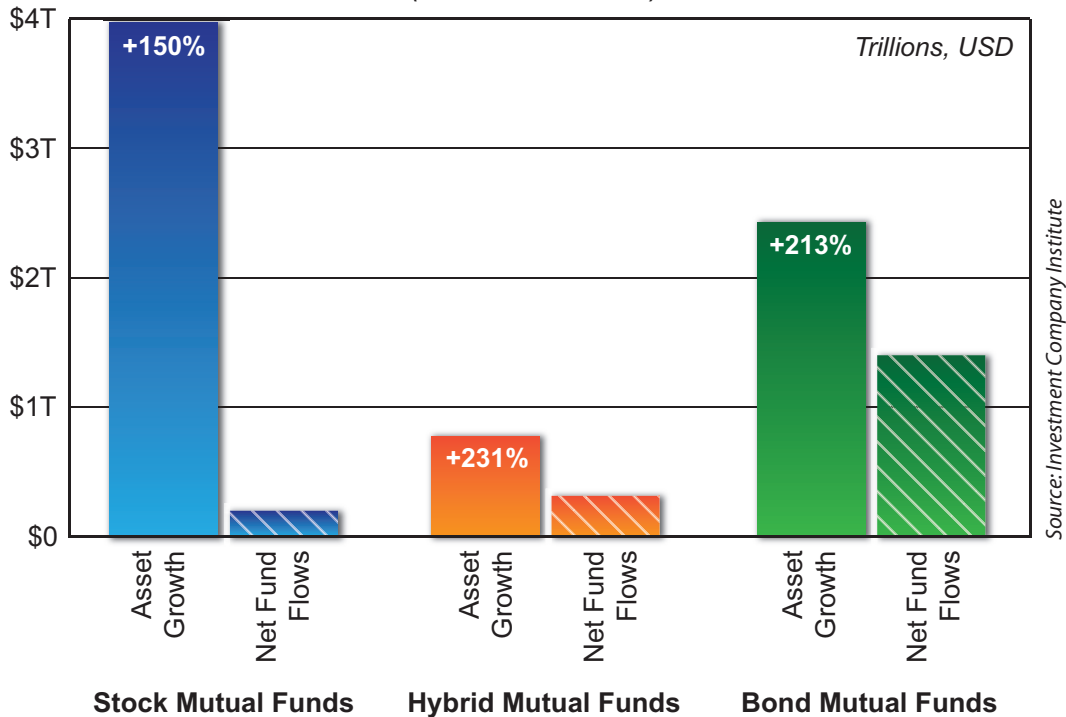


# People's Interest In Hybrids Extends Beyond Cars

## Mutual Fund Asset Growth & Net Fund Flows

(12/31/02-4/30/13)



### View from the Observation Deck

1. Hybrid automobiles utilize both an electric motor/battery source and a combustible engine to generate the power needed to operate the vehicle.
2. Hybrid mutual funds primarily utilize stocks and bonds to generate returns.
3. The time period in the chart was chosen to capture investor sentiment following the end of the "tech bubble" bear market in stocks (October 2002) through April 2013.
4. What the data shows is that hybrid mutual funds, on a percentage basis, posted a higher rate of asset growth than did stock and bond mutual funds.
5. Bond mutual funds, however, reported the highest net inflows. Here is that breakdown: Bond Mutual Funds (\$1.4 Trillion); Hybrid Mutual Funds (\$312.6 Billion); and Stock Mutual Funds (\$197.7 Billion).
6. The key asset classes for this comparison performed as follows (cumulative total returns): S&P 500 (+123.8%); Barclays Capital U.S. Aggregate Index (+67.2%); and Barclays Capital U.S. Corporate High Yield Index (+187.4%).
7. While it is difficult to ascertain the exact reasoning behind why investors allocate capital the way they do at any given time, one could make a simple case here that less equity exposure was the goal.
8. Now that interest rates appear to have bottomed and investors are focused on the Federal Reserve's exit strategy from its quantitative easing initiatives, will capital shift out of bonds and into hybrids or stock funds to boost exposure to equities?

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.*