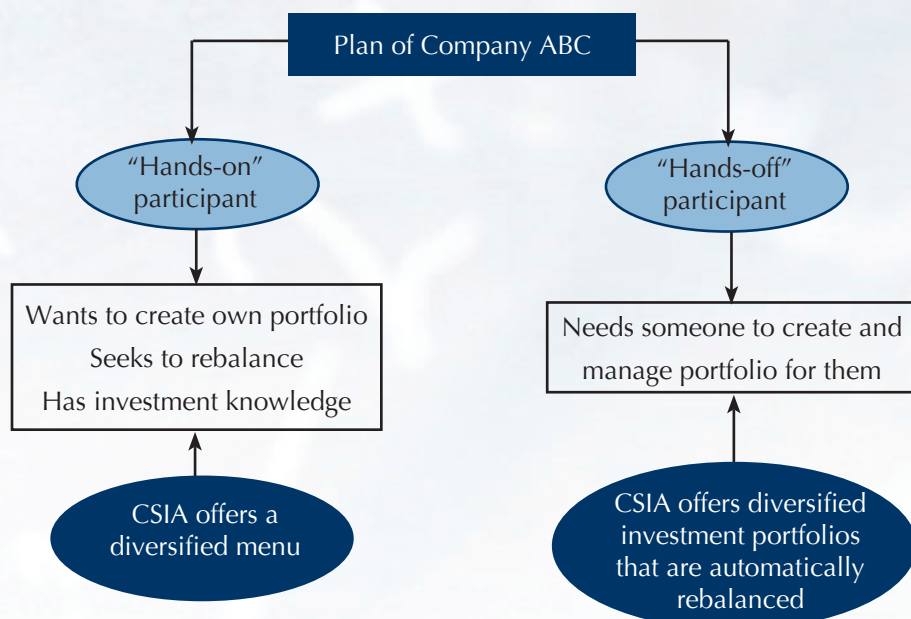


# INVESTMENT PHILOSOPHY for Defined Contribution Plans

To help plan sponsors meet their fiduciary responsibility and better prepare employees for retirement, **Conrad Siegel Investment Advisors, Inc.** offers a concise menu of historically strong performing, low cost mutual funds in the appropriate asset classes.

## Easy/Effective Investment Options

**Conrad Siegel Investment Advisors, Inc.** has found that most participants in defined contribution plans fall into one of two categories: "Hands-on" or "Hands-off."



**Conrad Siegel Investment Advisors, Inc.** believes that defined contribution plans should offer an "easy" option for its "Hands-off" participants in the form of Lifestyle investment products. These portfolios range from conservative to aggressive and are automatically rebalanced regularly for the participant. Based on the defined contributions plans we oversee, we have found that about 70% of the participants fall in this category.

For those participants who have some investment knowledge and are comfortable and willing to make the asset allocation and rebalancing decisions, **Conrad Siegel Investment Advisors, Inc.** offers a concise number of historically strong performing and low cost mutual funds in the most appropriate asset classes. These mutual funds give the "Hands-on" participants the ability to develop a well-diversified portfolio to meet their own individual needs and circumstances.

## Concise Investment Menu

To prevent participants from becoming confused, **Conrad Siegel Investment Advisors, Inc.** believes it is best to offer a concise number of funds. Morningstar, an independent investment research company, showed that once a portfolio went beyond seven funds, the risk level stopped falling, no matter how many funds were added.

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# INVESTMENT PHILOSOPHY

## Proper Diversification

### Proper Diversification

Conrad Siegel Investment Advisors, Inc. understands that developing a well-diversified portfolio is one of the most important steps in the investment process. In any given year an asset class may be the best performing, the worst performing or anywhere in between. There is no method to forecast ahead of time how asset classes will do. Therefore, trying to time which asset class will outperform each year is virtually impossible to do on a consistent basis. The key is to have a properly diversified portfolio among various asset classes.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US Large Cap Growth	-20.42	-27.89	29.76	6.30	5.27	9.07	11.81	-38.44	37.21	16.71
US Large Cap	-12.45	-21.65	29.90	11.39	6.27	15.46	5.77	-37.60	28.43	16.10
US Large Cap Value	-5.59	-15.53	30.03	16.49	7.03	22.25	-0.17	-36.85	19.69	15.51
US Mid Cap Growth	-20.16	-27.41	42.72	15.48	12.09	10.66	11.43	-44.32	46.29	26.38
US Mid Cap	-5.63	-16.19	40.08	20.23	12.64	15.26	5.60	-41.46	40.48	25.48
US Mid Cap Value	2.34	-9.66	38.06	23.70	12.65	20.22	-1.42	-38.44	34.21	24.75
US Small Cap Growth	-9.23	-30.27	48.53	14.31	4.16	13.35	7.06	-38.54	34.47	29.09
US Small Cap	2.49	-20.48	47.25	18.32	4.55	18.37	-1.56	-33.79	27.17	26.86
US Small Cap Value	14.02	-11.42	46.03	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50
Real Estate	12.35	3.58	36.18	33.16	13.82	35.97	-17.56	-39.20	28.46	28.07
Fixed Income	8.42	10.27	4.11	4.34	2.43	4.33	6.97	5.24	5.93	6.54
International	-21.44	-15.94	38.59	20.25	13.54	26.34	11.17	-43.38	31.78	7.75

■ Highest Return for the Year

■ Lowest Return for the Year

See i

### Appropriate Asset Class Selection

Conrad Siegel Investment Advisors, Inc. understands the different styles of investing and which asset classes should be incorporated in a portfolio. The three styles of equity investing are:

- **Growth Stocks** – These are companies that, in general, generate superior growth in earnings and cash flow, operate in growing industries, and have the ability to sustain earnings momentum and expand profit margins. Expectations and valuations in the marketplace tend to be fairly high.
- **Value Stocks** – These are companies that in general have a low stock price in relation to the real worth or future prospects of the company. They are currently out of favor or misunderstood by the stock market and in most cases going through a period of operational, managerial, or financial stress. Expectations and valuations in the market place tend to be extremely low.
- **Blend Stocks** – These are companies that in general are growing earnings in a steady, but not spectacular manner. Valuations are neither cheap nor expensive.

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i Indices used in this chart include: Russell 1000 Growth Index, Russell 1000 Index, Russell 1000 Value Index, Russell Mid Cap Growth Index, Russell Mid Cap Index, Russell Mid Cap Value Index, Russell 2000 Growth Index, Russell 2000 Index, Russell 2000 Value Index, Dow Jones U.S. Select REIT Index, Barclays Capital Aggregate Bond Index, and the MSCI EAFE Index.

## The Value Tilt

Listed below are the annualized returns and standard deviation (a measure of risk) of the components of the Russell 3000 Index for the last 25 years ending December 31, 2010. We were able to go back 25 years, which is when Russell broke out their indices. We used the Russell 3000 Index as a proxy for the total U.S. market since it includes 98% of the investable U.S. equity capitalization. We have found that over time, by focusing more uniformly on value funds, we can achieve incremental returns with lower volatility.

Size	Data Series	Annualized Return (%)	Annualized Standard Deviation (%)
Large	Russell 1000 Value Index	10.32	15.33
	Russell 1000 Index	10.00	15.92
	Russell 1000 Growth Index	9.23	18.08
Mid	Russell Mid Cap Value Index	11.92	16.46
	Russell Mid Cap Index	11.73	17.40
	Russell Mid Cap Growth Index	10.53	21.53
Small	Russell 2000 Value Index	10.79	17.81
	Russell 2000 Index	9.10	20.03
	Russell 2000 Growth Index	6.94	23.48

From a long-term perspective, the value style of investing has outperformed the growth style across large, mid, small, and international sectors. At the same time, value stocks have produced lower levels of risk than the growth stocks as measured by their standard deviation calculation. However, performance is cyclical between value and growth and predicting the swings in performance is almost impossible to do. We believe in an overall value tilt but understand that it makes sense to have some exposure to both blend and growth to help insulate the portfolio.

## Passively Managed Mutual Funds

**Conrad Siegel** *Investment Advisors, Inc.* recognizes the value of the passively managed investment approach and recommends a portfolio of these types of funds that over the long-term have proven to rank near the top in terms of performance. In general, passively managed funds have historically outperformed actively managed funds over the long-term. This is due primarily to the low-cost nature of these funds and the inability to successfully select the right stock at the right time.

## Expenses Negatively Impact Investment Returns

Comparing the expense ratio of a passively managed mutual fund versus that of the average mutual fund within the large blend Morningstar category, the advantage of the low-cost investment product becomes quite evident.

- Vanguard 500 Index Fund Signal Shares – 0.07%
- Average Fund in Large Blend Morningstar Category – 1.12% (See iii)

This means that on an annual basis the average fund in the large blend Morningstar category needs to generate an additional 1.05% of performance annually just to keep pace with the Vanguard 500 Index Fund Signal Shares. While there will be years in which the actively managed fund performs better than the passively managed investment product, over the long-term the cost advantage that is exhibited by the passively managed fund generally will be difficult to overcome.

## Stock Selection is Difficult

Stock selection is difficult to do successfully over longer periods of time. In fact, the average U.S. equity mutual fund, which represents active stock pickers, lagged the index's annualized total return for the last 15 years, ending December 31, 2010, in seven of nine domestic Morningstar categories.

	Value		Blend		Growth		
Large	7.17%	6.61%	6.96%	6.44%	6.40%	6.26%	DJ Wilshire equity index
Medium	10.21%	9.47%	9.72%	8.43%	8.03%	7.76%	U.S. equity mutual fund category average
Small	10.88%	10.45%	9.26%	9.49%	7.10%	7.68%	See iv

While we at **Conrad Siegel Investment Advisors, Inc.** strongly believe in the passively managed approach, we understand that some plan sponsors want to offer actively managed funds to their participants. To accommodate plan sponsors seeking actively managed funds, **Conrad Siegel Investment Advisors, Inc.** has extensively researched the various domestic Morningstar style boxes and is able to provide a full range of quality funds.

iii Use of the Vanguard 500 Index Fund and Large Blend Morningstar Funds is for comparative purposes only. We believe the information contained herein to be accurate, but we cannot guarantee the accuracy of such information.

iv Returns are courtesy of Morningstar, Inc. Category averages are the appropriate category averages for all managers and index returns are the appropriate Dow Jones U.S. Equity Indices for each particular style box.

This brochure contains general information that is not suitable for everyone. We believe the information contained herein to be accurate, but we cannot guarantee the accuracy of such information. The information contained herein should not be construed as personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this brochure will come to pass. Investing in the stock market involves gains and losses and may not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security.

For additional information on CSIA, including fees and services, send for our disclosure statement as set forth on Form ADV from CSIA using the contact information herein. Please read the disclosure statement carefully before you invest or send money.

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