THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS

## SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT[1]

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and the AB Variable Products Series Fund (the "Fund"), in respect of AB Dynamic Asset Allocation Portfolio (the "Portfolio").[2] The evaluation of the Investment Advisory Agreement was prepared by Philip L. Kirstein, the Senior Officer of the Fund, for the Directors of the Fund, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors of the Fund to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Portfolio which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The Senior Officer's evaluation considered the following factors:

1. Management fees charged to institutional and other clients of the Adviser for like services;

[1] The information in the fee evaluation was completed on July 21, 2016 and discussed with the Board of Directors on August 2-3, 2016.

[2] Future references to the Fund and the Portfolio do not include "AB." References in the fee summary pertaining to performance and expense ratios refer to the Class A shares of the Portfolio.

2. Management fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Portfolio grows larger; and
6. Nature and quality of the Adviser's services including the performance of the Portfolio.

These factors, with the exception of the first factor, are generally referred to as the "*Gartenberg* factors," which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). The first factor is an additional factor required to be considered by the Assurance of Discontinuance between the NYAG and the Adviser. On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what Section 36(b) requires: to face liability under Section 36(b), "an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm's length bargaining." *Jones v. Harris Associates L.P.,* 130 S. Ct. 1418 (2010). In the *Jones* decision, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of Section 36(b) and noted with approval that "*Gartenberg* insists that all relevant circumstances be taken into account"

and "uses the range of fees that might result from arm's-length bargaining as the benchmark for reviewing challenged fees." [3]

PORTFOLIO ADVISORY FEES, NET ASSETS & EXPENSE RATIOS

The Adviser proposed that the Portfolio pays the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement.

| Portfolio | Net Assets 06/30/16 ($MM) | Advisory Fee |
|---|---|---|
| Dynamic Asset Allocation Portfolio | $527.3 | 0.70% of average daily net assets |

The Adviser is reimbursed as specified in the Investment Advisory Agreement for certain clerical, legal, accounting, administrative and other services provided to the Portfolio. During the Portfolio's most recently completed fiscal year, the Adviser received $50,768 (0.010% of the Portfolio's average daily net assets) for such services.

The Adviser agreed to waive that portion of its management fees and/or reimburse the Portfolio for that portion of its total operating expenses to the degree necessary to limit the Portfolio's expense ratios to the amounts set forth below for the Portfolio's current fiscal year. The agreement for such reimbursement is terminable by the Adviser upon at least 60 days' notice prior to the Portfolio's prospectus update. During the most recently completed fiscal year, all share classes of the Portfolio were operating below their expense caps. Accordingly, the expense limitation undertaking of the Portfolio was of no effect. Set forth below are the Portfolio's gross expense ratios for the most recently completed fiscal year:

[3] *Jones v. Harris* at 1427.

| Portfolio | Class | Cap | Total Expenses (Exc. Acq. Fund Fees & Exp.) Net | Gross | Acquired Fund Fees and Expenses | Total Expenses (Inc. Acq. Fund Fees) | Fiscal Year End |
|---|---|---|---|---|---|---|---|
| Dynamic Asset Allocation Portfolio | Class A | 0.85% | 0.83% | 0.83% | 0.02% | 0.85% | December 31 |
| | Class B | 1.10% | 1.08% | 1.08% | 0.02% | 1.10% | |

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Portfolio that are not provided to non-investment company clients and sub-advised investment companies include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Portfolio's third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Portfolio are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is reimbursed by the Portfolio for providing such services. Also, retail mutual funds managed by the Adviser are widely held. Servicing retail mutual fund investors is generally more time consuming and labor intensive compared to institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and

shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund, since establishing a new mutual fund requires a large upfront investment, and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. In recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts that have a substantially similar investment style as the Portfolio.[4] In addition to the AB institutional fee schedule, set forth below is what would have been the effective advisory fee of the Portfolio had the AB institutional fee

[4] The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." *Jones v. Harris* at 1428.

schedule been applicable to the Portfolio versus the Portfolio's advisory fee based on June 30, 2016 net assets:[5]

| Portfolio | Net Assets 6/30/16 ($MM) | AB Institutional Fee Schedule | Effective AB Inst. Adv. Fee | Portfolio Advisory Fee |
|---|---|---|---|---|
| Dynamic Asset Allocation Portfolio | $527.3 | Dynamic All Market<br>0.60% on 1st $500 million<br>0.50% on next the balance<br>*Minimum Account Size: $250m* | 0.595% | 0.700% |

The Adviser manages the Sanford C. Bernstein Fund, Inc. Overlay Portfolios (the "Overlay Portfolios"), which utilize the Adviser's DAA strategy. Unlike the Dynamic Asset Allocation Portfolio, the Overlay Portfolios are not designed as stand-alone investments and are used in conjunction with globally diversified Private Client portfolios.[6] The advisory fee schedules of the Overlay Portfolios are set forth below. Also shown are what would have been the effective advisory fees of the Portfolio had the Overlay Portfolios' fee schedules been applicable to the Portfolio based on June 30, 2016 net assets:

[5] The Adviser has indicated that with respect to institutional accounts with assets greater than $300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.

[6] Overlay A Portfolio and Tax-Aware Overlay A Portfolio are intended for use in Private Client accounts that have a higher equity weighting (e.g. 80% equity and 20% fixed-income). The other Overlay Portfolios are intended for use in Private Client accounts that have a higher fixed income weighting (e.g. 70% fixed- income and 30% equity).

| Portfolio | Overlay Portfolio | Fee[7] | Portfolio Advisory Fee |
|---|---|---|---|
| Dynamic Asset Allocation Portfolio | Overlay A Portfolio<br>Tax-Aware Overlay A Portfolio | 0.90% of average daily net assets | 0.700% |
| | Overlay B Portfolio<br>Tax-Aware Overlay B Portfolio<br>Tax-Aware Overlay C Portfolio<br>Tax-Aware Overlay N Portfolio | 0.65% of average daily net assets | |

The Adviser also manages and sponsors retail mutual funds, which are organized in jurisdictions outside the United States, generally Luxembourg and Japan, and sold to non-United States resident investors. The Adviser charges the following fees for Dynamic Diversified Portfolio, a Luxembourg fund that has a somewhat similar investment style as the Portfolio:

| Portfolio | Luxembourg Fund | Fee[8] |
|---|---|---|
| Dynamic Asset Allocation Portfolio | Dynamic Diversified Portfolio | |
| | Class A | 1.70% |
| | Class I (Institutional) | 0.90% |

The Adviser provides sub-advisory services to certain other investment companies managed by other fund families that have an investment style similar to that of the Portfolio. The Adviser charges the fees set forth below for the sub-advisory relationships that have a somewhat similar investment style as the Portfolio. Also shown are what would have been the effective advisory fees of the Portfolio had the fee schedules of the sub-advisory relationships been applicable to the Portfolio based on June 30, 2016 net assets.

[7] The advisory fees of each Overlay Portfolio are based on the percentage of each portfolio's average daily net assets, not an aggregate of the assets in the portfolios shown.
[8] Class A shares of the Luxembourg funds are charged an "all-in" fee, which includes investment advisory and distribution-related services, unlike Class I shares, whose fee is for only investment advisory services.

| Portfolio | | Fee Schedule | Effective Sub-Adv. Fee | Portfolio Advisory Fee |
|---|---|---|---|---|
| Dynamic Asset Allocation Portfolio | Client # 1[9] | 0.35% on first $400 million<br>0.30% on next $2.1 billion<br>0.28% on the balance | 0.338% | 0.700% |
| | Client # 2 | 0.40% on first $250 million<br>0.35% on next $250 million<br>0.30% on next $1.5 million<br>0.28% on next $1.5 billion<br>0.27% on next $1.5 billion<br>0.26% on the balance | 0.371% | 0.700% |
| | Client # 3 | 0.40% on first $250 million<br>0.35% on next $500 million<br>0.30% on the balance | 0.374% | 0.700% |
| | Client # 4[9] | 0.35% on first $400 million<br>0.30% on the balance | 0.338% | 0.700% |
| | Client # 5 | 0.40% on first $100 million<br>0.35% on next $100 million<br>0.30% on the balance | 0.328% | 0.700% |

It is fair to note that the services the Adviser provides pursuant to sub-advisory agreements are generally confined to the services related to the investment process; in other words, they are not as comprehensive as the services provided to the Portfolio by the Adviser. In addition, to the extent that certain of these sub-advisory relationships are with affiliates of the Adviser, the fee schedules may not reflect arm's length bargaining or negotiations.

While it appears that the sub-advisory relationships are paying a lower fee than the Portfolio, it is difficult to evaluate the relevance of such lower fees due to differences in terms of the services provided, risks involved and other competitive factors between the Portfolio and the sub-advisory relationships. There could be various business reasons

[9] The client is an affiliate of the Adviser.

why an investment adviser would be willing to provide a sub-advisory relationship investment related services at a different fee level than an investment company it is sponsoring where the investment adviser is providing all the services, not just investment management, generally required by a registered investment company.

## II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Broadridge Financial Solutions, Inc. ("Broadridge"), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Portfolio with fees charged to other investment companies for similar services offered by other investment advisers.[10, 11] Broadridge's analysis included the comparison of the Portfolio contractual management fee, estimated at the approximate current asset level of the Portfolio, to the median of the Strategy's Broadridge Expense Group ("EG") and the Portfolio's contractual management fee ranking.[12]

Broadridge describes an EG as a representative sample of comparable funds. Broadridge's standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset size

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[10] The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since "these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm's length." *Jones v. Harris* at 1429.

[11] On June 5, 2015, Broadridge acquired the Fiduciary Services and Competitive Intelligence unit, *i.e.,* the group responsible for providing the Portfolio's 15(c) reports, from Thomson Reuters' Lipper division. The group that maintains Lipper's expense and performance databases and investment classification/objective remains a part of Thomson Reuters' Lipper division. Accordingly, the Portfolio's investment classification/objective continued to be determined by Lipper.

[12] The contractual management fee is calculated by Broadridge using the Portfolio's contractual management fee rate at the hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Portfolio, rounded up to the next $25 million. Broadridge's total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of "1" would mean that Portfolio had the lowest effective fee rate in the Broadridge peer group.

comparability, expense components, operating structure, and expense attributes.[13] An EG will typically consist of seven to twenty funds.

| Portfolio | Contractual Management Fee[14] | EG Median (%) | EG Rank |
|---|---|---|---|
| Dynamic Asset Allocation Portfolio | 0.700 | 0.624 | 4/6 |

Broadridge also analyzed the Portfolio's most recently completed fiscal year total expense ratio in comparison to the Portfolio's EG and Broadridge Expense Universe ("EU"). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classification/objective and load type as the subject Portfolio.[15] Set forth below is Broadridge's comparison of the Portfolio's total expense ratio and the medians of the Portfolio's EG and EU. The Portfolio's total expense ratio ranking is also shown.

| Portfolio | Total Expense Ratio (%)[16] | EG Median (%) | EG Rank | EU Median (%) | EU Rank |
|---|---|---|---|---|---|
| Dynamic Asset Allocation Portfolio | 0.847 | 0.667 | 6/6 | 0.760 | 13/17 |

Based on this analysis, the Portfolio has a more favorable ranking on a contractual management fee basis than on a total expense ratio basis.

[13] Broadridge does not consider average account size when constructing EGs. Portfolios with relatively small average account sizes tend to have a higher transfer agent expense than comparable sized funds that have relatively large average account sizes.

[14] The contractual management fee would not reflect any expense reimbursements made by the Portfolio to the Adviser for certain clerical, legal, accounting, administrative and other services. In addition, the contractual management fee does not reflect any advisory fee waivers for expense caps that would effectively reduce the actual management fee.

[15] Except for asset (size) comparability, Broadridge uses the same criteria for selecting an EG when selecting an EU. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.

[16] Most recently completed fiscal year Class A total expense ratio.

## III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE ADVISORY FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser's profitability in connection with investment advisory services provided to the Portfolio. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems.

## IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Portfolio's profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Portfolio decreased during calendar year 2015, relative to 2014.

In addition to the Adviser's direct profits from managing the Portfolio, certain of the Adviser's affiliates have business relationships with the Portfolio and may earn a profit from providing other services to the Portfolio. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Portfolio and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship. These affiliates provide transfer agent, distribution and brokerage related services to the Portfolio and receive transfer agent fees, Rule 12b-1 payments, and brokerage

commissions. In addition, the Adviser benefits from soft dollar arrangements which offset expenses the Adviser would otherwise incur.

The Portfolio has adopted a distribution plan for Class B shares pursuant to Rule 12b-1 under the 40 Act. Under the distribution plan, the Portfolio pays distribution and servicing fees to its principal underwriter and distributor, AB Investments, Inc. ("ABI"), an affiliate of the Adviser, at an annual rate of up to 0.50% of the Portfolio's average daily net assets attributable to Class B shares. The current annual rate that the Portfolio pays to ABI for 12b-1 fees is 0.25%. During the fiscal year ended December 31, 2015, ABI received $1,288,044 in Rule 12b-1 fees from the Portfolio.

During the fiscal year ended December 31, 2015, the Adviser incurred distribution expenses in the amount of $2,592,751 in connection with activities primarily intended to result in the sale of the Portfolio's Class B shares. This expense amount incurred by ABI is partially offset by the 12b-1 fees paid by the Portfolio.

Financial intermediaries, such as insurers, market and sell shares of the Portfolio and typically receive compensation from ABI, the Advisers and/or the Portfolio for selling shares of the Portfolio. These financial intermediaries receive compensation in any or all of the following forms: 12b-1 fees, defrayal of costs for educational seminars and training, additional distribution support, recordkeeping and/or administrative services. Payments related to providing contract-holder recordkeeping and/or administrative services will generally not exceed 0.35% of the average daily net assets of the Portfolio attributable to the relevant intermediary over the year.

The transfer agent of the Portfolio is AB Investor Services, Inc. ("ABIS"). During the most recently completed fiscal year, ABIS received a fee of approximately $1,262 from the Portfolio.[17]

Neither did the Portfolio effect brokerage transactions through nor did it pay commissions to the Adviser's U.S. and U.K. affiliates, Sanford C. Bernstein & Co., LLC ("SCB & Co.") and Sanford C. Bernstein Limited ("SCB Ltd."), collectively "SCB," during the Portfolio's most recently completed fiscal year. The Adviser represented that SCB's profitability from any future business conducted with the Portfolio would be comparable to the profitability of SCB's dealings with other similar third party clients. In the ordinary course of business, SCB receives and pays liquidity rebates from electronic communications networks ("ECNs") derived from trading for its clients. These credits and charges are not being passed onto any SCB client. The Adviser also receives certain soft dollar benefits from brokers that execute agency trades for its clients. These soft dollar benefits reduce the Adviser's cost of doing business and increase its profitability.

## V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through pricing to scale, breakpoints, fee reductions/waivers and enhancement to services.

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under

[17] The Fund (which includes the Portfolio and other series of the Fund) paid ABIS a flat fee of $18,000 in 2015.

management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AB Mutual Funds managed by the Adviser through lower fees.

Previously, in February 2008, the independent consultant provided the Board of Directors an update of the Deli[18] study on advisory fees and various fund characteristics.[19] The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.[20] The independent consultant then discussed the results of the regression

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[18] The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years. Source: Deli, Daniel N. "Mutual Fund Advisory Contracts: An Empirical Investigation." *Journal of Finance*, 57(1): 109-133 (2002).

[19] As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

[20] The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis

model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AB Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

## VI. NATURE AND QUALITY OF THE ADVISER'S SERVICES, INCLUDING THE PERFORMANCE OF THE PORTFOLIO

With assets under management of approximately $490 billion as of June 30, 2016, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Portfolio.

The information prepared by Broadridge shows the 1, 3, and 5 year performance returns and rankings of the Portfolio[21] relative to its Broadridge Performance Group ("PG") and its Broadridge Performance Universe ("PU")[22] for the period ended May 31, 2016.[23]

| Portfolio | Portfolio Return (%) | PG Median (%) | PU Median (%) | PG Rank | PU Rank |
|---|---|---|---|---|---|
| Dynamic Asset Allocation Portfolio | | | | | |
| 1 year | -3.71 | -3.94 | -3.97 | 3/6 | 5/12 |
| 3 year | 3.67 | 3.46 | 3.46 | 3/6 | 5/10 |
| 5 year | 3.99 | 4.09 | 4.19 | 4/6 | 6/9 |

showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

[21] The performance rankings are for the Class A shares of the Portfolio. The Portfolio's performance returns shown were provided by Broadridge.

[22] The Portfolio's PG is identical to the Portfolio's PU. The Portfolio's EU is not identical to the Portfolio's PU as the criteria for including/excluding a fund from an EU is somewhat different from that of a PU.

[23] Lipper investment classification/objective dictates the PU throughout the life of the fund even if the fund had a different investment classification/objective at an earlier point in time.

Set forth below are the 1, 3, 5 year and since inception performance return of the Portfolio (in bold)[24] versus its benchmark for the period ended May 31, 2016.[25]

| | Periods Ending May 31, 2016 Annualized Net Performance (%) | | | |
|---|---|---|---|---|
| | 1 Year (%) | 3 Year (%) | 5 year (%) | Since Inception (%) |
| **Dynamic Asset Allocation** | **-3.71** | **3.67** | **3.99** | **4.28** |
| 60% MSCI World/ 40% Barclays US Aggregate Government – Treasury | -0.93 | 5.01 | 5.39 | 5.62 |
| MSCI World Net Index | -3.96 | 6.46 | 6.53 | 6.61 |
| Barclays US Aggregate Government – Treasury | 3.01 | 2.30 | 3.01 | 3.44 |

*Inception Date: April 1, 2011*

CONCLUSION:

Based on the factors discussed above the Senior Officer's conclusion is that the proposed advisory fee for the Portfolio is reasonable and within the range of what would have been negotiated at arm's-length in light of all the surrounding circumstances. The Senior Officer recommended that the Directors monitor the growth in the assets of the Portfolio and discuss the Portfolio's advisory fee schedule, which does not have any breakpoints, with the Adviser if the Portfolio's assets were to substantially increase in the future. This conclusion in respect of the Portfolio is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: August 24, 2016

[24] The performance returns and risk measures shown in the table are for the Class A shares of the Portfolio.
[25] The Adviser provided Portfolio and benchmark performance return information for the periods ending May 31, 2016.