CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
QUARTERLY MEETING AGENDA

City Hall Conference Room #2
Second Floor
1000 City Center Parkway
Port Orange FL 32129
Friday, February 19, 2016
9:00 a.m.

Disability Information: If you are a person with a disability who needs any accommodation in order to participate in this proceeding, you are entitled, at no cost to you, to the provision of certain assistance. Please contact the City Clerk for the City of Port Orange, 1000 City Center Circle, Port Orange, FL 32129, telephone number 386-506-5563, within two working days of your receipt of this notice or five days prior to the meeting date. If you are hearing or voice impaired, contact the relay operator at 1-800-955-8771.
Appeal Notice: Any person who decides to appeal any decision made by the Port Orange Police Officers' Pension Board will need a record of the proceedings, and for such purpose he or she may need to ensure at his or her own expense for the taking and preparation of a verbatim record of all testimony and evidence of the proceedings upon which the appeal is to be based.

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1. **CALL TO ORDER**

2. **DETERMINATION OF A QUORUM**

3. **APPROVAL OF MINUTES**
   A. Approve the minutes of quarterly meeting November 20, 2015.

4. **OFFICER AND TRUSTEE REPORTS**

5. **CONSENT AGENDA**
   A. Ratify plan expenditures as follows:
      1. Sugarman & Susskind – monthly retainer for November 2015 - $2,000;
      2. Sugarman & Susskind – monthly retainer for December 2015 - $2,300;
      3. Sugarman & Susskind – monthly retainer for January 2016 - $2,300;
      4. Plan Administrator Karan Rounsavall – monthly fee (November 2015, December 2015, January 2016) - $7,200;
      5. James Moore, CPA – progress billing for audit of 9/30/3015 financial statements through December 2015 - $4,500;
      6. James Moore, CPA – progress billing for audit of 9/30/2015 financial statements through January 2016 - $3,000;
      7. Florida Public Pension Trustees Association (FPPTA) – 2016 annual dues - $600;
      8. Florida Public Pension Trustees Association (FPPTA) – Registration for winter trustees school for Drew Bastian and Warren Carman - $900;
      9. Hilton Orlando – lodging expenses for trustees to attend FPPTA winter school - $1,100;

10. Florida Public Pension Trustees Association (FPPTA) – registration fee for Certified Public Pension Trustee Program for Warren Carman - $900;
11. Warren Carman – reimbursement of expenses for attendance at State's Pension Trustee Conference in Orlando - $409.04;
12. Graystone Consulting – Tampa – all-inclusive investment fees (October 1, 2015 through December 31, 2015) - $62,222.16.

B. Acknowledge refund of member contributions to the following non-vested members:

1. Ashley Kortright (non-vested member) in the amount of $1,543.29;
2. Ray Chan (non-vested member) in the amount of $14,376.71.

C. Acknowledge distribution of DROP account balance for John Jakovenko as of February 1, 2016.

7. CONSULTANT REPORTS

A. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)
1. Presentation of annual actuarial valuation for fiscal year ending September 30, 2015
2. Declare expected annual rate of investment return for assets of Port Orange Police Officers' Pension Plan for short term and long term thereafter in accordance with Section 112.661 *Florida Statutes*

B. Zach Chalifour – *James Moore CPA* (Auditor)
1. Presentation of draft audit of Police Pension Fund financials for fiscal year ended September 30, 2015
2. Discuss action plan related to non-taxable contributions made by retired members

C. Charles Mulfinger – *Graystone/Morgan Stanley Wealth Management* (Investment Consultant)
1. Performance Report for quarter ended December 31, 2015
2. Small and Mid-Capitalization Value Investment Manager Search

D. Ken Harrison – *Sugarman & Susskind* (Attorney)

E. Karan Rounsavall – Plan Administrator
1. Educational Opportunity: Annual Police Officers' and Firefighters' Pension Trustee School in Tallahassee (May 16 – 18, 2016)

8. OLD BUSINESS

9. NEW BUSINESS

A. Request of disability retiree (line-of-duty) for letter from Plan Attorney advising that line-of-duty disability benefits are non-taxable distributions and for corrected 1099-R's for 2012, 2013, 2014, and 2015 to that effect.

B. Discussion and recommended action to clarify treatment of *"breaks in service"* as it relates to vesting in the retirement plan

C. Ratify early retirement benefits for Serena Besuden as of November 1, 2015 (Ten-Year Certain and Life Annuity)

10. PUBLIC COMMENT

11. ADJOURNMENT

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
NOVEMBER 20, 2015

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, November 20, 2015 in the Second Floor Conference Room of City Hall, 1000 City Center Parkway, Port Orange, Florida.

MEMBERS PRESENT:	Chairman Steve Braddock (police member) Secretary William Proctor (police member) Warren Carman (fifth member) Drew Bastian (resident member) Todd Traster (resident member)
CONSULTANTS:	Ken Harrison, Board Attorney – Sugarman & Susskind Dustin Watkins, Associate Attorney – Sugarman & Susskind Charlie Mulfinger, Investment Consultant – Graystone Scott Owens, Investment Consultant - Graystone Chad Little, Actuary – Freiman Little Actuaries Karan Rounsavall, Plan Administrator

Chairman Braddock called the meeting to order at 2:03 p.m. A quorum was in attendance.

APPROVAL OF MINUTES

Member Traster moved to approve minutes of quarterly meeting September 3, 2015 as submitted. Member Bastian seconded the motion and it carried unanimously.

CONSULTANT REPORTS (Note: Actuary's report taken out of agenda order)

A. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)

Mr. Little reported that the annual report for the Port Orange Police Pension Fund was approved by the state and that premium tax revenues in the amount of $345,821.69 were received and deposited to the Fund.

Mr. Little went on to provide an update on the Division of Retirement's conference held earlier in the week and the Division's ruling on implementation of new legislation. His comments included the mandated use of new mortality tables effective with the October 1, 2016 valuation. As to the requirement to provide a detailed accounting of plan expenses, he was advised that the plan's audit would suffice.

He also mentioned that he received salary data for Fiscal Year 2014/2015 from city staff and began work on the 2015 annual valuation which he hoped to deliver at the February 19, 2016 meeting.

Mr. Little was excused from the meeting at 2:30 p.m. to accommodate travel plans.

OFFICER AND TRUSTEE REPORTS

Board members welcomed Sgt. Warren Carman, who was serving as the "fifth" trustee, to his first meeting. Member Carman attended the State's Annual Police Officers' and Firefighters' Pension Conference in Kissimmee earlier in the week.

Resident Member Traster reported that the real estate market in Volusia County was healthy and doing quite well.

ELECTION OF OFFICERS

Member Bastian nominated Sgt. Steve Braddock for chairman. There were no other nominations. *Member Traster moved to close nominations. Member Proctor seconded the motion and it carried. Member Traster then moved to re-elect Sgt. Braddock as chairman for another two-year term by acclamation. Member Bastian seconded the motion and it carried unanimously.*

Nominations were opened for secretary. Member Traster nominated Lt. William Proctor for secretary. *Member Traster moved to close nominations. Member Bastian seconded the motion and it carried. Member Bastian then moved to re-elect Lt. Proctor as secretary for another two-year term by acclamation. Member Traster seconded the motion and it carried on an all yes vote.*

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for August 2015 - $2,000. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for September 2015 - $2,000. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for October 2015 - $2,000. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (August, September, October 2015) - $7,200. *Recommendation:* Ratify payments.
   5. Graystone Consulting – Tampa – all-inclusive investment fees (July 1, 2015 through September 30, 2015) - $64,086.13. *Recommendation:* Ratify payment.

Member Traster moved to approve/ratify all plan expenditures as set forth above. Member Bastian seconded the motion and it carried unanimously.

CONSULTANT REPORTS - Continued

B. Charles Mulfinger and Scott Owens – *Graystone Consulting/Morgan Stanley Wealth Management* (Investment Consultant)

   - Performance Report for quarter ended September 30, 2015

Mr. Owens delivered a brief economic overview. The past quarter was particularly challenging with broad equity markets posting their weakest returns in several years. All sectors were down, with small cap managers posting the worst returns. Macroeconomic and geopolitical concerns drove the volatility including falling energy and commodity prices and lack of direction from the Federal Reserve concerning a decision on short-term interest rates. Internationally, the impact of China's slowing economic growth and devaluing of its currency was felt throughout financial markets.

While the portfolio for the Port Orange Police Pension Plan was down, both Mr. Mulfinger and Mr. Owens stressed that it was less negative than the overall market.

Graystone's strategy was to select managers that had less volatility. The fund lost less than its respective benchmarks.

Mr. Mulfinger continued with a review of the Investment Performance Report for the fourth/final quarter of Fiscal Year 2014/2015. The Fund was down -4.09 percent on a time-weighted basis (net of fees) which was slightly ahead of the policy index which was down -4.45 percent. Total market value as of September 30, 2015 was $27,731,466 representing a loss of $1,099,083 (net of fees) since the previous quarter ended June 30, 2015. The trailing one-year return was negative -0.59 percent (net of fees) which fell short of the policy index return of a positive 0.91 percent and the 7.75 percent assumed actuarial investment rate of return. As of November 18, 2015 the market value of the fund was $29,230,693 (a gain of 3.5 percent since September 30, 2015).

The portfolio was slightly underweight in a few equity asset classes but still within target ranges. Accordingly, there was no need to rebalance at this time.

Quarterly performance results (gross of fees for quarter ending September 30, 2015) for the various investment styles/managers represented in the portfolio were as follows:

BlackRock (large cap value) – negative return of -6.16%*
Jennison (large cap growth) – negative return of -5.43%
Wedgewood (large cap growth) – negative return of -7.04%
Connors (large cap core) – negative return of -6.04%*
GW Capital (small cap value) - negative return of -9.61%*
RBC (small cap growth) – negative return of -7.62%*
Lazard (international value) – negative return of -7.09%*
Renaissance (international growth) - negative return of -12.63%
Madison Investment Advisors (fixed income) – positive return of 0.85%
Pine Grove (alternative investments – hedge fund) – negative return of -2.76%
Private Advisors (alternative investments – hedge fund) – negative return of -2.68%
UBS (private real estate) – positive return of 3.43%*
* These managers beat their respective fund index.

Total fees paid to Graystone Consulting for the quarter were $64,086.13 which included consulting, trading, and custody as well as fees charged by the individual managers. Hedge funds were reported net of fees.

Mr. Mulfinger reviewed the compliance checklist which examined the portfolio against the Board's Investment Policy Statement (IPS) for each asset class, concentrating on those managers reporting a "No."

Board members discussed the performance of individual managers and expressed particular concern about the negative returns posted by hedge funds noting that these managers had continually lost money since being added to the portfolio several years earlier. Mr. Mulfinger felt that it was important to keep the hedge funds in the portfolio. He reiterated Graystone's philosophy that this portfolio would not do as well in the up markets but would not do as poorly in down markets. The portfolio achieved its returns while taking less risk that the overall market.

Member Proctor moved to accept the investment performance report as presented. Member Bastian seconded the motion and it carried unanimously.

- Review of fees charged by Graystone Consulting to surrounding retirement plans

At its September 3, 2015 quarterly meeting, the Pension Board asked Graystone Consulting to provide a comparison of fees that it charged to other public pension clients. Board members were in receipt of a handout showing Graystone's fees for three plans in Volusia County that were in the all-inclusive fee (WRAP) program as well as the City of Naples (combined plans) that was charged an annual hard dollar fee of $54,500 for consulting services. Mr. Mulfinger suggested that the Port Orange Police Pension Fund could be considered for a hard dollar when its assets reached $50 million.

- Enhanced investment platform and fee proposal

Mr. Mulfinger presented an amendment to the Police Board's institutional services agreement with Morgan Stanley/Graystone Consulting amending the fee schedule for consulting services. The proposed fee platform change recognized efficiencies from new technology. "Select UMA Program" reduced the total blended consulting fee (i.e. Graystone) from 0.56 percent to 0.51 percent. The consulting fee included consulting, trading at no commission, and custody. This blended fee did not include individual investment manager fees although the fees charged for several individual investment managers would decrease by a few basis points under the new platform. The overall "Total Traditional and Alternative Fee" was reduced from 1.00 percent under the current platform to 0.93 percent with Select UMA. The change went into effect on January 1, 2016.

Member Bastian moved to amend its agreement with Morgan Stanley/Graystone Consulting to adopt the new fee schedule described above with an effective date of January 1, 2016. Member Traster seconded the motion and it carried unanimously.

C. Ken Harrison – *Sugarman & Susskind* (Attorney) – No report

D. Karan Rounsavall – Plan Administrator

- Educational opportunity - Florida Public Pension Trustees' Association (FPPTA) Winter Trustees' School in Orlando (January 31 through February 3, 2016)

Mrs. Rounsavall announced the upcoming trustees' school. If any member wished to attend, they were to contact her at their earliest opportunity for registration information, reservations, etc.

- Status of Ordinance No. 2015-38 clarifying the annual maximum retirement benefit of $95,000 (inclusive of cost-of-living adjustments) for participants employed and <u>not</u> participating in DROP on January 31, 2011

Mrs. Rounsavall advised that the subject ordinance was scheduled for public hearing before City Council on December 1, 2015.

- Status of ordinance clarifying that average final compensation will be determined using "plan" years

The ordinance would be forwarded to city administration pending its review and subsequent consideration by City Council.

<u>OLD BUSINESS</u> – None

NEW BUSINESS

A. Establish quarterly meeting dates for 2016 (Fridays at 2:00 p.m. on February 19, 2016, May 20, 2016, August 19, 2016, and November 18, 2016)

Member Traster wondered whether or not the suggested time of the quarterly meetings (i.e. 2:00 p.m.) could be changed to the morning. The dates were acceptable.

Member Carman moved to approve the meeting dates as set forth above but to change the meeting time to 9:00 a.m. Member Traster seconded the motion and it carried unanimously. Plan Administrator Rounsavall would confirm that the conference room was available for morning meetings.

B. Authorization to renew membership in Florida Public Pension Trustees Association (FPPTA) for 2016 at a cost of $600.

Member Bastian moved to authorize renewal of the Board's membership in FPPTA for 2016. Member Traster seconded the motion and it carried on an all yes vote.

C. Approve updates to the Summary Plan Description (biennial revision 2015) and authorize distribution to active members

Board members were in receipt of the Summary Plan Description (SPD) as updated by Plan Administrator Rounsavall. It was noted that the Board recently reviewed and approved an application for the purchase of prior law enforcement and/or military service that included an installment payment option.

Member Bastian moved to approve the SPD with inclusion of the most current actuarial information and optional methods for purchasing credited service for prior law enforcement or military service. Member Bastian seconded the motion and it carried unanimously.

D. Policy relating to purchase of credited service in Port Orange Police Officers' Pension Plan for prior law enforcement and/or military service

Attorney Harrison advised that the plan document did not currently provide for the purchase of prior service via installments. If the Board wished to provide same, an ordinance amendment was necessary.

Member Bastian moved to direct the attorney to prepare an ordinance providing the installment payment option for the purchase of prior service. Member Traster seconded the motion and it carried on an all yes vote.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 5:15 p.m.

Steve Braddock, Chairman

Karan Rounsavall, Plan Administrator

Freiman Little Actuaries, LLC
4105 Savannahs Trail
Merritt Island, FL 32953
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City of Port Orange

Police Pension Fund

Actuarial Valuation as of October 1, 2015

February 11, 2016

REPORT TO DETERMINE MINIMUM FUNDING REQUIREMENTS
FOR THE PLAN AND FISCAL YEAR
ENDING SEPTEMBER 30, 2017

FLA
FREIMAN LITTLE ACTUARIES

February 11, 2016

Board of Trustees
City of Port Orange Police Pension Fund
Port Orange, Florida

RE: Actuarial Valuation as of October 1, 2015

Dear Board Members:

We are pleased to present the actuarial valuation as of October 1, 2015 for the City of Port Orange Police Pension Fund (the Plan). This report provides a review of the current funded status of the Plan, establishes the minimum funding requirements for the fiscal year ending September 30, 2017 and provides an analysis of experience since the last valuation. In addition to providing the summary and derivation of actuarial findings, this report describes the data, assumptions, and methods used to create these results.

Statement by Enrolled Actuary:

"This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation."

We look forward to the presentation of these results to you in person and we are always available to answer any questions you may have.

Sincerely,

Chad M. Little, ASA, EA
Partner, Consulting Actuary
Enrollment Number 14-6619

Paula C. Freiman, ASA, EA
Partner, Consulting Actuary
Enrollment Number 14-5796

Table of Contents

Board Summary **1**

Summary of Principal Valuation Results 1

Summary of Significant Events 2

Results Derivation **5**

Financial Information 5

Present Value of Benefits 10

Accrued Liability 11

Normal Cost – Entry Age Normal 12

Unfunded Accrued Liability 13

Minimum Funding Requirements 16

Reconciliation of Unfunded Accrued Liability 17

Reconciliation of City Minimum Required Contribution 18

Accounting Information **19**

Information Required by GASB 67/68 19

Statement of Accumulated Plan Benefits (FASB 35) 20

Other Disclosures Required by the State of Florida 20

Required Disclosure Under F.S. 112.664(1) 21

Required Disclosure Under F.S. 112.664(2)(b)2. 22

Supplementary Information **23**

Summary of Participant Data 23

Outline of Plan Provisions 27

Description of Assumptions and Methods 31

Glossary of Actuarial Terms 33

Section 1 Board Summary

This report presents the results of the October 1, 2015 actuarial valuation of the City of Port Orange Police Pension Fund (the Plan).

Summary of Principal Valuation Results

A summary of the key valuation findings as of October 1, 2015 are compared with the results of the prior valuation below.

Fiscal Year Ending September 30,	**2016**	**2017**
Total Minimum Funding Requirement (City plus State)	$3,054,694	$3,214,965
As a Percent of Payroll	69.17%	66.03%
Estimated State Contribution	$331,402	$345,822
As a Percent of Payroll	7.50%	7.10%
Estimated Minimum Required City Contribution	$2,723,292	$2,869,143
As a Percent of Payroll	61.67%	58.93%

Valuation Date October 1,	**2014**	**2015**
Accrued Liability (AL)	$43,053,514	$44,875,797
Actuarial Value of Assets	27,496,457	29,301,979
Unfunded Accrued Liability (UAL)	$15,557,057	$15,573,818
Funded Percentage	63.87%	65.30%

Valuation Date October 1,	**2014**	**2015**
Assumed Rate of Investment Return	7.75%	7.65%
Individual Salary Increases	7.5 %	7.5 %
Long-term Payroll Inflation	3.5 %	3.5 %
Payroll Inflation for Amortization of Unfunded	1.0 %	1.0 %
Funding Method	Entry Age	Entry Age

Note: We recommend the deposit of at least the minimum required contributions as a dollar amount shown above.

Summary of Significant Events

Determination of the funded status of the Plan and minimum funding requirements are based on participant data, asset information, Plan provisions, actuarial methods and assumptions, as well as contributions made to the Plan by the State of Florida. Any significant events associated with these items are discussed in the following.

Participant Data

The number of active members increased from 80 to 85 with an increase of 10% in the payroll expected for the 12 month period beginning on the valuation date, in comparison to the 1% payroll growth used to amortize the unfunded accrued liability in the prior valuation and the 3.5% inflation expected in total payroll to the next valuation date. The average annual payroll growth for the last ten years is shown below.

Valuation Date	Payroll Increase
10/01/2006	8 %
10/01/2007	2 %
10/01/2008	0 %
10/01/2009	8 %
10/01/2010	(19)%
10/01/2011	(3)%
10/01/2012	11 %
10/01/2013	10 %
10/01/2014	5 %
10/01/2015	10 %
10-Year Average	3 %

There was a demographic loss on the actuarial accrued liability. As a result of a payroll audit, we have noted that while corrected pay has been used in this valuation, any employee contributions due to the Plan have not yet been accounted for in the valuation.

The following table provides the details of actuarial gains and losses by source since October 1, 2006, the date of the last experience review of the Plan. We recommend an experience review be performed. In general, should a pattern of consistent gains or losses develop, assumptions may require revision.

Valuation Date		Total	Investment Related	Demographic
10/01/2007	Actuarial Loss	1,227,859	(278,370)	1,506,229
10/01/2008	Actuarial Loss	2,599,494	2,579,310	20,184
10/01/2009	Actuarial Loss	1,538,368	661,567	880,810
10/01/2010	Actuarial Loss	121,763	591,163	(469,400)
10/01/2011	Actuarial Loss	190,481	805,498	(615,017)
10/01/2012	Actuarial Loss	680,484	578,926	101,558
10/01/2013	Actuarial Gain	(181,623)	(255,604)	73,981
10/01/2014	Actuarial Loss	278,366	(279,250)	557,616
10/01/2015	Actuarial Loss	801,046	191,273	609,773

The City will providing adjusted service dates in the future to reflect the dates that contributions began for active members. These dates have not yet been received and will be incorporated in a future valuation.

Assets

Whereas the assets were assumed to achieve a 7.75% investment return net of expenses, the return on the market value of assets was (0.1)% producing a loss on a market value basis. Due to the smoothing method used to produce the actuarial value of assets which recognizes market value gains and losses over a five year period, a 7.0% return was achieved on the actuarial value of assets such that an actuarial investment related loss was experienced for the year ended September 30, 2015. The following provides a summary of the actual return on investments for the 12 month periods ending on the date specified.

	Year Ended 9/30	Market Investment Return	Actuarial Investment Return	Assumed Net Return
1	1996	13.1 %	13.1 %	8.50%
2	1997	18.4 %	18.4 %	8.50%
3	1998	3.7 %	3.7 %	8.50%
4	1999	8.2 %	8.2 %	8.50%
5	2000	11.4 %	11.4 %	8.50%
6	2001	(11.3)%	(11.3)%	8.50%
7	2002	(7.3)%	(7.3)%	8.50%
8	2003	21.0 %	21.0 %	8.50%
9	2004	8.1 %	8.1 %	8.50%
10	2005	7.7 %	7.7 %	8.50%
11	2006	6.2 %	6.2 %	8.50%
12	2007	10.6 %	10.6 %	8.00%
13	2008	(12.1)%	(12.1)%	8.00%
14	2009	8.2 %	3.3 %	8.00%
15	2010	8.4 %	4.2 %	8.00%
16	2011	(0.6)%	3.4 %	8.00%
17	2012	17.5 %	5.0 %	8.00%
18	2013	11.1 %	8.9 %	7.75%
19	2014	7.6 %	8.8 %	7.75%
20	2015	(0.1)%	7.0 %	7.75%
20-Year Average		6.1 %	5.6 %	8.24 %
10-Year Average		5.4 %	4.3 %	7.97 %

The average return on the Market Value of Assets has been 6.1%, when looking over the last 20 valuations performed and 5.4% over the last 10 years, as shown above.

Net investment returns less than the assumed rate of return result in increased annual minimum required contributions. The net assumed investment return was revised to 7.65% for the October 1, 2015 actuarial valuation of the Plan.

Plan Provisions

Ordinance No. 2015-32 was adopted effective September 22, 2015 allows for the police chief to opt out of the Plan by written election within 30 days following employment. The impact statement dated

September 8, 2015 indicated as the proposed change only affects future hires, the total amount of benefits payable under the Plan to current members is not anticipated to be affected by this change in Plan provisions such that there is no material impact to the cost of Plan.

Ordinance No. 2015-38 was adopted effective December 1, 2015 to re-insert the $95,000 annual benefit limit to reflect the actual plan provisions. The impact statement dated July 23, 2015 indicated that the $95,000 annual benefit limit was put in place in 2011 and has been included in the determination of Plan liabilities since that time although it had been inadvertently removed from the code by a subsequent ordinance. There is no change in liability for this ordinance.

Methods

There have been no changes in methods since the prior valuation of the Plan.

Whereas unfunded accrued liability which arises from changes in Plan provisions, actuarial assumptions, or changes in methods were amortized over 30 years and unfunded accrued liability which arises from actuarial gains or losses was amortized over 15 years in the actuarial valuation as of October 1, 2014, all new unfunded accrued liability bases are amortized over a 25 year period effective with the October 1, 2015 actuarial valuation.

Assumptions

The mortality table continues to be the RP-2000 Combined Mortality Table. Scale AA has been applied to reflect mortality improvements to the valuation year.

The net assumed investment return was revised from 7.75% used in the October 1, 2014 actuarial valuation to 7.65% for the October 1, 2015 actuarial valuation of the Plan.

State Contributions

The Estimated Minimum Required City Contribution assumes that the premium tax money received from the State will be in the same amount received in the prior year. Should the amount received in the fiscal years ending September 30, 2016 and 2017 be less than expected, the City will need to contribute any potential shortfall to the Plan.

Section 2 Results Derivation

In this section, the assets and liabilities of the Plan are shown in detail. Assets and liabilities are then compared to determine the funded status and minimum funding requirements. Finally, analysis is performed to explain movement in results from the prior valuation.

While asset information is based on the fair market value of assets, along with any techniques used to smooth out market fluctuations, liabilities are determined through a combination of the benefit provisions, participant census data which contains information for the members who will receive those benefits, and the methods and assumptions used with regard to how benefits will be paid to members. A summary of participant data, an outline of the benefit provisions, and a description of the methods and assumptions used in this valuation are described in Section 4.

Financial Information

Over the life of the Plan, the majority of assets are typically generated from investment return. In this section, we describe how the assets of the Plan are invested, show how the actuarial value of assets is derived, and review the investment results since the prior valuation.

Investment Allocation

Valuation Date	**October 1, 2014**		**October 1, 2015**	
Government agency obligations	$3,882,735	14%	$4,361,574	15%
Corporate and municipal debt obligations	3,051,605	11%	2,953,713	10%
Corporate equity securities	15,062,297	53%	14,096,648	51%
Partnership securities	2,755,879	10%	2,668,971	9%
Mutual funds	1,264,813	4%	1,553,545	6%
Real estate investments	1,672,729	6%	1,983,716	7%
Cash and cash equivalents	586,319	2%	31,709	0%
Net receivables	18,523	0%	507,522	2%
Fair Market Value of Assets	$28,294,900	100%	$28,157,398	100%

Reconciliation of Market Value of Assets

Year Ending September 30,		2014	2015
1.	**Market Value of Assets Beginning of Year**		
a.	Market Value Prior Year Ending Balance	$25,322,725	$28,294,900
b.	Adjustment to Beginning Value	125,255	0
c.	Market Value of Assets Beginning of Year	$25,447,980	$28,294,900
2.	Contributions		
a.	City	$2,670,260	$2,731,326
b.	State	331,402	345,822
c.	Plan Members	301,375	326,566
d.	Total Contributions	$3,303,037	$3,403,714
3.	Investment earnings		
a.	Realized gains and (losses)	$390,911	$6,368
b.	Unrealized gains and (losses)	1,172,266	(227,483)
c.	Interest and dividends	463,533	441,227
d.	Investment expense	(213,951)	(241,340)
e.	Net investment income	$1,812,759	$(21,228)
4.	Deductions		
a.	Regular pension benefits	$(1,656,761)	$(1,871,864)
b.	DROP distributions	(487,506)	(1,508,592)
c.	Contribution refunds	(21,298)	(35,256)
d.	Administrative expenses	(103,311)	(104,276)
e.	Total Deductions	$(2,268,876)	$(3,519,988)
5.	Net Increase	$2,846,920	$(137,502)
6.	**Market Value of Assets End of Year**	$28,294,900	$28,157,398
7.	**Actual Return on Market Value of Assets**		
a.	Beginning Value	$25,322,725	$28,294,900
b.	Ending Value	28,294,900	28,157,398
c.	Contributions	3,303,037	3,403,714
d.	Benefits Paid	(2,165,565)	(3,415,712)
e.	Administrative Expenses	(103,311)	(104,276)
f.	Investment Income	1,938,014	(21,228)
g.	Actual Return on Market Value of Assets	7.55 %	(0.08)%

Development of Actuarial Value of Assets

The market value of assets is adjusted to recognize gains and losses over a five-year period. However, the Actuarial Value of Assets is limited to no more than 120% or less than 80% of the market value of assets.

1. Market Value of Assets as of October 1, 2015 — $28,157,398

2. Phase-In Gains (Losses) Over Five Year Period

		Original Gain (Loss)	Percent Unrecognized	Unrecognized Gain (Loss)
a.	Year Ending 9/30/2015	$(2,196,177)	80%	$(1,756,942)
b.	Year Ending 9/30/2014	(51,729)	60%	(31,037)
c.	Year Ending 9/30/2013	739,748	40%	295,899
d.	Year Ending 9/30/2012	1,701,535	20%	340,307
e.	Total			$(1,151,773)

3. Preliminary Actuarial Value of Assets as of October 1, 2015 — $29,309,171

4. Corridor Around Market Value

a.	Minimum = 80% of Market Value of Assets	$22,525,918
b.	Maximum = 120% of Market Value of Assets	$33,788,878
c.	Corridor Adjustment to Preliminary Actuarial Value	$0

5. Cumulative Balance of State Funding Available for Benefit Improvements — $7,192

6. Actuarial Value of Assets as of October 1, 2015 (3. + 4.c. - 5.) — $29,301,979

Development of Historical Gain or Loss on Market Value of Assets

		2015	2014
1.	Market Value of Assets - Beginning of Year	$28,294,900	$25,322,725
2.	Contributions	3,403,714	3,303,037
3.	Benefit Payments	(3,415,712)	(2,165,565)
4.	Administrative Expenses	(104,276)	(103,311)
5.	Expected Return on Assets	2,174,949	1,989,743
6.	Expected Value of Assets at End of Year	$30,353,575	$28,346,629
7.	Market Value of Assets - End of Year	$28,157,398	$28,294,900
8.	Gain (Loss) for Plan Year = (7) - (6)	$(2,196,177)	$(51,729)

		2013	2012
1.	Market Value of Assets - Beginning of Year	$21,378,509	$17,733,946
2.	Contributions	3,086,847	2,655,001
3.	Benefit Payments	(1,489,851)	(2,057,209)
4.	Administrative Expenses	(95,305)	(81,565)
5.	Expected Return on Assets	1,702,777	1,426,801
6.	Expected Value of Assets at End of Year	$24,582,977	$19,676,974
7.	Market Value of Assets - End of Year	$25,322,725	$21,378,509
8.	Gain (Loss) for Plan Year = (7) - (6)	$739,748	$1,701,535

State Contributions

Year Ending September 30	State Contributions	Recurring Cost Benefit Improvements	Base Plus Benefit Improvements	Recognized State Funding	Cumulative Balance Available Upon Benefit Improvement
2015	$345,822	$0	$699,961	$345,822	$7,192
2014	331,402	0	699,961	331,402	7,192
2013	316,074	0	699,961	316,074	7,192
2012	314,094	0	699,961	314,094	7,192
2011	303,356	0	699,961	303,356	7,192
2010	302,888	0	699,961	302,888	7,192
2009	314,162	0	699,961	314,162	7,192
2008	293,562	0	699,961	293,562	7,192
2007	296,758	0	699,961	296,758	7,192
2006	279,159	0	699,961	279,159	7,192
2005	267,203	0	699,961	267,203	7,192
2004	245,105	0	699,961	245,105	7,192
2003	198,169	454,127	699,961	198,169	7,192
2002	165,823	0	245,834	165,823	7,192
2001	135,870	121,320	245,834	135,870	7,192
2000	121,555	0	124,514	121,555	7,192
1999	131,706	0	124,514	124,514	7,192
1998	124,514	0	124,514	124,514	0

Present Value of Benefits

Valuation as of October 1,		2014	2015
1.	**Active Members**		
a.	Retirement Benefits	$15,792,021	$18,588,947
b.	Deferred Benefits	2,105,589	2,256,484
c.	Survivor Benefits	133,570	148,783
d.	Disability Retirement	456,464	500,768
e.	Total	$18,487,644	$21,494,982
2.	**Inactive Members**		
a.	Retirement and DROP	$27,008,315	$26,107,734
b.	Terminated Vested	709,206	777,558
c.	Beneficiaries	671,564	870,311
d.	Disability Retirement	2,191,790	2,202,068
e.	Total	$30,580,875	$29,957,671
3.	**Present Value of Benefits (PVB)**	$49,068,519	$51,452,653

Accrued Liability

Valuation as of October 1,		2014	2015
1.	**Active Members**		
a.	Retirement Benefits	$11,466,078	$13,865,980
b.	Deferred Benefits	795,922	801,884
c.	Survivor Benefits	90,295	102,075
d.	Disability Retirement	120,344	148,187
e.	Total	$12,472,639	$14,918,126
3.	**Inactive Members**		
a.	Retirement and DROP	$27,008,315	$26,107,734
b.	Terminated Vested	709,206	777,558
c.	Beneficiaries	671,564	870,311
d.	Disability Retirement	2,191,790	2,202,068
e.	Total	$30,580,875	$29,957,671
3.	**Accrued Liability (AL)**	$43,053,514	$44,875,797

Normal Cost – Entry Age Normal

Valuation as of October 1,		2014	2015
1.	**Preliminary Normal Cost**		
a.	Retirement Benefits	$577,576	$638,193
b.	Deferred Benefits	172,733	193,472
c.	Survivor Benefits	5,566	6,126
d.	Disability Retirement	45,910	47,659
e.	Total	$801,785	$885,450
2.	**Total Normal Cost**		
a.	Preliminary Normal Cost	$801,785	$885,450
b.	Estimated Administrative Expense	103,311	104,276
c.	Total Normal Cost	$905,096	$989,726
d.	Total Normal Cost as a % of Pay	21.2 %	21.0 %
3.	**Normal Cost Net of Actual Employee Contributions**		
a.	Preliminary Normal Cost	$801,785	
b.	Actual Administrative Expense	104,276	
c.	Actual Employee Contributions	(326,566)	
d.	Actual Employer Normal Cost	$579,495	
4.	**Valuation Payroll**	$4,266,912	$4,704,236

Unfunded Accrued Liability

Valuation as of October 1,	2015
Unfunded Actuarial Liability	
1. Accrued Liability	$44,875,797
2. Actuarial Value of Assets	29,301,979
3. Unfunded Accrued Liability	$15,573,818
Determination of Expected Unfunded Accrued Liability	
1. Unfunded Accrued Liability as of Prior Year	$15,557,057
2. Normal Cost (Net of Employee Contributions)	579,495
3. Interest on UAL and NC	1,250,583
4. Contributions	
a. City	$(2,731,326)
b. State of Florida	(345,822)
c. Total	$(3,077,148)
5. Interest on Contribution for Time on Deposit	(105,839)
6. Change in Plan, Methods or Assumptions	568,624
7. Expected UAL as of Current Year	$14,772,772
Calculation of (Gain) or Loss	
1. Actual Unfunded Accrued Liability	$15,573,818
2. Expected UAL	14,772,772
3. Total (Gain) or Loss	$801,046
4. Breakdown of (Gain) or Loss	
a. Investment Experience	$191,273
b. Demographic Experience	609,773
c. Total (Gain) or Loss	$801,046
Calculation of Actuarial Asset Gain or (Loss)	
1. Actuarial Value of Assets - Beginning of Year	$27,496,457
2. Expected Interest on Assets	2,130,975
3. Contributions	3,403,714
4. Benefit Payments	(3,415,712)
5. Administrative Expenses	(104,276)
6. Interest on items (3), (4) and (5)	(17,906)
7. Expected Value of Assets at End of Year	$29,493,252
8. Actuarial Value of Assets - End of Year	$29,301,979
9. Gain (Loss) for Plan Year = (8) - (7)	$(191,273)
10. Actual Investment Income	$1,921,796
11. Actual % Return	7.00%

Amortization of Unfunded Liability

The Unfunded Actuarial Accrued Liability is being amortized as a level percentage of payroll based on the interest and payroll growth assumptions. In the October 1, 2014 valuation, unfunded accrued liability from changes in Plan provisions, actuarial assumptions, or changes in methods was amortized over 30 years and unfunded accrued liability from actuarial gains or losses was amortized over 15 years. For the October 1, 2015 actuarial valuation all new bases are amortized over 25 years.

Amortization Bases

Date	Source	Remaining Balance	Remaining Balance Adjusted for Actual Contributions	Years Remaining	Amortization
10/01/2002	Fresh Start	$1,995,873	$1,975,505	7	$338,947
10/01/2002	Actuarial Loss	445,695	441,147	2	227,604
10/01/2002	Plan Amendment	2,185,005	2,162,708	17	201,885
10/01/2003	Actuarial Loss	225,895	223,590	3	79,330
10/01/2004	Actuarial Loss	965,090	955,242	4	262,114
10/01/2005	Actuarial Loss	345,065	341,544	5	77,285
10/01/2005	Plan Amendment	365,171	361,445	20	30,983
10/01/2006	Actuarial Loss	548,793	543,193	6	105,551
10/01/2006	Method Change	822,843	814,446	21	68,182
10/01/2006	Assumption Change	2,815,782	2,787,049	21	233,319
10/01/2007	Actuarial Loss	835,649	827,122	7	141,914
10/01/2007	Method Change	605,463	599,285	22	49,092
10/01/2008	Actuarial Loss	1,891,907	1,872,601	8	289,504
10/01/2008	Method Change	(2,012,572)	(1,992,035)	23	(159,961)
10/01/2009	Actuarial Loss	1,197,907	1,185,683	9	167,736
10/01/2010	Actuarial Loss	98,837	97,828	10	12,818
10/01/2010	Plan Amendment	(2,035,405)	(2,014,635)	25	(156,168)
10/01/2011	Actuarial Loss	161,970	160,317	11	19,645
10/01/2012	Actuarial Loss	603,256	597,100	12	68,977
10/01/2012	Plan Amendment	598,001	591,899	27	44,524
10/01/2012	Assumption Change	1,479,609	1,464,511	27	110,163
10/01/2013	Actuarial Gain	(168,220)	(166,503)	13	(18,253)
10/01/2013	Assumption Change	52,476	51,941	28	3,855
10/01/2014	Actuarial Loss	269,685	266,933	14	27,927
10/01/2014	Assumption Change	56,812	56,232	29	4,122
10/01/2015	Actuarial Loss	801,046	801,046	25	62,095
10/01/2015	Assumption Change	568,624	568,624	25	44,078
Scheduled Amortization Payment					$2,337,268
Unfunded Accrued Liability			$15,573,818		

Projected Unfunded Accrued Liability and Amortization Payments

Valuation as of October 1,	Unfunded Accrued Liability	Amortization Payment
2015	$15,573,818	$2,337,268
2016	14,249,146	2,360,639
2017	12,797,978	2,152,068
2018	11,460,322	2,091,855
2019	10,085,155	1,840,017
2020	8,875,890	1,777,190
2021	7,641,751	1,682,917
2022	6,414,685	1,184,198
2023	5,630,619	882,549
2024	5,111,298	707,924
2025	4,740,232	700,844
2026	4,348,402	685,935
2027	3,942,646	615,069
2028	3,582,137	641,994
2029	3,165,064	616,312
2030	2,743,732	622,475
2031	2,283,533	628,700
2032	1,781,427	395,893
2033	1,491,527	399,852
2034	1,175,188	403,851
2035	830,345	370,084
2036	495,471	2,218
2037	530,987	(58,866)
2038	634,977	141,643
2039	531,074	143,059
2040	417,698	208,606
2041	225,087	210,692
2042	15,496	10,437
2043	5,447	5,447
2044	0	0

Actions Taken to Reduce Unfunded Actuarial Accrued Liability

The required contributions calculated each year include a payment for the amortization of the unfunded accrued liability. This payment is designed to reduce the unfunded accrued liability in an orderly fashion. The Unfunded Actuarial Accrued Liability is being amortized as a level percentage of payroll based on the interest and payroll growth assumptions. In the October 1, 2014 valuation, unfunded accrued liability from changes in Plan provisions, actuarial assumptions, or changes in methods was amortized over 30 years and unfunded accrued liability from actuarial gains or losses was amortized over 15 years. For the October 1, 2015 actuarial valuation all new bases are amortized over 25 years.

Minimum Funding Requirements

Valuation as of October 1, Required Contribution for FYE September 30,		2014 2016	2015 2017
1.	Normal Cost	$905,096	$989,726
2.	Amortization of Unfunded Actuarial Liability	2,238,647	2,337,268
3.	Minimum Required Contribution at Valuation Date [1. + 2.]	$3,143,743	$3,326,994
4.	Minimum Required Contribution Projected to Beginning of Budget Year	$3,253,774	$3,443,439
5.	Interest for Periodic Payments	138,926	144,939
6.	Minimum Required Contribution Adjusted for Periodic Payments [4. + 5.]	$3,392,700	$3,588,378
7.	Expected Employee Contributions	$338,006	$373,413
8.	Expected State Contribution	331,402	345,822
9.	Estimated City Contribution	2,723,292	2,869,143
10.	Minimum Required Contribution for Funding Year	$3,392,700	$3,588,378
11.	City Plus State Contribution	$3,054,694	$3,214,965
12.	Expected Employee Contribution Rate	7.65%	7.67%
13.	Expected State Contribution Rate	7.50%	7.10%
14.	Estimated City Contribution Rate	61.67%	58.93%
15.	Minimum Required Contribution Rate	76.82%	73.70%
16.	City Plus State Contribution Rate	69.17%	66.03%
17.	Payroll		
	a. Valuation Payroll	$4,266,912	$4,704,236
	b. Projected Valuation Payroll	$4,416,254	$4,868,884
	c. Hired < January 31, 2011	3,058,776	3,219,473
	d. Hired > January 31, 2011	1,357,478	1,649,411
18.	Assumptions		
	a. Net Assumed Investment Return	7.75%	7.65%
	b. Contribution Projected to Next FY	3.5%	3.5%
	c. Total Payroll Inflation	3.5%	3.5%
	d. Payroll Inflation for Amortization of UAL	1.0%	1.0%

Reconciliation of Unfunded Accrued Liability

	Unfunded Accrued Liability	Funded Percentage	Change in Unfunded Accrued Liability	Change in Funded Percentage
As of October 1, 2014:	$15,557,057	63.87 %		
Changes due to:				
Normal Operation of Plan	$14,204,148	67.49 %	$(1,352,909)	3.62 %
Investment Experience	14,395,421	67.06 %	191,273	(0.43)%
Demographic Experience	15,005,194	66.13 %	609,773	(0.93)%
Assumption Change	15,573,818	65.30 %	568,624	(0.83)%
Total			$16,761	1.43 %
As of October 1, 2015:	$15,573,818	65.30 %		

Reconciliation of City Minimum Required Contribution

	Dollar Amount	Percent of Pay
For Fiscal Year Ending September 30, 2016:	$2,723,292	61.67 %
Changes due to:		
Normal Operation of Plan	$46,847	(1.06)%
Administrative Expense Change	1,038	0.02 %
State Contribution Increase	(13,862)	(0.31)%
Investment Experience	16,072	0.35 %
Demographic Experience	37,513	(2.94)%
Assumption Change	58,243	1.20 %
Total	$145,851	(2.74)%
For Fiscal Year Ending September 30, 2017:	$2,869,143	58.93 %

Section 3 Accounting Information

Information Required by GASB 67/68

A supplemental report provides information under the Governmental Accounting Standards Board No. 67/68.

Statement of Accumulated Plan Benefits (FASB 35)

The following table is based on prior accounting standards and is required by the State. The actuarial present value of accumulated plan benefits is an estimate of the liability for all benefits accrued to date.

Year Beginning October 1,	2014	2015
1. Actuarial present value of accumulated plan benefits		
a. Participants currently receiving benefits	$29,871,669	$29,180,113
b. Other participants	6,399,465	8,322,792
c. Total vested plan benefits	$36,271,134	$37,502,905
d. Total non-vested plan benefits	1,612,205	1,492,268
e. Total accumulated plan benefits	$37,883,339	$38,995,173
2. Change in present value of accumulated plan benefits		
a. Accumulated plan benefits beginning of year		$37,883,339
b. Increase (decrease) during year due to:		
i. Plan amendment		$0
ii. Change in assumptions or methods		487,270
iii. Increase for interest and probability of payment due to decrease in discount period and benefits accrued		4,040,276
iv. Benefits paid		(3,415,712)
v. Other changes		0
vi. Net increase (decrease)		$1,111,834
c. Accumulated plan benefits end of year		$38,995,173

Other Disclosures Required by the State of Florida

Year Beginning October 1,	2014	2015
Present value of active member:		
Future salaries (attained age)	$32,763,860	$35,888,415
Future contributions (attained age)	$2,509,462	$2,757,198
Active Member accumulated contributions	$1,103,166	$1,408,208

Required Disclosure Under F.S. 112.664(1)

(a) Total pension liability calculated assuming mortality under the RP-2000 Combined Mortality Table for healthy participants (by gender) with fully generational projection using Scale AA.

(b) Total pension liability calculated using an assumed interest rate that is 200 basis points lower than that assumed in the valuation of the Plan.

(c) Determination of the number of months or years for which the current market value of assets is adequate to sustain the payment of expected retirement benefits.

(d) Recommended contribution to the Plan using the most recent valuation and the contributions necessary prepared pursuant to (a) and (b) stated as a dollar amount and % of payroll.

	RP-2000 Fully Generational Using Scale AA			Actual Valuation Results - 7.65% and RP-2000 Projected to 2015 Using Scale AA
	2% Decrease (5.65%)	Current Discount Rate (7.65%)	2% Increase (9.65%)	
Total pension liability	$59,106,226	$45,870,332	$36,840,643	$44,875,797
Plan fiduciary net position	(28,157,398)	(28,157,398)	(28,157,398)	(28,157,398)
Net pension liability	$30,948,828	$17,712,934	$8,683,245	$16,718,399
Plan fiduciary net position as a percentage of the total pension liability	47.64%	61.38%	76.43%	62.75%
Years of benefit payments:				
Expected for current members:	98	98	98	97
Paid for with current assets:	11.38	13.04	15.51	13.07
City Plus State Contribution Requirement, Plus Employee Contributions				
Dollar Amount	$4,944,002	$3,691,561	$2,696,971	$3,588,378
Percent of Payroll	101.54%	75.82%	55.39%	73.70%

Required Disclosure Under F.S. 112.664(2)(b)2.

F.S. Section 112.664(2)(b)2. - For the previous five years, beginning with 2013, a side-by-side comparison of the plan's assumed rate of return compared to the actual rate of return, as well as the percentages of cash, equity, bond and alternative investments in the plan portfolio. The actual rate of return is as provided by the investment monitor.

Year Ending September 30,	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Assumed rate of return	7.75%	7.75%	7.75%	8.00%	8.00%	8.00%
Actual rate of return	(0.08%)	7.55%	11.12%	17.54%	(0.64%)	8.42%
Percentages of assets in:						
Cash	0%	2%	7%	7%	10%	5%
Equity	57%	57%	59%	57%	53%	58%
Bond	25%	25%	28%	28%	37%	36%
Alternative	18%	16%	6%	8%	0%	1%
Total	100%	100%	100%	100%	100%	100%

Section 4 Supplementary Information

Summary of Participant Data

Member Statistics

Year Beginning October 1,	2014	2015
Active Participants		
Number	80	85
Average Age	36.0	35.9
Average Credited Service	7.5	7.9
Percent Male	91.3	89.4
Average Valuation Salary	$54,013	$56,017
Total Valuation Salary	$4,321,061	$4,761,444
Payroll Covered in Valuation	$4,266,912	$4,704,236
Terminated With Rights to Deferred Benefits		
Number	5	5
Average Age	40.6	41.6
Percent Male	100.0	100.0
Average Monthly Benefit (Estimate)	$1,709	$1,709
DROP		
Number	7	3
Average Age	58.0	61.8
Percent Male	100.0	100.0
Average Monthly Benefit	$4,899	$4,172
DROP Balances	$2,001,773	$872,497
Service Retirements		
Number	35	38
Average Age	59.3	60.2
Percent Male	94.3	97.4
Average Monthly Benefit	$3,532	$3,874
Beneficiaries		
Number	1	2
Average Age	63.2	62.7
Percent Male	0.0	50.0
Average Monthly Benefit	$4,237	$2,940
Disability Retirements		
Number	5	5
Average Age	49.5	50.5
Percent Male	100.0	100.0
Average Monthly Benefit	$2,988	$2,996

Number of Active Members by Age and Service as of October 1, 2015

	Service							
Age	< 1	< 5	< 10	< 15	< 20	< 25	25+	Total
< 20								
< 25	5	4						9
< 30		13	2					15
< 35	2	8	3	3				16
< 40		4	4	9	1			18
< 45			5	6	3			14
< 50	1			5	2	3		11
< 55		1						1
< 60				1				1
60+								
Total	8	30	14	24	6	3		85

Active Valuation Pay by Age and Service as of October 1, 2015

	Service							
Age	< 1	< 5	< 10	< 15	< 20	< 25	25+	Total
< 20								
< 25	37,873	45,767						41,381
< 30		44,034	56,461					45,690
< 35	44,763	43,207	51,590	63,333				48,747
< 40		44,291	60,721	65,355	79,521			60,432
< 45			59,517	71,439	78,527			68,700
< 50	36,416			63,864	79,908	82,448		69,354
< 55		54,026						54,026
< 60				57,208				57,208
60+								
Total	39,413	44,412	57,726	65,973	79,153	82,448		56,017

Reconciliation of Plan Participants

	Active	Vested Term	DROP	Retired	Survivor	Disability
As of October 1, 2011	63	3	12	29	1	4
Retired			(3)	3		
Nonvested Termination	(5)					
New Hires	11					
As of October 1, 2012	69	3	9	32	1	4
Retired	(1)			1		
Nonvested Termination	(2)					
New Hires	12					
As of October 1, 2013	78	3	9	33	1	4
Retired			(2)	2		
Disability Retirement	(1)					1
Vested Termination	(2)	2				
Nonvested Termination	(3)					
New Hires	8					
As of October 1, 2014	80	5	7	35	1	5
Nonvested Termination	(3)					
Death With Survivor				(1)	1	
Retired			(4)	4		
New Hires	8					
As of October 1, 2015	85	5	3	38	2	5

Reconciliation of DROP Account Balances

1.	Beginning Balance as of October 1, 2014	$2,001,773
2.	Monthly Benefit Additions	272,054
3.	Interest Earned	107,262
4.	Distributions	(1,508,592)
5.	Ending Balance as of September 30, 2015	$872,497

Outline of Plan Provisions

Effective Date: The Plan was originally effective September 28, 1993. Prior to the Effective Date, Members were part of a "Chapter Plan" where a slightly different level of benefits was effective. The most recent amendment to the Plan was Ordinance No. 2015-38 effective December 1, 2015.

Plan Year: The 12-month period from October 1st to the following September 30th.

Member: Full-time employees who satisfy the definition of a police officer in F.S. Section 185.02(11) become Member's immediately upon hire.

Credited Service: Years and completed months of full-time employment as a police officer of the city during which a person contributes to the Plan. Credited Service also includes certain military service. Additional Credited Service may be purchased at full actuarial cost. Credited Service purchased after January 31, 2011 is not counted towards vesting.

Vesting: 100% upon earning ten years of Credited Service.

Compensation: Prior to Ordinance No. 2012-4, Monthly salary paid for work performed including overtime payments from a salary fund up to 300 hours in a calendar year, 50% of accumulated sick and annual leave payouts, amounts withheld for tax sheltered annuities, tax deferred compensation, and payments in addition to the employee's base rate of pay if the payments are paid according to a formal written policy that applies to all eligible employee equally, payments are paid for as long as the employee continues employment, and payments are paid at least annually.

Effective with Ordinance No. 2012-4, Monthly salary paid for work performed including overtime payments from a salary fund up to 300 hours in a calendar year, lump sum payments for accumulated sick and annual leave for employees hired on or before January 31, 2011 (but not to exceed the hours of sick and annual leave accumulated as of March 1, 2011 plus 50% of the hours of sick and annual leave accumulated between March 1, 2011 and March 1, 2012, and excluding lump sum payments for accumulated sick and annual leave accumulated on or after March 1, 2012), amounts withheld for tax sheltered annuities, tax deferred compensation, and payments in addition to the employee's base rate of pay if the payments are paid according to a formal written policy that applies to all eligible employee equally, payments are paid for as long as the employee continues employment, and payments are paid at least annually.

Employee Contributions: 7.5% of Compensation for members hired on or before January 31, 2011 and 8.0% for members hired after that date. A Member who terminates non-vested is entitled to refund of accumulated Employee Contributions without interest. Contributions may be repaid with interest upon reentry into the Plan due to rehire.

Average Final Compensation: For members hired on or before January 31, 2011, one-twelfth the average of Compensation for the three highest years of Credited Service. For members hired after January 31, 2011, one-twelfth of the average of Compensation for the five highest years of Credited Service.

Normal Retirement Date: For members hired on or before January 31, 2011, the first day of the month coincident with or next following the earlier of (i) age 48 and ten years of Credited Service, or (ii) age 45 and 25 years of Credited Service. For members hired after January 31, 2011, the Normal Retirement Date is the first day of the month coincident with or next following the date the member attains age 48 and ten years of Credited Service.

<u>Accrued Benefit (for Members Hired On or Before January 31, 2011):</u> 3% x Average Final Compensation x Credited Service, plus, for Members who retire (i) with ten years of Credited Service prior to October 1, 2002, (ii) after having attained age 50 with ten years of Credited Service by October 1, 2002, (iii) with 20 years of Credited Service between October 1, 2002 and January 31, 2011, or (iv) with 25 years of Credited Service after January 31, 2011, a Supplemental Benefit (commonly referred to as a "health subsidy") is payable as follows:

(a) $200 per month

(b) $20 x Credited Service Over 10 Years (Maximum $400) per month

(c) Where (a) plus (b) is not more than $600 per month

For Members who retired prior to October 1, 1993 the monthly benefit was defined as 2% x Average Final Compensation x Credited Service (hereafter referred to as the "2% Multiplier Formula") plus the Supplemental Benefit defined above (the lesser of $600 and $200 + ($20 x Credited Service Over 10, but no more than $400)). A cost-of-living adjustment (CPI COLA) is payable annually effective January 1, 1994 on the portion of the benefit determined under the 2% Multiplier Formula. The amount of the CPI COLA is the increase in the Consumer Price Index (urban wage earner as calculated by the United States Department of Labor) between July of the immediately preceding year as compared to July of the prior year. The CPI COLA is granted until the participant's benefit determined under the 2% Multiplier Formula reaches the benefit amount provided for members who retire after October 1, 1993 (3% x Average Final Compensation x Credited Service) plus the Supplemental Benefit (the lesser of $600 and $200 + ($20 x Credited Service Over 10, but no more than $400)). This portion of Plan provisions was applicable to only one Member of the Plan. The last time the CPI COLA was paid was on January 1, 2006. The Plan provision defining the CPI COLA will not apply to Plan participants after January 1, 2006.

Effective October 1, 2001, Members who retired prior to October 1, 2002 (including disability retirees) are granted a 1% cost-of-living adjustment annually commencing the January 1 following the first anniversary of retirement annuity commencement (1% COLA). For a DROP retiree, the 1% COLA is granted commencing on the January 1 following the first anniversary of actual annuity commencement after the end of the DROP period. The 1% COLA is not payable to any participant eligible to receive the 3% COLA, as described in the following.

Effective October 1, 2002, retirees are granted a deferred annual 3% cost-of-living adjustment (3% COLA) as follows: (i) Members who are retired on October 1, 2002 and had earned at least 20 years of Credited Service, (ii) Members who are actively employed on October 1, 2002 and had attained age 50 with ten years of Credited Service at that date, (iii) Members who are actively employed on October 1, 2002 with 20 years of Credited Service at that date, (iv) Members who attain 20 years of Credited Service after October 1, 2002 and who retire or enter the DROP by January 31, 2011, and (v) Members who attain 25 years of Credited Service after January 31, 2011. The deferred 3% COLA is payable annually commencing as specified in the following:

(a) 5 years after retirement (or DROP) for participants who retire (or DROP) on or before January 31, 2011 upon attaining age 45 and 25 years of Credited Service or age 50 and 20 Years of Credited Service.

(b) The later of 5 years after retirement (or DROP) or age 59 for participants who were hired prior to January 1, 2003 and who retire (or DROP) on or before January 31, 2011 upon attaining age 48 and 20 years of Credited Service.

(c) On the first day of the month coincident with or next following attainment of age 59

a. for participants who were hired prior to January 1, 2003 and who separate employment on or before January 31, 2011 with 20 years of Credited Service but before reaching age 48.

b. for participants hired on or after January 1, 2003 who retire (or DROP) on or before January 31, 2011 with at least 20 years of Credited Service (but prior to age 45 and 25 Years of Credited Service and prior to age 50).

c. for participants who retire after January 31, 2011.

(d) 5 years after commencement of disability benefits on or before January 31, 2011 if 20 years of Credited Service have been earned during employment.

For members actively employed on January 31, 2011, in no event will the annual benefit payable exceed $95,000, inclusive of any COLAs to which the member may be entitled.

Accrued Benefit (for Members Hired After January 31, 2011): 3% x Average Final Compensation x Credited Service, plus a Supplemental Benefit (commonly referred to as a "health subsidy") is payable as follows:

(a) $100 per month

(b) $10 x Credited Service Over 10 Years (Maximum $100) per month

(c) Where (a) plus (b) is not more than $200 per month

No COLA is payable for members hired after January 31, 2011.

In no event will the annual benefit exceed $95,000.

Late Retirement Benefit: The higher of the benefit determined using the Average Final Compensation and Credited Service at the actual date of retirement from employment, or the benefit that would have been paid had the Member retired at the Normal Retirement Date increased actuarially from the Normal Retirement Date to the actual date of retirement.

Early Retirement Date: The first day of the month coincident with or next following the date the Member earns ten years of Credited Service and attains age 45.

Early Retirement Benefit: The Accrued Benefit reduced by 3% for each year the Member is younger than the Normal Retirement Date.

Disability Benefits: Members are eligible for service-connected Disability Benefits immediately upon hire. The monthly service-connected Disability Benefit is the greater of (i) the Accrued Benefit and (ii) 51% of average monthly compensation for the most recent 12 months of full-time employment. Members are eligible for a non-service-connected Disability Benefit after earning at least ten years of Credited Service. The monthly non-service-connected disability benefit is the greater of (i) the Accrued Benefit and (ii) 25% of average monthly compensation for the most recent 12 months of full-time employment. Disability Benefits are offset by disability income received from workers' compensation only to the extent by which the total of the workers' compensation benefit plus the Disability Benefit payable exceeds the employee's average monthly compensation at disability. However, any offset for workers' compensation will not result in less than 42% of average monthly compensation, in the event of service-connected disability, or in less than 25% of average monthly compensation, in the event of non-service-connected disability.

Pre-Retirement Survivor Benefits: Vested Members who die prior to the commencement of benefits shall have a survivor benefit payable on their behalf. The amount of the monthly income payable is the (i) Accrued Benefit at the date of death payable at the Normal Retirement Date, or (2) the actuarial equivalent of this Accrued Benefit payable on the first day of the month following death, as elected by the designated beneficiary.

Optional Forms of Benefit: Pension benefits described above are payable in the form of a 10 year certain and continuous annuity. Members may optionally choose an actuarially equivalent single life annuity, or joint and survivor annuity (with 50%, 66 2/3, 75%, or 100% continuance). Actuarial equivalence for healthy lives is determined based the RP-2000 mortality table projected using Scale AA to 2010 (50% male blend) and an 8.0% annual interest assumption. The RP-2000 mortality table for disabled retirees projected using Scale AA to 2010 (50% male blend) is used for disabled lives.

Deferred Retirement Option Plan (DROP): Members hired on or before January 31, 2011 are eligible to enter the DROP upon earning 25 years of Credited Service. The Accrued Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates with interest at the fund's assumed rate of investment return in the DROP account (credited quarterly) and is payable as a single-lump sum within 60 days following DROP exit. The maximum DROP participation duration is 60 months. DROP participants are not eligible for pre-retirement death or disability benefits. No DROP is available to members hired after January 31, 2011.

Description of Assumptions and Methods

Assumed Rate of Investment Return: 7.65% per year net of investment expenses (7.75% in the prior valuation)

Inflation: 2.0% per year

Salary Increase – Total Payroll: 3.5% per year

The payroll growth assumption used to amortize unfunded accrued liability as a level percent of payroll is 1.0%.

Salary Increase – Individual: 7.5% per year

Members hired after January 31, 2011 are assumed to have no payout for accrued hours includable in their pension.

For Members hired on or before January 31, 2011 the final year of Salary is increased to account for the number of accrued hours available at March 1, 2011 plus half of the number of accrued hours between March 1, 2011 and March 1, 2012, assuming members typically work 2,184 hours in a year.

Mortality: In the current valuation mortality is based on the RP-2000 Combined Mortality Table projected to the valuation year using Scale AA.

Retirement: Unisex rates, as follows:

Members Hired Before January 31, 2011:

	Service		
Age	<10	10-24	25+
<=44	0.0%	0.0%	0.0%
45-51	0.0%	0.0%	100.0%
52+	0.0%	100.0%	100.0%

Members Hired After January 31, 2011: 100% at Age 48 and 10 Years of Service

Termination: In the current valuation the following unisex rates are assumed:

Service	Rate
0-2	23.0%
3-9	8.0%
10	30.0%
11-12	5.0%
13-14	4.0%
15-16	3.0%
17-18	2.0%
19	1.0%
20+	0.0%

Disability: Unisex rates, as follows:

Age	Rate	Age	Rate	Age	Rate	Age	Rate
15	0.050%	29	0.106%	43	0.186%	57	0.704%
16	0.054%	30	0.110%	44	0.193%	58	0.746%
17	0.058%	31	0.114%	45	0.200%	59	0.788%
18	0.062%	32	0.118%	46	0.242%	60	0.830%
19	0.066%	33	0.122%	47	0.284%	61	0.872%
20	0.070%	34	0.126%	48	0.326%	62	0.914%
21	0.074%	35	0.130%	49	0.368%	63	0.956%
22	0.078%	36	0.137%	50	0.410%	64	0.998%
23	0.082%	37	0.144%	51	0.452%	65	1.040%
24	0.086%	38	0.151%	52	0.494%	66	1.082%
25	0.090%	39	0.158%	53	0.536%	67	1.124%
26	0.094%	40	0.165%	54	0.578%	68	1.166%
27	0.098%	41	0.172%	55	0.620%	69	1.208%
28	0.102%	42	0.179%	56	0.662%	70+	1.250%

100% of disabilities are assumed to be service connected.

Plan Expenses: The prior year administrative expense is added to the normal cost.

Marital Assumption: Husbands are assumed to be three years older than wives.

Funding Method: Entry Age (level percent of salary)

Glossary of Actuarial Terms

Present Value of Benefits (PVB): The present value, as of the valuation date, of all benefits that will become payable by the Plan for the current group of members in the census.

Normal Cost (NC): The value of the portion of the total benefit for active members which accrues in the year following the valuation date. Under the Entry Age Normal (Level Percent of Salary) funding method, the NC is a constant fraction of salary from the member's date of entry into the Plan to the member's assumed date of termination, retirement, disability or death.

Accrued Liability (AL): This is the portion of the PVB attributable to the past at the valuation date. For active members, AL is the annual NC accumulated from date of entry to the valuation date for each member. For retired and terminated members, the PVB and the AL are equal. The AL is the estimated liability owed by the pension fund at the valuation date.

Unfunded Accrued Liability (UAL): Any excess of the Accrued Liability over the fund assets. A negative UAL indicates fund assets are greater than the Accrued Liability, otherwise known as a surplus.

Actuarial Value of Assets: The market value of assets is adjusted to recognize gains and losses over a five-year period. The Actuarial Value of Assets shall not be more than 120% or less than 80% of the market value of assets.

SUMMARY OF RELEVANT FACTS
Port Orange Municipal Police Officers' Retirement Plan
As of December 31, 2015

Distribution of Assets		
Equity		
-Lg. Cap. Value	$3,171,645.29	
-Lg. Cap. Growth	$3,238,012.87	
-Large Cap. Core	$3,003,887.48	
-Small Cap. Value	$1,740,330.86	
-Small Cap. Growth	$1,766,151.16	
-International Value	$1,385,617.63	
-International Growth	$1,424,312.50	
Total Equity		$15,729,957.79
Fixed		$7,722,857.44
Hedge Fund of Funds		$2,590,254.00
Private Real Estate		$2,101,097.42
Cash (Deposit/Disbursement Account)		$163,610.19
Total Portfolio		$28,307,776.84

Distribution by Percentages	Policy	Current
Equity Breakdown		
- Large Cap. Value	11.25%	11.20%
- Large Cap. Growth	11.25%	11.44%
- Large Cap. Core	10.00%	10.61%
- Small Cap Value	6.25%	6.15%
- Small Cap Growth	6.25%	6.24%
- International Value	5.00%	4.89%
- International Growth	5.00%	5.03%
Total Equity	55.00%	55.57%
Fixed Income	27.50%	27.28%
Hedge Fund of Funds	10.00%	9.15%
Private Real Estate	7.50%	7.42%
Cash (Deposit/Disbursement)	0.00%	0.58%
Total	100.00%	100.00%

UBS		
Total Assets	100.00%	$2,101,097.42
Equity	100.00%	$2,101,097.42
Cash	0.00%	$0.00
Fees		($8,996.01)
Gain or (Loss) - Gross-of-Fees		$61,519.31
Gain or (Loss) - Net-of-Fees		$52,523.30

DEPOSIT & DISBURSEMENT		
Total Assets	100.00%	$163,610.19
Equity	0.00%	$0.00
Cash	100.00%	$163,610.19
Fees		$0.00
Gain or (Loss) - Gross-of-Fees		$21.25
Gain or (Loss) - Net-of-Fees		$21.25

Other Important Facts:

Total Portfolio	$28,307,776.84
Total Gain or (Loss) - Gross-of-Fees	$768,092.40
Total Gain or (Loss) - Net-of-Fees	$756,737.91
Total Fees	($62,222.16)

BLACKROCK EQ. DIV.		
Total Assets	100.00%	$3,171,645.29
Equity	97.75%	$3,100,306.16
Cash	2.25%	$71,339.13
Fees		($6,760.67)
Gain or (Loss) - Gross-of-Fees		$223,669.79
Gain or (Loss) - Net-of-Fees		$216,909.12

JENNISON		
Total Assets	100.00%	$1,673,247.83
Equity	98.45%	$1,647,282.44
Cash	1.55%	$25,965.39
Fees		($3,457.90)
Gain or (Loss) - Gross-of-Fees		$133,676.06
Gain or (Loss) - Net-of-Fees		$130,218.16

WEDGEWOOD		
Total Assets	100.00%	$1,564,765.04
Equity	90.96%	$1,423,319.18
Cash	9.04%	$141,445.86
Fees		($3,354.84)
Gain or (Loss) - Gross-of-Fees		$36,779.90
Gain or (Loss) - Net-of-Fees		$33,425.06

CONNORS		
Total Assets	100.00%	$3,003,887.48
Equity	95.32%	$2,863,435.38
Cash	4.68%	$140,452.10
Fees		($6,183.00)
Gain or (Loss) - Gross-of-Fees		$146,818.34
Gain or (Loss) - Net-of-Fees		$140,635.34

GW CAPITAL		
Total Assets	100.00%	$1,740,330.86
Equity	95.88%	$1,668,551.54
Cash	4.12%	$71,779.32
Fees		($3,889.41)
Gain or (Loss) - Gross-of-Fees		$34,537.97
Gain or (Loss) - Net-of-Fees		$30,648.56

MADISON		
Total Assets	100.00%	$7,722,857.44
Fixed	98.22%	$7,585,348.50
Cash	1.78%	$137,508.94
Fees		($15,609.77)
Gain or (Loss) - Gross-of-Fees		($30,440.78)
Gain or (Loss) - Net-of-Fees		($46,050.55)

RBC		
Total Assets	100.00%	$1,766,151.16
Equity	95.20%	$1,681,399.67
Cash	4.80%	$84,751.49
Fees		($4,114.08)
Gain or (Loss) - Gross-of-Fees		$82,049.74
Gain or (Loss) - Net-of-Fees		$77,935.66

LAZARD		
Total Assets	100.00%	$1,385,617.63
Equity	97.29%	$1,348,028.01
Cash	2.71%	$37,589.62
Fees		($3,135.51)
Gain or (Loss) - Gross-of-Fees		$50,984.33
Gain or (Loss) - Net-of-Fees		$47,848.82

RENAISSANCE		
Total Assets	100.00%	$1,424,312.50
Equity	96.89%	$1,379,970.98
Cash	3.11%	$44,341.52
Fees		($2,954.30)
Gain or (Loss) - Gross-of-Fees		$75,577.49
Gain or (Loss) - Net-of-Fees		$72,623.19

PINE GROVE		
Total Assets	100.00%	$1,305,184.00
Equity	100.00%	$1,305,184.00
Cash	0.00%	$0.00
Fees		($1,889.27)
Gain or (Loss) - Gross-of-Fees		($20,775.00)
Gain or (Loss) - Net-of-Fees		($22,664.27)

PRIVATE ADVISORS		
Total Assets	100.00%	$1,285,070.00
Equity	100.00%	$1,285,070.00
Cash	0.00%	$0.00
Fees		($1,877.40)
Gain or (Loss) - Gross-of-Fees		($26,326.00)
Gain or (Loss) - Net-of-Fees		($28,203.40)

BREAKDOWN OF RETURNS
Port Orange Municipal Police Officers' Retirement Plan
As of December 31, 2015

ACTUARIAL ASSUMPTION = 7.75%

EQUITY					
BlackRock Equity Dividend Large Cap. Value	**Your Returns (Gross-of-Fees)**	**Your Returns (Net-of-Fees)**	**Russ 1000 Value**	**PSN Money Mgrs**	**S&P 500**
Quarter	7.42	7.19	5.64	5.32	7.05
1 year	0.07	(0.82)	(3.84)	(2.71)	1.41
3 year	11.66	10.66	13.09	13.20	15.14
Since 8/31/2012	11.47	10.49	13.27	NA	14.27
BlackRock/Lord Abbett 5 year	8.49	7.50	11.27	11.27	12.58
BlackRock/Lord Abbett Since 2/29/00	6.87	5.85	6.74	NA	4.57
BlackRock/LA/Opp -Since 10/31/1995	8.09	7.08	8.85	NA	8.45
Jennison Large Cap. Growth			**Russ 1000 Growth**	**PSN Money Mgrs**	
Quarter	8.75	8.51	7.32	6.50	
1 year	12.14	11.11	5.68	3.67	
3 year	20.29	19.19	16.84	15.95	
Since 11/30/2012	19.57	18.51	16.34	NA	
Jennison/Sands 5 year	17.35	16.27	13.54	12.63	
Jennison/Sands Since 1/31/2005	11.78	10.72	8.64	NA	
Jennison/Sands/TCW/All/Sir -Since 10/31/1995	8.97	7.96	7.80	NA	
Wedgewood Large Cap. Growth			**Russ 1000 Growth**	**PSN Money Mgrs**	
Quarter	2.56	2.34	7.32	6.50	
1 year	(5.30)	(6.14)	5.68	3.67	
3 year	10.94	9.95	16.84	15.95	
Since 11/30/2012	10.79	9.83	16.34	NA	
Wedgewood/Neuberger Berman 5 year	8.18	7.20	13.54	15.95	
Wedgewood/Neuberger Since 2/28/2010	9.66	8.70	14.70	NA	
Connors Large Cap. Core			**S&P 500**	**60 S&P 500 / 40% S&P CBOE BW**	**S&P CBOE Buy Write**
Quarter	5.13	4.91	7.05	5.84	4.00
1 year	1.41	0.25	1.41	2.97	5.24
Since 9/30/2013	9.65	8.82	11.37	10.09	8.08
GW Capital Small Cap. Value			**Russ 2000 Value**	**PSN Money Mgrs**	
Quarter	2.17	1.92	2.88	2.77	
1 year	(9.81)	(10.68)	(7.47)	(3.36)	
3 year	5.73	4.70	9.06	12.29	
5 year	6.44	5.41	7.67	10.71	
Since 4/30/2006	6.83	5.83	4.36	NA	
GW/Babson - Since 7/31/2005	7.66	6.65	5.16	NA	
RBC Small Cap. Growth			**Russ 2000 Growth**	**PSN Money Mgrs**	
Quarter	4.81	4.56	4.32	3.13	
1 year	1.58	0.59	(1.39)	(1.06)	
3 year	13.48	12.36	14.27	14.13	
5 year	13.14	12.03	10.67	11.11	
Since 11/30/2006	9.20	8.16	7.27	NA	
RBC/Greenv/ING/NicAp - Since 1/31/1996	7.49	6.44	6.38	NA	

Lazard International Value			**MSCI EAFE - Net**	**MSCI EAFE Value- Net**	
Quarter	3.84	3.61	4.71	2.68	
1 year	5.57	4.61	(0.81)	(5.69)	
3 year	7.03	6.03	5.02	3.14	
5 year	7.45	6.44	3.61	2.55	
Since 9/30/2000	5.00	3.99	3.29	3.70	
Renaissance International Growth			**MSCI AC Wrld ex US Net**	**MSCI EAFE Growth - Net**	
Quarter	6.11	5.87	3.24	6.67	
1 year	(1.31)	(2.22)	(5.67)	4.08	
3 year	7.45	6.45	1.49	6.82	
5 year	4.63	3.64	1.06	4.60	
Since 1/31/2009	10.85	9.86	9.03	10.45	
FIXED INCOME Madison Investment Adv.			**BC Int. G/C Bonds**	**BC G/C Bonds**	**90-Day T-Bills**
Quarter	(0.39)	(0.58)	(0.69)	(0.74)	0.01
1 year	1.07	0.29	1.07	0.15	0.03
3 year	0.87	0.09	1.10	1.20	0.04
5 year	1.79	0.93	2.58	3.39	0.05
Since 10/31/1995	4.75	3.80	5.00	5.43	2.41
ALTERNATIVE INVESTMENTS PINE GROVE			**HFRI FOF Conservative**	**BC Aggregate**	
Quarter	(1.57)	(1.71)	0.14	(0.57)	
1 Year	(3.98)	(4.52)	0.51	0.55	
Since 2/28/2014	(1.82)	(2.30)	1.11	2.39	
ALTERNATIVE INVESTMENTS PRIVATE ADVISORS			**HFRI FOF Conservative**	**BC Aggregate**	
Quarter	(2.01)	(2.15)	0.14	(0.57)	
1 Year	(4.40)	(4.79)	0.51	0.55	
Since 2/28/2014	(2.54)	(2.89)	1.11	2.39	
PRIVATE REAL ESTATE UBS			**NCREIF**	**ODCE**	**BC Aggregate**
Quarter	3.01	2.56	2.91	3.34	(0.57)
1 year	12.93	11.01	13.34	15.01	0.55
3 year	11.66	9.76	12.05	13.81	1.44
Since 7/31/2012	11.61	9.79	12.07	13.35	1.39
TOTAL RETURN Time-Weighted Return (TWR)			**Policy Index***	**Composite Index**	
Quarter	2.75	2.52	3.10	3.07	
1 year	1.03	0.11	1.00	1.04	
3 year	7.67	6.71	8.56	8.66	
5 year	6.92	5.95	7.70	7.81	
Since 10/31/1995	6.94	5.95	7.09	7.30	
TOTAL RETURN Dollar-Weighted Net (IRR)			**Actuarial Rate**	**CPI +4**	
Quarter		2.50	1.85	1.33	
1 year		0.19	7.625	4.92	
3 year		6.64	7.625	5.04	
5 year		6.02	7.625	5.60	
Since 10/31/1995		6.04	7.625	6.24	

Policy Index

For periods since 2/28/2014: 11.25% Russ 1000 Value / 11.25% Russ 1000 Growth / 10% S&P 500 / 6.25% Russ 2000 Value/ 6.25% Russ 2000 Growth / 5% MSCI EAFE (Net) / 5% MSCI AC World ex US (Net) / 27.50% BC Int. Gov/Credit / 7.50% Russell NCREIF / 10.0% HFRI FOF CON

For periods since 8/30/2013: 13.75% Russ 1000 Value / 13.75% Russ 1000 Growth / 10% S&P 500 / 6.25% Russ 2000 Value/ 6.25% Russ 2000 Growth / 5% MSCI EAFE (Net) / 5% MSCI AC World ex US (Net) / 32.50% BC Int. Gov/Credit / 7.50% Russell NCREIF

For periods 1/31/2009 to 8/30/2013: 18.75% Russ 1000 Value / 18.75% Russ 1000 Growth / 6.25% Russ 2000 Value/ 6.25% Russ 2000 Growth / 5% MSCI EAFE (Net) / 5% MSCI AC World ex US (Net) / 40% BC Int. Gov/Credit

For periods 7/31/2005 to 1/31/2009: 18.75% Russ 1000 Value / 18.75% Russ 1000 Growth / 6.25% Russ 2000 Value / 6.25% Russ 2000 Growth / 10% MSCI EAFE(Net) / 40% BC Int. Gov/Credit

For periods 9/30/2000 to 7/31/2005: 20% Russ 1000 Value/ 17.5% Russ 1000 Growth/6.25% Russ 2000 Value/ 6.25% Russ 2000 Growth/ 10% MSCI EAFE(Net)/ 40% BC Int. Gov/Credit

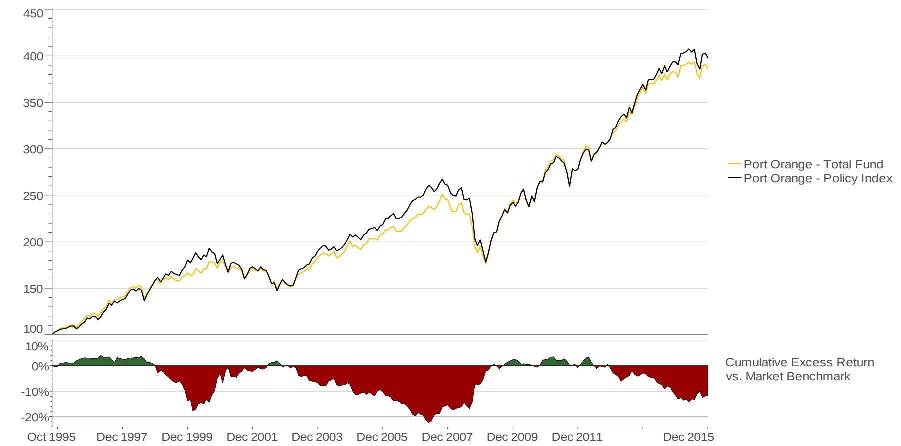
For periods prior to 9/30/2000: 20% Russ 1000 Value/ 17.5% Russ 1000 Growth/ 12.5 % Russ 2500 Growth/ 50% BC Int. Gov/Credit

Risk/ Return Analysis- Since Inception

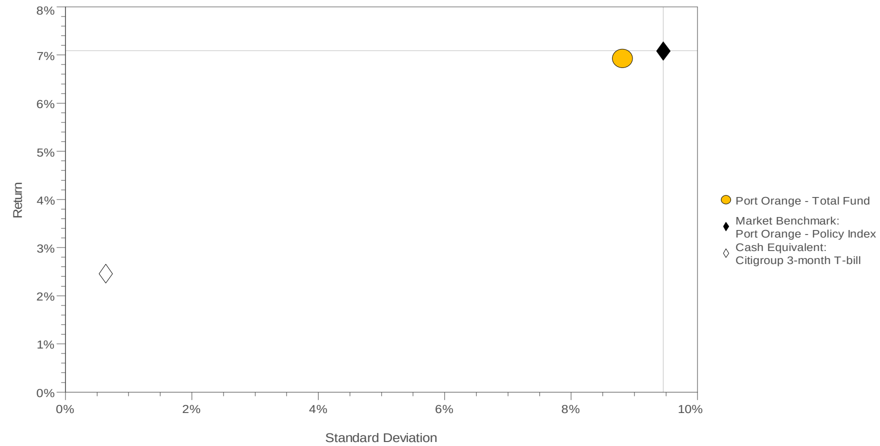
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
November 1995 - December 2015 (Single Computation)



Risk / Return
November 1995 - December 2015 (Single Computation)



Return & Risk Analysis

November 1995 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange - Total Fund	6.93%	-0.16%	8.81%	0.91	-29.89%	91.96%	90.63%	0.49%	0.51	94.42%
Port Orange - Policy Index	7.09%	0.00%	9.46%	1.00	-33.36%	100.00%	100.00%	0.00%	0.49	100.00%

COMPLIANCE CHECKLIST

Port Orange Municipal Police Officers' Retirement Plan — ***As of December 31, 2015***

GUIDELINES

Equity Portfolio	In Compliance
Listed on recognized exchange	Yes
Single issue not to exceed 12% at market value for each equity in each separately managed portfolio	Yes
Total equity portfolio < 57.5% & > 52.5% of total fund at market	Yes
Single issue not to exceed 5% at market value for the total portfolio	Yes
Foreign equities < 25% of total portfolio at market	Yes
No scrutinized companies (Sudan/Iran) held per Protecting Florida's Investments Act requirement	Yes

BlackRock Equity Dividend
Large Capitalization Value Equity Portfolio

	3 years	Since Inception
Market Value < 13.75% & > 8.75% of total fund	Yes	
Performance (Inception 8/31/2012)	3 years	Since Inception
Rank in the Top 50% of manager universe	No	No
Return > Russell 1000 Value	No	No

Jennison
Large Capitalization Growth Equity Portfolio

	3 years	Since Inception
Market Value < 6.875% & > 4.375% of total fund	Yes	
Performance (Inception 11/30/2012)	3 years	Since Inception
Rank in the Top 50% of manager universe	Yes	Yes
Return > Russell 1000 Growth	Yes	Yes

Wedgewood
Large Capitalization Growth Equity Portfolio

	3 years	Since Inception
Market Value < 6.875% & > 4.375% of total fund	Yes	
Performance (Inception 11/30/2012)	3 years	Since Inception
Rank in the Top 50% of manager universe	No	No
Return > Russell 1000 Growth	No	No

Connors
Large Capitalization Core Equity Portfolio

	3 years	Since Inception
Market Value < 12.5 % & > 7.5 %of total fund	Yes	
Performance (Inception 9/30/2013)	3 years	Since Inception
Return > S&P 500	N/A	No
Return > 60% S&P / 40% S&P CBOE Buy Write	N/A	No
Return > S&P CBOE Buy Write	N/A	Yes

GW Capital
Small Capitalization Value Equity Portfolio

	3 years	Since Inception
Market Value < 7.5 % & > 5.0% of total fund	Yes	
Performance (Inception 4/30/2006)	3 years	Since Inception
Rank in the Top 50% of manager universe	No	Yes
Return > Russell 2000 Value	No	Yes

RBC
Small Capitalization Growth Equity Portfolio

	3 years	Since Inception
Market Value < 7.5% & > 5.0% of total fund	Yes	
Performance (Inception 11/30/2006)	3 years	Since Inception
Rank in the Top 50% of manager universe	No	Yes
Return > Russell 2000 Growth	No	Yes

OBJECTIVES

Total Portfolio

	3 years	Since Inception
Exceed Target Index	No	No
Exceed actuarial assumption (7.625%)*	No	No
Exceed CPI + 4%*	Yes	No

*Performance compared to dollar-weighted net returns

Lazard Asset Management
International Value Equity Portfolio

	3 years	Since Inception
Market Value < 7.50% & > 2.5% of total fund	Yes	
Performance (Inception 9/30/2000)	3 years	Since Inception
Return > MSCI EAFE (Net)	Yes	Yes

Renaissance
International Growth Equity Portfolio

	3 years	Since Inception
Market Value < 7.50% & > 2.5% of total fund	Yes	
Performance (Inception 1/31/2009)	3 years	Since Inception
Return > MSCI AC Wrld ex US	Yes	Yes

Madison Investment Advisors
Fixed Income Portfolio

	3 years	Since Inception
Market Value < 30.0% & > 25.0% of total fund	Yes	
Performance (Inception 10/31/1995)	3 years	Since Inception
Return > Barclays Cap Interm. Gov't/Credit	No	No
U.S. Government / Agency or U.S. Corporations	Yes	
Bonds rated "A" or better	Yes	
Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)	Yes	

Pine Grove
Hedge Fund of Funds

	3 years	Since Inception
Market Value < 6.25% & > 0% of total fund	Yes	
Performance (Inception 2/28/2014)	3 years	Since Inception
Performance > HFRI FOF Conservative	N/A	No
Performance > BC Aggregate	N/A	No

Private Advisors
Hedge Fund of Funds

	3 years	Since Inception
Market Value < 6.25% & > 0% of total fund	Yes	
Performance (Inception 2/28/2014)	3 years	Since Inception
Performance > HFRI FOF Conservative	N/A	No
Performance > BC Aggregate	N/A	No

UBS
Private Real Estate

	3 year	Since Inception
Market Value < 10.0% & > 0.0% of total fund	Yes	
Performance (Inception 7/1/2012)	3 year	Since Inception
Performance > NCREIF Ppty Index	N/A	No
Performance > NCREIF ODCE	N/A	No
Performance > BC Aggregate	N/A	Yes

Consulting & Management Fee Billing Summary
Port Orange Municipal Police Officers' Retirement Plan
As of December 31, 2015

BlackRock Eq. Div. **745-106958**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$3,000,460.83	7/1/2015	9/30/2015	$4,189.32	0.55%	$2,571.35	0.34%	$6,760.67	0.89%

Jennison **745-106957**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,527,504.55	7/1/2015	9/30/2015	$2,148.85	0.56%	$1,309.05	0.34%	$3,457.90	0.90%

Wedgewood **745-125734**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,492,457.15	7/1/2015	9/30/2015	$2,075.82	0.55%	$1,279.02	0.34%	$3,354.84	0.89%

Connors **745-040114**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$2,861,186.38	7/1/2015	9/30/2015	$4,037.94	0.56%	$2,145.06	0.30%	$6,183.00	0.86%

GW Capital **745-125129**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,586,816.43	7/1/2015	9/30/2015	$2,209.56	0.55%	$1,679.85	0.42%	$3,889.41	0.97%

RBC **745-107017**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,672,943.74	7/1/2015	9/30/2015	$2,343.05	0.56%	$1,771.03	0.42%	$4,114.08	0.98%

Lazard	745-108866								
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,330,741.57	7/1/2015	9/30/2015	$1,860.91	0.55%	$1,274.60	0.38%	$3,135.51	0.93%

Renaissance	745-125551								
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$1,251,106.93	7/1/2015	9/30/2015	$1,755.98	0.56%	$1,198.32	0.38%	$2,954.30	0.94%

Madison	745-106956								
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$7,918,907.98	7/1/2015	9/30/2015	$11,018.97	0.55%	$4,590.80	0.23%	$15,609.77	0.78%

Total Traditional Managers									
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/14/2015	$22,642,125.56	7/1/2015	9/30/2015	$31,640.40	0.55%	$17,819.08	0.31%	$49,459.48	0.87%

*Pine Grove	745-040544				
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee
10/14/2015	$1,338,691.53	7/1/2015	9/30/2015	$1,889.27	0.56%

*Private Advisors	745-041738				
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee
10/12/2015	$1,330,279.00	7/1/2015	9/30/2015	$1,877.40	0.56%

***Performance is net of manager fees. Pine Grove fee is 1%, and Private Advisors fee is 1.25%**

UBS	745-038519								
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/23/2015	$2,045,688.38	7/1/2015	9/30/2015	$2,885.76	0.56%	$6,110.25	1.19%	$8,996.01	1.74%

Total Managers									
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
10/23/2015	$2,045,688.38	7/1/2015	9/30/2015	$2,885.76	0.56%	$6,110.25	1.19%	$8,996.01	1.74%
10/14/2015	$23,980,817.09	7/1/2015	9/30/2015	$33,529.67	0.55%	$17,819.08	0.30%	$51,348.75	0.85%
10/12/2015	$1,330,279.00	7/1/2015	9/30/2015	$1,877.40	0.56%	$0.00	0.00%	$1,877.40	0.56%

Graystone Consulting

QUARTERLY PERFORMANCE EVALUATION

Prepared for:

Port Orange Municipal Police Officers' Retirement Plan

As of December 31, 2015

Graystone Consulting Tampa

Charles H. Mulfinger, II, CIMA®
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Table of Contents

- Capital Markets Overview Tab 1
- Performance Reports Tab 2
    - Total Fund Reports
    - BlackRock Account Reports
    - Jennison Account Reports
    - Wedgewood Account Reports
    - Connors Account Reports
    - GW Account Reports
    - RBC Account Reports
    - Lazard Account Reports
    - Renaissance Account Reports
    - Madison Account Reports
    - Pine Grove Account Reports
    - Private Advisors Account Reports
    - UBS Account Reports

Capital Markets Overview: 4Q 2015

Introduction

As of 4Q 2015

- Risk assets generated positive returns during the fourth quarter of 2015, despite disappointing performance among broad asset classes over the year in its entirety. Currency volatility, oil turbulence, emerging market woes, and the much-anticipated Fed rate hike in December dominated headlines throughout the quarter. For the quarter, US and Japanese equities registered the best returns, while Diversified Commodities and Master Limited Partnerships (MLPs) posted the weakest performance among major asset classes. For the one-year period ended December 31, 2015, Japanese equities were the strongest asset class, while Diversified Commodities, MLPs and Emerging Market equities trailed the field.

- The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.

- All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top-performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.

- Morgan Stanley & Co. economists expect U.S. real GDP will be 2.4% in 2015, 1.9% in 2016 and 1.8% in 2017. They forecast global GDP growth to be 3.1% in 2015, 3.3% in 2016 and 3.7% in 2017.

- Commodities registered negative returns in the fourth quarter; the Bloomberg Commodity Index fell 10.5%. For the quarter, gold was down 5.0%.

- For the fourth quarter of 2015, global mergers and acquisitions (M&A) deal volume was $1.4 trillion, compared to $881 billion for the fourth quarter of 2014. Global M&A activity increased to $4.3 trillion in 2015 from $3.3 trillion in 2014.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 4Q 2015

The US Economy

As of 4Q 2015

The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 2.0% in the third quarter of 2015, in comparison to a 3.9% increase in the second quarter of 2015. Morgan Stanley & Co. economists forecast U.S. Real GDP will be 2.4% in 2015, 1.9% in 2016 and 1.8% in 2017 .

The seasonally adjusted unemployment rate for November 2015 was unchanged at 5.0%. Job gains occurred in construction, professional and technical services, and health care. Mining and information lost jobs. The number of unemployed persons (7.9 million) was essentially unchanged in November 2015. The number of long-term unemployed was also little changed at 2.1 million, and has shown little movement since June. In November, these individuals accounted for 25.7 percent of the unemployed.

According to the most recent estimate from the Bureau of Economic Analysis, corporate profits decreased 1.6% between the second quarter of 2015 and the third quarter of 2015, and fell 5.1% between the third quarter of 2014 and the third quarter of 2015.

Inflation remained low in the U.S. According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index increased 0.2% in October and was flat in November. Morgan Stanley & Co. economists forecast a 0.5% inflation rate for 2015, 1.9% for 2016 and 2.4% for 2017.

The Census Bureau reported that private-sector housing starts in November 2015 were at a seasonally adjusted annual rate of 1,173,000—16% above November 2014 housing starts. The rise in housing starts over the past several years indicates that despite some intermittent setbacks, the housing market is rebounding.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased 0.2% between October 2015 and November 2015, and increased 1.4% between November 2014 and November 2015.

In December, the Institute for Supply Management's Purchasing Managers' Index (PMI), a manufacturing sector index, contracted as the PMI registered 48.2 percent, a decrease of 0.4 percentage point from the November reading of 48.6 percent. This indicates a contraction in manufacturing for the second consecutive month, and is the lowest reading since June 2009 when the PMI registered 45.8 percent. Overall, PMI has been above 43 for 81 consecutive months. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding.

The NMI increased 2.2 points to 59.1 between September 2015 and October 2015, and fell 3.2 points to 55.9 between October 2015 and November 2015. The index has now been above 50 for 69 consecutive months.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 4Q 2015

US Equity Markets

As of 4Q 2015

The Dow Jones Industrial Average increased 7.7% in the fourth quarter. The NASDAQ Composite Index was up 8.8% for the quarter. The S&P 500 Index increased 7.0% for the quarter.

All sectors within the S&P 500 generated positive returns in the fourth quarter of 2015. The top performing sector was Materials, which was up 9.7%. Health Care and Technology both rose 9.2% and were also among the top-performing sectors. The biggest laggards were Energy, which had a modest increase of 0.2%, and Utilities, which rose 1.1%.

Growth-style stocks of large-cap companies increased during the fourth quarter. The large-cap Russell 1000 Growth Index rose 7.3%. The Russell 1000 Index, a large-cap index, increased 6.5% for the quarter.

The Russell 1000 Value Index, also a large-cap index, increased 5.6% for the quarter. The Russell Midcap Growth Index rose 4.1% for the quarter. The Russell Midcap Index also increased 3.6% for the quarter. The Russell Midcap Value Index increased 3.1% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 4.3% for the quarter. The small-cap Russell 2000 Index rose 3.6% for the quarter. The Russell 2000 Value Index, also a small-cap index, increased 2.9% for the quarter.

Key US Stock Market Index Returns (%) for the Period Ending 12/31/2015

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized
S&P 500	7.0%	1.4%	12.6%	14.8%
Dow Jones	7.7%	0.2%	11.3%	13.3%
Russell 2000	3.6%	-4.4%	9.2%	14.0%
Russell Midcap	3.6%	-2.4%	11.4%	17.1%
Russell 1000	6.5%	0.9%	12.4%	15.1%

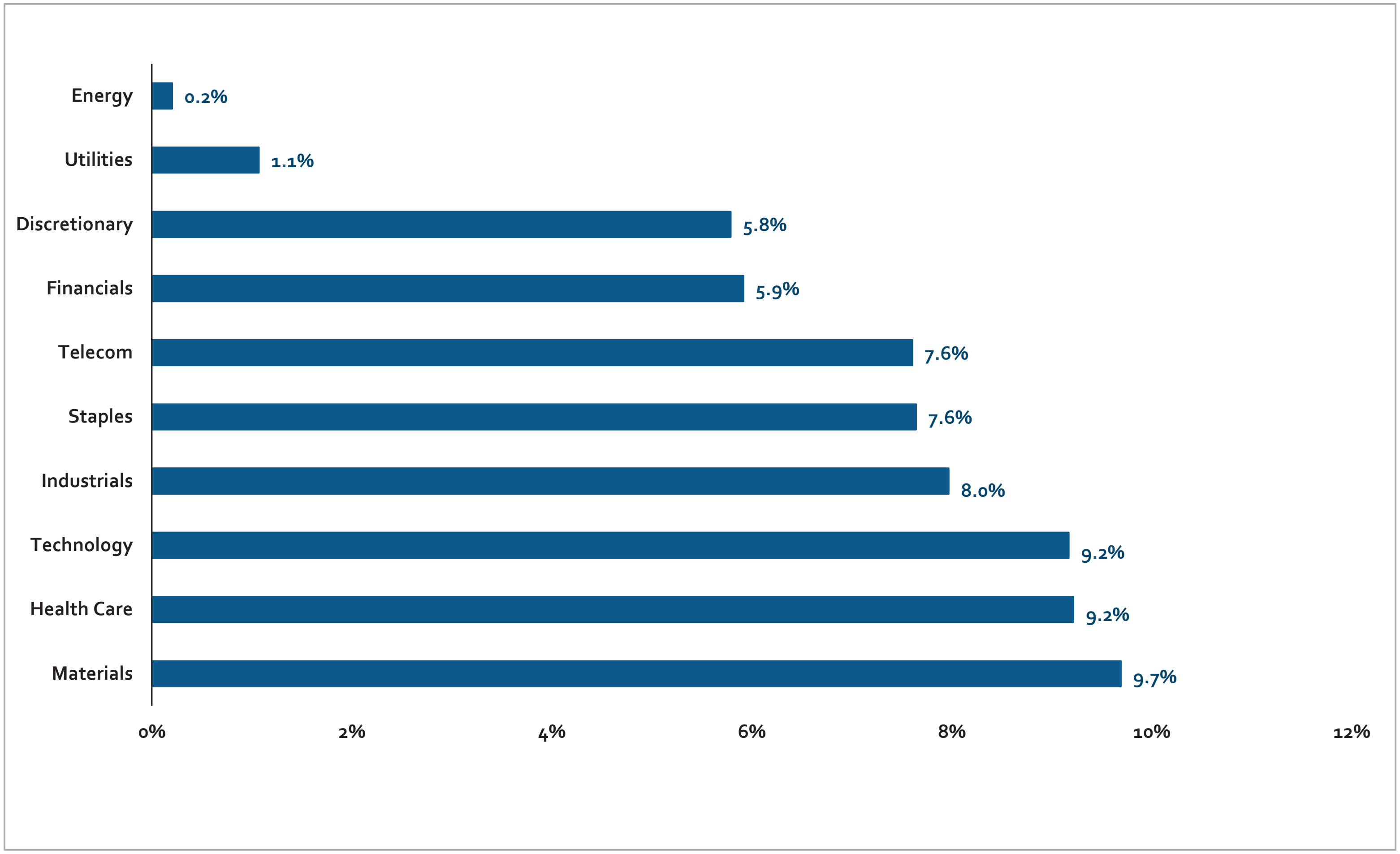
Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material. This slide sourced from Market Performance section.

S&P 500 Sectors

4Q 2015 Total Return

As of December 31, 2015



Source: Bloomberg

Capital Markets Overview: 4Q 2015

Global Equity Markets

As of 4Q 2015

In the fourth quarter, emerging markets (EM) and global equities generated positive returns. The MSCI EAFE Index (a benchmark for developed markets) increased 4.7% for U.S.-currency investors and 6.4% for local-currency investors, as the U.S. dollar strengthened in relation to the currencies of many nations in the index. In the third quarter of 2015, the MSCI EAFE Index fell 10.2% in U.S. dollar terms and decreased 8.9% in local currency terms.

For the fourth quarter, the MSCI Emerging Markets Index increased 0.7% for U.S.-currency investors and 1.6% for local-currency investors, as the U.S. dollar strengthened in relation to emerging-market currencies. In the previous quarter, the MSCI Emerging Markets Index decreased 17.8% for U.S.-dollar-based investors and also fell 12.0% for local-currency investors.

The MSCI Europe Index increased 2.5% for U.S.-currency investors and 5.2% for local-currency investors during the fourth quarter of 2015. In the previous quarter, the MSCI Europe Index decreased 8.7% for U.S.-dollar-based investors and fell 7.0% for local-currency investors.

The S&P 500 Index increased 7.0% for the quarter.

Emerging economy equity market indices were also up in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index rose 1.3% for the quarter in U.S. dollar terms and 2.0% in terms of local currencies. In comparison, for the fourth quarter, the MSCI EM Asia Index was up 3.5% in U.S. dollar terms and fell 2.9% in local terms.

Key Global Equity Market Index Returns (%) for the Period Ending 12/31/2015

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	4.7%	-0.4%	4.1%	8.3%
MSCI EAFE Growth	6.7%	4.5%	5.0%	9.3%
MSCI EAFE Value	2.7%	-5.2%	3.1%	7.3%
MSCI Europe	2.5%	-2.3%	4.5%	8.6%
MSCI Japan	9.4%	9.9%	4.6%	6.4%
S&P 500	7.0%	1.4%	12.6%	14.8%
MSCI Emerging Markets	0.7%	-14.6%	-4.5%	7.8%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 4Q 2015

The US Bond Market

As of 4Q 2015

The bond market struggled in the fourth quarter of 2015. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, fell 0.6% for the quarter. Interest rates increased during the fourth quarter, as the yield on the 10-Year U.S. Treasury note rose to a quarter-end 2.27% from 2.04% at the end of the third quarter of 2015.

Riskier parts of the bond market such as U.S. High Yield debt declined in the fourth quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, fell 2.1%.

Mortgage-backed securities were flat during the fourth quarter. The Barclays Capital Mortgage Backed Index fell 0.1% for the quarter. During the fourth quarter, the municipal bond market increased. As a result, the Barclays Capital Muni Index generated a 1.5% return for the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 12/31/2015

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Barclays Capital US Aggregate	-0.6%	0.5%	3.2%	4.1%
Barclays Capital High Yield	-2.1%	-4.5%	5.0%	12.8%
Barclays Capital Government/Credit	-0.8%	0.3%	3.4%	4.0%
Barclays Capital Government	-0.9%	0.8%	2.9%	2.4%
Barclays Capital Intermediate Govt/Credit	-0.7%	1.1%	2.6%	3.4%
Barclays Capital Long Govt/Credit	-0.9%	-3.3%	7.0%	6.7%
Barclays Capital Mortgage Backed Securities	-0.1%	1.5%	3.0%	3.7%
Barclays Capital Muni	1.5%	3.3%	5.3%	6.0%

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Asset Allocation Models & Insurance Products Disclosures

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS

The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

CLIENTS TO CONSIDER THEIR OWN INVESTMENT NEEDS

The GIC Asset Allocation Models are formulated based on general client characteristics such as investable assets and risk tolerance. This report is not intended to be a client-specific suitability analysis or recommendation, or offer to participate in any investment. Therefore, do not use this report as the sole basis for investment decisions.

Clients should consider all relevant information, including their existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. Such a suitability determination may lead to asset allocation(s) results that are materially different from the asset allocation shown in this report. Clients should talk to their Financial Advisor about what would be a suitable asset allocation for them.

HYPOTHETICAL MODEL PERFORMANCE (GROSS)

Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight.

Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated.

Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment a client selects.

Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

Fees reduce the performance of actual accounts None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

INSURANCE PRODUCTS AND ETF DISCLOSURES

Morgan Stanley Smith Barney LLC offers **insurance products** in conjunction with its licensed insurance agency affiliates.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices.

Variable annuities, mutual funds and ETFs are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, or the ETF, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments, or the ETF, are available from your Financial Advisor. Please read the prospectus carefully before you invest.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options.

Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract.

If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection.

Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

Asset Class Risk Considerations

For index definitions to the indices referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Investing in foreign markets entails risks not typically associated with domestic markets, such as currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, and the potential for political instability. These risks may be magnified in countries with **emerging markets and frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

Investing in small- to medium-sized companies entails special risks, such as limited product lines, markets and financial resources, and greater volatility than securities of larger, more established companies.

The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer.

High yield bonds (bonds rated below investment grade) may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk, price volatility, and limited liquidity in the secondary market. High yield bonds should comprise only a limited portion of a balanced portfolio.

Interest on **municipal bonds** is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

Treasury Inflation Protection Securities' (TIPS) coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to offer a low return. Because the return of TIPS is linked to inflation, TIPS may significantly underperform versus conventional U.S. Treasuries in times of low inflation.

Ultrashort-term fixed income asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. The risks of traditional alternative investments may include: can be highly illiquid, speculative and not suitable for all investors, loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than open-end mutual funds, and risks associated with the operations, personnel and processes of the manager. Non-traditional alternative strategy products may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. **Master Limited Partnerships (MLPs)** Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. **Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. **REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage.

Principal is returned on a monthly basis over the life of a **mortgage-backed security.** Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds.

Asset-backed securities generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Asset Class Risk Considerations (cont'd)

Floating-rate securities The initial interest rate on a floating-rate security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

Credit ratings are subject to change.

Companies paying **dividends** can reduce or cut payouts at any time.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time.

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

Rebalancing does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

Duration, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates.

Besides the general risk of holding securities that may decline in value**, closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance, and potential leverage. Some funds also invest in foreign securities, which may involve currency risk.

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The securities/instruments discussed in this material may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Morgan Stanley Wealth Management recommends that investors independently evaluate specific investments and strategies, and encourages investors to seek the advice of a financial advisor.

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This material should not be viewed as advice or recommendations with respect to asset allocation or any particular investment. This information is not intended to, and should not, form a primary basis for any investment decisions that you may make. Morgan Stanley Wealth Management is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended or under section 4975 of the Internal Revenue Code of 1986 as amended in providing this material.

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

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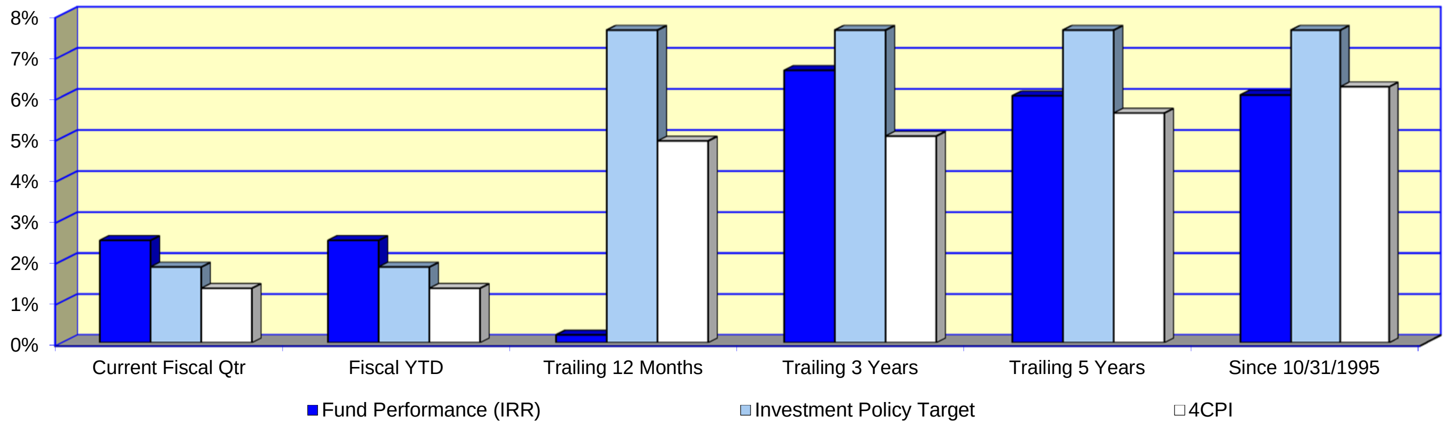
Morgan Stanley Wealth Management is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

Graystone Consulting℠

INVESTMENT POLICY MONITOR (DOLLAR WEIGHTED IRR)

CITY OF PORT ORANGE MUNICIPAL — AS OF 12/31/2015



Asset Class / Investment Manager	*Current Fiscal Qtr*	*Fiscal YTD*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 10/31/1995*
Fund Performance (IRR)	**2.50**	**2.50**	**0.19**	**6.64**	**6.02**	**6.04**
Investment Policy Objectives						
Investment Policy Target	1.85	1.85	7.62	7.62	7.62	7.62
4CPI	1.33	1.33	4.92	5.04	5.60	6.24

Investment Policy Objective

Primary investment emphasis must be placed upon the consistent protection of the funds and growth performance.

Dollar–Weighted Returns

(Internal Rate of Return)

The investment policy monitor is calculated on a dollar-weighted basis, accounting for deposits and cash flows upon receipt. The dollar-weighted or “internal rate of return - IRR” is the actual rate earned by the Fund. The dollar–weighted return is the appropriate measurement to evaluate the fund’s performance in relation to the statement of investment policy and guidelines.

Report Created: 2/11/2016

INVESTMENT PERFORMANCE SUMMARY (TIME WEIGHTED)

CITY OF PORT ORANGE MUNICIPAL — AS OF 12/31/2015

Investment Returns are Annualized and Time Weighted (%)	Current Fiscal Qtr	Fiscal YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 10/31/1995	Since Inc Period End	Account Number
TOTAL FUND	***+2.75***	***+2.75***	***+1.03***	***+7.67***	***+6.92***	***+6.94***	***10/31/1995***	
Composite	+3.07	+3.07	+1.04	+8.66	+7.81	+7.30		
Equity Investments								
BlackRock - Eq Div SMA	7.42	7.42	0.07	11.66	8.49	8.09	10/31/1995	745-106958
Russell 1000 Vl	5.64	5.64	-3.84	13.09	11.27	8.85		
Jennison Associates - LC Growth	8.75	8.75	12.14	20.29	17.35	8.97	10/31/1995	745-106957
Russell 1000 Gr	7.32	7.32	5.68	16.84	13.54	7.80		
Wedgewood Partners - Focus Growth	2.56	2.56	-5.30	10.94	8.18	9.66	02/28/2010	745-125734
Russell 1000 Gr	7.32	7.32	5.68	16.84	13.54	14.70		
Connors Invest - Covered Call Strategy	5.13	5.13	1.40	N/A	N/A	9.65	09/30/2013	745-040114
S&P 500	7.05	7.05	1.41			11.37		
GW Capital - Small Cap Value Equity	2.17	2.17	-9.81	5.73	6.44	7.66	07/31/2005	745-125129
Russell 2000 Vl	2.88	2.88	-7.47	9.06	7.67	5.16		
RBC Global Asset Mgmt - Small Growth Equity	4.81	4.81	1.58	13.48	13.14	7.49	01/31/1996	745-107017
Russell 2000 Gr	4.32	4.32	-1.40	14.27	10.67	6.38		
International Equity								
Lazard - International	3.84	3.84	5.57	7.03	7.45	5.00	09/30/2000	745-108866
MSCI EAFE Net	4.71	4.71	-0.81	5.02	3.61	3.29		
Renaissance - International	6.11	6.11	-1.31	7.45	4.63	10.85	01/31/2009	745-125551
MSCI AC Wld xUS Nt	3.24	3.24	-5.67	1.49	1.06	9.03		
Fixed Income Investments								
Madison - Intermediate Govt-Corp	-0.39	-0.39	1.07	0.87	1.79	4.75	10/31/1995	745-106956
BC Gov/Cr Intm	-0.69	-0.69	1.07	1.10	2.58	5.00		
Alternative Investments								
Pine Grove Instl Partners	-1.57	-1.57	-3.98	N/A	N/A	-1.82	02/28/2014	002-005699
HFRI FOF Conservative	0.14	0.14	0.51			1.11		
Priv Adv Stable Value ERISA Fund	-2.01	-2.01	-4.40	N/A	N/A	-2.65	02/28/2014	002-005805
HFRI FOF Conservative	0.14	0.14	0.51			1.11		
Ubs Trumbull Real Estate	3.01	3.01	12.93	11.66	N/A	11.61	07/31/2012	002-001649
Russell NCREIF Property I	2.91	2.91	13.34	12.05		12.07		

Report Created: 2/9/2016

INVESTMENT PERFORMANCE SUMMARY (DOLLAR WEIGHTED)

CITY OF PORT ORANGE MUNICIPAL | AS OF 12/31/2015

Investment Returns are Annualized and Dollar Weighted (%)	Current Fiscal Qtr	Fiscal YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 10/31/1995	Since Inc Period End	Account Number
Total Fund	***2.50***	***2.50***	***0.19***	***6.64***	***6.02***	***6.04***	***10/31/1995***	
Equity Investments								
BlackRock - Eq Div SMA	7.19	7.19	-0.79	12.00	8.16	7.65	10/31/1995	745-106958
Jennison Associates - LC Growth	8.38	8.38	12.01	22.02	16.75	9.26	10/31/1995	745-106957
Wedgewood Partners - Focus Growth	2.17	2.17	-6.02	12.40	8.11	9.85	02/28/2010	745-125734
Connors Invest - Covered Call Strategy	4.87	4.87	0.26	N/A	N/A	8.79	09/30/2013	745-040114
GW Capital - Small Cap Value Equity	1.78	1.78	-10.45	5.12	6.15	8.38	07/31/2005	745-125129
RBC Global Asset Mgmt - Small Growth Equity	4.54	4.54	1.07	13.27	12.50	7.45	01/31/1996	745-107017
International Equity								
Lazard - International	3.51	3.51	5.52	6.37	7.21	3.54	09/30/2000	745-108866
Renaissance - International	5.38	5.38	-1.48	6.42	4.30	8.88	01/31/2009	745-125551
Fixed Income Investments								
Madison - Intermediate Govt-Corp	-0.58	-0.58	0.29	0.13	0.93	3.31	10/31/1995	745-106956
Alternative Investments								
Pine Grove Instl Partners	-1.69	-1.69	-4.52	N/A	N/A	-2.30	02/28/2014	002-005699
Priv Adv Stable Value ERISA Fund	-2.13	-2.13	-4.80	N/A	N/A	-3.02	02/28/2014	002-005805
Ubs Trumbull Real Estate	2.54	2.54	11.01	9.77	N/A	9.79	07/31/2012	002-001649

Report Created: 2/11/2016

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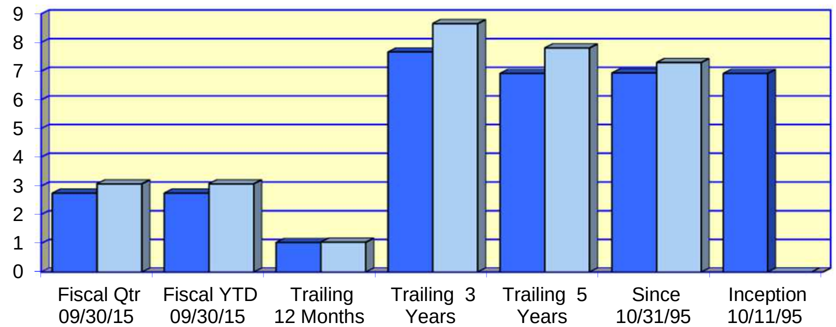
TOTAL FUND

CITY OF PORT ORANGE MUNICIPAL AS OF 12/31/2015

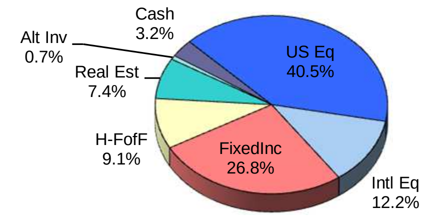
Portfolio Performance (%)



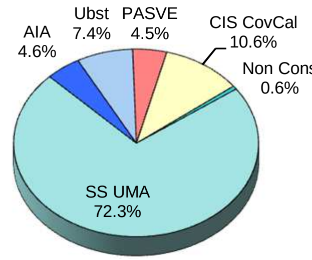
Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 10/31/95*	*Inception 10/11/95*
Total Fund	**2.75**	**2.75**	**1.03**	**7.67**	**6.92**	**6.94**	**6.92**
Composite	3.07	3.07	1.04	8.66	7.81	7.30	N/A
Port Orange Police Index	3.10	3.10	1.00	8.56	7.70	7.09	N/A

Asset Allocation ($000)

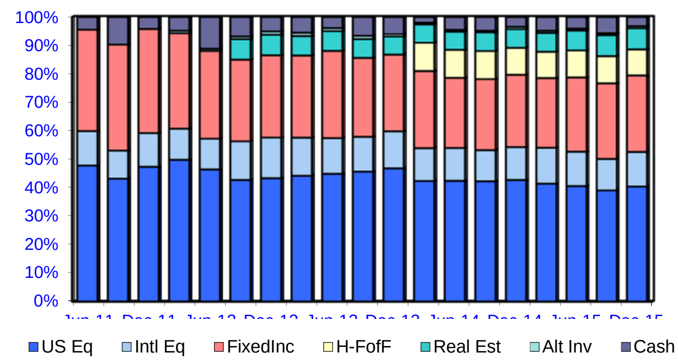
US Eq	*Intl Eq*	*FixedInc*	*H-FofF*	*Real Est*
11,465	3,443	7,585	2,590	2,101
Alt Inv	*Cash*	*Total*		
205	919	28,308		



Asset Allocation By Manager



Allocation Over Time



Asset Growth ($000)

Beginning Market Value	27,731	27,731	28,679	21,665	17,543	3,076	1,323
Net Contributions & Withdrawals	-192	-192	-689	995	2,833	9,330	11,082
Gain/Loss + Income	769	769	318	5,648	7,932	15,902	15,903
Ending Market Value	28,308	28,308	28,308	28,308	28,308	28,308	28,308

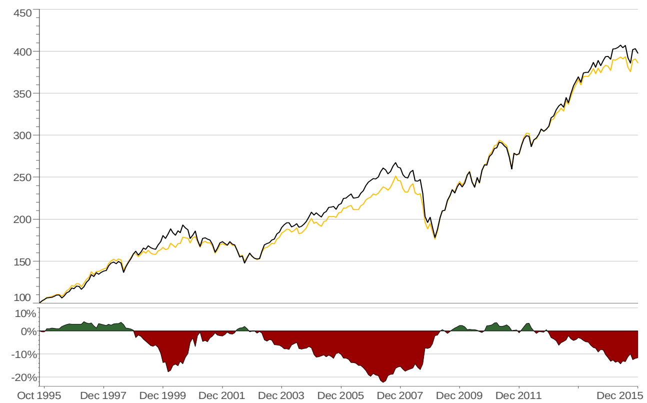
Report Created: 2/9/2016

Risk/ Return Analysis - Since Inception

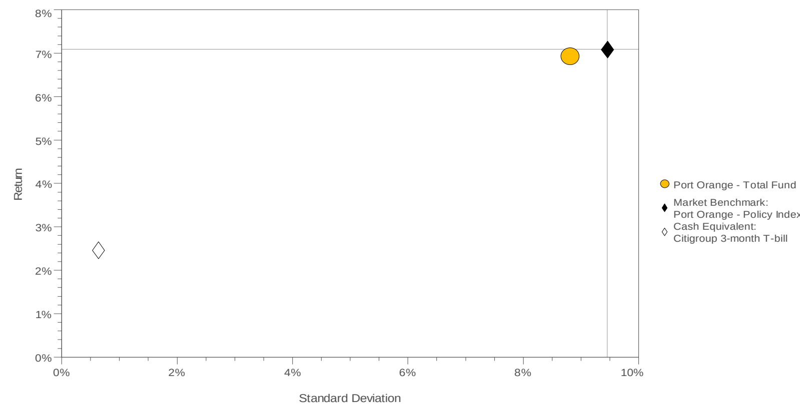
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
November 1995 - December 2015 (Single Computation)



Risk / Return
November 1995 - December 2015 (Single Computation)



Return & Risk Analysis

November 1995 - December 2015: Summary Statistics

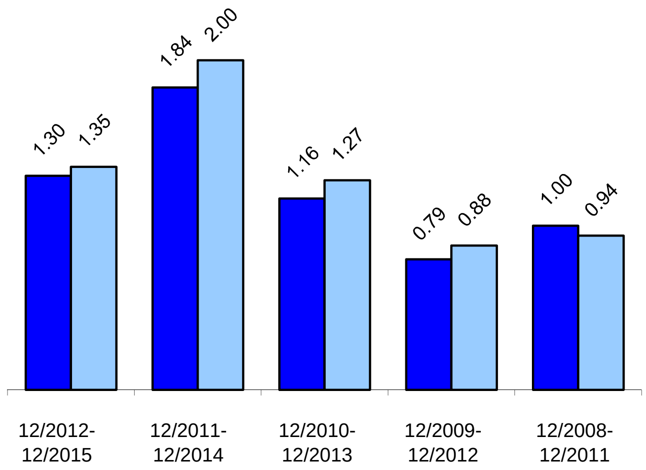
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange - Total Fund	6.93%	-0.16%	8.81%	0.91	-29.89%	91.96%	90.63%	0.49%	0.51	94.42%
Port Orange - Policy Index	7.09%	0.00%	9.46%	1.00	-33.36%	100.00%	100.00%	0.00%	0.49	100.00%

TOTAL FUND RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL

AS OF 12/31/2015

Sharpe Ratios 3-Year Rolling Periods



CITY OF PORT ORANGE

Composite Index

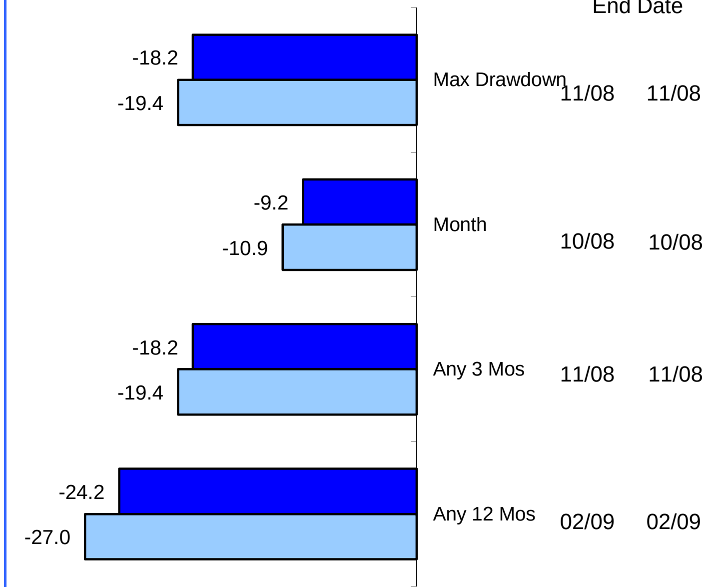
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index.

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No presentation is made that these amounts represent maximum future loss*.

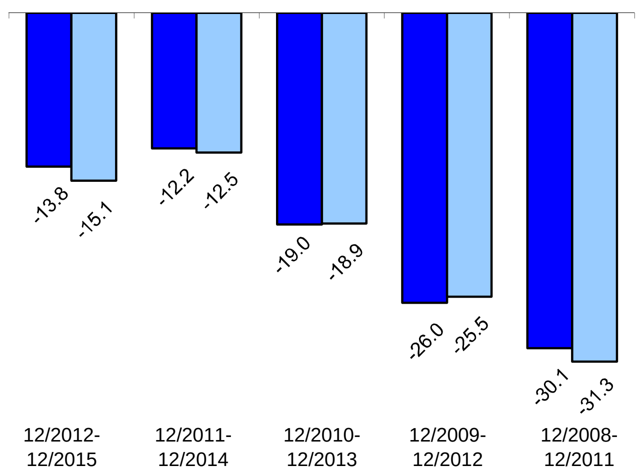
Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the index returns are positive.

Loss in Varying Time Periods (%)



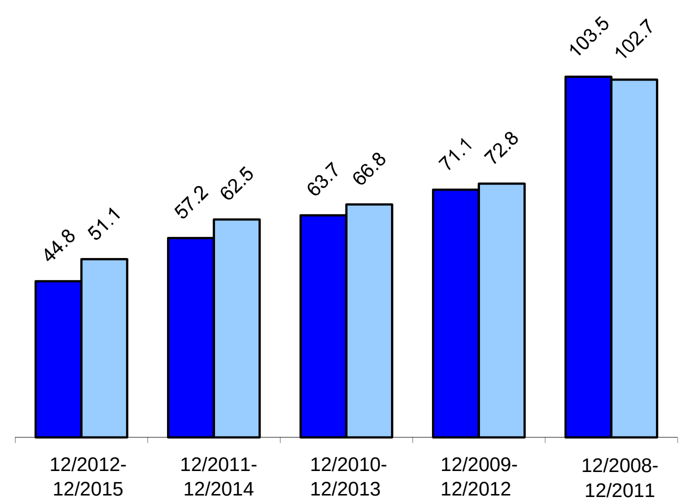
Down Capture Returns (%) 3-Year Rolling Periods



0.91	0.97	1.00	1.02	0.96

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.88	0.91	0.95	0.98	1.01

Up Capture Ratios

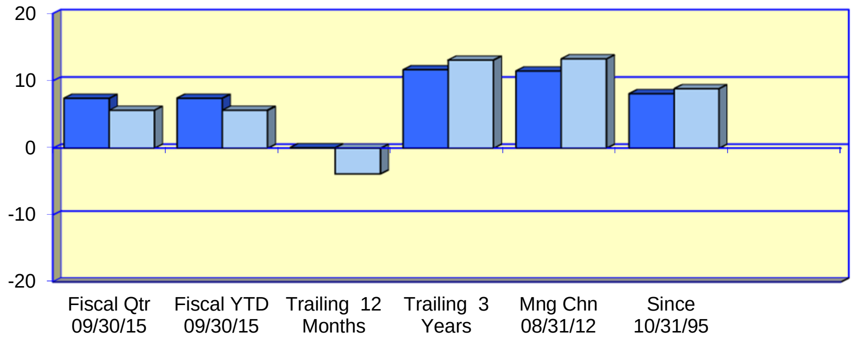
Report Created: 2/9/2016

Please refer to the attached Disclosures for important information.

ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUNICIPAL #745-106958 Single Strategy UMA — As Of 12/31/2015

Portfolio Performance (%)



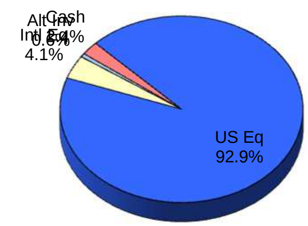
Investment Returns (%)	*Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Mng Chn 08/31/12*	*Since 10/31/95*
Blackrock Equity Dividend 01/16		**7.42**	**7.42**	**0.07**	**11.66**	**11.47**	**8.09**
Russell 1000 Vl		5.64	5.64	-3.84	13.09	13.27	8.85

Asset Growth ($000)						
Beginning Market Value	3172	3005	3202	4221	3497	685
Net Contributions & Withdrawals	-9	-66	-195	-2100	-1845	-789
Gain/Loss + Income	-146	78	10	896	1365	3121
Ending Market Value	3017	3017	3017	3017	3017	3017

Asset Allocation ($000)

US Eq	*Intl Eq*	*Alt Inv*	*Cash*
2,804	123	19	71

Total
3,017



Top Holdings

Security	*Sector*	*% Port*
Jpmorgan Chase & Co	Financials	4.0
General Electric Co	Industrials	3.7
Wells Fargo & Co New	Financials	3.3
Pfizer Inc	Health Care	3.1
Home Depot Inc	Consumer Discretiona	2.8
Microsoft Corp	Information Technolo	2.7
Citigroup Inc New	Financials	2.6
Exxon Mobil Corp	Energy	2.5
Intel Corp	Information Technolo	2.5
Other	Other	2.4

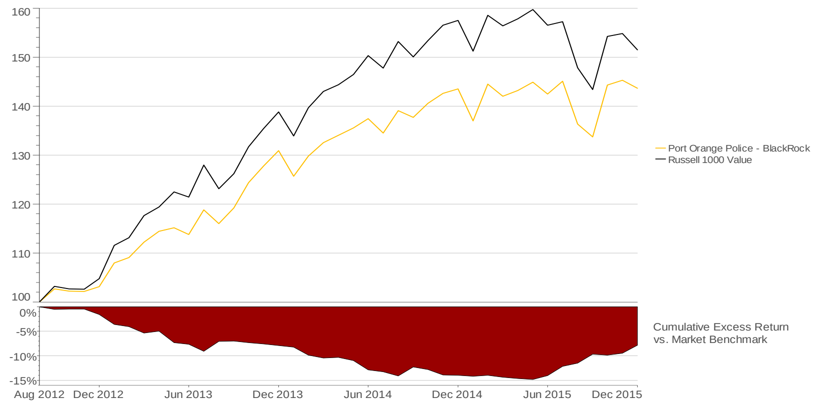
Economic Sector Allocation

	% Port
Financials	22.5
Industrials	13.3
Health Care	11.9
Energy	9.5
Consumer Discretiona	8.6
Consumer Staples	8.6
Information Technolo	8.5
Utilities	5.9
Other	5.0
Materials	3.9
Telecommunication Se	2.2

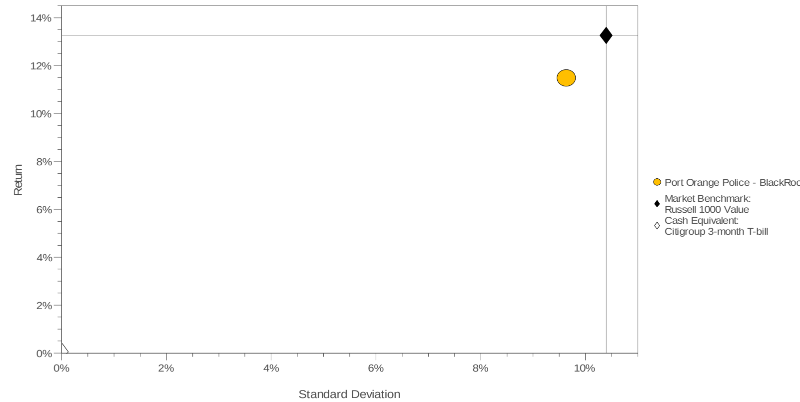
Report Created: 2/9/2016

Please refer to the attached Disclosures for important information.

Manager Performance
September 2012 - December 2015 (Single Computation)



Risk / Return
September 2012 - December 2015 (Single Computation)



Return & Risk Analysis

September 2012 - December 2015: Summary Statistics

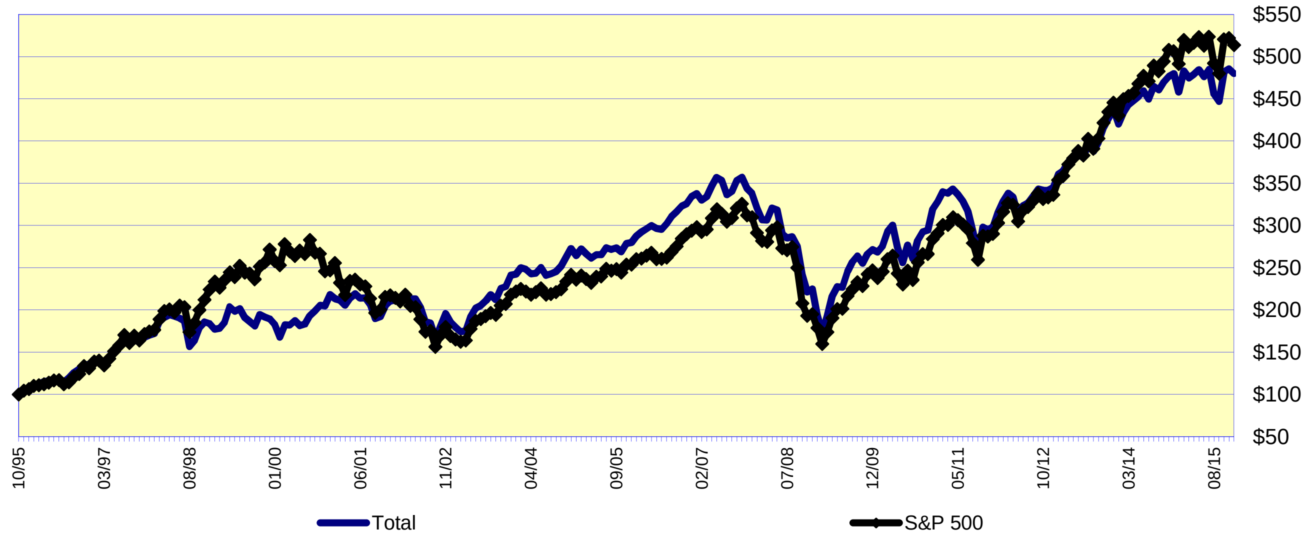
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange Police - BlackRock	11.47%	-1.79%	9.63%	0.90	-7.83%	87.31%	92.39%	-0.34%	1.19	93.83%
Russell 1000 Value	13.26%	0.00%	10.40%	1.00	-10.22%	100.00%	100.00%	0.00%	1.27	100.00%

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106958 BlackRock - Eq Div SMA | As Of 12/31/2015

Growth of $100 Graph

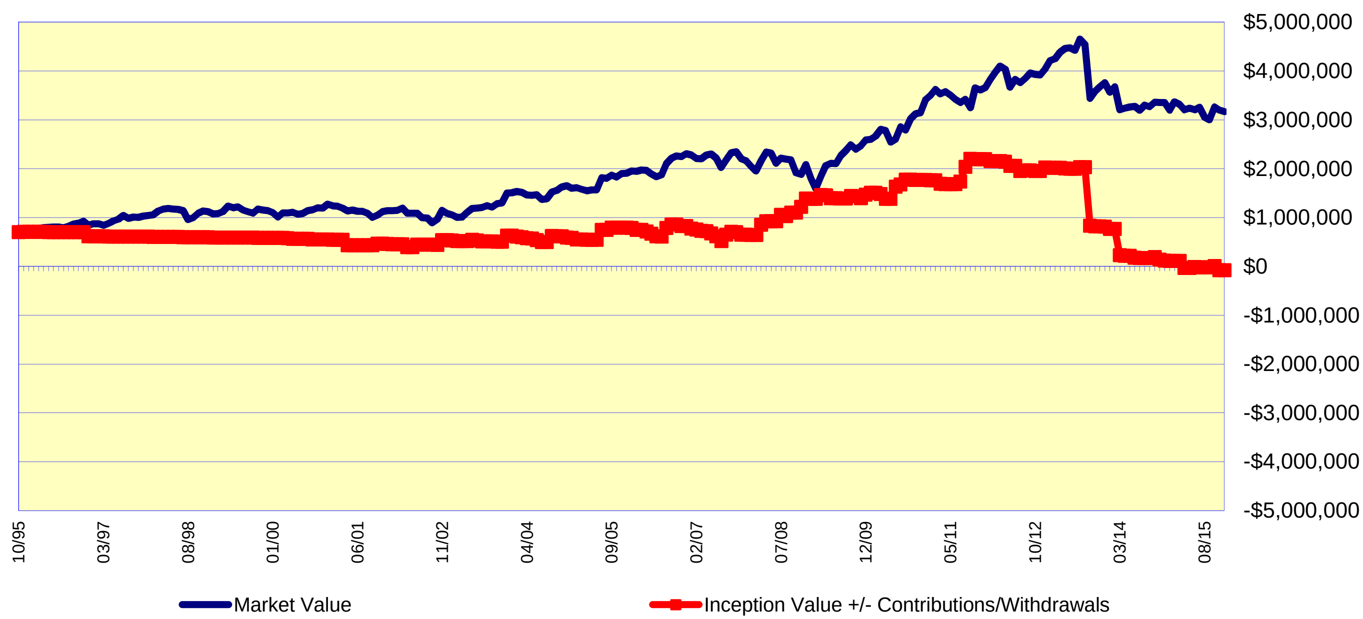
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.

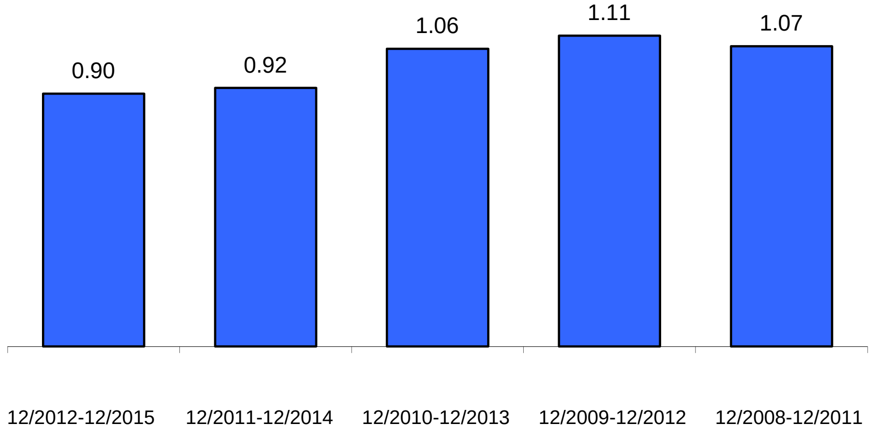


Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

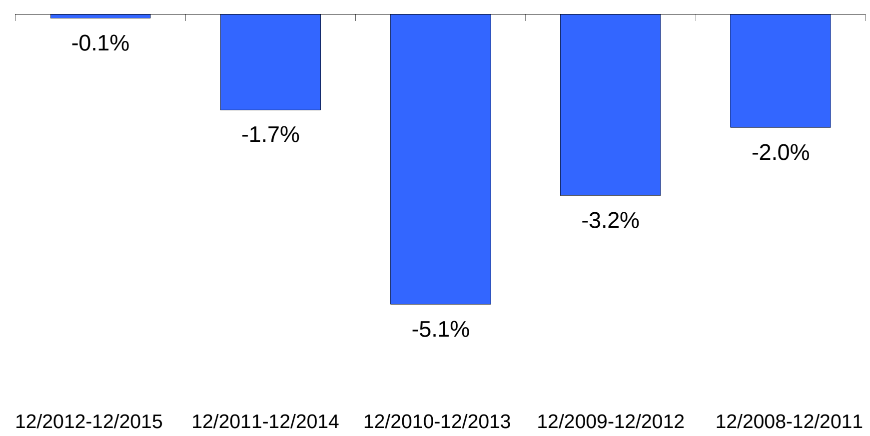
CITY OF PORT ORANGE MUNICIPAL #745-106958 BlackRock - Eq Div SMA AS OF 12/31/2015

Beta - Rolling Periods



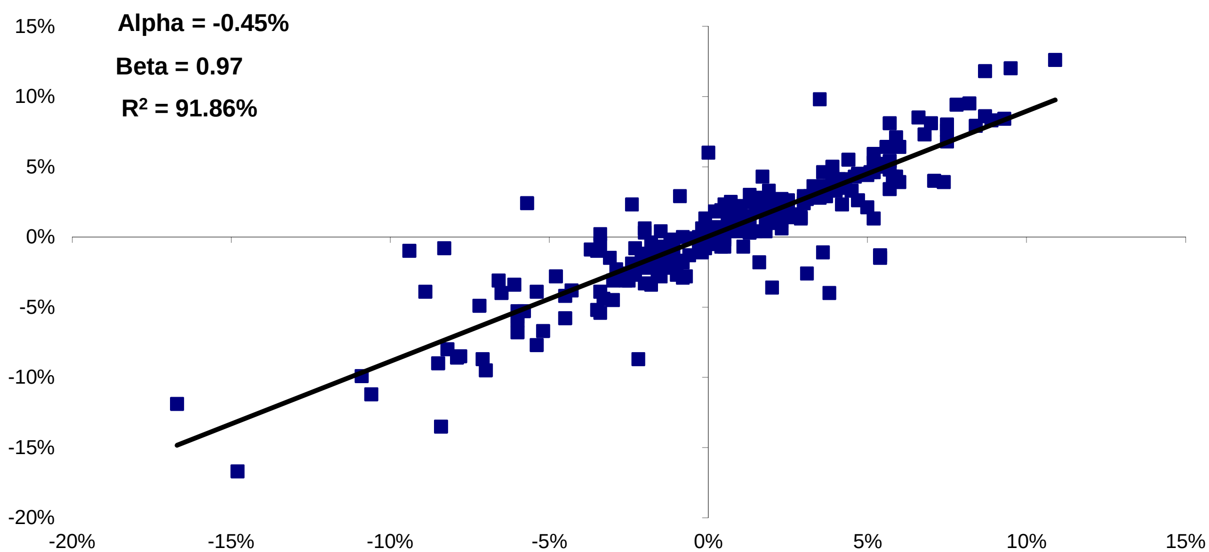
R^2 = 93.95% R^2 = 92.03% R^2 = 95.81% R^2 = 97.67% R^2 = 97.15%

Alpha - Rolling Periods



R^2 = 93.95% R^2 = 92.03% R^2 = 95.81% R^2 = 97.67% R^2 = 97.15%

MONTHLY Observations Since 10/1995
(w/Simple Linear Regression Line)



Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

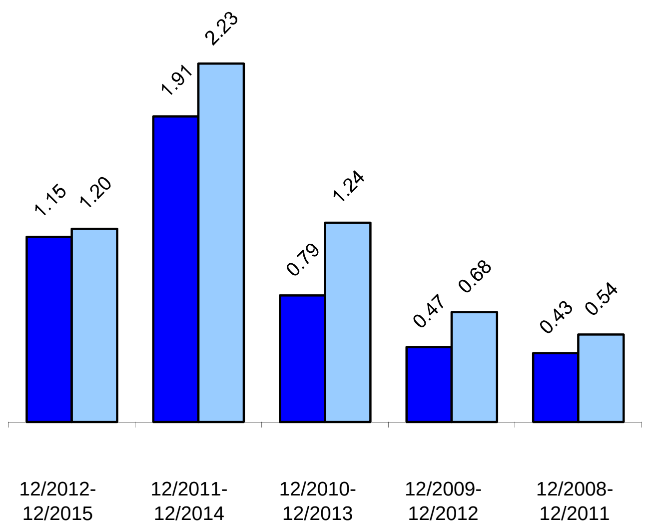
MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106958 — AS OF 12/31/2015

BlackRock - Eq Div SMA

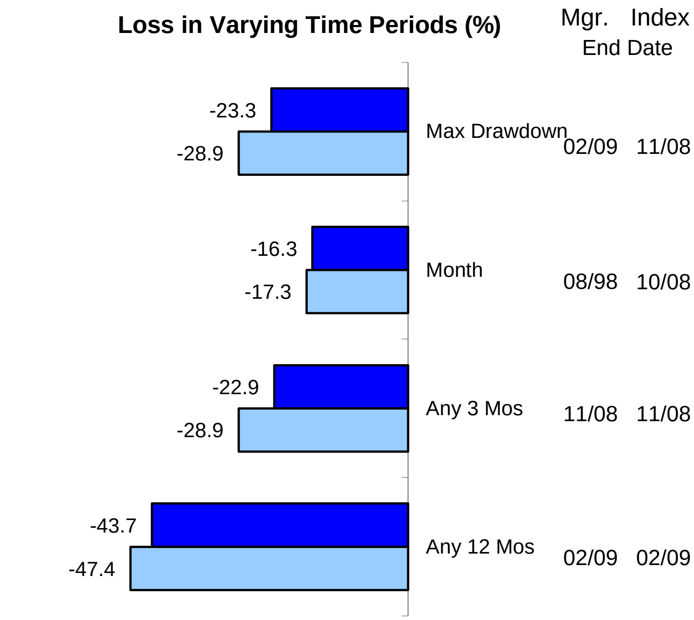
Russell 1000 Vl

Sharpe Ratios 3-Year Rolling Periods



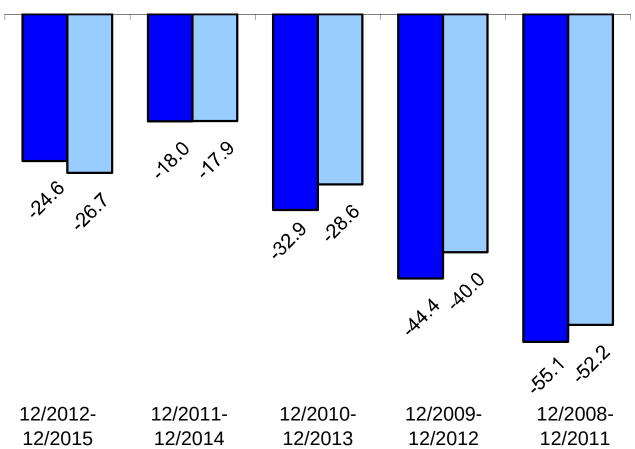
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods (%)



Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture Returns (%) 3-Year Rolling Periods



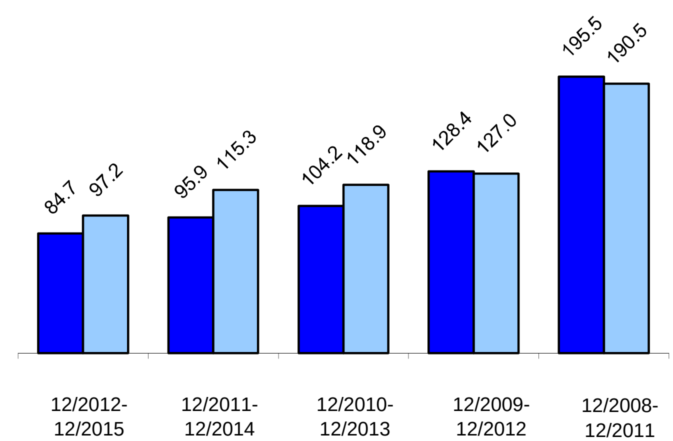
0.92	1.00	1.15	1.11	1.05

Down Capture Ratios

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the

Up Capture Returns (%) 3-Year Rolling Periods



0.87	0.83	0.88	1.01	1.03

Up Capture Ratios

Report Created: 2/9/2016

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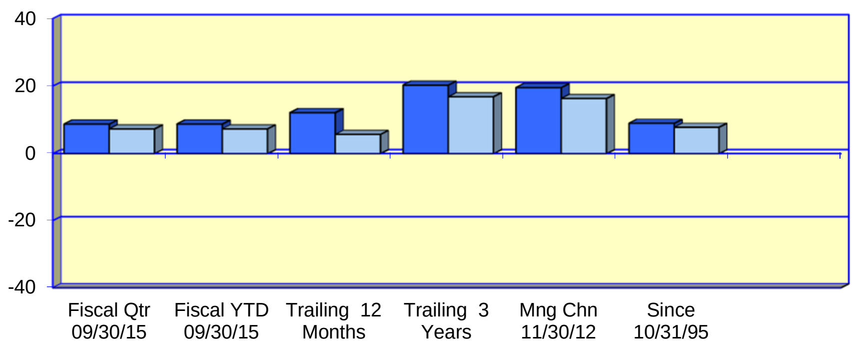
ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUNICIPAL #745-106957 Single Strategy UMA | As Of 12/31/2015

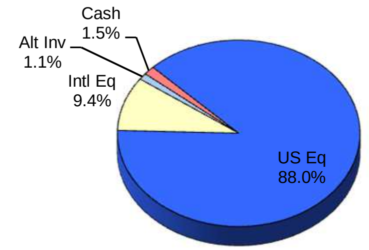
Portfolio Performance (%)



Asset Allocation ($000)

US Eq	Intl Eq	Alt Inv	Cash
1,338	143	17	23

Total
1,520



Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Mng Chn 11/30/12*	*Since 10/31/95*
Jennison Large Growth 01/16	**8.75**	**8.75**	**12.14**	**20.29**	**19.57**	**8.97**
Russell 1000 Gr	7.32	7.32	5.68	16.84	16.34	7.80

Asset Growth ($000)						
Beginning Market Value	1673	1528	1786	2055	1827	614
Net Contributions & Withdrawals	-5	7	-326	-1382	-1673	-2178
Gain/Loss + Income	-148	-15	60	847	1366	3084
Ending Market Value	1520	1520	1520	1520	1520	1520

Top Holdings

Security	*Sector*	*% Port*
Amazon Com Inc	Consumer Discretiona	6.0
Facebook Inc Cl-a	Information Technolo	5.4
Apple Inc	Information Technolo	4.5
Visa Inc Cl A	Information Technolo	3.9
Mastercard Inc Cl A	Information Technolo	3.4
Alphabet Inc Cl A	Other	3.3
Alphabet Inc Cl C	Other	3.3
Nike Inc B	Consumer Discretiona	3.2
Starbucks Corp Washington	Consumer Discretiona	2.4
Salesforce.com,inc.	Information Technolo	2.4

Economic Sector Allocation

	% Port
Information Technolo	32.3
Consumer Discretiona	29.0
Health Care	16.0
Other	13.5
Consumer Staples	3.9
Industrials	1.7
Financials	1.6
Energy	1.3
Materials	0.7

Report Created: 2/9/2016

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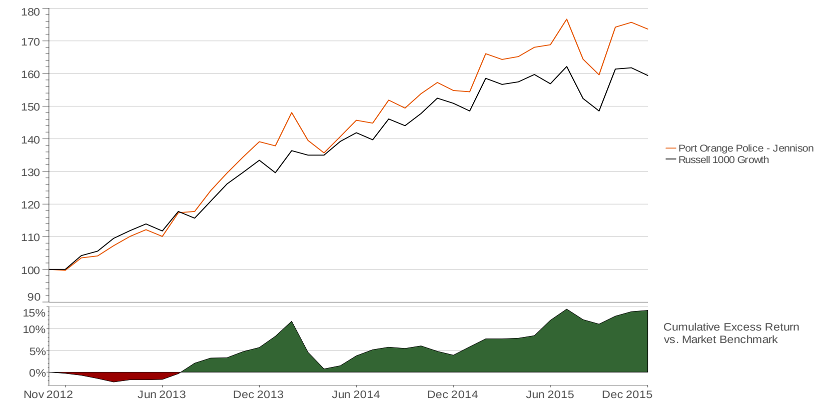
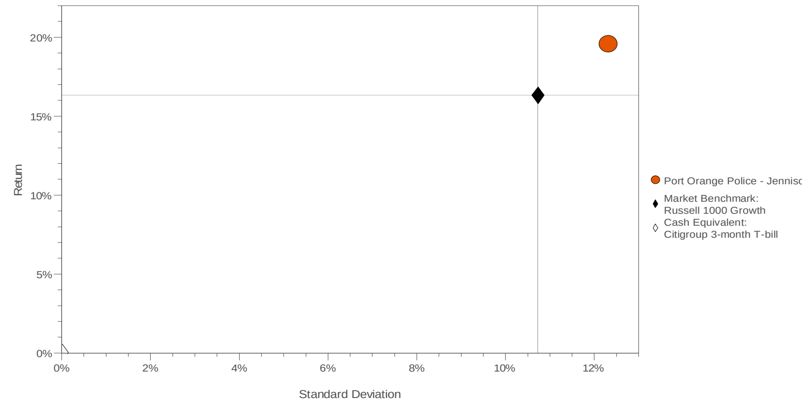
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
December 2012 - December 2015 (Single Computation)



Risk / Return
December 2012 - December 2015 (Single Computation)



Return & Risk Analysis

December 2012 - December 2015: Summary Statistics

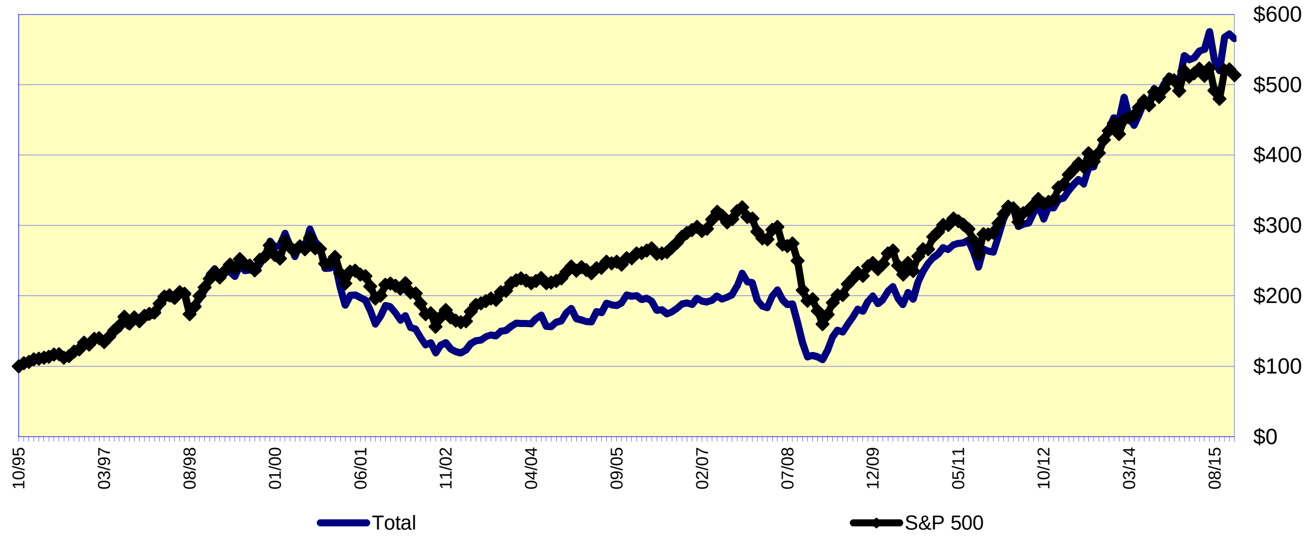
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange Police - Jennison	19.58%	3.25%	12.31%	1.07	-9.66%	111.23%	93.84%	1.89%	1.59	86.86%
Russell 1000 Growth	16.33%	0.00%	10.73%	1.00	-8.40%	100.00%	100.00%	0.00%	1.52	100.00%

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106957 Jennison Associates - LC Growth As Of 12/31/2015

Growth of $100 Graph

This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

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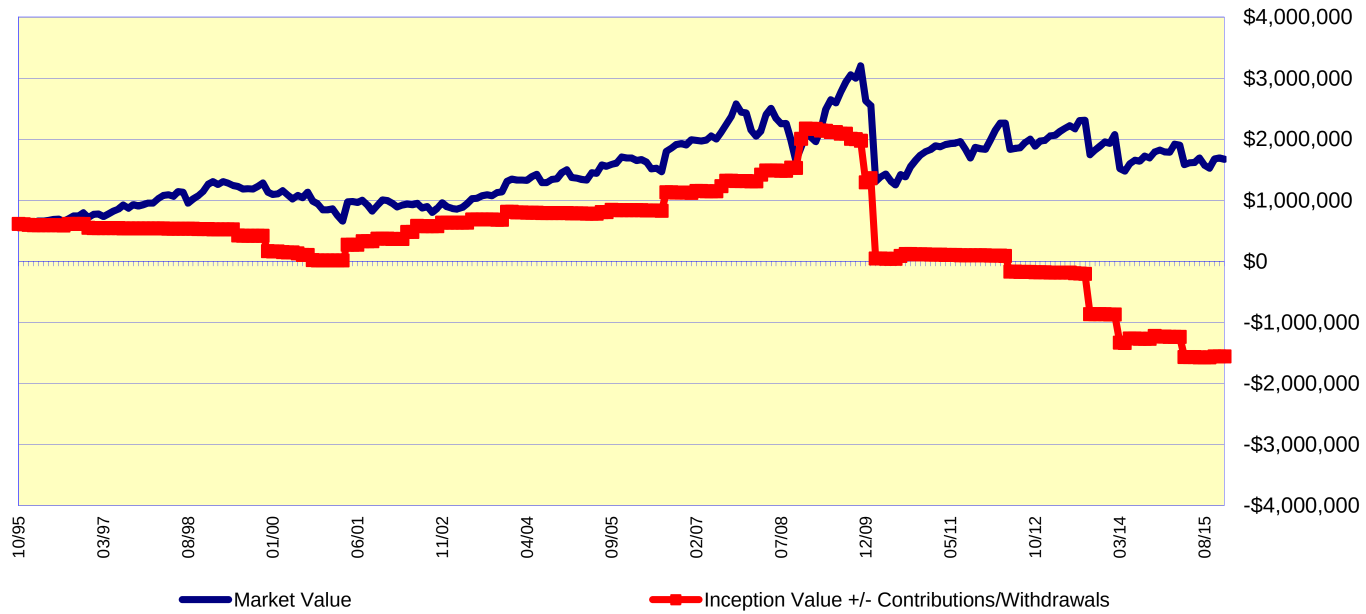
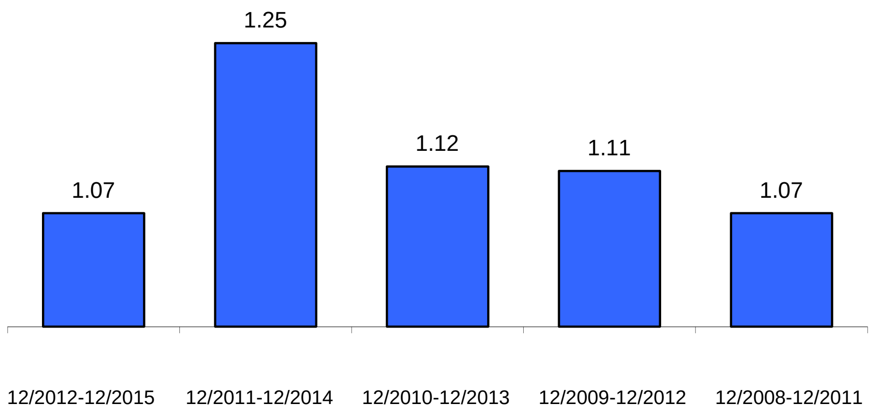


Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

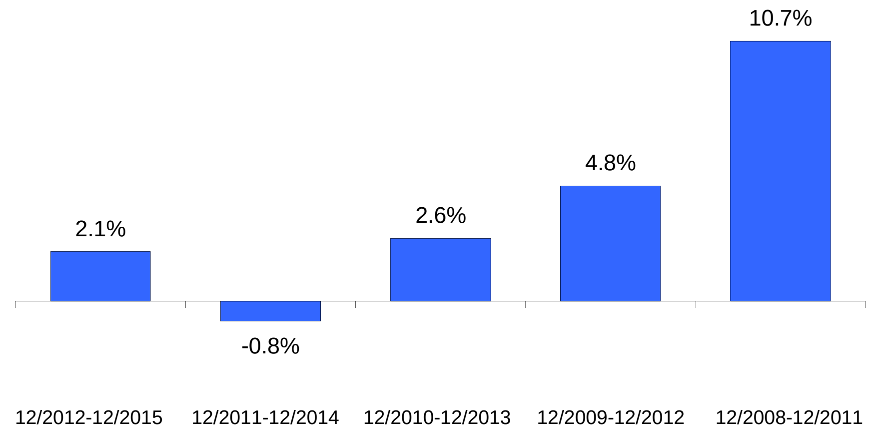
CITY OF PORT ORANGE MUNICIPAL #745-106957 Jennison Associates - LC Growth AS OF 12/31/2015

Beta - Rolling Periods



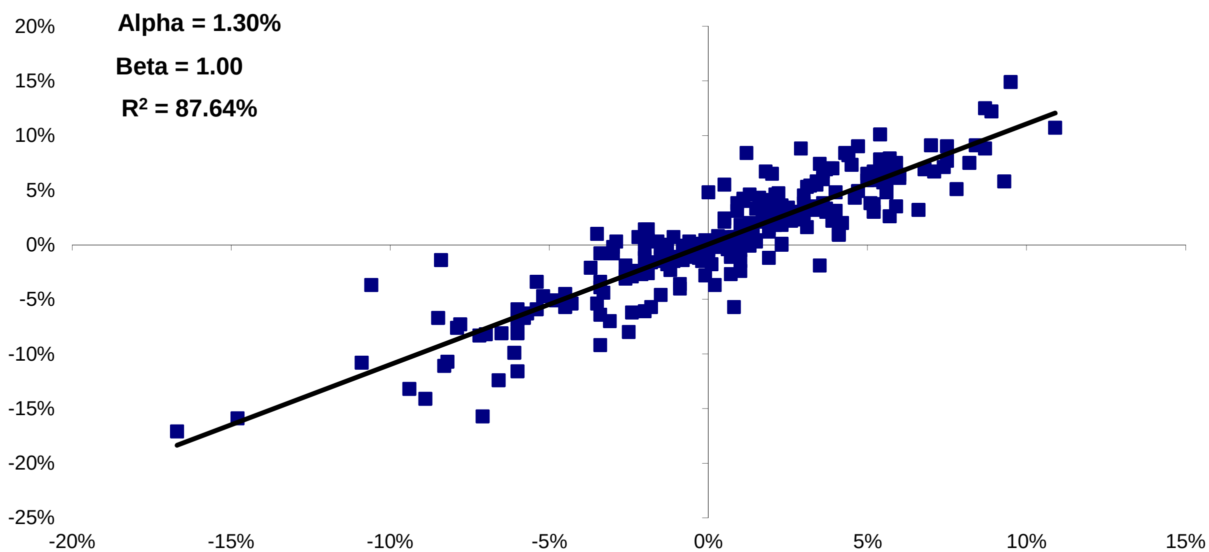
R^2 = 86.80% R^2 = 82.53% R^2 = 88.21% R^2 = 90.54% R^2 = 89.61%

Alpha - Rolling Periods



R^2 = 86.80% R^2 = 82.53% R^2 = 88.21% R^2 = 90.54% R^2 = 89.61%

MONTHLY Observations Since 10/1995
(w/Simple Linear Regression Line)



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Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

Graystone Consulting℠

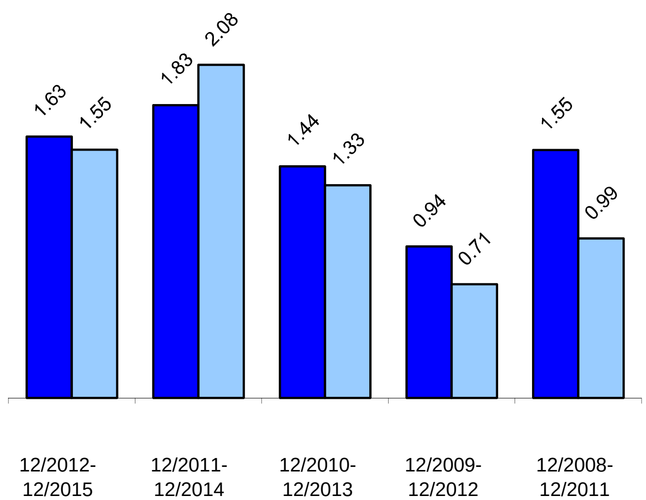
MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106957 AS OF 12/31/2015

Jennison Associates - LC Growth

Russell 1000 Gr

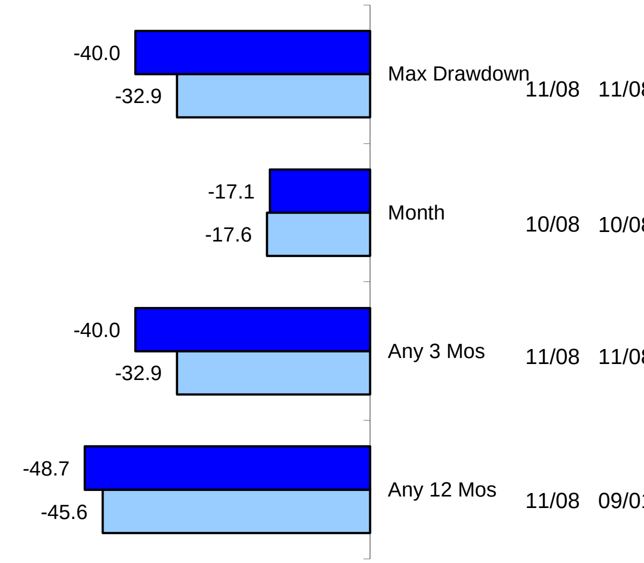
Sharpe Ratios 3-Year Rolling Periods



Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

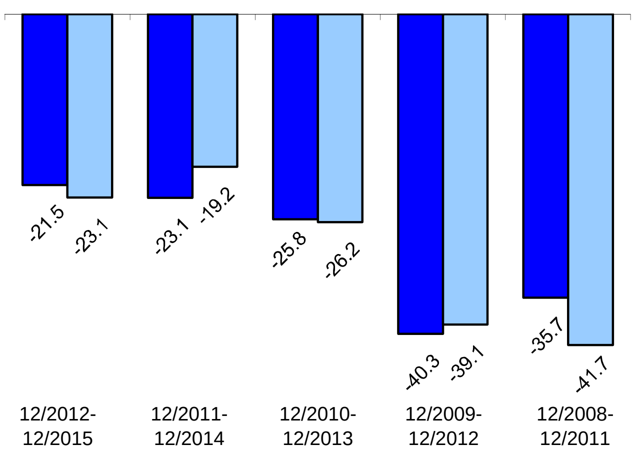
Loss in Varying Time Periods (%)

Mgr. Index
End Date



Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture Returns (%) 3-Year Rolling Periods

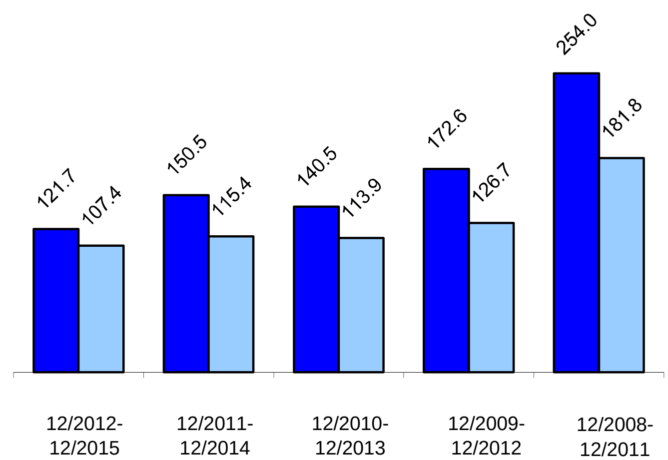


0.93 1.20 0.99 1.03 0.86

Down Capture Ratios

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture Returns (%) 3-Year Rolling Periods



1.13 1.30 1.23 1.36 1.40

Up Capture Ratios

Up Capture is the measure of the fund`s total return whenever the

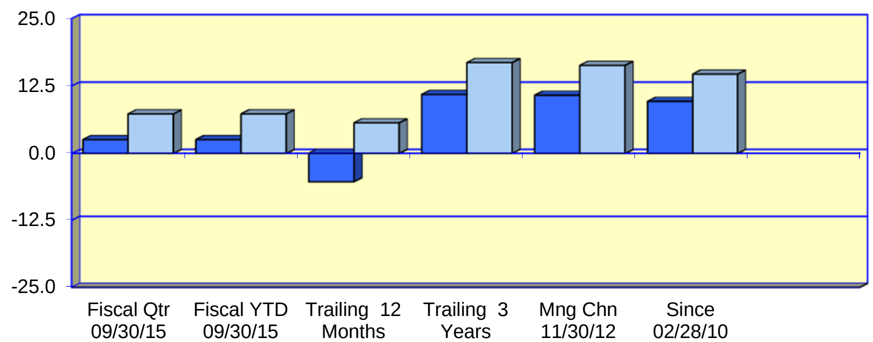
Report Created: 2/9/2016

ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUNICIPAL #745-125734 Single Strategy UMA

As Of 12/31/2015

Portfolio Performance (%)

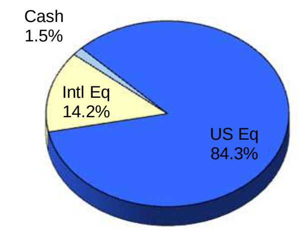


Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Mng Chn 11/30/12*	*Since 02/28/10*
Wedgewood Ptners LC Focused Gr	**2.56**	**2.56**	**-5.30**	**10.94**	**10.79**	**9.66**
Russell 1000 Gr	7.32	7.32	5.68	16.84	16.34	14.70

Asset Growth ($000)						
Beginning Market Value	1565	1493	1610	2017	1734	1318
Net Contributions & Withdrawals	-4	30	-47	-1009	-909	-766
Gain/Loss + Income	-74	-36	-76	479	662	935
Ending Market Value	1487	1487	1487	1487	1487	1487

Asset Allocation ($000)

US Eq	Intl Eq	Cash	Total
1,253	211	22	1,487



Top Holdings

Security	*Sector*	*% Port*
Berkshire Hathaway Cl-b New	Financials	8.7
Apple Inc	Information Technolo	7.7
Cognizant Tech Solutions Cl A	Information Technolo	6.7
Express Scripts Hldg Co Com	Health Care	6.5
Qualcomm Inc	Information Technolo	6.2
Schlumberger Ltd	Energy	5.7
M&t Bank Corp	Financials	5.6
Priceline Grp Inc Com New	Consumer Discretiona	5.3
Perrigo Co Ltd	Other	5.3
Alphabet Inc Cl A	Other	5.0

Economic Sector Allocation

	% Port
Information Technolo	25.5
Other	21.2
Financials	16.8
Consumer Discretiona	9.4
Energy	8.9
Industrials	8.2
Health Care	6.5
Consumer Staples	3.5

Report Created: 2/9/2016

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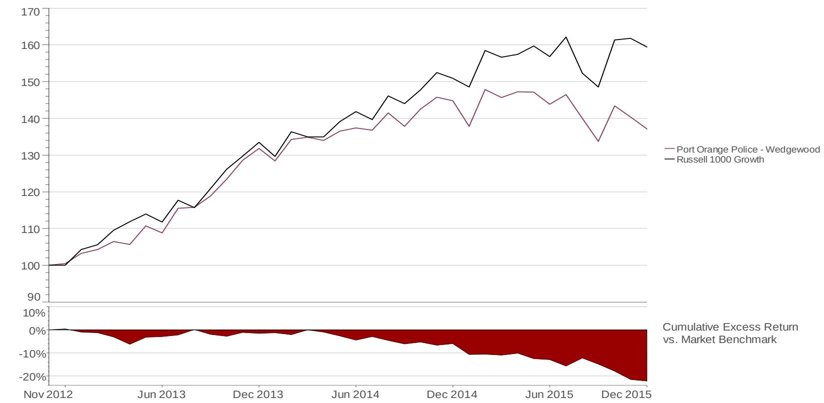
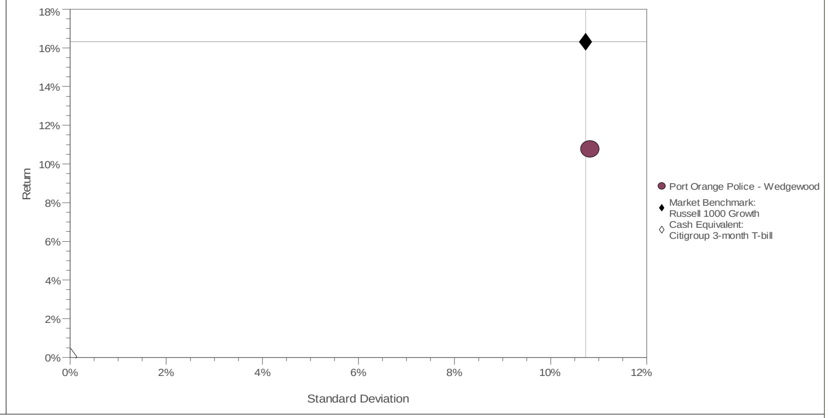
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
December 2012 - December 2015 (Single Computation)



Risk / Return
December 2012 - December 2015 (Single Computation)



Return & Risk Analysis

December 2012 - December 2015: Summary Statistics

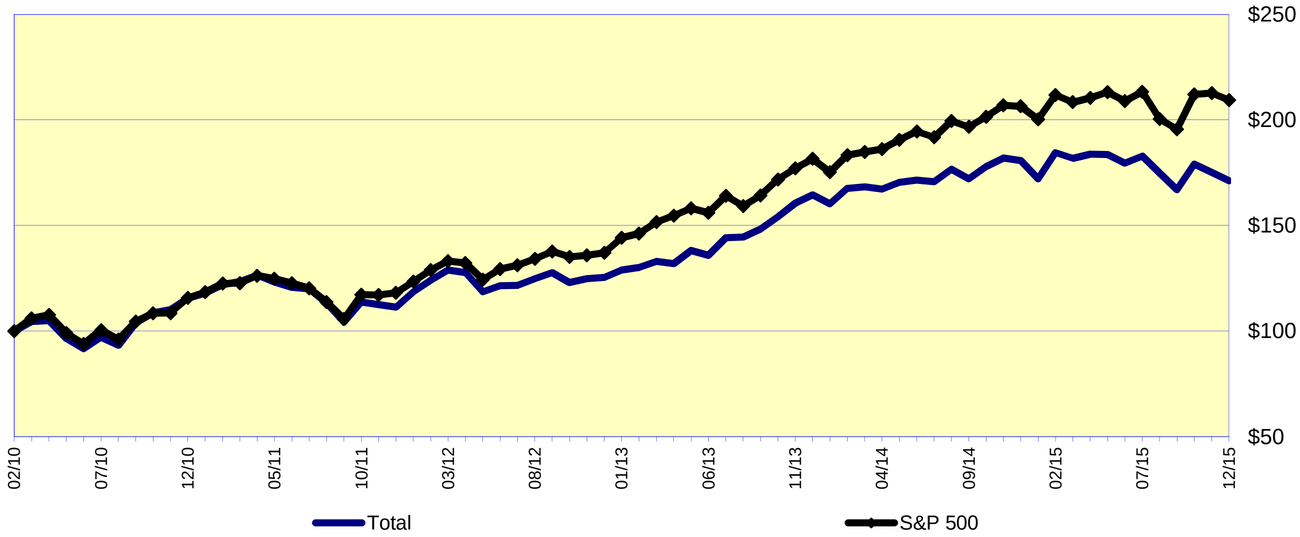
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange Police - Wedgewood	10.79%	-5.54%	10.82%	0.91	-9.56%	77.13%	102.12%	-3.40%	0.99	80.97%
Russell 1000 Growth	16.33%	0.00%	10.73%	1.00	-8.40%	100.00%	100.00%	0.00%	1.52	100.00%

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-125734 Wedgewood Partners - Focus Growth | As Of 12/31/2015

Growth of $100 Graph

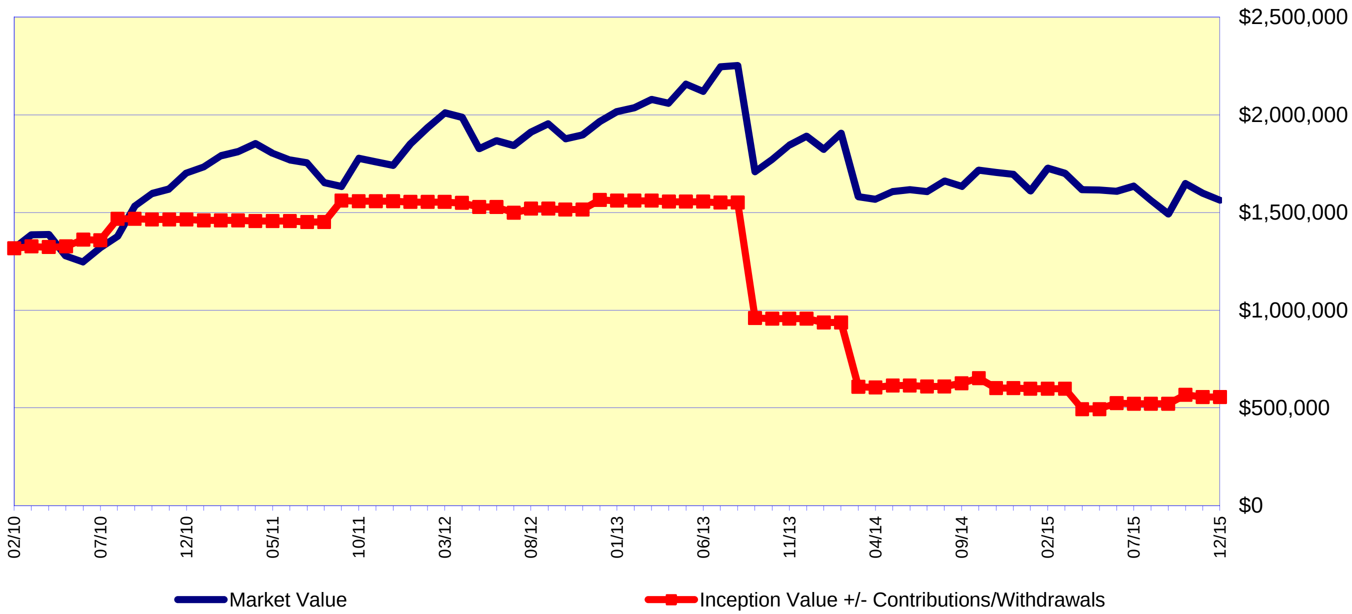
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.

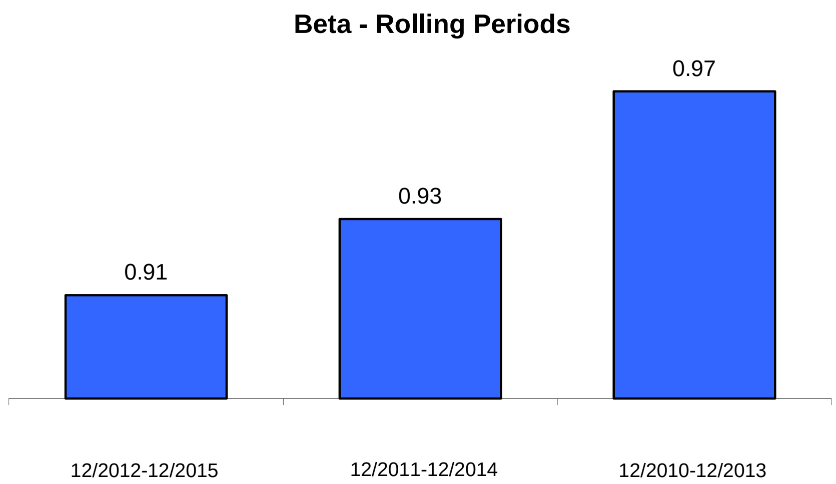


Report Created: 2/9/2016

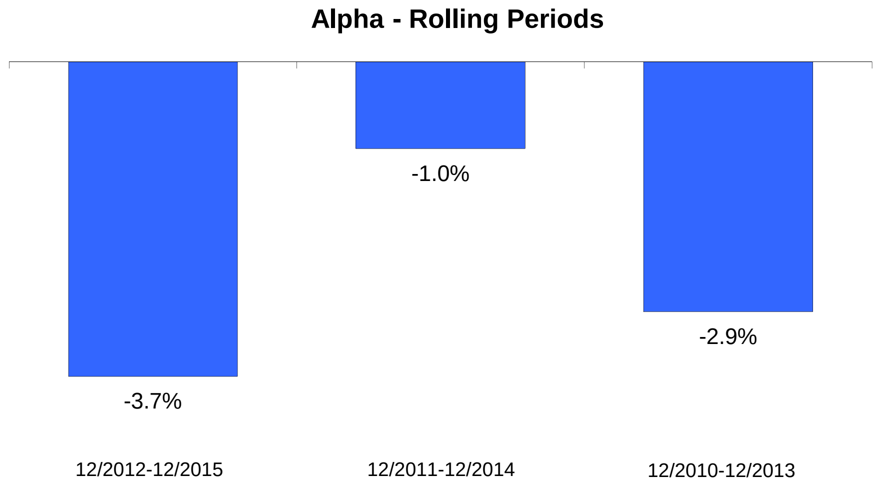
Graystone Consulting℠

MODERN PORTFOLIO THEORY

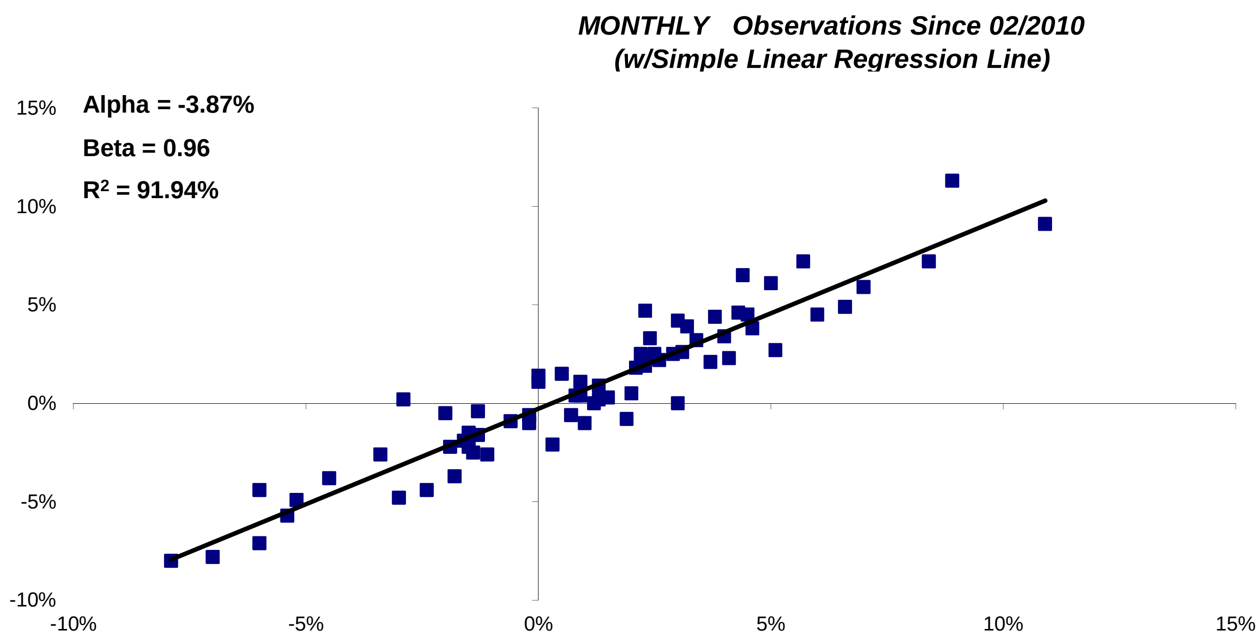
CITY OF PORT ORANGE MUNICIPAL #745-125734 Wedgewood Partners - Focus Growth AS OF 12/31/2015



12/2012-12/2015	12/2011-12/2014	12/2010-12/2013
R^2 = 81.12%	R^2 = 84.09%	R^2 = 90.57%



12/2012-12/2015	12/2011-12/2014	12/2010-12/2013
R^2 = 81.12%	R^2 = 84.09%	R^2 = 90.57%



Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

Graystone Consulting℠

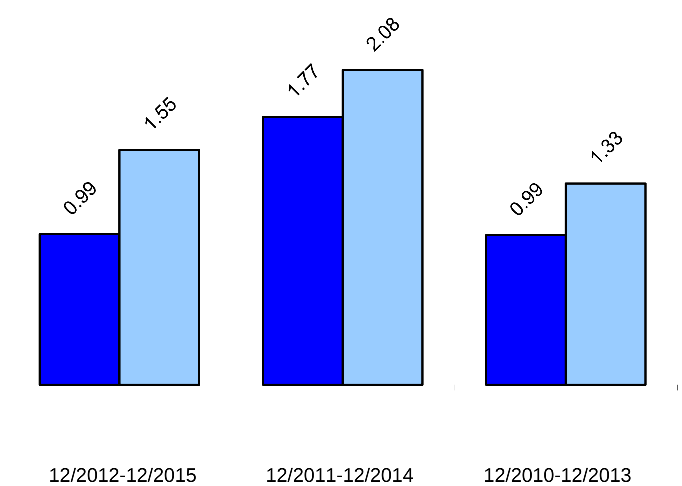
MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-125734 AS OF 12/31/2015

Wedgewood Partners - Focus

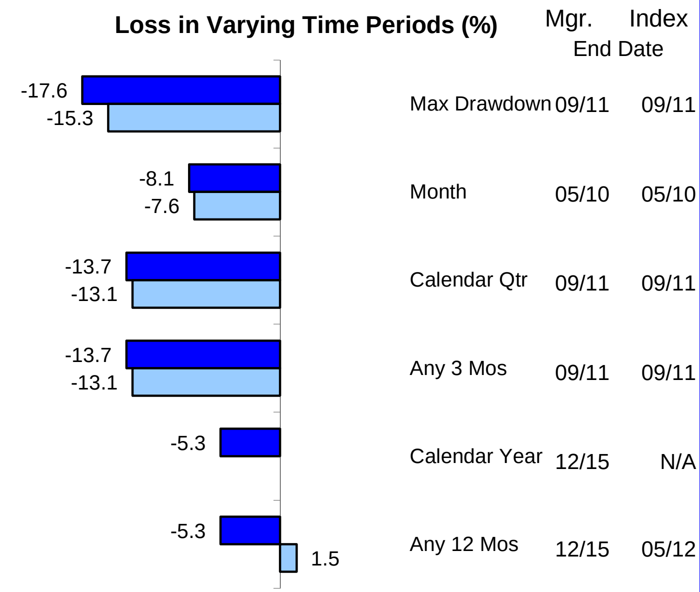
Russell 1000 Gr

Sharpe Ratios 3-Year Rolling Periods



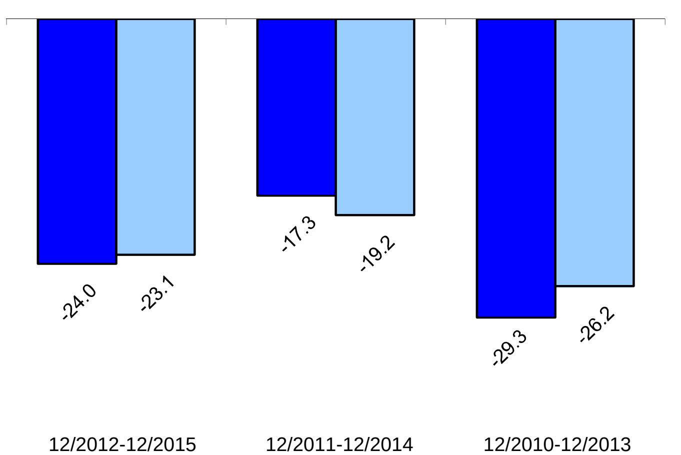
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods (%)



Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture Returns (%) 3-Year Rolling Periods



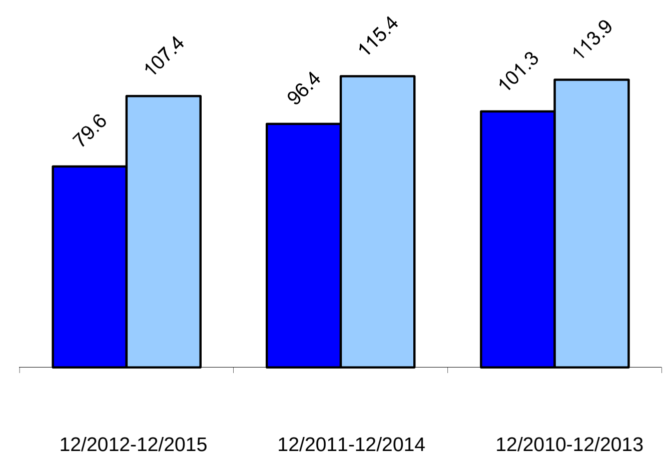
1.04	0.90	1.12

Down Capture Ratios

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the

Up Capture Returns (%) 3-Year Rolling Periods



0.74	0.84	0.89

Up Capture Ratios

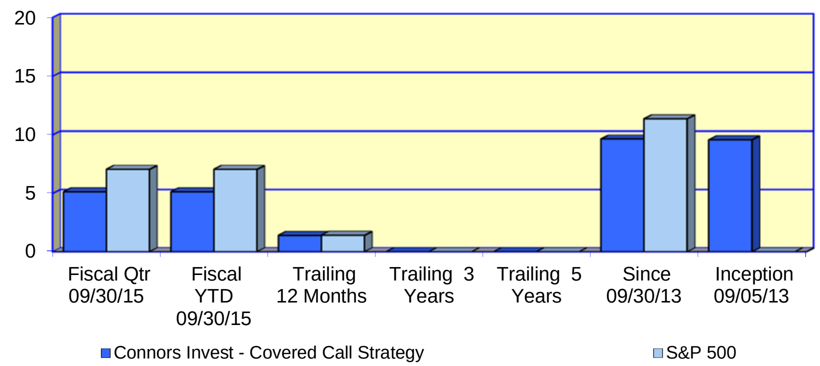
Report Created: 2/9/2016

Graystone Consulting℠

ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUN POL #745-040114 Connors Invest - Covered Call Strategy AS OF 12/31/2015

Portfolio Performance (%)



Investment Returns (%) Since:	Fiscal Qtr 09/30/15	Fiscal YTD 09/30/15	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 09/30/13	Inception 09/05/13
Connors Invest - Covered Call Strate	***5.13***	***5.13***	***1.40***	N/A	N/A	***9.65***	***9.58***
S&P 500	7.05	7.05	1.41			11.37	N/A

Asset Growth ($000)							
Beginning Market Value	2,863	2,863	2,996	N/A	N/A	2,462	2,450
Net Contributions & Withdrawals	-6	-6	-34	N/A	N/A	-25	-26
Gain/Loss + Income	147	147	42	N/A	N/A	567	580
Ending Market Value	3,004	3,004	3,004	N/A	N/A	3,004	3,004

Top Equity Holdings

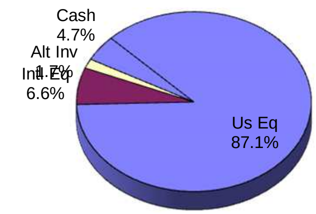
Security	*Sector*	*% Port*
Bank Deposit Program	Other	4.6
Apple Inc	Information Technolo	4.1
Adobe Systems	Information Technolo	3.3
Starbucks Corp Washington	Consumer Discretiona	3.2
Tyler Technologies Inc	Information Technolo	3.2
Wells Fargo & Co New	Financials	3.1
Pnc Finl Svcs Gp	Financials	2.9
Du Pont Ei De Nemours & Co	Materials	2.7
Cisco Sys Inc	Information Technolo	2.7
Walt Disney Co Hldg Co	Consumer Discretiona	2.7

Economic Sector Allocation

	% Port
Information Technolo	17.6
Health Care	16.8
Financials	15.2
Consumer Discretiona	11.8
Industrials	11.5
Consumer Staples	9.7
Energy	7.5
Materials	4.3
Other	3.9
Telecommunication Se	1.6

Asset Allocation ($000)

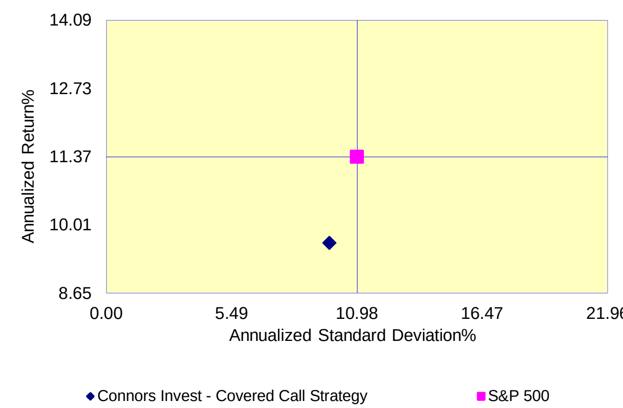
Us Eq	Intl Eq	Alt Inv	Cash	Total
2,615	198	51	140	3,004



Portfolio Characteristics

Yield	2.24%	Account Sharpe Ratio	0.98
Beta	0.87	Index Sharpe Ratio	1.03
Alpha	-0.23%	# Equity Positions	44
R^2	96%		

Risk / Return Analysis Since 09/30/2013



Annualized %	*Return*	*Std. Dev.*
Connors Invest - Covered Call Strategy	***9.65***	***9.77***
S&P 500	11.37	10.98

Report Created: 2/9/2016

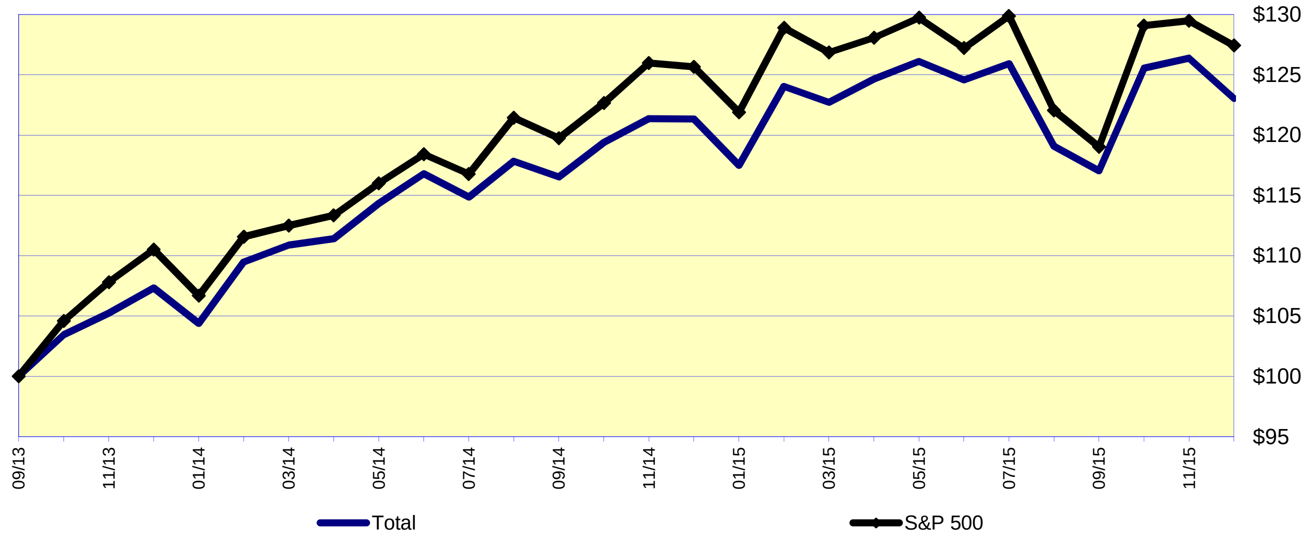
Please refer to the attached Disclosures for important information.

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUN POL #745-040114 Connors Invest - Covered Call Strategy As Of 12/31/2015

Growth of $100 Graph

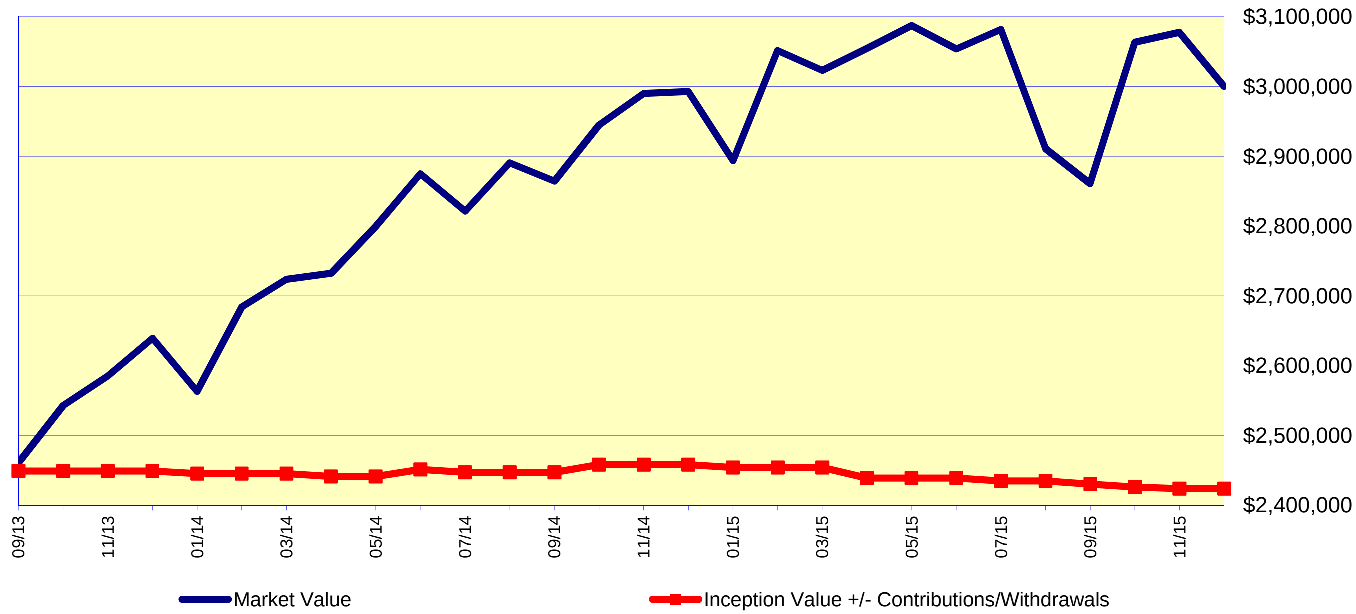
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.

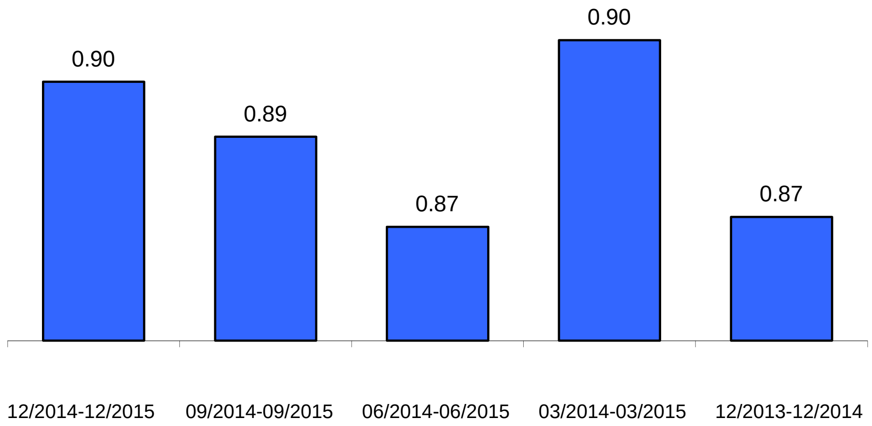


Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

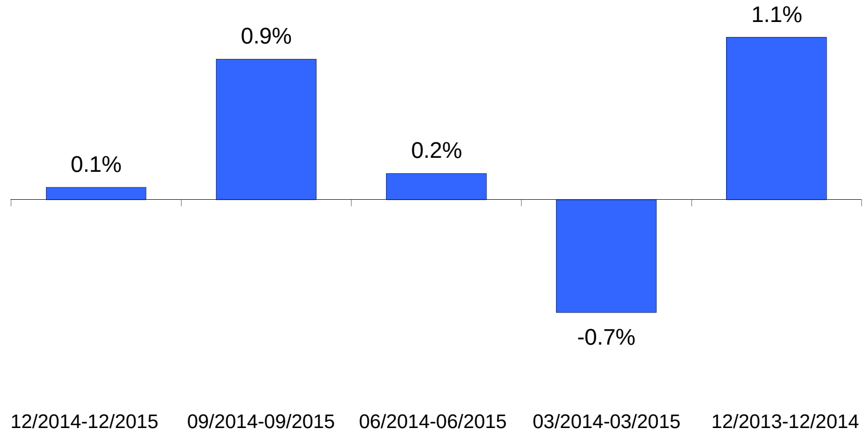
CITY OF PORT ORANGE MUN POL #745-040114 Connors Invest - Covered Call Strategy AS OF 12/31/2015

Beta - Rolling Periods



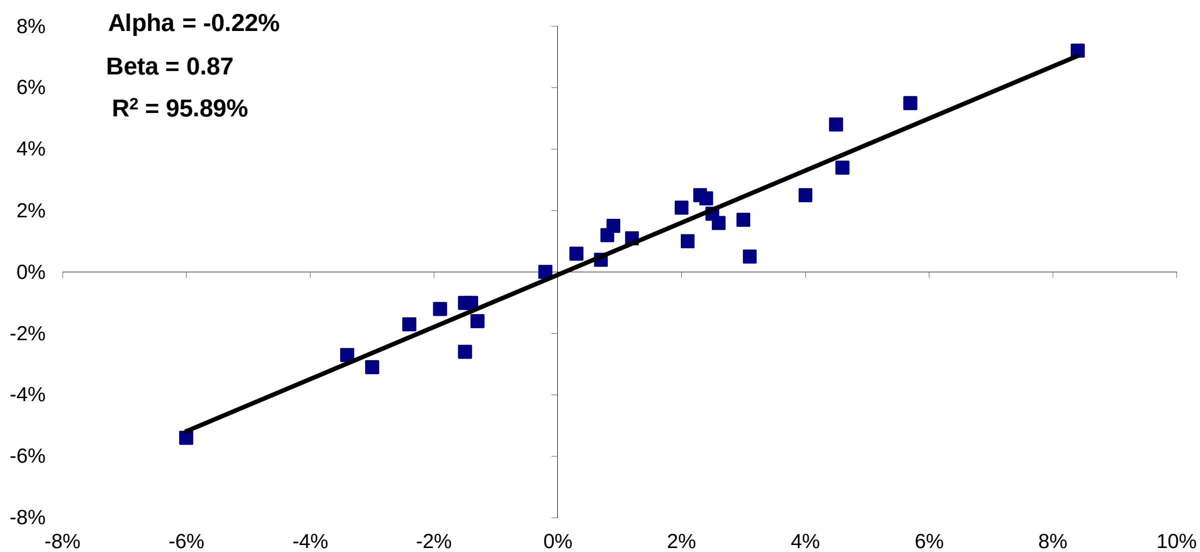
R^2 = 97.26% R^2 = 96.88% R^2 = 94.97% R^2 = 95.65% R^2 = 93.66%

Alpha - Rolling Periods



R^2 = 97.26% R^2 = 96.88% R^2 = 94.97% R^2 = 95.65% R^2 = 93.66%

MONTHLY Observations Since 09/2013 (w/Simple Linear Regression Line)



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Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

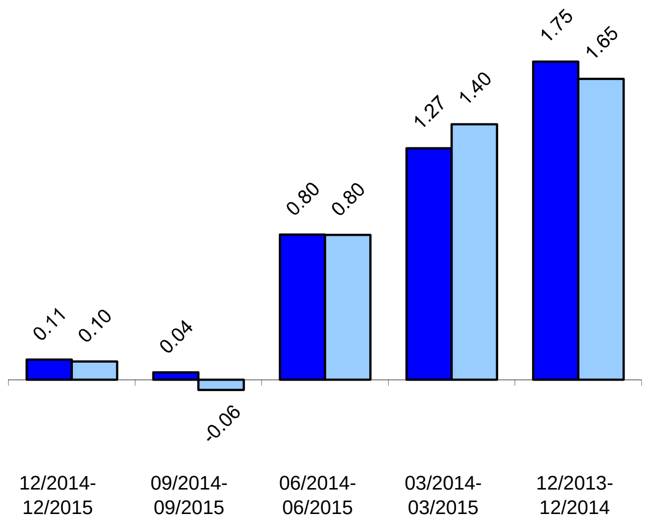
Report Created: 2/9/2016

MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUN POL #745-040114 AS OF 12/31/2015

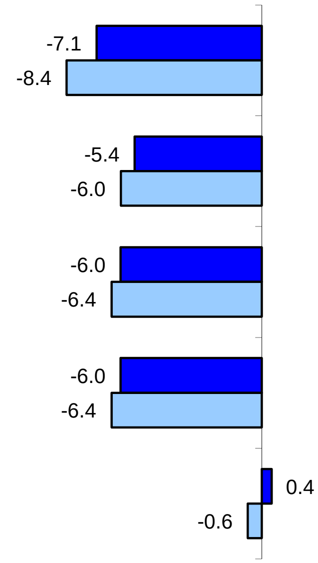
■ Connors Invest - Covered Call
■ S&P 500

Sharpe Ratios 1-Year Rolling Periods



Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

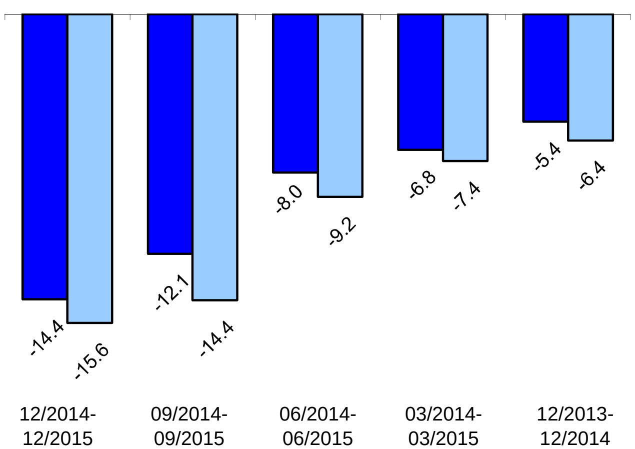
Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	09/15	09/15
Month	08/15	08/15
Calendar Qtr	09/15	09/15
Any 3 Mos	09/15	09/15
Any 12 Mos	09/15	09/15

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture Returns (%) 1-Year Rolling Periods



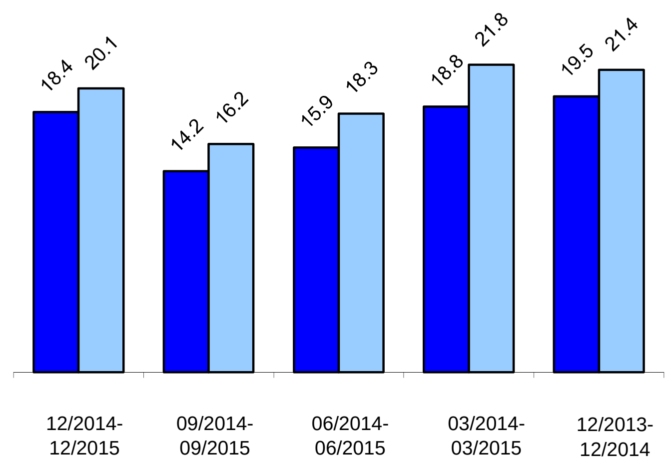
0.92	0.84	0.87	0.92	0.85

Down Capture Ratios

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the

Up Capture Returns (%) 1-Year Rolling Periods



0.92	0.88	0.87	0.86	0.91

Up Capture Ratios

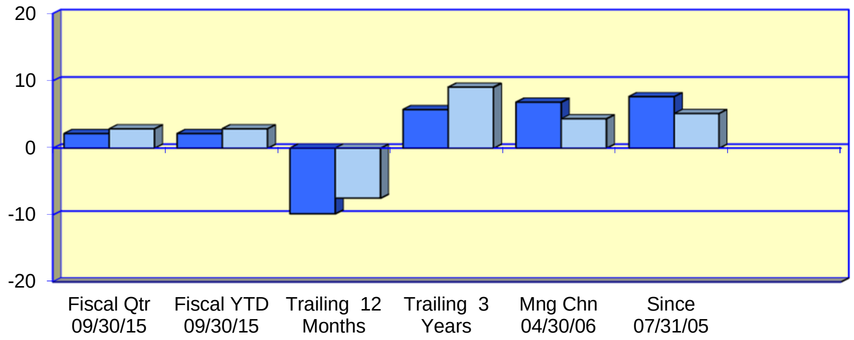
Report Created: 2/9/2016

Graystone Consulting℠

ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUN. #745-125129 Single Strategy UMA — As Of 12/31/2015

Portfolio Performance (%)

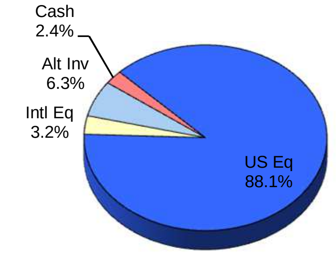


Asset Allocation ($000)

US Eq	Intl Eq	Alt Inv	Cash
1,375	50	98	38

Total

1,562



Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Mng Chn 04/30/06*	*Since 07/31/05*
GW Capital Small Cap Equity 01/16	**2.17**	**2.17**	**-9.81**	**5.73**	**6.83**	**7.66**
Russell 2000 Vl	2.88	2.88	-7.47	9.06	4.36	5.16
Asset Growth ($000)						
Beginning Market Value	1740	1590	1769	1549	1205	565
Net Contributions & Withdrawals	-35	81	57	-19	15	146
Gain/Loss + Income	-143	-109	-264	32	342	851
Ending Market Value	1562	1562	1562	1562	1562	1562

Top Holdings

Security	***Sector***	***% Port***
Casey's General Stores Inc	Consumer Staples	5.6
Core Mark Holding Co Inc	Consumer Discretiona	4.8
Prestige Brands Holdings Inc	Consumer Staples	4.3
Sensient Tech Corp	Materials	4.1
Northwest Bancshares Inc	Financials	4.0
Chemtura Corp Com New	Materials	3.7
Albany Intl A New	Industrials	3.7
Atlantic Tele-network Inc New	Telecommunication Se	3.6
Unifirst Cp	Industrials	3.5
Iberia Bk Corp	Financials	3.5

Economic Sector Allocation

	% Port
Industrials	21.0
Financials	19.6
Consumer Staples	15.1
Materials	14.3
Consumer Discretiona	8.0
Other	5.6
Information Technolo	5.1
Health Care	4.8
Telecommunication Se	4.7
Utilities	1.1
Energy	0.5

Report Created: 2/9/2016

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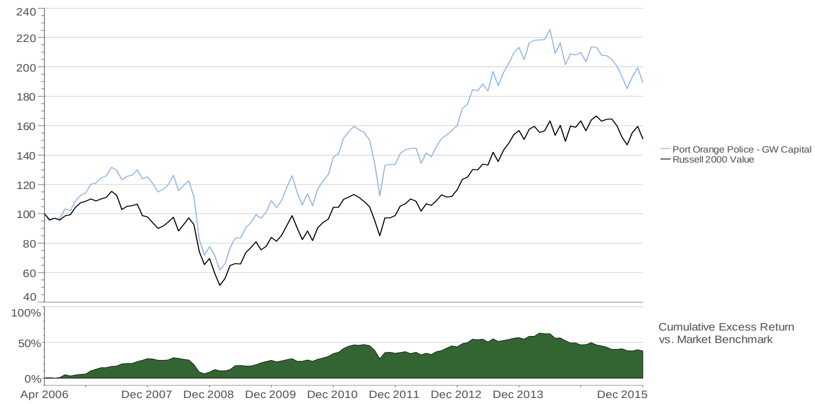
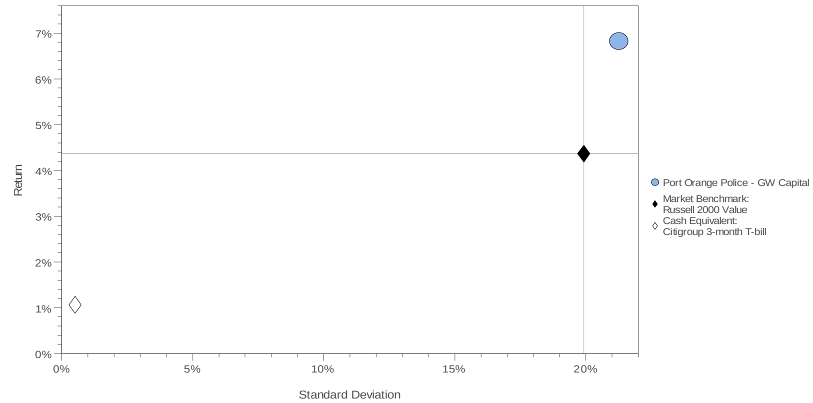
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
May 2006 - December 2015 (Single Computation)



Risk / Return
May 2006 - December 2015 (Single Computation)



Return & Risk Analysis

May 2006 - December 2015: Summary Statistics

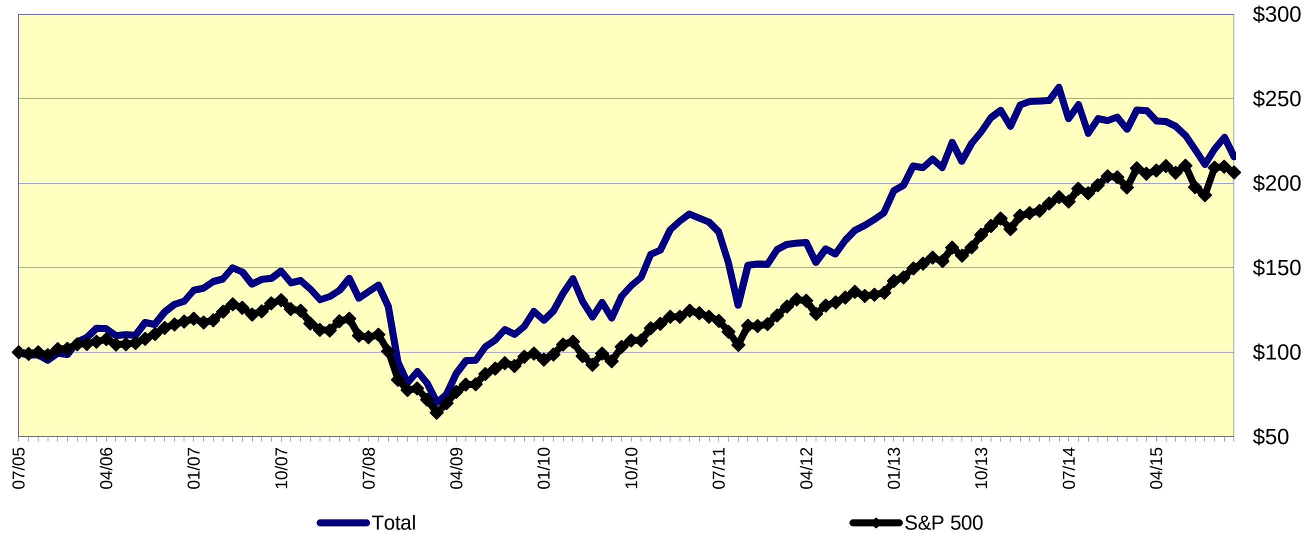
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange Police - GW Capital	6.83%	2.46%	21.25%	1.01	-53.18%	106.05%	97.19%	2.60%	0.27	90.23%
Russell 2000 Value	4.37%	0.00%	19.92%	1.00	-55.46%	100.00%	100.00%	0.00%	0.17	100.00%

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUN. #745-125129 GW Capital - Small Cap Value Equity As Of 12/31/2015

Growth of $100 Graph

This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

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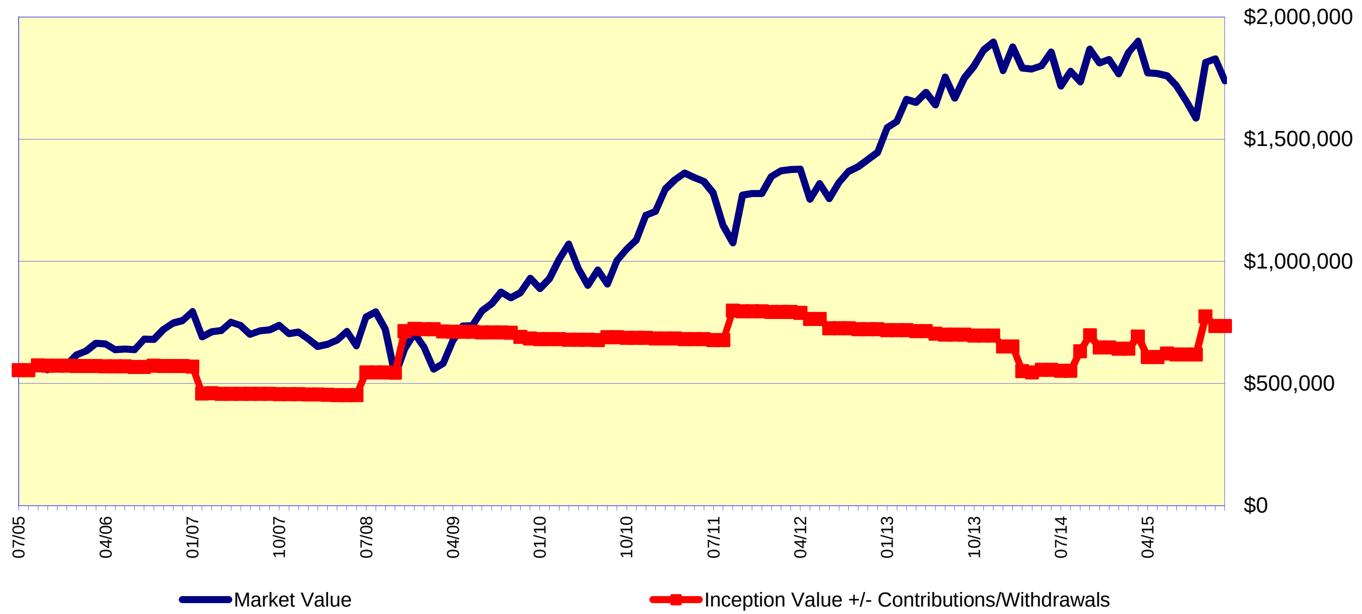
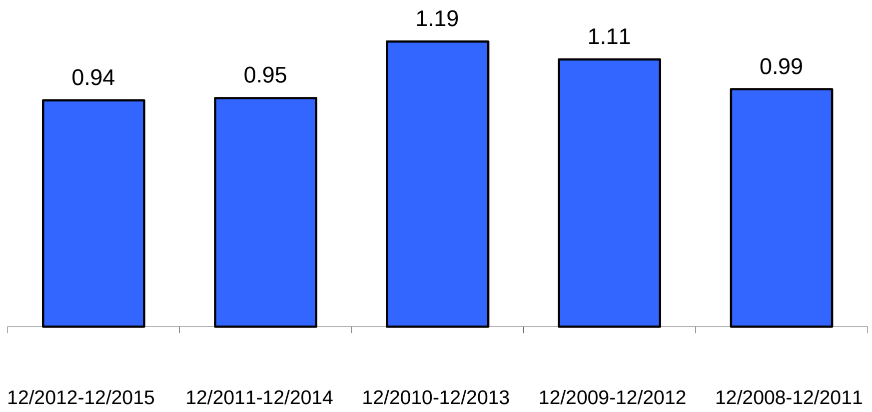


Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

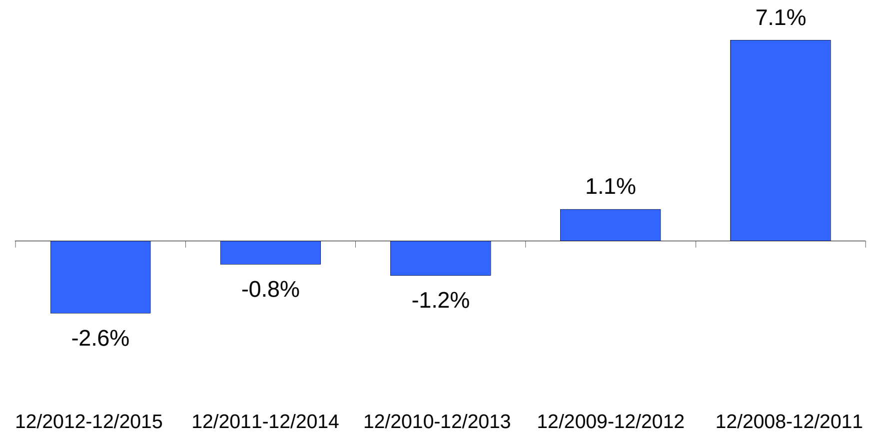
CITY OF PORT ORANGE MUN. #745-125129 GW Capital - Small Cap Value Equity AS OF 12/31/2015

Beta - Rolling Periods



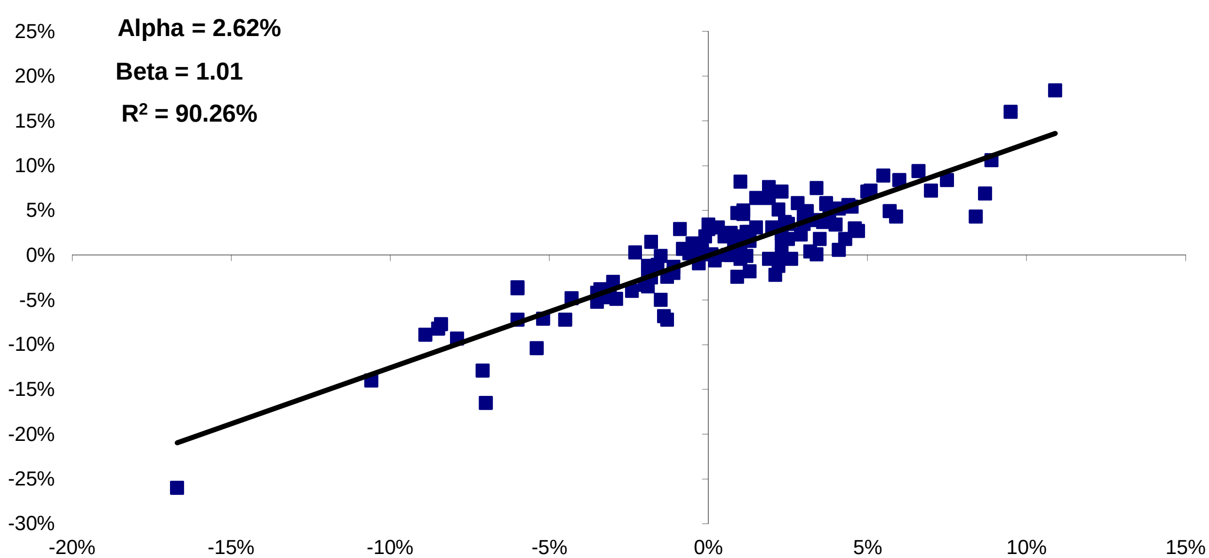
R^2 = 91.63% R^2 = 86.87% R^2 = 92.70% R^2 = 94.11% R^2 = 91.38%

Alpha - Rolling Periods



R^2 = 91.63% R^2 = 86.87% R^2 = 92.70% R^2 = 94.11% R^2 = 91.38%

MONTHLY Observations Since 07/2005
(w/Simple Linear Regression Line)



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Report Created: 2/9/2016

Graystone Consulting℠

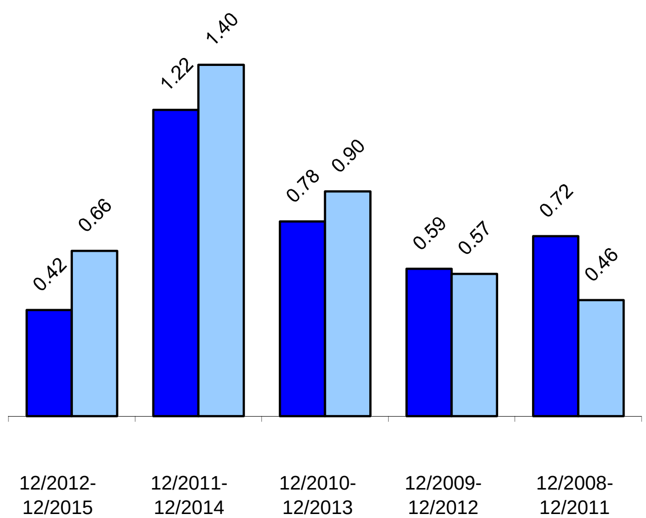
MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUN. #745-125129 AS OF 12/31/2015

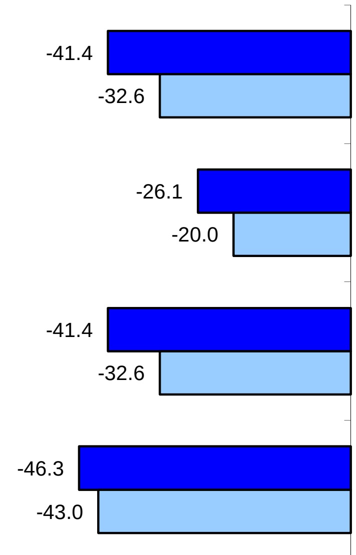
GW Capital - Small Cap Value

Russell 2000 VI

Sharpe Ratios 3-Year Rolling Periods



Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	11/08	11/08
Month	10/08	10/08
Any 3 Mos	11/08	11/08
Any 12 Mos	02/09	02/09

Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

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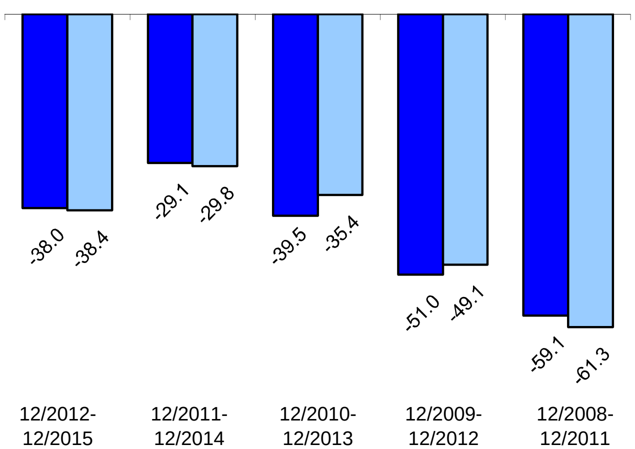
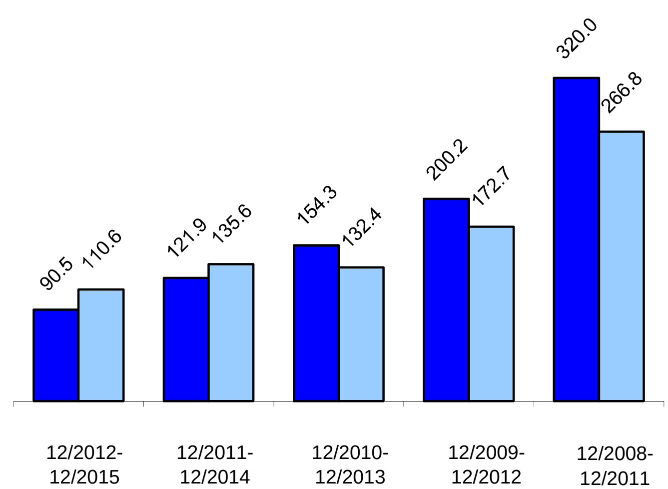
Down Capture Returns (%) 3-Year Rolling Periods



0.99	0.98	1.11	1.04	0.96

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.82	0.90	1.17	1.16	1.20

Up Capture Ratios

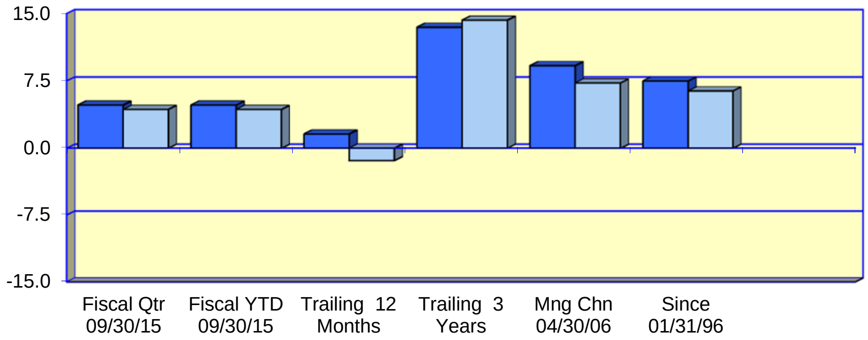
Report Created: 2/9/2016

Graystone Consulting℠

ACCOUNT - EXECUTIVE SUMMARY

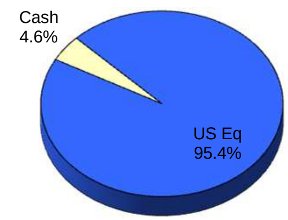
CITY OF PORT ORANGE MUNICIPAL #745-107017 Single Strategy UMA — As Of 12/31/2015

Portfolio Performance (%)



Asset Allocation ($000)

US Eq	Cash	Total
1,559	75	1,634



Investment Returns (%) Since:	Fiscal Qtr 09/30/15	Fiscal YTD 09/30/15	Trailing 12 Months	Trailing 3 Years	Mng Chn 04/30/06	Since 01/31/96
RBC Global Asset Mgmt Sm Gr 01/1(	**4.81**	**4.81**	**1.58**	**13.48**	**9.20**	**7.49**
Russell 2000 Gr	4.32	4.32	-1.39	14.27	7.27	6.38
Asset Growth ($000)						
Beginning Market Value	1766	1673	1819	1429	1185	474
Net Contributions & Withdrawals	-5	6	-164	-238	-358	-358
Gain/Loss + Income	-127	-45	-21	443	807	1518
Ending Market Value	1634	1634	1634	1634	1634	1634

Top Holdings

Security	Sector	% Port
Other	Other	4.6
Cantel Medical Corp	Health Care	3.1
Heartland Payment Sys Inc	Information Technolo	2.9
Abiomed Inc	Health Care	2.5
Parexel Intl Corp	Health Care	2.5
Rli Corp	Financials	2.3
Balchem Cp	Materials	2.2
Ultimate Software Gp Inc	Information Technolo	2.2
Manhattan Assoc Inc	Information Technolo	2.1
Eagle Bancorp Inc Md	Financials	2.0

Economic Sector Allocation

	% Port
Information Technolo	23.8
Health Care	23.2
Industrials	20.0
Consumer Discretiona	11.5
Financials	6.7
Other	5.7
Consumer Staples	5.2
Materials	2.2
Energy	1.6

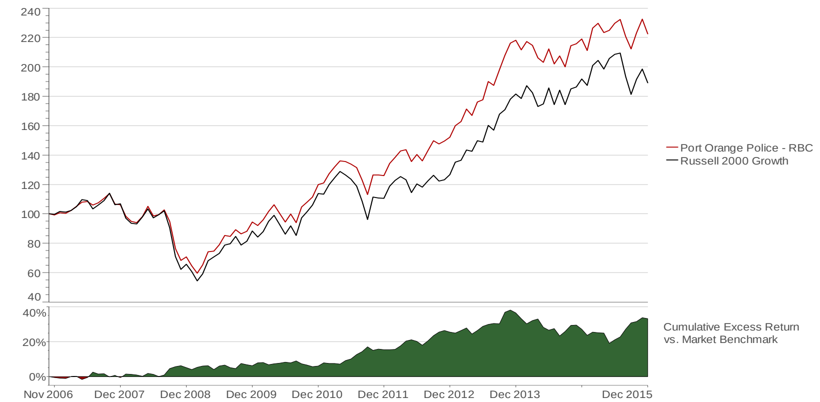
Report Created: 2/9/2016

Please refer to the attached Disclosures for important information.

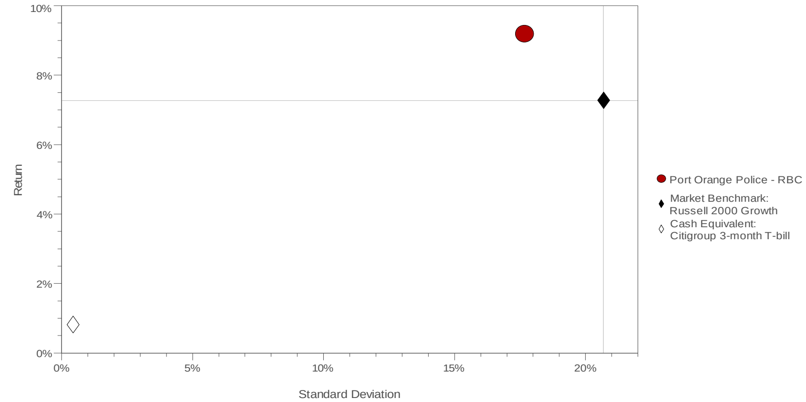
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
December 2006 - December 2015 (Single Computation)



Risk / Return
December 2006 - December 2015 (Single Computation)



Return & Risk Analysis

December 2006 - December 2015: Summary Statistics

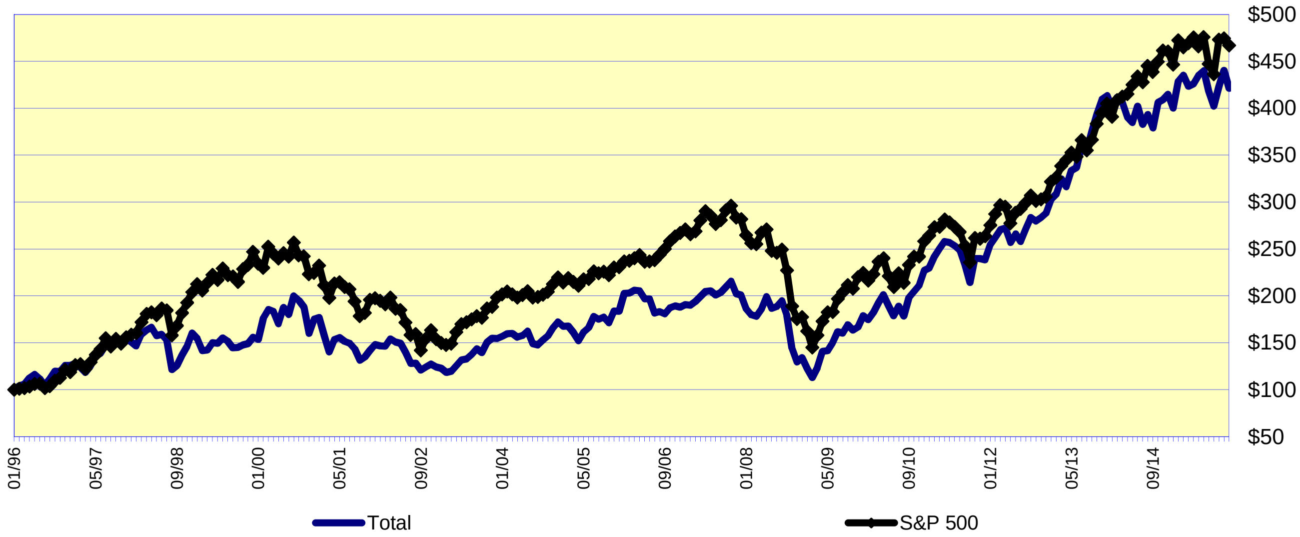
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Port Orange Police - RBC	9.20%	1.93%	17.66%	0.83	-47.56%	85.00%	82.68%	2.81%	0.47	94.25%
Russell 2000 Growth	7.27%	0.00%	20.68%	1.00	-52.31%	100.00%	100.00%	0.00%	0.31	100.00%

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-107017 RBC Global Asset Mgmt - Small Growth Equity As Of 12/31/2015

Growth of $100 Graph

This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

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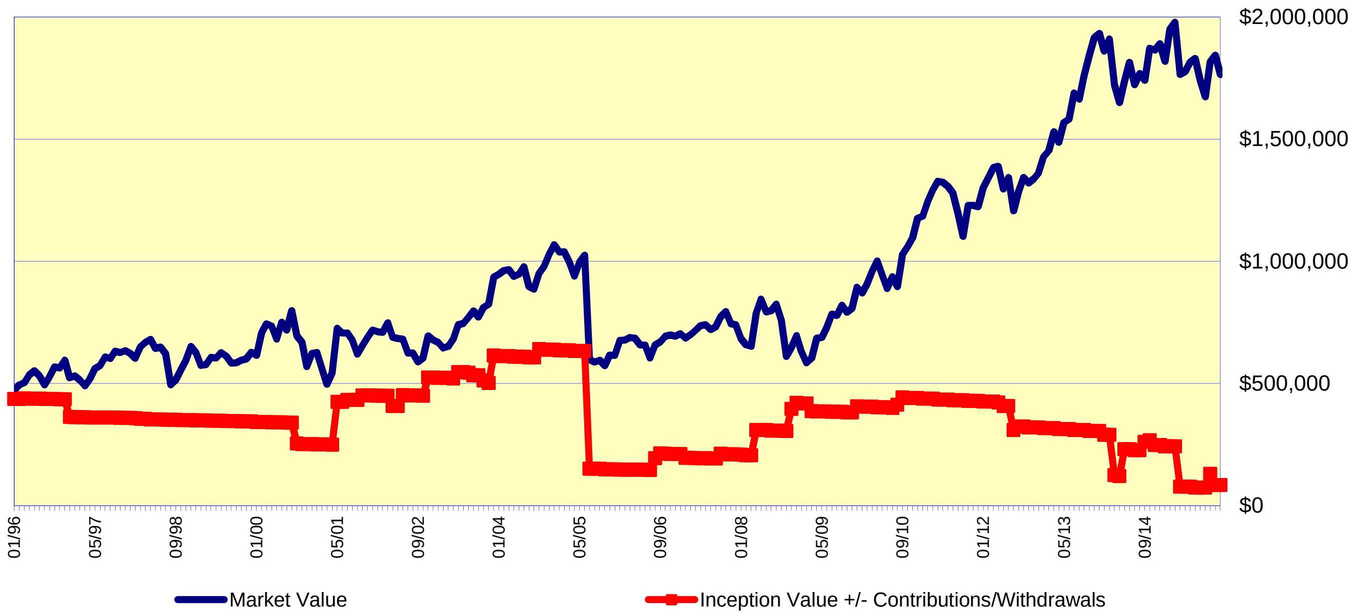

Report Created: 2/9/2016

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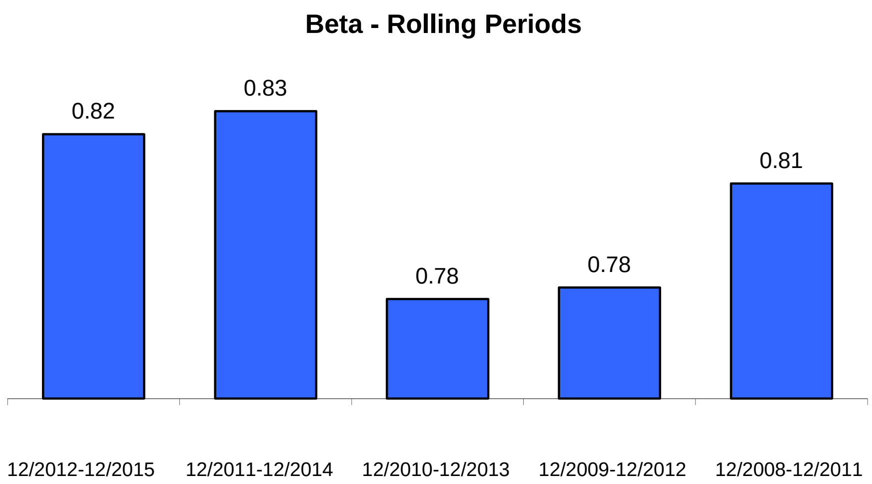
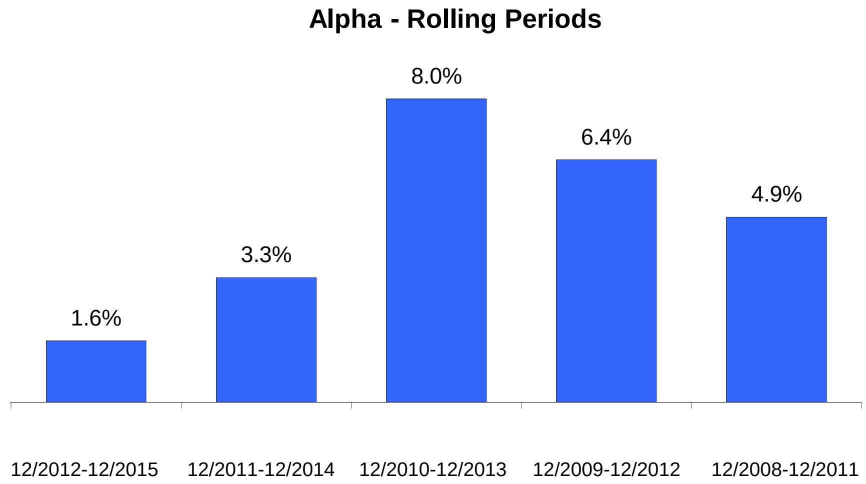
MODERN PORTFOLIO THEORY

CITY OF PORT ORANGE MUNICIPAL #745-107017 RBC Global Asset Mgmt - Small Growth Equity AS OF 12/31/2015



R^2 = 88.34% R^2 = 86.48% R^2 = 92.95% R^2 = 96.61% R^2 = 95.71%



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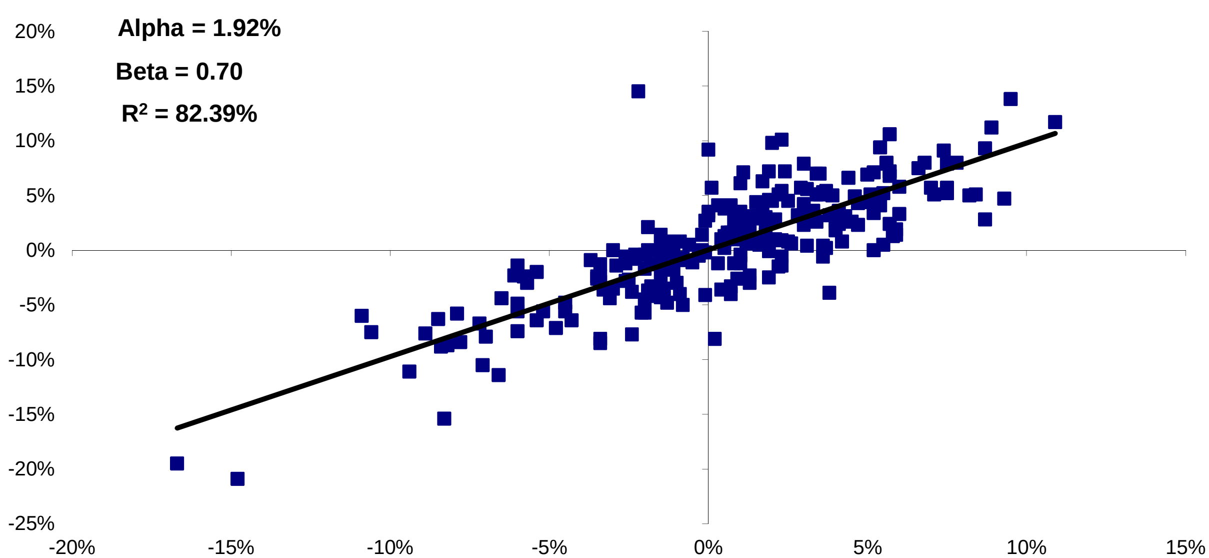
MONTHLY Observations Since 01/1996
(w/Simple Linear Regression Line)



Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

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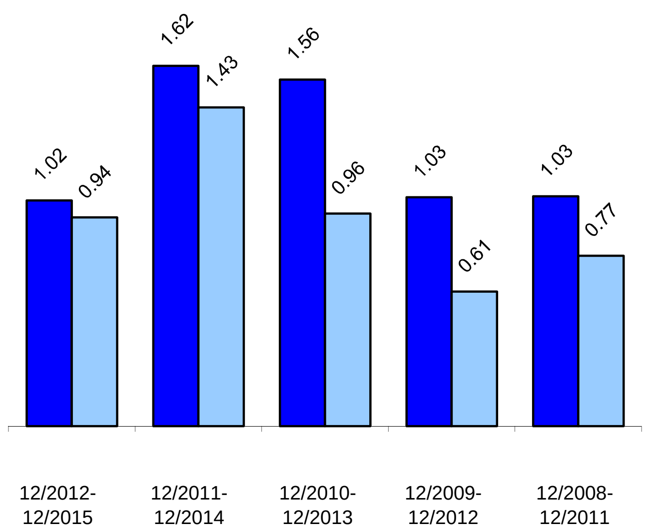
MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-107017

AS OF 12/31/2015

Sharpe Ratios 3-Year Rolling Periods



RBC Global Asset Mgmt - Small

Russell 2000 Gr

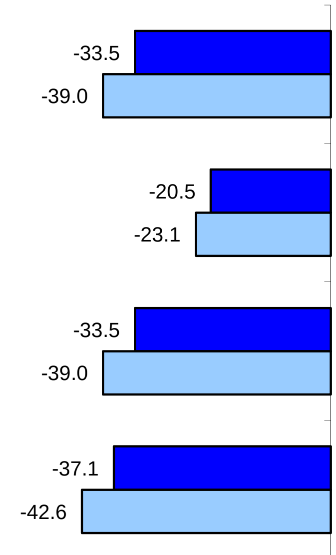
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

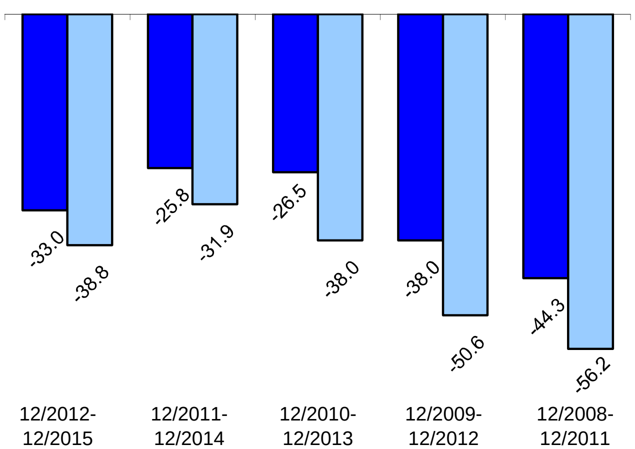
Up Capture is the measure of the fund`s total return whenever the

Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	11/08	11/08
Month	08/98	08/98
Any 3 Mos	11/08	11/08
Any 12 Mos	02/09	09/01

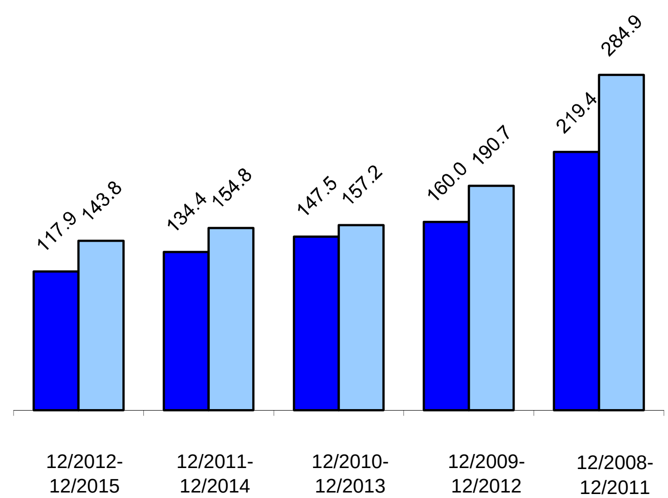
Down Capture Returns (%) 3-Year Rolling Periods



0.85	0.81	0.70	0.75	0.79

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.82	0.87	0.94	0.84	0.77

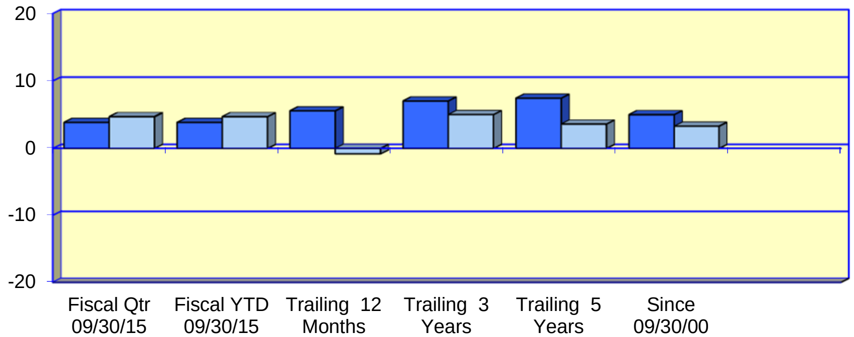
Up Capture Ratios

Report Created: 2/9/2016

ACCOUNT - EXECUTIVE SUMMARY

CITY OF PORT ORANGE MUNICIPAL #745-108866 Single Strategy UMA — As Of 12/31/2015

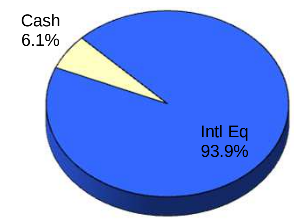
Portfolio Performance (%)



Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 09/30/00*
Lazard Intl Equity Select ADR 01/16	**3.84**	**3.84**	**5.57**	**7.03**	**7.45**	**5.00**
Msci Eafe Net	4.71	4.71	-0.81	5.02	3.61	3.29
Asset Growth ($000)						
Beginning Market Value	1386	1333	1450	1205	859	570
Net Contributions & Withdrawals	-4	-2	-144	-59	73	180
Gain/Loss + Income	-79	-28	-3	157	371	553
Ending Market Value	1303	1303	1303	1303	1303	1303

Asset Allocation ($000)

Intl Eq	*Cash*	*Total*
1,222	80	1,303



Top Holdings

Security	*Sector*	*% Port*
Other	Other	6.2
Anheuser Busch Inbev Sa Spon	Consumer Staples	4.8
Novartis Ag Adr	Health Care	4.1
Daiwa House Ind Ltd Adr	Financials	3.3
British Amer Tob Spon Adr	Consumer Staples	3.2
Prudential Plc Adr	Financials	3.1
Assa Abloy Ab Unsp Adr	Industrials	2.7
Japan Tob Inc	Other	2.7
Bayer Ag Spon Adr	Health Care	2.5
Lloyds Banking Group Plc	Financials	2.3

Economic Sector Allocation

	% Port
Other	23.8
Financials	17.8
Consumer Staples	15.1
Health Care	14.4
Industrials	7.8
Telecommunication Se	7.5
Consumer Discretiona	7.4
Energy	1.7
Information Technolo	1.7
Utilities	1.6
Materials	1.2

Report Created: 2/9/2016

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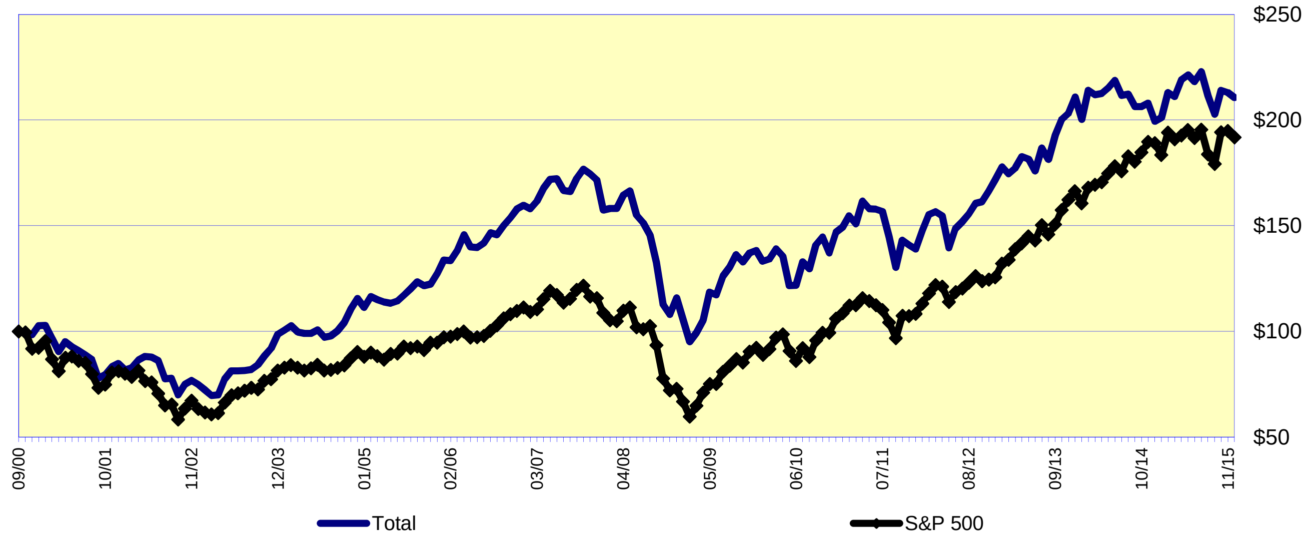

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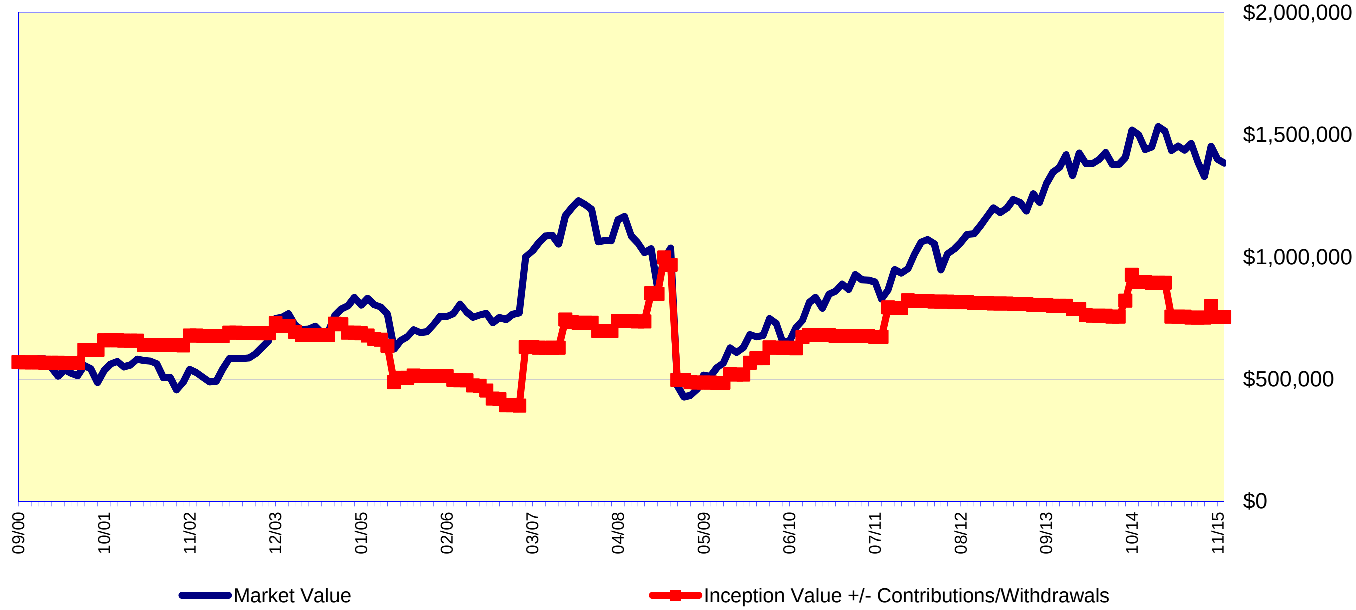


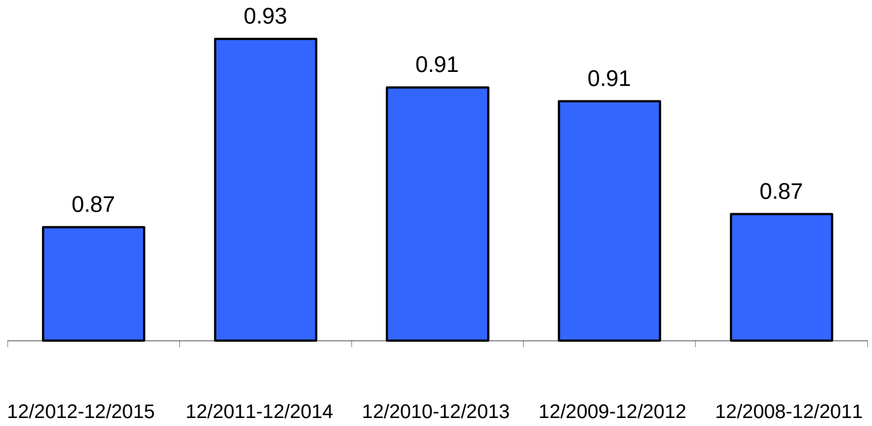
Report Created: 2/9/2016

Graystone Consulting℠

MODERN PORTFOLIO THEORY

CITY OF PORT ORANGE MUNICIPAL #745-108866 Lazard - International AS OF 12/31/2015

Beta - Rolling Periods



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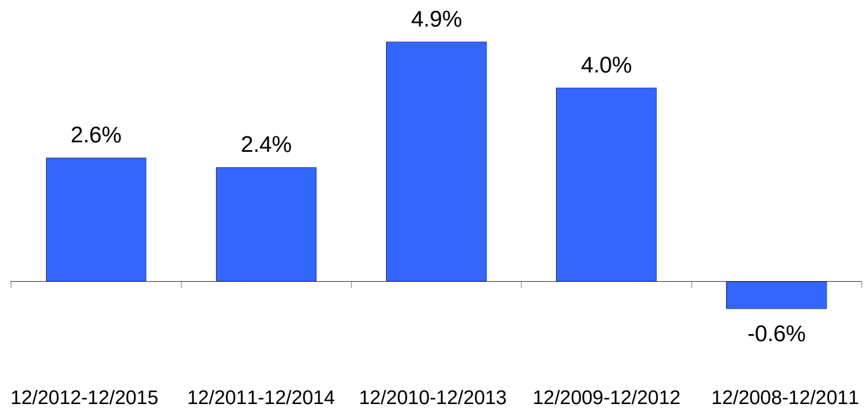
Alpha - Rolling Periods



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MONTHLY Observations Since 09/2000
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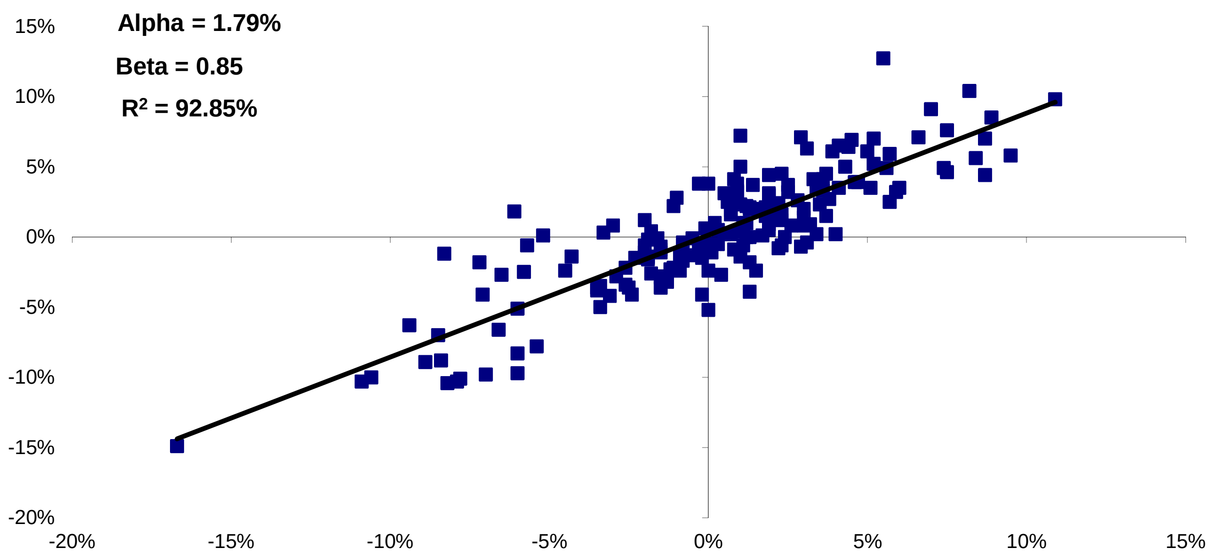

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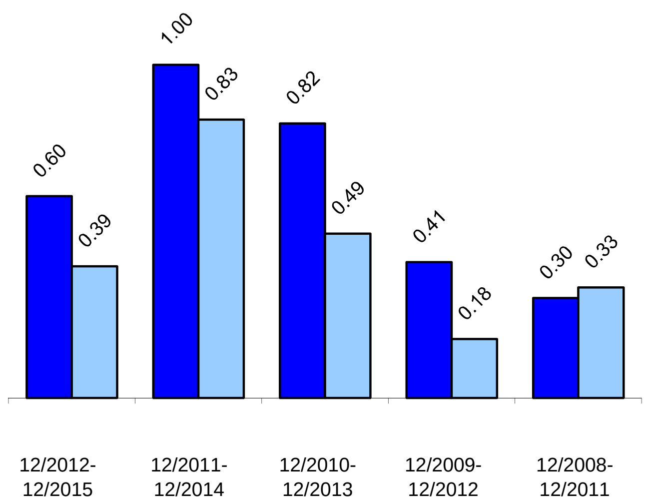
Report Created: 2/9/2016

Graystone Consulting℠

MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-108866 AS OF 12/31/2015

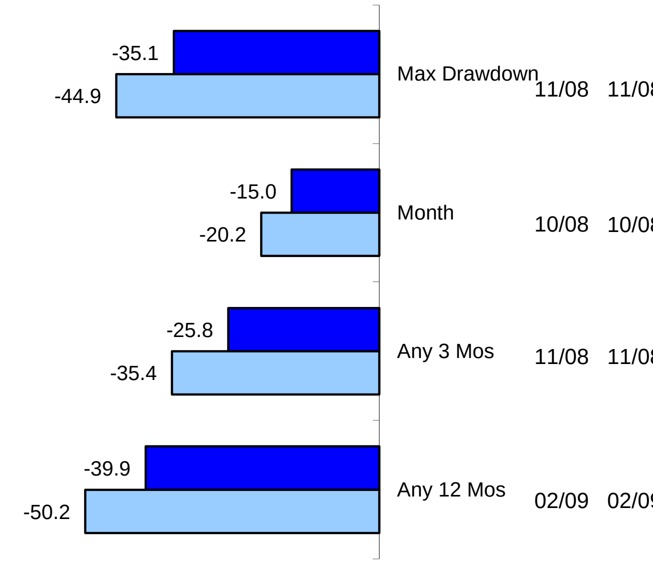
Sharpe Ratios 3-Year Rolling Periods



Lazard - International

MSCI EAFE Net

Loss in Varying Time Periods (%)



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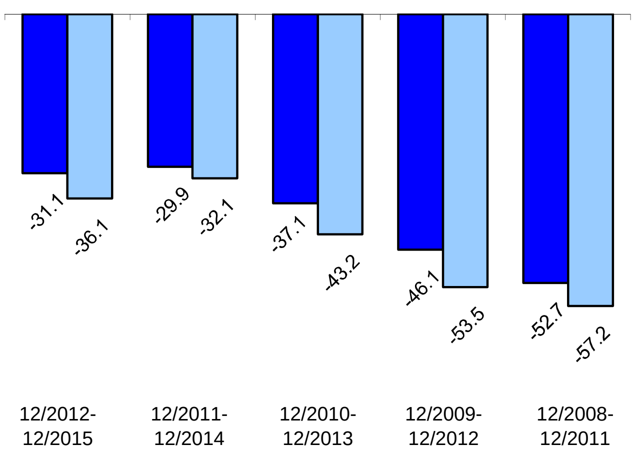
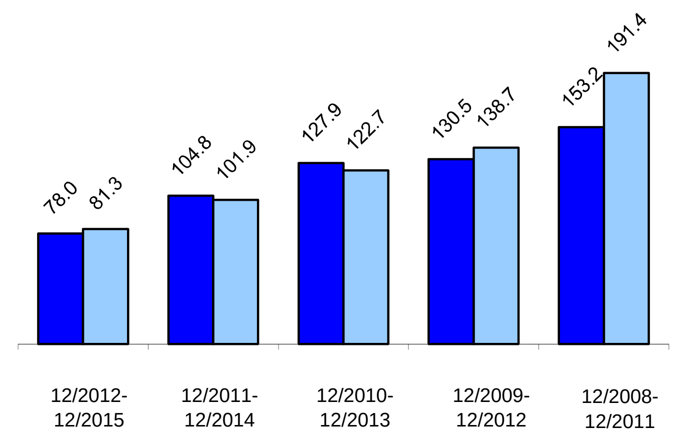
Down Capture Returns (%) 3-Year Rolling Periods



0.86	0.93	0.86	0.86	0.92

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.96	1.03	1.04	0.94	0.80

Up Capture Ratios

Report Created: 2/9/2016

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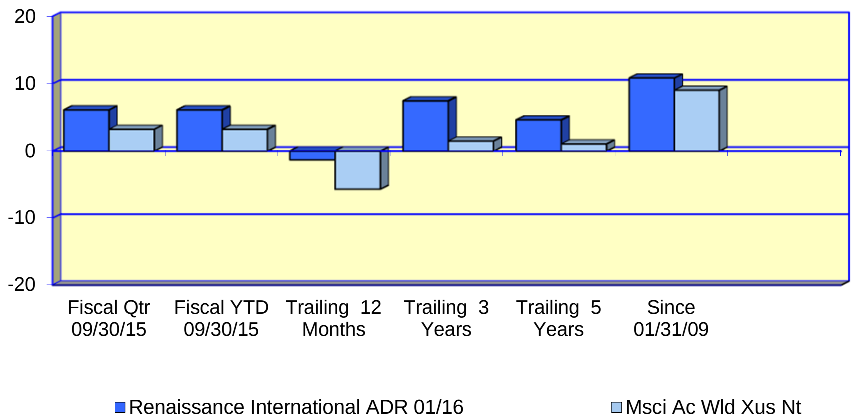
ACCOUNT - EXECUTIVE SUMMARY

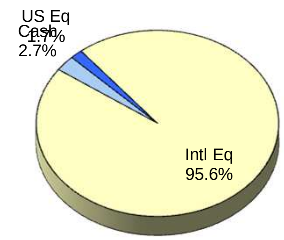
CITY OF PORT ORANGE MUNICIPAL #745-125551 Single Strategy UMA — As Of 12/31/2015

Portfolio Performance (%)



Asset Allocation ($000)

US Eq	*Intl Eq*	*Cash*	*Total*
22	1,271	36	1,328



Investment Returns (%) *Since:*	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 01/31/09*
Renaissance International ADR 01/1	**6.11**	**6.11**	**-1.31**	**7.45**	**4.63**	**10.85**
Msci Ac Wld Xus Nt	3.24	3.24	-5.67	1.49	1.06	9.03
Asset Growth ($000)						
Beginning Market Value	1424	1252	1438	1094	886	451
Net Contributions & Withdrawals	-4	93	1	105	235	375
Gain/Loss + Income	-92	-17	-111	129	207	502
Ending Market Value	1328	1328	1328	1328	1328	1328

Top Holdings

Security	***Sector***	***% Port***
Other	Other	2.7
Itv Plc Unspons Adr	Consumer Discretiona	2.0
Pt Bk Mandiri Persero Tbk Unsp	Financials	2.0
Taiwan Smcndctr Mfg Co Ltd Adr	Information Technolo	2.0
Teva Pharmaceuticals Adr	Health Care	2.0
Wh Group Ltd	Other	2.0
Validus Holdings Ltd Com	Financials	2.0
Yy Inc Ads	Information Technolo	2.0
Bridgestone Cp Adr	Consumer Discretiona	2.0
Ryanair Hldgs Plc Adr	Other	2.0

Economic Sector Allocation

	% Port
Other	19.4
Financials	16.2
Information Technolo	15.0
Consumer Discretiona	14.3
Industrials	11.3
Telecommunication Se	9.0
Health Care	7.3
Consumer Staples	3.9
Utilities	1.9
Energy	1.7

Report Created: 2/9/2016

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MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-125551 Renaissance - International As Of 12/31/2015

Growth of $100 Graph

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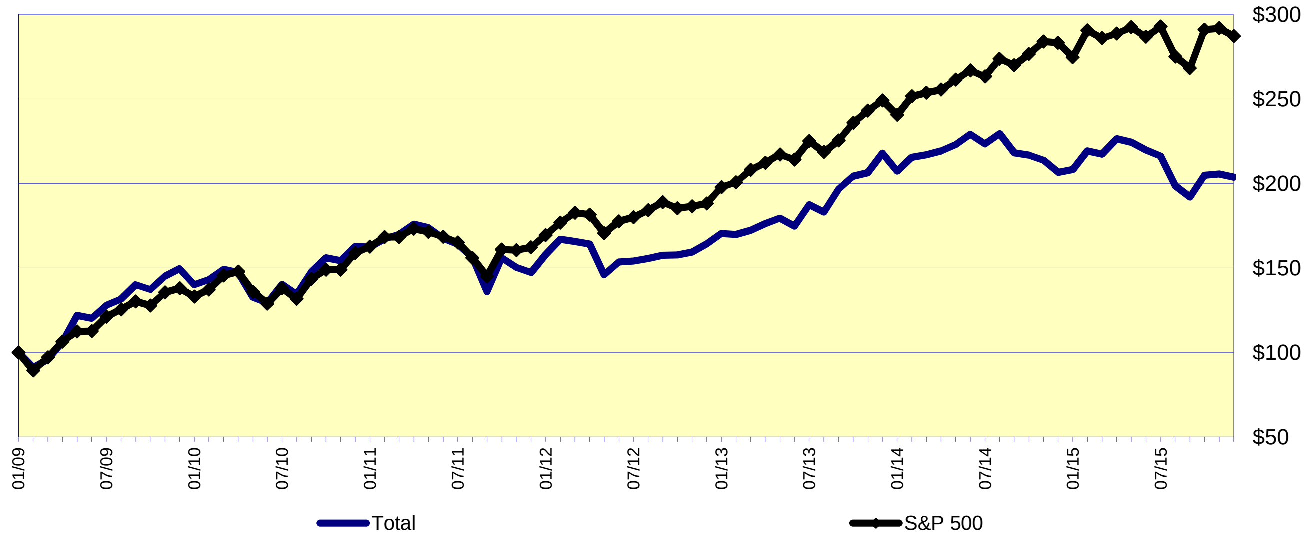

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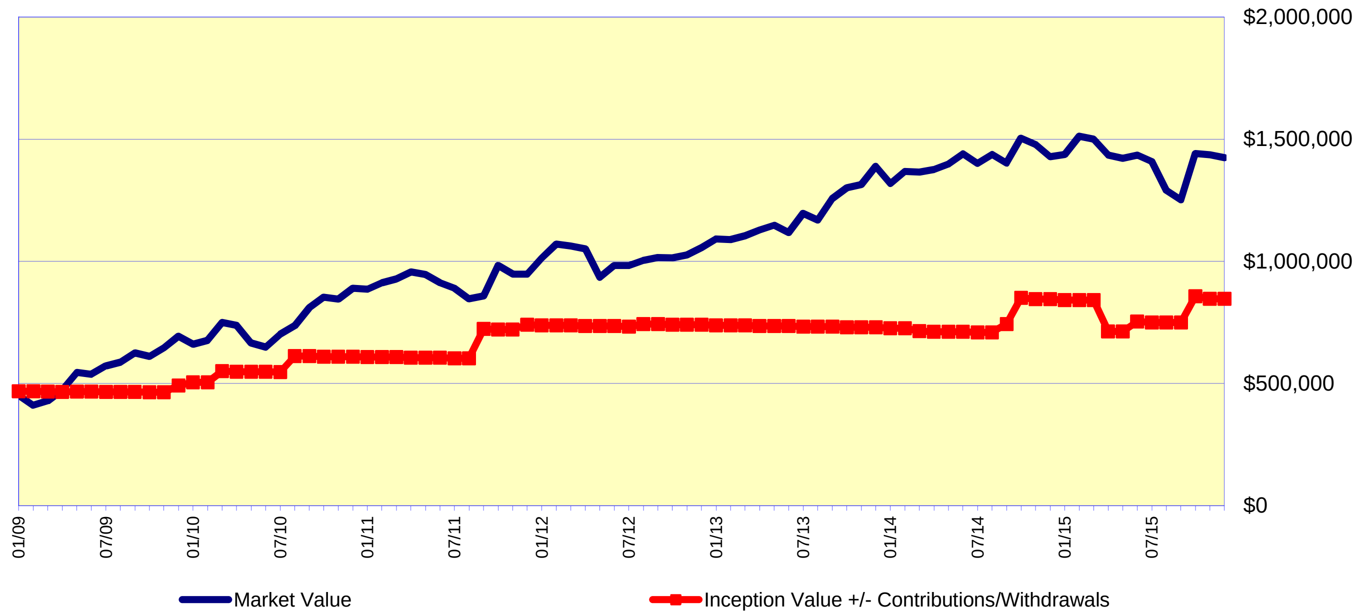
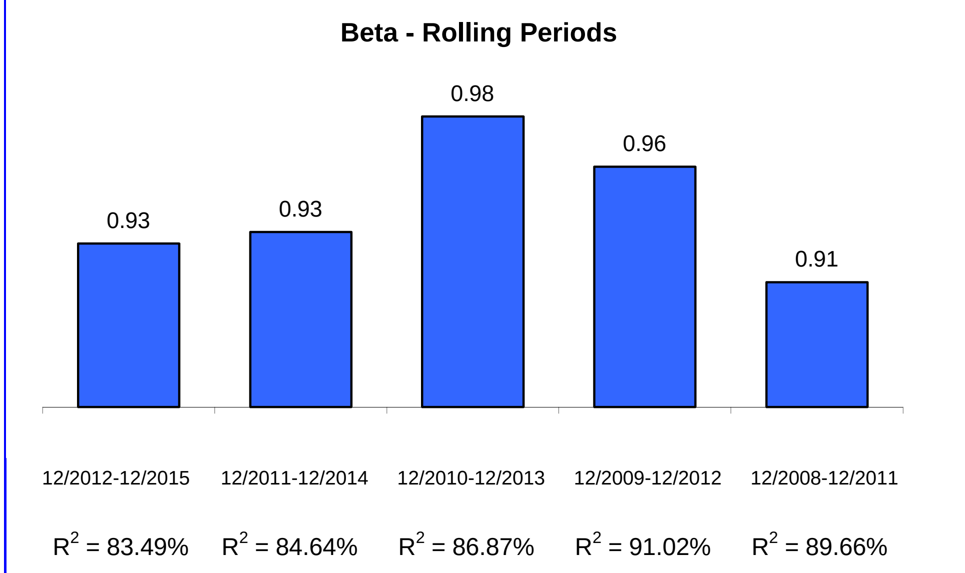
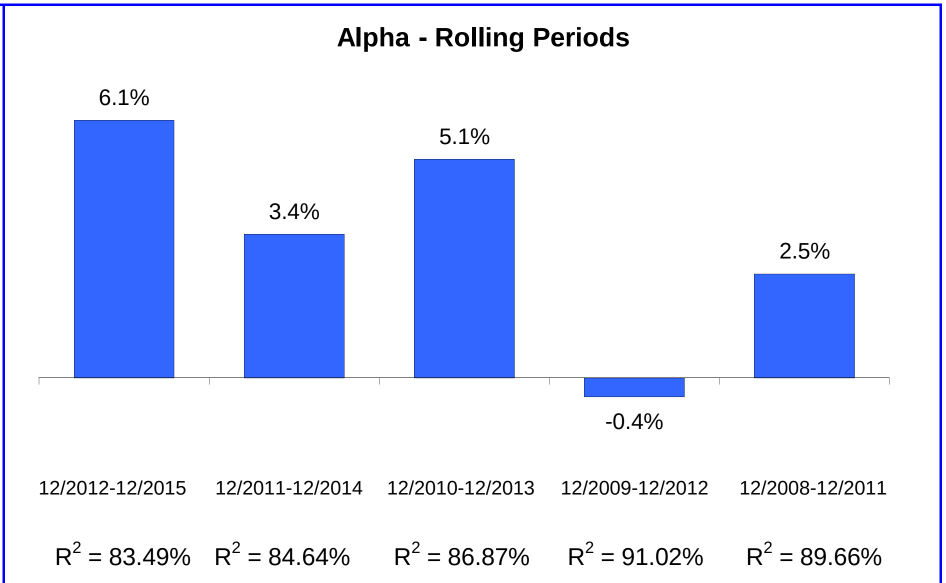


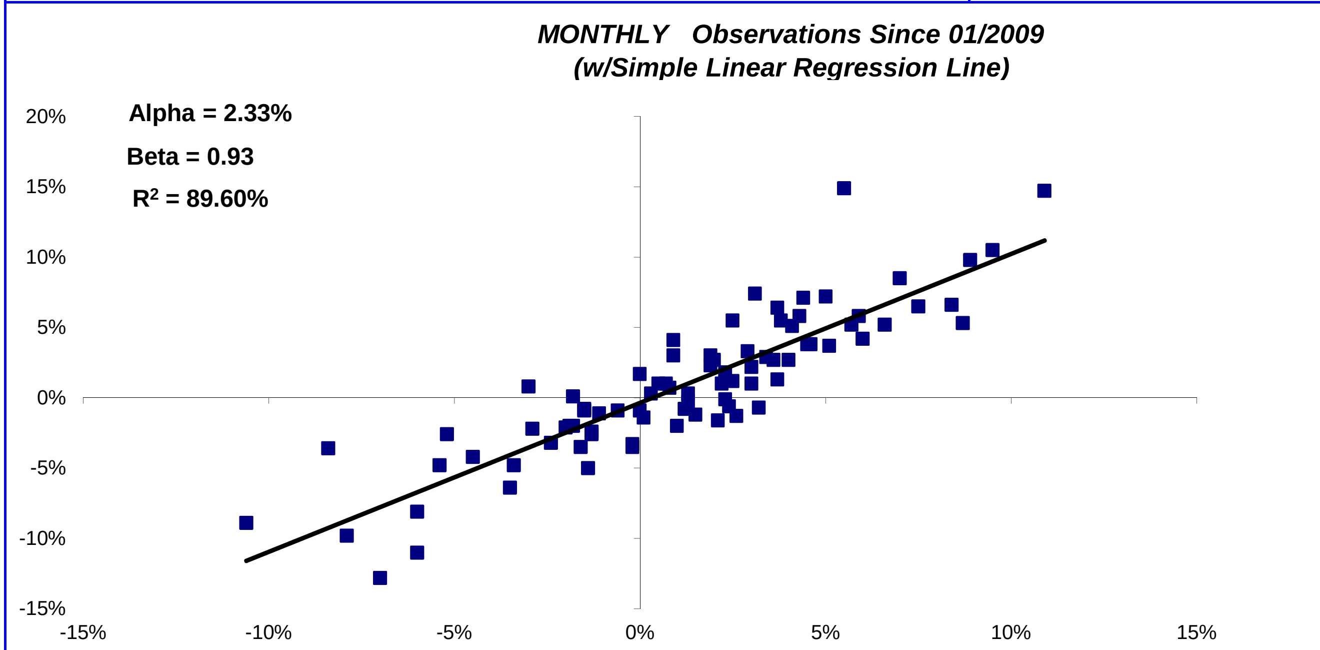
Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

CITY OF PORT ORANGE MUNICIPAL #745-125551 Renaissance - International AS OF 12/31/2015







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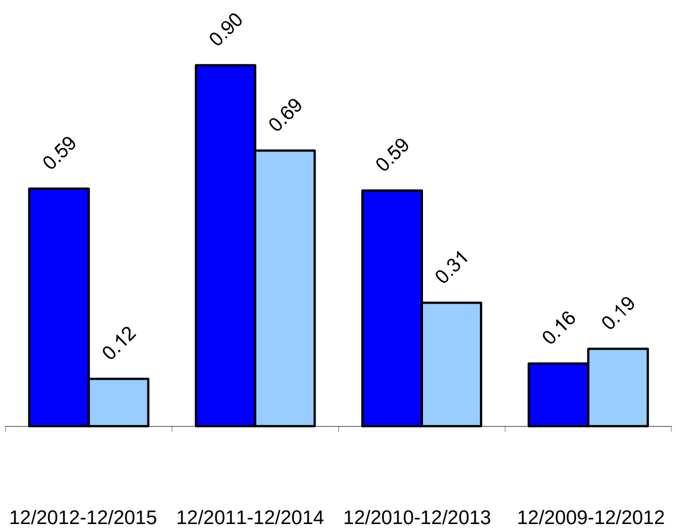
Report Created: 2/9/2016

MANAGER RISK ANALYSIS

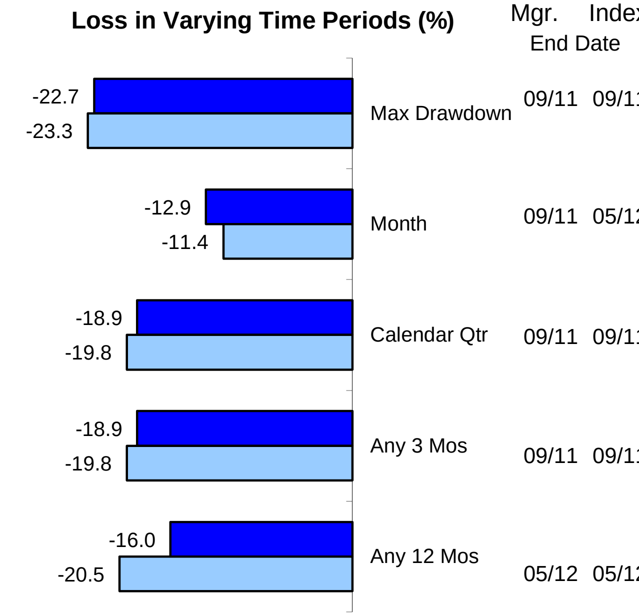
CITY OF PORT ORANGE MUNICIPAL #745-125551 — AS OF 12/31/2015

■ Renaissance - International
■ MSCI AC Wld xUS Nt

Sharpe Ratios 3-Year Rolling Periods



Loss in Varying Time Periods (%)



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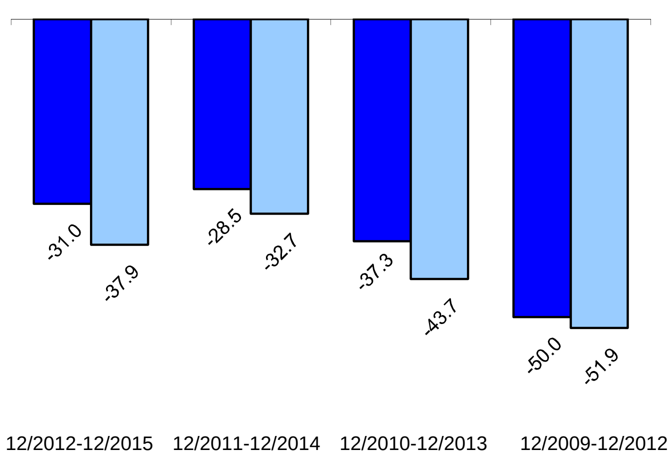
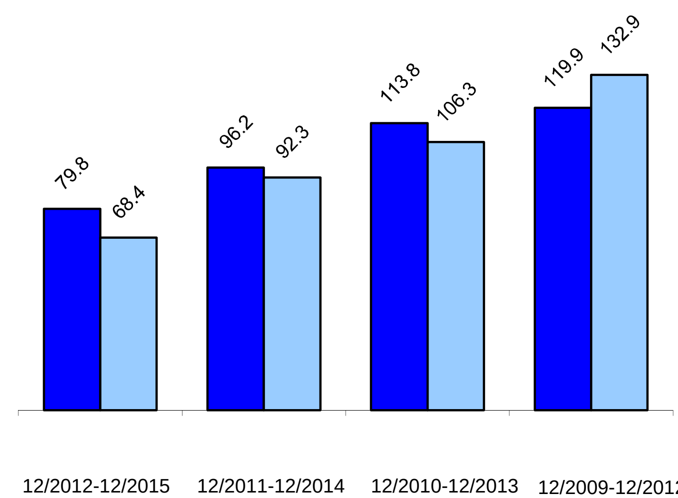


0.82	0.87	0.85	0.96

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



1.17	1.04	1.07	0.90

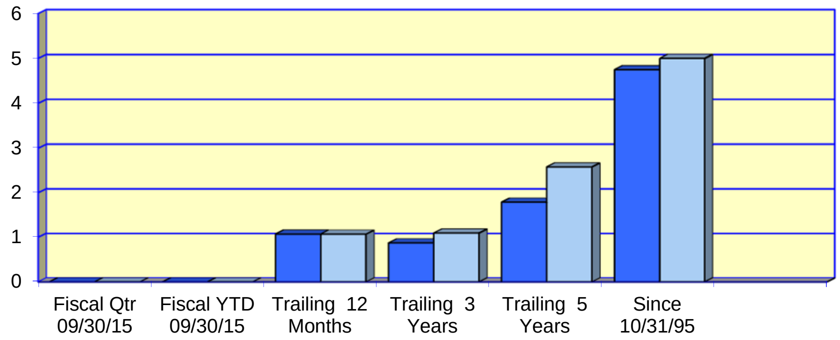
Up Capture Ratios

Report Created: 2/9/2016

ACCOUNT - EXECUTIVE SUMMARY

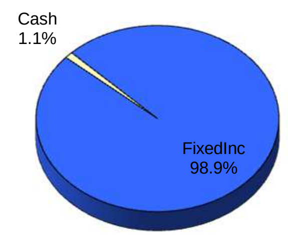
CITY OF PORT ORANGE MUNICIPAL #745-106956 Single Strategy UMA — As Of 12/31/2015

Portfolio Performance (%)



Asset Allocation ($000)

FixedInc	Cash	Total
7,628	86	7,714



Investment Returns (%) Since:	Fiscal Qtr 09/30/15	Fiscal YTD 09/30/15	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 10/31/95
Madison Interm Fixed Income 01/16	**-0.39**	**-0.39**	**1.07**	**0.87**	**1.79**	**4.75**
Bc Gov/cr Intm	-0.69	-0.69	1.07	1.10	2.58	5.00
Asset Growth ($000)						
Beginning Market Value	7723	7919	7707	7128	6530	1776
Net Contributions & Withdrawals	-80	-245	-76	282	478	2542
Gain/Loss + Income	71	40	83	304	706	3396
Ending Market Value	7714	7714	7714	7714	7714	7714

Top Holdings

Security	Sector	% Port
Us Tsy Note 1500 16jl31	Other	5.9
Us Tsy Note 0875 17ja31	Other	5.8
Us Tsy Note 2000 20jl31	Other	4.7
Fnma 1250 16sp28	Other	4.6
Fhlmc 0875 18mh07	Other	4.6
Us Tsy Note 4500 17my15	Other	4.1
Home Depot Inc 2000 *19jn15	Other	4.0
Us Tsy Note 1250 19ja31	Other	3.9
Us Tsy Note 1125 19de31	Other	3.9
Us Tsy Note 3125 19my15	Other	3.7

Economic Sector Allocation

	% Port
Other	99.5

Report Created: 2/9/2016

Please refer to the attached Disclosures for important information.

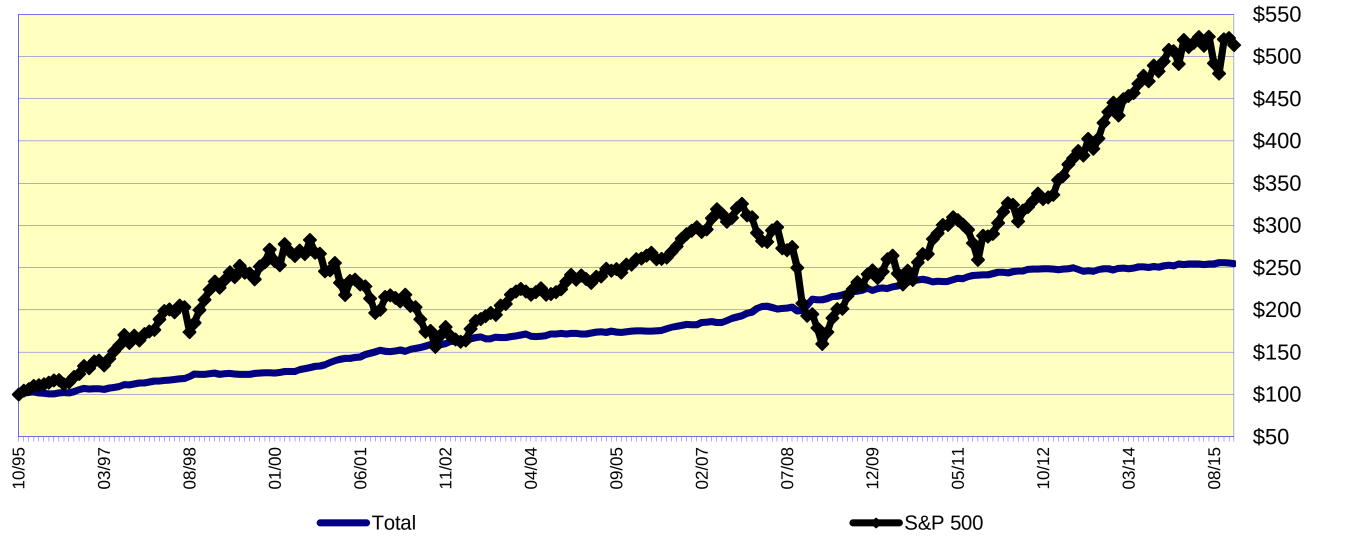
Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106956 Madison - Intermediate Govt-Corp | As Of 12/31/2015

Growth of $100 Graph

This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

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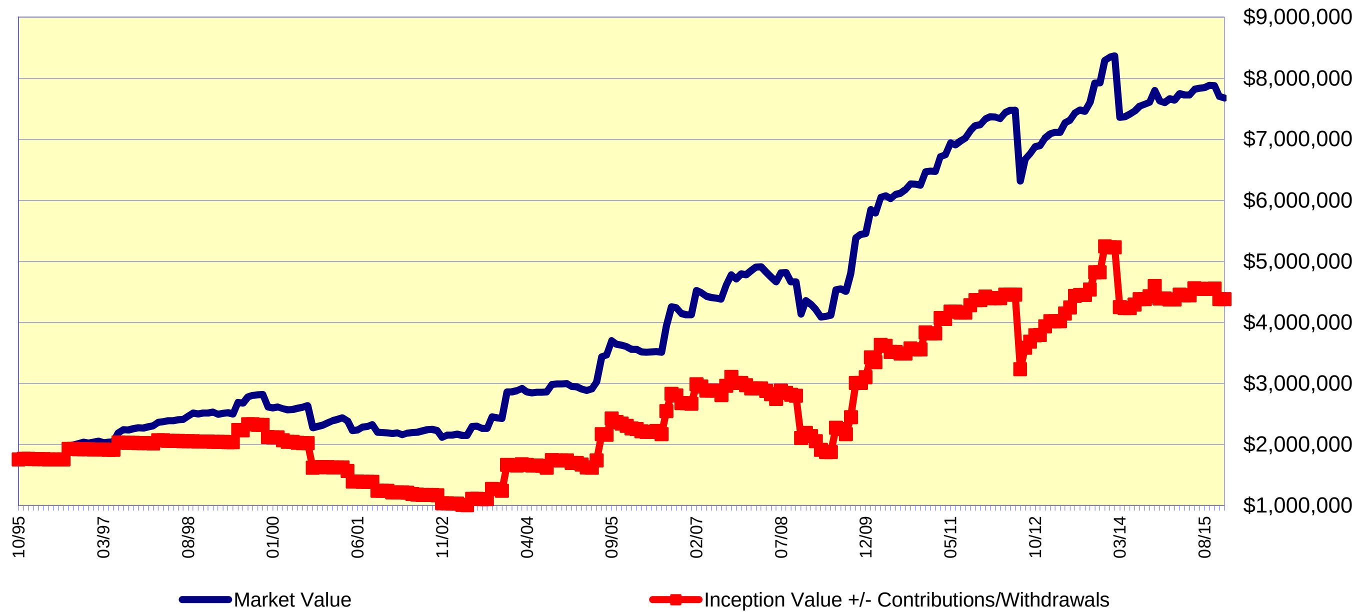
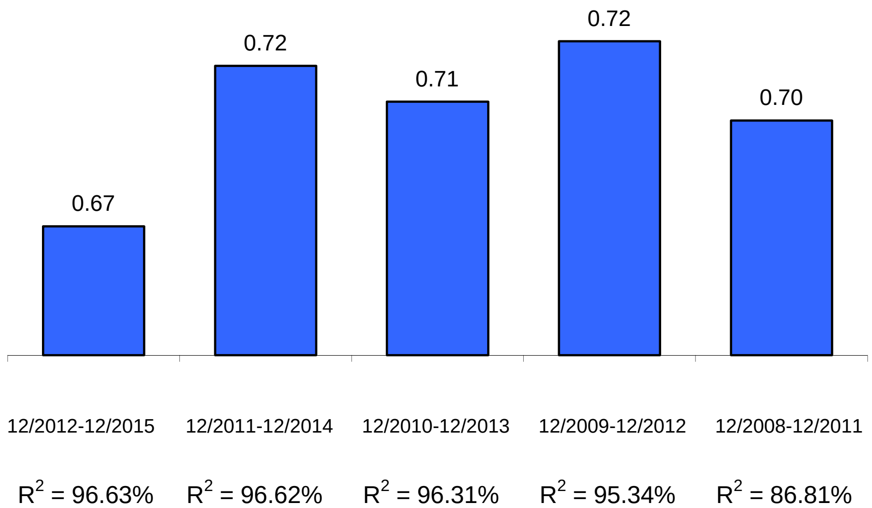


Report Created: 2/9/2016

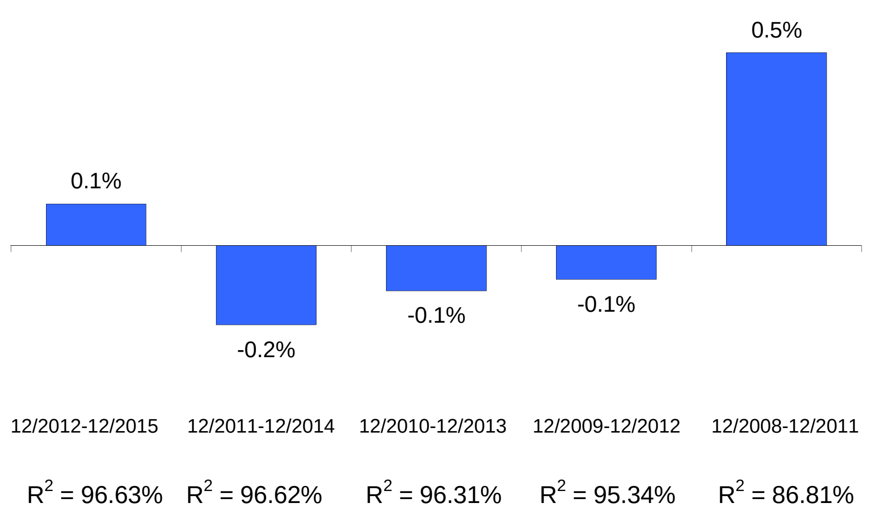
MODERN PORTFOLIO THEORY

CITY OF PORT ORANGE MUNICIPAL #745-106956 Madison - Intermediate Govt-Corp AS OF 12/31/2015

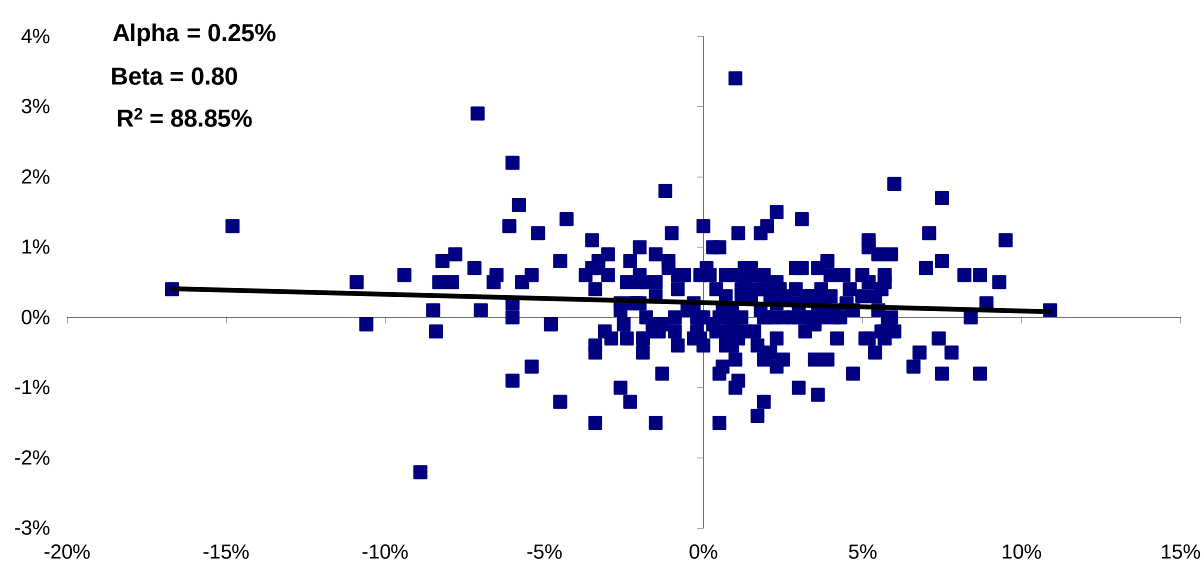
Beta - Rolling Periods



Alpha - Rolling Periods



MONTHLY Observations Since 10/1995 (w/Simple Linear Regression Line)



Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

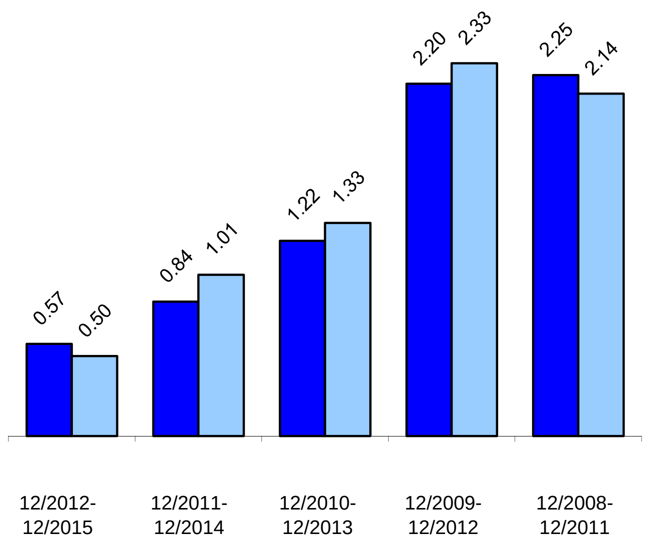
Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

MANAGER RISK ANALYSIS

CITY OF PORT ORANGE MUNICIPAL #745-106956 AS OF 12/31/2015

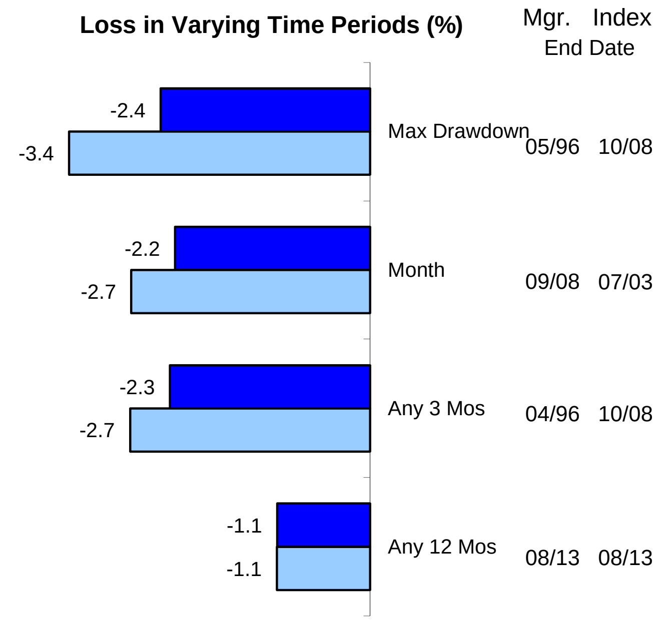
Sharpe Ratios 3-Year Rolling Periods



Madison - Intermediate Govt-Corp

BC Gov/Cr Intm

Loss in Varying Time Periods (%)



Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

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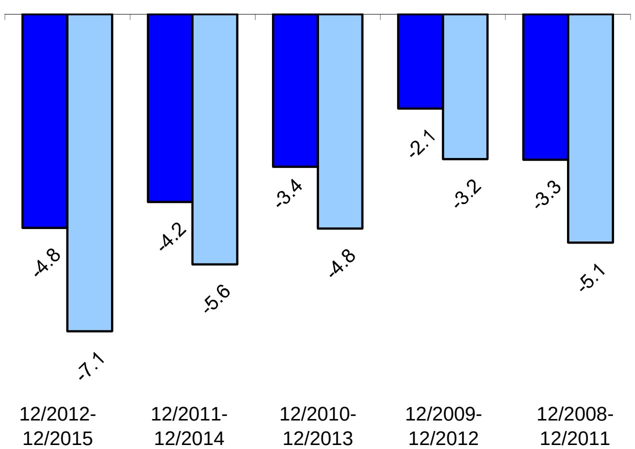
Up Capture is the measure of the fund`s total return whenever the

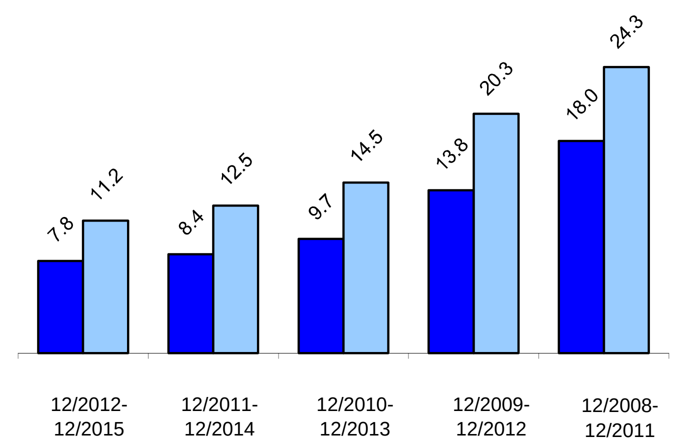
Down Capture Returns (%) 3-Year Rolling Periods



0.67	0.75	0.71	0.65	0.64

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.70	0.67	0.67	0.68	0.74

Up Capture Ratios

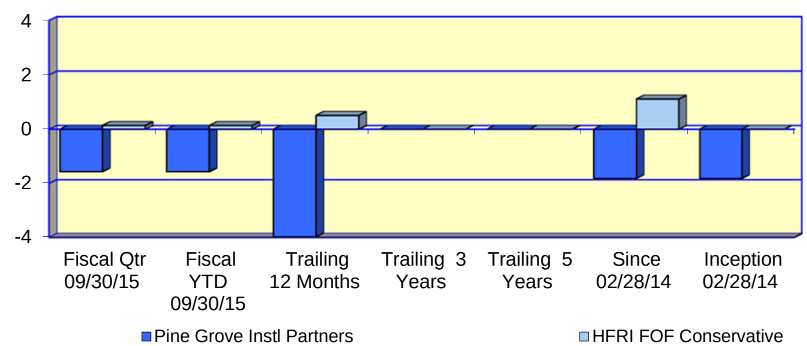
Report Created: 2/9/2016

Graystone Consulting℠

EXECUTIVE SUMMARY

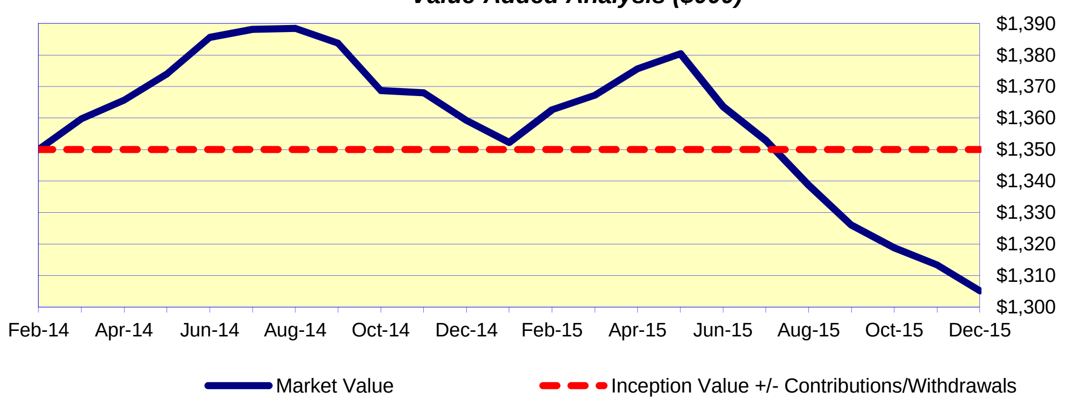
City of Port Orange Pol - Pine Grove Instl Partners AS OF 12/31/2015

Portfolio Performance(%)



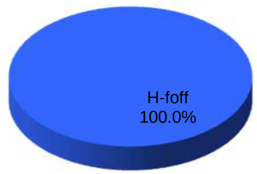
Investment Returns (%) Since:	*Fiscal Qtr 09/30/15*	*Fiscal YTD 09/30/15*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 02/28/14*	*Inception 02/28/14*
Pine Grove Instl Partners	***-1.57***	***-1.57***	***-3.98***	N/A	N/A	***-1.82***	***-1.82***
HFRI FOF Conservative	0.14	0.14	0.51			1.11	N/A
Asset Growth ($000)							
Beginning Market Value	1,326	1,326	1,359	N/A	N/A	1,350	1,350
Net Contributions & Withdrawals	0	0	0	N/A	N/A	0	0
Gain/Loss + Income	-21	-21	-54	N/A	N/A	-45	-45
Ending Market Value	1,305	1,305	1,305	N/A	N/A	1,305	1,305

Value-Added Analysis ($000)



Asset Allocation ($000)

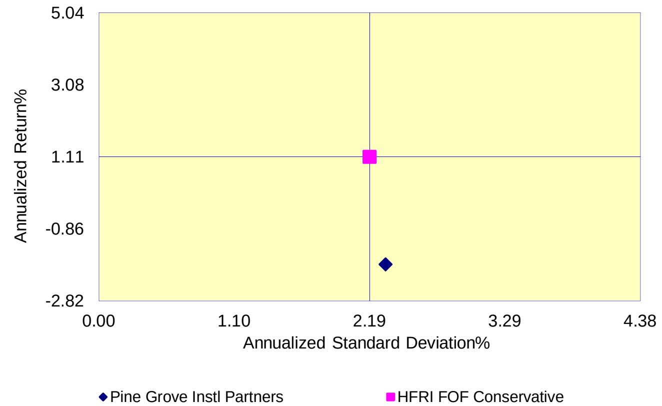
H-foff	*Total*
1,305	1,305



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	-0.79
Beta	0.69	Index Sharpe Ratio	0.49
Alpha	-2.58%		
R^2	43%		

Risk / Return Analysis Since 02/28/2014



Annualized %	***Return***	***Std. Dev.***
Pine Grove Instl Partners	***-1.82***	***2.32***
HFRI FOF Conservative	1.11	2.19

Report Created: 2/9/2016

Growth of $100 Graph

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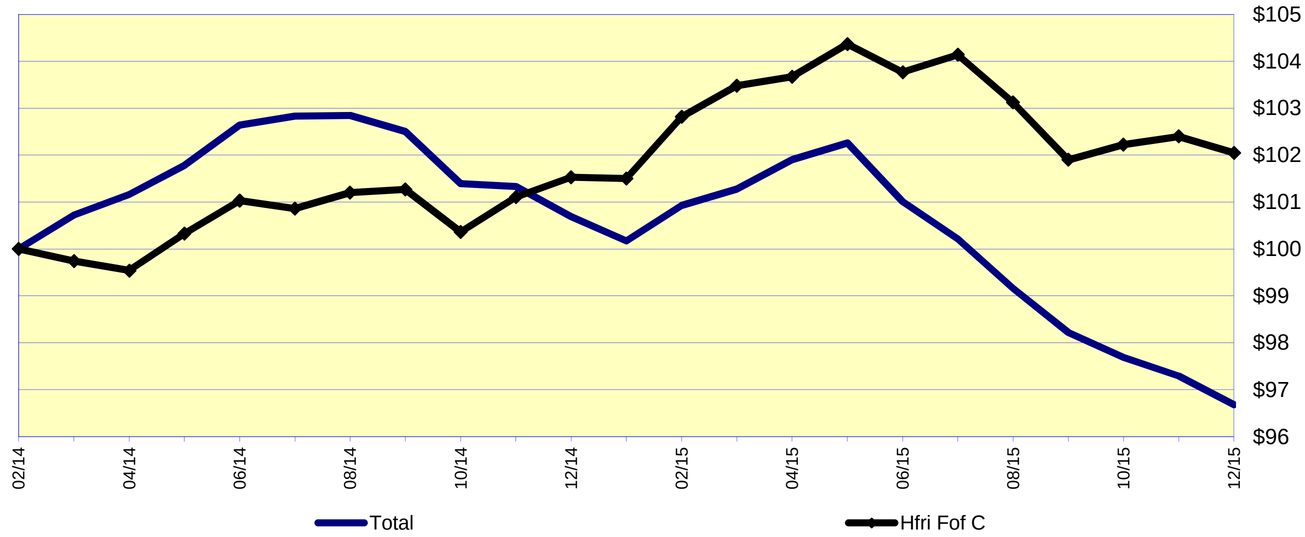

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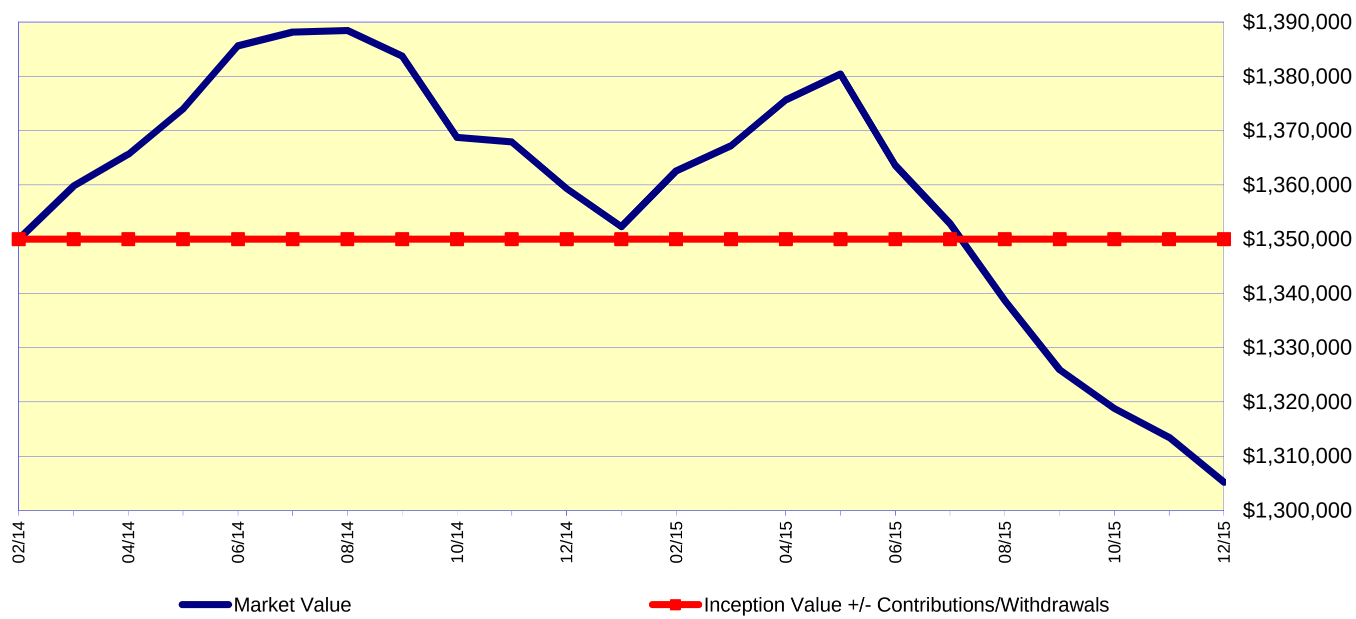
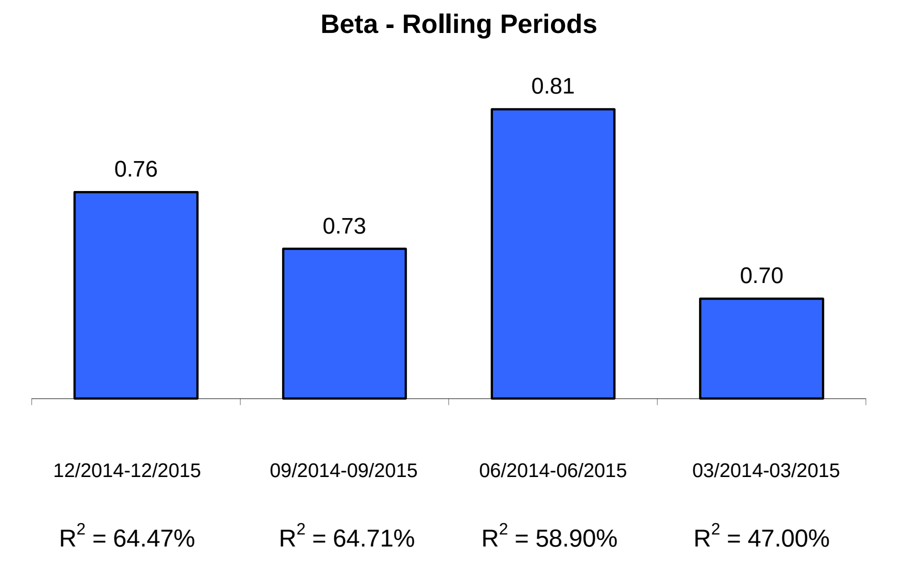


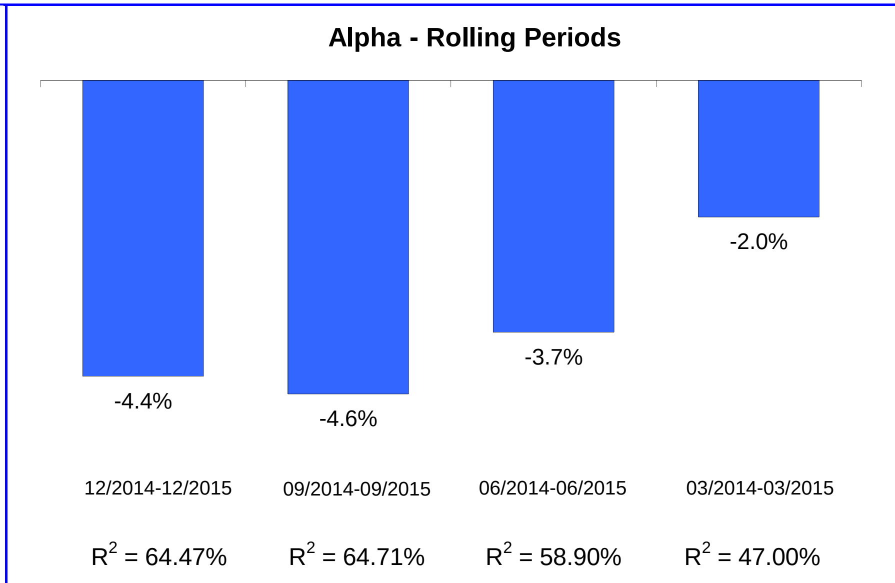
Report Created: 2/9/2016

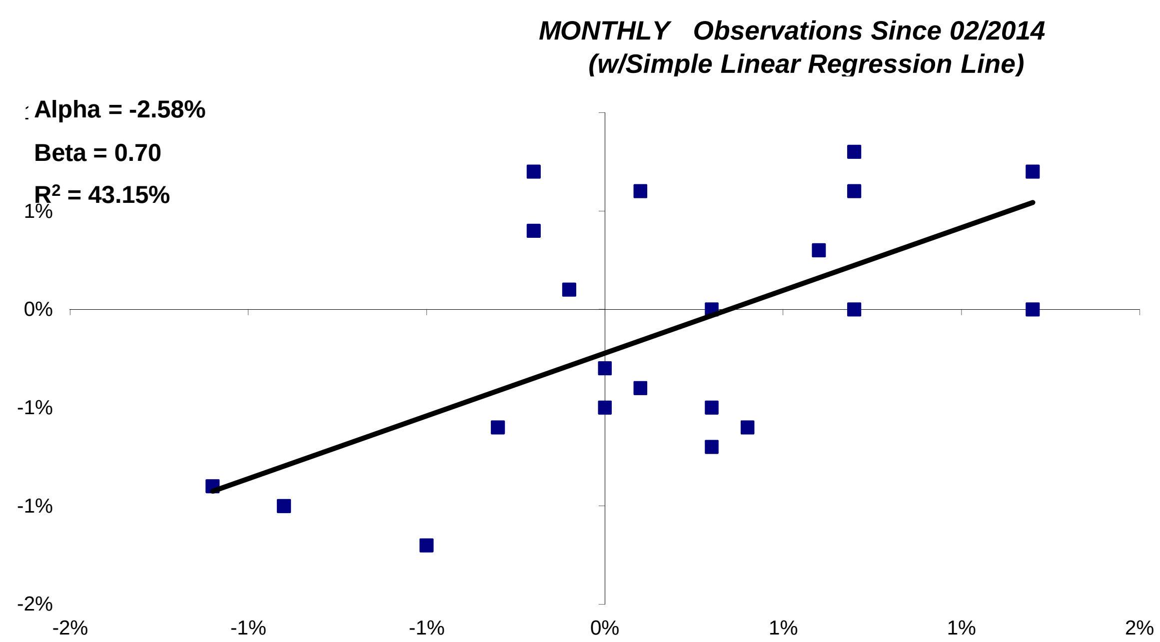
MODERN PORTFOLIO THEORY

City of Port Orange Pol - Pine Grove Instl Partners

AS OF 12/31/2015







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Report Created: 2/9/2016

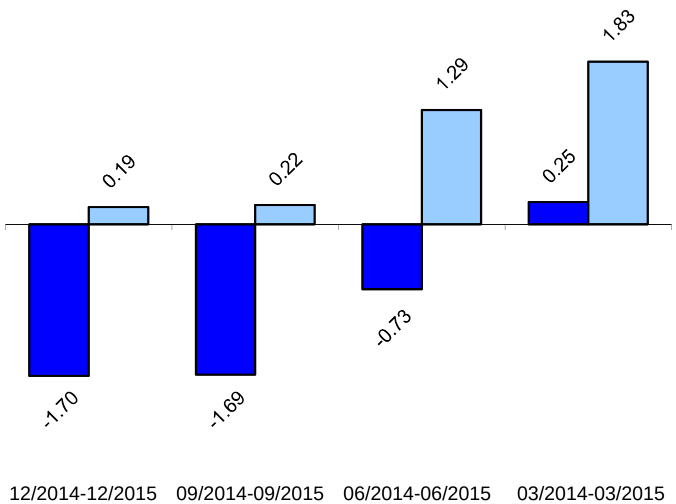
MANAGER RISK ANALYSIS

City of Port Orange Pol - PG | AS OF 12/31/2015

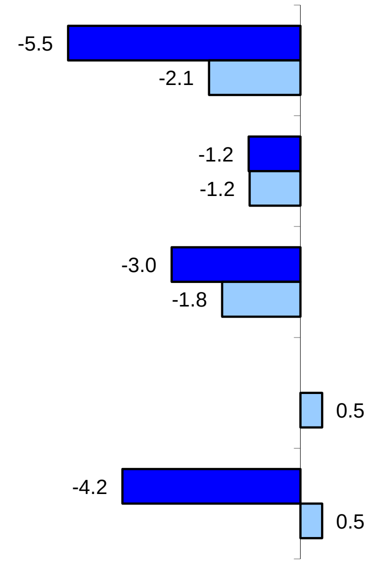
Pine Grove Instl Partners

HFRI FOF Conservative

Sharpe Ratios 1-Year Rolling Periods



Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	12/15	09/15
Month	06/15	09/15
Any 3 Mos	08/15	10/15
Calendar Year	N/A	12/15
Any 12 Mos	09/15	12/15

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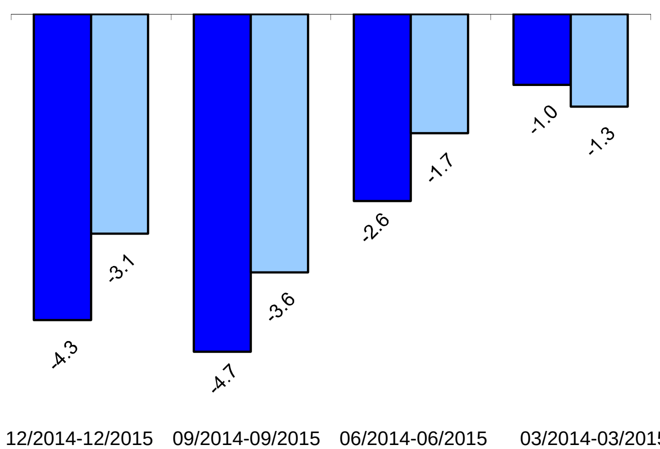
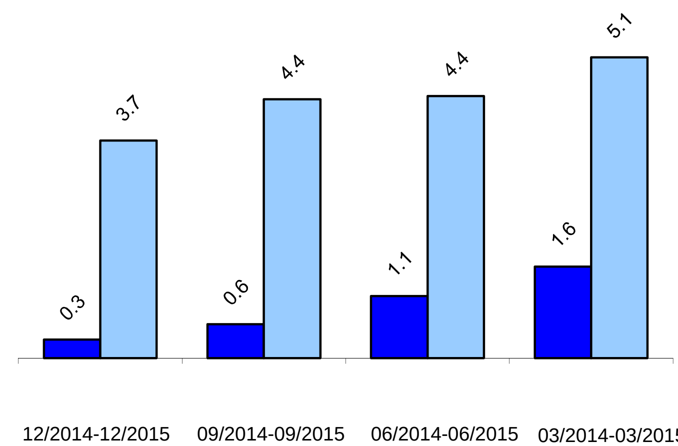
Down Capture Returns (%) 1-Year Rolling Periods



1.39	1.31	1.57	0.76

Down Capture Ratios

Up Capture Returns (%) 1-Year Rolling Periods



0.09	0.13	0.24	0.30

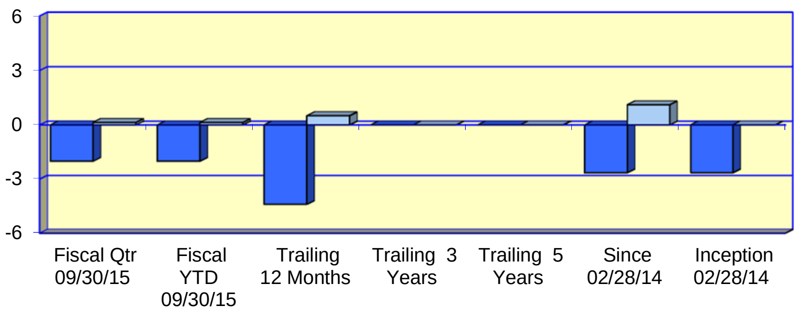
Up Capture Ratios

Report Created: 2/9/2016

EXECUTIVE SUMMARY

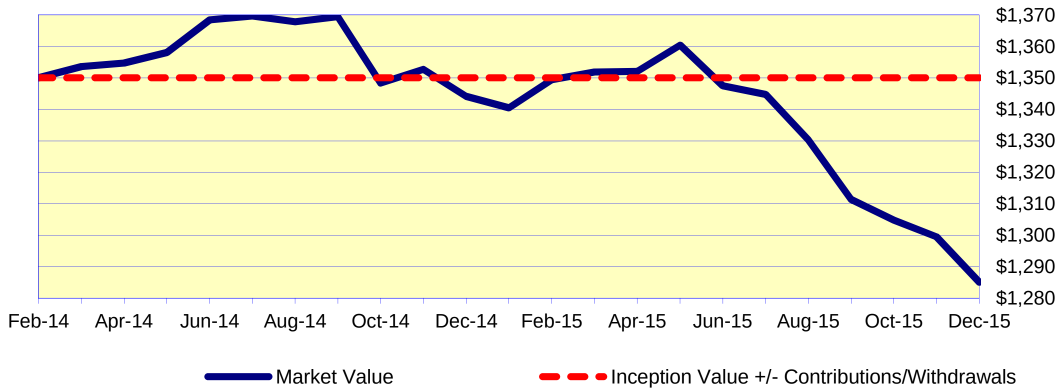
City of Port Orange Pol - PA   Priv Adv Stable Value ERISA Fund   AS OF 12/31/2015

Portfolio Performance(%)



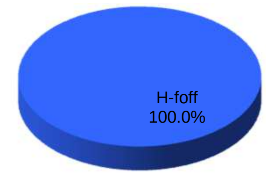
Investment Returns (%) Since:	Fiscal Qtr 09/30/15	Fiscal YTD 09/30/15	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 02/28/14	Inception 02/28/14
Priv Adv Stable Value ERISA Fund	***-2.01***	***-2.01***	***-4.40***	N/A	N/A	***-2.65***	***-2.65***
HFRI FOF Conservative	0.14	0.14	0.51			1.11	N/A
Asset Growth ($000)							
Beginning Market Value	1,311	1,311	1,344	N/A	N/A	1,350	1,350
Net Contributions & Withdrawals	0	0	0	N/A	N/A	0	0
Gain/Loss + Income	-26	-26	-59	N/A	N/A	-65	-65
Ending Market Value	1,285	1,285	1,285	N/A	N/A	1,285	1,285

Value-Added Analysis ($000)



Asset Allocation ($000)

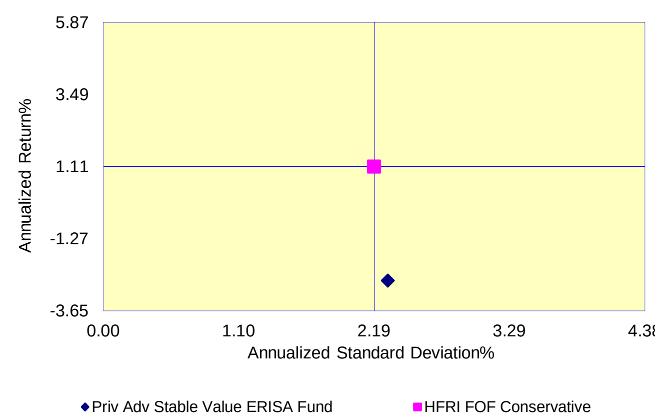
H-foff	Total
1,285	1,285



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	-1.16
Beta	0.86	Index Sharpe Ratio	0.49
Alpha	-3.57%		
R^2	66%		

Risk / Return Analysis Since 02/28/2014



Annualized %	Return	Std. Dev.
Priv Adv Stable Value ERISA Fund	***-2.65***	***2.30***
HFRI FOF Conservative	1.11	2.19

Report Created: 2/9/2016

MANAGER PERFORMANCE ANALYSIS

City of Port Orange Pol - PA Priv Adv Stable Value ERISA Fund

As Of 12/31/2015

Growth of $100 Graph

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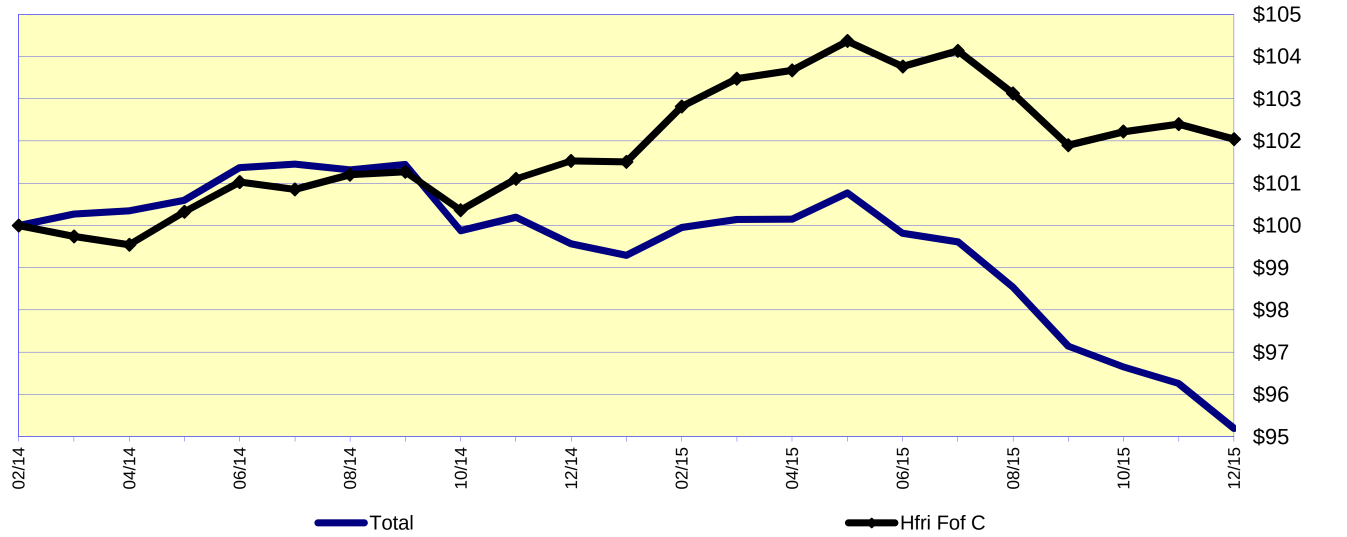

Value Added Graph

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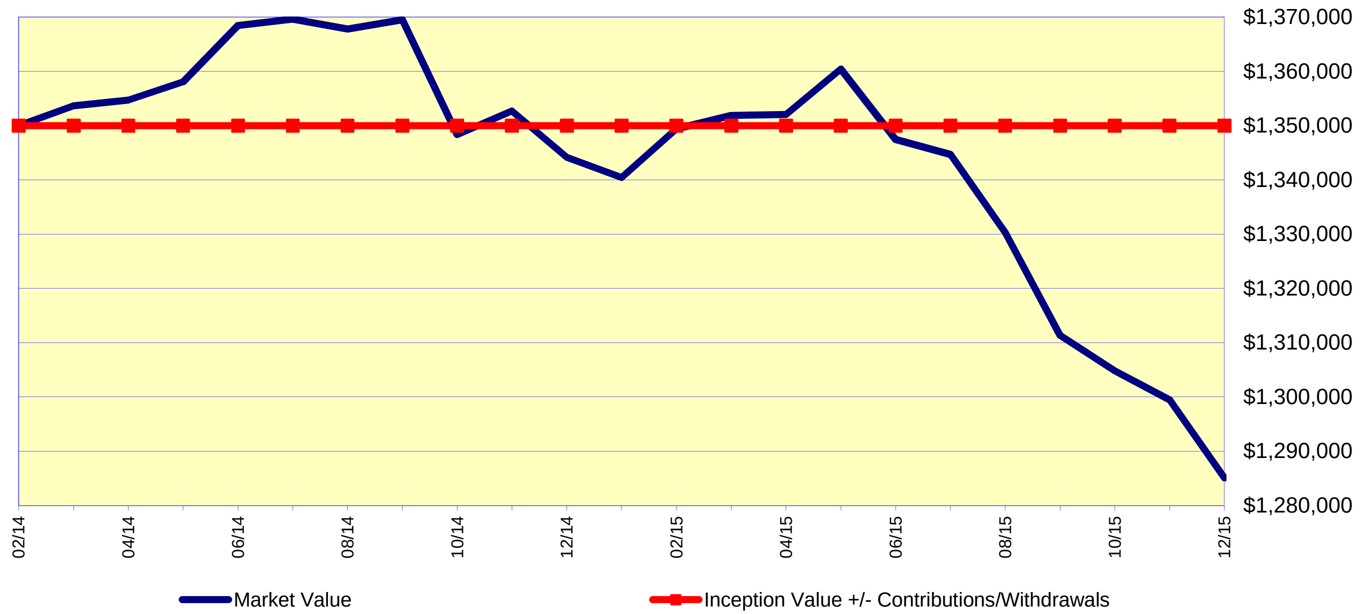
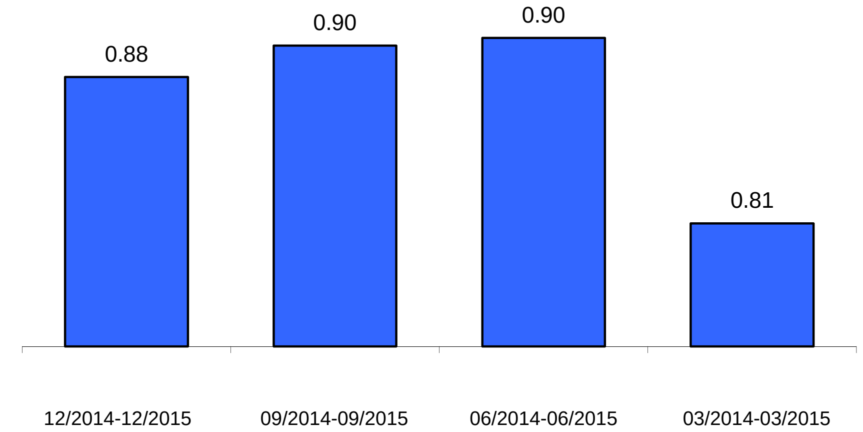


Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

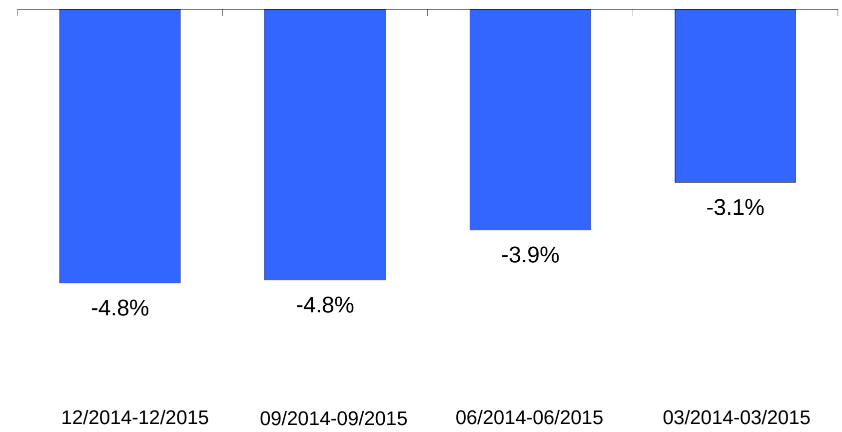
City of Port Orange Pol - PA Priv Adv Stable Value ERISA Fund AS OF 12/31/2015

Beta - Rolling Periods



R^2 = 86.99% R^2 = 87.35% R^2 = 71.33% R^2 = 59.43%

Alpha - Rolling Periods



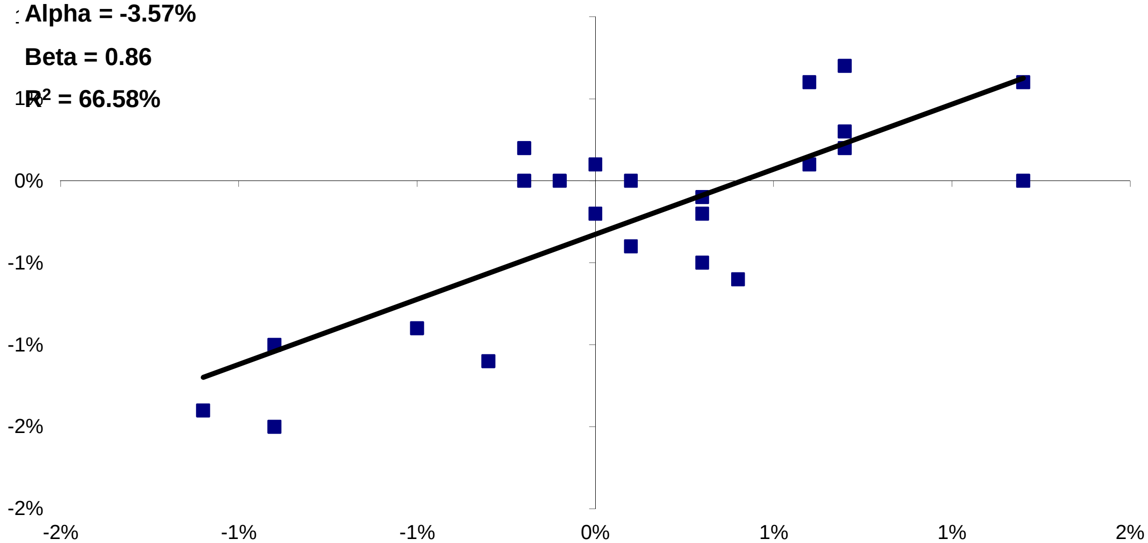
R^2 = 86.99% R^2 = 87.35% R^2 = 71.33% R^2 = 59.43%

MONTHLY Observations Since 02/2014 (w/Simple Linear Regression Line)

Alpha = -3.57%

Beta = 0.86

R^2 = 66.58%



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Report Created: 2/9/2016

Graystone Consulting℠

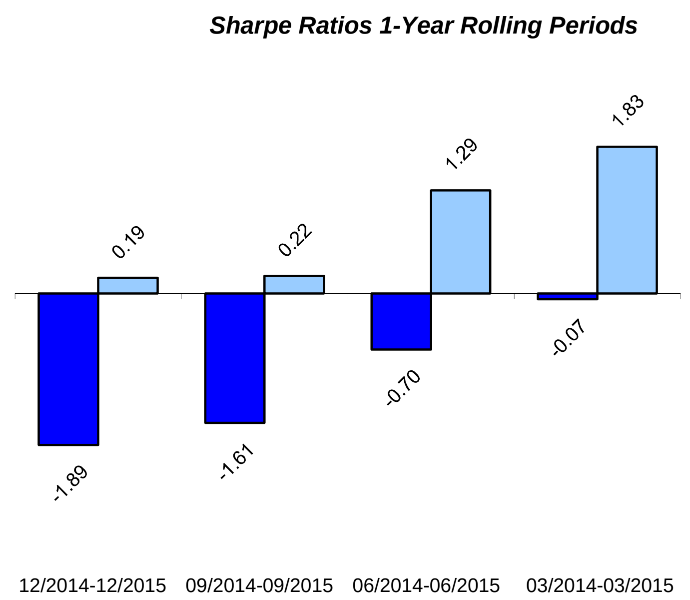
MANAGER RISK ANALYSIS

City of Port Orange Pol - PA

AS OF 12/31/2015

Priv Adv Stable Value ERISA Fu

HFRI FOF Conservative



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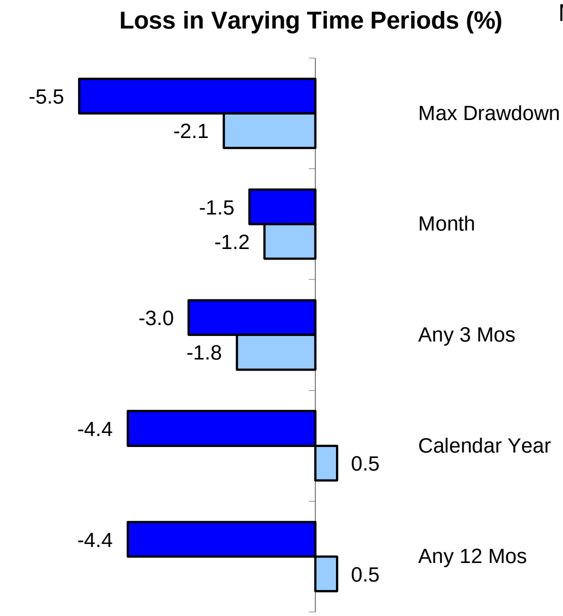
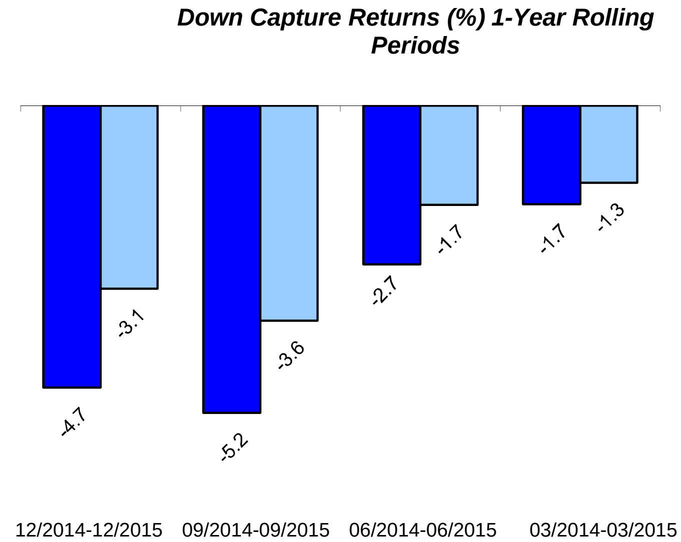
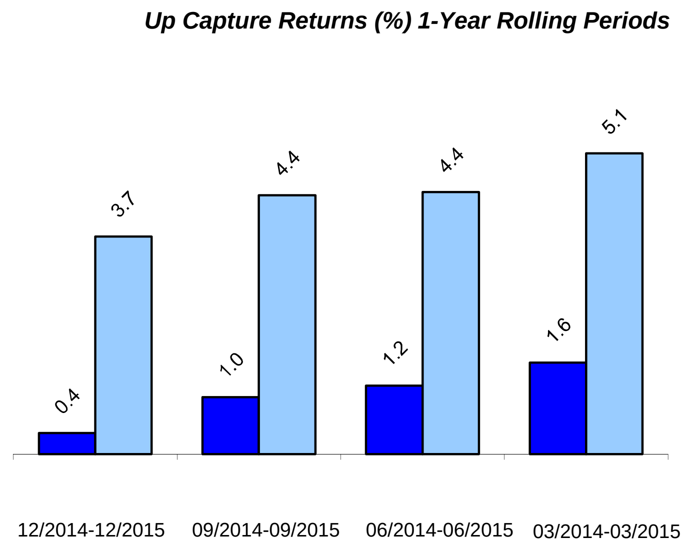


	Mgr.	Index
	End Date	
Max Drawdown	12/15	09/15
Month	10/14	09/15
Any 3 Mos	10/15	10/15
Calendar Year	12/15	12/15
Any 12 Mos	12/15	12/15



1.54	1.43	1.60	1.28

Down Capture Ratios



0.10	0.22	0.26	0.30

Up Capture Ratios

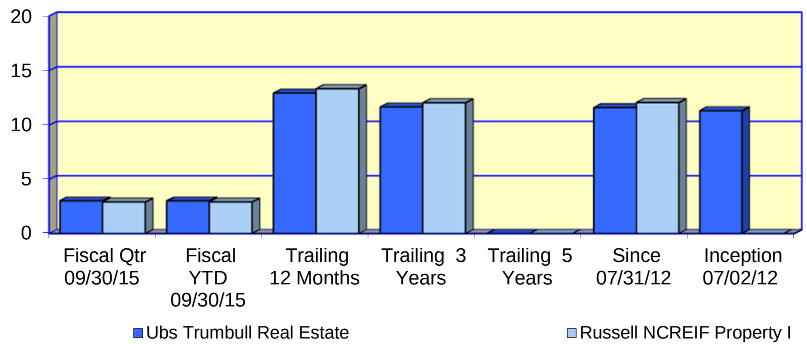
Report Created: 2/9/2016

Graystone Consulting℠

EXECUTIVE SUMMARY

City of Port Orange Pol - TPF   Ubs Trumbull Real Estate   AS OF 12/31/2015

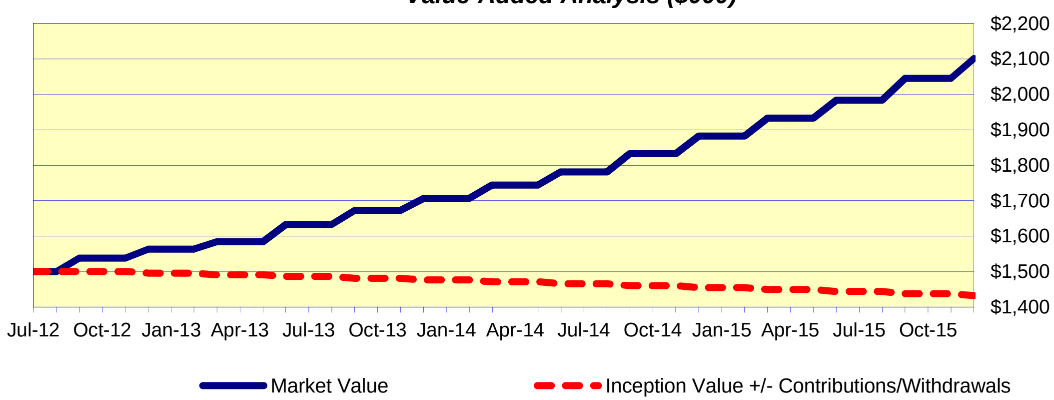
Portfolio Performance(%)



Investment Returns (%) Since:	Fiscal Qtr 09/30/15	Fiscal YTD 09/30/15	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 07/31/12	Inception 07/02/12
Ubs Trumbull Real Estate	***3.01***	***3.01***	***12.93***	***11.66***	N/A	***11.61***	***11.32***
Russell NCREIF Property I	2.91	2.91	13.34	12.05		12.07	N/A

Asset Growth ($000)							
Beginning Market Value	2,046	2,046	1,882	1,563	N/A	1,500	1,500
Net Contributions & Withdrawals	-6	-6	-23	-63	N/A	-68	-68
Gain/Loss + Income	61	61	242	601	N/A	669	669
Ending Market Value	2,101	2,101	2,101	2,101	N/A	2,101	2,101

Value-Added Analysis ($000)



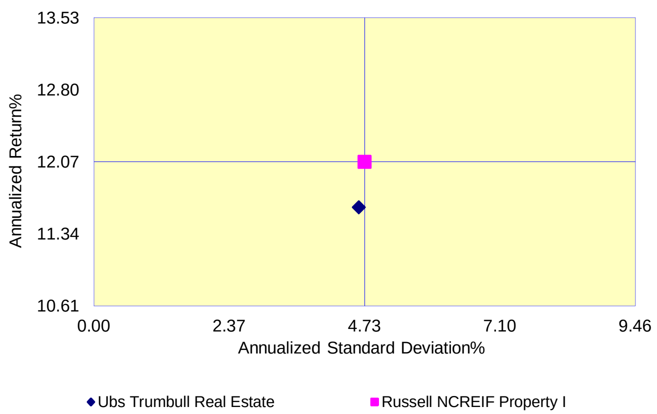
Asset Allocation ($000)

Real Est	Total
2,101	2,101

Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	2.49
Beta	0.96	Index Sharpe Ratio	2.54
Alpha	0.01%		
R^2	96%		

Risk / Return Analysis Since 07/31/2012



Annualized %	Return	Std. Dev.
Ubs Trumbull Real Estate	***11.61***	***4.63***
Russell NCREIF Property I	12.07	4.73

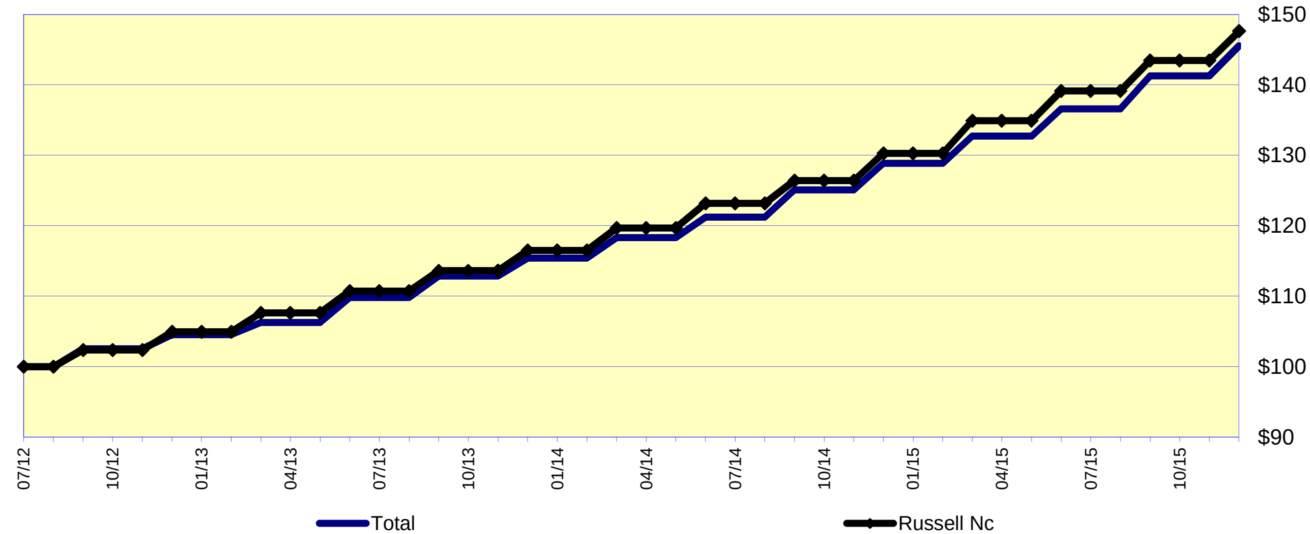
Report Created: 2/9/2016

MANAGER PERFORMANCE ANALYSIS

City of Port Orange Pol - TPF Ubs Trumbull Real Estate
As Of 12/31/2015

Growth of $100 Graph

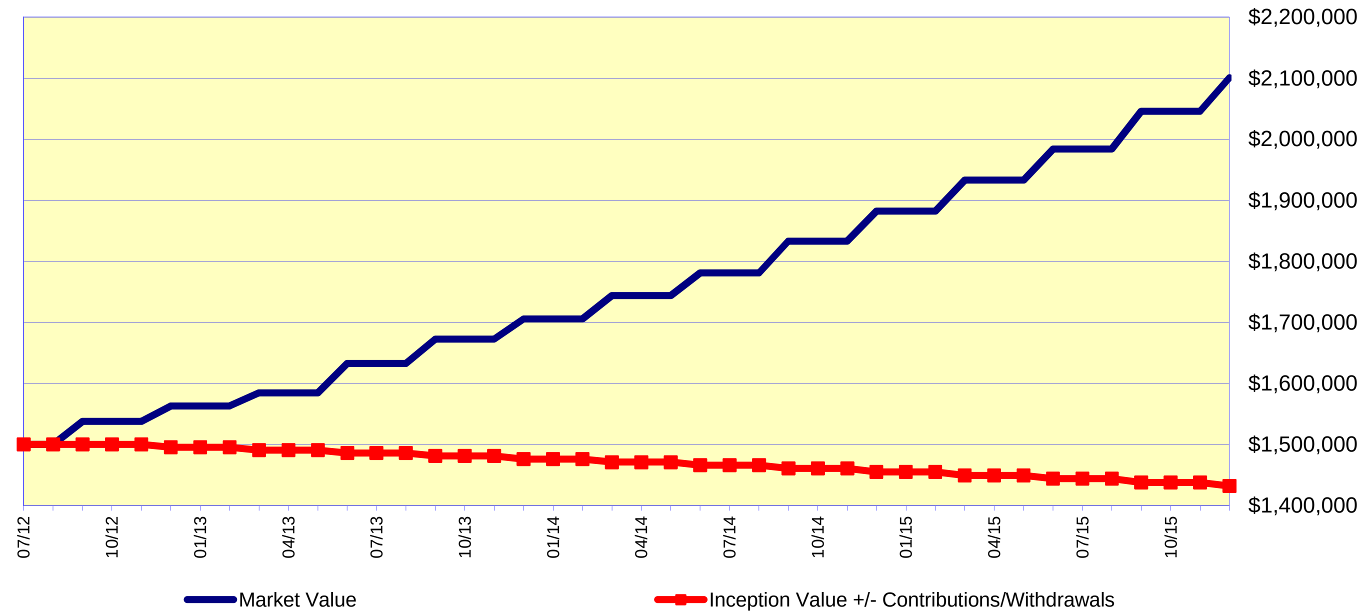
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.



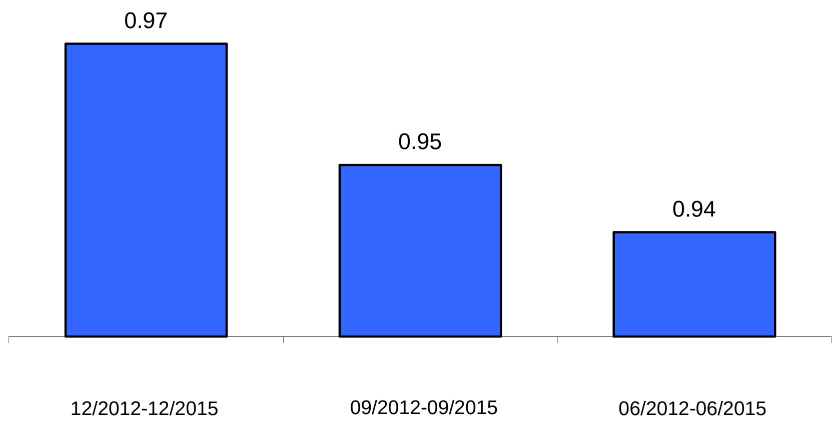
Report Created: 2/9/2016

MODERN PORTFOLIO THEORY

City of Port Orange Pol - TPF Ubs Trumbull Real Estate

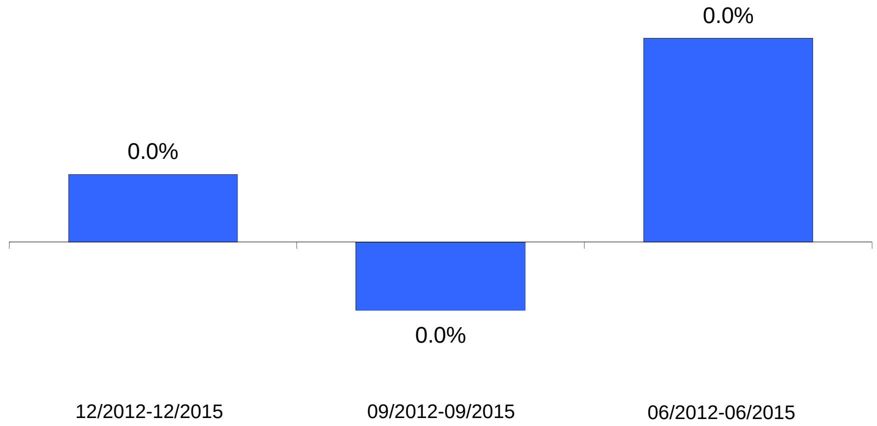
AS OF 12/31/2015

Beta - Rolling Periods



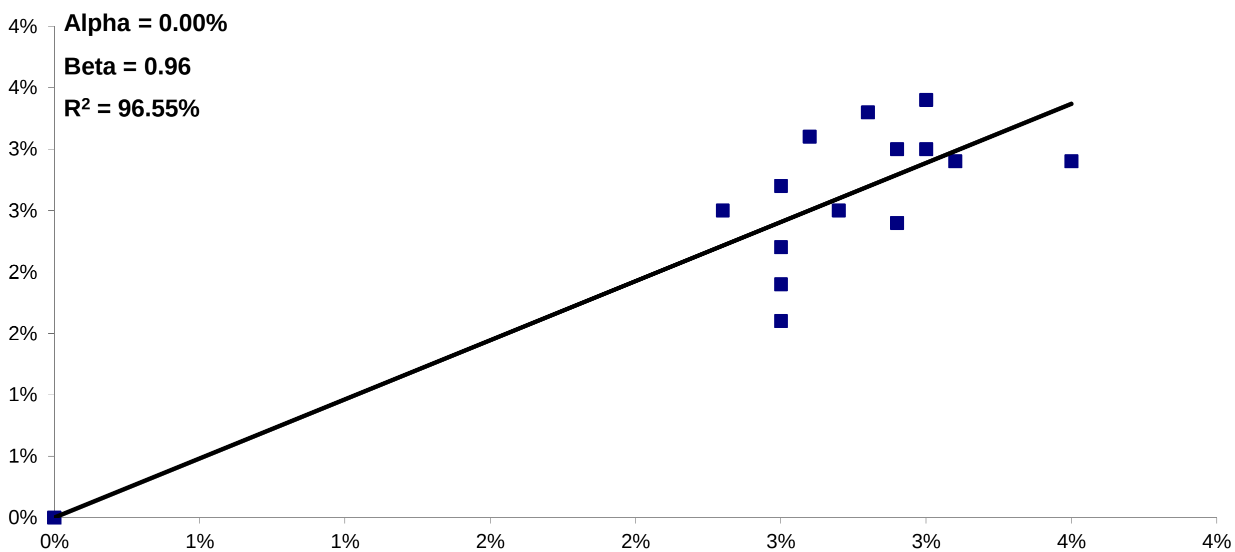
R^2 = 96.72% R^2 = 96.24% R^2 = 96.26%

Alpha - Rolling Periods



R^2 = 96.72% R^2 = 96.24% R^2 = 96.26%

MONTHLY Observations Since 07/2012
(w/Simple Linear Regression Line)



Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 2/9/2016

Graystone Consulting℠

MANAGER RISK ANALYSIS

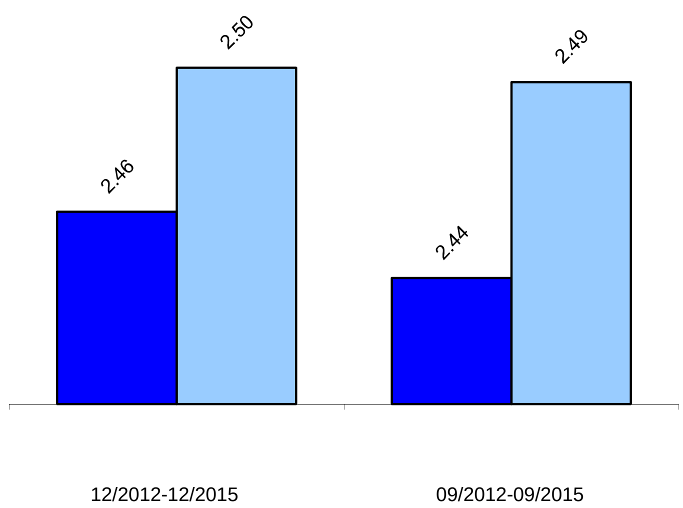
City of Port Orange Pol - TPF

AS OF 12/31/2015

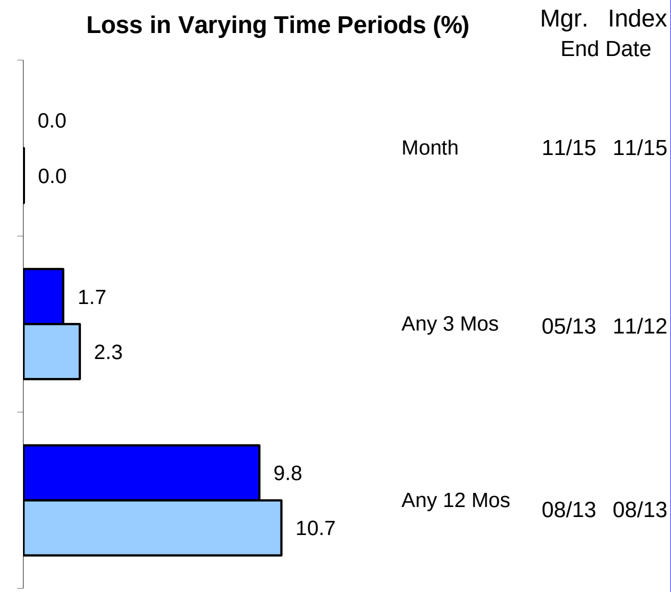
Ubs Trumbull Real Estate

Russell NCREIF Property I

Sharpe Ratios 3-Year Rolling Periods



Loss in Varying Time Periods (%)



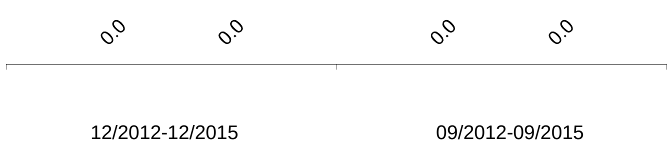
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the

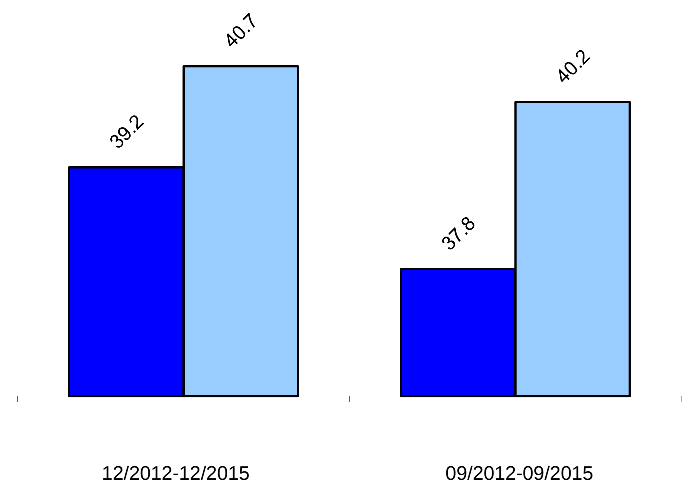
Down Capture Returns (%) 3-Year Rolling Periods



0.00 0.00

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



0.96 0.94

Up Capture Ratios

Report Created: 2/9/2016

Information Disclosures

Please notify your Financial Advisor if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the management of your Investment Advisory accounts, or to reasonably modify existing restrictions.

For a copy of the applicable Form ADV Disclosure Document for Morgan Stanley Smith Barney LLC, or for any Investment Adviser with whom we contract to manage your investment advisory account, please contact your Financial Advisor. These Disclosure Documents contain important information about advisory programs.

Sources and Intent

This investment evaluation is directed only to the client for whom the evaluation was performed. The underlying data has been obtained from sources the Firm believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization. Past performance is not a guarantee of future results. Performance for periods greater than one year is annualized. The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable.) Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

This Performance Report may show the consolidated performance of some, but not necessarily all, of your Morgan Stanley accounts. In addition, it may show the full performance history of your accounts or just the performance of your accounts since inception in their current Morgan Stanley programs. In some cases, it may show the combined performance of brokerage accounts and advisory accounts. It is important that you understand the combination of accounts and account histories that are included in this Performance Report. Upon your request, performance information can be obtained for other accounts you may have with us, but which are not shown here.

Accounts included in this Performance Report may have had different investment objectives, been subject to different rules and restrictions, and incurred different types of fees, mark-ups, commissions, and other charges. Accordingly, the performance results for this portfolio may blend the performance of assets and strategies that may not have been available in all of your accounts at all times during the reporting period. Please consult your Financial Advisor for more information about the fees and expenses applicable to the accounts included in this Performance Report.

Gross Rates of Return

The investment returns in this report are your gross returns before deducting investment management fees and any Select Retirement fees. For more details on fees, please see your client contract, the applicable Morgan Stanley ADV brochure and any applicable Select Retirement prospectus. Your actual returns are lower, after deducting expenses that may include, for example, investment management fees and trade commissions. As fees are deducted quarterly, the compounding effect increases the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees results in a net performance of approximately 7.81%. Returns in excess of one year are annualized.

Advisory Notice

The Fiduciary Services-Affiliated Program and the Fiduciary Services-Unaffiliated Manager Program are separate and distinct advisory programs. Absent your written authorization, assets may only be transferred among managers within the particular program.

List of Composite Accounts
The Composite account presentation includes the following accounts: Total Fund, 745-040114, 745-106956, 745-106957, 745-106958, 745-107017, 745-107023, 745-108866, 745-125129, 745-125551, 745-125734, 002-001649, 002-005805, 002-005699.

Composite Index Definition
The Composite account's benchmark comprises the S&P 500, Custom Account Index, Custom Account Index, Custom Account Index, Custom Account Index, 90-Day T-Bills, Custom Account Index, Custom Account Index, Custom Account Index, Custom Account Index, Russell NCREIF Property I, HFRI FOF Conservative, HFRI FOF Conservative, indices in the same asset mix as your portfolio. The mix is adjusted monthly based on changes in your portfolio.

International History:
Until 4th quarter 1997, International equities were included within the Domestic equity category for performance presentation. For asset allocation purposes, they are reflected beginning Jan.1, 1998.

Fiscal Year
Total Fund's fiscal year ends on 2016/09
Acct# 745-040114's fiscal year ends on 2016/09
Acct# 745-106956's fiscal year ends on 2016/09
Acct# 745-106957's fiscal year ends on 2016/09
Acct# 745-106958's fiscal year ends on 2016/09
Acct# 745-107017's fiscal year ends on 2016/09
Acct# 745-107023's fiscal year ends on 2016/09
Acct# 745-108866's fiscal year ends on 2016/09
Acct# 745-125129's fiscal year ends on 2016/09
Acct# 745-125551's fiscal year ends on 2016/09
Acct# 745-125734's fiscal year ends on 2016/09
Acct# 002-001649's fiscal year ends on 2016/09
Acct# 002-005805's fiscal year ends on 2016/09
Acct# 002-005699's fiscal year ends on 2016/09

International and Small Capitalization Securities
To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

Additional Information about your Floating Rate Notes
For floating rate securities, the estimated accrued interest and estimated annual income are based on the current floating coupon rate and may not reflect historic rates within the accrual period.

Alpha

Alpha is the value added by active management of the portfolio's assets, given the risk of that portfolio. In other words, alpha is equal to the incremental return earned by the manager when the market is flat or stationary. An alpha of zero indicates that the manager earned the exact return dictated by the level of market risk (i.e., beta) of the portfolio. A positive alpha indicates that the manager has earned, on average, more than the portfolio's level of market risk would have dictated. A negative alpha indicates that the manager has earned, on average, less than the portfolio's level of market risk would have dictated. Alpha is the Y-intercept of the least squares regression line.

Beta

Beta is the systematic risk of the portfolio. Measured by the slope of the least squares regression, beta is the measure of portfolio risk which cannot be removed through diversification. Beta is also known as market risk. Beta is a statistical estimate of the average change in the portfolio's performance with a corresponding 1.0 percent change in the risk index. A beta of 1.0 indicates that the portfolio moves, on average, lock step with the risk index. A beta in excess of 1.0 indicates that the portfolio is highly sensitive to movements in the risk index. A beta of 1.5, for example, indicates that the portfolio tends to move 1.5 percent with every 1.0 percent movement in the risk index. A beta of less than 1.0 indicates that the portfolio is not as sensitive to movements in the risk index. A beta of 0.5, for example, indicates that the portfolio moves only 0.5 percent for every 1.0 percent movement in the risk index.

R-Squared

R-squared, or the coefficient of determination, measures the strength of the least squares regression relationship between the portfolio (the dependent variable) and the risk index (the independent variable). The statistic reveals the extent to which the variability in the dependent variable is due to the variability in the independent variable. As such, R-squared measures how well the portfolio returns move in tandem with the returns of the risk benchmark. Though it is true that the higher the R-squared the better, an R-squared of less than 0.9 (i.e., 90 percent), indicates that the total fund does not track closely with the risk benchmark. The strength of the R-squared statistic will reflect on the strength of alpha and beta. A weak R-squared, for example, would indicate that alpha and beta cannot be strictly interpreted.

Brokerage Account

In a brokerage relationship, your Financial Advisor will work with you to facilitate the execution of securities transactions on your behalf. Your Financial Advisor also provides investor education and professional, personalized information about financial products and services in connection with these brokerage services. You can choose how you want to pay for these services and you will receive the same services regardless of which pricing option you choose. There are important differences in your relationship with your Financial Advisor and Morgan Stanley in brokerage accounts and in advisory accounts.

Asset classifications and performance calculation methodologies can differ among the various supplemental performance reports available through us. For example, some reports calculate Time Weighted performance using a weighted or Modified Dietz approach while others use a daily approach. In addition, some reports may display Dollar Weighted Returns. These differences can generate meaningful dispersions in the performance numbers displayed on different reports.

Port Orange Municipal Police Officers' Retirement Plan

Small Capitalization Value Manager Search Summary

Information as of December 31, 2015

Manager Name	GW Capital	Delaware	Fuller & Thaler	Kayne Anderson	Neuberger Berman	Russ 2000 Value
GIMA Focus or Approved List	*Focus*	*Focus*	*Focus*	*Approved*	*Focus*	
Adverse Active Alpha Manager			*Yes*		*Yes*	
Forecasted P/E (1 Year)	19.4	16.3	16.3	19.2	16.2	15.2
vs. Index	Higher	Higher	Higher	Higher	Higher	
Market Cap ($M)	$1.9 Billion	$2.6 Billion	$2.8 Billion	$2.5 Billion	$2.8 Billion	$1.6 Billion
vs. Index	Higher	Higher	Higher	Higher	Higher	
Dividend Yield	2.0	1.9	2.6	1.8	0.8	2.3
vs. Index	Lower	Lower	Higher	Lower	Lower	
Security Selection	Top-down (Themes)	Bottom-up	Bottom-up	Bottom-up	Bottom-up	
# of Securities	36	111	88	31	94	1,351
Foreign Securities Permitted	Yes	Yes	No	No	Yes	
Market Timer	Cash < 20%	Cash < 10%	Cash < 15%	Cash < 10%	Cash < 10%	
FEES	0.42%	0.42%	0.35%	0.35%	0.42%	
RISK (5 year - quarterly)						
Standard Deviation	20.17	16.14	19.44	15.93	19.67	17.40
PERFORMANCE						
Equity						
1 year	(9.36)	(5.27)	4.29	(0.19)	(0.80)	(7.47)
3 year	5.95	10.70	15.67	13.20	14.48	9.06
5 year	6.43	9.20	13.74	11.20	9.66	7.67
10 year	6.87	7.93	9.78	9.40	9.74	5.57
OTHER IMPORTANT CONSIDERATIONS						
Year Firm Established	1989	1929	1992	1984	1939	
Who Est. Performance	Team (Guy Watanabe)	Team	Team (David Potter)	Team	Team	
Commitment	Owners/Well Paid	Well Paid	Owners/Well Paid	Well Paid	Well Paid	
Total Assets	$2.2B Firm/$668M Strategy	$166.0B Firm/$185M Strategy	$4.3B Firm/$3.3B Strategy	$9.1B Firm/$1.7B Strategy	$238.4B Firm/$427M Strategy	
Total Key Professionals	6	4	3	8	6	
Pooled vs. Separate	Separate	Separate	Separate	Separate	Separate	

Performance calculated Gross of Fees

Port Orange Municipal Police Officers' Retirement Plan

Small/Mid Capitalization Value Manager Search Summary

Performance as of December 31, 2015 and Other Information as of September 30, 2015

Manager Name	GW Capital	Boston Partners	Edge Asset Management	Cambiar	Russ 2500 Value
GIMA Focus or Approved List	***Focus***	***Focus***	***Focus***	***Focus***	
Adverse Active Alpha Manager		***Yes***		***Yes***	
Forecasted P/E (1 Year)	15.1	14.6	16.3	14.3	15.8
vs. Index	Lower	Lower	Higher	Lower	
Market Cap ($M)	$4.9 Billion	$3.3 Billion	$4.5 Billion	$5.1 Billion	$3.6 Billion
vs. Index	Higher	Lower	Higher	Higher	
Dividend Yield	1.8	2.0	4.2	1.5	2.4
vs. Index	Lower	Lower	Higher	Lower	
Security Selection	Top-down (Themes)	Bottom-up	Bottom-up	Bottom-up	
# of Securities	36	167	76	37	1,663
Foreign Securities Permitted	No	Yes (15% Max)	Yes (25% Max)	Yes	
Market Timer	Cash < 10%	Cash < 10%	Cash < 5%	Cash < 10%	
FEES	0.42%	0.40%	0.35%	0.40%	
RISK **(5 year - quarterly)**					
Standard Deviation	18.53	16.57	14.90	21.50	16.69
PERFORMANCE					
Equity					
1 year	(10.84)	(2.62)	(3.37)	(7.18)	(5.49)
3 year	7.03	11.36	12.45	13.97	10.51
5 year	8.49	11.05	11.38	10.58	9.23
7 year	14.56	16.22	17.34	N/A	13.84
OTHER IMPORTANT CONSIDERATIONS					
Year Firm Established	1989	1970	1944	1973	
Who Est. Performance	Team (Guy Watanabe)	Team	Team	Team	
Commitment	Owners/Well Paid	Well Paid	Well Paid	Owners/Well Paid	
Total Assets	$2.2B Firm/$378M Strategy	$74.2B Firm/$1.0B Strategy	$28.5B Firm/$594M Strategy	$11.2B Firm/$106M Strategy	
Total Key Professionals	6	3	4	8	
Pooled vs. Separate	Separate	Separate	Separate	Separate	

Performance calculated Gross of Fees

Graystone
Consulting

INVESTMENT MANAGER SEARCH ANALYSIS

Prepared for:

Port Orange Municipal Police Officers' Retirement Plan

February 19, 2016

Graystone Consulting Tampa

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Table of Contents

- Small Cap Value - Quantitative Analysis Tab 1
- Small Cap Value - Qualitative Due Diligence Tab 2
- Small/Mid Cap Value - Quantitative Analysis Tab 3
- Small/Mid Cap Value - Qualitative Due Diligence Tab 4

Investment Manager Analysis

Prepared for: Port Orange Police

For the Period Ending 12/31/2015

This document is to be used only in one-on-one presentations with a Graystone Consulting Institutional Consultant. It must be accompanied by the applicable disclosure document (e.g. - prospectus) for each investment product that it references. Such disclosure document contains important Information about investment objectives and strategies and fees and expenses. This document has been prepared at your request and is intended for informational purposes only.

It is not sufficient basis on which to make an investment decision. This document is not complete unless it includes all of the pages indicated. Please refer to the "Important Disclosures" and "Performance Information" sections at the end of this document for further information, including information about the impact of fees on performance.

IMPORTANT NOTE: All performance and statistics in this analysis are calculated based on gross performance and do not reflect the deduction of investment management fees and expenses. See the "Important Disclosure" and "Performance Information" sections at the end of this document for further information. Past performance does not guarantee future results. Actual individual account results will differ.

Graystone Consulting

Small Cap Value - Quantitative Analysis

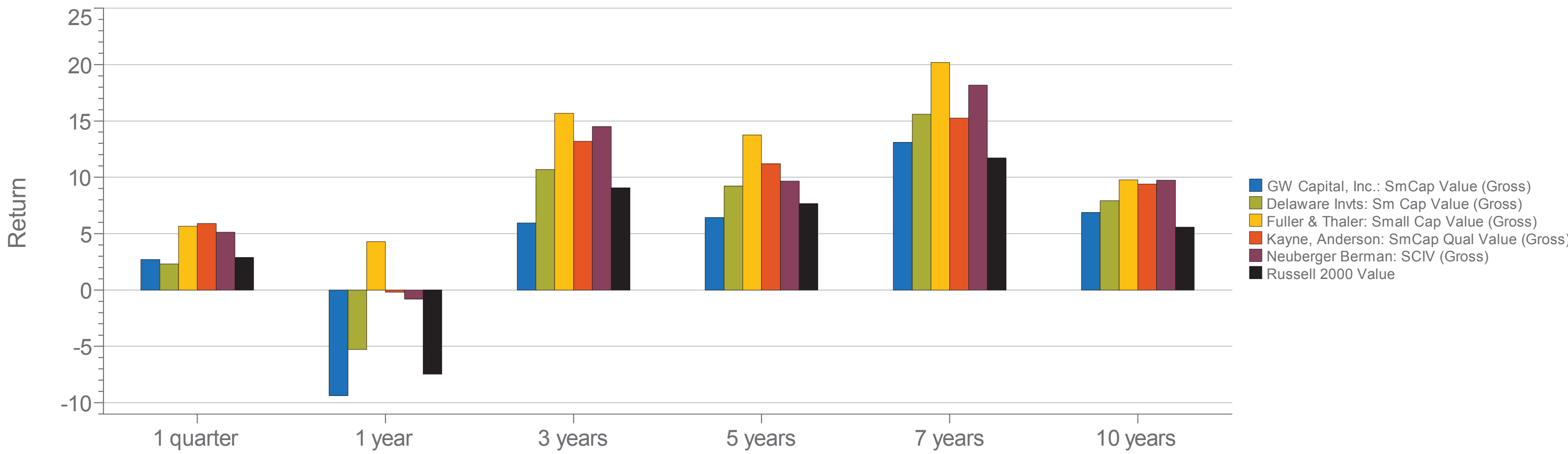
Trailing Periods Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager vs Benchmark: Return
January 2006 - December 2015 (not annualized if less than 1 year)



Manager vs Benchmark: Return
January 2006 - December 2015 (not annualized if less than 1 year)

	1 quarter	1 year	3 years	5 years	7 years	10 years
GW Capital, Inc.: SmCap Value (Gross)	2.71%	-9.36%	5.95%	6.43%	13.09%	6.87%
Delaware Invts: Sm Cap Value (Gross)	2.30%	-5.27%	10.70%	9.20%	15.59%	7.93%
Fuller & Thaler: Small Cap Value (Gross)	5.65%	4.29%	15.67%	13.74%	20.19%	9.78%
Kayne, Anderson: SmCap Qual Value (Gross)	5.90%	-0.19%	13.20%	11.20%	15.25%	9.40%
Neuberger Berman: SCIV (Gross)	5.13%	-0.80%	14.48%	9.66%	18.17%	9.74%
Russell 2000 Value	2.88%	-7.47%	9.06%	7.67%	11.72%	5.57%

Calendar-Year Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Calendar Year Return

As of December 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GW Capital, Inc.: SmCap Value (Gross)	-9.36%	-1.24%	32.86%	20.06%	-4.35%	27.08%	36.34%	-38.34%	9.16%	22.04%
Delaware Invts: Sm Cap Value (Gross)	-5.27%	6.73%	34.17%	14.76%	-0.24%	33.20%	33.32%	-29.37%	-5.92%	17.08%
Fuller & Thaler: Small Cap Value (Gross)	4.29%	6.91%	38.82%	25.05%	-1.66%	31.69%	44.54%	-35.27%	-8.25%	18.10%
Kayne, Anderson: SmCap Qual Value (Gross)	-0.19%	3.05%	41.01%	9.98%	6.58%	25.10%	26.97%	-28.51%	2.18%	24.45%
Neuberger Berman: SCIV (Gross)	-0.80%	6.53%	41.95%	19.75%	-11.73%	25.76%	61.40%	-40.15%	7.06%	22.80%
Russell 2000 Value	-7.47%	4.22%	34.52%	18.05%	-5.50%	24.50%	20.58%	-28.92%	-9.78%	23.48%

Risk/Return Analysis – 3 Years

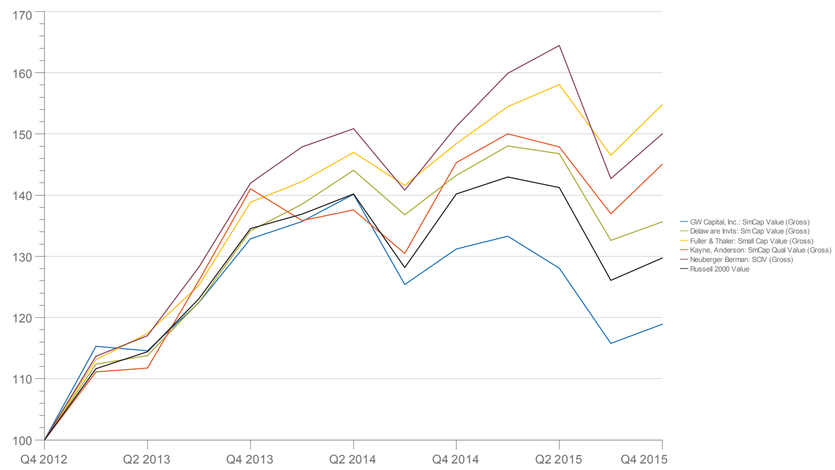
Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

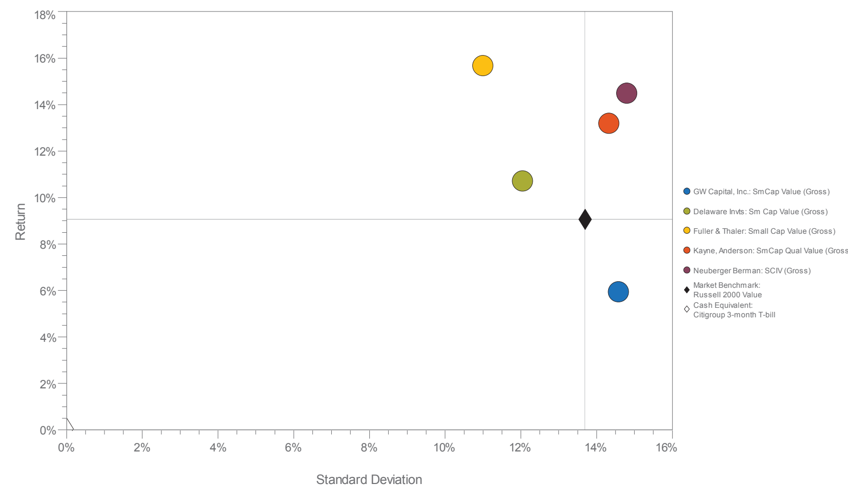
Manager Performance

January 2013 - December 2015 (Single Computation)



Risk / Return

January 2013 - December 2015 (Single Computation)



Return & Risk Analysis

January 2013 - December 2015: Summary Statistics

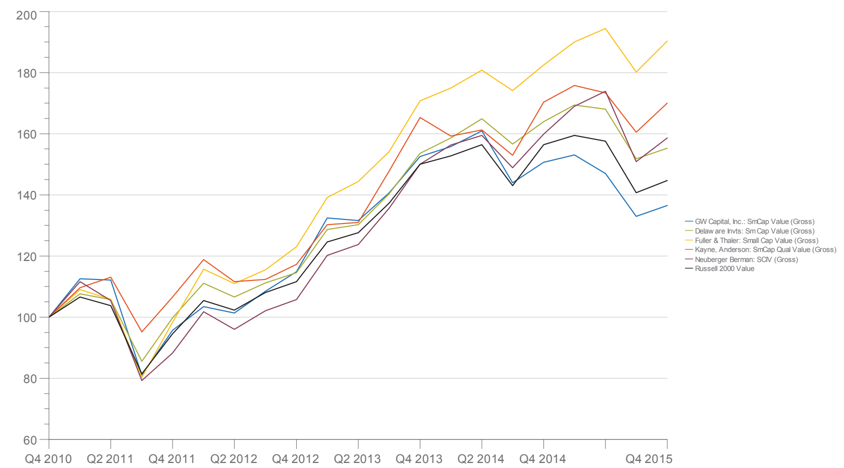
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc.: SmCap Value (Gross)	5.95%	-3.11%	14.57%	1.01	-17.38%	88.42%	115.01%	-2.94%	0.41	90.66%
Delaware Invts: Sm Cap Value (Gross)	10.70%	1.64%	12.05%	0.84	-10.42%	97.94%	77.12%	2.85%	0.89	92.15%
Fuller & Thaler: Small Cap Value (Gross)	15.67%	6.61%	11.00%	0.76	-7.32%	112.25%	44.70%	8.30%	1.42	89.44%
Kayne, Anderson: SmCap Qual Value (Gross)	13.20%	4.13%	14.32%	0.96	-8.70%	109.53%	69.30%	4.36%	0.92	83.43%
Neuberger Berman: SCIV (Gross)	14.48%	5.41%	14.80%	1.04	-13.24%	127.02%	86.28%	4.84%	0.98	92.48%
Russell 2000 Value	9.06%	0.00%	13.69%	1.00	-11.80%	100.00%	100.00%	0.00%	0.66	100.00%

Risk/Return Analysis – 5 Years

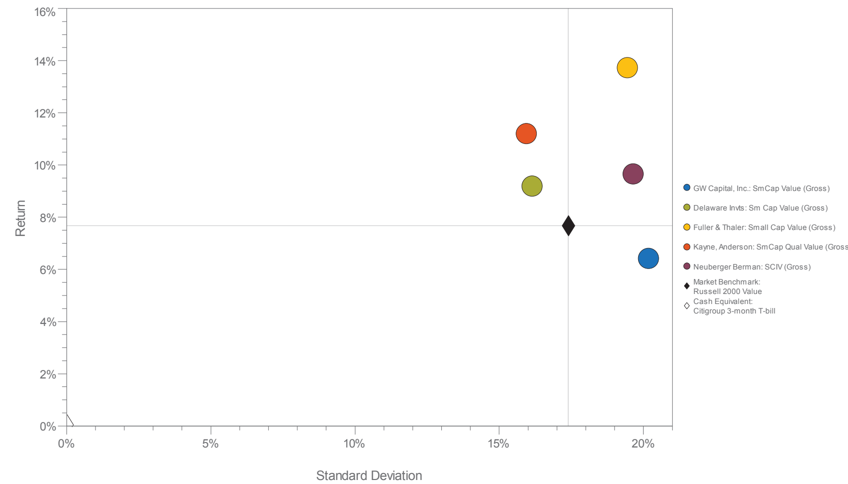
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2011 - December 2015 (Single Computation)



Risk / Return
January 2011 - December 2015 (Single Computation)



Return & Risk Analysis

January 2011 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc.: SmCap Value (Gross)	6.43%	-1.24%	20.17%	1.11	-27.97%	103.60%	113.62%	-1.62%	0.32	92.41%
Delaware Invts: Sm Cap Value (Gross)	9.20%	1.53%	16.14%	0.91	-20.53%	98.54%	86.28%	2.02%	0.57	96.53%
Fuller & Thaler: Small Cap Value (Gross)	13.74%	6.07%	19.44%	1.07	-26.33%	125.97%	87.16%	5.44%	0.70	91.98%
Kayne, Anderson: SmCap Qual Value (Gross)	11.20%	3.52%	15.93%	0.84	-15.81%	99.29%	71.28%	4.49%	0.70	84.61%
Neuberger Berman: SCIV (Gross)	9.66%	1.99%	19.65%	1.09	-28.95%	120.98%	110.96%	1.55%	0.49	92.57%
Russell 2000 Value	7.67%	0.00%	17.40%	1.00	-23.56%	100.00%	100.00%	0.00%	0.44	100.00%

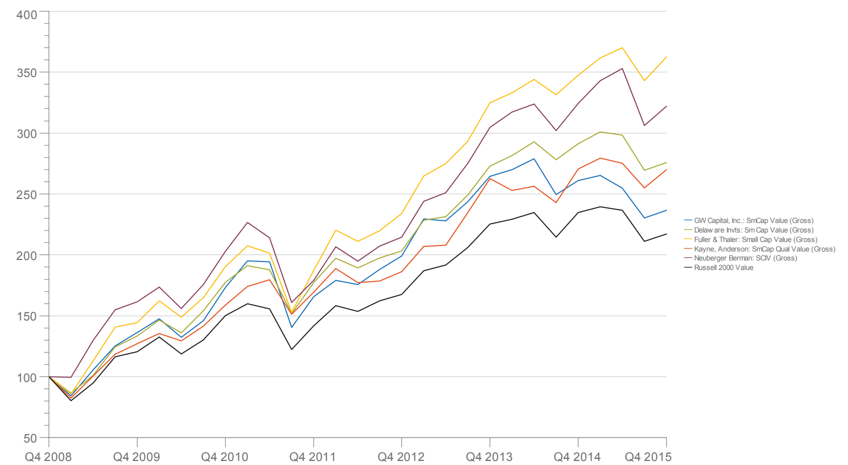
Risk/Return Analysis – 7 Years

Graystone Consulting

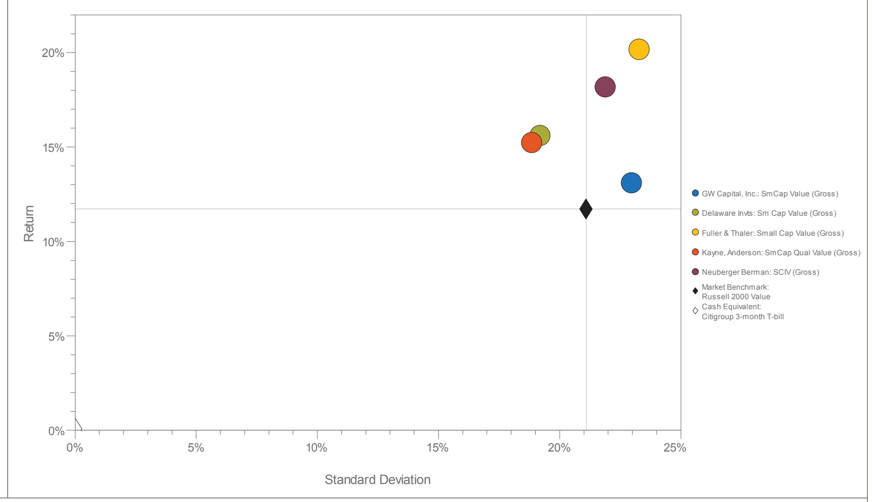
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2009 - December 2015 (Single Computation)



Risk / Return
January 2009 - December 2015 (Single Computation)



Return & Risk Analysis
January 2009 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc.: SmCap Value (Gross)	13.09%	1.37%	22.96%	1.04	-27.97%	108.85%	103.36%	1.08%	0.57	92.17%
Delaware Invts: Sm Cap Value (Gross)	15.59%	3.87%	19.18%	0.89	-20.53%	103.08%	80.41%	4.59%	0.81	96.63%
Fuller & Thaler: Small Cap Value (Gross)	20.19%	8.47%	23.29%	1.06	-26.33%	125.61%	83.24%	7.39%	0.86	91.52%
Kayne, Anderson: SmCap Qual Value (Gross)	15.25%	3.53%	18.84%	0.84	-17.66%	97.07%	73.78%	4.92%	0.81	89.01%
Neuberger Berman: SCIV (Gross)	18.17%	6.45%	21.87%	0.93	-28.95%	118.12%	85.36%	7.03%	0.83	80.67%
Russell 2000 Value	11.72%	0.00%	21.09%	1.00	-23.56%	100.00%	100.00%	0.00%	0.55	100.00%

Risk/Return Analysis – 10 Years

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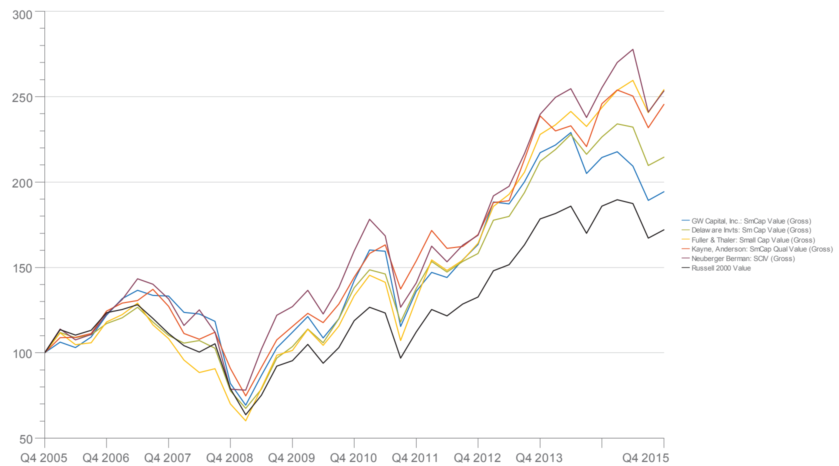
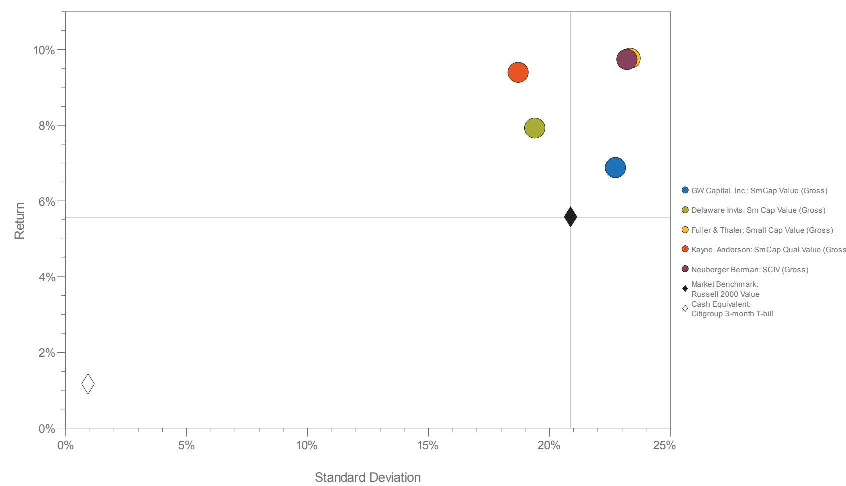
Manager Performance
January 2006 - December 2015 (Single Computation)



Risk / Return
January 2006 - December 2015 (Single Computation)



Return & Risk Analysis

January 2006 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc.: SmCap Value (Gross)	6.87%	1.30%	22.73%	1.03	-49.24%	106.18%	98.90%	1.53%	0.25	88.67%
Delaware Invts: Sm Cap Value (Gross)	7.93%	2.36%	19.40%	0.90	-46.75%	96.41%	83.02%	2.70%	0.35	94.01%
Fuller & Thaler: Small Cap Value (Gross)	9.78%	4.20%	23.33%	1.07	-53.44%	122.20%	98.41%	3.95%	0.37	91.15%
Kayne, Anderson: SmCap Qual Value (Gross)	9.40%	3.82%	18.71%	0.83	-45.46%	96.35%	74.32%	4.49%	0.44	86.70%
Neuberger Berman: SCIV (Gross)	9.74%	4.16%	23.20%	0.98	-45.44%	113.84%	90.62%	4.71%	0.37	77.55%
Russell 2000 Value	5.57%	0.00%	20.88%	1.00	-50.35%	100.00%	100.00%	0.00%	0.21	100.00%

Style Analysis

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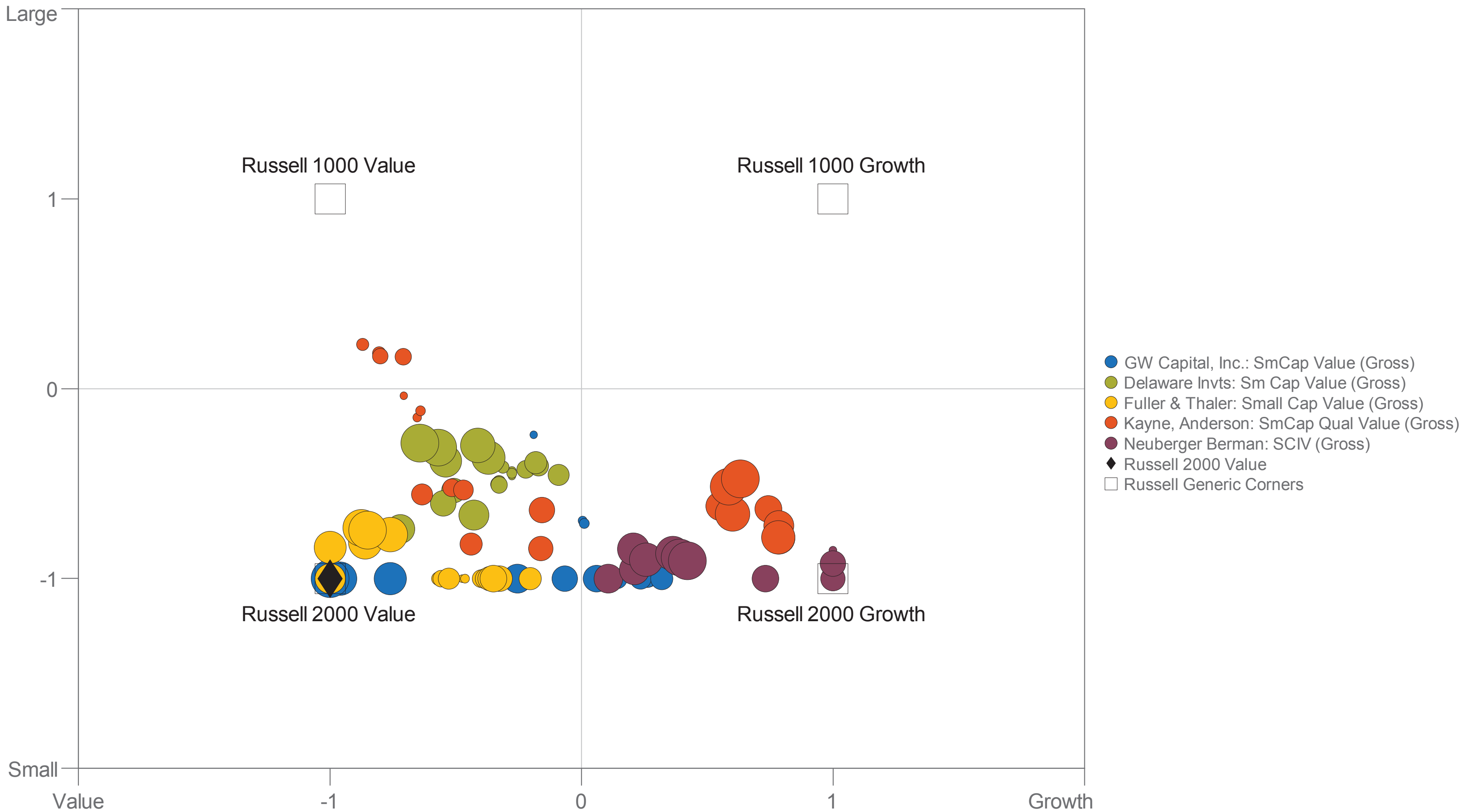
Manager Style

January 2006 - December 2015 (20-Quarter Moving Windows, Computed Quarterly)



Graystone Consulting

Small Cap Value -Qualitative Due Diligence

GW Capital Small Cap Value Equity

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
SUB-STYLE:	*Relative Value*
BENCHMARK:	*Russell 2000 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*N/A*

http://www.gwcapitalinc.com

STRATEGY DESCRIPTION

GW Small Cap Value utilizes an investment process that combines an emphasis on top-down sector selection with bottom-up fundamental security selection. This is a relatively benchmark agnostic strategy when compared to other small-cap value offerings, which has shown the ability to add value in a variety of market environments.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") placed GW Small Cap Equity on the Focus List based on the firm's talented and experienced investment team, comprehensive investment process and multifaceted research effort. GIMA holds Guy Watanabe, founder and PM, in high regard and views him to be the key driver behind the macro themes of the portfolio. GIMA considers the remaining members of the investment committee, especially Tom Parkhurst, also to be above-average investment professionals. GIMA believes the strategy gains from the perspective and company analysis the group conducts on complementary fixed income firm offerings.
- As assets at the firm have grown over time, GW has hired additional research and operational professionals. GIMA believes that these additional resources have been additive and provide additional depth in key areas (investment research, compliance) at the firm.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	Above Expectations	Above Expectations	High	High	High
Average	**Average**	In-Line	**In-Line**	**Moderate**	Moderate	**Moderate**
Needs Improvement	Needs Improvement	**Below Expectations**	Below Expectations	Low	**Low**	Low

See Opinion Description at the end of this report.

Positive Attributes

- Knowledgeable and experienced investment team.
- 100% employee ownership by key investment professionals.
- Firm has conservative asset capacity guidelines to limit the amount of small-cap equity assets being managed.
- Leverages fixed income research and market data from firm's fixed income product offerings.

Points to Consider

- Theme-oriented process results in low benchmark sensitivity.
- Concentration and relatively few risk management parameters likely to result in high active risk.
- Tendency to underweight or avoid Technology, and have significant exposure to Energy, Industrials, and at times, Utilities.
- Heavy cash position at times may result in opportunity cost issues. Can maintain up to approximately 20% cash.
- Typically 30-35 stocks and about 20-50% annual portfolio turnover.

Areas of Concern

- With less than 30 employees at the firm, GW has significantly less resources than many peer managers.
- GW has a concentration of assets in a few clients, which raises the risk that the loss of one of these clients would have an outsized effect on GW's revenue.
- "Key man" risk exists with Guy Watanabe given he is the architect behind the firm's investment process. However, we believe that it is highly unlikely that he will be taking a more diminished role from an investment standpoint for the foreseeable future.

Performance Expectations

- Expected to underperform when Technology sector drives benchmark performance or when Energy sectors lag.
- GW's investment process can result in strong top-down sector or thematic concentrations, which are highly visible in the current portfolio, as well as individual position weights that may materially affect overall portfolio return. This is a volatile strategy that does not neatly fit into a style box, which can make it difficult to set performance expectations, especially over shorter periods.

Performance Opinion

- After trailing for four consecutive quarters, the strategy modestly outperformed its benchmark during 3Q 2015. The strategy at this time has a more pronounced value bias relative to many peers and positive relative results this quarter coincided with Russell 2000 Value Index outperforming the Russell 2000 Growth Index. Utilities and Materials holdings had a positive effect on relative results, while Financials and Energy holdings underperformed. GW Capital's decision to reduce Energy exposure over the past few quarters added value; however, being overweight Materials and underweight Financials adversely impacted relative performance.
- The strategy lagged its benchmark over the Y-T-D, one-year, and three-year periods ending 9/30/2015. Results are below expectations, especially over the past 12 months, given that the majority of small cap value strategies outperformed over the aforementioned periods. Financials holdings meaningfully detracted value over the past year, but positively contributed over the past 3 years ending 9/30/2015. Energy stock picks have hurt on a consistent basis while Materials and Utilities holdings positively contributed.
- Overall, the combination of positive sector positioning and favorable stock selection has rendered positive results over the past 10 years ending 9/30/2015, and returns are generally line with GIMA's expectations over rolling 5-year periods. Investors need to be cognizant this is a concentrated product with high Active Share resulting in greater volatility relative to its benchmark.

News Summary

- 4Q13 – GW indicated that DeShay McCluskey was promoted to PM.
- 2Q12- GW announces that Research Analyst, DeShay McCluskey, was hired along with Chief Compliance Officer, Jennifer Ottosen.
- 3Q11- Touk Sinantha and Nick Brown were promoted from Research Analysts to Portfolio Managers and were awarded equity.
- 1Q11 - GIMA was informed that the GW Capital Small Cap Value Strategy will be closing to new investors, effective April 15, 2011. According to the firm, they want to maintain the integrity of the product by not allowing the assets to become too large.

Additional Analyst Comments

- GW tends to underweight or avoid the Technology sector and GIMA believes they generally have a bias against Technology stocks. GW has from time to time owned scattered positions in Technology, but GIMA expects GW to generally be underweight or absent the Technology sector. GW believes that, in general, technology companies do not have strong pricing power and have less tested business models. GW also believes technology companies often IPO above the small-cap range and generally have less debt-oriented capital structures reducing their advantage in fixed income analysis. GW has similar feelings about biotechnology. GIMA believes that the bias against these areas at GW unnecessarily reduces GW's opportunity set and reduces potential value added.
- An additional concern is that GW's performance was exceptionally strong in the period immediately preceding the large run-up in assets. Shorter-term performance disappointments could result in higher levels of client loss than at peer firms. GW claims not to have had any significant client loss due to performance over the past years. Firm assets are currently at peak levels.
- Given that GW internally has debates as to the appropriate benchmark, it is not surprising that GIMA also had difficulty in assigning a benchmark. GIMA considers the most appropriate benchmark to be the Russell 2000 Value (Small Cap Value), not the Russell 2000 Index (Small Cap Core); however, GIMA also believes it would not be unreasonable to benchmark GW to the Russell 2000 Index.

Additional News Summary

- 2Q09 – Product re-opened to new investors.
- 4Q08 – GW hired Touk Sinantha as a Senior Research Analyst.
- 2Q08 – Brian Kutzera, analyst, left the firm.

Portfolio Traits

Equity	
Range of Holdings	30-40
Maximum Position Size	Normally 7%
Econ Sector Constraints	Typically 25%
Tracking Error Target	No target
Typical Annual Turnover	Approximately 20-50%
Invests in ADRs	Yes, but used infrequently
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	As a guideline, 25% to 33% of volume in a 2 week period
Maximum Cash	Approximately 20%
Typical Cash Position	5-10%
Est. Product Capacity	Product is closed - $1 billion capacity threshold has been reached

Source: GW Capital, GIMA

Investment Capabilities Overview

Portfolio Management Team

- Guy Watanabe is President and Founder and a member of the firm's investment committee with portfolio management responsibilities for both equity and fixed income clients.
- Tom Parkhurst and Scott Mullet are PMs, Principals, and operate with Mr. Watanabe on the firm's investment committee across all the firm's equity and fixed income strategies.
- Analysts Touk Sinantha and Nick Brown were added to the investment committee during the 3rd quarter of 2011. DeShay McCluskey is the newest member of the investment team having joined the firm in 2012.
- All members of the investment team are considered generalists, but do possess specific skillets that are complimentary to other members.

Investment Philosophy & Process

- The process combines an emphasis on top-down sector selection with bottom-up fundamental security selection.
- From a top-down perspective, GW seeks out areas (themes or sectors) they expect to have revenue growth, pricing power, and a significant catalyst. GW believes a comprehensive understanding of the economic, political and social characteristics that influence the capital markets is essential to the investment management process.
- The top-down analysis may result in themes that are not sector driven. A theme may span multiple sectors and can be either longer or shorter-term oriented.
- GW also invests in what they consider "special situation stocks." These are generally situations where they see a compelling opportunity that does not translate into a macro theme.
- Idea generation comes from a variety of sources. These include a broad research basis to develop macro/thematic areas, investment committee discussions, third-party research firms, regional/boutique brokerages, fixed income research, industry conferences and company conference calls.
- From a bottom-up perspective, stocks are generally selected on the basis of valuation parameters, earnings growth potential, financial profile, low institutional sponsorship, and qualitative judgments of management's commitment to enhancing shareholder value. The fixed income research conducted at the firm is also considered.
- GW favors sectors where they believe there is a significant catalyst to support their investment. Maximum capitalization at purchase is $2 billion.

Summary of Investment Capabilities Opinion

- Of particular importance to GIMA's positive opinion of personnel at GW is founder Guy Watanabe whom GIMA believes is disproportionately responsible for GW's macro themes on a current and historical basis.
- GIMA considers the research effort at GW above average. Confidence is a result of GW's ability to provide insight into individual holdings and themes in the portfolio over time in a high quality manner.
- While the fixed income responsibilities borne by the team could be a slight distraction from this product, GIMA believes that there are considerable synergies flowing between the products from a research perspective.
- The research effort at GW is less oriented toward heavily detailed models and visits with management, and more oriented toward specific criteria desired in holdings, balance sheet analysis, and validation of the investment thesis at the company and theme level.

Other Key Items

Decision-Making

- The committee works to build consensus prior to making any investment decisions. Portfolios are managed on a team basis. When a difference of opinion exists, majority rules.
- The investment committee at GW Capital consists of Guy Watanabe, Tom Parkhurst, Touk Sinantha, Nick Brown, DeShay McCluskey and Scott Mullet.

Sell Process

- Securities may be sold due to:
  - Valuation: Share price increases to point of overvaluation, exceeding GW's price and/or valuation targets.
  - Earnings Growth – EPS growth declines, fails to meet expectations or is targeted by management at unsustainable levels.
  - Internal or External catalyst – Unforeseen management turnover, overall industry concerns, shifts in the regulatory environment.
  - Stop Loss – A decline of 15% below cost causes a review after which a stock can be added to, reduced or sold. After a 25% decline from adjusted cost in a normal market environment, there is a strong bias to sell. However, during extreme down-market volatility periods such as the 2nd half of 2008, or sector specific down market periods, the firm indicated that it may not be practical for the aforementioned absolute level sell disciplines to be applied.

Track Record Reliability

- While Mr. Watanabe and Mr. Parkhurst have managed the portfolio together for over 15 years, GIMA believes performance since 2003 is the most accurate reflection of the current strategy.
- After the arrival of Scott Mullet in 2003, GW made modifications to their investment process including reducing the maximum stock weight in the portfolio, creating a guideline maximum sector weight, introducing a maximum capitalization for new buys, eliminating any ownership of convertibles, and introducing a reasonably firm stop loss (under normal market conditions) into their sell process. Prior to this period, the portfolio had even greater stock and sector concentration and occasionally purchased a small number of large-cap stocks. GIMA believes the changes were neutral to positive.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Guy Watanabe	Founder / PM	Generalist		Puget Sound	1976	1989	1989
Tom Parkhurst	PM	Generalist			1990	1992	1992
Scott Mullet	PM / Marketing	Generalist		UCLA	1992	2003	2003
Touk Sinantha	Research Analyst/PM	Generalist	●	Indiana	1997	2008	2008
Nick Brown	Research Analyst/PM	Generalist	●		2006	2006	2006
DeShay Gould McCluskey	Research Analyst	Generalist	●	Stanford	2002	2012	2012

Source: GW Capital, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jennifer Ottosen	Chief Compliance Officer	Compliance			1996	2012	2012
Trish Willis	Operations Manager	Operations			1990	1990	1990
Jennifer Wheat	Associate	Marketing & Client Service			2005	2005	2005

Source: GW Capital, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Guy Watanabe	●	●	●	●		●
Tom Parkhurst	●	●	●	●		●
Scott Mullet	●	●	●	●	●	
Touk Sinantha	●	●	●			
Nick Brown	●	●	●			
DeShay Gould McCluskey	●	●				
Trish Willis						●
Jennifer Ottosen						●
Jennifer Wheat					●	

Source: GW Capital, GIMA

Business Structure Overview

History/Ownership

- GW Capital was founded by Guy Watanabe in December 1989. The firm began with approximately $25 million under management for 5 institutional clients in 1990. As of August 30, 2014 the firm managed approximately $3.2 billion in assets for over 50 institutional clients and a few managed account platforms.
- The firm is 100% employee-owned. Mr. Watanabe continues to be the majority owner of the firm with 58% ownership. Tom Parkhurst and Scott Mullet joined Mr. Watanabe in 1992 and 2003, respectively. Each owned a 10% equity ownership interest in the firm until 3Q09 when they separately acquired an additional 5% stake from Mr. Watanabe.
- GW offers 4 value-oriented equity products and three fixed income products. GW's all-cap product was created due to a client request, though GW does not plan to market that product at the present time. In addition, the firm began managing a mid-cap value strategy based on the request from a client.

Business Plan

- GW's business plan focuses on continuing to provide strong investment management and client service to its customers while seeking to raise more assets and further diversify the client base.
- The firm plans to focus primarily on the institutional market, but may accept opportunities with individuals that fit their style and approach.

Legal/Compliance

- In June 2012, GW hired Jennifer Ottosen to be the firm's Chief Compliance Officer, replacing Tom Parkhurst. In years past, Mr. Parkhurst had expressed an interest to offload that responsibility at some point as the firm's asset levels grew. Ms. Ottosen has considerable legal/compliance experience and is viewed as a positive addition to the team.
- Aside from internal compliance controls, GW also utilizes a third-party compliance firm to conduct mock audits and monitor various compliance-related functions. According to GW, no compliance issues surfaced during these review processes.
- GW claims no material legal or compliance issues. According to GW, neither GW nor its principals have ever been subject of a regulatory, civil or criminal proceeding.
- GW's last SEC audit was completed in January 2005. GW states there were no findings of major significance.

Summary of Business Structure Opinion

- GIMA views positively the independent 100% employee ownership structure of GW. Such a structure often provides maximum potential incentive for success of the firm's products.
- GW has experienced a low level of key employee turnover over its history, which is also viewed positively.
- GIMA's primary business concern is the small size of GW in terms of assets and personnel.
- With less than 30 employees at the firm, GW has significantly less resources than many peer managers.
- GW has a concentration of assets in a few clients, which raises the risk that the loss of one of these clients would have an outsized effect on revenue. Morgan Stanley Wealth Management represents roughly 10% of the firm's assets. In addition, the firm's top ten clients represent roughly half the firm's assets.
- Notwithstanding the above comments, GIMA believes that the business situation at GW has improved as assets have grown, their offices expanded and additional employees have been added.

Other Key Factors

Incentives/Alignment of Interests

- Compensation includes base salary, an annual incentive bonus, profit sharing and, in some cases, direct equity ownership in the firm.
- Portfolio managers are compensated as a result of the overall financial success of the firm rather than individual performance.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Guy Watanabe	58%
Tom Parkhurst	15%
Scott Mullet	15%
Touk Sinantha	5%
Nick Brown	5%
DeShay McCluskey	2%
Publicly Traded	**Ticker Symbol**
No	N/A
Source: GW Capital, GIMA	

Assets Under Management ($ Millions)

Year	Firm	Product
3Q2015	2,215	668
2014	2,908	880
2013	2,929	1,341
2012	2,298	1,080
2011	2,036	856
2010	1,672	882
2009	1,334	687
2008	990	486

Source: GW Capital, GIMA

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Relative Value: Generally search for what they believe to be undervalued companies based on analysis relative to the market, industry and historical norms leading to portfolios that may at times maintain broader market exposure to more growth-oriented names and may appear to have higher valuations using traditional valuation metrics.

Russell 2000 Value - Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 - Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

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GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy

GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

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Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

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Consider Your Own Investment Needs

This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice

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If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

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Delaware Investments Small Cap Value Equity

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
EQUITY SUB-STYLE:	*Traditional Value*
BENCHMARK:	*Russell 2000 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account / Mutual Fund*
TICKER SYMBOL	*DEVLX , DEVIX (TRAK FS, UMA)*

www.delawareinvestments.com

STRATEGY DESCRIPTION

Delaware employs an actively managed, fundamental, bottom-up process focused on capturing the potential returns due to the market's consistent mispricing of securities within the small-cap value universe. Delaware believes that by identifying these mispriced securities, favorable long-term risk-adjusted returns can be achieved.

Summary of Opinion:

- The Delaware Investments (Delaware) Small Cap Value Equity strategy is on the Global Investment Manager Analysis (GIMA) Focus List based primarily on GIMA's high regard for portfolio manager Christopher Beck and the other investment professionals associated with the strategy.
- Portfolio manager Christopher Beck remains the driving force behind the strategy from a portfolio management and research perspective. Mr. Beck's experience gives him an above-average historical knowledge about many of the stocks in the small-cap value universe.
- Overall, research on this product is considered to be above average. The investment process is considered to be flexible and capable of adding value over a full market cycle.
- GIMA considers the members of the investment team to be above average regarding their experience and ability to effectively manage assets in the small-cap arena.
- The strategy's underlying philosophy is centered on holding companies that are believed to have reasonable valuation criteria along with a price catalyst. The investment team places emphasis on companies with earnings and positive cash flow. GIMA considers the investment process to be rather flexible and capable of adding value.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	Above Expectations	**Above Expectations**	**High**	High	High
Average	**Average**	**In-Line**	In-Line	Moderate	**Moderate**	**Moderate**
Needs Improvement	**Needs Improvement**	Below Expectations	Below Expectations	Low	**Low**	**Low**

See Opinion Description at the end of this report.

Positive Attributes

- Portfolio manager Christopher Beck is viewed as an above-average investment professional.
- The investment process is considered to be rather flexible and capable of adding value.
- The underlying philosophy behind the portfolio is centered upon holding companies that have reasonable valuation criteria along with a price catalyst.
- Valuation can be evaluated either on a relative or absolute basis.
- The team places emphasis on companies with earnings and positive cash flow.

Points to Consider

- Typically buys stocks with market capitalizations between $350 million and $3 billion. Stocks within the $400 million and $1.5 billion range are given extra focus.
- Tends to exit positions once the capitalization reaches $4 billion to $5 billion.
- May overweight mid-cap stocks relative to the index.
- Portfolio typically holds between 75 and 125 stocks with turnover expected to average 40% to 70%.
- May stray from sector weight guideline of +/- 10%.

Areas of Concern

- Integration of Delaware Investments into Macquarie Group.
- The research team is relatively small vis-à-vis the investment universe.

Performance Expectations

- The portfolio's performance is expected to behave somewhat similarly to the R2000V benchmark over time. However, in a largely momentum-driven market the portfolio may not keep pace given its emphasis on valuation.
- Companies without visible earnings prospects are unlikely to enter the portfolio. This may be detrimental to the performance of the portfolio when the market rewards stocks without earnings.
- Capitalization and valuation may cause portfolio returns to deviate from the benchmark during certain time periods.

Performance Opinion

- In the second quarter of 2015, Delaware Small Cap Value performed in line with the Russell 2000 Value Index and performed within expectations. Overall, stock selection was positive for the quarter, while sector allocation detracted value. In terms of sector positioning, Delaware's overweighting in the materials sector was the biggest detractor. Performance year-to-date through the second quarter was ahead of the benchmark.
- In calendar year 2014 performance was strong and above expectations. For the year, strong stock selection in the energy, consumer staples, and health care sectors added value relative to the index, while overall sector allocation detracted value.
- Delaware outperformed its index over the past three years annualized through the second quarter of 2015 and performed at the upper end of expectations. Outperformance in the technology, energy, and industrials sectors added value relative to the index. Primary detractors included underperformance in the consumer discretionary sector and Delaware's overweighting in materials.
- Delaware outperformed its index by a wide margin over the past five years annualized through the second quarter of 2015 and performed above expectations. Outperformance was a result of positive stock selection across the majority of sectors, as well as overall positive sector selection. Delaware's underperformance in financials and overweight in technology detracted value.

News Summary

- Effective June 1, 2015, Shawn Lytle succeeded Patrick Coyne as President of Delaware Investments. Mr. Lytle joined Delaware from UBS Global Asset Management.
- July 1, 2012 – Equity analysts Steven Catricks, Kelley McKee, and Kent Madden promoted to the role of portfolio manager. Christopher Beck, in his role as CIO and portfolio manager, continues to have final authority on all investment decisions. Additionally, the portfolio managers continue in their roles as research analysts.
- October 2010 – Delaware placed Steve Catricks on the small value team to replace the position left vacant by senior analyst Michael Hughes in August 2010 (please see Additional News Summary section below).
- January 4, 2010 – Delaware Management Holdings, Inc. and its subsidiaries (Delaware Investments) sold from Lincoln National Corporation to Macquarie Group.

Additional Analyst Comments

- The sub-style of the portfolio is Traditional Value.
- Factors driving the sub-style categorization include the product's sector neutrality to the Russell 2000 Value Index, as well as an expectation that the portfolio will typically have valuation (i.e., P/E, P/B, etc.) and growth characteristics (i.e., EPS growth estimates, etc.) in the range of that benchmark.
- Performance is generally expected to follow in a reasonable range of the Russell 2000 Value Index.
- Delaware says that portfolio turnover has been somewhat lower than typical in the past couple of years, but it would still expect annual turnover to typically be in the 30% to 70% range.
- GIMA notes that as of year-end 2014, total product assets were approaching levels ($4.5 billion) where Delaware says it may soft close the product. However, Delaware says that it continues to find attractive purchase opportunities within its market capitalization parameters.

Additional News Summary

- October 2010 – As noted in the News Summary above, Delaware placed Steve Catricks on the small value team to replace the position left vacant by senior analyst Michael Hughes. Steve Catricks has been with Delaware since 2001. Prior to joining the small value team, Mr. Catricks performed small-cap equity research for two different teams at Delaware. Most recently he worked with the Strategic Equity team, which had a value orientation, and he earlier was on the Emerging Growth team. On the small value team, Mr. Catricks will focus on the information technology and business services sectors. The addition of Mr. Catricks resulted in some sector coverage changes on the team, which are reflected in the Key Investment Professionals table below.
- 1Q09 – Delaware Investments initiated staff reductions due to challenging market conditions.

Portfolio Traits

	Equity
Range of Holdings	75 to 125
Maximum Position Size	5%
Econ Sector Constraints	Target sector weight range is +/- 10% of Russell 2000 Value Index weight; however, the weightings have deviated from this somewhat at times
Tracking Error Target	No target
Typical Annual Turnover	30% to 70%
Invests in ADRs	Yes
Invests in ETFs	Yes, up to 3%
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	None
Maximum Cash	10%
Typical Cash Position	2% to 6%
Est. Product Capacity	Approximately $4.5 Billion for soft close depending on market opportunities

Source: Delaware

Investment Capabilities Overview

Portfolio Management Team

- Christopher Beck is responsible for the portfolio management of the Small Cap Value product. Mr. Beck managed a small-cap value commingled fund at Pitcairn Trust Company prior to joining Delaware.
- Mr. Beck is supported by three analysts/portfolio managers: Steve Catricks, Kent Madden, and Kelly McKee.
- This team also manages a smid cap value and a mid-cap value strategy.

Investment Philosophy & Process

- Delaware employs an actively managed, fundamental, bottom-up process focused on capturing the potential returns due to the market's consistent mispricing of securities within the small-cap value universe. Delaware believes that by identifying these mispriced securities, favorable long-term risk-adjusted returns can be achieved. The process is structured as a three-phase screening and fundamental evaluation methodology to construct the ultimate portfolio holdings.
- Initially, a broad universe of stocks within the small-capitalization range ($400 million to $3.5 billion) is screened using a proprietary quantitative model focusing on combinations of MPT statistics and characteristics.
- The firm then focuses on value stocks whose prices are historically low based on given financial measures, such as cash flow, profits, or Enterprise Value/EBITDA. This screening phase results in an absolute score for each security. Screens during this phase include valuation ratios, given a weight of 70%; expectations (i.e., earnings estimates), weighted at 20%; and capital deployment, weighted at 10%.
- After a score for each stock is calculated, the team typically searches for stocks that recently experienced an increase in ranking. Focus is given to new entrants in the top quintile range. This review considers current valuations relative to historical pricing, financial characteristics, sector performance, as well as the overall market and economic environments.
- The final security selections for the portfolio are based on a combination of financial, non-financial, and qualitative assessments. Generally, stocks that are viewed as favorable by the team have lower valuation characteristics relative to their own history, the universe and/or economic sector; positive earnings; positive cash flows and a visible price catalyst.

Summary of Investment Capabilities Opinion

- GIMA has high confidence in the investment acumen of portfolio manager Christopher Beck and his departure would be viewed negatively.
- Overall, GIMA considers the current members of the small-cap value team to be above average regarding their experience and ability to effectively manage assets in the small-cap arena.
- While there are mild concerns as far as the current team being stretched, GIMA is confident that the team is able to give adequate focus and attention toward the Small Cap Value strategy given that there is a substantial overlap in the investment universe of each of the three strategies that the team manages.
- While GIMA was concerned by the departure of senior analyst Michael Hughes in August 2010, we continue to believe that Christopher Beck is the primary decision maker, and GIMA is encouraged by the hire of Steve Catricks as Mr. Hughes' replacement. Mr. Catricks had been with Delaware for nine years prior to his inclusion on the small-cap value team (please see Additional News Summary section above).
- The investment process is considered to be rather flexible and capable of adding value.
- Valuation can be evaluated either on a relative or absolute basis depending on the sector.
- Mr. Beck typically prefers that a company be profitable and/or have positive cash flow (or exhibit the potential for positive cash flow in the near future) for it to be bought.
- Delaware prefers to take a cautious approach to investing. Essentially, Delaware believes that owning companies with positive earnings and cash flows limits the downside of a stock.
- Positions are not established solely based on amount of representation a company, sector, or industry may have in an index. If there is not a fundamental investment thesis, a position will not be established.
- Significant attention is given to the financial condition of a company. Research is undertaken with the goal of trying to understand the downside risk of a stock. Earnings, cash flow, capital expenditures, and management are primary components of the research process.

Other Key Items

Decision-Making

- Potential candidates for portfolio inclusion are sponsored by the analyst who performs the research. The sponsoring analyst presents his stock idea to the other team members for review and discussion.
- Mr. Beck retains the final authority on whether or not to purchase the stock.
- The portfolio is based on a model from which all portfolios and the mutual fund counterpart are replicated.

Sell Process

- A stock may be sold if:
  - It reaches its price target;
  - The fundamentals change and become unfavorable;
  - The security reaches what the team estimates to be fair value on a relative value basis.

Track Record Reliability

- The performance from May 1997 is considered to be fairly representative of the current team, as this was when Mr. Beck assumed control over the portfolio and its philosophy. Performance before May 1997 is not considered reflective of the performance of the current investment team, as the portfolio was managed by a different team.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Christopher Beck	Senior Portfolio Manager/Analyst	Energy, Financial Svcs, REITS, Utilities	●	Lehigh	1981	1997	1997
Steve Catricks	Portfolio Manager, Senior Analyst	Technology, Business Services	●	University of Pennsylvania (Engineering)	1999	2001	2010
Kent Madden	Portfolio Manager, Equity Analyst	Consumer Cyclical, Consumer Services, Consumer Staples, Health Care, Transportation	●	University of Chicago	1994	2004	2004
Kelley McKee	Portfolio Manager, Equity Analyst	Basic Materials, Capital Spending	●		2002	2002	2005

Source: Delaware

Other Key Professionals

Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Michael Hogan	CIO, Head of Equity Investments	Business Mgmt	●	University of Delaware	1987	2007	N/A
Shawn Lytle	President	Business Mgmt			1992	2015	N/A
Brian Murray	Chief Compliance Officer	Compliance		University of Michigan Law	1994	2002	N/A

Source: Delaware

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Christopher Beck	●	●	●			
Steve Catricks	●	●	●			
Kent Madden	●	●	●			
Kelley McKee		●				
Michael Hogan						●
Shawn Lytle						●
Brian Murray						●

Source: Delaware

Business Structure Overview

History/Ownership

- Delaware Investments is the marketing name for Delaware Management Holdings and was founded in 1929. The firm established a separately managed account investment advisory service in 1972.
- Delaware Investments, as a result of an April 1995 acquisition, became an indirect, wholly-owned subsidiary of Lincoln National Corporation.
- Delaware Investments was sold to Macquarie Group in January 2010.

Business Plan

- Delaware says that its primary objective is to maintain and grow a successful and profitable investment management organization, meeting client objectives regarding performance, risk, and communications. Delaware envisions gradually adding and training staff to keep resources ahead of projected growth.
- The firm has multiple equity and fixed income domestic and international products. Despite being known as a ‘value’ shop in the past, the firm manages a significant amount of assets in the growth style.
- The Small Cap Value team also manages a small/mid-cap value product and a mid-cap value product. The small/mid-cap value product was seeded in mid-2005. The team was handed responsibility of managing mid-cap value assets beginning in May 2004. Delaware uses the small-cap value process with the product and anticipates 20% commonality with the small-cap value portfolio.

Legal/Compliance

- On April 1, 2015, Macquarie Capital (USA), Inc. (“MCUSA”), an affiliate of Macquarie Group Limited, was issued an order enjoining MCUSA from violating certain sections of the Securities Act of 1933 in connection with its underwriting of a secondary public stock offering of a Chinese coal company. The Injunction resulted in the disqualification of MCUSA and its affiliates that act as an adviser, sub-adviser or principal underwriter to funds.
- Shortly after the injunction was issued, Delaware contacted the SEC and began the process of obtaining exemptive relief from the disqualification provisions. On July 6, 2015, the SEC issued a notice of its intent to grant permanent exemptive relief from the disqualification provisions. Delaware agreed to settle a related administrative action brought by the SEC and pay a $20,000 fine without admitting or denying the SEC’s findings. Delaware expects this matter to be definitively resolved in the near future upon issuance of the permanent order.
- Delaware says that the Staff of the Securities and Exchange Commission (SEC) was onsite during the fourth quarter of 2014 to conduct a focused examination of Delaware Management Business Trust and that a letter was received from the SEC stating that the examination was completed and that no deficiencies came to the SEC staff’s attention during the course of the examination.
- Delaware says that the SEC Staff was onsite during the first quarter of 2015 to conduct an examination of Delaware Management Business Trust and other SEC registered entities. As of the second quarter of 2015, Delaware had responded to all current inquires.
- Following the lift-out of a large-cap growth team in 2005, Transamerica filed suit against Delaware Investments and the individuals who joined Delaware Investments. In late January 2011, the litigation was voluntarily dismissed by all parties resolving the matter. The terms of the resolution are confidential. There was no admission of fault and no finding of liability against any party.

Summary of Business Structure Opinion

- Delaware Investments says that it does not foresee investment personnel turnover on the small value team due to the purchase of Delaware Investments by Macquarie Group. Nonetheless, GIMA notes the potential for distraction and/or personnel turnover due to the merger. Also, GIMA notes that one senior analyst on the team did leave Delaware since the purchase.
- Although the staff reductions at Delaware Investments in 1Q09 did not affect the Small Cap Value team, there exists the potential for further reductions should market conditions deteriorate.

Other Key Factors

Incentives/Alignment of Interests

- Delaware says that Christopher Beck is typically compensated with a combination of a base salary, subjective incentive bonuses tied to performance, and long-term equity. Key operating principles of the total compensation plan are to compensate professionals in direct relation to performance in their respective realm of responsibility and the overall business success of their team and to reflect total cash compensation that is closely aligned to the competitive market.
- The purpose of the long-term equity plan is to assist Delaware Investments in attracting, retaining, and rewarding high-quality executives and investment professionals and to enable these individuals to acquire or increase a proprietary interest in the firm.

Ownership And Parent Company

Name of Owner	Percent Owned
Macquarie Group	100%
Publicly Traded	**Ticker Symbol**
Macquarie Group	MQBKY

Source: Delaware

Assets Under Management ($ Millions)

Year	Firm	Separate Accounts	Mutual Fund
1Q 2015	184,351	980	4,080
2014	185,481	382	3,858
2013	187,166	347	3,410
2012	179,804	250	1,967
2011	166,396	184	1,395
2010	150,332	204	1,381
2009	131,489	225	1,096
2008	117,736	184	969
2007	150,459	334	1,538
2006	161,643	596	1,965

Source: Delaware

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Traditional Value: Tend to search for what they believe to be undervalued companies based on traditional valuation measures such as P/E ("Price/Earnings"), P/CF ("Price/Cash Flow") and P/B ("Price/Book") and typically have a greater awareness of and correlation to the benchmark although not necessarily strict constraints.

Russell 2000 Value - Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs
This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs
GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy
GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a 'Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

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Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information
General
Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

For mutual funds, the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report.

Benchmark index
Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data
Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings
Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data
Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks
Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice
Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest
GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may

have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Fuller & Thaler Small Cap Value/ Undiscovered Managers Behavioral Value Fund

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
EQUITY SUB-STYLE:	*Discount Value*
BENCHMARK:	*Russell 2000 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account/ Mutual Fund*
TICKER SYMBOL	*UBVLX, UBVSX (TRAK FS / UMA)*

www.fullerthaler.com

STRATEGY DESCRIPTION

The Fuller & Thaler Small Cap Value strategy's underlying investment process incorporates behavioral finance (Prospect Theory) along with bottom-up fundamental analysis. The strategy focuses on insider activity and company buybacks/new issuance, in conjunction with behavioral finance and business model analysis to construct a portfolio of small cap, value-oriented stocks.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") has placed the Fuller & Thaler ("F&T") Small Value SMA and Undiscovered Managers Behavior Value Fund on our Focus List because we have a high opinion of portfolio manager ("PM") David Potter and the investment process implemented by the firm. Mr. Potter has consistently implemented the investment process, which GIMA deems to be disciplined, repeatable and capable of adding value over a full market cycle.
- The investment process of F&T is derived from the beliefs and academic research pertaining to behavioral finance. The process attempts to exploit these "behavioral investment tendencies" in a non-quantitative manner in order to create a portfolio of stocks which the firm views as being mispriced due to excessive pessimism (market-overreactions). The idea generation phase of the process is somewhat unique compared to other equity strategies reviewed by GIMA which typically focus on conventional valuation/growth criteria to determine relative attractiveness of a stock. Investment candidates within the "F&T" Small Value strategy are identified based on analysis of insider activity/corporate transactions along with various patterns (price, volume, sell-side analyst coverage, etc.) that precede the activity of "smart insiders". The firm believes that this approach will result in the identification of companies with improving fundamentals that have not been appropriately priced by the market.
- While there are significant resources, both internal and external, that support the behavioral finance element of the process, the vast majority of the bottom-up, fundamental research is being completed solely by David Potter. We do have some concerns about the lack of analyst depth and the future success of the product being heavily reliant on one individual. However, based on comments made by F&T, the analysis of "smart insiders" and behavioral patterns has added value over the long-run and enables the firm to deviate from a conventional investment team structure, which normally consists of portfolio managers and a team of analysts. Our concerns about the lack of portfolio management depth are somewhat alleviated by the low levels of personnel turnover at the firm and the presence of a 'back-up" portfolio manager that is well versed in the process.

Focus List		Snapshot				
Investment Capabilities	**Business Evaluation**	**Short-Term Performance Analysis (≤ 3Yrs)**	**Long-Term Performance Analysis (> 3 Yrs)**	**Track Record Reliability**	**Expected Benchmark Sensitivity**	**Expected Portfolio Turnover**
Above Average	Above Average	**Above Expectations**	**Above Expectations**	**High**	High	High
Average	**Average**	In-Line	In-Line	Moderate	Moderate	**Moderate**
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	**Low**	Low

See Opinion Description at the end of this report.

Positive Attributes

- Successful long track record of translating behavioral finance theory into non-quantitative investment strategies.
- Transparent, objective, and repeatable investment process.
- Academic support of leading scholars in the field of behavioral finance.
- Firm is 100% employee owned with broad equity distribution to senior members of the firm (12 in total).

Points to Consider

- Contrarian discount value approach that has typically resulted in higher volatility levels (beta, standard deviation) relative to the Russell 2000 Value Index.
- Portfolio can have sector exposures that differ from those of the benchmark. Firm monitors active exposures (sector/industry, valuation, growth, size, beta, etc.) through a proprietary risk report, but does not use quantitative analytics to construct the portfolio.
- Process allows cash to vary from 0-15%. However, variations in cash levels are not based on top-down views on the market.
- Tends to avoid stocks with high short interest (>10%) and utilizes a 30% relative stop-loss rule to avoid emotional attachment to underperforming stocks.

Areas of Concern

- Meaningful level of key man risk. The Small Cap Value strategy is led solely by Portfolio Manager, David Potter (See Summary of Opinion for additional details).
- Fuller & Thaler is a small "boutique" firm with the majority of firm assets under management ("AUM") within small and micro cap mandates. These types of mandates are typically capacity constrained relative to mid and large cap mandates, which has the potential to limit future firm AUM and business growth. In addition, the majority of the firm's assets are concentrated in small value, which has seen significant asset growth in recent years. If relative performance wanes, the firm could experience an elevated level of client outflows.

Performance Expectations

- The Fuller & Thaler Small Cap Value strategy is most appropriate for investors who are not benchmark sensitive as performance of this strategy tends to be volatile given the contrarian nature of the investment process. The portfolio sector weights may also differ quite substantially from the benchmark, which can obviously impact relative performance.
- Investors should expect periods of deviation from the benchmark's performance particularly during market inflection points. During these inflection points the strategy has lagged during market downturns and outperformed during the initial stage of a market rally.
- After 2008, the firm began focusing more on short interest levels and instituted a 30% relative stop-loss rule to avoid potential value traps. Volatility is still higher compared to the benchmark and most peers, but the differential has narrowed to some degree since some additional risk management metrics have been adopted.
- Quality, as measured by ROE and debt/equity, can shift somewhat over time. F&T indicated that during the later phases of economic cycle, portfolio quality may slightly increase given that a higher than normal level of idea generation can come from company buybacks, which are sometimes conducted by firms with strong balance sheets and ample levels of cash.

Performance Opinion

- The strategy outperformed the benchmark over the year-to-date and one-year period (ended 9/30/15). Over these periods the portfolio benefited from favorable results across multiple economic sectors, particularly within Financials, Energy and Technology. Pockets of underperformance within Industrials, Utilities and Materials detracted from performance, particularly over the one-year period. The strategy posted strong relative performance over the three-year annualized period through quarter end. Overall, strong stock selection across multiple sectors was the primary driver of outperformance. Sector positioning also added value during this period. Unfavorable results within Consumer Discretionary represented the only meaningful area of weakness. Overall short-term performance (≤ 3 years) is above GIMA's expectations.
- Trailing 5, 7 and 10-year annualized performance through 9/30/2015 is above GIMA expectations on both an absolute and relative basis versus the Russell 2000 Value Index. The portfolio has outperformed the benchmark over the past six calendar years. Strong overall stock selection has been the key contributor to positive returns.
- Consumer Discretionary is one of the areas that performance within the portfolio hasn't been as strong. F&T has been researching this and it may be attributed to the insider buying signal not being as reliable as expected in the retail space. For other sectors, performance has generally been favorable over multiple periods analyzed.

News Summary

- February 2013- Firm hired Director of Research, Raife Giovinazzo.

Additional Analyst Comments

- The strategy's valuation characteristics (as measured by trailing and forward estimated P/E) have historically been in-line to slightly above the Russell 2000 Value Index, while growth characteristics (as measured by historical and forward estimated EPS Growth) have been in-line to slightly below the benchmark. That said, given the contrarian nature of the process and historical performance patterns, GIMA believes that "discount value" is the most appropriate sub-style classification.
- In 1996, F&T started the Small Cap Value SMA strategy, which was managed by Russell Fuller prior to 2005. Prior to David Potter's arrival in 2005, the SMA/Fund was being managed with significant concentration in certain sectors, especially technology, and had a higher level of concentration in a portfolio of equally weight stocks. Once Mr. Potter began managing the strategy, he began to enhance the overall risk controls within the portfolio, which placed limitations on sector weights and allowed for position weights to be dictated by level of conviction. The firm also uses proprietary risk reports to monitor overall portfolio characteristics relative to the benchmark (growth, valuation, position size, etc.). However, the firm does not use an optimizer or quantitative tools to actually construct the portfolio. Risk management at the firm is overseen by Yining Tung.
- In 1998, Undiscovered Managers, which was a Texas-based mutual fund distribution company that emphasized niche, boutique investment firms, launched the Undiscovered Managers Behavioral Value Fund. F&T was the sub-advisor for this fund. JP Morgan bought Undiscovered Managers in 2003 and has been the advisor for this fund ever since. F&T has always been the sub-advisor for the Undiscovered Managers Behavioral Value Fund. Dispersion between the Fund and SMA has been minimal and the two products are virtual clones of each other.
- Key individuals that are associated with the firm are as follows: Daniel Kahneman, 2002 Nobel Prize Winner (Behavioral Finance), and Richard Thaler, Professor & Head of Behavioral Finance at the University of Chicago. Dr. Kahneman is the only non-employee that sits on the firm's board, but has no day-to-day involvement with managing the firm or overseeing investment products. Richard Thaler is considered a part-time employee and provides input into key top-down factors (behavioral finance) that drive the process. He also has no direct oversight of client assets. The firm also pays for the services of two academic advisors, Joey Endelberg and Shlomo Benartzi. The firm considers both individuals to be experts in the field of behavioral finance. Neither person manages client assets for F&T.
- 2006-2008 was a difficult 3-yr. stretch from a relative performance standpoint. The firm indicated the 1st and 2nd quarters of 2008 were challenging given the amount of insider buying within companies and industries with diminishing cap ratios and deteriorating fundamentals. As stated previously, F&T made some modifications (attention to short interest, 30% relative stop loss) in reaction to that environment.

Additional News Summary

- None.

Portfolio Traits

	Equity
Range of Holdings	50-80
Maximum Position Size	4%
Econ Sector Constraints	2x relative to Russell 2000 Value Index
Tracking Error Target	4%-10%
Typical Annual Turnover	10%-30% (name), 30%-55% (dollar)
Invests in ADRs	No
Invests in ETFs	No (only temporary in tax loss harvesting)
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	Generally do not represent greater than 10% avg. trading volume and/or greater than 20 business days to establish position
Maximum Cash	15% (internal limit), 20% (prospectus)
Typical Cash Position	0-15%
Est. Product Capacity	$2.5 - $3.0 billion

Source: Fuller & Thaler, GIMA

Investment Capabilities Overview

Portfolio Management Team

- Management of the Small Cap Value strategy is led solely by Portfolio Manager, David M. Potter. There are no fundamental research analysts that support his efforts. His back-up is Fred Stanske, Portfolio Manager for the firm's Micro Cap and Small Growth strategies. Mr. Potter has been with the firm since 2005 and has 18 years of financial industry experience. Prior to joining Fuller & Thaler, he was a Vice President at Goldman Sachs.
- While there are no research analysts covering individual companies, Mr. Potter is supported by other senior investment professionals at the firm (Russell Fuller, Raife Giovinazzo, Richard Thaler, and Yining Tung) that have expertise in terms of analysis of insider activity, behavioral finance application, and risk management.
- Richard Thaler is considered a part-time employee and provides input into key top-down factors (behavioral finance) that drives the process. He has no direct oversight of client assets.

Investment Philosophy & Process

- The primary basis of the process is Behavioral Finance (Prospect Theory). According to the firm, the adherence to behavioral finance embedded in the process better allows them to recognize mispriced securities due to behavioral biases and avoid common portfolio management pitfalls such as holding underperforming stocks for too long and selling winners too quickly.
- The investment process three distinct steps.
  1. ***Insider Buy/Share repurchase*** – Identify stocks that have insider buying or company repurchases, which have had historical patterns of outperformance after such activity has occurred. The strength of this signal or level of predictability is determined by assessing the purchasers role at the firm, the amount purchased (absolute and relative to existing holdings), the purchasers historical track record after prior purchases, and cluster or group of purchases from multiple insiders. The firm indicated there are typically 20-40 stocks per quarter that are regularly identified based on this analysis.
  2. ***Behavioral Analysis*** – Once the "smart insiders or companies" that have a successful track record of buying back stocks at opportune times have been identified, the firm utilizes quantitative metrics to examine various patterns (analyst coverage, multiple compression/expansion, price, volume) that F&T would view as being predictable or indicative of certain behaviors that have led to outperformance. An example cited by F&T is the preference to see a stock drop for extended period rather than a 2-3 week period in conjunction with insider buying. This concept is considered the "conditioning period" (investor pessimism increases). The objective of this phase of the process is to react to the insider signal before the market has chance to. The firm has done a lot of research in the area of prospect theory, a concept used to identify irrational behaviors of investors, such as the disposition effect – tendency of investors to hold losing stocks too long and sell winners too early. According to Fuller & Thaler these two investment process steps have added about 100-150 basis points of alpha over the long-run.
  3. ***Fundamental Analysis*** – This is where David Potter spends the majority of his time. This phase of the process, according to F&T has added the majority of alpha delivered by the product (200-300 basis points). This step is broken down into 3 parts: Business Model Analysis, Valuation Analysis, and Balance Sheet Analysis. Typically stocks that are purchased tend to exhibit many of the following characteristics: ROIC>WACC, <10% short interest, attractive valuation relative to peers (DCF, EV/FCF, P/E, P/B etc.) and strong balance sheets (attractive interest coverage, debt/EDITDA, covenant cushions, etc.). F&T does not like to speak with management given that they believe that such engagements could lead to emotional biases that can adversely affect decision-making. After this phase is completed, approximately 4-8 stocks are bought every quarter.

Summary of Investment Capabilities Opinion

- The idea generation phase of the process is somewhat unique compared to other equity strategies reviewed by GIMA, which typically focus on conventional valuation/growth criteria to determine relative attractiveness of a stock.
- Mr. Potter is very knowledgeable of the companies and industries that are covered within the portfolio. The overall screening process and front end quant tools isolate roughly 20-40 stocks per quarter that he regularly reviews. This allows Mr. Potter to recognize fairly quickly what stocks could be considered to be investment opportunities. Typically 4 to 8 stocks are purchased each quarter on average.
- F&T has not made any wholesale changes to the process, but GIMA has a favorable view of the firm's ongoing efforts to improve performance by making enhancements to risk management and the strategy's front end screening tools.

Other Key Items

Decision-Making

- All buy, sell and portfolio construction decisions are made by Portfolio Manager, David Potter.

Sell Process

- Fuller & Thaler will typically sell or trim stocks for the following reasons: 1) Seeing clusters of high-proportional insider selling, 2) Fundamentals deteriorate significantly relative to valuation, 3) Stock triggers 30% relative trailing stop-loss.

Track Record Reliability

- Although the entire track record of the strategy is representative of the overall investment philosophy, GIMA views the performance since 2005 as being most representative given the enhancements that were made to the process and portfolio construction parameters following Mr. Potter's arrival.
- Although the mutual fund has a slightly shorter track record than the SMA, the investment characteristics, sector weightings, and returns after adjusting for the mutual fund expense ratios are similar. Dispersion between both vehicles has not been high and GIMA considers the Fund and SMA to be clones of each other.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience Career	Experience Firm	Experience Product
David Potter	Portfolio Manager	Small Cap Value/ Generalist	●	University of Chicago	1994	2005	2005
Fred Stanske	Back-up Portfolio Manager/ Analyst	Small Growth/Micro Cap	●	University of Chicago	1987	1996	N/A

Source: Fuller & Thaler, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience Career	Experience Firm	Experience Product
Russell Fuller	President/ CIO		●	University of Nebraska	1970	1993	1996
Raife Giovinazzo	Director of Research		●	University of Chicago	2001	2013	2013
YiningTung	Head of Risk Management		●	Univ. of California/ New York Univ.	1997	2004	2004
Fernando Villegas	Dir. Of Trading			Northwestern	1991	1999	1999

Source: Fuller & Thaler, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
David Potter	●	●	●			
Fred Stanske	●	●	●			
Russell Fuller						●
Raife Giovinazzo			●			
YiningTung			●			
Fernando Villegas				●		

Source: Fuller & Thaler, GIMA

Business Structure Overview

History/Ownership

- F&T is a small boutique investment management firm based out of San Mateo, CA. AUM at the firm as of 9/30/2014 were $2.7 billion. Fuller & Thaler began managing equity accounts for tax-exempt clients in 1992. The firm was organized as a 1940 Act Adviser in 1993. In 1998, the company name was changed from RJF Asset Management to Fuller & Thaler Asset Management to reflect the addition of a key principal, Richard Thaler.
- Fuller & Thaler is 100% owned by employees. Dr. Russell Fuller, founder and president, controls approximately 35%, with the balance being held by 11 officers and directors of the firm.
- Small Cap Value (AUM $1.7 billion as of 9/30/2014) accounts for the majority the organization's assets. Aside from Small Value, the firm manages the following products: Small Growth (Fred Stanske - PM), Small Core (David Potter/Fred Stanske - CoPMs), Micro Core (Fred Stanske-PM), Large Cap Core – Behavioral Advantage (PM - Raife Giovinazzo), and two Market Neutral products (PM - Raymond Lin). Small Cap Core is a 50/50 carve out of Small Value and Small Growth. Roughly $200 million of Small Value's assets are held in the Small Core product.

Business Plan

- According to F&T, the organization plans to grow assets across existing strategies with no immediate plans to offer any new options. Fuller & Thaler is focusing its marketing and sales efforts on multiple distribution channels. The two most significant marketing efforts include both institutional and retail channels. The retail channel is primarily approached with the F&T's distribution partner, JP Morgan Asset Management. F&T is the sub-advisor for the "Undiscovered Managers Behavioral Value" mutual fund.

Legal/Compliance

- Fuller & Thaler's last routine SEC examination was in 2006. According to the firm, there were no material findings.
- In August 2007, the firm was audited by the National Futures Association (NFA) who found a minor deficiency, which according to F&T, was corrected.
- Head Trader, Fernando Villegas, and CFO/CCO & Head of Legal, Hanna Zanoni, seemed to have a firm grasp of their areas of responsibility.

Summary of Business Structure Opinion

- GIMA has a favorable view of F&T's business structure given a combination of low personnel turnover, recent asset growth, strong compliance culture, and equity ownership that is broadly distributed amongst the firm's employees.
- The majority of the firm's assets are concentrated in small value, which has seen significant asset growth in recent years. If relative performance wanes, the firm could experience an elevated level of client outflows.
- David Potter holds less than 8% of the firm's equity, but is overseeing a product that has a material impact on firm revenues, which is somewhat concerning. He could be a lift out candidate for a larger firm. However, the concern is somewhat mitigated by the fact he has been with firm for nearly ten years, seems quite content with his current role, and did not express any concern about existing compensation.
- F&T assets declined materially in 2008 aside from the market downturn. The firm had managed an international product for an institutional client that was terminated at the end of that year. As a result, $1.4 billion left the firm in 2008. This strategy was more quantitatively focused and was managed by a different team that is no longer with the F&T. According to F&T, the strategy was not liquidated because of performance issues. Since the end of 2008, firm assets have recovered.

Other Key Factors

Incentives/Alignment of Interests

- Fuller & Thaler investment professionals are compensated through a combination of salary, incentive bonus and equity participation. The bonuses correlate highly with overall firm revenues, are subjective in nature, and not tied to performance in a given year. Bonuses and equity distribution are determined by compensation and stock committees with input from various managers throughout the organization.
- The firm has Executive Stock Purchase and Deferred Compensation plans that allow key professionals to acquire equity in the firm and receive deferred compensation at retirement. For a key professional who has been with the firm for 5 years or more, the value of these benefits may be a large part of his/her net worth.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Russell Fuller	35%
11 officers & directors	65%
Publicly Traded	**Ticker Symbol**
No	N/A

Source: Fuller & Thaler, GIMA

Assets Under Management ($Millions)

Year	Firm	Strategy	Fund
3Q 2015	$4,300	$3,300	$2,700
2014	$3,086	$2,200	$1,600
2013	$1,977	$966	$674
2012	$1,122	$268	$83
2011	$976	$185	$27
2010	$1,168	$221	$36
2009	$1,002	$225	$36

Source: Fuller & Thaler, GIMA

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Russell 2000 Value - Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Relative Value: Generally search for what they believe to be undervalued companies based on analysis relative to the market, industry and historical norms leading to portfolios that may at times maintain broader market exposure to more growth-oriented names and may appear to have higher valuations using traditional valuation metrics.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs

GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy

GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a 'Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

No Obligation to Update

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Strategy May Be Available as a Separately Managed Account or Mutual Fund

Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs

This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

For mutual funds, the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Kayne Anderson/Virtus Small Cap Quality Value

APPROVED LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*Small Cap Value*
BENCHMARK:	*Russell 2000 Value*
GIMA STATUS:	*Approved List*
PRODUCT TYPE:	*Separately Managed Account & Mutual Fund*
TICKER SYMBOL	*PQSAX, PXQSX (TRAK FS, UMA)*

http://www.kayne.com; www.virtus.com

STRATEGY DESCRIPTION

The Kayne Anderson/Virtus Small Cap Quality Value is a concentrated, low turnover strategy. The investment team employs a disciplined, bottom-up fundamental research approach attempting to identify high-quality companies with the following characteristics: Market Dominance, Financial Strength, Consistent Growth and Management Excellence.

Summary of Opinion:

- Kayne Anderson Rudnick ("KAR") follows a bottom-up security selection process, focusing on fundamentally sound companies that possess intellectual capital and a management team adept at using capital. Additionally, there are times when KAR is willing to pay up for growth, which at times has resulted in growth and value characteristics that are at a premium, relative to the Russell 2000 Value Index. With this philosophy, process and style the manager seeks to exceed benchmark returns over full market cycles.
- Given the investment process's focus on higher quality companies with strong balance sheets, cash flows and earnings, the strategy should typically outperform in flat and down markets and lag in lower quality, strong momentum-driven markets.
- KAR stated that Investment Chair and former Co-CIO/Lead-PM for the Small and Smid Cap strategies, Robert Schwarzkopf, retired on December 31, 2014. Although the departure of Mr. Schwarzkopf is concerning. The firm has been proactive over the past few years in preparing for Mr. Schwarzkopf's eventual retirement. Since 2011, KAR has expanded the investment team and also hired CIO, Doug Foreman (7/2011). GIMA views the current investment team to be capable of continuing to implement the investment process and portfolio management with little disruption.

Positive Attributes

- Experienced equity investment team.
- The firm has adhered to its investment process based on the evaluation of historical returns and portfolio characteristics.

Points to Consider

- Highly concentrated product that can lead to high tracking error compared to its benchmark.
- Low turnover.
- Individual security weights of up to 9% may lead to large relative performance fluctuations compared to its benchmark.
- Will not invest in highly capital intense companies. Therefore the portfolio tends underweight the Utilities and Energy sectors, as well as Transportation stocks.
- Performance dispersion between SMA and mutual fund (see Additional Comments).

Areas of Concern

- The Strategy has historically been heavily influenced by former Co-CIO/ lead Portfolio Manager, Robert Schwarzkopf. Although GIMA has confidence in the abilities of the existing management team, including CIO Doug Foreman, to continue to implement the overall investment process, GIMA believes the team will undergo a short-term adjustment period. This may also result in the potential added pressure to perform well over the short-term, given Mr. Schwarzkopf's significant influence on the strategy.

News Summary

- December 2014 – Investment Chair and former Co-CIO/Lead-PM for the Small and Smid Cap strategies, Robert Schwarzkopf, retired.
- June 2014 – Hired Research Analyst, Christopher Benway as replacement.
- April 2014 –Research Analyst, Vi Tran departed the firm.
- June 2013 – Hired Research Analyst, Julie Biel as replacement.
- March 2013 – Research Analyst, Rebeka Milnes departed the firm.
- February 2012 – Hired Research Analyst, Rebeka Milnes.
- December 2011 – Hired Research Analyst, Chris Wright.
- October 2011 – Hired Research Analyst, Vi Tran.
- July 2011 – Hired Director of Equities, Doug Foreman.

Additional Comments

- Performance dispersion has been relatively high between the SMA and mutual fund. This can be attributed to varying asset flows within the mutual fund over various time periods. In particular, performance dispersion in 2010 was meaningfully impacted due to the fund's merger with the Harris Small Value Fund.

Portfolio Traits

Equity	
Range of Holdings	20-35
Maximum Position Size	5% at cost
Econ Sector Constraints	+/- 10% Russell 2000 Value Index sector weights
Country Constraints	US only
Emerging Mkts Constraints	N/A
Currency Hedging	No
Tracking Error Target	No
Typical Annual Turnover	25-35%
Invests in ADRs	No
Invests in IPOs	No
Liquidity Constraints	None
Maximum Cash	10%
Typical Cash Position	2%
Est. Product Capacity	$2.2 billion

Source: Kayne Anderson, GIMA

Investment Capabilities Overview

Portfolio Management Team

- Day-to-day management of the small cap value investment strategy is the responsibility of co-portfolio managers, Craig Stone and Julie Kutasov. Ms. Kutasov has served as a research analyst supporting the portfolio management team since 2001 and was promoted to co-portfolio manager on the strategy effective April 1, 2008. Additionally, Mr. Stone was promoted to co-portfolio manager on February 1, 2009 and he has been on the strategy as a research analyst since 2000. The portfolio management team is supported by six research analysts.

Investment Philosophy & Process

- KAR's small cap value strategy is structured on the premise that competitive risk-adjusted returns can be achieved through investment in high-quality companies purchased at reasonable prices.
- KAR employs a disciplined, bottom-up fundamental research approach attempting to identify high-quality companies with the following characteristics:
    - Market Dominance (strong business model and sustainable competitive advantages)
    - Financial Strength (low debt balance sheet, rising free cash flow, and strong profit margins)
    - Consistent Growth (low volatility of earnings and high return on invested capital)
    - Management Excellence (strategic vision/leadership and track record of success).
- Companies that meet KAR's initial quality investment standards are subjected to fundamental research that ultimately results in the creation of a focus list of roughly 50 to 60 companies that the team follows for possible inclusion in the model portfolio (approximately 20 to 35 companies). KAR's fundamental research process consists of 1) qualitative, 2) financial, and 3) valuation analysis. Qualitative Analysis assesses a company's long-term market positioning, prospects, and competitive advantages. The sustainability of a company's business model is evaluated in light of changing business conditions. In addition, KAR evaluates management's strategies, financial goals, track record, and shareholder value orientation. Financial Analysis involves an historical examination of a company's income statement, cash flow statement, and balance sheet on an absolute and peer relative basis. Valuation Analysis, accomplished in part, via an examination of different ratios (including price to sales, enterprise value to sales, enterprise value to EBITDA, price to earnings, price to book, price to cash flow, dividend yield), helps determine the current and potential value of each company under various scenarios.
- The model portfolio is typically concentrated in 20 to 35 high conviction investment holdings. From a risk management perspective, sector allocations are limited to no more than +/- 10% of the sector weights of the Russell 2000 Value Index. There is an additional company limit of 5% at cost in any one security. The portfolio managers may allow an individual security to appreciate up to 9% in the portfolio before it is reduced. Typically, the maximum market cap of an individual position will not be larger than the largest market cap of the Russell 2000 Value Index.

Other Key Items

Decision Making

- The portfolio managers, in consultation with the analysts, establish a target high, low and base price for each security on the model portfolio and focus list. The portfolio managers hold the ultimate responsibility for construction and management of the portfolio.

Sell Process

- The sell discipline includes selling a security when one or more of the following occurs:
  (1) Target price is achieved
  (2) Potential opportunity to upgrade the portfolio exists (enhance quality characteristics, accelerate growth profile, improve value metrics)
  (3) Diversification requirement exists (portfolio rebalance within sector controls/opportunity to improve industry mix)
  (4) Fundamental negative change to the company or industry has occurred

Track Record Reliability

- Portfolio Managers, Craig Stone and Julie Kutasov, have been co-managing the strategy since 2009 and 2008 respectively. However, up until 12/2013, the management of the strategy was led by Robert Schwarzkopf, who retired from the firm in December 2014.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Doug Foreman	CIO/ Director of Equities	Generalist	●	Harvard	1987	2011	2011
Craig Stone	Portfolio Manager/Sr. Research Analyst	Producer Durables, Energy		USC	1990	2000	2009
Julie Kutasov	Portfolio Manager/Sr. Research Analyst	Producer Durables, Financials		Harvard	2002	2002	2008

Source: Kayne Anderson, GIMA

Business Structure Overview

History/Ownership

- Kayne Anderson Rudnick Investment Management was founded in 1984 by Richard Kayne and John Anderson, to manage the funds of its principals and clients through non-traditional investment partnerships. The traditional investment management business conducted by KAR began in 1989 when Allan Rudnick joined the firm. Over the years, KAR has experienced changes in its organizational and ownership structure. On January 29, 2002, Phoenix Investment Partners, Ltd. ("PXP"), a wholly-owned asset management subsidiary of The Phoenix Companies, purchased an initial majority interest (approximately 60%) in KAR, and at the end of 2004, PXP's ownership stake increased from 60% to 65%. On September 30, 2005, PXP purchased the remaining minority ownership interest (35%) in KAR. As a result of this step acquisition completed in 2005, PXP held a 100% ownership interest in KAR. Virtus Investment Partners completed its spin-off from the Phoenix Companies Inc. on December 31, 2008 and became an independent, publicly traded asset management company. KAR is a wholly-owned subsidiary of Virtus Investment Partners, Inc. (NASDAQ: VRTS).

Business Plan

- KAR's secular growth business plan calls for the firm's assets under management to increase both organically and through appreciation. The firm continues to focus on growing its three primary distribution channels of retail separately managed account, high net worth, and institutional. KAR is also looking to expand its product base with potential additions in the growth space.

Legal/Compliance

- According to KAR, the firm has never been the subject of an investigation by the SEC, NASD or any other government or regulatory office. KAR has never been fined by the SEC or any other regulatory office.
- KAR's most recent SEC exam was August 15, 2005. According to the firm no material issues were disclosed.

Other Key Factors

Incentives/Alignment of Interests

- KAR states that compensation levels are competitive in attracting and retaining high-caliber professionals. Investment professionals are paid a salary and a bonus based on their yearly contributions to the success of the firm. The research analysts and the portfolio managers share a similar incentive compensation plan. Every member of each team receives the same percentage performance bonus tied to the performance of the portfolios under management.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Virtus Investment Partners, Inc.	100%
Publicly Traded	**Ticker Symbol**
Yes	NASDAQ: VRTS

Source: Kayne Anderson, GIMA

Assets Under Management ($ Millions)

Year	Firm	SMA/Fund
2014	$9,367	$1,398/ $436
2013	$9,171	$1,383/ $510
2012	$6,877	$1,022/ $339
2011	$5,505	$862/ $415
2010	$4,811	$842/ $403
2009	$4,068	$690/ $160
2008	$3,445	$581/ $117

Source: Kayne Anderson, GIMA

DEFINITIONS

Russell 2000 Value - Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of “co-movement” between portfolio returns and benchmark returns. The closer the portfolio’s R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio’s rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio’s returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio’s return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio’s returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs

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Focus List, Approved List and Tactical Opportunities List; Watch Policy

GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a “Not Approved” status).

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Other data
Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings
Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data
Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks
Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice
Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Neuberger Berman Small Cap Intrinsic Value/Intrinsic Value Fund

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
EQUITY SUB-STYLE:	*Discount Value*
BENCHMARK:	*Russell 2000 Value*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account, Mutual Fund*
TICKER SYMBOL	*NINAX, NINLX (TRAK FS, UMA)*

http://www.neubergerberman.com

STRATEGY DESCRIPTION

The team uses bottom-up, fundamental research to invest in out-of-favor companies selling at a significant discount to intrinsic value, defined as the team's estimate of a company's true long-term economic worth. Investment professionals strive to identify a catalyst or event that will both enhance shareholder value and narrow the value/price gap.

Summary of Opinion

- Global Investment Manager Analysis (GIMA) placed the Neuberger Berman Small Cap Intrinsic Value strategy on the Focus List based primarily on its confidence in the portfolio manager, Benjamin Nahum, the Intrinsic Value analyst team and its consistent investment process. The portfolio manager's experience gives him an above-average historical knowledge about many of the stocks contained within the small-cap value universe.
- The Neuberger Berman Small Cap Intrinsic Value strategy is most appropriate for investors who are not benchmark sensitive as performance of this strategy may tend to be volatile given the contrarian nature of the investment process. The portfolio sector weights may also differ quite substantially from the benchmark sector weights, which can impact relative performance.
- Investors should expect periods of deviation from the benchmark's performance and have a longer-term investment horizon when considering this strategy.
- The Small Cap Intrinsic Value Composite was initiated and created in August 1997. The Managed Account Group (MAG) Small Cap Intrinsic Value Composite was created in October 2008. From August 1997 to September 2008, the Composite represents the performance of all Small Cap Value style fee-paying, discretionary equity accounts in excess of $1 million managed by the team. The results for this time period were achieved at another firm. From October 2008 to present, the Composite represents the performance of all MAG Small Cap Intrinsic Value style fee-paying, discretionary equity accounts, regardless of asset size.
- The firm claims that the SMA and mutual fund are managed similarly. Historically, the dispersion of returns between the two has been within GIMA's expectations.
- Financial Advisors should note that this product is managed by a separate team and utilizes an investment process that is different from the one utilized by the Neuberger Berman Genesis Trust Fund (also a small cap value strategy).

Focus List				Snapshot		
Investment Capabilities	**Business Evaluation**	**Short-Term Performance Analysis (≤ 3Yrs)**	**Long-Term Performance Analysis (> 3 Yrs)**	**Track Record Reliability**	**Expected Benchmark Sensitivity**	**Expected Portfolio Turnover**
Above Average	Above Average	**Above Expectations**	Above Expectations	**High**	High	High
Average	**Average**	In-Line	**In-Line**	Moderate	Moderate	**Moderate**
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	**Low**	Low

See Opinion Description at the end of this report.
Source: GIMA

Positive Attributes

- Independent and well resourced company.
- The lead portfolio manager has managed this strategy since its inception in 1997.
- Stable investment team with a long tenure of working together.

Points to Consider

- The portfolio contains between 70 and 100 securities.
- Turnover is moderate and typically in the 30%-50% range.
- The portfolio invests primarily in stocks under $5 billion in market cap; however, over 80% of the portfolio is generally invested in companies with less than $3 billion market cap.
- The weighted average market cap of the portfolio tends to be substantially higher than that of the benchmark.
- Benchmark agnostic approach and portfolio may take large sector over/underweights.
- Performance of this product tends to be fairly volatile given the contrarian nature of the process.

Areas of Concern

- The investment team (6 investment professionals) responsible for this strategy, along with two other value products, is relatively small compared to other asset management firms. While there are sufficient resources in place, the loss of one or two senior professionals, especially Mr. Nahum, would be viewed quite negatively by GIMA.
- The Intrinsic Value team operates autonomously within the larger organization. Any interference in the day-to-day management of the strategies would be viewed negatively by GIMA.

Performance Expectations

- The strategy may have substantial exposure to cyclicals and economically sensitive areas of the market. The strategy can be expected to do well when investors favor growth and a cyclical recovery rather than in markets where investors favor yield and defensive areas of the market.
- The portfolio tends to have a substantial bias toward the Technology sector and away from Financials, which can impact short-term performance depending on how these sectors perform.
- The portfolio's investment process does not incorporate momentum factors, which may cause it to lag in strong momentum-driven markets.
- The team has generally underweighted the micro-cap space, which may influence relative returns.

Performance Opinion

- The Neuberger Berman Small Cap Intrinsic Value strategy beat its benchmark for the second quarter of 2015 as well as the year-to-date period given positive stock selection in most economic sectors and performance is in line with GIMA expectations. Technology was a key area of strength. According to Neuberger, tech holdings in the portfolio seemed to benefit from consolidation in the semi-conductor industry and a growing need for enhanced network security. To a lesser extent, having a zero exposure to REIT's also helped.
- The strategy was ahead of the benchmark for the trailing one-year period through quarter end despite some weakness in 4Q14. An overweight to Technology combined with solid stock selection in Technology and Consumer Discretionary was additive to performance. Top contributors in these sectors include Infinera, Freescale Semi, Core Logic, Verint Sys, Sierra Wireless, Office Depot, and Select Comfort. With most of its holdings in banks and underexposure to REIT's, Financials was a weak spot in the portfolio.
- The portfolio continues to be ahead on a trailing three-year annualized basis as of quarter-end mostly due to stock selection in Consumer Discretionary, Utilities, and Industrials. An underweight to Energy and an overweight to Technology also helped relative performance during this time period.
- Longer-term performance is in line with GIMA's expectations. The strategy has typically done well when growth and cyclical areas are in favor and has tended to lag when investors favor yield and more defensive areas of the market.

News Summary

- 1Q2014 – GIMA decided to change the status of this product from Approved to Focus List.
- 1Q12 – Neuberger refinanced the preferred equity held by the Lehman Brothers Estate with lower cost debt.
- 1Q12 – A prior Neuberger Berman research analyst was charged in an insider-trading probe (see Additional News Summary).

Additional Analyst Comments

- The team has the flexibility to continue to hold a stock even when it migrates out of the typical small cap range if they believe it still has potential to contribute to relative performance. At the aggregate level, the weighted average market cap of the portfolio has been substantially higher than that of the benchmark.
- The team seeks to invest in companies that are selling at a significant discount (30%+) to their estimate of intrinsic value. The valuation case for stocks is based on traditional valuation metrics and the team does not rely on momentum measures.
- The team takes a long-term approach and the process is considered to be contrarian in nature. The portfolio may own a mix of deeper value as well as some traditional value and broken growth companies.

Additional News Summary

In January 2012, a prior Neuberger Berman analyst was charged in an insider-trading probe. Under a cooperation agreement with the government, the analyst has pleaded guilty to conspiracy and securities fraud. This charge is different from the impending charge reported in *The Wall Street Journal* article on December 1, 2011. The analyst named in that article has not been charged. Both were analysts on the central research team at Neuberger Berman. According to Neuberger, the first analyst left the firm in early January. The other analyst left in May 2012. Based on the information we have, GIMA believes that this was an isolated incident, which is behind them.

Portfolio Traits

Equity	
Range of Holdings	70-100
Maximum Position Size	5%
Econ Sector Constraints	None
Tracking Error Target	8%-10%
Typical Annual Turnover	40% average
Invests in ADRs	Yes
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	None
Maximum Cash	10%
Typical Cash Position	0-5%
Est. Product Capacity	$4 billion

Source: Neuberger Berman, GIMA

Investment Capabilities Overview

Portfolio Management Team

- Ben Nahum is the lead portfolio manager on this strategy since its inception in 1997. He has the ultimate decision-making authority and accountability for the strategy's construction process.
- Amit Solomon is a Research Analyst for the Intrinsic Value strategies and a portfolio manager on the Intrinsic Value portfolio since May 2010. His research responsibilities include the Technology and Utilities sectors.
- James McAree is also a Research Analyst for the Intrinsic Value strategies and a portfolio manager on the Intrinsic Value portfolio since May 2010. His research responsibilities include the Financial Services, Industrials and Energy sectors.
- There are three other research analysts that support this product.
- The team also manages a Mid Cap Value and an All Cap Value strategy.

Investment Philosophy & Process

- The team uses bottom-up, fundamental research to invest in out-of-favor companies selling at a significant discount to intrinsic value, defined as the team's estimate of a company's true long-term economic worth. The team focuses on identifying strategic plans or events that they expect to both enhance shareholder value and narrow the value/price gap.
- The team's approach emphasizes asset values and cash flows, talking to a company's management team to evaluate its strategic direction, execution abilities and direct incentive compensation.
- The team begins by screening companies to reduce the universe of approximately 2000 small-cap stocks to 300 small-cap stocks by highlighting price underperformance and attractive price/cash flow multiples.
- Analysts focus by sector and establish an estimated intrinsic value for a particular company. They review cash flow analyses, peer company valuations, and private market transactions to estimate the company's profit potential or asset value.
- The objective is to identify companies selling at a 30% discount to the analyst's assessment of intrinsic value.
- Their process frequently leads them to companies with complex corporate structures, cyclical businesses, and growing companies whose growth has been temporarily interrupted.
- Potential catalysts that can narrow the value/price differential may include restructuring, major management change, spin-off, share repurchase, asset sale, and capital reallocation.

Summary of Investment Capabilities Opinion

- GIMA has a high level of confidence in lead PM Benjamin Nahum's investment acumen as well as the team's knowledge of the small cap value universe.
- The investment process allows the team to own a mix of deeper value (i.e., turnaround situations) as well as traditional value and broken growth stocks.
- Given the contrarian nature of the process and low turnover, investors should have a longer time horizon when investing in this strategy.
- The firm's discount value style may cause the quality of the portfolio's holdings to be lower than that of the benchmark.

Other Key Items

Decision Making

- Portfolio manager, Benjamin Nahum, has ultimate decision-making authority and accountability for the strategy's portfolio construction process.

Sell Process

A stock may be sold if:

- Gap between its price and estimated intrinsic value has narrowed or been eliminated.
- There are more attractive opportunities.
- Change in management or corporate strategy (if team thinks the change is negative).

Track Record Reliability

- GIMA places a high level of reliability on the strategy's historical track record as Ben Nahum is the lead portfolio manager on this strategy since its inception in 1997.
- The Small Cap Intrinsic Value Composite was initiated and created in August 1997. The Managed Account Group (MAG) Small Cap Intrinsic Value Composite was created in October 2008. From August 1997 to September 2008, the Composite represents the performance of all Small Cap Value style fee-paying, discretionary equity accounts in excess of $1 million managed by the team. The results for this time period were achieved at another firm. From October 2008 to present, the Composite represents the performance of all MAG Small Cap Intrinsic Value style fee-paying, discretionary equity accounts, regardless of asset size.
- The inception date of the Neuberger Berman Small Cap Intrinsic Value Fund is May 10, 2010.
- The firm claims that the SMA and mutual fund are managed similarly. Historically, the dispersion of returns between the two has been within GIMA's expectations.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product*
Benjamin Nahum	Portfolio Manager	Portfolio Mgmt/Health Care		Brooklyn Law	1983	2008	1997
Amit Soloman	Portfolio Manager/Analyst	Technology/Utilities		MIT	1992	2008	2002
James McAree	Portfolio Manager/Analyst	Financials/Industrials/Energy		Michigan	1994	2008	2005
Rand Gesing	Research Analyst	Materials/Industrials	●	Northeastern	1987	2008	1999
Scott Hoina	Research Analyst	Consumer	●	Fordham	1993	2008	2006
Alan Lafer	Research Analyst	Special Situations		George Washington	1981	2008	2006

**Experience on product includes years at predecessor firm*
Source: Neuberger Berman, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Chamaine Williams	CCO	Compliance		Univ. Virginia	1992	2003	N/A

Source: Neuberger Berman, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Benjamin Nahum	●		●			
Amit Soloman	●	●	●			
James McAree	●	●	●			
Rand Gesing		●				
Scott Hoina		●				
Alan Lafer		●				
Charmaine Williams						●

Source: Neuberger Berman, GIMA

Business Structure Overview

History/Ownership

- Neuberger Berman was founded in 1939 to manage money for individuals and families. In 1950, the firm launched its first no-load mutual fund and in 1971 made its entry into the institutional investment management business.
- In 1999, Neuberger Berman became a public company and in 2003 was acquired by Lehman Brothers, which declared bankruptcy in September 2008.
- On May 4, 2009, Neuberger Berman Group (NBG) emerged as an independent, employee-majority-controlled investment management firm.
- Effective May 4, 2009, 51% of NBG's common equity was issued, or reserved for issuance, to NBSH Acquisition, LLC, which is owned by a group consisting of NBG's portfolio managers and other senior professionals. 49% of the NBG's common equity was issued to Lehman Brothers Holdings Inc. (LBHI). LBHI is expected to contribute a portion of its equity to various subsidiaries and will continue to control the voting rights with respect to such equity.
- As of December 19, 2014, approximately 400 employees owned a stake in the firm totaling about a 100% interest in the firm. Based on an agreement with LBHI reached in December 2013, it was expected that at the end of March 2015, the firm will be 100% employee owned. All employee owners have signed employment agreements and shareholder agreements with the firm.
- The Small Cap Intrinsic Value team came to NBG following its acquisition of D.J. Greene & Co., a boutique value investment management firm founded in 1938.

Business Plan

- The firm states that its goal is to maintain a high-quality, diversified product line-up and to build strength within the various investment teams.

Legal/Compliance

- There have been no recent investment advisory disciplinary sanctions. The broker dealer/private client business does have several trade reporting fines from NASD (and its predecessor regulatory bodies), and outstanding client litigation. Neuberger states they are working to improve the trade reporting procedures. They do not believe the events should have a material effect on the business.
- Neuberger reports that the SEC commenced an examination of the firm's New York-based registered investment advisors in January 2012. Neuberger states that none of the findings were material in nature.
- Please see Additional News Summary for information regarding the former research analyst charged in an insider-trading probe.

Summary of Business Structure Opinion

- The 100% ownership by approximately 400 employees is viewed positively by GIMA. The broad distribution of ownership is also considered a positive.
- The Intrinsic Value team members have a substantial amount of their personal funds invested in the suite of products that they manage, which is viewed favorably as it aligns the team's interests with those of their clients.

Other Key Factors

Incentives/Alignment of Interests

- The Intrinsic Value team is compensated through a pool that is funded based on revenues generated by the team.
- In accordance with the terms of the acquisition by NB, the Greene Group received an incentive payout in March 2013. This payout was determined based on revenues generated by the Greene Group and adjusted by a pre-determined contractual formula.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
NBSH Acquisition, LLC	100%
Publicly Traded	**Ticker Symbol**
No	N/A

Source: Neuberger Berman, GIMA

Assets Under Management ($ Billions)

Year	Firm	Product*
3/2015	$251.2	$1.547
2014	$250.0	$1.376
2013	$242.0	$1.240
2012	$205.0	$0.959
2011	$193.1	$0.808

Source: Neuberger Berman, GIMA

**Includes Mutual Fund and Separately Managed Account Assets*

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on Global Investment Manager Analysis ("GIMA") understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Discount Value: Tend to search for companies that are trading at a substantial discount to estimates of intrinsic value and may demonstrate a longer average holding period to realize the value of an investment. These managers may hold more turnaround stories and names that are generally perceived as deeper value stocks that may have suffered some form of business impairment. Portfolio valuations may at times appear high due to investments in companies with depressed earnings in expectation of a cyclical recovery. Performance can go through long spells of underperformance and could at times be more volatile than peers.

Russell 2000 Value Index - Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs
This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs
GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy
GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a 'Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

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Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

For mutual funds, the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may

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Graystone Consulting

Small/Mid Cap Value - Quantitative Analysis

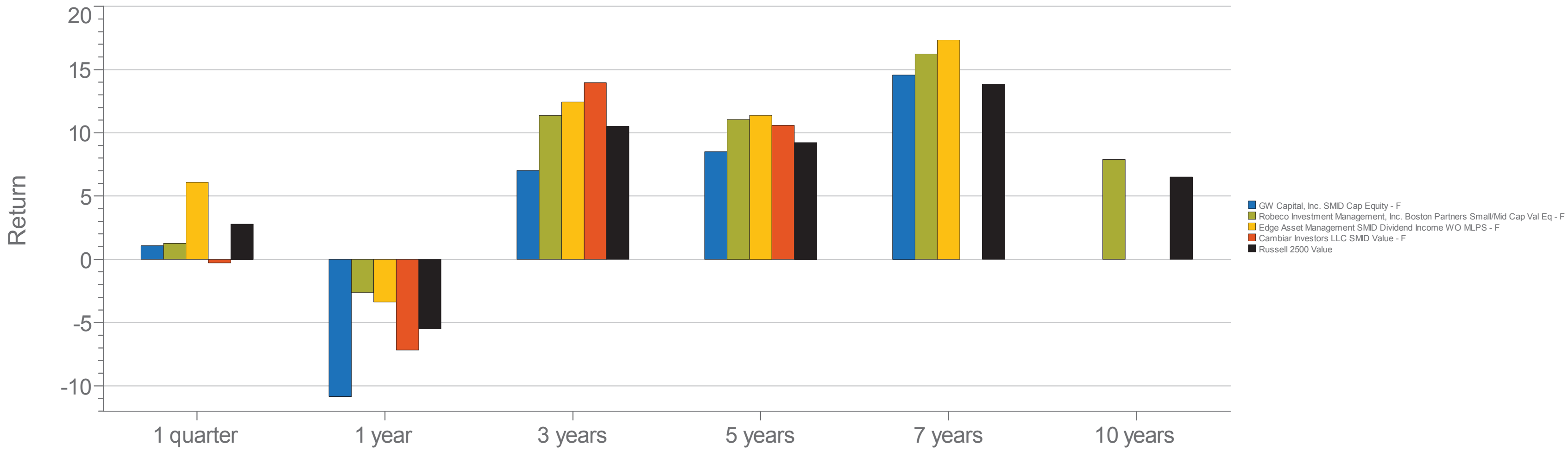
Trailing Periods Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager vs Benchmark: Return
January 2006 - December 2015 (not annualized if less than 1 year)



Manager vs Benchmark: Return
January 2006 - December 2015 (not annualized if less than 1 year)

	1 quarter	1 year	3 years	5 years	7 years	10 years
GW Capital, Inc. SMID Cap Equity - F	1.08%	-10.84%	7.03%	8.49%	14.56%	N/A
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	1.27%	-2.62%	11.36%	11.05%	16.22%	7.89%
Edge Asset Management SMID Dividend Income WO MLPS - F	6.08%	-3.37%	12.45%	11.38%	17.34%	N/A
Cambiar Investors LLC SMID Value - F	-0.28%	-7.18%	13.97%	10.58%	N/A	N/A
Russell 2500 Value	2.78%	-5.49%	10.51%	9.23%	13.84%	6.51%

Calendar-Year Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Calendar Year Return
As of December 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GW Capital, Inc. SMID Cap Equity - F	-10.84%	1.89%	34.96%	15.44%	6.21%	22.92%	40.14%	-41.52%	13.11%	N/A
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	-2.62%	5.42%	34.52%	23.76%	-1.18%	17.92%	43.84%	-30.94%	-6.52%	15.56%
Edge Asset Management SMID Dividend Income WO MLPS - F	-3.37%	8.84%	35.19%	16.89%	3.16%	27.26%	40.40%	-26.90%	2.04%	N/A
Cambiar Investors LLC SMID Value - F	-7.18%	7.51%	48.34%	13.42%	-1.50%	N/A	N/A	N/A	N/A	N/A
Russell 2500 Value	-5.49%	7.11%	33.32%	19.21%	-3.36%	24.82%	27.68%	-31.99%	-7.27%	20.18%

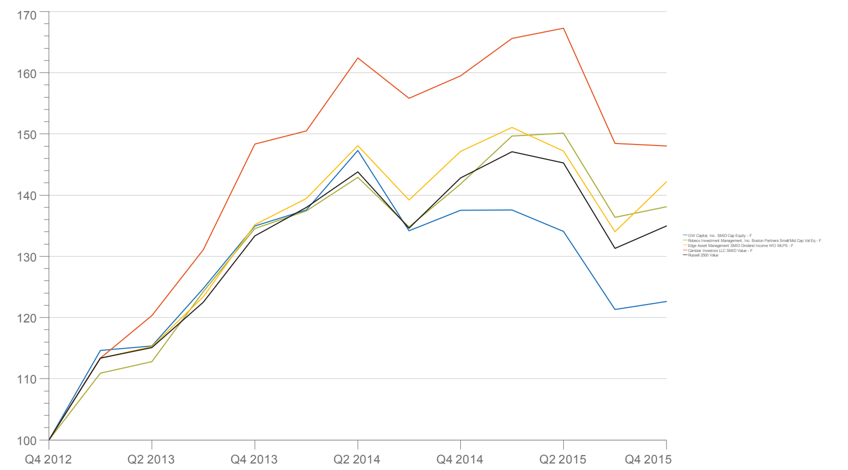
Risk/Return Analysis – 3 Years

Graystone Consulting

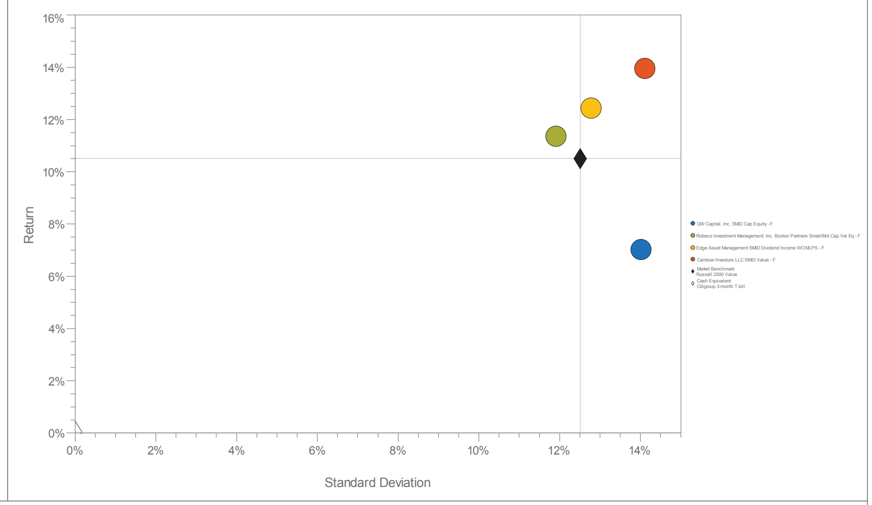
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2013 - December 2015 (Single Computation)



Risk / Return
January 2013 - December 2015 (Single Computation)



Return & Risk Analysis
January 2013 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	7.03%	-3.48%	14.02%	1.08	-17.66%	87.12%	119.81%	-3.90%	0.50	92.72%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	11.36%	0.85%	11.90%	0.91	-9.16%	98.78%	85.46%	1.67%	0.95	92.13%
Edge Asset Management SMID Dividend Income WO MLPS - F	12.45%	1.93%	12.78%	1.00	-11.28%	112.62%	100.91%	1.78%	0.97	96.46%
Cambiar Investors LLC SMID Value - F	13.97%	3.45%	14.12%	1.03	-11.51%	114.92%	85.15%	3.09%	0.99	83.06%
Russell 2500 Value	10.51%	0.00%	12.51%	1.00	-10.73%	100.00%	100.00%	0.00%	0.84	100.00%

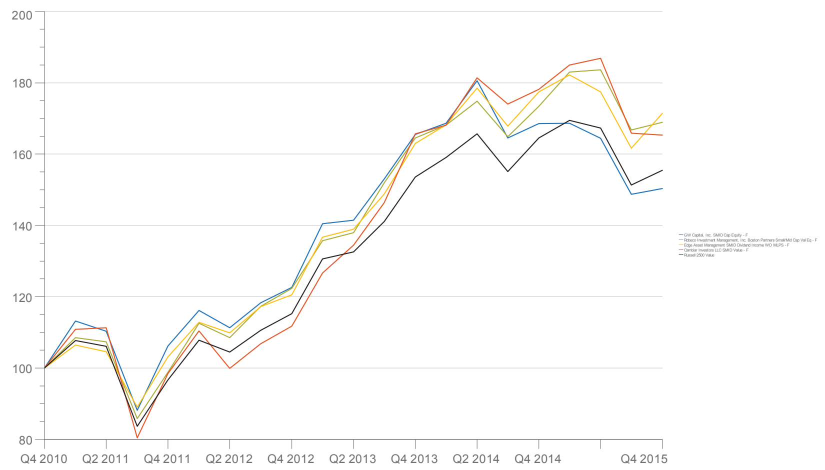
Risk/Return Analysis – 5 Years

Graystone Consulting

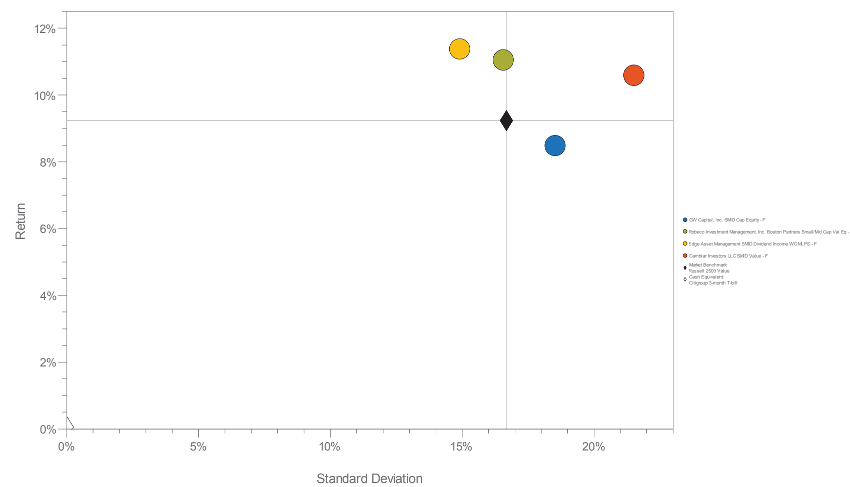
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2011 - December 2015 (Single Computation)



Risk / Return
January 2011 - December 2015 (Single Computation)



Return & Risk Analysis

January 2011 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	8.49%	-0.74%	18.53%	1.07	-22.18%	102.16%	109.27%	-1.18%	0.46	93.44%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	11.05%	1.82%	16.57%	0.98	-20.90%	105.42%	92.54%	1.92%	0.66	96.69%
Edge Asset Management SMID Dividend Income WO MLPS - F	11.38%	2.15%	14.90%	0.87	-16.36%	102.81%	85.72%	3.00%	0.76	96.04%
Cambiar Investors LLC SMID Value - F	10.58%	1.35%	21.50%	1.24	-27.70%	121.99%	119.47%	-0.23%	0.49	92.23%
Russell 2500 Value	9.23%	0.00%	16.69%	1.00	-22.26%	100.00%	100.00%	0.00%	0.55	100.00%

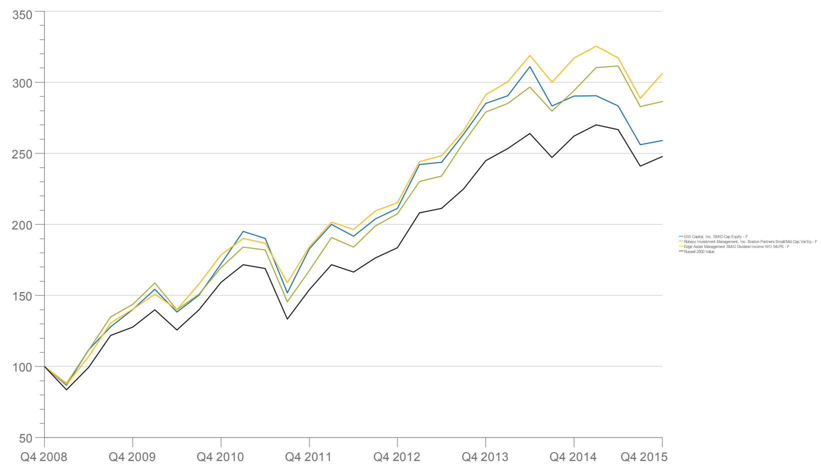
Risk/Return Analysis – 7 Years

Graystone Consulting

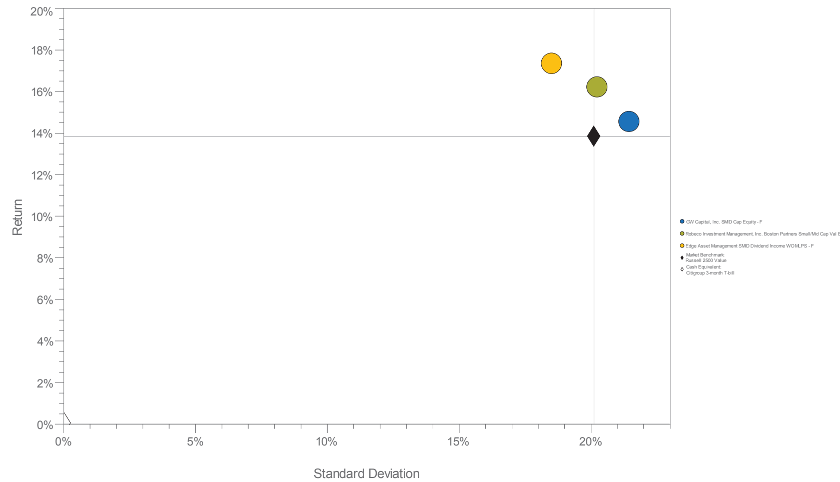
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2009 - December 2015 (Single Computation)



Risk / Return
January 2009 - December 2015 (Single Computation)



Return & Risk Analysis

January 2009 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	14.56%	0.72%	21.44%	1.01	-22.18%	104.29%	101.77%	0.71%	0.68	89.61%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	16.22%	2.38%	20.22%	0.98	-20.90%	105.22%	91.91%	2.47%	0.80	94.64%
Edge Asset Management SMID Dividend Income WO MLPS - F	17.34%	3.50%	18.50%	0.90	-16.36%	104.16%	82.37%	4.30%	0.93	96.48%
Russell 2500 Value	13.84%	0.00%	20.11%	1.00	-22.26%	100.00%	100.00%	0.00%	0.68	100.00%

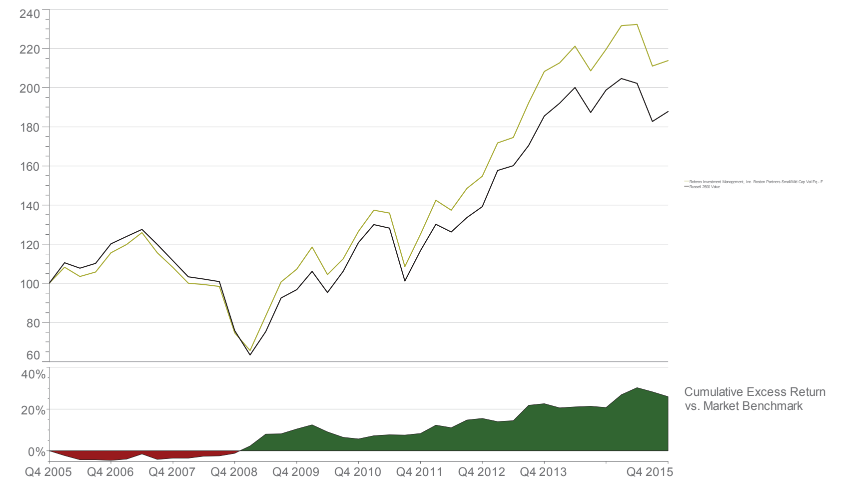
Risk/Return Analysis – 10 Years

Graystone Consulting

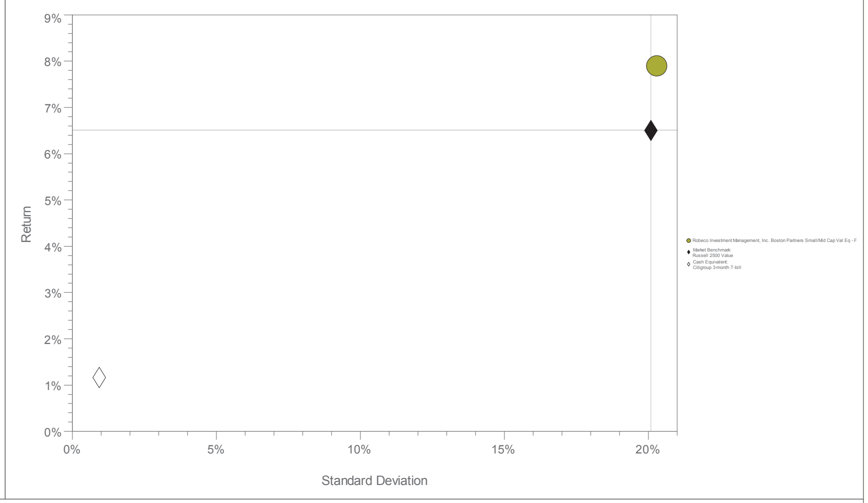
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2006 - December 2015 (Single Computation)



Risk / Return
January 2006 - December 2015 (Single Computation)



Return & Risk Analysis

January 2006 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	7.89%	1.39%	20.29%	0.99	-47.81%	104.86%	96.78%	1.43%	0.33	95.73%
Russell 2500 Value	6.51%	0.00%	20.09%	1.00	-50.25%	100.00%	100.00%	0.00%	0.27	100.00%

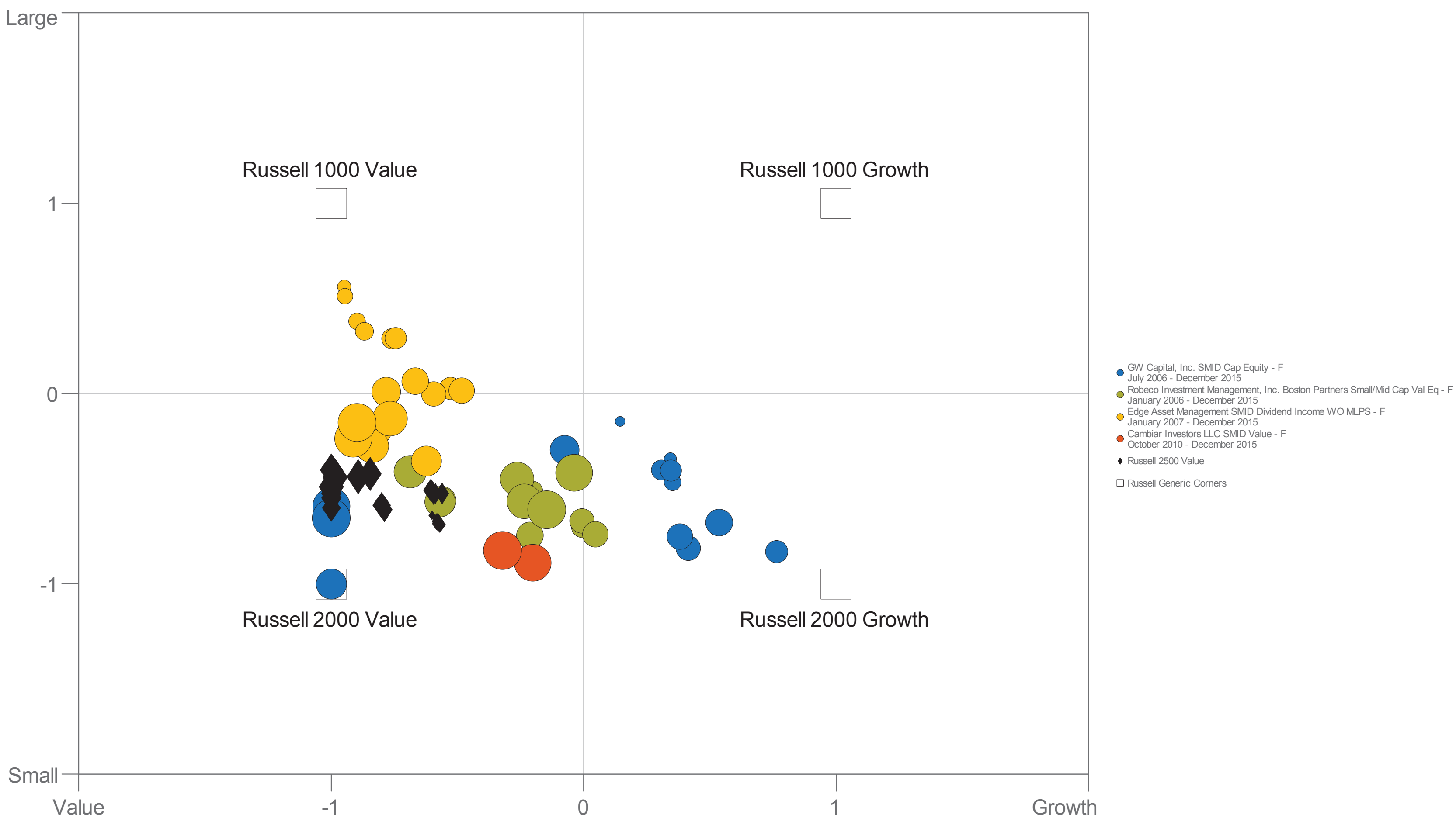
Style Analysis

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Style

January 2006 - December 2015 (20-Quarter Moving Windows, Computed Quarterly)



Graystone Consulting

Small/Mid Cap Value - Qualitative Due Diligence

GW Capital Small/Mid Cap Value Equity

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Mid Cap Value*
SUB-STYLE:	*Relative Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*N/A*

www.gwcapitalinc.com

STRATEGY DESCRIPTION

GW Capital ("GW") Small/Mid Cap Value utilizes an investment process that combines an emphasis on top-down sector selection with bottom-up fundamental security selection. This is a relatively benchmark agnostic strategy when compared to other small/mid cap value offerings, which has shown the ability to add value in a variety of market environments.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") placed GW Small Cap Equity on the Focus List based on the firm's talented and experienced investment team, comprehensive investment process and multifaceted research effort. GIMA holds Guy Watanabe, founder and PM, in high regard and views him to be the key driver behind the macro themes of the portfolio. GIMA considers the remaining members of the investment committee, especially Tom Parkhurst, also to be above average investment professionals. GIMA believes the strategy gains from the perspective and company analysis the group conducts on complementary fixed income firm offerings.
- As assets at the firm have grown over time, GW has hired additional research and operational professionals. GIMA believes that these additional resources have been additive and provide additional depth in key areas (investment research, compliance) at the firm.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	Above Expectations	Above Expectations	**High**	High	**High**
Average	**Average**	In-Line	**In-Line**	Moderate	Moderate	**Moderate**
Needs Improvement	Needs Improvement	**Below Expectations**	Below Expectations	Low	**Low**	Low

See Opinion Description at the end of this report.

Positive Attributes

- Knowledgeable and experienced investment team
- 100% employee ownership by key investment professionals
- Leverages fixed income research and market data from firm's fixed income product offerings

Points to Consider

- Theme-oriented process results in low benchmark sensitivity.
- Concentration and relatively few risk management parameters likely to result in high active risk.
- Tendency to underweight or avoid Technology, and have significant exposure to Utilities and Energy.
- Heavy cash position at times may result in opportunity cost issues. Can maintain up to approximately 20% cash.
- Typically 30-35 stocks and about 20-50% annual portfolio turnover.

Areas of Concern

- With less than 30 employees at the firm, GW has significantly less resources than many peer managers.
- GW has a concentration of assets in a few clients, which raises the risk that the loss of one of these clients would have an outsized effect on GW's revenue.
- "Key man" risk exists with Guy Wantanabe given he is the architect behind the firm's investment process. However, we believe that it is highly unlikely that he will be taking a more diminished role from an investment standpoint for the foreseeable future

Performance Expectations

- Expected to underperform when Technology sector drives benchmark performance or when Energy or Utilities sectors lag.
- GW's investment process can result in strong top-down sector or thematic concentrations, which are highly visible in the current portfolio, as well as individual position weights that may materially affect overall portfolio return. This is a volatile strategy that does not neatly fit into a style box, which can make it difficult to set performance expectations, especially over shorter periods.

Performance Opinion

- After trailing for four consecutive quarters, the strategy performed in line with its benchmark during 3Q 2015. The strategy at this time has a more pronounced value bias relative to many peers and an improvement in relative results this quarter coincided with the Russell 2500 Value Index outperforming the Russell 2500 Growth Index. Industrials and Technology holdings had a positive effect on relative results, while Financials and Consumer Discretionary holdings underperformed. GW Capital's decision to reduce Energy exposure over the past few quarters added value; however, an overweight Materials and underweight Financials (REITs) adversely impacted relative performance.
- The strategy lagged its benchmark over the Y-T-D, one-year, and three-year annualized periods ending 9/30/2015. Results are below expectations, especially over the past 12 months, given the magnitude of underperformance relative to peer small/mid cap value strategies over the aforementioned periods. Financial holdings meaningfully detracted value over the past year, but had a minimal effect over the past 3 years ending 9/30/2015. Consumer Discretionary stock picks have hurt on a consistent basis while Technology holdings positively contributed.
- Since the product's inception (6/2006), the strategy has moderately outperformed its benchmark. Investors need to be cognizant this is a concentrated product with high Active Share resulting in greater volatility relative to its benchmark. For the past 15 months ending 9/30/2015, the strategy has experienced its worst relative performance since inception, which has negatively impacted the strategy's longer-term results.

News Summary

- 4Q13 – GW indicated that DeShay McCluskey was promoted to PM.
- 2Q12- GW announces that Research Analyst, DeShay Gould McCluskey, was hired along with Chief Compliance Officer, Jennifer Ottosen.
- 3Q11- Touk Sinantha and Nick Brown were promoted from Research Analysts to Portfolio Managers and were awarded equity.

Additional Analyst Comments

- GW tends to underweight or avoid the Technology sector and GIMA believes they generally have a bias against Technology stocks. GW has from time to time owned scattered positions in Technology. GW believes that in general technology companies do not have strong pricing power, have less tested business models, and generally have less debt oriented capital structures reducing their advantage in fixed income analysis. GW has similar feelings about biotechnology. GIMA believes that the bias against these areas at GW unnecessarily reduces GW's opportunity set and reduces potential value added.
- An additional concern is that GW's performance was exceptionally strong in the period immediately preceding the large run-up in assets. Shorter-term performance disappointments could result in higher levels of client loss than at peer firms. GW claims not to have had any significant client loss due to performance over the past few years. Firm assets are currently at peak levels.
- Given that GW internally has debates as to the appropriate benchmark, it is not surprising that GIMA also had difficulty in assigning a benchmark. GIMA considers the most appropriate benchmark to be the Russell 2500 Value (SMID Cap Value), not the Russell 2500 Index (SMID Cap Core); however, GIMA also believes it would not be unreasonable to benchmark GW to the Russell 2500 Index.

Additional News Summary

- 4Q08 – GW hired Touk Sinantha as a Senior Research Analyst.
- 2Q08 – Brian Kutzera, analyst, left the firm.

Portfolio Traits

	Equity
Range of Holdings	30-40
Maximum Position Size	Normally 7%
Econ Sector Constraints	Typically 25%
Tracking Error Target	No target
Typical Annual Turnover	Approximately 20-50%
Invests in ADRs	No
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	As a guideline, 25% to 33% of volume in a 2 week period
Maximum Cash	Approximately 20%
Typical Cash Position	<10%
Est. Product Capacity	$2.5 Billion

Source: GW Capital, GIMA

Investment Capabilities Overview

Portfolio Management Team

- Guy Watanabe is President and Founder and a member of the firm's investment committee with portfolio management responsibilities for both equity and fixed income clients.
- Tom Parkhurst and Scott Mullet are PMs, Principals, and operate with Mr. Watanabe on the firm's investment committee across all the firm's equity and fixed income strategies.
- Analysts Touk Sinantha and Nick Brown were added to the investment committee during the 3rd quarter of 2011. DeShay McCluskey is the newest member of the investment team having joined the firm in 2012.
- All members of the investment team are considered generalists, but do possess specific skillets that are complimentary to other members.

Investment Philosophy & Process

- The process combines an emphasis on top-down sector selection with bottom-up fundamental security selection.
- From a top-down perspective, GW seeks out areas (themes or sectors) they expect to have revenue growth, pricing power, and a significant catalyst. GW believes a comprehensive understanding of the economic, political and social characteristics that influence the capital markets is essential to the investment management process.
- The top down analysis is permitted to result in themes that are not sector driven. A theme may span multiple sectors and can be either longer or shorter-term oriented.
- GW also invests in what they consider "special situation stocks." These are generally situations where they see a compelling opportunity that does not translate into a macro theme.
- Idea generation comes from a variety of sources. These include a broad research basis to develop macro/thematic areas, investment committee discussions, third party research firms, regional/boutique brokerages, fixed income research, industry conferences and company conference calls.
- From a bottom up perspective, stocks are generally selected on the basis of valuation parameters, earnings growth potential, financial profile, low institutional sponsorship, and qualitative judgments of management's commitment to enhancing shareholder value. The fixed income research conducted at the firm is also considered.
- GW favors sectors where they believe there is a significant catalyst to support their investment. Maximum capitalization at purchase is $10 billion.

Summary of Investment Capabilities Opinion

- Of particular importance to GIMA's positive opinion of personnel at GW is founder Guy Watanabe who GIMA believes is disproportionately responsible for GW's macro themes on a current and historical basis.
- GIMA considers the research effort at GW above average. Confidence is a result of GW's ability to provide insight into individual holdings and themes in the portfolio over time in a high quality manner.
- While the fixed income responsibilities borne by the team could be a slight distraction from this product, GIMA believes that there are considerable synergies flowing between the products from a research perspective.
- The research effort at GW is less oriented toward heavily detailed models and visits with management, and more oriented toward specific criteria desired in holdings, balance sheet analysis, and validation of the investment thesis at the company and theme level.

Other Key Items

Decision-Making

- The committee works to build consensus prior to making any investment decisions. Portfolios are managed on a team basis. When a difference of opinion exists, majority rules.
- The investment committee at GW Capital consists of Guy Watanabe, Tom Parkhurst, Touk Sinantha, Nick Brown, DeShay McCluskey and Scott Mullet.

Sell Process

- Securities may be sold due to:
  - Valuation: Share price increases to point of overvaluation, exceeding GW's price and/or valuation targets
  - Earnings Growth – EPS growth declines, fails to meet expectations or is targeted by management at unsustainable levels.
  - Internal or External catalyst – Unforeseen management turnover, overall industry concerns, shifts in the regulatory environment.
  - Stop Loss – A decline of 15% below cost causes a review after which a stock can be added to, reduced or sold. After a 25% decline from adjusted cost in a normal market environment, there is a strong bias to sell. However, during extreme down-market volatility periods such as the 2nd half of 2008, or sector specific down market periods, the firm indicated that it may not be practical for the aforementioned absolute level sell disciplines to be applied.

Track Record Reliability

- Messrs. Watanabe, Parkhurst and Mullet have managed the product since its inception in 2006.
- The product's investment process and portfolio construction parameters remained consistent during this period.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Guy Watanabe	Founder / PM	Generalist		Puget Sound	1976	1989	1989
Tom Parkhurst	PM	Generalist			1990	1992	1992
Scott Mullet	PM / Marketing	Generalist		UCLA	1992	2003	2003
Touk Sinantha	Research Analyst/PM	Generalist	●	Indiana	1997	2008	2008
Nick Brown	Research Analyst/PM	Generalist	●		2006	2006	2006
DeShay Gould McCluskey	Research Analyst	Generalist	●	Stanford	2002	2012	2012

Source: GW Capital, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jennifer Ottosen	Chief Compliance Officer	Compliance			1996	2012	2012
Trish Willis	Operations Manager	Operations			1990	1990	1990
Jennifer Wheat	Associate	Marketing & Client Service			2005	2005	2005

Source: GW Capital, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Guy Watanabe	●	●	●	●		●
Tom Parkhurst	●	●	●	●		●
Scott Mullet	●	●	●	●	●	
Touk Sinantha	●	●	●			
Nick Brown	●	●	●			
DeShay Gould McCluskey	●	●				
Trish Willis						●
Jennifer Ottosen						●
Jennifer Wheat					●	

Source: GW Capital, GIMA

Business Structure Overview

History/Ownership

- GW Capital was founded by Guy Watanabe in December 1989. The firm began with approximately $25 million under management for 5 institutional clients in 1990. As of August 30, 2014 the firm managed approximately $3.2 billion in assets for over 50 institutional clients and a few managed account platforms.
- The firm is 100% employee-owned. Mr. Watanabe continues to be the majority owner of the firm with 58% ownership. Tom Parkhurst and Scott Mullet joined Mr. Watanabe in 1992 and 2003, respectively. Each owned a 10% equity ownership interest in the firm until 3Q09 when they separately acquired an additional 5% stake from Mr. Watanabe.
- GW offers 4 value-oriented equity products and three fixed income products. GW's all-cap product was created due to a client request, though GW does not plan to market that product at the present time. In addition, the firm began managing a mid-cap value strategy based on the request from a client.

Business Plan

- GW's business plan focuses on continuing to provide strong investment management and client service to its customers while seeking to raise more assets and further diversify the client base.
- The firm plans to focus primarily on the institutional market, but may accept opportunities with individuals that fit their style and approach.

Legal/Compliance

- In June 2012, GW hired Jennifer Ottosen to be the firm's Chief Compliance Officer, replacing Tom Parkhurst. In years past, Mr. Parkhurst had expressed an interest to offload that responsibility at some point as the firm's asset levels grew. Ms. Ottosen has considerable legal/compliance experience and is viewed as a positive addition to the team.
- Aside from internal compliance controls, GW also utilizes a third-party compliance firm to conduct mock audits and monitor various compliance-related functions. According to GW, no compliance issues surfaced during these review processes.
- GW claims no material legal or compliance issues. According to GW, neither GW nor its principals have ever been subject of a regulatory, civil or criminal proceeding.
- GW's last SEC audit was completed in January 2005. GW states there were no findings of major significance.

Summary of Business Structure Opinion

- GIMA views positively the independent 100% employee ownership structure of GW. Such a structure often provides maximum potential incentive for success of the firm's products.
- GW has experienced a low level of key employee turnover over its history, which is also viewed positively.
- GIMA's primary business concern is the small size of GW in terms of assets and personnel.
- With less than 30 employees at the firm, GW has significantly less resources than many peer managers.
- GW has a concentration of assets in a few clients, which raises the risk that the loss of one of these clients would have an outsized effect on revenue. Morgan Stanley Wealth Management represents roughly 10% of the firm's assets. In addition, the firm's top ten clients represent roughly half the firm's assets.
- Notwithstanding the above comments, GIMA believes that the business situation at GW has improved as assets have grown, their offices expanded and additional employees have been added.

Other Key Factors

Incentives/Alignment of Interests

- Compensation includes base salary, an annual incentive bonus, profit sharing and, in some cases, direct equity ownership in the firm.
- Portfolio managers are compensated as a result of the overall financial success of the firm rather than individual performance.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Guy Watanabe	58%
Tom Parkhurst	15%
Scott Mullet	15%
Touk Sinantha	5%
Nick Brown	5%
DeShay McCluskey	2%
Publicly Traded	**Ticker Symbol**
No	N/A

Source: GW Capital, GIMA

Assets Under Management ($ Millions)

Year	Firm	Product
3Q2015	2,215	378
2014	2,908	670
2013	2,929	600
2012	2,298	362
2011	2,036	300
2010	1,672	372
2009	1,334	303
2008	990	220

Source: GW Capital, GIMA

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Relative Value: Generally search for what they believe to be undervalued companies based on analysis relative to the market, industry and historical norms leading to portfolios that may at times maintain broader market exposure to more growth-oriented names and may appear to have higher valuations using traditional valuation metrics.

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500 - Russell 2500 Index measures the performance of the 2500 smallest companies in the Russell 3000 Index.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs
This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs
GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy
GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a 'Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

Strategy May Be Available as a Separately Managed Account or Mutual Fund
Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Boston Partners Small/Mid Cap Value

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
EQUITY SUB-STYLE:	*Traditional Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*NA*

www.robecoinvest.com

STRATEGY DESCRIPTION

Boston Partners' (BP) investment team seeks to build a portfolio of stocks that have attractive valuations, strong business fundamentals, and positive momentum (i.e., earnings and price momentum). The investment team utilizes a combination of various proprietary screening tools in unison with qualitative analysis to identify potential investment candidates.

Summary of Opinion

- This product is on the Focus List due primarily to Global Investment Manager Analysis' (GIMA) favorable view of the personnel, particularly Dave Dabora. Mr. Dabora has a long and successful track record managing this product, and a longer history of managing small-cap portfolios in general. He appears to have been unaffected by many firm level changes that have occurred over the years.
- The formal appointment of George Gumpert to Co-PM in early 2011 for all strategies overseen by David Dabora is viewed positively by GIMA given that it provides additional depth at the portfolio management level and a career path for a talented investment professional such as Mr. Gumpert. The firm indicated that the promotion was more of a formality and that George's analytical role had been evolving to the extent that the organization became very confident in his abilities as a decision maker. We did not get a sense that this is the beginning of Mr. Dabora becoming less engaged, nor did we view this as the first step in Mr. Dabora's transition out of the firm.
- Boston Partners' parent company, Robeco Investment Management, subsidiary of the Robeco Group, has been through several organization changes since its formation. The latest organizational change involved the acquisition of Robeco by Orix (see Additional Analyst Comments – page 3 for more details). We prefer to see stability in terms of the composition of firm ownership; however, the organizational changes have yet to affect David Dabora's investment team.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	Above Expectations	Above Expectations	**High**	High	High
Average	**Average**	**In-Line**	**In-Line**	Moderate	**Moderate**	**Moderate**
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	Low	Low

Source: GIMA
See Opinion Description at the end of this report.

Positive Attributes

- Consistent investment philosophy driven by strong lead portfolio manager; supported by sizable central research team.
- Mr. Dabora's investment team has operated out of a satellite office in Greenbrae, CA, for over a decade with little disruption in terms of personnel changes.
- The process incorporates both fundamental and qualitative analysis, in conjunction with robust quantitative tools that have been additive over time.

Points to Consider

- The strategy can hold upwards of 175 stocks.
- The market capitalization, which has been at or near benchmark levels, could increase slightly as assets increase. Over time the strategy has had the flexibility to own some micro-cap stocks (<500 million).
- 35% absolute sector guideline.
- Anticipated turnover between 45% and 70%.
- Can invest in ADR securities, but rarely exceeds 10% of assets under management.
- Strategy has the flexibility to own high- and low-quality stocks as denoted by S&P quality codes and a combination of higher and lower beta holdings.

Areas of Concern

- The investment team directly responsible for this strategy is relatively small compared to peer firms considering the number of holdings included in the three products managed by David Dabora.
- Robeco Investment Management, subsidiary of the Robeco Group, has been through several organization changes since its formation. The latest organizational change involved the acquisition of Robeco by Orix. We prefer to see stability in terms of the composition of firm ownership; however, the organizational changes have yet to affect David Dabora's investment team.

Performance Expectations

- Emphasis on free cash flow, return on equity, and a positive catalyst at the company level typically results in the portfolio having "stronger fundamentals" than the benchmark's constituents and suggests better performance when "value" styles are in favor. However, the portfolio manager has shown flexibility in this regard and has taken calculated risks in terms of increasing exposure to more cyclical areas of the market as opportunities presented themselves.

Performance Opinion

- The strategy was ahead of its benchmark during the third quarter of 2015 and in line with GIMA expectations. With an overweight to Industrials and an underweight to REIT's and Utilities, the portfolio was not well positioned from an economic sector perspective. However, stock selection was positive in most sectors and added considerable value.
- The strategy was ahead of the benchmark on a year-to-date as well as a trailing one-year basis mostly due to favorable stock selection across the board. Financials was the weakest link with an underweight and unfavorable stock selection detracting value.
- The strategy outperformed over the three-year annualized period as of quarter end. Stock selection within Technology, Industrials, Energy, and Materials augmented relative results for the period. While the overweight to Consumer Discretionary helped, holdings in this sector negatively impacted the portfolio over the three-year period. Overall, performance over the short-term has met GIMA's expectations.
- This strategy has outperformed in six out of the past eight calendar years. Stock selection since the onset of the financial crisis in 2008 has been positive across most economic sectors. Overall, returns for this strategy over the longer term (five and 10-year periods through quarter end) are at the higher end of GIMA's expectations.

News Summary

- January 1, 2015 – Robeco Boston Partners products rebranded as Boston Partners.
- 1Q 2011 – George Gumpert, long-tenured senior analyst, is formerly promoted to co-portfolio manager.

Additional Analyst Comments

- In terms of product capacity, the firm claimed that the investment team based in California can manage approximately $2.5 billion–$3.5 billion across all of the small and smid strategies. We believe this is a reasonable asset level given the number of stocks held across all of the strategies. Messrs. Dabora and Gumpert monitor liquidity closely and do not like to be large shareholders of any of the stocks they buy.
- On February 19, 2013, Orix Corporation (diversified Japanese financial conglomerate) reached an agreement to acquire 90% equity of Robeco Group from Rabobank, Netherlands domiciled parent company of Robeco Group. The transaction closed on July 1, 2013 with no regulatory or operational impediments. Based on publicly disseminated information and conversations with Robeco representatives, the firm's management board has remained in their current roles. Robeco reports to ORIX headquarters in Tokyo. In addition, Robeco Group's legal/organizational structure has remain unchanged, and all operating divisions have maintained the same governance/budgetary structures and function autonomously as before the merger based on comments made from Robeco representatives. At this point, we don't have a negative view of the transaction with Orix given that it eliminated the uncertainty of Robeco being owned by a larger European bank, which may be forced to raise capital to comply with new Basel III financial regulations. While there have been no material personnel departures or impact to the investment team responsible for the strategy, we will continue to monitor this situation closely.
- There are several value-oriented investment strategies managed by the legacy Boston Partners organization. The key investment tenets (valuation, positive business momentum, favorable fundamentals) are the same for each strategy. However, there are different portfolio management teams responsible for each product subset that have access to one central research team.

Additional News Summary

- 3Q 2008 – CEO Bill Kelly becomes Chairman while CIO Jay Feeney and longtime Large Cap Value PM Mark Donovan also take on the role of co-CEO.
- 3Q 2007 – Director of Research Jay Feeney is named CIO of Equities for RIM.
- 1Q 2007 – Legal entity change: Boston Partners Asset Management, L.L.C., along with other Robeco affiliates, is merged with Robeco Investment Management,Inc.

Portfolio Traits

Equity	
Range of Holdings	100-180
Maximum Position Size	5%
Econ Sector Constraints	35% absolute
Tracking Error Target	No formal target
Typical Annual Turnover	45-70%
Invests in ADRs	Yes- up to 15%
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	Not for SMA
Liquidity Constraints	No formal constraint
Maximum Cash	10%
Typical Cash Position	3%
Est. Product Capacity	$1 billion depending on assets in other similarly managed strategies

Source: Boston Partners, GIMA

Investment Capabilities Overview

Portfolio Management Team

- David Dabora is the lead Portfolio Manager for Boston Partners' (BP) small-cap products, including the Small/Mid Cap Value product as well as two Small Cap Value mandates.
- He is supported by co-PM, George Gumpert, and senior analyst, David Hinton.
- David Dabora has led the Small Cap products since July 2001. Prior to taking over the small value products, he was an assistant portfolio manager on the all-cap value product, and has covered various industries as a research analyst. He has been with the firm since its founding in 1995, and had worked as an analyst with the predecessor firm, The Boston Company.
- The portfolio managers utilize the fundamental and quantitative research teams located primarily in Boston.
- Although at times overlapping in names and sharing research resources, the Mid Cap Value team does not have discretion over the Small/Mid product.
- Jay Feeney and Mark Donovan share the CEO title and represent the investment leadership at the firm. Mr. Donovan is a long-time lead PM on the Large Cap Value product. The firm claims this senior management structure is positive given that investment professionals are leading the organization.

Investment Philosophy & Process

- The investment approach is a multi-step process that attempts to purchase stocks with attractive value characteristics, strong or improving business fundamentals, or positive business momentum (improving trends or a catalyst).
- A quantitative screen ranks stocks in an array of combinations of value, fundamental and momentum criteria, which can change over time.
- Attractive valuation is based on price to free cash flow, defined by RBP as cash flow from operations less capital expenditures), but other measures may also be examined.
- Fundamental analysis utilized by the investment team attempts to get ahead of momentum by looking for stocks inexpensive relative to the market with favorable and/or improving operating returns on operating assets.
- The momentum component to the process examines EPS trends, earnings surprises, estimate revisions, and price strength with a focus on the top quintile.
- Many other screens are also used, including a potential LBO screen, Value with Growth screen, Discount to Target Price with Momentum, as well as other screens that tend to utilize some combination and definition of value, fundamental, and momentum.

Summary of Investment Capabilities Opinion

- GIMA finds David Dabora to be a highly competent investment professional with significant tenure, managing small-cap portfolios and a long history with the firm. We place a large degree of emphasis on his investment acumen in our recommendation of this product.
- George Gumpert supports Mr. Dabora as co-PM, and the firm has a sizable research team that supports the SMV product. That said, the product team is relatively small compared to peer firms, especially considering the number of stocks included in the three products. This also points to our concentrated conviction in Mr. Dabora.
- RBP's investment process attempts to capture market inefficiencies over time by purchasing stocks that are attractive from multiple perspectives: valuation, fundamentals, and momentum. The process incorporates both fundamental and qualitative techniques, and is flexible to the extent that certain screens can be modified over time and adapted to changing market conditions.
- The firm integrates quantitative screening effectively throughout the research process and has a strong team of analysts supporting the process. Additionally, there has not been significant turnover among the central research team.

Other Key Items

Decision-Making

- David Dabora is the lead portfolio manager for this strategy.

Sell Process

- Stocks may be sold for the following reasons:
  - Valuation – appreciation to price target
  - Weakening business fundamentals
  - Reversal of catalyst

Track Record Reliability

- David Dabora has been managing this product since its inception, which makes the track record highly reliable. Furthermore, he has extensive experience managing small-cap value product at the firm.
- The firm has stated the use in the past of IPOs for institutional accounts, which would not be available for this product through Morgan Stanley platforms, and could cause dispersion between the firm's institutional composite and our internal composite of live Morgan Stanley accounts. In addition, other potential differences can be expected given slight differences in individual holdings and position sizes. However, the level of performance dispersion between BP's institutional composite and the Morgan Stanley composite has been relatively low and the holdings overlap has been quite high historically.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
David Dabora	Lead Portfolio Manager	Small Cap Generalist	●	UCLA	1983	1995	Since Inception
George Gumpert	Co-portfolio Manager	Small Cap Generalist	●	UMass- Amherst	1999	2000	Since Inception
David Hinton	Analyst	Small Cap Generalist	●	Dartmouth	2002	2002	2002

Source: Boston Partners, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jay Feeney	Co-CEO, CIO	RIM Mgmt, Equity teams	●	Univ Chicago	1985	1995	NA
Mark Donovan	Co-CEO	RIM Mgmt, Large Cap Value PM	●	Columbia JD	1981	1995	NA
William Butterly	CCO	Compliance		Columbia Law School	1984	2005	NA

Source: Boston Partners, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
David Dabora	●	●	●		●	●
George Gumpert	●	●	●			
Jay Feeney						●
Mark Donovan						●
William Butterly						●

Source: Boston Partners, GIMA

Business Structure Overview

History/Ownership

- Boston Partners (BP) was initially a group of investment professionals who spun themselves out of the Boston Company in 1995 seeking, among other things, independent ownership.
- In 2002-03 they sold the firm to Robeco, the Netherlands investment unit of Rabobank.
- RBP, as a legal entity, was merged along with other affiliates into Robeco Investment Management (RIM) in early 2007, making RIM the registered investment advisor.
- On February 19, 2013, Orix Corporation (diversified Japanese financial conglomerate) reached an agreement to acquire 90% equity of Robeco Group from Rabobank, Netherlands domiciled parent company of Robeco Group. The transaction closed on July 1, 2013 with no regulatory or operational impediments.
- BP is headquartered in Boston with investment offices also located in Los Angeles and Greenbrae, CA.

Business Plan

- Retail distribution continues to be an important focus of the firm's strategy. BP is content with the existing product line-up and places considerable emphasis on delivering favorable risk-adjusted returns as opposed to offering new strategies.
- The bear market of 2007/2009 had brought AUM down significantly for the firm, including the small-cap products managed by Dave Dabora. As a result, the firm re-opened the Small Cap product, but the partially micro cap-oriented Small Cap II remains closed. The retail Smid Value strategy has remained open. Assets have stabilized since the market low of March 2009 and are now at peak levels.
- In June 2008, RIM sold its fixed income business to Morgan Stanley, which led to personnel departures. The firm states that it intends to focus on their core equity and alternatives offerings as they could not build sufficient scale in the fixed income business.
- In the fall of 2008, Jay Feeney and Mark Donovan were named co-CEOs of RIM as Bill Kelly quasi-retired at an early age and moved to a chairman role. Mr. Kelly had succeeded RBP founder Desi Heathwood in 2007. The firm claims that this most recent change is positive in that investment professionals are once again leading the business.

Legal/Compliance

- The firm states that they underwent their most recent SEC examination in 3Q07 and received a letter of deficiency in March 2008 regarding various areas that needed improvement such as controls regarding non-public information, the firm's code of ethics, etc. The firm claims to have since revised policies with respect to the areas highlighted by the SEC and enhanced their disclosures on ADV forms. RIM does not believe any of the issues noted in the letter were material in nature or have any bearing on RIM's ability to manage client assets.

Summary of Business Structure Opinion

- Despite the Orix acquisition, Robeco Group's legal/organizational structure has remained unchanged, and all operating divisions have maintained the same governance/budgetary structures and have functioned autonomously as before the merger based on comments made from Robeco representatives. At this point, we don't have a negative view of the transaction with Orix given it eliminated the uncertainty of Robeco being owned by a larger European bank, which may be forced to raise capital to comply with new Basel III financial regulations. While there have been no material personnel departures or impact to the investment team responsible for the strategy, we will continue to monitor this situation closely.
- Many investment professionals, including David Dabora, have persevered through many organizational changes. Mr. Dabora continues to successfully manage portfolios out of a satellite office in Greenbrae, CA. We believe he has effectively kept his investment role distanced from some of the noise of multiple changes at the larger organizational level.

Other Key Factors

Incentives/Alignment of Interests

- According to RIM and BP, all of the professionals directly involved with the small-cap products share a similar compensation structure comprised of a competitive base salary and a performance bonus, as well as participation in their phantom equity plan.
- BP indicates that portfolio managers' incentive compensation is evaluated on quantitative and qualitative factors. On a quantitative basis, the key determinant is the performance of the small-cap products relative to various value benchmarks, as well as peer groups. Qualitative factors, such as the portfolio manager's contribution to the investment effort, client retention, growth of the product via new client relationships, and the development of investment personnel (i.e., research analysts) are also considered as a determinant of incentive compensation.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Robeco Investment Mgmt (Orix Corp/Rabobank)	100 (90%Orix Corp/10% Rabobank)
Publicly Traded	**Ticker Symbol**
Privately Held	NA

Source: Boston Partners, GIMA

Assets Under Management ($ Millions)

Year	Firm	Product
9/2015	$74,210	$1,009
2014	$73,219	$658
2013	$55,652	$720
2012	$32,456	$509
2011	$24,403	$453
2010	$23,143	$517

Source: Boston Partners, GIMA

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Traditional Value: Tend to search for what they believe to be undervalued companies based on traditional valuation measures such as P/E ("Price/Earnings"), P/CF ("Price/Cash Flow") and P/B ("Price/Book") and typically have a greater awareness of and correlation to the benchmark although not necessarily strict constraints.

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of “co-movement” between portfolio returns and benchmark returns. The closer the portfolio’s R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio’s rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio’s returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio’s return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio’s returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs

This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs

GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC’s investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy

GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a “Not Approved” status).

GIMA has a ‘Watch” policy and may describe a Focus List or Approved List investment product as being on “Watch” if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming “Not Approved.” The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a “W” or “Watch” next to the “Status” on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled “Manager Selection Process.”

No Obligation to Update

Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

Strategy May Be Available as a Separately Managed Account or Mutual Fund

Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account (“SMA”) and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs

This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

EDGE Small-MidCap Dividend Income (w/o MLP)

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*Small Cap Value*
SUB-STYLE:	*Traditional Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*N/A*

www.edgeassetmgt.com

STRATEGY DESCRIPTION

The strategy emphasizes high and growing income through the investment in higher quality stocks with dividend friendly management and a track record of paying, as well as growing their dividends. The portfolio has historically invested in REITs, Utilities and more recently, Business Development Companies (BDCs), to help achieve a high aggregate portfolio yield.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") has placed this product on our Focus List because we have a high opinion of this investment team. Co-portfolio managers ("PMs") Dan Coleman and Dave Simpson have consistently implemented the overall investment process, which GIMA deems to be disciplined, repeatable and capable of adding value over a full market cycle.
- The strategy focuses on investing in companies that possess a management that has a commitment and capacity to pay dividends, and can consistently grow dividends over a full market cycle. This has tended to result in a portfolio that has maintained lower overall risk metrics (standard deviation, beta, downside capture ratio) than its benchmark (Russell 2500 Value Index) and peers. At the same time the strategy has historically provided an above average aggregate dividend yield relative to the benchmark, which is relatively unique within this investment style.
- Given the dividend oriented nature of the strategy, the portfolio has historically had a meaningful exposure to interest rate sensitive securities, specifically REITs, Business Development Companies and Non-K-1 generating securities that are used attempting to replicate MLP exposure. GIMA believes that this could produce a sizable headwind if interest rates were to rise, particularly if rates rose meaningfully over a short period of time.

Focus List				Snapshot		
Investment Capabilities	**Business Evaluation**	**Short-Term Performance Analysis (≤ 3Yrs)**	**Long-Term Performance Analysis (> 3 Yrs)**	**Track Record Reliability**	**Expected Benchmark Sensitivity**	**Expected Portfolio Turnover**
Above Average	Above Average	Above Expectations	Above Expectations	High	High	High
Average	**Average**	**In-Line**	**In-Line**	**Moderate**	**Moderate**	Moderate
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	Low	**Low**

See Opinion Description at the end of this report.

Positive Attributes

- Experienced co-portfolio managers, who have been with the firm and managing the discipline since its 2007 inception.
- Strategy has demonstrated the ability to add value in various market environments since inception.
- Attractive short and long-term performance on a risk adjusted basis relative to peers and the benchmark.

Points to Consider

- Given the dividend oriented nature of the process the portfolio has and will tend to have a meaningful exposure to REITs, Utilities and recently Business Development Centers (BDCs), which are very similar to venture capital funds.
- Strategy will utilize a variety of substitute vehicles to approximate the Small-MidCap Dividend Income (with MLP) strategy's exposure to MLPs (see below "Additional Analyst Comments").
- Portfolio dividend yield has historically averaged over 2x the benchmark yield.
- Strategy is characterized as having lower risk metrics (standard deviation, beta, and downside capture) relative to benchmark and peers.
- May experience prolonged periods of underperformance when dividend paying stocks are out of favor.

Areas of Concern

- The strategy's asset flows have significantly increased since 2010, partly due to the "dividend trade" being in vogue. GIMA believes that the strategy's rapid asset growth over this period could result in meaningful account redemptions, particularly newer accounts, if the current "dividend trade" falls out of favor (e.g. rising interest rate environment).

Performance Expectations

- The portfolio should be expected to outperform in flat to down markets and typically lag in strong up markets.
- Historically the portfolio's growth and valuation characteristics as measured by trailing and forward estimated earnings-per-share (EPS) growth and price-to-earnings (P/E) have been at a discount relative to the Russell 2500 Value Index. GIMA believes that the process's focus on dividend paying, higher quality companies translates best into a "Traditional Value" sub-style.

Performance Opinion

- Up until October 2012, accounts that were managed with MLPs were included in the same Small MidCap Dividend Income composite. GIMA has reviewed the portfolio holdings and overall characteristics and believes that the two strategies are similar in most respects. That said, the dividend yield, sector positioning and performance patterns may slightly differ between the two strategies.
- The strategy performance is in line with the benchmark over the year-to-date period (ended 9/30/2015). Key areas of underperformance included stock selection within Industrials, Financials and Materials, as well as an underweight to Health Care. Favorable returns within Technology, Energy and both Consumer sectors added value. The portfolio outperformed the benchmark for the 2014 calendar year, primarily due to favorable stock selection within Energy, Financials and Technology. An overweight to Energy detracted from performance. The strategy has outperformed the benchmark over the 3-year annualized period (ended 9/30/2015) despite lagging the benchmark during the 2013 calendar year. During that year markets were driven by lower quality, higher beta stocks which proved to be a headwind for the portfolio.
- Over the long term (5- and 7-year rolling annualized periods through quarter end) the portfolio outperformed the Russell 2500 Value Index. Positive relative results are primarily attributed to positive stock selection within the top two dividend quintiles from the March 2009 lows through the end of 2011. Results are at the higher end of GIMA's expectations.

News Summary

- None

Additional Analyst Comments

- GIMA has elected to assign a "Traditional Value" sub-style to the strategy due to the process's focus on dividend paying, higher quality companies. However, given that valuation and growth characteristics (as measured by trailing and forward estimated EPS Growth and P/E) have historically been at a discount relative to the Russell 2500 Value Index the strategy may experience performance patterns that border "Discount Value".
- Historically, the conservative approach of the strategy has exhibited performance patterns that lagged during rising markets and outperformed in flat and down markets; however performance results have outpaced the benchmark during the market rally immediately following the March 2009 lows. Performance during this period is attributable to the manager taking advantage of high quality companies that were trading at depressed prices during the market trough, specifically within the Financials sector. However, given this discipline's higher quality characteristics, GIMA views this period as an aberration; as such, we do not anticipate this sort of outperformance during a low quality, high beta type rally like the one that took place following the March 2009 low.
- EDGE will attempt to substitute the MLP exposure, by either 1.) Buying a similar company in the same industry that has a lower yield, 2.) Invest in the Alerian MLP ETF or 3.) Increase the weighting of other holdings in the same sector.
- This version of the strategy may have a slightly lower dividend yield given that MLPs typically have a dividend yield that is at a significant premium to that of the overall market.

Portfolio Traits

	Equity
Range of Holdings	60-90
Maximum Position Size	Maximum position size is 5%.
Econ Sector Constraints	+/- 7.5% of Russell 2500 Value Index weight
Tracking Error Target	No, typically less than 7%
Typical Annual Turnover	15-25%
Invests in ADRs	Yes (max 25%, but typically less than 5%)
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	Yes
Maximum Cash	5%
Typical Cash Position	2%
Est. Product Capacity	Approximately $4 billion.

Source: Edge, GIMA

Additional News Summary

- None

Investment Capabilities Overview

Portfolio Management Team

- The investment team is led by Co-Portfolio Managers, Dan Coleman and Dave Simpson, who are supported by two Associate Portfolio Managers/ Sr. Analysts, Sarah Radecki and Ned Vidinli, and three research analysts.

Investment Philosophy & Process

- Management believes in purchasing companies that have a commitment and capacity to pay dividends, can consistently grow dividend over a full market cycle, and have management that are committed to shareholders.
- The research process begins by screening for securities that: 1) have a market capitalization between $200 million and $7 billion, and 2) typically pay a meaningful dividend, currently 2-3%. This results in a "working list" of approximately 550-650 companies.
- Further refinement is done on the initial universe with a particular focus on companies offering a meaningful yield, good dividend coverage and a historical propensity to increase dividends over a market cycle. In addition companies with unsustainable dividend yields or above-average valuations when measured using traditional valuation metrics and viewed relative to other companies within the same sector or industry are eliminated. This results in a list of 300-400 companies that are then included within an analyst's industry research. Edge states that these industry analyses are the basis for idea generation.
- The industry research focuses on the supply/demand dynamics of the industry attempting to identify companies with strong industry positions or competitive advantages. Analysts have assigned industries and are responsible for covering each company in their industry, modeling the supply/demand components for each industry and identifying companies with strong positions and/or competitive advantages in the industry. These industry reports are updated every 12-18 months.
- Analysts assign a qualitative rank to companies within each industry. Analysts assign qualitative franchise rankings ("best businesses") based on the following factors:
    - Complexity of the Business Model
    - Competitive Advantage
    - Financial Strength
    - Quality of Company Management/Shareholder Friendliness
    - Potential for Profitability Change
- Companies that are highly ranked in each industry are then added to the "Good Company List" which is monitored by the Equity Team for underperformance versus the benchmark
- Stocks are then purchased based on the analyst's determination of the intrinsic value of the company. If any of the highly ranked companies are trading at a significant discount to the current market price they are recommended to the investment team by the analyst.

Summary of Investment Capabilities Opinion

- Edge's investment process is primarily bottom-up. Their overall decision-making process is based primarily on their bottom-up analysis, as well as extensive sector and industry analysis that attempts to differentiate strongest companies within each industry. Therefore, the overall success of the process is dependent upon the investment team's overall fundamental research.
- The investment professionals that GIMA interviewed were knowledgeable about specific holdings in the portfolio and were able to articulate the underlying catalysts that drove the buy/sell decisions for the underlying portfolio holdings. They also understood the competitive nature of their respective industry coverage from a micro and macro-economic perspective.

Other Key Items

Decision-Making

- Most decisions are made by the investment team; however the co-PMs have ultimate responsibility for assigned sectors, including buys, sells and portfolio construction. Dan Coleman has lead responsibility for Consumer Discretionary, Consumer Staples, Information Technology, Industrials and Utilities. Dave Simpson has lead responsibility for Financials, Energy, Materials and Healthcare.

Sell Process

- A security will typically be sold or trimmed based on the following:
    - Dividends are eliminated or if dividends are cut, a review would be instituted.
    - Full valuation is achieved.
    - Investment thesis changes, including a deterioration in fundamentals.
    - More attractive opportunities exist.
- Securities that have had a large movement either up or down versus the market over the trailing 12 months are also evaluated to determine if a trim or sell should be instituted; however, there is no set stop/loss mandate.

Track Record Reliability

- Edges' Small-MidCap Dividend Income (w/o MLP) composite has an inception date of March 2007. However, performance prior to October 2012 includes all Dividend Income accounts regardless of whether they did or did not include MLPs. Therefore, GIMA does not view performance prior to October 2012 as being as representative of the non-MLP strategy composite that exists today.
- Dan Coleman and Dave Simpson have been managing this discipline since its March 2007 inception; therefore the track record is indicative of their investment philosophy, process and abilities.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Dan Coleman	Head of Equities/ Co-Portfolio Manager	Generalist		NYU	1979	2000	2007
Dave Simpson	Co-Portfolio Manager	Generalist	●	Univ. of Wisconsin	1986	2003	2007
Sarah Radecki	Associate Portfolio Manager/ Sr. Analyst	Consumer Staples, Consumer Discretionary	●	Univ. of California	1997	1999	2007
Ned Vidinli	Associate Portfolio Manager/ Sr. Analyst	Financials	●	Benedictine Univ.	1996	2010	2010

Source: Edge, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jill Cuniff	President				1987	2009	N/A
Cindy Kim	CCO				1994	2008	N/A
Rob Furutani	Trader				1995	1999	2007

Source: Edge, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Dan Coleman	●		●			
Dave Simpson	●		●			
Sarah Radecki		●				
Ned Vidinli		●				
Jill Cuniff						●
Cindy Kim						●
Rob Furutani				●		

Source: Edge, GIMA

Business Structure Overview

History/Ownership

- Edge was founded in the 1930s and is based in Seattle, Washington. In 1939, Edge began managing one of the first 50 mutual funds in the U.S., the Composite Bond Fund. On December 31, 2006 Edge was acquired by Principal Financial Group and is now a wholly-owned subsidiary of Principal. Principal Financial Group is publicly traded on the New York Stock Exchange (PFG).

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Principal Financial Group	100%
Publicly Traded	**Ticker Symbol**
Yes (NYSE)	PFG

Source: Edge, GIMA

Assets Under Management ($Millions)

Year	Firm	Product	Fund
3Q 2014	$28,700	$2,871	$1,662
2014	$28,500	$2,844	$1,620
2013	$25,358	$1,490	$851
2012	$21,315	$448	$336
2011	$20,457	$482	$238
2010	$19,423	$8	-
2009	$16,198	$6	-

Source: Edge, GIMA (Fund incepted 6/6/2011)

Business Plan

- In the short-term, Edge is focused in the expansion and growth of its separate account and sub-advisory businesses. The firm anticipates adding personnel for client service and support with the subsequent growth in assets under management. However, at this time the firm does not plan on adding any additional members to the various investment teams.

Legal/Compliance

- Firm's most recent examination by the SEC occurred in January 2005. According to Edge there were no material findings that required any action on the firm's part, and the firm was not required to update any disclosures on the Form ADV.

Summary of Business Structure Opinion

- Edge offers a fairly diverse product mix, including domestic value equity and international products, fixed income and various tactical asset allocation investment options.
- Over the past several years, EDGE has expanded their focus to external client growth, which is a priority for the firm over the longer term. They have begun to expand their product offerings in other investment vehicles such as institutional separate accounts, CITs, UCITS and high net worth Separately Managed Accounts (SMAs).

Other Key Factors

Incentives/Alignment of Interests

- Compensation includes base salary and bonus (70% based on performance over 1-3-5 year relative to peers and 30% qualitative). Research analyst compensation includes base salary and bonus (60% performance and 40% Qualitative).
- Retention incentives include stock and option grants, as well as a differed percentage of cash bonus compensation that vests in 3 years.

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Traditional Growth: Generally invest in a mix of lower and higher growth companies, portfolios and performance likely to be more highly correlated to the respective growth benchmark than peers and may demonstrate the flexibility at times to take on characteristics of more Conservative or Aggressive growth peers.

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of "co-movement" between portfolio returns and benchmark returns. The closer the portfolio's R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio's rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio's returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio's return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio's returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs
This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs
GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy
GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a "Not Approved" status).

GIMA has a 'Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming "Not Approved." The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a "W" or "Watch" next to the "Status" on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

Strategy May Be Available as a Separately Managed Account or Mutual Fund
Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account ("SMA") and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

Investments in securities of ***MLPs*** involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs. The potential return of MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the portfolio's ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to you. Legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis, could negatively impact the value of an investment in MLPs and therefore the value of your investment.

Real estate investments: property values can fall due to environmental, economic or other reasons, and changes in interest rates can negatively impact the performance of real estate companies.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as “tax free”, the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA’s goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients’ assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA’s evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Cambiar Smid Value

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Mid Cap Value*
EQUITY SUB-STYLE:	*Relative Value*
BENCHMARK:	*Russell 2500 Value*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account / Mutual Fund*
TICKER SYMBOL	*CAMMX (TRAK FS, UMA)*

www.cambiar.com

STRATEGY DESCRIPTION

Cambiar's investment process seeks to identify companies that are attractively priced, demonstrate positive developments not yet recognized by the market, and offer significant appreciation potential over a one to two year time horizon.

Summary of Opinion:

- Global Investment Manager Analysis (GIMA) has a high degree of confidence in the portfolio management team, and especially in director of research Brian Barish. Although GIMA believes that the analyst team is strong, GIMA believes that Brian Barish leads the team as director of research, and that he is instrumental to the success of all strategies at the firm.
- The product utilizes a disciplined investment philosophy, attempting to effectively balance valuation and downside risk with earnings expansion and stock price appreciation potential. GIMA believes that the process is opportunistic and is capable of adding value in different types of market environments.
- The portfolio is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.

Focus List		Snapshot				
Investment Capabilities	Business Evaluation	Short-Term Performance Analysis (≤ 3Yrs)	Long-Term Performance Analysis (> 3 Yrs)	Track Record Reliability	Expected Benchmark Sensitivity	Expected Portfolio Turnover
Above Average	Above Average	Above Expectations	Above Expectations	**High**	High	High
Average	**Average**	**In-Line**	**In-Line**	Moderate	Moderate	**Moderate**
Needs Improvement	Needs Improvement	Below Expectations	Below Expectations	Low	**Low**	Low

See Opinion Description at the end of this report.

Positive Attributes

- Knowledgeable, tenured research staff.
- Disciplined approach to relative value investing that is capable of delivering excess returns over a full market cycle.
- Research coverage is sector-specific rather than a generalist approach, enabling analysts to focus and concentrate on their assigned industries.
- Relatively small firm size results in efficient decision-making from a portfolio management standpoint.

Points to Consider

- Bottom-up, relative value investment process that favors undervalued companies believed to possess a catalyst for future growth.
- Research efforts seek new purchases that have the ability to achieve 50% upside potential over a 12 to 24 month time horizon.
- Portfolio is constructed on a collaborative basis by the Cambiar domestic equity team.
- Tends to overweight mid cap stocks relative to the index.
- Performance could lag in deep value market.
- Bottom-up investment process may result in portfolio sector weights that vary significantly from the benchmark.
- The strategy has minimal overlap with the Cambiar Small Cap strategy.
- The strategy has a relatively short track record however the team has implemented the same process across various market capitalization strategies.

Areas of Concern

- Firm's dependency on one investment style increases business risk somewhat should the firm's investment style fall out of favor.
- Firm's dependency on one investment style increases business risk somewhat should the firm's investment style fall out of favor.

Performance Expectations

- Although the product should be able to add value in a variety of market environments, the relative value style of the strategy may cause it to underperform the value index during times when deep value stocks are in favor.
- The strategy may have low benchmark sensitivity due to its large sector concentrations.
- Strategy's weighting in mid cap stocks could cause the portfolio to underperform when smaller cap stocks are in favor.

Performance Opinion

- Overall, performance is in line with GIMA's expectations in the short-term period. The strategy incepted on July 31st 2010 for the SMA and May 31st, 2011 for the fund. Weak relative returns in calendar year 2012 have hurt short term performance however the strategy rebounded strongly in 2013.
- Cambiar's investment process has shown that it can add value in varying market environments including periods of increased volatility; however the strategy tends to outperform the most in normal fundamentally driven markets and may tend to lag in more momentum-oriented markets.

News Summary

- 3Q 2015 – Christin Hiles, Vice President of trading resigned from the firm and was replaced by Ben Douglas, CFA .
- 3Q 2014 – Evan Geldzahler joined the firm as General Counsel.
- 2Q 2014 – Katherine Minyard, CFA joined the International team as a research analyst with coverage responsibilities of non-US media and the extractive industries sectors. Ms. Minyard joins Cambiar from JP Morgan where she covered US and Canadian companies in the oil and gas sector.
- 2Q 2014 – Cambiar made a change to the co-portfolio managers on the strategy. Colin Dunn, CFA took over the co-pm responsibilities previously held by Tim Beranek so that Mr. Berank could devote more time to the Large Cap Value strategy.

Additional Analyst Comments

- The portfolio is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.
- Relative value investment process gives Cambiar the flexibility to participate in all economic sectors; key valuation criteria will often vary from sector to sector (e.g. price/sales for industrials/information technology, price/book for financials, etc). In addition, Cambiar has owned stocks in industries such as biotechnology that are not typically found in value portfolios. GIMA does not view this negatively, but performance may deviate relative to peers and the benchmark.
- The Cambiar Smid Cap Fund has a similar investment mandate, and returns for the fund and separate account have been similar over time. However, over shorter time frames, such as a quarter, returns can sometimes deviate somewhat, but historically these differences have not been significant.

Additional News Summary

None.

Portfolio Traits

Equity	
Range of Holdings	Generally 35 to 45
Maximum Position Size	3.5%
Econ Sector Constraints	25% maximum
Tracking Error Target	No target
Typical Annual Turnover	50% to 70%
Invests in ADRs	Infrequently
Invests in ETFs	Not typically
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	Maximum 5% of outstanding shares of any single company
Maximum Cash	Generally 10%
Typical Cash Position	0% to 5%
Est. Product Capacity	$4-5 Billion
Source: Cambiar	

Investment Capabilities Overview

Portfolio Management Team

- The smid value strategy is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.
- GIMA is impressed that the portfolio management team has been working together for a period of years as well as the working relationship with the research staff that has led to the stability of investment professionals at the firm.

Investment Philosophy & Process

- Cambiar's investment process seeks to identify companies that are attractively priced, demonstrate positive developments not yet recognized by the market, and offer significant appreciation potential over a one to two year time horizon.
- Initially, stocks with market capitalizations from $2.5 billion to $10 billion are screened to ascertain a list of undervalued investment candidates. According to Cambiar, investment professionals may use a variety of financial metrics (Price-to-Earnings, Price-to-Cash Flow, Enterprise Value-to-Sales, EV/EBITDA, etc.) to find companies that appear to be trading at compelling values relative to their peers, the overall market, or the stocks' own historical trading range. Valuation parameters used may differ depending on the industry that is being analyzed.
- Cambiar indicates that stocks held in the portfolio possess the four following characteristics:
  - Competitive – Cambiar prefers industry-leading companies that exhibit product/intellectual capital advantages by way of an experienced management team, sound financials, or strong industry position. In addition, companies with favorable secular trends are preferred over stocks with cyclically depressed businesses.
  - Compelling Value – Stocks that appear to possess asymmetric risk/return profiles. Essentially, Cambiar is seeking stocks that have high upside potential and a disproportionately lower level of downside risk.
  - Catalyst – Investment candidate should also possess a catalyst that can lead to future outperformance. Examples of catalysts include new product introduction or corporate reorganization.
  - Conviction - Holdings should possess 50% appreciation potential at purchase. According to the firm, this guideline assists in avoiding a trading mentality.
- After each analyst has formulated an investment idea, a formal report is written up and presented to the entire PM/analyst committee, which will then vet the investment idea and determine whether or not it should be implemented.
- Once the portfolio is constructed, analysts continuously monitor positions from a valuation perspective and verify the validity of the initial investment thesis.

Summary of Investment Capabilities Opinion

- Cambiar utilizes a disciplined investment philosophy, attempting to effectively balance valuation and downside risk with earnings expansion and stock price appreciation potential. Given the lack of strict quantitative mandates and tracking error restrictions, the success of Cambiar's process is contingent upon the abilities of the research staff to find the most attractive investment prospects.

Other Key Items

Decision-Making

- As mentioned previously, the portfolio is constructed on a collaborative basis by the Cambiar domestic equity team. In order to streamline the decision-making process, each of the analysts contributes names to their assigned sectors. Checks and balances to this process include weekly meetings, whereby all new names undergo a high-level review by the entire team. There is also a formal review process for all underperforming holdings, whereby the analyst prepares a more formal presentation as well as a recommendation (add, sell, hold).
- Cambiar states that buy and sell decisions are implemented uniformly across all accounts unless otherwise directed by the client.

Sell Process

- Stocks are typically reviewed for sale (trimmed or liquidation of entire position) if one or more of the following issues arise:
  - If a stock approaches the firm's target price, it will most likely be trimmed to reflect that the valuation disconnect has largely been rectified by the market.
  - In an attempt to mitigate stock-specific risk, the firm also trims back holdings that become outsized positions (greater than 3.25% at market).
  - Decline in fundamentals, or the anticipated catalyst at purchase fails to materialize.
  - Stocks may also be sold in favor of more attractive investment opportunities.
- Cambiar also employs a review process for any holding that declines in excess of 20% from original purchase or relative to the overall market. During such a review, the sponsoring analyst is responsible for presenting a comprehensive review of the position. If it is agreed that the original purchase thesis remains intact, the decision may be made to add to the position; however, this add may occur only once.

Track Record Reliability

- GIMA believes that the composite performance history is reflective of strategy performance due to the high level of product assets included in the composite and the model approach employed by Cambiar.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Andrew Baumbusch	Senior Analyst	Industrials, Media, Telecom		Stanford	1998	2004	2010
Colin Dunn	Senior Analyst	Utilites, Specialty Materials, Non-traditional Financial Services	●		2000	2011	2011
Brian Barish	President, Director of Research	Aerospace/Defense, Autos, Technology	●		1989	1997	2010
Maria Mendelsberg	Senior Analyst	Health Care, Retail	●		1993	1997	2010
Ania Aldrich	Senior Analyst	Financials, Consumer Staples	●	Fordham	1989	1999	2010
Timothy Beranek	Senior Analyst	Basic Materials, Energy		University of Colorado	1992	1999	2010
Jeffrey Susman	Senior Analyst	Consumer Discretionary, Technology		University of Michigan	2000	2005	2010

Source: Cambiar

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Nancy Wigton	Director of Marketing / Client Services	Market / Client Services			1987	1994	2010
Christine Simons	Chief Compliance Officer	Compliance			1996	2000	2010
Rod Hostetler	Head Trader	Trading		University of Colorado	1996	2000	2010

Source: Cambiar

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Andrew Baumbusch	●	●	●			
Jeffrey Susman	●	●	●			
Brian Barish	●	●			●	●
Maria Mendelsberg	●	●				
Ania Aldrich	●	●				
Timothy Beranek	●	●				
Colin Dunn	●	●				
Jeffrey Susman	●	●	●			
Nancy Wigton					●	●
Christine Simons						●
Rod Hostetler				●		

Source: Cambiar

Business Structure Overview

History/Ownership

- Cambiar Investors, LLC ("Cambiar") is a Denver based investment management organization founded by Michael Barish in 1973. Michael Barish sold Cambiar to United Asset Management (UAM) in 1990.
- In October 2000, Old Mutual plc, a UK-based financial services group, purchased UAM and became the new parent company of Cambiar.
- Brian Barish (son of Michael Barish) joined Cambiar in 1997 as a portfolio manager/investment analyst, and was subsequently named president of the firm in February 2000. Cambiar stated that Michael Barish remained as Chairman at Cambiar, but relinquished his day-to-day management responsibilities.
- On July 31, 2001, the senior management team at the firm completed a management buyout from Old Mutual, plc. Six Cambiar principals formed Cambiar Investors, LLP and bought back 60% of the firm's equity from Old Mutual, plc. Michael Barish did not participate in the new partnership and, according to Cambiar, is no longer involved in day-to-day operations.
- In the third quarter 2003, Cambiar consummated the final stages of the buyback from Old Mutual, plc. According to Cambiar, the firm is now 100% owned by the firm's employees, and all outstanding debt used to fund the buy-back has been extinguished.
- Cambiar has continued to add employee owners over time.

Business Plan

- Cambiar says that its ongoing business plan is to grow assets across all investment strategies. While the firm continues to market its large-cap value portfolio, recent emphasis has been placed on asset growth within the firm's small cap and international strategies.
- Cambiar says that its first and foremost goal is to provide high-quality investment management services to its clients, and that it will take the necessary steps to stem asset flows should it become necessary.
- Cambiar has added personnel across all departments of the firm over the past five years, including the investment team, trading, operations, and client services/marketing.

Legal/Compliance

- Cambiar stated that neither the firm nor its employees have been involved in any litigation issues in the past five years.
- Cambiar stated that the Denver office of the SEC commenced a routine exam in August 2015. At the time of publication Cambiar had not received any correspondence regarding the results of the exam.

Summary of Business Structure Opinion

- GIMA believes that business conditions at Cambiar are relatively strong. While assets have declined since their year-end 2006 peak, Cambiar has held up better than some other mid-size firms since the financial crisis starting in 2008. Additionally, the firm was able to add more research professionals and allocate additional capital to increase office space and systems support prior to the downturn. Cambiar says that the firm has continued to diversify its client base and that the largest five accounts no longer represent in excess of 50% of firm total assets, which is viewed favorably by GIMA.
- Brian Barish has continued to dilute his ownership position over time to allow employees to participate in equity ownership. This spread of ownership should assist with employee retention.

Other Key Factors

Incentives/Alignment of Interests

- Cambiar employee compensation consists primarily of salary and a variable bonus.
- Bonuses are paid biannually in July and December. For portfolio managers and investment analysts, bonus may potentially reach up to 100% of base salary.
- Equity owners also receive annual partnership distributions based on the profitability of the firm.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Cambiar Senior Professionals	100%
Publicly Traded	**Ticker Symbol**
No	N/A

Source: Cambiar

Assets Under Management ($ Millions)

Year	Firm	SMA	Fund
9/2015	$10,021	$58	$43
2014	$9,180	$35	$31
2013	$8,418	$14.7	$2.6
2012	$6,591	$0.6	$1.6
2011	$6,604	$0.6	$1.4
2010	$5,776	$0.7	$0

Source: Cambiar

OPINION OVERVIEW DESCRIPTION

Investment Capabilities – Represents GIMA's (Global Investment Manager Analysis) opinion of the investment manager's investment capabilities with respect to the product under evaluation. This section covers the areas of quality of investment professionals, portfolio management, research and process execution. As these areas are not mutually exclusive, but rather interrelated, it is important to render a cohesive opinion on these areas of an organization. This section has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's investment capabilities. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's investment capabilities. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall investment capabilities. For example, this could be the result of sizable personnel departures, poor execution of stated investment discipline or a limited research effort.

Business Evaluation - Represents GIMA's opinion of the state of the investment manager's overall business condition. This area reviews items such as ownership structure, trends in assets under management, legal and/or compliance issues, investment professional incentives and trading policies. This area has three potential opinion outcomes: **Above Average, Average** and **Needs Improvement**. **Above Average** conveys that GIMA has a high degree of confidence and conviction in a manager's overall business structure and believes that there are limited to no material issues. An opinion of **Average** denotes that, while GIMA has a generally favorable view, it may have some concerns about the investment manager's business structure. An opinion rating of **Needs Improvement** generally indicates that GIMA has material concerns about the investment manager's overall business structure. For example, this could be the result of what we believe to be material legal and/or compliance issues, material asset loss, ownership issues or ineffective incentives for the investment professionals.

Short-Term & Long-Term Performance Analysis – The opinion for performance is broken into two components: 1) Short-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of the trailing three years or less, 2) Long-Term Performance Analysis represents GIMA's opinion of the investment product's performance typically over a time period of more than the trailing three years. These areas have three potential opinion outcomes: **Above Expectations, In-Line** and **Below Expectations**. **Above Expectations** conveys that GIMA believes the investment product has performed better than expected given investment biases and market conditions, while an opinion of **In-Line** denotes that GIMA believes the investment product has performed as expected given investment biases and market conditions. A rating of **In-Line** should not be interpreted negatively, but rather that the investment product is performing as expected. An opinion rating of **Below Expectations** generally indicates that GIMA has concerns about the investment product's overall investment performance given our knowledge of the investment manager's process and the overall market conditions.

Track Record Reliability – Represents GIMA's opinion of the overall integrity of the investment performance displayed to clients or potential clients. This area takes into consideration items such as portfolio manager tenure on a respective strategy, construction of the performance composite, and consistency in the execution of a stated investment process. This area has three potential opinion outcomes: **High, Moderate** and **Low**. **High** conveys that GIMA believes the investment performance track record has a high degree of integrity and is representative of what investors could expect over time, while an opinion of **Moderate** denotes that GIMA may have some concerns as it relates to the historical performance track record. An opinion rating of **Low** generally indicates that GIMA has material concerns about the investment product's historical performance track record. For example, if an investment product has had a long standing portfolio manager that has delivered solid performance results over the last five years relative to a benchmark and the portfolio manager is replaced by a new portfolio manager that instills a new investment process, GIMA may consider the historical performance track record to be non-representative of the new investment discipline.

Expected Benchmark Sensitivity – Represents GIMA's opinion of how closely an investment product's performance is expected to "track" the investment performance of GIMA's designated performance benchmark for a particular investment product. This area evaluates the historical investment performance tracking of a given investment product relative to a respective benchmark as well as the investment manager's current approach to active portfolio management. In evaluating benchmark sensitivity, GIMA will use relevant statistical measures such as tracking error and R-Squared as well as portfolio construction guidelines such as economic sector constraints and benchmark relative position sizing. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys that a product is anticipated to be managed with a high degree of emphasis on its benchmark with relatively tight control over the product's active weights relative to that benchmark. High benchmark sensitivity does not mean wide deviations from the benchmark will not happen, but that the investment manager seeks to reduce them. **Moderate** conveys that a product's management is anticipated to have some amount of benchmark sensitivity, but is able to make meaningful, but controlled, allocations away from a benchmark. **Low** denotes that a product places little to no emphasis on its assigned benchmark. Performance from a month-to-month and year-to-year basis may deviate significantly from its benchmark.

Expected Portfolio Turnover - Represents GIMA's opinion of how actively the portfolio is managed from the perspective of trading activity (purchases, sales, additions, trims, etc.). We do not view these ratings positively or negatively, but render an opinion for this category so Financial Advisors or Private Wealth Advisors and clients have some idea as to the overall level of activity that takes place in a given portfolio. High activity may result in a portfolio that is less tax-efficient for taxable clients, whereas Low activity may result in a more tax efficient portfolio for taxable clients. This area has three potential opinion outcomes: **High, Moderate** and **Low**. In GIMA's opinion, **High** conveys an investment product that is likely to have more than 90% turnover on an annual basis, while **Moderate** indicates expected annual portfolio turnover in the range of 30% - 90% and **Low** indicates expected annual portfolio turnover of less than 30%.

DEFINITIONS

Sub-Styles: Subjective classifications designed to assist with manager selection and performance evaluation based on GIMA's understanding of a manager's long-term investment philosophy and portfolio structuring biases and techniques. At points in time managers may display attributes of other sub-style classifications, and these classifications may change due to changes in the capital markets, evolution of performance benchmarks, industry trends, or changes involving a manager's personnel or process.

Relative Value: Generally search for what they believe to be undervalued companies based on analysis relative to the market, industry and historical norms leading to portfolios that may at times maintain broader market exposure to more growth-oriented names and may appear to have higher valuations using traditional valuation metrics.

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index; Active Share is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the manager's portfolio versus the weight of each holding in the benchmark index and dividing by two.

ADRs – American Depositary Receipts are U.S. dollar denominated forms of equity ownership in non-U.S. companies. These shares are issued against the local market shares held in the home market. ADRs are typically listed on U.S. exchanges such as NYSE, AMEX and NASDAQ.

Alpha – measures the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by Beta. A positive Alpha figure indicates the portfolio has performed better than its Beta would predict. A negative Alpha indicates the portfolio's underperformance given the expectations established by the Beta. The accuracy of the Alpha is therefore dependent on the accuracy of the Beta. Alpha is often viewed as a measurement of the value added or subtracted by a portfolio's manager.

Asset-backed securities (ABS) - securities backed by a pool of assets, typically loans or accounts receivable, originated by banks, specialty finance companies, or other credit providers.

Average Capitalization – the total capitalization of the portfolio divided by the number of securities in a portfolio.

Batting Average - measures how frequently a portfolio outperforms its benchmark on a quarterly basis. The statistic is obtained by dividing the number of quarters in which the portfolio outperformed the total return of the benchmark by the total number of quarters. For example, a portfolio with a batting average of 60% has outperformed the index more than it has underperformed.

Beta – measures a portfolio's volatility relative to its benchmark. A portfolio with a Beta higher than 1.0 has historically been more volatile than the benchmark, while a portfolio with a Beta lower than 1.0 has been less volatile. The accuracy of the Beta is dependent on R-Squared.

Commercial Mortgage-Backed Security (CMBS) – mortgage-backed security that is secured by the loan on a commercial property.

Collateralized Mortgage Obligation (CMOs) – mortgage-backed security that creates separate pools of pass-through payments for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convexity – measures the sensitivity of a bond's duration to changes in interest rates. Convexity can be positive or negative. Unlike most fixed income securities, bonds with negative convexity tend to fall in value as interest rates decline and vice versa.

Credit Quality Rating – weighted average of the assessments of credit worthiness given by credit rating agencies such as Standard & Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings to bonds in the portfolio. Credit rating agencies evaluate issuers and assign ratings based of their opinions of the issuer's ability to pay interest and principal as scheduled.

Dividend Yield – annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Effective Duration – a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EPS Growth – Forecast – a measure of one year earnings (cash flow or dividends) per share growth from the prior fiscal year (FY0) to the current fiscal year (FY1) using analyst consensus forecasts. Growth is expressed as a percent. The FY1 EPS (earnings per share) growth rate for the portfolio is a weighted average of the forecasts for the individual stocks in the portfolio.

EPS Growth – 5 Year Historical – The weighted average annualized earnings per share growth for a portfolio over the past five years.

Excess Return – represents the average quarterly total return of the portfolio relative to its benchmark. A portfolio with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the portfolio's return.

Historical EPS Growth - calculated by regressing over time the quarterly earnings per share for the past 20 quarters to determine the share's historical growth rate in earnings. The quarterly historical growth rate for each share is then annualized and the Historical EPS Growth shown in this report is the weighted average of these results.

Information Ratio – represents the Excess Return divided by the Tracking Error. It provides a measure of the historical consistency of the portfolio's overperformance or underperformance relative to its benchmark. A higher, positive Information Ratio suggests that the portfolio's excess returns may have been the result of making measured or moderate bets against the relevant benchmark's risk exposures.

Long Term EPS Growth Rate – analyst consensus of expected annual increase in operating earnings per share over the company's next full business cycle - usually three to five years. The Long Term EPS Growth Rate for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Market Cap ($M) – the average portfolio market capitalization (market price multiplied by shares outstanding), weighted by the proportion of the portfolio's assets invested in each stock.

Maturity – the weighted average portfolio length of time until the principal amount of a bond must be repaid.

Median Cap by Portfolio Weight – the midpoint of market capitalization (market price multiplied by shares outstanding) of a portfolio's stock holdings, weighted by the proportion of the portfolio's assets invested in each stock. Stocks representing half of the portfolio's holdings are above the median, while the rest are below it.

Modified Adjusted Duration – measures the sensitivity of the percentage change in the price of a bond portfolio for a given change in yield, shown as a number of years to maturity. This figure is calculated as the weighted average of the durations of the securities in the portfolio.

Mortgage-backed securities (MBS) – securities backed by a mortgage loan or a pool of mortgage loans secured by real property. Investors receive payments of interest and principal that are derived from payments received on the underlying mortgage loans.

Pass-Through Security – security backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

P/E - Forecast 12-Mo. – The price/earnings ratio for the stock based on the most recent closing price divided by the annual mean expected earnings for the current fiscal year (FY1 EPS forecast). P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

P/E – Trailing 12-Mo. – the current price of a stock divided by the most recent 12 months trailing earnings per share. P/E for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Price-to-Book – price per share divided by book value per share. Price-to-Book for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Quality – Based upon per-share earnings and dividend records of the most recent 10 years, this ranking system attempts to capture the growth and stability of earnings and dividends for individual stocks. For a portfolio, the quality ranking is a weighted average. The quality rankings classification is as follows: A+ (highest), A (high), A- (above avg.), B+ (average), B (below avg.), B- (lower), C (lowest), D (in reorganization), and LIQ (liquidation).

R-Squared (R^2) – represents the percentage of the volatility of returns that is attributable to movements of the benchmark. It is a measure of “co-movement” between portfolio returns and benchmark returns. The closer the portfolio’s R^2 is to 100%, the more closely the portfolio correlates to, or follows, the benchmark. Generally, highly diversified portfolios have higher R^2 percentages.

Return on Equity (ROE) – is another profitability ratio which gauges return on investment by measuring how effectually stockholder money is being employed by the company. ROE is calculated by dividing a company's net income by average total equity. Unlike Return on Assets (ROA), ROE considers the degree to which a company uses leveraging, as interest expense paid to creditors is generally deducted from earnings to arrive at net income. ROE for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

Sharpe Ratio – measures a portfolio’s rate of return based on the risk it assumed and is often referred to as its risk-adjusted performance. Using Standard Deviation and returns in excess of the returns of T-bills, it determines reward per unit of risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing risk.

Standard Deviation – quantifies the volatility associated with a portfolio’s returns. The statistic measures the variation in returns around the mean return. Unlike Beta, which measures volatility relative to the aggregate market, Standard Deviation measures the absolute volatility of a portfolio’s return.

Tracking Error – represents the Standard Deviation of the Excess Return. This provides a historical measure of the variability of the portfolio’s returns relative to its benchmark. A portfolio with a low Tracking Error would have quarterly Excess Returns that have exhibited very low volatility.

Turnover – measures portfolio trading activity, which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.

IMPORTANT DISCLOSURES

Report for Use Only in Investment Advisory Programs
This report is only to be used in Morgan Stanley Wealth Management investment advisory programs and not in connection with brokerage accounts.

The Global Investment Manager Analysis (GIMA) services Only Apply to Certain Investment Advisory Programs
GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC’s investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management). If you do not invest through one of these investment advisory programs, Morgan Stanley Wealth Management is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List, Approved List and Tactical Opportunities List; Watch Policy
GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

Investment products may move from the Focus List to the Approved List, or vice versa. GIMA may also determine that an investment product no longer meets the criteria under either process and will no longer be recommended in investment advisory programs (in which case the investment product is given a “Not Approved” status).

GIMA has a ‘Watch” policy and may describe a Focus List or Approved List investment product as being on “Watch” if GIMA identifies specific areas that (a) merit further evaluation by GIMA and (b) may, but are not certain to, result in the investment product becoming “Not Approved.” The Watch period depends on the length of time needed for GIMA to conduct its evaluation and for the investment manager or fund to address any concerns. GIMA may, but is not obligated to, note the Watch status in this report with a “W” or “Watch” next to the “Status” on the cover page.

Certain investment products on either the Focus List or Approved List may also be recommended for the Tactical Opportunities List based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time.

For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled “Manager Selection Process.”

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

Strategy May Be Available as a Separately Managed Account or Mutual Fund
Strategies are sometimes available in Morgan Stanley Wealth Management investment advisory programs both in the form of a separately managed account (“SMA”) and a mutual fund. These may have different expenses and investment minimums. Your Financial Advisor or Private Wealth Advisor can provide more information on whether any particular strategy is available in more than one form in a particular investment advisory program.

Consider Your Own Investment Needs
This report is not intended to be a client-specific suitability analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities (includes securities of Morgan Stanley, and/or their affiliates if shown in this report). Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon.

Performance and Other Portfolio Information

General

Past performance does not guarantee future results. There is no guarantee that this investment strategy will work under all market conditions. As a result of recent market activity, current performance may vary from the performance referenced in this report.

For mutual funds, the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance information, current to the most recent month-end, please contact the fund directly at the website set out on the cover page of this report.

Benchmark index

Depending on the composition of your account and your investment objectives, any indices shown in this report may not be an appropriate measure for comparison purposes and are therefore presented for illustration only.

Indices are unmanaged. They do not reflect any management, custody, transaction or other expenses, and generally assume reinvestment of dividends, accrued income and capital gains. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

Performance of indices may be more or less volatile than any investment product. The risk of loss in value of a specific investment (such as with an investment manager or in a fund) is not the same as the risk of loss in a broad market index. Therefore, the historical returns of an index will not be the same as the historical returns of a particular investment product.

Other data

Portfolio analysis may be based on information on less than all of the securities held in the portfolio. For equity portfolios, the analysis typically reflects securities representing at least 95% of portfolio assets. This may differ for other strategies, including those in the fixed income and specialty asset classes, due to availability of portfolio information.

Other data in this report is accurate as of the date this report was prepared unless stated otherwise. Data in this report may be calculated by the investment manager, Morgan Stanley Wealth Management or a third party service provider, and may be based on a representative account or a composite of accounts.

Securities holdings

Holdings are subject to change daily, so any securities discussed in this report may or may not be included in your portfolio if you invest in this investment product. Your portfolio may also include other securities in addition to or instead of any securities discussed in this report. Do not assume that any holdings mentioned were, or will be, profitable.

Sources of Data

Material in this report has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

Asset Class and Other Risks

Investing in ***stocks***, ***mutual funds*** and ***exchange-traded funds ("ETFs")*** entails the risks of market volatility. The value of all types of investments may increase or decrease over varying time periods.

Small- and mid- capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. The securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than those that diversify among a broad range of sectors.

Value and ***growth investing*** also carry risks. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations.

International securities may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in ***emerging markets***.

No Tax Advice

Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors do not provide legal or tax advice. Each client should always consult his/her personal tax and/or legal advisor for information concerning his/her individual situation and to learn about any potential tax or other implications that may result from acting on a particular recommendation.

If any investments in this report are described as "tax free", the income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax.

Conflicts of Interest

GIMA's goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may

have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients' assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Important Morgan Stanley Disclosures

Graystone Consulting℠

ZEPHYR STYLE ADVISOR DISCLAIMER

The following analysis is directed only to the client for whom the evaluation was prepared and is based on published investment manager rate of return data, capital market indices, custom (benchmarks, indices and universes), as well as software developed by Zephyr Associates. Investment manager rate of return data includes: Informa Plan Sponsor Network, Morgan Stanley (MSSB) Fiduciary Services, Morgan Stanley Global Investment Solutions, Collective Trust Funds and Consulting Group Capital Market Funds Databases. Capital markets index data includes: Capital market indices (supplied by Zephyr), Canadian indices (supplied by Zephyr), Salomon Brothers Fixed Income indices, Morgan Stanley Capital International indices, and Dow Jones Global indices.

Zephyr StyleADVISOR uses principles of William Sharpe's theory of returns-based style analysis. Returns-based style analysis assists in identifying investment style without examining the individual security holdings of a portfolio. StyleADVISOR regresses the historical returns of the individual manager(s) against different style indices to identify the pattern of returns that the fund is most closely correlated to. MSSB does not recommend the use of returns-based style analysis without the supporting fundamental research of the fund (research attribution reports).

The underlying data is believed to be reliable but accuracy and completeness cannot be assured. While the historical rates of return described in this report are believed to accurately reflect the overall nature of the portfolio, the constituent securities have not been reviewed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation or recommendation with respect to the purchase or sale of any security or a recommendation of the services provided by any money management organization. Past results are not necessarily indicative of future performance.

Gross Rates of Return

The investment results depicted herein represent historical Gross performance before the deduction of investment management fees and are based on settlement date accounting methods. Annual, cumulative and annualized total returns are calculated assuming reinvestment of dividends and income plus capital appreciation. The client is referred applicable Morgan Stanley ADV brochures, available at www.smithbarney.com/adv or from your Financial Advisor. Actual returns will be reduced by expenses that may include management fees and cost of transactions. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%. This Report is for one-on-one client presentations only.

International and Small Capitalization Securities

To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

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This document has been prepared at your request for your personal use in order to assist you in evaluating asset allocation strategies, investment objectives and disciplines and various available investment products. It is not a recommendation of a particular program, portfolio, investment manager, fund or other investment product. It is not tax or legal advice. If you have asked us to do so, we have included one or more investment managers or funds that are not available in Morgan Stanley 's investment advisory programs. Morgan Stanley does not recommend any such manager or fund and takes no responsibility for the accuracy of any information provided by such manager or fund. You should contact such managers or the sponsors of such funds directly for performance and other information. You should not use the document as the sole basis for investment decisions. Moreover, you should not use investment performance alone to make any investment decision. You should consider other factors such as the experience and investment style of an investment manager as compared to your individual investment objectives, risk tolerance and time horizons.

Performance Information

The investment results depicted herein represent historical Gross performance with no deduction for investment management fees or transaction costs. Such figures reflect the reinvestment of dividends. Actual returns will be reduced by such expenses. You should refer to Morgan Stanley 's ADV brochure for full disclosure of Morgan Stanley 's fees. As fees are deducted from an account on a quarterly basis, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%.

You would not necessarily have obtained the performance results shown in the document if you had been invested with these managers or funds over the time periods illustrated. Actual performance of individual accounts will vary due to factors such as the timing of contributions and withdrawals, individual client restrictions, rebalancing schedules and fees.

Moreover, the illustrations set forth in the document benefit from the availability of actual historical returns. Manager or funds that have not performed as well as those illustrated may not have been considered for inclusion in the document. Such hindsight is obviously not available to an investment adviser such as Morgan Stanley when making "real time" investment recommendations.

SOURCE OF PERFORMANCE INFORMATION FOR FUNDS: For any fund shown in this report, the performance data is obtained from databases maintained by parties outside Morgan Stanley . This data has been included for your information, and has not been verified by Morgan Stanley in any way. See "Sources of Information" below.

NET PERFORMANCE

See the attached Morningstar profiles for each fund in the report for standardized fund performance (i.e. returns net of any maximum sales charges that apply if you purchase the fund outside of our investment advisory programs) and also returns net of the maximum annual investment advisory fees that apply if you purchase the fund in one of our investment advisory programs. You should carefully read the manager/fund profiles, which may contain more up-to-date performance information than in this report.

Investment Options May be Managed by or Affiliated with Morgan Stanley

This report may include investment options that are managed by or affiliated with Morgan Stanley . Morgan Stanley may have incentive to recommend such investment options to you because we may earn more compensation if you invest in these investment options than if you invest in other investment options.

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Alpha: Alpha is a risk (beta adjusted) measurement. Officially, alpha measures the difference between a portfolio's actual returns and what it might be expected to deliver based on its level of risk. Higher risk generally means higher reward. A positive alpha means the fund has beaten expectations. A negative alpha means that the manager failed to match performance with risk. If two managers had the same return but one had a lower beta, that manager would have a higher alpha. StyleADVISOR uses the standard intercept calculation.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered as risky as the benchmark and would therefore provide expected returns equal to those of the market during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.
Excess Return - The difference between the returns of two portfolios. Usually excess return is the difference between a manager's return and the return of a benchmark for that manager. In the context of a beta benchmark, excess return refers to the difference between a manager or market benchmark and Tbills.

Down Capture Ratio: the ratio of the manager's overall performance to the benchmark's overall performance, considering only periods that are negative in the benchmark.

Excess Returns: represent the average quarterly total returns of the manager relative to its benchmark. A manager with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the manager's return.

Manager Style Graph: an attempt to depict how the manager's historical returns (not actual portfolio holdings) "track" a group of benchmarks. For example, Domestic Equity products will be presented versus Large and Small, Growth and Value benchmarks. If the R2 of the Style Benchmark is lower than 80%, then the attempt to measure the manager's style was problematic (this will often happen with non- diversified portfolios, or eclectic investment disciplines.)

Moving Window: multiple data calculations can be done within a single span of time. For example, in a 5 year period you can display five 1-year values with non-overlapping data, or you can display nine 3-year values by moving each 3-year "moving window" one quarter at a time. Each discrete time period, either overlapping or not, is referred to as a "moving window."

Return: A compounded and annualized rate of return.

R-Squared: (Correlation Squared) - A measure of how well two portfolios track each other. R-squared ranges between zero and 100%. An R-squared of 100% indicates perfect tracking, while an R-squared of zero indicates no tracking at all. R-squared is used in style analysis to determine how much information about a return series the style benchmark has been able to capture. The higher the R-squared, the better the benchmark.

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Sharpe Ratio: The Sharpe Ratio, developed by Professor William F. Sharpe, is a measure of reward per unit of risk -- the higher the Sharpe Ratio, the better. It is a portfolio's excess return over the risk-free rate divided by the portfolio's standard deviation. The portfolio's excess return is its geometric mean return minus the geometric mean return of the risk-free instrument (by default, t-bills).

Standard Deviation: quantifies the volatility associated with a given product. The statistic measures the quarterly variation in returns around the mean return.

Style Benchmark: the blended benchmark that best matches the manager's returns (lowest tracking error.)

Tracking Error: represents the Standard Deviation of the Excess Return and provides a historical measure of the variability of the manager's returns relative to its benchmark. **Up Capture Ratio:** measures the manager's overall performance to the benchmark's overall performance, considering only periods that are positive in the benchmark. **Universe:** a peer group of managed investment products with reasonably similar characteristics.

On 2/11/2016 4:26 PM, Danny wrote:

I spoke to an IRS tax attorney in Orlando and he said that i definitely should not be paying taxes on the pension. He also advised that the 1099r should be firm documentation as to stating taxable amount of 0 and should not have the to be determined because IRS code 104 (a) (1) clearly defines the benefit for disabled officers and Firefighters injured in the line of duty. He says he can amend my returns for 2012 2013 2014 and 2015 but using him will cost me about $1000 to do it with the way the 1099r's have been distributed. Their firm would have to defend me and the amendment if the 1099r's are not corrected. Which causes me even more financial harm that really should not be occurring.
I really just want to get my stuff correct and future returns in alignment which i know you understand. As i stated before i really appreciate your assistance.

On 2/11/2016 10:52 AM, Danny wrote:
Is there anyway i can get the attorney to complete a letter as to the statement that my disability is "in the line of duty" and is " Not Taxable". This may be supporting documentation i need to have with my amended taxes.

Thank you so much for you time and research on this issue

On 1/4/2016 6:06 PM, Kenneth R. Harrison wrote:

Chad/Karan

Based on the information provided, concerning participant Harler it is our opinion that his retirement date should not include the period when he was not a" full-time police officer of the city" from 2/2/09 to 10/26/09, and therefore that he not be required to pay the employee contributions that would have been made during such period. This is addressed in the definition of service provided in Section 54-122 and Section 54-125(a)(4) of the plan document as provided below. It is our opinion that section 5.11 of the civil service rules specifically applies to the benefits provided under the civil service rules and defers to the pension ordinance on pension issues. Our opinion is that Mr. Harler was not a full-time police officer of the city and therefore not entitled to earn service credit in the plan during said period. A formal opinion letter will follow.

Civil Service Rules

5.11 Reinstatement and Re-employment

For determining any benefits under the provisions of these Civil Service Rules and Regulations, an employee's length of service will be computed in completed calendar months from his/her last date of employment with the City. However, should an employee be re-employed within one (1) year of separation from service with the City, other than as a result of retirement from another position with the City, that employee may make application to the City Council to have previous years of service reinstated. Such application can only be made after the employee has completed two (2) years of service from the most recent date of employment. Should this request be approved, the previous years of service shall be credited for annual leave accrual purposes and other provisions of the Civil Service Rules and Regulations which may have application concerning length of service. Specifically excluded from this provision are retirement benefits as provided for in the City of Port Orange Code of Ordinances.

Sec. 54-122. - Definitions.

Service means years and completed months of full-time employment as a police officer of the city, commencing on the date of hire, during which a person contributes to the plan and for which the person is paid, or entitled to payment, by the city:

(1) For the performance of duties;

(2) For reasons other than the performance of duties, including vacations, holidays, temporary disability, illness, jury duty, military duty, administrative leave, paid leave or approved leave of absence; or

(3) As the result of back pay being awarded, or agreed to, by the city, irrespective of mitigation of damages.

Service includes time spent in the military service of the United States or United States Merchant Marine by a police officer on leave of absence; provided that the police officer must have reentered the city's police service within one year of the date of release from service and is entitled to reemployment under the provisions of the Uniformed Services Employment and Reemployment Rights Act. The amount of service shall be ascertained from the most accurate records available, including records of hours, work shifts, days or weeks for which payment is made or owing, as reported to the board of trustees. Service shall be credited for each year for which duties were performed, or, if no duties were performed, then during the year for which the payment relates.

Sec. 54-125. - Loss of credits.

(a) *Breaks in service.* A break in service shall occur when a participant is no longer employed by the city as a full-time police officer. A break in service shall not occur if the participant is not employed due to the participant:

(1) Entering into the armed forces of the United States or the United States merchant marine on leave of absence, provided the person is entitled to reemployment under the provisions of the Uniformed Services Employment and Reemployment Rights Act and returns to work in the police service of the city within one year of discharge, or within one year of discharge from a hospital, if the person was hospitalized at the time of separation from the armed forces;

(2) Being absent from work due to maternity or paternity leave as provided in section 54-122, or due to unpaid leave of absence approved by the city;

(3) Becoming temporarily totally disabled or receiving a disability benefit from the plan; or

(4) Terminating employment as a full-time city police officer and subsequently becoming reemployed as a full-time city police officer,

provided that the employee did not receive a refund of the employee's accumulated contributions.

(b) *Refund of contributions.* A participant who is not vested and suffers a break in service shall be entitled to a refund of the participant's accumulated contributions without interest.

(c) *Reentry into pension plan.*

(1) A person who has been paid a refund of accumulated contributions and subsequently earns any vesting credits under the pension plan may repay to the pension plan the accumulated contributions previously received, plus interest on that amount at the actuarially equivalent interest rate, compounded annually, or such other amount as prescribed in section 411(c)(2)(d) of the Internal Revenue Code. Repayment of previously refunded accumulated contributions, plus interest, must be made within six months following re-employment as a full-time city police officer.

(2) Upon timely repayment of the refunded accumulated contribution, plus interest, the participant shall receive full credit under the plan for the relevant period of service.

(Ord. No. 1993-43, § 5, 9-28-93; Ord. No. 1999-60, § 2, 1-18-00)