

# American Funds Model Portfolios at Merrill

Quarterly update – Q2 2025



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## Quarterly models summary

### Key takeaways for the quarter

- After a sharp downturn sparked by tariff fears, markets rallied and ended the second quarter with positive returns across most major asset classes and sectors.
- The American Funds Model Portfolios at Merrill all had strong, positive absolute results for the quarter. The more growth-oriented models outpaced their benchmarks on both a gross and net-of-fees basis, while the more conservative models' results were mixed.
- The Custom Solutions Committee (CSC) and Capital Solutions Group (CSG) regularly monitor the portfolios for risks and to ensure alignment towards their long-term portfolio objectives, while underlying fund managers use company- and security-specific research to make real-time decisions and find timely opportunities in today's ever-changing market environment.

### Market review

Following a sharp downturn triggered by fears of U.S. tariffs, markets ended the second quarter with an impressive rebound as some levies were paused, and global trade negotiations progressed.

The MSCI All Country World Index (ACWI) advanced 11.5%, with the growth component of the index significantly outpacing value. Less-cyclical sectors and higher yielding equities generally lagged. In the S&P 500 Index, top-returning sectors included information technology, communication services and industrials, while energy and health care trailed. The broader U.S. bond market advanced, with high yield leading the way (based on results of the Bloomberg U.S. Aggregate and Bloomberg U.S. Corporate High Yield indexes). Municipals declined (as measured by the Bloomberg U.S. Municipal Bond Index) amid worries they could lose their federal tax-exempt status.

The U.S. Federal Reserve, the Bank of Japan and the Bank of England all held their interest rates steady, while the European Central Bank cut its policy rate. The U.S. dollar fell against other major currencies, as measured by the U.S. Dollar Index.

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

Past results are not predictive of results in future periods.

Advisory services offered through Capital Research and Management Company (CRMC) and its RIA affiliates.

### Featured investment professionals



**Raj Paramaguru**  
Chair of the Custom  
Solutions Committee



**Mario DiVito**  
Multi-Asset  
Investment Director

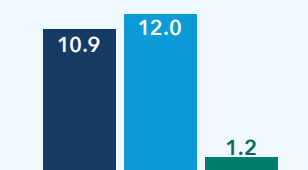


**Liz Yakes**  
Multi-Asset Investment  
Product Manager

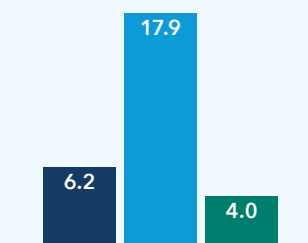
## Broad market results

Cumulative returns (%)

Q2 ending 6/30/25



YTD ending 6/30/25



- **U.S. equities**  
(S&P 500 Index)
- **International equities**  
(MSCI ACWI ex USA Index)
- **U.S. fixed income**  
(Bloomberg U.S. Aggregate Index)

## Model portfolio results for the quarter

All comments about model returns versus the benchmark are true on a gross- and net-of-fees basis, unless otherwise noted. All results are for the quarter unless otherwise specified.

### Taxable and Tax Aware

#### American Funds Aggressive MF (Taxable and Tax Aware) Moderately Aggressive MF (Taxable and Tax Aware)

- Produced positive absolute returns, significantly outpacing the CIO benchmark.
- Strong security selection, particularly in the U.S., was the primary driver of relative results, led in large part by information technology companies. This was partially offset by weakness in the health care sector.
- Fixed income also contributed for the quarter.
  - For **Aggressive MF Taxable**, bond selection in Treasuries was additive, while forward contracts was a detractor.
  - For **Moderately Aggressive MF Taxable**, emerging markets debt contributed along with forward contracts, though securitized bonds detracted.
  - Both **Aggressive MF Tax Aware** and **Moderately Aggressive MF Tax Aware** benefited from a smaller benchmark relative allocation to bonds.
- The models' cash allocations detracted for the quarter.

#### American Funds Moderate MF (Taxable and Tax Aware)

- Produced positive absolute returns, leading the CIO benchmark.
- Relative results were led by contributions from both U.S. and non-U.S. equities. Companies in the information technology sector were the most additive while health care detracted.
- For **Moderate MF Taxable**, a combination of a smaller relative allocation to fixed income and bond selection contributed, led in large part by emerging markets debt. Securitized debt, however, was a detractor for the quarter.
- **Moderate MF Tax Aware's** fixed income allocation was additive, led in large part by a smaller relative allocation to the asset class. This was partially offset by weak municipal bond selection.
- The model's cash allocation also hurt relative results.

#### American Funds Moderately Conservative MF Taxable and Conservative MF Taxable

- Produced positive absolute returns but trailed the CIO benchmark.
- Weak security selection in U.S. equities, more specifically in the health care sector, was the primary detractor of relative results. Structurally, the portfolio tends to lean more into dividend-paying companies, which acted as a headwind for the portfolios.
- Additionally, holding less in non-U.S. equities also hurt relative results for the quarter.
- Bond selection contributed positively, primarily driven by positions in forward contracts, as well as in emerging markets debt. This was partially offset by weakness in Treasuries and securitized bonds.
- The models' cash positions also detracted for the quarter.

#### **American Funds Moderately Conservative MF Tax Aware**

- Produced positive absolute returns but trailed the CIO benchmark.
- In a quarter where non-U.S. equities fared well, holding less than the benchmark hurt relative results for the model portfolio. While the model benefitted from strong security selection in information technology companies, weakness in the health care sector detracted more.
- Fixed income marginally contributed, led in large part by housing municipals.

#### **American Funds Conservative MF Tax Aware**

- Produced positive absolute returns but trailed the CIO benchmark.
- Weak security selection in U.S. equities, particularly in the health care sector, drove relative results for the quarter.
- Additionally, a smaller relative allocation to non-U.S. equities also detracted, as did weak bond selection within fixed income.

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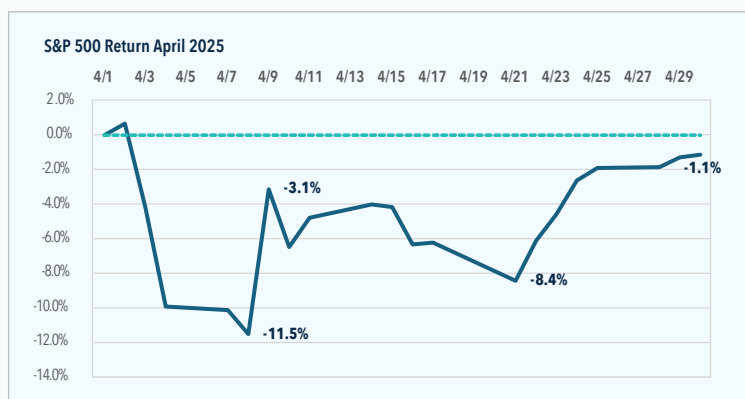
### **Multi-asset income**

#### **American Funds Moderate Income MF, American Funds Moderately Conservative Income MF, and American Funds Conservative Income MF**

- Produced positive absolute returns, marginally outpacing the CIO benchmark on a gross basis, but net returns lagged.
- A combination of a smaller relative allocation to fixed income as well as bond selection was the primary driver of relative returns for the quarter with help from positions in forward contracts. Moderate Income MF and Moderately Conservative Income MF also saw contributions from emerging markets debt.
- Holding more than the benchmark in non-U.S. equities was also additive for the quarter. This was offset by weak security selection in U.S. equities, particularly for Moderately Conservative Income MF and Conservative Income MF.
- Cash positions in the models also detracted from relative results.

# Actively **adapting** to changing market conditions

We design our model portfolios with long-term objectives that align to the broad investor goals of building, spending or preserving wealth. Keeping a steady eye on the models' respective success metrics is crucial for the financial success of our clients.



In early April, the S&P 500 Index fell dramatically after the announcement of broad U.S. tariffs, leading many investors to panic sell. However, by the end of that month, the index had gained back almost everything it had lost. While this type of environment may seem unsettling to many investors, our model portfolios that focus on income and preservation are constructed to pursue a degree of downside resilience to help weather these types of dips, with the aim of delivering consistent patterns of results across market cycles.

While our models are strategic in nature and constructed with long-term objectives, they have the flexibility to adapt to changing market conditions. If appropriate, our dedicated team of multi-asset investment professionals have the discretion to make research-driven changes to the models' active underlying fund allocations. When this happens, we share our thought process, cueing you in on what we hope to accomplish with these enhancements.

In addition to these potential enhancements, the active underlying funds in our model portfolios are working beneath the surface to adjust to shifts in the economic and market climate in real time. Inside each model portfolio, our global network of 450-plus investment professionals are facilitating investment decisions inside our active underlying mutual funds. As market conditions evolve, our analysts use bottom-up, fundamental research to identify new opportunities or to reevaluate their previous recommendations. In addition, within the more flexible global and balanced underlying active funds, portfolio managers are empowered to shift between U.S. and non-U.S. investments, or between equity and fixed income, as circumstances change.

We often refer to this as our "two layers of active management": Our active underlying building blocks, along with our active research and monitoring of each model's allocations. Both layers work together to pursue the model's long-term objectives. Some notable modifications that have occurred this year within some underlying funds include a greater defensive posture through increased cash allotments, as well as a shift toward the industrials, financials and health care sectors, and away from information technology. Also, in certain funds, the proportion of U.S. to non-U.S. equities has begun to swing to be more in favor of non-U.S. than previously. Together, these two layers of active management help our portfolios navigate changing environments.



## Looking ahead

Having crossed the midyear point of 2025, markets face a lot of unknowns that are creating economic headwinds, including developments in the Russia-Ukraine and Iran-Israel conflicts. In addition, the widespread tariffs announced by the current U.S. administration in April have not yet been fully implemented, so their impact on economic growth and inflation remains uncertain. Our team explores different possible outcome scenarios in our [2025 Midyear Outlook](#).

On the macroeconomic front, the U.S. economy appears to be slowing. Although U.S. consumer fundamentals have remained healthy, there are signs that some businesses have reacted to economic uncertainty by pulling back on spending and hiring. Meanwhile, the impact of tariffs on inflation and growth may not yet be reflected in the economic data.

Within equities, many Capital Group portfolio managers have found increasing opportunities in non-U.S. markets, which tend to offer more attractive valuations than the U.S.

In addition, non-U.S. companies may be less encumbered by tariffs than their American counterparts. On a sector basis, some Capital Group equity portfolios have targeted select industrial companies that may benefit from the transition to green energy, the reorganization of global supply chains, and increased defense spending. In addition, some portfolio managers have favored select pharmaceutical and biotech companies with promising research pipelines for obesity and cancer treatments.

On the fixed income side, some managers have favored opportunities in structured credit, including higher coupon mortgage-backed securities and subprime auto asset-backed securities. Our rates team believes that the Fed will implement a moderate number of cuts later this year. However, the timing will depend on the trajectory of inflation, tariffs and economic data.

Amidst this uncertainty, portfolio managers and analysts continue to use their deep fundamental analysis in their quest to unearth overlooked opportunities and pursue strong results for investors.



Analysts and portfolio managers mentioned above are references to Capital Group associates.

## Model portfolio allocation exposure

Exposure changes are based on actual model allocations, which reflect changes in the underlying funds over the periods shown.

Percent of net assets in equity as of 6/30/25.

■ \*Increased allocation by 1% or more

■ †Decreased allocation by 1% or more

Taxable models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds Aggressive MF	88.7	0.4	0.2	66.5	0.0	1.7*	22.2	0.4	-1.5†
American Funds Moderately Aggressive MF	74.2	0.1	0.1	56.6	-0.2	1.2*	17.6	0.3	-1.1†
American Funds Moderate MF	58.0	0.1	0.2	43.4	0.0	1.3*	14.7	0.2	-1.1†
American Funds Moderately Conservative MF	40.3	0.0	0.1	32.4	0.1	1.1*	7.9	-0.1	-1.0†
American Funds Conservative MF	21.9	0.0	0.0	18.6	0.0	0.4	3.2	-0.1	-0.4

Tax-aware models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds Aggressive MF TA	90.5	1.4*	0.5	67.0	-1.0†	0.4	23.5	2.3*	0.1
American Funds Moderately Aggressive MF TA	76.6	-0.1	-0.1	56.9	-0.5	0.5	19.6	0.3	-0.7
American Funds Moderate MF TA	59.9	0.6	-0.3	43.5	0.1	0.6	16.4	0.5	-1.0†
American Funds Moderately Conservative MF TA	39.3	0.9	0.2	30.0	0.0	0.1	9.4	0.9	0.1
American Funds Conservative MF TA	23.8	1.7*	1.4*	19.2	0.8	0.5	4.6	0.9	0.8

Multi-asset income models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds Moderate Income MF	62.7	0.0	-0.8	44.4	-0.3	-0.4	18.3	0.3	-0.4
American Funds Moderately Conservative Income MF	46.7	0.0	-0.7	32.3	-0.3	-0.5	14.3	0.3	-0.2
American Funds Conservative Income MF	31.9	-2.8†	-3.1†	22.2	-2.6†	-3.0†	9.7	-0.2	-0.2

Holdings are weighted averages of the model portfolio's underlying funds. The underlying funds are managed, so holdings will change.

## Model portfolio allocation exposure

Exposure changes are based on actual model allocations, which reflect changes in the underlying funds over the periods shown.

Percent of net assets in fixed income and cash as of 6/30/25.

■ \*Increased allocation by 1% or more

■ †Decreased allocation by 1% or more

Taxable models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds Aggressive MF	7.5	-0.1	0.0	7.5	-0.1	0.0	0.0	0.0	0.0	3.8	-0.3	-0.2
American Funds Moderately Aggressive MF	21.5	-0.1	0.0	21.5	-0.1	0.0	0.1	0.0	0.0	4.3	0.0	-0.1
American Funds Moderate MF	37.4	-0.3	0.1	37.3	-0.3	0.1	0.1	0.0	0.0	4.6	0.1	-0.2
American Funds Moderately Conservative MF	54.0	-0.1	0.1	53.9	-0.1	0.1	0.1	0.0	0.0	5.7	0.1	-0.2
American Funds Conservative MF	71.2	0.2	-0.1	71.0	0.1	-0.1	0.2	0.0	0.0	7.0	-0.1	0.1

Tax-aware models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds Aggressive MF	5.7	-0.9	-0.4	3.8	-0.9	-0.4	1.9	0.0	0.0	3.8	-0.4	-0.1
American Funds Moderately Aggressive MF	19.4	-0.1	0.1	16.7	-0.3	0.1	2.6	0.2	0.0	4.1	0.3	0.0
American Funds Moderate MF	36.1	-0.3	0.6	30.1	-0.7	0.4	6.0	0.4	0.2	4.1	-0.3	-0.2
American Funds Moderately Conservative MF	56.0	-0.9	-0.5	44.9	-4.1†	-3.2†	11.1	3.2*	2.7*	4.7	0.0	0.3
American Funds Conservative MF	71.3	-1.3†	-1.8†	64.1	-2.3†	-2.3†	7.1	1.0*	0.4	5.0	-0.3	0.5

Multi-asset income models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds Moderate Income MF	32.1	-0.6	0.3	27.8	-0.6	0.4	4.2	0.0	-0.2	5.2	0.6	0.5
American Funds Moderately Conservative Income MF	47.9	-0.6	0.0	41.9	-0.9	0.0	6.0	0.3	-0.1	5.4	0.6	0.8
American Funds Conservative Income MF	62.6	1.8*	1.9*	56.2	1.0*	1.4*	6.4	0.8	0.5	5.4	1.0*	1.2*

Cash and equivalents includes short-term securities, other assets less liabilities, and may include accrued income. It may also include investments in money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public.

## Model portfolio results as of June 30, 2025

For additional model results, please view the profile sheets available on the Capital Group investment managers page in Resource Central.

### MAA composite results (gross and net percentage)

Taxable models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Aggressive MF Taxable	28S02452	2/28/2021	Gross	13.5	10.2	16.9	18.2	9.6
			Net	13.0	9.2	14.9	16.1	7.6
Merrill CIO Benchmark (Aggressive MF) Taxable				9.7	8.2	14.8	15.6	9.2
American Funds Moderately Aggressive MF Taxable	28S02451	3/31/2021	Gross	10.3	9.6	15.9	15.3	8.9
			Net	9.8	8.6	13.9	13.3	6.9
Merrill CIO Benchmark (Moderately Aggressive MF) Taxable				8.2	7.6	13.4	13.5	7.3
American Funds Moderate MF Taxable	28S02450	3/31/2021	Gross	7.3	8.4	13.1	11.4	6.8
			Net	6.9	7.4	11.2	9.4	4.8
Merrill CIO Benchmark (Moderate MF) Taxable				6.7	6.9	11.9	11.1	5.6
American Funds Moderately Conservative MF Taxable	28S02449	3/31/2021	Gross	4.6	6.8	11.4	8.2	4.8
			Net	4.2	5.9	9.4	6.3	2.9
Merrill CIO Benchmark (Moderately Conservative MF) Taxable				5.1	5.9	10.2	8.8	4.0
American Funds Conservative MF Taxable	28S02448	3/31/2021	Gross	3.1	5.4	9.5	5.7	3.3
			Net	2.6	4.5	7.6	3.9	1.4
Merrill CIO Benchmark (Conservative MF) Taxable				3.7	4.6	8.4	6.8	2.8

Past results are not predictive of results in future periods.

Performance data shows MAA Composite Performance results. Merrill Lynch is responsible for the calculation of these results.

**MAA Composites:** The MAA Composite performance results represent the actual performance of all unconstrained accounts managed by MAA in this Strategy that have enrolled in the Merrill Lynch Investment Advisory Program (IAP) as well as in other Merrill or Merrill affiliated investment advisory programs that meet the criteria set by MAA for inclusion in the MAA Composite performance calculation. The MAA Composite performance results shown, if any, are affected by the methodology used by MAA to select accounts and also by the size and number of accounts in the MAA Composite, which can vary.

**Gross/Net Performance Results:** Performance results are shown 'gross' or '(before fees)' which reflects the performance before the deduction of the Program Fee. Performance results are also shown 'net' or '(after fees)' which reflects the performance after the deduction of the Program Fee based on the maximum rate then in effect for the period shown for the Program and the maximum Style Manager Expense Rate charged for the Strategy, as reflected in the Strategy Profile. This maximum rate may differ from the actual rate agreed to by the client for IAP services and investment in the Style Manager Strategy. The return on investment for your client's Account will be reduced by the deduction of the Program Fee they pay. The compound impact on Composite performance of the deduction of fees is determined by the account size, the amount of the fee, the time period, and the gross investment performance.

The net of fee performance information shown for the Strategy for the period from May 1, 2022, to the date of this Profile is calculated using the maximum Program Fee of 1.75%, which is based on the maximum Style Manager Expense Rate (is applicable) in effect during the period and the maximum Merrill Lynch Fee Rate of 1.75%. The net of fee performance information shown for prior past periods is calculated based on the Style Manager Expense Rate then in effect plus the maximum Merrill Lynch Fee rate then in effect for the periods indicated as follows: (i) 2.00% rate in effect for the period from January 1, 2019, to April 30, 2022; (ii) 2.20% rate in effect from February 1, 2017 to January 1, 2019; and (iii) 2.70% rate in effect for the period prior to January 31, 2017.

For more information on the Merrill CIO benchmarks refer to page 11.



## Model portfolio results as of June 30, 2025

For additional model results, please view the profile sheets available on the Capital Group investment managers page in Resource Central.

MAA composite results (gross and net percentage).

Tax-aware models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Aggressive MF Tax Aware	28S02457	11/30/2021	Gross	13.5	9.9	16.6	18.3	7.0
			Net	13.0	8.9	14.6	16.2	5.1
Merrill CIO Benchmark (Aggressive MF Tax Aware)				9.6	7.8	14.4	15.6	6.8
American Funds Moderately Aggressive MF Tax Aware	28S02456	5/31/2021	Gross	10.3	8.2	14.2	15.6	7.6
			Net	9.8	7.2	12.2	13.6	5.6
Merrill CIO Benchmark (Moderately Aggressive MF Tax Aware)				7.7	6.3	11.9	13.2	6.2
American Funds Moderate MF Tax Aware	28S02455	4/30/2021	Gross	7.1	6.2	10.8	12.2	6.4
			Net	6.6	5.2	8.9	10.3	4.5
Merrill CIO Benchmark (Moderate MF Tax Aware)				6.0	5.1	9.7	11.0	5.6
American Funds Moderately Conservative MF Tax Aware	28S02454	5/31/2021	Gross	4.0	4.4	8.3	8.5	4.4
			Net	3.5	3.5	6.4	6.6	2.6
Merrill CIO Benchmark (Moderately Conservative MF Tax Aware)				4.5	4.1	8.1	8.7	3.5
American Funds Conservative MF Tax Aware	28S02453	6/30/2022	Gross	2.1	2.7	6.0	5.5	4.5
			Net	1.6	1.8	4.2	3.7	2.7
Merrill CIO Benchmark (Conservative MF Tax Aware)				2.9	3.0	6.5	6.3	4.9

Multi-asset income models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Moderate Income MF	28S02347	12/31/2020	Gross	6.9	9.1	15.0	11.9	8.3
			Net	6.5	8.1	13.0	9.9	6.3
Merrill CIO Benchmark (Moderate Income MF)				6.7	6.9	11.9	11.1	6.1
American Funds Moderately Conservative Income MF	28S02346	12/31/2020	Gross	5.3	8.1	13.1	9.3	6.4
			Net	4.9	7.1	11.1	7.4	4.5
Merrill CIO Benchmark (Moderately Conservative Income MF)				5.1	5.9	10.2	8.8	4.3
American Funds Conservative Income MF	28S02345	12/31/2020	Gross	3.8	7.0	11.2	6.8	4.3
			Net	3.4	6.1	9.3	4.9	2.4
Merrill CIO Benchmark (Conservative Income MF)				3.7	4.6	8.4	6.8	2.8

## Market index results as of June 30, 2025

Index name	Cumulative total returns (%)			Average annual total returns (%)		
	QTD	YTD	1 year	3 years	5 years	10 years
Bloomberg U.S. Aggregate Index	1.21	4.02	6.08	2.55	-0.73	1.76
MSCI All Country World Index (ACWI) ex USA	12.03	17.9	17.72	13.99	10.13	6.12
S&P 500 Index	10.94	6.20	15.16	19.71	16.64	13.65

Past results are not predictive of results in future periods.

## Model portfolio allocation ranges

Taxable models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds Aggressive MF	28S02452	80%-90% Equity/10%-20% Fixed Income
American Funds Moderately Aggressive MF	28S02451	70%-80% Equity/20%-30% Fixed Income
American Funds Moderate MF	28S02450	60%-70% Equity/30%-40% Fixed Income
American Funds Moderately Conservative MF	28S02449	30%-40% Equity/60%-70% Fixed Income
American Funds Conservative MF	28S02448	15%-25% Equity/75%-85% Fixed Income

Tax-aware models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds Aggressive MF TA	28S02457	80%-90% Equity/10%-20% Fixed Income
American Funds Moderately Aggressive MF TA	28S02456	70%-80% Equity/20%-30% Fixed Income
American Funds Moderate MF TA	28S02455	60%-70% Equity/30%-40% Fixed Income
American Funds Moderately Conservative MF TA	28S02454	30%-40% Equity/60%-70% Fixed Income
American Funds Conservative MF TA	28S02453	15%-25% Equity/75%-85% Fixed Income

Multi-asset income models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds Moderate Income MF	28S02347	55%-65% Equity/35%-45% Fixed Income
American Funds Moderately Conservative Income MF	28S02346	45%-55% Equity/45%-55% Fixed Income
American Funds Conservative Income MF	28S02345	35%-45% Equity/55%-65% Fixed Income

\*Capital Group Custom Solutions Committee does not explicitly manage to these asset allocation ranges. The ranges reflect current expectations for the portfolios' allocations. These ranges may change based on market conditions or Merrill CIO guidance.

## Important information

### Merrill CIO Benchmarks (pages 8-9)

The Merrill CIO Benchmarks, referred to as Style Indexes at Merrill, provide a reasonably relevant market comparison to the performance of the Strategy. Merrill selects either a single market index or customizes the Style Index. For a Style Index customized by Merrill, its performance is derived from the performance of the two or more indexes identified according to the percentage allocations noted. The Merrill CIO Benchmarks and their respective weightings are as follows:

**Aggressive MF:** 31% Russell 1000 Value Index, 27% Russell 1000 Growth Index, 16% MSCI All Country World Index (ACWI) ex USA (Net), 9% MSCI Emerging Markets Index (Net), 5% ICE BofA US Corporate Master Index, 4% Russell 2000 Growth Index, 4% Russell 2000 Value Index, 3% ICE BofA Government Master, 1% ICE BofA Treasury Bill LOC TR.

**Aggressive MF TA:** 31% Russell 1000 Value Index, 27% Russell 1000 Growth Index, 16% MSCI All Country World Index (ACWI) ex USA (Net), 9% MSCI Emerging Markets Index (Net), 7% Bloomberg Municipal Total Return Index, 4% Russell 2000 Growth Index, 4% Russell 2000 Value Index, 1% Bloomberg Municipal High Yield Total Return Index, 1% ICE BofA US Treasury Bill LOC TR.

**Conservative MF, Conservative Income MF:** 22% ICE BofA Global Broad Market ex USD TR Hedged, 17% ICE BofA Government Master, 17% ICE BofA US Corporate Master, 12% ICE BofA Mortgage Master Index, 8% Russell 1000 Value Index, 7% Russell 1000 Growth Index, 5% ICE BofA US Treasury Bill LOC TR, 5% MSCI All Country World Index (ACWI) ex USA (Net), 3% ICE BofA US Cash Pay High Yield, 2% MSCI Emerging Markets Index (Net), 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Conservative MF TA:** 28% Bloomberg Municipal Total Return Index, 17% ICE BofA Global Broad Market ex USD TR Hedged, 9% ICE BofA Government Master, 8% Russell 1000 Value Index, 7% ICE BofA US Corporate Master Index, 7% Russell 1000 Growth Index, 5% ICE BofA Mortgage Master Index, 5% ICE BofA US Treasury Bill LOC TR, 4% Bloomberg Municipal High Yield Total Return Index, 4% MSCI All Country World Index (ACWI) ex USA (Net), 3% ICE BofA US Cash Pay High Yield, 1% MSCI Emerging Markets Index (Net), 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderately Aggressive MF:** 26% Russell 1000 Value Index, 22% Russell 1000 Growth Index, 14% MSCI All Country World Index (ACWI) ex USA (Net), 11% ICE BofA US Corporate Master Index, 8% ICE BofA Government Master Index, 7% MSCI Emerging Markets Index (Net), 3% ICE BofA Mortgage Master Index, 3% Russell 2000 Growth Index, 3% Russell 2000 Value Index, 1% ICE BofA Global Broad Market ex USD TR Hedged, 1% ICE BofA US Cash Pay High Yield, 1% ICE BofA US Treasury Bill LOC TR.

**Moderately Aggressive MF TA:** 26% Russell 1000 Value Index, 22% Bloomberg Municipal Total Return Index, 22% Russell 1000 Growth Index, 13% MSCI All Country World Index (ACWI) ex USA (Net), 7% MSCI Emerging Markets Index (Net), 3% Bloomberg Municipal High Yield Total Return Index, 3% Russell 2000 Growth Index, 3% Russell 2000 Value Index, 1% ICE BofA US Treasury Bill LOC TR.

**Moderately Conservative MF, Moderately Conservative Income MF:** 17% ICE BofA Government Master Index, 16% ICE BofA US Corporate Master Index, 14% Russell 1000 Value Index, 13% ICE BofA Mortgage Master Index, 12% Russell 1000 Growth Index, 10% ICE BofA Global Broad Market ex USD TR Hedged, 8% MSCI All Country World Index (ACWI) ex USA (Net), 4% MSCI Emerging Markets Total Return Net Index, 3% ICE BofA US Cash Pay High Yield, 1% ICE BofA US Treasury Bill LOC TR, 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderately Conservative MF TA:** 34% Bloomberg Municipal Total Return Index, 14% ICE BofA Global Broad Market ex USD TR Hedged, 14% Russell 1000 Value Index, 12% Russell 1000 Growth Index, 8% MSCI All Country World Index (ACWI) ex USA (Net), 4% Bloomberg Municipal High Yield Total Return Index, 4% ICE BofA US Corporate Master Index, 4% MSCI Emerging Markets Total Return Net Index, 2% ICE BofA Mortgage Master Index, 1% ICE BofA US Cash Pay High Yield, 1% ICE BofA US Treasury Bill LOC TR, 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderate MF, Moderate Income MF:** 20% Russell 1000 Value Index, 17% Russell 1000 Growth Index, 13% ICE BofA US Government Master Index, 13% ICE BofA US Corporate Master, 11% MSCI All Country World Index (ACWI) ex USA (Net), 10% ICE BofA Mortgage Master Index, 6% MSCI Emerging Markets Total Return Net Index, 3% ICE BofA Global Broad Market ex USD TR Hedged, 2% ICE BofA US Cash Pay High Yield, 2% Russell 2000 Growth Index, 2% Russell 2000 Value Index, 1% ICE BofA US Treasury Bill LOC TR.

**Moderate MF TA:** 35% Bloomberg Municipal Total Return Index, 20% Russell 1000 Value Index, 17% Russell 1000 Growth Index, 11% MSCI All Country World Index (ACWI) ex USA (Net), 6% MSCI Emerging Markets Total Return Net Index, 4% Bloomberg Municipal High Yield Total Return Index, 2% Russell 2000 Growth Index, 2% Russell 2000 Value Index, 1% ICE BofA Global Broad Market ex USD TR Hedged, 1% ICE BofA US Cash Pay High Yield, 1% ICE BofA US Treasury Bill LOC TR.

The Style Index is unmanaged and is not subject to management fees and other expenses. Securities contained in the Style Index will vary from those in the strategies list or in the client account. It is not possible to invest directly in a Style Index. There may have been periods when the model portfolios lagged the Style Index.

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The ICE BofA Merrill Lynch Global Broad Market Excluding US Dollar Index is a subset of The BofA Merrill Lynch Global Broad Market Index excluding all securities denominated in US dollars. The BofA Merrill Lynch Global Broad Market Index tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch).

The ICE BofA Merrill Lynch US Cash Pay High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million.

The ICE BofA Merrill Lynch US Mortgage Backed Securities Index tracks the performance of US dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

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Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index covers the universe of fixed-rate, non-investment-grade debt. The index limits the maximum exposure of any one issuer to 2%.

Bloomberg Municipal Bond Index is a market-value-weighted index designed to represent the long-term investment-grade tax-exempt bond market.

Bloomberg High Yield Municipal Bond Index is a market-value-weighted index composed of municipal bonds rated below BBB/Baa.

MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed and emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global emerging markets, consisting of more than 20 emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

S&P 500 Index is a market-capitalization-weighted index based on the results of approximately 500 widely held common stocks.

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The Russell 1000 Value Index is a market capitalization-weighted index that represents the large-cap value segment of the U.S. equity market and includes stocks from the Russell 1000 Index that have lower price-to-book ratios and lower expected growth values.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

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