

INVESTMENT PERFORMANCE REPORT

**103-033  
FRESNO COUNTY ECONOMIC OPPORTUNITIE  
COMMISSION PENSION PLAN DTD 1-1-80  
ACCESS/NWQ INVEST  
1920 MARIPOSA MALL  
FRESNO CA 93721-2504**

**103-118109-033 / ACCESS  
INVESTMENT MANAGER : N W Q INVESTMENT MANAGEMENT COMPANY  
PORTFOLIO TYPE : LARGE-CAP VALUE  
INVESTMENT OBJECTIVE : COMPARE TO STANDARD INDICES  
SEPTEMBER 30, 2008**

**YOUR FINANCIAL ADVISOR :**

**MICHAEL/CARRIGAN/PETERSEN  
9 RIVER PARK PL EAST SUITE 400  
FRESNO CA 93720  
(559) 433-1330**

**The value of securities for billing purposes includes accrued interest/dividends as of the billing date.**

### Market Commentary

#### May You Live In Interesting Times

The third quarter of 2008 will undoubtedly be remembered as a historic period. The credit crisis firmly grasped and shook the global capital markets. Events that may have seemed unthinkable just a year ago such as the fall of Lehman Brothers, the government bailouts of Fannie Mae, Freddie Mac, American International Group, and the sale of Merrill Lynch spurred a panic in the financial system unlike any since the market crash of 1987. During this period of uncertainty, the global stock markets were weak and investors rushed to the perceived "safety" of Treasury bonds. Equity style performance favored value stocks, and U.S. stocks typically outperformed international stocks. Globally, energy and materials stocks dropped significantly as commodities experienced a deep sell-off.

#### U.S Stocks:

The financial crisis that has hampered the capital markets since late last year accelerated in the third quarter. The markets experienced tremendous volatility and consequently equities bore the brunt of the panic, particularly during the month of September. With bank failures and government help extended to several financial institutions, it was somewhat ironic that stocks classified in the S&P 500 financial sector fared well relative to other sectors during the quarter. Comparatively speaking, other sectors traditionally known for their stability during times of duress such as consumer staples and health care, also held up well during the period. The credit crisis and the slowing economy may have helped to cool off inflationary pressures that had been fueled by increasing energy prices for the past few years. During the quarter, most commodities, including oil, experienced dramatic price declines. This translated into abysmal performance for the S&P 500 energy and materials sectors, and in turn likely had a strong negative impact on portfolios and mutual funds that held large weightings in these areas for the period. Given the difficult economic backdrop it is not surprising that cyclical sectors such as technology, telecomm and industrials also found tough sledding during the quarter. As investors fled from riskier assets it was astonishing that the sell-off hurt the stocks of large and mid capitalization companies more than "small-caps", which are typically known for being relatively more volatile. To illustrate, the small cap Russell 2000 Index declined a scant -1.1% compared to the large cap Russell 1000 which declined -9.4% and the Russell Mid Cap Index which lost -12.9%. The perceived "safety" associated with value stocks along with their higher yields and lower valuations helped them to trump growth stocks across all market capitalization ranges during the period. In some instances the outperformance was significant. For example, while absolute returns were negative in the mid cap space, value beat growth by about 10%. The Russell 2000 Value Index was the top performing style index for the period while the Russell Mid Cap Growth Index was the bottom performing style index. All of the major domestic equity indices remained in negative territory for the year-to-date period ended September 30, 2008.

## Market Commentary

### International Stocks:

During the third quarter it became crystal clear that the economic slowdown was not isolated solely to the United States. There was really nowhere for equity investors to hide as the effects of the credit crunch spread across continents, proving yet again that the global capital markets have become increasingly intertwined.

The broad international stock indices generally declined more than the domestic indices. Developed international markets, as measured by the MSCI EAFE Index, posted double-digit negative returns in third quarter. Like in the U.S., value stocks outperformed growth stocks, yet large caps held up a bit better than small caps internationally. Prior to the third quarter, a weaker U.S. dollar had helped international equity returns. This did not hold true in the third quarter however. Amidst the financial turmoil, the greenback was viewed as a source of stability and it appreciated relative to most of the major currencies, particularly the Euro. The Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index posted a -13% return in local currency this quarter, while the U.S. dollar return of the index was lower at -20.6%. For the year-to-date period, the benchmark index is down -29.3% in U.S. Dollar terms. The poor performance permeated across regions. Europe, as measured by the MSCI Europe Index lost -20.4% for the quarter and is down -32.4% for the year to date period in U.S. Dollar terms. Shares of Japanese stocks, as indicated by the MSCI Japan Index, depreciated -17.7%, for the quarter and is down -22.2% (U.S. Dollars) year to date. The rest of the Pacific region also posted negative performance as illustrated by the MSCI Pacific ex-Japan Index, which dropped -25.2% during the and -34% year to date (U.S. Dollars). As poor as developed market performance was during the quarter, falling commodity prices and a decreased appetite for risk derailed emerging market performance to an even greater extent. The MSCI Emerging Market Index lost 26.95%, marking its worst quarterly performance since the index was inception in 1988.

### U.S. Bonds:

Investors flocked to the security of U.S. Treasury bonds as the fallout from the financial crises spurred a massive "flight to safety". Accordingly Treasury prices rose as yields fell. In fact, yields were down across the yield curve and decreases were most pronounced on the short-end. The "flight to safety" was so extreme that Treasury Bills actually traded at a negative yield during late September. At quarter-end, the yield on the benchmark 10-year Treasury fell to around 3.8%. In this risk-averse environment most broad "spread" sectors lagged Treasuries during the quarter. Mortgage-backed securities performed relatively well after the government announced the rescues of Fannie Mae and Freddie Mac. Conversely, the credit sector suffered the most during the quarter. By extension, high yield corporate bonds experienced large price declines. Municipal bonds, traditionally known for their higher quality, suffered as poor liquidity continued to weigh on their returns.

### Market Commentary

#### Closing Thoughts:

The current market environment is a very difficult environment for most investors. During periods of extreme volatility, it is very important to maintain a disciplined investment approach. Abandoning your strategy during periods of financial anxiety as an emotional response may compromise your ability to achieve your objectives down the road. While empirical evidence has shown that a well-diversified allocation can help to protect assets during turbulent markets past performance is no guarantee of future results. In addition, while bear markets are grueling, they present tactical opportunities for long-term investors. In this regard, please continue to consider ideas put forth by Morgan Stanley strategists. Their publications, copies of which you can request from your Financial Advisor, can be of great use in strategically and tactically positioning your portfolio and can also help to uncover new opportunities amidst uncertain markets. GWMG offers structured strategic allocations that span a variety of asset classes for a variety of client types. As always, please speak to your Financial Advisor about your own particular investment needs.

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### **N W Q INVESTMENT MANAGEMENT COMPANY**

#### **Investment Review and Outlook**

**Prepared for Clients of Morgan Stanley**

U.S Equity markets, as well as many other markets around the world, experienced significant declines during the third quarter. This has been an unprecedented period and one of the most challenging investment environments in our country's history. In recent weeks, conditions within the credit markets deteriorated even further; liquidity for many companies virtually evaporated. Given an emerging crisis of confidence in the financial markets, the U.S. Government has taken decisive action, assuming control of Freddie Mac, Fannie Mae and AIG (without apparent consideration of shareholders' interests in our opinion). Regulators have sponsored/engineered the "takeovers" of Washington Mutual and Wachovia, while Lehman Brothers was allowed to fail. Fortunately Bank of America announced the purchase of Merrill Lynch on the same day as Lehman's failure thereby averting an even deeper crisis. Finally, Morgan Stanley and Goldman Sachs converted to bank holding companies and sold significant positions to outside investors to strengthen their capital base.

In many cases, such events might signal a bottom and thereby provide a floor in equity valuations. However, the magnitude of recent events and continued economic deterioration combined with the realization that a company's financial well-being could quickly evaporate, have significantly heightened investor fears and market volatility. Whether the adoption of the \$700 billion U.S. "bailout" package will alleviate investor concerns remains unclear. While all indices declined during the quarter, generally small capitalization stocks declined less than large capitalization stocks; value stocks generally declined less than growth stocks.

Returns for the second quarter were extremely disappointing as we posted negative returns and underperformed the Russell 1000 Value Index (on a gross and net basis). Without excusing our performance, we do not believe that the Russell 1000 Value Index return of -6.1% for the third quarter truly indicates the level of market duress/carnage that occurred during the quarter. Needless to say, this has been an extraordinary and unprecedented period. The credit markets have been incredibly dysfunctional. That dysfunction has led to fear, panic and more recently even capitulation in the equity markets. Front and center in the storm has been the financial sector; although the commodity stocks (energy, metals, etc.) have collapsed over the very recent period.

### **N W Q INVESTMENT MANAGEMENT COMPANY**

#### **Investment Review and Outlook**

**Prepared for Clients of Morgan Stanley**

A number of our financial holdings adversely impacted the portfolio. While we eliminated our position in Freddie Mac earlier in the year, we retained our position in Fannie Mae given that Fannie Mae had already raised capital, held a \$9.5 billion capital surplus over regulatory requirements, and still had a strong business model that could generate substantial profitability once home prices stabilized. Fannie Mae's stock price prior to the U.S. Government's intervention already reflected, in our opinion, the prospects for an adverse government response including seizure with significant dilution. Ultimately, the U.S. Government not only imposed significant dilution but also decided to operate the companies without consideration for shareholders' interests. AIG, which last quarter we established at a 1% position in equity accounts, was eliminated (at a loss) prior to the U.S. Government's intervention as the risk of a liquidity crisis grew. Finally, for accounts that held Bank of America, we eliminated the position following their announced \$50 billion acquisition of Merrill Lynch (without government assistance) as it raised Bank of America's risk profile in an environment of extreme market duress. While Bank of America's stock did decline after the Merrill announcement, it had appreciated strongly during the third quarter.

The portfolio remains underweight in the finance sector versus the Russell 1000 Value Index as of the beginning of the fourth quarter, reflecting continued significant uncertainty and dislocation, albeit with many companies having extremely depressed valuations. We do continue to search for attractive investment opportunities within the finance sector as well as constantly evaluate the investment prospects (risks and opportunities) of our current holdings. We would note that two of our larger positions, JP Morgan Chase and Wells Fargo, both of which have demonstrated resilient earnings, are widely considered to be consolidators in the industry. This is reflected in the fact that both companies announced relatively good second quarter earnings and their stocks delivered positive shareholder returns both in the quarter and year to date.

The portfolio was also adversely impacted by declines in our holdings within the energy, steel and gold industries given ongoing concerns over economic growth and declining commodity prices. You may recall that we had trimmed positions in Apache Corp, Barrick Gold Corp., Noble Energy, and U.S. Steel earlier this year following the substantial appreciation in their stock prices. Towards the end of the quarter, we added to our positions in Noble Energy and U.S. Steel on price weakness. We believe that these companies have extremely strong balance sheets, and already reflect significantly lower commodity prices. In addition, we believe that Noble Energy has significant unrecognized value given that they are currently selling gas/product in several countries at well below market price. We would highlight briefly that in addition to several of the banks that we continue to hold in the portfolio, which posted positive returns for the third quarter, Amgen and Lockheed Martin also posted double digits gains for the quarter.

### **N W Q INVESTMENT MANAGEMENT COMPANY** **Investment Review and Outlook** **Prepared for Clients of Morgan Stanley**

At NWQ, we remain engaged, committed and passionate about our only true objective -- delivering strong investment results on behalf of our clients. We are committed to building our investment capabilities and added a senior investment professional to our team in early September. We certainly understand that this is a trying time for clients, as well as investors in the market. While we are not proud of our recent performance, we are confident that we have the investment discipline and capabilities to deliver strong results in the future.

During the quarter, we added to our positions in AngloGold Ashanti Ltd, Noble Energy, Raytheon Co. (underweighted accounts), Talisman Energy, and U.S. Steel. We trimmed our positions in Amgen, Lorillard, and Union Pacific, while American International Group, Bank of America, Fannie Mae, Radian Group, and Wachovia Corp. were eliminated from the portfolio.

**FRESNO COUNTY E.O.C.**  
103-118109-033 / Access

Investment Manager: N W Q Investment Management Company  
Portfolio Type: Large-Cap Value  
September 30, 2008

## Portfolio Performance Review

	Current Quarter 06/30/08-09/30/08	Year-To-Date 12/31/07-09/30/08	One Year 09/07-09/08	Three Years 09/05-09/08	Five Years 09/03-09/08	Ten Years 09/98-09/08	Since Inception 10/09/91-09/30/08
Portfolio Beginning Value	\$ 9,272,571	\$ 10,382,825	\$ 10,757,607	\$ 8,830,074	\$ 5,146,316	\$ 4,107,824	\$ 1,100,000
Accrued Income	12,898	13,765	13,668	9,993	8,578	5,365	0
<b>Total Beginning Value</b>	<b>\$ 9,285,469</b>	<b>\$ 10,396,590</b>	<b>\$ 10,771,275</b>	<b>\$ 8,840,067</b>	<b>\$ 5,154,894</b>	<b>\$ 4,113,189</b>	<b>\$ 1,100,000</b>
Net Contributions/Withdrawals	0	0	0	(500,000)	450,000	(300,000)	1,044,364
<b>Net Invested Capital</b>	<b>\$ 9,285,469</b>	<b>\$ 10,396,590</b>	<b>\$ 10,771,275</b>	<b>\$ 8,340,067</b>	<b>\$ 5,604,894</b>	<b>\$ 3,813,189</b>	<b>\$ 2,144,364</b>
Portfolio Appreciation	(1,248,001)	(2,359,122)	(2,733,807)	(302,599)	2,432,574	4,224,279	5,893,104
Portfolio Ending Value	\$ 8,024,035	\$ 8,024,035	\$ 8,024,035	\$ 8,024,035	\$ 8,024,035	\$ 8,024,035	\$ 8,024,035
Accrued Income	13,433	13,433	13,433	13,433	13,433	13,433	13,433
<b>Total Ending Value</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>	<b>\$ 8,037,468</b>
Total Net Return (Cumulative %)	( 13.4)	( 22.7)	( 25.4)	( 4.6)	41.0	111.4	374.4
Total Net Return (Annualized %)				( 1.6)	7.1	7.8	9.6

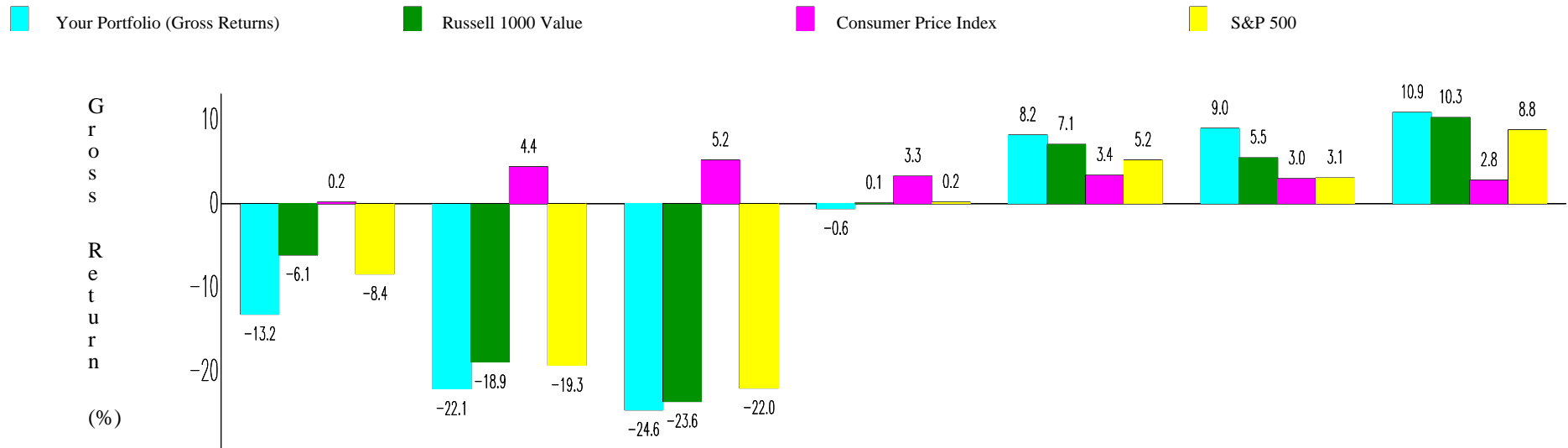
Note: Portfolio Appreciation is reduced by the account fee paid directly from your account for services.

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Investment Manager: N W Q Investment Management Company  
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September 30, 2008

## Comparative Rates of Return

### Your Portfolio's Performance (Gross Return) Compared to Benchmark Returns (Time-Weighted)



	Current Quarter (%) 06/30/08-09/30/08	Year to Date (%) 12/31/07-09/30/08	One Year (%) 09/07-09/08	Three Years (%) 09/05-09/08	Five Years (%) 09/03-09/08	Ten Years (%) 09/98-09/08	Since (%) 10/31/91*
<b>Your Portfolio (Gross Returns)</b>	-13.2	-22.1	-24.6	-0.6	8.2	9.0	10.9
<b>Russell 1000 Value</b>	-6.1	-18.9	-23.6	0.1	7.1	5.5	10.3
<b>Consumer Price Index</b>	0.2	4.4	5.2	3.3	3.4	3.0	2.8
<b>S&amp;P 500</b>	-8.4	-19.3	-22.0	0.2	5.2	3.1	8.8
<b>LB Govt Credit Intermediate</b>	-1.2	0.2	3.1	4.0	3.2	5.0	6.0
<b>Citigroup 3 Month T-Bill</b>	0.4	1.5	2.5	4.0	3.1	3.4	3.9
<b>Russell 1000 Growth</b>	-12.3	-20.3	-20.9	0.0	3.7	0.6	7.0

\* Comparative performance starts at the first month-end after inception. Returns for time periods greater than one year are annualized. All index returns include reinvestment of income.

**FRESNO COUNTY E.O.C.**  
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Portfolio Type: Large-Cap Value  
September 30, 2008

## Portfolio Overview

Account Value			GICS Equity Sector Allocation		
Holding Summary	Market Value (\$)	Percent (%)	Sectors	Market Value (\$)	Percent (%)
Cash & Equivalents	748,375.00	9.4	Consumer Discretionary	266,198.71	3.3
Bonds	.00	.0	Consumer Staples	753,837.49	9.4
Stocks	7,275,659.69	90.6	Energy	998,129.87	12.4
<b>Total Account Value</b>	<b>8,024,034.69</b>	<b>100.0</b>	Financials	1,263,656.19	15.7
			Health Care	467,589.16	5.8
			Industrials	1,225,558.40	15.3
			Information Technology	849,662.66	10.6
			Materials	720,954.66	9.0
			Telecommunication Services	370,629.11	4.6
			Utilities	113,751.00	1.4
			Other	245,692.44	3.1

## Top Ten Holdings

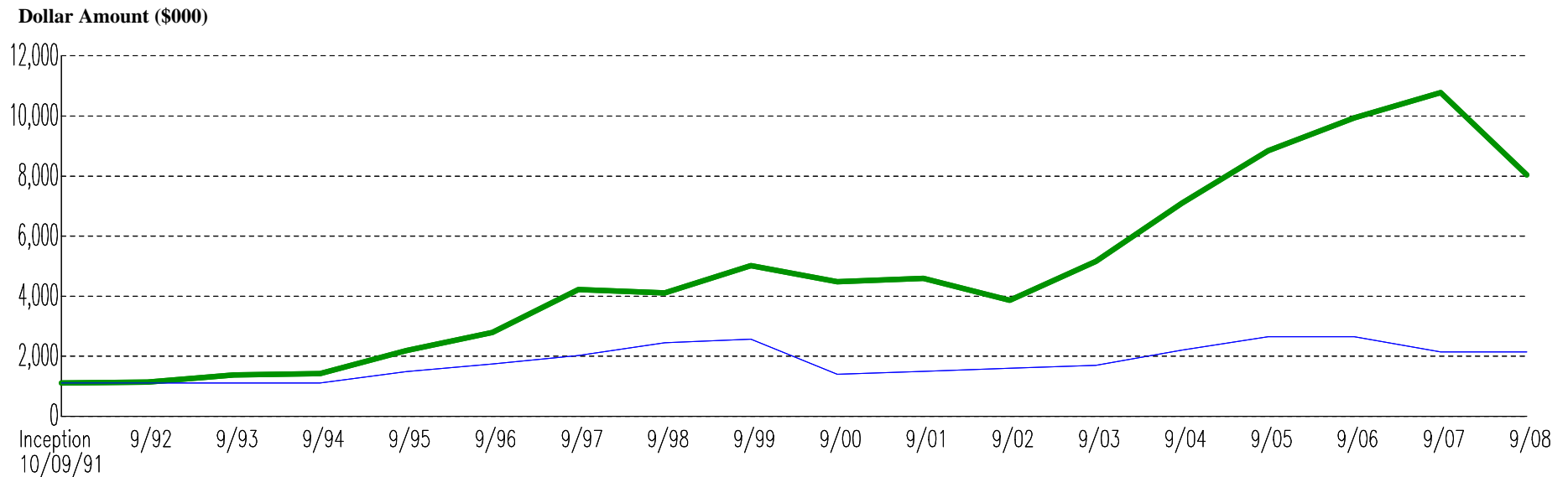
Shares	Security	Market Value (\$)	Percent of Portfolio (%)	Sector
18,092	CA INCORPORATED	361,116.32	4.5	Information Technology
3,378	APACHE CORP	352,257.84	4.4	Energy
9,450	PITNEY BOWES INC	314,307.00	3.9	Industrials
11,436	MICROSOFT CORP	305,226.84	3.8	Information Technology
8,088	BARRICK GOLD CORP	297,153.12	3.7	Materials
5,337	NOBLE ENERGY INC	296,683.83	3.7	Energy
7,490	WELLS FARGO & CO NEW	281,099.70	3.5	Financials
2,326	LOCKHEED MARTIN CORP	255,092.42	3.2	Industrials
9,891	VIACOM INC NEW CLASS B	245,692.44	3.1	Other
3,750	KIMBERLY CLARK CORP	243,150.00	3.0	Consumer Staples

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## Net Invested Capital

Your Account Value vs. Net Invested Capital (\$000)



This graph illustrates the relationship between your Net Invested Capital (the inception value of your portfolio plus or minus capital contributions and withdrawals) and the market value of your portfolio at specific points in time. The graph depicts to what degree your money manager's investment decisions, market forces, fees and other relevant factors have increased or decreased the value of your portfolio.

<b>Total Beginning Value</b>	\$1,100,000
<b>Net Contribution/Withdrawals</b>	1,044,364
<b>Net Invested Capital</b>	2,144,364
<b>Total Ending Value</b>	\$8,037,468

**FRESNO COUNTY E.O.C.**  
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## *Dollar Values and Quarterly Returns*

<u>PERIOD ENDING</u>	<u>DOLLAR VALUES (\$000'S)</u>			<u>GROSS RETURNS (%)</u>		
	<u>YOUR PORTFOLIO</u>	<u>RUS1000VL</u>	<u>CPI</u>	<u>YOUR PORTFOLIO</u>	<u>RUS1000VL</u>	<u>CPI</u>
10/31/91*	1,148.2	1,148.2	1,148.2	N/A	N/A	N/A
3/04	6,849.0	6,460.2	2,185.3	6.2	3.0	1.7
6/04	7,054.9	6,498.3	2,193.7	3.3	0.9	1.2
9/04	7,092.2	6,579.4	2,177.3	0.8	1.5	0.1
12/04	8,190.2	7,733.3	2,612.2	8.8	10.4	0.2
3/05	8,021.8	7,718.5	2,631.6	( 1.8)	0.1	1.6
6/05	8,250.5	7,826.0	2,626.9	3.1	1.7	0.6
9/05	8,840.1	8,107.8	2,662.9	7.4	3.9	2.2
12/05	9,039.0	8,186.8	2,613.4	2.5	1.3	( 1.0)
3/06	9,399.4	8,648.0	2,629.4	4.3	5.9	1.5
6/06	9,518.1	8,674.8	2,645.6	1.5	0.6	1.6
9/06	9,942.8	9,188.2	2,621.0	4.7	6.2	0.0
12/06	10,582.1	9,896.0	2,581.3	6.7	8.0	( 0.5)
3/07	10,253.0	9,488.4	2,094.1	1.9	1.2	1.8
6/07	10,881.4	9,928.6	2,098.2	6.4	4.9	1.5
9/07	10,771.3	9,874.6	2,071.9	( 0.8)	( 0.2)	0.1
12/07	10,396.6	9,276.4	2,059.8	( 3.2)	( 5.8)	0.7
3/08	9,373.5	8,442.2	2,067.6	( 9.6)	( 8.7)	1.7
6/08	9,285.5	7,972.4	2,094.4	( 0.7)	( 5.3)	2.5
9/08	8,037.5	7,462.2	2,082.8	( 13.2)	( 6.1)	0.2

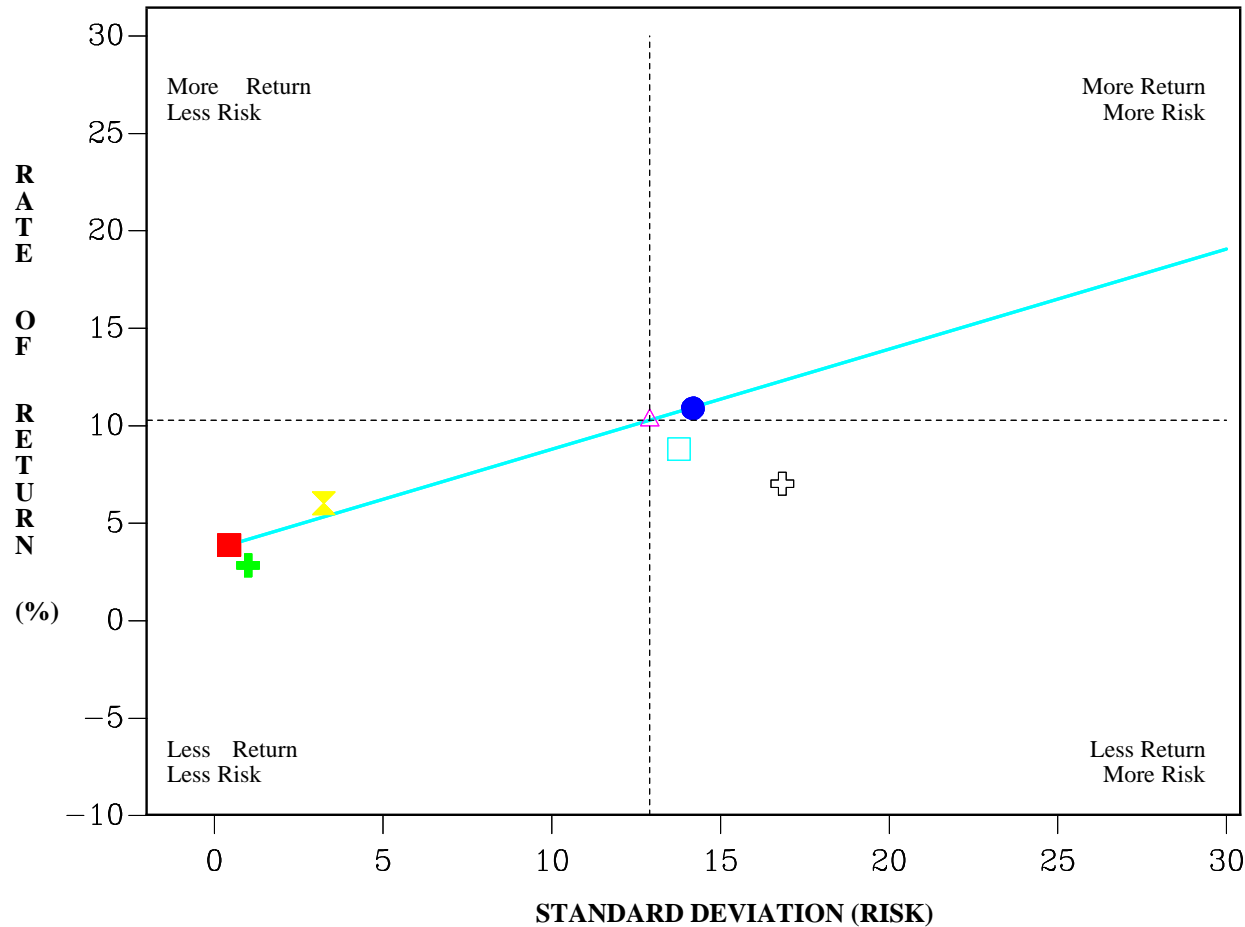
\* First month end following the inception of your account

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## Comparative Risk Return

October 31, 1991\* through September 30, 2008



	Rate of Return (%)	Standard Deviation (%)
● Your Portfolio	10.9	14.18
■ TBILL	3.9	0.44
△ RUS1000VL	10.3	12.90
⊕ CPI	2.8	1.00
□ SP500	8.8	13.77
× LBGC-INT	6.0	3.24
⊕ RUS1000GR	7.0	16.83

\* First month-end following the inception of your account.  
Note: All returns are annualized.

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## *Glossary of Terms*

### **Portfolio Beginning Value**

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The total market value of the portfolio on a trade date basis excluding "Accrued Income" at the beginning of the reporting period.

### **Accrued Income**

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The dividends and interest earned but not received at both the beginning and end of each reporting period.

### **Total Beginning Value**

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The "Portfolio Beginning Value" including "Accrued Income" at the start of each measurement period.

### **Net Contributions/Withdrawals**

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The total dollar amount that was contributed or withdrawn from the account during the reporting period. A negative dollar amount indicates that the total withdrawals exceeded the total contributions for the reporting period.

### **Net Invested Capital**

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The "Total Beginning Value" of the portfolio at the start of each reporting period adjusted for "Net Contributions/Withdrawals" occurring through the end of the reporting period.

### **Portfolio Appreciation**

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The total dollar gain/loss of the portfolio for each reporting period. It is calculated as the difference between "Net Invested Capital" and "Total Ending Value."

### **Portfolio Ending Value**

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The total market value of the portfolio on a trade date basis excluding accrued income at the end of the reporting period.

### **Total Ending Value**

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The "Portfolio Ending Value" including "Accrued Income" at the end of the reporting period.

### **Total Net Return**

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The percentage gain/loss of the portfolio since the beginning of each reporting period. The return is reduced by the account fee paid directly from your account for services. Fees paid outside Morgan Stanley are not recognized and therefore will not impact this return. These returns are expressed cumulatively and annualized.

### **Your Portfolio's Performance (Gross Returns)**

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The percentage gain/loss of the portfolio since the first month-end following the Inception Date. The gross return is not reduced by the amount of the fee. Returns in excess of one year are annualized.

### **Risk (Standard Deviation)**

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A statistical measure defined as the volatility of returns relative to an average (mean) return. When returns are normally distributed, a return will fall within one standard deviation about two-thirds of the time. For example, if an account or index had a return of 5% and a standard deviation of 13%, there is a 66% (two-thirds) chance that the return would vary plus or minus 13 percentage points from the 5% return (-8% to +18%). Simplified, this means that a higher standard deviation implies greater volatility (ie., risk) in the portfolio.

*For further explanation of terms, please contact your Financial Advisor.*