

## **THE VALUE PORTFOLIO ...**

**... a different investment choice for 401(k) plan participants**

### ***The Portfolio Manager***

The portfolio is managed by Morningstar Investment Services, a provider of rating services and analytical research to the financial services industry. Morningstar provides two managed portfolios, a growth portfolio, “the Hare”, and a value portfolio, “the Tortoise.” The value portfolio is modeled on the Tortoise. Here is how Morningstar describes this portfolio:

“The portfolio has two goals: to outperform the S&P 500 Index and to generate positive returns regardless of the broad market environment. Companies in this portfolio tend to be large, moderate to low risk, and slow growing. We aim for all the companies to have an economic moat.”

### ***The Investment Strategy***

In order to achieve the fund’s objectives, the fund will consistently follow the strategy described:

- (1) Companies in the portfolio will have a lower P/E ratio than that of the overall market. Value issues are those that can be purchased at a lower price compared to their earnings than growth stocks. It is anticipated that the market will recognize these as undervalued issues, causing their share prices to rise.
- (2) Companies in the portfolio will have a lower share price relative to their book value (tangible or “hard” assets) than that of the overall market. Value issues are those that can be purchased at a lower price compared to their book value than growth stocks. It is anticipated that the market will recognize these as undervalued issues, causing their share prices to rise
- (3) Companies in the portfolio will usually have a wide economic moat. An economic moat is a competitive edge that keeps others from entering the firm’s turf. It may be the capital required to enter that business, intellectual property, economies produced by size, etc.) Companies with an economic moat have less market competition and greater control over their pricing.

**The current (December 31, 2013) portfolio:**

Holdings	Morningstar Ratings and Fundamentals			
	Fair Value	Current	Size of Moat	Morningstar Rating
Abbot Laboratories	\$40	\$37.18	Narrow	4
American Express	\$77	\$87.00	Wide	2
Automatic Data Processing	\$65	\$74.89	Wide	2
Berkshire Hathaway	\$143	\$112.40	Wide	4
CH Robinson Worldwide	\$66	\$52.39	Wide	4
Coca-Cola Co.	\$45	\$37.98	Wide	4
Enterprise Products Partners	\$73	\$65.72	Wide	4
Exelon Corp	\$42	\$29.44	Wide	5
Exxon Mobil Corp	\$97	\$90.57	Wide	4
General Dynamics	\$96	\$104.19	Wide	3
HCP Inc.	\$50	\$38.42	Narrow	4
ITC Holdings	\$98	\$100.42	Wide	3
Johnson & Johnson	\$94	\$90.04	Wide	4
Kinder Morgan Management	\$94	\$75.90	Wide	4
Lowe's Companies	\$47	\$46.07	Wide	3
Novartis AG	\$80	\$80.92	Wide	3
PepsiCo Inc.	\$88	\$80.22	Wide	4
TransCanada Corp	\$53	\$43.98	Narrow	4
Unilever PLC	\$45	\$39.11	Wide	4
Wal-Mart Stores	\$80	\$73.76	Wide	4
Wells Fargo & Co.	\$48	\$45.37	Narrow	3

**Expenses**

Because this is a Model portfolio, it carries none of the usual mutual fund sales commissions, selling concessions, administrative expenses and fund manager costs.

Through TD Ameritrade transaction costs are \$9.95 regardless of the number of shares, and BenefitWorks charges .0004583 monthly, or 55 one hundredths of one percent of assets annually to unitize the portfolio and maintain the daily NAV (net annual value, or share price) calculation. The average "no-load" managed mutual fund charges 1.4% of assets. Mutual funds purchased through insurance companies or banks may have additional fees.