City of Ormond Beach Pension Plans

Small/Mid Capitalization Value Manager Search Summary

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

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

Performance calculated Gross of Fees

Graystone Consulting

SMALL/MID CAP VALUE MANAGER SEARCH ANALYSIS

Prepared for:

City of Ormond Beach Pension Plans

February 12, 2016

Graystone Consulting Tampa

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Investment Manager Analysis

Prepared for: City of Ormond Beach

For the Period Ending 12/31/2015

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

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

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

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Quantitative Analysis

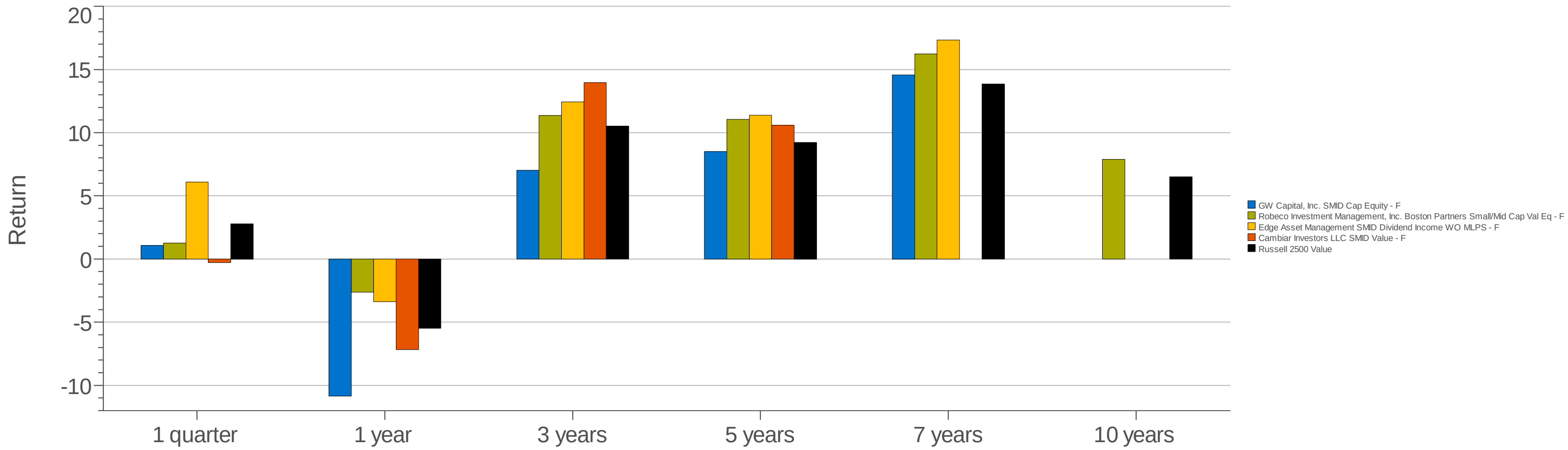
Trailing Periods Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

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



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

	1 quarter	1 year	3 years	5 years	7 years	10 years
GW Capital, Inc. SMID Cap Equity - F	1.08%	-10.84%	7.03%	8.49%	14.56%	N/A
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	1.27%	-2.62%	11.36%	11.05%	16.22%	7.89%
Edge Asset Management SMID Dividend Income WO MLPS - F	6.08%	-3.37%	12.45%	11.38%	17.34%	N/A
Cambiar Investors LLC SMID Value - F	-0.28%	-7.18%	13.97%	10.58%	N/A	N/A
Russell 2500 Value	2.78%	-5.49%	10.51%	9.23%	13.84%	6.51%

Calendar-Year Returns Analysis

Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Calendar Year Return

As of December 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GW Capital, Inc. SMID Cap Equity - F	-10.84%	1.89%	34.96%	15.44%	6.21%	22.92%	40.14%	-41.52%	13.11%	N/A
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	-2.62%	5.42%	34.52%	23.76%	-1.18%	17.92%	43.84%	-30.94%	-6.52%	15.56%
Edge Asset Management SMID Dividend Income WO MLPS - F	-3.37%	8.84%	35.19%	16.89%	3.16%	27.26%	40.40%	-26.90%	2.04%	N/A
Cambiar Investors LLC SMID Value - F	-7.18%	7.51%	48.34%	13.42%	-1.50%	N/A	N/A	N/A	N/A	N/A
Russell 2500 Value	-5.49%	7.11%	33.32%	19.21%	-3.36%	24.82%	27.68%	-31.99%	-7.27%	20.18%

Risk/Return Analysis – 3 Years

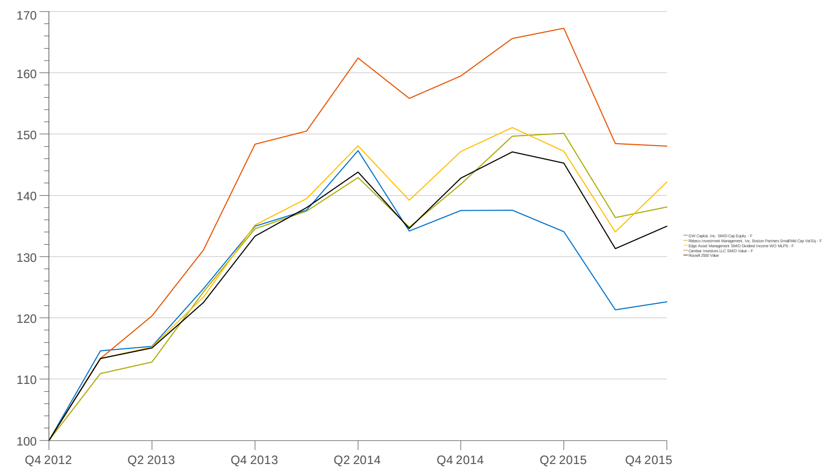
Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

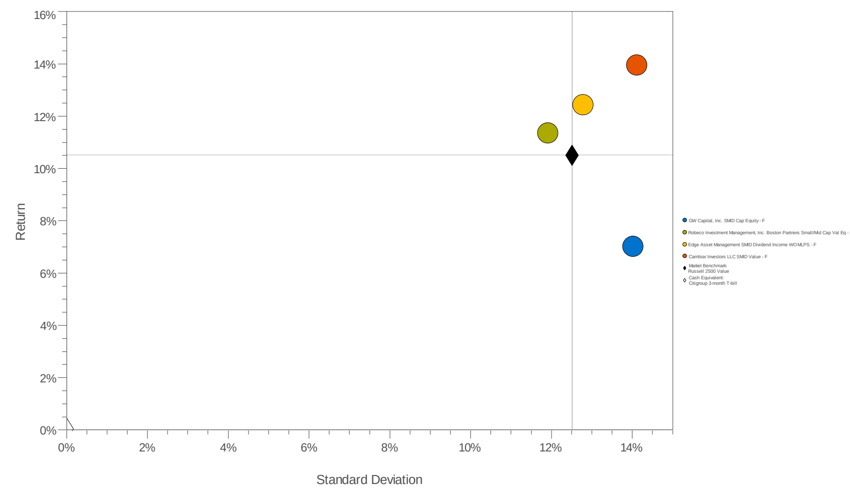
Manager Performance

January 2013 - December 2015 (Single Computation)



Risk / Return

January 2013 - December 2015 (Single Computation)



Return & Risk Analysis

January 2013 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	7.03%	-3.48%	14.02%	1.08	-17.66%	87.12%	119.81%	-3.90%	0.50	92.72%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	11.36%	0.85%	11.90%	0.91	-9.16%	98.78%	85.46%	1.67%	0.95	92.13%
Edge Asset Management SMID Dividend Income WO MLPS - F	12.45%	1.93%	12.78%	1.00	-11.28%	112.62%	100.91%	1.78%	0.97	96.46%
Cambiar Investors LLC SMID Value - F	13.97%	3.45%	14.12%	1.03	-11.51%	114.92%	85.15%	3.09%	0.99	83.06%
Russell 2500 Value	10.51%	0.00%	12.51%	1.00	-10.73%	100.00%	100.00%	0.00%	0.84	100.00%

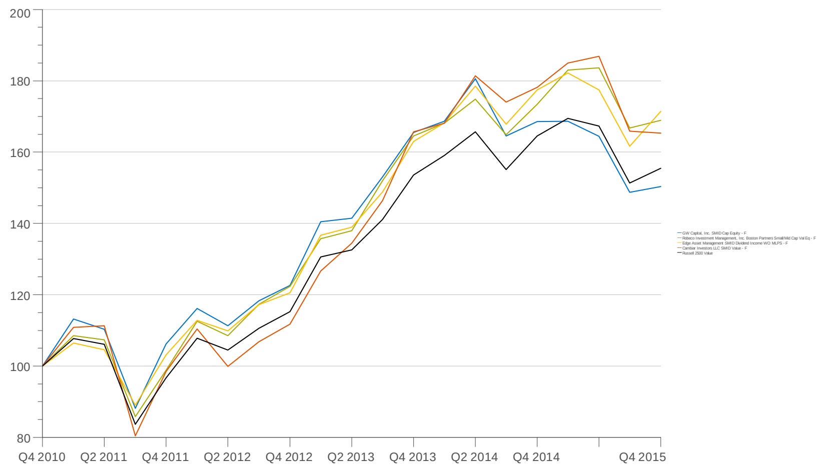
Risk/Return Analysis – 5 Years

Graystone Consulting

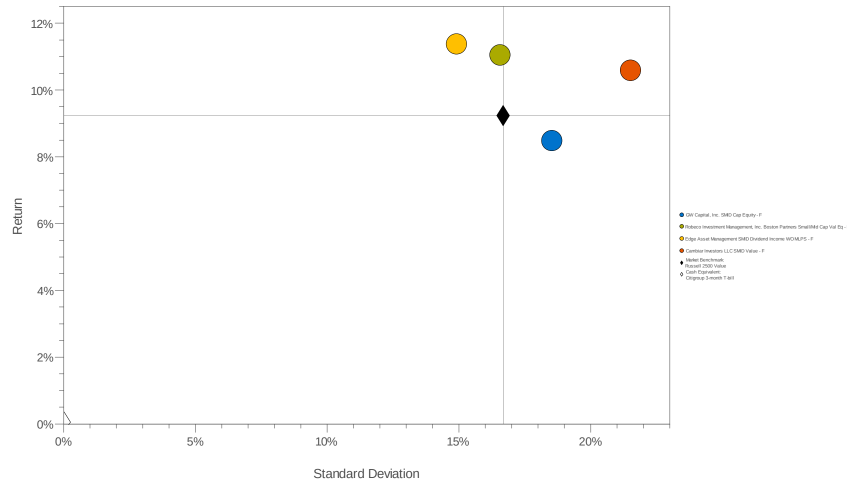
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2011 - December 2015 (Single Computation)



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



Return & Risk Analysis

January 2011 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	8.49%	-0.74%	18.53%	1.07	-22.18%	102.16%	109.27%	-1.18%	0.46	93.44%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	11.05%	1.82%	16.57%	0.98	-20.90%	105.42%	92.54%	1.92%	0.66	96.69%
Edge Asset Management SMID Dividend Income WO MLPS - F	11.38%	2.15%	14.90%	0.87	-16.36%	102.81%	85.72%	3.00%	0.76	96.04%
Cambiar Investors LLC SMID Value - F	10.58%	1.35%	21.50%	1.24	-27.70%	121.99%	119.47%	-0.23%	0.49	92.23%
Russell 2500 Value	9.23%	0.00%	16.69%	1.00	-22.26%	100.00%	100.00%	0.00%	0.55	100.00%

Risk/Return Analysis – 7 Years

Graystone Consulting

Zephyr StyleADVISOR

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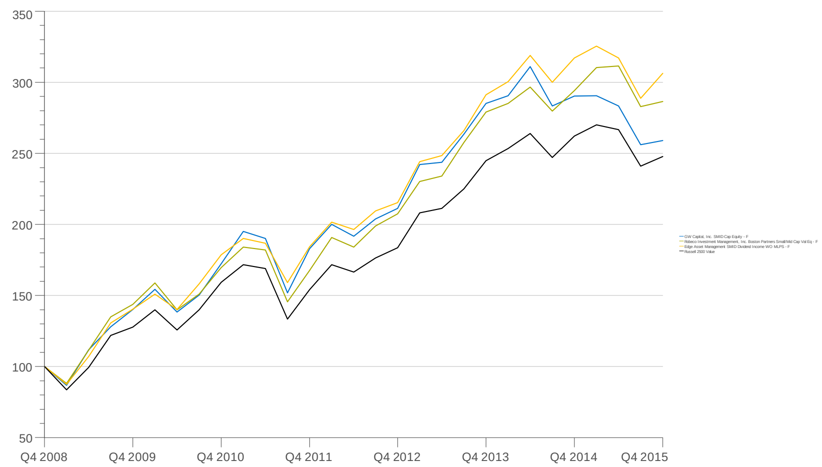
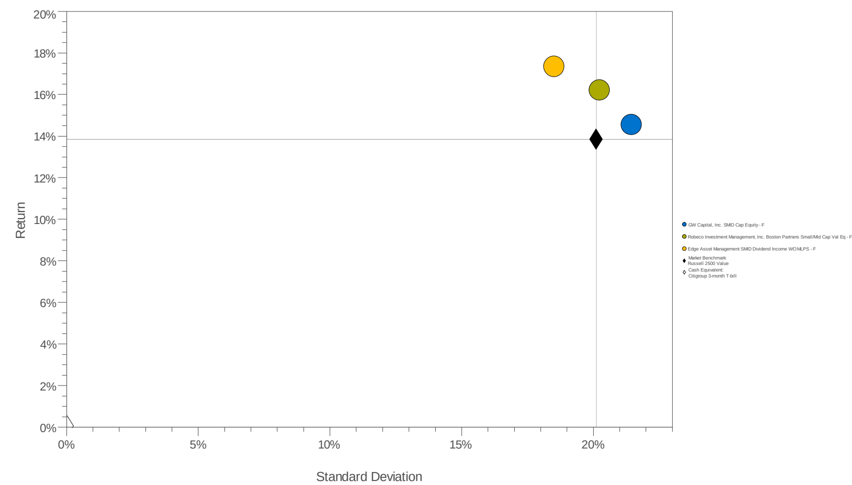
Manager Performance
January 2009 - December 2015 (Single Computation)



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



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

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
GW Capital, Inc. SMID Cap Equity - F	14.56%	0.72%	21.44%	1.01	-22.18%	104.29%	101.77%	0.71%	0.68	89.61%
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	16.22%	2.38%	20.22%	0.98	-20.90%	105.22%	91.91%	2.47%	0.80	94.64%
Edge Asset Management SMID Dividend Income WO MLPS - F	17.34%	3.50%	18.50%	0.90	-16.36%	104.16%	82.37%	4.30%	0.93	96.48%
Russell 2500 Value	13.84%	0.00%	20.11%	1.00	-22.26%	100.00%	100.00%	0.00%	0.68	100.00%

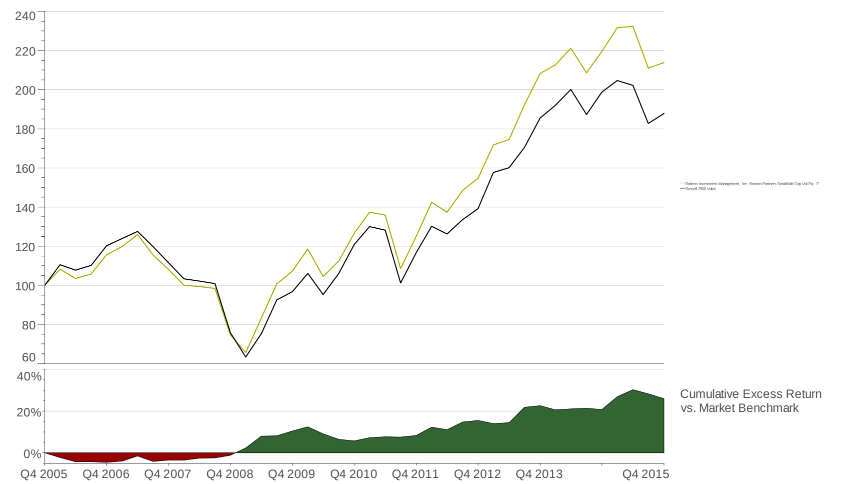
Risk/Return Analysis – 10 Years

Graystone Consulting

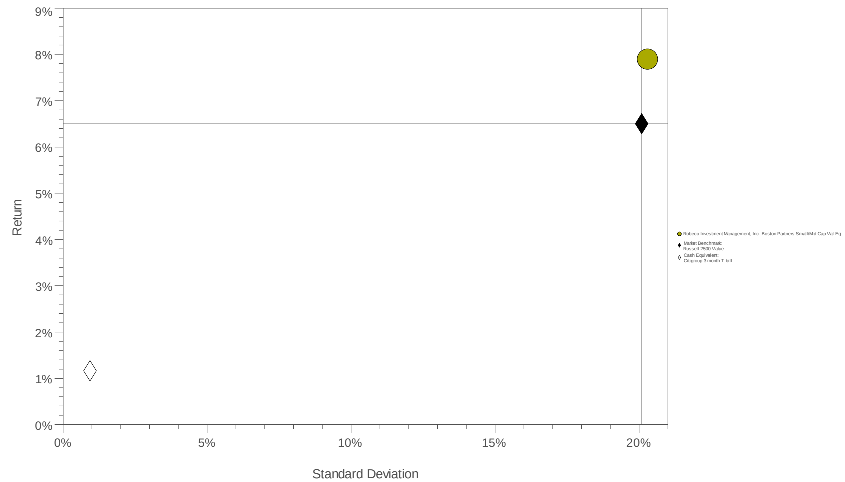
Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Performance
January 2006 - December 2015 (Single Computation)



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



Return & Risk Analysis
January 2006 - December 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Robeco Investment Management, Inc. Boston Partners Small/Mid Cap Val Eq - F	7.89%	1.39%	20.29%	0.99	-47.81%	104.86%	96.78%	1.43%	0.33	95.73%
Russell 2500 Value	6.51%	0.00%	20.09%	1.00	-50.25%	100.00%	100.00%	0.00%	0.27	100.00%

Style Analysis

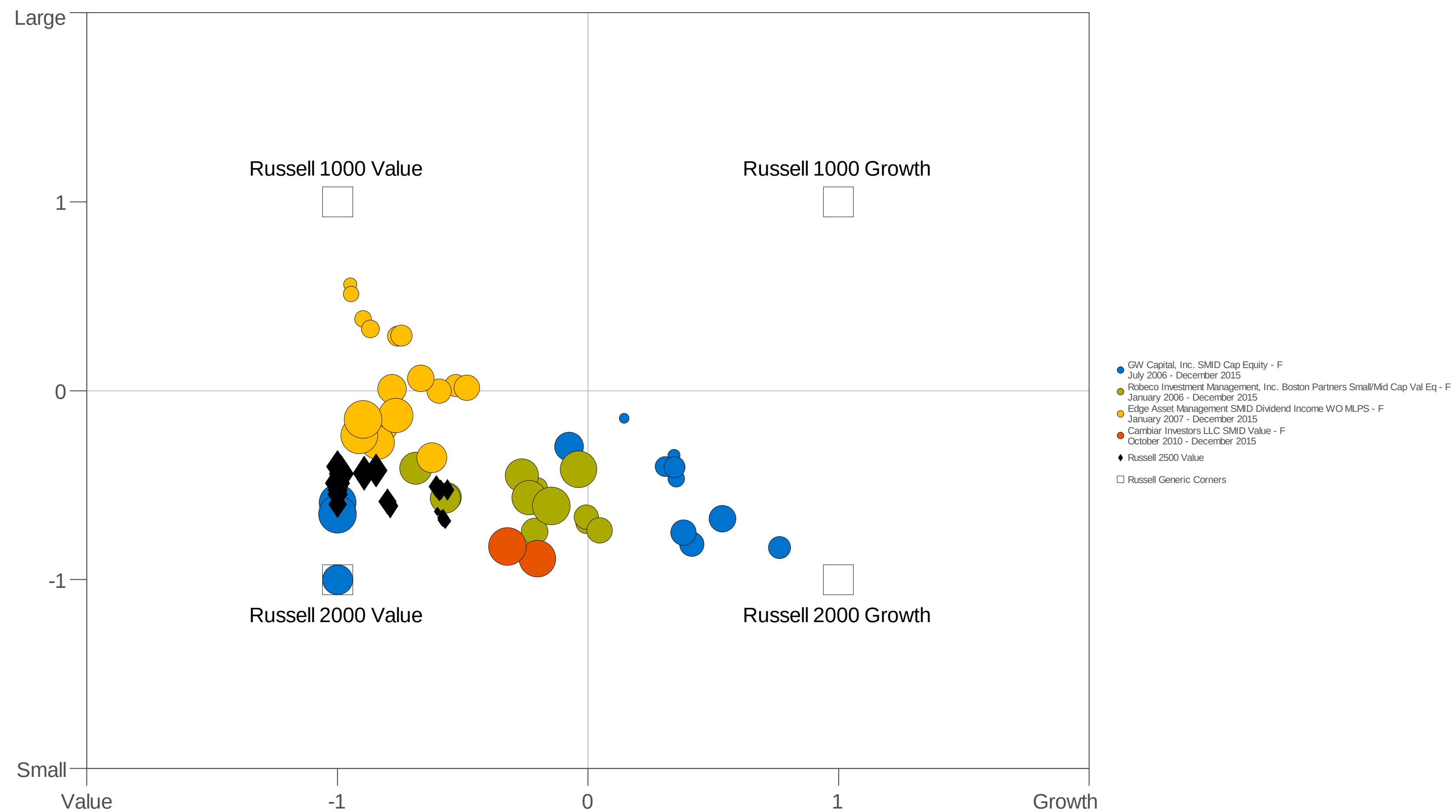
Graystone Consulting

Zephyr StyleADVISOR

Zephyr StyleADVISOR: Graystone Consulting

Manager Style

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



Graystone Consulting

Qualitative Due Diligence

GW Capital Small/Mid Cap Value Equity

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Mid Cap Value*
SUB-STYLE:	*Relative Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*N/A*

www.gwcapitalinc.com

STRATEGY DESCRIPTION

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

Summary of Opinion:

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

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

See Opinion Description at the end of this report.

Positive Attributes

- Knowledgeable and experienced investment team
- 100% employee ownership by key investment professionals
- Leverages fixed income research and market data from firm's fixed income product offerings

Points to Consider

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

Areas of Concern

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

Performance Expectations

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

Performance Opinion

- After trailing for four consecutive quarters, the strategy performed in line with its benchmark during 3Q 2015. The strategy at this time has a more pronounced value bias relative to many peers and an improvement in relative results this quarter coincided with the Russell 2500 Value Index outperforming the Russell 2500 Growth Index. Industrials and Technology holdings had a positive effect on relative results, while Financials and Consumer Discretionary holdings underperformed. GW Capital's decision to reduce Energy exposure over the past few quarters added value; however, an overweight Materials and underweight Financials (REITs) adversely impacted relative performance.
- The strategy lagged its benchmark over the Y-T-D, one-year, and three-year annualized periods ending 9/30/2015. Results are below expectations, especially over the past 12 months, given the magnitude of underperformance relative to peer small/mid cap value strategies over the aforementioned periods. Financial holdings meaningfully detracted value over the past year, but had a minimal effect over the past 3 years ending 9/30/2015. Consumer Discretionary stock picks have hurt on a consistent basis while Technology holdings positively contributed.
- Since the product's inception (6/2006), the strategy has moderately outperformed its benchmark. Investors need to be cognizant this is a concentrated product with high Active Share resulting in greater volatility relative to its benchmark. For the past 15 months ending 9/30/2015, the strategy has experienced its worst relative performance since inception, which has negatively impacted the strategy's longer-term results.

News Summary

- 4Q13 – GW indicated that DeShay McCluskey was promoted to PM.
- 2Q12- GW announces that Research Analyst, DeShay Gould McCluskey, was hired along with Chief Compliance Officer, Jennifer Ottosen.
- 3Q11- Touk Sinantha and Nick Brown were promoted from Research Analysts to Portfolio Managers and were awarded equity.

Additional Analyst Comments

- GW tends to underweight or avoid the Technology sector and GIMA believes they generally have a bias against Technology stocks. GW has from time to time owned scattered positions in Technology. GW believes that in general technology companies do not have strong pricing power, have less tested business models, and generally have less debt oriented capital structures reducing their advantage in fixed income analysis. GW has similar feelings about biotechnology. GIMA believes that the bias against these areas at GW unnecessarily reduces GW's opportunity set and reduces potential value added.
- An additional concern is that GW's performance was exceptionally strong in the period immediately preceding the large run-up in assets. Shorter-term performance disappointments could result in higher levels of client loss than at peer firms. GW claims not to have had any significant client loss due to performance over the past few years. Firm assets are currently at peak levels.
- Given that GW internally has debates as to the appropriate benchmark, it is not surprising that GIMA also had difficulty in assigning a benchmark. GIMA considers the most appropriate benchmark to be the Russell 2500 Value (SMID Cap Value), not the Russell 2500 Index (SMID Cap Core); however, GIMA also believes it would not be unreasonable to benchmark GW to the Russell 2500 Index.

Additional News Summary

- 4Q08 – GW hired Touk Sinantha as a Senior Research Analyst.
- 2Q08 – Brian Kutzera, analyst, left the firm.

Portfolio Traits

	Equity
Range of Holdings	30-40
Maximum Position Size	Normally 7%
Econ Sector Constraints	Typically 25%
Tracking Error Target	No target
Typical Annual Turnover	Approximately 20-50%
Invests in ADRs	No
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	As a guideline, 25% to 33% of volume in a 2 week period
Maximum Cash	Approximately 20%
Typical Cash Position	<10%
Est. Product Capacity	$2.5 Billion

Source: GW Capital, GIMA

Investment Capabilities Overview

Portfolio Management Team

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

Investment Philosophy & Process

- The process combines an emphasis on top-down sector selection with bottom-up fundamental security selection.
- From a top-down perspective, GW seeks out areas (themes or sectors) they expect to have revenue growth, pricing power, and a significant catalyst. GW believes a comprehensive understanding of the economic, political and social characteristics that influence the capital markets is essential to the investment management process.
- The top down analysis is permitted to result in themes that are not sector driven. A theme may span multiple sectors and can be either longer or shorter-term oriented.
- GW also invests in what they consider "special situation stocks." These are generally situations where they see a compelling opportunity that does not translate into a macro theme.
- Idea generation comes from a variety of sources. These include a broad research basis to develop macro/thematic areas, investment committee discussions, third party research firms, regional/boutique brokerages, fixed income research, industry conferences and company conference calls.
- From a bottom up perspective, stocks are generally selected on the basis of valuation parameters, earnings growth potential, financial profile, low institutional sponsorship, and qualitative judgments of management's commitment to enhancing shareholder value. The fixed income research conducted at the firm is also considered.
- GW favors sectors where they believe there is a significant catalyst to support their investment. Maximum capitalization at purchase is $10 billion.

Summary of Investment Capabilities Opinion

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

Other Key Items

Decision-Making

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

Sell Process

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

Track Record Reliability

- Messrs. Watanabe, Parkhurst and Mullet have managed the product since its inception in 2006.
- The product's investment process and portfolio construction parameters remained consistent during this period.

Key Investment Professionals

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

Source: GW Capital, GIMA

Other Key Professionals

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

Source: GW Capital, GIMA

Primary Functions of Key Professionals

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

Source: GW Capital, GIMA

Business Structure Overview

History/Ownership

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

Business Plan

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

Legal/Compliance

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

Summary of Business Structure Opinion

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

Other Key Factors

Incentives/Alignment of Interests

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

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

Assets Under Management ($ Millions)

Year	Firm	Product
3Q2015	2,215	378
2014	2,908	670
2013	2,929	600
2012	2,298	362
2011	2,036	300
2010	1,672	372
2009	1,334	303
2008	990	220

Source: GW Capital, GIMA

OPINION OVERVIEW DESCRIPTION

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

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

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

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

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

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

DEFINITIONS

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

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

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500 - Russell 2500 Index measures the performance of the 2500 smallest companies in the Russell 3000 Index.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPORTANT DISCLOSURES

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

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

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

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

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

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

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

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

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

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

Performance and Other Portfolio Information

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

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

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

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

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

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

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

Sources of Data

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

Asset Class and Other Risks

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

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

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

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

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

No Tax Advice

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

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

Conflicts of Interest

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

Boston Partners Small/Mid Cap Value

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Small Cap Value*
EQUITY SUB-STYLE:	*Traditional Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*NA*

www.robecoinvest.com

STRATEGY DESCRIPTION

Boston Partners' (BP) investment team seeks to build a portfolio of stocks that have attractive valuations, strong business fundamentals, and positive momentum (i.e., earnings and price momentum). The investment team utilizes a combination of various proprietary screening tools in unison with qualitative analysis to identify potential investment candidates.

Summary of Opinion

- This product is on the Focus List due primarily to Global Investment Manager Analysis' (GIMA) favorable view of the personnel, particularly Dave Dabora. Mr. Dabora has a long and successful track record managing this product, and a longer history of managing small-cap portfolios in general. He appears to have been unaffected by many firm level changes that have occurred over the years.
- The formal appointment of George Gumpert to Co-PM in early 2011 for all strategies overseen by David Dabora is viewed positively by GIMA given that it provides additional depth at the portfolio management level and a career path for a talented investment professional such as Mr. Gumpert. The firm indicated that the promotion was more of a formality and that George's analytical role had been evolving to the extent that the organization became very confident in his abilities as a decision maker. We did not get a sense that this is the beginning of Mr. Dabora becoming less engaged, nor did we view this as the first step in Mr. Dabora's transition out of the firm.
- Boston Partners' parent company, Robeco Investment Management, subsidiary of the Robeco Group, has been through several organization changes since its formation. The latest organizational change involved the acquisition of Robeco by Orix (see Additional Analyst Comments – page 3 for more details). We prefer to see stability in terms of the composition of firm ownership; however, the organizational changes have yet to affect David Dabora's investment team.

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

Source: GIMA
See Opinion Description at the end of this report.

Positive Attributes

- Consistent investment philosophy driven by strong lead portfolio manager; supported by sizable central research team.
- Mr. Dabora's investment team has operated out of a satellite office in Greenbrae, CA, for over a decade with little disruption in terms of personnel changes.
- The process incorporates both fundamental and qualitative analysis, in conjunction with robust quantitative tools that have been additive over time.

Points to Consider

- The strategy can hold upwards of 175 stocks.
- The market capitalization, which has been at or near benchmark levels, could increase slightly as assets increase. Over time the strategy has had the flexibility to own some micro-cap stocks (<500 million).
- 35% absolute sector guideline.
- Anticipated turnover between 45% and 70%.
- Can invest in ADR securities, but rarely exceeds 10% of assets under management.
- Strategy has the flexibility to own high- and low-quality stocks as denoted by S&P quality codes and a combination of higher and lower beta holdings.

Areas of Concern

- The investment team directly responsible for this strategy is relatively small compared to peer firms considering the number of holdings included in the three products managed by David Dabora.
- Robeco Investment Management, subsidiary of the Robeco Group, has been through several organization changes since its formation. The latest organizational change involved the acquisition of Robeco by Orix. We prefer to see stability in terms of the composition of firm ownership; however, the organizational changes have yet to affect David Dabora's investment team.

Performance Expectations

- Emphasis on free cash flow, return on equity, and a positive catalyst at the company level typically results in the portfolio having "stronger fundamentals" than the benchmark's constituents and suggests better performance when "value" styles are in favor. However, the portfolio manager has shown flexibility in this regard and has taken calculated risks in terms of increasing exposure to more cyclical areas of the market as opportunities presented themselves.

Performance Opinion

- The strategy was ahead of its benchmark during the third quarter of 2015 and in line with GIMA expectations. With an overweight to Industrials and an underweight to REIT's and Utilities, the portfolio was not well positioned from an economic sector perspective. However, stock selection was positive in most sectors and added considerable value.
- The strategy was ahead of the benchmark on a year-to-date as well as a trailing one-year basis mostly due to favorable stock selection across the board. Financials was the weakest link with an underweight and unfavorable stock selection detracting value.
- The strategy outperformed over the three-year annualized period as of quarter end. Stock selection within Technology, Industrials, Energy, and Materials augmented relative results for the period. While the overweight to Consumer Discretionary helped, holdings in this sector negatively impacted the portfolio over the three-year period. Overall, performance over the short-term has met GIMA's expectations.
- This strategy has outperformed in six out of the past eight calendar years. Stock selection since the onset of the financial crisis in 2008 has been positive across most economic sectors. Overall, returns for this strategy over the longer term (five and 10-year periods through quarter end) are at the higher end of GIMA's expectations.

News Summary

- January 1, 2015 – Robeco Boston Partners products rebranded as Boston Partners.
- 1Q 2011 – George Gumpert, long-tenured senior analyst, is formerly promoted to co-portfolio manager.

Additional Analyst Comments

- In terms of product capacity, the firm claimed that the investment team based in California can manage approximately $2.5 billion–$3.5 billion across all of the small and smid strategies. We believe this is a reasonable asset level given the number of stocks held across all of the strategies. Messrs. Dabora and Gumpert monitor liquidity closely and do not like to be large shareholders of any of the stocks they buy.
- On February 19, 2013, Orix Corporation (diversified Japanese financial conglomerate) reached an agreement to acquire 90% equity of Robeco Group from Rabobank, Netherlands domiciled parent company of Robeco Group. The transaction closed on July 1, 2013 with no regulatory or operational impediments. Based on publicly disseminated information and conversations with Robeco representatives, the firm's management board has remained in their current roles. Robeco reports to ORIX headquarters in Tokyo. In addition, Robeco Group's legal/organizational structure has remain unchanged, and all operating divisions have maintained the same governance/budgetary structures and function autonomously as before the merger based on comments made from Robeco representatives. At this point, we don't have a negative view of the transaction with Orix given that it eliminated the uncertainty of Robeco being owned by a larger European bank, which may be forced to raise capital to comply with new Basel III financial regulations. While there have been no material personnel departures or impact to the investment team responsible for the strategy, we will continue to monitor this situation closely.
- There are several value-oriented investment strategies managed by the legacy Boston Partners organization. The key investment tenets (valuation, positive business momentum, favorable fundamentals) are the same for each strategy. However, there are different portfolio management teams responsible for each product subset that have access to one central research team.

Additional News Summary

- 3Q 2008 – CEO Bill Kelly becomes Chairman while CIO Jay Feeney and longtime Large Cap Value PM Mark Donovan also take on the role of co-CEO.
- 3Q 2007 – Director of Research Jay Feeney is named CIO of Equities for RIM.
- 1Q 2007 – Legal entity change: Boston Partners Asset Management, L.L.C., along with other Robeco affiliates, is merged with Robeco Investment Management,Inc.

Portfolio Traits

Equity	
Range of Holdings	100-180
Maximum Position Size	5%
Econ Sector Constraints	35% absolute
Tracking Error Target	No formal target
Typical Annual Turnover	45-70%
Invests in ADRs	Yes- up to 15%
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	Not for SMA
Liquidity Constraints	No formal constraint
Maximum Cash	10%
Typical Cash Position	3%
Est. Product Capacity	$1 billion depending on assets in other similarly managed strategies

Source: Boston Partners, GIMA

Investment Capabilities Overview

Portfolio Management Team

- David Dabora is the lead Portfolio Manager for Boston Partners' (BP) small-cap products, including the Small/Mid Cap Value product as well as two Small Cap Value mandates.
- He is supported by co-PM, George Gumpert, and senior analyst, David Hinton.
- David Dabora has led the Small Cap products since July 2001. Prior to taking over the small value products, he was an assistant portfolio manager on the all-cap value product, and has covered various industries as a research analyst. He has been with the firm since its founding in 1995, and had worked as an analyst with the predecessor firm, The Boston Company.
- The portfolio managers utilize the fundamental and quantitative research teams located primarily in Boston.
- Although at times overlapping in names and sharing research resources, the Mid Cap Value team does not have discretion over the Small/Mid product.
- Jay Feeney and Mark Donovan share the CEO title and represent the investment leadership at the firm. Mr. Donovan is a long-time lead PM on the Large Cap Value product. The firm claims this senior management structure is positive given that investment professionals are leading the organization.

Investment Philosophy & Process

- The investment approach is a multi-step process that attempts to purchase stocks with attractive value characteristics, strong or improving business fundamentals, or positive business momentum (improving trends or a catalyst).
- A quantitative screen ranks stocks in an array of combinations of value, fundamental and momentum criteria, which can change over time.
- Attractive valuation is based on price to free cash flow, defined by RBP as cash flow from operations less capital expenditures), but other measures may also be examined.
- Fundamental analysis utilized by the investment team attempts to get ahead of momentum by looking for stocks inexpensive relative to the market with favorable and/or improving operating returns on operating assets.
- The momentum component to the process examines EPS trends, earnings surprises, estimate revisions, and price strength with a focus on the top quintile.
- Many other screens are also used, including a potential LBO screen, Value with Growth screen, Discount to Target Price with Momentum, as well as other screens that tend to utilize some combination and definition of value, fundamental, and momentum.

Summary of Investment Capabilities Opinion

- GIMA finds David Dabora to be a highly competent investment professional with significant tenure, managing small-cap portfolios and a long history with the firm. We place a large degree of emphasis on his investment acumen in our recommendation of this product.
- George Gumpert supports Mr. Dabora as co-PM, and the firm has a sizable research team that supports the SMV product. That said, the product team is relatively small compared to peer firms, especially considering the number of stocks included in the three products. This also points to our concentrated conviction in Mr. Dabora.
- RBP's investment process attempts to capture market inefficiencies over time by purchasing stocks that are attractive from multiple perspectives: valuation, fundamentals, and momentum. The process incorporates both fundamental and qualitative techniques, and is flexible to the extent that certain screens can be modified over time and adapted to changing market conditions.
- The firm integrates quantitative screening effectively throughout the research process and has a strong team of analysts supporting the process. Additionally, there has not been significant turnover among the central research team.

Other Key Items

Decision-Making

- David Dabora is the lead portfolio manager for this strategy.

Sell Process

- Stocks may be sold for the following reasons:
    - Valuation – appreciation to price target
    - Weakening business fundamentals
    - Reversal of catalyst

Track Record Reliability

- David Dabora has been managing this product since its inception, which makes the track record highly reliable. Furthermore, he has extensive experience managing small-cap value product at the firm.
- The firm has stated the use in the past of IPOs for institutional accounts, which would not be available for this product through Morgan Stanley platforms, and could cause dispersion between the firm's institutional composite and our internal composite of live Morgan Stanley accounts. In addition, other potential differences can be expected given slight differences in individual holdings and position sizes. However, the level of performance dispersion between BP's institutional composite and the Morgan Stanley composite has been relatively low and the holdings overlap has been quite high historically.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
David Dabora	Lead Portfolio Manager	Small Cap Generalist	●	UCLA	1983	1995	Since Inception
George Gumpert	Co-portfolio Manager	Small Cap Generalist	●	UMass- Amherst	1999	2000	Since Inception
David Hinton	Analyst	Small Cap Generalist	●	Dartmouth	2002	2002	2002

Source: Boston Partners, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jay Feeney	Co-CEO, CIO	RIM Mgmt, Equity teams	●	Univ Chicago	1985	1995	NA
Mark Donovan	Co-CEO	RIM Mgmt, Large Cap Value PM	●	Columbia JD	1981	1995	NA
William Butterly	CCO	Compliance		Columbia Law School	1984	2005	NA

Source: Boston Partners, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
David Dabora	●	●	●		●	●
George Gumpert	●	●	●			
Jay Feeney						●
Mark Donovan						●
William Butterly						●

Source: Boston Partners, GIMA

Business Structure Overview

History/Ownership

- Boston Partners (BP) was initially a group of investment professionals who spun themselves out of the Boston Company in 1995 seeking, among other things, independent ownership.
- In 2002-03 they sold the firm to Robeco, the Netherlands investment unit of Rabobank.
- RBP, as a legal entity, was merged along with other affiliates into Robeco Investment Management (RIM) in early 2007, making RIM the registered investment advisor.
- On February 19, 2013, Orix Corporation (diversified Japanese financial conglomerate) reached an agreement to acquire 90% equity of Robeco Group from Rabobank, Netherlands domiciled parent company of Robeco Group. The transaction closed on July 1, 2013 with no regulatory or operational impediments.
- BP is headquartered in Boston with investment offices also located in Los Angeles and Greenbrae, CA.

Business Plan

- Retail distribution continues to be an important focus of the firm's strategy. BP is content with the existing product line-up and places considerable emphasis on delivering favorable risk-adjusted returns as opposed to offering new strategies.
- The bear market of 2007/2009 had brought AUM down significantly for the firm, including the small-cap products managed by Dave Dabora. As a result, the firm re-opened the Small Cap product, but the partially micro cap-oriented Small Cap II remains closed. The retail Smid Value strategy has remained open. Assets have stabilized since the market low of March 2009 and are now at peak levels.
- In June 2008, RIM sold its fixed income business to Morgan Stanley, which led to personnel departures. The firm states that it intends to focus on their core equity and alternatives offerings as they could not build sufficient scale in the fixed income business.
- In the fall of 2008, Jay Feeney and Mark Donovan were named co-CEOs of RIM as Bill Kelly quasi-retired at an early age and moved to a chairman role. Mr. Kelly had succeeded RBP founder Desi Heathwood in 2007. The firm claims that this most recent change is positive in that investment professionals are once again leading the business.

Legal/Compliance

- The firm states that they underwent their most recent SEC examination in 3Q07 and received a letter of deficiency in March 2008 regarding various areas that needed improvement such as controls regarding non-public information, the firm's code of ethics, etc. The firm claims to have since revised policies with respect to the areas highlighted by the SEC and enhanced their disclosures on ADV forms. RIM does not believe any of the issues noted in the letter were material in nature or have any bearing on RIM's ability to manage client assets.

Summary of Business Structure Opinion

- Despite the Orix acquisition, Robeco Group's legal/organizational structure has remained unchanged, and all operating divisions have maintained the same governance/budgetary structures and have functioned autonomously as before the merger based on comments made from Robeco representatives. At this point, we don't have a negative view of the transaction with Orix given it eliminated the uncertainty of Robeco being owned by a larger European bank, which may be forced to raise capital to comply with new Basel III financial regulations. While there have been no material personnel departures or impact to the investment team responsible for the strategy, we will continue to monitor this situation closely.
- Many investment professionals, including David Dabora, have persevered through many organizational changes. Mr. Dabora continues to successfully manage portfolios out of a satellite office in Greenbrae, CA. We believe he has effectively kept his investment role distanced from some of the noise of multiple changes at the larger organizational level.

Other Key Factors

Incentives/Alignment of Interests

- According to RIM and BP, all of the professionals directly involved with the small-cap products share a similar compensation structure comprised of a competitive base salary and a performance bonus, as well as participation in their phantom equity plan.
- BP indicates that portfolio managers' incentive compensation is evaluated on quantitative and qualitative factors. On a quantitative basis, the key determinant is the performance of the small-cap products relative to various value benchmarks, as well as peer groups. Qualitative factors, such as the portfolio manager's contribution to the investment effort, client retention, growth of the product via new client relationships, and the development of investment personnel (i.e., research analysts) are also considered as a determinant of incentive compensation.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Robeco Investment Mgmt (Orix Corp/Rabobank)	100 (90%Orix Corp/10% Rabobank)
Publicly Traded	**Ticker Symbol**
Privately Held	NA

Source: Boston Partners, GIMA

Assets Under Management ($ Millions)

Year	Firm	Product
9/2015	$74,210	$1,009
2014	$73,219	$658
2013	$55,652	$720
2012	$32,456	$509
2011	$24,403	$453
2010	$23,143	$517

Source: Boston Partners, GIMA

OPINION OVERVIEW DESCRIPTION

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

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

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

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

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

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

DEFINITIONS

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

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

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPORTANT DISCLOSURES

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

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

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

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

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

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

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

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

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

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

Performance and Other Portfolio Information

General

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

Benchmark index

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

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

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

Other data

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

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

Securities holdings

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

Sources of Data

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

Asset Class and Other Risks

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

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

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

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

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

No Tax Advice

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

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

Conflicts of Interest

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

EDGE Small-MidCap Dividend Income (w/o MLP)

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*Small Cap Value*
SUB-STYLE:	*Traditional Value*
BENCHMARK:	*Russell 2500 Value Index*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account*
TICKER SYMBOL	*N/A*

www.edgeassetmgt.com

STRATEGY DESCRIPTION

The strategy emphasizes high and growing income through the investment in higher quality stocks with dividend friendly management and a track record of paying, as well as growing their dividends. The portfolio has historically invested in REITs, Utilities and more recently, Business Development Companies (BDCs), to help achieve a high aggregate portfolio yield.

Summary of Opinion:

- Global Investment Manager Analysis ("GIMA") has placed this product on our Focus List because we have a high opinion of this investment team. Co-portfolio managers ("PMs") Dan Coleman and Dave Simpson have consistently implemented the overall investment process, which GIMA deems to be disciplined, repeatable and capable of adding value over a full market cycle.
- The strategy focuses on investing in companies that possess a management that has a commitment and capacity to pay dividends, and can consistently grow dividends over a full market cycle. This has tended to result in a portfolio that has maintained lower overall risk metrics (standard deviation, beta, downside capture ratio) than its benchmark (Russell 2500 Value Index) and peers. At the same time the strategy has historically provided an above average aggregate dividend yield relative to the benchmark, which is relatively unique within this investment style.
- Given the dividend oriented nature of the strategy, the portfolio has historically had a meaningful exposure to interest rate sensitive securities, specifically REITs, Business Development Companies and Non-K-1 generating securities that are used attempting to replicate MLP exposure. GIMA believes that this could produce a sizable headwind if interest rates were to rise, particularly if rates rose meaningfully over a short period of time.

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

See Opinion Description at the end of this report.

Positive Attributes

- Experienced co-portfolio managers, who have been with the firm and managing the discipline since its 2007 inception.
- Strategy has demonstrated the ability to add value in various market environments since inception.
- Attractive short and long-term performance on a risk adjusted basis relative to peers and the benchmark.

Points to Consider

- Given the dividend oriented nature of the process the portfolio has and will tend to have a meaningful exposure to REITs, Utilities and recently Business Development Centers (BDCs), which are very similar to venture capital funds.
- Strategy will utilize a variety of substitute vehicles to approximate the Small-MidCap Dividend Income (with MLP) strategy's exposure to MLPs (see below "Additional Analyst Comments").
- Portfolio dividend yield has historically averaged over 2x the benchmark yield.
- Strategy is characterized as having lower risk metrics (standard deviation, beta, and downside capture) relative to benchmark and peers.
- May experience prolonged periods of underperformance when dividend paying stocks are out of favor.

Areas of Concern

- The strategy's asset flows have significantly increased since 2010, partly due to the "dividend trade" being in vogue. GIMA believes that the strategy's rapid asset growth over this period could result in meaningful account redemptions, particularly newer accounts, if the current "dividend trade" falls out of favor (e.g. rising interest rate environment).

Performance Expectations

- The portfolio should be expected to outperform in flat to down markets and typically lag in strong up markets.
- Historically the portfolio's growth and valuation characteristics as measured by trailing and forward estimated earnings-per-share (EPS) growth and price-to-earnings (P/E) have been at a discount relative to the Russell 2500 Value Index. GIMA believes that the process's focus on dividend paying, higher quality companies translates best into a "Traditional Value" sub-style.

Performance Opinion

- Up until October 2012, accounts that were managed with MLPs were included in the same Small MidCap Dividend Income composite. GIMA has reviewed the portfolio holdings and overall characteristics and believes that the two strategies are similar in most respects. That said, the dividend yield, sector positioning and performance patterns may slightly differ between the two strategies.
- The strategy performance is in line with the benchmark over the year-to-date period (ended 9/30/2015). Key areas of underperformance included stock selection within Industrials, Financials and Materials, as well as an underweight to Health Care. Favorable returns within Technology, Energy and both Consumer sectors added value. The portfolio outperformed the benchmark for the 2014 calendar year, primarily due to favorable stock selection within Energy, Financials and Technology. An overweight to Energy detracted from performance. The strategy has outperformed the benchmark over the 3-year annualized period (ended 9/30/2015) despite lagging the benchmark during the 2013 calendar year. During that year markets were driven by lower quality, higher beta stocks which proved to be a headwind for the portfolio.
- Over the long term (5- and 7-year rolling annualized periods through quarter end) the portfolio outperformed the Russell 2500 Value Index. Positive relative results are primarily attributed to positive stock selection within the top two dividend quintiles from the March 2009 lows through the end of 2011. Results are at the higher end of GIMA's expectations.

News Summary

- None

Additional Analyst Comments

- GIMA has elected to assign a "Traditional Value" sub-style to the strategy due to the process's focus on dividend paying, higher quality companies. However, given that valuation and growth characteristics (as measured by trailing and forward estimated EPS Growth and P/E) have historically been at a discount relative to the Russell 2500 Value Index the strategy may experience performance patterns that border "Discount Value".
- Historically, the conservative approach of the strategy has exhibited performance patterns that lagged during rising markets and outperformed in flat and down markets; however performance results have outpaced the benchmark during the market rally immediately following the March 2009 lows. Performance during this period is attributable to the manager taking advantage of high quality companies that were trading at depressed prices during the market trough, specifically within the Financials sector. However, given this discipline's higher quality characteristics, GIMA views this period as an aberration; as such, we do not anticipate this sort of outperformance during a low quality, high beta type rally like the one that took place following the March 2009 low.
- EDGE will attempt to substitute the MLP exposure, by either 1.) Buying a similar company in the same industry that has a lower yield, 2.) Invest in the Alerian MLP ETF or 3.) Increase the weighting of other holdings in the same sector.
- This version of the strategy may have a slightly lower dividend yield given that MLPs typically have a dividend yield that is at a significant premium to that of the overall market.

Portfolio Traits

	Equity
Range of Holdings	60-90
Maximum Position Size	Maximum position size is 5%.
Econ Sector Constraints	+/- 7.5% of Russell 2500 Value Index weight
Tracking Error Target	No, typically less than 7%
Typical Annual Turnover	15-25%
Invests in ADRs	Yes (max 25%, but typically less than 5%)
Invests in ETFs	No
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	Yes
Maximum Cash	5%
Typical Cash Position	2%
Est. Product Capacity	Approximately $4 billion.

Source: Edge, GIMA

Additional News Summary

- None

Investment Capabilities Overview

Portfolio Management Team

- The investment team is led by Co-Portfolio Managers, Dan Coleman and Dave Simpson, who are supported by two Associate Portfolio Managers/ Sr. Analysts, Sarah Radecki and Ned Vidinli, and three research analysts.

Investment Philosophy & Process

- Management believes in purchasing companies that have a commitment and capacity to pay dividends, can consistently grow dividend over a full market cycle, and have management that are committed to shareholders.
- The research process begins by screening for securities that: 1) have a market capitalization between $200 million and $7 billion, and 2) typically pay a meaningful dividend, currently 2-3%. This results in a “working list” of approximately 550-650 companies.
- Further refinement is done on the initial universe with a particular focus on companies offering a meaningful yield, good dividend coverage and a historical propensity to increase dividends over a market cycle. In addition companies with unsustainable dividend yields or above-average valuations when measured using traditional valuation metrics and viewed relative to other companies within the same sector or industry are eliminated. This results in a list of 300-400 companies that are then included within an analyst’s industry research. Edge states that these industry analyses are the basis for idea generation.
- The industry research focuses on the supply/demand dynamics of the industry attempting to identify companies with strong industry positions or competitive advantages. Analysts have assigned industries and are responsible for covering each company in their industry, modeling the supply/demand components for each industry and identifying companies with strong positions and/or competitive advantages in the industry. These industry reports are updated every 12-18 months.
- Analysts assign a qualitative rank to companies within each industry. Analysts assign qualitative franchise rankings (“best businesses”) based on the following factors:
    - Complexity of the Business Model
    - Competitive Advantage
    - Financial Strength
    - Quality of Company Management/Shareholder Friendliness
    - Potential for Profitability Change
- Companies that are highly ranked in each industry are then added to the “Good Company List” which is monitored by the Equity Team for underperformance versus the benchmark
- Stocks are then purchased based on the analyst’s determination of the intrinsic value of the company. If any of the highly ranked companies are trading at a significant discount to the current market price they are recommended to the investment team by the analyst.

Summary of Investment Capabilities Opinion

- Edge’s investment process is primarily bottom-up. Their overall decision-making process is based primarily on their bottom-up analysis, as well as extensive sector and industry analysis that attempts to differentiate strongest companies within each industry. Therefore, the overall success of the process is dependent upon the investment team’s overall fundamental research.
- The investment professionals that GIMA interviewed were knowledgeable about specific holdings in the portfolio and were able to articulate the underlying catalysts that drove the buy/sell decisions for the underlying portfolio holdings. They also understood the competitive nature of their respective industry coverage from a micro and macro-economic perspective.

Other Key Items

Decision-Making

- Most decisions are made by the investment team; however the co-PMs have ultimate responsibility for assigned sectors, including buys, sells and portfolio construction. Dan Coleman has lead responsibility for Consumer Discretionary, Consumer Staples, Information Technology, Industrials and Utilities. Dave Simpson has lead responsibility for Financials, Energy, Materials and Healthcare.

Sell Process

- A security will typically be sold or trimmed based on the following:
    - Dividends are eliminated or if dividends are cut, a review would be instituted.
    - Full valuation is achieved.
    - Investment thesis changes, including a deterioration in fundamentals.
    - More attractive opportunities exist.
- Securities that have had a large movement either up or down versus the market over the trailing 12 months are also evaluated to determine if a trim or sell should be instituted; however, there is no set stop/loss mandate.

Track Record Reliability

- Edges’ Small-MidCap Dividend Income (w/o MLP) composite has an inception date of March 2007. However, performance prior to October 2012 includes all Dividend Income accounts regardless of whether they did or did not include MLPs. Therefore, GIMA does not view performance prior to October 2012 as being as representative of the non-MLP strategy composite that exists today.
- Dan Coleman and Dave Simpson have been managing this discipline since its March 2007 inception; therefore the track record is indicative of their investment philosophy, process and abilities.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Dan Coleman	Head of Equities/ Co-Portfolio Manager	Generalist		NYU	1979	2000	2007
Dave Simpson	Co-Portfolio Manager	Generalist	●	Univ. of Wisconsin	1986	2003	2007
Sarah Radecki	Associate Portfolio Manager/ Sr. Analyst	Consumer Staples, Consumer Discretionary	●	Univ. of California	1997	1999	2007
Ned Vidinli	Associate Portfolio Manager/ Sr. Analyst	Financials	●	Benedictine Univ.	1996	2010	2010

Source: Edge, GIMA

Other Key Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Jill Cuniff	President				1987	2009	N/A
Cindy Kim	CCO				1994	2008	N/A
Rob Furutani	Trader				1995	1999	2007

Source: Edge, GIMA

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Dan Coleman	●		●			
Dave Simpson	●		●			
Sarah Radecki		●				
Ned Vidinli		●				
Jill Cuniff						●
Cindy Kim						●
Rob Furutani				●		

Source: Edge, GIMA

Business Structure Overview

History/Ownership

- Edge was founded in the 1930s and is based in Seattle, Washington. In 1939, Edge began managing one of the first 50 mutual funds in the U.S., the Composite Bond Fund. On December 31, 2006 Edge was acquired by Principal Financial Group and is now a wholly-owned subsidiary of Principal. Principal Financial Group is publicly traded on the New York Stock Exchange (PFG).

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Principal Financial Group	100%
Publicly Traded	**Ticker Symbol**
Yes (NYSE)	PFG

Source: Edge, GIMA

Assets Under Management ($Millions)

Year	Firm	Product	Fund
3Q 2014	$28,700	$2,871	$1,662
2014	$28,500	$2,844	$1,620
2013	$25,358	$1,490	$851
2012	$21,315	$448	$336
2011	$20,457	$482	$238
2010	$19,423	$8	-
2009	$16,198	$6	-

Source: Edge, GIMA (Fund incepted 6/6/2011)

Business Plan

- In the short-term, Edge is focused in the expansion and growth of its separate account and sub-advisory businesses. The firm anticipates adding personnel for client service and support with the subsequent growth in assets under management. However, at this time the firm does not plan on adding any additional members to the various investment teams.

Legal/Compliance

- Firm's most recent examination by the SEC occurred in January 2005. According to Edge there were no material findings that required any action on the firm's part, and the firm was not required to update any disclosures on the Form ADV.

Summary of Business Structure Opinion

- Edge offers a fairly diverse product mix, including domestic value equity and international products, fixed income and various tactical asset allocation investment options.
- Over the past several years, EDGE has expanded their focus to external client growth, which is a priority for the firm over the longer term. They have begun to expand their product offerings in other investment vehicles such as institutional separate accounts, CITs, UCITS and high net worth Separately Managed Accounts (SMAs).

Other Key Factors

Incentives/Alignment of Interests

- Compensation includes base salary and bonus (70% based on performance over 1-3-5 year relative to peers and 30% qualitative). Research analyst compensation includes base salary and bonus (60% performance and 40% Qualitative).
- Retention incentives include stock and option grants, as well as a differed percentage of cash bonus compensation that vests in 3 years.

OPINION OVERVIEW DESCRIPTION

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

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

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

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

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

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

DEFINITIONS

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

Traditional Growth: Generally invest in a mix of lower and higher growth companies, portfolios and performance likely to be more highly correlated to the respective growth benchmark than peers and may demonstrate the flexibility at times to take on characteristics of more Conservative or Aggressive growth peers.

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPORTANT DISCLOSURES

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

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

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

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

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

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

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

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

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

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

Performance and Other Portfolio Information

General

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

Benchmark index

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

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

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

Other data

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

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

Securities holdings

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

Sources of Data

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

Asset Class and Other Risks

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

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

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

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

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

Investments in securities of ***MLPs*** involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs. The potential return of MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the portfolio's ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to you. Legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis, could negatively impact the value of an investment in MLPs and therefore the value of your investment.

Real estate investments: property values can fall due to environmental, economic or other reasons, and changes in interest rates can negatively impact the performance of real estate companies.

No Tax Advice

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

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

Conflicts of Interest
GIMA’s goal is to provide professional, objective evaluations in support of the Morgan Stanley Wealth Management investment advisory programs. We have policies and procedures to help us meet this goal. However, our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by GIMA come from a variety of sources, including our Morgan Stanley Wealth Management Financial Advisors and their direct or indirect managers, and other business persons within Morgan Stanley Wealth Management or its affiliates. Such persons may have a ongoing business relationship with certain investment managers or mutual fund companies whereby they, Morgan Stanley Wealth Management or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds. For example, a Financial Advisor may suggest that GIMA evaluates an investment manager or fund in which a portion of his or her clients’ assets are already invested. While such a recommendation is permissible, GIMA is responsible for the opinions expressed by GIMA. See the conflicts of interest section in the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management for a discussion of other types of conflicts that may be relevant to GIMA’s evaluation of managers and funds. In addition, Morgan Stanley Wealth Management, MS&Co., managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs. Morgan Stanley Wealth Management, managers, MS&Co., and their affiliates receive compensation and fees in connection with these services. Morgan Stanley Wealth Management believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account.

Cambiar Smid Value

FOCUS LIST REPORT

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STRATEGY DETAILS

INVESTMENT STYLE:	*US Mid Cap Value*
EQUITY SUB-STYLE:	*Relative Value*
BENCHMARK:	*Russell 2500 Value*
GIMA STATUS:	*Focus List*
PRODUCT TYPE:	*Separately Managed Account / Mutual Fund*
TICKER SYMBOL	*CAMMX (TRAK FS, UMA)*

www.cambiar.com

STRATEGY DESCRIPTION

Cambiar's investment process seeks to identify companies that are attractively priced, demonstrate positive developments not yet recognized by the market, and offer significant appreciation potential over a one to two year time horizon.

Summary of Opinion:

- Global Investment Manager Analysis (GIMA) has a high degree of confidence in the portfolio management team, and especially in director of research Brian Barish. Although GIMA believes that the analyst team is strong, GIMA believes that Brian Barish leads the team as director of research, and that he is instrumental to the success of all strategies at the firm.
- The product utilizes a disciplined investment philosophy, attempting to effectively balance valuation and downside risk with earnings expansion and stock price appreciation potential. GIMA believes that the process is opportunistic and is capable of adding value in different types of market environments.
- The portfolio is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.

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

See Opinion Description at the end of this report.

Positive Attributes

- Knowledgeable, tenured research staff.
- Disciplined approach to relative value investing that is capable of delivering excess returns over a full market cycle.
- Research coverage is sector-specific rather than a generalist approach, enabling analysts to focus and concentrate on their assigned industries.
- Relatively small firm size results in efficient decision-making from a portfolio management standpoint.

Points to Consider

- Bottom-up, relative value investment process that favors undervalued companies believed to possess a catalyst for future growth.
- Research efforts seek new purchases that have the ability to achieve 50% upside potential over a 12 to 24 month time horizon.
- Portfolio is constructed on a collaborative basis by the Cambiar domestic equity team.
- Tends to overweight mid cap stocks relative to the index.
- Performance could lag in deep value market.
- Bottom-up investment process may result in portfolio sector weights that vary significantly from the benchmark.
- The strategy has minimal overlap with the Cambiar Small Cap strategy.
- The strategy has a relatively short track record however the team has implemented the same process across various market capitalization strategies.

Areas of Concern

- Firm's dependency on one investment style increases business risk somewhat should the firm's investment style fall out of favor.
- Firm's dependency on one investment style increases business risk somewhat should the firm's investment style fall out of favor.

Performance Expectations

- Although the product should be able to add value in a variety of market environments, the relative value style of the strategy may cause it to underperform the value index during times when deep value stocks are in favor.
- The strategy may have low benchmark sensitivity due to its large sector concentrations.
- Strategy's weighting in mid cap stocks could cause the portfolio to underperform when smaller cap stocks are in favor.

Performance Opinion

- Overall, performance is in line with GIMA's expectations in the short-term period. The strategy incepted on July 31st 2010 for the SMA and May 31st, 2011 for the fund. Weak relative returns in calendar year 2012 have hurt short term performance however the strategy rebounded strongly in 2013.
- Cambiar's investment process has shown that it can add value in varying market environments including periods of increased volatility; however the strategy tends to outperform the most in normal fundamentally driven markets and may tend to lag in more momentum-oriented markets.

News Summary

- 3Q 2015 – Christin Hiles, Vice President of trading resigned from the firm and was replaced by Ben Douglas, CFA .
- 3Q 2014 – Evan Geldzahler joined the firm as General Counsel.
- 2Q 2014 – Katherine Minyard, CFA joined the International team as a research analyst with coverage responsibilities of non-US media and the extractive industries sectors. Ms. Minyard joins Cambiar from JP Morgan where she covered US and Canadian companies in the oil and gas sector.
- 2Q 2014 – Cambiar made a change to the co-portfolio managers on the strategy. Colin Dunn, CFA took over the co-pm responsibilities previously held by Tim Beranek so that Mr. Berank could devote more time to the Large Cap Value strategy.

Additional Analyst Comments

- The portfolio is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.
- Relative value investment process gives Cambiar the flexibility to participate in all economic sectors; key valuation criteria will often vary from sector to sector (e.g. price/sales for industrials/information technology, price/book for financials, etc). In addition, Cambiar has owned stocks in industries such as biotechnology that are not typically found in value portfolios. GIMA does not view this negatively, but performance may deviate relative to peers and the benchmark.
- The Cambiar Smid Cap Fund has a similar investment mandate, and returns for the fund and separate account have been similar over time. However, over shorter time frames, such as a quarter, returns can sometimes deviate somewhat, but historically these differences have not been significant.

Additional News Summary

None.

Portfolio Traits

Equity	
Range of Holdings	Generally 35 to 45
Maximum Position Size	3.5%
Econ Sector Constraints	25% maximum
Tracking Error Target	No target
Typical Annual Turnover	50% to 70%
Invests in ADRs	Infrequently
Invests in ETFs	Not typically
Invests in Derivatives	No
Invests in IPOs	No
Liquidity Constraints	Maximum 5% of outstanding shares of any single company
Maximum Cash	Generally 10%
Typical Cash Position	0% to 5%
Est. Product Capacity	$4-5 Billion
Source: Cambiar	

Investment Capabilities Overview

Portfolio Management Team

- The smid value strategy is constructed on a collaborative basis by the Cambiar domestic equity team, which is comprised of seven investment professionals. The seven person domestic research team each contributes names to their assigned sectors while co-portfolio managers Andrew Baumbusch and Colin Dunn oversee the day to day operations of the strategy.
- GIMA is impressed that the portfolio management team has been working together for a period of years as well as the working relationship with the research staff that has led to the stability of investment professionals at the firm.

Investment Philosophy & Process

- Cambiar's investment process seeks to identify companies that are attractively priced, demonstrate positive developments not yet recognized by the market, and offer significant appreciation potential over a one to two year time horizon.
- Initially, stocks with market capitalizations from $2.5 billion to $10 billion are screened to ascertain a list of undervalued investment candidates. According to Cambiar, investment professionals may use a variety of financial metrics (Price-to-Earnings, Price-to-Cash Flow, Enterprise Value-to-Sales, EV/EBITDA, etc.) to find companies that appear to be trading at compelling values relative to their peers, the overall market, or the stocks' own historical trading range. Valuation parameters used may differ depending on the industry that is being analyzed.
- Cambiar indicates that stocks held in the portfolio possess the four following characteristics:
  - Competitive – Cambiar prefers industry-leading companies that exhibit product/intellectual capital advantages by way of an experienced management team, sound financials, or strong industry position. In addition, companies with favorable secular trends are preferred over stocks with cyclically depressed businesses.
  - Compelling Value – Stocks that appear to possess asymmetric risk/return profiles. Essentially, Cambiar is seeking stocks that have high upside potential and a disproportionately lower level of downside risk.
  - Catalyst – Investment candidate should also possess a catalyst that can lead to future outperformance. Examples of catalysts include new product introduction or corporate reorganization.
  - Conviction - Holdings should possess 50% appreciation potential at purchase. According to the firm, this guideline assists in avoiding a trading mentality.
- After each analyst has formulated an investment idea, a formal report is written up and presented to the entire PM/analyst committee, which will then vet the investment idea and determine whether or not it should be implemented.
- Once the portfolio is constructed, analysts continuously monitor positions from a valuation perspective and verify the validity of the initial investment thesis.

Summary of Investment Capabilities Opinion

- Cambiar utilizes a disciplined investment philosophy, attempting to effectively balance valuation and downside risk with earnings expansion and stock price appreciation potential. Given the lack of strict quantitative mandates and tracking error restrictions, the success of Cambiar's process is contingent upon the abilities of the research staff to find the most attractive investment prospects.

Other Key Items

Decision-Making

- As mentioned previously, the portfolio is constructed on a collaborative basis by the Cambiar domestic equity team. In order to streamline the decision-making process, each of the analysts contributes names to their assigned sectors. Checks and balances to this process include weekly meetings, whereby all new names undergo a high-level review by the entire team. There is also a formal review process for all underperforming holdings, whereby the analyst prepares a more formal presentation as well as a recommendation (add, sell, hold).
- Cambiar states that buy and sell decisions are implemented uniformly across all accounts unless otherwise directed by the client.

Sell Process

- Stocks are typically reviewed for sale (trimmed or liquidation of entire position) if one or more of the following issues arise:
  - If a stock approaches the firm's target price, it will most likely be trimmed to reflect that the valuation disconnect has largely been rectified by the market.
  - In an attempt to mitigate stock-specific risk, the firm also trims back holdings that become outsized positions (greater than 3.25% at market).
  - Decline in fundamentals, or the anticipated catalyst at purchase fails to materialize.
  - Stocks may also be sold in favor of more attractive investment opportunities.
- Cambiar also employs a review process for any holding that declines in excess of 20% from original purchase or relative to the overall market. During such a review, the sponsoring analyst is responsible for presenting a comprehensive review of the position. If it is agreed that the original purchase thesis remains intact, the decision may be made to add to the position; however, this add may occur only once.

Track Record Reliability

- GIMA believes that the composite performance history is reflective of strategy performance due to the high level of product assets included in the composite and the model approach employed by Cambiar.

Key Investment Professionals

Investment Team Overview	Position	Area of Coverage	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Andrew Baumbusch	Senior Analyst	Industrials, Media, Telecom		Stanford	1998	2004	2010
Colin Dunn	Senior Analyst	Utilites, Specialty Materials, Non-traditional Financial Services	●		2000	2011	2011
Brian Barish	President, Director of Research	Aerospace/Defense, Autos, Technology	●		1989	1997	2010
Maria Mendelsberg	Senior Analyst	Health Care, Retail	●		1993	1997	2010
Ania Aldrich	Senior Analyst	Financials, Consumer Staples	●	Fordham	1989	1999	2010
Timothy Beranek	Senior Analyst	Basic Materials, Energy		University of Colorado	1992	1999	2010
Jeffrey Susman	Senior Analyst	Consumer Discretionary, Technology		University of Michigan	2000	2005	2010

Source: Cambiar

Other Key Professionals

Investment Team Overview	Position	Area of Responsibility	CFA	Advanced Degree From	Experience		
					Career	Firm	Product
Nancy Wigton	Director of Marketing / Client Services	Market / Client Services			1987	1994	2010
Christine Simons	Chief Compliance Officer	Compliance			1996	2000	2010
Rod Hostetler	Head Trader	Trading		University of Colorado	1996	2000	2010

Source: Cambiar

Primary Functions of Key Professionals

Name	Security Selection	Security Research	Portfolio Construction	Trading	Client Service	Business Management
Andrew Baumbusch	●	●	●			
Jeffrey Susman	●	●	●			
Brian Barish	●	●			●	●
Maria Mendelsberg	●	●				
Ania Aldrich	●	●				
Timothy Beranek	●	●				
Colin Dunn	●	●				
Jeffrey Susman	●	●	●			
Nancy Wigton					●	●
Christine Simons						●
Rod Hostetler				●		

Source: Cambiar

Business Structure Overview

History/Ownership

- Cambiar Investors, LLC ("Cambiar") is a Denver based investment management organization founded by Michael Barish in 1973. Michael Barish sold Cambiar to United Asset Management (UAM) in 1990.
- In October 2000, Old Mutual plc, a UK-based financial services group, purchased UAM and became the new parent company of Cambiar.
- Brian Barish (son of Michael Barish) joined Cambiar in 1997 as a portfolio manager/investment analyst, and was subsequently named president of the firm in February 2000. Cambiar stated that Michael Barish remained as Chairman at Cambiar, but relinquished his day-to-day management responsibilities.
- On July 31, 2001, the senior management team at the firm completed a management buyout from Old Mutual, plc. Six Cambiar principals formed Cambiar Investors, LLP and bought back 60% of the firm's equity from Old Mutual, plc. Michael Barish did not participate in the new partnership and, according to Cambiar, is no longer involved in day-to-day operations.
- In the third quarter 2003, Cambiar consummated the final stages of the buyback from Old Mutual, plc. According to Cambiar, the firm is now 100% owned by the firm's employees, and all outstanding debt used to fund the buy-back has been extinguished.
- Cambiar has continued to add employee owners over time.

Business Plan

- Cambiar says that its ongoing business plan is to grow assets across all investment strategies. While the firm continues to market its large-cap value portfolio, recent emphasis has been placed on asset growth within the firm's small cap and international strategies.
- Cambiar says that its first and foremost goal is to provide high-quality investment management services to its clients, and that it will take the necessary steps to stem asset flows should it become necessary.
- Cambiar has added personnel across all departments of the firm over the past five years, including the investment team, trading, operations, and client services/marketing.

Legal/Compliance

- Cambiar stated that neither the firm nor its employees have been involved in any litigation issues in the past five years.
- Cambiar stated that the Denver office of the SEC commenced a routine exam in August 2015. At the time of publication Cambiar had not received any correspondence regarding the results of the exam.

Summary of Business Structure Opinion

- GIMA believes that business conditions at Cambiar are relatively strong. While assets have declined since their year-end 2006 peak, Cambiar has held up better than some other mid-size firms since the financial crisis starting in 2008. Additionally, the firm was able to add more research professionals and allocate additional capital to increase office space and systems support prior to the downturn. Cambiar says that the firm has continued to diversify its client base and that the largest five accounts no longer represent in excess of 50% of firm total assets, which is viewed favorably by GIMA.
- Brian Barish has continued to dilute his ownership position over time to allow employees to participate in equity ownership. This spread of ownership should assist with employee retention.

Other Key Factors

Incentives/Alignment of Interests

- Cambiar employee compensation consists primarily of salary and a variable bonus.
- Bonuses are paid biannually in July and December. For portfolio managers and investment analysts, bonus may potentially reach up to 100% of base salary.
- Equity owners also receive annual partnership distributions based on the profitability of the firm.

Ownership And Parent Company	
Name of Owner	**Percent Owned**
Cambiar Senior Professionals	100%
Publicly Traded	**Ticker Symbol**
No	N/A

Source: Cambiar

Assets Under Management ($ Millions)

Year	Firm	SMA	Fund
9/2015	$10,021	$58	$43
2014	$9,180	$35	$31
2013	$8,418	$14.7	$2.6
2012	$6,591	$0.6	$1.6
2011	$6,604	$0.6	$1.4
2010	$5,776	$0.7	$0

Source: Cambiar

OPINION OVERVIEW DESCRIPTION

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

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

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

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

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

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

DEFINITIONS

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

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

Russell 2500 Value - Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPORTANT DISCLOSURES

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

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

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

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

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

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

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

No Obligation to Update
Morgan Stanley Wealth Management has no obligation to update you when any information or opinion in this report changes.

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

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

Performance and Other Portfolio Information

General

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

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

Benchmark index

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

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

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

Other data

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

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

Securities holdings

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

Sources of Data

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

Asset Class and Other Risks

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

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

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

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

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

No Tax Advice

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

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

Conflicts of Interest

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

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ZEPHYR STYLE ADVISOR DISCLAIMER

The following analysis is directed only to the client for whom the evaluation was prepared and is based on published investment manager rate of return data, capital market indices, custom (benchmarks, indices and universes), as well as software developed by Zephyr Associates. Investment manager rate of return data includes: Informa Plan Sponsor Network, Morgan Stanley (MSSB) Fiduciary Services, Morgan Stanley Global Investment Solutions, Collective Trust Funds and Consulting Group Capital Market Funds Databases. Capital markets index data includes: Capital market indices (supplied by Zephyr), Canadian indices (supplied by Zephyr), Salomon Brothers Fixed Income indices, Morgan Stanley Capital International indices, and Dow Jones Global indices.

Zephyr StyleADVISOR uses principles of William Sharpe's theory of returns-based style analysis. Returns-based style analysis assists in identifying investment style without examining the individual security holdings of a portfolio. StyleADVISOR regresses the historical returns of the individual manager(s) against different style indices to identify the pattern of returns that the fund is most closely correlated to. MSSB does not recommend the use of returns-based style analysis without the supporting fundamental research of the fund (research attribution reports).

The underlying data is believed to be reliable but accuracy and completeness cannot be assured. While the historical rates of return described in this report are believed to accurately reflect the overall nature of the portfolio, the constituent securities have not been reviewed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation or recommendation with respect to the purchase or sale of any security or a recommendation of the services provided by any money management organization. Past results are not necessarily indicative of future performance.

Gross Rates of Return

The investment results depicted herein represent historical Gross performance before the deduction of investment management fees and are based on settlement date accounting methods. Annual, cumulative and annualized total returns are calculated assuming reinvestment of dividends and income plus capital appreciation. The client is referred applicable Morgan Stanley ADV brochures, available at www.smithbarney.com/adv or from your Financial Advisor. Actual returns will be reduced by expenses that may include management fees and cost of transactions. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%. This Report is for one-on-one client presentations only.

International and Small Capitalization Securities

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

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This document has been prepared at your request for your personal use in order to assist you in evaluating asset allocation strategies, investment objectives and disciplines and various available investment products. It is not a recommendation of a particular program, portfolio, investment manager, fund or other investment product. It is not tax or legal advice. If you have asked us to do so, we have included one or more investment managers or funds that are not available in Morgan Stanley 's investment advisory programs. Morgan Stanley does not recommend any such manager or fund and takes no responsibility for the accuracy of any information provided by such manager or fund. You should contact such managers or the sponsors of such funds directly for performance and other information. You should not use the document as the sole basis for investment decisions. Moreover, you should not use investment performance alone to make any investment decision. You should consider other factors such as the experience and investment style of an investment manager as compared to your individual investment objectives, risk tolerance and time horizons.

Performance Information

The investment results depicted herein represent historical Gross performance with no deduction for investment management fees or transaction costs. Such figures reflect the reinvestment of dividends. Actual returns will be reduced by such expenses. You should refer to Morgan Stanley 's ADV brochure for full disclosure of Morgan Stanley 's fees. As fees are deducted from an account on a quarterly basis, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%.

You would not necessarily have obtained the performance results shown in the document if you had been invested with these managers or funds over the time periods illustrated. Actual performance of individual accounts will vary due to factors such as the timing of contributions and withdrawals, individual client restrictions, rebalancing schedules and fees.

Moreover, the illustrations set forth in the document benefit from the availability of actual historical returns. Manager or funds that have not performed as well as those illustrated may not have been considered for inclusion in the document. Such hindsight is obviously not available to an investment adviser such as Morgan Stanley when making "real time" investment recommendations.

SOURCE OF PERFORMANCE INFORMATION FOR FUNDS: For any fund shown in this report, the performance data is obtained from databases maintained by parties outside Morgan Stanley . This data has been included for your information, and has not been verified by Morgan Stanley in any way. See "Sources of Information" below.

NET PERFORMANCE

See the attached Morningstar profiles for each fund in the report for standardized fund performance (i.e. returns net of any maximum sales charges that apply if you purchase the fund outside of our investment advisory programs) and also returns net of the maximum annual investment advisory fees that apply if you purchase the fund in one of our investment advisory programs. You should carefully read the manager/fund profiles, which may contain more up-to-date performance information than in this report.

Investment Options May be Managed by or Affiliated with Morgan Stanley

This report may include investment options that are managed by or affiliated with Morgan Stanley . Morgan Stanley may have incentive to recommend such investment options to you because we may earn more compensation if you invest in these investment options than if you invest in other investment options.

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Alpha: Alpha is a risk (beta adjusted) measurement. Officially, alpha measures the difference between a portfolio's actual returns and what it might be expected to deliver based on its level of risk. Higher risk generally means higher reward. A positive alpha means the fund has beaten expectations. A negative alpha means that the manager failed to match performance with risk. If two managers had the same return but one had a lower beta, that manager would have a higher alpha. StyleADVISOR uses the standard intercept calculation.

Beta: Beta represents the systematic risk of a portfolio and measures its sensitivity to a benchmark. A portfolio with a beta of one is considered as risky as the benchmark and would therefore provide expected returns equal to those of the market during both up and down periods. A portfolio with a beta of two would move approximately twice as much as the benchmark.
Excess Return - The difference between the returns of two portfolios. Usually excess return is the difference between a manager's return and the return of a benchmark for that manager. In the context of a beta benchmark, excess return refers to the difference between a manager or market benchmark and Tbills.

Down Capture Ratio: the ratio of the manager's overall performance to the benchmark's overall performance, considering only periods that are negative in the benchmark.

Excess Returns: represent the average quarterly total returns of the manager relative to its benchmark. A manager with a positive Excess Return has on average outperformed its benchmark on a quarterly basis. This statistic is obtained by subtracting the benchmark return from the manager's return.

Manager Style Graph: an attempt to depict how the manager's historical returns (not actual portfolio holdings) "track" a group of benchmarks. For example, Domestic Equity products will be presented versus Large and Small, Growth and Value benchmarks. If the R2 of the Style Benchmark is lower than 80%, then the attempt to measure the manager's style was problematic (this will often happen with non- diversified portfolios, or eclectic investment disciplines.)

Moving Window: multiple data calculations can be done within a single span of time. For example, in a 5 year period you can display five 1-year values with non-overlapping data, or you can display nine 3-year values by moving each 3-year "moving window" one quarter at a time. Each discrete time period, either overlapping or not, is referred to as a "moving window."

Return: A compounded and annualized rate of return.

R-Squared: (Correlation Squared) - A measure of how well two portfolios track each other. R-squared ranges between zero and 100%. An R-squared of 100% indicates perfect tracking, while an R-squared of zero indicates no tracking at all. R-squared is used in style analysis to determine how much information about a return series the style benchmark has been able to capture. The higher the R-squared, the better the benchmark.

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Sharpe Ratio: The Sharpe Ratio, developed by Professor William F. Sharpe, is a measure of reward per unit of risk -- the higher the Sharpe Ratio, the better. It is a portfolio's excess return over the risk-free rate divided by the portfolio's standard deviation. The portfolio's excess return is its geometric mean return minus the geometric mean return of the risk-free instrument (by default, t-bills).

Standard Deviation: quantifies the volatility associated with a given product. The statistic measures the quarterly variation in returns around the mean return.

Style Benchmark: the blended benchmark that best matches the manager's returns (lowest tracking error.)

Tracking Error: represents the Standard Deviation of the Excess Return and provides a historical measure of the variability of the manager's returns relative to its benchmark. **Up Capture Ratio:** measures the manager's overall performance to the benchmark's overall performance, considering only periods that are positive in the benchmark. **Universe:** a peer group of managed investment products with reasonably similar characteristics.