

# VERMONT STATE RETIREMENT SYSTEM

2<sup>nd</sup> Quarter Report



# Agenda

## VERMONT STATE RETIREMENT SYSTEM: Strategic Discussion

- I. Plan Summary
- II. Financial Markets Review
- III. Asset Allocation
- IV. Fund Analysis
- V. Plan/Participant Review
- VI. Appendix

# Plan Summary



# Executive Summary – as of 06/30/2016

STATE OF VERMONT - 37566

## Plan Level Return Data

Current Plan Assets	Plan Asset One Year Prior	Differential due to Market Action	Differential due to Net Cash Flow	1 Yr. Avg Annual Return	3 Yr. Avg. Annual Return	5 Yr. Avg. Annual Return
\$56.8 Million	\$58.3 Million	\$-0.5 Million	\$-0.9 Million	-0.75%	6.49%	6.35%
				60 S&P/40 Barclays Agg	5.04%	8.90%
				Plan Median (all plans)	-1.15%	6.45%

The plan median return includes all active plans recordkept by Fidelity Investments with a return for the period that have greater than or equal 100 participants. These plans include both qualified and assetized nonqualified plans (i.e., nonqualified plans informally funded with mutual funds and other securities), as well as single investment option plans, which include Employee Stock Ownership Plans (ESOPs). The data excludes all tax exempt pooled plans. Plans recordkept by Fidelity Investments Institutional Services Company, Inc., which includes distribution through a variety of financial institutions, including banks, insurance companies, broker/dealers, financial planners and pension fund administrators, were also excluded. For more information, please contact your Fidelity Account Executive.

## Investment Menu Options Performance

	1 Year	3 Year	5 Year	10 Year
Top 5 Funds Outperforming Peers	AF American Balanced Fund® CL R-4 Janus Triton Fund CL I		AF American Balanced Fund® CL R-4 Fidelity® Sm Cap Discovery Fund	
	Vang Balanced Index Fund Admr	AF American Balanced Fund® CL R-4 Fidelity® Sm Cap Discovery Fund	Janus Triton Fund CL I	
	Vang Total Bond Market Index Fund A Fidelity® Puritan® Fund - CL K	Janus Triton Fund CL I		PIMCO Total Return Fund Instl
	Janus Triton Fund CL I	Vang Balanced Index Fund Admr	Vang Balanced Index Fund Admr	AF American Balanced Fund® CL R-4
	Fidelity® 500 Index Fund - Premium Cl; Fidelity® 500 Index Fund - Premium Cl; Fidelity® Puritan® Fund - CL K			Fidelity® Blue Chip Gr Fund - CL K
Bottom 5 Underperforming Peers	Domini Social Equity Fund CL R	Domini Social Equity Fund CL R	Domini Social Equity Fund CL R	Domini Social Equity Fund CL R
	Fidelity® Blue Chip Gr Fund - CL K	Columbia Acorn Intl Fund CL Z	Columbia Acorn Intl Fund CL Z	Fidelity® Intl Discovery Fund - CL K
	Fidelity Freedom K® 2030 Fund	TRP Equity Inc Fund	Fidelity® Dividend Gr Fund - CL K	
	Fidelity Freedom K® 2035 Fund	PIMCO Total Return III Fund Instl	PIMCO Total Return III Fund Instl	
	PIMCO Total Return III Fund Instl	PIMCO Total Return Fund Instl	Fidelity Freedom K® 2005 Fund	

The methodology for rating funds in Top 5 or Bottom 5 Funds is based on the percent rank in the Morningstar category. The Top 5 Funds represent the funds with a rank closest or equal to 1% (most favorable) and will not be below 50%. The Bottom 5 Funds represent the funds with a rank closest or equal to 100% (least favorable). For further details on the actual rankings of these funds, please refer to the Fund Analysis section.



# Financial Markets Review



# 2016 Q2 Market Summary (as of 6/30/16)

## Global summary: Weak growth, but signs of stabilization emerging.

- Global manufacturing bullwhips (the new orders less inventories component of purchasing manager indexes) have softened over the past month but are still indicating a pickup in global manufacturing activity.
- Tightening energy supply and demand and higher oil prices are mitigating global deflationary pressures and easing the burden on oil-producing countries.
- Global growth remains tepid and uneven, but signs of stabilization continue to build.

## United States: Late-cycle indicators elevated, but recession odds remain low.

- Tighter labor markets and rising income expectations suggest the U.S. consumer is providing a solid foundation for continued U.S. expansion.
- The recent slowdown in business activity may likely prove temporary, particularly if the global economy, oil prices, and the dollar stop providing headwinds.

## China continues to stabilize.

- The recent increase in loan demand suggests monetary stimulus is increasingly transmitting through the banking system and into credit creation, which should support near term economic activity
- Rising fiscal support from China's policymakers should help stabilize conditions in the near term, although greater structural reforms will be needed for a sustainable reacceleration.

## Investing Implications of Brexit

- The United Kingdom's vote to leave the European Union may signal a shift toward deglobalization, which could lead to slower economic growth and higher inflation.
- Brexit could help keep rates low, and may lead to more fiscal stimulus. Increased fiscal stimulus (if done right) could provide a boost to nominal growth, and could offset the negative headwinds of deglobalization to some extent.
- A positive outcome of Brexit for U.S. investors is the possibility that the Fed may temper its plans to raise interest rates. A more dovish Fed should also keep a lid on the dollar, which could be bullish for stocks.
- The potential implications of Brexit may favor an active, stock-by-stock approach to security selection.

### Investment Risks:

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

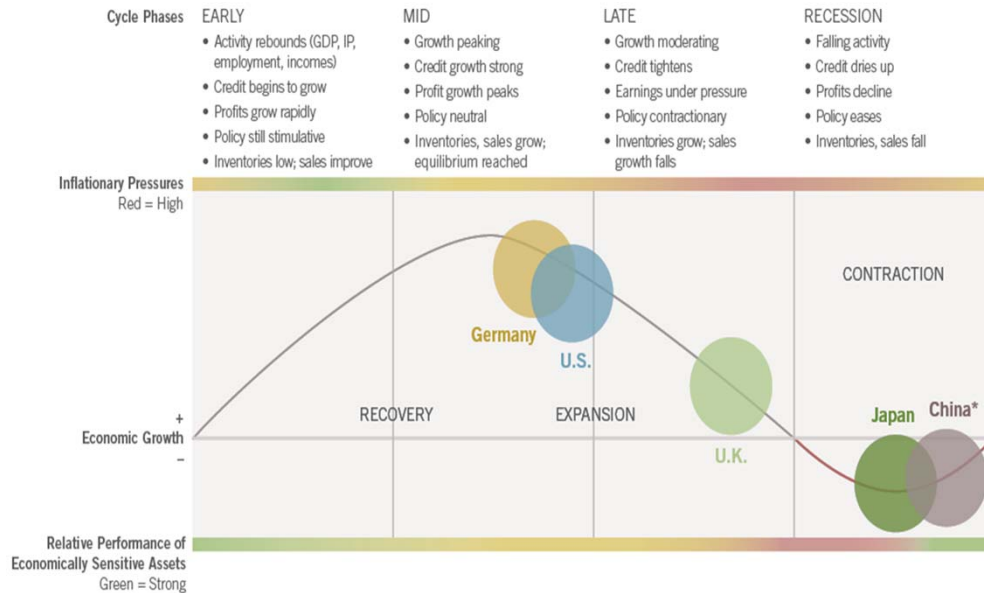
In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Past performance is no guarantee of future results.



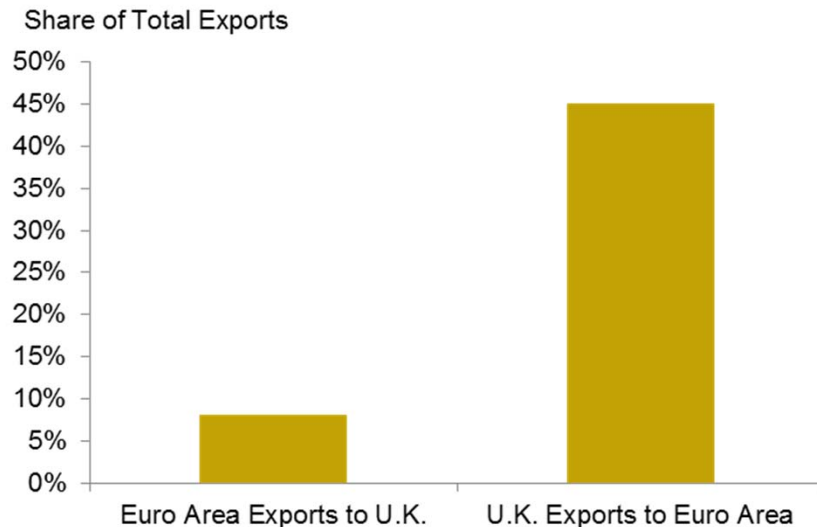
# U.S. Economy Solidly Mid-Cycle; Gradual pace of Fed tightening

## I. Business Cycle Update



Source: Fidelity Investments(Asset Allocation Research Team) as of 6/30/16.

## II. U.K. and Euro Area Trade



Source: IMF, Haver Analytics, Fidelity Investments (AART), as of 2/29/16.

- ▶ The U.K. may be headed toward recession in the aftermath of Brexit, and Japan slipped into a mild contraction as a stronger yen pressured exports. Nevertheless, continued expansion in the U.S. and steadying trends in China still make global stabilization the most likely underlying trend, albeit a more prolonged process with greater downside risks.
- ▶ The global economy is struggling, but there are some signs of stabilization. Tightening energy supply and demand and higher oil prices are mitigating global deflationary pressures and easing the burden on oil-producing countries.
- ▶ Rising fiscal support from China’s policymakers should help stabilize conditions in the near term, although greater structural reforms will be needed for a sustainable reacceleration.
- ▶ The current U.S. expansion is a mix of mid- and late-cycle dynamics. Rising late-cycle indicators include tighter bank credit for businesses and emerging signs of profit margin pressures.

Note: Diagram I is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. \*A growth recession is a significant decline in activity relative to a country’s long-term economic potential. We have adopted the “growth cycle” definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter the most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Source: Fidelity Investments (AART).

- ▶ Eurozone economic sentiment—both consumer and business—remained near post-recession highs prior to the Brexit vote at the end of June. The political uncertainty unleashed by Brexit is likely to dampen sentiment and provide a stiff headwind for business investment, but relatively healthy household sectors should help support activity
- ▶ The United Kingdom’s vote to leave the European Union may signal a shift toward deglobalization, which could lead to slower economic growth and higher inflation.
- ▶ A positive outcome of Brexit for U.S. investors is the possibility that the Federal Reserve may temper its plans to raise interest rates.

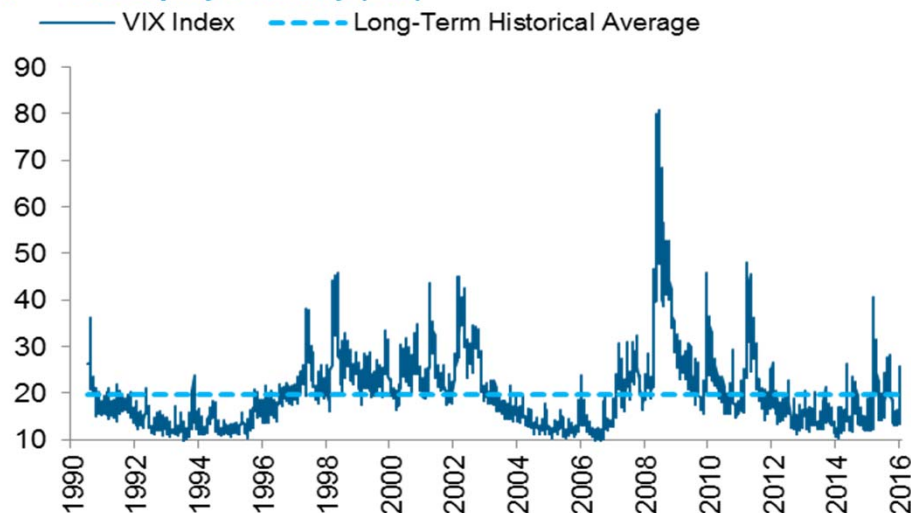
# Global Trade and Industrial Recession May Be Ebbing

## II. S&P 500 Valuations



Past performance is no guarantee of future results. Price and five-year peak earnings are adjusted for inflation. Source: Standard & Poor's, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 6/30/16.

## II. U.S. Equity Volatility (VIX)



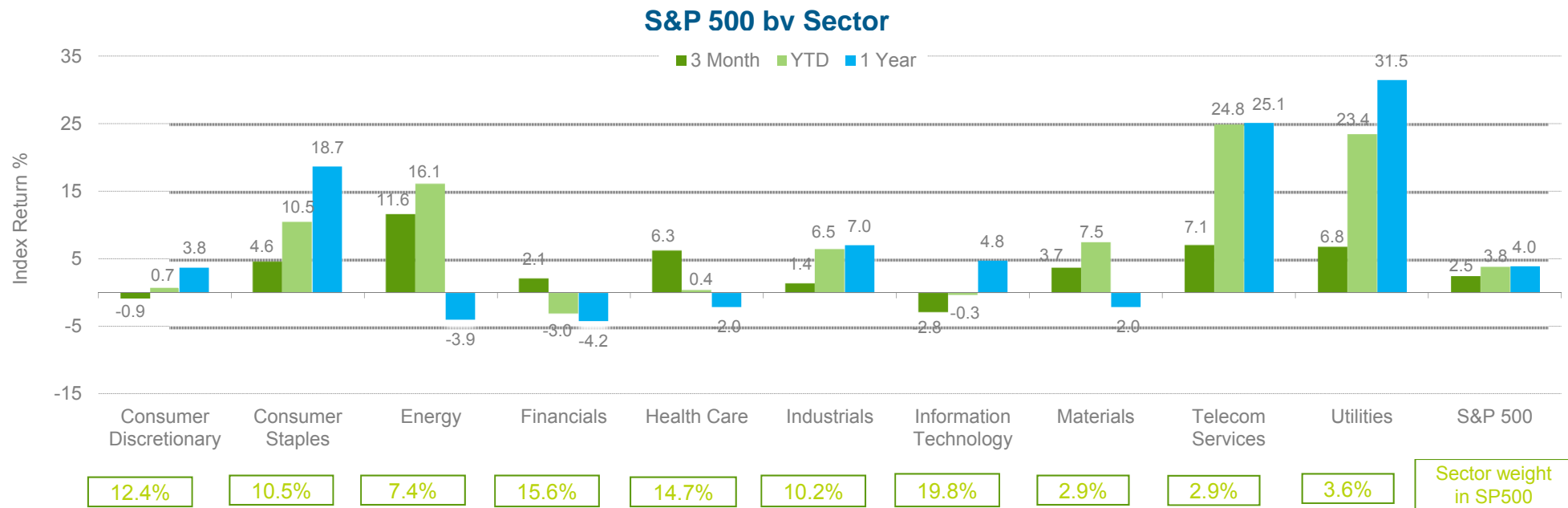
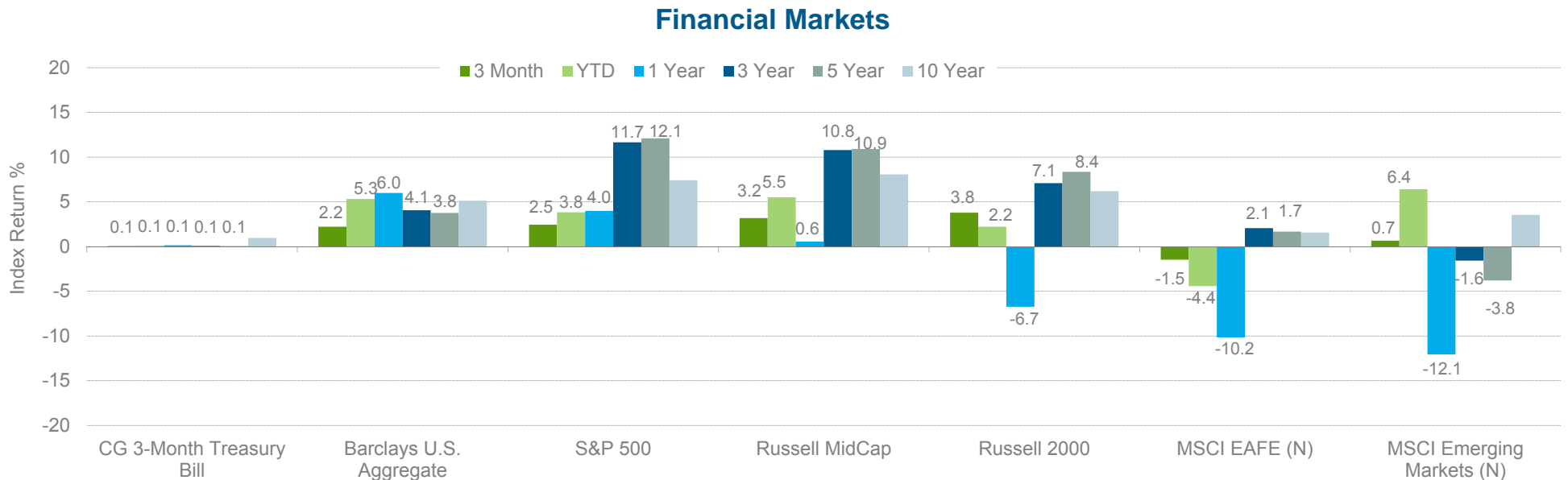
VIX: Chicago Board Options Exchange (CBOE) Volatility Index. Source: Bloomberg Finance, L.P., Fidelity Investments (AART), as of 6/30/16.

Past performance is no guarantee of future results.

- ▶ The economy's transition from a mid-cycle to a late-cycle phase typically involves a pickup in inflation indicators, with commodity prices and wages tending to accelerate.
- ▶ These rising input-cost pressures adversely affect profit margins and credit conditions. Today, wage inflation is gaining traction, but commodity inflation remains generally absent.
- ▶ U.S. P/E ratios are somewhat above their long-term historical averages, but we believe over the long term that stocks will sustain a valuation level closer to the average of the past 20 years.
- ▶ Valuations have historically had a negative relationship with inflation, but there is room for inflation to rise from today's low levels and still be generally supportive of high P/Es.
- ▶ Amid record-low bond yields, investors have bid up the valuations of higher-dividend-paying equities, placing a healthy premium on companies with high payout ratios. Companies' payout ratios—the portion of earnings paid out as dividends—had been trending down for several decades, but have risen over the past year amid weak earnings and steady dividends.
- ▶ Political uncertainty and unconventional monetary policies can lead to expectations of higher volatility. The U.K.'s decision to leave the EU has increased the uncertainty in the global economy.
- ▶ The worst performers in 2015—emerging-market equities, commodities, and High Yield posted strong rebound in the first half of 2016 to close Q2 with strong gains.
- ▶ Due to the extraordinary nature of the monetary response during this cycle, policy has taken center stage for investor sentiment. As always, however, monetary policy is both influenced and influences the business cycle, and must therefore be considered alongside fundamental economic trends.
- ▶ From an asset allocation perspective, volatility may remain elevated and smaller cyclical asset allocation tilts may be warranted than earlier in the cycle. A move toward late-cycle dynamics may favor assets with inflation-resistant properties.



# Financial Market Returns as of June 30, 2016



Source: Factset as of 6/30/16. 3, 5 and 10 year performance numbers are annualized total returns as of 6/30/16.

The S&P 500 Sector Indices are constructed using the Global Industry Classification Standard (GICS), a widely accepted industry analysis framework for investment research, portfolio management and asset allocation jointly developed and maintained by MSCI and Standard & Poor's.

Please refer to the Market Perspective Notes for risk disclosures.

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# Domestic Equity Style (% Change)

As of 6/30/2016

Style	Period	Value	Blend	Growth
Large	Q2	4.58	2.54	0.61
	YTD	6.30	3.74	1.36
	1YR	2.86	2.93	3.02
	3YR	9.87	11.48	13.07
Mid	Q2	4.77	3.18	1.56
	YTD	8.87	5.50	2.15
	1YR	3.25	0.56	-2.14
	3YR	11.00	10.80	10.52
Small	Q2	4.31	3.79	3.24
	YTD	6.08	2.22	-1.59
	1YR	-2.58	-6.73	-10.75
	3YR	6.36	7.09	7.74

Look Back as of 6/30/2011

Style	Period	Value	Blend	Growth
Large	Q2	-0.50	0.12	0.76
	YTD	5.92	6.37	6.83
	1YR	28.94	31.93	35.01
	3YR	2.28	3.68	5.01
Mid	Q2	-0.69	0.42	1.61
	YTD	6.69	8.08	9.59
	1YR	34.28	38.47	43.25
	3YR	6.35	6.46	6.58
Small	Q2	-2.65	-1.61	-0.59
	YTD	3.77	6.21	8.59
	1YR	31.35	37.41	43.50
	3YR	7.09	7.77	8.35

  Signifies top performing index for each timeframe

The above styles are represented by: Large Value = Russell® 1000 Value, Large Blend = Russell® 1000, Large Growth = Russell® 1000 Growth.  
 Mid Value = Russell® Mid Cap Value, Mid Blend = Russell® Mid Cap, Mid Growth = Russell® Mid Cap Growth.  
 Small Value = Russell® 2000 Value, Small Blend = Russell® 2000, Small Growth = Russell® 2000 Growth.

Source: Morningstar as of 6/30/2016.

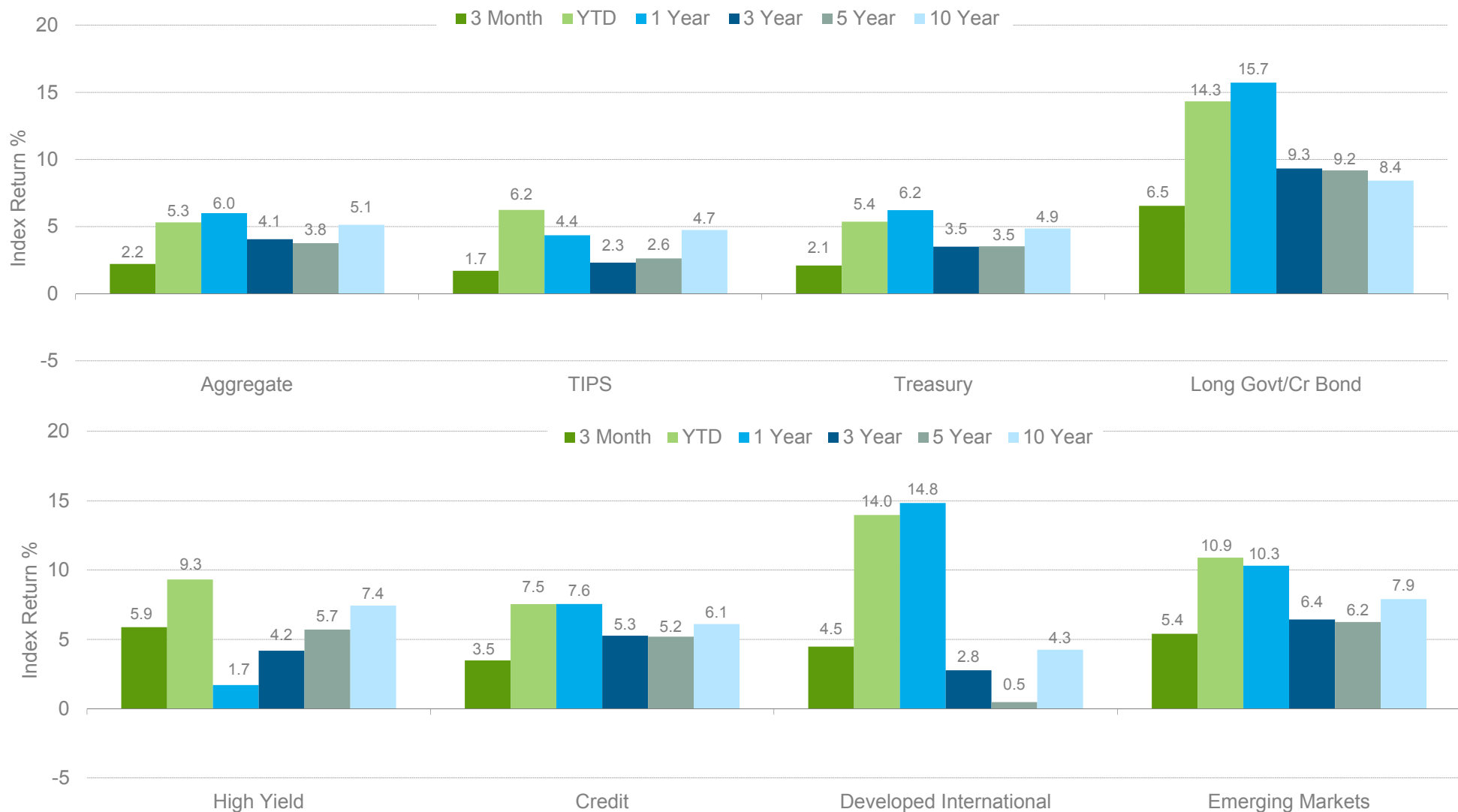
3 year performance numbers are average annual total returns as of 6/30/16 and 6/30/2011.

Investments in smaller companies may involve greater risks than those in larger, more well known companies.

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# Fixed Income Market Returns as of June 30, 2016



Source: Factset as of 6/30/16. 3, 5 and 10 year performance numbers are annualized total returns as of 6/30/16.

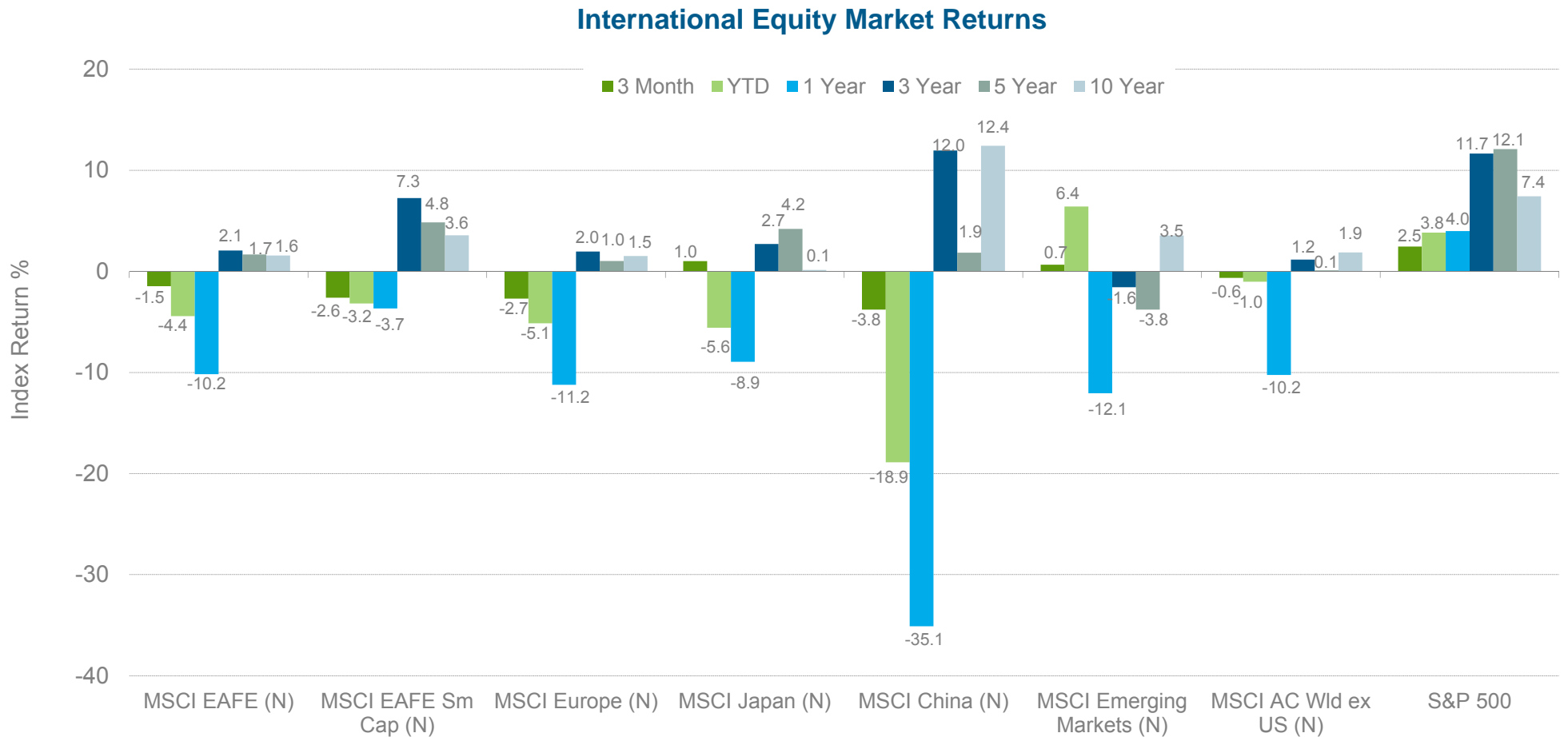
In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. The value of inflation-protected debt securities tends to change less due to changes in inflation than other types of bonds but may decrease with decreases in inflation or, as with other debt securities, with increases in interest rates.

The above sectors are represented by the following indexes: Aggregate – Barclays Aggregate Bond Index; Agency – Barclays US Agency Index; TIPS – Barclays US TIPS Index; Treasury – Barclays Treasury Index; Long Govt/Cr Bond – Barclays US Long Government/Credit Bond Index; High Yield – BofA ML US HY Master II Constrained Index; Credit – Barclays Credit Bond Index; Developed International: JPM GBI Ex USA Unhedged; Emerging Markets: JPM EMBI Global.

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# International Equity Markets as of June 30, 2016



Q2 2016 Local  
Currency  
Return

-0.7%

-2.9%

1.2%

-1.1%

-1.2%

0.7%

-0.1%

2.5%

Local Currency (LC) returns refers to the return in local currency ( i.e. does not include any impact due to currency exposure). Note: Emerging Market represented a 16.2% weight in ACWI ex-US as of 6/30/16.

Source: Factset, Morningstar as of 6/30/16. 3, 5 and 10 year performance numbers are annualized total returns as of 6/30/16.

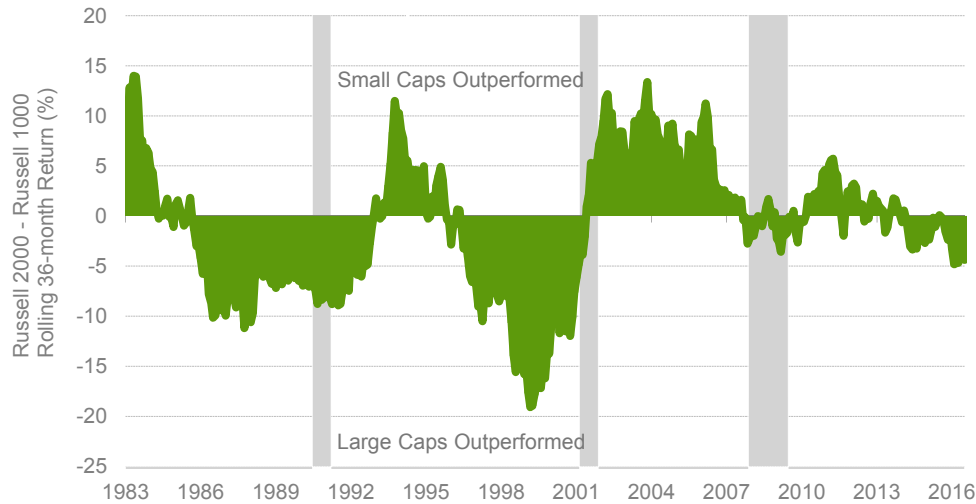
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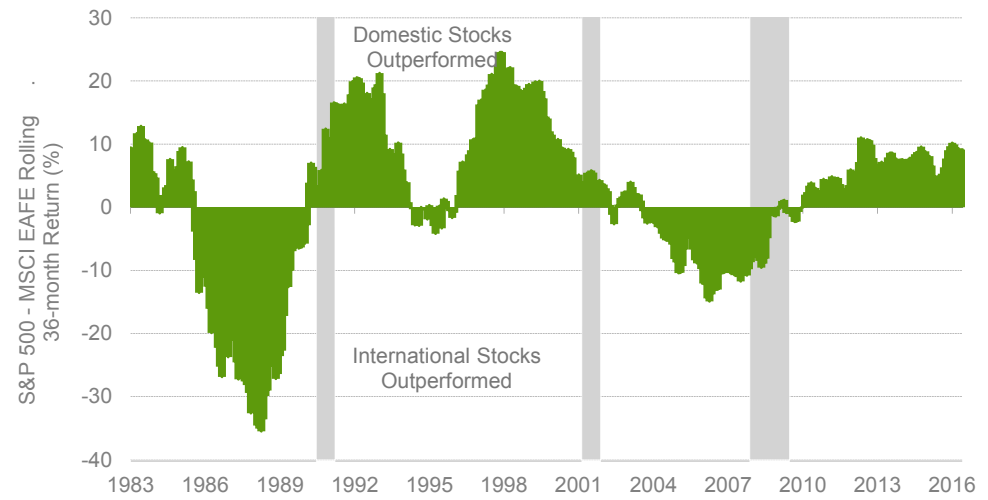
# Historical Relative Index Performance

## I. Small vs. Large Cap (Jan 1983 to June 2016)



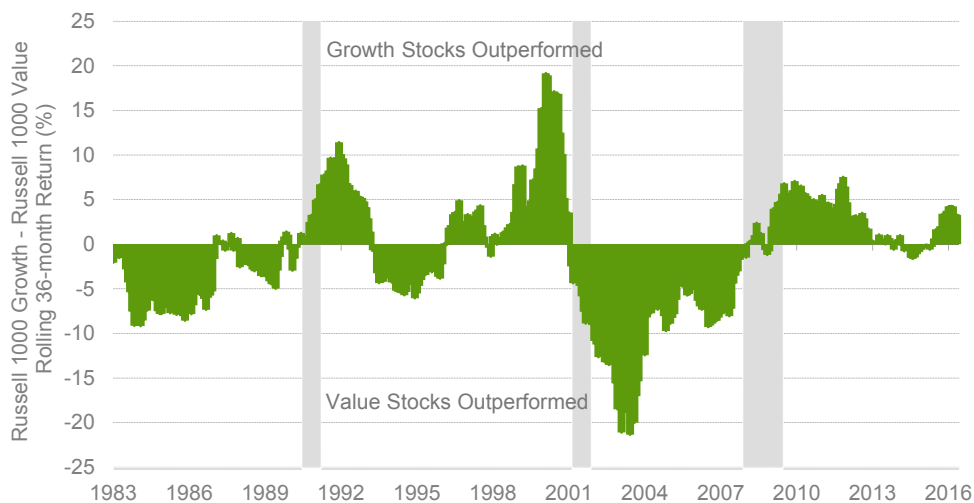
Source: Russell Investment Group, FactSet as of 6/30/2016.

## II. U.S. vs. International (Jan 1983 to June 2016)



Source: Russell Investment Group, FactSet as of 6/30/2016.

## III. Growth vs. Value (Jan 1983 to June 2016)



Source: Russell Investment Group, FactSet as of 6/30/2016.

## IV. Mutual Fund Flows by Asset Class (\$ billions)

Morningstar Category	3 Month	1 Year	3 Year	Net Assets
Total Equity	(29.4)	40.4	624.1	8,387
Total Bond	52.6	71.2	127.8	3,727
Money Market	14.2	148.6	177.1	1,398
US Equity	(21.1)	(44.9)	150.2	6,085
International Equity	(8.2)	85.3	473.9	2,302
Diversified EM	0.0	(7.4)	26.2	342
Taxable Bond	38.5	30.9	107.2	3,071
High Yield Bond	(0.8)	(10.2)	(12.6)	288
Target Date	13.0	70.4	168.0	793
Commodities	3.2	10.8	(8.1)	89

Morningstar's estimated net flow in/out of US open-end mutual funds (excludes Exchange Traded Funds). Data represents all distribution channels (retail and institutional).

Source: Morningstar as of 5/31/16.

Past performance is no guarantee of future results.



# Benefits Of Diversification

## Calendar Year Total Returns by Various Asset Classes (%)

*Diversification does not guarantee a profit or guarantee against loss*

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD Q2 2016
Lg Growth	38.7	Emg Mkt 66.4	Cmdty 49.7	Sm Value 14.0	Cmdty 32.1	Emg Mkt 55.8	REIT 31.5	Emg Mkt 34.0	REIT 34.2	Emg Mkt 39.8	Bonds 5.2	Emg Mkt 78.5	Sm Growth 29.1	TIPS 13.6	Emg Mkt 18.2	Sm Growth 43.3	REIT 28.8	Lg Growth 5.67	REIT 12.76
EAFE	20.0	Sm Growth 43.1	REIT 26.8	REIT 12.8	TIPS 16.6	Sm Growth 48.5	Emg Mkt 25.6	Cmdty 25.6	Emg Mkt 32.2	Cmdty 32.7	Cash 1.8	High Yield 57.5	REIT 27.0	Bonds 7.8	Sm Value 18.1	Sm Value 34.5	Lg Value 13.5	REIT 1.28	Cmdty 9.86
Lg Value	15.6	Cmdty 40.9	Sm Value 22.8	Bonds 8.4	Bonds 10.3	Sm Value 46.0	Sm Value 22.3	EAFE 13.5	EAFE 26.3	Lg Growth 11.8	TIPS -2.4	Lg Growth 37.2	Sm Value 24.5	REIT 7.5	Lg Value 17.5	Lg Growth 33.5	Lg Growth 13.1	Bonds 0.55	High Yield 9.32
Balanced	14.9	Lg Growth 33.2	TIPS 13.2	TIPS 7.9	REIT 3.6	EAFE 38.6	EAFE 20.3	REIT 12.1	Sm Value 23.5	TIPS 11.6	Balanced -19.4	Sm Growth 34.5	Emg Mkt 18.9	High Yield 4.4	EAFE 17.3	Lg Value 32.5	Balanced 6.0	Balanced 0.51	Emg Mkt 6.41
Bonds	8.7	EAFE 27.0	Bonds 11.6	High Yield 4.5	Cash 1.7	REIT 36.7	Cmdty 17.3	Lg Value 7.1	Lg Value 22.3	EAFE 11.2	High Yield -26.4	EAFE 31.8	Lg Growth 16.7	Lg Growth 2.6	REIT 16.5	EAFE 22.8	Bonds 6.0	Cash 0.03	Lg Value 6.30
Cash	5.1	Balanced 9.6	Lg Value 7.0	Cash 4.1	High Yield -1.9	Lg Value 30.0	Lg Value 16.5	Balanced 5.7	Sm Growth 13.4	Balanced 7.1	Sm Value -28.9	REIT 26.3	Lg Value 15.5	Balanced 2.0	High Yield 15.6	Balanced 13.5	Sm Growth 5.6	EAFE -0.81	TIPS 6.24
TIPS	4.0	Lg Value 7.4	Cash 6.0	Emg Mkt -2.6	Balanced -5.8	Lg Growth 29.8	Sm Growth 14.3	Lg Growth 5.3	High Yield 11.8	Sm Growth 7.1	Lg Value -36.9	Sm Value 20.6	High Yield 15.2	Lg Value 0.4	Lg Growth 15.3	High Yield 7.4	Sm Value 4.2	Sm Growth -1.38	Sm Value 6.08
High Yield	3.0	Cash 4.7	Balanced 1.5	Balanced -3.3	Emg Mkt -6.2	High Yield 28.2	High Yield 10.9	Sm Value 4.7	Balanced 11.6	Bonds 7.0	Lg Growth -38.4	Lg Value 19.7	Balanced 10.5	Cash 0.1	Sm Growth 14.6	REIT 1.3	TIPS 3.6	TIPS -1.44	Bonds 5.31
Sm Growth	1.2	High Yield 2.5	High Yield -5.1	Lg Value -5.6	Sm Value -11.4	Cmdty 20.7	Balanced 9.3	Sm Growth 4.2	Lg Growth 9.1	Cash 4.7	Sm Growth -38.5	Balanced 17.3	Cmdty 9.0	Cmdty -1.18	Balanced 10.2	Cash 0.1	High Yield 2.5	Lg Value -3.83	Balanced 2.81
Sm Value	-6.5	TIPS 2.4	EAFE -14.2	Sm Growth -9.23	Lg Value -15.5	Balanced 18.0	TIPS 8.5	Cash 3.0	Cash 4.8	High Yield 2.2	REIT -39.1	Cmdty 13.5	EAFE 7.8	Sm Growth -2.9	TIPS 7.0	Cmdty -1.2	Cash 0.0	High Yield -4.64	Lg Growth 1.36
REIT	-16.9	Bonds -0.8	Lg Growth -22.4	Lg Growth -20.4	EAFE -15.9	TIPS 8.4	Lg Growth 6.3	TIPS 2.8	Bonds 4.3	Lg Value -0.2	EAFE -43.4	TIPS 11.4	Bonds 6.5	Sm Value -5.5	Bonds 4.2	Bonds -2.0	Emg Mkt -2.2	Sm Value -7.47	Cash 0.12
Emg Mkt	-25.3	Sm Value -1.5	Sm Growth -22.4	EAFE -21.4	Lg Growth -27.9	Bonds 4.1	Bonds 4.3	High Yield 2.7	TIPS 0.4	Sm Value -9.8	Cmdty -46.5	Bonds 5.9	TIPS 6.3	EAFE -12.1	Cash 0.1	Emg Mkt -2.6	EAFE -4.9	Emg Mkt -14.92	Sm Growth -1.59
Cmdty	-35.8	REIT -4.6	Emg Mkt -30.8	Cmdty -31.9	Sm Growth -30.3	Cash 1.1	Cash 1.2	Bonds 2.4	Cmdty -15.1	REIT -17.8	Emg Mkt -53.3	Cash 0.2	Cash 0.1	Emg Mkt -18.4	Cmdty 0.1	TIPS -8.6	Cmdty -33.1	Cmdty -32.86	EAFE 4.42

Large Growth – Russell 1000 Growth Index; Large Value – Russell 1000 Value Index; ; Small Growth – Russell 2000 Growth Index; Small Value – Russell 2000 Value Index; EAFE – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index; High Yield – Merrill Lynch U.S. High Yield Master II Index; Bonds – Barclays Aggregate Bond Index; TIPS – Barclays US Treasury Inflation Protected Notes (TIPS) Index; Commodities – S&P GS Commodity Index; REIT - MSCI US REIT Index; Cash – Citigroup 3 month T-Bill. The “Balanced” portfolio is re-balanced monthly and assumes the following weights: 35% DJ US Total Stock Market, 15% MSCI EAFE, 40% US Barclays Aggregate Bond and 10% Barclays 3-Month T-Bill. Source: FactSet as of 6/30/16. Indices are unmanaged and you cannot invest directly in an index.

Please refer to the Market Perspective Notes for risk disclosures.

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# Market Perspective Notes

Third-party marks are the property of their respective owners; all other marks are the property of FMR LLC.

References to specific security, sector or investment strategy should not be construed as recommendations or investment advice. The statements and opinions are expressed as of June 30, 2016 and subject to change at any time, based on market and other conditions.

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Indices are unmanaged and you cannot invest directly in an index.

**Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.**

## **Investment Risks:**

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Investments in smaller companies may involve greater risks than those in larger, more well known companies.

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# Asset Allocation





# Important Information About Investment Risks and Risk Spectrums

**Placement of investment options within each risk spectrum is only in relation to the investment options within that specific spectrum. Placement does not reflect risk relative to the investment options shown in the other risk spectrums.**

**Risk Spectrum for Lifecycle Investment Options:** Lifecycle investment options are represented on a separate spectrum because they are generally designed for investors expecting to retire around the year indicated in each investment's name. The investments are managed to gradually become more conservative over time. The investment risks of each lifecycle investment change over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and foreign securities. Principal investment is not guaranteed at any time, including at or after their target dates.

**Risk Spectrum for General Investment Options:** This spectrum, with the exception of the Domestic Equity category, is based on Fidelity's analysis of the characteristics of the general investment categories and not on the actual investment options and their holdings, which can change frequently. Investment options in the Domestic Equity category are based on the options' Morningstar categories as of the date indicated. Morningstar categories are based on a fund's style as measured by its underlying portfolio holdings over the past three years and may change at any time. These style calculations do not represent the investment options' objectives and do not predict the investment options' future styles. Investment options are listed in alphabetical order within each investment category. Risk associated with the investment options can vary significantly within each particular investment category and the relative risk of categories may change under certain economic conditions. For a more complete discussion of risk associated with the mutual fund options, please read the prospectuses before making your investment decisions. The spectrum does not represent actual or implied performance.

Any product indicated as being on a watch list has been previously placed in this status by the plan sponsor. This may indicate that a product is subject to additional due diligence by the plan sponsor. This does not indicate a product that is being recommended to be placed on a watch list.

## **Investment Risks:**

Unless specifically stated otherwise in their detailed descriptions, principal invested in any of the Plan's investment options is not guaranteed at any time, including near or during retirement.

The investment risks of each lifecycle fund changes over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and foreign securities.

In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible.

Investments in smaller companies may involve greater risk than those in larger, more well known companies.

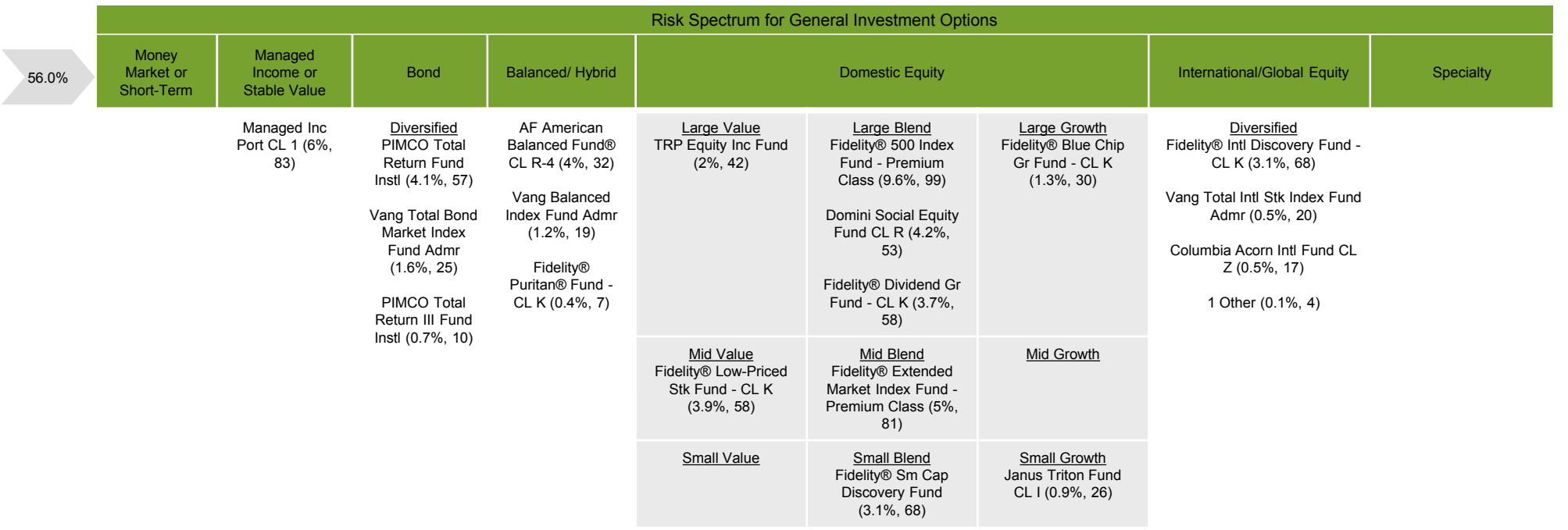
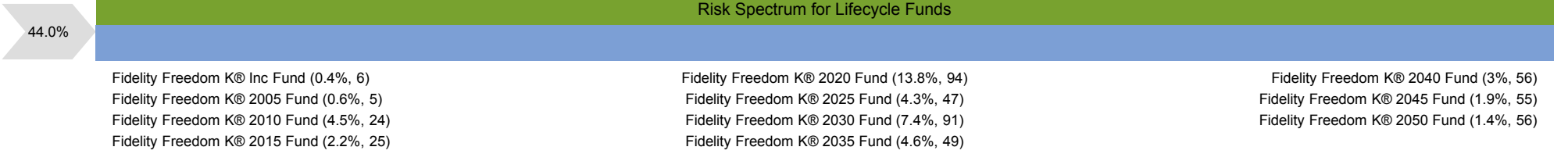
Foreign securities are subject to interest-rate, currency-exchange-rate, economic, and political risks, all of which are magnified in emerging markets. These risks are particularly significant for funds that focus on a single country or region.

# Investment Options Spectrum – as of 06/30/2016

STATE OF VERMONT - 37566

For each risk spectrum below, categories/investment options to the left have potentially more inflation risk and less investment risk

For each risk spectrum below, categories/investment options to the right have potentially less inflation risk and more investment risk



Total Plan Assets: \$56,828,292  
 Total Plan Participants: 602

Numbers left of spectrums represent percent of assets for that group of investment options. Numbers in parentheses represent percent of assets and number of participants in the investment option.



# Fund Analysis



# Fund Diagnostics Summary – as of 06/30/2016

**Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select “Investment Choices & Research”, and then pick investment option.)**

% Rank in Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is one and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of one. The number in parentheses represents the number of funds in the category. % Rank in Category is based on total returns, which include reinvested dividends and capital gains, if any, and exclude sales charges.

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Life of Fund figures are reported as of the inception date to the period indicated. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

Pre-inception returns: The analysis on these pages may be based, in part, on historical returns for periods prior to the class's actual inception. Generally, these calculated returns reflect the historical performance of an older share class of the investment, which may be adjusted to reflect the fees and expenses of the newer share class. Pre-inception returns are not actual returns and return calculation methodologies utilized by Morningstar, other entities and the investment option may differ. Pre-inception returns generally will be replaced by the actual returns of the newer share class over time. Please click on dedicated web page or refer to the fund prospectus or plan information for specific information regarding fees, expenses and returns.

If more than one benchmark is shown, the first listed is the primary benchmark.

If Morningstar category performance, count and expense information is displayed for a non SEC registered product, please note this information is for comparison purposes only as non SEC registered products are not included within the respective Morningstar category.

Non SEC registered products in the variable annuity universe will display with Morningstar category performance, count, expense and rank information. These products are included within the Morningstar category for the variable annuity universe; thus, they are ranked within the category.

The Morningstar Category Average is the average return for the peer group based on the returns of each individual fund within the group, for the period shown. This average assumes reinvestment of dividends and capital gains, if any, and excludes sales charges.

Morningstar, Inc., provided data on the non-Fidelity mutual funds. Although the data is gathered from reliable sources, accuracy and completeness cannot be guaranteed by Morningstar.

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Indices are unmanaged and you cannot invest directly in an index.

Any product indicated as being on a watch list has been previously placed in this status by the plan sponsor. This may indicate that a product is subject to additional due diligence by the plan sponsor. This does not indicate a product that is being recommended to be placed on a watch list.

**NOTE: Please see page(s) immediately following Fund Diagnostic Summary for disclosures related to fees and expenses.**



# Fund Diagnostics Summary – as of 06/30/2016

## Other Information:

Fidelity® 500 Index Fund - Premium Class : As of June 14, 2016, this fund changed its name from Spartan 500 Index Fund - Fidelity Advantage Class.

Fidelity® Extended Market Index Fund - Premium Class : As of June 14, 2016, this fund changed its name from Spartan Extended Market Index Fund - Fidelity Advantage Class.

Managed Inc Port CL 1 : Expense Ratio (Gross) includes management and wrap contract fees. For certain investments, it may also include distribution fees. Please note that the Gross and Net Expense Ratio are the same for this investment.

Fidelity® 500 Index Fund - Premium Class : Fidelity is voluntarily reimbursing a portion of the fund's expenses. If Fidelity had not, the returns would have been lower.

Managed Inc Port CL 1 : Management Fee includes the costs associated with managing the investments in the pool. The management fee does not include the wrap contract fees, which are paid to third party wrap providers and do not result in any additional compensation to Fidelity. The wrap contract fees are not separately stated but are included in the Expense Ratio and do reduce returns.

Fidelity® Blue Chip Gr Fund - CL K, Fidelity® Puritan® Fund - CL K, Fidelity® Low-Priced Stk Fund - CL K, Fidelity® Dividend Gr Fund - CL K, Fidelity® Intl Discovery Fund - CL K : On May 9, 2008, an initial offering of the retirement (K) class took place. Returns and expenses prior to that date are those of the non-K, non-advisor class. Had K class expenses been reflected in the returns shown, total returns would have been higher.

Fidelity® Extended Market Index Fund - Premium Class : Returns prior to October 14, 2005 are those of the Investor Class and reflect the Investor Class' expense ratio. Had the Premium Class' expense ratio been reflected, total returns would have been higher.

Fidelity® 500 Index Fund - Premium Class : Returns prior to October 14, 2005 are those of the Investor Class and reflect the Investors Class' expense ratio. Had the Premium Class' expense ratio been reflected, total returns would have been higher.

Vang Total Intl Stk Index Fund Admr : The FTSE Global All Cap ex US Index is part of a range of indices designed to help US investors benchmark their international investments. The index comprises large, mid and small cap stocks globally excluding the US.

Managed Inc Port CL 1: This investment option is not a mutual fund.

# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

Product Name Benchmark(s) Morningstar Category	Non SEC Registered Product***				SEC Registered Product % Rank in Category					SEC Registered Product Expense Ratio				
	YTD Cum Ret %	QE Cum Ret %	1 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	3 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	5 Yr Avg Ann Tot Ret	% Rank in Cat/ (Count)	10 Yr/LOF Avg Ann Tot Ret %	% Rank in Cat/ (Count)	Incept Date	Gross Expense Ratio	Expense Ratio Aft Red	ST Trade Fee (%/days)
<b>Asset Class: Managed Income (or Stable Value)</b>														
+ Managed Inc Port CL 1	0.62	0.32	1.21	-	1.07	-	1.14	-	1.95	-	9/7/89	0.78	-	-
7-Day Yield* % as of 06/30/2016: 1.24														
Barclays 3M t-bill	0.16	0.08	0.21		0.11		0.10		1.08					
<b>Asset Class: Bond Diversified</b>														
PIMCO Total Return Fund Instl	3.90	2.07	4.31	65%	3.48	61%	3.71	49%	6.26	6%	5/11/87	0.46	0.46	-
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		5.13					
Morningstar: Intermediate-Term Bond (Count)	4.92	2.35	4.63	(1,061)	3.59	(953)	3.64	(836)	4.79	(603)		0.98	0.81	
PIMCO Total Return Ill Fund Instl	4.05	2.11	4.08	72%	3.27	71%	3.27	73%	5.97	9%	5/1/91	0.51	0.50	-
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		5.13					
Morningstar: Intermediate-Term Bond (Count)	4.92	2.35	4.63	(1,061)	3.59	(953)	3.64	(836)	4.79	(603)		0.98	0.81	
Vang Total Bond Market Index Fund Admr	5.52	2.36	6.12	9%	4.03	27%	3.73	48%	5.12	41%	12/11/86	0.06	0.06	-
Barclays Agg Float Adj	5.52	2.32	6.12		4.07		3.81							
Vanguard Spliced Barclays U.S. Aggregate Float Adjuste														
Morningstar: Intermediate-Term Bond (Count)	4.92	2.35	4.63	(1,061)	3.59	(953)	3.64	(836)	4.79	(603)		0.98	0.81	
<b>Asset Class: Balanced/Hybrid</b>														
AF American Balanced Fund® CL R-4	4.89	3.12	6.29	3%	8.97	3%	9.73	2%	7.08	7%	7/25/75	0.63	0.63	-
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42					
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		5.13					
Morningstar: Allocation--50% to 70% Equity (Count)	3.17	2.19	-0.13	(895)	5.86	(820)	6.14	(704)	5.24	(479)		1.58	1.20	
Fidelity® Puritan® Fund - CL K	1.16	1.92	0.60	35%	8.92	4%	8.51	7%	6.71	12%	4/16/47	0.46	0.46	-
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42					
Fid Puritan Composite Idx	4.52	2.37	5.04		8.73		8.90		6.41					
Morningstar: Allocation--50% to 70% Equity (Count)	3.17	2.19	-0.13	(895)	5.86	(820)	6.14	(704)	5.24	(479)		1.58	1.20	

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded



# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

Product Name Benchmark(s) Morningstar Category	Non SEC Registered Product***					SEC Registered Product % Rank in Category					SEC Registered Product Expense Ratio				
	YTD Cum Ret %	QE Cum Ret %	1 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	3 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	5 Yr Avg Ann Tot Ret	% Rank in Cat/ (Count)	10 Yr/LOF Avg Ann Tot Ret %	% Rank in Cat/ (Count)	Incept Date	Gross Expense Ratio	Expense Ratio Aft Red	ST Trade Fee (%/days)	
+ Non SEC Registered Product Indicator	Outperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is less than or equal to 50%					Expense Ratio				
	Underperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is greater than or equal to 75%					Expense Ratio Aft Red is greater than Cat Avg				
Vang Balanced Index Fund Admr	4.59	2.56	4.01	8%	8.36	6%	8.63	7%	6.92	10%	11/9/92	0.08	0.08	-	
Balanced Composite	4.51	2.55	3.97		8.41		8.62								
MSCI US Broad Mkt (G)	3.57	2.64	2.09		11.18		11.65		7.57						
Morningstar: Allocation--50% to 70% Equity (Count)	3.17	2.19	-0.13	(895)	5.86	(820)	6.14	(704)	5.24	(479)		1.58	1.20		
<b>Asset Class: Domestic Equities</b>															
<b>Large Value</b>															
TRP Equity Inc Fund	6.78	3.93	1.28	35%	6.80	75%	9.11	59%	5.82	41%	10/31/85	0.66	0.66	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42						
Morningstar: Large Value (Count)	4.01	2.68	-0.09	(1,368)	7.97	(1,169)	9.37	(1,030)	5.52	(756)		1.58	1.09		
<b>Large Blend</b>															
Domini Social Equity Fund CL R	-0.40	-1.84	-6.43	91%	7.57	82%	8.00	86%	5.92	68%	6/3/91	0.85	0.85	2.00/30	
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42						
Morningstar: Large Blend (Count)	2.16	1.76	-0.02	(1,523)	9.43	(1,392)	10.10	(1,206)	6.41	(895)		1.26	1.04		
Fidelity® 500 Index Fund - Premium Class	3.82	2.44	3.96	15%	11.61	9%	12.05	9%	7.39	19%	2/17/88	0.045	0.045	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42						
Morningstar: Large Blend (Count)	2.16	1.76	-0.02	(1,523)	9.43	(1,392)	10.10	(1,206)	6.41	(895)		1.26	1.04		
Fidelity® Dividend Gr Fund - CL K	1.16	1.06	-0.63	58%	10.07	45%	9.20	73%	6.88	36%	4/27/93	0.57	0.57	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		7.42						
Morningstar: Large Blend (Count)	2.16	1.76	-0.02	(1,523)	9.43	(1,392)	10.10	(1,206)	6.41	(895)		1.26	1.04		
<b>Large Growth</b>															
Fidelity® Blue Chip Gr Fund - CL K	-5.44	-0.88	-5.04	78%	12.48	19%	11.79	15%	9.22	8%	12/31/87	0.78	0.78	-	
Russell 1000 Growth	1.36	0.61	3.02		13.07		12.35		8.78						
Morningstar: Large Growth (Count)	-1.93	0.54	-2.33	(1,627)	10.58	(1,483)	9.98	(1,289)	7.20	(931)		1.42	1.17		

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded



# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

Product Name Benchmark(s) Morningstar Category	Non SEC Registered Product***					SEC Registered Product % Rank in Category					SEC Registered Product Expense Ratio				
	YTD Cum Ret %	QE Cum Ret %	1 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	3 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	5 Yr Avg Ann Tot Ret	% Rank in Cat/ (Count)	10 Yr/LOF Avg Ann Tot Ret %	% Rank in Cat/ (Count)	Incept Date	Gross Expense Ratio	Expense Ratio Aft Red	ST Trade Fee (%/days)	
<b>Mid Value</b>															
Fidelity® Low -Priced Stk Fund - CL K	0.40	-0.60	-4.25	67%	7.87	59%	9.62	34%	7.90	15%	12/27/89	0.69	0.69	1.50/90	
Russell 2000	2.22	3.79	-6.73		7.09		8.35		6.20						
Morningstar: Mid-Cap Value (Count)	4.89	2.37	-2.16	(470)	7.85	(408)	8.77	(348)	6.52	(240)		1.64	1.21		
<b>Mid Blend</b>															
Fidelity® Extended Market Index Fund - Premium Class	2.51	3.40	-5.45	64%	8.42	48%	9.36	39%	7.65	28%	11/5/97	0.07	0.07	0.75/90	
DJ US Completion TSM	2.37	3.34	-5.63		8.29		9.24		7.54						
Morningstar: Mid-Cap Blend (Count)	2.76	1.49	-4.33	(420)	7.55	(376)	8.26	(321)	6.39	(228)		1.53	1.16		
<b>Small Blend</b>															
Fidelity® Sm Cap Discovery Fund	4.35	0.69	-4.60	40%	7.47	39%	10.91	4%	10.38	1%	9/26/00	1.01	1.01	1.50/90	
Russell 2000	2.22	3.79	-6.73		7.09		8.35		6.20						
Morningstar: Small Blend (Count)	2.98	2.43	-5.78	(784)	6.37	(654)	7.62	(559)	5.87	(381)		1.56	1.23		
<b>Small Growth</b>															
Janus Triton Fund CL I	3.02	3.48	-2.98	13%	11.64	2%	11.20	4%	11.54	1%	2/25/05	0.77	0.77	-	
Russell 2500 Growth	-0.03	2.70	-7.69		9.06		9.27		7.96						
Russell 2000 Growth	-1.59	3.24	-10.75		7.74		8.51		7.14						
Morningstar: Small Growth (Count)	-0.66	3.79	-9.86	(729)	6.46	(655)	7.26	(591)	6.55	(431)		1.91	1.33		
<b>Asset Class: International/Global Diversified</b>															
Columbia Acorn Intl Fund CL Z	-1.29	-1.41	-7.40	67%	2.52	81%	2.96	79%	5.13	36%	9/23/92	0.99	0.99	-	
MSCI ACW SMID ex US	-0.06	-1.15	-5.78		4.39		2.15		3.81						
S&P Global Ex-US Sm (G)	-0.06	-0.70	-4.97		5.67		2.94		4.41						
Morningstar: Foreign Small/Mid Growth (Count)	-3.01	-1.24	-4.98	(128)	5.17	(122)	4.77	(105)	4.67	(63)		2.43	1.50		

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded





# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

+ Non SEC Registered Product Indicator	Non SEC Registered Product***					SEC Registered Product					SEC Registered Product				
	Outperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank in Category					Expense Ratio				
	Underperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is greater than or equal to 75%					Expense Ratio Aft Red is greater than Cat Avg				
Product Name	YTD	QE	1 Yr Avg	% Rank	3 Yr Avg	% Rank	5 Yr	% Rank	10 Yr/LOF	% Rank	Incept	Gross	Expense	ST Trade	
Benchmark(s)	Cum	Cum	Ann Tot	in Cat/	Ann Tot	in Cat/	Avg Ann	in Cat/	Avg Ann	in Cat/	Date	Expense	Ratio Aft	Fee	
Morningstar Category	Ret %	Ret %	Ret %	(Count)	Ret %	(Count)	Tot Ret	(Count)	Tot Ret %	(Count)		Ratio	Red	(%/days)	
Fidelity® Intl Discovery Fund - CL K	-6.16	-2.30	-9.21	59%	3.53	37%	3.33	27%	2.96	51%	12/31/86	0.86	0.86	1.00/30	
MSCI EAFE (Net MA)	-4.26	-1.35	-9.99		2.22		1.82		1.73						
Morningstar: Foreign Large Growth (Count)	-2.29	-0.49	-7.50	(355)	3.19	(320)	2.54	(275)	2.92	(189)		1.79	1.29		
Pax Global Environmental Markets Fund Instl	4.03	1.75	-2.89	35%	6.63	35%	6.34	32%	4.21	-	3/27/08	1.06	0.98	-	
MSCI World (N)	0.66	1.01	-2.78		6.95		6.63		-						
Morningstar: World Stock (Count)	0.40	0.78	-4.17	(1,131)	5.63	(940)	5.33	(731)	-	(409)		2.16	1.33		
Vang Total Intl Stk Index Fund Admr	0.08	0.26	-9.11	35%	2.02	44%	0.58	67%	1.93	33%	4/29/96	0.12	0.12	-	
FTSE Global All Cap x US	-0.60	-0.37	-9.16		2.23		0.85		2.81						
MSCI ACWI ex US IMI (N)	-0.91	-0.68	-9.61		1.65		0.39		2.16						
Morningstar: Foreign Large Blend (Count)	-3.03	-1.08	-9.94	(823)	1.68	(720)	1.10	(631)	1.51	(380)		1.58	1.17		

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded



# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

Product Name Benchmark(s) Morningstar Category	Non SEC Registered Product***					SEC Registered Product % Rank in Category					SEC Registered Product Expense Ratio				
	Outperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is less than or equal to 50%					Expense Ratio				
	Underperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is greater than or equal to 75%					Expense Ratio Aft Red is greater than Cat Avg				
+ Non SEC Registered Product Indicator	YTD Cum Ret %	QE Cum Ret %	1 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	3 Yr Avg Ann Tot Ret %	% Rank in Cat/ (Count)	5 Yr Avg Ann Tot Ret	% Rank in Cat/ (Count)	10 Yr/LOF Avg Ann Tot Ret %	% Rank in Cat/ (Count)	Incept Date	Gross Expense Ratio	Expense Ratio Aft Red	ST Trade Fee (%/days)	
<b>Asset Class: Lifecycle Funds</b>															
Fidelity Freedom K® Inc Fund	3.66	1.98	2.09	42%	3.78	48%	3.47	65%	5.42	-	7/2/09	0.44	0.44	-	
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		-						
FID FF Income Comp Idx	3.10	1.45	2.57		3.81		3.64		-	-					
Morningstar: Target-Date Retirement (Count)	3.90	2.15	1.72	(187)	3.80	(150)	3.80	(139)	-	(71)		3.35	0.86		
Fidelity Freedom K® 2005 Fund	3.33	2.02	1.27	49%	4.62	53%	4.23	69%	7.27	-	7/2/09	0.49	0.49	-	
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		-						
FID FF 2005 Comp Idx	3.14	1.55	2.04		4.79		4.75		-	-					
Morningstar: Target-Date 2000-2010 (Count)	3.91	2.07	1.55	(118)	4.68	(87)	4.69	(80)	-	(40)		3.07	0.78		
Fidelity Freedom K® 2010 Fund	3.21	1.97	0.72	70%	5.31	22%	4.99	41%	8.18	-	7/2/09	0.53	0.53	-	
Barclays U.S. Agg Bond	5.31	2.21	6.00		4.06		3.76		-						
FID FF 2010 Comp Idx	3.15	1.62	1.68		5.62		5.82		-	-					
Morningstar: Target-Date 2000-2010 (Count)	3.91	2.07	1.55	(118)	4.68	(87)	4.69	(80)	-	(40)		3.07	0.78		
Fidelity Freedom K® 2015 Fund	3.03	2.00	0.28	66%	5.58	22%	5.17	38%	8.44	-	7/2/09	0.56	0.56	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		-						
FID FF 2015 Comp Idx	3.16	1.68	1.34		5.92		6.07		-	-					
Morningstar: Target-Date 2015 (Count)	3.77	2.11	1.26	(155)	4.78	(114)	4.94	(85)	-	(15)		2.18	0.82		
Fidelity Freedom K® 2020 Fund	2.82	2.06	-0.16	64%	5.84	25%	5.39	42%	9.16	-	7/2/09	0.58	0.58	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		-						
FID FF 2020 Comp Idx	3.15	1.73	1.08		6.22		6.38		-	-					
Morningstar: Target-Date 2020 (Count)	3.61	2.18	0.75	(240)	5.08	(188)	5.08	(161)	-	(73)		1.91	0.89		
Fidelity Freedom K® 2025 Fund	2.50	1.99	-0.75	61%	6.44	19%	5.97	31%	9.88	-	7/2/09	0.61	0.61	-	
S&P 500	3.84	2.46	3.99		11.66		12.10		-						
FID FF 2025 Comp Idx	3.12	1.78	0.70		7.00		7.22		-	-					
Morningstar: Target-Date 2025 (Count)	3.17	2.00	-0.10	(207)	5.63	(160)	5.65	(123)	-	(26)		2.01	0.88		

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded



# Fund Diagnostics Summary – as of 06/30/2016

STATE OF VERMONT - 37566

+ Non SEC Registered Product Indicator	Non SEC Registered Product***					SEC Registered Product					SEC Registered Product								
	Outperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank in Category					Expense Ratio								
	Underperformed Primary Benchmark (1, 3, 5, 10 Yr)					% Rank is less than or equal to 50%					% Rank is greater than or equal to 75%					Expense Ratio Aft Red is greater than Cat Avg			
Product Name	YTD	QE	1 Yr Avg	% Rank	3 Yr Avg	% Rank	5 Yr	% Rank	10 Yr/LOF	% Rank	Gross	Expense	ST Trade						
Benchmark(s)	Cum	Cum	Ann Tot	in Cat/	Ann Tot	in Cat/	Avg Ann	in Cat/	Avg Ann	in Cat/	Expense	Ratio Aft	Fee						
Morningstar Category	Ret %	Ret %	Ret %	(Count)	Ret %	(Count)	Tot Ret	(Count)	Tot Ret %	(Count)	Ratio	Red	(%/days)						
Fidelity Freedom K® 2030 Fund	1.84	1.84	-1.97	75%	6.59	23%	6.08	44%	10.18	-	7/2/09	0.65	0.65	-					
S&P 500	3.84	2.46	3.99		11.66		12.10		-										
FID FF 2030 Comp Idx	2.86	1.79	-0.22		7.20		7.41		-	-									
Morningstar: Target-Date 2030 (Count)	3.10	2.17	-0.60	(240)	5.87	(188)	5.79	(161)	-	(73)	2.12	0.93							
Fidelity Freedom K® 2035 Fund	1.42	1.83	-2.66	73%	6.85	25%	6.32	46%	10.54	-	7/2/09	0.67	0.67	-					
S&P 500	3.84	2.46	3.99		11.66		12.10		-										
FID FF 2035 Comp Idx	2.58	1.73	-0.87		7.51		7.85		-	-									
Morningstar: Target-Date 2035 (Count)	2.44	1.82	-1.58	(207)	6.14	(160)	6.18	(123)	-	(26)	2.13	0.91							
Fidelity Freedom K® 2040 Fund	1.43	1.77	-2.66	60%	6.90	26%	6.36	51%	10.67	-	7/2/09	0.67	0.67	-					
S&P 500	3.84	2.46	3.99		11.66		12.10		-										
FID FF 2040 Comp Idx	2.58	1.73	-0.87		7.59		7.94		-	-									
Morningstar: Target-Date 2040 (Count)	2.57	2.04	-1.72	(240)	6.25	(188)	6.13	(161)	-	(74)	2.32	0.96							
Fidelity Freedom K® 2045 Fund	1.41	1.74	-2.73	58%	6.99	25%	6.46	55%	10.80	-	7/2/09	0.67	0.67	-					
S&P 500	3.84	2.46	3.99		11.66		12.10		-										
FID FF 2045 Comp Idx	2.58	1.73	-0.87		7.68		8.05		-	-									
Morningstar: Target-Date 2045 (Count)	2.07	1.71	-2.29	(207)	6.36	(160)	6.57	(116)	-	(24)	2.42	0.92							
Fidelity Freedom K® 2050 Fund	1.38	1.77	-2.71	56%	7.03	29%	6.42	56%	10.86	-	7/2/09	0.67	0.67	-					
S&P 500	3.84	2.46	3.99		11.66		12.10		-										
FID FF 2050 Comp Idx	2.58	1.73	-0.87		7.71		8.04		-	-									
Morningstar: Target-Date 2050 (Count)	2.49	2.06	-1.95	(229)	6.48	(177)	6.35	(138)	-	(23)	3.00	0.97							

\*The current yield of the fund listed above reflects the current earnings of the fund, while the total return refers to a specific past holding period.

\*\*\*Non SEC Registered Index Products and Company Stock are not color coded



# Additional Information about Fees and Expenses

## General Information on Fund Expenses

For a mutual fund, the Gross Expense Ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Where the investment option is not a mutual fund, the figure displayed in the Gross Expense Ratio field is intended to reflect similar information. However, it may have been calculated using methodologies that differ from those used for mutual funds and may not include all the fees that mutual fund expense ratios are required to reflect. For mutual funds, the values were drawn from their respective prospectuses. For non-mutual fund investment options, the information has been provided by the trustee or plan sponsor. When no ratio is shown for these options it is due to the fact that none was available. Nevertheless, there may be fees and expenses associated with the investment option.

Expense Ratio after Reduction is the total annual operating expense from the fund's most recent prospectus after any fee waiver and/or expense reimbursements that will reduce any fund operating expenses for no less than one year from the effective date of the fund's registration statement. This number does not include any fee waiver arrangement or expense reimbursement that may be terminated without agreement of the fund's board of trustees during the one-year period.

Morningstar does not provide information on funds in reimbursement. For information on non-Fidelity funds in reimbursement, please contact the applicable fund company.

The returns of funds with reimbursed expenses would be lower if their expenses had not been reimbursed.

Morningstar Category Gross Expense Ratio: This figure is calculated by Morningstar and represents the mean average of the gross expense ratio paid by each fund in the Morningstar category. Each share class of a fund is treated as a separate fund. Morningstar uses each fund's most current, publicly available prospectus at the time the average is calculated.

Morningstar Category's Expense Ratio After Reductions: This figure represents the average expense ratio after reductions paid by the funds in the Morningstar category. Morningstar calculated and provided the average based on information reported in each fund's prospectus.

## Specific Fund Expense Information

For Fidelity Funds, including Spartan Funds, if the Expense Ratio after Reduction is lower than the Gross Expense Ratio and no fee cap is provided for below, the difference may be attributable to certain broker service and other offset arrangements which may be discontinued at any time.

*Expense Ratios After Reductions information for non-Fidelity mutual funds is provided by Morningstar, Inc. and its accuracy cannot be guaranteed. Consult the prospectus for each fund you are interested in to obtain the most current and detailed information on its fees and expenses.*

Fidelity® 500 Index Fund - Premium Class: had certain fund expenses that were voluntarily reimbursed. The returns of funds with reimbursed expenses would be lower if their expenses had not been reimbursed. A fund's expense reimbursements may be terminated at any time unless otherwise stated in its prospectus.

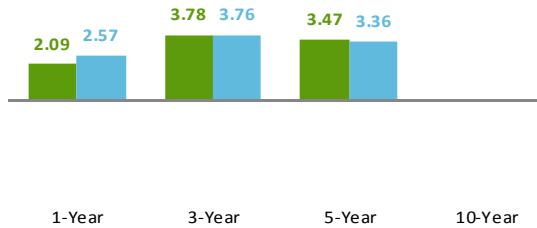
Pax Global Environmental Markets Fund Instl: Contractual Expense Ratio Waiver of 0.08 subject to Expiration Date of 12/31/2017.

# Fidelity Freedom<sup>®</sup> K Funds Performance Summary— Average Annual Total Returns as of 06/30/2016

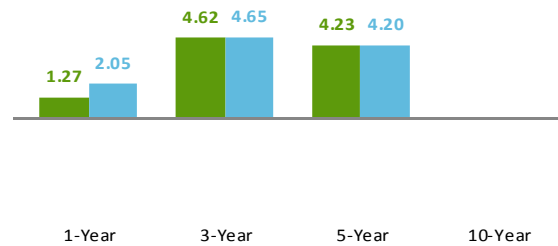
Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select “Investment Choices & Research”, then pick investment option.).

■ Freedom K Fund | ■ EAC Linked Composite Benchmark

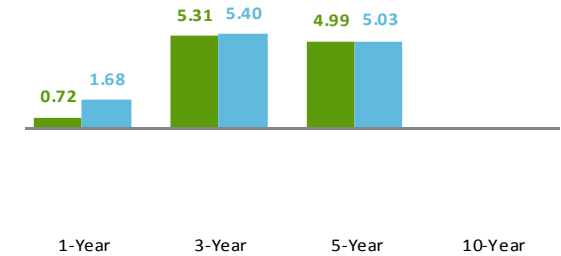
### FREEDOM K INCOME FUND



### FREEDOM K 2005 FUND



### FREEDOM K 2010 FUND



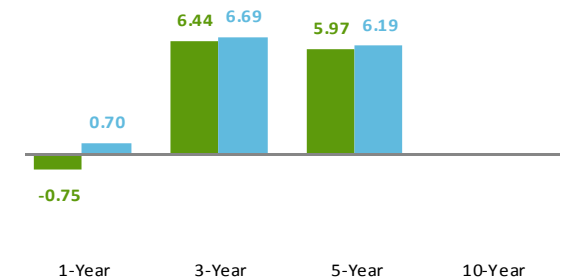
### FREEDOM K 2015 FUND



### FREEDOM K 2020 FUND



### FREEDOM K 2025 FUND



**Benchmarks:** Each Fidelity Freedom Extended Asset Class Linked Composite Index is a customized blend of the following unmanaged indexes: Dow Jones U.S. Total Stock Market Index; MSCI ACWI (All Country World Index) ex USA Index; Barclays U.S. Aggregate Bond Index; and Barclays U.S. 3 Month Treasury Bellwether Index. The index weightings are adjusted monthly to reflect the fund’s changing asset allocations. The composition differed in periods prior to January 1, 2014.

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company’s employee benefit plans. If sales charges were included, returns would have been lower.

Source: Fidelity Investments.

Please see previous Fund Diagnostics for complete performance information.



# Fidelity Freedom<sup>®</sup> K Funds Performance Summary— Average Annual Total Returns as of 06/30/2016

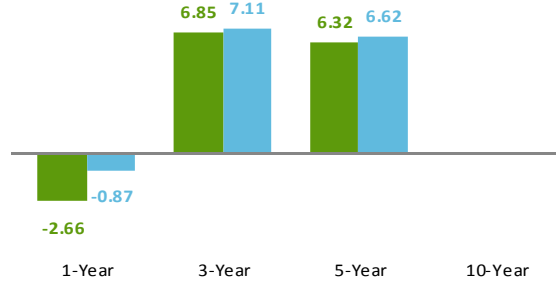
Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select “Investment Choices & Research”, then pick investment option.).

■ Freedom K Fund | ■ EAC Linked Composite Benchmark

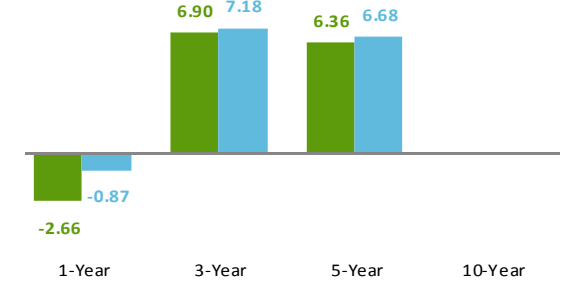
FREEDOM K 2030 FUND



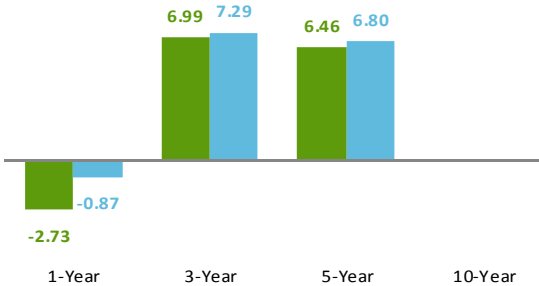
FREEDOM K 2035 FUND



FREEDOM K 2040 FUND



FREEDOM K 2045 FUND



FREEDOM K 2050 FUND



FREEDOM K 2055 FUND



Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

Source: Fidelity Investments.

Please see previous Fund Diagnostics for complete performance information.

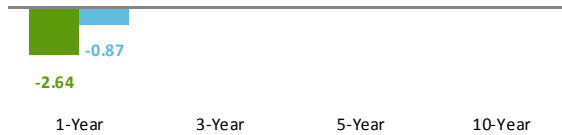


# Fidelity Freedom<sup>®</sup> K Funds Performance Summary— Average Annual Total Returns as of 06/30/2016

Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select “Investment Choices & Research”, then pick investment option.).

■ Freedom K Fund | ■ EAC Linked Composite Benchmark

## FREEDOM K 2060 FUND



Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower.

Source: Fidelity Investments.

Please see previous Fund Diagnostics for complete performance information.



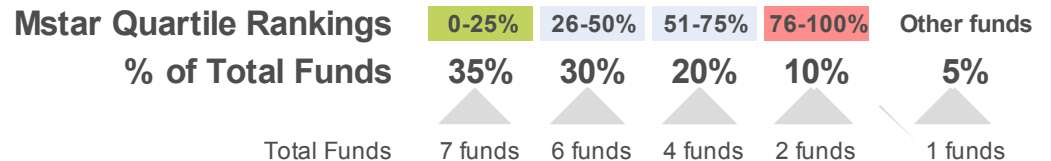
# 5 Year Performance and Morningstar Ranking – as of 06/30/2016

STATE OF VERMONT - 37566

*Please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Periods of market strength may not be repeated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com) (log in, choose plan, select "Investment Choices & Research", and then pick investment option.)*

% Rank in Cat	Fund Name	Mstar Cat	Avg Ann Total Ret % 5 yr	% Total Plan Assets
2%	AF American Balanced Fund® CL R-4	Alloc 50-70 Eqty	9.73	4.0%
4%	Fidelity® Sm Cap Discovery Fund	Sm Blend	10.91	3.1%
4%	Janus Triton Fund CL I	Sm Gro	11.20	0.9%
7%	Vang Balanced Index Fund Admr	Alloc 50-70 Eqty	8.63	1.2%
7%	Fidelity® Puritan® Fund - CL K	Alloc 50-70 Eqty	8.51	0.4%
9%	Fidelity® 500 Index Fund - Premium Class	Lg Blend	12.05	9.6%
15%	Fidelity® Blue Chip Gr Fund - CL K	Lg Gro	11.79	1.3%
27%	Fidelity® Intl Discovery Fund - CL K	For Lg Gr	3.33	3.1%
32%	Pax Global Environmental Markets Fund Instl	World Stk	6.34	0.1%
34%	Fidelity® Low-Priced Stk Fund - CL K	Mid Val	9.62	3.9%
39%	Fidelity® Extended Market Index Fund - Premium	Mid Blend	9.36	5.0%
48%	Vang Total Bond Market Index Fund Admr	Interm Bond	3.73	1.6%
49%	PIMCO Total Return Fund Instl	Interm Bond	3.71	4.1%
59%	TRP Equity Inc Fund	Lg Val	9.11	2.0%
67%	Vang Total Intl Stk Index Fund Admr	For Lg Bl	0.58	0.5%
73%	PIMCO Total Return III Fund Instl	Interm Bond	3.27	0.7%
73%	Fidelity® Dividend Gr Fund - CL K	Lg Blend	9.20	3.7%
79%	Columbia Acorn Intl Fund CL Z	For SmMd Gr	2.96	0.5%
86%	Domini Social Equity Fund CL R	Lg Blend	8.00	4.2%

Top 19 Funds by Assets (with Rank) totaling **50.0%** of Total Plan Assets



% Rank in Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is one and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of one. % Rank in Category is based on total returns, which include reinvested dividends and capital gains, if any, and exclude sales charges. Morningstar Quartile Rankings display the funds' quartile rankings within their respective Morningstar categories. This chart only includes up to 25 of the Plan's (or Plans') most widely held mutual funds (by percent of assets invested in them) with a 5-year Morningstar ranking. All other investment options and Lifecycle products are excluded. "Other funds" includes all products without a 5-year Morningstar ranking and excludes Lifecycle products.

Please see previous Fund Diagnostics for complete performance and Morningstar ranking information.





# Plan/Participant Review



# Fidelity Freedom<sup>®</sup> Funds:

**Understanding investment performance: As you review this update, please remember that the performance data stated represents past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. To learn more or to obtain the most recent month-end performance, call Fidelity or visit [www.401k.com](http://www.401k.com). Log in, choose plan, select “investment Choices and Research”, and pick investment option.**

## Fidelity Freedom<sup>®</sup> Fund Average Annual Returns for the Period Ending 06/30/2016

	1 Year	3 Year	5 Year	10 Year	LOF	Expense Ratio	Expense Ratio Date	Inception Date
<b>Fidelity Freedom Fund 2040</b>	-2.73%	6.78%	6.25%	4.64%	2.93%	0.77%	05/28/2016	09/06/2000
<b>Fidelity Freedom Fund 2030</b>	-2.05%	6.46%	5.97%	4.64%	6.40%	0.75%	05/28/2016	10/17/1996
<b>Fidelity Freedom Fund 2020</b>	-0.26%	5.74%	5.30%	4.66%	6.49%	0.67%	05/28/2016	10/17/1996
<b>Fidelity Freedom Fund 2010</b>	0.66%	5.23%	4.90%	4.74%	6.35%	0.60%	05/28/2016	10/17/1996
<b>Fidelity Freedom Fund Income</b>	1.98%	3.68%	3.43%	3.95%	4.78%	0.49%	05/28/2016	10/17/1996

Fidelity Freedom Funds invest in a combination of Fidelity equity, fixed income, and money market funds (underlying Fidelity funds) and allocates assets among these funds according to an asset allocation strategy consistent with each Fidelity Freedom Fund's target date. Fidelity Freedom Funds are designed for investors expecting to retire around the year indicated in each fund's name. Except for the Fidelity Freedom Income Fund, the funds' asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. Ultimately, they are expected to merge with the Fidelity Freedom Income Fund. The investment risks of each Fidelity Freedom Fund change over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and, commodity-related, foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.

In general, bond prices rise when interest rates fall, and vice versa. The effect is usually more pronounced for longer-term securities.

For a mutual fund, the expense ratio is the total annual fund or class operating expenses (before waivers or reimbursements) paid by the fund and stated as a percent of the fund's total net assets. Mutual fund data has been drawn from the most recent prospectus. Expense ratios change periodically and are drawn from the fund's prospectus. For more detailed fee information, see the fund prospectus or annual or semiannual reports.

Fidelity may be temporarily reimbursing a portion of certain funds' expenses. Absent such reimbursement, returns would have been lower.

Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Life of Fund figures are reported as of the inception date to the period indicated. These figures do not include the effect of sales charges, if any, as these charges are waived for contributions made through your company's employee benefit plans. If sales charges were included, returns would have been lower. Life of fund figures are reported as of the inception date to the period indicated.



# Important Additional Information

## Cumulative Time-Weighted Returns vs. Fidelity Freedom Fund Charts - Additional Information:

"Cumulative Time-Weighted Participant Returns including Company Stock" reflect participants' investments including company stock. They were calculated using a Time Weighted Daily Valuation Method by geometrically linking the return of each of the sub-periods making up the entire return period. A new sub-period is considered to begin each time there is cash flow. To calculate returns for each sub-period, the beginning market value of non-company stock holdings of the sub-period is subtracted from the ending market value of the sub-period and the difference is divided by the beginning market value. For purposes of this methodology, cash flows included such things as contributions, withdrawals, and plan fees, however, exchanges, dividends and interest were not considered cash flows.

"Cumulative Time-Weighted Participant Returns excluding Company Stock" were calculated using the same methodology except that company stock holdings were excluded in the calculations and exchanges related to company stock were considered cash flows.

For the charts, a maximum of 5,000 participant return data points are shown. If your plan had more than 5,000 participants, a random sample of 5,000 participant return data points was used. Participants who had returns within the top and bottom 2 ½% of their plan may not be included in the charts for purposes of visual clarity. Unless otherwise noted on the slide itself, the median data points in the chart and all the values in the table reflect the returns of all participants who had balances in your plan for the entire period.

The comparison to Fidelity Freedom Funds are for informational purposes only and are not intended to imply that the returns of Fidelity Freedom Funds are benchmarks for individual investors; rather the funds are shown as a proxy for a diversified account appropriate for many investors saving for retirement and retiring at age 65. Participants should choose investments and allocate assets based on their individual risk tolerance, investment time horizon and personal financial situation.

For institutional use only.

## Other Information:

Strategic Advisers, Inc., a subsidiary of FMR LLC., manages the Fidelity Freedom Funds.

When choosing a Freedom Fund, investors should consider whether they anticipate retiring significantly earlier or later than age 65 even if such investors retire on or near a fund's approximate target date. There may be other considerations relevant to fund selection and investors should select the fund that best meets their individual circumstances and investment goals.

**Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.**

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917.

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# Appendix



# Important Additional Information

For Plan Sponsor use only.

This presentation is for the sole use of VERMONT STATE RETIREMENT SYSTEM and may not be distributed to the public or plan participants.

*The securities described herein are not qualified for sale outside of the United States of America. These materials should not be construed and do not constitute an offer of or solicitation for these securities (i) to any person to whom it is unlawful to make such an offer or solicitation or (ii) by any person in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified or registered to do so.*

***Before investing in any investment option, consider the investment objectives, risks, charges, and expenses. Contact Fidelity for a mutual fund or variable annuity prospectus or, if available, a summary prospectus. For information on fixed annuities, contact Fidelity to request a fact sheet. Read them carefully.***

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

Fidelity Investments Institutional Services Company, Inc., 500 Salem Street, Smithfield, RI 02917