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the open MEP™

Investment Menu



Investment Philosophy

What is the fund selection process on the MEP investment menu?

TAG Benefit Advisors, LLC provides comprehensive investment advisory services to plan sponsors of retirement plans of all types (e.g., 401(k) plans, defined benefit, and non-qualified deferred compensation). We perform these services utilizing an unbiased approach to investment research free from any conflicts of interest. It is our belief that superior investment managers can be identified by employing a sophisticated selection process which incorporates both quantitative and qualitative attributes.

Manager Selection Process

Compass EMP recognizes that asset allocation decisions are one of the most important decisions an investor will make that will impact future returns, along with the recognition of sub-asset investment styles. Potential investment managers must demonstrate a consistent investment style discipline when their style is “in favor” or “out of favor” during both up and down markets.

Compass EMP’s quantitative process evaluates potential investment managers across a number of statistical investment style attributes, then are further screened for other important statistical variables such as risk-adjusted performance, excess returns over a benchmark, and peer group performance. This process eliminates those who engage in style drift, exhibit excessive risk characteristics, and have inconsistent investment performance metrics. The investment managers who successfully pass the quantitative screens progress into a qualitative review process.

Compass EMP strives to understand the structure surrounding the investment personnel, and confirm the investment process used to generate the investment results. Understanding the investment philosophy is critical in analyzing the historical results. It is important to understand and identify if the overall investment philosophy is driven from a quantitative or fundamental approach, the manager’s style, and the type of strategies employed.

The result is the recommendation of a diversified menu of investment managers. Those selected under the stated parameters above are continuously monitored to ensure those attributes are still intact.

Asset Allocation

A menu composed of experienced investment managers across different asset classes, market capitalizations, and investment styles (e.g. growth, value, and international) is assembled. These individual investment options can be configured by participants into various portfolios ranging from low risk to high risk depending on the participant’s individual risk tolerance. Given the breadth of investment styles available, a participant can customize a portfolio to most any level of risk although many participants would prefer to delegate their asset allocation decisions to a professional. It is for this purpose that we also offer both risk-based and age-based model portfolios as additional investment selections. These two strategies are employed to assist in attempting to reduce a plan sponsor’s fiduciary liability by complying with section 404(c) of ERISA.

The Compass EMP Investment Strategy

Compass EMP utilizes an investment process that employs global diversification among many low to negative correlating asset classes. The purpose of the portfolios is to provide lower volatility with similar or greater return over a full market cycle compared to the broad market indexes. The global indexing asset allocation strategy is designed to produce high positive risk adjusted returns (alpha) versus a broad market index over time.

The Compass Efficient Model Portfolios are based on the Compass EMP ETF Index Methodology:

- Identify core asset classes represented by ETFs unless liquidity dictates otherwise
- Evaluate correlation studies as well as risk versus return analysis between multiple asset classes
- Country specific markets are not considered unless a particular country represents 25% or more of the world market
- Evaluate 10 key risk management factors
- Growth asset classes are equally weighted in attempt to avoid opinion and individual market risk
- Fixed income asset classes are allocated based on credit risk and market volatility
- Implement downside hedging protection in attempt to force low correlation among multiple asset classes during infrequent periods of high correlation
- Rebalance asset classes based on upside and downside market movements forcing a buy-low sell-high strategy

Investment Menu

INDIVIDUAL ASSET CLASS FUNDS	
Large Value	BlackRock Equity Dividend
Large Blend	JPMorgan US Equity
Large Blend-Passive	Vanguard Total Stock Mkt Idex
Large Growth	Fidelity Advisor New Insights
Mid Value	RidgeWorth Mid-Cap Value Equity
Mid Blend	Invesco Mid Cap Core Equity
Mid Blend-Passive	SSgA S&P Mid-Cap Index
Mid Growth	Alger SMid Cap Growth
Small Value	Franklin Small Cap Value
Small Blend	Neuberger Berman Genesis
Small Blend-Passive	SSgA Russell Small-Cap Index
Small Growth	Invesco Small Cap Growth
International	American Funds EuroPacific Growth
International-Passive	SSgA International Index
International Small-Cap	Columbia Acorn International
Global Equity	American Funds New Perspective
Core Fixed Income	PIMCO Total Return
Intermediate Government	JPMorgan Government Bond
US Government TIPS	American Century Infl-Adj Bond Inv
High Yield	JPMorgan High Yield
Global Fixed Income	Oppenheimer International Bond
REIT	Nuveen Real Estate Securities
Technology	Goldman Sachs Tollkeeper

ALTERNATIVE
Compass EMP Alternative Strategies Fund

STABLE VALUE
Transamerica Stable Value Advantage

TARGET DATE*
Vanguard Target Retirement 2015
Vanguard Target Retirement 2020
Vanguard Target Retirement 2025
Vanguard Target Retirement 2030
Vanguard Target Retirement 2035
Vanguard Target Retirement 2040
Vanguard Target Retirement 2045
Vanguard Target Retirement 2050

ASSET ALLOCATION PORTFOLIOS
Compass EMP Conservative
Compass EMP Conservative to Moderate
Compass EMP Moderate (QDIA)
Compass EMP Moderate to Aggressive
Compass EMP Aggressive

Large/Mid Value Equity: Historically, common stocks have provided greater long-term returns and have entailed greater short-term risks than other investments. The securities issued by mid-cap companies may be more susceptible to market downturns, and their prices could be more volatile than those of larger companies. Value stocks may be subject to special risks that have caused the stocks to be out of favor and undervalued in the management company's opinion. **Large/Mid Blend Equity:** Historically, common stocks have provided greater long-term returns and have entailed greater short-term risks than other investment choices. Smaller or newer issuers carry more risk than larger, more established issuers. **Large/Mid Growth Equity:** Historically, common stocks have provided greater long-term returns and have entailed greater short-term risks than other investment choices. Smaller or newer issuers carry more risk than larger, more established issuers. **Small Company Equity:** The investor should note that investment choices that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average. **Global Equity:** The investor should note that investment choices that invest in foreign securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. **International Equity:** The investor should note that investment choices that invest in foreign securities involve special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. **Specialty:** The investor should note that investment choices that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risks. Transamerica Retirement Services does not provide investment advice. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation. Transamerica Retirement Services does not act as a fiduciary. All investments involve risk, including loss of principal and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing.

Stable Value – The Transamerica Stable Value Advantage Option is backed by the general account of Transamerica Life Insurance Company ("TLIC"). While TLIC declares rates periodically and backs the principal and interest of this investment choice, any guarantee is subject to the claims paying ability of the insurance company. This investment choice is not guaranteed by the FDIC or any other government agency. Although plan participants generally may withdraw assets from the stable value investment choice without restrictions, TLIC may impose a hold period at the contract level in the event of a full contract discontinuance or partial contract discontinuance. Certain unaffiliated stable value investment choices (which are not supported by an insurance company general account) also may be available for investment under your plan. These stable value investment choices instead invest in stable value fund bank collective trusts. Please note that not all stable value investment choices may be available for your plan, and some are only available when combined with a specified investment choice line-up. Stable value investment choices may be subject to book value adjustments for withdrawals under certain circumstances, and the fees associated with stable value investment choices generally reflect different crediting rate/charge structure combinations.

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