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

Port Orange Police Department
Police Department Training Room
4545 Clyde Morris Blvd.
Port Orange FL 32129
Friday, May 20, 2016
2:00 p.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 February 19, 2016

4. **OFFICER AND TRUSTEE REPORTS**

5. **CONSENT AGENDA**
   A. Ratify plan expenditures as follows:
      1. Sugarman & Susskind – monthly retainer for February 2016 - $2,300;
      2. Sugarman & Susskind – monthly retainer for March 2016 - $2,300;
      3. Sugarman & Susskind – monthly retainer for April 2016 - $2,300;
      4. Plan Administrator Karan Rounsavall – monthly fee (February 2016, March 2016, April 2016) - $7,200;
      5. James Moore, CPA – final billing for audit of 9/30/3015 financial statements - $2,500;
      6. Freiman Little Actuaries – contractual actuarial services through February 11, 2016 including actuarial valuation, annual report, benefit statements, GASB supplements, benefit calculations, etc. - $22,000;
      7. Freiman Little Actuaries – supplemental actuarial services through February 11, 2016 including COLA calculations and impact statements - $2,000;
      8. Warren Carman – reimbursement of travel expenses for FPPTA winter school in Orlando - $104.84;

9. Drew Bastian – reimbursement of travel expenses for FPPTA winter school in Orlando - $130.84
10. Graystone Consulting – Tampa – all-inclusive investment fees (January 1, 2016 through March 31, 2016) - $74,634.85.

B. Acknowledge refund of member contributions to the following non-vested members:
1. Althea Kennedy (non-vested member) in the amount of $2,859.65;
2. Bryan Spears (non-vested member) in the amount of $11,971.90;
3. John Mulligan (non-vested member) in the amount of $13,310.59.

6. OLD BUSINESS

A. Status of proposed ordinances: (1) providing an installment payment option for the purchase of prior military or law enforcement service; and (2) clarifying the context of *"year"* in the definition of average final compensation to mean plan (fiscal) year.

7. NEW BUSINESS

A. Acknowledge legal opinion on pre-retirement death benefits payable to beneficiaries of active and terminated vested members.

B. Acknowledge receipt of deferred vested calculation for Christopher Ganem.

C. Approve form letter to be sent to terminated vested members with their deferred vested calculation.

D. Ratify early retirement benefits for George Oliveira as of April 1, 2016 (100% Joint & Survivor Annuity)

E. Renewal of fiduciary liability insurance policy with Markel American Insurance Company through Ullico Casualty Group.

F. Periodic review of professional service provider agreements.

8. CONSULTANT REPORTS

A. Charles Mulfinger – *Graystone/Morgan Stanley Wealth Management* (Investment Consultant)
1. Performance Report for quarter ended March 31, 2016
2. Notice that Private Advisors (Hedge Fund) was closing its Stable Value Fund as of June 30, 2016
3. Asset Allocation Study and discussion on hedge fund investment alternatives.

B. Chad Little – *Freiman Little Actuaries, LLC* (Plan Actuary)
1. Review of benefit calculation method using fiscal year approach.

C. Ken Harrison – *Sugarman & Susskind* (Attorney)
1. Report on Internal Revenue Service regulations relating to normal retirement age

D. Karan Rounsavall – Plan Administrator
1. Educational Opportunity: Florida Public Pension Trustees' Association (FPPTA) Annual Conference in Orlando (June 26 – 29, 2016)
2. Authorize trustee/plan administrator to cast ballot for FPPTA board of directors election at annual conference
3. Annual Financial Disclosure filing deadline (July 1, 2016)

10. PUBLIC COMMENT

11. ADJOURNMENT

CITY OF PORT ORANGE
POLICE OFFICERS' PENSION BOARD
FEBRUARY 19, 2016

The Port Orange Police Officers' Pension Board of Trustees held its quarterly meeting on Friday, February 19, 2016 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)
Brian Cobb (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 9:01 a.m. A quorum was in attendance. Board members welcomed Brian Cobb, new resident member, who filled the vacancy created by the resignation of Trustee Todd Traster in early January.

APPROVAL OF MINUTES

Member Bastian moved to approve minutes of quarterly meeting November 20, 2015 as submitted. Member Proctor seconded the motion and it carried unanimously.

OFFICER AND TRUSTEE REPORTS - *None*

CONSENT AGENDA

The following items were presented for action as recommended:

A. Approve plan expenditures as follows:
   1. Sugarman & Susskind – monthly retainer for November 2015 - $2,000. *Recommendation:* Ratify payment.
   2. Sugarman & Susskind – monthly retainer for December 2015 - $2,300. *Recommendation:* Ratify payment.
   3. Sugarman & Susskind – monthly retainer for January 2016 - $2,300. *Recommendation:* Ratify payment.
   4. Plan Administrator Karan Rounsavall – monthly fee (November 2015, December 2015, January 2016) - $7,200. *Recommendation:* Ratify payments.
   5. James Moore, CPA – progress billing for audit of 9/30/2015 financial statements through December 2015 - $4,500. *Recommendation*: Ratify payment.
   6. James Moore, CPA – progress billing for audit of 9/30/2015 financial statements through January 2016 - $3,000. *Recommendation*: Ratify payment.

7. Florida Public Pension Trustees Association (FPPTA) – 2016 annual dues - $600. _Recommendation:_ Ratify payment.
8. Florida Public Pension Trustees Association (FPPTA) – Registration for winter trustees school for Drew Bastian and Warren Carman - $900. _Recommendation:_ Ratify payment.
9. Hilton Orlando – lodging expenses for trustees to attend FPPTA winter school - $1,100. _Recommendation:_ Ratify payment.
10. Florida Public Pension Trustees Association (FPPTA) – registration fee for Certified Public Pension Trustee Program for Warren Carman - $900. _Recommendation:_ Ratify payment.
11. Warren Carman – reimbursement of travel expenses for attendance at State's Pension Trustee Conference in Orlando - $409.04. _Recommendation:_ Ratify payment.
12. Graystone Consulting – Tampa – all-inclusive investment fees (October 1, 2015 through December 31, 2015) - $62,222.16. _Recommendation:_ Ratify payment.

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. _Recommendation:_ Ratify refund as stated.
2. Ray Chan (non-vested member) in the amount of $14,376.71. _Recommendation:_ Ratify refund as stated.

C. Acknowledge distribution of DROP account balance for John Jakovenko as of February 1, 2016. _Recommendation:_ Ratify distribution of DROP account balance to Retiree John Jakovenko.

Member Carman moved to approve all consent agenda items as recommended. Member Proctor seconded the motion and it carried unanimously.

CONSULTANT REPORTS

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

1. Presentation of annual actuarial valuation for fiscal year ending September 30, 2015

Actuary Little distributed the October 1, 2015 Actuarial Valuation Report for the Port Orange Police Officers' Pension Plan. This report established the annual City contribution to the Pension Plan for the fiscal year ending September 30, 2017. The City's minimum required contribution, expressed as a percentage of payroll, was 66.03 percent; expressed as a dollar amount, the cost was $3,217,965 (city and state contributions combined). The cost decreased from the previous year when expressed as a percentage of payroll but increased as a dollar amount. Mr. Little stressed that the Pension Plan was not *underfunded* as the City of Port Orange had always made its required contribution and in some years contributed more than required in order to pay down the unfunded liability. The Plan's funded status was 65.30 percent, representing a small increase over the previous year's funded percentage of 63.97 percent.

The investment return on the "market" value of assets was a negative (0.1) percent; the return on the "actuarial/smoothed" value of assets (five-year smooth) was 7.0 percent which was less than the 7.65 percent assumed net investment rate of return. Mr. Little noted that asset values were smoothed over a five-year period to reduce year-to-year volatility. Over the past ten years, the average market value return on assets was 5.4 percent. Investment returns less than the assumed rate of return resulted in increased annual minimum required contributions in the future.

The unfunded accrued liability (UAL) was $15,573,818. Effective with this valuation, the UAL was amortized over a 25-year period. The Plan used the RP-2000 Combined Mortality Table with Scale AA, however as of the October 1, 2016 valuation, the Plan needed to utilize the same mortality table used by Florida Retirement System.

The valuation report also included required disclosures under *Florida Statutes* 112.664(1). Report disclosures required by Governmental Accounting Standards Board (GASB) 67 and 68 were provided as a supplemental report.

Member Proctor moved to approve the 2015 actuarial valuation report as presented. Member Bastian seconded the motion and it carried unanimously. Plan Administrator Rounsavall would submit the approved valuation to the State Division of Retirement.

At this time the Board recognized Citizen Ted Noftall who questioned the City's overpayment of $1.1 million into the pension fund and wondered if this was to mask underlying problems. Actuary Little advised that excess contributions were used to pay down the unfunded liability; this was money that would be contributed to the fund eventually.

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*

Board members sought input from their actuary and investment professional as to an expected investment rate of return going forward. Actuary Little was comfortable with the current 7.65 percent expected investment rate of return. Mr. Mulfinger felt that 7.65 percent was an acceptable rate of return but questioned whether or not it could be achieved over the next five years given the current low interest rate environment for fixed income investments. He favored lowering the rate of return assumption over time.

Per the Board's previous direction (September 3, 2016), the actuary would prepare the 2016 valuation using 7.55 percent as the assumed annual rate of return.

Member Bastian moved to declare a 7.65 percent expected rate of return for retirement plan assets going forward. Member Cobb seconded the motion and it carried on an all yes vote.

B. Zach Chalifour – *James Moore CPA* (Auditor)

A. Presentation of draft audit of Port Orange Police Pension Fund financials for fiscal year ended September 30, 2015

Mr. Chalifour presented the audit which was complete pending inclusion of schedules from the now approved annual actuarial valuation. This was the second year that his firm had performed the audit for the Police Pension Fund and observed continued improvement in operations and attention to detail. At this time, his firm presented an *"unmodified opinion"* of police pension financials for Fiscal Year 2014/2015 which was the highest standard.

The audit was performed in conformance with governmental auditing standards. Mr. Chalifour advised that $3.4 million of "new" money came into the plan. There was a "net" investment loss for the fiscal year given investment-related expenses of $241,340. He also noted that there were four substantial DROP payouts during the year.

Plan Administrator Rounsavall asked Mr. Chalifour to provide a breakout of administrative expenses for her use in preparing the detailed accounting report for the State. Mr. Chalifour agreed to do this.

The audit report also presented recommendations and comments for improving the Plan's efficiency and internal controls. In the previous year's audit, there were eight such comments/recommendations; four of these comments were satisfactorily addressed during the past year (to-wit: benefit election form, definition of year as *"plan"* year, periodic review of service providers, and treatment of after-tax participant contributions). Mr. Chalifour was pleased with the substantial progress made along this line. Four repeat comments remained as follows:

<u>2015-01 Preparation of Financial Statements</u>

This was a standard comment for smaller agencies and a recommendation to engage the services of accounting firms to draft financial statements should be considered from a cost/benefit standpoint. The General Employees' Pension Plan received a similar comment. This was not a major concern.

<u>2015-02 Document Retention and Retiree Files</u>

Mr. Chalifour noted that files for ten retirees still could not be located, thus initial payment amounts could not be verified. The missing files were for participants who had retired many years earlier (prior to 2000).

<u>2015-03 Creation and Maintenance of Policy Manual</u>

The audit noted that the Pension Plan continued to actively set policies/procedures through formal board action. Mr. Chalifour recommended that these policies be summarized in a manual and reviewed on an annual basis. Plan Administrator Rounsavall noted that this was a work in progress.

<u>2015-04 Monthly Financial Statement Review</u>

Again, this comment should be considered from a cost/benefit standpoint and was not a major concern at this time.

Member Bastian moved to accept the audit report for the fiscal year ended September 30, 2015 as presented. Member Carman seconded the motion and it carried unanimously.

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

1. Performance Report for quarter ended December 31, 2015

Mr. Owens delivered a brief economic overview adding that markets had been difficult since the end of the quarter. Recent volatility was triggered by macroeconomic and geopolitical concerns including China's devaluation of its currency and falling oil prices. For the quarter ended December 31, 2015, growth stocks outperformed value stocks in both large and small capitalization categories. While most sectors were positive, energy stocks were clearly the laggard. Large capitalization stocks outperformed small, particularly Facebook, Amazon, Net-Flix, and Google (FANG). In the fixed income category, high yield bonds underperformed but high quality issues held their own and would protect the portfolio if the economy took a downturn. Graystone predicted very slow economic growth but did not believe that the markets were headed toward a global recession. Graystone produced lower returns with less risk but had added value over time.

Mr. Mulfinger continued with a review of the Investment Performance Report for the first quarter of Fiscal Year 2015/2016. The Fund was up 2.52 percent on a time-weighted basis (net of fees) which trailed the policy index which was up 3.10 percent. Total market value as of December 31, 2015 was $28,307,776.84 representing a gain of $756,737.91 (net of fees) since the previous quarter ended September 30, 2015. The trailing one-year return was positive 1.03 percent (net of fees) which slightly exceeded the policy index return of a positive 1.00 percent but fell short of the 7.65 percent assumed actuarial investment rate of return. As of February 16, 2016 the market value of the fund was $26,656,720 (a <u>loss</u> of 2.7 percent since September 30, 2015).

Quarterly performance results (gross of fees for quarter ending December 31, 2015) for the various investment styles/managers represented in the portfolio were as follows:

BlackRock (large cap value) – positive return of 7.42%*
Jennison (large cap growth) – positive return of 8.75%*
Wedgewood (large cap growth) – positive return of 2.56%
Connors (large cap core) – positive return of 5.13%
GW Capital (small cap value) - positive return of 2.17%
RBC (small cap growth) – positive return of 4.81%*
Lazard (international value) – positive return of 3.84%
Renaissance (international growth) - positive return of 6.11%*
Madison Investment Advisors (fixed income) – negative return of (0.39%)*
Pine Grove (alternative investments – hedge fund) – negative return of (1.57%)
Private Advisors (alternative investments – hedge fund) – negative return of (2.01%)
UBS (private real estate) – positive return of 3.01%*
* These managers <u>beat</u> their respective fund index.

Total fees paid to Graystone Consulting for the quarter were $62,222.16 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." He commented specifically on the drastic underperformance of Connors (large cap core), noting that they were a contrarian manager whose performance should rebound when the energy sector improved. There was no need to rebalance the portfolio at this time.

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

2. Small and Mid-Capitalization Value Investment Manager Search

Mr. Mulfinger and Mr. Owens discussed the fact that GW Capital (the Pension Fund's small cap value manager) was closing its investment firm as of March 31, 2016. It was unusual for a firm with sizeable assets under management to close its operations; nonetheless, it created the need to hire a new manager along this particular investment style. Mr. Owens recommended that the Pension Board consider a small/mid-capitalization value manager to replace GW Capital; Graystone vetted several investment managers in this style.

Board members were in receipt of a comprehensive investment manager search analysis prepared by Graystone Consulting along with a summary sheet comparing fees, returns, risk and other considerations.

Following brief discussion, Member Cobb moved to select Boston Partners for its small/mid-capitalization value investment manager to replace GW Capital. Member Bastian seconded the motion and it carried unanimously.

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

Attorney Harrison gave a brief legislative update. No bills were introduced during the session that affected local law plans at the present time.

Attorney Watkins reported on new Internal Revenue Service rulings which involved in-service distributions and normal retirement age. As the Port Orange Police Pension Plan did not allow in-service distributions, it was unaffected by these rulings.

E. Karan Rounsavall – Plan Administrator

1. Discuss action plan related to non-taxable contributions made by retired members

Plan Administrator Rounsavall recently met with Zach Chalifour (auditor) and Jamie Miller (Port Orange Budget Analyst and former Payroll Coordinator) concerning the treatment of after-tax contributions made by plan participants/retirees. Prior to October 1, 1993, deductions for contributions to the pension plan were made on an after-tax basis. Subsequent to that date, contributions were deducted on a pre-tax basis. Thus, any participant that was hired prior to October 1, 1993 made contributions to their pension plan that was already taxed. Pursuant to Internal Revenue Code guidance, it was appropriate to determine what portion of a retiree's monthly benefit was non-taxable based on the total after-tax contributions made prior to October 1, 1993.

This non-taxable calculation was performed for a number of current retirees, however, the plan administrator's review of retiree files revealed that there were several others for whom the calculation was never performed. Further, of those calculations that were performed, many were incorrect and, in fact, overstated because they were based on total contributions which clearly represented more than just after-tax contributions. Unfortunately, the City only had payroll records that captured after-tax contributions made by participants from January 1, 1990 through October 1, 1993. Both Mr. Chalifour and Ms. Miller agreed that there were inconsistencies and overstated non-taxable calculations for a number of current retirees. However, there were no records available at this time to determine the correct non-taxable benefit.

Plan Administrator Rounsavall proposed a three-part action plan supported by the auditor and budget analyst as follows:

(1) Acknowledge inconsistencies and likely overages in reported after-tax contributions for some current retirees and thus a higher non-taxable portion of their total monthly benefit;

(2) Proceed with actuarial calculation of non-taxable portion of monthly benefit for those retirees with after-tax contributions between 1990 and 1993 for which reliable and verifiable data was available; and

(3) Prepare correspondence to retirees who purchased prior service (military or law enforcement) to advise that their contributions paid to the pension plan for this purchase might be non-taxable and to consult their tax advisor for further advice.

It was noted that none of these recommendations affected the overall pension plan as gross monthly distributions to retirees were unaffected.

Member Bastian moved to proceed with the action plan to address non-taxable contributions to the police pension plan as stated above. Member Carman seconded the motion and it carried unanimously.

2. Educational opportunity – Annual Police Officers' and Firefighters' Pension Trustee School in Tallahassee (May 16 – 18, 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.

OLD BUSINESS – None

NEW BUSINESS

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

Plan Administrator Rounsavall was contacted by one of the Pension Plan's disability retirees who was having difficulty with his federal income taxes and communication with the Internal Revenue Service because the coding on his 1099-R identified distributions as "taxable amount not determined." He requested a letter from the plan attorney to the effect that line-of-duty disability benefits were non-taxable distributions along with corrected 1099-R's for 2012, 2013, 2014, and 2015 to assist with his filing amended tax returns for those years.

Member Bastian moved to direct the attorney to prepare a letter advising that line-of-duty disability benefits were non-taxable distributions and to direct the plan administrator to contact First State Trust Company (fund custodian) for corrected 1099-R's for the stated prior years to reflect no taxable income. Member Carman seconded the motion and it carried on an all yes vote.

Going forward, Member Bastian moved that 1099-R coding for all line-of-duty disability retirees in the Port Orange Police Pension Plan be coded similarly and reflect no taxable income. Member Cobb seconded the motion and it carried on an all yes vote.

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

Board members were in receipt of Attorney Harrison's February 17, 2016 correspondence setting forth his legal opinion related to interruption in service and loss of vesting credits. Based on Sections 54-125 and 54-112 of the plan document, the attorney opined that a plan participant was not entitled to earn service credit in the Port Orange Police Pension Plan during any period that they were not actively employed and making contributions. There was no provision for the participant to subsequently make contributions to the plan for the period of interrupted service.

A break in service did not occur if a member left employment and kept his contributions in the plan and subsequently returned as a full-time employee. A participant would retain all accrued credited service prior to the interrupted service.

Member Proctor moved to accept the attorney's legal opinion as stated in the February 17, 2016 correspondence. Member Carman seconded the motion and it carried on an all yes vote.

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

Member Bastian moved to ratify early retirement benefits for Serena Besuden as of November 1, 2015 based on her selection of the Ten-Year Certain and Life Annuity which provided a monthly benefit of $1,773.25 based on her total credited service of 13.25 years. Member Cobb seconded the motion and it carried unanimously.

PUBLIC COMMENT - None

ADJOURNMENT

The meeting adjourned at 12:15 p.m.

____
Steve Braddock, Chairman

____
Karan Rounsavall, Plan Administrator

Subject: RE: Port Orange Police Pension Plan - proposed ordinances
From: "Rosen, Alan" <arosen@port-orange.org>
Date: 4/5/2016 12:01 PM
To: Karan Rounsavall <rounsavall@earthlink.net>, "Roberts, Margaret" <mroberts@port-orange.org>
CC: "DePina, Cindy" <cdepina@port-orange.org>

Karan,
I'm sorry I haven't responded. We discussed the proposed changes with our pension attorney and we believe the requested changes must be bargained. I am including Cindy DePina who will begin negotiating this contract shortly. It may be beneficial to let the PBA and PBA Lt. know that this is a change you think may be beneficial and we'll see if both parties mutually agree.
Thanks,
Alan

Ps., the new actuarial report should be online now.

-----Original Message-----
From: Karan Rounsavall [mailto:rounsavall@earthlink.net]
Sent: Monday, April 04, 2016 3:21 PM
To: Roberts, Margaret <mroberts@port-orange.org>; Rosen, Alan <arosen@port-orange.org>
Subject: Port Orange Police Pension Plan - proposed ordinances

Good Afternoon,
A little over a week ago I sent two proposed ordinances to your respective offices for review. Could you please advise of the status.
Thank you.

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Karan Rounsavall, Plan Administrator
321-537-6007

PLEASE NOTE: Florida has a very broad public records law. Most written communications to or from City of Port Orange officials and employees regarding public business are public records available to the public and media upon request. Your e-mail communications may be subject to public disclosure. Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public records request, do not send electronic mail to this entity. Instead, contact this office by phone or in writing. The views expressed in this message may not necessarily reflect those of the City of Port Orange. If you have received this message in error, please notify us immediately by replying to this message, and please delete it from your computer. Thank you.

Subject: Port Orange Police Pension Plan - Proposed Ordinance
From: Karan Rounsavall <rounsavall@earthlink.net>
Date: 3/25/2016 7:40 PM
To: Margaret Daly <mdaly@cityofrockledge.org>, "Fenwick, Robin" <rfenwick@port-orange.org>, "Carrizales, Heather" <hcarrizales@port-orange.org>, "Rosen, Alan" <arosen@port-orange.org>

Hello,
At its quarterly meeting on November 20, 2015, the Port Orange Police Pension Board unanimously voted to move forward with an ordinance providing an installment payment option for the purchase of prior law enforcement and/or military service, including forwarding same to city administration for its review and to city council for action. A copy of the proposed ordinance is attached. Specifically, the ordinances allows service purchases to be made in monthly installments over a period not to exceed the time being purchased including interest at the assumed investment rate of return. The ordinance currently provides for the purchase of qualifying service in lump sums or rollovers from a deferred compensation account. The ordinance was prepared by Ken Harrison of Sugarman & Susskind, the pension plan's legal counsel. Also attached is the actuary's statement of no impact to the cost of the plan.
Please review this ordinance and place it in line for consideration by the Port Orange City Council. Any questions, please give me a call.
Please advise when the ordinance will be scheduled for city council (first reading and public hearing) in order that I might timely advise the Division of Retirement.
Thank you.
P.S. If I have not sent the ordinance to the proper staff members, please advise and send on to these individuals. Thank you.

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Karan Rounsavall, Plan Administrator
321-537-6007

Attachments:

Impact Statement - Service Purchase (with attachments) 2016.pdf	41.3 KB
Installment Payments for Purchase of Past Service (2016).doc	66.5 KB

Subject: Port Orange Police Pension Plan - Proposed Ordinance
From: Karan Rounsavall <rounsavall@earthlink.net>
Date: 3/27/2016 7:24 PM
To: "Roberts, Margaret" <mroberts@port-orange.org>, "Fenwick, Robin" <rfenwick@port-orange.org>, "Carrizales, Heather" <hcarrizales@port-orange.org>, "Rosen, Alan" <arosen@port-orange.org>

Hello,
At its quarterly meeting on September 3, 2016, the Port Orange Police Pension Board directed its attorney to draft an ordinance clarifying the context of "year" in the definition of average final compensation to mean plan (fiscal) year. In the past, retiree benefit calculations had been based on varying 12-month time periods (i.e. calendar year, fiscal year, preceding year relative to retirement date). The intent of the ordinance is to avoid such inconsistencies in the future and to ensure accurate calculations and consistent treatment of all participants. Payroll records, annual reports to the state, and actuarial valuations are already prepared on the basis of fiscal years. The ordinance was prepared by Ken Harrison of Sugarman & Susskind, the pension plan's legal counsel. Also attached is the actuary's statement of no impact to the cost of the plan.
Please review this ordinance and place it in line for consideration by the Port Orange City Council. Any questions, please give me a call.
Please advise when the ordinance will be scheduled for city council (first reading and public hearing) in order that I might timely advise the Division of Retirement.
Thank you.
P.S. If I have not sent the ordinance to the proper staff members, please advise and send on to these individuals. Thank you.

--
Karan Rounsavall, Plan Administrator
321-537-6007

Attachments:

Average Final Compensation - Plan Year Clarification (DRAFT).doc	59.5 KB
20150930 Police Impact Statement - Average Final Compensation.pdf	37.6 KB

Subject: Re: Port Orange Police Pension Plan - Survivor Benefits
From: Karan Rounsavall <rounsavall@earthlink.net>
Date: 4/30/2016 12:17 AM
To: "Kenneth R. Harrison" <kharrison@sugarmansusskind.com>
CC: Dustin Watkins <DWatkins@sugarmansusskind.com>, Jessica De la Torre Vila <jess@sugarmansusskind.com>, Chad Little - Actuary <chad@flactuaries.com>

Thank you Ken for addressing my question.
As I understand it then, the only available form of benefit to the survivor/beneficiary is ten-year certain and life commencing on normal retirement date or an immediate benefit (actuarial equivalent) payable on the first of the month following participant's death (i.e. no other intervening date)...
And the benefit would only be payable to the survivor for ten years and would cease after 120 payments.
If this is a correct understanding, please confirm.
I will include the response in Port Orange Police legal opinions and incorporate same into standard letter to terminated vested members and present to board at its May meeting.
Thanks.
Karan

On 4/29/2016 6:18 PM, Kenneth R. Harrison wrote:

Karan
Dustin and I discussed your question and are of the opinion that section 54-132 of the plan addresses the issue

Sec. 54-132. - Pre-retirement survivor benefits.

Any participant, whether or not still in active employment, who has a nonforfeitable (vested) right to any portion of the accrued benefit, and who dies prior to the commencement of benefits, shall have a survivor benefit payable on his behalf. The survivor benefit shall be payable to the participant's designated beneficiary. The amount of the survivor benefit shall be either:

(1) The benefits which were otherwise payable to the police officer had he survived and shall be payable upon the date the participant would have reached normal retirement age; or

(2) A monthly benefit which is the actuarial equivalent of such benefit which shall be payable upon the first day of the month following the participant's death, as elected by the designated beneficiary.

(3) In the event a member dies on or after January 1, 2007, while performing USERRA qualified military service, the beneficiaries of the member are entitled to any benefits (other than benefit accruals relating to the period of military service) as if the member had resumed employment and then died while employed.

This section addresses "any participant, whether or not in active employment" (vested terminated participant) having a vested right to an accrued benefit, who dies prior to actual benefit beginning
and provides two options for the beneficiary,:

Vested deferred benefit due participant commencing on the date the participant would have become eligible to begin receiving the benefit, or

An immediate benefit that shall be actuarial equivalent to the above stated benefit.

As there is no option to make an election of an optional benefit; only the standard benefit (10 year certain) is available

Let us know if you have further questions on this matter.

-----Original Message-----
From: Karan Rounsavall [mailto:rounsavall@earthlink.net]
Sent: Tuesday, April 26, 2016 3:04 PM
To: Kenneth R. Harrison <kharrison@sugarmansusskind.com>; Dustin Watkins <DWatkins@sugarmansusskind.com>; Jessica De la Torre Vila <jess@sugarmansusskind.com>
Subject: Port Orange Police Pension Plan - Survivor Benefits

Ken,
Good Afternoon. Chad and I have been working on terminated vested benefit calculations. Once they are complete, I will send them to the participant with a cover letter. One of the things that I like to advise in the transmittal letter is what one's beneficiary will receive in the event of the participant's death before reaching retirement age (e.g.
when does the beneficiary become eligible to receive benefits (immediately or at normal retirement age) and what form of benefit (does the survivor get to select).
Also, I have some other time sensitive news to share as it relates to Port Orange.
Please give me a call at your convenience.
Thanks.
Karan

--
Karan Rounsavall, Plan Administrator
321-537-6007

--
Karan Rounsavall, Plan Administrator
321-537-6007

VIA E-MAIL AND MAIL

Date….., 2016

Terminated Vested Member
Address
Address

Dear Terminated Vested Member

Enclosed are two copies of your *Notification of Deferred Vested Retirement Benefits* as prepared by Freiman Little Actuaries, the Pension Board's actuary. This document reflects your accrued retirement benefit as of your final pay. At its quarterly meeting on _______, 2016, the Port Orange Police Officers' Pension Board formally acknowledged receipt of your deferred vested benefit calculation. Please sign both copies of the *Notice* and return one copy to the undersigned in the enclosed envelope.

The *Notification of Deferred Vested Benefits* advises that you are entitled to a monthly benefit of $______ as of Date____ 1, 20xx (your normal retirement date). The benefit shown is the Plan's normal form of benefit, commonly called a *Ten-Year Certain and Life Annuity.* The bottom of the *Notice* lists all of the various options that will be available to you upon reaching normal or early retirement age and may be prepared using joint annuitant information at your request. At this time, this *Notice* is for informational purposes as you are unable to select an optional form of benefit until reaching retirement age. Please keep it with your important papers.

At such time as you are eligible and elect to receive monthly retirement benefits (either upon your normal retirement date or an early retirement date), please contact the Port Orange Police Officers' Pension Plan to discuss the application process. At that time, you may wish to designate a joint annuitant and the Pension Plan will prepare revised calculations using your joint annuitant information. If you elect to take an early retirement option, the benefit amount shown on the *Notice* will be revised to reflect the early retirement reduction per pension plan provisions.

In the unfortunate event that you should pass away before reaching retirement age and receiving benefits, your beneficiary will receive a monthly annuity of $_______ for a period of ten years commencing on your normal retirement date (Date____ 1, 20xx). Your beneficiary may also opt to receive an immediate benefit payable on the first of the month following death. Should an immediate benefit be selected, it will be reduced to reflect actuarial equivalency. The benefit under either option is payable to your beneficiary for ten years and ceases after 120 payments. *Be sure to keep your beneficiary designation up to date.*

As a terminated vested member of the Port Orange Police Officers' Pension Plan, please keep me apprised of your current address and contact information. If you have any questions or concerns regarding your retirement benefits, please feel free to contact me at 321-537-6007 or rounsavall@earthlink.net.

Sincerely,

Karan Rounsavall
Retirement Plan Administrator

enclosure

Subject: Port Orange Police Pension Plan - Fiduciary Insurance Renewal
From: Karan Rounsavall <rounsavall@earthlink.net>
Date: 5/11/2016 9:15 AM
To: Sandie Kyser <sandie@umi91.com>

Sandie, Good Morning!
Attached is the competed fiduciary liability insurance renewal application for the Port Orange Police Officers' Pension Plan. Please advise if it is sufficient for you to obtain a premium quote for renewal for 2016/2017.
The value of the pension fund as of December 31, 2015 was $28,307,776.
The following documents are attached per your request:
1. Audited financial statements (CAFR) for the City of Port Orange for the fiscal year ended 9/30/2015.
2. 2015 Actuarial Valuation.
3. Audited financials for the Port Orange Police Pension Plan for the fiscal year ended 9/30/2015 which was accepted and approved on February 19, 2016.
4. Current trustees on the Port Orange Police Pension Board:
Steve Braddock, Chairman
William Proctor, Secretary
Warren Carman
Drew Bastian
Brian Cobb

Please provide a renewal quote for the ensuing year (05/31/2016 through 05/31/2017) with liability limits in the amount of $1,000,000, an administrator endorsement, and waiver of recourse coverage.
Please advise if you need any further information at this time. I will present fiduciary insurance renewal as an agenda item at the Board's quarterly meeting on May 20, 2016. Please let me have your quote as quickly as possible.
Any questions, etc., please call me. And please acknowledge receipt.
Karan Rounsavall, Plan Administrator
321-537-6007

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Karan Rounsavall, Plan Administrator
321-537-6007

Attachments:

2015 Valuation (Approved - Feb 19, 2016).pdf	284 KB
2015 Financial Statements FINAL.pdf	106 KB
Port Orange CAFR 2015.pdf	2.6 MB

MEMORANDUM

May 12, 2016

TO: Port Orange Police Officers' Pension Board

FROM: Karan Rounsavall, Plan Administrator Karan Rounsavall

SUBJECT: Periodic Review of Professional Service Provider Agreements

At its February 20, 2015 quarterly meeting, the Port Orange Police Pension Board adopted a policy providing for the periodic review of professional service provider agreements. The review policy is set out below:

REVIEW POLICY

The Port Orange Police Officers' Pension Board of Trustees shall routinely review all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein.

The Port Orange Police Officers' Pension Board of Trustees shall conduct a review of one professional service provider agreement each year based on the date of original execution with the oldest professional relationship being the first agreement subject to review.

The Port Orange Police Officers' Pension Board of Trustees may, in its sole discretion at that time, continue with that service provider, solicit bids or issue a request for proposal (RFP) for the professional services under review.

Attached is a listing of professional service providers and agreement execution dates.

/attachment

CITY OF PORT ORANGE POLICE PENSION FUND

POLICY STATEMENT

PERIODIC REVIEW OF PROFESSIONAL SERVICE PROVIDER AGREEMENTS

WHEREAS, Section 54-134(d) and (e) of the City of Port Orange Police Pension Fund (plan document), as restated in the *City of Port Orange Code of Ordinances,* vests the City of Port Orange Police Pension Fund Board of Trustees with the authority to adopt bylaws, rules and regulations for the administration of the Pension Plan; and

WHEREAS, the City of Port Orange Police Pension Fund Board of Trustees ("Board of Trustees") regularly retains professional service providers to assist in the administration and operation of the Pension Plan/Fund; and

WHEREAS, the City of Port Orange Police Pension Fund Board of Trustees believes it to be in the best interest of the participants and beneficiaries of the Pension Plan/Fund to routinely review all professional service provider agreements; and

WHEREAS, the City of Port Orange Police Pension Fund Board of Trustees desires to adopt a Policy Statement regarding the routine review of professional service provider agreements.

NOW, THEREFORE, it is hereby resolved this 20th day of February, 2015 that the following Policy Statement regarding the routine review of professional service provider agreements is hereby adopted.

GENERAL CONSIDERATIONS

A. The Board of Trustees is vested with the authority and responsibility to administer the operation of the Pension Plan/Fund.

B. The Board of Trustees has the authority to retain professional service providers to assist in such administration of the Pension Plan/Fund.

C. The Board of Trustees retains professional service providers to assist in the administration of Pension Plan/Fund operations, actuarial services, investment of Plan/Fund assets, monitoring/evaluating of such investment activities, custody of Pension Plan/Fund assets, legal services, etc.

REVIEW POLICY

A. The Board of Trustees shall routinely review all professional service provider agreements to determine appropriateness and timeliness of the terms contained therein.

B. The Board of Trustees shall conduct a review of one professional service provider agreement each year based on the date of original execution with the oldest professional relationship being the first agreement subject to review.

C. The Board of Trustees may, in its sole discretion at that time, continue with that service provider, solicit bids or issue a request for proposal (RFP) for the professional services under review.

D. Notwithstanding the foregoing, the Board of Trustees reserves its right to review and terminate any service provider contract at any time and in its sole discretion.

ADOPTED this 20th day of February, 2015, at a meeting of the Port Orange Police Officers' Pension Board of Trustees

City of Port Orange Police Pension Fund

By: Sgt. Steve Braddock
Sgt. Steve Braddock, Chairman

By: Lt. W. Proctor
Lt. William Proctor, Secretary

PORT ORANGE POLICE OFFICERS' PENSION PLAN
CONSULTANT LIST – AGREEMENT DATES

Company	Title	Contact	Agreement Dates
Freiman Little Actuaries	**Plan Actuary**	Chad Little Paula Freiman	November 10, 2006 (original agreement) August 22, 2014 (revised fee schedule guaranteed for three years through August 22, 2017)
Sugarman & Susskind	**Plan Attorney**	Ken Harrison Dustin Watkins	December 1, 2006 (original agreement) August 22, 2014 (revised monthly retainer fee to provide for annual increases for three years through October 31, 2017)
Graystone Consulting/ Morgan Stanley (all inclusive fee/WRAP arrangement)	**Investment Advisor**	Charles Mulfinger Tim Haugaard Scott Owens	October 1995 – plan assets transferred to Graystone Consulting November 16, 2012 (Institutional Services Agreement executed) November 20, 2015 (fee addendum effective January 1, 2016)
Karan Rounsavall	**Plan Administrator**	Karan Rounsavall	March 19, 2014 (fee guaranteed for one year through April 1, 2015) August 21, 2015 (fee guaranteed through May 1, 2017)
First State Trust	**Custodian Bank**	James Robinson	August 23, 2012 (Custodian's fees for services paid by Morgan Stanley Smith Barney as primary investment consultant and fiduciary of the plan.)
James Moore, Certified Public Accountants & Consultants	**Auditor**	Zach Chalifour	September 3, 2015 Agreement to audit financial statements of the pension plan for years ended 9/30/2015, 9/30/2016, and 9/30/2017

May 12, 2016

SUGARMAN & SUSSKIND
PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

Robert A. Sugarman♦
Howard S. Susskind
Kenneth R. Harrison, Sr.
D. Marcus Braswell, Jr.
Pedro A. Herrera
Noah Scott Warman♦
Ivelisse Berio LeBeau
Dustin L. Watkins
Michael Gillman

♦Board Certified Labor
& Employment Lawyer

100 Miracle Mile
Suite 300
Coral Gables, Florida 33134
(305) 529-2801
Broward 327-2878
Toll Free 1-800-329-2122
Facsimile (305) 447-8115

SPECIAL REPORT

March 2016

IRS Proposes Regulations relating to Normal Retirement Age

On January 27, 2016, the IRS issued proposed regulations that if finally adopted will clarify the rules relating to Normal Retirement Age as they apply to your pension plan.

Though the impact of the regulations may—for reasons explained below—be limited, the guidance is welcome, as it proposes to establish clear rules with respect to the application of Normal Retirement Age ("NRA") requirement to governmental plans.

As you are aware, pension plans are required to meet certain requirements under Section 401(a) of the Internal Revenue Code in order to be treated as a "Qualified Plan." Qualified plans are entitled to favorable tax treatment. Specifically, the workers are not taxed on the value of contributions paid on their behalf until they begin to receive benefits under the plan, the income of the fund, including investment earnings, is not subject to federal income tax, and workers' pension accounts and benefits are protected from creditors in personal bankruptcy.

The proposed regulations define the earliest age that a plan may establish as its NRA for the purpose of making in-service distributions. Simply put, an in-service distribution is when a pension plan member receives a pension and continues working when there has not been a "bona fide separation from service." The payment of in-service distributions is permissible under certain conditions but must be specifically allowed for in your pension plan. In our experience, the majority of our Florida municipal pension fund clients do not currently allow for in-service distributions.

Even if your plan does not permit in-service distributions, your NRA impacts other aspects of your plan. For example, a public safety retiree who retired at or after a safe harbor NRA can deduct up to $3,000 from taxable income if certain health insurance premiums are deducted by the pension plan and remitted directly to the insurer.

Accordingly a governmental plan that does <u>not</u> provide for in-service distributions or deduction of public safety retirees' health insurance premiums will <u>not</u> be required to comply with the new proposed regulations and there is no further action needed.

Governmental plans that <u>do</u> provide for in-service distributions or deduction of public safety retirees' health insurance premiums have several alternatives for compliance with the proposed regulations by being within the regulations' "safe harbors".

There are different safe harbors for public safety workers (i.e. police, correctional officers and firefighters) and for general workers.

<u>Non</u>-Public Safety worker Safe Harbors

- Age 60 and 5 years of service;
- Age 55 and 10 years of service;
- Combined age and years of service that total 80 or more ("Rule of 80"); and
- The earlier of the age at which the member reaches 25 years of service or the age at which any of the above safe harbors is satisfied ("25 + out").

Public Safety worker Safe Harbors

- Age of 50 or later
- Combined age and years of service of 70 or more "Rule of 70"); or
- Any age with 20 years of service ("20 + out").

The regulations are not final yet and are now subject to requests for comments and public hearing.

We will be reviewing your current plan to determine the extent to which in-service distributions or public safety health care deductions are permitted, whether your current NRA is consistent with the proposed regulations, and whether any plan amendments are necessary.

FPPTA 32nd Annual Conference

Hyatt Regency Orlando
June 26 – 29, 2016
DRAFT Agenda

Retirement Security…How Are We REALLY Doing?

Sunday, June 26th

8:00 AM	**Associates Charitable Golf Tournament**
12:00 – 5:00 PM	**Exhibit Hall Set Up**
3:00 – 5:00 PM	**Registration**
5:00 – 7:30 PM	**Welcome Gathering**

Monday, June 27th

8:30 – 9:00 AM	**Opening Ceremonies** *Welcome – Pete Prior, FPPTA Board of Directors Chairman* *Kim Ryals, FPPTA CEO* *FPPTA Board of Directors Election/Candidates* *FPPTA Awards & Recognitions*
9:00 – 10:00 AM	**FPPTA Keynote Speaker** *Jack Uldrich – Futurist*
10:00 – 10:45 AM	**MORNING BREAK**
10:45 – 11:15 AM	**State of AMERICAN RETIREMENT** *Diane Oakley, CEO, National Institute on Retirement Security*
11:20 – 11:50 AM	**Retirement on the Rocks** *Dr. Christian Weller, Center for American Progress*
11:55 – 12:30 PM	**Municipalities without DB Plans** *Leon "Rocky" Joyner, The Segal Company*
12:30 – 2:00 PM	**LUNCH** (on your own)
12:30 – 3:00 PM	**Administrators' Lunch & Round Table** (Administrators *only*, see separate registration form on www.fppta.org)
2:00 – 2:45 PM	Break – Out Session I – **Status of Public Pension Plans in 2016** *Robert C. North, Consulting Actuary, RCN FSA* Break – Out Session II – **Communicating with Our Constituency Groups** *Dan Kleman, Trustee, Port St. Lucie Police Officers Pension Fund* Break – Out Session III – **How Ethics Impacts Us All** *Dr. Michael McMillian, CFA Institute*

2:50 – 3:35 PM	Break – Out Session I – **Status of Public Pension Plans in 2016** *Robert C. North, Consulting Actuary, RCN FSA* Break – Out Session II – **Communicating with Our Constituency Groups** *Dan Kleman, Trustee, Port St. Lucie Police Officers Pension Fund* Break – Out Session III – **How Ethics Impacts Us All** *Dr. Michael McMillian, CFA Institute*
3:40 – 4:15 PM	**Afternoon Break/Daily Raffle Drawings/FPPTA Exhibit Hall**

Tuesday, June 28th

8:30 – 8:45 AM	**FPPTA Insight & Direction** *Kim Ryals, FPPTA CEO* *Peter Hapgood, FPPTA Education Consultant*
8:45 – 9:45 AM	**FPPTA News Hour (Suggestions)** Pension Plan 1 – **Communicating to Your Constituencies** Pension Plan 2 – **Palm Beach DB / DC Update** Pension Plan 3 – **RESPECT during Negotiations** Pension Plan 4 – **Funding Focus of Municipalities** Hosts: *Fred Nesbitt, FPPTA Media Consultant* *Susan Marden, FPPTA Public Relations Consultant*
9:50 – 10:20 AM	**FPPTA Trustee Panel** *Special Guest – Rich Grover, Pensacola Firefighters Pension Fund* *Special Guest – Warren West, Avon Park Firefighters Pension Fund* Host: *Peter C. Hapgood, FPPTA Education Consultant*
10:20 – 10:55 AM	**MORNING BREAK**
10:55 – 12:15 PM	**FPPTA Investment Forum Delegates** *Gilbert Garcia, Managing Partner, Garcia Hamilton &Associates* *Peter Palandjian, President & CEO, Intercontinental Real Estate Corporation* *Valerie Sill, President & CEO, DuPont Capital Management* *John Guinee, Managing Partner, Constitution Capital Partners* **FPPTA Investment Forum Moderators:** *Michael Spencer, FPPTA Education Committee* *David Puscher, Chairman, Vero Beach Police Officers Pension Fund* *Dave West, Partner, Bogdahn Group*
12:15 – 1:45 PM	**LUNCH** (on your own)
1:45 – 2:30 PM **(Break-Out Rooms)**	Break-Out Session I – **Measuring Liabilities** *Russ Kamp, Kamp Consulting Solutions* Break-Out Session II – **Cost of Benefits** *David Harris, Nyhart Company, Inc.*

	Break-Out Session III – **C + I = B + E**
	Brad Heinrich, Foster & Foster Consulting Actuaries
2:35 – 3:20 PM	Break-Out Session I – **Measuring Liabilities**
	Russ Kamp, Kamp Consulting Solutions
(Break-Out Rooms)	Break-Out Session II – **Cost of Benefits**
	David Harris, Nyhart Company, Inc.
	Break-Out Session III – **C + I = B + E**
	Brad Heinrich, Foster & Foster Consulting Actuaries
3:30 – 4:15 PM	**FPPTA Annual Membership Meeting / General Session Room**
4:15 PM	**Afternoon Break/Daily Raffle Drawings/General Session Room**

Wednesday, June 29th

7:30 –8:45 AM	**Annual CPPT Breakfast** (by invitation only)
9:00 – 10:15 AM	**Wednesday ... Special Keynote**
	Stephanie Decker - Inspiring Mom & Hero

Graystone Consulting

QUARTERLY PERFORMANCE SUMMARY

Prepared for:

Port Orange Municipal Police Officers' Retirement Plan

As of March 31, 2016

Graystone Consulting Tampa

Charles H. Mulfinger, II, CIMA®
Managing Director
Institutional Consulting Director

David A. Wheeler, CFP®, CIMA®
Senior Vice President
Senior Investment Management Consultant

Scott Owens, CFA®, CIMA®
Institutional Consultant

100 North Tampa Street, Suite 3000
Tampa, FL 33602
800-282-0655, ext. 2061 / 813-227-2061

Graystone Consulting

U.S. Equity Market % Returns for the Period Ending March 31, 2016	Quarter	12 Months	Three Years (annualized)	Five Years (annualized)	Seven Years (annualized)
S&P 500 Index	1.34	1.80	11.83	11.59	16.97
Dow Jones Industrial Average	2.20	2.08	9.29	10.27	15.79
Russell 1000 Index	1.17	0.50	11.52	11.35	17.15
Russell 1000 Growth Index	0.74	2.53	13.62	12.38	17.94
Russell 1000 Value Index	1.64	(1.55)	9.38	10.25	16.31
Russell 2000 Index	(1.52)	(9.76)	6.84	7.20	16.42
Russell 2000 Growth Index	(4.68)	(11.86)	7.91	7.70	17.23
Russell 2000 Value Index	1.70	(7.72)	5.73	6.66	15.54
Russell 3000 Index	0.97	(0.35)	11.15	11.02	17.10
Russell 3000 Growth Index	0.34	1.35	13.17	12.01	17.88
Russell 3000 Value Index	1.64	(2.05)	9.08	9.95	16.25
Russell Midcap Index	2.24	(4.05)	10.45	10.30	19.12
Russell Midcap Growth Index	0.58	(4.74)	11.00	10.00	18.72
Russell Midcap Value Index	3.92	(3.40)	9.88	10.51	19.47

Past Performance is not a guarantee of future results. Indices are not available for direct investment.
Source: MAX

S&P 500 Sector % Returns for the Period Ending March 31, 2016	Quarter
Telecommunication Services	16.60
Utilities	15.60
Industrials	5.00
Consumer Staples	5.60
Energy	4.00
Materials	3.60
Information Technology	2.60
Consumer Discretionary	1.60
Financials	(5.10)
Health Care	(5.50)

Past Performance is not a guarantee of future results. Indices are not available for direct investment.
Source: MAX

Graystone Consulting

Developed Markets Equity % Returns for the Period Ending March 31, 2016	U.S. Dollar		Local Currency	
	Quarter	12 Months	Quarter	12 Months
Regional and Other Multi Country Indices				
MSCI EAFE	(3.00)	(8.27)	(6.40)	(10.78)
MSCI Europe	(2.50)	(8.44)	(4.79)	(10.15)
MSCI Far East	(5.19)	(6.99)	(10.68)	(12.09)
MSCI Pacific ex. Japan	1.80	(9.65)	(2.08)	(10.11)
MSCI The World	(0.19)	(2.90)	(1.81)	(4.01)
MSCI World ex. U.S.	(1.95)	(8.43)	(5.66)	(10.56)
National Indices				
MSCI Hong Kong	(0.55)	(6.69)	(0.47)	(6.64)
MSCI Ireland	(3.92)	8.14	(8.41)	1.92
MSCI Japan	(6.38)	(6.75)	(12.52)	(12.61)
MSCI Singapore	5.06	(11.84)	(0.19)	(13.43)

Past Performance is not a guarantee of future results. Indices are not available for direct investment.
Source: MAX

Emerging Markets Equity % Returns for the Period Ending March 31, 2016	U.S. Dollar		Local Currency	
	Quarter	12 Months	Quarter	12 Months
Regional and Other Multi Country Indices				
MSCI EM	5.75	(11.70)	2.78	(7.36)
National Indices				
MSCI China	(4.80)	(18.66)	(4.73)	(18.61)
MSCI Malaysia	13.25	(7.99)	(4.73)	(18.61)
MSCI Taiwan	7.72	(7.74)	5.54	(5.10)
MSCI Thailand	17.04	(12.40)	14.42	(5.30)

Past Performance is not a guarantee of future results. Indices are not available for direct investment.
Source: MAX

Graystone Consulting

Fixed Income % Returns for the Period Ending March 31, 2016	Quarter	12 Months	Three Years (annualized)	Five Years (annualized)	10 Years (annualized)
U.S. Fixed Income					
90-Day Treasury Bill	0.06	0.08	0.05	0.06	0.99
Barclays Capital Aggregate	3.03	1.96	2.50	3.78	4.89
Barclays Capital Credit	3.92	0.93	2.86	5.00	5.71
Barclays Capital Govt/Credit	3.47	1.75	2.42	4.04	4.93
Barclays Capital Government	3.12	2.37	2.10	3.42	4.52
Barclays Capital High Yield	3.35	(3.70)	1.85	4.93	7.01
Barclays Capital Intermediate Govt/Credit	2.45	2.07	1.83	3.01	4.34
Barclays Capital Long Govt/Credit	7.30	0.38	4.79	8.49	7.57
Barclays Capital Mortgage Backed	1.98	2.43	2.70	3.24	4.85
Barclays Capital Municipal	1.67	3.98	3.63	5.59	4.86
Global Fixed Income					
Merrill Lynch Global High Yield	3.92	(0.75)	1.27	4.65	6.92
Barclays Global Treasury ex. U.S.	8.91	7.62	(0.08)	0.33	3.99
Barclays Capital Majors ex. U.S.	9.12	8.46	(0.06)	0.19	4.12

Past Performance is not a guarantee of future results. Indices are not available for direct investment.

Source: MAX

SUMMARY OF RELEVANT FACTS
Port Orange Municipal Police Officers' Retirement Plan
As of March 31, 2016

Distribution of Assets		
Equity		
-Lg. Cap. Value	$3,182,413.53	
-Lg. Cap. Growth	$3,145,057.53	
-Large Cap. Core	$2,979,798.12	
-Small Cap. Value	$1,684,234.66	
-Small Cap. Growth	$1,763,046.39	
-International Value	$1,350,620.72	
-International Growth	$1,416,157.64	
Total Equity		$15,521,328.59
Fixed		$7,758,746.39
Hedge Fund of Funds		$2,550,837.50
Private Real Estate		$2,138,282.67
Cash (Deposit/Disbursement Account)		$1,406.09
Total Portfolio		$27,970,601.24

Distribution by Percentages	Policy	Current
Equity Breakdown		
- Large Cap. Value	11.25%	11.38%
- Large Cap. Growth	11.25%	11.24%
- Large Cap. Core	10.00%	10.65%
- Small Cap Value	6.25%	6.02%
- Small Cap Growth	6.25%	6.30%
- International Value	5.00%	4.83%
- International Growth	5.00%	5.06%
Total Equity	55.00%	55.49%
Fixed Income	27.50%	27.74%
Hedge Fund of Funds	10.00%	9.12%
Private Real Estate	7.50%	7.64%
Cash (Deposit/Disbursement)	0.00%	0.01%
Total	100.00%	100.00%

UBS		
Total Assets	100.00%	$2,138,282.67
Equity	100.00%	$2,138,282.67
Cash	0.00%	$0.00
Fees		($9,235.65)
Gain or (Loss) - Gross-of-Fees		$43,473.41
Gain or (Loss) - Net-of-Fees		$34,237.76

DEPOSIT & DISBURSEMENT		
Total Assets	100.00%	$1,406.09
Equity	0.00%	$0.00
Cash	100.00%	$1,406.09
Fees		$0.00
Gain or (Loss) - Gross-of-Fees		$6.55
Gain or (Loss) - Net-of-Fees		$6.55

Other Important Facts:

Total Portfolio	$27,970,601.24
Total Gain or (Loss) - Gross-of-Fees	($287.72)
Total Gain or (Loss) - Net-of-Fees	($31,840.64)
Total Fees	($74,634.85)

BLACKROCK EQ. DIV.		
Total Assets	100.00%	$3,182,413.53
Equity	97.38%	$3,099,190.69
Cash	2.62%	$83,222.84
Fees		($8,784.15)
Gain or (Loss) - Gross-of-Fees		$19,552.39
Gain or (Loss) - Net-of-Fees		$10,768.24

JENNISON		
Total Assets	100.00%	$1,572,930.13
Equity	98.21%	$1,544,742.55
Cash	1.79%	$28,187.58
Fees		($4,639.36)
Gain or (Loss) - Gross-of-Fees		($95,678.34)
Gain or (Loss) - Net-of-Fees		($100,317.70)

WEDGEWOOD		
Total Assets	100.00%	$1,572,127.40
Equity	95.93%	$1,508,064.88
Cash	4.07%	$64,062.52
Fees		($4,337.00)
Gain or (Loss) - Gross-of-Fees		$11,699.36
Gain or (Loss) - Net-of-Fees		$7,362.36

CONNORS		
Total Assets	100.00%	$2,979,798.12
Equity	92.50%	$2,756,165.93
Cash	7.50%	$223,632.19
Fees		($6,457.10)
Gain or (Loss) - Gross-of-Fees		($17,632.26)
Gain or (Loss) - Net-of-Fees		($24,089.36)

BOSTON PARTNERS		
Total Assets	100.00%	$1,684,234.66
Equity	95.50%	$1,608,454.38
Cash	4.50%	$75,780.28
Fees		($5,252.66)
Gain or (Loss) - Gross-of-Fees		($20,188.24)
Gain or (Loss) - Net-of-Fees		($25,440.90)

MADISON		
Total Assets	100.00%	$7,758,746.39
Fixed	96.33%	$7,473,900.73
Cash	3.67%	$284,845.66
Fees		($18,788.91)
Gain or (Loss) - Gross-of-Fees		$130,677.86
Gain or (Loss) - Net-of-Fees		$111,888.95

RBC		
Total Assets	100.00%	$1,763,046.39
Equity	96.54%	$1,702,008.93
Cash	3.46%	$61,037.46
Fees		($5,333.81)
Gain or (Loss) - Gross-of-Fees		$2,229.04
Gain or (Loss) - Net-of-Fees		($3,104.77)

LAZARD		
Total Assets	100.00%	$1,350,620.72
Equity	97.06%	$1,310,933.41
Cash	2.94%	$39,687.31
Fees		($4,014.01)
Gain or (Loss) - Gross-of-Fees		($30,982.90)
Gain or (Loss) - Net-of-Fees		($34,996.91)

RENAISSANCE		
Total Assets	100.00%	$1,416,157.64
Equity	96.83%	$1,371,273.79
Cash	3.17%	$44,883.85
Fees		($4,126.77)
Gain or (Loss) - Gross-of-Fees		($4,028.09)
Gain or (Loss) - Net-of-Fees		($8,154.86)

PINE GROVE		
Total Assets	100.00%	$1,275,590.50
Equity	100.00%	$1,275,590.50
Cash	0.00%	$0.00
Fees		($1,842.51)
Gain or (Loss) - Gross-of-Fees		($29,593.50)
Gain or (Loss) - Net-of-Fees		($31,436.01)

PRIVATE ADVISORS		
Total Assets	100.00%	$1,275,247.00
Equity	100.00%	$1,275,247.00
Cash	0.00%	$0.00
Fees		($1,822.92)
Gain or (Loss) - Gross-of-Fees		($9,823.00)
Gain or (Loss) - Net-of-Fees		($11,645.92)

BREAKDOWN OF RETURNS
Port Orange Municipal Police Officers' Retirement Plan
As of March 31, 2016

ACTUARIAL ASSUMPTION = 7.625%

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	0.66	0.34	1.64	1.58	1.34
1 year	1.81	0.83	(1.55)	(1.65)	1.80
3 year	8.80	7.79	9.38	9.62	11.83
Since 8/31/2012	10.83	9.83	12.80	NA	13.64
BlackRock/Lord Abbett 5 year	7.40	6.40	10.25	10.19	11.59
BlackRock/Lord Abbett Since 2/29/00	6.81	5.78	6.74	NA	4.59
BlackRock/LA/Opp -Since 10/31/1995	8.02	7.01	8.82	NA	8.41
Jennison Large Cap. Growth			**Russ 1000 Growth**	**PSN Money Mgrs**	
Quarter	(5.70)	(6.00)	0.74	(1.04)	
1 year	(0.38)	(1.38)	2.53	(1.01)	
3 year	15.12	14.03	13.62	12.11	
Since 11/30/2012	15.92	14.86	15.28	NA	
Jennison/Sands 5 year	14.93	13.85	12.38	11.06	
Jennison/Sands Since 1/31/2005	10.92	9.86	8.51	NA	
Jennison/Sands/TCW/All/Sir -Since 10/31/1995	8.54	7.53	7.74	NA	
Wedgewood Large Cap. Growth			**Russ 1000 Growth**	**PSN Money Mgrs**	
Quarter	0.79	0.47	0.74	(1.04)	
1 year	(5.09)	(6.00)	2.53	(1.01)	
3 year	9.09	8.08	13.62	12.11	
Since 11/30/2012	10.20	9.21	15.28	NA	
Wedgewood/Neuberger Berman 5 year	6.94	5.95	12.38	12.11	
Wedgewood/Neuberger Since 2/28/2010	9.38	8.41	14.20	NA	
Connors Large Cap. Core			**S&P 500**	**60 S&P 500 / 40% S&P CBOE BW**	**S&P CBOE Buy Write**
Quarter	(0.57)	(0.80)	1.34	0.53	(0.75)
1 year	(0.31)	(1.53)	1.80	2.23	2.72
Since 9/30/2013	8.40	7.56	10.77	9.27	6.92
Boston Partners Small Cap. Value			**Russ 2000 Value**	**PSN Money Mgrs**	
Boston/GW - Quarter	(0.91)	(1.26)	1.70	3.15	
Boston/GW - 1 year	(12.05)	(12.97)	(7.72)	(4.48)	
Boston/GW - 3 year	0.56	(0.46)	5.73	9.15	
Boston/GW - 5 year	3.78	2.75	6.66	9.50	
Boston/GW - Since 4/30/2006	6.56	5.54	4.43	NA	
Boston/GW/Babson - Since 7/31/2005	7.38	6.36	5.20	NA	
RBC Small Cap. Growth			**Russ 2000 Growth**	**PSN Money Mgrs**	
Quarter	0.17	(0.18)	(4.68)	(3.79)	
1 year	(2.97)	(4.01)	(11.86)	(10.03)	
3 year	9.13	8.02	7.91	8.65	
5 year	11.05	9.94	7.70	8.49	
Since 11/30/2006	8.96	7.92	6.52	NA	
RBC/Greenv/ING/NicAp - Since 1/31/1996	7.40	6.35	6.04	NA	

Lazard International Value			MSCI EAFE - Net	MSCI EAFE Value- Net	
Quarter	(2.21)	(2.53)	(3.00)	(3.96)	
1 year	(2.47)	(3.44)	(8.27)	(12.82)	
3 year	5.13	4.12	2.24	0.60	
5 year	6.41	5.40	2.30	0.82	
Since 9/30/2000	4.77	3.75	3.04	3.37	
Renaissance International Growth			MSCI AC Wrld ex US Net	MSCI EAFE Growth - Net	
Quarter	(0.24)	(0.57)	(0.37)	(2.08)	
1 year	(6.50)	(7.44)	(9.18)	(3.71)	
3 year	5.69	4.67	0.32	3.80	
5 year	3.63	2.64	0.31	3.70	
Since 1/31/2009	10.41	9.41	8.64	9.74	
FIXED INCOME Madison Investment Adv.			BC Int. G/C Bonds	BC G/C Bonds	90-Day T-Bills
Quarter	1.70	1.46	2.45	3.47	0.06
1 year	1.88	1.05	2.07	1.75	0.08
3 year	1.40	0.59	1.83	2.42	0.05
5 year	2.10	1.24	3.01	4.04	0.06
Since 10/31/1995	4.78	3.82	5.06	5.54	2.38
ALTERNATIVE INVESTMENTS PINE GROVE			HFRI FOF Conservative	BC Aggregate	
Quarter	(2.27)	(2.41)	(2.04)	3.03	
1 Year	(6.70)	(7.22)	(3.54)	1.96	
Since 2/28/2014	(2.68)	(3.16)	(0.09)	3.58	
ALTERNATIVE INVESTMENTS PRIVATE ADVISORS			HFRI FOF Conservative	BC Aggregate	
Quarter	(0.76)	(0.91)	(2.04)	3.03	
1 Year	(5.67)	(6.07)	(3.54)	1.96	
Since 2/28/2014	(2.70)	(3.09)	(0.09)	3.58	
PRIVATE REAL ESTATE UBS			NCREIF	ODCE	BC Aggregate
Quarter	2.07	1.63	2.21	2.18	3.03
1 year	11.92	10.01	11.85	13.66	1.96
3 year	11.82	9.91	11.91	13.62	2.50
Since 7/31/2012	11.40	9.57	11.87	13.38	2.12
TOTAL RETURN Time-Weighted Return (TWR)			Policy Index*	Composite Index	
Quarter	0.03	(0.24)	0.78	0.86	
1 year	(0.79)	(1.75)	(0.54)	(0.43)	
3 year	5.87	4.92	6.65	6.77	
5 year	6.06	5.09	7.07	7.15	
Since 10/31/1995	6.85	5.87	7.04	7.25	
TOTAL RETURN Dollar-Weighted Net (IRR)			Actuarial Rate	CPI +4	
Quarter		(0.27)	1.85	1.06	
1 year		(1.72)	7.625	5.24	
3 year		4.90	7.625	4.89	
5 year		5.20	7.625	5.32	
Since 10/31/1995		5.90	7.625	6.22	

NOTE: Boston Partners took over management of portfolio from GW Capital in March 2016

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

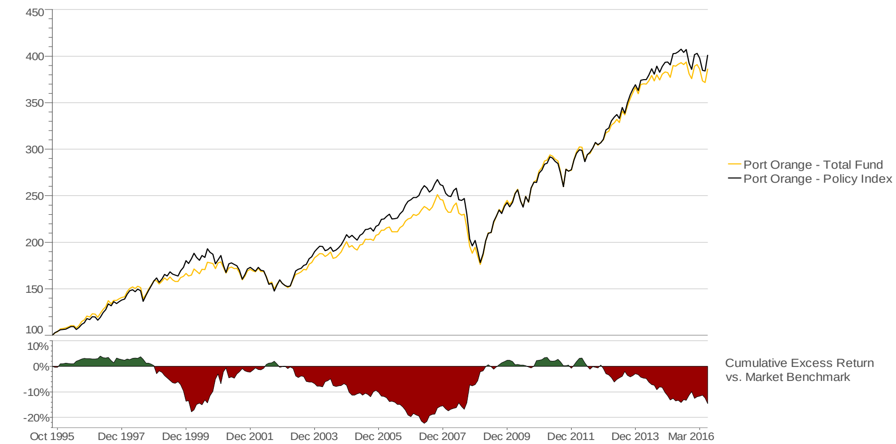
For periods prior to 9/30/2000: 20% Russ 1000 Value/ 17.5% Russ 1000 Growth/ 12.5 % Russ 2500 Growth/ 50% BC Int. Gov/Credit

Risk/ Return Analysis- Since Inception

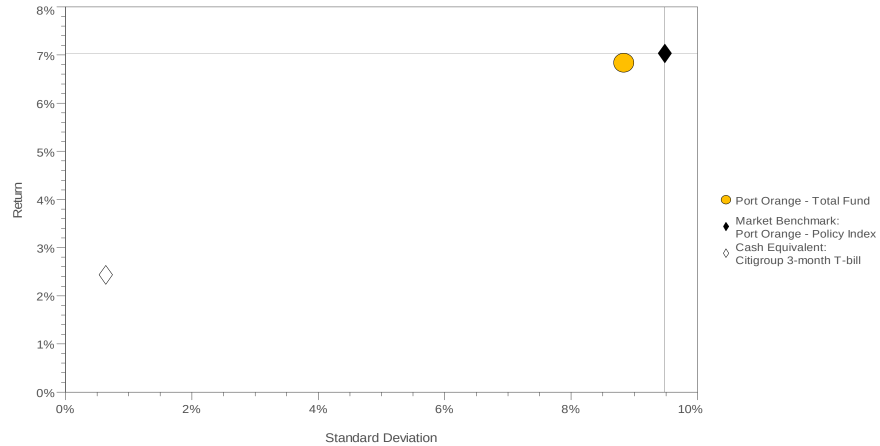
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
November 1995 - March 2016 (Single Computation)



Risk / Return
November 1995 - March 2016 (Single Computation)



Return & Risk Analysis

November 1995 - March 2016: 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	6.84%	-0.19%	8.83%	0.91	-29.89%	91.92%	90.92%	0.44%	0.50	94.50%
Port Orange - Policy Index	7.04%	0.00%	9.48%	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 March 31, 2016***

GUIDELINES	In Compliance	
Equity Portfolio		
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		
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		
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		
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		
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
Boston Partners		
Small Capitalization Value Equity Portfolio		
Market Value < 7.5 % & > 5.0% of total fund	Yes	
Performance (Inception 3/31/2016)	3 years	Since Inception
Rank in the Top 50% of manager universe	N/A	N/A
Return > Russell 2000 Value	N/A	N/A
RBC		
Small Capitalization Growth Equity Portfolio		
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	Yes	Yes
Return > Russell 2000 Growth	Yes	Yes

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

Consulting & Management Fee Billing Summary
Port Orange Municipal Police Officers' Retirement Plan
As of March 31, 2016

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
1/21/2016	$3,166,904.86	1/1/2016	1/21/2016	$1,011.31	0.56%	$617.81	0.34%	$1,629.12	0.90%
1/15/2016	$3,166,904.86	10/1/2015	12/31/2015	$4,441.04	0.56%	$2,713.99	0.34%	$7,155.03	0.90%

Jennison **745-106957**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/21/2016	$1,672,388.20	1/1/2016	1/21/2016	$534.06	0.56%	$326.25	0.34%	$860.31	0.90%
1/15/2016	$1,672,388.20	10/1/2015	12/31/2015	$2,345.84	0.56%	$1,433.21	0.34%	$3,779.05	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
1/21/2016	$1,563,425.08	1/1/2016	1/21/2016	$499.26	0.56%	$305.00	0.34%	$804.26	0.90%
1/15/2016	$1,563,425.08	10/1/2015	12/31/2015	$2,192.91	0.56%	$1,339.83	0.34%	$3,532.74	0.90%

Connors **745-040114**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/15/2016	$3,000,353.80	10/1/2015	12/31/2015	$4,209.00	0.56%	$2,248.10	0.30%	$6,457.10	0.86%

Boston Partners **745-125129**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/21/2016	$1,738,661.24	1/1/2016	1/21/2016	$555.22	0.56%	$418.99	0.42%	$974.21	0.98%
1/15/2016	$1,738,661.24	10/1/2015	12/31/2015	$2,437.85	0.56%	$1,840.60	0.42%	$4,278.45	0.98%

RBC **745-107017**

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/21/2016	$1,765,439.27	1/1/2016	1/21/2016	$563.77	0.56%	$425.44	0.42%	$989.21	0.98%
1/15/2016	$1,765,439.27	10/1/2015	12/31/2015	$2,475.65	0.56%	$1,868.95	0.42%	$4,344.60	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
1/21/2016	$1,385,326.79	1/1/2016	1/21/2016	$442.39	0.56%	$302.05	0.38%	$744.44	0.94%
1/15/2016	$1,385,326.79	10/1/2015	12/31/2015	$1,942.69	0.56%	$1,326.88	0.38%	$3,269.57	0.94%

Renaissance 745-125551

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/21/2016	$1,385,326.79	1/1/2016	1/21/2016	$454.76	0.57%	$310.50	0.39%	$765.26	0.96%
1/15/2016	$1,424,083.24	10/1/2015	12/31/2015	$1,997.51	0.56%	$1,364.00	0.38%	$3,361.51	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
1/21/2016	$7,722,857.43	1/1/2016	1/21/2016	$2,466.20	0.56%	$1,019.16	0.23%	$3,485.36	0.79%
1/15/2016	$7,722,857.43	10/1/2015	12/31/2015	$10,826.41	0.56%	$4,477.14	0.23%	$15,303.55	0.79%

Total Traditional Managers

Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee	$ Mgr. Fee	% Annual Mgr. Fee	$ Total Fee	% Annual Total Fee
1/21/2016	$20,400,329.66	1/1/2016	1/21/2016	$6,526.97	0.56%	$3,725.20	0.32%	$10,252.17	0.88%
1/15/2016	$23,439,439.91	10/1/2015	12/31/2015	$32,868.90	0.56%	$18,612.70	0.32%	$51,481.60	0.87%

*Pine Grove	745-040544				
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee
1/15/2016	$1,313,419.85	10/1/2015	12/31/2015	$1,842.51	0.56%

*Private Advisors	745-041738				
Date Billed	Market Value	From	To	$ GC Fee	% Annual GC Fee
1/15/2016	$1,299,455.00	10/1/2015	12/31/2015	$1,822.92	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
1/15/2016	$2,101,097.42	10/1/2015	12/31/2015	$2,947.49	0.56%	$6,288.16	1.19%	$9,235.65	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
1/21/2016	$20,400,329.66	1/1/2016	1/21/2016	$6,526.97	0.56%	$3,725.20	0.32%	$10,252.17	0.88%
1/15/2016	$28,153,412.18	10/1/2015	12/31/2015	$39,481.82	0.56%	$24,900.86	0.35%	$64,382.68	0.91%

Graystone Consulting

Tactical Asset Allocation Reasoning

Global Equities	Relative Weights	
US	Overweight	While US equities have done exceptionally well since the global financial crisis, they are now in the latter stages of a cyclical bull market. This bull market is currently being challenged by fears of recession. We believe the US will avoid recession in 2016, making it premature to abandon our overweight rating for US equities.
International Equities (Developed Markets)	Overweight	We maintain a positive bias for Japanese and European equity markets given the political and structural changes taking place in Japan and our expectation for an improving economic outlook in Europe. European and Japanese central banks are now engaged in much more aggressive monetary policy than the US, while also moving away from fiscal austerity. Both of these markets are earlier in their recovery from the financial crisis than the US.
Emerging Markets	Equal Weight	Emerging market (EM) equities have been big underperformers for the past few years. However, the region now offers better value and, with the severe currency depreciation during the past year, there is a greater likelihood EM equities will perform better in 2016. Still, we expect volatility to remain high, so we give it an equal weight. Several EM countries are likely to exit recession this year, which argues for a broader rebound in the region, especially if China continues its stimulative fiscal and monetary policies.

Global Fixed Income		
US Investment Grade	Overweight	We have recommended shorter-duration* (maturities) since March 2013 given the extremely low yields and potential capital losses associated with rising interest rates from such low levels. We have subsequently reduced the size of our overweight in short duration, with short-term interest rates now expected to move higher this year along with the Fed's tightening cycle. Within investment grade, we prefer BBB-rated corporates and A-rated municipals to US Treasuries.
International Investment Grade	Underweight	Yields are even lower outside the US, leaving very little value in international fixed income, particularly as the global economy begins to recover more broadly. While interest rates are likely to stay low, the offsetting diversification benefits do not warrant much, if any, position, in our view.
Inflation-Linked Securities	Overweight	With deflationary fears having become extreme in 2015, we believe these securities now offer relative value in the context of our forecasted acceleration in global growth and expectations for oil prices and the US-dollar year-over-year rate of change to revert back toward 0%.
High Yield	Overweight	The sharp decline in oil prices has created significant dislocations in the US high yield market. Broadly speaking, we believe default rates are likely to remain contained as the economy avoids recession, while corporate and consumer behavior continue to be conservative. This should lead to better performance over the next six to 12 months along with lower volatility than equities.
Emerging Markets Bonds	Underweight	The Fed's rate-hike cycle will likely be a disproportionate headwind for emerging market (EM) debt. Much like EM equities, EM debt exposure should be selective. For investors who want to own EM debt, the GIC recommends US-dollar-denominated debt with a focus on China, India and Mexico.

Alternative Investments		
REITS	Underweight	With our expectation for rising interest rates and an increasing risk of economic slowdown, we believe REITs are now fairly to slightly overvalued, especially relative to other high-yielding asset categories. Therefore, we are underweight REITs in our tactical asset allocation. Non-US REITs should be favored relative to domestic REITs.
Commodities	Equal Weight	Most commodities have underperformed in the past few years, with energy leading the charge lower. We believe commodities are likely to perform better in 2016 as global growth reaccelerates and the oil market comes into better supply/demand balance.
Master Limited Partnerships	Equal Weight	Master limited partnerships (MLPs) were devastated during 2015 due to collapsing oil prices and a less hospitable financing market. Tax-loss selling and window dressing hit MLPs excessively in the fourth quarter and, while we expect MLPs to rebound, it will likely be a rally to sell.
Hedged Strategies (Hedge Funds and Managed Futures)	Equal Weight	This asset category can provide uncorrelated exposure to traditional risk-asset markets. It tends to outperform when traditional asset categories are challenged by growth scares and/or interest rate volatility spikes. Within this asset category, we favor event-driven strategies, given our expectation for increased mergers-and-acquisitions activity.

City of Port Orange Municipal Police Officers' Retirement Plan

Funds of Hedge Funds Summary (Liquid Funds)

May 20, 2016

	Blackrock Global Long/Short Credit I		HFRX Fixed Income - Credit Index	Blackstone Alternative Multi-Strategy I		HFRX Global Hedge Fund Index
GIMA Status	**Focus List**			**Focus List**		
Strategy Description	The fund is a global credit strategy targeting a zero-duration. The fund may be net long a majority of the time over a full market cycle. The fund invests primarility in the U.S. and Europe, with currency exposure usually fully-hedged to the U.S. Dollar. The fund has the flexibility to add exposure to emerging markets, but has not typically done so.			The fund is a multi-strategy and multi-manager vehicle investing in hedge fund strategies which seeks to provide a lower risk profile than traditional stock and bond markets. The strategy will have a bias to equity long/short augmented by liquid themes in global macro, event driven, and credit.		
Strategy	Global Credit Long/Short			Multi-Strategy		
Volatility	Lower			Medium		
Number of Underlying Managers/Security Holdings	200 - 300 Issuers			15 - 20 Managers		
Minimum Investment (Initial)	$10,000			$10,000		
Fund Assets	$5.3 billion			$4.2 billion		
# Key Investment Personnel	2 Portfolio Managers Supported by ~60 Global Credit Analysts			3 Portfolio Managers Supported by Over 60 Analysts		
Expense Ratio	1.74% [1]			2.4% [2]		
Since Inception Performance (3/31/2016)	**Inception Date: 1/1/2013**			**Inception Date: 7/1/2014**		
Annualized Return	2.29%		1.37%	0.45%		-4.43%
Standard Deviation	2.12%		3.59%	4.05%		4.31%
Sharpe Ratio	1.05%		0.37%	0.10%		-1.04%
Alpha vs. Index	1.64%			3.63%		
Up/Down Capture vs. Index	65.23%	37.69%		95.78%	40.99%	
Up/Down Capture vs. S&P 500	12.75%	17.55%		19.19%	28.96%	
Incentive Fee	None			None		
Hurdle Rate	N/A			N/A		
Lock-up Period	None			None		
Liquidity Period	Daily			Daily		
Holdback %	None			None		

Additional Notes on Expenses:

[1] Expense comprised of Blackrock Fee (1.08%) + Variable Investment Related Expenses* (0.66%) = 1.74%

* Investment related expenses mainly include interest expense incurred from short-selling bonds. These expenses vary from year-to-year.

[2] Expense comprised of Blackstone & Underlying Manager Fees (1.95%) + Capped Administration Fees* (0.45%) = 2.40%

* Administrative fees include trading expenses, costs of short selling, & other.

The prices, quotes, statistics contained herein have been compiled from sources believed reliable; however, the accuracy cannot be guaranteed.

Graystone Consulting

LIQUID ALTERNATIVE INVESTMENT FUND SEARCH

Prepared for:

Port Orange Municipal Police Officers' Retirement Plan

May 20, 2016

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Investment Manager Analysis

Prepared for: Port Orange Police

For the Period Ending 3/31/2016

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.

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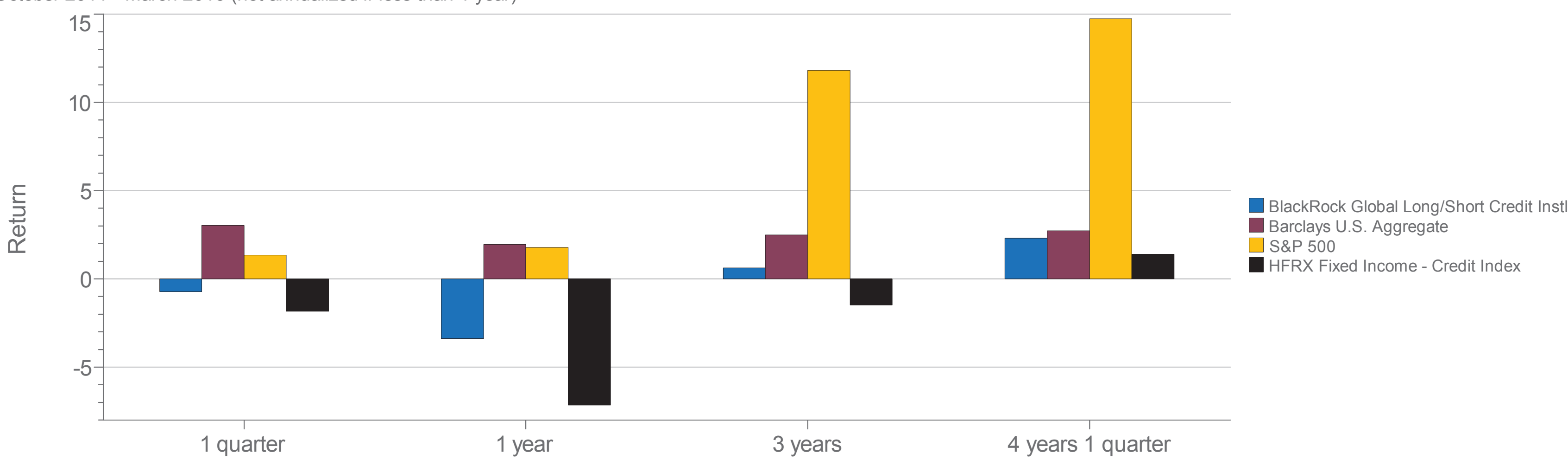
Funds of Hedge Funds (Liquid Funds)

Trailing Returns Analysis (Blackrock Global Long/Short Credit Fund)

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager vs Benchmark: Return
October 2011 - March 2016 (not annualized if less than 1 year)



Manager vs Benchmark: Return
October 2011 - March 2016 (not annualized if less than 1 year)

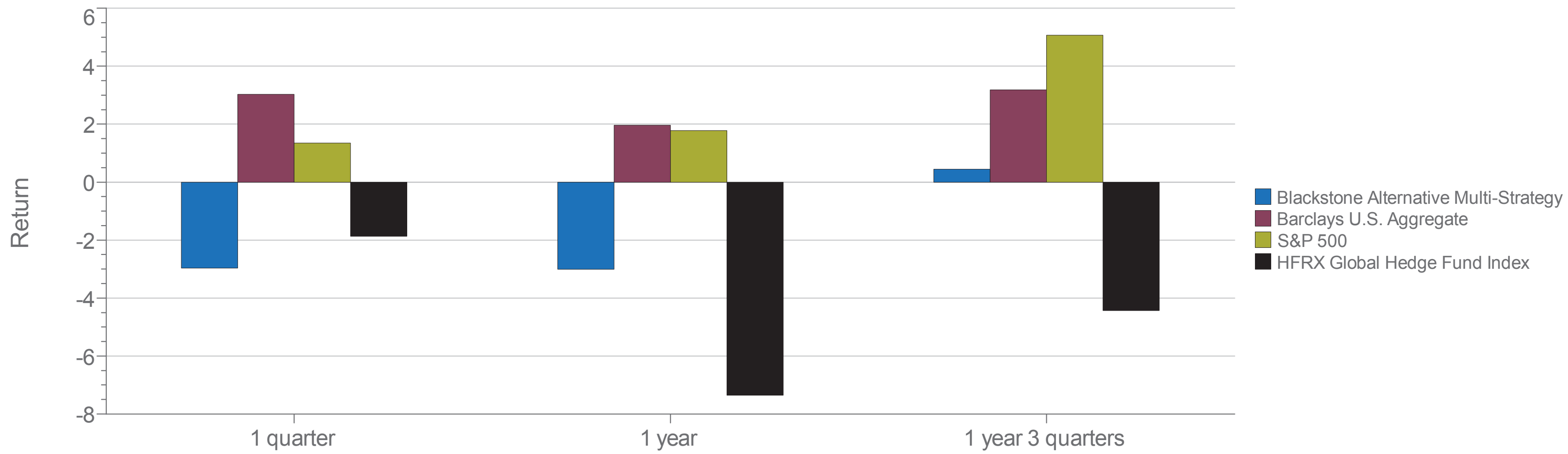
	1 quarter	1 year	3 years	4 years 2 quarters
BlackRock Global Long/Short Credit Instl	-0.72%	-3.39%	0.63%	2.29%
Barclays U.S. Aggregate	3.03%	1.96%	2.50%	2.82%
S&P 500	1.35%	1.78%	11.82%	16.73%
HFRX Fixed Income - Credit Index	-1.84%	-7.15%	-1.48%	1.37%

Trailing Returns Analysis (Blackstone Alternative Multi-Strategy Fund)

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager vs Benchmark: Return
July 2014 - March 2016 (not annualized if less than 1 year)



Manager vs Benchmark: Return
July 2014 - March 2016 (not annualized if less than 1 year)

	1 quarter	1 year	1 year 3 quarters
Blackstone Alternative Multi-Strategy I	-2.96%	-3.01%	0.45%
Barclays U.S. Aggregate	3.03%	1.96%	3.18%
S&P 500	1.35%	1.78%	5.07%
HFRX Global Hedge Fund Index	-1.87%	-7.36%	-4.43%

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A business of Morgan Stanley Smith Barney

Monthly Returns Analysis

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Periodic Returns

January 2012 - March 2016

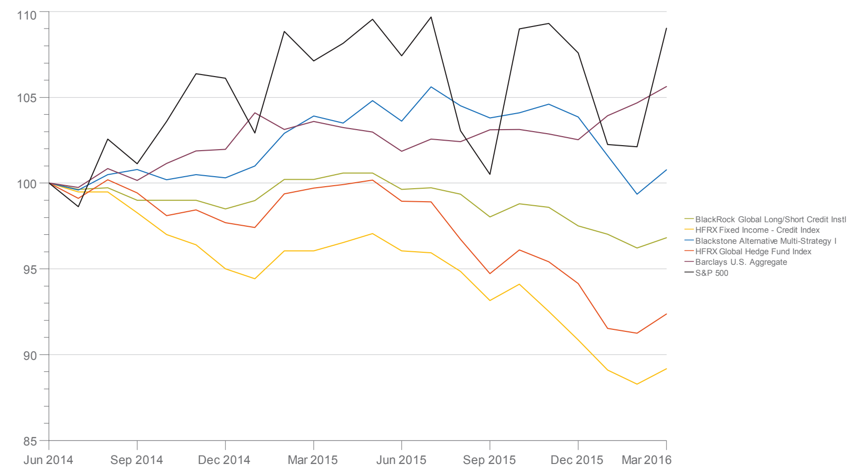
		Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	Jul	Aug	Sep	Q3	Oct	Nov	Dec	Q4	Year
BlackRock Global Long/Short Credit Instl	2016	-0.51	-0.82	0.62	-0.72	-	-	-	-	-	-	-	-	-	-	-	-	-0.72
	2015	0.48	1.25	0.00	1.74	0.38	0.00	-0.94	-0.57	0.10	-0.38	-1.34	-1.62	0.78	-0.19	-1.10	-0.52	-1.00
	2014	0.03	1.16	-0.05	1.14	0.49	0.31	0.50	1.31	-0.36	0.09	-0.73	-1.00	0.00	0.00	-0.50	-0.50	0.92
	2013	0.69	0.13	0.16	0.98	0.89	0.21	-1.13	-0.04	0.54	0.09	0.28	0.90	0.96	0.20	0.68	1.85	3.74
	2012	0.90	0.59	0.20	1.69	0.22	-0.44	0.66	0.45	0.88	0.59	0.80	2.29	1.22	0.23	1.01	2.48	7.08
HFRX Fixed Income - Credit Index	2016	-1.93	-0.91	1.01	-1.84	-	-	-	-	-	-	-	-	-	-	-	-	-1.84
	2015	-0.61	1.72	0.00	1.09	0.51	0.54	-1.03	0.01	-0.13	-1.12	-1.78	-3.01	1.01	-1.69	-1.80	-2.48	-4.38
	2014	0.60	1.36	0.43	2.41	-0.34	0.75	0.56	0.96	-0.51	0.00	-1.22	-1.73	-1.30	-0.61	-1.45	-3.32	-1.77
	2013	1.39	0.66	0.97	3.05	1.12	1.10	-0.74	1.48	1.03	-0.49	0.53	1.06	0.64	0.03	0.45	1.12	6.87
	2012	2.42	1.76	0.51	4.76	-0.26	-1.25	0.18	-1.33	0.64	0.52	0.28	1.45	0.18	1.00	1.47	2.67	7.65
Blackstone Alternative Multi-Strategy I	2016	-2.17	-2.22	1.45	-2.96	-	-	-	-	-	-	-	-	-	-	-	-	-2.96
	2015	0.70	1.88	0.97	3.59	-0.39	1.26	-1.15	-0.29	1.93	-1.04	-0.67	0.19	0.29	0.48	-0.71	0.05	3.55
	2014	-	-	-	-	-	-	-	-	-0.40	0.90	0.30	0.80	-0.59	0.30	-0.19	-0.49	-
	2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HFRX Global Hedge Fund Index	2016	-2.76	-0.32	1.24	-1.87	-	-	-	-	-	-	-	-	-	-	-	-	-1.87
	2015	-0.29	2.02	0.33	2.06	0.21	0.26	-1.24	-0.78	-0.03	-2.21	-2.07	-4.27	1.46	-0.72	-1.33	-0.61	-3.64
	2014	-0.24	1.59	-0.23	1.11	-0.73	0.45	0.93	0.65	-0.88	1.09	-0.77	-0.57	-1.32	0.33	-0.75	-1.74	-0.58
	2013	1.96	0.43	0.72	3.13	0.62	0.75	-1.33	0.03	1.01	-0.86	0.96	1.09	1.20	0.55	0.56	2.33	6.72
	2012	1.72	1.42	-0.02	3.14	0.12	-1.69	-0.30	-1.86	0.54	0.51	0.39	1.45	-0.52	0.41	0.92	0.80	3.51
Barclays U.S. Aggregate	2016	1.38	0.71	0.92	3.03	-	-	-	-	-	-	-	-	-	-	-	-	3.03
	2015	2.10	-0.94	0.46	1.61	-0.36	-0.24	-1.09	-1.68	0.70	-0.14	0.68	1.23	0.02	-0.26	-0.32	-0.57	0.55
	2014	1.48	0.53	-0.17	1.84	0.84	1.14	0.05	2.04	-0.25	1.10	-0.68	0.17	0.98	0.71	0.09	1.79	5.97
	2013	-0.70	0.50	0.08	-0.12	1.01	-1.78	-1.55	-2.32	0.14	-0.51	0.95	0.57	0.81	-0.37	-0.57	-0.14	-2.02
	2012	0.88	-0.02	-0.55	0.30	1.11	0.90	0.04	2.06	1.38	0.07	0.14	1.58	0.20	0.16	-0.14	0.21	4.21
S&P 500	2016	-4.96	-0.13	6.78	1.35	-	-	-	-	-	-	-	-	-	-	-	-	1.35
	2015	-3.00	5.75	-1.58	0.95	0.96	1.29	-1.94	0.28	2.10	-6.03	-2.47	-6.44	8.44	0.30	-1.58	7.04	1.38
	2014	-3.46	4.57	0.84	1.81	0.74	2.35	2.07	5.23	-1.38	4.00	-1.40	1.13	2.44	2.69	-0.25	4.93	13.69
	2013	5.18	1.36	3.75	10.61	1.93	2.34	-1.34	2.91	5.09	-2.90	3.14	5.24	4.60	3.05	2.53	10.51	32.39
	2012	4.48	4.32	3.29	12.59	-0.63	-6.01	4.12	-2.75	1.39	2.25	2.58	6.35	-1.85	0.58	0.91	-0.38	16.00

Risk/Return Analysis (Versus S&P 500 Index)

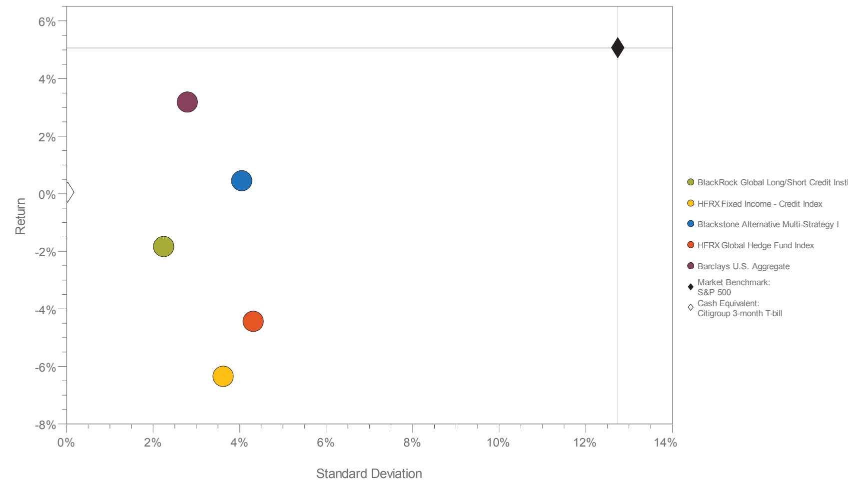
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
July 2014 - March 2016 (Single Computation)



Risk / Return
July 2014 - March 2016 (Single Computation)



Return & Risk Analysis

July 2014 - March 2016: Summary Statistics

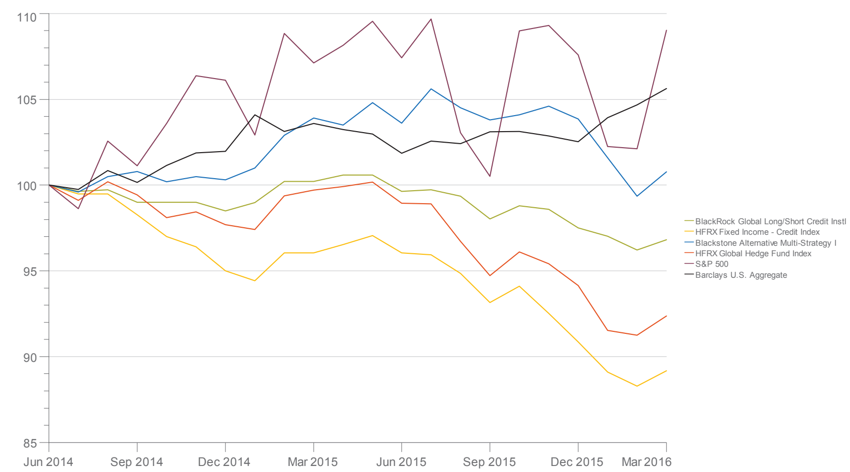
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
BlackRock Global Long/Short Credit Instl	-1.83%	-6.90%	2.24%	0.12	-4.35%	7.57%	27.18%	-2.48%	-0.84	46.14%
HFRX Fixed Income - Credit Index	-6.33%	-11.40%	3.62%	0.21	-11.71%	2.51%	52.60%	-7.40%	-1.76	54.07%
Blackstone Alternative Multi-Strategy I	0.45%	-4.62%	4.05%	0.18	-5.93%	19.19%	28.96%	-0.53%	0.10	33.70%
HFRX Global Hedge Fund Index	-4.43%	-9.50%	4.31%	0.29	-8.93%	11.37%	52.41%	-5.91%	-1.04	72.47%
Barclays U.S. Aggregate	3.18%	-1.89%	2.79%	-0.01	-2.15%	6.53%	-13.14%	3.29%	1.12	0.27%
S&P 500	5.07%	0.00%	12.74%	1.00	-8.36%	100.00%	100.00%	0.00%	0.39	100.00%

Risk/Return Analysis (Versus Barclays U.S. Aggregate Index)

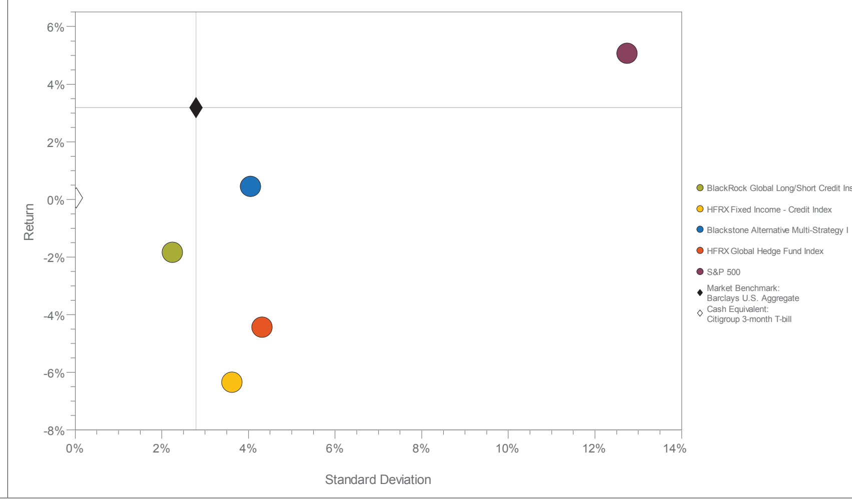
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
July 2014 - March 2016 (Single Computation)



Risk / Return
July 2014 - March 2016 (Single Computation)



Return & Risk Analysis

July 2014 - March 2016: Summary Statistics

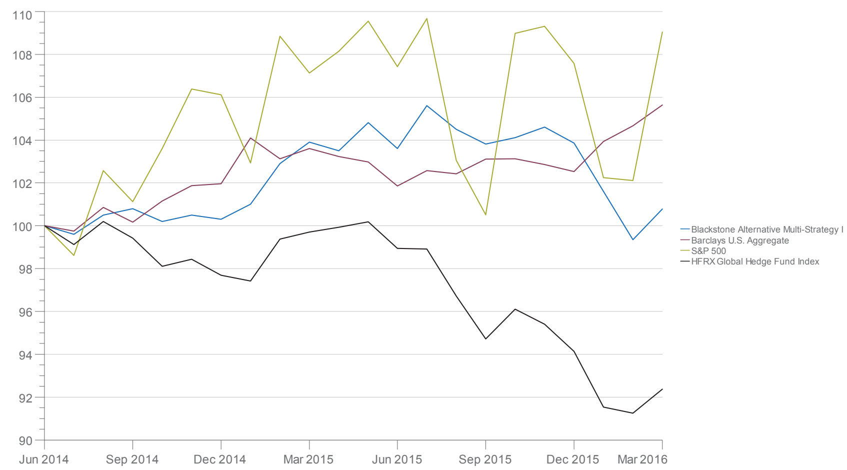
	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
BlackRock Global Long/Short Credit Instl	-1.83%	-5.01%	2.24%	0.09	-4.35%	-10.95%	49.47%	-2.08%	-0.84	1.18%
HFRX Fixed Income - Credit Index	-6.33%	-9.52%	3.62%	-0.19	-11.71%	-63.61%	108.72%	-5.71%	-1.76	2.08%
Blackstone Alternative Multi-Strategy I	0.45%	-2.73%	4.05%	-0.05	-5.93%	5.75%	-4.52%	0.67%	0.10	0.10%
HFRX Global Hedge Fund Index	-4.43%	-7.61%	4.31%	-0.13	-8.93%	-30.56%	109.85%	-3.96%	-1.04	0.66%
S&P 500	5.07%	1.89%	12.74%	-0.24	-8.36%	136.17%	103.30%	6.67%	0.39	0.27%
Barclays U.S. Aggregate	3.18%	0.00%	2.79%	1.00	-2.15%	100.00%	100.00%	0.00%	1.12	100.00%

Risk/Return Analysis (Blackstone Alternative Multi-Strategy Fund)

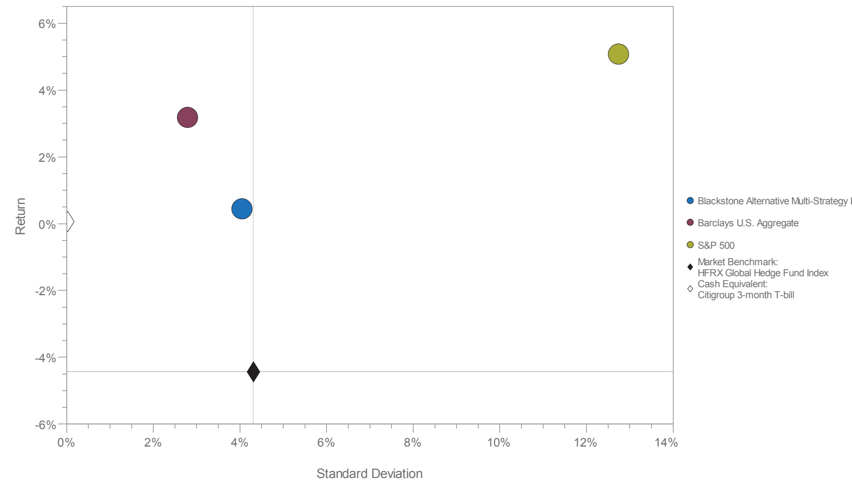
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
July 2014 - March 2016 (Single Computation)



Risk / Return
July 2014 - March 2016 (Single Computation)



Return & Risk Analysis

July 2014 - March 2016: 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
Blackstone Alternative Multi-Strategy I	0.45%	4.88%	4.05%	0.69	-5.93%	95.78%	40.99%	3.63%	0.10	53.31%
Barclays U.S. Aggregate	3.18%	7.61%	2.79%	-0.05	-2.15%	23.34%	-28.11%	2.98%	1.12	0.66%
S&P 500	5.07%	9.50%	12.74%	2.52	-8.36%	442.70%	124.64%	18.25%	0.39	72.47%
HFRX Global Hedge Fund Index	-4.43%	0.00%	4.31%	1.00	-8.93%	100.00%	100.00%	0.00%	-1.04	100.00%

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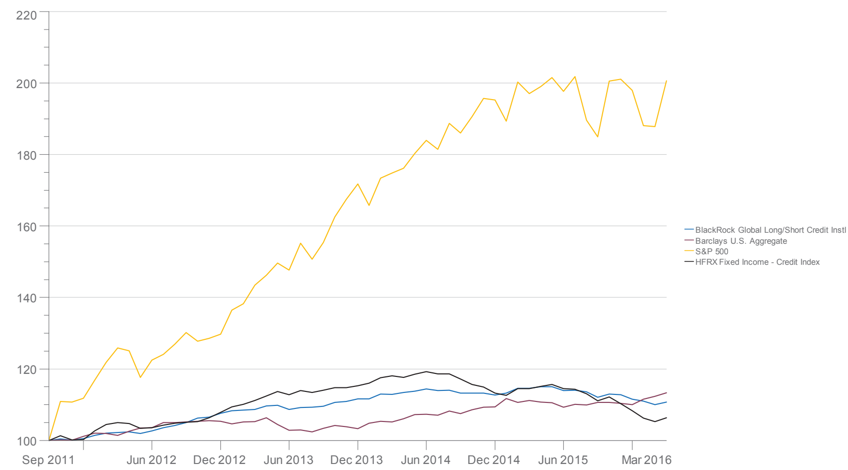
Risk/Return Analysis (Blackrock Global Long/Short Credit Fund)

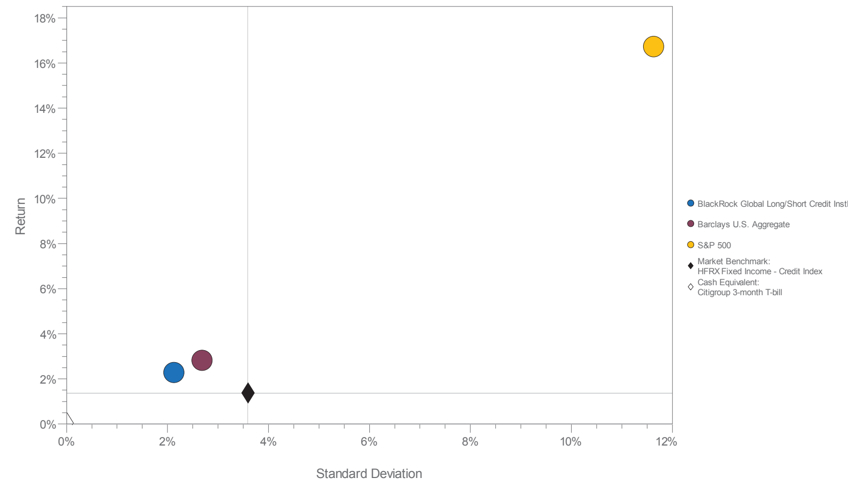
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
October 2011 - March 2016 (Single Computation)



Risk / Return
October 2011 - March 2016 (Single Computation)



Return & Risk Analysis
October 2011 - March 2016: 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
BlackRock Global Long/Short Credit Instl	2.29%	0.92%	2.12%	0.46	-4.35%	65.23%	37.69%	1.64%	1.05	61.79%
Barclays U.S. Aggregate	2.82%	1.45%	2.69%	-0.04	-3.67%	26.59%	-27.56%	2.92%	1.03	0.28%
S&P 500	16.73%	15.36%	11.63%	2.23	-8.36%	412.30%	128.52%	13.86%	1.43	47.55%
HFRX Fixed Income - Credit Index	1.37%	0.00%	3.59%	1.00	-11.71%	100.00%	100.00%	0.00%	0.37	100.00%

Important Morgan Stanley Disclosures

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.

Important Morgan Stanley Disclosures

Graystone Consulting℠

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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.

Qualitative Due Diligence Research

BlackRock Long/Short Global Credit Fund

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*Credit Long/Short*
BENCHMARK:	*HFRX Fixed Income – Credit Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Mutual Fund*
TICKER SYMBOL	*BGCAX, BGCIX (TRAK FS / UMA)*

http://www.blackrock.com/

STRATEGY DESCRIPTION

Blackrock Global Long/Short Credit fund is a global credit strategy that targets a zero-duration. The fund may be net long a majority of the time over a full market cycle. The fund invests primarily in the U.S. and Europe, with currency exposure usually fully-hedged to the U.S. Dollar. The fund has the flexibility to add some exposure to emerging markets, but has not typically done so.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") believes the Blackrock Global Long/Short Credit fund may be appropriate for investors seeking to dampen interest rate volatility while taking on explicit credit risk.
- GIMA has a favorable overall opinion of the fund. We have confidence in the fixed income team, conviction in the investment process, and a positive view of the fund's track record.
- The fund combines a core long and short allocation to investment grade and high yield corporates with smaller allocations to sovereign paper (primarily Europe), asset-backed securities, bank loans, with a small allocation to common equities.
- GIMA views the fund as a complement to traditional fixed income strategies having duration risk. Specifically, this fund may serve as an interest rate risk dampener, and provide a potentially less volatile return pattern with a lower beta versus other credit sensitive strategies.
- GIMA has elected to change the benchmark of the BlackRock Long/Short Global Credit Fund from the BofA ML 3-Month U.S. Treasury bill Index to the HFRX Fixed Income- Credit Index. GIMA believes that the risk/return profile of the HFRX Fixed Income- Credit Index, which is a benchmark comprised of similar strategies, better reflects the fund's broad investment approach.

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

- GIMA has strong conviction in co-portfolio managers Joshua Tarnow and Michael Phelps, who bring extensive investment experience relevant to this fund.
- The investment process is well structured and repeatable. The delineation of responsibilities between the co-portfolio managers is clear and aligns with their strengths.
- BlackRock has extensive resources providing insight into local markets, with more than 50 credit research analysts based in the United States, Europe and Asia.

Points to Consider

- The fund maintains significant allocations to the U.S. and Europe, with currency exposure usually fully-hedged to the U.S. Dollar.
- The fund targets a zero duration. The hedges utilized to maintain zero duration can become a drag on performance in benign interest rate environments.
- GIMA anticipates that the fund may be net long a majority of the time over a full market cycle.
- While investment grade and high yield corporates represent a large portion of portfolio assets, the team also invests in sovereign (mainly Europe), asset-backed securities, bank loans, and to a small degree, common equities. Asia is currently not an impactful allocation within the fund.
- Management prefers to short via synthetic securities. Shorting in the cash market is much less efficient and liquidity can be expensive.
- The fund takes on economic leverage by using derivatives and taking short positions. However, the fund does not take on financial leverage, which is a form of borrowing money.
- As a non-traditional bond strategy with the capability to short, the expense ratio on this fund is higher than the traditional fixed income universe. However, when compared to non-traditional peers, the expense ratio is in-line.

Areas of Concern

- The fund has seen a strong outflow in AUM due to a poor environment for credit and risk assets in general.
- Turnover at the senior level has been a concern in recent years, but there has been stability with Rick Rieder as the CIO.

Performance Expectations

- GIMA recognizes that the fund's performance may be affected by global credit cycles. However, the long/short nature of the fund and constant zero duration may somewhat dampen the impact of global credit cyclicality.

Performance Opinion

- The fund has performed in-line with GIMA's expectations.
- During periods of rising rates and spread expansion, the fund experienced a drawdown, but less than that of the broad fixed income markets. Performance is within expectations.

News Summary

- March 7, 2014 – Portfolio Manager and Head of Multi Sector Institutional, Brian Weinstein, left the firm on June 30, 2014. According to BlackRock, Mr. Weinstein plans to take time off to spend time with his family and reassess his career goals. Mr. Weinstein transitioned his Core and Core Plus portfolio management responsibilities to Akiva Dickstein. Mr. Dickstein is a Senior Portfolio Manager and the head of the mortgage portfolio management team. The investment process will not change and Mr. Dickstein will work closely with the current multi sector team.
- February 15, 2013 – Rick Rieder and Kevin Holt were named the Co-Heads of Americas Fixed Income. Peter Fisher, previously the Head of Americas Fixed Income, left the investment team to become the Senior Director of the BlackRock Investment Institute.

Additional Comments - 1940 Act Limitations

- GIMA recognizes that both 1940 Act-registered open-end mutual funds that seek alternative-like exposure and traditional hedge funds seek investment returns that have lower correlation to traditional markets in an attempt to increase diversification in an overall portfolio.
- Unlike traditional hedge funds, SEC registered open-end mutual funds that seek alternative-like exposure do not require investor pre-qualifications, enable efficient tax reporting, are subject to lower investment minimums and lower fees, provide portfolio transparency, daily liquidity, and are required to provide daily NAV pricing.
- Because of 1940 Act limitations, mutual funds that seek alternative-like exposure generally must utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns. Registered open-end funds are statutorily limited in their use of leverage, short sales and the use of derivative instruments.
- Hedge funds typically charge an asset-based fee and a performance fee. Potential benefits to hedge funds include greater flexibility in terms of seeking enhanced returns through the use of leverage, exposure to less liquid investments, and the more flexible use of complex instruments such as derivatives.
- As a result of these differences, performance for a mutual fund that seeks alternative-like exposure and its portfolio characteristics may vary from a traditional hedge fund that is seeking a similar investment objective.

Additional Analyst Comments

- Management prefers to utilize derivatives to express shorts. Shorting in the cash market is less efficient, as liquidity may be limited and expensive.

Additional News Summary

- None

Portfolio Traits

Fixed Income	
Range of Holdings	200-300 issuers
Max Non-Treas Issue	2% net issuer maximum
Commingled Funds	No
Duration Range	0 Years
Maturity Range	No constraints
Min Avg Credit Quality	Historically BB+; no formal constraints
Min Indiv Credit Quality	Historically C; no formal constraints
Typical Annual Turnover	Historically 300-400%
Invests in Derivatives	Yes
Invests in Muni Bonds	Not significant
Maximum Cash	N/A
Typical Cash Position	N/A

Historical Sector Range	Min	Max	Average
US Gov	0.00%	0.11%	0.01%
US ABS	0.00%	4.92%	1.65%
US Bank Loans	0.91%	7.64%	4.68%
US High Yield	4.44%	14.24%	9.77%
US Inv Grade Corp	-7.36%	17.48%	3.43%
European Sov	-8.55%	2.62%	-2.35%
European ABS	0.19%	10.79%	4.41%
European Bank Loans	-0.82%	4.84%	1.61%
European High Yield	-8.41%	20.01%	7.05%
European Inv Grade Corp	-1.25%	19.73%	9.09%
NET EXPOSURE	4%	73%	41%

Source: GIMA, BlackRock as of 12/31/15

Investment Capabilities Overview

Portfolio Management Team

- The fund is managed by co-portfolio managers Joshua Tarnow and Michael Phelps. Mr. Tarnow is responsible for the allocations to U.S. credits, while Mr. Phelps is responsible for the allocations to European credits.
- Mr. Tarnow is a portfolio manager on the Leveraged Finance Portfolio team. Prior to joining the firm, Mr. Tarnow was a Senior Partner and head of Aviation and Private Investment at R3 Capital. Previous to R3, Mr. Tarnow was a Managing Director and head of the Aviation Group for Lehman Brothers' Global Principal Strategies team. Earlier in his career at Lehman Brothers, Mr. Tarnow was a Corporate Bond trader.
- Mr. Phelps is the head of European Credit Investments within Blackrock Fundamental Fixed Income. Prior to joining the firm, he was the head of the European business at R3 Capital Partners. Previous to R3, Mr. Phelps was the head of the Global Principal Strategies European business at Lehman Brothers. Before that, he was a distressed debt analyst for JP Morgan.
- Chief Investment Officer of Fundamental Fixed Income Rick Rieder is a member of the Fixed Income Executive Committee and the Operating, Leadership, and Capital Committees. Mr. Rieder was previously President and CEO of R3 Capital Partners. Prior to that, he was head of Global Principal Strategies at Lehman Brothers.
- The portfolio managers are supported by ~60 global credit analysts responsible for specific industries.

Investment Philosophy & Process

- The fund employs a bottom-up process to identify long and short opportunities in the global credit markets, and a top-down process for geographic allocations. Their target geographic allocation is greater than 40% International.
- Management seeks to build a portfolio with a diversified set of long and short credit positions and across the capital structure, and attempts to generate a positive absolute return above T-bills over a full market cycle.
- The key elements of the investment process are:
  - Identifying asset classes and industry sectors that are viewed as overvalued and undervalued
  - Bottom-up review of issuers for long and short positions
  - Portfolio diversification
  - Hedging techniques
- The team searches for a "go-look" signal, which provides direction for market movement and valuations. Signals may be a macro shift, an economic trend, a significant market event, or a specific company or sector event.
  - Designated credit analysts evaluate issuers or market segments to assess the impact of the go-look signal and investigate potential credit opportunities.
- The bottom-up review targets companies with strong fundamentals for long positions and weak or deteriorating credit fundamentals for short positions.
  - Trades are evaluated within the context of the capital structure and trade pairs. Trades pairs are also evaluated in the context of relative value across issuers in the same sector.
- The typical trade horizon is 3-6 months. They employ an active trading mentality, which exploits relative value discrepancies and helps manage liquidity.
- The types of strategies employed by the team are:
  - <u>Traditional</u> - expresses a directional view and name selection within a specific asset class, representing the core holdings and fundamental likes/dislikes.
  - <u>Absolute</u> - employs an absolute return/alternative approach to capitalize on long and short market opportunities, including event driven and special situation trades.
  - <u>Hedge</u> - the directional risk in the traditional book, typically through credit default swaps, credit indices, or options.

Summary of Investment Capabilities Opinion

- Co-portfolio managers Josh Tarnow and Michael Phelps have extensive investment experience. They have worked together for a long time and our conviction lies in their capabilities along with the credit team supporting them at the firm.
- The team's investment philosophy and investment are closely aligned. The process leads to portfolio construction of long and short ideas.

Other Key Items

Decision-Making

- Josh Tarnow and Michael Phelps are responsible for all decision making.
- Mr. Tarnow focuses on the U.S. allocations and Mr. Phelps focuses on the non-U.S. portion.

Sell Process

- Credits will typically be sold when management believes they have reached full value or market signals indicate new opportunities.
- Credits may also be sold for rebalancing.

Track Record Reliability

- GIMA views the track record reliability as moderate, but recognizes the team managed similar mandates before the fund's September 2011 inception.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Joshua Tarnow	Portfolio Manager	Global Credit		University of Wisconsin-Madison	1991	2009	2011
Michael Phelps	Portfolio Manager	Global Credit		University of Cambridge	1997	2009	2011

Source: GIMA; Blackrock

Other Key Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Rick Rieder	CIO, Fundamental Fixed Income	Global Fixed Income		University of Pennsylvania – Wharton School	1987	2009	2011
Tim Webb	Head of International FI	International FI	●		1994	2000	2011
Kevin Holt	Co-head of Americas FI	Americas Fixed Income	●	University of Chicago	1985	2003	2011
Julianne Rusie	Vice President	Product Specialist	●		2008	2008	2011

Source: GIMA; Blackrock

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Joshua Tarnow	●	●	●			
Michael Phelps	●	●	●			
Rick Rieder						●
Tim Webb						●
Kevin Holt						●
Julianne Rusie					●	

Source: GIMA, BlackRock

Business Structure Overview

History/Ownership

- Headquartered in New York, BlackRock operates in 22 countries and more than 60 cities around the world. Clients include pension plans, banks and insurers, mutual funds, official institutions, endowments and foundations, charities, corporations, and individuals worldwide.
- BlackRock was established in 1988 and was acquired by PNC in 1995. In an attempt to expand product lines and distribution channels BlackRock merged with Merrill Lynch Investment Managers in 2006. In 2009, Bank of America Corporation acquired Merrill Lynch.
- In December 2009, the BlackRock acquired Barclays Global Investors (BGI) from Barclays. BGI was headquartered in San Francisco, with research and portfolio management teams in London, Sydney, Tokyo, Toronto, and other cities. BlackRock also acquired BGI's iShares funds.

Business Plan

- BlackRock offers its proprietary risk management systems and technology through BlackRock Solutions.
- On the fixed income side, BlackRock plans to continue to enhance their customized solutions for clients (e.g. asset/liability matching), further develop BlackRock Solutions (risk management business), grow global presence organically and through strategic acquisitions and broaden their liquid alternatives platform.

Legal/Compliance

- From time to time, BlackRock and its various subsidiaries receive subpoenas or requests for information in connection with regulatory inquiries and/or investigations by, among others, the SEC, NASD, NYSE and CFTC.
- On 20 April 2015, BlackRock Advisors, LLC ("BAL") reached a settlement with the Securities and Exchange Commission ("SEC") regarding BlackRock's handling of a former portfolio manager's personal investments and involvement in a family business, Rice Energy LP and related entities. As part of the settlement, BAL agreed to pay a $12 million penalty and will also retain an independent compliance consultant to review BlackRock's policies and procedures regarding the outside activities of BlackRock's employees.

Summary of Business Structure Opinion

- In our opinion, BlackRock is among the top U.S. fixed income investment management firms in terms of size, quality of personnel and depth of risk management and technology resources.
- BlackRock has had some senior investment professional departures in the past few years, and together with the departures it has also made significant changes to the structure of its investment team. Although GIMA has some concerns with the departures we believe that Rick Rieder and Kevin Holt, supported by an extensive team of portfolio managers, analysts, and traders are capable of carrying on BlackRock's investment process.

Other Key Factors

Incentives/Alignment of Interests

- Employees receive salary and bonus. Compensation reflects investment performance and the success of the business. At senior levels, a significant percentage of the annual bonus is paid in the form of restricted stock awards.
- The firm provides tuition reimbursement and is committed to stock purchase plans and matches employee 401(k) contributions with company stock.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
PNC	22.1%
Employees and the Public	77.9%
Publicly Traded	**Ticker Symbol**
Yes	BLK

Source: GIMA, BlackRock as of 12/31/14

Assets Under Management ($ Billions)

Year	Firm	Fund
2015	$4,645	$5.33 bn
2014	$4,652	$6.28 bn
2013	$4,324	$5.07 bn
2012	$3,792	$0.44 bn
2011	$3,513	$0.06 bn
2010	$3,560	N/A

Source: GIMA, BlackRock

IMPORTANT NOTICE REGARDING COMPLEX PRODUCTS-PLEASE REVIEW

This fund utilizes non-traditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets:

- Commodities (e.g., agricultural, energy and metals), Currency, Precious Metals
- Managed Futures
- Leveraged, Inverse or Inverse Leveraged
- Bear Market, Hedging, Long-Short Equity, Market Neutral
- Real Estate
- Volatility (seeking exposure to the CBOE VIX Index)

Please refer to the fund's prospectus for additional information and descriptions of the specific non-traditional and complex strategies utilized by the fund. ***Investors should carefully consider the fund's investment objectives, detailed risk disclosures, charges and fees contained in the fund's prospectus before investing. Please review the prospectus carefully and discuss any questions you may have with your Financial Advisor.*** You should also keep in mind that while mutual funds may at times utilize non-traditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Non-traditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

Examples of non-traditional and complex investment options and strategies include the following. Please keep in mind that the below list is not exhaustive. Rather, it is a brief summary intended to focus your attention on some of the financial instruments, characteristics and special risk factors that may be associated with non-traditional mutual fund investments.

Derivatives and Leverage. Derivatives are financial contracts whose value depends on the value of underlying assets, reference rates or indices. The use of derivatives involves risks that are in addition to, and potentially greater than, the risks associated with investing directly in securities and other more traditional assets. These include imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the underlying asset, and risks that the transactions may not be liquid. Certain derivative transactions may give rise to a form of leverage, which can magnify the potential for gain and/or the risk of loss and could thus have a disproportionate impact on the performance of the fund. Leverage associated with derivative transactions may cause a fund to liquidate portfolio positions to satisfy its obligations when it may not be advantageous to do so, or may cause a fund to be more volatile than if it had not been leveraged. Commonly used derivative instruments and techniques include:

Futures. A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying instrument or commodity at a specific price at a specific future time. Futures contracts may be offered on agricultural commodities, energy commodities such as crude oil and natural gas, as well as on a vast array of financial instruments, including currencies, government securities, and stock indices. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile. They are affected by many factors, including changes in overall market movements, speculation, real or perceived inflationary trends, index volatility, changes in interest rates or currency exchange rates and political events. Using futures can lower total return, and the potential loss from futures can exceed a fund's initial investment in such contracts.

Options. Options are contracts giving the holder the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed-upon price. Like futures, the prices of options can be highly volatile and they are impacted by many of the same factors. The use of options can also lower total returns.

Swaps. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap contracts are purchased over-the-counter ("OTC"), are not purchased or traded on exchanges and often there is no central clearing or guaranty function for swaps. OTC swaps are generally subject to credit risk or the risk of default or non-performance by the counterparty. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by a counterparty or if the reference index, security or investments do not perform as expected.

Structured Investments. A structured investment is designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. Holders of structured investments bear risks of the underlying investment as well as market risk, and are subject to issuer or counterparty risk because the fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the issuer of the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing a fund's illiquidity to the extent that the fund, at a particular point in time, may be unable to find qualified buyers for these investments.

Short Sales. A short sale involves the sale by the fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. If the price of the security or derivative has increased during this time, then the fund will incur a loss. Short sales are a form of investment leverage and the amount of the fund's potential loss is theoretically unlimited. Short sales are subject to other risks including the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the fund.

Liquidity. Certain investments may be difficult to purchase or sell due to thinly traded markets or other factors such as a relatively large position size. Illiquid securities may reduce the returns of the fund because it may be unable to sell the illiquid securities or unwind derivative positions at favorable prices. Fund returns may also be adversely impacted where the fund has an obligation to purchase illiquid securities (e.g., as a result of entering into reverse repurchase agreements, writing a put, or closing out a short position). Moreover, less liquid securities are more susceptible than other securities to market value declines when markets decline generally. Funds will have greater liquidity risks to the extent their principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk.

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

BofA Merrill Lynch 3-month U.S. Treasury Bill Index is an index of short-term U.S. Government securities with a remaining term to final maturity of less than three months.

HFRX Fixed Income - Credit Index includes strategies with exposure to credit across a broad spectrum of credit sub-strategies, including Corporate, Sovereign, Distressed, Convertible, Asset Backed, Capital Structure Arbitrage, Multi-Strategy and other Relative Value and Event Driven sub-strategies. These strategies attempt to exploit perceived valuation discrepancies between the related credit instruments. Strategies may also include and utilize equity securities, credit derivatives, government fixed income, commodities, currencies or other hybrid securities.

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. 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. Current performance may be lower or higher than the performance referenced in this report. 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. 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.

Alternative/hedged strategies may use 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. Alternative/hedged strategies are not appropriate for all investors. A short sales strategy includes the risk of loss due to an increase in the market value of borrowed securities. Such a strategy may be combined with purchasing long positions in an attempt to improve portfolio performance. A short sales strategy may result in greater losses or lower positive returns than if the portfolio held only long positions, and the portfolio's loss on a short sale is potentially unlimited. The use of leverage can magnify the impact of adverse issuer, political, regulatory, market, or economic developments on a company. A decrease in the credit quality of a highly leveraged company can lead to a significant decrease in the value of the company's securities. In a liquidation or bankruptcy, a company's creditors take precedence over the company's stockholders.

Derivatives, in general, involve special risks and costs that may result in losses. The successful use of derivatives requires sophisticated management, in order to manage and analyze derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of the manager may not be what the investment manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses. Other risks include the potential inability to terminate or sell derivative positions, as a result of counterparty failure to settle or other reasons.

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***.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. Similar to bonds, ***loans*** are subject to interest rate risk and credit risk. Liquidity risk may be greater for a loan since there is no organized exchange on which loans are traded and reliable market quotations may not be readily available.

Ultra-short bond funds generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund's net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

Derivatives, in general, involve special risks and costs that may result in losses. The successful use of derivatives requires sophisticated management, in order to manage and analyze derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of the manager may not be what the investment manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses. Other risks include the potential inability to terminate or sell derivative positions, as a result of counterparty failure to settle or other reasons.

Mortgage-backed securities ("MBS"), which include collateralized mortgage obligations ("CMOs"), also referred to as real estate mortgage investment conduits ("REMICs"), may not be suitable for all investors. There is the possibility of early return of principal due to mortgage prepayments, which can reduce expected yield and result in reinvestment risk. Conversely, return of principal may be slower than initial prepayment speed assumptions, extending the average life of the security up to its listed maturity date (also referred to as extension risk). Additionally, the underlying collateral supporting MBS may default on principal and interest payments. Investments in subordinated MBS involve greater credit risk of default than the senior classes of the same issue. MBS are also sensitive to interest rate changes which can negatively impact the market value of the security. During times of heightened volatility, MBS can experience greater levels of illiquidity and larger price movements.

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.

Blackstone Alternative Multi-Strategy Fund

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*Multi-Strategy*
SUB-STYLE:	*N/A*
BENCHMARK:	*HFRX Global Hedge Fund Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Mutual Fund*
TICKER SYMBOL	*BXMIX (TRAK FS, UMA)*

http://www.blackstone.com

STRATEGY DESCRIPTION

The fund is a multi-strategy and multi-manager vehicle investing in hedge fund strategies which seeks to provide a lower risk profile than that of traditional stock and bond markets. The strategy will have a bias to equity long/short augmented by liquid themes in global macro, event driven and credit.

Summary of Opinion:

- Global Investment Manager Analysis (GIMA) believes the Blackstone Alternatives Multi-Strategy fund (the "Fund") may be appropriate for investors seeking exposure to an alternative asset class for the purpose of adding diversity to their portfolios, as well as a potential alpha generating manager.
- The Fund utilizes a multi-manager and multi-strategy format that employs hedge fund managers as sub-advisors. The Fund uses separately managed accounts to invest with the underlying sub-advisors that provide daily liquidity, transparency and risk management.
- The investment focus is on a number of different strategies, namely equity long/short, event driven and credit, global and systematic macro, opportunistic fixed income, and market neutral.
- The fund seeks to capture approximately half the broad equity market volatility with a beta of 0.3 or less.
- The Fund, relative to long-only funds, is expected to participate meaningfully in up markets while preserving capital in challenging environments.
- **May 20, 2015** – Global Investment Manager Analysis ("GIMA") has elected to upgrade the status of the Blackstone Alternative Multi-Strategy Fund to Focus List from Approved List. This change is prompted by GIMA's high opinion of an experienced portfolio management team and Blackstone's resources and global presence. The Fund's recent performance relative to its benchmark and peers is on the higher end of GIMA's expectations.

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

- GIMA views Blackstone Alternative Asset Management (BAAM) as an industry leader in hedge fund manager sourcing and selection.
- The co-portfolio managers, responsible for the day-to-day management of the fund, are experienced in managing hedge fund of funds.
- The management team has access to the significant operational resources of the BAAM group.
- Blackstone as an organization manages in excess of $333 billion across Real Estate, Private Equity, Hedge Funds, Credit and Strategic Partnerships. In addition, the firm has in excess of $2 trillion in Advisory assets. GIMA believes this provides a broad range of experience, resources and market knowledge which may benefit fund investors.

Points to Consider

- The Blackstone Alternatives Multi-Strategy fund (BXMIX) is a fund of hedge funds product in a mutual fund format.
- The Fund utilizes hedge fund strategies which have unique characteristics and influences that may impact the fund negatively in adverse market conditions.
- The fund utilizes separately managed accounts to invest in underlying managers with daily liquidity and daily holdings level visibility.
- Management anticipates an annual turnover of underlying managers of approximately 10-15%.

Areas of Concern

- The fund has a short performance track record (inception June 2014) and has experienced rapid AUM growth.
- The Fund is a successor fund of Blackstone Multi-Manager Fund (BXMMX) which was incepted in August 2013. BXMIX is modeled from BXMMX.

Performance Expectations

- GIMA believes BXMIX will provide asymmetric return potential that allows for meaningful upside capture in positive market environments and a level of downside risk reduction in more challenging environments.

Performance Opinion

- Fund performance since inception in June 2014 has been positive. Performance is in line with high quality bonds while outperforming the HFRX Global Hedge Fund Index.
- Performance in 2014 was on the lower end of expectations due in large part to a lower net exposure to equities, a strategy which outperformed in 2014. Performance in 2015 to date has been relatively stronger with fundamental equity investing driving performance and long exposure to the US Dollar proving accretive.
- GIMA finds the shorter-term performance above expectations given the Fund's combination of strategies and low net exposures. The fund has provided positive returns with downside support through favorable manager selection, asset allocation, and hedging overlays.
- GIMA does not have a Long-Term performance opinion for this strategy due to its short track record. For the longer-term, GIMA believes performance will benefit from Blackstone's investment experience and infrastructure.

News Summary

- May 20, 2015 – Global Investment Manager Analysis ("GIMA") has elected to upgrade the status of the Blackstone Alternative Multi-Strategy Fund to Focus List from Approved List. This change is prompted by GIMA's high opinion of an experienced portfolio management team and Blackstone's resources and global presence. The Fund's recent performance relative to its benchmark and peers is on the higher end of GIMA's expectations.

Additional Comments – 1940 Act Limitations

- GIMA selected the HFRX Global Hedge Fund Index as the benchmark.
- The predecessor fund, BXMMX was incepted in August 2013 specifically for the Fidelity Investment Platform. BXMMX has in excess of $1.3 billion in assets under management and BXMIX is run pari passu ("hand-in-hand") to BXMMX with 20 underlying manager allocations among the following strategies: (Strategy Band)
  - Equity Long Short (10-40%)
  - MBS/ABS and EM Credit (5-20%)
  - Systematic Macro and Market Neutral (10-30%)
  - Opportunistic Fixed Income (10-30%)
  - Global Macro (5-20%)
  - Multi-Strategy (5-20%)
- **1940 Act-Registered Open-End Mutual Funds** - GIMA recognizes that 1940 Act-registered open-end mutual funds seek alternative-like exposure, and both 1940 Act-registered open-end mutual funds and traditional hedge funds seek investment returns with lower correlations to traditional markets in an attempt to increase overall portfolio diversification.
- Unlike traditional hedge funds, SEC registered open-end mutual funds that seek alternative-like exposure do not require investor pre-qualifications, enable efficient tax reporting, are subject to lower investment minimums and lower fees, provide portfolio transparency, daily liquidity, and are required to provide daily NAV pricing.
- Because of 1940 Act limitations, mutual funds that seek alternative-like exposure generally utilize a more limited investment universe and, therefore, will have relatively higher correlation with traditional market returns. Registered open-end funds are statutorily limited in their use of leverage, short sales, and the use of derivatives.
- Hedge funds typically charge an asset-based and performance fee. Potential benefits to hedge funds include greater flexibility in terms of seeking enhanced returns through the use of leverage, exposure to less liquid investments, and the more flexible use of complex instruments such as derivatives. The Fund seeks to access hedge fund strategies with no performance fee at the fund level.
- GIMA expects the Fund participate to a meaningful degree in up markets while preserving capital in challenging environments. GIMA believes the Fund is suitable for investors seeking a degree of diversification from long-only strategies.

Additional Analyst Comments

- None.

Additional News Summary

- None.

Portfolio Traits

Range of Sub-Advisors	15-20
Maximum allocation to any one manager	15%
Targeted Beta	0.2 to 0.4 expected versus the S&P 500 Index
Targeted Volatility	Approximately 1/3 of the volatility of the broad equity market
Hedging Overlay	No
Leverage	Based on underlying manager's investment process
Net Exposure	20 – 40%
Typical Annual Turnover	~15%
Est. Product Capacity	None stated

Source: Absolute Investment Advisers, GIMA

Investment Capabilities Overview

Portfolio Management Team

- The management team is comprised of three co-portfolio managers Stephen Sullen, Alberto Santulin (lead) and Richard Scarinci.
- Alberto Santulin is a Managing Director of the Hedge Funds Solutions group. Mr. Santulin leads the portfolio management team of the Fund. In addition, he is involved in hedge fund manager evaluation, selection and monitoring. Before joining Blackstone in 2003, Mr. Santulin worked at Rasini & Co. Inc., a European fund-of-hedge-funds, where he opened and ran the New York office.
- Stephen W. Sullens is a Senior Managing Director of The Blackstone Group and Head of Portfolio Management for the Hedge Funds Solutions group. Mr. Sullens oversees portfolio management for all of BAAM's multi-manager programs. He is responsible for directing the manager research team in hedge fund manager selection and monitoring. He also serves on the Investment Committees for BAAM, Blackstone Strategic Alliance and Blackstone Strategic Opportunity.
- Richard Scarinci is a Managing Director of the Hedge Funds Solutions group. Mr. Scarinci is involved in the management of BAAM's commingled and customized multi-manager programs. Since joining Blackstone in 2003, Mr. Scarinci has performed a wide range of due diligence activities including risk management and operational due diligence.
- The management team leverages the resources of the BAAM group, made up of approximately 117 investment professionals of which 62 individuals are focused on manager due diligence as of 9/30/15.

Investment Philosophy & Process

- The fund seeks to provide investors access to hedge fund strategies in a fund of funds context within a daily liquid, transparent mutual fund structure. The fund seeks to provide attractive returns with lower volatility and correlations to the broader equity markets. GIMA measures the fund's performance characteristics relative to the fund of hedge fund returns, as measured by the HFRX Global Hedge Fund Index.
- **Top Down/Macroeconomic View**: The asset allocation strategy team, led by Ian Morris, an economist with the Firm, provides insights on the economy and perspective on capital markets. The Asset Strategy team also has an ongoing dialogue with the sub-advised managers in the fund to assess their view of the markets.
- The investment team combines the views of the asset allocation strategy team with bottom up views of BAAM's strategy heads to decide on appropriate allocation weights to underlying managers.
- BAAM performs ongoing analysis of short and medium term risk and expected returns by sector to assist in asset allocation decisions and guide research efforts.
- On a monthly basis, BAAM will hold an Allocation Strategy meeting which synthesizes BAAM's top-down asset allocation perspective. In addition, the BAAM team maintains an open dialogue with other groups across Blackstone to leverage resources across the firm.
- A bottom up approach is used to determine the combination of underlying hedge fund managers to target the given strategy objectives.
- **Manager Research**: BAAM's Manager Research Team is organized into nine functional strategy groups that include the following: Equity, Event Driven, Multi-strategy/Arbitrage, Mortgages/Structured Credit, Corporate Credit, Commodities, Macro/Fixed Income, CTA/Systematic Trading, and Emerging Markets/Asia
- Each group has a strategy head whose background is specific to his or her area of expertise. This promotes a deep understanding of each manager within their respective strategy universe. Furthermore, this team is responsible for sourcing new manager relationships, screening those managers for viable prospects and ultimately evaluating those managers for potential inclusion into BAAM's portfolios.
- Strategy groups review a wide range of qualitative and quantitative attributes. These include, but not limited to, strategy, philosophy, analytical skills, market experience, use of leverage, decision making, consistency of results across markets, trade structuring, liquidity.
- In addition to strategy groups, BAAM uses a multi-disciplinary approach to evaluate fund managers. The four disciplines include Manager Research, Risk Management, Business and Financial Evaluation and Legal Due Diligence.
- Risk management looks to evaluate a manager's internal controls, assess the manager's estimated tail risk, validate the investment thesis and provide ongoing monitoring of the manager once approved.
- Business & Financial Evaluation (BFE) or Operational Due Diligence, is dedicated to reviewing the underlying manager's business environment and controls. The primary components of the BFE team work include; Internal and external research, review of documents, on-site back office review, review of service providers and background investigations.
- Legal due diligence reviews the underlying funds governing documents. The typical documents review include, but not limited to, Subscription documents, Offering memorandum, limited partnership agreements, management agreements. The legal review, once complete, is communicated to the broader investment team to be included in the fund's investment report.
- Sub-advisors are reviewed based on a four pronged approach. For all managers, the BAAM manager research analyst reviews all documents, makes on-site visits and conducts a final presentation to the Investment Committee.
- Managers are evaluated with respect to their individual performance and ability to add diversification value to the portfolio.

Summary of Investment Capabilities Opinion

- GIMA views Blackstone's "Investment Capabilities" as "Above Average".
- The BXMIX team is broadly experienced and supported by the extensive infrastructure and depth of the organization.
- Blackstone is a meaningful market participant across most markets, including but not limited to,

equities, fixed-income, real estate and private equity.

- GIMA believes Blackstone is well suited organizationally and professionally to leverage its broad resources successfully.

Other Key Items

Decision-Making

- Alberto Santulin leads the three member portfolio management team. Due diligence analysts report to the three portfolio managers their views on underlying managers.
- A 3 to 4 member due diligence team is assigned to each manager in the BAAM platform.
- Seven formalized meeting are conducted each month, from Manager Research to Executive Committee. BAAM's Investment Committee meets with the Manager Research and Allocation Strategy Team to review and approve the firms's top-down view and bottom-up research. Upon completion of the due diligence, all selected managers' strategies are presented to the Investment Committee for final approval.
- The firm's Executive Committee reviews and approves the decisions of the Investment Committee to ensure that decisions are in compliance with BAAM's allocation policies and procedures.
- The operational team reviews all managers and has veto authority.
- Capacity, Blackstone believes the strategy is highly scalable although is mindful of the opportunity set and monitors market factors closely.

Manager Change Process

- Underlying managers are continually monitored for risk exposures, beta, volatility, and risk-adjusted performance. If any of these measures is deemed unacceptable for a sustained period of time, the manager may be removed.
- Qualitative aspects of managers are also monitored, such as a portfolio manager change, breach of investment mandate, or alterations in investment process may lead to the manager being removed.

Track Record Reliability

- GIMA views the track record reliability as low-to-moderate, given the fund's recent (June 2014) inception.
- According to Blackstone, larger pools of assets are invested with the underlying managers through a similarly managed mutual fund with a track record dated to August 2013 and in excess of $1.2 billion in assets.
- The Fund has the ability to employ leverage within the constraints of the Investment Compnay Act of 1940.
- The Fund provides each sub-advisor with a securities lending budget that ensures the overall budget parameters are not breached.
- BAAM monitors leverage and large positions of each manager on an ongoing basis thru frequent communications and statistical risk measures.
- The Fund will utilize leverage to varying degrees among the different sub-strategies. Gross leverage in aggregate has typically been less than 5X. The Fund is managed to a net basis (long and short exposures) around 20 - 40% net exposure.
- The Fund does not employ leverage at the fund level.

Manager	Strategy	Sub-Strategy	Current Allocation
Goldman Sachs	Equity Hedge	Equity Long Short	
HealthCor	Equity Hedge	Equity Long Short	
Rail Splitter	Equity Hedge	Equity Long Short	47%
Wellington	Equity Hedge	Equity Long Short	
Blackstone Senfina Advisors	Equity Hedge	Equity Market Neutral	
Two Sigma Advisors	Equity Hedge	Equity Market Neutral	
Bayview	Relative Value	Fixed Income – Asset Backed	
Cerberus	Relative Value	Fixed Income – Asset Backed	
Good Hill	Relative Value	Fixed Income – Asset Backed	28%
Sorin	Relative Value	Fixed Income – Asset Backed	
Waterfall	Relative Value	Fixed Income – Asset Backed	
Chatham	Relative Value	Fixed Income – Corporate	
Boussard & Gavaudan	Event Driven	Multi-Strategy	
Caspian	Event Driven	Distressed/Restructuring	10%
Nephila	Event Driven	Reinsurance	
BTG Pactual	Macro	Discretionary Thematic	
Emso	Macro	Discretionary Thematic	
Verde	Macro	Discretionary Thematic	15%
AlphaParity	Macro	Systematic Diversified	
IPM	Macro	Systematic Diversified	

Source: Blackstone as of September 30, 2015

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Alberto Santulin	Portfolio Manager	Generalist	●	Bocconi University	1996	2003	2014
Stephen Sullens	Portfolio Manager	Generalist	●	Stanford University	1990	2001	2014
Richard Scarinci	Portfolio Manager	Generalist		Princeton University	2003	2003	2014

Source: Blackstone, GIMA

Business Structure Overview

History/Ownership

- Founded in 1985, Blackstone is one of the largest alternative asset managers. The firm is headquartered in New York, NY and maintains offices around the world. Blackstone Alternative Asset Management (BAAM) is part of Blackstone Group and with AUM of approximately $64 billion as of September 2015.
- Blackstone was founded by Peter G. Peterson, Chairman Emeritus, and Stephen A. Schwarzman, current Chairman and CEO. On June 2007, a portion of Blackstone's ownership interests were sold through an initial public offering on the New York Stock Exchange, and are now trading under the symbol "BX." Through this IPO, approximately 14.2% was sold to public investors, and the People's Republic of China concurrently purchased approximately 9.4% of Blackstone's equity interests.
- Blackstone shares are actively traded daily.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Partners & Employees	51.5%
Blackstone Group	48.5%
Publicly Traded	**Ticker**
Yes	BX

Source: Blackstone, GIMA

Assets Under Management ($ Millions)

Year	Firm	Product
9/30/15	333,000	2,937
2014	284,000	780

Source: Blackstone, GIMA

Business Plan

- BAAM seeks to manage the growth of its funds and investor base in order to meet the risk-adjusted return goals of its investors.
- The Firm anticipates the growth of its business over the next several years to be driven by the performance of its existing product range and continued ability to design and deliver effective solutions to the challenges faced by its clients.
- According to the Firm, BAAM continues to manage headcount and invest in resources across its various business lines: Manager Research/Investments, Business & Financial Evaluation ("BFE"), Legal / Product Structuring, and Risk Management, at all levels.

Legal/Compliance

- All regulatory examinations of the Firm was done prior to the recent launch of the Fund.
- According to the Firm, SEC had audited the firm in 2000 and 2012 and National Futures Association in 2000, 2005, 2009 and 2013. There were no material findings in connection with any of these exams.

Other Key Factors

Incentives/Alignment of Interests

- All investment professionals are compensated through a base salary and a discretionary bonus that is determined by senior management based on 360 degree peer reviews and an overall manager review.
- Blackstone employees have in excess of $1.5 billion invested in BAAM funds.

IMPORTANT NOTICE REGARDING COMPLEX PRODUCTS - PLEASE REVIEW

This fund utilizes non-traditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets:

- Commodities (e.g., agricultural, energy and metals), Currency, Precious Metals
- Managed Futures
- Leveraged, Inverse or Inverse Leveraged
- Bear Market, Hedging, Long-Short Equity, Market Neutral
- Real Estate
- Volatility (seeking exposure to the CBOE VIX Index)

Please refer to the fund's prospectus for additional information and descriptions of the specific non-traditional and complex strategies utilized by the fund. *Investors should carefully consider the fund's investment objectives, detailed risk disclosures, charges and fees contained in the fund's prospectus before investing. Please review the prospectus carefully and discuss any questions you may have with your Financial Advisor.* You should also keep in mind that while mutual funds may at times utilize non-traditional investment options and strategies, they should not be equated with unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Non-traditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

Examples of non-traditional and complex investment options and strategies include the following. Please keep in mind that the below list is not exhaustive. Rather, it is a brief summary intended to focus your attention on some of the financial instruments, characteristics and special risk factors that may be associated with non-traditional mutual fund investments.

Derivatives and Leverage. Derivatives are financial contracts whose value depends on the value of underlying assets, reference rates or indices. The use of derivatives involves risks that are in addition to, and potentially greater than, the risks associated with investing directly in securities and other more traditional assets. These include imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the underlying asset, and risks that the transactions may not be liquid. Certain derivative transactions may give rise to a form of leverage, which can magnify the potential for gain and/or the risk of loss and could thus have a disproportionate impact on the performance of the fund. Leverage associated with derivative transactions may cause a fund to liquidate portfolio positions to satisfy its obligations when it may not be advantageous to do so, or may cause a fund to be more volatile than if it had not been leveraged. Commonly used derivative instruments and techniques include:

Futures. A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying instrument or commodity at a specific price at a specific future time. Futures contracts may be offered on agricultural commodities, energy commodities such as crude oil and natural gas, as well as on a vast array of financial instruments, including currencies, government securities, and stock indices. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile. They are affected by many factors, including changes in overall market movements, speculation, real or perceived inflationary trends, index volatility, changes in interest rates or currency exchange rates and political events. Using futures can lower total return, and the potential loss from futures can exceed a fund's initial investment in such contracts.

Options. Options are contracts giving the holder the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed-upon price. Like futures, the prices of options can be highly volatile and they are impacted by many of the same factors. The use of options can also lower total returns.

Swaps. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap contracts are purchased over-the-counter ("OTC"), are not purchased or traded on exchanges and often there is no central clearing or guaranty function for swaps. OTC swaps are generally subject to credit risk or the risk of default or non-performance by the counterparty. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by a counterparty or if the reference index, security or investments do not perform as expected.

Structured Investments. A structured investment is designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. Holders of structured investments bear risks of the underlying investment as well as market risk, and are subject to issuer or counterparty risk because the fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the issuer of the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing a fund's illiquidity to the extent that the fund, at a particular point in time, may be unable to find qualified buyers for these investments.

Short Sales. A short sale involves the sale by the fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. If the price of the security or derivative has increased during this time, then the fund will incur a loss. Short sales are a form of investment leverage and the amount of the fund's potential loss is theoretically unlimited. Short sales are subject to other risks including the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the fund.

Liquidity. Certain investments may be difficult to purchase or sell due to thinly traded markets or other factors such as a relatively large position size. Illiquid securities may reduce the returns of the fund because it may be unable to sell the illiquid securities or unwind derivative positions at favorable prices. Fund returns may also be adversely impacted where the fund has an obligation to purchase illiquid securities (e.g., as a result of entering into reverse repurchase agreements, writing a put, or closing out a short position). Moreover, less liquid securities are more susceptible than other securities to market value declines when markets decline generally. Funds will have greater liquidity risks to the extent their principal investment strategies involve foreign (non-U.S.) securities, derivatives or securities with substantial market and/or credit risk.

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

HFRX Global Hedge Fund Index - is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

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. 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. Current performance may be lower or higher than the performance referenced in this report. 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. 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.

Alternative/hedged strategies may use 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. Alternative/hedged strategies are not appropriate for all investors. A short sales strategy includes the risk of loss due to an increase in the market value of borrowed securities. Such a strategy may be combined with purchasing long positions in an attempt to improve portfolio performance. A short sales strategy may result in greater losses or lower positive returns than if the portfolio held only long positions, and the portfolio's loss on a short sale is potentially unlimited. The use of leverage can magnify the impact of adverse issuer, political, regulatory, market, or economic developments on a company. A decrease in the credit quality of a highly leveraged company can lead to a significant decrease in the value of the company's securities. In a liquidation or bankruptcy, a company's creditors take precedence over the company's stockholders.

Derivatives, in general, involve special risks and costs that may result in losses. The successful use of derivatives requires sophisticated management, in order to manage and analyze derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of the manager may not be what the investment manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses. Other risks include the potential inability to terminate or sell derivative positions, as a result of counterparty failure to settle or other reasons.

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 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.

April 26, 2016

Re: Update on Private Advisors Stable Value Fund, Ltd., PA Stable Value Fund, Ltd., and Private Advisors Stable Value ERISA Fund, Ltd.

Dear Partners:

After 18 years, Private Advisors (or the "Firm") has made the difficult decision to close our commingled Stable Value funds and return capital to investors. We are deeply disappointed in Stable Value's recent underperformance and that we have not met clients' return expectations. What also concerns us is that our loyal partners will not benefit from Stable Value's diversifying characteristics in the next market downturn. We believe unprecedented central bank stimulus has overshadowed the real near-term possibility of such a correction. With that in mind, we are unwilling to jeopardize our clients' trust by altering our portfolio construction methodology to chase performance. The remainder of this letter provides insight into the decision-making framework guiding Stable Value's closure, as well as, an overview of the liquidation process.

Current Environment

Hedge funds have underperformed investor expectations amidst a challenging market backdrop influenced by interest rate uncertainty, regulatory reform, and macro volatility. Stable Value has underperformed HFOF peers due to its conservative mandate, defensive positioning, and exposure to challenged strategies (in particular "event-driven" strategies). We have remained disciplined in our investment approach. However, our theses related to rising interest rates, divergent monetary policy, and credit market turmoil have been slow to materialize. As a result, performance has lagged, and during Q1 2016 Stable Value experienced ~40% redemptions. Net of these redemptions, Stable Value had ~$660 million of remaining assets.

Decision to Close Stable Value

After extensive deliberation, we concluded that the investment exposure in the residual portfolios would have changed meaningfully. Also, remaining investors would have been subjected to heightened ownership concentration. While we could have continued managing the Stable Value funds, absent future cash flows, we would not have been able to achieve the asset allocation we desired. In the interest of treating all Stable Value clients equitably, the Board of Directors of each of the Stable Value Funds, on the advice of the investment manager, has decided that proactively winding down the funds was the most appropriate and transparent approach. We will be conducting compulsory redemptions for all fund investors with the first to occur in June 2016 irrespective of previously submitted redemption requests. In doing so, voluntary redemptions are being suspended immediately. This letter serves as notice of both the compulsory redemptions and the immediate suspension of voluntary redemptions.

Liquidity Implications

The table below outlines the expected schedule by which capital will be returned to investors. Our team will actively manage the wind down process and our goal is return capital as quickly and efficiently as possible. We will proactively communicate our progress throughout the liquidation. Effective June 30th, the funds will not charge management or performance fees.

Date	Private Advisors Stable Value Fund, Ltd.	PA Stable Value Fund, Ltd.	Private Advisors Stable Value ERISA Fund, Ltd.
6/30/2016	43%	43%	48%
12/31/2016	67%	67%	72%
6/30/2017	83%	83%	87%
12/31/2017	89%	89%	93%
12/31/2018	96%	96%	97%
After 12/31/2018	100%	100%	100%

Outlook

We maintain our thesis that thoughtfully constructed hedge fund portfolios can serve as a valuable replacement for fixed income if accessed via the appropriate fund structure. The Firm plans on continuing to offer this investment strategy through separately managed accounts and remains committed to its hedge fund business. Recognizing that the market environment for low volatility diversified strategies has been incredibly challenging, we are confident that our seasoned team positions us well to capitalize on future opportunities that will arise.

Thank you for your support of Private Advisors. We appreciate your partnership and are fortunate to be stewards of your capital. As always, please do not hesitate to contact our Investor Relations Team at 804-433-1230 with any questions.

Sincerely,

Private Advisors LLC

PRIVATE ADVISORS®
ALTERNATIVE ASSET MANAGEMENT

City of Port Orange Municipal Police Officers' Retirement Plan

Asset Allocation Analysis

May 20, 2016

Risk / Return Characteristics		Mix 1	Current Target	Mix 2	Mix 3
7-Year Strategic Assumptions	Expected Return	4.9%	5.5%	5.4%	5.7%
	Risk	10.3%	10.6%	10.5%	10.7%
	Sharpe Ratio	0.30%	0.35%	0.34%	0.36%
Return = 7.75% Actuarial Return +	Probability of Loss in Any Given Year	30.8%	29.1%	29.3%	28.7%
0.9% Estimated Fees	Probability > 8.65% ROR - Any Given Year	36.4%	39.2%	38.7%	39.9%
20-Year Secular Assumptions	Expected Return	8.1%	8.3%	8.3%	8.4%
	Risk	9.6%	9.9%	9.8%	10.0%
	Sharpe Ratio	0.49%	0.51%	0.50%	0.51%
Return = 7.75% Actuarial Return +	Probability of Loss in Any Given Year	20.0%	20.1%	20.1%	20.2%
0.9% Estimated Fees	Probability > 8.65% ROR - Any Given Year	47.9%	49.3%	49.0%	49.6%
Global Equities	US Large Cap Value Equities	11.25%	11.25%	11.25%	11.25%
	US Large Cap Growth Equities	11.25%	11.25%	11.25%	11.25%
	US Large Cap Covered Call Equities	10.00%	10.00%	10.00%	10.00%
	US Small Cap Value Equities	6.25%	6.25%	6.25%	6.25%
	US Small Cap Growth Equities	6.25%	6.25%	6.25%	6.25%
	International Value Equities	5.00%	5.00%	5.00%	5.00%
	International Growth Equities	5.00%	5.00%	5.00%	5.00%
	Total Equities	55.00%	55.00%	55.00%	55.00%
Fixed Income	US Core Fixed Income	45.00%	27.50%	32.50%	27.50%
	Total Fixed Income	45.00%	27.50%	32.50%	27.50%
Liquid Alternatives	Fund of Hedge Funds (FOHF)		10.00%	5.00%	5.00%
	Total More Liquid Alternatives	0.00%	10.00%	5.00%	5.00%
Illiquid Alternatives	Private Real Estate		7.50%	7.50%	12.50%
	Total Illiquid Alternatives	0.00%	7.50%	7.50%	12.50%
	TOTAL ASSETS	**100.00%**	**100.00%**	**100.00%**	**100.00%**

IMPORTANT: The projections and other information generated by the Morgan Stanley Asset Allocation Center regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results.