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Directed Account Plan Year-End Review

January 2013

A Model of Models Approach to Investing

ver the years, the Directed Account Plan Model Portfolios have consistently been a popular choice for our participants. With over a third of the DAP participants invested in these Options, I thought this would be a great time to talk about the idea of using a combination of these four models to creat a more individualized retirement investment portfolio.

These options were developed in 1993 to simplify the individual investor's asset allocation decision. Participants have a choice of four diversified balanced portfolios created by expert investment advisors. Each portfolio has a target asset allocation of the DAP Core Options appropriate for four different levels of risk – Retirement, Conservative, Moderate and Aggressive. On pages 2 and 3 of this issue, you will find a summary of all of the DAP Core Options and Model Portfolios.

We all have unique risk tolerance levels and varied investment horizons that determine our proper asset allocation to domestic stocks, international stock, fixed income and bonds. The Models alone are sufficient to satisfy the needs of most participants in meeting their investment objectives. However, for those that want to fine tune their investment plan, I'd like to present the concept of creating your unique blend of the four model portfolios – what I call a "model of models" portfolio.

To illustrate this concept, I have developed 3 sample blends and plotted them on a Risk/Return Graph using historical monthly returns from July 1993 to November 2012. The first blend is a simple allocation of 50% to the Retirement Model and 50% to the Conservative Model. A participant who wants to lighten the risk of the Conservative Model may feel more comfortable with this blend versus the Retirement Model. The second blend is an allocation of 50% to the Conservative Model and 50% to the Moderate Model. This blend allows the participant to slightly increase the risk of the Conservative Model in hopes of achieving more return without taking on all of the risk associated with the Moderate Model. The third blend is an allocation of 50% to the Moderate Model and 50% to the Aggressive Model. This blend creates an investment choice for a participant that is most comfortable with a risk level in between the Moderate and Aggressive Models. As you can see in the graph below, by creating blends of the Model Portfolios, an investor has more ways to manage and balance risk and return.

This "model of models" approach to investing is particularly helpful in adjusting risk as a participant moves through the investment phases of life. In the asset accumulation phase, the young investor has time to overcome market fluctuations so financial advisors typically recommend more aggressive-type investment vehicles. Historical market returns suggest that higher risk leads to higher returns over the long run. However, the Aggressive Model may be too aggressive so the Moderate/Aggressive Blend may be the solution for this type of investor. In the asset preservation phase, the investor is approaching the retirement years so the investment horizon is shorter and there is less time to recover from market downturns. Therefore, financial advisors usually recommend a Conservative to Moderate allocation. A carefully constructed Model Blend allows this investor to pinpoint the desired risk tolerance as investors have varying comfort levels in this phase. Moving into the asset distribution phase, the investor needs to adjust the level of risk to ensure capital preservation. At this point in life, there is less time to risk money and the investor needs to factor in inflation risk. A Retirement/Conservative Blend provides another choice to

conserve retirement portfolios during this investment phase.



Taking this approach a step further, each investor can create their own customized blend of the Models to achieve their specific investment objective. Rather than using a simple 50/50 allocation, perhaps a 30/70 makes more sense for you. Time spent understanding this concept, analyzing the Risk/Reward Graph and evaluating your own personal risk tolerance level can help you manage your retirement assets throughout your life.



Reviewing the DAP Investment Options - performance as of 12/31/12

THE MODEL PORTFOLIOS - The model portfolios have been created for the participant who does not want to determine his or her own account asset allocation. The DAP Board of Directors has provided an appropriate asset allocation of the DAP investment options based on varying degrees of risk. Rebalancings occur periodically to maintain the target allocations for the options and models.

Retirement Model Portfolio Growth of \$10,000 Performance This model is designed for the retiree or participant 20 60000 60000 who desires current income and preservation of 54000 54000 5.85 3.79 purchasing power and to a lesser degree, to lessen 48000 48000 42000 42000 currency risk. The target allocation is 80% in the Stable 0.610.41 36000 36000 Value Option, as an inflation hedge, 10% in the Equity 30000 30000 24000 24000 Index Option, 5% in the Value Stock Option and 5% in 18000 \$11,205 18000 the International Stock Option to help guard against 12000 12000 currency risk. 6000 6000 1 month 1 year Dec-12 Retirement Model Retirement Composite Index The Retirement Model started in May 2010 **Conservative Model Portfolio** Growth of \$10,000 Performance 20 r This model is designed for the retiree or participant 60000 60000 54000 54000 10 48000 48000

60000

54000

48000

42000

36000

30000

24000

18000

12000

6000

Jul-93

Jan-97

who desires income and capital preservations. The target allocation is 60% in the Stable Value Option as an inflation hedge, 20% in the Value Stock Option and 20% in the Equity Index Option.



Growth of **\$**10,000



Performance

7.72 7.11

12.<u>12</u>10.92

10

10

-20

20

10

-10

-20

10

-20

7.66

2.70 1.72

3 year 5 year 10 year

Moderate Composite Index

Moderate Model Portfolio

Aggressive Model Portfolio

This model is designed for the majority of the participants to provide a balanced long-term asset allocation. The objective of this portfolio is capital growth and income. The target allocation is 35% in the Stable Value Option, 15% in the Value Stock Option, 15% in the Equity Index Option, 15% in the Growth Stock Option, 10% in the International Stock Option and 10% in the Diversified Small Co. Stock Option.

Jan-01 Jan-05 Jan-09

Moderate Model

1 month 1 year

.44 1 18

20

10

-10

-20

50000

54000

48000

42000

36000

30000

24000

18000

12000 6000

Dec-12





THE INVESTMENT OPTIONS - The DAP Board of Directors applies their investment expertise and careful analysis to select a diversified group of managers that fit the objective for each of the following investment options.

Stable Value Option

This option is designed to provide investors with a return comparable to that of high quality bonds with less volatility. It invests in a combination of traditional investment contracts, security-backed investment contracts, actively managed bonds, CDs and cash. The benchmark is the BC 1-3 Year Govt./Treasury Index.



This model is suitable for younger participants and

those who are willing to accept more risk and higher

volatility in their investments. The objective of this

allocation is 20% in the Stable Value Option, 15%

in the Value Stock Option, 15% in the Equity Index

Option, 15% in the Growth Stock Option, 15% in

the International Stock Option and 20% in the

Diversified Small Co. Stock Option.

portfolio is capital accumulation. The target

Growth of \$ 10,000

\$42.276

Value Stock Option

This option is designed to provide long-term growth of capital and may include a range of value investment managers. These value managers look for large or mid-cap stocks that are undervalued in the marketplace in relation to factors such as the company's assets, sales, earnings, book value, growth potential, cash flow, or in relation to securities of other companies in the same industry. The benchmark is the Russell 1000 Value Index.

Equity Index Option

This option is designed to provide a return similar to the Russell 3000 Index. The target allocation is 100% in the BlackRock U.S. Equity Index. The investment manager attempts to replicate the investment results of the target index by holding all, or in the case of a very broad index, a representaive sample of the index. The benchmark for this option is the Russell 3000 Index.

Growth Stock Option

This option is designed to provide capital appreciation and may include a range of investment managers who invest in the stock of companies that produce high earnings or have the potential to generate earnings growth in the future. The benchmark for this option is the Russell 1000 Growth Index.

International Stock Option

This option is designed to provide long-term growth of capital through a diversified portfolio of world securities. Investment is in common stocks of foreign and some U.S. companies. Funds in this category involve great risk and the risk of currency fluctuation. The benchmark for this option is the MSCI EAFE Net Dividend Index.

Growth of \$10,000

Jan-01



Growth of \$10,000

Jan-01

Jan-05



Jan-05

Jan-09





Performance

12.73 12.25

1 month 1 year 3 year 5 year 10 year

Div Sm Co Stock Russell 2000 Total

.429.72

10

-20

19.27 16.35

1.86 3 56

-10

Diversified Small Co. Stock Option

This option is designed to provide capital appreciation and contains portfolios that typically include growth and value stocks of small to medium companies. Funds in this category tend to be more volatile than other equity investments. The benchmark for this option is the Russell 2000 Total Index.

HEADS UP JANUARY 2013

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Growth of \$10,000

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.lan-05



Performance



Jan-01

17.54 17.51 20 7.62 7 38 10 .28 2.07 0 59 -072 -10 10 ⁻²⁰ 1 month 1 year -20 3 year 5 year 10 year Value Stock Russell 1000 Value



Performance





60000

54000

18000

12000

36000

30000

24000

18000

12000

5000

Dec-12

60000

54000

18000

42000

36000

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Dec-12

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24000

18000

12000

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Dec-12

60000

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48000

42000

36000

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24000

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12000

5000

Dec-12

\$55.381

Jan-09

\$48,860

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\$44.662

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60000

54000

48000

42000

36000

3000

2400

1800

1200

600

60000

54000

48000

42000

36000

30000

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42000

36000

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42000

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12000

Jul-93

Jan-97

Jul-93

Jan-97

Jul-93

Jan-97

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Jan-97

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Performance as of 12/31/12 Performance



Directed Account Plan Year-End Review

2012 Directed Account Plan Expense Overview

The information below is based on un-audited actual expense numbers in addition to estimates of investment manager fees for 2012. The basis points listed below are not charged directly to you but taken as an adjustment to the daily NAV of each DAP Option.

Average Plan Assets in 2012	\$735,310,767
Total Operating Expenses (Recordkeeping, Trustee, Administration, Personnel, Communication)	\$811,633
Operating Expenses as a percent of assets	11
Approximate Investment Manager Fees *	35
Other Mutual Fund Expenses **	5
Total DAP Fees and Expenses as a percent of assets -	51 basis points

* mutual fund investment management fee average ** includes mutual fund transaction fees, 12b-1 fees, administrative fees, and all other asset-based costs incurred by the funds. Does not include transaction costs of participant activity, which is reflected in each BlackRock NAV, lowering BlackRock fund performance. Basis Point - one basis point is equal to 1/100th of one percent.

2012 Directed Account Plan Expense Ratios

	Option *** (Basis Points)	Morningstar Average (Basis Points)
Stable Value Option	34	n/a
Value Stock Option	92	89 Large Value 101 Mid Value
Equity Index Option	17	n/a
Growth Stock Option	86	97 Large Growth 109 Mid Growth
International Stock Option	• 112	159
Div. Small Co. Stock Option	89	106
Retirement Model	39	61^
Conservative Model	42	62*
Moderate Model	61	77*
Aggressive Model	• 70	97*
*** expense ratio includes operating e	xpenses and investment man	ager fees. Revised on 2/19/13

*** expense ratio includes operating expenses and investment manager fees.

* from Morningstar model portfolios

^ from an advisor recommended asset allocation model

Summary of 2012 Manager Changes

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New Funds Added	Option	Date
Sequoia Fund	Value Stock Option	1/23/12
JP Morgan Equity Income R6	Value Stock Option	3/21/12
MFS International Value	International Stock Option	10/1/12
iShares Russell Mid-Cap Growth ETF	Growth Stock Option	12/18/12
Funds Terminated	Option	Date
CGM Focus	Value Stock Option	1/17/12
Third Avenue Small Cap Value	Div. Small Co. Stock Option	3/6/12
JP Morgan Equity Income R5	Value Stock Option	3/21/12
American Century Intl. Discovery	International Stock Option	8/14/12
Turner Mid Cap Growth	Growth Stock Option	11/29/12
Marsico Intl. Opportunities	International Stock Option	12/5/12

et Value

Fund Component Weighting

This table represents component weightings for individual investment funds as of December 31, 2012.

	Weight- ings	of Funds (\$MM)
Stable Value Option		\$276.6
BlackRock Instl. Money Market Fund/C	Ds 14%	
Invesco Interest Income	46%	
Wellington Core Bond	40%	
Value Stock Option		25.8
BlackRockValue Index	20%	
Neuberger Berman Large Cap Value	20%	
T. Rowe Price Value	20%	
JP Morgan Equity Income	15%	
Goldman Sachs Mid Cap Value Instl.	15%	
Sequoia	10%	
Equity Index Option		16.6
BlackRock US Equity Index	100%	
Growth Stock Option		18.7
BlackRock Growth Index	20%	1017
Marsico Focus	20%	
T. Rowe Price Growth Stock	20%	
Primecap Odyssey Growth	20%	
Wellington Mid Cap Opportunities	10%	
iShares Russell Mid-Cap Growth ETF	10%	
International Stock Option		15.1
BlackRock EAFE Index	34%	
Templeton Instl. Foreign Equity	12%	
Thornburg International Value	12%	
Am Century International Growth	10%	
MFS International Value	10%	
Dimensional Emerging Markets Value	8%	
TCW International Small Cap	8%	
Royce Global Value	6%	
Diversified Small Co. Stock Optic	on	28.4
BlackRock Small Co. Index	35%	
Dimensional US Micro Cap Portfolio	15%	
Royce Opportunity	15%	
Brown Capital Mgmt. Small Co. Instl.	15%	
Buffalo Small Cap	10%	
Lockwell Small Cap Value	10%	
Retirement Porfolio		17.8
Conservative Portfolio		70.0
Moderate Portfolio		168.8
Aggressive Portfolio		21.3
Fidelity Funds Window		\$721.7
lotal		\$721.7

More Information and Plan Contacts

To get daily NAVs, account balance information, or to make transfers, you may call the DAP Service Center telephone voice response system, available 24 hours a day. Customer service representatives are available 8:30 a.m. to midnight Eastern time Monday through Friday (excluding New York Stock Exchange holidays). Call 1-877-4TWADAP (1-877-489-2327) or dial the AT&T direct country code and 877-833-9900 (call collect) outside the U.S. Use your Social Security number and PIN to access your account.

The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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Directed Account Plan 3221 McKelvey Road, Suite 105 Bridgeton, MO 63044-2551 314-739-7373 Informational Web Site: www.dapretirement.com

Interactive Web Site: www.401k.com