



MASON
INVESTMENT ADVISORY
SERVICES, INC.

Investment Policy: The Board's Fiduciary Duty

PROPRIETARY AND CONFIDENTIAL. FOR INFORMATIONAL PURPOSES ONLY.

Investment Policy: The Board's Fiduciary Duty

Presented by:

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INTRODUCTION

Mason Background

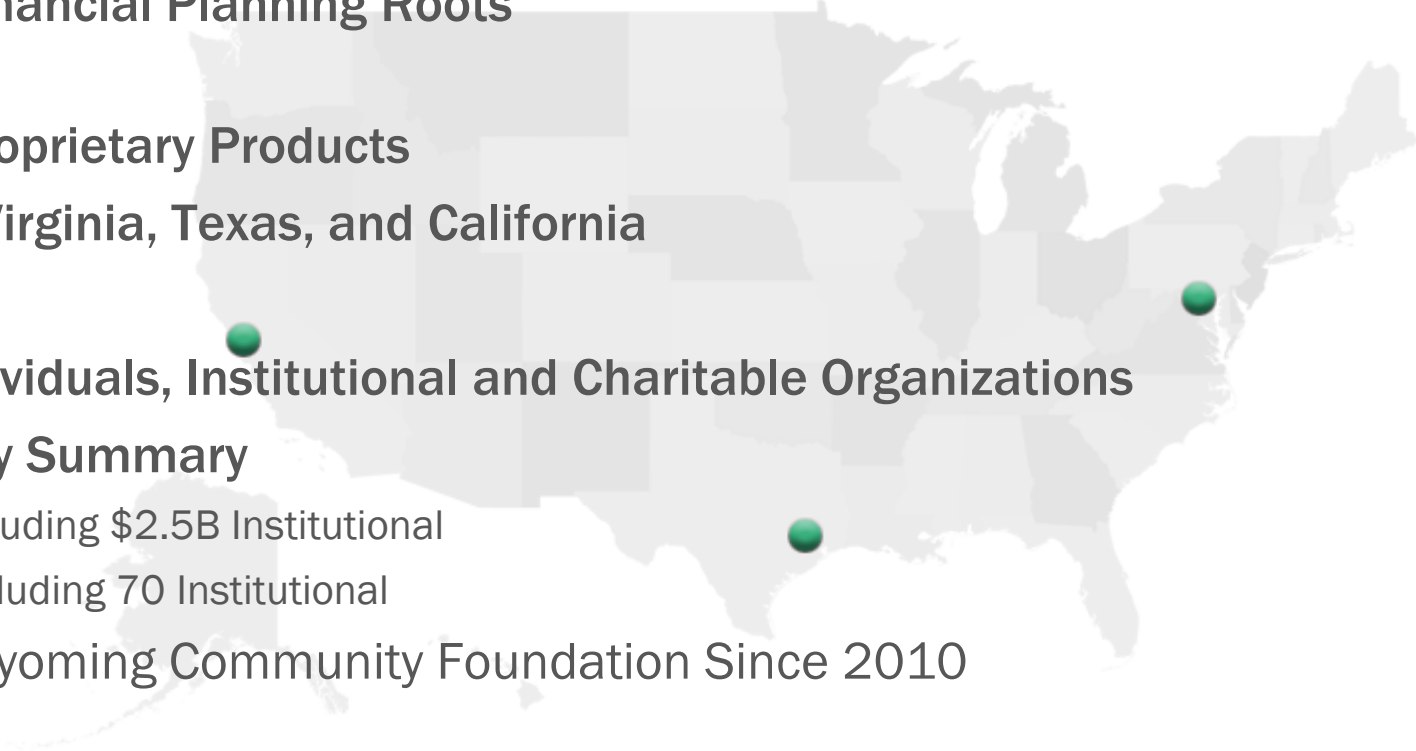
Session Overview

Boards, Committees and Fiduciary Duty

Questions



ABOUT MASON INVESTMENT ADVISORY SERVICES

- **Founded 1982 – Financial Planning Roots**
 - 60 Employees
 - **Independent, No Proprietary Products**
 - **Offices Located in Virginia, Texas, and California**
 - **Clients in 42 States**
 - **High Net Worth Individuals, Institutional and Charitable Organizations**
 - **Investment Advisory Summary**
 - \$5B AUM Total – Including \$2.5B Institutional
 - Clients – 700+ Including 70 Institutional
 - **Consultant to the Wyoming Community Foundation Since 2010**
- 

SESSION OVERVIEW –

- **Who is an Investment Fiduciary?**
- **What Are Your Fiduciary Responsibilities?**
- **Investment Policy Statement Overview**
- **Key Elements of the Investment Policy**
 - Objectives
 - Spending policy
 - Asset allocation and diversification
 - Portfolio rebalancing
- **Session Review**



INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

FIDUCIARY CONSIDERATIONS

FIDUCIARY CONSIDERATIONS

WHO IS AN INVESTMENT FIDUCIARY?

Someone who is managing the asset of another person and stands in a special relationship of trust, confidence, and or legal responsibility*

* Definition authored by fi360 / Center for Fiduciary Excellence and informed by Department of Labor publications



FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Fiduciary Standards – ERISA, UPIA, UMIFA, UPMIFA**
- **Specific Written Strategy (The Investment Policy Statement)**
 - Diversification Guidelines (Modern Portfolio Theory)
 - Spending Policy
 - Manager Due Diligence Criteria
 - Delegation of Duties and Responsibilities
 - Monitoring Criteria
 - Investment Options
 - Service Vendors
- **Compliance With Policy**
- **Investment Expense Monitoring Procedures**

FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Diversification Guidelines (Modern Portfolio Theory)**
 - Uniform Prudent Management of Institutional Funds Act (UPMIFA) allows fiduciaries to consider modern portfolio theory (MPT) to guide investment decisions.
 - Investments are viewed relative to the entire portfolio as opposed to examined as individual securities in isolation.
 - Explicit duty to diversify across asset classes
- **Spending Policy**
 - Should reconcile with your investment objectives
 - Does the asset allocation match the expected spending rate?
 - Is the rate sustainable for endowed funds?
 - Consider the calculation method
 - Balance current spending with desire to preserve portfolio for future generations

FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Manager Due Diligence and Monitoring Criteria**
 - Regulated versus non regulated
 - Performance track record
 - Competitive fees and expenses
 - Liquidity investment
 - Portfolio composition consistent with asset class
 - Stability of organization
 - Portfolio transparency

FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Delegation of Duties and Responsibilities**
 - UPMIFA allows fiduciaries (i.e. Investment Committees) to delegate investment decisions to “prudent experts” and supervised agents (i.e. investment consultants).
 - Prudent experts defined through work experiences, professional certifications and education
 - Investment Policy Statement (IPS) should specify what has been delegated to whom to ensure its implementation and compliance
 - Delegation should be based on a sound process, consistently applied
- **Monitoring Criteria**
 - Investment Options
 - UPMIFA states that a fiduciary’s performance is measured on the performance of the whole portfolio, not upon the performance of each investment
 - Define the criteria for ongoing evaluation and retention
 - Service Vendors
 - Define the criteria for ongoing evaluation and retention

FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Compliance With Policy**
 - Once IPS is finalized, how to oversee and ensure compliance
- **Investment Expense Monitoring Procedure**
 - How much does it cost for investment management and is it reasonable given the results and services provided



INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

ELEMENTS OF THE INVESTMENT POLICY

INVESTMENT POLICY STATEMENT OUTLINE

- Introduction
- Investment Objectives
- Spending Policy
- Asset Allocation
 - Including Rebalancing Policy
- Investment Restrictions
- Investment Manager Due Diligence Policy
- Cash Management Policy
- Delegation of Authority and Responsibilities
- Definitions

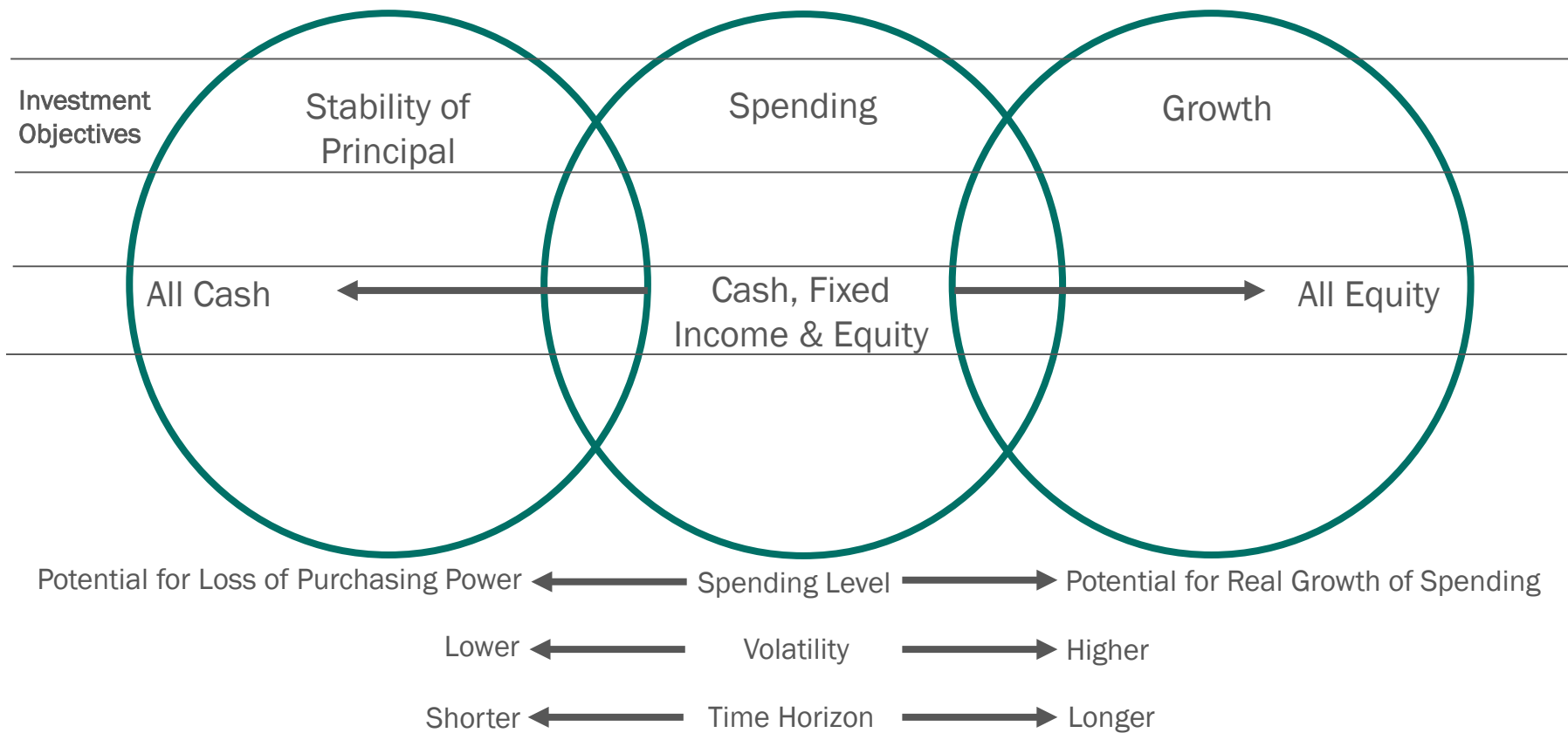


INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

ELEMENTS OF THE INVESTMENT POLICY: OBJECTIVES AND SPENDING

ELEMENTS OF THE INVESTMENT POLICY

INVESTMENT OBJECTIVES



ELEMENTS OF THE INVESTMENT POLICY

SPENDING POLICY

- What is an Appropriate Spending Rate?
- Can You Create a Rate That is Sustainable?
- How to Calculate Your Rate
- Does Your Rate Match Your Asset Allocation Plan?
- When Should You Change Your Spending Rate?



INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

ELEMENTS OF THE INVESTMENT POLICY: DIVERSIFICATION

MARKET VOLATILITY: AN S&P PERSPECTIVE

FACT & QUESTION

- From 1926 through December 31, 2015 the S&P Composite returned a geometric annual return of 10.02%.
- Over this period, how often did the S&P Composite return between 8% and 12% in a single year?

MARKET VOLATILITY: AN S&P PERSPECTIVE

ANSWER

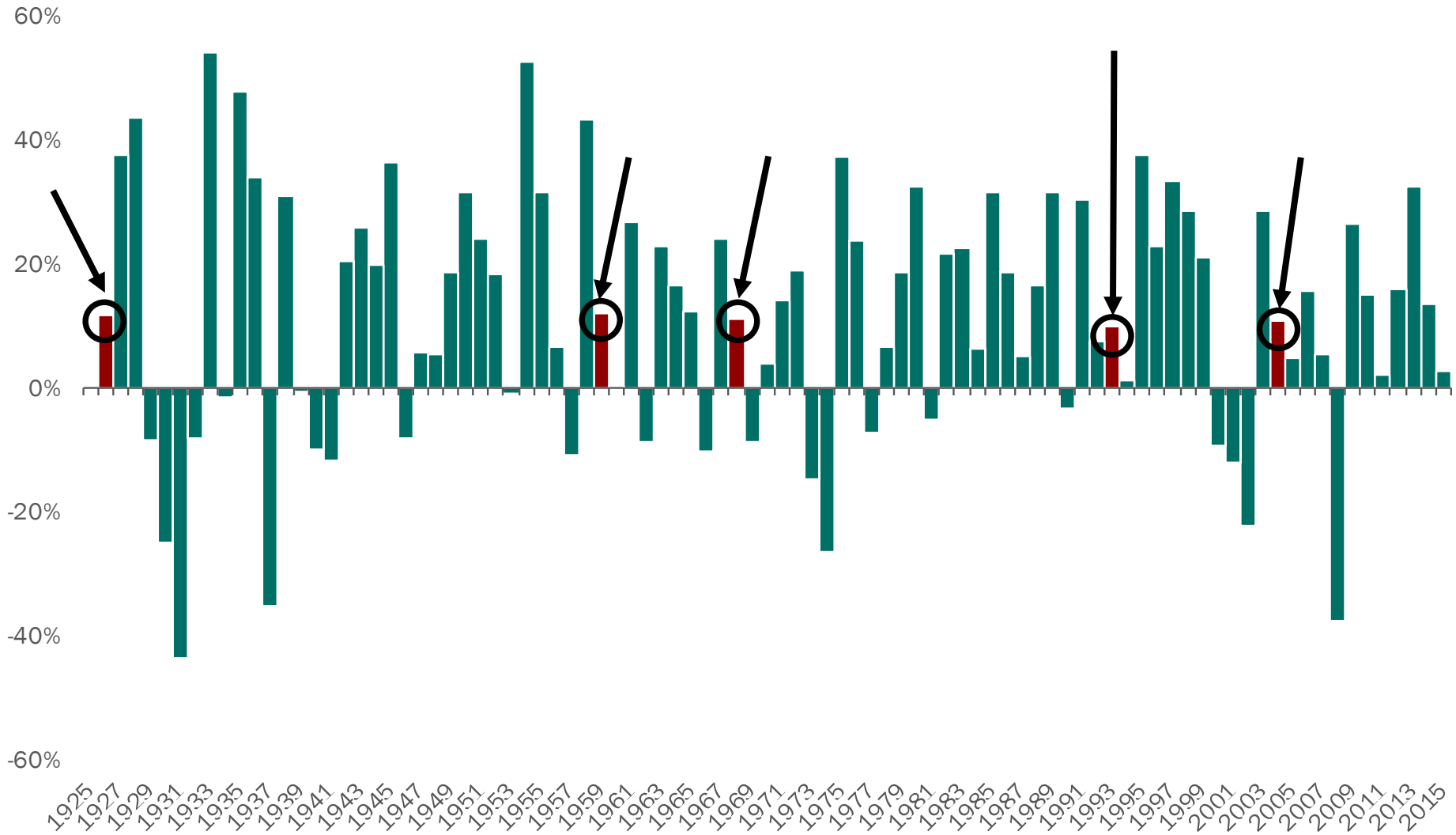
Out of 89 calendar years from 1926 through 2015,

the S&P Composite returned between 8% and 12% in only 5 years.

The reality is that stock markets have generally fluctuated widely. The chart on the following page shows all calendar year returns. While 8% to 10% annual equity returns may be a reasonable assumption for long term forecasting purposes we know that it is highly unlikely you will achieve such returns in any given year. Sometimes equities will return much more and others much less. A properly diversified portfolio structured with your risk tolerance and time horizon in mind may allow you to optimize the chances of achieving desired returns with acceptable variance over your time horizon.

S&P COMPOSITE

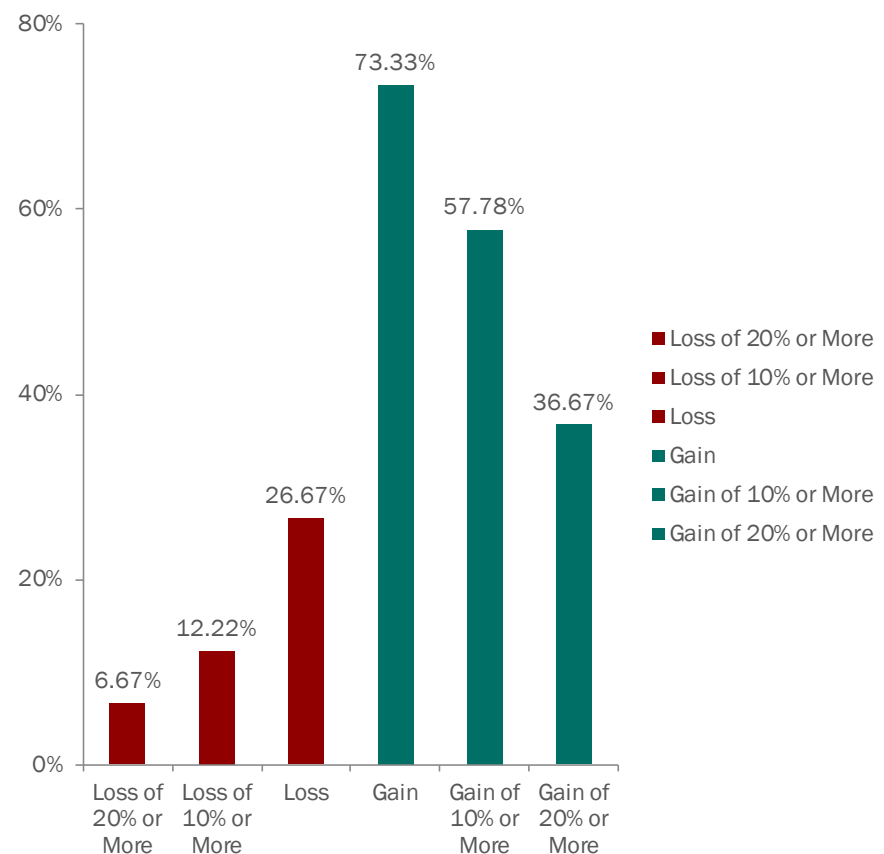
HISTORICAL ANNUAL RETURNS



YEARLY RETURNS 1926-2015

S&P COMPOSITE FREQUENCY

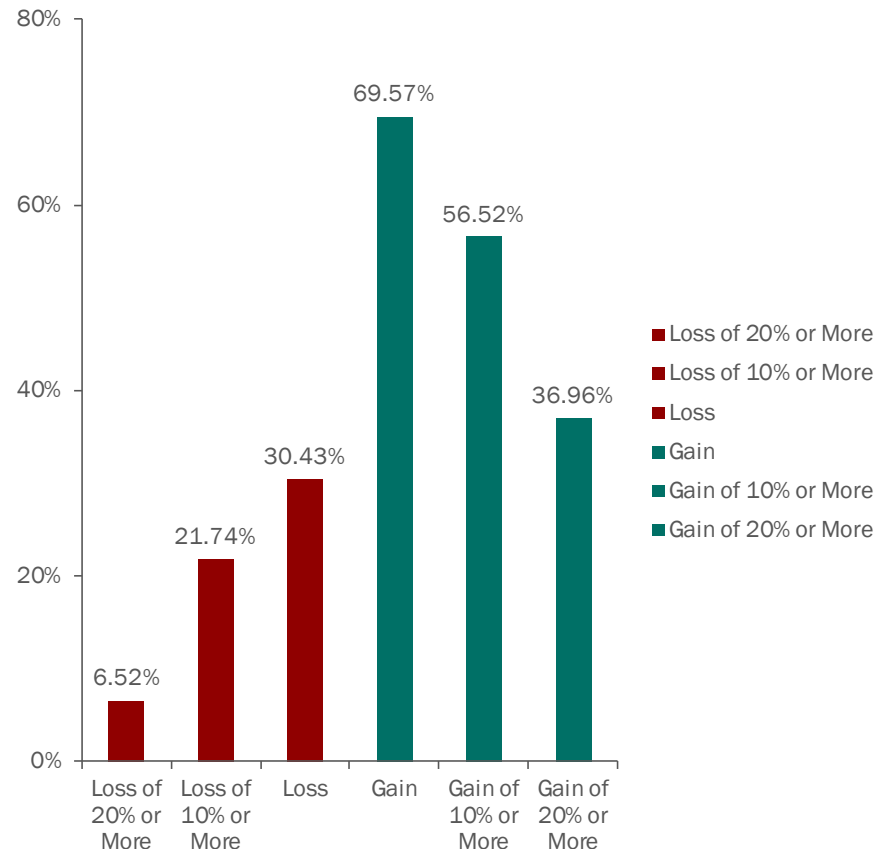
- This chart shows the frequency of calendar year returns. 73.33% of years equity returns were positive versus 26.37% of years which were negative.
- The outer columns show the percent of years where 10% or 20% was gained or lost on equities. 12.22%, about one in eight years 10% or more was lost whereas 36.67%, almost two in five years 20% or more was gained.
- The data clearly supports the benefit of equities over time and it is important to keep these odds in mind if taking money out of the market based on short term expectations or other market timing strategies.



YEARLY RETURNS 1970-2015

MSCI WORLD EX-US FREQUENCY

- This chart shows the frequency of calendar year returns. 69.57% of years equity returns were positive versus 30.43% of years which were negative.
- The outer columns show the percent of years where 10% or 20% was gained or lost on equities. 6.52% of the time 20% or more was lost whereas 36.96%, almost two in five years 20% or more was gained.
- The data clearly supports the benefit of equities over time and it is important to keep these odds in mind if taking money out of the market based on short term expectations or other market timing strategies.



1980-2015

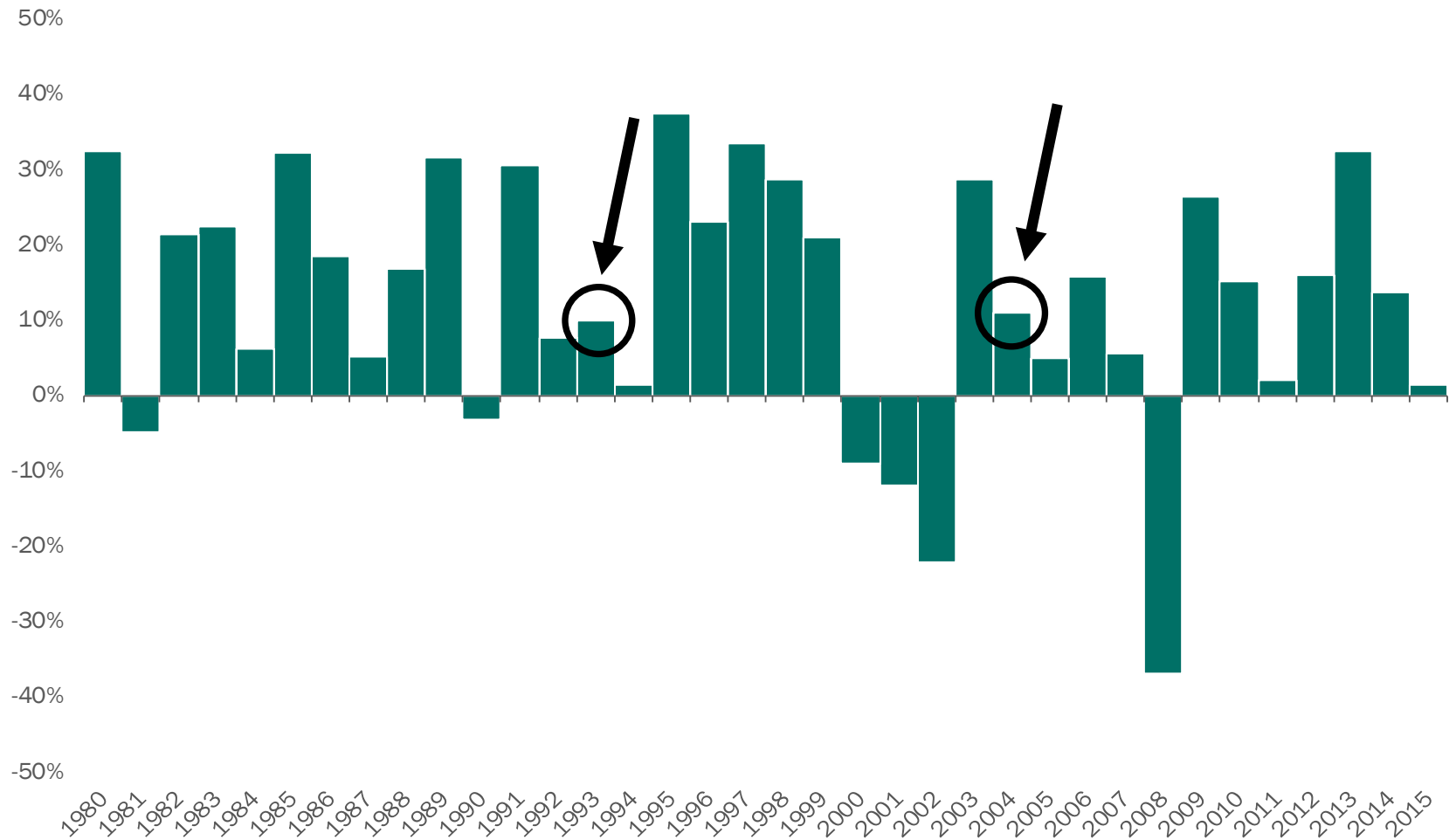
S&P 500 YEARLY RETURN AND DECLINE

The following two charts display the S&P 500 TR yearly return and the S&P 500 TR yearly intra-year decline, respectively. For example, if you had invested in the S&P 500 for all of 2009 you would have earned a positive 26.47% return. However, 2009 included a period (January 7th to March 9th) when the market declined by 27.19%.

Similarly if you had been invested in the S&P 500 for all of 1987 you would have earned a positive 5.23%. However, from August 25th to December 4th of 1987 you would have lost 33.51%. Only investors who stayed the course would have ended the year with the positive 5.23% growth for the year.

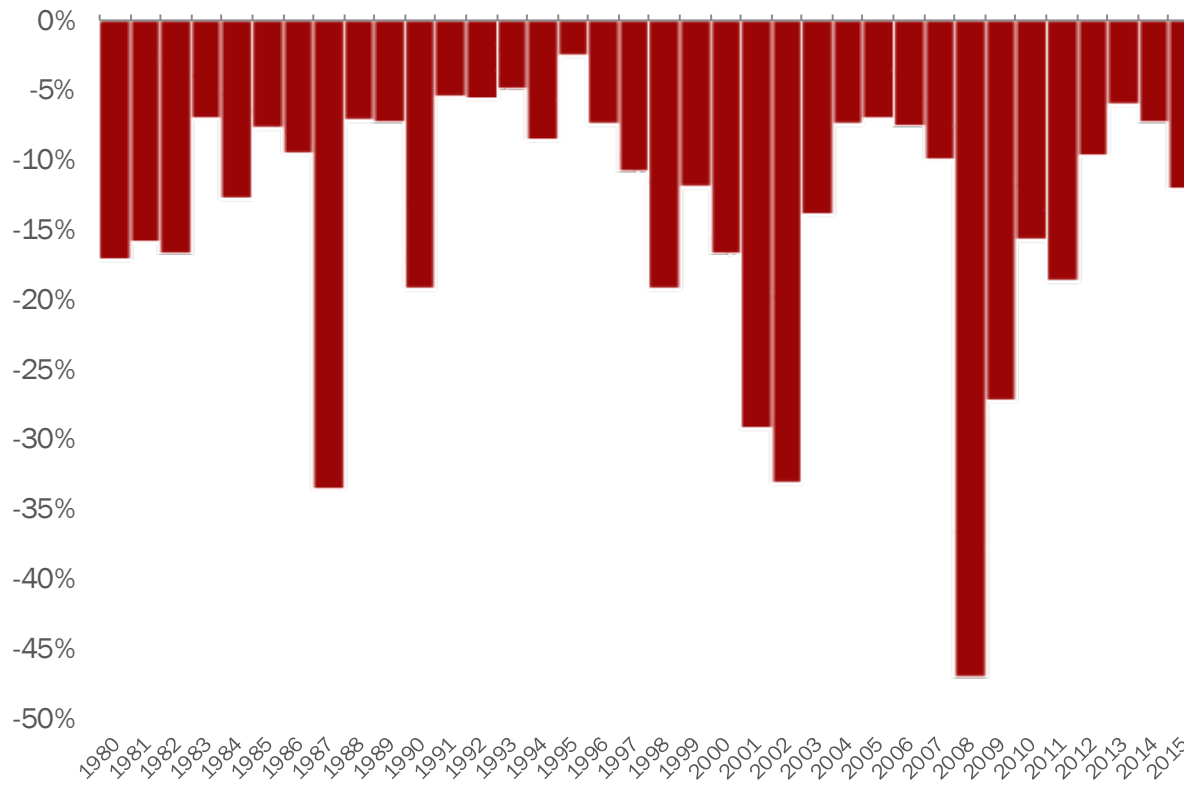
1980-2015

S&P 500 TR YEARLY RETURNS



1980-2015

S&P 500 YEARLY INTRA-YEAR DECLINE



This chart shows intra year declines during each of these calendar years (based on daily returns). While the previous chart shows how investors fared if they remained invested for the entire year, this chart shows major market declines during each calendar year. Market pullbacks are inevitable and healthy in that they tend to limit the participation of speculators in the market.



1980-2015

S&P 500 INTRA-YEAR DECLINE CHART

The following shows the data depicted in the three previous charts in table format. For example, in 1980 the S&P 500 returned 32.42%. However from the close of the markets on February 13, 1980 through March 27, 1980 (30 trading days) the S&P 500 declined by 17.07%. The last column shows the amount earned during the year excluding the intra year decline period. Excluding the largest intra year decline for the year of 17.07% the market returned a positive 59.68%.

Put another way, if you had timed the market to avoid the largest decline for the year you would have earned around 59.68% for the year. Had you stayed invested throughout 1980 you would have earned 32.42%. Of course keep in mind that it is extremely difficult to time the market consistently. Additionally pessimism has tended to peak around the time the market bottoms out (in this case on March 27, 1980) so timing the market would require investing at the time of maximum pessimism.



Year	S&P 500 Annual	Intra-Year		Return Excluding	
	Return	Decline Period		Intra-Year Decline	Decline
1980	32.42%	2/13/1980	3/27/1980	-17.07%	59.68%
1981	-4.91%	8/11/1981	9/25/1981	-15.75%	12.87%
1982	21.41%	1/4/1982	8/12/1982	-16.56%	45.51%
1983	22.51%	6/22/1983	8/8/1983	-6.91%	31.60%
1984	6.27%	1/6/1984	7/24/1984	-12.68%	21.70%
1985	32.16%	7/17/1985	9/25/1985	-7.66%	43.12%
1986	18.47%	9/4/1986	9/29/1986	-9.42%	30.79%
1987	5.23%	8/25/1987	12/4/1987	-33.51%	58.26%
1988	16.81%	4/13/1988	5/23/1988	-7.12%	25.76%
1989	31.49%	10/9/1989	10/13/1989	-7.27%	41.80%
1990	-3.17%	7/16/1990	10/11/1990	-19.18%	19.81%
1991	30.55%	11/13/1991	11/25/1991	-5.45%	38.08%
1992	7.67%	1/15/1992	4/8/1992	-5.58%	14.03%
1993	9.99%	3/10/1993	4/26/1993	-4.79%	15.52%
1994	1.31%	2/2/1994	4/4/1994	-8.47%	10.69%
1995	37.43%	12/13/1995	12/20/1995	-2.51%	40.97%
1996	23.07%	6/5/1996	7/24/1996	-7.41%	32.92%
1997	33.36%	10/7/1997	10/27/1997	-10.75%	49.42%
1998	28.58%	7/17/1998	8/31/1998	-19.19%	59.11%
1999	21.04%	7/16/1999	10/15/1999	-11.80%	37.23%
2000	-9.11%	9/1/2000	12/20/2000	-16.56%	8.93%
2001	-11.88%	2/1/2001	9/21/2001	-29.09%	24.27%
2002	-22.10%	3/19/2002	10/9/2002	-33.01%	16.29%
2003	28.70%	1/14/2003	3/11/2003	-13.78%	49.27%
2004	10.87%	3/5/2004	8/6/2004	-7.42%	19.76%
2005	4.91%	3/7/2005	4/20/2005	-7.01%	12.82%
2006	15.80%	5/5/2006	6/13/2006	-7.46%	25.14%
2007	5.49%	10/9/2007	11/26/2007	-9.87%	17.04%
2008	-37.00%	1/3/2008	11/20/2008	-46.95%	18.76%
2009	26.47%	1/6/2009	3/9/2009	-27.19%	73.70%
2010	15.06%	4/26/2010	7/2/2010	-15.63%	36.38%
2011	2.11%	5/2/2011	10/3/2011	-18.64%	25.50%
2012	16.00%	4/3/2012	6/1/2012	-9.58%	28.29%
2013	32.39%	5/22/2013	6/24/2013	-5.91%	40.71%
2014	13.69%	9/19/2014	10/15/2014	-7.28%	22.62%
2015	1.38%	7/21/2015	8/25/2015	-12.04%	15.26%
1980-2015 Average	12.90%			-13.79%	30.96%
1980-2015 Median	15.43%			-10.31%	28.70%
Positive Years	30				
Negative Years	6				

*Through May 02, 2016



1980-2015

S&P 500 INTRA-YEAR GAIN CHART

The next table includes same info as the previous page except here we show the maximum intra year gain. The number in the last column represents the largest possible gain you could make each year without seeing your initial investment lose any value. Many of these periods happen after a large downturn in the market. As you can see, historically, there is substantial risk to being out of the market.

Year	S&P 500 Annual Return	Intra-Year Gain Period		Intra-Year Gain
1980	32.42%	4/4/1980	12/26/1980	42.49%
1981	-4.91%	10/7/1981	12/30/1981	9.75%
1982	21.41%	8/2/1982	12/30/1982	34.26%
1983	22.51%	1/3/1983	12/29/1983	23.20%
1984	6.27%	6/29/1984	12/31/1984	14.18%
1985	32.16%	1/2/1985	12/31/1985	32.16%
1986	18.47%	1/2/1986	9/29/1986	28.46%
1987	5.23%	1/23/1987	9/28/1987	38.90%
1988	16.81%	1/21/1988	10/25/1988	19.66%
1989	31.49%	1/4/1989	10/10/1989	33.95%
1990	-3.17%	1/31/1990	7/16/1990	16.14%
1991	30.55%	1/10/1991	12/31/1991	38.22%
1992	7.67%	4/9/1992	12/18/1992	14.27%
1993	9.99%	1/11/1993	12/28/1993	12.78%
1994	1.31%	5/12/1994	8/30/1994	8.79%
1995	37.43%	1/3/1995	12/13/1995	38.74%
1996	23.07%	1/16/1996	12/2/1996	28.72%
1997	33.36%	1/3/1997	12/5/1997	35.73%
1998	28.58%	1/12/1998	12/31/1998	34.74%
1999	21.04%	1/15/1999	12/30/1999	22.29%
2000	-9.11%	2/28/2000	9/1/2000	14.75%
2001	-11.88%	4/5/2001	5/23/2001	17.05%
2002	-22.10%	10/10/2002	11/27/2002	21.15%
2003	28.70%	3/12/2003	12/31/2003	40.86%
2004	10.87%	8/13/2004	12/30/2004	14.93%
2005	4.91%	4/18/2005	12/14/2005	12.79%
2006	15.80%	7/18/2006	12/27/2006	16.62%
2007	5.49%	3/6/2007	10/9/2007	15.14%
2008	-37.00%	11/21/2008	12/16/2008	21.63%
2009	26.47%	3/10/2009	12/30/2009	67.83%
2010	15.06%	7/6/2010	12/29/2010	24.44%
2011	2.11%	10/4/2011	10/28/2011	17.07%
2012	16.00%	1/3/2012	9/14/2012	18.40%
2013	32.39%	1/2/2013	12/31/2013	32.39%
2014	13.69%	2/4/2014	12/29/2014	22.35%
2015	1.38%	8/26/2015	11/3/2015	13.36%
1980-2015 Average	12.41%			24.42%
1980-2015 Median	15.43%			21.96%
Positive Years	30			
Negative Years	6			

*Through May 02, 2016



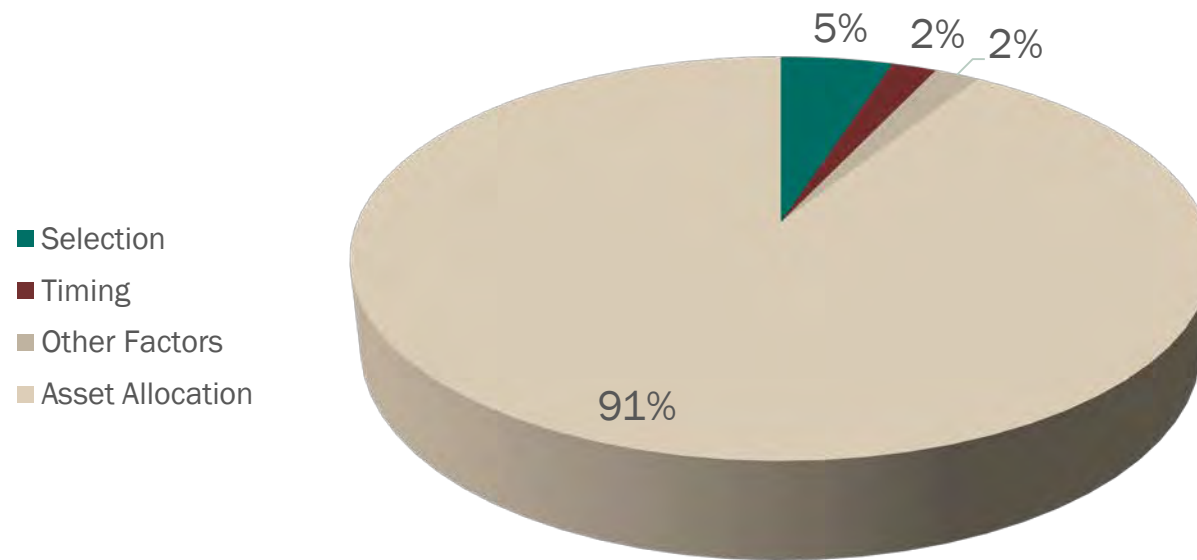
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INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

ELEMENTS OF THE INVESTMENT POLICY: ASSET ALLOCATION

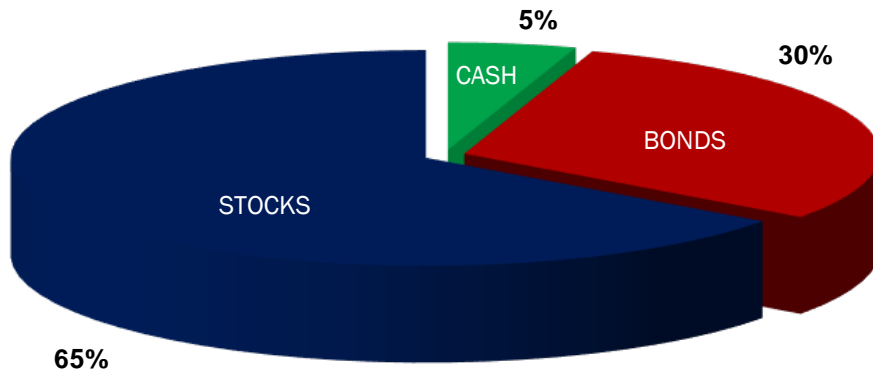
ASSET ALLOCATION STUDY



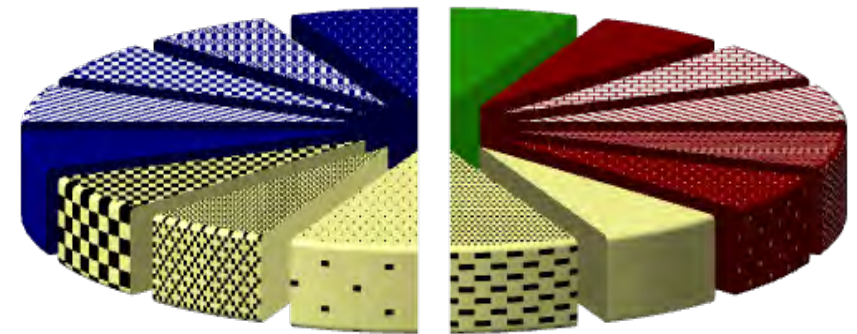
Source: Gary P. Brinson, Brian D. Singer and Gilbert L. Beebower, "Determinants of Portfolio Performance II: An Update," *Financial Analysts Journal* (May/June 1991)

ASSET ALLOCATION DETAIL

SIMPLE ASSET ALLOCATION EXAMPLE



MASON ASSET ALLOCATION EXAMPLE

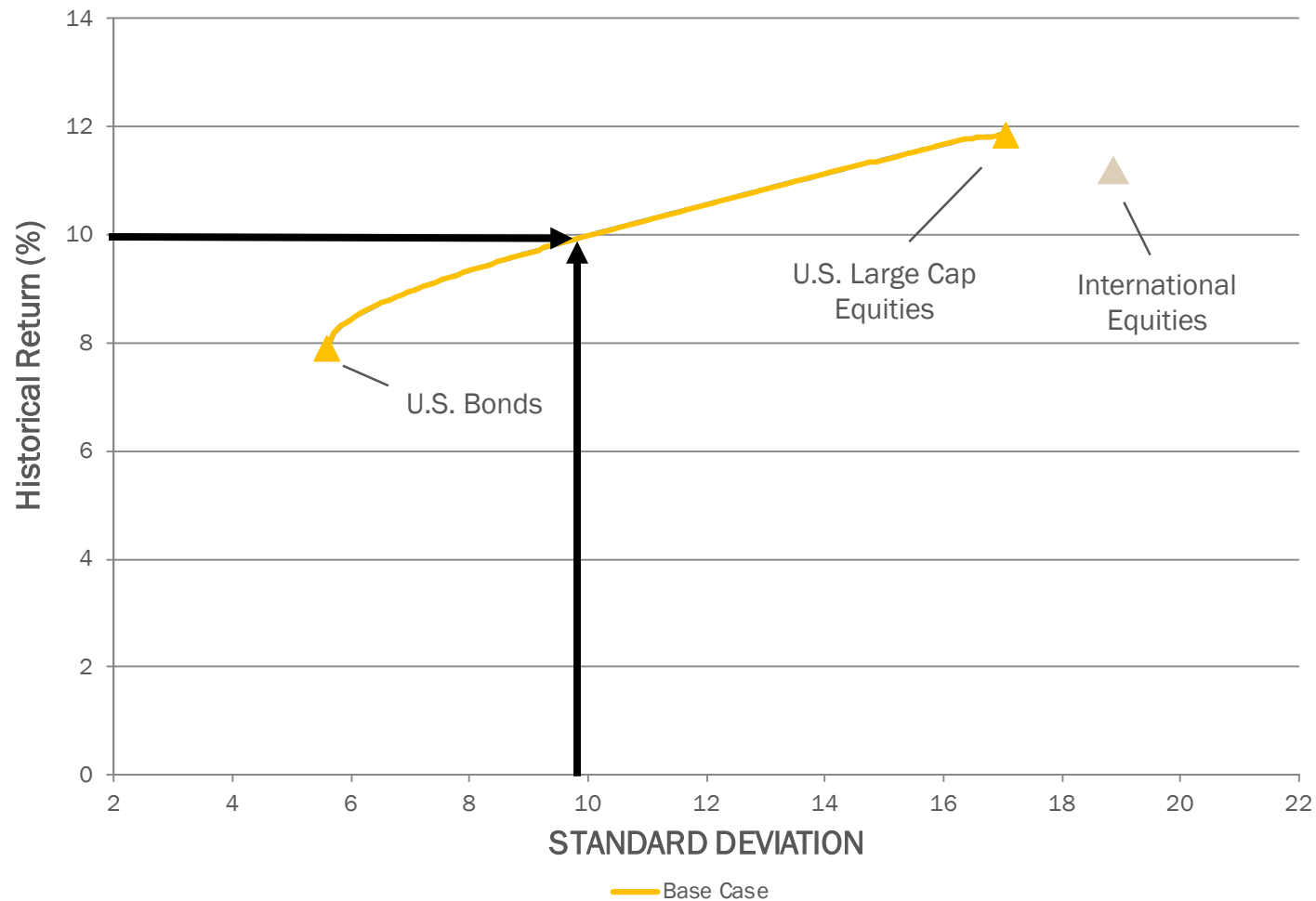


Asset Class	% of Total Assets
Cash	5%
Fixed Income	30%
Equities	65%

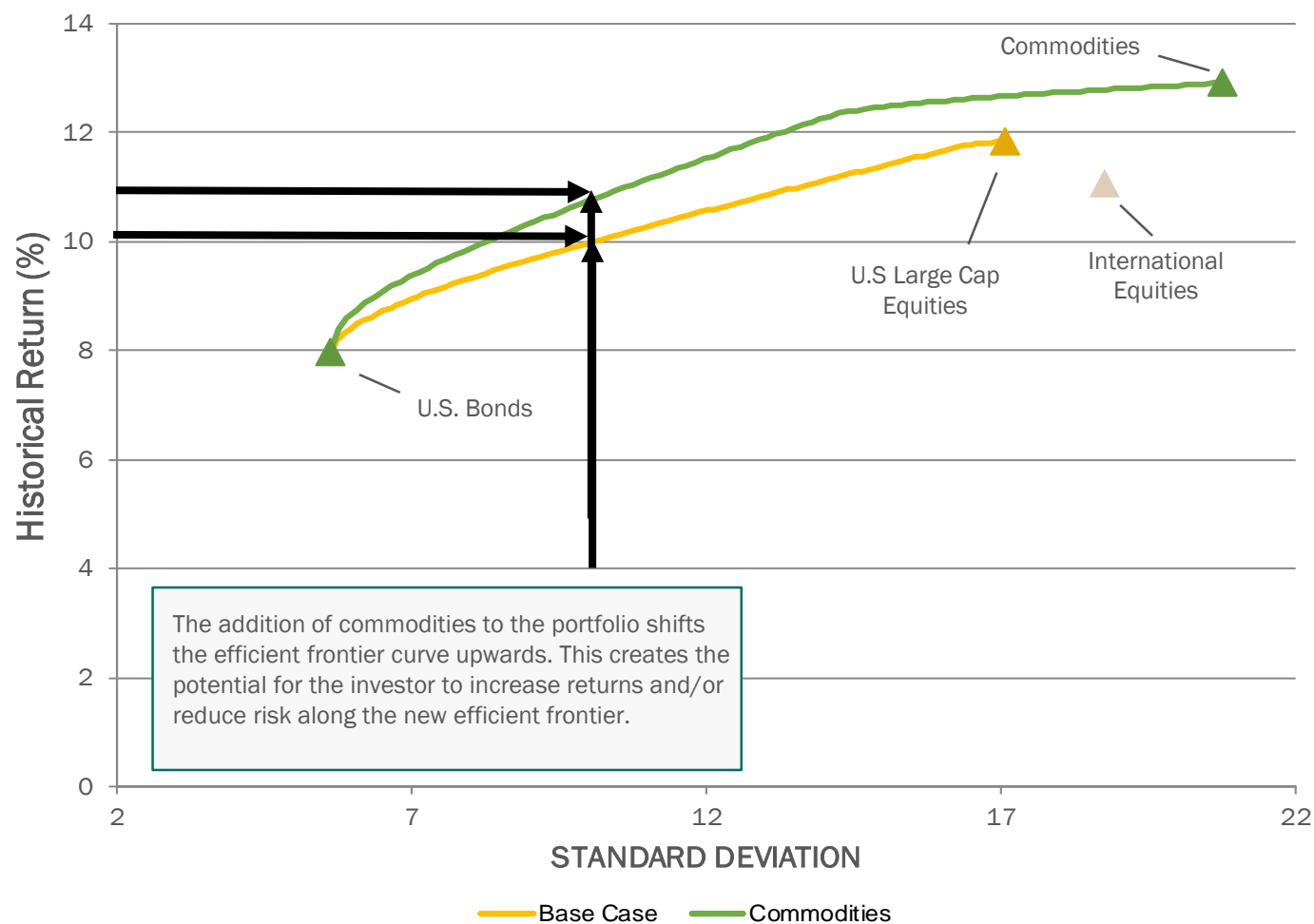
SAFETY ■ INCOME ■ GROWTH ■ AGGRESSIVE ■

Asset Class	
Cash	International Value
Short Term FI	International Growth
Intermediate FI	Real Estate
Long Term FI	Small Value
TIPS	Small Growth
International FI	International Small Cap
Large Value	Energy & Nat. Resources
Large Growth	Commodities

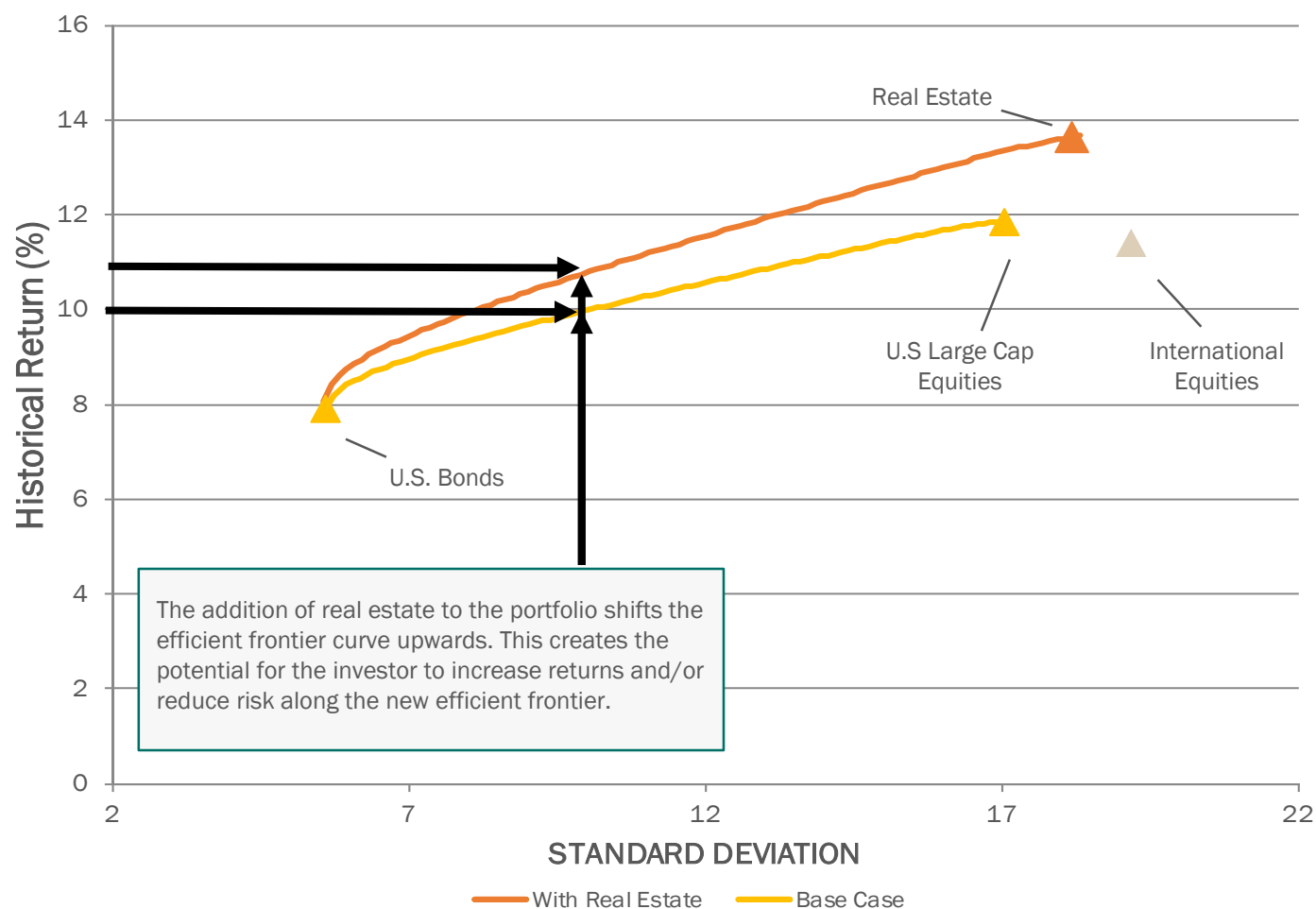
ASSET ALLOCATION: BASE CASE



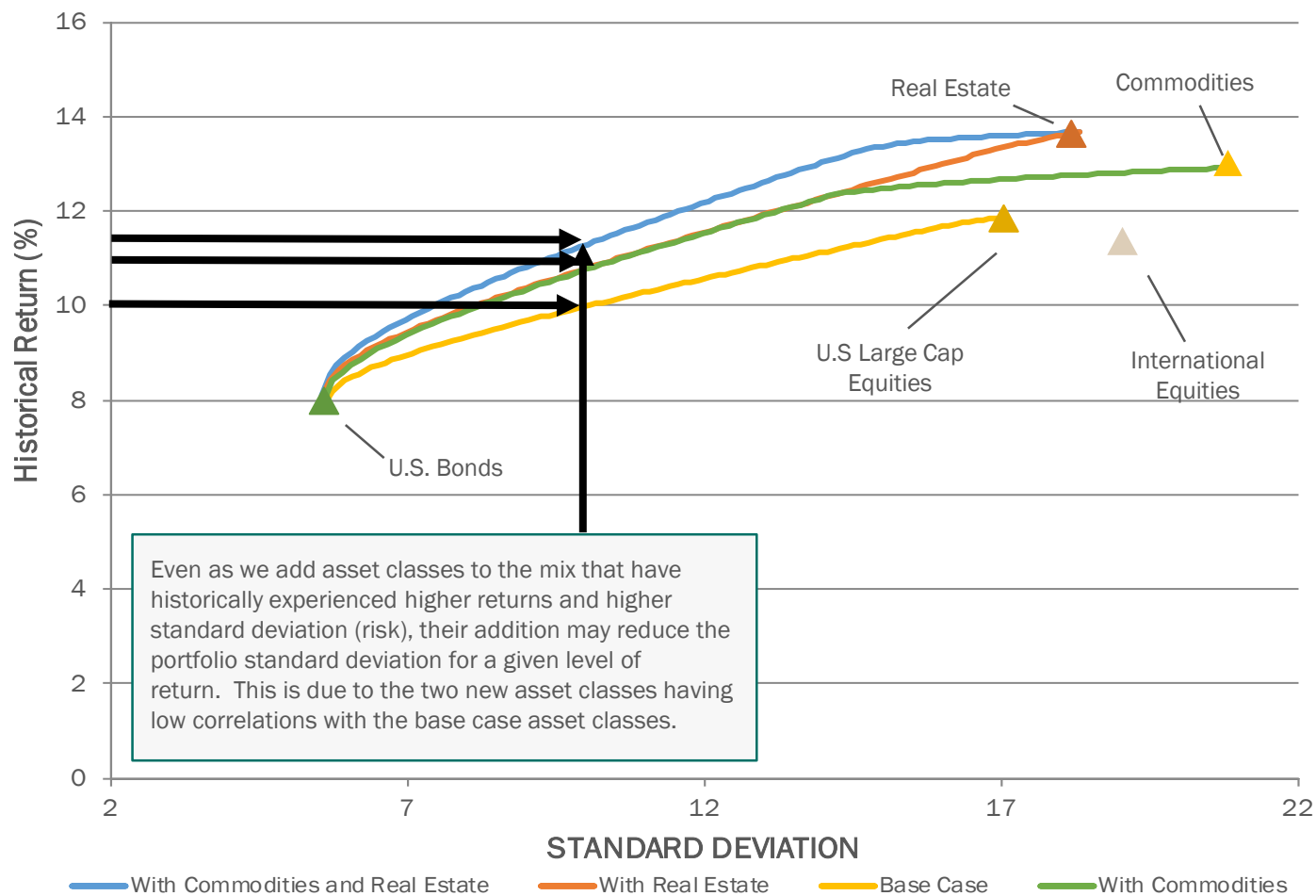
ADDING AN ADDITIONAL CLASS: COMMODITIES



ADDING AN ADDITIONAL CLASS: REAL ESTATE



COMBINING ADDITIONAL ASSET CLASS: COMMODITIES AND REAL ESTATE



1999 to 2015

ANNUAL ASSET CLASS LEADERS

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Small Gr.	Comm.	Small Val.	Comm.	Intl. SC	REIT	Nat. Res.	REIT	Nat. Res.	Cash	Nat. Res.	REIT	LT Bond	Intl. Gr.	Small Gr.	REIT	Intl. SC
Intl. Gr.	Nat. Res.	REIT	TIPS	Small Gr.	Intl. SC	Intl. SC	Intl. Val.	Intl. Gr.	Zero Ret.	Intl. SC	Small Gr.	TIPS	REIT	Small Val.	LT Bond	Large Gr.
Large Gr.	REIT	LT Bond	Intl. Bond	Small Val.	Nat. Res.	Comm.	Intl. Gr.	Comm.	Intl. Bond	Intl. Gr.	Small Val.	REIT	Intl. Val.	Large Gr.	Large Val.	REIT
Nat. Res.	Small Val.	IT Bond	LT Bond	Intl. Val.	Intl. Val.	Intl. Gr.	Intl. SC	Large Gr.	LT Bond	Large Gr.	Intl. SC	IT Bond	Small Val.	Large Val.	Large Gr.	Intl. Gr.
Intl. Val.	TIPS	ST Bond	IT Bond	REIT	Small Val.	Intl. Val.	Large Val.	TIPS	TIPS	Small Gr.	Nat. Res.	Intl. Bond	Large Gr.	Intl. SC	IT Bond	ST Bond
Intl. SC	Large Val.	TIPS	ST Bond	Intl. Gr.	Intl. Gr.	REIT	Small Val.	Intl. Val.	ST Bond	Small Val.	Comm.	ST Bond	Intl. SC	Intl. Val.	Small Val.	Cash
Comm.	IT Bond	Cash	REIT	Nat. Res.	Large Val.	Large Gr.	Small Gr.	Intl. SC	IT Bond	REIT	Large Gr.	Cash	Large Val.	Intl. Gr.	Small Gr.	Zero Ret.
Small Val.	LT Bond	Intl. Bond	Cash	Large Gr.	Small Gr.	Small Val.	Nat. Res.	Small Gr.	Small Val.	Intl. Val.	Intl. Gr.	Zero Ret.	Small Gr.	Nat. Res.	TIPS	IT Bond
Large Val.	ST Bond	Zero Ret.	Zero Ret.	Large Val.	Comm.	Large Val.	Large Gr.	Intl. Bond	Comm.	Large Val.	Large Val.	Large Val.	LT Bond	REIT	Intl. Bond	TIPS
Cash	Cash	Large Val.	Nat. Res.	Comm.	Intl. Bond	Small Gr.	Intl. Bond	Cash	Large Val.	Comm.	LT Bond	Large Gr.	Intl. Bond	ST Bond	ST Bond	Small Gr.
ST Bond	Intl. Bond	Small Gr.	Intl. SC	Intl. Bond	Large Gr.	Cash	Cash	IT Bond	Large Gr.	LT Bond	IT Bond	Small Gr.	IT Bond	Cash	Cash	LT Bond
TIPS	Zero Ret.	Nat. Res.	Small Val.	LT Bond	TIPS	LT Bond	LT Bond	ST Bond	Small Gr.	IT Bond	Intl. Val.	Small Val.	TIPS	Zero Ret.	Zero Ret.	Intl. Val.
IT Bond	Intl. Val.	Intl. SC	Intl. Val.	TIPS	LT Bond	TIPS	IT Bond	LT Bond	REIT	Intl. Bond	Intl. Bond	Intl. Gr.	Nat. Res.	IT Bond	Intl. Gr.	Large Val.
Zero Ret.	Small Gr.	Intl. Val.	Large Val.	IT Bond	IT Bond	IT Bond	ST Bond	Large Val.	Intl. Val.	TIPS	TIPS	Intl. Val.	ST Bond	Intl. Bond	Intl. Val.	Intl. Bond
Intl. Bond	Intl. SC	Comm.	Intl. Gr.	ST Bond	ST Bond	ST Bond	Comm.	Zero Ret.	Intl. Gr.	ST Bond	ST Bond	Comm.	Cash	LT Bond	Intl. SC	Small Val.
REIT	Large Gr.	Large Gr.	Large Gr.	Cash	Cash	Zero Ret.	Zero Ret.	Small Val.	Intl. SC	Cash	Cash	Nat. Res.	Zero Ret.	TIPS	Nat. Res.	Nat. Res.
LT Bond	Intl. Gr.	Intl. Gr.	Small Gr.	Zero Ret.	Zero Ret.	Intl. Bond	TIPS	REIT	Nat. Res.	Zero Ret.	Zero Ret.	Intl. SC	Comm.	Comm.	Comm.	Comm.



ARE INTEREST RATES PREDICTABLE?

Investing Based on Short-Term Forecasts is Dangerous



Six Month Average Forecasted Direction vs. Actual Direction of Interest Rates
The Wall Street Journal Survey of Economics 12/82–12/15

Date
12/82

BENEFITS OF DIVERSIFICATION

PERFORMANCE AS OF 12/31/14	3-YEARS ANNUALIZED			5-YEARS ANNUALIZED			10-YEARS ANNUALIZED			15-YEARS ANNUALIZED		
	Return	Std. Dev. ¹	Sharpe Ratio ²	Return	Std. Dev. ¹	Sharpe Ratio ²	Return	Std. Dev. ¹	Sharpe Ratio ²	Return	Std. Dev. ¹	Sharpe Ratio ²
Worst Asset Class Leaders	-4.69%	13.77%	-0.29	-2.80%	10.62%	-0.22	-1.41%	17.91%	-0.07	-1.43%	17.01%	-0.11
Best Asset Class Leaders	10.81%	10.35%	1.04	11.56%	15.93%	0.76	-0.48%	19.72%	0.00	0.43%	20.70%	0.03
50/50 Best/Worst Split	3.10%	9.35%	0.36	4.58%	9.98%	0.49	-0.31%	15.17%	-0.04	0.12%	15.30%	-0.04
Risk Level 4	12.02%	7.94%	1.47	10.29%	11.06%	0.94	7.10%	13.05%	0.47	7.16%	12.29%	0.46
S&P 500 TR	20.41%	9.10%	2.09	15.45%	13.00%	1.17	7.67%	14.67%	0.47	4.24%	15.26%	0.22

¹ Standard deviation is the statistical measurement of dispersion about an average, which depicts how widely a portfolio's returns varied over the stated period of time.

² Sharpe Ratio is calculated by subtracting the risk-free rate, BofAML US Treasury Bill 3 Month TR, from the rate of return for the portfolio and dividing the result by the standard deviation of the portfolio returns.

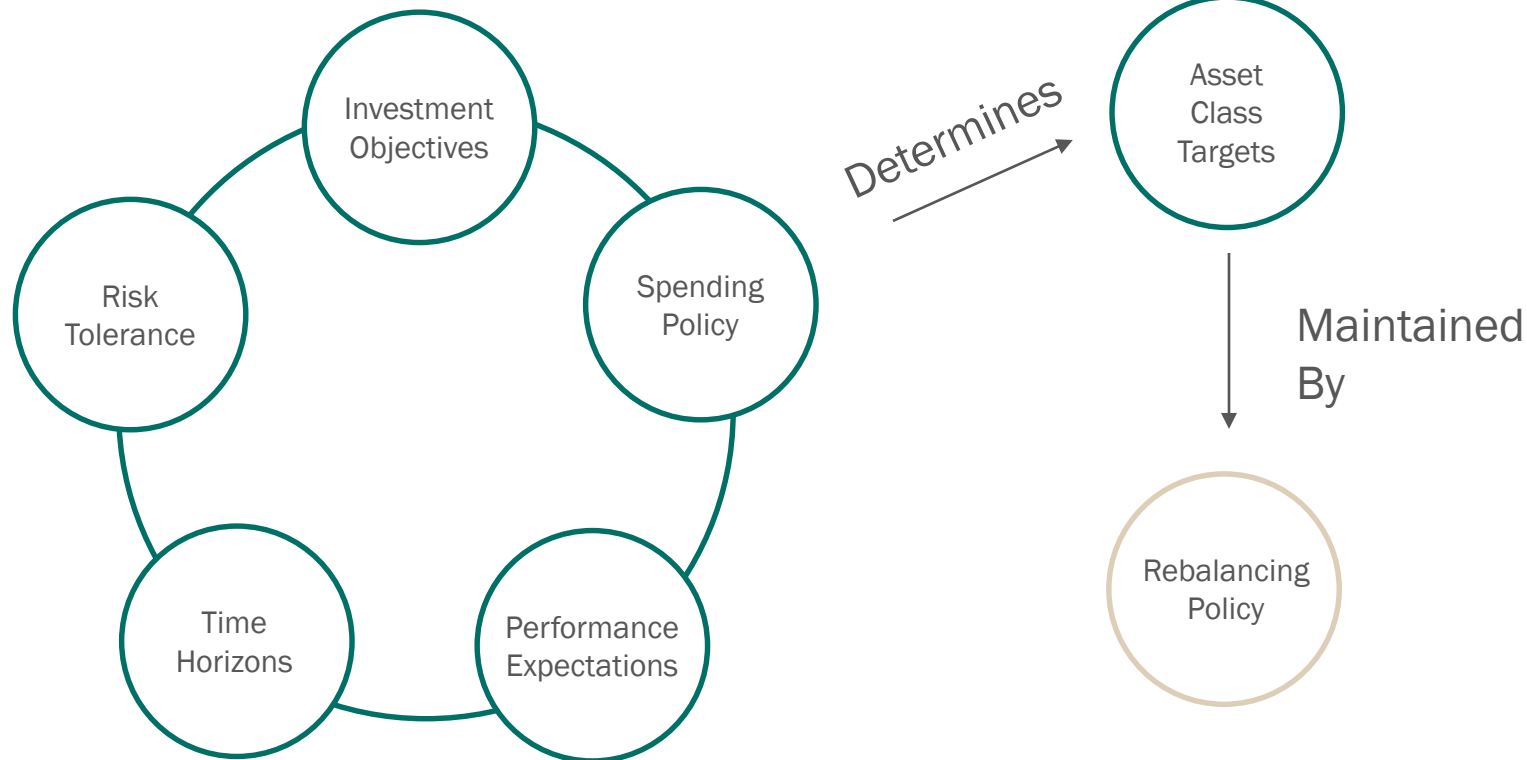


INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

REBALANCING AND VOLATILITY CONTROL

THE ROLE OF REBALANCING

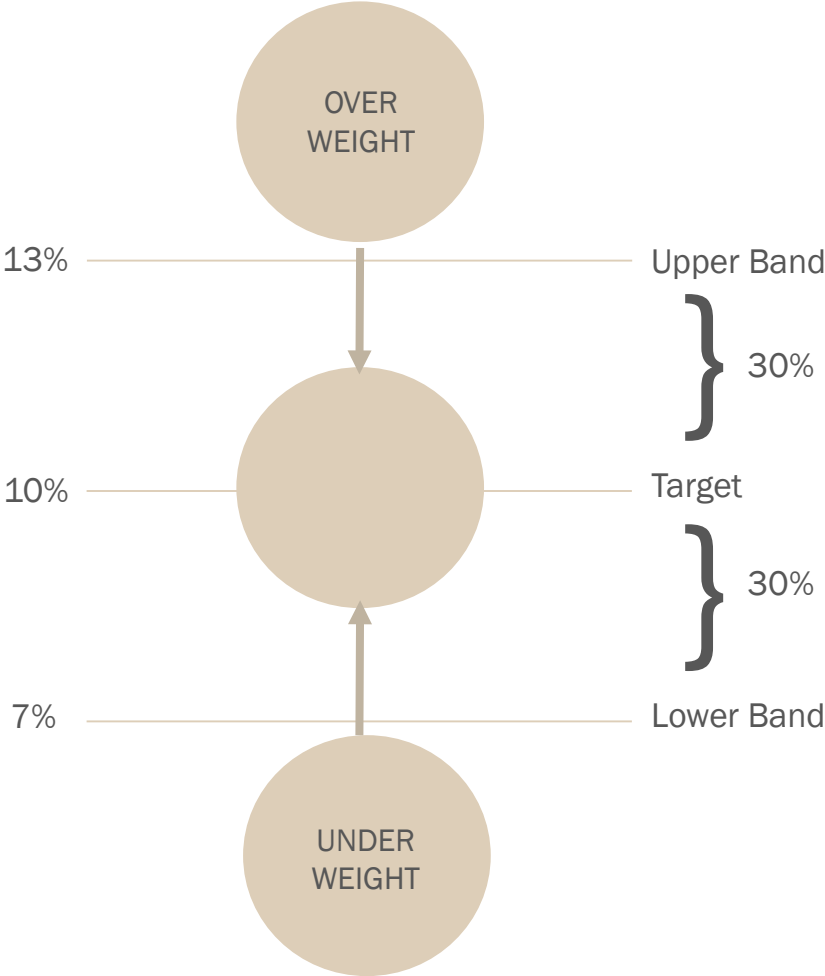
Interdependent Decisions



REBALANCING METHODOLOGY

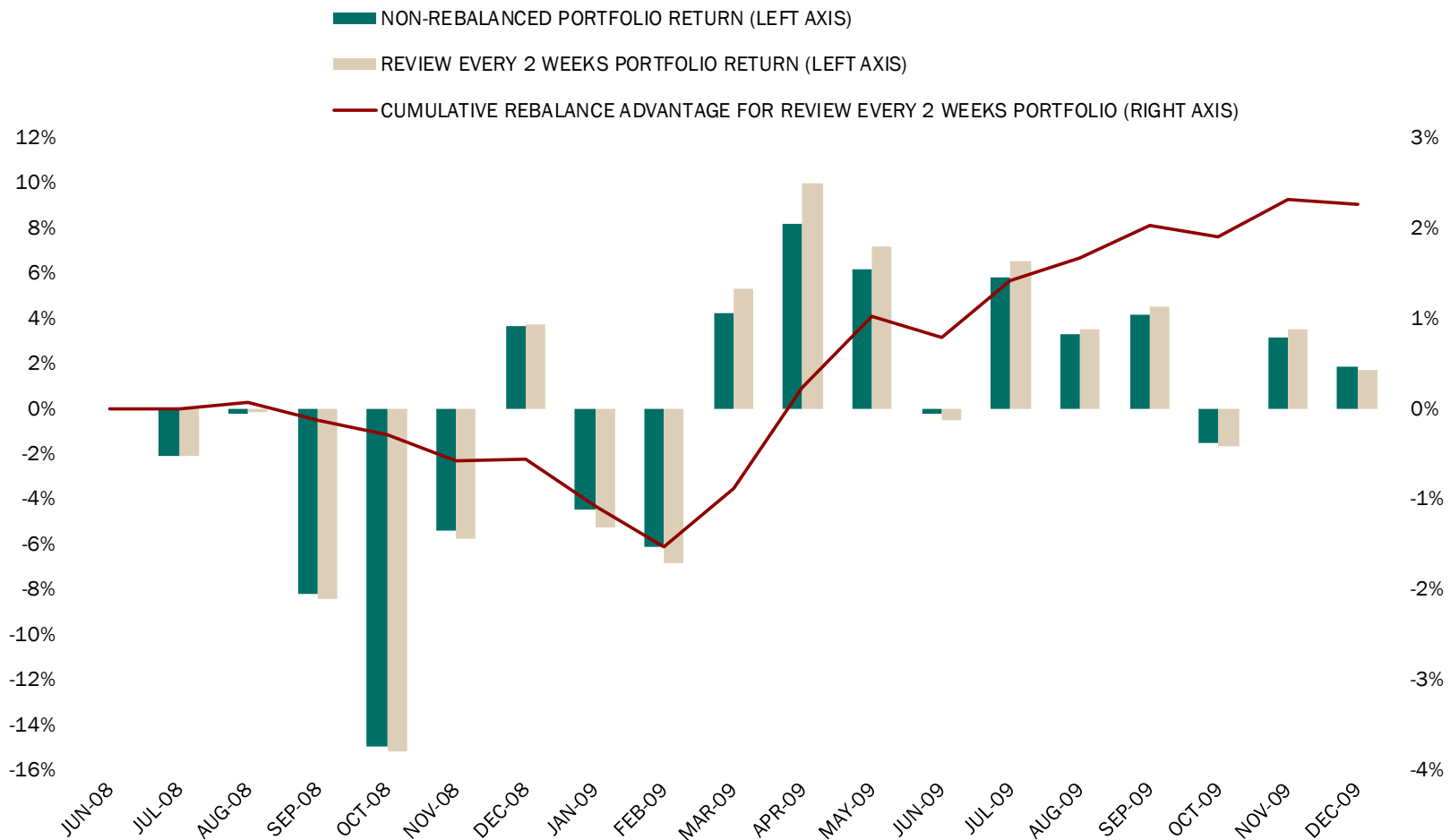
- Buy low/sell high
- Evolution of Mason's Rebalancing Methodology
 - Technology moves us forward
 - Up to 2006 – Review and rebalance quarterly, 15% rebalance bands
 - 2006 to 2011 – Review every 10 business days, rebalance if necessary, 20% bands
 - 2011 to present – Review every 10 business days, rebalance if necessary, 30% bands

REBALANCING EXAMPLE

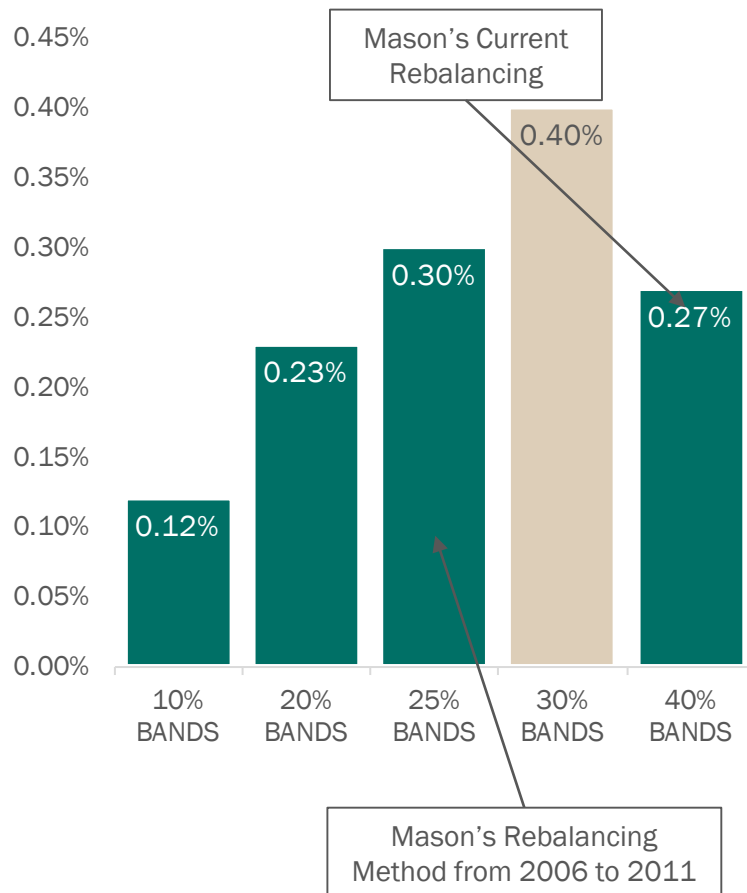


REBALANCED VS. NON-REBALANCED

PORTFOLIO LEVEL REBALANCING BENEFIT



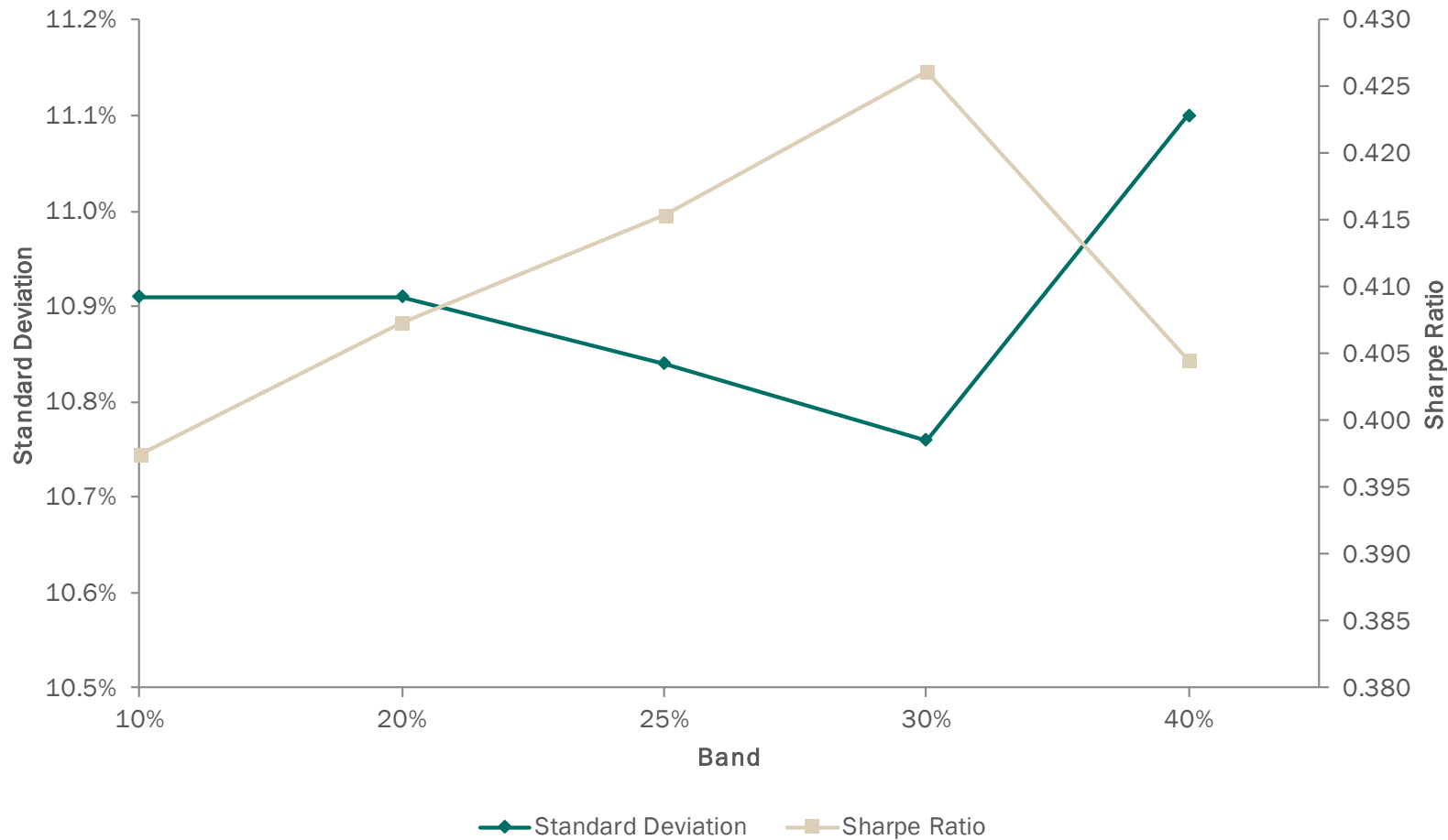
MASON REBALANCING STUDY – 2011



The chart to the left displays the additional return (or “*excess return rebalance benefit*”) over a portfolio in which all asset classes were *rebalanced each quarter back to target*. As indicated by the gold- colored bar, a *portfolio utilizing 30% rebalancing parameters* for each asset class generated an *additional annualized 0.40% return*, compared to a portfolio that was rebalanced every quarter.

MASON REBALANCING STUDY – 2011

Risk and Risk-Adjusted Performance Results



FIDUCIARY CONSIDERATIONS

FIDUCIARY RESPONSIBILITY

- **Fiduciary Standards – ERISA, UPIA, UMIFA, UPMIFA**
- **Specific Written Strategy (The Investment Policy Statement)**
 - Diversification Guidelines (Modern Portfolio Theory)
 - Spending Policy
 - Manager Due Diligence Criteria
 - Delegation of Duties and Responsibilities
 - Monitoring Criteria
 - Investment Options
 - Service Vendors
- **Compliance With Policy**
- **Investment Expense Monitoring Procedures**

FIDUCIARY CONSIDERATIONS

WHO IS AN INVESTMENT FIDUCIARY?

Someone who is managing the asset of another person and stands in a special relationship of trust, confidence, and or legal responsibility*

* Definition authored by fi360 / Center for Fiduciary Excellence and informed by Department of Labor publications





INVESTMENT POLICY: THE BOARD'S FIDUCIARY DUTY

QUESTIONS?

SPEAKER BIO

WILL THORPE, MBA, Director of Business Development, Mason Investment Advisory Services, Inc.

Mr. Thorpe joined Mason Investment Advisory Services (MIAS) in October of 2003 and he leads the business development activities of MIAS's independent investment consulting practice. Mr. Thorpe has helped to raise over \$2.5B of MIAS's nearly \$5B in assets under management. Mason works with over 65 institutional clients nationwide including 37 Community Foundations which comprise approximately \$1.2B in assets. Mr. Thorpe is a member of MIAS's internal Investment Committee. He received both his Bachelor of Business Administration in Finance in 1993 and his MBA, with a concentration in Finance in 2002 from The University of Maryland. Mr. Thorpe lives in Maryland with his wife and two children.



DISCLOSURES

DISCLOSURES

S&P 500: The S&P Composite Index is a readily available, carefully constructed, market-value-weighted index of large company stock performance. Market-value-weighted means that the weight of each stock in the index, for a given month, is proportionate to its market capitalization (price times the number of shares outstanding) at the beginning of the month. Currently, the S&P Composite includes 500 of the largest stocks (in terms of stock market value) in the United States; prior to March 1957 it consisted of 90 of the largest stocks.

Note that it is not possible to invest directly in the index and these returns are not adjusted for fees or transaction costs. Past performance is not indicative of future results.

5 Year Treasury Yield: The Ibbotson Associates SBBI (Stock, Bonds, Bills and Inflation) US Intermediate Government index is a one bond portfolio with a maturity near five years. The yield is the yield on intermediate-term government bond that equates the bond's price with the stream of cash flows (coupons and principal) promised to the bondholder. The yield reported for 1987-present are calculated from prices listed in *The Wall Street Journal* bond prices . For 1934-1986 yields were obtained from the CRSP Government Bond File. Yields for 1926-1933 are estimates from *Coleman, Fisher, and Ibbotson, Historical U.S. Treasury Yield Curves: 1926-1992* with 1995 update.

20 Year Treasury Yield: The US Long Term Government Index is calculated in a similar fashion except it represents an index of a one-bond portfolio with a maturity near 20 years. From 1927 through 1961 we utilized yield data from Ibbotson Associates SBBI for both 20 year and 5 year yields. After 1961 we used data as reported by the Federal Reserve except for the 20 year yield data from 1987 to September 1993. From 1987 to September 1993 we utilized data from Ibbotson Associates SBBI for purposes of calculating 20 year yields because data was not available over this period from the Federal Reserve.

THE FIVE RISK PROFILE PORTFOLIOS

HISTORICAL BACKTESTS

In order to provide a long term perspective of how these allocations might have performed over various historical environments we've created model portfolios of the indices discussed below going back to January 1926. One or more of these five model portfolios are included in some of the charts contained in this document. Where index data is not available for earlier periods we allocated those categories to similar categories for which index data is available. The following pages show the assumptions we've made for each of the five portfolios. For example, since a hedged foreign bond index was not available prior to 1985, we assumed the entire foreign bond allocation was invested in unhedged foreign bonds from 1978 to 1984.

In each case these blends represent a hypothetical investment in a blend of the S&P Composite Index and the Ibbotson Associates US IT Government Bond Index. Monthly rebalancing is assumed in all hypothetical portfolio backtests.

The Risk Level 1 portfolio is a diversified 37/63 (Equity, Commodities/Bonds, Cash) portfolio. The Risk Level 2 through 5 portfolios are diversified portfolios containing 51.5/48.5, 65/35, 77/23 and 87/13 (Equity, Commodities/Bonds, Cash) allocations.

Additionally, in some places we may show returns of a hypothetical investment in the following simple Equity/Bond blends or an "All Bond" portfolio: 37/63, 51.5/48.5, 65/35, 77/23, 87/13

S&P Composite Index: The S&P Composite Index is a readily available, carefully constructed, market-value-weighted index of large company stock performance.

Ibbotson Associates Intermediate Government Bond Index: This is an index designed to be representative of returns on intermediate (5 year) US Government bonds from 1926 to present.

Inflation: The rate of change in consumer prices. The Consumer Price Index for All Urban Consumers (CPI-U), not seasonally adjusted, is used to measure inflation. Prior to January 1978, the CPI (as compared to the CPI-U) was used.

THE FIVE RISK PROFILE PORTFOLIOS

RISK LEVEL 1

RISK LEVEL 1 SERIES NAME	JAN 1926 - JUN 1927	JUL 1927 - DEC 1969	JAN 1970 - DEC 1971	JAN 1972 - DEC 1974	JAN 1975 - JAN 1978	FEB 1978 - DEC 1984	JAN 1985 - FEB 1997	MAR 1997 - PRESENT
U.S. 30 Day Tbill TR	0	13	13	13	13	13	13	13
Short Term Bond Proxy	0	26	26	26	26	24	24	22
Intermediate Term Bond Proxy	0	12	12	12	12	10	10	9
Long Term Bond Proxy	0	12	12	12	12	10	10	9
Inflation Protected Bonds	0	0	0	0	0	0	0	5
Citigroup U.S. \$ Hdgd Non U.S.	0	0	0	0	0	0	3	2.5
Citi WGBI NonUSD USD TR	0	0	0	0	0	6	3	2.5
Ibbotson Associates U.S. IT Gov't TR	63	0	0	0	0	0	0	0
U.S. Large Value Proxy	0	18	14.8	14.3	9	9	9	9
U.S. Large Growth Proxy	0	10	8.2	7.7	5	5	5	5
Foreign Large Value Proxy	0	0	0	0	5	5	5	5
Foreign Large Growth Proxy	0	0	0	0	3	3	3	3
Real Estate Proxy	0	0	0	2	2	2	2	2
U.S. Small Value Proxy	0	5.5	5.5	5	5	5	5	5
U.S. Small Growth Proxy	0	3.5	3.5	3	3	3	3	3
Foreign Small Cap Proxy	0	0	0	0	0	0	0	0
Energy & Natural Resources Proxy	0	0	2.5	2.5	2.5	2.5	2.5	2.5
Commodity Plus Proxy	0	0	2.5	2.5	2.5	2.5	2.5	2.5
S&P Composite Index	37	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

THE FIVE RISK PROFILE PORTFOLIOS

RISK LEVEL 2

RISK LEVEL 2 SERIES NAME	JAN 1926 - JUN 1927	JUL 1927 - DEC 1969	JAN 1970 - DEC 1971	JAN 1972 - DEC 1974	JAN 1975 - JAN 1978	FEB 1978 - DEC 1984	JAN 1985 - FEB 1997	MAR 1997 - PRESENT
U.S. 30 Day Tbill TR	0	2	2	2	2	2	2	2
Short Term Bond Proxy	0	15.8	15.8	15.8	15.8	14	14	14
Intermediate Term Bond Proxy	0	15.3	15.3	15.3	15.3	13.5	13.5	10
Long Term Bond Proxy	0	15.4	15.4	15.4	15.4	13.5	13.5	10
Inflation Protected Bonds	0	0	0	0	0	0	0	7
Citigroup U.S. \$ Hdgd Non U.S.	0	0	0	0	0	0	2.75	2.75
Citi WGBI NonUSD USD TR	0	0	0	0	0	5.5	2.75	2.75
Ibbotson Associates U.S. IT Gov't TR	48.5	0	0	0	0	0	0	0
U.S. Large Value Proxy	0	24.3	21.9	19	14	14	14	14
U.S. Large Growth Proxy	0	16.2	14.6	12	7	7	7	7
Foreign Large Value Proxy	0	0	0	0	6	6	6	6
Foreign Large Growth Proxy	0	0	0	0	4	4	4	4
Real Estate Proxy	0	0	0	6.5	6.5	6.5	6.5	6.5
U.S. Small Value Proxy	0	6.5	5.5	5	5	5	5	5
U.S. Small Growth Proxy	0	4.5	3.5	3	3	3	3	3
Foreign Small Cap Proxy	0	0	0	0	0	0	0	0
Energy & Natural Resources Proxy	0	0	3	3	3	3	3	3
Commodity Plus Proxy	0	0	3	3	3	3	3	3
S&P Composite Index	51.5	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

THE FIVE RISK PROFILE PORTFOLIOS

RISK LEVEL 3

RISK LEVEL 3 SERIES NAME	JAN 1926 - JUN 1927	JUL 1927 - DEC 1969	JAN 1970 - DEC 1971	JAN 1972 - DEC 1974	JAN 1975 - JAN 1978	FEB 1978 - DEC 1984	JAN 1985 - FEB 1997	MAR 1997 - PRESENT
U.S. 30 Day Tbill TR	0	2	2	2	2	2	2	2
Short Term Bond Proxy	0	10.3	10.3	10.3	10.3	8.7	8.7	7.25
Intermediate Term Bond Proxy	0	11.3	11.3	11.3	11.3	9.6	9.6	7.5
Long Term Bond Proxy	0	11.4	11.4	11.4	11.4	9.7	9.7	7.5
Inflation Protected Bonds	0	0	0	0	0	0	0	5.75
Citigroup U.S. \$ Hdgd Non U.S.	0	0	0	0	0	0	2.5	2.5
Citi WGBI NonUSD USD TR	0	0	0	0	0	5	2.5	2.5
Ibbotson Associates U.S. IT Gov't TR	35	0	0	0	0	0	0	0
U.S. Large Value Proxy	0	32	27.2	22.6	13.5	13.5	13.5	13.5
U.S. Large Growth Proxy	0	19	16.5	13.4	8	8	8	8
Foreign Large Value Proxy	0	0	0	0	8	8	8	8
Foreign Large Growth Proxy	0	0	0	0	5.5	5.5	5.5	5.5
Real Estate Proxy	0	0	0	11	11	11	11	11
U.S. Small Value Proxy	0	8.75	8	6	5	5	5	5
U.S. Small Growth Proxy	0	5.25	4.8	3.5	3	3	3	3
Foreign Small Cap Proxy	0	0	0	0	2.5	2.5	2.5	2.5
Energy & Natural Resources Proxy	0	0	4.25	4.25	4.25	4.25	4.25	4.25
Commodity Plus Proxy	0	0	4.25	4.25	4.25	4.25	4.25	4.25
S&P Composite Index	65	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

THE FIVE RISK PROFILE PORTFOLIOS

RISK LEVEL 4

RISK LEVEL 4 SERIES NAME	JAN 1926 - JUN 1927	JUL 1927 - DEC 1969	JAN 1970 - DEC 1971	JAN 1972 - DEC 1974	JAN 1975 - JAN 1978	FEB 1978 - DEC 1984	JAN 1985 - FEB 1997	MAR 1997 - PRESENT
U.S. 30 Day Tbill TR	0	1	1	1	1	1	1	1
Short Term Bond Proxy	0	7.05	7.05	7.05	7.05	5.25	5.25	4
Intermediate Term Bond Proxy	0	7.3	7.3	7.3	7.3	5.5	5.5	4.25
Long Term Bond Proxy	0	7.65	7.65	7.65	7.65	5.75	5.75	4.25
Inflation Protected Bonds	0	0	0	0	0	0	0	4
Citigroup U.S. \$ Hdgd Non U.S.	0	0	0	0	0	0	2.75	2.75
Citi WGBI NonUSD USD TR	0	0	0	0	0	5.5	2.75	2.75
Ibbotson Associates U.S. IT Gov't TR	23	0	0	0	0	0	0	0
U.S. Large Value Proxy	0	32.4	28.8	25.8	17	17	17	17
U.S. Large Growth Proxy	0	21.6	19.2	17.2	11	11	11	11
Foreign Large Value Proxy	0	0	0	0	9	9	9	9
Foreign Large Growth Proxy	0	0	0	0	6	6	6	6
Real Estate Proxy	0	0	0	7	7	7	7	7
U.S. Small Value Proxy	0	16	14.5	13	11	11	11	11
U.S. Small Growth Proxy	0	7	6.5	6	5	5	5	5
Foreign Small Cap Proxy	0	0	0	0	3	3	3	3
Energy & Natural Resources Proxy	0	0	4	4	4	4	4	4
Commodity Plus Proxy	0	0	4	4	4	4	4	4
S&P Composite Index	77	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

THE FIVE RISK PROFILE PORTFOLIOS

RISK LEVEL 5

RISK LEVEL 5 SERIES NAME	JAN 1926 - JUN 1927	JUL 1927 - DEC 1969	JAN 1970 - DEC 1971	JAN 1972 - DEC 1974	JAN 1975 - JAN 1978	FEB 1978 - DEC 1984	JAN 1985 - FEB 1997	MAR 1997 - PRESENT
U.S. 30 Day Tbill TR	0	1	1	1	1	1	1	1
Short Term Bond Proxy	0	0	0	0	0	0	0	0
Intermediate Term Bond Proxy	0	0	0	0	0	0	0	0
Long Term Bond Proxy	0	12	12	12	12	6	6	3
Inflation Protected Bonds	0	0	0	0	0	0	0	3
Citigroup U.S. \$ Hdgd Non U.S.	0	0	0	0	0	0	3	3
Citi WGBI NonUSD USD TR	0	0	0	0	0	6	3	3
Ibbotson Associates U.S. IT Gov't TR	13	0	0	0	0	0	0	0
U.S. Large Value Proxy	0	33.7	31.2	29.7	17.5	17.5	17.5	17.5
U.S. Large Growth Proxy	0	23.8	21.3	19.8	12	12	12	12
Foreign Large Value Proxy	0	0	0	0	12	12	12	12
Foreign Large Growth Proxy	0	0	0	0	8	8	8	8
Real Estate Proxy	0	0	0	5	5	5	5	5
U.S. Small Value Proxy	0	17.2	15.7	14.7	11.5	11.5	11.5	11.5
U.S. Small Growth Proxy	0	12.3	10.8	9.8	8	8	8	8
Foreign Small Cap Proxy	0	0	0	0	5	5	5	5
Energy & Natural Resources Proxy	0	0	4	4	4	4	4	4
Commodity Plus Proxy	0	0	4	4	4	4	4	4
S&P Composite Index	87	0	0	0	0	0	0	0
Total	100	100	100	100	100	100	100	100

INDEX DATA SERIES

Category	Index	From	To	
Cash	U.S. 30 day Tbill TR	Jan-26	Present	
Short Term Bond	BC 1-5 Gov't/Credit	Jan-76	Present	1-5 Years
	IA Govt Bonds 1-4.99 Year Maturities	Jan-26	Jan-75	
Interm Term Bond	BC 5-10 Yr Gov't/Credit	Jan-76	Present	5-10 Years
	IA IT Govt/Corp	Jan-26	Dec-75	
Long Term Bond	BC LT Gov't/Credit	Jan-73	Present	10+ Years (Maturity Range)
	IA LT Gvt/LT Corporate	Jan-26	Dec-72	
Inflation Protected Bonds	Merrill Lynch U.S. Inflation-linked Sec TR	Mar-97	Present	
International Bond Hedged	Citigroup US \$ Hedged Non-US\$ Gvt TR	Jan-85	Present	
International Bond Non Hedged	Citi WGBI NonUSD USD	Feb-87	Present	
Equity- U.S. Large Value	MSCI U.S. Prime Market Value (Value half of aprx top 88% US Market)	Jun-92	Present	
	Fama-French Large Value	Jul-27	May-92	
Equity- U.S. Large Growth	MSCI U.S. Prime Market Growth(Growth half of aprx top 88% US Market)	Jun-92	Present	
	Fama-French Large Growth	Jul-27	May-92	
Equity- Non U.S. Large Value	Citigroup PMI Value World Ex US	Jul-89	Present	
	MSCI World ex US Value	Jan-75	Jun-89	
Equity- Non-U.S. Large Growth	Citigroup PMI Growth World Ex US	Jul-89	Present	
	MSCI World ex US Growth	Jan-75	Jun-89	
Equity- REITS	50% Citigroup BMI World Property/50% NAREIT (Equity)	Jan-03	Present	
	NAREIT (Equity)	Jan-72	Dec-02	
Equity- U.S. Small Value	MSCI U.S. Small Cap Value (Value half of aprx Next 10% US Market)	Jun-92	Present	
	Fama-French Small Value	Jul-27	May-92	
Equity- U.S. Small Growth	MSCI U.S. Small Cap Growth (Growth half of aprx Next 10% US Market)	Jun-92	Present	
	Fama-French Small Growth	Jul-27	May-92	
Equity- Non-U.S. Small Cap	Citigroup EMI World Ex-U.S	Jul-89	Present	
	IIA International Small Cap	Jan-75	Jun-89	
Energy/Natural Resources	20.25% S&P 400 Energy, 20.25% S&P 600 Energy, 40.5% S&P Global 1200 Energy Sector, 3% S&P 400 Materials Sector, 3% S&P 600 Materials Sector, and 13% S&P Global 12200 Materials Sector	Jan-98	Present	
	Lipper Energy & Natural Resources - (Historical Monthly Constituents)	Oct-90	Dec-97	
	Morningstar Specialty - Natural Resources Open End Fund Category Average:	Feb-69	Sep-90	
Commodities	DJ-UBS Commodity TR/ML US Treasury Inflation-linked	Mar-97	Present	
	DJ-UBS Commodity TR/ML US Treasury TR	Jan-91	Feb-97	
	GS Commodity TR/ML Treasury TR	Jan-78	Dec-90	
	GS Commodity TR	Jan-70	Dec-77	

DISCLOSURES

U.S. 30 day Tbill TR (Ibbotson Associates)

For this index, each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. To measure holding period returns for this portfolio, the bill is priced as of the last trading day of the previous month-end and as of the last trading day of the current month

Barclays Capital Government/Credit

This index is composed of the BC Government Bond Index and the BC Credit Index. This index is split into three composites: Aggregate, Intermediate and Long-Term. For our analysis we use the 1-5, 5-10, and long term (over 10 years) components.

Ibbotson Associates Government Bonds 1-4.99 Years

This index consists of negotiable direct obligations of the United States Treasury with maturities ranging from 1 to 4.99 years.

Barclays Capital Government/Credit

This index is composed of the BC Government Bond Index and the BC Credit Index. This index is split into three composites: Aggregate, Intermediate and Long-Term. For our analysis we use the 1-5, 5-10, and long term (over 10 years) components.

Ibbotson Associates Government Bonds 1-4.99 Years

This index consists of negotiable direct obligations of the United States Treasury with maturities ranging from 1 to 4.99 years.

Ibbotson Associates Government/Corporate (Intermediate and Long Term)

An index made up of the Barclays Aggregate Government and Corporate Bond indexes, including U.S. government Treasury and agency securities, as well as corporate and Yankee bonds.

DISCLOSURES

Merrill Lynch U.S. Inflation-linked Sec TR

A rules-based index consisting of securities that meet the following criteria: Equal to or greater than one year remaining term to final maturity; at least \$1 billion face value outstanding; inflation-linked bonds issued by the U.S. Treasury.

Citigroup US \$ Hedged Non-US\$ Gvt TR

A hedged, market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity.

Citigroup World Government Bond Index

A market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity.

MSCI® U.S. Investable Universe

This universe includes the largest 2,500 US companies, which covers more than 98% of the market cap of all publicly traded US companies.

Fama-French Domestic Indices (1927 through May 1992)

These indices, which include both small and large-capitalization stocks going back to July 1927, are useful for analysis of growth and value investing.

DISCLOSURES

Foreign Equities

The Citigroup Global Equity Indices (SSBGEI) measure the performance of the entire universe of investable securities. It is a comprehensive, top-down, float capitalization-weighted index that includes shares of nearly 8,700 companies in 49 countries.

In our study we use the Citigroup PMI Value World Ex US, Citigroup PMI Growth World Ex US, and Citigroup EMI World Ex US as proxies for our three foreign categories for periods July 1989 to present.

MSCI® All Country World Free ex U.S.

This index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets outside the United States. As of June 2009 this index consisted of 44 country indices comprising 22 developed and 22 emerging markets indices.

MSCI® International Small Cap 1999-Present

MSCI® defines the Small Cap universe of each country as all listed securities that have a company market capitalization in the range of US\$200 – 1,500 million. It is intended to capture 40% of the Small Cap Universe in each country.

DISCLOSURES

IIA Methodology

IIA starts with the MSCI® indices and breaks down each country or region into eight market cap weighted indices: Growth, Value, Large, Small, Small Growth, Small Value, Large Growth and Large Value. There are three fundamental differences between the IIA indices and the MSCI® indices: reinvestment of dividends, inclusion criteria, and rebalancing frequency. The reinvestment of dividends differs between the two vendors in that MSCI® reinvests dividends at the overall index level, while IIA reinvests dividends in each country. Secondly, MSCI® aims for roughly 60% of the market capitalization coverage of a particular country, while IIA aims for a higher market capitalization coverage, approximately 80%, by including every security that MSCI® covers. Lastly, MSCI® rebalances quarterly while IIA rebalances twice a year in January and July.

Large vs Small: In each market, stocks are ranked by their market capitalization. The large index encompasses the top 70% of the market capitalization, while the small index encompasses the bottom 30% of the market capitalization.

Real Estate

Through December 2002, the FTSE NAREIT® is used as the proxy for real estate. After that date the proxy includes equal weights to the FTSE NAREIT® and the S&P/Citigroup World (ex-U.S.) Property Broad Market Index.

FTSE NAREIT® Equity REIT Index (U.S.)

An unmanaged, market-capitalization-weighted index of all tax-qualified equity REITs listed on the NYSE, AMEX, and the Nasdaq that have 75% or more of their gross invested book assets invested directly or indirectly in the equity ownership of real estate.

DISCLOSURES

S&P/Citigroup World Property Broad Market Index:

An unmanaged market-weighted total return index that is designed to provide an accurate measure of the broad global property market. It covers companies domiciled in 52 developed and emerging market countries and includes companies with floats larger than \$100 million and that derive more than half of their revenue from property-related activities.

Energy & Natural Resources Proxy (1998 to present)

From 1998 to present, the S&P 1500 (multi-cap domestic) and S&P 1200 (Global Large Cap) provide reasonable proxies for the types of securities in which our energy and natural resource funds invest.

The S&P Global 1200 Index

This index is comprised of six distinct, regional, component indices: US-S&P 500, Canada-S&P/TSE 60, S&P Latin America 40, Japan-S&P TOPIX 150, S&P Asia Pacific 100, and the S&P Europe 350. It provides economic representation of the broad market over the 10 GICS (Global Industry Classification Standard) economic sectors.

The S&P Global 1200 Energy Sector and the S&P Global 1200 Materials Sector are included in the weights indicated previously in the Energy & Natural Resources Proxy used in this study for the period January 1998 to present.

Lipper Energy & Natural Resources® (Historical Monthly Constituents)

This data series includes historical returns for all funds which Lipper categorizes into the Energy & Natural Resources Category.

DISCLOSURES

Morningstar® Open End Natural Resources Category Average

This mutual fund universe consists of natural resources portfolios focused on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S. Some portfolios invest across this spectrum to offer broad natural resources exposure. Others concentrate heavily or even exclusively in specific industries.

PIMCO Commodity Strategy Proxy

An available fund which seeks to track the Dow AIG Commodity Index while managing a portfolio of bonds, structured notes and other derivatives which are managed with the goal of outperforming a portfolio of Treasury Inflation Protected Securities (TIPS).

Goldman Sachs Commodity Index®

This composite index of commodity sector returns represents an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

Note that it is not possible to invest directly in any of these indices and these returns are not adjusted for fees or transaction costs. Past performance is not indicative of future results.

ASSET CLASS LEADERS

Performance of the Morningstar Categories and the two indices used for Commodities and Cash was derived from Morningstar Direct. All data is derived as of December 31, 2015.

In an effort to distinguish funds by what they own, as well as by their prospectus objectives and styles, Morningstar developed the Morningstar Categories. While the prospectus objective identifies a fund's investment goals based on the wording in the fund prospectus, the Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). If the fund is new and has no portfolio, Morningstar estimates where it will fall before assigning a more permanent category. When necessary, Morningstar may change a category assignment based on current information.

The following is a description of the Morningstar Categories and indices used in the illustration.

Short-Term Bond Category: Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

Intermediate-Term Bond Category: Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or, if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

Long-Term Bond Category: Long-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of more than six years (or, if duration is unavailable, average effective maturities greater than 10 years). Due to their long durations, these portfolios are exposed to greater interest rate risk.

Inflation-Protected Bond Category: Inflation-protected bond portfolios invest primarily in debt securities that adjust their principal values in line with the rate of inflation. These bonds can be issued by any organization, but the U.S. Treasury is currently the largest issuer for these securities.

World Bond Category: World bond portfolios invest 40% or more of their assets in foreign bonds. Some world bond portfolios follow a conservative approach, favoring high-quality bonds from developed markets. Others are more adventurous, and own some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the U.S., while others regularly invest in both U.S. and non-U.S. bonds.

Large Value: Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Large Growth: Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

Small Value: Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Small Growth: Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Real Estate Category: Real estate portfolios invest primarily in real-estate investment trusts (REITs) of various types. REITs are companies that develop and manage real-estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs.

International Large Value Category: International large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). International Large Value is referred to as Foreign Large Value in Morningstar.

International Large Growth Category: International large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). International Large Growth is referred to as Foreign Large Growth in Morningstar.

International Small Cap Category: The S&P Developed Ex US Cap Range <\$2 billion index was used to illustrate the performance of International Small Cap. This index is a market capitalization weighted index that defines and measures the investable universe of publicly traded companies domiciled in developed countries outside the U.S.

Natural Resources Category: Natural resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the U.S. or outside of the U.S.

Commodities Category: The Bloomberg Commodity Total Return Index was used to illustrate the performance of commodities. This index reflects the returns that are potentially available through an unleveraged investment in the futures contracts on physical commodities comprising the index plus the rate of interest that could be earned on cash collateral invested in specified Treasury Bills. This index is composed of futures contracts on 19 physical commodities.

Cash: Three-month T-bills were used to illustrate the performance of cash. Three-month T-bills are government-backed short-term investments considered to be a reasonable cash proxy because the maturity is only three months and they are guaranteed by the US Government.

EFFICIENT FRONTIER DISCLOSURES

These efficient frontier charts are displayed solely for the purpose of discussion and are not intended to be considered a specific recommendation or investment advice. The charts in this presentation show four different scenarios.

The base case chart displays 100 combinations of the 3 asset classes described below. The actual historical results of these asset class combinations were analyzed for investment return and standard deviation. This period studied was from January 1, 1972 through December 31, 2014.

<i>Efficient Frontier 1/1/1972 to 12/31/2014</i>	<i>Asset Classes Included in Base Case</i>
<i>Asset Class</i>	<i>Historical Indices Analyzed</i>
US Large Cap Equities	S&P Composite
International Equities	MSCI EAFE
US Bonds	US Intermediate Treasury

The second chart displays a similar analysis but with combinations of 4 asset classes including the 3 described earlier as well as commodities:

<i>Asset Class</i>	<i>Historical Index Analyzed</i>	<i>From</i>	<i>To</i>
Commodities	Bloomberg Commodity TR/ML US Treasury Inflation-linked	Mar-97	Present
	Bloomberg Commodity TR/ML Treasury TR	Jan-91	Feb-97
	GS Commodity TR/ML Treasury TR	Jan-78	Dec-90
	GS Commodity TR	Jan-70	Dec-77

The third chart displays a similar analysis but with combinations of the 3 original asset classes as well as Real Estate:

<i>Asset Class</i>	<i>Historical Index Analyzed</i>	<i>From</i>	<i>To</i>
Real Estate	50% Citigroup BMI World Property/ 50% NAREIT (Equity)	Jan-03	Present
	NAREIT (Equity)	Jan-72	Dec-02

The final chart displays combinations of all 5 asset classes described previously.

DISCLOSURES – MASON 2011 REBALANCING STUDY

- In Early 2011 we completed an expanded study custom to our recommended allocation.
- Analyzed twenty asset classes used within Mason recommended portfolios.
- Analyzed 4,786 trading days covering nineteen years of data from October 11, 1991 to October 8, 2010.
- Determined that 30% bands could lead to stronger returns relative to rebalancing once a year or applying 20% or 10% bands.
- Study confirmed “looking” every ten trading days to be the optimal frequency.



ADDITIONAL SLIDES

1980-2014

RISK LEVEL PORTFOLIO RETURNS

The next table shows returns over the same 35 year periods for both the S&P 500 and five diversified portfolios. These returns represent what investors would have received had they stayed invested the entire year.

YEAR	S&P 500	RISK LEVEL 1	RISK LEVEL 2	RISK LEVEL 3	RISK LEVEL 4	RISK LEVEL 5
1980	32.42%	13.99%	15.23%	18.18%	21.15%	23.75%
1981	-4.91%	5.27%	3.20%	1.82%	1.86%	0.41%
1982	21.41%	21.90%	23.71%	20.52%	20.11%	17.82%
1983	22.51%	14.43%	16.69%	19.18%	22.12%	23.82%
1984	6.27%	9.94%	10.37%	9.52%	7.63%	5.72%
1985	32.16%	23.93%	27.82%	29.45%	31.66%	34.60%
1986	18.47%	17.99%	21.09%	23.60%	24.19%	26.99%
1987	5.23%	6.49%	5.88%	7.38%	7.27%	8.47%
1988	16.81%	12.82%	15.00%	16.82%	19.31%	21.36%
1989	31.49%	16.03%	18.30%	19.08%	20.56%	21.38%
1990	-3.17%	0.78%	-2.24%	-4.93%	-8.00%	-10.64%
1991	30.55%	18.45%	21.96%	22.33%	24.83%	25.62%
1992	7.67%	7.86%	8.99%	7.76%	9.08%	7.68%
1993	9.99%	12.41%	14.85%	16.41%	17.02%	18.61%
1994	1.31%	0.02%	-0.43%	0.79%	1.20%	1.91%
1995	37.43%	20.10%	23.86%	23.13%	24.91%	25.43%
1996	23.07%	9.90%	12.43%	14.86%	16.49%	16.99%
1997	33.36%	12.01%	14.41%	14.19%	16.77%	16.60%
1998	28.58%	8.54%	8.46%	6.83%	8.56%	9.82%
1999	21.04%	7.35%	8.35%	10.86%	13.96%	18.01%
2000	-9.11%	7.71%	7.99%	7.39%	5.02%	2.20%
2001	-11.88%	1.55%	0.16%	-2.06%	-4.06%	-6.94%
2002	-22.10%	1.44%	-0.16%	-1.96%	-6.33%	-9.74%
2003	28.70%	15.66%	20.63%	25.40%	29.67%	33.82%
2004	10.87%	9.63%	12.84%	15.83%	16.74%	18.03%
2005	4.91%	5.90%	7.28%	9.43%	9.68%	10.79%
2006	15.80%	9.29%	11.97%	14.94%	16.11%	17.60%
2007	5.49%	7.36%	6.95%	6.82%	6.61%	7.28%
2008	-37.00%	-13.04%	-19.37%	-25.75%	-29.98%	-34.18%
2009	26.47%	14.42%	18.87%	23.40%	26.44%	29.68%
2010	15.06%	10.05%	12.71%	14.35%	15.74%	16.62%
2011	2.11%	3.80%	4.09%	2.05%	0.14%	-1.87%
2012	16.00%	8.41%	11.19%	12.94%	14.11%	15.16%
2013	32.39%	6.95%	9.35%	11.60%	17.44%	21.41%
2014	13.69%	4.63%	6.48%	6.00%	5.65%	4.71%
2015*	2.40%	-0.39%	-0.52%	-0.84%	-0.96%	-1.18%
1980-2014 Average	12.72%	9.20%	10.41%	10.92%	11.60%	12.00%

*Through October 31, 2015



1980-2014

RISK LEVEL PORTFOLIO DECLINES

The next table shows intra-year declines for the same index/portfolios based on monthly data. For example the worst intra-year decline in 2009 based on monthly data for the S&P 500 was 18.18% which would have been experienced from January 1st through February 28th of that year. As the previous page shows, the index returned 26.47% for the entire year.

The last five columns show the maximum intra-year declines for each of the five “Risk Level” portfolios. The bottom line shows the average intra-year declines for the S&P 500 and all five models. Note the lower the risk profile the lower the typical downside and lower the average annual return. For example the average maximum intra-year decline for the 65/35 “Risk Level 3” portfolio was -5.86% which amounts to about 40% less downside than that of the S&P 500 (40% of -9.75%).

Diversification including the inclusion of fixed income and cash has tended to temper the impact of the inevitable intra-year market downturns.

YEAR	S&P 500	RISK LEVEL 1	RISK LEVEL 2	RISK LEVEL 3	RISK LEVEL 4	RISK LEVEL 5
1980	-9.87%	-7.87%	-9.88%	-10.81%	-12.30%	-13.38%
1981	-12.29%	-5.12%	-7.45%	-8.37%	-9.39%	-10.80%
1982	-9.78%	-2.28%	-3.34%	-4.24%	-5.35%	-7.87%
1983	-3.13%	-1.43%	-1.96%	-1.82%	-1.68%	-1.82%
1984	-6.85%	-3.43%	-4.46%	-5.18%	-6.46%	-8.15%
1985	-4.05%	-0.54%	-0.52%	-0.34%	-0.87%	-0.81%
1986	-8.22%	-2.41%	-3.20%	-3.33%	-4.16%	-4.59%
1987	-29.53%	-7.38%	-10.62%	-12.85%	-17.28%	-19.85%
1988	-3.70%	-1.05%	-1.44%	-1.85%	-2.30%	-2.90%
1989	-2.71%	-0.41%	-0.56%	-1.12%	-1.98%	-2.65%
1990	-14.70%	-5.18%	-7.60%	-10.06%	-13.30%	-16.31%
1991	-4.57%	-1.77%	-2.43%	-3.03%	-3.65%	-4.28%
1992	-2.55%	-1.34%	-1.74%	-2.19%	-2.50%	-3.11%
1993	-2.45%	-1.80%	-2.51%	-3.21%	-3.30%	-3.84%
1994	-6.93%	-3.92%	-4.87%	-4.61%	-4.94%	-5.14%
1995	-0.35%	0.00%	-0.17%	-0.66%	-1.11%	-1.49%
1996	-4.45%	-1.27%	-1.72%	-2.02%	-2.91%	-3.75%
1997	-5.56%	-1.46%	-1.89%	-2.12%	-2.60%	-3.35%
1998	-15.37%	-5.54%	-7.93%	-10.45%	-13.41%	-15.58%
1999	-6.24%	-2.23%	-2.67%	-2.79%	-3.14%	-3.36%
2000	-13.12%	-2.10%	-3.23%	-4.66%	-6.86%	-9.14%
2001	-23.12%	-3.69%	-5.98%	-8.76%	-12.70%	-16.64%
2002	-28.36%	-4.12%	-6.62%	-9.19%	-13.82%	-17.41%
2003	-4.08%	-1.11%	-1.08%	-1.57%	-2.50%	-3.31%
2004	-3.31%	-2.79%	-3.64%	-4.04%	-3.68%	-3.46%
2005	-4.01%	-1.62%	-2.09%	-2.46%	-2.81%	-3.59%
2006	-2.88%	-1.07%	-1.54%	-1.99%	-2.46%	-2.90%
2007	-4.85%	-1.04%	-2.20%	-3.22%	-4.05%	-4.81%
2008	-37.66%	-17.17%	-23.78%	-30.25%	-33.56%	-37.25%
2009	-18.18%	-8.73%	-12.21%	-14.68%	-16.34%	-17.57%
2010	-12.80%	-3.66%	-5.37%	-7.23%	-9.38%	-10.96%
2011	-16.26%	-5.37%	-7.90%	-11.39%	-14.85%	-17.65%
2012	-6.60%	-2.31%	-3.22%	-4.60%	-5.73%	-7.20%
2013	-2.90%	-2.90%	-3.69%	-4.10%	-2.93%	-2.55%
2014	-3.46%	-0.20%	-0.39%	-0.77%	-1.53%	-2.06%
2015*	-8.36%	-4.83%	-6.27%	-7.84%	-8.89%	-10.20%
1980-2014 Average	-9.53%	-3.31%	-4.62%	-5.77%	-7.07%	-8.33%

*Through October 31, 2015



HOW DO YOU DEFINE RISK

This presentation has shown that intra-year market volatility is normal and that often investors have been rewarded for tolerating this volatility. It is important to consider your tolerance for risk in the context of *your* goals and objectives.

SHORT-TERM OBJECTIVES

For money set aside to cover short-term living expenses, day to day fluctuation may be the most relevant measure of risk. Such needs should be funded with short-term instruments which will likely have little day-to-day volatility, even though that might mean accepting very limited returns. In today's environment of moderate inflation and near zero Treasury Bill yields, the price of day-to-day stability means accepting real losses (losses after adjusting returns for inflation and possibly taxes).

LONG-TERM OBJECTIVES

If money is set aside to cover lifetime spending needs and even longer term legacy desires, then day-to-day volatility is much less relevant, and risk should be measured in terms of the likelihood of failing to achieve your longer term goals. While three years is much shorter than most investors' time horizons, it still provides insight into the tradeoffs of bonds versus equities and why a substantial allocation to equities is likely appropriate for most investors.

In today's environment where Treasury Bills yield close to zero and we are experiencing moderate inflation, a large allocation to cash will likely lead to a loss of real value.

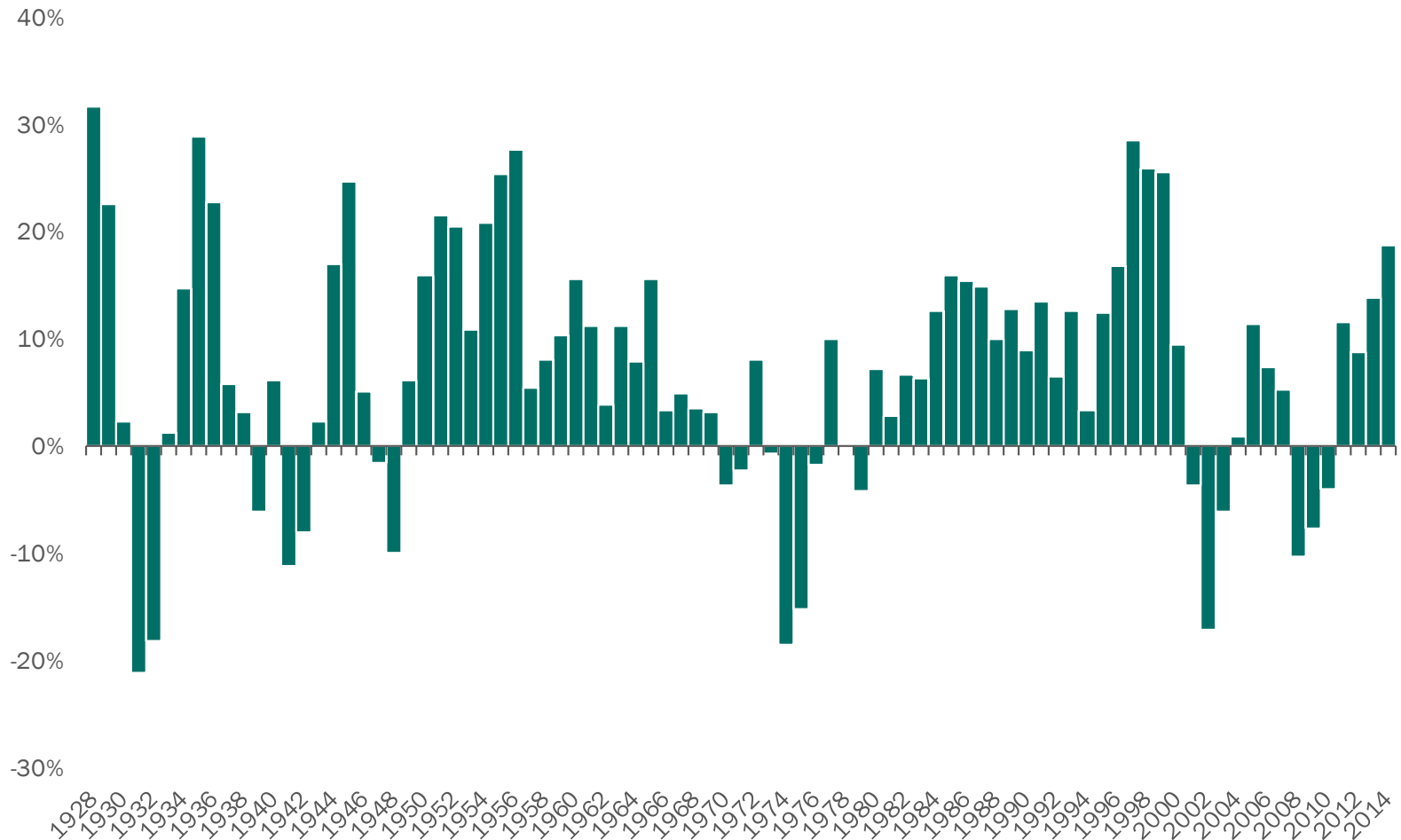
LONG-TERM OBJECTIVES

Because bonds have been through a substantial bull market in recent decades many investors have fled to bonds and perhaps forgotten about the risk bonds pose. The charts on the following pages show rolling three year annualized inflation adjusted returns for three investments:

- Large Cap US Stocks
- Long-Term Corporate Bonds
- Long-Term Government Bonds

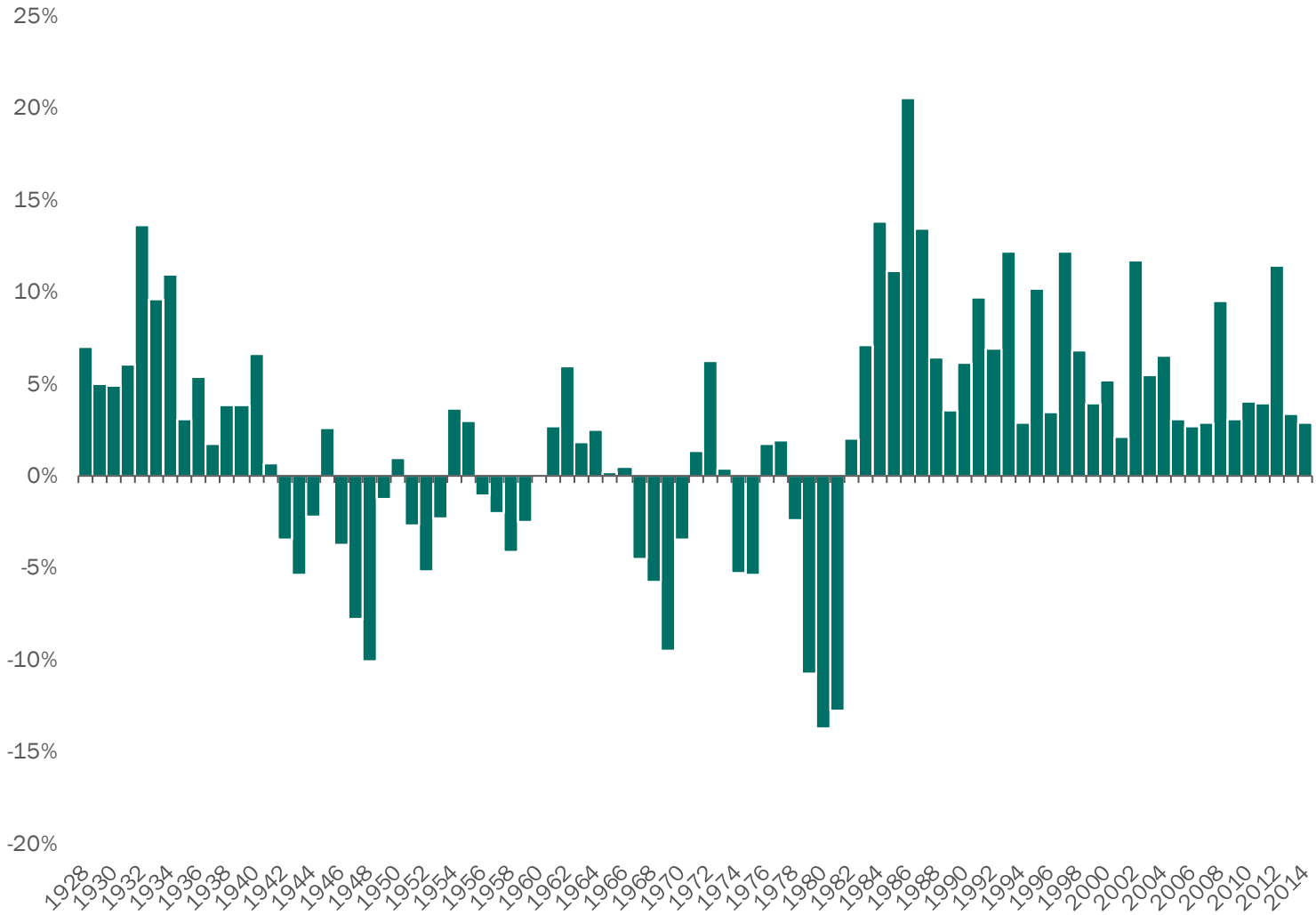
1926-2014 S&P COMPOSITE

THREE YEAR ANNUALIZED REAL RETURNS



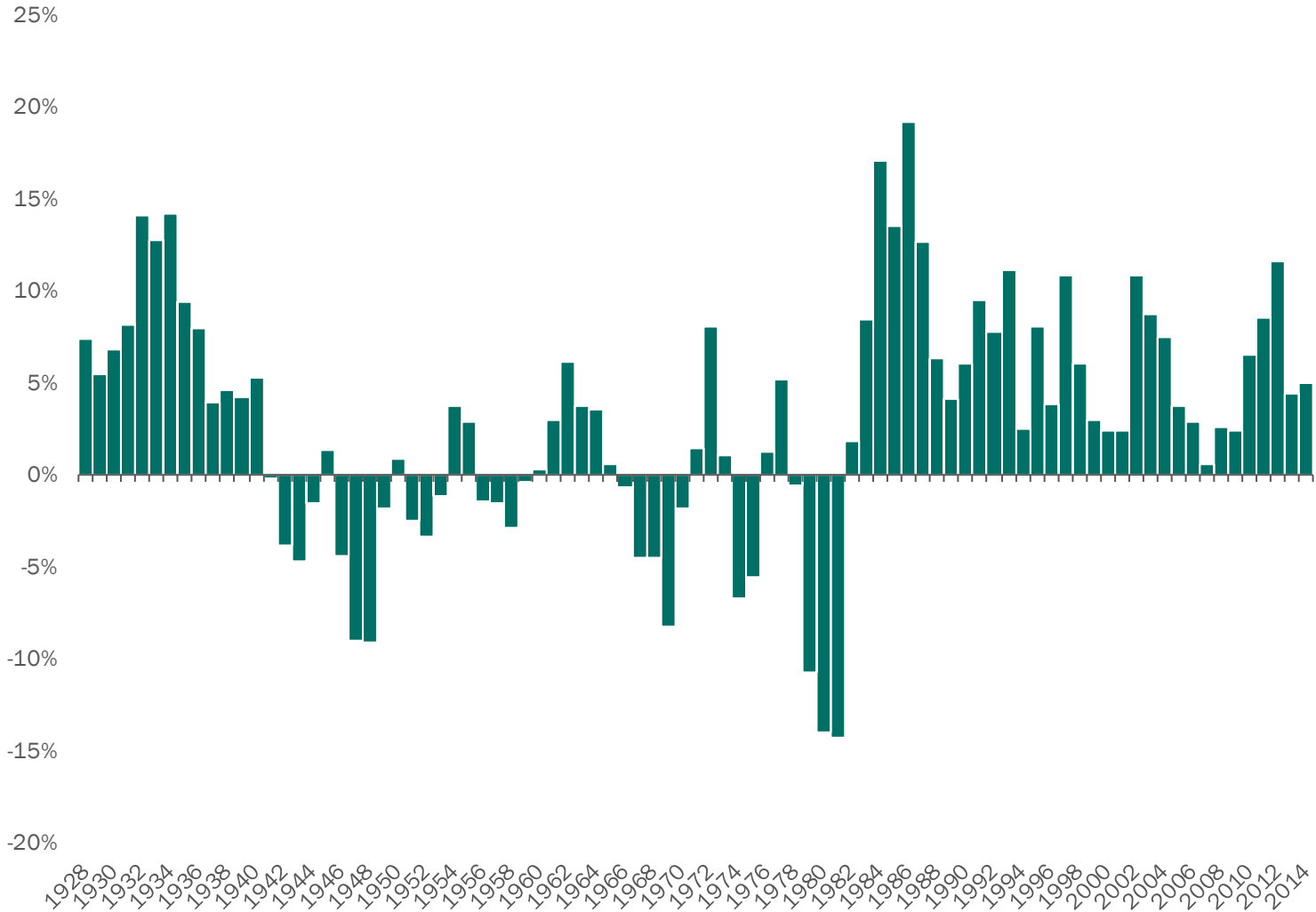
1926-2014 U.S. GOVERNMENT LONG TERM

THREE YEAR ANNUALIZED REAL RETURNS



1926-2014 CORPORATE LONG TERM

THREE YEAR ANNUALIZED REAL RETURNS



ANNUALIZED RETURN SUMMARY

The table on the next page summarizes data for the same indices included in the charts on the previous three pages.

Observations:

- Note the number of periods where long term government and corporate bonds have produced negative inflation adjusted returns. Over the entire 1926 to 2014 time period, equity returns have exceeded inflation in 76% of rolling three year periods while bond returns have exceeded inflation in 70% to 71% of rolling three year periods. Additionally stock returns have, on average, exceeded inflation by 7.35% while long term government and corporate bonds have exceeded inflation by a much more modest 2.53% and 2.99% respectively, on average. Notice the periods of negative inflation adjusted returns for bonds all occurred in the 42 three year periods from 1939 to 1981. This period began with very low yields. The low fixed rates bond investors are locking in today are not much lower than they were in 1939 which preceded a period of four decades when bond returns failed to keep pace with inflation. Going forward bonds face significant headwinds as investors are forced to settle for locking in fixed payments near all time lows.

ANNUALIZED RETURN SUMMARY

Observations:

- Some investors are surprised to hear that not only can bonds lose money over three year horizons, but this underperformance has sometimes persisted over longer periods. The reason for this is largely twofold:
 - In rising rate environments bonds lose value which can more than offset interest and principal received.
 - Additionally traditional bonds are entitled only to a fixed payment in dollars. If the value of the dollar declines, the fixed payments received are worth less than the amount initially invested to lock in the stream of payments.

1926 to 2014 Real (Inflation Adjusted) Rolling Three Year Returns	S&P Composite	Long Term Govt Bonds	Long Term Corporate Bonds
Average Three Year Annualized Real Return	7.35%	2.53%	2.99%
Number of Negative Periods	21	25	26
Number of Positive Periods	66	62	61
Percent Positive	76%	71%	70%

1926-2014

TREASURY YIELDS



A LONGER TERM PERSPECTIVE

Over the long term, equities have provided strong returns without much more long term downside compared to the other asset classes. However, volatility is an inherent characteristic of the equity markets. We believe it is important to use an appropriate mix of asset classes consistent with your time horizon and risk tolerance. A one-hundred percent equity portfolio would most likely be much too aggressive for short-term spending needs, while an all cash portfolio may not allow you to fund longer term spending needs.

Our sustainable withdrawal model allows you to evaluate how your portfolio would have fared in a variety of economic cycles and environments. We would encourage you to take advantage of this model to help determine whether your current portfolio is the best match for you based on your time horizon, withdrawal needs and tolerance for variability of returns



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