

HealthEquity ADVISORS, LLC

“Investor choice” fund lineup
quarterly report card
Q1 2017





HealthEquity Advisors, LLC

Investor Choice fund lineup quarterly report card Q1 2017

Important disclosures

Investments available to HSA holders are subject to risk, including the possible loss of the principal invested and are not FDIC insured or guaranteed by HealthEquity Advisors, LLC or any of its affiliates. HealthEquity Advisors, LLC™, a wholly owned subsidiary of HealthEquity, Inc. and an SEC-registered investment adviser, provides web-based investment advice to HSA holders that subscribe for its services (minimum thresholds and additional fees apply). Registration does not imply endorsement by any state or agency and does not imply a level of skill, education, or training. HealthEquity Advisors, LLC also selects the mutual funds offered to HSA holders through the HealthEquity, Inc. platform. HSA holders making investments should review the applicable fund's prospectus. Investment options and thresholds may vary and are subject to change.

Nothing in this communication is intended as legal, tax, financial or medical 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.

Investment committee

The HealthEquity Advisors, LLC investment committee last met on April 10th, 2017 to review all fund selection, retention, and rotation criterion. The next investment committee meeting is scheduled for May 31st, 2017. The committee is comprised of the following individuals:

HealthEquity executives

- Cordell Eggett, Controller

Licensed investment professionals of HealthEquity Advisors, LLC

- James Ivie, Series 66, IAR

Outside consultant and mutual fund industry expert

- Craig Israelsen, PhD

Chief compliance officer

- Ray Davis

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 fund 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.

Q1 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 from the Investor Choice fund lineups on the "watch list" for the 1st quarter of 2017.

Note: Any HSA members with investment positions in funds marked for removal will be notified through electronic communication about when the funds will be closed to new investment.

Important information

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 “Investor Choice” 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.

Investor Choice lineup consist of institutional low cost share classes which HealthEquity, Inc. charges 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 HealthEquity, Inc. investment desktop to provide transparency that a direct charge to the member will apply for investing in the funds on the HealthEquity HSA platform.

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

All funds offered in the Investor Choice lineup are no load mutual funds and primarily are Institutional share classes. There are no sales charges, trading fees, short term redemption fees or fund minimums to invest in the Investor Choice lineup of funds. The only applicable fees for total cost comparative to invest in the Investor Choice funds are 1) mutual fund operating expense ratio respective to each mutual fund, which is a fee charge by the mutual fund and not controlled or influenced by HealthEquity Advisors, LLC, 2) the investment administration fee charged by HealthEquity, Inc. (0.40% annually, which is charged to the HSA cash balance as 0.033% per month against the average daily balance invested in the Investor Choice Funds.) for the administration and record keeping services of the HSA investment platform. To calculate the total expense of investing in the Investor Choice funds, you would add the mutual funds expense ratio of a fund, for example the Vanguard Growth Index I (VIGIX) has a fund operating expense ratio of 0.08% annual, combined with the HealthEquity Investment Administration Fee of 0.40% annual, which represents a total expense to the investor of 0.48% annual to invest in this fund. This equates to \$4.80 per year per \$1,000 dollars invested in this example.

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. If these services are performed, HealthEquity, Inc. receives approximately 10 basis points per quarter as a compensation for these services.

HealthEquity, Inc.’s passively managed low cost funds do not pay record keeping compensation to HealthEquity. With respect to the Investor Choice 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 help maximize tax-free* HSA earnings potential. HealthEquity Advisors, LLC is a wholly owned subsidiary of HealthEquity, Inc. and an SEC registered investment advisor. 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 “Auto-Pilot”, 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 subscribers HSA 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. HealthEquity charges a transparent investment administration fee for providing services such as record keeping, custody and reporting.

The 5 Year peer performance grades represent a proprietary algorithm of HealthEquity Advisors, LLC. 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 Advisors, LLC is a separate, wholly-owned subsidiary of HealthEquity, Inc.

Nothing in this communication is intended as legal, tax, financial or medical 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.

Investor Choice 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, 1st quarter total return, 1 year return, 3 year return annualized, and 5 year return annualized.

Fund name	Symbol	Mgmt style	Mstar rating	5 yr peer grade	Fund expense ratio	Q1 total return	1 year	3 year*	5 year*	
Aggregate Bonds										
Vanguard Short Term Bond Idx Adm	VBIRX	Passive	★★★★★	C-	0.07	0.49	0.38	1.25	1.18	
Vanguard Total Bond Market Idx InstPls	VBMPX	Passive	★★★	C-	0.03	0.91	0.45	2.62	2.30	
Foreign Bonds										
Vanguard Total Intl Bond Idx Adm	VTABX	Passive	★★★★★	A-	0.12	-0.03	1.14	4.04	-	
Inflation Protected Bonds										
Vanguard Inflation-Protected Secs I	VIPIX	Passive	★★★★★	B+	0.07	1.38	1.43	2.07	0.98	
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	Passive	★★	B+	0.07	0.69	1.58	0.62	-	
Large Cap Stocks										
Vanguard Growth Index I	VIGIX	Passive	★★★★★	B	0.05	9.61	15.94	10.66	12.93	
Vanguard Institutional Index Instl P1	VIIIX	Passive	★★★★★	A	0.02	6.06	17.16	10.37	13.30	
Vanguard Value Idx Adm	VVIAX	Passive	★★★★★	A	0.06	3.25	18.73	9.61	13.41	
Mid-Cap Stocks										
Vanguard Extended Market Idx InstlPlus	VEMPX	Passive	★★★	B+	0.05	4.57	22.53	7.18	12.64	
Vanguard Mid-Cap Value Idx Adm	VMVAX	Passive	★★★★★	A	0.07	5.40	19.49	9.39	14.32	
Small Cap Stocks										
Vanguard Small Cap Index Adm	VSMAX	Passive	★★★★★	B	0.06	3.74	21.51	7.41	12.89	
Vanguard Small-Cap Value Idx Adm	VSIAX	Passive	★★★★★	A	0.07	1.98	22.96	9.04	14.17	
International Stocks										
Vanguard Total Intl Stock Idx InstlPls	VTPSX	Passive	★★★	A	0.07	8.45	13.74	1.13	4.87	
Emerging Markets Stocks										
Vanguard Emerging Mkts Stock Idx I	VEMIX	Passive	★★★	B-	0.11	10.89	17.60	1.94	0.91	

Note: Data as of 3/31/2017

*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. | Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. | 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. does not provide financial advice.

Fund name	Symbol	Mgmt style	Mstar rating	5 yr peer grade	Fund expense ratio	Q1 total return	1 year	3 year*	5 year*
Real Estate									
Vanguard REIT Index I	VGSNX	Passive	★★★★★	A	0.10	0.96	3.09	9.96	9.75
Natural Resources									
Vanguard Materials Index Adm	VMIAX	Passive	★★★★★	A	0.10	6.26	23.31	6.06	9.88
Other (Balanced Allocation)									
Vanguard Wellesley® Income Admiral™	VWIAX	Passive	★★★★★	B-	0.15	2.21	6.50	5.68	7.06
Target Date Funds									
Vanguard Target Retirement 2020 Inv	VTWNX	Glidepath	★★★★★	NA	0.14	4.10	9.44	5.17	7.34
Vanguard Target Retirement 2030 Inv	VTHRX	Glidepath	★★★★★	NA	0.15	5.10	11.90	5.72	8.50
Vanguard Target Retirement 2040 Inv	VFORX	Glidepath	★★★★★	NA	0.16	6.02	14.32	6.14	9.43
Vanguard Target Retirement 2050 Inv	VFIFX	Glidepath	★★★★★	NA	0.16	6.19	14.70	6.24	9.50
Vanguard Target Retirement 2060 Inv	VTTX	Glidepath		NA	0.16	6.16	14.67	6.19	9.53
Vanguard Retirement Income Inv	VTINX	Retirement	★★★★★	NA	0.13	2.45	5.36	3.80	4.61

Note: Data as of 3/31/2017

*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. | Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. | 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. does not provide financial advice.

Morningstar rating variances Q1

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.

How does the Morningstar Rating 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 Rating headlines

Out of 23 funds the following rating variances occurred in Q1 2017:
No rating changes

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	Mgmt style	Morningstar category	Rating Q1	Rating change
Aggregate Bonds					
Vanguard Short Term Bond Idx Adm	VBIRX	Passive	Intermediate-Term Bond	★★★★	
Vanguard Total Bond Market Idx InstlPIs	VBMPX	Passive	Intermediate-Term Bond	★★★	
Foreign Bonds					
Vanguard Total Intl Bond Idx Adm	VTABX	Passive	World Bond	★★★★★	
Inflation Protected Bonds					
Vanguard Inflation-Protected Secs I	VIPIX	Passive	TIPS	★★★★	
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	Passive	TIPS	★★	
Large Cap Stocks					
Vanguard Growth Index I	VIGIX	Passive	Large Growth	★★★★	
Vanguard Institutional Index Instl P1	VIIIX	Passive	Large Growth	★★★★★	
Vanguard Value Idx Adm	VVIAX	Passive	Large Blend	★★★★	
Mid-Cap Stocks					
Vanguard Extended Market Idx InstlPlus	VEMPX	Passive	Mid-Cap Value	★★★	
Vanguard Mid-Cap Value Idx Adm	VMVAX	Passive	Mid-Cap Blend	★★★★★	
Small Cap Stocks					
Vanguard Small Cap Index Adm	VSMAX	Passive	Small Blend	★★★★	
Vanguard Small-Cap Value Idx Adm	VSIAX	Passive	Small Blend	★★★★★	
International Stocks					
Vanguard Total Intl Stock Idx InstlPIs	VTPSX	Passive	Foreign Large Blend	★★★	
Emerging Markets Stocks					
Vanguard Emerging Mkts Stock Idx I	VEMIX	Passive	Diversified Emerging Mkts	★★★	
Real Estate					
Vanguard REIT Index I	VGSNX	Passive	Real Estate	★★★★	
Natural Resources					
Vanguard Materials Index Adm	VMIAX	Passive	Natural Resources	★★★★★	
Other (Balanced Allocation)					
Vanguard Wellesley® Income Admiral™	VWVAX	Passive	Balanced Allocation	★★★★★	
Target Date Funds					
Vanguard Target Retirement 2020 Inv	VTWNX	Glidepath	Target Date 2016-2020	★★★★★	
Vanguard Target Retirement 2030 Inv	VTHRX	Glidepath	Target Date 2026-2030	★★★★	
Vanguard Target Retirement 2040 Inv	VFORX	Glidepath	Target Date 2036-2040	★★★★	
Vanguard Target Retirement 2050 Inv	VFIFX	Glidepath	Target Date 2046-2050	★★★★	
Vanguard Target Retirement 2060 Inv	VTTSX	Glidepath	Target Date 2051+	★★★★	
Vanguard Retirement Income Inv	VTINX	Retirement	Retirement Income	★★★★★	

Note: Data as of 3/31/2017

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.

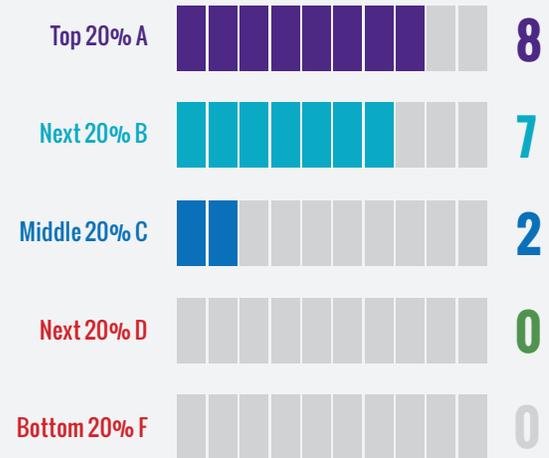
Peer grade headline

Out of 23 funds, the following variances occurred in Q1 2017:

- No peer fund changes recorded for this quarter.

HealthEquity Advisors, LLC Investor Choice I report card

5 year weighted peer performance rank (persistence)



Average peer performance: B

Quick stats

- **Number of funds:** 23
- **Management style:** 16 Passive 1 Active 6 Target Date
- **Fund families represented:** 1
- **Proprietary funds:** none
- **Manager tenure avg:** 10.12 years
- **Asset classes:** 11+ Target Date funds (6)
- **Correlation:** 52% (low)
- **Annual fund expense avg:**
All funds 0.10%,
Active funds only 0.15%,
Passive funds only 0.10%
- **Annual investment administration fee*:** 0.40%
- **Trading fees:** none
- **Fund minimums:** none
- **Short-term redemption fees:** none

Data source: Morningstar as of 3/31/2017

*HealthEquity Inc. charges an annual investment platform administration and record keeping fee of 0.40% annual. It is charged on a monthly basis (0.033% per month) against the average daily balance invested in the Investor Choice Funds. Investors should add the mutual fund annual expense ratio to the investment administration fee to determine the total annual cost for investing in the Investor Choice Funds, plus any advisory fees to which they subscribe.

5 year peer performance grades

Fund name	Symbol	Grade Q1
Aggregate Bonds		
Vanguard Short Term Bond Idx Adm	VBIRX	C-
Vanguard Total Bond Market Idx InstlPIs	VBMPX	C-
Foreign Bonds		
Vanguard Total Intl Bond Idx Adm	VTABX	A-
Inflation Protected Bonds		
Vanguard Inflation-Protected Secs I	VIPIX	B+
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	B+
Large Cap Stocks		
Vanguard Growth Index I	VIGIX	B
Vanguard Institutional Index Instl PI	VIIIX	A
Vanguard Value Idx Adm	VVIAX	A
Mid-Cap Stocks		
Vanguard Extended Market Idx InstlPlus	VEMPX	B+
Vanguard Mid-Cap Value Idx Adm	VMVAX	A
Small Cap Stocks		
Vanguard Small Cap Index Adm	VSMAX	B
Vanguard Small-Cap Value Idx Adm	VSIAX	A
International Stocks		
Vanguard Total Intl Stock Idx InstlPIs	VTPSX	A
Emerging Markets Stocks		
Vanguard Emerging Mkts Stock Idx I	VEMIX	B-
Real Estate		
Vanguard REIT Index I	VGSNX	A
Natural Resources		
Vanguard Materials Index Adm	VMIAX	A
Other (Balanced Allocation)		
Vanguard Wellesley® Income Admiral™	VWIAX	B-
Target Date Funds		
Vanguard Target Retirement 2020 Inv	VTWNX	NA
Vanguard Target Retirement 2030 Inv	VTHRX	NA
Vanguard Target Retirement 2040 Inv	VFORX	NA
Vanguard Target Retirement 2050 Inv	VFIFX	NA
Vanguard Target Retirement 2060 Inv	VTTSX	NA
Vanguard Retirement Income Inv	VTINX	NA

Note: Data as of 3/31/2017

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.

The Investor Choice lineup of funds are mostly comprised of Investor, Admiral, Institutional, and Institutional Plus share class funds. HealthEquity Inc. receives no form of direct compensation from the Investor Choice mutual fund lineup. HealthEquity Inc. inserts an investment administrative fee of 0.40% annually to cover the expenses of administration, record keeping, compliance and fiduciary oversight for this platform of funds. Investors should combine the annual mutual fund expense ratio PLUS the HealthEquity, Inc. investment administration fee to determine the total annual expense for investing in a fund.

Any fees associated with advisory services should also be considered when determining total annual expense and may vary based on service level.

For example:

Fund name	Symbol	Fund expense	Admin fee	Total annual expense
Vanguard Growth Index I	VIGIX	0.08%	0.40%	0.48%

Note: This is for illustration purposes. Fund expenses, which HealthEquity Advisors, LLC does not control or influence, may fluctuate from month to month per the mutual fund company. Investors should read carefully the prospectus of any mutual fund intended for investment. The investment admin fee charged by HealthEquity, Inc. of 0.40% annually is charged monthly against the average invested balance in the Investor Choice funds, which breaks down to a monthly fee of 0.033% on invested balance in the Investor Choice funds.

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 Q1 headline

Out of 23 funds, the following variances occurred in Q1 2017:
No fund expense ratio changes this quarter.

Fund name	Symbol	OER Q1	HealthEquity investment admin fee	Total annual expense
Aggregate Bonds				
Vanguard Short Term Bond Idx Adm	VBIRX	0.07	0.40	0.47
Vanguard Total Bond Market Idx InstPIs	VBMPX	0.05	0.40	0.45
Foreign Bonds				
Vanguard Total Intl Bond Idx Adm	VTABX	0.12	0.40	0.52
Inflation Protected Bonds				
Vanguard Inflation-Protected Secs I	VIPIX	0.07	0.40	0.47

Note: Data as of 3/31/2017

Fund name	Symbol	OER Q1	HealthEquity investment admin fee	Total annual expense
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	0.07	0.40	0.47
Large Cap Stocks				
Vanguard Growth Index I	VIGIX	0.05	0.40	0.45
Vanguard Institutional Index Instl PI	VIIIX	0.02	0.40	0.42
Vanguard Value Idx Adm	VVIAX	0.06	0.40	0.46
Mid-Cap Stocks				
Vanguard Extended Market Idx InstlPlus	VEMPX	0.05	0.40	0.45
Vanguard Mid-Cap Value Idx Adm	VMVAX	0.07	0.40	0.47
Small Cap Stocks				
Vanguard Small Cap Index Adm	VSMAX	0.06	0.40	0.46
Vanguard Small-Cap Value Idx Adm	VSIAX	0.07	0.40	0.47
International Stocks				
Vanguard Total Intl Stock Idx InstlPIs	VTPSX	0.07	0.40	0.47
Emerging Markets Stocks				
Vanguard Emerging Mkts Stock Idx I	VEMIX	0.11	0.40	0.51
Real Estate				
Vanguard REIT Index I	VGSNX	0.10	0.40	0.50
Natural Resources				
Vanguard Materials Index Adm	VMIAX	0.10	0.40	0.50
Other (Balanced)				
Vanguard Wellesley® Income Admiral™	VWIAX	0.15	0.40	0.55
Target Date Funds				
Vanguard Target Retirement 2020 Inv	VTWNX	0.14	0.40	0.54
Vanguard Target Retirement 2030 Inv	VTHR X	0.15	0.40	0.55
Vanguard Target Retirement 2040 Inv	VFORX	0.16	0.40	0.56
Vanguard Target Retirement 2050 Inv	VFIFX	0.16	0.40	0.56

Note: Data as of 3/31/2017

Fund performance annualized

Q1, 1 year, 3 year annualized, 5 year annualized

Fund performance for the Investor Choice fund platform is illustrated below. The 3 year and 5 year performance is annualized. The performance for the 1st quarter of 2017 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.

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 performance Q1 headline

No fund performance variances to report for this quarter.

Fund performance Q1

Fund name	Symbol	Mgmt style	Q1 total return	1 year	3 year*	5 year*
Aggregate Bonds						
Vanguard Short Term Bond Idx Adm	VBIRX	Passive	0.49	0.38	1.25	1.18
Vanguard Total Bond Market Idx InstPIs	VBMPX	Passive	0.91	0.45	2.62	2.30
Foreign Bonds						
Vanguard Total Intl Bond Idx Adm	VTABX	Passive	-0.03	1.14	4.04	-
Inflation Protected Bonds						
Vanguard Inflation-Protected Secs I	VIPIX	Passive	1.38	1.43	2.07	0.98
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	Passive	0.69	1.58	0.62	-
Large Cap Stocks						
Vanguard Institutional Index Instl PI	VIIIX	Passive	6.06	17.16	10.37	13.30
Vanguard Value Idx Adm	VVIAX	Passive	3.25	18.73	9.61	13.41
Mid-Cap Stocks						
Vanguard Extended Market Idx InstlPlus	VEMPX	Passive	4.57	22.53	7.18	12.64
Vanguard Mid-Cap Value Idx Adm	VMVAX	Passive	5.40	19.49	9.39	14.32

Note: Data as of 3/31/2017

Fund performance Q1 (continued)

Fund name	Symbol	Mgmt style	Q1 total return	1 year	3 year*	5 year*
Small Cap Stocks						
Vanguard Small Cap Index Adm	VSMAX	Passive	3.74	21.51	7.41	12.89
Vanguard Small-Cap Value Idx Adm	VSIAX	Passive	1.98	22.96	9.04	14.17
International Stocks						
Vanguard Total Intl Stock Idx InstlPls	VTPSX	Passive	8.45	13.74	1.13	4.87
Emerging Markets Stocks						
Vanguard Emerging Mkts Stock Idx I	VEMIX	Passive	10.89	17.60	1.94	0.91
Real Estate						
Vanguard REIT Index I	VGSNX	Passive	0.96	3.09	9.96	9.75
Natural Resources						
Vanguard Materials Index Adm	VMIAX	Passive	6.26	23.31	6.06	9.88
Others (Balanced)						
Vanguard Wellesley® Income Admiral™	VWIAX	Passive	2.21	6.50	5.68	7.06
Target Date Funds						
Vanguard Target Retirement 2020 Inv	VTWNX	Passive	4.10	9.44	5.17	7.34
Vanguard Target Retirement 2030 Inv	VTHRX	Passive	5.10	11.90	5.72	8.50
Vanguard Target Retirement 2040 Inv	VFORX	Passive	6.02	14.32	6.14	9.43
Vanguard Target Retirement 2050 Inv	VFIFX	Passive	6.19	14.70	6.24	9.50
Vanguard Target Retirement 2060 Inv	VTTSX	Passive	6.16	14.67	6.19	9.53
Vanguard Retirement Income Inv	VTINX	Passive	3.80	3.89	3.80	4.61

Note: Data as of 3/31/2017

*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. | Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. | 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 warrant 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. does not provide financial advice.

Q1 fund manager's report

The Investor Choice fund lineup is made up of all passive low-cost index funds. Management tenure, peer performance ranking, standard deviation and portfolio turnover ratio are all data points monitored by HealthEquity Advisors, LLC.

In the case of passive managed funds, fund management tenure is not a criterion we track because passive index funds have a primary objective of mirroring a broad based index. The fund manager certainly helps in maintaining the integrity of the respective index being tracked, however index fund management does not carry with it the same properties of measurement that are inherent in actively managed funds.

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.

Summary

There are no fund manager changes to report this quarter.

Fund name	Symbol	Manager(s) name	Q1 tenure	Change
Aggregate bonds				
Vanguard Short Term Bond Idx Adm	VBIRX	Multiple	4.25	0.00
Vanguard Total Bond Market Idx InstlPIs	VBMPX	Joshua Barrickman	4.25	0.00
Foreign Bonds				
Vanguard Total Intl Bond Idx Adm	VTABX	Barrickman, Wrazen	4.00	0.00
Inflation Protected Bonds				
Vanguard Inflation-Protected Secs I	VIPIX	Gemma Wright-Casparius	5.75	0.00
Vanguard Short Term Infl-Prot Sec Idx Adm	VTAPX	Joshua Barrickman	4.58	0.00
Large Cap Stocks				
Vanguard Growth Index I	VIGIX	Nejman, O'Reilly	22.42	0.00
Vanguard Institutional Index Instl PI	VIIIX	Geiger, Butler	16.42	0.00
Vanguard Value Idx Adm	VVIAX	Nejman, O'Reilly	22.42	0.00
Mid-Cap Stocks				
Vanguard Extended Market Idx InstlPIus	VEMPX	Geiger, Butler	19.42	0.00
Vanguard Mid-Cap Value Idx Adm	VMVAX	Johnson, Butler	10.75	0.00
Small Cap Stocks				
Vanguard Small Cap Index Adm	VSMAX	Coleman, O'Reilly	1.08	0.00
Vanguard Small-Cap Value Idx Adm	VSIAX	Coleman, O'Reilly	1.08	0.00
International Stocks				
Vanguard Total Intl Stock Idx InstlPIs	VTPSX	Joshua Barrickmann	8.75	0.00

Note: Data as of 3/31/2017

Fund name	Symbol	Manager(s) name	Q1 tenure	Change
Emerging Markets Stocks				
Vanguard Emerging Mkts Stock Idx I	VEMIX	Miller, Oerre	8.75	0.00
Real Estate				
Vanguard REIT Index I	VGSNX	Nejman, O'Reilly	21.00	0.00
Natural Resources				
Vanguard Materials Index Adm	VMIAX	Coleman, Geiger	1.75	0.00
Other (Balanced Allocation)				
Vanguard Wellesley® Income Admiral™	VWIAX	Keogh, Reckmeyer, Stack, Moran	10.33	0.00
Target Date Funds				
Vanguard Target Retirement 2020 Inv	VTWNX	Coleman, Nejman	4.25	0.00
Vanguard Target Retirement 2030 Inv	VTHRX	Coleman, Nejman	4.25	0.00
Vanguard Target Retirement 2040 Inv	VFORX	Coleman, Nejman	4.25	0.00
Vanguard Target Retirement 2050 Inv	VFIFX	Coleman, Nejman	4.25	0.00
Vanguard Target Retirement 2060 Inv	VTTSX	Coleman, Nejman	4.25	0.00
Vanguard Retirement Income Inv	VTINX	Keogh, Reckmeyer, Stack, Moran	4.25	0.00

Note: Data as of 3/31/2017

Investment committee

HealthEquity executives

- Cordell Eggett, Controller

Licensed investment professionals of HealthEquity Advisors, LLC

- James Ivie, Series 66, IAR

Outside consultant mutual fund industry expert

- Craig Israelsen, PhD

Chief compliance officer

- Ray Davis

HealthEquity Advisors, LLC is an SEC Registered Investment Advisor (RIA) and wholly owned subsidiary of HealthEquity, Inc. Registration does not imply endorsement by any state or agency and does not imply a level of skill, education, or training. 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 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 below. There is no set schedule for fund replacements. HealthEquity Advisors, LLC is actively monitoring our investment offerings to ensure that the 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 fund 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 for passive low cost index funds is as follows:

1. Introduction

The purpose of this Investment Policy Statement (IPS) is to (1) Establish guidelines for the investment portfolio utilized by subscribers of Advisor and (2) outline the accountability standards that will be used for monitoring the progress of the portfolio's investment program.

2. Role of the investment committee

- A. The investment committee of HealthEquity Advisors, LLC is responsible for the review, analysis, and selection of all securities (as that term is defined in Section 202(a)(18) of the Investment Advisors Act) that are made available as investment options (collectively, the "Investment Options") to HealthEquity's HSA holders ("Holders") through HQY's web-based HSA administration platform (the "Investment Desktop") and/or through Advisor's web-based, "robo"-investment advisory programs (collectively, the "Advisor Tool"). The Investment Committee is also responsible for reviewing and overseeing the implementation of the Advisor Tool to ensure that the Advisor Tool recommends portfolios of Investment Options that are in the best interests of Advisor's clients.
- B. The investment policies on behalf of Advisor's clients contained herein have been formulated consistent with Advisor's anticipated financial needs and in consideration of Advisor's tolerance for assuming investment and financial risk.
- C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the investments on behalf of Advisor's clients are managed consistent with the short-term and long-term financial goals of Advisor.
- D. The investment committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of Advisor as soon thereafter as is practical.

3. Investment objective

- A. The investments on behalf of Advisor's clients are made with the objective of preserving the long-term, real purchasing power of assets.

4. Portfolio investment policies

- A. The Committee recognizes that the strategic allocation of the investment assets on behalf of Advisor's clients across defined sub-asset categories will be the most significant determinant of long-term investment returns.

B. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time.

C. Outlined below are the sub-asset classes that will be made available to Advisor as investment options to HealthEquity's HSA holders:

- Large cap US equity (Blend, Growth, and Value)
- Midcap US equity (Blend and Value)
- Small cap US equity (Blend and Value)
- Non-US developed equity
- Non-US emerging equity
- Real estate
- Natural Resources
- US Bonds (Intermediate duration and Short-duration)
- US inflation-protected bonds (TIPS)
- Non-US Bonds
- Target date funds
- Balanced fund (40% equity/60% fixed income)

D. Investment asset class selection process

The selection criteria are outlined below:

- Index-based funds where possible
- Elimination of all potential fund revenue sharing
- Availability of broad and diverse asset categories
- Minimal "style drift" within stated investment objective(s)
- Avoidance of investment redundancy within most common asset categories
- Past and present peer performance
- Reasonable fund management tenure
- Lowest possible fund expense ratio
- "Growth" and "value" fund options where applicable.

5. Monitoring investments and performance

The Investment Committee will periodically monitor the list of funds that meet the criterion for inclusion and make adjustments as deemed necessary.

6. Representation of the following 9 asset classes per the HealthEquity Advisors, LLC Investment Policy Statement (IPS):

- Aggregate US Bonds

- Inflation Protected Bonds
- Foreign Bonds
- Large Cap Equities
- Mid Cap Equities
- Small Cap Equities
- International Equities
- Diversified Emerging Markets
- Real Estate
- Natural Resources

7. Accurate and appropriate indexing representation of the underlying portfolio of the respective mutual fund per the chosen asset class.

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:

Investor Choice:

1. **Low cost mutual fund annual operating expense ratio, defined as < 0.30% (30bps)**
2. **Representation of the following 9 asset classes per the HealthEquity Advisors, LLC Investment Policy Statement (IPS):**
 - Aggregate US Bonds
 - Inflation Protected Bonds
 - Foreign Bonds
 - Large Cap Equities
 - Mid Cap Equities
 - Small Cap Equities
 - International Equities
 - Diversified Emerging Markets
 - Real Estate
 - Natural Resources
3. **Accurate and appropriate indexing representation of the underlying portfolio of the respective mutual fund per the**

chosen asset class.

Prior quarter and YTD variances in:

- Fund performance
- Morningstar Rating
- 5 year weighted peer performance grades
- Fund operational expense ratios
- Fund manager changes

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 rdavis@healthequity.com.

Investments available to HSA holders are subject to risk, including the possible loss of the principal invested and are not FDIC insured or guaranteed by HealthEquity, Inc.. HealthEquity, Inc. does not provide financial advice. HealthEquity Advisors, LLC™, a wholly owned subsidiary of HealthEquity, Inc. and an SEC-registered investment adviser, does provide web-based investment advice to HSA holders that subscribe for its services (minimum thresholds and additional fees apply). HealthEquity Advisors, LLC also selects the mutual funds offered to HSA holders through the HealthEquity, Inc. platform. Registration does not imply endorsement by any state or agency and does not imply a level of skill, education, or training. HSA holders making investments should review the applicable fund's prospectus. Investment options and thresholds may vary and are subject to change. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.

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