

The following factors are included in our evaluation of the underlying asset classes for selection:

- Average Annualized Investment Return
- Continuously Compounded Investment Return
- Impact on the Diversification Return of the Portfolio (How much of the return comes from where)
- Impact on the Normal Distribution of Returns for the Portfolio (Are the returns most often near the average with a standard normal distribution forming a bell curve)
- Standard Deviation of the Investment
- Level of Asset Class Exposure (Number of Holdings “true” to the asset class)
- Purity of the Investments Holding Philosophy
- Style Drift
- Annual Expense Charge
- Transaction Costs
 - Reconstitution Effect Cost
 - Market Impact Cost
 - Liquidity Cost
 - Turnover Cost
 - Momentum and Friction Costs
- Negative Correlation Effect to the Overall Portfolio
- Impact on Rebalancing
- Underlying Holding Considerations
 - Avoidance of Certain Classes
 - Foreign Stocks in Domestic Funds
 - ADR’s
 - Closed-End Investment Companies
 - Use of Regulated Utilities in Growth Strategies
 - Pricing Concerns
 - Recent IPO
 - Financial Difficulty
 - Bankruptcy
 - Merger/Tender
 - Significant Corporate Action
 - Trading Concerns
 - Number of Market Makers
 - Operating History
 - Limited Partnerships

Depending on the type of asset being evaluated or the portfolio objectives we may also look at:

- Taxability
 - Source of Returns (e.g. Dividends, Dividend Income, Short Term Capital Gains, Long Term Capital Gains, Appreciation)
 - Timing of Returns
- Fixed Income
 - Quality of Issues
 - Fixed vs. Variable Maturity Strategy
 - Average Maturity
 - Maximum Maturity
 - Foreign – Full hedge, no hedge, limited hedge
- International Equities
 - Excess Government Ownership
 - Foreign Ownership Limits
 - Exchange Listings
- Emerging Equities
 - Legal System
 - Contract Enforcement
 - Property Rights
 - Reasonability
 - Special Taxation of Foreign Investment
 - Repatriation of Capital
 - Organized Trading System
 - Sufficient Liquidity

We do not consider tracking error since we do not care to track an index, but rather desire to gain the exposure to the asset class.