Portfolio Reporting Standards for Short Positions and Derivatives

April 17, 2007

This notice is for the investment managers, transfer agents and custodians who send portfolio reports to Morningstar.

In August 2006, Morningstar announced a plan to identify and classify futures, forwards, and short positions that were held by mutual funds and other managed products. In December 2006, Morningstar announced that swaps and options would also be included in this roll-out. The first phase of this initiative involves standardizing how these positions are reported to Morningstar, and the second planned phase is to update portfolio statistics to better reflect the exposures provided by these positions. The new statistics will be available for current and historical portfolios starting at the end of August 2007.

Attached is documentation about Morningstar's standardized global portfolio template, which illustrates how portfolio files should be organized in order to ensure that Morningstar can process files in a timely and accurate manner. The structure of the template is the same—we are just providing more detail about how to report these particular types of positions. Providers may adopt this template right away, or you may wait until August 2007 month-end reporting.

Derivatives and short positions are becoming more prevalent in many different investment portfolios. Morningstar noticed that there were inconsistencies in how these positions were reported, and many of our calculations placed these positions in "other" or looked only at the long side of the portfolio. We are asking investment managers and custodians to report these positions in a consistent format so that our statistics will be comparable across the board.

Morningstar will then incorporate these positions into our portfolio statistics. Morningstar will calculate a portfolio's asset allocation breakdown on a long, short, and net basis. And, we will allocate each derivative according to its exposure, e.g., a Treasury bond futures position will be included in the bond portion of the asset allocation breakdown and in the US Treasury portion of the bond sector breakdown. Please see the methodology document entitled *Shorts and Derivatives in Portfolio Statistics* for more detail on how these positions impact Morningstar's statistics. Morningstar will also be creating customer-friendly educational pieces about short positions and derivatives for next spring when this data is set to launch in products.

Portfolio Reporting Standards for Short Positions and Derivatives

The attached standardized global portfolio template goes into detail about how all these positions should be reported. Here is a brief overview:

Short Positions

Short positions should be reported with a negative market value and negative number of shares. Please use the same identifiers you would use for a long position in that security.

Please report any cash proceeds from short positions, i.e., the deposits with the broker and the custodian for securities sold short. Please use the identifier CASH for these positions. Failure to report the cash collateral will result in an incorrect total market value for the portfolio, which will likely inflate portfolio statistics. This can be a separate line item (e.g., security description "Cash collateral from short sales"), or it can be included in a generic "Cash and Equivalents" position. Either way, the cash is an asset of the fund and should be captured somehow.

Futures and Forward Contracts

The reported market value for a futures contract should reflect the size of the underlying position. This is often called a bond-equivalent or stock-equivalent value or the full economic exposure, and it is measured as the product of the number of contracts, the contract size and/or multiplier, and the futures price. For forward contracts, report market value in a similar way to illustrate the economic exposure of the position.

- For example, the contract size on a Eurodollar futures contract is $1,000,000 and a common reporting convention is to divide this amount by four to reflect the three-month length of this contract. Therefore, the market value is # contracts x contract size ($1,000,000/4) x price/100.
- Please do not report the daily mark-to-market gain or loss or the accumulated gains/losses since contract inception as the market value.
- An equal and offsetting cash position should accompany each futures contract (identifier FUTCA) so that the sum of both positions is zero (the market value after the daily mark-to-market). Please use identifier FWDCA for the cash offset for a forward contract. Cash offsets can be stand-alone line items or combined into other "Cash and Equivalents" positions in the fund.
- Futures contracts should be identified with the exchange identifier for that contract, e.g. EMH7 for the March 2007 one-month LIBOR contract.

Options

Morningstar requests that funds report delta-adjusted exposure for long or short options. This applies to all types of options—options on equities, indexes, currencies, interest rates, futures, etc.—and warrants. This represents the amount you'd need to hold in the underlying asset, accompanied by some cash, to replicate the performance of the option. The size of this position does a better job capturing the full risk of the option, rather than relying on market value alone.

Options (continued)

- For example, if a stock is trading at $80 and the delta of a call option on that stock is 0.70, the replicating portfolio would be a $56 stock position. If the market value of the option is $11, the cash offset would be -$45.
- Funds should use exchange or clearing-house identifiers for options.

Swaps

Swaps should also be reported at the bond-equivalent or stock-equivalent exposure. The idea is that you can obtain the same exposure as the swap by buying/selling a certain combination of assets, e.g., long bond plus short cash for the receiver side of an interest-rate swap. We want to model that replicating portfolio, rather than whatever small market value is associated with that contract.

- The accounting market value of the swap is typically zero at initiation and thereafter reflects the accumulated gains and losses on the position. However, this does not reflect the full economic exposure of that contract.
- Funds should report the full economic exposure of the swap, which is the sum of the notional value and the accounting market value for the swap. The notional amount may be positive or negative, depending on whether the contract holder is long or short.
- Each swap should be accompanied by an offset equal to the notional amount and with the opposite sign. Most of the time, the offset will be cash, although some exotic swaps may have offsets with bond-like characteristics. The sum of these two positions is the accounting market value for the swap.
- Funds should use letter codes as identifiers for swaps, e.g., IRS for interest-rate swap, CDS for credit-default swap, EQS for equity index swaps, etc.

Accounting Adjustments

Please report all accounting adjustments that will help us reconcile the sum of all market values with the total net assets in the portfolio. For example, please include items such as interest receivable, uninvested cash, and net unsettled trades. These can be stand-alone line items with identifier CASH or incorporated into another cash position.

The Importance of Market Value

Morningstar calculates some portfolio statistics based on the total market value in the portfolio as a proxy for total net assets. Therefore, it is important that the sum of market values in the complete holdings list be close to the total net assets in the portfolio. If a fund fails to report cash proceeds from short sales, a cash offset for a derivatives position, or other accounting adjustments, the portfolio statistics may not be accurate.

Thank you for your assistance in implementing these changes. Please contact your data analyst if you have questions about these standards.

Morningstar's Research and Data teams

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Morningstar's Standardized Global Portfolio Template

December 12, 2006

File Format

This document was created for the sole purpose of communicating the format of Morningstar's Standardized Global Portfolio Template with some specific details relating to the data contained therein. Morningstar requires all funds to report complete holdings, including cash equivalents and short-term positions, on a monthly or quarterly schedule. Funds that do not provide this information may be removed from Morningstar products.

Files may be sent in Excel or text format. Below are some general guidelines to keep in mind when submitting portfolio files:

- All reporting should be done on a trade-date basis, not settlement-date basis.
- Data values cannot be represented by formulas or links.
- Files cannot be password protected.
- Data should be listed as actual values and not represented in percentages (except coupon), thousands, or millions of dollars.
- Dates should be expressed as of a month end date: mm/dd/yyyy or yyyy-mm-dd. The year should be expressed as four digits and not as two.
- Please do not change\hide the column names or switch the order of the columns. Please do not add any additional columns. Doing so will cause our process to fail.
- Please limit the use of header and footers (totals) in your files. No header rows are required.
- For all numeric values, a comma (,) should only be used as delimiter of thousands, and a decimal point (.) should only be used as a delimiter for representing decimal values.
- When using an Excel format, we are able to accept portfolio files with multiple worksheets. However, do not include any worksheets that contain data that is not in our specific portfolio format (e.g. credit quality or performance data) when submitting portfolio holdings.
- When using Excel, please make sure leading zeros on the front end of identifiers are not cut-off (e.g., Sedol from "0123456" to "123456") and that identifiers aren't converted to scientific notation.

Data Fields in the File

The attached template contains all of the (*) required data points. Below is a more detailed description of each data point:

Date(*) – (mm/dd/yyyy) or (yyyy-mm-dd)
This is the month-end date on which the portfolio holdings were extracted. Please be sure to include the month, day, and year in the field, and express the year as a four-digit number (mm/dd/yyyy) or (yyyy-mm-dd). As Morningstar's portfolio analytics are computed using month-end equity statistics, we are requesting month-end portfolio holdings only. All portfolio files with a date other than a month-end date will be converted to a month-end date automatically (all portfolio dates where mm/dd/yyyy $>$ 16 will be rounded forward).

Unique Identifier(*) – Char(75)
This can be any unique combination of numbers or characters. This can be an internal code unique to each fund, or it can be as simple as the fund name. Please keep this unique fund identifier consistent per portfolio and from delivery to delivery.

Fund Name(*) – Char(75)
This is the name of the investment. It should be unique from other investments in your file. It must be kept consistent per fund, per portfolio file. It can vary from delivery to delivery due to name changes.

Security Identifier(*) – Char(12)
This is a required field that can contain a maximum of 12 characters. When using any one of the following types of identifiers (1-9) please make sure that no spaces are contained within the identifier (e.g., Sedol – "0123456" as "012 3 456"). For short positions, use the same identifier as you would use for a long position.

This data is used to help our automated programs identify holdings. To remove the possibility of manual intervention, please use one of these identifiers where possible. *We understand that not all security holdings will have one of these identifiers. We've therefore added some examples of such securities with the preferred identifier in the "Custom Identifier" section below.*

Our system matches securities using any one of the following identifiers (where available):

1. CUSIP \ CINs – Char(9)
The identifying code assigned by CUSIP, Committee on Uniform Securities Identification Procedures. CUSIP is an alphanumeric code comprising nine characters. The first six characters identify the issuer; the next two characters identify the specific security issued by the issuer; and the last character is a check digit. A security may possess only one CUSIP identifier.

CINS - The CUSIP Service Bureau in the US assigns a CINS (CUSIP International Numbering System) identifier on request, provided the security is issued outside the US and Canada. A security may possess only one CUSIP or one CINS identifier—but not both. A CINS identifier may be assigned to any security issued outside the US and Canada. CINS identifiers employ the same six-character issuer, two- character issue, and one-digit check-digit structure as CUSIP identifiers; however, unlike a CUSIP issuer, the first character of a CINS stem must be a character that designates the issuer's country or region of incorporation.

2. ISIN – Char(12)
A security may possess only one ISIN (International Securities Identification Number) identifier. ANNA (Association of National Numbering Agencies) owns the process of assigning ISIN identifiers; however, ANNA has delegated ISIN issuance in each country to a national numbering agency (NNA): e.g., S&P in the US; LSE in GB, etc.

ISO standard 6166 defines the ISIN as comprising 12 characters: the first two characters—the ISIN prefix—usually represents a country code; the next nine characters represent the local security identifier assigned by the NNA (e.g., CUSIP, Sedol, etc.); and the last character is a check digit.

Security Identifier(*) – Char(12) (continued)

ISO 3166 which defines the set of valid country codes—defines the set of valid ISIN prefixes; however, XA, XB, XC, XD, and SX are also valid ISIN prefixes. XS is employed by CLEARSTREAM and EUROCLEAR to identify international bonds (eurobonds and global bonds); the XS prefix is not used to identify equity securities. The prefix Q or QQ applies to domestic issues only; securities with these ISINs are not eligible for cross-border trading. As mentioned earlier, ISIN identifiers are usually created by taking a national security identifier issued by a NNA (e.g., CUSIP or SEDOL) and simply wrapping it with (i) the appropriate country code prefix plus (ii) left-padding it with additional zeroes if required (e.g. SEDOLs, which possess only seven digits, require two additional leading zeroes), and then (iii) computing a check digit that is added to the end of the Identifier.

3. SEDOL – Char(7)

The London Stock Exchange assigns SEDOL identifiers. A security may be assigned multiple SEDOL identifiers: a primary SEDOL identifier and, potentially, multiple secondary SEDOL identifiers.

For each country in which a security is traded (defined as a market), a security will be issued a separate SEDOL identifier. Although a security may be traded on multiple exchanges within a country, that would not occasion the creation of multiple SEDOL identifiers; however, a security will be issued a separate SEDOL identifier for each non-fungible form of the security that may exist within that market: e.g., the same security that is available in both registered and bearer form in GBR will have two SEDOL identifiers.

4. VALOREN – Numeric(9)

Telekurs Financial, the Swiss NNA, assigns VALOREN identifiers, which are a nine-digit identifier. A security may have only one VALOREN identifier.

5. SICOVAM – Numeric(6)

The French NNA issues SICOVAM identifiers. A security may have only one SICOVAM identifier (e.g., six-digit identifier: 949047 identifies IBM). These identifiers range from four to six digits. (If an identifier is four digits, the number will have two zeroes pre-appended to it.)

Security Identifier(*) – Char(12) (continued)

6. WERTPAPIER (WPK) or KENN-NUMMER (WKN) – Numeric(6)
Wertpapier Mitteilungen, the German NNA assigns WERTPAPIER identifiers, which are a six-digit identifier. A security may have only one WPK identifier (e.g., 851399 identifies IBM). Different ranges of numbers are used for different classes of securities: i.e., 000,000 through 499,999 are for fixed income securities; 500,000 through 999,999 are for equities, warrants, and unit trusts (left-padding it with additional zeroes if required).

7. COMMON CODE – Numeric(9)
On January 1, 1991 this nine-digit identifier replaced both the CEDEL and EUROCLEAR identifiers and is used to identify securities to the EUROCLEAR and CLEARSTREAM depositories. A security may have one COMMON CODE identifier for each non-fungible form of the security that may exist: e.g., the same security that is available in both registered and bearer form will have two COMMON CODES.

8. QUICK CODE – (JSN)
This identifier is used for Asian products and comprises the series number plus the issue code.

9. Derivatives
Morningstar accepts the following identifiers for derivative securities.

- **Futures Tickers** – The identifying code from the exchange where the futures contract is traded. In a commonly used form, the first two characters represent the futures ticker, the third character represents the month of expiration, and the fourth character represents the year (e.g. "EMH7" = "EM" denotes the one-month LIBOR future, "H" corresponds to the expiration month of March and "7" denotes the year (2007) of expiration).
- **Options** – Standard identifiers from exchanges or clearing corporations, for example OPRA Code provided by Options Clearing Corporation:
  http://www.theocc.com/market/series/series_search_form.jsp
  Tickers from Eurex, www.eurexchange.com
  There are identifiers available for many different types of options—on equities, indexes, volatility, currencies, futures, etc.

Security Identifier(*) – Char(12) (continued)

10. Custom Identifier

These codes are recognized by Morningstar to identify asset types that do not have globally recognized identifiers. See pages 13-15 for identifiers for cash offsets.

- **CASH** – Cash & Cash Equivalents (includes short term investment vehicles, currencies, etc.). For cash holdings, use market value for the number of shares as well.
- **COLLATERAL** – Cash or bond collateral that is temporarily on loan to the fund, for example, from security lending activities or swaps (see page 12 for more detail)
- **Forward** – Over-the-counter forward contract
- ***FRN*** – Floating Rate Notes (for which there is no identifier available).
- **MMKT** – Money Market Investment (for which there is no identifier available).
- ***PPTY*** – Property Holdings (for which there is no identifier available).
- **Commercial Paper CUSIP Issuer Number** – The CUSIP Service Bureau reserves certain CUSIP issuer numbers for Commercial Paper issuers only.
- **IRS** or **IRSW** – Interest-rate swap
  ASW – Asset swap
  TRS or **TRSW** – Total-return swap
  EQS or **EQSW** – Equity-index swap
  CRS or **CRSW** – Currency swap
  CDS or **CDSW** – Credit Default Swap

As a last resort, Morningstar may also look at the security description to identify an unknown security, but this is not as reliable as receiving codes and the resulting statistics may not be as accurate.

Security Description(*) – Char(75)

Please include a full description of the security. This would include labels such as ADR, 144A, CMO, REMIC, PFD, CV, FRN, etc. This data can be used to help Morningstar analysts identify the investments in cases where we were unable to match by identifier. In some cases these security descriptions may also pass straight through to our products so we ask that you please make sure that the description is legible and provides enough information for our analysts and your investors to make an informed decision. For cash holdings, the preferred description is "Cash" or "Cash & Cash Equivalents."

Shares / Par Value(*) – Numeric(19.2)
Shares for equity holdings or par value for fixed-income holdings. A comma (,) should only be used as delimiter of thousands, and a decimal point (.) should only be used as a delimiter for representing decimal values.

- For cash holdings, please use the market value for the number of shares as well, as this is a required field.
- For short holdings, please express the share number in negative terms. This also applies to the short side of derivative contracts, such as shorting futures or writing options.
- For futures contracts, please display the number of futures contracts (unadjusted for contract multipliers). For forward contracts, please display the notional value.
- For swaps, please report the notional value of the contract. This field should be negative if the fund has short exposure to the primary asset underlying a swap, e.g., pay fixed, buy CDS protection, pay equity index returns.
- For options, report the number of contracts (unadjusted for contract size). For example, if the fund owns 20 call contracts and each contract is for 100 shares of stock, report 20 in this field.

Market Value(*)–Numeric(19.5)
The current value of the position, as of the month-end date. A comma (,) should only be used as delimiter of thousands, and a decimal point (.) should only be used as a delimiter for representing decimal values. Please exclude padding zeros to meet the maximum decimal width unless otherwise needed (e.g., use 100000.00 instead of 10000.00000). This field may not be left blank for any security. Market value should include income accruals.

Market Value: Short Holdings
For short holdings, please express the market value as a negative number, unless otherwise specified below (see options and swaps).

Market Value: Futures and Forwards
For futures or forwards, please report the bond-equivalent or stock-equivalent economic exposure. For futures, this is the product of the number of futures contracts, the contract size/multiplier, and the futures price. For example,

- 10-year U.S. Treasury Note Future = # contracts x contract size ($100,000) x price/100
- S&P 500 Future = # contracts x multiplier ($250) x index price
- Eurodollar Future = # contracts x contract size ($1,000,000/4) x price/100

The contract multiplier should also reflect any commonly used reporting conventions, for example, dividing the three-month Eurodollar contract by four and dividing the one-month LIBOR contract and the 30-day Fed Funds contract by 12.

Market Value(*)–Numeric(19.5) (continued)

Market Value: Options

For options, please provide the delta-adjusted exposure of the position, rather than the accounting market value. This applies to all types of options and warrants.

An option's delta measures how the option price changes in response to changes in the underlying asset, and it reflects the probability that the option will expire in-the-money. It also represents how much of the underlying asset you'd need to buy to hedge that position. Delta is also useful because it changes in response to market conditions, becoming larger in magnitude when the option is far in-the-money and becoming smaller when the option is strongly out-of-the-money, thereby allowing us to value the position according to the size of the potential exposure. Deltas for call options are positive, and deltas for put options are negative.

Another advantage of using delta-adjusted exposure is that it is expressed on the same scale as the asset's market value and will net out exposure appropriately. For example, if a fund buys at-the-money put options and sells at-the-money call options for a stock it owns, the delta-adjusted exposure of those options will net against the stock position and leave the fund neutral to that stock. If the accounting market value for those options was reported, the exposures would not net out appropriately.

The delta-adjusted exposure of the option position should reflect the contract size and the current price of the underlying asset. For example, a fund owns 20 call contracts and each contract provides the right to buy 100 shares of a specific stock at a specific strike price. The stock's current price is $80 and the delta of this specific option is currently 0.70. Therefore, the reported market value should be

- Contracts x contract multiplier x delta x current stock price = $112,000
  (The strike price for the option is not used in this calculation, because the delta is specific to a single option at a specific strike price.)

The following chart outlines how different options positions should be expressed.

Option	Position	Shares	Accounting Market Value	Delta-adjusted Exposure
Call	Long (purchased)	+	+	+
Call	Short (written)	–	–	–
Put	Long (purchased)	+	+	–
Put	Short (written)	–	–	+

Market Value(*)–Numeric(19.5) (continued)

Market Value: Swaps

For swaps, please report the bond-equivalent or stock-equivalent exposure (full exposure value), which is the sum of the notional amount for the contract plus the market value. This represents one part of the replicating portfolio that provides the same exposure as the swap itself, and it is a better measure of the contract's size than the market value of the swap (i.e., the accumulated gains and losses since the contract began). The notional amount may be positive or negative, depending on whether the contract holder is long or short.

For example,

- The receiver side of an interest-rate swap (i.e., the side receiving the fixed rate and paying a floating rate) is equivalent to a long investment-grade bond position and a short cash position. The bond-equivalent exposure for the swap increases in response to falling interest rates, just the same way that a bond's price will increase in response to falling interest rates. The receiver side of a swap with $10 million notional and $0.5 million market value will be reported as a $10.5 million bond-equivalent value to Morningstar. The payer side of this interest-rate swap (i.e., the party paying the fixed rate and receiving the floating rate) will suffer a -$0.5 loss and will be reported as a -$10 million notional for the number of shares and -$10.5 million bond-equivalent value in the market value column.

- The receiver side of an equity index swap (i.e., the side receiving the total return on that index and paying a fixed or floating rate) is equivalent to a long stock position and a short cash position. The stock-equivalent exposure increases when the equity index increases.

- The party selling protection in a credit default swap gains long bond-like exposure to the reference entity and short exposure to cash. The exposure is "bond-like," because it contains credit risk but no interest-rate risk. If the credit default spread widens (i.e., the entity becomes more likely to default) after the contract inception, the market value and bond-equivalent value of this swap will decrease for the seller. (When conditions deteriorate, the value of the equivalent bond-like asset will decrease.) The party buying protection in this swap will report a negative notional value for the number of shares (the contract reduces its exposure to that reference entity) and will profit if spreads widen.

Coupon Rate – Numeric(9.5)

Represents the interest rate of a debt security, expressed as an annual percentage of face value. Please exclude padding zeros to meet the maximum decimal width unless otherwise needed (e.g. use 8.00 instead of 8.00000)

- For bond futures contracts, please include the coupon rate on the deliverable bonds if it is available. For cash-settled interest-rate options on securities that pay coupons (e.g. options on five-year Treasury bonds), please include the coupon rate of the underlying bond (typically from the most-recent auction). While futures and options do not receive a coupon payment, these securities do behave in a similar manner as the underlying bonds.
- For interest-rate swaps, asset swaps, and total return swaps, please include the fixed-rate, and then Morningstar will refer to the reported market value to determine if the fund is long or short that rate. For the offset position for these swaps, please include the rate on the opposite side of the swap, e.g., LIBOR.

Maturity Date – (mm/dd/yyyy) or (yyyy-mm-dd)

Date on which the principal amount of a debt instrument becomes due and payable. Please be sure to include the month, day, and year in the field, and express the year as a four-digit number (mm/dd/yyyy) or (yyyy-mm-dd) for debt securities with a maturity date. Please note that debt securities with a maturity date $<$ 1 year (maturity date – portfolio date) will be recognized as cash in Morningstar's asset allocation calculations. If the maturity date falls before the date of the portfolio the values will be nulled.

- For all derivatives, please include the expiration date of the contract, rather than the maturity of the underlying asset.

Portfolio Base Currency(*) – (ISO 4217 - 3 char currency code)

On 08/31/2004, we made an addition to our standard template for global portfolio processing of a new column: "Portfolio Base Currency." Providers should populate this new 10th column with the three-character ISO currency code corresponding to the currency in which all of the portfolio's holdings are reported. The base currency must be consistent for all assets in a fund. Different funds within a file may contain different currencies.

Additional Reporting Items

Accounting Adjustments

Morningstar sometimes uses total market value as a proxy for total net assets in our portfolio calculations. Therefore, please report all accounting adjustments that will help us reconcile the sum of all market values with the total net assets for the portfolio. Please include the following items, either as stand-alone line items with identifier CASH or as part of another cash position.

- Interest Receivable
- Dividends Receivable
- Uninvested Cash
- Net unsettled trades
- Any other adjustments that help us reconcile total market value and total net assets

Cash Collateral for Short Positions

Please report any cash collateral on short positions, i.e., the deposits with the broker and the custodian bank for securities sold short. While these assets are not held at the fund, they are indeed owned by the fund and should be reported as a part of the fund's assets. (They are included as part of the fund's Statement of Assets and Liabilities.) Please use the identifier CASH for these positions. Failure to report the cash collateral will result in an incorrect total market value for the portfolio, which will likely inflate portfolio statistics.

Collateral from Securities Lending or Swaps

Most funds are allowed to lend securities to brokers. In return, the funds may receive cash collateral which can be invested in safe, short-term securities to earn additional income. Funds can also receive cash or bond collateral as part of the terms of a swap agreement to limit their counterparty risk. Both of these cases are different than cash collateral for shorts, because the fund does not own this collateral—the fund just has temporary control of it. From an accounting perspective, the fund will add the collateral to its assets and will create an equal and offsetting payable liability to return the collateral at the end of the loan or swap.

Funds retain ownership of the securities on loan and receive any dividends and total returns from these securities during the duration of the loan. Therefore, the securities that were lent should still be listed in the fund's portfolio holdings files.

Funds have different accounting systems, so Morningstar offers a few different methods for dealing with this kind of collateral in the portfolio holdings files. The common theme among all methods is that the total market value in the portfolio should be close to the total net assets of the portfolio. If the collateral is reported without the offsetting liability, the portfolio assets will be overstated and statistics based on total market value may be inaccurate.

If funds have collateral from securities lending activities or swap agreements, the following reporting methods are acceptable.

1) List the collateral as a cash asset (on its own or aggregated with other cash) and list the accompanying payable as a cash liability (with an equal and offsetting negative market value) as two separate line items in the holdings file.
2) Do not list the collateral in the holdings files (and do not report a liability).
3) List the collateral as an asset (bond or cash) and report all fields (shares, cusip, etc.) but report zero market value for the collateral position.
4) List the collateral as an asset (bond or cash) and report all fields (including market value), but use the code COLLATERAL in the Security Identifier field (not the Security Description field). Morningstar will ignore this position when calculating statistics and will not include it as part of total market value.

These methods will ensure that Morningstar does not evaluate that collateral as part of the fund's managed assets when we calculate portfolio statistics.

Cash Offsets for Derivatives

All of Morningstar's valuation techniques for derivatives rely on the notion of a replicating portfolio. This means that the exposures provided by a derivative can also be achieved by investing in some combination of the underlying asset and cash. These valuation techniques (bond-equivalent value, full economic exposure, delta-adjusted exposure, etc.) often pair a position in the underlying asset with an offsetting position in cash. For example, a long bond futures contract can be replicated by buying the underlying bonds with borrowed cash.

It is essential that funds report these offsetting positions to Morningstar. This helps us ensure that total market value is close to total net assets, but even more importantly, these offsets represent a real economic exposure that the fund has.

- Cash offsets should be reported as separate line items and should not be combined with traditional cash. As much as possible, please use the specific identifiers mentioned below, rather than using a generic CASH identifer. This will help Morningstar determine that the offsets have indeed been included in the file when we run our quality assurance tests.
- In most cases, offsets can be aggregated for all long or short positions in a portfolio, or they may be reported on a security-by-security basis (in which case, Morningstar may aggregate these positions for display purposes). For some exotic swaps (e.g., swap inflation-protected bonds for a fixed nominal rate), the offsetting position may be characterized as a bond instead of cash and should not be aggregated with other cash offsets.

Cash Offsets for Derivatives (continued)

- If long and short cash offsets are reported separately, Morningstar can allocate those positions appropriately when we calculate long and short asset allocation breakdowns (shown in some products). If offsets are reported on a net basis, they will be included in either the long or the short asset allocation breakdown.

A rule of thumb is that the size of the offset should bring the reported value for the derivative (full economic exposure) back to its accounting market value.

- For futures contracts, the bond-equivalent or stock-equivalent value needs to be offset with an equal and opposite cash position. The sum of both positions is zero, which represents the accounting market value after the daily mark-to-market settlement. Morningstar will classify the futures contract based on its attributes (e.g., stock) and will classify the offset as cash. For example,

Security Identifier	Security Description	Shares/Par Value	Market Value
SPU6	S&P 500 Index Futures Sept 2006	7	2,243,150
FUTCA	Cash Offset for Long Futures	-2,243,150	-2,243,150
EDZ6	Eurodollar Futures Dec 2006	245	235,224,500
FUTCA	Cash Offset for Short Futures	-235,224,500	-235,224,500

- Because forward contracts don't have a daily settlement process, there will likely be a small market value to the position (i.e., what it would cost to exit the position). The cash offset for a forward contract is equal to the difference between the full economic exposure of the forward contract and the market value of the position. For example,

Security Identifier	Security Description	Shares/Par Value	Market Value
Forward	GBP Forward Currency Contract	45,000	44,850
FWDCA	Cash Offset for Long Forward	-45,000	-45,000

Cash Offsets for Derivatives (continued)

- For options, the delta-adjusted exposure needs to be offset with the appropriate cash amount for the replicating portfolio. The sum of the delta-adjusted exposure and the offset equals the market value of the traded option.

  Here is an example of how a call option would be reported:

Security Identifier	Security Description	Shares/Par Value	Market Value
IBMLR	IBM December 2006 90 Call	50	220,900
OPTCA	Cash Offset for Long Call Option	-199,900	-199,900

  The delta-adjusted exposure of $220,900 is the product of a delta of 0.47, a current market price of $94.00, 50 contracts, and 100 shares per contract. The market value for IBM December call options with strike 90 is $4.20 per share, multiplied by 50 contracts and 100 shares per contract. This is $21,000 accounting market value, which is the difference between the delta-adjusted value of $220,900 and the offset of $199,900. The writer for these call options would report the position with opposite signs (-50 contracts, -$220,900 delta-adjusted exposure, and $199,900 cash offset).

  Here is an example of how a put option would be reported:

Security Identifier	Security Description	Shares/Par Value	Market Value
IBMXN	IBM December 2006 70 Put	20	-13,160
OPTCA	Cash Offset for Long Put Option	13,200	13,200

  The delta-adjusted exposure of -$13,160 is the product of a delta of -0.07, a current market price of $94.00, 20 contracts, and 100 shares per contract. The market value for IBM December put options with strike 70 is $0.02 per share, multiplied by 20 contracts and 100 shares per contract. This is $40 accounting market value, which is the difference between the delta-adjusted value of -$13,160 and the offset of $13,200. The writer for these put options would report the position with opposite signs (-20 contracts, $13,160 delta-adjusted exposure, and -$13,200 cash offset).

- For swaps, the offset should be the notional amount of the contract, expressed as a positive or negative number. If the fund has a long position in the primary underlying asset (e.g., the fixed-rate in an interest-rate swap, the equity index total return in an equity swap), the notional offset should be a negative number. Funds gaining short bond or stock exposure through the swap should report the notional offset as a positive number.

Security Identifier	Security Description	Shares/Par Value	Market Value
IRS	Interest Rate Swap Receive 7.0%	10,000	10,150
SWPCA	Cash Offset for Long Swap position	-10,000	-10,000

Aggregating Holdings

Often times our data providers submit files with multiple occurrences of the same security. One such reason is that they may want to track the holdings based on the different lots in which they were traded. For calculation purposes and for product display, Morningstar will aggregate these holdings if the following fields are the same:

Security Identifier
Security Description
Maturity Date (where relevant)
Coupon (where relevant)

As mentioned earlier, Morningstar will also aggregate cash offsets for derivatives if these are reported on a security-by-security basis.

Morningstar Standardized Global Portfolio File Template

Morningstar requires all funds to report complete holdings, including cash equivalents and short-term positions, on a monthly or quarterly schedule. Funds which do not provide this information may be removed from Morningstar products.

> Portfolio holdings should be reported as of the last day of the month.

> An initial portfolio should be sent immediately for new funds activation. Thereafter, if Morningstar already publishes some of your funds, please add the new funds to the existing portfolio file transmission.

Delivery Methods

1. FTP, File Transfer Protocol
2. Internet, please e-mail DataPortfolioTeam@morningstar.com to obtain a login and password.

Acceptable file types

1. Text
2. .XLS (Worksheets, NOT Workbooks)

PORTFOLIO AS OF DATE	UNIQUE PORTFOLIO IDENTIFIER	FUND NAME	SECURITY IDENTIFIER	SECURITY DESCRIPTION	SHARES/ PAR VALUE	MARKET VALUE	COUPON RATE / STRIKE PRICE	MATURITY DATE/ EXPIRATION DATE	PORTFOLIO BASE CURRENCY
(mm/dd/yyyy) or (yyyy-mm-dd) The month end date on which the portfolio data was extracted. Must be the last day of the month (e.g. 09/30/2002 or 10/31/2002). All other dates will be rounded (rounded forward where dd =>16)	**Char(75)** This can be an internal code unique to each fund, or it can be as simple as the fund name. Must be kept consistent per portfolio and from delivery to delivery.	**Char(75)** Must be kept consistent per fund, per portfolio file. Can vary from delivery to delivery due to name changes.	**Char(12)** This is a required field that can conatain a maximum of 12 characters. Our system matches securities using any one of the following identifiers: 1) CUSIP \ CINs 2) ISIN 3) Sedol 4) Valoren 5) Sicovam 6) WPK 7) Common Code 8) Quick Code 9) Custom Identifier (see below for samples)	**Char(75)** Please include a full description. This would include descriptions such as ADR, 144A, CMO, REMIC, PFD, CV, FRN, etc.	**Numeric (19.2)** Shares for equity holdings or par value for fixed-income holdings.	**Numeric (19.5)** Not to be confused with notional value.	**Numeric(9.5)** Only for fixed-income holdings. Expressed as a percentage (5.55), not as a number (.0555).	**(mm/dd/yyyy) or (yyyy-mm-dd)** If maturity date falls before the date of the portfolio or not fomatted as mm/dd/yyyy the values will be nulled.	**Char(3)** Must contain 3 character ISO currency code corresponding to the currency in which all of the portfolio holding's market values are reported. Reporting currency must be consistent for every asset in a fund.
Example of information that should be in each field:									
06/30/2004	460924301	FUND NAME AA	**IBMIK**	IBM opt(Call) (Sept '04 - Strike 55)	100	87500	55.00	09/17/2004	USD
06/30/2004	460924301	FUND NAME AA	26822QAA1	E&S Holdings 144A Sr Sub Notes	250000	255625	10.38	10/01/2006	USD
06/30/2004	460924301	FUND NAME AA	34039CAB3	Flores & Rucks Sr Sub Notes	250000	254062	9.75	10/01/2006	USD
06/30/2004	460924301	FUND NAME AA	344753AD0	Food 4 Less Sr Sub Deb PIK	100000	83912	13.63	06/15/2007	USD
06/30/2004	460924301	FUND NAME AA	CASH	Treasury Bill	150000	150000	5.55	09/30/2004	USD
06/30/2004	460924301	FUND NAME AA	CASH	Repurchase Agreement	1000000	1000000	5.55	07/30/2004	USD
06/30/2004	460924301	FUND NAME AA	**3615T2**	GE CAP INTL FDG INC DISC COML PAPER	100000	100000	1.20	07/30/2004	USD
06/30/2004	460924301	FUND NAME AA	017475104	ALLEGIANCE CORP-W/I	82100	1457275			USD
06/30/2004	460924301	FUND NAME AA	018804104	ALLIANT TECH	55900	2899812			USD
06/30/2004	460924301	FUND NAME AA	538021106	LITTON INDUSTRIES	-52300	-2575775			USD
06/30/2004	460924301	FUND NAME AA	CASH	Cash & Cash Equivalents	250000	250000			USD
06/30/2004	460924301	FUND NAME AA	MMKT	XYZ Money Market Fund	10000	10000			USD
06/30/2004	460924301	FUND NAME AA	***FRN***	Nokia FRN	2000	2002			USD
06/30/2004	460924302	FUND NAME BB	017475104	ALLEGIANCE CORP-W/I	82100	1457275			USD
06/30/2004	460924302	FUND NAME BB	***PPTY***	4150 N. Sheridan Unit # 4N	354100	329000			USD
06/30/2004	460924302	FUND NAME BB	018804104	ALLIANT TECH	55900	2899812			USD
06/30/2004	460924302	FUND NAME BB	538021106	LITTON INDUSTRIES	52300	2575775			USD
06/30/2004	460924302	FUND NAME BB	26822QAA1	E&S Holdings 144A Sr Sub Notes	250000	255625	10.38	10/01/2006	USD
06/30/2004	460924302	FUND NAME BB	283677AR3	El Paso Electric Ser B 1st Mortgage	100000	99000	7.75	05/01/2005	USD
06/30/2004	460924302	FUND NAME BB	34039CAB3	Flores & Rucks Sr Sub Notes	250000	254062	9.75	10/01/2006	USD
06/30/2004	460924302	FUND NAME BB	344753AD0	Food 4 Less Sr Sub Deb PIK	100000	83912	13.63	06/15/2007	USD
06/30/2004	460924302	FUND NAME BB	912795MR9	US Treasury Bill	150000	150000	1.50	09/30/2004	USD
06/30/2004	460924302	FUND NAME BB	CASH	Repurchase Agreement	1000000	1000000	1.00	09/30/2004	USD
06/30/2004	460924302	FUND NAME BB	CASH	Cash & Cash Equivalents	250000	250000			USD

Morningstar Standardized Global Portfolio File Template

PORTFOLIO AS OF DATE	UNIQUE PORTFOLIO IDENTIFIER	FUND NAME	SECURITY IDENTIFIER	SECURITY DESCRIPTION	SHARES/ PAR VALUE	MARKET VALUE	COUPON RATE / STRIKE PRICE	MATURITY DATE/ EXPIRATION DATE	PORTFOLIO BASE CURRENCY
(mm/dd/yyyy) or (yyyy-mm-dd) The month end date on which the portfolio data was extracted. Must be the last day of the month (e.g. 09/30/2002 or 10/31/2002). All other dates will be rounded (rounded forward where dd =>16)	**Char(75)** This can be an internal code unique to each fund, or it can be as simple as the fund name. Must be kept consistent per portfolio and from delivery to delivery.	**Char(75)** Must be kept consistent per fund, per portfolio file. Can vary from delivery to delivery due to name changes.	**Char(12)** This is a required field that can conatain a maximum of 12 characters. Our system matches securities using any one of the following identifiers: 1) CUSIP \ CINs 2) ISIN 3) Sedol 4) Valoren 5) Sicovam 6) WPK 7) Common Code 8) Quick Code 9) Custom Identifier (see below for samples)	**Char(75)** Please include a full description. This would include descriptions such as ADR, 144A, CMO, REMIC, PFD, CV, FRN, etc.	**Numeric (19.2)** Shares for equity holdings or par value for fixed-income holdings.	**Numeric (19.5)** Not to be confused with notional value.	**Numeric(9.5)** Only for fixed-income holdings. Expressed as a percentage (5.55), not as a number (.0555).	**(mm/dd/yyyy) or (yyyy-mm-dd)** If maturity date falls before the date of the portfolio or not fomatted as mm/dd/yyyy the values will be nulled.	**Char(3)** Must contain 3 character ISO currency code corresponding to the currency in which all of the portfolio holding's market values are reported. Reporting currency must be consistent for every asset in a fund.

Additional detail about accounting adjustments

Please report all accounting adjustments that will help us reconcile the sum of all market values with the separately-reported total net assets, e.g., items found in a statement of assets and liabilities.

Same as above	Same as above	Same as above	Most of these will be classified as cash	Use the same description for a short position that would be used for a long position.	Shares should be the same as market value for a cash position	Same as above	Same as above	Same as above	Same as above
06/30/2004	460924301	FUND NAME AA	CASH	Interest and Dividends Receivable	5000	5000			USD
06/30/2004	460924301	FUND NAME AA	CASH	Uninvested Cash	3000	3000			USD

Additional detail about short positions

Please report the collateral for all short positions as a separate line item, even if the collateral is segregated in a different account.

Same as above	Same as above	Same as above	Use the same identifier for a short position that would be used for a long position.	Use the same description for a short position that would be used for a long position.	Shares should be negative if the position is short.	Market value should be negative if the position is short.	Same as above	Same as above	Same as above
06/30/2004	460924301	FUND NAME AA	538021106	LITTON INDUSTRIES	-52300	-2575775			USD
06/30/2004	460924301	FUND NAME AA	CASH	Deposits with broker for short positions	2500000	2500000			USD

Additional detail about futures and forwards

Please report two cash offsets (one long, one short) for all of the portfolio's futures positions. The forward offset may have a different market value than the forward position.

Same as above	Same as above	Same as above	Use exchange identifiers (either electronic or open auction) for futures.		Please report the number of contracts (positive if long, negative if short)	Market value is (# contracts x contract multiplier x price).		Please report the maturity date for the contract (not the underlying).	Same as above
06/30/2004	460924301	FUND NAME AA	SPH6	S&P 500 Index Futures	100	31750000		03/16/2006	USD
06/30/2004	460924301	FUND NAME AA	EDZ6	Eurodollar Futures	50	11901250		12/18/2006	USD
06/30/2004	460924301	FUND NAME AA	TYM6	10 Year US Treasury Notes Futures	-60	-6312000		06/30/2006	USD
06/30/2004	460924301	FUND NAME AA	FUTCA	Cash Offset for Long Futures	-43651250	-43651250			USD
06/30/2004	460924301	FUND NAME AA	FUTCA	Cash Offset for Short Futures	6312000	6312000			USD
06/30/2004	460924301	FUND NAME AA	Forward	Forward OTC yen contract		45000		12/31/2006	USD
06/30/2004	460924301	FUND NAME AA	FWDCA	Cash Offset for Long Forward	-44800	-44800			USD

Morningstar Standardized Global Portfolio File Template

PORTFOLIO AS OF DATE	UNIQUE PORTFOLIO IDENTIFIER	FUND NAME	SECURITY IDENTIFIER	SECURITY DESCRIPTION	SHARES/ PAR VALUE	MARKET VALUE	COUPON RATE / STRIKE PRICE	MATURITY DATE/ EXPIRATION DATE	PORTFOLIO BASE CURRENCY
(mm/dd/yyyy) or (yyyy-mm-dd) The month end date on which the portfolio data was extracted. Must be the last day of the month (e.g. 09/30/2002 or 10/31/2002). All other dates will be rounded (rounded forward where dd =>16)	**Char(75)** This can be an internal code unique to each fund, or it can be as simple as the fund name. Must be kept consistent per portfolio and from delivery to delivery.	**Char(75)** Must be kept consistent per fund, per portfolio file. Can vary from delivery to delivery due to name changes.	**Char(12)** This is a required field that can conatain a maximum of 12 characters. Our system matches securities using any one of the following identifiers: 1) CUSIP \ CINs 2) ISIN 3) Sedol 4) Valoren 5) Sicovam 6) WPK 7) Common Code 8) Quick Code 9) Custom Identifier (see below for samples)	**Char(75)** Please include a full description. This would include descriptions such as ADR, 144A, CMO, REMIC, PFD, CV, FRN, etc.	**Numeric (19.2)** Shares for equity holdings or par value for fixed-income holdings.	**Numeric (19.5)** Not to be confused with notional value.	**Numeric(9.5)** Only for fixed-income holdings. Expressed as a percentage (5.55), not as a number (.0555).	**(mm/dd/yyyy) or (yyyy-mm-dd)** If maturity date falls before the date of the portfolio or not fomatted as mm/dd/yyyy the values will be nulled.	**Char(3)** Must contain 3 character ISO currency code corresponding to the currency in which all of the portfolio holding's market values are reported. Reporting currency must be consistent for every asset in a fund.

Additional detail about options

Please report the delta-adjusted exposure for options with a cash offset that makes the sum of both positions equal the market value of the option.

Same as above	Same as above	Same as above	Use exchange or clearing-house identifiers for options.	Describe the underlying entity, the strike price, and whether it is a put or call option.	Shares should be negative for written options.	Report delta-adjusted exposure here (negative for short calls and long puts)	Report the coupon for bonds underlying an interest-rate option.	Please report the maturity date for the contract (not the underlying).	Same as above
06/30/2004	460924301	FUND NAME AA	IBMLR	IBM December 2006 90 Call	50	220900		12/15/2006	USD
06/30/2004	460924301	FUND NAME AA	OPTCA	Cash Offset for Long Call Option	-199900	-199900			USD
06/30/2004	460924301	FUND NAME AA	IBMXN	IBM December 2006 70 Put	20	-13160		12/15/2006	USD
06/30/2004	460924301	FUND NAME AA	OPTCA	Cash Offset for Long Put Option	13200	13200			USD

Additional detail about swaps

Please identify swaps with letter codes and value each swap as (notional + market value), where notional is negative for swaps providing short exposure. Report an offset equal to the notional amount.

Same as above	Same as above	Same as above	IRS = interest-rate swap ASW = asset swap TRS = total-return swap EQS = equity swap CRS = currency swap CDS = credit default swap	Please include a full description.	Please report the notional value of the swap.	Market value is (notional + market value).	Report the fixed or floating rate on the swap.	Please report the maturity date for the contract (not the underlying).	Same as above
06/30/2004	460924301	FUND NAME AA	IRS	Interest Rate Swap Receive Fixed	10000	10150	7.00	06/30/2007	USD
06/30/2004	460924301	FUND NAME AA	SWPCA	Cash Offset for Long Swap position	-10000	-10000	3.98868	06/30/2007	USD
06/30/2004	460924301	FUND NAME AA	IRS	Interest Rate Swap Pay Fixed	-200000	-199800	5.00	12/31/2007	USD
06/30/2004	460924301	FUND NAME AA	SWPCA	Cash Offset for Short Swap position	200000	200000	4.12235	12/31/2007	USD
06/30/2004	460924301	FUND NAME AA	CDS	CDS Sell Protection GM	5000000	5750000		03/31/2008	USD
06/30/2004	460924301	FUND NAME AA	SWPCA	Cash Offset for Seller CDS	-5000000	-5000000		03/31/2008	USD
06/30/2004	460924301	FUND NAME AA	CDS	CDS Buy Protection Ford	-3000000	-4110000		04/30/2008	USD
06/30/2004	460924301	FUND NAME AA	SWPCA	Cash Offset for Buyer CDS	3000000	3000000		04/30/2008	USD