

## AN EXPLANATION OF THE DENALI FM PERFORMANCE LANDSCAPE

The Performance Landscape represents one element of the fiduciary reporting materials produced by Denali Fiduciary Management for a Plan Committee investment review meeting.

The sample Performance Landscape does two things. First, it compares the mutual fund's quartile ranking over rolling quarterly periods to other funds of the same investment Category within Morningstar's Principia database. The total-return performance of the mutual fund is examined in 1, 3, 5 and 10-year periods (if applicable) ending on the date shown. The numbers in the farthest left-hand column represent the four quartiles of performance for that particular fund Category. For example 1-25 represents the top quartile; 26-50 represents the second quartile of performance etc.

From a fiduciary perspective the Category classification in Morningstar's database is very useful because it identifies the investment style of the fund that most accurately accounts for the fund's behavior over the past three years. The Category classification is different from Morningstar's well-known Style-box classification, which identifies only the current style of the fund. In the bottom horizontal line of each time period, a series of numbers, such as 94/213 appears.

For example, that number identifies that the fund placed in the 94th percentile of total return performance out of a total universe of 213 mutual funds within the same Morningstar Category. In reviewing the data, we recommend that fiduciaries place greatest emphasis on the rolling 3 and 5-year performance data. We make this recommendation because it is the standard in the institutional investment business to discount the importance of the 1-year and the 10-year total return performance numbers (for different reasons).

The one-year performance numbers are generally assumed to contain "market noise" which, without further refinement, should not be used alone to make assessments on the quality of investment management. Ten-year performance numbers are very valuable if the management of the fund and the investment style have been consistent for the entire period.

Because such a scenario is unusual, the 10-year performance information is not used in isolation of other information to make a qualitative assessment of an investment fund. Risk-adjusted performance statistics are highlighted for the three-year period of time because that is a standard practice in the institutional investment business.

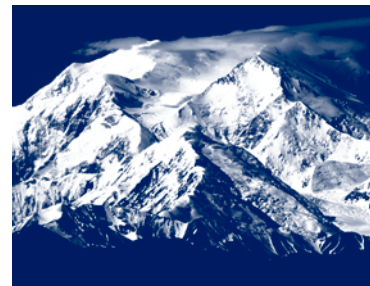


**Monitoring:**  
***(1) Relative total return investment performance over rolling time periods using Morningstar's category classification system.***

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### Risk-adjusted performance monitoring:

It is useful to note that the goal of the Performance Landscape is to bring one page of data to the attention of the fiduciaries for the purposes of complying with the statutory monitoring function required under ERISA. The Performance Landscape is not intended to be the last word on the monitoring that an ERISA retirement plan fiduciary should engage upon. Rather, it is a highly useful and concise tool from which red flags can be identified and from which the need or desire for additional due diligence can be directed.



### Notes to the Data:

- Review the definitions involved with risk-adjusted performance.
- There is no attempt made to identify the absolute level of the fund's historic volatility (the fund's standard deviation)
- Only the relative level of volatility is involved in the Performance Landscape.
- No direct representation of Beta is visible in the data.
- Risk-adjusted performance statistics are only identified when the R-squared of the fund is > 80 as identified by Morningstar's Principia – Mutual Funds Advanced database.
- Assuming #5 above if positive alpha is present, no specific note is made on the Performance Landscape. Only an "X" will appear in the quartile ranking.
- Negative alpha statistics (which a fiduciary should be monitoring) are identified by one of three colored symbols depending on the degree of negativity.
- Anytime the fund experiences a change in management (any change in management, even a change in a 'team') a triangle notes the calendar quarter in which the change occurred.

**Monitoring:**  
**(2) Risk-adjusted performance statistics as a fiduciary monitoring function.**

### Why Is This Data Useful?

The data shows quickly and succinctly how the mutual fund's total return performance compared to its peer group. The Performance Landscape allows for immediate identification of performance trends in either deteriorating or improving relative performance. The risk-adjusted performance data provides a glimpse of whether the fund is performing in such a manner as to reward its investor for the level of risk taken. While all risk-adjusted performance statistics have limitations in theory and in practice, they all allow for a qualitative perspective that affords the fiduciary an opportunity to ask further questions about the risk and reward characteristics of the investment fund.

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The Performance Landscape provides fiduciaries with an important documentation tool to illustrate that it has been conducting its statutory ERISA monitoring duties. From a prudent investor point of view, this data is more useful than the typical chronological “snapshot”, which can only illustrate relative investment performance on that particular day. IRPS considers the typical investment “snapshot” to be reflective of a historical period when computer memory was very expensive and rolling time periods of data would have been very expensive to produce.

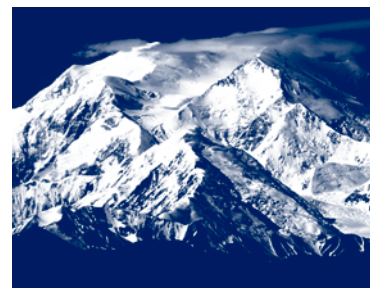
The Performance Landscape allows for a more comprehensive qualitative assessment against peer investment managers. It is also more accurate than comparisons of investment funds based on their investment objectives.

For further details on Performance Landscapes and other fiduciary issues, please contact us directly.

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## Example Aggressive Growth (Mid-Cap Growth)

## Morningstar Category Risk Ranking for 3 & 10 years is High, 5 years is Above Average

The performance box timeline uses quartile ranking within the investment Category to determine the consistency of the fund's performance relative to other funds within the Category. The timeline evaluates the ranking on a rolling quarterly basis for historical 1, 3, 5 and 10 year periods. A 1 is the greatest percentile ranking (the best) and the 100th percentile is the worst.

### 1 Year Period Ending

%ile Ranking	06/30/99	09/30/99	12/31/99	03/31/00	06/30/00	09/30/00	12/31/00	03/31/01	06/30/01	09/30/01	12/31/01	03/31/02	06/30/02	09/30/02	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03	03/31/04
1-25	X	X	X	X	X	X											X			
26-50																				
51-75																				X
76-100							X	X	X	X	X	X	X	X	X	X	X	X	X	X
	4/387	5/592	2/622	3/643	7/686	15/702	92/766	98/834	96/949	97/939	97/988	99/1022	98/1146	98/1136	98/1151	95/1192	8/713	5/719	60/765	66/784

### 3 Year Period Ending

%ile Ranking	06/30/99	09/30/99	12/31/99	03/31/00	06/30/00	09/30/00	12/31/00	03/31/01	06/30/01	09/30/01	12/31/01	03/31/02	06/30/02	09/30/02	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03	03/31/04
1-25	● X	● X	● X	● X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
26-50																				
51-75																				
76-100										X	X	X	X	X	X	X	X	X	X	X
	3/270	5/381	3/400	2/417	2/449	4/481	7/552	29/574	38/631	91/633	81/655	97/681	99/760	98/758	98/804	98/846	97/516	96/758	99/613	99/628

### 5 Year Period Ending

%ile Ranking	06/30/99	09/30/99	12/31/99	03/31/00	06/30/00	09/30/00	12/31/00	03/31/01	06/30/01	09/30/01	12/31/01	03/31/02	06/30/02	09/30/02	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03	03/31/04
1-25	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
26-50																				
51-75																				
76-100										X	X	X	X	X	X	X	X	X	X	X
	2/166	5/237	3/266	2/283	3/304	7/317	11/348	48/365	55/392	87/391	72/419	79/420	92/479	97/495	90/547	89/560	94/345	97/758	98/396	98/416

### 10 Year Period Ending

%ile Ranking	06/30/99	09/30/99	12/31/99	03/31/00	06/30/00	09/30/00	12/31/00	03/31/01	06/30/01	09/30/01	12/31/01	03/31/02	06/30/02	09/30/02	12/31/02	03/31/03	06/30/03	09/30/03	12/31/03	03/31/04
1-25							X	X	X	X	X	X	X	X	X	X	X	X	X	X
26-50																				
51-75										X	X	X	X	X	X	X	X	X	X	X
76-100																				
	N/A	N/A	N/A	N/A	N/A	N/A	2/114	13/116	16/126	72/121	48/121	59/125	79/158	82/156	82/167	84/170	85/102	82/758	80/726	81/734

Notes:  
1) Example: 70/175 means the fund ranks in the 70th percentile within Morningstar Category (for the time period measured) out of a universe of 175 funds.  
2) Any 3rd year cell containing only an "X" indicates alpha was a positive number and R squared was at 80% or higher.

▲ Represents a change in the fund management within the past quarter  
★ Represents Alpha = -0.01 - -2.00  
★ Represents Alpha = -2.01 - -5.00  
★ Represents Alpha = -5.01 or lower  
● Represents R squared lower than 80%