What is Stable Value?

A unique retirement planning tool.

A Brief History of Stable Value

Stable value funds originated in the late 1970s as a conservative investment option for retirement plans. Originally, fund holdings were predominantly Guaranteed Investment Contracts (GICs). GICs are contracts typically issued and backed by the claims paying ability of the large insurance companies. They typically have a stated rate of return for a stated period of time.

Throughout the years, in an effort to mitigate some risk factors and a desire to track interest rates more closely, stable value managers began incorporating actively managed fixed income portfolios. Wrap contracts were then bought separately to provide the ability for participant to transact at book value.

Today, stable value funds are predominantly invested in wrap contracts with fixed income securities as the underlying assets of such contracts while GICs represent a much smaller portion of overall funds.

What makes Stable Value Unique?

Stable Value is one of the few asset classes in retirement plans that are designed to provide plan participants the ability to transact at book value, which means the value of an investment plus earned interest minus withdrawals. The ability for participants to transact at book value is accomplished by the use of Stable Value Investment Contracts, also referred to as wrap contracts, or Investment Contracts.

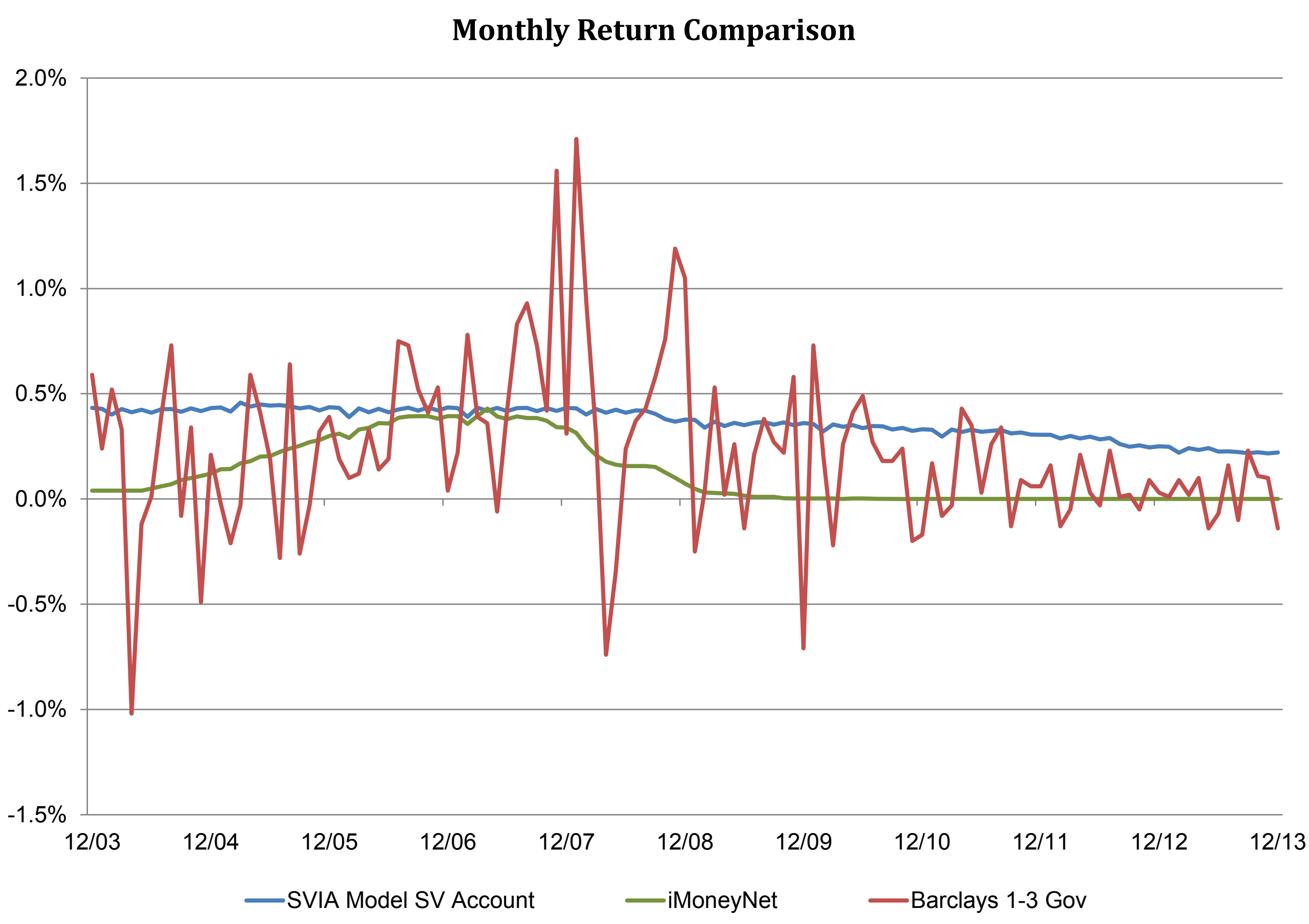
Wrap contracts are designed to protect a participant's capital investment. They are essentially a pledge by the financial institutions issuing the contracts to pay participant benefit payments at book value. This pledge is provided in exchange for a fee. While wrap contracts do not insure the value of a fund and are not insurance against fund losses, they are designed to allow a stable value fund to meet its capital preservation objective by amortizing the gains and losses of the underlying fixed income portfolios over time through the crediting rate.

The Importance of Stable Value Investing

Stable value is an asset class that is designed to provide capital preservation and relatively stable returns. Capital Preservation means investors should expect to maintain 100% of their initial investment. A stable value fund's objective is not only to preserve capital, but also to provide a positive rate of return with limited fluctuation relative to other investment options.

When comparing stable value to other investment options, although past performance is not an indicator of future results, you may find that historically the stable value asset class has provided returns that, over a full market cycle, have been similar to short term bond funds. However, stable value seeks to provide price stability which a bond fund does not typically enjoy. If an investor's tolerance for risk is limited, then an investment that is designed to provide a relatively stable positive rate of return may be appealing. Stable value is designed to offer the opportunity to earn income rather than experience the ups and downs of owning bonds.

The goal of stable value is to preserve your capital and provide you with a modest level of income over time.



Past performance is no guarantee of future results. Returns assume reinvestment of income and do not reflect the impact of fees and expenses. The Model Stable Value Account represents the performance of the Barclays Intermediate Government Corporate Bond Index with a hypothetical wrap contract and is used to demonstrate the performance of a hypothetical stable value fund. The iMoneyNet All-Taxable Money Market Fund Index measures the equally weighted returns of the largest taxable money market funds. The Barclays 1-3 Year Government/Credit Index is a benchmark for government and corporate fixed-rate debt issues (investment grade) with maturities between one and three years.

A Closer Look at Stable Value

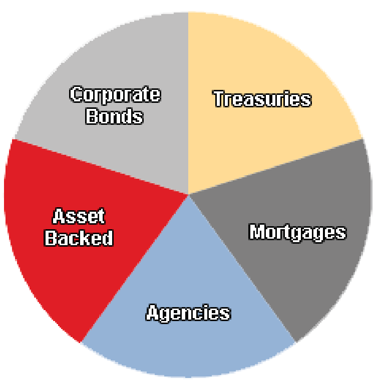
To achieve the objective of capital preservation and relatively stable returns, stable value is typically focused on 5 primary factors:

- Investment Strategy
- Investment Management
- Fixed Income Sector Diversification
- Credit Quality
- Wrap Issuer Diversification

Many funds incorporate a number of investment strategies positioned at different points along the yield curve, a line that plots interest rates of bonds with equal credit quality but differing maturity dates. Some stable value funds employ a blend of complementary strategies, managers and styles seeking to add value to the fund's overall performance and perhaps improve the consistency of returns over time.

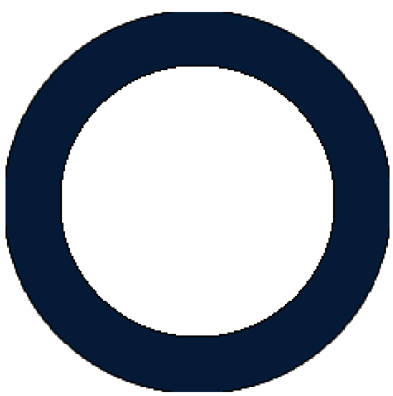
Typically, a stable value fund is comprised of well-diversified, high credit quality securities and wrap issuers with the majority of assets having a credit quality of AAA, as provided by an independent credit rating agency. The primary sectors typically found in stable value funds are Government bonds, Corporate bonds, Mortgage-backed and Asset-backed bonds. The fixed income assets are then wrapped by third party institutions that provide participant withdrawals at book value.

Fixed Income Portfolio



- Underlying assets invested in major sectors of fixed income market
- Primarily invested in AAA-rated assets with overall portfolio average credit quality typically AA or higher
- Invested along the yield curve with average duration typically between 1-3 years

Wrap Agreement(s)



- Typically issued by a bank or insurance company
- Permits participants to trans act at book value
- Mechanism for book value designed to provide capital preservation
- Amortizes gains/losses over the time through the crediting rate

Stable Value Portfolio

- Stable share price
- Typical returns have historically been higher than most money market options over full market cycles.
- Relatively stable return
- Diversified portfolio of high-quality assets

Important Considerations

Stable Value Benefits

Capital Preservation
Stable value funds are designed to preserve a participant's capital investment.

Relatively Stable Returns
Investment Contracts allow a fund to amortize gains and losses over time through the crediting rate, thereby reducing the impact of short term market volatility.

A Word on Risk

While stable value is general considered a conservative investment option, stable value assets do carry potential risks. Risks include, but are not limited to:

Interest Rate Risk How the movement of interest rates over time affects the market value of the bonds that underlie the wrap contracts thereby affecting the rate of return on the stable value fund. Generally, all else being equal, an increase in interest rates causes a decline in bond prices and a decrease in interest rates will cause bond prices to rise. Typically, a stable value fund rate of return will track the direction of interest rate movements with a lag.

Credit Risk The risk that an issuer of a bond will be unable to meet its obligation to the stable value fund.

Investment Contract Risk The risk that an issuer of an investment contract will be unable to meet its obligation under the contract to the stable value fund. Additionally, the accounting standards predicating the structure of stable value funds may be subject to review and revisions by regulatory entities.

For more information regarding the risks associated with stable value investment options please refer to the disclosure document or other governing documents for the applicable stable value investment option.

Who Can Invest in Stable Value?

Stable value funds are only available within an employer-sponsored defined contribution or retirement savings plan, including 401(k), Profit Sharing, and Governmental 457 Plans through separately managed accounts or Collective Investment Trusts (CIT).

Stable value is not available at the retail level. This means that you cannot invest in a stable value fund through an investment broker or adviser. Retirement plans have specific rules around how and when participants can withdraw their money. These rules reduce the risks taken on by the banks and insurance companies offering investment contracts. As you will recall, the wrap contract is the mechanism in stable value that allows a participant to transact at contract value.

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Market indices have been provided for comparison purposes only. They are unmanaged and do not reflect any fees or expenses. Individuals cannot invest directly in an index. The iMoneyNet All-Taxable Money Market Fund measures the equally weighted returns of the largest taxable money market funds. The Barclays 1-3 Year Government Bond Index measures the returns of investment grade, fixed-rate dollar-denominated bonds publicly issued by the U.S. Government, with a maturity of over 1 year but less than 3 years.