

JUNE 30, 2015

# FACETS Target Retirement 2030 Fund R4

Landing Point is 30% Equity, 70% Fixed Income

# ALERUS

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Alerus Financial, Inc. (Alerus) is a national, Financial Services firm headquartered in Grand Forks, North Dakota. Alerus provides a variety of banking, mortgage, retirement plan, and wealth management services to clients across the United States. Alerus acquired Fiduciary Consulting Group, LLC at the beginning of 2015 and assumes the role of sub-advisor for the FACETS funds. These funds have become part of a stable of eight Lifestyle and five Target Date Collective Investment Fund strategies offered by Alerus.

The FACETS Funds are Collective Investment Funds (CIFs) created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invest in strategies implemented by Strategic Income Management, LLC as Investment Research Provider, on behalf of Alerus as the fund's Sub-Advisor.

## FACETS Target Date Funds

Alerus offers target retirement funds providing participants with an optimal level of return and risk, based on the target date. They feature a professionally managed investment strategy in which the asset allocation becomes increasingly more conservative as the target date approaches, following a preset glide path.

## FUND OVERVIEW

### Investment Research Provider:

Strategic Income Management, LLC (SiM)

Inception Date: 9/01/2014

Cusip: 41024C703

Benchmark: S&P Target Date 2030 Index

Portfolio Turnover Rate: n/a

### Top Holdings:

iShares Russell 1000 Growth Index (IWF)

Vanguard Growth (VUG)

Vanguard Value (VTV)

iShares Russell 1000 Value Index (IWD)

iShares MSCI EAFE Index (EFA)

iShares MSCI Emerging Mkt Index (EEM)

iShares C&S Realty Majors Index (ICF)

iShares Russell 2000 Growth Index (IWO)

iShares S&P US Preferred Stock Index (PFF)

iShares Russell Midcap Growth Index (IWP)

Total Expense Ratio: 1.47%

The effect of the Total Expense Ratio per \$1,000 investment in the CIF is \$14.70 per year. The expense ratio includes 0.45% service fees payable to the plan's service providers. The expense ratio includes the underlying ETF expenses.

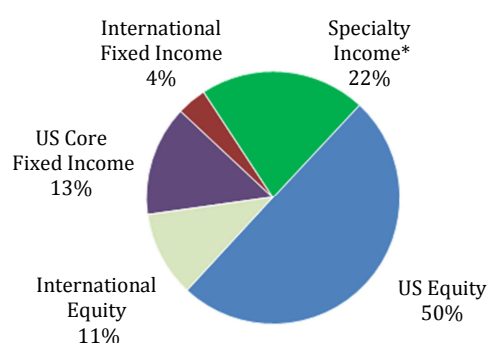
## OBJECTIVE

The fund seeks to provide total return from capital appreciation and current income consistent with the current level of risk determined by its glide path.

## INVESTMENT SUMMARY

The FACETS Target Retirement 2030 Fund is an actively managed, globally diversified portfolio that invests primarily in exchange-traded funds (ETFs) with an asset allocation strategy designed for investors planning to retire in or within a few years of 2030. The fund's asset allocation becomes more conservative over time, and converts into the FACETS NOW Fund 7 years after the target date.

## ASSET ALLOCATION



Allocations are subject to change. \*Specialty Income may include Fixed Income and Equity securities.

## PERFORMANCE SUMMARY

As of June 30, 2015	3 Mos	YTD	1 Year	3 Year	Since Inc <sup>1</sup> FACETS
FACETS Target Retirement 2030 Fund R4 (Net of Fees)	-1.17%	1.19%	-	-	1.40%
S&P Target Date 2030 Index <sup>2</sup>	-0.32%	2.25%	2.32%	11.32%	1.72%
SiM Portfolio Historical Performance**	3 Mos	YTD	1 Year	3 Year	Since Inc <sup>1</sup> SiM
SiM Target Retirement 2030 Portfolio (Gross of Fees)	-0.95%	1.60%	3.87%	11.52%	9.63%
SiM Target Retirement 2030 Portfolio (Net of Fees)	-1.12%	1.25%	3.20%	10.63%	8.74%

<sup>1</sup>Inception of the FACETS Target Retirement 2030 fund is 9/01/2014. Inception date of the SiM Target Retirement 2030 Portfolio is 12/31/2010. Performance for periods greater than one year is annualized.

<sup>2</sup>Please see Benchmark description on next page.

**\*\*The SiM Portfolio historical performance shown is hypothetical. SiM did not manage or offer Target Date portfolios during the time periods presented. The hypothetical performance of the SiM Target Retirement 2030 Portfolio was derived by combining the composite returns of SiM's Dynamic Allocation portfolios in accordance with their respective target weighting as determined by SiM's Target Retirement Glide Path, which is used for the FACETS Target Retirement 2030 Fund. Net performance includes fees applicable to SiM's Target Retirement Portfolios and does not represent fees applicable to investors in the Fund, which could be higher. As with any hypothetical performance there are inherent limitations of data derived from the retroactive application of a model developed with the benefit of hindsight (e.g., results do not represent actual trading, and SiM only began to offer target date portfolio models after the performance periods depicted), and therefore hypothetical past performance should, in particular, not be considered indicative of future results or be considered a guarantee of future results.**

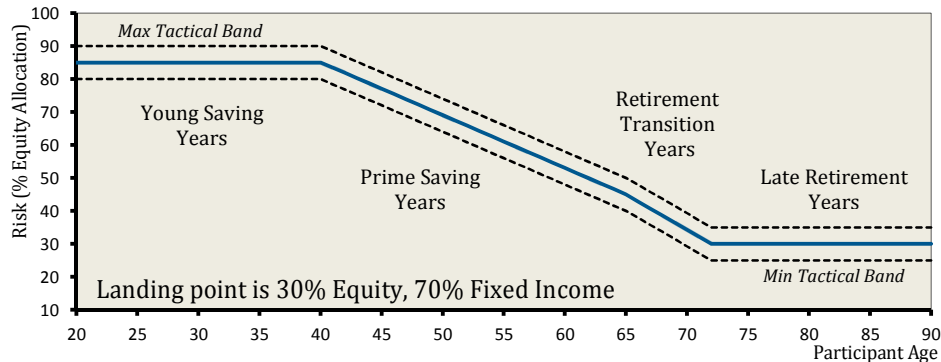
The performance quoted here does not guarantee future results. As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Before investing in any investment portfolio, the client and the financial professional should carefully consider investment objectives, time horizon, risk tolerance and fees.

## INVESTMENT STRATEGY

The fund's **active asset allocation strategy** is based on a long-term Strategic Foundation built on efficient diversification and risk management; with near-term constrained Tactical Tilts of risk and asset class positioning based on SiM's proprietary Economic and Investment Outlook; and a focus on Income-producing investments.

It follows SiM's risk-based Glide Path that uses a life-cycle approach to determine risk positioning through time. The Glide Path starts out with an aggressive level of risk appropriate for younger participants, slowly decreases risk levels during the prime earning and saving years up to retirement, steadily decreases risk during the retirement transition years "through to age 72", then is fixed in our most conservative NOW Fund in the late retirement years when income and inflation protection are vital.

## FACETS TARGET RETIREMENT GLIDE PATH



## QUALIFIED DEFAULT INVESTMENT ALTERNATIVE

When used as a Qualified Default Investment Alternative (QDIA) solution for plan sponsors who must decide to invest a participant's account when no other direction is available or provided, fund options within FACETS Collective Funds may provide a safe harbor under the Pension Protection Act (PPA) to limit liability for plan fiduciaries.

Since the FACETS Collective Funds meet the requirements for QDIA under the PPA, this fund solution can stand alone or dovetail with an existing plan advisor's own fund selection. Additionally, participants and beneficiaries on whose behalf assets are invested in the QDIA have the right to redirect the investment to any other investment alternative under the plan.

## WHO SHOULD INVEST *This fund may be appropriate for individuals planning to retire around the year 2030*

**Benchmark:** The S&P Target Date Index Series is designed to represent a broadly derived consensus of asset class exposure for each target date year, as well as an overall glide path. Each index corresponds to a particular target retirement date, providing varying levels of exposure to equities, bonds and other asset classes. The asset allocation for each index is based on market observations through an annual survey of target date fund managers. As the overall universe becomes more conservative with the approach of each target date year, so will the index. Each index is created and retired as determined by target date fund survey sample size. The performance of the index does not reflect the deduction of expenses associated with a fund or the ETFs included in the index, such as investment management fees.

**Underlying Fund/Fund of Funds:** A portfolio's risks are closely associated with the risks of the securities and other investments held by the underlying or subsidiary funds, and the ability of the portfolio to meet its investment objective likewise depends on the ability of the underlying funds to meet their objectives. Investment in other funds may subject the portfolio to higher costs than owning the underlying securities directly because of their management fees.

**ETF:** Investments in exchange-traded funds generally reflect the risks of owning the underlying securities they are designed to track, although they may be subject to greater liquidity risk and higher costs than owning the underlying securities directly because of their management fees. Shares of ETFs are subject to market trading risk, potentially trading at a premium or discount to net asset value.

**Fees:** There are no sales commissions or redemption fees charged for purchases and sales of interests in the Fund. The Total Expense Ratio (TER) includes the expense ratio of the underlying ETFs. As of 12/31/14 the weighted ETF funds cost was approximately 0.27%. The Trustee Fee accrues on a daily basis and is payable monthly in arrears. The Trustee Fee is charged directly to each particular CIF. A portion of the TER (0.60%) will be paid to Alerus Financial for sub-advisory service provided to the Trustee. The fund will invest in exchange-traded funds and collective investment trusts. To provide liquidity and ease of administration of the Fund, the Trustee requires that the Fund maintain 3% of its assets in cash. As permitted by the Declaration of Trust that governs the Fund, such cash may be invested in a deposit account or other cash vehicle maintained by the Trustee or an affiliate of the Trustee.

**Funds:** The CIFs are not mutual funds. Its shares are not deposits of Hand Benefits & Trust Company, a BPAS company, or Alerus Financial, and are not insured by the Federal Deposit Insurance Corporation or any other agency. The CIFs are securities which have not been registered under the Securities Act of 1933 and are exempt from investment company registration under the Investment Act of 1940. For more information, please visit [www.alerusretirementsolutions.com](http://www.alerusretirementsolutions.com).

**Suitability:** Investors are expected to select investments whose investment strategies are consistent with their financial goals and risk tolerance. A target date fund should be selected based on factors in addition to age or retirement date, including the investor's risk tolerance, personal circumstances, and complete financial situation.

Investment Products: Not FDIC Insured No Bank Guarantee - May Lose Value including losses near and following retirement. There is no guarantee that the investment will provide adequate retirement income.

## ABOUT THE TRUSTEE:

### Hand Benefits & Trust Company

HB&T is a non-depository financial institution that specializes in providing daily valuation accounting and unitization of Collective Investment Funds. HB&T believes in a culture of fiduciary responsibility and long-term success for its clients.

## ABOUT THE SUB-ADVISOR:

### Alerus Financial, Inc.

Alerus, through its retirement plan division, Alerus Retirement Solutions, provides a combination of recordkeeping, administration, and investment advisory services to over 5,000 retirement plans in 49 states. Alerus has over \$17 billion in total assets under management. The Alerus stable of Collective Investment Funds allow plan sponsors to provide low-cost, professionally managed, and diversified portfolios that may be utilized as a Safe Harbor QDIA solution.

## ABOUT THE INVESTMENT

### RESEARCH PROVIDER:

### Strategic Income Management (SiM)

SiM is an independent and 100% employee-owned company dedicated to the goal of providing superior investment management for institutional and individual clients. SiM's asset allocation investment team has over 50 years of combined experience in asset allocation investment management.