

WHY INVEST IN
STABLE VALUE FUNDS?

100 Bank Street, Suite 800
Burlington, Vermont 05401
(802) 383-4000
www.dwight.com

STABLE VALUE FUND OBJECTIVES

Stable Value Funds Seek to Provide:

- ◆ Principal preservation
- ◆ Higher returns than a money market fund
- ◆ Lower risk than a bond fund
- ◆ Higher credit quality and issuer diversification

WHAT IS STABLE VALUE?

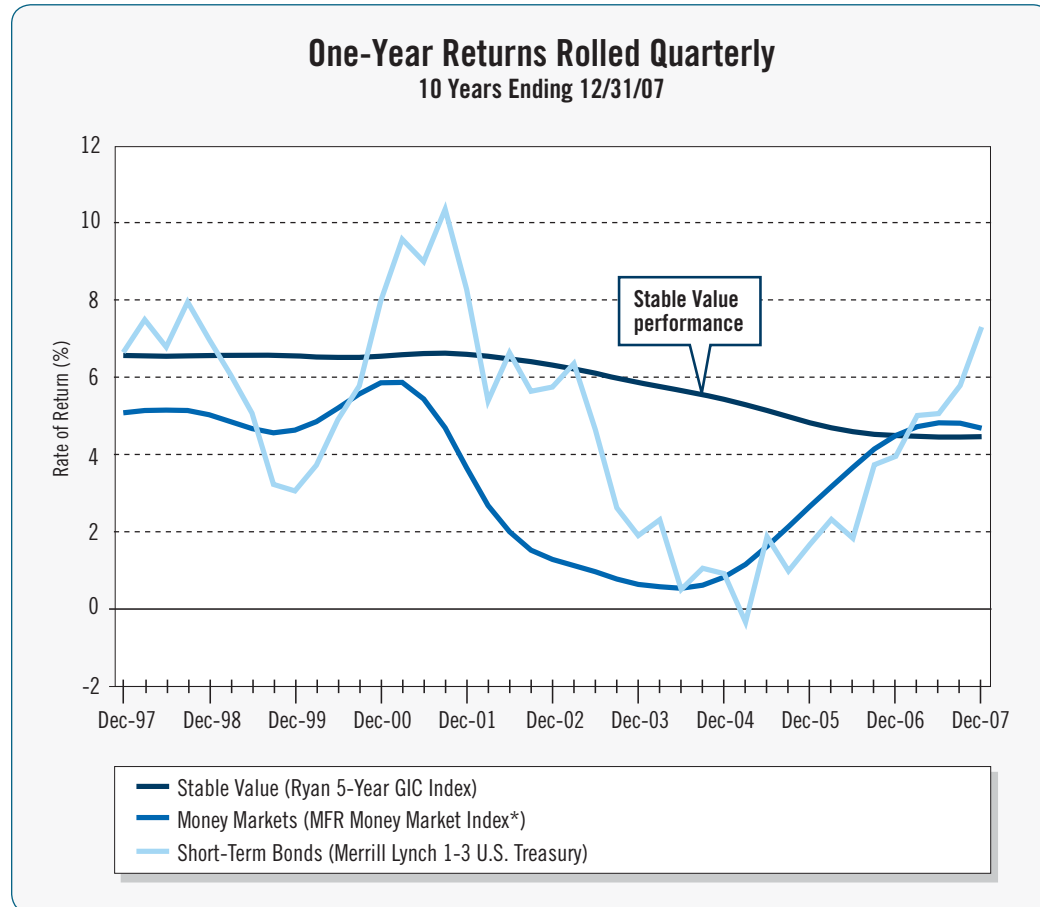
Stable value funds seek to provide stable returns across market cycles

Stable value is a conservative fixed income investment vehicle that seeks to provide capital preservation and a relatively stable rate of return.

Stable value investments are intended to earn interest income comparable to that of intermediate-term, high-quality fixed income securities, with lower risk for loss of principal.

The primary objectives are:

- capital preservation;
- issuer and reinvestment diversification;
- real return that remains relatively stable; highest yield consistent with risk tolerance.

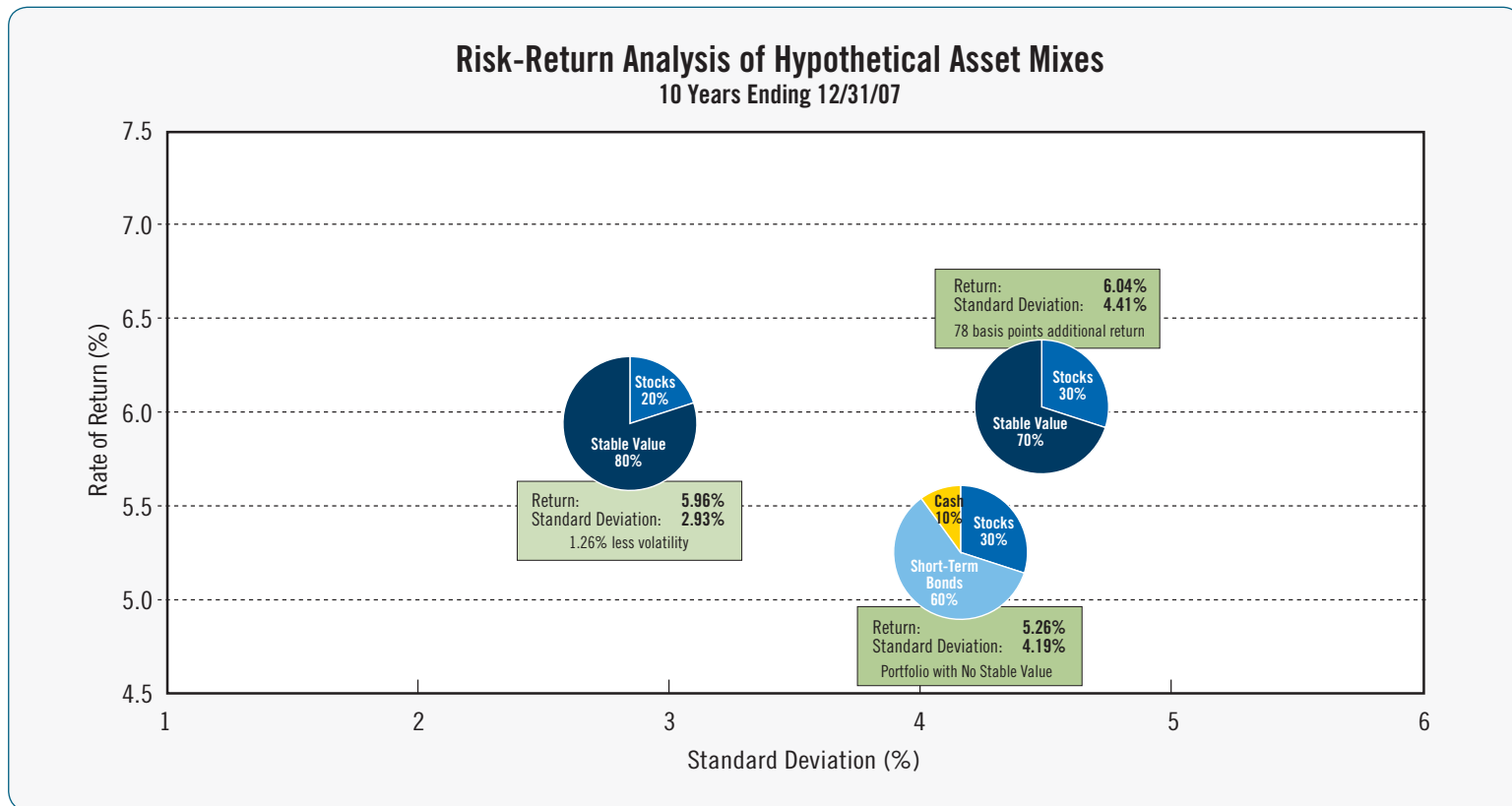


Past performance is no indication of future results. Investment returns will fluctuate. Indices are unmanaged and not available for direct investment. Index returns do not reflect deduction of investment advisory fees. See last page for definitions of indices.

* The MFR Money Market Index is the all-taxable money fund report average, a product of iMoneyNet, Inc., and is presented net of certain fees and expenses.

WHY INVEST IN STABLE VALUE?

In a conservative asset mix, replacing short-term bonds or cash with stable value may result in achieving a comparable return with less risk, or a higher return with comparable risk.



Past performance is no indication of future results. Asset mixes are purely hypothetical. Stocks, bonds, cash, and stable value are represented by the S&P 500 Index, Merrill Lynch 1-3 Year U.S. Treasury Index, MFR Money Market Index, and Ryan 5-Year GIC Index respectively. Indices are unmanaged and not available for direct investment. Index returns do not reflect deduction of investment advisory fees.

Standard Deviation measures the degree to which an individual observation in a probability distribution tends to vary from the mean (average, expected value) of the distribution. In terms of performance, it indicates the volatility of a portfolio's total return as measured against its average return.

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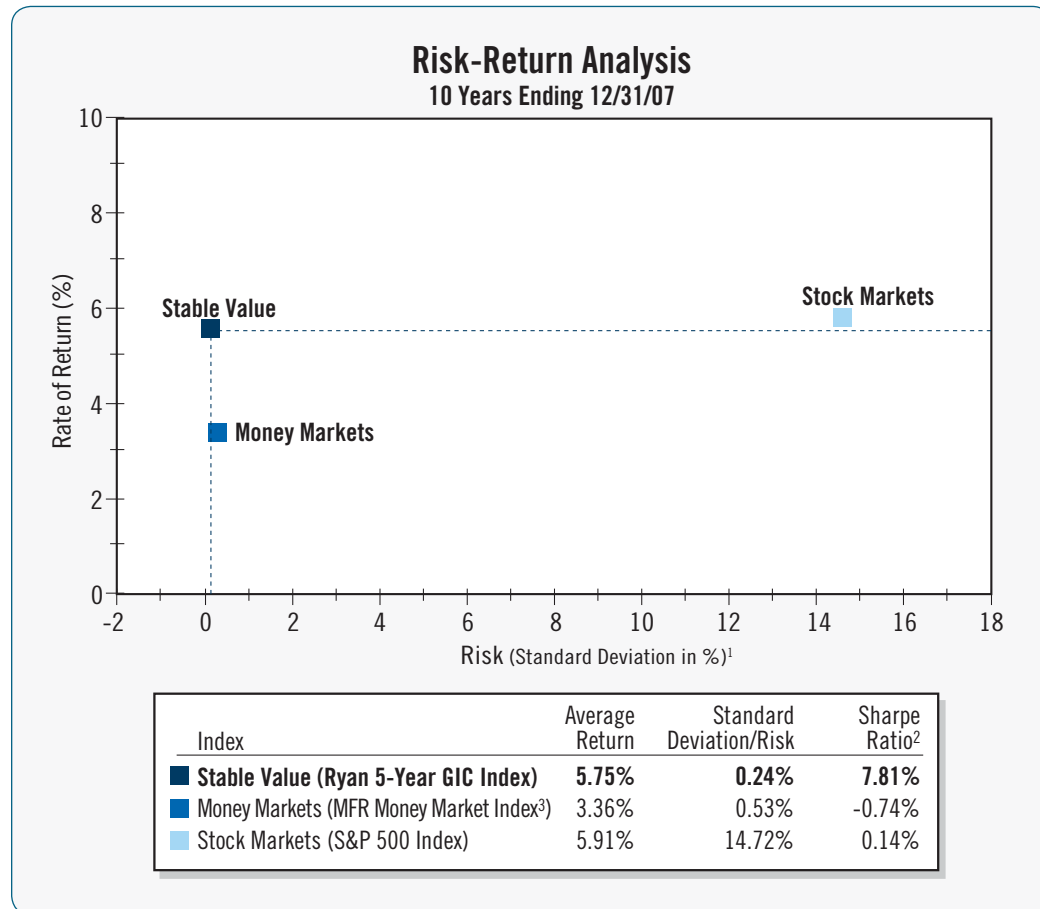
STABLE VALUE VERSUS OTHER ASSET CLASSES

Stable value offers attractive risk/return characteristics

Stable value can be an important asset allocation tool.

As you can see in the risk return analysis to the right, stable value's high average annual return combined with stable value's low risk (standard deviation) has created higher risk-adjusted performance.

Stable value has historically produced high risk-adjusted returns and has helped to diversify equity risk exposure.



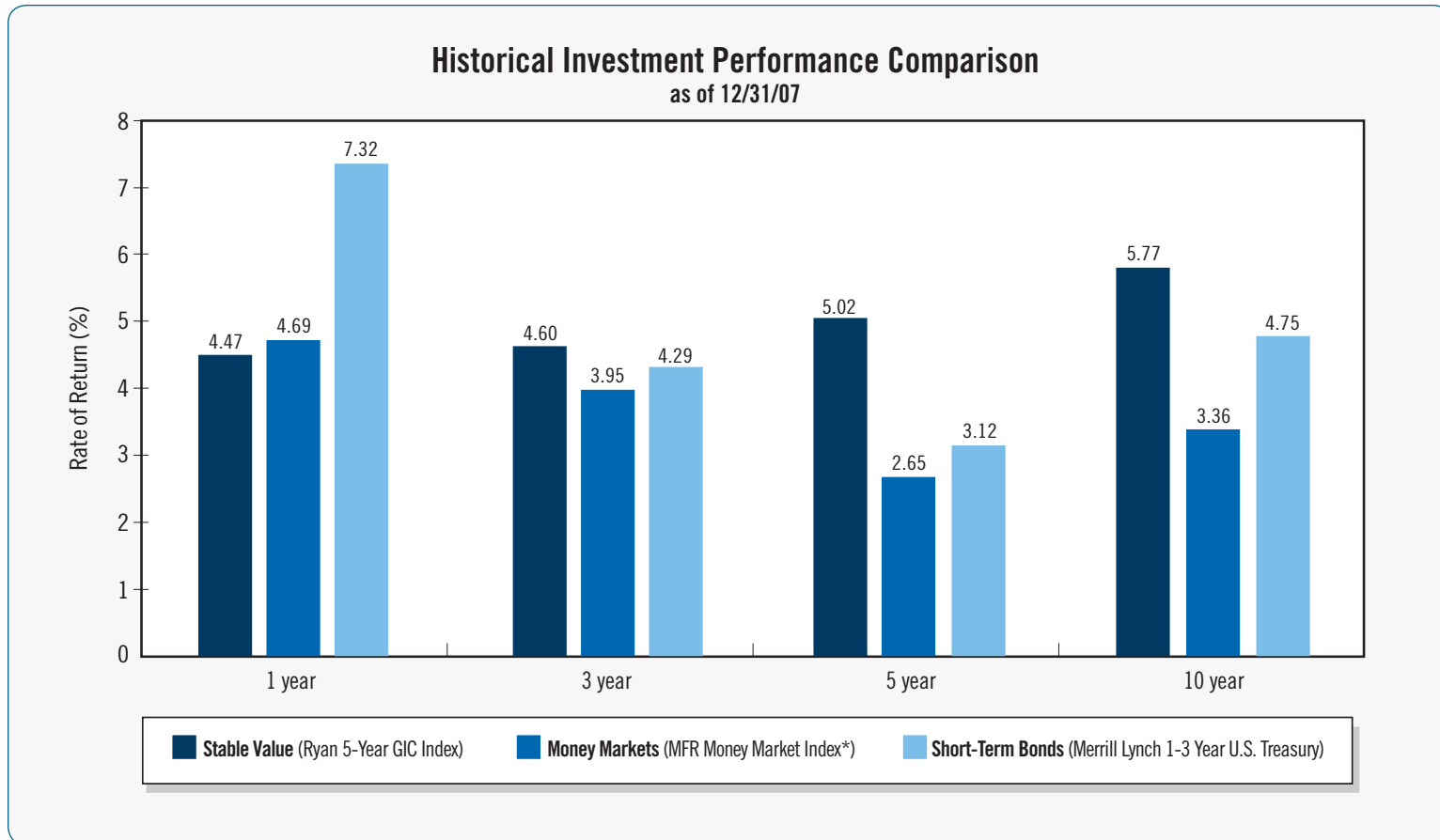
1. Standard Deviation measures the degree to which individual observations in a probability distribution tend to vary from the mean (average, expected value) of the distribution. Approximately 2/3 of the observations in a series fall within one standard deviation of the mean. In terms of performance, it indicates the volatility of a portfolio's total return as measured against its average return.

2. Sharpe Ratio is the risk-adjusted return calculated by dividing the return premium by the standard deviation. This indicates the historical reward for taking on the additional risk associated with an investment. The risk-free rate used in calculation of these Sharpe Ratios is the Merrill Lynch 90-Day U.S. Treasury Bill Index. Past performance is no indication of future results. Indices are unmanaged and not available for direct investment. See last page for definitions of indices.

3. The MFR Money Market Index is the all-taxable money fund report average, a product of iMoneyNet, Inc., and is presented net of certain fees and expenses.

STABLE VALUE PERFORMANCE

Stable value has provided higher returns historically than money market and short-term bond indices.



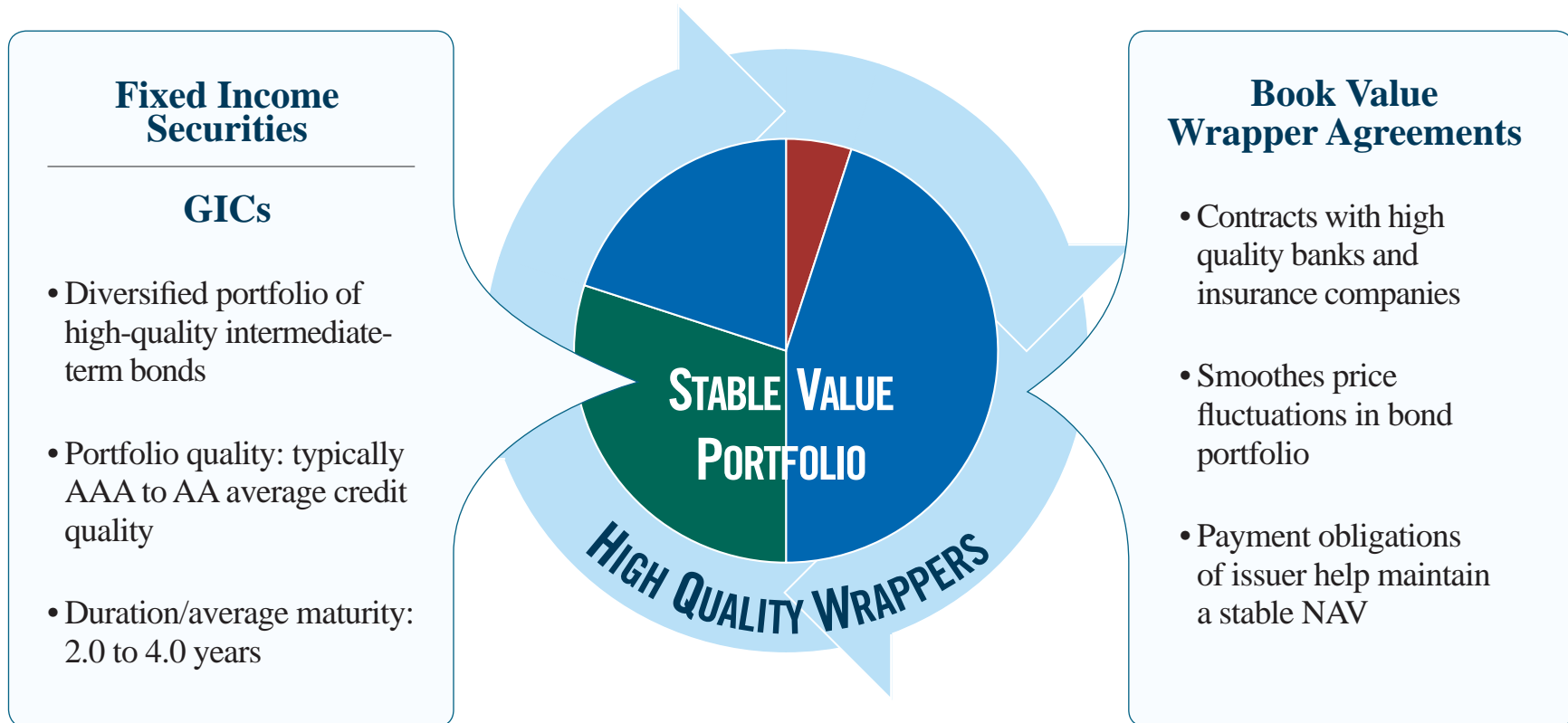
Index returns are presented for informational purposes. Investors may not invest directly in these indices. Index returns do not reflect deduction of investment advisory fees. Past performance is no guarantee of future results.

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HOW STABLE VALUE WORKS

Stable value portfolios consist of GICs and high-quality bonds combined with wrapper agreements designed to maintain a stable net asset value (NAV).

Portfolio Construction



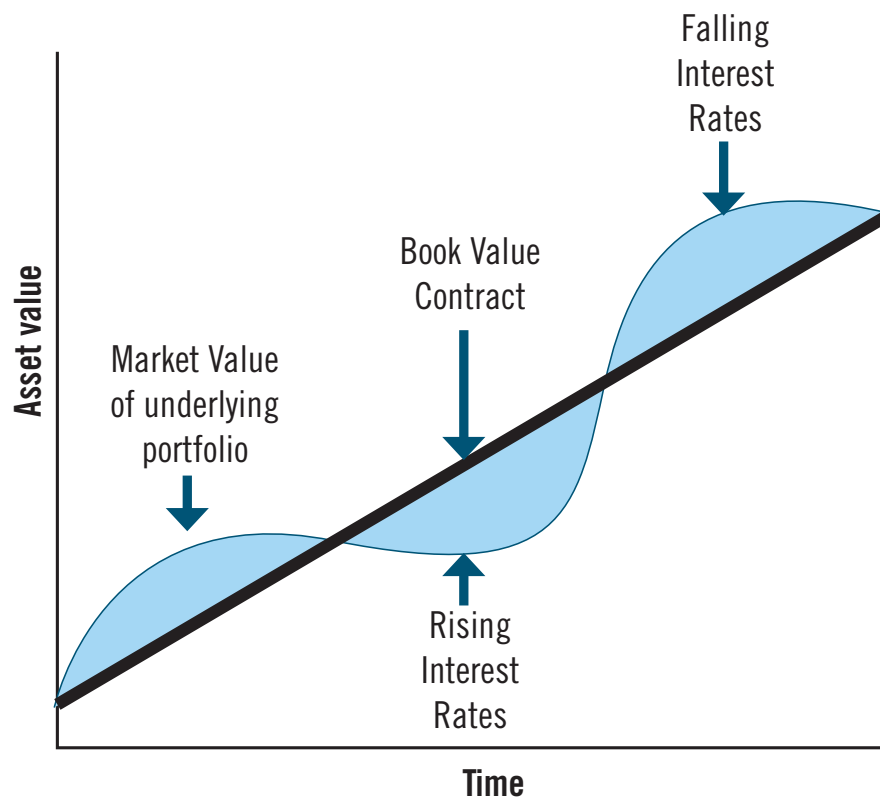
HOW STABLE VALUE WORKS

Wrapper contracts smooth out market fluctuations

Wrapper agreements are designed to help preserve principal and provide a stable crediting rate as identified by the solid, bold line.

The wrap agreement's crediting rate formula is designed to provide a stable return during rising or falling interest rates. The agreements smooth the impact of fluctuating interest rates and bond prices by amortizing the gains or losses over the duration of the portfolio.

The smoothing function allows the stable value portfolio yield to track the general direction of interest rate changes without the day-to-day price volatility of traditional bond portfolios.



■ **Wrap Value:** Book Value - Market Value

STABLE VALUE INVESTMENT VEHICLES

Commingled Fund

A fund that combines unaffiliated plans into one large group to purchase GICs and other stable value products. These funds may also be referred to as pooled funds, bank pooled funds, or collective funds.

Separate Account

A separately managed account is specifically designed for plan participants within a particular plan. The investment contracts are negotiated to accommodate the deposit and withdrawal needs of plan participants investing in the fund.

CONCLUSION

- ◆ **Historically, under the majority of interest rate scenarios, stable value funds have outperformed money market funds and short-term bond funds.**
- ◆ **Stable value has provided higher returns than money market funds without the return volatility of bond funds.**

APPENDIX—DEFINITIONS OF INDICES

The **Merrill 1-3 Year Treasury Index** is composed of U.S. Treasury securities with maturities between 1 and 3 years. This index typically has a duration of between 1.5 and 2.0 years.

The **Merrill Lynch 90-Day U.S. Treasury Bill Index** is composed of a single 90-Day Treasury bill issue that is replaced on a monthly basis.

The **MFR Money Market Index**, the all-taxable money fund report average, a product of iMoneyNet, Inc., is constructed from historical yield data for over 900 taxable money market funds. Monthly returns are calculated based upon the average 30-day compound yield of the funds in the universe.

The **Ryan 5-Year GIC Index** is a stable value benchmark calculated from the rolling yields on a hypothetical portfolio of high quality guaranteed investment contracts. The index is constructed by Ryan Labs, Inc., from market data provided by contract issuers. This index has a duration of 2.5 years. The returns of the index are provided as a proxy for stable value returns. At present, there are no widely accepted benchmark indices representing the returns of wrapped fixed income investments.