

HealthEquity Advisors, LLC

“Best-in-class” fund lineup quarterly report card Q2 2015



prepared for:

HealthEquity[®]
Building Health Savings[™]

HealthEquity Advisors, LLC

“Best-in-class” fund lineup quarterly report card Q2 2015

SAMPLE

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Nothing in this communication is intended as legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

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Introduction

HealthEquity Advisors, LLC publishes this quarterly report card for our partners, to provide visibility and transparency into our processes and procedures regarding mutual fund selection, monitoring, and ongoing oversight. Our methodologies for selection, retention, and rotation are based on the fiduciary standard of oversight, which dictates that our responsibilities focus on the best interests of our investing members.

Q2 Market Commentary

Q2 2015 has been marked by volatility that has kept overall market performance of stocks and bonds in a sideways pattern. There are concerns with the inevitable interest rate policy changes which will usher in a period of rising interest rates. This will have negative ramifications on yield based instruments such as bonds, particularly bonds with intermediate to long term maturities. In Q2 the Barclay's Aggregate Bond Index declined 2.23% compared to the S&P 500 which declined 0.93%. Many economists and market analysts continue to raise concerns with bond yields and potential liquidity challenges once interest rates rise.

The HealthEquity, Inc. HSA investment platform provides 11 divergent asset classes from which our investing membership may manage the allocation of their HSA investment portfolios. Those asset classes are Aggregate Bonds, Foreign Bonds, Inflation Protected Bonds, Large Cap Equity, Mid Cap Equity, Small Cap Equity, International Equity, Diversified Emerging Markets, Real Estate, Natural Resources and Broad Basket Commodities.

The HSA investment platform's best performing asset classes for Q2 2015 from top performer downward are Broad Basket Commodities, International Equity, Small Cap Equity, and Emerging Markets. The worst performing asset classes for Q2 2015 are Real Estate, Foreign Bonds, Aggregate Bonds and Natural Resources. We are seeing clear cyclical rotation as the best asset classes in quarters past became the worst performing assets classes, and vice versa. For example Real Estate had been in the top two performing asset classes 4 of the last 5 quarters. However this quarter Real Estate had a significant decline as the returns in the asset class begin to revert to the mean, suggesting that corrective market forces are beginning to cool down the hottest asset classes over the past 12 months. Conversely, Commodities has been the bottom performing asset class for 5 of the last 5 quarters, nevertheless Commodities finally had an upward push this quarter to lead all of the 11 asset classes. Large Cap Equity is another asset class that has had an

amazing continuous run of growth which landed it in the top 4 performing asset classes 4 out of the past 5 quarters. This quarter Large Cap Equity has cooled as an engine of growth as have other top performers from quarters past.

We encourage account holders who choose to invest a portion of their HSA to take the time necessary to use the research resources in the HealthEquity, Inc. investment web portal. It is critical now more than ever to stay properly diversified. All portfolios whether conservative or aggressive run the risk of loss, however proper diversification can effectively mitigate downside risk, lessening potentially substantial losses to manageable losses. Some market environments are not so much about the growth of your investments as they are about losing less than other more risk exposed portfolios.

Note: We have made a conscious effort to provide asset classes that are engines of growth (Large Cap, Mid Cap, Small Cap, International, Emerging Markets, Real Estate, Natural Resources) combined with asset classes that are "risk reducers" (Broad Basket Commodities, Aggregate US Bonds, Foreign Bonds, and Inflation Protected Bonds) which act like the brakes of an automobile, so that when volatile markets arise, you may have the necessary holdings in place to blunt the trauma of a downward trending market environment.

The Best-in-class fund lineup was constructed to provide the investing members a menu of funds that span 11 asset classes (the most of any HSA fund platform in the industry). We have focused the analysis on providing plenty of diversification opportunities for our members, to protect downside risk, use non-correlated asset classes and optimal diversification by making sure that there are no fund minimums. This allows members of any balance to allocate across all 11 asset classes no matter how much or how little they are investing, which is critical to downside risk mitigation. A member allocating dollars across all 11 asset classes can then dampen the volatility of any one asset class suffering an exaggerated downward decline while maintaining an investment posture that is growth oriented.

Investment Committee

The HealthEquity Advisors, LLC Investment Committee last met on April 22nd, 2015 to review all fund selection, retention, and rotation criterion. The next investment committee meeting is schedule for July 29th, 2015. The committee is comprised of the following individuals:

HealthEquity Executives

- Darcy Mott, Chief Financial Officer
- Cordell Eggett, Controller
- Frode Jensen, General Counsel
- Dickson Leung, Associate General Counsel
- Brad Bennion, Sr VP Products

Licensed Investment Professionals of HealthEquity Advisors, LLC

- David Sicotte, Series 66 IAR
- James Ivie, Series 66, IAR, Chief Compliance Officer

Outside Consultant and Mutual Fund Industry Expert

- Craig Israelsen, PhD

Fiduciary standard of oversight

Under the Fiduciary standard, which is governed by the Investment Advisors Act of 1940, HealthEquity Advisors, LLC has responsibility and liability pertaining to the analysis and oversight of mutual fund investments made available to the members. As such, HealthEquity Advisors, LLC will replace a fund if it does not meet the defined retention criterion over a period of time specified in our methodologies for fund selection, retention, and rotation. There is no set schedule for fund replacements. HealthEquity Advisors, LLC is actively monitoring the investment offerings to ensure that members are invested in the highest quality funds as defined by our oversight criterion at the end of this report.

Back testing of our selection methodology, as well as the ongoing oversight and maintenance rules and procedures suggests that 2-4% of funds may rotate out of the fund menu every year. That would be approximately 1-2 funds per year. Based upon the selection and management criterion below, there may be years where no funds are rotated and replaced, and there may be years where 2-4 funds are rotated. The purpose of our selection and oversight process is to protect member's HSA investments from being left unsupervised in poorly performing funds for long periods of time.

Q2 Watch List

Every quarter HealthEquity Advisors, LLC publishes a Watch List. Funds that are on the Watch List have breached criterion outlined in the "HealthEquity Advisors, LLC Investment Platform Fund Selection Retention and Rotation Methodology".

There are currently no funds on the HealthEquity investment platform on the "Watch List" for the 2nd quarter of 2015.

Best-in-class fund lineup

Overall performance & expense

The table shows Fund Name, Ticker Symbol, Morningstar Rating, 5 Year Weighted Peer Performance Grade, Mutual Fund Operational Expense Ratio, 2nd Quarter Total Return, 1 Year Return, 3 Year Return Annualized, and 5 Year return Annualized.

Disclosures

Past performance does not guarantee future performance. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. All performance illustrated is net of expenses.

The term "Best-in-class" is solely the naming convention of the fund menu and in no way suggests or implies a guarantee of return to investors from the funds being offered.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses.

All funds offered in the "Best-in-class" menu of 41 funds are waived of sales charges (front loads & back loads), short-term redemption fees and fund minimums. The only applicable fee is the fund operating expense ratio respective to each mutual fund. This is a fee charged by the mutual fund and is not controlled or influenced by HealthEquity Advisors, LLC.

HealthEquity Advisors, LLC offers alternative fund lineups of institutional low cost share classes which HealthEquity may charge an investment admin fee directly to the member in addition to the mutual fund operating expense ratio. These institutional funds appear with a graphic icon in the HealthEquity investment portal to provide clear differentiation that a direct charge to the member will apply if investing in institutional funds.

HealthEquity, Inc. may be paid for reasonable costs for record keeping provided with respect to investment products. For example, on the HealthEquity, Inc. platform, they allocate principal and income to individual trust holders from omnibus holdings; HealthEquity, Inc. provides statements, performance tracking, and other administrative and recordkeeping services in addition to expenses related to fiduciary liability.

HealthEquity, Inc. receives approximately 10 basis points per quarter as compensation for these services. In the case of our actively managed portfolios, these costs are paid through the broker dealer Charles Schwab Inc. by the mutual funds and disclosed to our clients and members through the quarterly investment platform report card.

HealthEquity, Inc.'s passively managed low cost funds and active managed institutional share classes do not pay record keeping expenses. With respect to these portfolios, HealthEquity, Inc. offers their clients two options: employer pay or charge to the member trusts themselves. Whether record keeping costs are paid by the mutual fund, the employer, or charged to the individual trust, they are materially the same as a percentage of invested assets under management and play no material role in fund selection.

Advisor™, by HealthEquity Advisors, LLC, provides members web-based professional investment guidance and access to powerful online tools to maximize tax-free* HSA earnings. There are two service levels of Advisor, GPS and AutoPilot. These options give members the flexibility to receive web-based guidance which the member can control, or receive full service management of their portfolio.

Option one, which we call "GPS", provides web-based advice to the member reflecting sound allocation principles based upon his or her risk preferences, but does not include automated execution of that advice. The member can control the timing of when the advice is implemented. The charge for using GPS is .05% per month based on the average daily balance (.50 cents per \$1,000 invested).

Option two, which we call "AutoPilot" adds automated execution. The charge for members using AutoPilot is a total of .08% per month based on average daily balance (.80 cents per \$1,000 invested). Advisory fees for those members who elect to use GPS or AutoPilot may be paid either from the trust or by the employer. We are happy to provide employer pricing at your request.

Should a member simply want to self-direct their own investments through the HealthEquity, Inc. investment desktop, HealthEquity, Inc. calls that "self-driven". Members may choose from among a portfolio of funds selected and reviewed quarterly by HealthEquity Advisors, LLC investment professionals based on a set of transparent criteria. There is no charge for this option and it is the default option.

The 5 Year peer performance grades represent a proprietary algorithm of HealthEquity Advisors, LLC, an SEC Registered Investment Advisor (RIA), a wholly owned subsidiary of HealthEquity, Inc. The grades are a cumulative 1, 3, and 5 year peer weighted comparison of fund performance within an asset class/category. The objective of the 5 year peer grade is to filter for funds that have a propensity for performing with consistency over a 5 year period. In combination with measures of volatility and risk (standard deviation), the 5 year weighted peer grade becomes an important method of assessment.

Grades are rendered in quintiles (1/5):

Top 20% = A
Next 20% = B
Middle 20% = C
Next 20% = D
Bottom 20% = F

Intergrade iterations are rendered with Plus (+) and Minus (-).

HealthEquity, Inc. and HealthEquity Advisors, LLC do not provide legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

HealthEquity Advisors, LLC is a separate, wholly-owned subsidiary of HealthEquity, Inc.

Nothing in this communication is intended as legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

Mutual Fund data is sourced from Morningstar, Inc., Lipper (subsidiary of Thomson Reuters), Financial Content Inc., and Charles Schwab Corporation. HealthEquity Advisors, LLC and its parent company cannot warranty the accuracy of the illustrated data except as affirmed by the aforementioned data providers. Data providers may be added or removed at anytime at the discretion of HealthEquity Advisors, LLC without prior disclosure.

*HSA's are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-free with very few exceptions. Please consult a tax advisor regarding your states's specific rules.

Fund Name	Symbol	Mstar Rating	5 Yr Peer Grade	Fund Expense Ratio	Q2 Total Return	1 Year	3 Year*	5 Year*
Aggregate Bonds								
ASTON/TCH Fixed Income N	CHTBX	★★★★★	B-	0.95	-1.69	0.12	3.23	4.81
Principal Income A	CMPIX	★★★★★	B-	0.87	-1.11	0.77	3.19	4.56
Metropolitan West Total Return Bond M	MWTRX	★★★★★	B	0.68	-1.49	1.67	3.94	5.17
Prudential Total Return Bond A	PDBAX	★★★★★	B	0.83	-2.14	1.64	3.45	5.23
Pioneer Bond A	PIOBX	★★★	B-	0.85	-1.19	1.32	3.55	4.72
Metropolitan West Low Duration Bond M	MWLDX	★★★★★	C-	0.63	0.07	0.47	2.55	3.38
Foreign Bonds								
Legg Mason BW Global Opportunities Bd A	GOBAX	★★★★★	B	0.94	-3.43	-6.11	1.53	5.26
Prudential Global Total Return A	GTRAX	★★★	B	1.06	-2.57	-7.42	1.75	4.94
Managers Global Income Opportunity	MGGBX	★★★	C+	0.89	-0.10	-5.73	1.57	3.99
PIMCO Foreign Bond (USD-Hedged) D	PFODX	★★★★★	A	0.90	-4.09	3.99	5.31	5.44
Ivy Global Bond Y	IVSYX	★★★	C	0.99	0.72	-3.40	2.09	2.47
Inflation Protected Bonds								
PIMCO Real Return R	PRRRX	★★★	C-	1.10	-1.84	-3.67	-1.55	2.58
American Century ShDur Infl Prot Bd Inv	APOIX	★★★	C	0.57	0.30	-2.04	-0.39	2.11
Large Cap Stocks								
Columbia Contrarian Core Z	SMGIX	★★★★★	A	0.87	1.78	9.51	19.60	18.72
Ivy Core Equity Y	WCEYX	★★★	B	0.84	-0.59	3.96	16.31	17.27
SunAmerica Focused Dividend Strategy A	FDSAX	★★★★★	A-	1.07	-0.25	8.87	16.87	18.48
ING Large Cap Value A	IEDAX	★★★	C	1.11	-0.45	3.21	15.28	15.40
Invesco Diversified Dividend Investor	LCEIX	★★★	C+	0.77	-0.12	6.03	16.68	15.50
Mid-Cap Stocks								
First Eagle Fund of America A	FEFAX	★★★★★	C+	1.38	0.75	3.74	18.47	16.77
Nicholas	NICSX	★★★★★	A	0.73	1.70	15.93	24.90	21.40
Principal MidCap A	PEMGX	★★★★★	A	1.00	-1.52	10.93	19.82	19.39
Rydex S&P MidCap 400 Pure Growth H	RYBHX	★★★	C+	1.52	-0.58	5.04	16.02	17.80

* Annualized

Note: Data as of 6/30/2015

Fund Name	Symbol	Mstar Rating	5 Yr Peer Grade	Fund Expense Ratio	Q2 Total Return	1 Year	3 Year*	5 Year*
Small Cap Stocks								
Janus Triton R	JGMRX	★★★★★	A	1.43	0.45	14.04	19.43	19.52
ClearBridge Small Cap Growth A	SASMX	★★★	B	1.26	0.25	6.40	16.87	18.86
International Stocks								
Artisan International Value Investor	ARTKX	★★★★★	A-	1.20	0.65	-2.55	16.36	14.45
Lazard Intl Strategic Equity Open	LISOX	★★★★★	B+	1.09	1.24	-1.74	14.53	13.09
Oppenheimer International Diversified N	OIDNX	★★★	C	1.51	2.39	-2.96	12.14	9.57
Oppenheimer International Growth A	OIGAX	★★★	B-	1.14	2.59	-3.16	12.53	11.60
MFS International Value R3	MINGX	★★★★★	B+	1.07	-0.74	1.64	14.21	13.15
Emerging Markets Stocks								
Driehaus Emerging Markets Growth	DREGX	★★★★★	A-	1.65	1.31	-5.23	7.05	6.79
Virtus Emerging Markets Opportunities A	HEMZX	★★★★★	B+	1.56	-1.44	-3.83	2.80	7.05
Oppenheimer Developing Markets N	ODVNX	★★★★★	B	1.57	0.71	-10.82	4.39	5.63
American Funds New World R4	RNWEX	★★★★★	A-	1.00	-0.18	-6.12	7.16	6.65
Real Estate								
Fidelity Advisor Real Estate T	FHETX	★★	B-	1.37	-10.32	4.05	8.38	13.79
REMS Real Estate Value Opportunity P	HLPPX	★★★★★	A	1.61	-7.31	2.12	12.28	16.53
PIMCO Real Estate Real Return Strategy D	PETDX	★★★	B	1.14	-9.99	3.98	6.47	17.88
DWS RREEF Real Estate Securities S	RRREX	★★★	C+	0.72	-11.27	3.07	7.68	13.82
Natural Resources								
Fidelity Advisor Materials T	FMFTX	★★★★★	A	1.37	0.18	-6.16	10.62	13.82
ICON Materials S	ICBMX	★★★★★	A	1.36	-2.37	-4.47	11.88	12.79
Commodities								
PIMCO Commodity Real Ret Strat D	PCRDY	★★★	B-	1.19	4.50	-26.56	-10.26	-2.70
Other (Balanced)								
American Funds American Balanced F-1	BALFX	★★★★★	A-	0.65	-0.34	4.18	12.11	12.89

* Annualized

Note: Data as of 6/30/2015

Morningstar rating variances Q2

The Morningstar Rating has become a standard method of measuring the quality of a mutual fund. At HealthEquity Advisors, LLC the Morningstar Rating does not factor into our methodologies for selection and retention. We consider the Morningstar Rating a complimentary element to a variety of other technical considerations when reviewing mutual funds. We prefer to focus on the peer performance grades for measured periods, combined with measures of Standard Deviation and Money Manager tenure to assess the forward looking viability of a mutual fund. Nevertheless, we provide a quarter-to-quarter comparative of the Morningstar Rating.

WE USE THE COLORS RED & GREEN TO DELINEATE CHANGES THAT ARE POSITIVE FROM THOSE THAT ARE NEGATIVE IN COLUMNS ILLUSTRATING VARIANCE FROM PRIOR QUARTER, OR OVERALL PERFORMANCE.

Morningstar Rating

How Does It Work?

The Morningstar Rating for funds, commonly called the star rating, is a measure of a fund's risk-adjusted return, relative to funds in its category. Funds are rated from one to five stars, with the best performers receiving five stars and the worst performers receiving a single star.

Risk-adjusted return is calculated by subtracting a risk penalty from each fund total return, after accounting for all loads, sales charges, and redemption fees. The risk penalty is determined by the amount of variation in the fund's monthly return, with emphasis on downward variation. The greater the variation, the larger the penalty. Funds are ranked within their categories and stars are assigned as follows:

Top 10%	five stars	★★★★★
Next 22.5%	four stars	★★★★
Middle 35%	three stars	★★★
Next 22.5%	two stars	★★
Bottom 10%	one star	★

For multi-share class funds, each share class is counted as a fraction of a fund within this scale and rated separately, which may cause slight variations in the distribution percentages. This accounting prevents a single portfolio in a smaller category from dominating any portion of the rating scale.

If a fund changes Morningstar Categories, its long-term historical performance is given less weight, based on the magnitude of the change. (For example, a change from a mid-cap category to large-cap category is considered more significant than a change from small-cap to large-cap.)

Doing so ensures the fairest comparisons and minimizes any incentive for fund companies to change a fund's style in attempt to receive a better rating by shifting to another Morningstar Category.

Morningstar ratings headlines

Out of 41 funds the following rating variances occurred in Q2 2015:

5 funds received star rating decrease:

- Ivy Core Equity Y (WCEYX)
- Rydex S&P MidCap 400 Pure Growth H (RYBHX)
- Virtus Emerging Markets Opportunities A (HEMZ)
- Oppenheimer Developing Markets N (ODVNX)
- DWS RREEF Real Estate Securities S (RRREX)

2 funds received star rating increase:

- American Century ShDur Infr Prot Bd Inv (APOIX)
- REMS Real Estate Value Opportunity P (HLPPX)

34 funds experienced no rating changes from the prior quarter.

Note: HealthEquity Advisors, LLC does not use the Morningstar Rating in our fund selection, retention, and rotation methodologies. However, we acknowledge the star rating system established by Morningstar is considered to be a widely accepted method of measuring historical fund risk/return ratio. For that reason, we post quarterly rating variances in this report.

Fund Name	Symbol	Morningstar Category	Rating Q1	Rating Q2	Rating Change
Aggregate Bonds					
ASTON/TCH Fixed Income N	CHTBX	Intermediate-Term Bond	★★★★	★★★★★	+1
Principal Income A	CMPIX	Intermediate-Term Bond	★★★★	★★★★	
Metropolitan West Total Return Bond M	MWTRX	Intermediate-Term Bond	★★★★★	★★★★★	
Prudential Total Return Bond A	PDBAX	Intermediate-Term Bond	★★★★	★★★★	
Pioneer Bond A	PIOBX	Intermediate-Term Bond	★★★	★★★	
Metropolitan West Low Duration Bond	MWLDX	Intermediate-Term Bond	★★★★	★★★★	
Foreign Bonds					
Legg Mason BW Global Opportunities Bd A	GOBAX	World Bond	★★★★	★★★★	
Prudential Global Total Return A	GTRAX	World Bond	★★★	★★★	
Managers Global Income Opportunity	MGGBX	World Bond	★★★	★★★	
PIMCO Foreign Bond (USD-Hedged) D	PFODX	World Bond	★★★★★	★★★★★	
Ivy Global Bond Y	IVSYX	World Bond	★★★	★★★	
Inflation Protected Bonds					
PIMCO Real Return R	PRRRX	TIPS	★★★	★★★	
American Century ShDur Infl Prot Bd Inv	APOIX	TIPS	★★	★★★	+1
Large Cap Stocks					
Columbia Contrarian Core Z	SMGIX	Large Blend	★★★★★	★★★★★	
Ivy Core Equity Y	WCEYX	Large Growth	★★★★	★★★	-1
SunAmerica Focused Dividend Strategy A	FDSAX	Large Value	★★★★★	★★★★★	
ING Large Cap Value A	IEDAX	Large Value	★★★	★★★	
Invesco Diversified Dividend Investor	LCEIX	Large Value	★★★★	★★★	-1
Mid-Cap Stocks					
First Eagle Fund of America A	FEFAX	Mid-Cap Blend	★★★★	★★★★	
Nicholas	NICSX	Mid-Cap Growth	★★★★★	★★★★★	
Principal MidCap A	PEMGX	Mid-Cap Growth	★★★★★	★★★★★	
Rydex S&P MidCap 400 Pure Growth H	RYBHX	Mid-Cap Growth	★★★★	★★★	-1

Note: Data as of 6/30/2015

Fund Name	Symbol	Morningstar Category	Rating Q1	Rating Q2	Rating Change
Small Cap Stocks					
Janus Triton R	JGMRX	Small Growth	★★★★★	★★★★★	
ClearBridge Small Cap Growth A	SASMX	Small Growth	★★★	★★★	
International Stocks					
Artisan International Value Investor	ARTKX	Foreign Large Blend	★★★★★	★★★★★	
Lazard Intl Strategic Equity Open	LISOX	Foreign Large Blend	★★★★★	★★★★★	
Oppenheimer International Diversified N	OIDNX	Foreign Large Blend	★★★	★★★	
Oppenheimer International Growth A	OIGAX	Foreign Large Growth	★★★	★★★	
MFS International Value R3	MINGX	Foreign Large Value	★★★★★	★★★★★	
Emerging Markets Stocks					
Driehaus Emerging Markets Growth	DREGX	Diversified Emerging Mkts	★★★★★	★★★★★	
Virtus Emerging Markets Opportunities A	HEMZ	Diversified Emerging Mkts	★★★★★	★★★★	-1
Oppenheimer Developing Markets N	ODVNX	Diversified Emerging Mkts	★★★★★	★★★★	-1
American Funds New World R4	RNWEX	Diversified Emerging Mkts	★★★★★	★★★★★	
Real Estate					
Fidelity Advisor Real Estate T	FHETX	Real Estate	★★	★★	
REMS Real Estate Value Opportunity P	HLPX	Real Estate	★★★★	★★★★★	+1
PIMCO Real Estate Real Return Strategy D	PETDX	Real Estate	★★★	★★★	
DWS RREEF Real Estate Securities S	RRREX	Real Estate	★★★★	★★★	-1
Natural Resources					
Fidelity Advisor Materials T	FMFTX	Natural Resources	★★★★	★★★★	
ICON Materials S	ICBMX	Natural Resources	★★★★	★★★★	
Commodities					
PIMCO Commodity Real Ret Strat D	PCRD	Commodities	★★★	★★★	
Other (Balanced)					
PIMCO Commodity Real Ret Strat D	PCRD	Commodities	★★★★★	★★★★★	

Note: Data as of 6/30/2015

5 year peer performance grades

The Peer Performance Grade is a proprietary algorithm of HealthEquity Advisors, LLC in which funds are measured against their peer asset class grouping for consistency in performance as measured over a one to five year period. In conjunction with this measure, we filter for not just funds that are top performers, but funds who have achieved this five year level of consistency with the same management team in place. Managerial attribution is an important measure of a funds ability to continue patterns of decision making going forward. We understand that historical results are no guarantee of future performance; nevertheless it remains a relevant, salient measure of a funds future opportunity, though it is simply one of many data points that should be taken into consideration.

WE USE THE COLORS RED & GREEN TO DELINEATE CHANGES THAT ARE POSITIVE FROM THOSE THAT ARE NEGATIVE IN COLUMNS ILLUSTRATING VARIANCE FROM PRIOR QUARTER, OR OVERALL PERFORMANCE.

Peer grade headline

Out of 41 funds, the following variances occurred in Q2 2015:

Fund peer grade declines in Q2:

- 21 funds experienced peer grade declines
 - 14 funds declined one grade iteration
 - 7 fund declined two or more grade iterations:
- Metropolitan West Low Duration Bond M (MWLDX): C+ to C-
- Legg Mason BW Global Opportunities Bd A (GOBAX): A- to B
- PIMCO Real Return R (PRRRX): B- to C-
- MFS International Value R3 (MINGX): A to B+
- Virtus Emerging Markets Opportunities A (HEMZ): A to B+
- PIMCO Real Estate Real Return Strategy D (PETDX): A to B
- DWS RREEF Real Estate Securities S (RRREX): A- to C+

Fund peer grade increases in Q2:

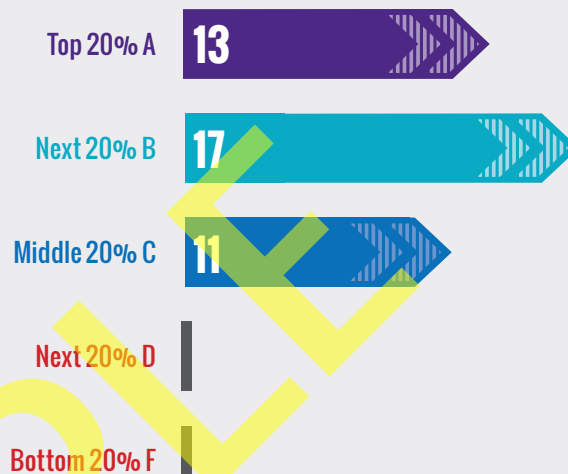
- 3 funds experienced peer grade increases
 - 3 funds increased one grade iteration

Funds no change in Q2:

- 17 funds experienced no grades changes

HealthEquity Advisors, LLC Best-in-class report card

5 Year weighted peer performance rank (persistence)



Average peer performance: B+

Quick stats

- Number of funds: 41
- Management style: Active
- Fund families represented: 30
- Proprietary funds: none
- Manager tenure avg: 11.76 years
- Asset classes: 11
- Correlation: 56% (low)
- Fund expense avg: 1.08
- Plan level fees: none
- Trading fees: none
- Fund minimums: none
- Short-Term Redemption Fees: none

Data source: Morningstar as of 6/30/2015

5 year weighted peer performance grades

Fund name	Symbol	Grade Q1	Grade Q2	Grade change
Aggregate Bonds				
ASTON/TCH Fixed Income N	CHTBX	B	B-	-1
Principal Income A	CMPIX	B	B-	-1
Metropolitan West Total Return Bond M	MWTRX	B+	B	-1
Prudential Total Return Bond A	PDBAX	B+	B	-1
Pioneer Bond A	PIOBX	B	B-	-1
Metropolitan West Low Duration Bond M	MWLDX	C+	C-	-2
Foreign Bonds				
Legg Mason BW Global Opportunities Bd A	GOBAX	A-	B	-2
Prudential Global Total Return A	GTRAX	B	B	
Managers Global Income Opportunity	MGGBX	C	C+	+1
PIMCO Foreign Bond (USD-Hedged) D	PFODX	A	A	
Ivy Global Bond Y	IVSYX	C-	C-	
Inflation Protected Bonds				
PIMCO Real Return R	PRRRX	B-	C-	-3
American Century ShDur Infl Prot Bd Inv	APOIX	C-	C-	
Large Cap Stocks				
Columbia Contrarian Core Z	SMGIX	A-	A	-1
Ivy Core Equity Y	WCEYX	B+	B	-1
SunAmerica Focused Dividend Strategy A	FDSAX	A	A-	-1
ING Large Cap Value A	IEDAX	C+	C	-1
Invesco Diversified Dividend Investor	LCEIX	B-	C+	-1
Mid-Cap Stocks				
First Eagle Fund of America A	FEFAX	B-	C+	-1
Nicholas	NICSX	A	A	
Principal MidCap A	PEMGX	A	A	
Rydex S&P MidCap 400 Pure Growth H	RYBHX	C	C+	+1

Note: Data as of 6/30/2015

5 year weighted peer performance grades (continued)

Fund name	Symbol	Grade Q1	Grade Q2	Grade change
Small Cap Stocks				
Janus Triton R	JGMRX	A	A	
ClearBridge Small Cap Growth A	SASMX	B	B	
International Stocks				
Artisan International Value Investor	ARTKX	A	A-	-1
Lazard Intl Strategic Equity Open	LISOX	B+	B+	
Oppenheimer International Diversified N	OIDNX	C	C	
Oppenheimer International Growth A	OIGAX	C+	B-	+1
MFS International Value R3	MINGX	A	B+	-2
Emerging Markets Stocks				
Driehaus Emerging Markets Growth	DREGX	A-	A-	
Virtus Emerging Markets Opportunities A	HEMZX	A	B+	-2
Oppenheimer Developing Markets N	ODVNX	B	B	
American Funds New World R4	RNWEX	A-	A-	
Real Estate				
Fidelity Advisor Real Estate T	FHETX	B	B-	-1
REMS Real Estate Value Opportunity P	HLPPX	A	A	
PIMCO Real Estate Real Return Strategy D	PETDX	A	B	-3
DWS RREEF Real Estate Securities S	RRREX	A-	C+	-4
Natural Resources				
Fidelity Advisor Materials T	FMFTX	A	A	
ICON Materials S	ICBMX	A	A	
Commodities				
PIMCO Commodity Real Ret Strat D	PCRDY	B-	B-	
Other (Balanced)				
American Funds American Balanced F-1	BALFX	A	A-	-1

Note: Data as of 6/30/2015

Fund operational expense ratio (OER)

This is the percentage of fund assets paid for operating expenses and management fees. The expense ratio typically includes the following types of fees: accounting, administrator, advisor, auditor, board of directors, custodial, distribution (12b-1), legal, organizational, professional, registration, shareholder reporting, sub-advisor, and transfer agency. The expense ratio does not reflect the fund's brokerage costs or any investor sales charges. In contrast to the gross expense ratio, the net expense ratio does reflect fee waivers in effect during the time period.

Also known as the Total Annual Fund Operating Expense Ratio Net of Reimbursements, Morningstar pulls the prospectus net expense ratio from the fund's most recent prospectus. Prospectus expense ratios reflect material changes to the expense structure for the current period, while annual report expense ratios reflect the actual fees charged during a particular fiscal year.

WE USE THE COLORS RED & GREEN TO DELINEATE CHANGES THAT ARE POSITIVE FROM THOSE THAT ARE NEGATIVE IN COLUMNS ILLUSTRATING VARIANCE FROM PRIOR QUARTER, OR OVERALL PERFORMANCE.

Fund expense ratio Q2 headline

Out of 41 funds, the following variances occurred in Q2 2015:

Fund operational expense changes in Q2:

- 1 fund increased annual Fund Expense Ratio
 - Legg Mason BW Global Opportunities Bd A (GOBAX) increased 0.01 to 0.94
- 7 funds decreased annual Fund Expense Ratio
 - Lazard Intl Strategic Equity Open (LISOX) decreased 0.01 to 1.09
 - Oppenheimer International Diversified N (OIDNX) decreased 0.03 to 1.51
 - Driehaus Emerging Markets Growth (DREGX) decreased 0.01 to 1.65
 - Virtus Emerging Markets Opportunities A (HEMZ) decreased 0.01 to 1.56
 - REMS Real Estate Value Opportunity P (HLPPX) decreased 0.09 to 1.61
 - DWS RREEF Real Estate Securities S (RRREX) decreased 0.05 to 0.72
 - Fidelity Advisor Materials T (FMFTX) decreased 0.03 to 1.37
- 33 funds experienced no Fund Expense Ratio adjustments

Fund Name	Symbol	OER Q1	OER Q2	Change
Aggregate Bonds				
ASTON/TCH Fixed Income N	CHTBX	0.95	0.95	
Principal Income A	CMPIX	0.87	0.87	
Metropolitan West Total Return Bond M	MWTRX	0.68	0.68	
Prudential Total Return Bond A	PDBAX	0.83	0.83	
Pioneer Bond A	PIOBX	0.85	0.85	
Metropolitan West Low Duration Bond M	MWLDX	0.63	0.63	
Foreign Bonds				
Legg Mason BW Global Opportunities Bd A	GOBAX	0.93	0.94	0.01
Prudential Global Total Return A	GTRAX	1.06	1.06	
Managers Global Income Opportunity	MGGBX	0.89	0.89	
PIMCO Foreign Bond (USD-Hedged) D	PFODX	0.90	0.90	
Ovy Global Bond Y	IVSYX	0.99	0.99	
Inflation Protected Bonds				
PIMCO Real Return R	PRRRX	1.10	1.10	
American Century ShDur Infl Prot Bd Inv	APOIX	0.57	0.57	
Large Cap Stocks				
Columbia Contrarian Core Z	SMGIX	0.87	0.87	
Ivy Core Equity Y	WCEYX	0.84	0.84	
SunAmerica Focused Dividend Strategy A	FDSAX	1.07	1.07	
ING Large Cap Value A	IEDAX	1.17	1.11	
Invesco Diversified Dividend Investor	LCEIX	0.77	0.77	
Mid-Cap Stocks				
First Eagle Fund of America A	FEFAX	1.38	1.38	
Nicholas	NICSX	0.73	0.73	
Principal MidCap A	PEMGX	1.00	1.00	
Rydex S&P MidCap 400 Pure Growth H	RYBHX	1.52	1.52	

Note: Data as of 6/30/2015

Fund Name	Symbol	OER Q1	OER Q2	Change
Small Cap Stocks				
Janus Triton R	JGMRX	1.43	1.43	
ClearBridge Small Cap Growth A	SASMX	1.26	1.26	
International Stocks				
Artisan International Value Investor	ARTKX	1.20	1.20	
Lazard Intl Strategic Equity Open	LISOX	1.10	1.09	-0.01
Oppenheimer International Diversified N	OIDNX	1.54	1.51	-0.03
Oppenheimer International Growth A	OIGAX	1.14	1.14	
MFS International Value R3	MINGX	1.07	1.07	
Emerging Markets Stocks				
Driehaus Emerging Markets Growth	DREGX	1.66	1.65	-0.01
Virtus Emerging Markets Opportunities A	HEMZK	1.57	1.56	-0.01
Oppenheimer Developing Markets N	ODVNX	1.57	1.57	
American Funds New World R4	RNWEX	1.00	1.00	
Real Estate				
Fidelity Advisor Real Estate T	FHETX	1.37	1.37	
REMS Real Estate Value Opportunity P	HLPPX	1.70	1.61	-0.09
PIMCO Real Estate Real Return Strategy D	PETDX	1.14	1.14	
DWS RREEF Real Estate Securities S	RRREX	0.77	0.72	-0.05
Natural Resources				
Fidelity Advisor Materials T	FMFTX	1.40	1.37	-0.03
ICON Materials S	ICBMX	1.36	1.36	
Commodities				
PIMCO Commodity Real Ret Strat D	PCRDY	1.19	1.19	
Other (Balanced)				
American Funds American Balanced F-1	BALEX	0.65	0.65	

Note: Data as of 6/30/2015

Fund performance annualized

Q2, 1 year, 3 year annualized, 5 year annualized

Fund performance for the Best-in-class fund platform is illustrated. The 3 year and 5 year performance is annualized. The performance for the 2nd quarter of 2015 is also illustrated. All fund performance for any time period of measurement is net of fund expenses. Negative returns are in red and positive returns are in green.

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Fund performance Q2 headline

Out of 41 funds, the following variances occurred in Q2 2015:

Fund performance changes in Q2:

- 16 Funds experienced positive total returns (returns > 0)
- 25 fund experienced negative total returns (returns < 0)

Q2 Observations

- S&P 500 experienced a positive total return of -0.93%
- Barclays Aggregate Bond Index experienced a negative total return of -2.23%
- Best performing fund gained 4.50% (PIMCO Commodity Real Ret Strat D PCRDX)
- Worst performing fund lost -11.27% (DWS RREEF Real Estate Securities S RRREX)

Platform summary for Q2 2015:

Bond funds

- 1 out of 6 Aggregate Bond Funds were positive
- 1 out of 5 Foreign Bond Funds were positive
- 1 out of 2 Inflation Protected Bonds were positive

Stock funds

- 1 out of 5 Large Cap Funds were positive
- 2 out of 4 Mid Cap Funds were positive
- 2 out of 2 Small Cap Funds were positive
- 4 out of 5 International Stock Funds were positive
- 2 out of 4 Emerging Markets Stocks Funds were positive

Alternative diversifier funds

- 0 out of 4 Real Estate Funds were positive
- 1 out of 2 Natural Resource Funds were positive
- 1 out of 1 Broad Basket Commodities Funds were positive
- 0 out of 1 Balanced Funds were positive

Fund performance Q2

Fund Name	Symbol	Q2 Total Return	1 Year	3 Year*	5 Year*
Aggregate Bonds					
ASTON/TCH Fixed Income N	CHTBX	-1.69	0.12	3.23	4.81
Principal Income A	CMPIX	-1.11	0.77	3.19	4.56
Metropolitan West Total Return Bond M	MWTRX	-1.49	1.67	3.94	5.17
Prudential Total Return Bond A	PDBAX	-2.14	1.64	3.45	5.23
Pioneer Bond A	PIOBX	-1.19	1.32	3.55	4.72
Metropolitan West Low Duration Bond M	MWLDX	0.07	0.47	2.55	3.38
Foreign Bonds					
Legg Mason BW Global Opportunities Bd A	GOBAX	-3.43	-6.11	1.53	5.26
Prudential Global Total Return A	GTRAX	-2.57	-7.42	1.75	4.94
Managers Global Income Opportunity	MGGBX	-0.10	-5.73	1.57	3.99
PIMCO Foreign Bond (USD-Hedged) D	PFODX	-4.09	3.99	5.31	5.44
Ivy Global Bond Y	IVSYX	0.72	-3.40	2.09	2.47
Inflation Protected Bonds					
PIMCO Real Return R	PRRRX	-1.84	-3.67	-1.55	2.58
American Century ShDur Infl Prot Bd Inv	APOIX	0.30	-2.04	-0.39	2.11
Large Cap Stocks					
Columbia Contrarian Core Z	SMGIX	1.78	9.51	19.60	18.72
Ivy Core Equity Y	WCEYX	-0.59	3.96	16.31	17.27
SunAmerica Focused Dividend Strategy A	FDSAX	-0.25	8.87	16.87	18.48
ING Large Cap Value A	IEDAX	-0.45	3.21	15.28	15.40
Invesco Diversified Dividend Investor	LCEIX	-0.12	6.03	16.68	15.50
Mid-Cap Stocks					
First Eagle Fund of America A	FEFAX	0.75	3.74	18.47	16.77
Nicholas	NICSX	1.70	15.93	24.90	21.40
Principal MidCap A	PEMGX	-1.52	10.93	19.82	19.39
Rydex S&P MidCap 400 Pure Growth H	RYBHX	-0.58	5.04	16.02	17.80

* Annualized

Note: Data as of 6/30/2015

Fund Name	Symbol	Q2 Total Return	1 Year	3 Year*	5 Year*
Small Cap Stocks					
Janus Triton R	JGMRX	0.45	14.04	19.43	19.52
ClearBridge Small Cap Growth A	SASMX	0.25	6.40	16.87	18.86
International Stocks					
Artisan International Value Investor	ARTKX	0.65	-2.55	16.36	14.45
Lazard Intl Strategic Equity Open	LISOX	1.24	-1.74	14.53	13.09
Oppenheimer International Diversified N	OIDNX	2.39	-2.96	12.14	9.57
Oppenheimer International Growth A	OIGAX	2.59	-3.16	12.53	11.60
MFS International Value R3	MINGX	-0.74	1.64	14.21	13.15
Emerging Markets Stocks					
Driehaus Emerging Markets Growth	DREGX	1.31	-5.23	7.05	6.79
Virtus Emerging Markets Opportunities A	HEMZ	-1.44	-3.83	2.80	7.05
Oppenheimer Developing Markets N	ODVNX	0.71	-10.82	4.39	5.63
American Funds New World R4	RNWEX	-0.18	-6.12	7.16	6.65
Real Estate					
Fidelity Advisor Real Estate T	FHETX	-10.32	4.05	8.38	13.79
REMS Real Estate Value Opportunity P	HLPPX	-7.31	2.12	12.28	16.53
PIMCO Real Estate Real Return Strategy D	PETDX	-9.99	3.98	6.47	17.88
DWS RREEF Real Estate Securities S	RRREX	-11.27	3.07	7.68	13.82
Natural Resources					
Fidelity Advisor Materials T	FMFTX	0.18	-6.16	10.62	13.82
ICON Materials S	ICBMX	-2.37	-4.47	11.88	12.79
Commodities					
PIMCO Commodity Real Ret Strat D	PCRD	4.50	-26.56	-10.26	-2.70
Other (Balanced)					
American Funds American Balanced F-1	BALFX	-0.34	4.18	12.11	12.89

* Annualized

Note: Data as of 6/30/2015

* Illustrated fund performance is net of mutual fund operational expense ratios. The three year and five year performance periods are annualized (total return for the period divided by number of years).

Past performance does not guarantee future performance. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. All performance illustrated is net of expenses.

The term "Best-in-class" is solely the naming convention of the fund menu and in no way suggests or implies a guarantee of return to investors from the funds being offered.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. All funds offered in the "Best-in-class" menu of 41 funds are waived of sales charges (front loads & back loads), short-term redemption fees and fund minimums. The only applicable fee is the fund operating expense ratio respective to each mutual fund. This is a fee charged by the mutual fund and is not controlled or influenced by HealthEquity Advisors, LLC.

HealthEquity Advisors, LLC offers alternative fund lineups of institutional low cost share classes which HealthEquity, Inc. may charge an investment fee directly to the member in addition to the mutual fund operating expense ratio.

These institutional funds appear with a graphic icon in the investment portal to provide clear differentiation that a direct charge to the member will apply if investing in institutional funds.

Mutual Fund data is sourced from Morningstar, Inc., Lipper (A subsidiary of Thomson Reuters), Financial Content Inc., and Charles Schwab Corporation. HealthEquity Advisors, LLC and its parent company cannot warranty the accuracy of the illustrated data except as affirmed by the aforementioned data providers.

Data providers may be added or removed at anytime at the discretion of HealthEquity Advisors, LLC without prior disclosure.

HealthEquity, Inc. and HealthEquity Advisors, LLC, a wholly owned subsidiary, do not provide legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

HealthEquity Advisors, LLC is a separate, wholly-owned subsidiary of HealthEquity, Inc.

Nothing in this communication is intended as legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

Q2 Fund manager's report

The Best-in-class fund platform has an active management investment style. Management tenure, peer performance ranking, standard deviation, portfolio turnover ratio are all data points monitored by HealthEquity Advisors, LLC. Top performing mutual funds commonly have consistent and established management teams. A key corollary to a decline in fund peer rankings tends to include changes in fund management. As a result, we monitor and report on fund management changes. Our standard criterion for selecting funds includes minimum fund manager tenure of five years. When a fund changes fund managers, we put the fund on the watch list for an indeterminable period of time to assess whether the peer ranking is maintained. Once the new manager(s) is determined, we will contact the fund company to interview the new fund manager(s). We will review the prior management history of the new fund manager(s) and determine whether the best interest of our investing membership would be to retain or change the fund from the available fund choices.

WE USE COLORS RED & GREEN TO DELINEATE CHANGES THAT ARE POSITIVE FROM THOSE THAT ARE NEGATIVE IN COLUMNS ILLUSTRATING VARIANCE FROM PRIOR QUARTER.

Summary

There were no fund manager changes in the 2nd quarter of 2015.

The overall management tenure average of the Best-in-class fund lineup has adjusted to 11.76 years. We closely monitor the fund management of all 41 funds on our investment platform.

Fund Name	Symbol	Manager(s) Name	Q1 Tenure	Q2 Tenure	Change
Aggregate bonds					
ASTON/TCH Fixed Income N	CHTBX	Canida/Kimball/Habacht/Canida	8.33	8.58	0.25
Principal Income A	CMPIX	Friedl/Tornga/McCann/Peterson	10.08	10.33	0.25
Metropolitan West Total Return Bond M	MWTRX	Rivelle/Landmann/Kane	18.08	18.33	0.25
Prudential Total Return Bond A	PDBAX	Willcox/Tipp/Piccirillo/Bessey/Collins	12.50	12.75	0.25
Pioneer Bond A	PIOBX	Taubes/Melchreit	16.33	16.58	0.25
Metropolitan West Low Duration Bond M	MWLDX	Kane/Landmann/Reville	18.08	18.33	0.25
Foreign Bonds					
Legg Mason BW Global Opportunities Bd A	GOBAX	Smith/McIntyre/Hess/Hoffman	8.42	8.67	0.25
Prudential Global Total Return A	GTRAX	Tipp/Collins	12.58	12.83	0.25
Managers Global Income Opportunity	MGBGX	Schweitzer/Rolley/Buntrock	13.08	13.33	0.25
PIMCO Foreign Bond (USD-Hedged) D	PFODX	Balls/Gupta/Pagani	0.58	0.83	0.25
Ivy Global Bond Y	IVSYX	Mark Beischel	7.00	7.25	0.25
Inflation Protected Bonds					
PIMCO Real Return R	PRRRX	Worah, Mihir	7.33	7.58	0.25
American Century ShDur Infl Prot Bd Inv	APOIX	Gahagan/Howell/Platz/Castillo	9.92	10.17	0.25
Large Cap Stocks					
Columbia Contrarian Core Z	SMGIX	Pope, Guy	10.08	10.33	0.25
Ivy Core Equity Y	WCEYX	Zinn/Becker	9.17	9.42	0.25
SunAmerica Focused Dividend Strategy A	FDSAX	Pettee/Campion/Sheridan	1.50	1.75	0.25
ING Large Cap Value A	IEDAX	Kloss/Corapi	5.00	5.25	0.25
Invesco Diversified Dividend Investor	LCEIX	Harrington/Walsh	12.33	12.58	0.25
Mid-Cap Stocks					
First Eagle Fund of America A	FEFAX	Levy/Cohen	28.00	28.25	0.25
Nicholas	NICSX	Nicholas/Nicholas	45.75	46.00	0.25
Principal MidCap A	PEMGX	Nolin/Rozycki	14.33	14.58	0.25
Rydex S&P MidCap 400 Pure Growth H	RYBHX	Dellapa/Harder/Byrum	8.67	8.92	0.25
Small Cap Stocks					
Janus Triton R	JGMRX	Coleman, Jonathan	1.92	2.17	0.25
ClearBridge Small Cap Growth A	SASMX	Green/Russell	8.08	8.33	0.25

Note: Data as of 6/30/2015

Fund Name	Symbol	Manager(s) Name	Q1 Tenure	Q2 Tenure	Change
International Stocks					
Artisan International Value Investor	ARTKX	O'Keefe/Samra	12.58	12.83	0.25
Lazard Intl Strategic Equity Open	LISOX	Little/Jones/Reinsberg/Bennett	9.50	9.75	0.25
Oppenheimer International Diversified N	OIDNX	Evans, George	9.58	9.83	0.25
Oppenheimer International Growth A	OIGAX	Dunphy/Evans	19.08	19.33	0.25
MFS International Value R3	MINGX	Stone/Wiener	6.42	6.67	0.25
Emerging Markets Stocks					
Driehaus Emerging Markets Growth	DREGX	Cleaver/Schwab	7.25	7.50	0.25
Virtus Emerging Markets Opportunities A	HEMZ	Jain, Rajiv	8.92	9.17	0.25
Oppenheimer Developing Markets N	ODVNX	Leverenz, Justin	7.92	8.17	0.25
American Funds New World R4	RNWEX	Grace/Thomsen/Kwan/Denning/Lovelace	15.83	16.08	0.25
Real Estate					
Fidelity Advisor Real Estate T	FHETX	Wald, Samuel	10.50	10.75	0.25
REMS Real Estate Value Opportunity P	HLPPX	Turville, Edward	12.33	12.58	0.25
PIMCO Real Estate Real Return Strategy D	PETDX	Worah, Mihir	7.33	7.58	0.25
DWS RREEF Real Estate Securities S	RRREX	Robertson/Ehlinger/Vojticek	15.33	15.58	0.25
Natural Resources					
Fidelity Advisor Materials T	FMFTX	Welo, Tobias	7.25	7.50	0.25
ICON Materials S	ICBMX	Jonson, Zach	8.25	8.50	0.25
Commodities					
PIMCO Commodity Real Ret Strat D	PCRD	Worah, Mihir	7.33	7.58	0.25
Other (Balanced)					
American Funds American Balanced F-1	BALFX	Lager/Perry/Smet/Berro/Stein/Johnson	18.25	18.50	0.25

Note: Data as of 6/30/2015

Investment Committee

HealthEquity Executives

- Darcy Mott, Chief Financial Officer
- Cordell Eggett, Controller
- Frode Jensen, General Counsel
- Dickson Leung, Associate General Counsel
- Brad Bennion, Sr VP Products

Licensed Investment Professionals of HealthEquity Advisors, LLC

- David Sicotte, Series 66 IAR
- James Ivie, Series 66, IAR

Outside Consultant Mutual Fund Industry Expert

- Craig Israelsen, PhD

HealthEquity Advisors, LLC Investment Platform Fund Selection Methodology, Ongoing Oversight and Rotation Criterion

HealthEquity Advisors, LLC is an SEC Registered Investment Advisor (RIA) and wholly owned subsidiary of HealthEquity, Inc. Our web-based investment platform is governed by a Fiduciary Standard for fund selection, ongoing oversight, and maintenance. All fund parameters listed below are presented and reviewed by the HealthEquity Advisors, LLC Investment Committee on a quarterly basis.

Fiduciary standard of oversight

Under the Fiduciary standard, which is governed by the Investment Advisors Act of 1940, HealthEquity Advisors, LLC has responsibility and liability pertaining to the analysis and oversight of mutual fund investments made available to our members. As such HealthEquity Advisors, LLC will replace a fund if it does not meet the defined retention criterion over a period of time specified below. There is no set schedule for fund replacements. HealthEquity Advisors, LLC is actively monitoring our investment offerings to ensure that our members are invested in the highest quality funds as defined by the criterion listed below.

Back testing of our selection methodology, as well as the ongoing oversight and maintenance rules and procedures suggests that 2-4% of funds may rotate out of the fund menu every year. That would be approximately 1-2 funds per year. Based upon the selection and management criterion below, there may be years where no funds are rotated and replaced, and there may be years where 2-4 funds are rotated. The purpose of this selection and oversight process is to protect member's HSA investments from being left unsupervised in poorly performing funds for long periods of time.

The fund selection methodology is as follows:

1. Diverse investment asset class exposure (11 Classes), low redundancy

a. Asset classes are:

- Aggregate Bonds
- International Bonds
- Inflation-Protected Bonds (TIPS)
- Large Cap Equities
- Mid Cap Equities
- Small Cap Equities
- International Equities (Developed Countries)
- Emerging Markets Equities
- Real Estate (Funds)
- Natural Resources
- Broad Basket Commodities

1. **NOTE:** Members have a minimum cash requirement before they are able to invest. This cash requirement in essence becomes a 12th asset class.

b. Minimization of fund correlation

- Highly correlated funds create overlap and duplicity, thus minimizing the value of asset allocation.
- Fund objectives are to create overall correlations that are considered low (<70% correlation for overall allocation variations on an 11 asset class portfolio using one fund per class)
- Low correlation optimizes overall portfolio diversification and minimizes risk.

2. No loads / load-waived - no front end loads, no back end loads, Waived Loads

a. There are no transaction fees

b. No early redemption fees

c. All Front Loads are waived (no sales charge)

Note: The above referenced criterion for loads/sales charges represents a filter methodology and is not a fee disclosure to members in this context.

3. Exceptional peer performance (top ~20% grading system) NET of fund expenses

a. 5 Year Weighted Peer Performance Grading methodology

- Top 20% = A
- Next 20% = B
- Middle 20% = C
- Next 20% = D
- Bottom 20% = F

b. Funds performing below average (C-) are placed on the watch list.

c. Two consecutive quarters of underperformance will warrant outbound rotation of a fund, per the approval of the HealthEquity Advisors, LLC Investment Committee.

d. All watch list funds and funds marked for rotation are reviewed by the HealthEquity Advisors, LLC Investment Committee for final removal and fund replacement selection.

e. NOTE: There are alternative asset classes (Real Estate, Natural Resources, Emerging Markets, and Broad Basket Commodities) that by their nature have more exposure to market volatility, are niche oriented, and have a smaller universe of funds in their asset class. Peer performance criterion will be modified to accommodate specific asset class characteristics for fund selection purposes. Examples include increasing peer performance 1, 3, 5 year criterion from top 20% performers to top 40% performers. Expanding standard deviation parameters is another example.

4. Experienced and proven fund management (Average of Best-In-class funds is 12 Years)

a. Minimum criterion for filter is 5 years of the same fund manager(s). (Index-Access Excluded from management criterion due to passive management style)

b. Five year peer performance grading must be aligned to current money manager (known as managerial attribution).

c. Funds that experience a fund manager change are placed on the watch list.

- i. The departing managers are tracked
 1. HealthEquity Advisors, LLC may determine that following the new management is in the investing members best interests
 2. Should a decision to move capital to the departing managers new fund management logistics and timelines will be reviewed and developed.
- ii. The incoming money manager is interviewed to determine:
 1. Experience
 2. Management Style
 3. Prior funds managed and their respective peer performance grades
 4. Continuity of management from prior managers to current approach

d. If incoming fund manager(s) peer performance grade has five years of previous fund management experience, is graded versus their peer weighted asset class.

e. If incoming manager is below average (C-) on five year weighted peer performance basis from prior fund management, current fund is recommended for rotation and replacement

f. If incoming fund manager has < 5 years' experience in fund management, fund will be recommended for rotation and replacement

g. All watch list funds and rotation funds are reviewed by the HealthEquity Advisors, LLC Investment Committee for final removal and fund replacement decisions.

5. Moderate to low risk as measured by standard deviation (= or < asset class average)

a. Selected funds must meet the following:

- i. Standard deviation of asset class is set
 1. Run monthly in Morningstar Principia
- ii. Filters seek to select funds based upon standard deviation < asset class average.
- iii. Standard deviation > than asset class average are watch listed.
- iv. If peer weighted average remains in the top 20% of asset class, fund is retained, but placed on watch list.
- v. If peer weighted average is a B- or less in combination with elevated standard deviation versus asset class average for 4 consecutive quarters, fund is recommended for rotation and replacement.

b. All watch list funds and rotation funds are reviewed by the HealthEquity Advisors, LLC Investment Committee for final removal and fund replacement decisions.

6. Fund and platform availability (RPS, SDE, Trust, No fund minimums)

a. Fund must meet the following:

- i. Be available on the Schwab Retirement Services Platform (RPS)
- ii. Same Day Exchange eligible (SDE)
- iii. Available for HSA trust
- iv. Have no investment minimums

7. Fund Expenses

- a. Operational Expense Ratio (OER) must be reasonable
- b. Reasonable is defined as within 110% of asset class OER average
- c. Fund performance & risk must justify expense
 - i. Measured by combining
 1. 5 year peer weighted performance grade
 2. Standard deviation metrics
 3. Money manager tenure
 4. OER average per asset class
- d. More than 50% of funds selected must have OER below asset class average

Quarterly report to partners

The HealthEquity Advisors, LLC Investment Committee is comprised of HealthEquity Advisors, LLC compliance officer and licensed Investment Advisor Representatives, an outside mutual fund industry subject matter expert, and HealthEquity, Inc. Executives as previously outlined. The committee meets quarterly to evaluate all selection criterion, quarterly changes in Fund manager(s), Fund Operational Expense Ratio (OER), five year weighted peer performance grades, standard deviation versus asset class average, portfolio turnover ratio versus fund 12mth/quarterly average, asset class rotation considerations based on overall economic conditions.

In an effort to maintain transparency on the fund offerings, HealthEquity Advisors, LLC will provide partners a quarterly report card. **This report card will summarize the following:**

Best-In-Class

- 1, 3, 5 year performance, Asset Classes
- Operational Expense ratios
- 5 year Weighted Peer Performance Grade
- Fund Manager Name(s)
- Fund Manager Tenure
- Quarterly performance
- Operational Expense Comparatives by asset class averages
- Sample Allocation model portfolios
 - 1, 3, 5 year performance
 - Weighted portfolio operational expense ratio

Prior Quarter and YTD variances in:

- Fund Performance
- Morningstar Ratings
- 5 Year Weighted Peer Performance Grades
- Fund Operational Expense Ratios
- Fund Manager Changes

Watch List (Flagged Funds)

- Lagging Peer Performance Grades
- Increased Operational Expenses
- Fund Manager Changeover
- Standard Deviation Substantiation
- Newly added funds

Alerts

- Funds Marked for outbound removal
- Funds Marked for inbound replacement
- Asset Class Rotation Announcements (By Investment Committee)
- Timelines for communications regarding inbound/outbound funds, and scheduled migration of member holdings
- Funds closed to new investment designated by Fund Family
- Funds available only to existing shareholders designated by Fund Family
- Funds merged or acquired as designated by Schwab and Fund Family

Summary

HealthEquity Advisors, LLC has implemented a rigid process and methodology to provide the investing members high quality funds covering a non-correlated selection of 11 asset classes. This will help members optimally diversify towards minimizing risk and maximizing growth. HSA account balances are growing rapidly, and may someday begin to approach 401k account levels. In order for members to feel confident investing their HSA dollars, HealthEquity Advisors, LLC has put in place technology and investment professionals to provide a fiduciary level of oversight.

Should you have any questions about our selection and oversight process, please contact James Ivie, HealthEquity Advisors, LLC Chief Compliance Officer at jjvie@healthequity.com.

HealthEquity Advisors, LLC is a separate, wholly-owned subsidiary of HealthEquity, Inc.

HealthEquity, Inc. and HealthEquity Advisors, LLC a wholly-owned subsidiary do not provide legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions. Nothing in this communication is intended as legal, tax, financial, medical or marital advice. Always consult a professional when making life changing decisions.

Notes



Lined writing area for notes, featuring a large yellow 'SAMPLE' watermark.

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