

NAVISTAR INTERNATIONAL CORP
Form 11-K
June 16, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 1-9618

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
NAVISTAR, INC.

RETIREMENT ACCUMULATION PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
NAVISTAR INTERNATIONAL CORPORATION

2701 Navistar Drive

Lisle, Illinois 60532

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REQUIRED INFORMATION

Navistar, Inc. is the Plan Administrator of the Navistar, Inc. Retirement Accumulation Plan (the Plan). The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan as of December 31, 2014 and 2013, and for the year ended December 31, 2014, and the schedules as of December 31, 2014, have been prepared in accordance with the financial reporting requirements of ERISA.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Navistar, Inc. Retirement Accumulation Plan

By: Navistar, Inc.
Plan Administrator

/s/ Samara A. Strycker
Name: Samara A. Strycker
Title: Senior Vice President and Corporate Controller
(Principal Accounting Officer)

June 16, 2015

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**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
NAVISTAR, INC. RETIREMENT ACCUMULATION PLAN
DECEMBER 31, 2014 AND 2013**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Participants and Administrator

Navistar, Inc. Retirement Accumulation Plan

We have audited the accompanying statements of net assets available for benefits of Navistar, Inc. Retirement Accumulation Plan (the Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Navistar, Inc. Retirement Accumulation Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedule of assets (held at end of year) at December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of Navistar, Inc. Retirement Accumulation Plan's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the basic financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Grant Thornton LLP

Chicago, Illinois

June 16, 2015

Table of Contents**Navistar, Inc. Retirement Accumulation Plan****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****December 31,**

	2014	2013
Assets		
Investment in Master Trust, at fair value	\$ 731,434,676	\$ 744,917,632
Receivables		
Participant contributions	1,309,294	1,357,598
Employer contributions	25,425,435	23,066,503
Notes receivable from participants	9,506,399	11,270,469
Total receivables	36,241,128	35,694,570
Liabilities		
Refunds payable		(38,564)
Net assets available for benefits, at fair value	767,675,804	780,573,638
Proportionate share of adjustment from fair value to contract value for fully benefit-responsive investment contracts	(649,550)	247,325
NET ASSETS AVAILABLE FOR BENEFITS	\$ 767,026,254	\$ 780,820,963

The accompanying notes are an integral part of these statements.

Table of Contents**Navistar, Inc. Retirement Accumulation Plan****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****Year ended December 31, 2014**

Net investment earnings from Master Trust (note C)	\$ 45,230,324
Interest income on notes receivable from participants	434,185
Contributions	
Participant	32,030,258
Employer Retirement	16,349,794
Employer Matching	9,087,294
Rollovers from other qualified plans	1,669,091
Total contributions	59,136,437
Benefits paid to participants	(98,157,991)
Corrective/deemed distributions (net)	(21,428)
Administrative expenses	(136,391)
Increase in net assets prior to transfers	6,485,136
Transfers to other qualified plans within Master Trust, net	(20,279,845)
NET DECREASE	(13,794,709)
Net assets available for benefits	
Beginning of year	780,820,963
End of year	\$ 767,026,254

The accompanying notes are an integral part of these statements.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - DESCRIPTION OF THE PLAN

The following description of the Navistar, Inc. Retirement Accumulation Plan (the *Plan*) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is sponsored by Navistar, Inc. (the *Company*), the principal operating subsidiary of Navistar International Corporation (*Navistar*), to provide savings and retirement benefits for certain eligible salaried and hourly employees of the Company and of certain affiliates participating under the Plan who were first hired on or after January 1, 1996. The Plan was established January 1, 1996, and has subsequently been amended to maintain qualification under Sections 401(a), 401(k) and 501 of the Internal Revenue Code of 1986 (the *IRC*) and to modify the provisions of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*).

Eligibility

Prior to July 1, 2009, participation in the Plan was limited to those eligible salaried employees of the Company whose initial hire date was on or after January 1, 1996 and to eligible salaried employees of certain affiliates. Effective July 1, 2009, participation includes those participants whose accounts were merged into the Plan, regardless of their initial date of hire.

Contributions and Vesting

Participant contributions may be made to the Plan on a pretax basis, an after-tax basis, or a combination of both. Pretax salary reduction contributions to the Plan are subject to annual maximum limits equal to the lesser of 90% of a participant's eligible compensation or a prescribed Internal Revenue Service (*IRS*) dollar amount. Those participants who were age 50 or over during the Plan year had the ability to defer additional amounts on a pretax basis. After-tax contributions are subject to annual maximum limits of 90% of eligible compensation. The total of pretax and after-tax contributions cannot exceed 90% of eligible compensation. Both pretax and after-tax contributions may be elected at a minimum level of 1% of eligible compensation at any time. Subject to Company approval, eligible employees are allowed to make rollover contributions to the Plan, if such contributions satisfy applicable regulations. Such employees are not required to be participants for any purpose other than their rollover account; however, no pretax salary reduction contributions may be made until such time as such employee would otherwise become eligible to and does elect participation in the Plan. Salary reduction contributions and rollover contributions are fully vested immediately.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - DESCRIPTION OF THE PLAN - Continued

Newly hired employees are automatically enrolled in the Plan at an employee deferral contribution rate of 6% of eligible compensation. In general, such automatic enrollment will be effective the first pay period following the hire date, unless the employee elects to participate earlier or elects to opt out of enrollment until a future date.

The Plan permits, but does not require, the Company to make matching and retirement contributions. Such contributions are subject to a vesting schedule based upon the participant's length of employment, and fully vest upon completion of five years of service. For those participants who are eligible for such matching contributions, the Company currently matches 50% of the first 6% of eligible pretax compensation deferred by the participant. Certain Company affiliates may not provide for a retirement contribution. Retirement contributions are allocated to eligible participants and are calculated as a percentage of eligible compensation, based on the participant's age. Effective February 1, 2013, match and retirement contributions were deposited into participant accounts on an annual basis, as soon as administratively possible after the close of the Plan Year. Prior to this date, company contributions were paid on a quarterly basis.

Participant and Company contributions are subject to the combined annual addition limitation of IRC Section 415. Such limit is monitored throughout the Plan year.

Non-vested Company matching and retirement contributions are forfeited when a participant retires or terminates service. Such forfeitures may be used to offset future Company contributions or to pay administrative expenses of the Plan. At December 31, 2014 and 2013, forfeited non-vested accounts approximated \$2,406,000 and \$6,650,800, respectively. For the employer contributions recognized for the Plan year ended December 31, 2014, approximately \$5,137,400 of forfeitures were used to offset Company contributions.

Investment Options

Participants direct the investment of their account balances and future contributions. Investment options during 2014 and 2013 consisted of funds classified as registered investment companies, common and collective funds or Navistar common stock.

Participant Accounts

Individual accounts are maintained for each Plan participant. Realized gains and losses, unrealized appreciation and depreciation, and dividends and interest are allocated to participants based on their proportionate share of the funds. Fund managers' fees are charged to participants' accounts as a reduction of the return earned on each investment option. Also, participant accounts are assessed a quarterly recordkeeping fee. The fee was previously adjusted upward or downward, based on revenue sharing estimates for the following year. Revenue sharing is an investment fund

paying JPMorgan Retirement Plan Services (now Empower Retirement

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - DESCRIPTION OF THE PLAN - Continued

following the acquisition of Great West Financial Services on September 3, 2014) to track an individual's investment in their fund for them and other related services. Effective in 2015, all revenue sharing within the Navistar 401(k) investment fund options were eliminated; the expense ratios for those funds previously participating in revenue sharing decreased accordingly. Effective January 1, 2015, the total annual per participant recordkeeping fee is \$49.00 per year, \$12.25 to be paid quarterly, a decrease from the previous total annual per participant fee of \$51.89. Due to the revenue sharing offset, the previous quarterly fee charged to participant accounts, starting in the third quarter of 2013, was \$2.28.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to the lesser of 50% of their vested account balance or \$50,000, with no more than two loans outstanding at a time. Company matching and retirement contributions are not available for loans. Loan transactions are treated as a transfer between the applicable investment funds and the loan fund. Loan terms range from one to five years, with the exception of loans made for the purchase of a principal residence, which may be repaid in installments over a period of up to ten years. The loans are secured by the balance in the participant's account and bear interest at a rate equal to the prime rate plus one percentage point.

Payment of Benefits

Participants may request either an in-service or hardship withdrawal of certain of their account assets. Participants may only withdraw authorized pretax salary reduction contributions after attaining age 59-1/2, or on a hardship basis prior to attaining age 59-1/2. Company matching and retirement contributions and investment earnings thereon are not eligible for in-service withdrawal. The amount of any withdrawal, distribution, or loan is first charged against the participant's interest in Plan investments other than the Navistar Stock Fund on a pro rata basis. Any subsequent distributions of an account invested in the Navistar Stock Fund may be made in the form of Navistar common stock.

A participant's vested account is distributable at the time a participant separates from service with the Company, suffers a total and permanent disability or dies. The Plan was amended effective January 1, 2013 so that when the participant terminates employment prior to reaching normal retirement age with a vested balance of \$5,000 or less, and does not elect to have the distribution paid directly to an eligible retirement plan or receive a distribution, then the balance will be rolled over to an individual retirement plan designated by the Plan Administrator. If the asset value is more than \$5,000, the participant has the option of receiving the account upon separation or deferring commencement until a later date, but generally not beyond April 1 of the calendar year following the year in which the participant attains age 70 1/2 or retires, whichever is later. At that time, the participant must begin to receive a required minimum distribution.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A - DESCRIPTION OF THE PLAN - Continued

Accounts are distributed in a single sum prior to this date, or may be distributed at this date as a lump sum or a required minimum distribution.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Plan are presented on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation

The Plan follows guidance on accounting for fair value measurements which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. The Plan uses a three-level hierarchy of measurements based upon the reliability of observable and unobservable inputs used to arrive at fair value. Observable inputs are independent market data, while unobservable inputs reflect the Plan management's assumptions about valuation. Depending on the inputs, the Plan classifies each fair value measurement as follows:

Level 1 based upon quoted prices for *identical* instruments in active markets,

Level 2 based upon quoted prices for *similar* instruments, prices for identical or similar instruments in markets that are not active, or model-derived valuations all of whose significant inputs are observable, and

Level 3 based upon one or more significant unobservable inputs.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following describes the methods and significant assumptions used to estimate fair value of the Plan's investments:

The Plan's investment in the Navistar, Inc. Defined Contribution Plans Master Trust (Master Trust) is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

The investments held by the Master Trust are valued as follows:

Common and collective funds: Valued at the net asset value (NAV) used as a practical expedient to estimate fair value as provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active.

Registered investment companies (mutual funds): Valued at the NAV of shares held by the plan at year end, which is obtained from an active market.

Common stock: Valued at the closing price reported on the active market on which the security is traded.

See note C - Master Trust for the Master Trust's investments by level within the fair value hierarchy as of December 31, 2014 and 2013.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Income Recognition

Security transactions are accounted for on the trade-date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on the accrual basis.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Participant Withdrawals

As of December 31, 2014 and 2013, there were no benefits which were due to former participants who have withdrawn from participation in the Plan. Benefits are recorded when paid.

Administrative Fees

Most administrative expenses of the Plan are paid by the Participants. Certain Plan administrative expenses are paid by the Navistar and are expensed as incurred.

Transfers

Transfers between the Plan and the Navistar, Inc. 401(k) Plan for Represented Employees (Represented Plan), which participates in the Master Trust, occur when a participant incurs a change in job status or a job transfer to another affiliate that makes the participant ineligible to participate in their current plan and requires the transfer of their account balance to another plan within the Master Trust for which they are eligible. In 2013, a portion of the Tulsa, Oklahoma facility, which is operated by a participating employer, elected to become employees represented by a labor organization under a collective bargaining agreement. As a result, their accounts were transferred to the Represented Plan on July 1, 2014, with a total of \$20,451,715. During 2014, net transfers of \$20,279,845 were transferred from the Plan for such changes into the other plan within the Master Trust.

NOTE C - MASTER TRUST

All of the Plan's investment assets are held in a trust account at JPMorgan Chase Bank (the Trustee) and consist of a divided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of Plan assets with the assets of another defined contribution plan sponsored by the Company and its affiliated companies for investment and administrative purposes. Although assets of the plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

Table of Contents**Navistar, Inc. Retirement Accumulation Plan****NOTES TO FINANCIAL STATEMENTS****December 31, 2014 and 2013****NOTE C - MASTER TRUST - Continued**

The participating plans in the Master Trust net assets (after adjustment from fair value to contract value for fully benefit-responsive investment contracts) and their respective percent interests as of December 31, 2014 and 2013, calculated on a cash basis, are as follows:

	2014	2013
Navistar, Inc. 401(k) Plan for Represented Employees	17.47%	15.22%
Navistar, Inc. Retirement Accumulation Plan	82.53%	84.78%

The following table presents the carrying value of investments of the Master Trust as of December 31:

	2014	2013
Common and collective funds	\$ 477,890,458	\$ 465,767,994
Registered investment companies	385,622,307	393,094,102
Navistar common stock	22,847,514	19,663,179
JP Morgan cash investment	27,143	101,580
Total investments, at fair value	886,387,422	878,626,855
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(905,630)	324,152
Net investments	\$ 885,481,792	\$ 878,951,007

The net investment earnings of the Master Trust for the year ended December 31, 2014, are summarized below:

Dividend and interest income	
Common and collective funds	\$ 42,849
Registered Investment Companies	34,025,720
Navistar stock	59

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Total dividend and interest income	34,068,628
Net realized and unrealized appreciation (depreciation) in fair value	
Common and collective funds	24,519,835
Registered Investment Companies	(5,058,720)
Navistar stock	(1,193,434)
Net appreciation in fair value	18,267,681
Other Income	11,853
Net Investment Income	\$ 52,348,162

Table of Contents**Navistar, Inc. Retirement Accumulation Plan****NOTES TO FINANCIAL STATEMENTS****December 31, 2014 and 2013****NOTE C - MASTER TRUST - Continued**

The following tables present the Master Trust's investments by level within the fair value hierarchy as of December 31, 2014 and 2013:

2014	Level 1	Level 2	Level 3	Total
Common and collective funds				
Cash equivalents (a)	\$	\$ 511,173	\$	\$ 511,173
Target date (b)		212,241,152		212,241,152
Index (c)		76,310,604		76,310,604
Fixed income (d)		188,854,672		188,854,672
Total common and collective funds		477,917,601		477,917,601
Registered investment companies				
Equities				
Multi Cap Value	68,751,833			68,751,833
Large Cap Value	35,451,048			35,451,048
Large Cap Growth	81,859,368			81,859,368
Small Cap Core	74,244,354			74,244,354
Mid Cap Growth	86,596,505			86,596,505
International Core	38,719,199			38,719,199
Total registered investment companies	385,622,307			385,622,307
Navistar common stock	22,847,514			22,847,514
Total assets at fair value	\$ 408,469,821	\$ 477,917,601	\$	\$ 886,387,422

Table of Contents**Navistar, Inc. Retirement Accumulation Plan****NOTES TO FINANCIAL STATEMENTS****December 31, 2014 and 2013****NOTE C - MASTER TRUST - Continued**

2013	Level 1	Level 2	Level 3	Total
Common and collective funds				
Cash equivalents (a)	\$	\$ 598,863	\$	\$ 598,863
Target date (b)		198,384,731		198,384,731
Index (c)		69,009,980		69,009,980
Fixed income (d)		197,876,000		197,876,000
Total common and collective funds		465,869,574		465,869,574
Registered investment companies				
Equities				
Multi Cap Value	74,672,209			74,672,209
Large Cap Value	33,287,692			33,287,692
Large Cap Growth	79,527,300			79,527,300
Small Cap Core	83,764,620			83,764,620
Mid Cap Growth	78,489,892			78,489,892
International Core	43,352,389			43,352,389
Total registered investment companies	393,094,102			393,094,102
Navistar common stock	19,663,179			19,663,179
Total assets at fair value	\$ 412,757,281	\$ 465,869,574	\$	\$ 878,626,855

The common and collective trust funds do not have a readily determinable fair value and are valued at their net asset value per share as provided by the funds' administrators. The following provides additional information regarding these funds:

- The investment strategy of this category is to seek capital preservation and a high degree of liquidity. Redemption is permitted daily with written notice.
- The investment strategy of this category is to provide stability to investors as retirement approaches through a diversified fund of funds portfolio of stock and bond funds. The percentage of stock funds will gradually decrease and the percentage of bond funds will gradually increase as time gets closer to each fund's target date. Redemption from these funds, on a Plan level, is permitted at the end of each month with 30 days written notice.

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Navistar, Inc. Retirement Accumulation Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE C - MASTER TRUST - Continued

Such advance notice may be waived if mutually agreed by Navistar, Inc. and Russell Investments.

- (c) The investment strategy of this category is to provide exposure to a broad equity market and to mirror the aggregate price and dividend performance of the S&P 500 Index. Redemption is permitted daily with written notice.
- (d) The investment strategy of this category is: (i) to protect principal from market fluctuations and produce relatively predictable returns that should exceed those of money market funds, and (ii) to provide a high total return consistent with moderate risk of capital and daily access to assets by investing in diversified fixed-income portfolios. Redemption is permitted daily with written notice.

NOTE D - INVESTMENT CONTRACTS