate securities rated below investment grade may comprise a minority portion of the portfolio.

Barclays Capital  
Aggregate Bond Index

Intermediate-Term Bonds

**ASSET CLASS OR PRE-MIXED FUND****BENCHMARKS****PEER GROUP****LARGE CAP EQUITY**

- Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization of greater than \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, and may constitute a minority portion of the portfolio.

- Standard & Poor's 500 Index
- Russell 1000 Growth Index
- Russell 1000 Value Index

- Large Cap Blend
- Large Cap Growth
- Large Cap Value

**MID CAP EQUITY**

- Provide long-term capital appreciation through a diversified common stock portfolio with an average market capitalization between \$2 billion and \$10 billion. Stocks of foreign companies that are traded in the U.S. may also be included in the portfolio, and may constitute a minority portion of the portfolio.

- Russell Mid Cap Index
- Russell Mid Cap Growth Index
- Russell Mid Cap Value Index

- Mid Cap Blend
- Mid Cap Growth
- Mid Cap Value

**SMALL CAP EQUITY**

- Provide long-term capital appreciation through a diversified common stock portfolio with the average market capitalization between \$500 million and \$2 billion. Stocks of foreign companies that are traded in the U.S. may also be included; and may constitute a minority portion of the portfolio.

- Russell 2000 Index
- Russell 2000 Growth Index
- Russell 2000 Value Index

- Small Cap Blend
- Small Cap Growth
- Small Cap Value

**INTERNATIONAL EQUITY**

- Provide long-term capital appreciation through a diversified portfolio of international equities. Stocks of emerging countries may be used at the discretion of the manager, and may constitute a minority portion of the portfolio.

- MSCI All Country World Index ex-U.S.
- MSCI All Country World Index ex-U.S. Growth
- MSCI All Country World Index ex-U.S. Value

- Foreign Large Blend
- Foreign Large Growth
- Foreign Large Value

**INCOME**

- Provide current income with minimal growth of capital through a combination of Stocks and Bonds. The portfolio shall be well diversified including Fixed Income and Stock investments, primarily from the US. Stocks generally shall constitute a minority portion of the total portfolio, generally between 15% and 30%.

Custom Income Index

15% to 30% Equity Allocation

Deleted: Conservative Allocation

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Deleted: less than 25

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**ASSET CLASS OR PRE-MIXED FUND****BENCHMARKS****PEER GROUP****CONSERVATIVE GROWTH**

- Provide current income and low to moderate growth of capital through a combination of Stocks and Bonds. The portfolio shall be well diversified including Fixed Income and Stock investments, primarily from the US. Stocks generally shall constitute a moderate portion of the portfolio, generally between 30%- and 50%.

Custom Conservative Growth Index

30% to 50% Equity  
Allocation

Deleted: Conservative

Deleted: 25-45

Deleted:

**BALANCED**

- Provide moderate growth of capital and current income through a combination of Stocks and Bonds, primarily from the US. Stocks generally shall range from 50%-70% of the total portfolio. Fixed Income investments shall generally constitute the remainder of the portfolio.

Custom Balanced Index

50% to 70% Equity  
Allocation

Deleted: Moderate

**MODERATE GROWTH**

- Provide moderate growth of capital and current income through a combination of Stocks and Bonds. The portfolio shall be well diversified including Stock and Fixed Income investments, primarily from the US. Stocks shall generally constitute a moderate majority portion of the portfolio, generally between 50% and 70%.

Custom Moderate Growth Index

50% to 70% Equity  
Allocation

Deleted: Moderate

Deleted: from 45-65

Deleted: -

**GROWTH**

- Provide growth of capital through a combination of Stocks and Bonds. The portfolio shall be well diversified including Stock and Fixed Income investments, primarily from the US. Stocks generally shall constitute a majority portion of the portfolio generally greater than 70%.

Custom Growth Index

70% to 85% Equity  
Allocation

Deleted: Aggressive

Deleted: 65

**Investment Guidelines**

- The Trustees require that the investment managers and investment products comply with all applicable laws, rules and regulations.
- All assets must have readily ascertainable market values and be easily marketable, except for Stable Value contracts. Investment products with deferred sales charges shall be avoided.
- The Trustees desire that each investment product be adequately diversified to reduce risk. The interpretation of "adequate" diversification shall be left to the investment manager.
- Compliance with the prospectus and this Investment Policy Statement is required. The criteria for review may include, but not be limited to, a review of the investment product's:
  - Portfolios;
  - Investment style;
  - Investment process and philosophy;
  - Investment personnel; and
  - Regulatory or other legal issues.

- Performance results shall be evaluated using comparisons with the guidelines, pertinent market indices, and other investment products. While long-term performance shall be emphasized, performance trends based on short-term returns shall also be reviewed and evaluated.
- Periodic meetings with the investment management consultant and investment managers may be conducted.

#### **Investment Product Selection Process**

Before selecting or removing any investment product, the Trustee, with the help of its investment management consultant, shall identify and outline the asset classes and styles to be implemented. The Trustees, with the help of the investment management consultant, shall only pursue investment products whose investment process, style, and return history are consistent with the Trust's risk profile and that match the asset class and style criteria. In general, an investment manager shall have at least a three-year tenure with the investment product, or similar experience managing assets in the same style. However, an appropriate time frame shall depend on the facts and circumstances of the investment product being evaluated. An investment manager who has already demonstrated a competency in managing other investment products using similar philosophies, processes, and personnel may be given special consideration for a new investment product that has less than a 3-year actual performance history.

At a minimum, all actively managed investment products being considered generally should:

- Outperform the asset class benchmarks on a five-year basis.
- Have return performance that ranks in the top half versus same style peers during these same periods. Benchmarks should be style specific, where appropriate, and the peer universe should also closely match the investment product's investment style and asset class.
- Have no pending regulatory investigations, censures, or material legal proceedings.

At a minimum, all passively managed investment products being considered generally should:

- Match the performance of the specific market index that the option is designed to replicate, less investment management expense, with marginal tracking error.
- Have no pending regulatory investigations, censures, or material legal proceedings.

The Trustees, with the assistance of the investment management consultant, shall select the investment product that they believe is most appropriate for the Trust.

- The final selection decision shall incorporate the Trustees' knowledge of the structure and intent of the Trust, and shall not be made based on any one performance statistic.
- The investment product selected shall have an investment style that is complementary to the structure of the Trust and risk characteristics that are complementary to the risk profile of the Trust.
- The Trustees' decision may result in the selection of an investment product whose characteristics the Trustees find more complementary to the Trust's overall intent rather than the best absolute recent performance.
- Interviews of any investment manager candidates are left to the discretion of the Trustees.
- The Trustees reserve the right to deviate from the selection process and criteria stated above if facts and circumstances, in the Trustees' judgment, appear to warrant doing so.

#### **Investment Product Monitoring**

Once selected, an investment product is expected to consistently outperform the asset class and style benchmarks, as well as same style peers. The Trustees shall review the performance of the investment



products no less frequently than two times per year, and as defined under the investment guidelines section above. Performance results shall be evaluated using comparisons with the guidelines, pertinent market indices, and other investment products. The following sections define the procedures and guidelines for evaluating investment products not meeting performance benchmarks.

#### **Watch Status – Non-performance Reasons**

An Investment Product may be placed “on watch” for any number of non-performance related reasons such as:

- Personnel turnover;
- Changes in the investment philosophy, process, or style;
- Excessive or rapid asset growth;
- Changes in firm ownership;
- Filing of securities regulatory or criminal charges against the investment manager or an investment product

The investment management consultant shall conduct additional due diligence on any investment manager and investment product placed on the watch list and provide recommendations to the Trustees regarding the status of the investment product and action recommended.

#### **Watch Status – Performance Related Reasons**

Options employing active management are expected to outperform their stated asset class benchmark net of all management fees over a trailing five year time period; and to rank above the 50th percentile of the appropriate peer group for the same trailing five year time period. It is also expected that the risk of each option, defined as the standard deviation of returns, be commensurate with the prescribed strategy relative to the appropriate market index and/or peer group.

Options employing passive management are expected to track the performance of the index strategy that the option is designed to replicate, less management fees, with marginal tracking error. It is also expected that the risk of each passive option, as defined by standard deviation of returns, be commensurate with the appropriate market index.

A watch status for an actively managed investment product may be initiated when the investment product, on a five-year basis, trails both of the following:

- Benchmark as assigned in this Investment Policy Statement
- Median ranking within the same style peer universe.

A watch status for a passively managed investment product may be initiated when the investment product, on a five-year basis, has net of fee performance tracking error relative to the respective index that is greater than 15 basis points.

It should also be noted that certain passive investment options operate in a marketplace that includes foreign markets whose exchanges close prior to that of the United States. In these instances, some fund managers may engage in a method of “Fair Value Pricing,” whereby the managers adjust the pricing of securities in the Fund to reflect any information that has become available after the close of the applicable foreign exchange market. Discrepancies in performance between the applicable investment option and its performance benchmark that are due to “Fair Value Pricing” will be taken into consideration in evaluating performance of the affected investment options and generally will not be counted as underperformance.

Poor performance for the most recent period should be noted and evaluated, but in the absence of any seminal event, should not be cause for considering an investment product “on watch”.


**Watch Status – Monitoring**


- Concerns shall be noted and the investment management consultant shall initiate a conference call with the investment manager to discuss the reasons behind the issue(s) of concern.
- During the duration of the watch status, the investment management consultant shall have regular communications with the investment manager to monitor the investment product's progress.
- If the investment product's trailing performance does not return to acceptable performance levels within an acceptable period given market conditions, it should be considered for termination as soon as is beneficial for the Trust.
- An investment product may stay "on watch" for a number of quarters if performance is primarily attributable to severe market conditions, but the product's investment process has not been impaired.
- Two consecutive quarters of performance in compliance with the expectations of this Investment Policy Statement are generally required for removal of the "on watch" status.
- If the watch is initiated for non-performance related issues, the investment product may be considered for termination if the watch concerns are not resolved to the Trustees' satisfaction within a reasonable time period.

**Termination**

The Trustees reserve the right to terminate investment option relationships at any time, for any reason when it is determined that such termination is in the best interests of the Trust and its beneficiaries. Upon termination, further contributions or transfers to an investment option may be frozen, or the option may be replaced with or without transferring existing assets from the replaced option. Once the decision to terminate an option and remove it from the Trust is made, asset transfer and liquidation should be handled to the best advantage of the Trust, with due consideration given to the anticipated effect on affected beneficiaries.

## AGENDA ITEM 5: INT'L EQUITY FUND MANAGER PRESENTATION

 **SNAPSHOT:** As requested by the Board, Hyas Group has arranged for a representative from Capital Group (American Funds) to make a presentation at this meeting.

 **RELEVANT GOAL(S):** 7. Provide Trustee education and training; and 9. Monitor Trust service providers

### BACKGROUND

The Board has directed Hyas Group to schedule periodic presentations from the Trust's fund managers. Two representatives from Capital Group will be presenting to the Board at this meeting. Capital Group manages the Trust's International Equity fund, **American Funds EuroPacific Growth**.

**Vincent Ortega** is a relationship manager at Capital Group. He has 28 years of investment industry experience, all with Capital Group. Earlier in his career at Capital, he was an accountant, a contracts/account administrator, and a marketing associate. He holds a bachelor's degree in business administration with an emphasis in finance from California State University, San Bernardino. Vince is based in Los Angeles.

**Jacob Gerber** is an equity and multi-asset investment specialist at Capital Group. He has 21 years of investment industry experience, all with Capital Group. Earlier in his career at Capital, Jacob was a manager of the results analysis department. He holds a bachelor's degree in biology from University of California, Los Angeles. Jacob is based in Los Angeles.

### ACTION ITEM

YES

NO

### SAMPLE MOTION

None.

A Portfolio Review to  
HRA VEBA Trust for  
Public Employees in  
the Northwest

A Focus on  
EuroPacific Growth Fund®

February 7, 2019



**We Believe  
High-Conviction  
Investing and  
Diverse Perspectives  
Mean Better Results.**

Multiple Perspectives. One Approach.™

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## Your Contacts

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Michael A. Bowman  
Relationship Manager  
(415) 393-7142

Christine Wohn  
Institutional Client Service Specialist  
(213) 486-1439

Lucious Greene  
Institutional Sales Support  
Coordinator  
(415) 393-7176

## Meeting Participants



**Vincent A. Ortega** is a relationship manager at Capital Group. He has 27 years of investment industry experience, all with Capital Group. Earlier in his career at Capital, he was an accountant, a contracts/account administrator and a marketing associate. He holds a bachelor's degree in business administration with an emphasis in finance from California State University, San Bernardino. Vince is based in Los Angeles.



**Jacob M. Gerber** is an equity and multi-asset investment specialist at Capital Group. He has 20 years of investment industry experience, all with Capital Group. Earlier in his career at Capital, Jacob was a manager of the results analysis department. He holds a bachelor's degree in biology from University of California, Los Angeles. Jacob is based in Los Angeles.

### A Well-Established Global Manager

- Founded in 1931
- Privately held
- \$1.77 trillion in assets under management
- Manager of the American Funds and Capital Group institutional strategies
- Objective-based investment approach
- The Capital System<sup>SM</sup> – a consistent philosophy and process
  - Long-term focus
  - Multi-manager system
  - Global, fundamental research
  - Collaborative investment culture with individual accountability
  - “A” grade by Morningstar for stewardship, corporate culture, manager incentives and fees\*

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

*Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses, summary prospectuses or the funds’ Characteristics statement, which can be obtained from a financial professional, Capital or your relationship manager, and should be read carefully before investing. This material must be preceded or accompanied by a prospectus or summary prospectus for any included fixed income or balanced funds. Securities offered through American Funds Distributors, Inc.*

Assets under management as of December 31, 2017.

The Capital Group companies manage equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

Any collective investment trusts (“CITs”) available under this strategy are maintained by Capital Bank and Trust Company (“trustee”), which has retained an affiliate to serve as investment adviser to the trustee for the CITs.

\*2015 Morningstar U.S. Mutual Fund Industry Stewardship Survey.

## Capital Group by the Numbers

**\$1.77 trillion**  
assets under management

**\$305.1 billion**  
fixed income assets managed<sup>1</sup>

**\$137.4 billion**  
insurance series assets managed

## More Than 85 Years of Investment Experience

1930s	1950s	1960s	1970s
<b>1931</b> Founded during the Great Depression	<b>1953</b> Royal Dutch Petroleum becomes first investment outside North America	<b>1962</b> Opens its first overseas office in Geneva	<b>1973</b> Begins managing fixed income assets for institutional clients
<b>1934</b> Begins managing The Investment Company of America®, the first mutual fund of what will become the American Funds family	<b>1958</b> Begins managing assets using The Capital System <sup>SM</sup>	<b>1965</b> Develops international indices that become the MSCI indices <sup>2</sup>	<b>1976</b> First collective investment trusts are introduced
		<b>1968</b> First U.S. institutional accounts established	
1980s	1990s	2000s	2010s
<b>1984</b> American Funds Insurance Series®, one of the oldest insurance investment vehicles in the U.S., is introduced	<b>1992</b> First global private equity funds are created	<b>2002</b> American Funds Class R shares, designed for retirement plans, are created	<b>2012</b> American Funds Portfolio Series <sup>SM</sup> is introduced
<b>1986</b> Begins managing the world's first emerging markets equity fund		<b>2007</b> American Funds Target Date Retirement Series® is introduced	

Assets under management as of December 31, 2017.

<sup>1</sup>Assets managed by Capital Fixed Income Investors. All values in USD.

<sup>2</sup>MSCI indices are now maintained by MSCI, Inc.

# The Capital Advantage®

Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability.

---

## Aligned With Investor Success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Achieving superior, long-term returns is our only goal, so managers are rewarded for their results, not the level of assets they manage. Collectively, Capital Group associates are significant investors in the company's investment offerings.

---

## The Capital System<sup>SM</sup>

Our investment process, The Capital System, is designed to enable individual investment professionals to act on their highest convictions, while limiting the risk associated with isolated decision-making. Portfolios using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. A disciplined, multilayered governance structure oversees the system's operation.

---

## Built to Last

As a private firm with an independent charter and robust balance sheet, we invest in improving our capabilities through good markets and bad. We have some of the most experienced investment professionals, a deep bench and a commitment to sustaining our investment process over generations.



## Aligned With Investor Success

"[American Funds'] multiple-manager approach has produced consistently competitive risk-adjusted returns and a strong investment culture with high manager and analyst retention. The managers are heavily invested in the funds they manage, and their bonus calculations include eight-year performance, which frees them to focus on long-term results."

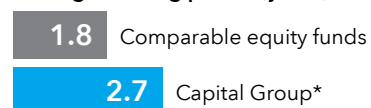
– Morningstar, May 2013

## Our Investment Philosophy Is Based on Doing What We Believe Is Right for Clients

- We reward long-term results: Compensation paid to our investment professionals is heavily influenced by results over one-, three-, five- and eight-year periods, with increasing weight placed on each succeeding measurement period to encourage a long-term investment approach.
- We invest alongside you: Collectively, Capital Group associates are significant investors in the company's investment offerings.
- **Why it matters:** Aligned by philosophy, incentives and ownership, our interests are deeply intertwined with those of clients.

### A Long-Term Perspective on Behalf of Clients

#### Average holding period (years)



#### Compensation basis (years)



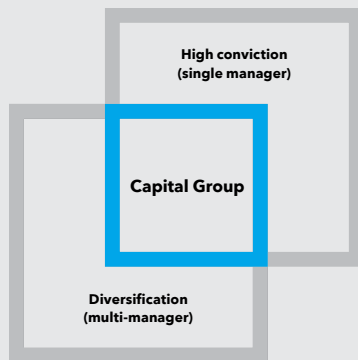
Average holding periods as of the most recent fiscal year-end periods available through December 31, 2017.

Source for comparable equity funds: Lipper.

\*For the American Funds only, as of December 31, 2017.

## The Capital System

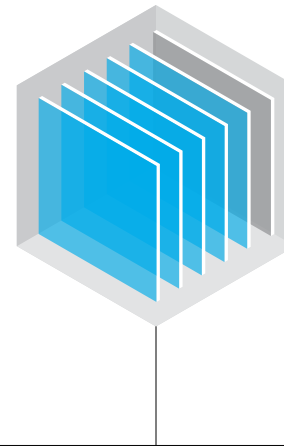
Our system seeks the best of both worlds: the high conviction of individual managers and the diversification of a team approach.



## The Capital System Is at the Core of Our Sustained Results

- Portfolios using The Capital System are divided into segments that are managed independently by individual portfolio managers.
- The portfolios are built from the bottom up, security by security, based on extensive research.
- **Why it matters:** The blend of managers is designed to lower volatility while striving for consistently superior long-term returns.

### Example: American Mutual Fund®



#### Portfolio Managers



Cheryl  
Frank



Joyce  
Gordon



James  
Lovelace



William  
Robbins



James  
Terrile



Bradley  
Vogt



Dylan  
Yolles



Research  
portfolio

#### Analysts

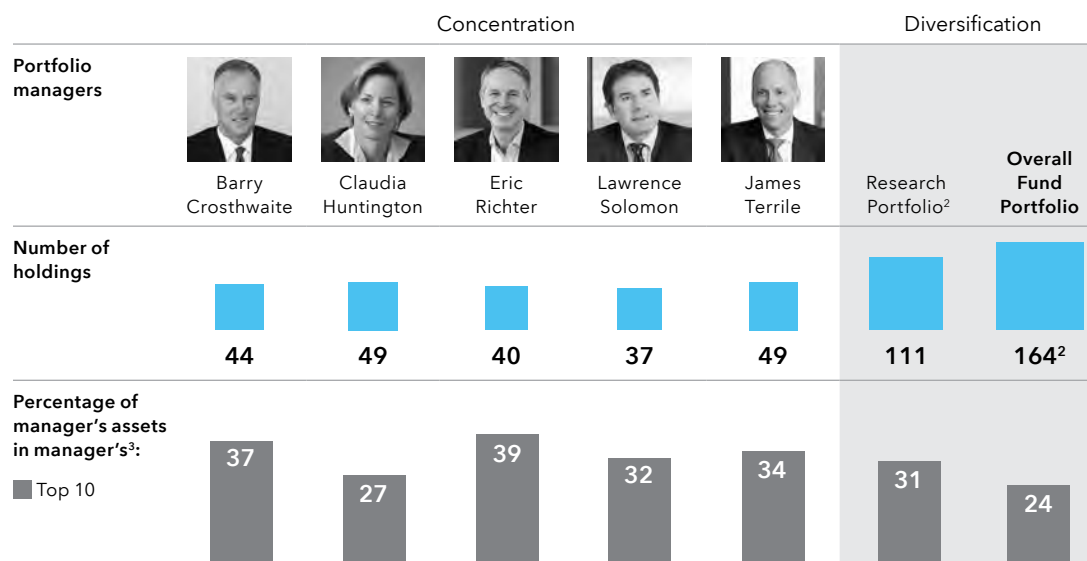
Portfolio managers shown are as of the fund's prospectus dated January 1, 2018.

## Our System Combines Concentration and Diversification in a Single Portfolio

- Each portfolio manager runs a diversified portfolio of highest conviction ideas.
- In most portfolios, analysts manage a portion, known as the Research Portfolio, based on their highest conviction ideas.
- **Why it matters:** We believe our system provides a conviction advantage with an added layer of diversification.

### Conviction and Diversification in Action

Example: Manager holdings in AMCAP Fund®<sup>1</sup>



<sup>1</sup>Based on a June 30, 2018, three-year average for equity holdings at the issuer level.

<sup>2</sup>Overall fund portfolio includes holdings in common.

<sup>3</sup>Percentage of holdings in market value includes cash.

## The Capital System

New Perspective Fund® was honored with the 2015 Morningstar International-Stock Fund Manager of the Year Award.

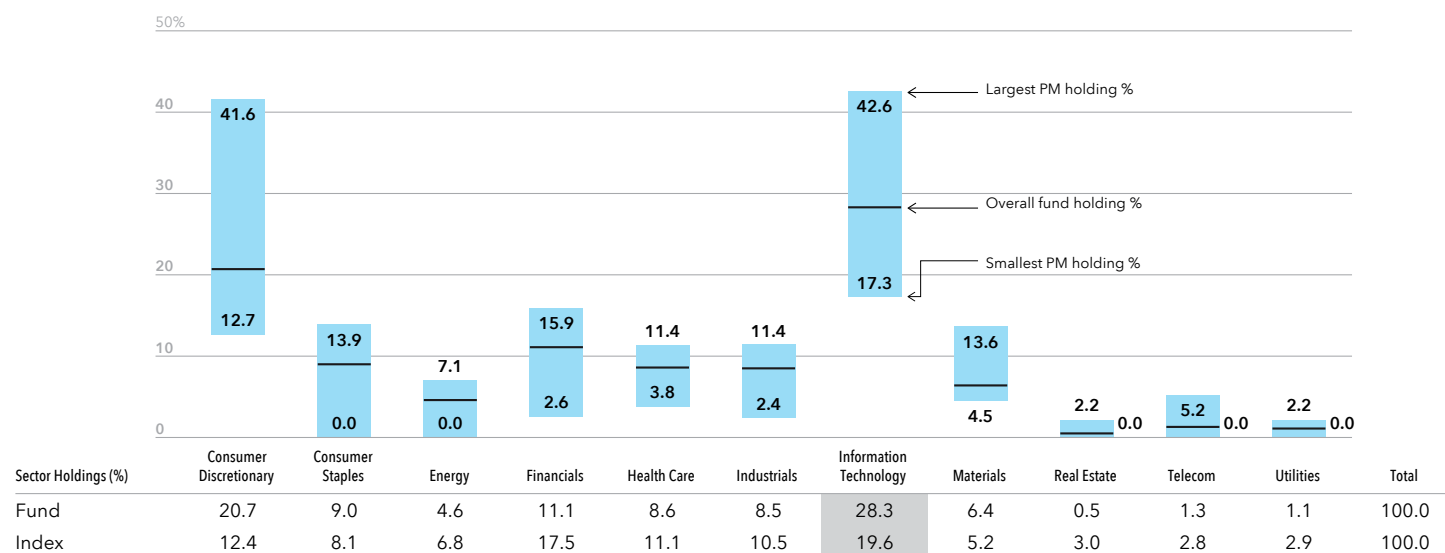
The awards acknowledge managers who not only delivered impressive performance in 2015, but also showed excellent long-term risk-adjusted returns and were good stewards of fund shareholders' capital.

## Our Approach Is True Investment Management, Not Closet Indexing

- Each portfolio manager (PM) is encouraged to pursue the fund's objective following his or her individual approach and without trying to reflect an index.
- **Why it matters:** Clients can benefit from an additional layer of manager diversification.

### Sector Diversification as a Natural Outgrowth of Bottom-Up Security Selection

Example: New Perspective Fund®



As of June 30, 2018.

Excludes cash and fixed income.

Totals may not reconcile due to rounding.

The largest sector holdings in the fund and index are highlighted in gray.

Index reflects the MSCI All Country World Index (ACWI).

## The Capital System

Few firms can match the scale and scope of our proprietary research effort. We invest more in international stocks than any other active mutual fund manager and are among the largest investors of international bonds.\*

### Capital Group Investment Professionals

As of December 31, 2017

#### Portfolio Managers

Equity	79
Fixed income	29

#### Analysts

Equity	167
Fixed income	39
Macroeconomic	20

## An Extensive Global Research Effort Is the Backbone of Our System






- We combine on-the-ground research with comprehensive macro analysis around the world.
- Equity and fixed income analysts work together, pooling research.
- **Why it matters:** Fundamental global research is crucial for identifying investment opportunities and risks.

### Global Research in Action

Example: From Houston to Beijing, drilling deep on shale energy research

To understand the impact of shale energy development, our investment professionals have traveled around the world, from Alberta to Texas, Europe, the Middle East, Australia and Asia.

• Company/Site visits

					
	<b>Steve Backes</b>	<b>Darren Peers</b>	<b>Damien McCann</b>	<b>Christina Lu Han</b>	<b>Sung Lee</b>
Role:	Fixed income analyst, sovereign	Equity analyst, energy	Fixed income analyst, energy	China industry specialist	Equity portfolio manager
Perspective:	Emerging markets sovereign debt could be a beneficiary.	Understanding variable geological characteristics and management teams' capabilities are critical.	Shale development requires significant new pipeline capacity.	Challenging geology, lack of water and less private-sector exploration may slow China's efforts.	Shale may impact high prices for liquefied natural gas buyers in Asia.
Years of experience:	24	21	18	12	23

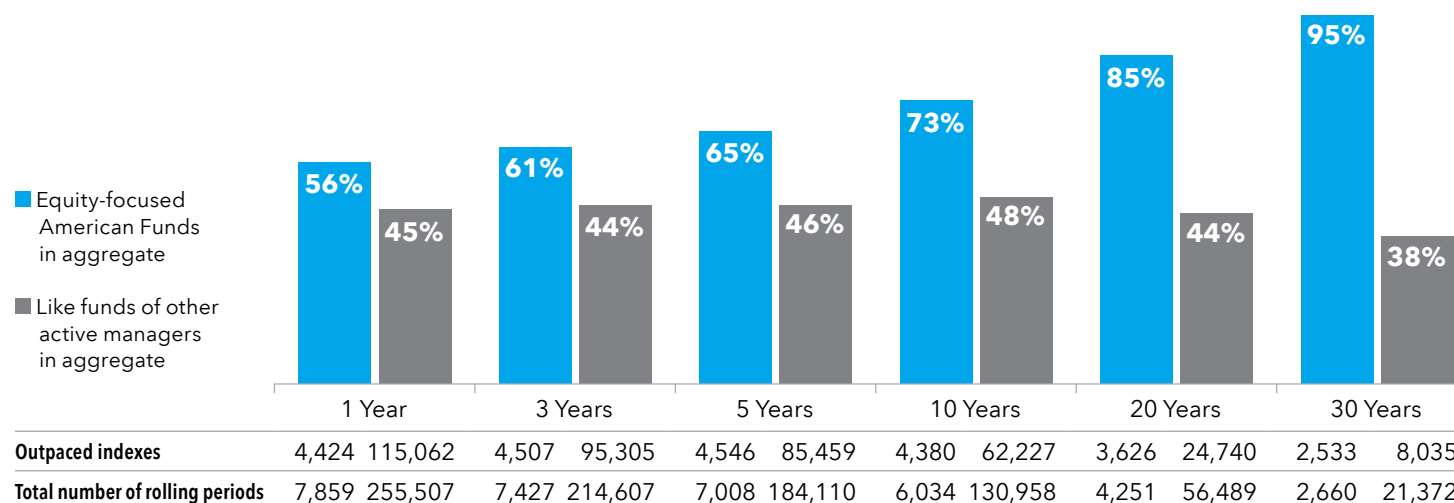
\*Source: Morningstar, based on net assets as of December 31, 2017.

## The Capital System Is Focused On Generating Superior, Long-Term Results

- The Capital System was pioneered by American Funds, our company's oldest family of mutual funds, and forms the foundation of our organization's philosophy and approach.
- American Funds equity funds have a history of outpacing indexes, especially over longer periods.
- **Why it matters:** Select managers can help investors pursue better outcomes.

### Success Rate Against Indexes (1934-2017)

Percentage of time (rolling periods, monthly basis) funds led their indexes – equity-focused American Funds and like funds of other active managers in aggregate



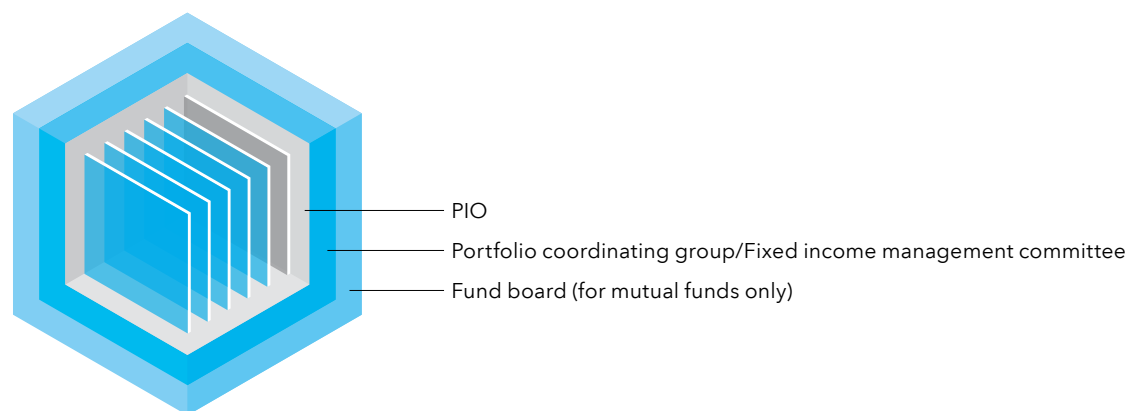
Figures shown are past results for Class A shares at net asset value with all distributions reinvested and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money.

The 18 American Funds equity-focused funds used in our analysis and the relevant indexes/index blends with which they were compared are as follows: AMCAP Fund, The Growth Fund of America, The New Economy Fund, American Mutual Fund, Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (Standard & Poor's 500 Index); EuroPacific Growth Fund and International Growth and Income Fund (MSCI All Country World ex USA Index); New Perspective Fund, New World Fund, and Capital World Growth and Income Fund (MSCI All Country World Index); SMALLCAP World Fund (MSCI All Country World Small Cap Index); Capital Income Builder and American Funds Global Balanced Fund (60%/40% MSCI All Country World Index/Bloomberg Barclays Global Aggregate Index); American Funds Developing World Growth and Income Fund (MSCI Emerging Markets Index); and The Income Fund of America and American Balanced Fund (60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Aggregate Index). The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. Source for other actively managed equity funds is Morningstar. For indexes and American Funds, data from published sources were calculated internally. Numbers of periods are based on rolling monthly data for all funds. Past results are not predictive of results in future periods. Please see the General Methodology section of the Appendix for more details.

## Multiple Layers of Oversight Contribute to Rigorous Risk Controls

- Each portfolio has a principal investment officer (PIO) who is accountable for the fund/strategy and works with a coordinating group to select and monitor the lineup of portfolio managers.
- Typically, at least 75% of fund board members – and 100% of fund board chairs – are independent.\*
- **Why it matters:** Clients can be confident their investments are being managed with rigorous attention and prudent governance.

### Risk Controls, Accountability and Governance



#### PIO

Accountable for:

- Overall objectives and yield targets
- Guiding risk management and distribution of assets among managers

#### Portfolio coordinating group/ Fixed income management committee

Group of senior executives at Capital accountable for:

- Portfolio manager lineup and succession planning
- Monitoring portfolio manager results

#### Fund board (for mutual funds only)

Independent trustees accountable for:

- Setting fees and renewing contracts
- Holding management responsible for results

\*For the American Funds only, as of December 31, 2017.

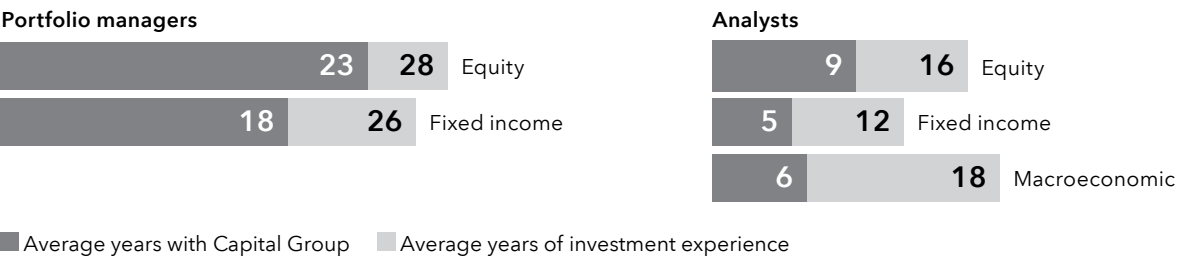
# Built to Last

As a private firm with an independent charter and robust balance sheet, we are able to invest in our capabilities through all markets, both good and bad. Our investment professionals are among the most experienced in the industry.

## Experience Over Cycles Defines Our Stability

- Our portfolio managers average 27 years of experience, including 21 years at our company.
- The average tenure of a portfolio manager on a fund is 9 years; for the industry it's 6.3 years.
- **Why it matters:** Generations of knowledge over multiple full market cycles provide our clients an experience advantage.

### Experienced Investment Professionals, Committed to Our Approach



**100%**  
of our portfolio managers have more than 10 years of investment experience

**62%**  
of our fixed income portfolio managers experienced the difficult 1994 bond market

**33%**  
of our portfolio managers experienced the October 1987 crash

Data as of December 31, 2017.  
Source for industry average tenure: Morningstar.

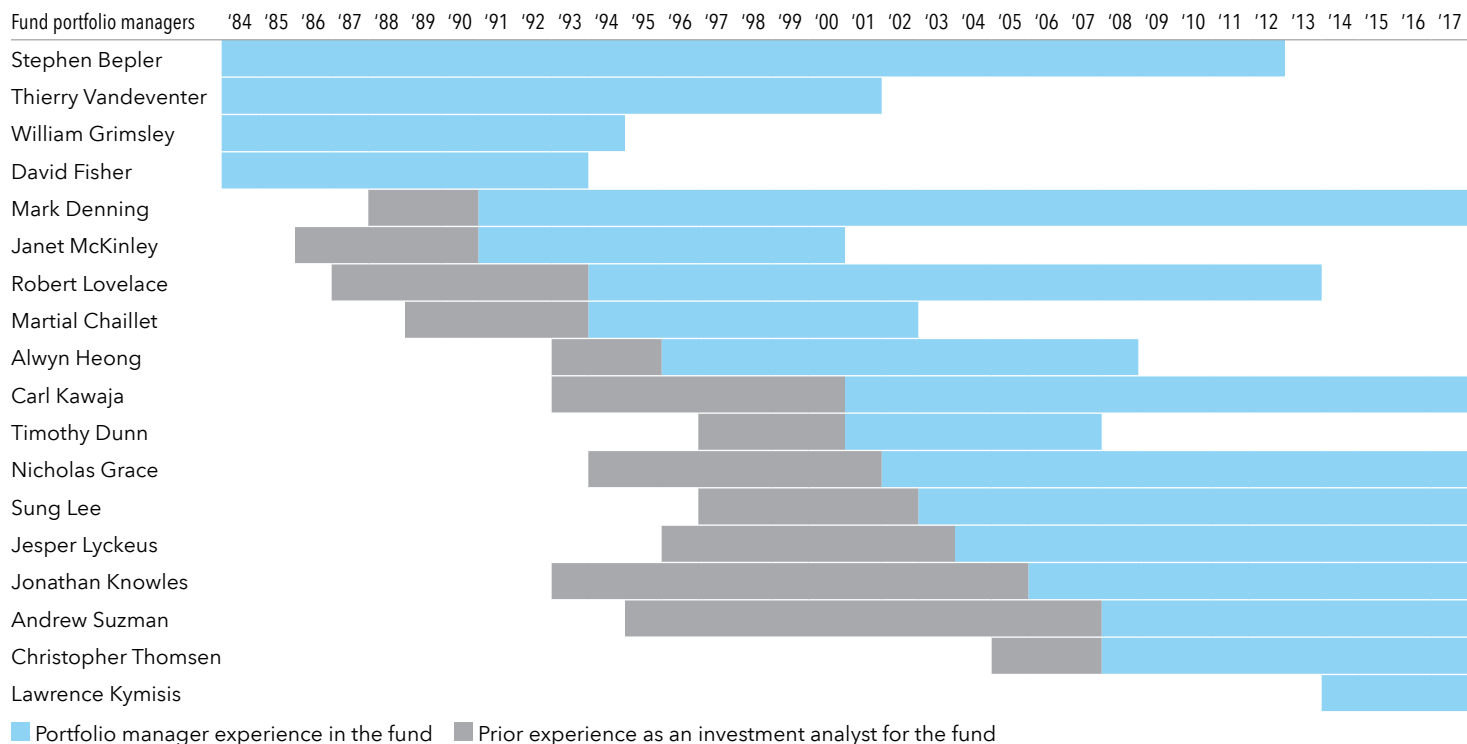


"In consulting and industry circles, stability of management is often considered the best measure of investment culture. ... Creating a healthy culture where very skilled and sought after investment professionals want to stay for their whole career is one of the hardest things to do in the money management world."

## Our Sustainable Approach Is Backed by a Deep Bench

- Our 96% retention rate is among the highest in the industry.\*
- Because analysts are investors, they are prepared to assume portfolio management responsibilities.
- **Why it matters:** Unlike the single-manager system, our modular approach allows us to add managers without disruptions.

Example: Manager transitions in EuroPacific Growth Fund®



Portfolio manager and analyst data based on fund prospectuses.

\*Source: Morningstar, for the American Funds, as of December 31, 2017. Based on percentage of portfolio managers who have stayed with the firm during the past five calendar years.

# **American Funds EuroPacific Growth Fund**

Third-quarter 2018

# EuroPacific Growth Fund®

## Purely International

### Objective

To provide long-term growth of capital

### Vehicle

Mutual fund in share classes designed for retirement plans, nonprofits and other institutional and individual investors

### Fund Inception Date

April 1984

### Share

Class	Quotron	CUSIP
A	AEPGX	298706 10 2
F-1	AEGFX	298706 40 9
F-2	AEPFX	29875E 10 0
F-3	FEUPX	298706 11 0
R-2	RERBX	298706 86 2
R-3	RERCX	298706 85 4
R-4	REREX	298706 84 7
R-5	RERFX	298706 83 9
R-6	RERGX	298706 82 1

### Implementation Guidance

- Consider for a Core International allocation and has the flexibility to invest in emerging markets

### How It Fits

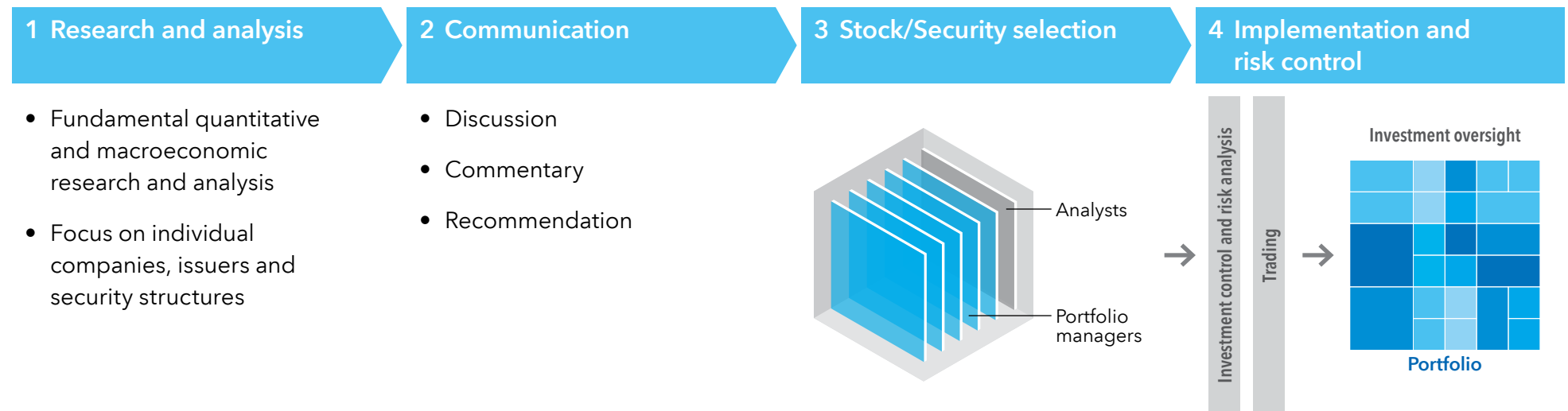
- Diversified international exposure

### Characteristics

- Invests primarily in common stocks (may also invest in preferred stocks), convertibles, American Depositary Receipts, European Depositary Receipts, bonds and cash
- Holdings are primarily outside the U.S. except a nominal portion that may be held in U.S. dollars
- Fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets
- Normally, at least 80% of assets must be invested in securities of issuers in Europe or the Pacific Basin

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries.

# Four-Step Investment Process

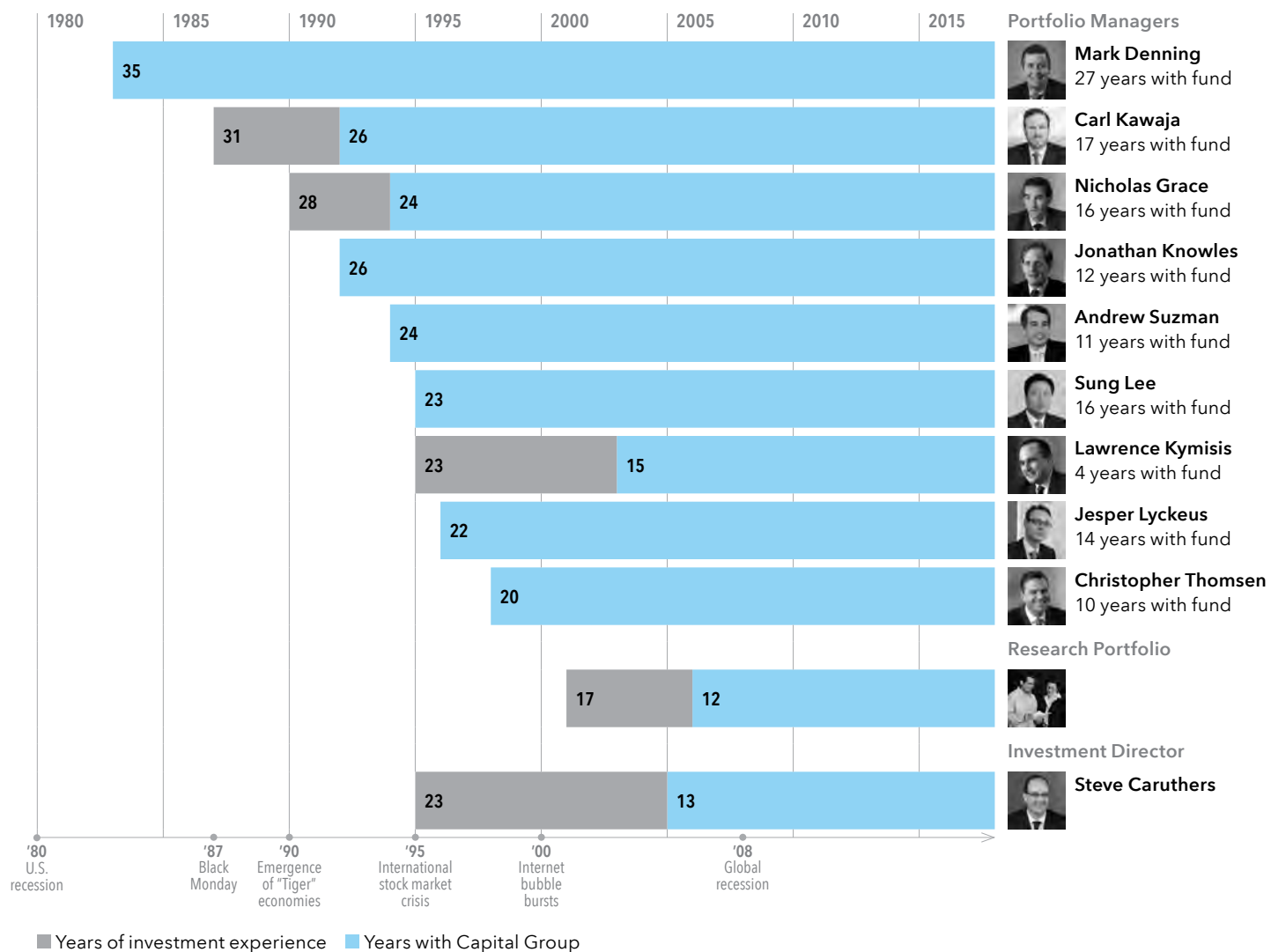


## Experienced Management Team

### Experience

- Nine portfolio managers in the fund have a median of 24 years' investment experience and 24 years with Capital Group
- Managed through various market cycles
- Eight portfolio managers have been investors on the fund for 10 years or more
- Sixty-six investment analysts in the research portfolio have a median of 17 years' investment experience

### Experience in the Investment Industry, With Capital and the Fund

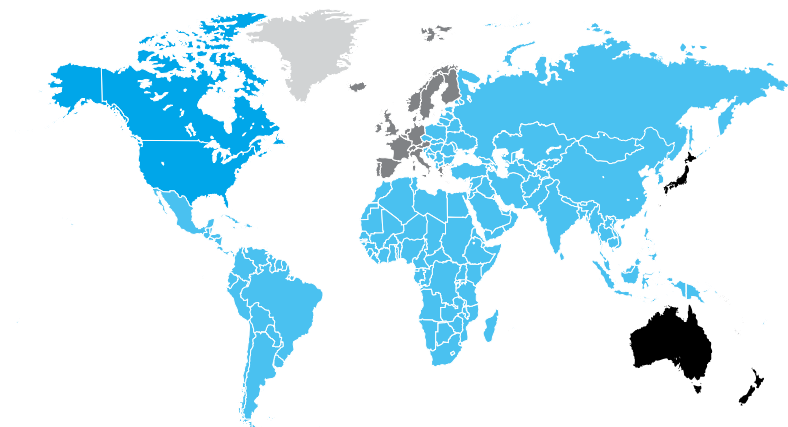


Reflects current team as of September 30, 2018. Years of experience as of December 31, 2017. Years with the fund as of the most recent prospectus dated June 1, 2018. Manager responsibilities may have changed since that date. Research portfolio experience is calculated using median years of experience. The investment director does not have portfolio management responsibilities in the fund.

# The World at a Glance

Year-to-date

## Returns (%)



	Local Currency	Currency	USD
<b>Emerging Markets</b>			
Brazil	4.4	-16.9	-13.3
China	-8.7	-0.2	-8.8
India	-2.3	-11.9	-13.9
Korea	-5.0	-3.5	-8.3
Mexico	0.5	4.6	5.1
Russia	21.6	-10.5	8.8
South Africa	-10.0	-12.5	-21.2
Taiwan	6.9	-2.5	4.2
<b>North America</b>			
Canada	1.4	-3.1	-1.7
United States	10.6	0.0	10.6
<b>Asia Pacific</b>			
Australia	5.9	-7.5	-2.1
Hong Kong	-3.4	-0.1	-3.5
Japan	2.7	-0.8	1.9
<b>Europe</b>			
France	7.1	-3.3	3.6
Germany	-4.2	-3.3	-7.3
Italy	-2.7	-3.3	-5.9
Spain	-4.7	-3.3	-7.9
Switzerland	1.1	-0.2	0.8
United Kingdom	1.0	-3.6	-2.7

Data as of September 30, 2018.

Source: MSCI data from RIMES. MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

MSCI indices with gross dividends reinvested. Please note that some local indices contain USD-traded securities. The calculated exchange rate is the percent difference between the MSCI EM Investable Market Index local index return and the MSCI EM Investable Market Index USD index return.

Local currency return reflects the year-to-date return in local currency.

Currency return reflects the year-to-date foreign exchange rate return vs. the USD.

USD return reflects the year-to-date return in USD.

Market Overview

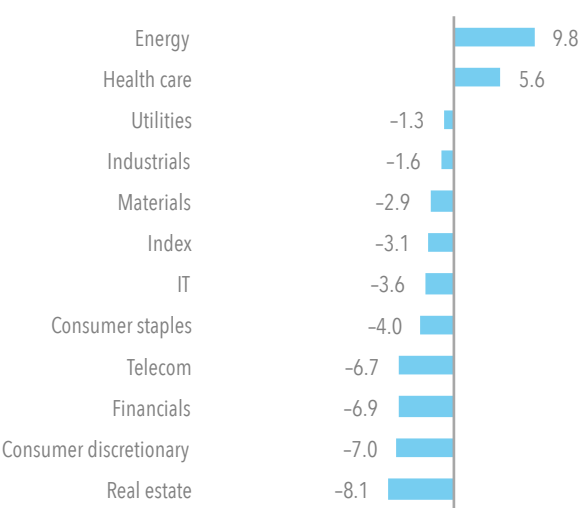
# MSCI ACWI ex USA Index

Year-to-date

Market Returns (%)



Sector Returns (%)



Data as of September 30, 2018, unless otherwise noted.

MSCI index results reflect net dividends reinvested.

Sector returns reflect total return.

Source: MSCI data from RIMES. MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Market returns reflect the weekly returns in USD of the MSCI ACWI ex USA rebased to 100, using the week ending December 31, 2017 return as the base 100.

# EuroPacific Growth Fund®

## Investment Results

Class R-6 shares

Figures shown are past results for Class R-6 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Fund results shown are at net asset value with all distributions reinvested. For current information and month-end results, visit [americanfundsretirement.com](http://americanfundsretirement.com).

### Average Annual Total Returns for the Period Ending September 30, 2018 (%)

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Lifetime	Expense Ratio	30-Day SEC Yield
<b>Fund</b>	<b>-0.84</b>	<b>-2.64</b>	<b>1.47</b>	<b>9.93</b>	<b>6.20</b>	<b>6.86</b>	<b>11.00</b>	<b>0.49</b>	<b>1.45</b>
EuroPacific Growth Fund Historical Benchmarks Index	0.71	-3.09	1.76	9.97	4.12	5.18	8.37		
MSCI All Country World Index (ACWI) ex USA	0.71	-3.09	1.76	9.97	4.12	5.18	8.71		
Lipper International Funds Average	0.31	-2.43	1.50	8.81	4.28	5.29	8.76		

### Annual Total Returns as of December 31 (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Fund</b>	<b>-40.35</b>	<b>39.53</b>	<b>9.76</b>	<b>-13.31</b>	<b>19.64</b>	<b>20.58</b>	<b>-2.29</b>	<b>-0.48</b>	<b>1.01</b>	<b>31.18</b>
EuroPacific Growth Fund Historical Benchmarks Index	-45.53	41.45	11.15	-13.71	16.83	15.29	-3.87	-5.66	4.50	27.19
MSCI All Country World Index (ACWI) ex USA	-45.53	41.45	11.15	-13.71	16.83	15.29	-3.87	-5.66	4.50	27.19
Lipper International Funds Average	-44.24	32.89	10.75	-13.42	17.74	19.65	-5.04	-1.29	0.66	26.79

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

Fund inception: April 16, 1984.

The expense ratio is as of the fund's prospectus available at the time of publication.

Annualized 30-day yield is calculated in accordance with the SEC formula.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses.

Class R-6 shares were first offered on May 1, 2009. Class R-6 share returns prior to the date of first sale are hypothetical based on Class A share returns without a sales charge, adjusted for typical estimated expenses. Please see each fund's prospectus for more information on specific expenses.

We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments. Because Class R-6 shares do not include any recordkeeping payments, expenses are lower and results are higher. Other share classes that include recordkeeping costs have higher expenses and lower results than Class R-6.

Market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. There have been periods when the fund has lagged the index. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [americanfunds.com](http://americanfunds.com) for more information.

MSCI index results reflect dividends net of withholding taxes.

EuroPacific Growth Fund Historical Benchmarks Index returns reflect results of the fund's current and former benchmark indexes: MSCI All Country World Index (ACWI) ex USA, April 2007-present; MSCI EAFE Index, fund inception-March 2007.

For the MSCI All Country World Index ex USA, before January 1988, MSCI EAFE Index was used.

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## Investment Results

Class R-6 shares

Figures shown are past results for Class R-6 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Fund results shown are at net asset value with all distributions reinvested. For current information and month-end results, visit [americanfundsretirement.com](http://americanfundsretirement.com).

### Average Annual Total Returns for the Period Ending December 31, 2018 (%)

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Lifetime	Expense Ratio	30-Day SEC Yield
<b>Fund</b>	<b>-12.59</b>	<b>-14.90</b>	<b>-14.90</b>	<b>4.08</b>	<b>1.86</b>	<b>7.70</b>	<b>10.49</b>	<b>0.49</b>	<b>1.64</b>
EuroPacific Growth Fund Historical Benchmarks Index	-11.46	-14.20	-14.20	4.48	0.68	6.57	7.93		
MSCI All Country World Index (ACWI) ex USA	-11.46	-14.20	-14.20	4.48	0.68	6.57	8.27		
Lipper International Funds Average	-13.47	-15.51	-15.51	2.46	0.14	6.28	8.26		

### Annual Total Returns as of December 31 (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fund</b>	<b>39.53</b>	<b>9.76</b>	<b>-13.31</b>	<b>19.64</b>	<b>20.58</b>	<b>-2.29</b>	<b>-0.48</b>	<b>1.01</b>	<b>31.18</b>	<b>-14.90</b>
EuroPacific Growth Fund Historical Benchmarks Index	41.45	11.15	-13.71	16.83	15.29	-3.87	-5.66	4.50	27.19	-14.20
MSCI All Country World Index (ACWI) ex USA	41.45	11.15	-13.71	16.83	15.29	-3.87	-5.66	4.50	27.19	-14.20
Lipper International Funds Average	32.89	10.75	-13.42	17.74	19.65	-5.04	-1.29	0.66	26.79	-15.51

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

Fund inception: April 16, 1984.

The expense ratio is as of the fund's prospectus available at the time of publication.

Annualized 30-day yield is calculated in accordance with the SEC formula.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses.

Class R-6 shares were first offered on May 1, 2009. Class R-6 share returns prior to the date of first sale are hypothetical based on Class A share returns without a sales charge, adjusted for typical estimated expenses. Please see each fund's prospectus for more information on specific expenses.

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MSCI index results reflect dividends net of withholding taxes.

EuroPacific Growth Fund Historical Benchmarks Index returns reflect results of the fund's current and former benchmark indexes: MSCI All Country World Index (ACWI) ex USA, April 2007-present; MSCI EAFE Index, fund inception-March 2007.

For the MSCI All Country World Index ex USA, before January 1988, MSCI EAFE Index was used.

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## Attribution Summary (Relative)

Year-to-date

Largest Contributors (%)	Active Weight	Return	Relative Contribution
Airbus SE	1.99	28.16	0.52
Reliance Industries Limited	1.84	21.03	0.42
Sony Corporation	1.19	36.61	0.41
Cash	7.13	1.36	0.29
ISR: Vale S.A.	0.99	26.73	0.25
Orsted	0.86	27.31	0.24
AIA Group Limited	2.06	6.38	0.20
Shire PLC	0.61	15.16	0.16
ISR: Taiwan Semiconductor Manufacturing Co., Ltd.	1.09	15.03	0.15
Daiichi Sankyo Company, Limited	0.34	69.16	0.15

Sector (%)	Active Weight	Sector Selection	Security Selection	Relative Contribution
Industrials	-2.32	-0.02	0.75	0.73
Telecommunication services	-1.44	0.02	0.33	0.36
Cash	7.13	0.29	0.00	0.29
Health care	-1.07	-0.10	0.39	0.29
Utilities	-0.38	0.00	0.21	0.21
Real estate	-2.27	0.12	-0.02	0.10
Consumer discretionary	0.78	-0.05	0.13	0.08
Information technology	7.83	0.04	0.04	0.08
Financials	-5.45	0.21	-0.14	0.07
Energy	-1.73	-0.24	-0.07	-0.31
Materials	0.91	0.00	-0.34	-0.34
Consumer staples	-2.00	-0.01	-0.57	-0.58

Largest Detractors (%)	Active Weight	Return	Relative Contribution
UniCredit S.p.A.	0.88	-18.08	-0.11
Galaxy Entertainment Group Limited	0.46	-19.70	-0.12
ISR: Samsung Electronics Co., Ltd.	1.39	-10.08	-0.12
Glencore plc	0.76	-14.26	-0.13
Kroton Educacional S.A.	0.18	-47.07	-0.13
Hangzhou Hikvision Digital Technology Co., Ltd Class A	0.50	-29.42	-0.13
ISR: China Molybdenum Co., Ltd. Class H	0.12	-33.42	-0.13
Associated British Foods plc	0.66	-21.38	-0.14
AAC Technologies Holdings Inc.	0.42	-40.70	-0.19
British American Tobacco p.l.c.	1.26	-29.40	-0.43

Country (%)	Active Weight	Country Selection	Security Selection	Relative Contribution
France	0.00	0.00	0.69	0.67
Japan	-3.11	-0.02	0.55	0.44
Germany	-3.15	0.16	0.24	0.40
Denmark	0.38	-0.01	0.33	0.31
Cash	7.13	0.08	0.00	0.29
Ireland	1.67	-0.09	-0.16	-0.19
Canada	-2.78	-0.01	-0.23	-0.24
South Korea	1.86	-0.10	-0.19	-0.30
China	0.18	-0.05	-0.27	-0.32
United Kingdom	-1.26	-0.03	-0.83	-0.85

Data as of September 30, 2018.

EuroPacific Growth Fund vs. MSCI ACWI ex USA Index with net dividends reinvested.

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See appendix for Attribution Methodology Notes.

## Attribution Summary (Relative)

Year-to-date

Largest Contributors (%)	Active Weight	Return	Relative Contribution
Cash	7.31	1.97	1.07
ISR: HDFC Bank Limited	2.41	2.42	0.45
Reliance Industries Limited	1.88	11.97	0.45
Orsted	0.87	25.04	0.29
Kotak Mahindra Bank Limited	1.08	13.74	0.27
AIA Group Limited	2.07	-1.13	0.27
Sony Corporation	1.16	8.13	0.26
ISR: Vale S.A.	1.08	11.97	0.22
Airbus SE	2.00	-2.10	0.21
Shire PLC	0.58	11.17	0.18

Largest Detractors (%)	Active Weight	Return	Relative Contribution
Glencore plc	0.70	-26.46	-0.13
Hangzhou Hikvision Digital Technology Co., Ltd Class A	0.38	-36.60	-0.14
Prudential plc	0.93	-28.82	-0.15
ISR: UniCredit S.p.A.	0.74	-38.46	-0.15
ISR: Samsung Electronics Co., Ltd.	1.33	-24.75	-0.17
ASOS plc	0.36	-68.07	-0.21
ISR: Ryanair Holdings Plc	1.13	-31.58	-0.22
AAC Technologies Holdings Inc.	0.39	-66.87	-0.31
Nintendo Co., Ltd.	0.50	-25.95	-0.33
British American Tobacco p.l.c.	1.13	-50.26	-0.52

Sector (%)	Active Weight	Sector Selection	Security Selection	Relative Contribution
Cash	7.31	1.07	0.00	1.07
Financials	-5.34	0.14	0.78	0.92
Industrials	-2.17	0.02	0.27	0.29
Utilities	-0.40	-0.05	0.30	0.25
Energy	-1.73	-0.13	0.13	0.00
Real estate	-2.28	-0.07	0.01	-0.06
Health care	-0.83	-0.09	-0.11	-0.20
Consumer discretionary	1.42	-0.13	-0.10	-0.23
Information technology	6.72	-0.14	-0.24	-0.37
Materials	0.72	0.00	-0.42	-0.43
Communication services	-1.07	0.01	-0.48	-0.48
Consumer staples	-2.34	-0.14	-0.75	-0.89

Country (%)	Active Weight	Country Selection	Security Selection	Relative Contribution
Cash	7.31	0.85	0.00	1.07
India	5.54	0.65	0.62	1.05
France	0.05	-0.01	0.46	0.45
Germany	-3.08	0.23	0.09	0.34
Denmark	0.43	0.01	0.33	0.33
Ireland	1.56	-0.15	-0.17	-0.27
China	0.26	-0.05	-0.25	-0.30
Japan	-3.12	0.19	-0.35	-0.35
South Korea	1.72	-0.12	-0.29	-0.42
United Kingdom	-1.35	-0.05	-1.38	-1.39

Data as of December 31, 2018.

EuroPacific Growth Fund vs. MSCI ACWI ex USA Index with net dividends reinvested.

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See appendix for Attribution Methodology Notes.

# EuroPacific Growth Fund®

## Portfolio Characteristics

Class R-6 shares

### Portfolio Asset Mix (%)

	9/30/17	6/30/18	9/30/18
<b>Total stocks</b>	<b>92.0</b>	<b>90.5</b>	<b>93.2</b>
U.S. stocks	0.8	1.4	1.7
Non-U.S. stocks	91.2	89.1	91.5
<b>Total bonds</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
U.S. bonds	0.1	0.0	0.0
Non-U.S. bonds	—	0.1	—
<b>Cash</b>	<b>7.9</b>	<b>9.4</b>	<b>6.8</b>

### Total Net Assets (in millions)

	9/30/17	6/30/18	9/30/18
	\$154,351	\$163,831	\$162,548

### Key Statistics

	Equity Holdings	Standard Deviation	Expense Ratio (%)	One-Year Turnover (%)
Fund	330	16.67	0.49	29
MSCI All Country World ex USA	2,166	17.78	—	—
Lipper International Funds Average	—	—	0.90	56

Data as of September 30, 2018, unless otherwise noted.

The expense ratio is as of the fund's prospectus available at the time of publication. Lipper's expenses are based on front-end load funds, excluding fund of funds, for the most recent fiscal year-ends available and do not reflect the effect of sales charges. Please see the fund's most recent shareholder report or prospectus for details.

Total holdings reflect the total of all holdings at the Issue level. Portfolio turnover is as of the fund's most recent fiscal year-end.

Standard deviation as measured by returns – 10 years (monthly). Annualized standard deviation (based on monthly returns) is a common measure of absolute volatility that tells how returns over time have varied from the mean. A lower number signifies lower volatility. Source: Lipper Analytical Services, Inc. or calculated internally. Market indexes are unmanaged and, therefore, have no expenses. MSCI index results reflect dividends net of withholding taxes.

Market capitalization is for the three-month period ending September 30, 2018. Data was produced using FactSet, a third-party software system, based on daily portfolios. Securities in their initial period of acquisition may not be included in this analysis. The analysis includes equity investments only and excludes forward contracts and fixed income investments, if applicable. It does not account for buy and sell transactions that might have occurred intraday. As a result, average portfolio weight percentages are approximate and the actual average portfolio weight percentages might be higher or lower. Data elements such as pricing, income, market cap, etc. were provided by FactSet. The index provided for attribution is based on FactSet's methodology. The index is a broad-based market benchmark and may not be used by Capital as the sole comparative index for this fund. Capital believes the software and information from FactSet to be reliable. However, Capital cannot be responsible for inaccuracies, incomplete information or updating of information by FactSet. Past results are not predictive of results in future periods.

Totals may not reconcile due to rounding.

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## Twenty Largest Holdings

Ranking		Holding	Sector	Country	Total Portfolio (%)
Current 9/30/18	Previous 12/31/17				
1	2	AIA Group	Financials	Hong Kong	2.5
2	8	Airbus SE	Industrials	France	2.3
3	4	HDFC Bank	Financials	India	2.3
4	1	Samsung Electronics	Information technology	South Korea	2.2
5	11	Nintendo	Information technology	Japan	2.2
6	7	Reliance Industries	Energy	India	2.2
7	5	TSMC	Information technology	Taiwan	1.7
8	6	Alibaba Group	Information technology	China	1.7
9	13	Sony	Consumer discretionary	Japan	1.6
10	12	ASML	Information technology	Netherlands	1.5
<b>Total companies 1 through 10</b>					<b>20.2</b>
11	9	Tencent	Information technology	China	1.4
12	N/A	Vale	Materials	Brazil	1.4
13	3	British American Tobacco	Consumer staples	United Kingdom	1.3
14	14	Prudential	Financials	United Kingdom	1.1
15	10	SoftBank	Telecommunication services	Japan	1.1
16	N/A	LVMH Moët Hennessy Louis Vuitton	Consumer discretionary	France	1.0
17	N/A	Ryanair	Industrials	Ireland	0.9
18	19	Kotak Mahindra Bank	Financials	India	0.9
19	N/A	Daiichi Sankyo	Health care	Japan	0.9
20	N/A	SK hynix	Information technology	South Korea	0.9
<b>Total companies 1 through 20</b>					<b>31.1</b>

Totals may not reconcile due to rounding.

## EuroPacific Growth Fund®

### Sector Diversification

	Total Portfolio (%)		Index (%)
	12/31/17	9/30/18	9/30/18
<b>Energy</b>	<b>5.2</b>	<b>5.7</b>	<b>7.6</b>
Reliance Industries		2.2	
Royal Dutch Shell		0.7	
Canadian Natural Resources		0.5	
<b>Materials</b>	<b>8.0</b>	<b>8.1</b>	<b>8.1</b>
Vale		1.4	
Glencore		0.8	
Teck		0.6	
<b>Industrials</b>	<b>8.3</b>	<b>10.4</b>	<b>11.9</b>
Airbus SE		2.3	
Ryanair		0.9	
International Consolidated Airlines Group		0.7	
<b>Consumer discretionary</b>	<b>12.4</b>	<b>12.4</b>	<b>10.9</b>
Sony		1.6	
LVMH Moët Hennessy Louis Vuitton		1.0	
Naspers		0.8	
<b>Consumer staples</b>	<b>8.5</b>	<b>6.4</b>	<b>9.6</b>
British American Tobacco		1.3	
Nestlé		0.7	
Kao		0.7	
<b>Health care</b>	<b>6.3</b>	<b>8.6</b>	<b>8.5</b>
Daiichi Sankyo		0.9	
Novartis		0.8	
Teva Pharmaceutical		0.7	

	Total Portfolio (%)		Index (%)
	12/31/17	9/30/18	9/30/18
<b>Financials</b>	<b>18.1</b>	<b>16.8</b>	<b>22.0</b>
AIA Group		2.5	
HDFC Bank		2.3	
Prudential		1.1	
<b>Information technology</b>	<b>19.7</b>	<b>19.0</b>	<b>11.6</b>
Samsung Electronics		2.2	
Nintendo		2.2	
TSMC		1.7	
<b>Telecommunication services</b>	<b>3.0</b>	<b>2.2</b>	<b>3.8</b>
SoftBank		1.1	
NTT		0.4	
<b>Utilities</b>	<b>2.6</b>	<b>2.5</b>	<b>3.0</b>
Orsted		0.9	
ENN Energy Holdings		0.4	
<b>Real estate</b>	<b>1.0</b>	<b>1.1</b>	<b>3.1</b>
Ayala Land		0.2	
Sun Hung Kai Properties		0.2	
<b>Total equity</b>	<b>93.2</b>	<b>93.2</b>	<b>100.0</b>
<b>Total fixed income</b>	<b>0.2</b>	<b>0.0</b>	
<b>Total cash &amp; equivalents</b>	<b>6.6</b>	<b>6.8</b>	
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	

Data shown reflect the top holdings in each sector.

Effective at the end of September 2018, Global Industry Classification Standard (GICS) sector classifications changed for a number of stocks in the information technology, consumer discretionary and telecommunication services sectors. S&P applied the changes to their indices after September 21, and MSCI will apply the changes to their indices after November 30. In order to maintain consistency, Capital Group has applied all the changes according to GICS Direct. Therefore, sector weights and returns will not match official index data from S&P for end of September 2018 and from MSCI for end of October and November 2018.

Cash & equivalents include short-term securities, accrued income and other assets less liabilities.

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## Geographic Diversification

	Total Portfolio (%)		Index (%)
	12/31/17	9/30/18	
<b>Eurozone</b>	<b>19.9</b>	<b>20.8</b>	<b>22.2</b>
France	6.5	7.5	7.7
Germany	4.1	3.4	6.5
Netherlands	2.8	3.7	2.3
Spain	2.6	2.8	2.0
Italy	1.7	1.4	1.6
Belgium	0.3	0.2	0.7
Finland	0.2	0.2	0.7
Ireland	1.6	1.7	0.4
Austria	0.0	0.0	0.2
Portugal	0.1	0.0	0.1
<b>Other Europe/Middle East</b>	<b>17.3</b>	<b>16.5</b>	<b>21.7</b>
United Kingdom	11.4	10.6	12.0
Switzerland	3.0	3.1	5.7
Sweden	0.4	0.2	1.9
Denmark	1.7	1.7	1.2
Norway	0.5	0.2	0.5
Israel	0.3	0.7	0.4
<b>Pacific Basin</b>	<b>19.7</b>	<b>20.1</b>	<b>25.0</b>
Japan	13.5	13.9	16.9
Australia	0.9	1.0	4.7
Hong Kong	5.0	4.8	2.4
Singapore	0.3	0.4	0.9
New Zealand	—	0.0	0.1
<b>North America</b>	<b>4.6</b>	<b>5.3</b>	<b>6.7</b>
Canada	3.6	3.5	6.7
United States	1.0	1.7	0.0
<b>Total developed markets</b>	<b>61.5</b>	<b>62.7</b>	<b>75.6</b>

	Total Portfolio (%)		Index (%)
	12/31/17	9/30/18	
<b>Latin America</b>	<b>3.1</b>	<b>3.4</b>	<b>2.8</b>
Brazil	2.6	3.1	1.5
Mexico	0.1	0.2	0.8
Chile	—	—	0.3
Colombia	—	—	0.1
Peru	—	0.0	0.1
Argentina	0.4	0.1	0.0
<b>Southeast Asia</b>	<b>10.0</b>	<b>9.1</b>	<b>4.0</b>
India	7.8	7.6	2.1
Malaysia	—	—	0.6
Thailand	1.4	0.9	0.6
Indonesia	0.3	0.2	0.5
Philippines	0.5	0.4	0.2
Pakistan	—	—	0.0
<b>Far East Asia</b>	<b>16.8</b>	<b>16.5</b>	<b>14.4</b>
China	7.5	9.6	7.7
South Korea	6.6	4.9	3.7
Taiwan	2.7	2.0	3.0
Viet Nam	—	0.1	—
<b>Emerging Europe/Middle East/Africa</b>	<b>2.0</b>	<b>1.4</b>	<b>3.5</b>
South Africa	1.1	0.9	1.5
Russia	0.7	0.5	0.9
Poland	—	—	0.3
Qatar	—	—	0.2
Turkey	0.1	0.0	0.2
United Arab Emirates	—	—	0.2
Greece	0.1	0.1	0.1
Hungary	—	—	0.1
Czech Republic	—	—	0.0
Egypt	—	—	0.0
<b>Total emerging markets</b>	<b>31.9</b>	<b>30.5</b>	<b>24.7</b>
<b>Total equity</b>	<b>93.2</b>	<b>93.2</b>	<b>100.0</b>
<b>Total fixed income</b>	<b>0.2</b>	<b>0.0</b>	
<b>Total cash &amp; equivalents</b>	<b>6.6</b>	<b>6.8</b>	
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	

Cash & equivalents include short-term securities, accrued income and other assets less liabilities.

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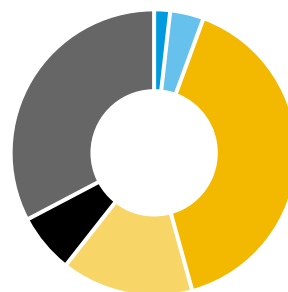
# The New Geography of Investing®

As of September 30, 2018

## Fund Breakdown by Domicile (%)

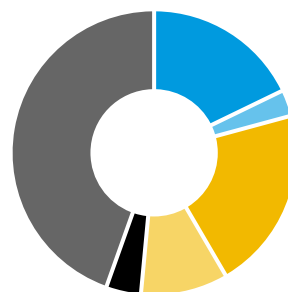
Region	Fund	Index
United States	1.7	—
Canada	3.5	6.6
Europe	37.4	43.7
Japan	13.9	16.9
Asia-Pacific ex. Japan	6.2	8.1
Emerging markets	30.5	24.7
Fixed income	0.0	—
Cash & equivalents	6.8	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Equity Portion Breakdown by Domicile (%)



Region	Fund	Index
United States	1.8	—
Canada	3.8	6.6
Europe	40.1	43.7
Japan	14.9	16.9
Asia-Pacific ex. Japan	6.7	8.1
Emerging markets	32.7	24.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Equity Portion Breakdown by Revenue (%)



Region	Fund	Index
United States	18	16
Canada	3	5
Europe	21	23
Japan	10	12
Asia-Pacific ex. Japan	4	7
Emerging markets	45	38
<b>Total</b>	<b>100</b>	<b>100</b>

Cash & equivalents include short-term securities, accrued income and other assets less liabilities.

Compared with the MSCI All Country World Index ex USA as a percentage of net assets. All figures include convertible securities. Source: MSCI. MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Totals may not reconcile due to rounding.

**Methodology notes:** The equity breakdown by revenue reflects the fund's publicly traded equity holdings and excludes cash (and fixed income securities, if applicable). Underlying revenue data were compiled by MSCI and account for disparities in the way companies report their revenues across geographic segments. MSCI breaks out each company's reported revenues into country-by-country estimates. MSCI provides revenue data figures based on a proprietary, standardized model. Revenue exposure at the fund and index level was calculated by using FactSet, which takes these company revenue exposures and multiplies by the company's weighting in the portfolio and index. In this breakdown, Israel has been included in Europe.



# Appendix

## Portfolio Manager Biographies



**Mark E. Denning** is an equity portfolio manager at Capital Group. He has 35 years of investment experience, all with Capital Group. Earlier in his career at Capital, Mark had equity investment analyst responsibilities for companies based in Southeast Asia. He holds an MBA in finance and international business from Columbia Business School and a bachelor's degree in economics from the London School of Economics. Mark is based in Los Angeles.

Mark's approach has been to look for returns from three sources: a rising P/E ratio, increasing earnings and a growing dividend yield. Although he thinks about macro factors and sometimes hedges currencies, he tends to be more micro-oriented. He rarely invests in cyclical stocks, though sometimes will do so to reflect a macro view. Valuations are very important to him, and quality is not always his primary concern. Balance sheets are less important than valuation, but he pays close attention to return on investment. Mark seeks to understand the investments that companies are making, what returns they're getting, and whether those returns are incrementally higher than in the past and can grow faster going forward. He likes to see rising margins. Typically, his portfolio is highly concentrated, with the 10 largest investments amounting to about 45% of the portfolio. Given his micro orientation, Mark spends a significant amount of time doing company research, generating many of his own investment ideas in the process.



**Nicholas J. Grace** is an equity portfolio manager at Capital Group. He has 28 years of investment experience and has been with Capital Group for 24 years. Earlier in his career, as an equity investment analyst at Capital, he covered global mining companies. Prior to joining Capital, he was manager of metals research for J.P. Morgan Investment Management in Australia. Nick holds an MBA from the University of Wisconsin-Madison, and a bachelor's degree in finance and economics from the University of Waikato, New Zealand, graduating with honors. He also holds the Chartered Financial Analyst® designation. Nick is based in London.

Nick's portfolio typically holds 30 to 40 stocks. His largest holdings tend to be long-term investments held for several years – sometimes as long as a decade. He spends considerable time on each potential investment, researching and visiting the company and working with the analysts. He sometimes generates unique investment ideas and invests on his own. When he does decide to invest in a company, he may make it a large part of his overall portfolio. Valuations are not usually the starting point in his analysis: He thinks of the broader environment, the company's competitive advantage, its positioning, structural changes in its industry, and then the stock's valuation.

## Portfolio Manager Biographies (continued)



**Carl M. Kawaja** is an equity portfolio manager at Capital Group. Carl has 31 years of investment experience and has been with Capital Group for 26 years. Earlier in his career, as an equity investment analyst at Capital, he covered global household products and U.S. personal care companies, along with Canadian companies. Before joining Capital, Carl was a security analyst for Gabelli & Company in New York, as well as an equity analyst for Lévesque Beaubien in Montreal. He holds an MBA in finance from Columbia Business School and a bachelor's degree in history from Brown University graduating magna cum laude. Carl is based in San Francisco.

Carl focuses on businesses that he believes have long-term, sustainable competitive advantages, such as market share, first-mover advantage and innovation. He likes to ascertain the strength of the business and then looks at valuations. He is willing to pay more for a company when he feels its growth prospects are strong. Carl takes an incremental approach to building his portfolio, starting with small positions and adding to them as his conviction grows, or eliminating the investment if the thesis does not hold up. "I want a portfolio of stocks that can deliver consistent, strong results over time. To use an analogy from baseball, I would rather get on base hitting singles and doubles than strike out swinging for the fences," he says. As a result of this approach, he holds a diversified portfolio of about 50 stocks.



**Jonathan Knowles** is an equity portfolio manager at Capital Group. He has 26 years of investment experience, all with Capital Group. Earlier in his career, as an equity investment analyst at Capital, Jonathan covered pharmaceuticals, chemicals, support services and small-cap companies. He holds an MBA from INSEAD, France, and a PhD in immunovirology and bachelor's degree in veterinary science from the University of Liverpool, U.K., where he was a Wellcome Foundation Research Scholar. Jonathan is based in Singapore.

Jonathan prefers to invest in companies that can generate growth over the long term regardless of the macroeconomic environment. While he pays close attention to macro factors, especially global credit and savings trends, he approaches his investments on a company-by-company basis. He is willing to pay more for a company if he believes in its business prospects, but will also consider investments in certain cyclical industries when valuations are attractive. He spends a lot of time looking at companies' cash flow, balance sheets and the quality of their earnings. "I try to invest in businesses that are going places over the next five to 10 years. I think it's more important to get the business right and then work out what you're willing to pay for it," he says. On the whole, his portfolio is composed of companies that have solid corporate governance, a high return on capital, are cash generative and return cash to shareholders. He tends to have a concentrated portfolio and a low annual turnover.

## Portfolio Manager Biographies (continued)



**Lawrence Kymisis** is an equity portfolio manager at Capital Group. As an equity investment analyst, he has research responsibility for European business services. Earlier in his career at Capital, he covered small- and mid-cap companies across Europe as a generalist, as well as the gaming and service industries. He has 23 years of investment experience and has been with Capital Group for 15 years. Prior to joining Capital, Lawrence was a portfolio manager and analyst at Mercury Asset Management/Merrill Lynch Investment Managers. He holds a master's degree in economics (international relations) from the London School of Economics and a bachelor's degree in economics and politics from the University of Bristol. Lawrence is based in London.

Lawrence is primarily attracted to growth companies, looking for those with competitive advantages and relatively strong tailwinds that are independent of economic cycles and macroeconomic conditions, and with strong management teams in place. He looks most closely at a company's ability to generate cash over a protracted period of time, noting that free cash flow is a good proxy for net profits. Lawrence began as an investment analyst, and he continues to focus on researching and discovering new investments. "I'm comfortable also buying stocks on my own," he says. "For about a quarter of the holdings in my portfolio, there isn't an analyst that owns it with me." Lawrence tends to have a relatively low turnover rate, since he gravitates toward companies that he believes have a long period of growth ahead of them.



**Sung Lee** is an equity portfolio manager at Capital Group. He has 23 years of investment experience, all with Capital Group. Earlier in his career, as an equity investment analyst at Capital, he covered consumer & industrial electronics, telecom equipment, IT consulting & services, and Asian electronic components companies. He holds an MBA from Columbia Business School and a bachelor's degree in marketing from Pennsylvania State University. He also studied abroad at Kansai Gaikokugo University in Osaka, Japan. Sung is based in Singapore.

Sung's investment approach often begins with the Capital investment analysts' convictions. He then determines where their ideas fit within his macro framework. For each potential investment, in addition to a company's fundamentals, he considers its competitive advantages and whether management's incentives are aligned with those of shareholders. He takes a balanced approach to growth: If there are good growth opportunities that come with higher multiples, he seeks to understand if the growth is sustainable. Sung believes industry experience is important in cyclical investing, and his background as a technology analyst makes him wary of companies that grow too quickly. Sung takes a flexible approach to valuations, considering each company's situation and where it is in its life cycle. Similarly, he looks for balance sheet, cash flow and P&L statements that are appropriate to the company. While his portfolio is not overly concentrated, his top 10 holdings may amount to 25% to 30% of his portfolio.

## Portfolio Manager Biographies (continued)



**Jesper Lyckeus** is an equity portfolio manager at Capital Group. He has 22 years of investment experience, all with Capital. Earlier in his career at Capital, as an equity investment analyst, he covered U.S. and global telecom equipment, European capital goods, electronics and semiconductor companies, along with Scandinavian companies. Prior to joining Capital, Jesper was a senior consultant for Bossard Consultants in Sweden. He holds an MBA from INSEAD, France, and a bachelor's degree in economics and business administration from the Stockholm School of Economics, Sweden. Jesper is based in London.

Jesper pays close attention to valuations when assessing the attractiveness of investment opportunities. He uses several valuation metrics, including some less common methods such as enterprise value versus invested capital, output capacity and other non-earnings-related data. He believes cash flow and balance sheets can be useful guides to potential problems and risks; for example, increasing capital expenditure or capitalized research and development costs, as well as rising inventories or accounts receivables, could all indicate declining competitiveness or weaker demand. At times, Jesper may have a contrarian investment approach, looking for ideas that are out of favor or poorly analyzed and understood. This may also include sectors and regions. Jesper's portfolio typically holds a few large investments in companies in which he has high conviction and knowledge. He also has smaller holdings in companies that are high-conviction recommendations by our investment analysts.



**Andrew B. Suzman** is an equity portfolio manager at Capital Group. He has 24 years of investment experience, all with Capital Group. Earlier in his career, as an equity investment analyst at Capital, Andrew covered global real-estate companies, U.S. merchandising, and Australian industrials and banks. He holds an MBA from Harvard Business School and a bachelor's degree in political economy from Tulane University. Andrew is based in New York.

Andrew is a cash-flow-focused investor who favors companies with low valuations. He looks for businesses that can grow in line with global GDP growth but doesn't seek companies that are growing extremely quickly, nor does he like businesses that are shrinking, regardless of how inexpensive they are. "My ideal investment has good free cash flow that covers the dividend and capital expenditure while allowing for some reinvestment into the business," Andrew says. He occasionally invests in cyclical stocks when he feels the dividends are sustainable and he can afford to hold them at the low point of a cycle. Regarding balance sheets, he looks at debt relative to market cap – and in the case of financials, at their loan-to-deposit ratio – to see how much wholesale funding banks would need to stay in business. He is willing to invest in companies that have leverage on their balance sheet if he feels their positions within his portfolio are manageable. He also considers dividend yield and dividend growth to be important qualities.

## Portfolio Manager Biographies (continued)



**Christopher Thomsen** is an equity portfolio manager at Capital Group. He has 20 years of investment experience, all with Capital Group. Earlier in his career at Capital, as an equity investment analyst, he covered European and Asian media companies, Hong Kong-based utilities, property companies, conglomerates, and small-cap companies along with generalist coverage of other companies domiciled in Hong Kong and the Philippines. Prior to joining Capital, Chris worked as a corporate finance analyst for Citibank NA. He holds an MBA from Columbia Business School and a bachelor's degree in international economics from the School of Foreign Service at Georgetown University. Chris is based in London.

Chris focuses on secular trends, quality of management and cash flow. He looks for companies that he believes are long-term investments and, while he emphasizes valuation, he will also invest if he sees a secular theme driving multiyear growth. Having grown up in Asia, Chris has an affinity for emerging markets. With lower growth in the developed world, he is very focused on global companies that derive a large percentage of their earnings from developing countries. Chris usually maintains a portfolio of about 50 securities and tries to limit turnover. As a growth fund manager, he is less focused on dividend yields but does carefully monitor capital allocation. He pays close attention to macroeconomics but recognizes that his strength lies in stock picking rather than identifying macro trends, which are often not correlated to stock returns. On-the-ground research is important to Chris, and he prefers to meet a company's management before buying its stock.

## Attribution Methodology Notes

With security-level relative attribution

### Portfolio Name

EuroPacific Growth Fund

### Benchmark Name

MSCI ACWI ex USA Index with  
net dividends reinvested

### Currency Name

USD

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### Attribution Methodology Notes

Equity attribution data was produced using FactSet, a third-party software system, based on daily portfolios. Securities in their initial period of acquisition may not be included in this analysis. The analysis includes equity investments only and excludes forward contracts and fixed income investments, if applicable. It does not account for buy and sell transactions that might have occurred intraday. As a result, average portfolio weight percentages are approximate and the actual average portfolio weight percentages might be higher or lower. Data elements such as pricing, income, market cap, etc., were provided by FactSet. The index provided for attribution is based on FactSet's methodology. The index is a broad-based market benchmark and may not be used by Capital Group as the sole comparative index for this fund. Capital believes the software and information from FactSet to be reliable. However, Capital cannot be responsible for inaccuracies, incomplete information or updating of information by FactSet. Past results are not predictive of results in future periods.

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### Report Methodology Notes

All of the pages contained in the report that display the portfolio weights, benchmark weights and weight differences are average weights over the period. The mnemonic 'ISR:' indicates that two or more issues of the same issuer have been rolled up and thus what is presented in the report is the Issuer Level data. Effective at the end of September 2018, Global Industry Classification Standard (GICS) sector classifications changed for a number of stocks in the information technology, consumer discretionary and telecommunication services sectors. S&P applied the changes to their indices after September 21, and MSCI will apply the changes to their indices after November 30. Our attribution vendor, FactSet sources sector data using GICS Direct who applied the changes on September 30, 2018. Therefore, sector weights and returns will not match official index data from S&P for end of September 2018 and from MSCI for end of October and November 2018.

## Institutional Client Notice and Addendum for Retirement Plans

Department of Labor regulations provide that an investment manager's recommendation that a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA") hire the manager for a particular service, fund or strategy may be considered fiduciary investment advice, unless the recommendation is covered by an exception for "transactions with independent fiduciaries with financial expertise" (the "IFE exception"). Capital Group, its affiliates and representatives (collectively "Capital Group") rely on the IFE exception when engaging in sales, marketing, and servicing activities as part of our efforts to distribute our services and products ("distribution activities"). Specifically, our distribution activities reflect our understanding of the following:

1. The Plan is represented by a "fiduciary" within the meaning of section 3(21)(A) of ERISA with full authority and responsibility for the decision to enter into transactions or service relationships (the "Plan fiduciary");
2. The Plan fiduciary is either (a) a person, committee or other similar entity that holds, or has under management or control, total assets of at least \$50 million or (b) a consultant, adviser or other financial professional that is an investment adviser under the Investment Advisers Act of 1940, a broker-dealer registered under the Securities Exchange Act of 1934, a bank as defined in section 202 of the Investment Advisers Act of 1940, or an insurance carrier which is qualified under the laws of more than one state; and
3. The Plan fiduciary is responsible for exercising independent judgment in evaluating any transactions or services and is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies that Capital Group may market to the Plan.
4. Capital Group is not undertaking to provide impartial investment advice, act as an impartial adviser, or provide advice in a fiduciary capacity in connection with its distribution activities; and
5. Capital Group is an investment manager and has financial interests in the funds and strategies that it manages, and transaction or service relationship and earns compensation in connection with its services, funds and investment strategies.

Capital Group is engaging in conversations and discussions about its services, funds and strategies in reliance on the foregoing. If you do not share our understanding, please notify Capital Group in writing as soon as possible.

This Notice does not apply beyond distribution activities. Thus, for example, Capital Group will act as an investment manager under ERISA to the extent provided in the terms of a participation or investment management agreement.

Note: You may disregard this Notice if you are not (and do not represent) a Plan subject to ERISA.



## General Methodology

The 18 American Funds equity-focused funds used in our analysis and the relevant indexes/index blends with which they were compared are as follows: AMCAP Fund, The Growth Fund of America, The New Economy Fund, American Mutual Fund, Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (Standard & Poor's 500 Index); EuroPacific Growth Fund and International Growth and Income Fund (MSCI All Country World ex USA Index); New Perspective Fund, New World Fund, and Capital World Growth and Income Fund (MSCI All Country World Index); SMALLCAP World Fund (MSCI All Country World Small Cap Index); Capital Income Builder and American Funds Global Balanced Fund (60%/40% MSCI All Country World Index/Bloomberg Barclays Global Aggregate Index); American Funds Developing World Growth and Income Fund (MSCI Emerging Markets Index); and The Income Fund of America and American Balanced Fund (60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Aggregate Index). All relevant indexes listed are funds' primary benchmarks, with the exception of Capital Income Builder and The Income Fund of America. The primary benchmark for Capital Income Builder is Standard & Poor's 500 Index; for The Income Fund of America, they are Standard and Poor's 500 and Bloomberg Barclays U.S. Aggregate indexes.

Some of the aforementioned indexes do not have sufficient history to have covered the lifetime of certain funds; therefore, comparable indexes were used for those periods. These funds, indexes and periods are as follows. For American Balanced Fund, 60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Government/Credit Index was used for the period July 31, 1975 (month-end following the fund's inception on July 26, 1975), through December 31, 1975. Results for this index blend and the index blend (60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Aggregate Index) that was subsequently used were rebalanced monthly. For Capital World Growth and Income Fund, results for the MSCI All Country World Index reflect dividends gross of withholding taxes for the period March 31, 1993 (month-end following the fund's inception on March 26, 1993), through December 31, 2000, and net of withholding taxes thereafter. For New World Fund, results for the MSCI All Country World Index reflect dividends gross of withholding taxes for the period June 30, 1999 (month-end following the fund's inception on June 17, 1999), through December 31, 2000, and net of withholding taxes thereafter. For EuroPacific Growth Fund, the MSCI EAFE (Europe, Australasia, Far East) Index was used for the period April 30, 1984 (month-end following the fund's inception on April 16, 1984), through December 31, 1987; results for the index reflect dividends net of withholding taxes. Results for the MSCI All Country World ex USA Index, which was subsequently used, reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and dividends net of withholding taxes thereafter. For New Perspective Fund, the MSCI World Index was used for the period March 31, 1973 (month-end following the fund's inception on March 13, 1973), through December 31, 1987; results for the index reflect dividends net of withholding taxes. Results for the MSCI All Country World Index, which was subsequently used, reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and dividends net of withholding taxes thereafter. For SMALLCAP World Fund, the S&P Global <\$1.2 Billion Index was used for the period April 30, 1990 (fund's inception date), through May 31, 1994. Results for the MSCI All Country World Small Cap Index, which was subsequently used, reflect dividends net of withholding taxes. For Capital Income Builder, 60%/40% MSCI World Index/Citigroup World Government Bond Index was used for the period July 31, 1987 (month-end following the fund's inception on July 30, 1987), through December 31, 1987; results for the MSCI World Index reflect dividends net of withholding taxes. From January 1, 1988, through December 31, 1989, 60%/40% MSCI All Country World Index/Citigroup World Government Bond Index was used; results for the MSCI All Country World Index reflect dividends gross of withholding taxes. From January 1, 1990, and thereafter, 60%/40% MSCI All Country World Index/Bloomberg Barclays Global Aggregate Index was used; results for the MSCI All Country World Index reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and net of withholding taxes thereafter. Results for this index blend and the index blend used prior to it were rebalanced monthly. For The Income Fund of America, 60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Government/Credit Index was used for the period November 30, 1973 (fund's inception date), through December 31, 1975. Results for this index blend and the index blend (60%/40% Standard & Poor's 500 Index/Bloomberg Barclays U.S. Aggregate Index) that was subsequently used were rebalanced monthly.

## General Methodology (Continued)

In order to compare Capital Income Builder, The Income Fund of America, American Balanced Fund and American Funds Global Balanced Fund with more relevant indexes/index blends, the Morningstar World and Moderate Allocation categories were filtered from the universe of funds in the Standard & Poor's 500 Index grouping. Capital Income Builder and American Funds Global Balanced Fund fall in the Morningstar World Allocation Category, and The Income Fund of America and American Balanced Fund in the Morningstar Moderate Allocation Category. Additionally, a total of 20 other actively managed funds were removed from the Standard & Poor's 500 Index group due to incomplete data or existing less than one year as of December 31, 2012. All other groupings were pulled by the following benchmarks: Standard & Poor's 500 Index, MSCI All Country World Index (gross and net), MSCI All Country World ex USA Index (gross and net) and MSCI All Country World Small Cap Index (gross and net). The groupings were filtered for oldest share class and excluded fund of funds, index funds, feeder funds, lifecycle funds, in-house fund of funds and enhanced index funds.

Due to the dynamic nature of the Morningstar database, results for the index groupings may change.

All periods were calculated using geometric linking of net-of-fee monthly returns from Morningstar. The American Funds and index returns were calculated internally in the same manner using monthly returns. Data for the U.S. equity-focused American Funds are based on Class A shares; for the like funds of other managers, they are based on the oldest share class.

Bloomberg Barclays Global Aggregate Index represents the global investment-grade fixed income markets. Bloomberg Barclays U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market. Bloomberg Barclays U.S. Government/Credit Index is a market-value weighted index that tracks the total return results of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies, quasi-federal corporations, corporate or foreign debt guaranteed by the U.S. government, and U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of more than one year. Citigroup World Government Bond Index represents a comprehensive measure of the total return results of the government bond markets of more than 20 countries meeting certain market capitalization requirements. MSCI All Country World Index is a free float-adjusted market capitalization-weighted index that is designed to measure results of more than 40 developed and emerging equity markets. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure results of more than 40 developed and emerging equity markets, excluding the United States. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. MSCI All Country World Small Cap Index is a free float-adjusted market capitalization-weighted index that is designed to measure results of smaller capitalization companies in both developed and emerging equity markets. Results reflect dividends net of withholding taxes. MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization-weighted index that is designed to measure developed equity market results, excluding the United States and Canada. Results reflect dividends net of withholding taxes. MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure results of more than 20 developed equity markets. Results reflect dividends net of withholding taxes. Standard & Poor's 500 Index is a market capitalization-weighted index based on the average weighted results of 500 widely held common stocks. S&P Global <\$1.2 Billion Index only includes stocks in developed countries.