Asset Classes

Market Capitalization
Market capitalization is generally associated with the size of the companies in which the fund invests. It is calculated by multiplying the total number of a company's shares by the current price per share. The general guidelines for market capitalization are as follows. Please note that these guidelines may vary among mutual funds.

**Large-cap**: This generally refers to the stock of companies with market capitalizations over $10 billion. These seasoned companies, sometimes referred to as “blue-chips” in the U.S., often have long histories of solid returns. Large-cap stocks tend to be relatively stable compared with other stocks, but like all stocks, they have the potential for volatility.

**Mid-cap**: With market capitalizations that generally range between $2 billion and $10 billion, these stocks can be more volatile than large-cap stocks, but have the potential for higher relative returns.

**Small-cap**: Small-cap generally refers to the stock of companies with market capitalizations of less than $2 billion. Since companies in this category often are new companies with short histories, they can have the highest degree of risk, but have the highest potential for growth.

Investment Style
The term “style” can be used to describe which stocks are selected for a given fund:

**Growth funds** hold stocks of companies that the fund manager believes will have better revenue and profit growth than the overall market. This type of fund may be appropriate for investors who are willing to pay a premium for growth stocks because they believe the companies can sustain the growth, and that their stock prices will continue to rise over time.

**Value funds** concentrate on stocks of companies that the fund manager believes to be currently undervalued in the markets. The managers buy the stock at what they believe to be less than the true value, with the expectation that the price will rise.

**Blend or core funds** generally invest in a combination of growth and value stocks.

International Investing
Many of the investments in the Plan are domestic, that is, they invest in companies located in the U.S. You may also want to consider foreign investments. International investing offers an opportunity to share in the potential growth of nations around the world, including some emerging market nations that are just beginning to realize their potential. Diversifying among a number of countries can help reduce the risk caused by a downturn in any one economy or market.

Funds that invest in foreign securities are classified as follows:

**International**: These funds invest in companies located outside the U.S.

**Global**: These funds invest in companies located anywhere in the world, including the U.S.
**Money Market**: Money Market funds invest in short-term cash instruments with the objectives of principal preservation and liquidity. Money Market funds are not designed for long term investing; rather, they are suited for short-term holdings and near term planning needs. While Money Market funds pay interest, the interest level is a function of market forces and is most closely tied to short-term government issued securities.

**Bonds**: Mutual funds that contain bonds are referred to as bond funds. There are many different kinds of bond funds, depending on the maturity and rating of the bond holdings. Some bond funds may be short-term; other bond funds may be mid to longer term in design. Short-term bond funds tend to be less risky than long-term bond funds, but the duration must also be combined with the bonds' ratings to achieve an overall risk/return profile. Some bond funds are more risky because they are issued by companies or institutions that do not have as strong a financial position as others. Those bonds will pay a higher interest rate as a result, but carry more risk than higher rated bond funds.

**Specialty funds**: Many different types of specialty funds exist in the market today. One such class includes Real Estate funds, which are designed to invest in real estate holdings. These holdings may be in the US or in other nations, depending on the objective of the fund itself. Real Estate funds tend to have a higher degree of risk than a broad-based diversified stock fund since they are focused on just one sector within the overall economy. As with all funds bearing a greater degree of risk, the potential for growth is substantial.