

**From:** [Jessica De la Torre Vila](#)  
**To:** [Timothy.P.Haugaard@msggraystone.com](mailto:Timothy.P.Haugaard@msggraystone.com); [Scott.Owens@msggraystone.com](mailto:Scott.Owens@msggraystone.com)  
**Cc:** [Castronovo, Lisa](#)  
**Subject:** RE: [EXTERNAL] RE: City of Delray Beach General Employees' Retirement System // RFP for Consulting Services  
**Date:** Tuesday, November 18, 2025 11:11:35 AM

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Thank you for providing that confirmation Tim. I've cc'd the Plan's administrator for her information as well.

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**From:** Timothy.P.Haugaard@msggraystone.com <Timothy.P.Haugaard@msggraystone.com>  
**Sent:** Monday, November 17, 2025 5:36 PM  
**To:** Jessica De la Torre Vila <jess@sugarmansusskind.com>; Scott.Owens@msggraystone.com  
**Subject:** Re: [EXTERNAL] RE: City of Delray Beach General Employees' Retirement System // RFP for Consulting Services

Jessica

Just to confirm, we have no changes to our rfp response and would like our original response to be used.

Thank you,  
Tim

---

**From:** Jessica De la Torre Vila <[jess@sugarmansusskind.com](mailto:jess@sugarmansusskind.com)>  
**Sent:** Wednesday, November 12, 2025 3:55:56 PM  
**To:** Owens, Scott (Wealth Management Field) <[Scott.Owens@msggraystone.com](mailto:Scott.Owens@msggraystone.com)>  
**Cc:** Haugaard, Timothy P (Graystone-MS) <[Timothy.P.Haugaard@msggraystone.com](mailto:Timothy.P.Haugaard@msggraystone.com)>  
**Subject:** RE: [EXTERNAL] RE: City of Delray Beach General Employees' Retirement System // RFP for Consulting Services

Pursuant to the clarification that was sent:

To ensure fairness and allow sufficient time for all interested parties to review the corrected information, we are extending the proposal submission deadline to November 17, 2025.

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**From:** [Scott.Owens@msggraystone.com](mailto:Scott.Owens@msggraystone.com) <[Scott.Owens@msggraystone.com](mailto:Scott.Owens@msggraystone.com)>  
**Sent:** Tuesday, November 11, 2025 3:25 PM

**To:** Jessica De la Torre Vila <[jess@sugarmansusskind.com](mailto:jess@sugarmansusskind.com)>

**Cc:** [Timothy.P.Haugaard@msgraystone.com](mailto:Timothy.P.Haugaard@msgraystone.com)

**Subject:** RE: [EXTERNAL] RE: City of Delray Beach General Employees' Retirement System // RFP for Consulting Services

Jessica,

What is the new deadline? Can you specify the amounts of each plan?

Thanks

**Scott Owens, CFA**  
*Institutional Consulting Director*  
*Managing Director, Wealth Management*  
*Graystone Consulting*  
100 N. Tampa Street, Suite 3000  
Tampa, Florida 33602  
Direct 813-227-2027  
[Scott.owens@msgraystone.com](mailto:Scott.owens@msgraystone.com)

---

**From:** Jessica De la Torre Vila <[jess@sugarmansusskind.com](mailto:jess@sugarmansusskind.com)>

**Sent:** Monday, November 3, 2025 4:29 PM

**Cc:** Lisa Castronovo ([castronovol@mydelraybeach.com](mailto:castronovol@mydelraybeach.com)) <[castronovol@mydelraybeach.com](mailto:castronovol@mydelraybeach.com)>; Pedro Herrera <[PHerrera@sugarmansusskind.com](mailto:PHerrera@sugarmansusskind.com)>

**Subject:** [EXTERNAL] RE: City of Delray Beach General Employees' Retirement System // RFP for Consulting Services

Good afternoon prospective bidders:

On behalf of the City of Delray Beach General Employees' Retirement Plan ("Plan"), we write to inform you of a revision to the Request for Proposal ("RFP") issued on June 18, 2025 for financial consulting services. Kindly refer to the Clarification to RFP document attached.

Thank you in advance.

Best Regards,

Jessica A. De la Torre Vila  
Paralegal/Legal Assistant

---

SUGARMAN SUSSKIND

**BRASWELL & HERRERA, P.A.**

150 Alhambra Circle

Suite 725

Coral Gables, FL 33134

Telephone: (305) 529-2801

Facsimile: (305) 447-8115

Email: [jess@sugarmansusskind.com](mailto:jess@sugarmansusskind.com)

Website: <https://ddec1-0-en-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=www.sugarmansusskind.com&umid=8774ff7a-c99e-44d4-97fb-d7ecb75186bb&rct=1763482269&auth=0c4a93ffe8dd1f7177b0c60e0cdc8930ac222f96-a48aa6e1c6f1083fa816143283708283e86d31e6>

[url=www.sugarmansusskind.com&umid=8774ff7a-c99e-44d4-97fb-d7ecb75186bb&rct=1763482269&auth=0c4a93ffe8dd1f7177b0c60e0cdc8930ac222f96-a48aa6e1c6f1083fa816143283708283e86d31e6](https://ddec1-0-en-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=www.sugarmansusskind.com&umid=8774ff7a-c99e-44d4-97fb-d7ecb75186bb&rct=1763482269&auth=0c4a93ffe8dd1f7177b0c60e0cdc8930ac222f96-a48aa6e1c6f1083fa816143283708283e86d31e6)

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**From:** Jessica De la Torre Vila

**Sent:** Wednesday, June 18, 2025 6:01 PM

**Cc:** Lisa Castronovo ([castronovol@mydelraybeach.com](mailto:castronovol@mydelraybeach.com)) <[castronovol@mydelraybeach.com](mailto:castronovol@mydelraybeach.com)>; Pedro Herrera <[PHerrera@sugarmansusskind.com](mailto:PHerrera@sugarmansusskind.com)>

**Subject:** City of Delray Beach General Employees' Retirement System // RFP for Consulting Services

Dear Investment Consultant:

On behalf of the Board of Trustees for the City of Delray Beach General Employees' Retirement System, attached please find an RFP for Consulting Services. The Board is currently accepting proposals pursuant to the requirements of the RFP attached, from all firms interested in providing professional investment consulting services.

Attached you will find the following documents related to this request:

- Request for Proposal (RFP)
- Current Investment Policy Statement for the three plans as noted in the RFP
- Most Recent Available Consultant Report for the three plans as noted in the RFP

**RFP responses are due by July 16, 2025 at 5:00 PM in accordance with the instructions for submission noted in the RFP.**

Thank you in advance for your time and interest.

Best Regards,

Jessica A. De la Torre Vila

Paralegal/Legal Assistant

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SUGARMAN SUSSKIND

BRASWELL & HERRERA, P.A.

150 Alhambra Circle

Suite 725

Coral Gables, FL 33134

Telephone: (305) 529-2801

Facsimile: (305) 447-8115

Email: [jess@sugarmansusskind.com](mailto:jess@sugarmansusskind.com)

Website: <https://ddec1-0-en-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=www.sugarmansusskind.com&umid=8774ff7a-c99e-44d4-97fb-d7ecb75186bb&rct=1763482269&auth=0c4a93ffe8dd1f7177b0c60e0cdc8930ac222f96-a48aa6e1c6f1083fa816143283708283e86d31e6>

<https://ddec1-0-en-ctp.trendmicro.com:443/wis/clicktime/v1/query?url=www.sugarmansusskind.com&umid=8774ff7a-c99e-44d4-97fb-d7ecb75186bb&rct=1763482269&auth=0c4a93ffe8dd1f7177b0c60e0cdc8930ac222f96-a48aa6e1c6f1083fa816143283708283e86d31e6>

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You may have certain rights regarding the information that Morgan Stanley collects about you. Please see our Privacy Pledge <https://www.morganstanley.com/privacy-pledge> for more information about your rights.

July 12, 2025

Lisa Castronova, Pension Administrator  
City of Delray Beach  
100 NW 1<sup>st</sup> Avenue  
Delray Beach, FL 33444  
[castronovol@mydelraybeach.com](mailto:castronovol@mydelraybeach.com)

Dear Ms. Castronovo,

Graystone Consulting, a business of Morgan Stanley Smith Barney LLC, appreciates the opportunity to submit our response to your Request for Proposal (RFP) to provide investment advisory services to the City of Delray Beach General Employees' Retirement System. Our firm provides services to more than 8,900 institutional investors with over \$747 billion in assets (as of December 31, 2024). Graystone was distinguished as one of the 2024 Greenwich Quality Leaders in overall U.S. investment consulting in the Large Consultants category by Coalition Greenwich<sup>(1)</sup>.

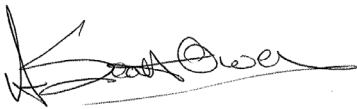
Graystone Consulting Tampa is one of ~60 consulting teams across the country within Graystone and is the consulting team responding to this RFP. Graystone Consulting Tampa focuses on governmental pension plans and has been ranked on Barron's Top Institutional Consultants list from 2015 through 2025<sup>(2)</sup>. Scott Owens, CFA and Theodore (TJ) Loew, CFA, CRPS will be the primary institutional consultants that would work with the Board. We would be honored to partner with the trustees to provide services for the Retirement System.

We are proposing to provide the services requested in the RFP for the annual hard dollar fee provided in our response.

*\*Our submission is contingent on our right to negotiate the terms of a mutually acceptable agreement that aligns with the services we provide and our policies and procedures.*

Graystone Consulting strives to be a partner and trusted advisor to our clients. Our commitment to excellence has allowed us to become a leader in the industry. We thank you again for the opportunity to submit this response. If you have any questions or need additional information, please call Scott Owens or TJ Loew at 813-227-2061.

Sincerely,



Scott Owens, CFA, CIMA  
Managing Director – Wealth Management  
Institutional Consulting Director  
Alternative Investments Director  
Government Entity Specialist

<sup>1</sup>Source: Coalition Greenwich, 3/2025. 2024 U.S. Institutional Investors Study (March 2025).

<sup>2</sup>Source: Barron's.com (Awarded April 2025) Data compiled by Barron's based on time period from December 2023 to December 2024.



**Response to Request for Proposal for:  
*City of Delray Beach General Employees' Retirement  
System***

# **Investment Advisory Services**

**Graystone Consulting | July 16, 2025**

**Graystone Consulting Tampa**  
100 North Tampa Street, Suite 3000  
Tampa, Florida 33602  
Scott Owens, CFA  
Managing Director – Wealth Management  
(813) 227-2061

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## Exceptions & Clarifications:

### A. CITY OF DELRAY BEACH GENERAL EMPLOYEES' RETIREMENT SYTEM RFP DOCUMENT

Page 1 – Introduction and Declaration: Paragraph 5 - The firm ultimately selected shall be required to enter into a Consulting Agreement with the Retirement System based on the terms substantially similar to the draft agreement attached to this RFP.

We did not see a draft agreement included with the RFP materials received. At the same time, we wish to note that our submission does not constitute an agreement or a contract and is contingent on our right to negotiate the terms of a mutually acceptable agreement that aligns with the services we provide and our policies and procedures.

Page 3 – Qualifications: D. The Board has a preference for firms that have no business affiliation with a broker-dealer.

Graystone Consulting is a business of Morgan Stanley Smith Barney LLC, a registered broker-dealer. Through policy design, Graystone intentionally **avoids potential conflicts of interest inherent to this relationship**. We expressly avoid allocations to proprietary investment managers and funds, only recommending third-party managers/funds. By taking fiduciary responsibility for the portfolios, we have a natural alignment with our clients' best interests. For this project, we are proposing a hard-dollar fee structure, and we do not charge investment managers commissions for equity trades in our client portfolios. We select best-in-class managers for our Graystone program without assessing a fee for inclusion in our proprietary database. We have made this conscious decision as a way to mitigate the potential for conflicts of interest. Furthermore, the Graystone Consulting program does not have any financial relationships with any other organizations, affiliated or otherwise.

Page 6 – Requested Services relating to establishment of investment guidelines, goals, and appropriate asset allocation: Paragraph B.

Graystone does not provide legal advice. Regarding development of an investment policy, Graystone will assist the Board in developing the investment policy statement, subject to the review of the Board's legal counsel in regard to statutory requirements, including restrictions on permissible investments?

### B. CITY OF DELARAY BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM – PENSION PLAN INVESTMENT POLICY

Page 8 – Bid Requirement

Graystone and Morgan Stanley Wealth management does not engage in competitive bids for securities purchases. Investment managers have an obligation to pursue best execution for trades on behalf of their clients.

## A. General Information:

1. Name of Firm, address and telephone number of firm representative. General description of the firm and statement indicating the firm's commitment to providing defined benefit Retirement System financial evaluation and consulting services. Please identify firm owners and changes in ownership since January 2015. Please disclose all affiliations with brokerage, investment management, custodial and consulting firms.

Graystone Consulting is an institutional investment consulting business of Morgan Stanley, under its Wealth Management division, Graystone advises on client portfolios representing more than \$747 billion as of December 31, 2024. Our consulting practice offers the best of both worlds: a highly experienced local consulting team supported by the resources of a global financial leader, all delivered as a fiduciary in a conflict-free manner. For more information on Graystone please visit our website at [graystoneconsulting.com](https://graystoneconsulting.com).

Our parent company, Morgan Stanley, was founded in 1935. It is a global financial services firm providing investment solutions to a wide range of clients, including institutions, governments, and individuals, and is publicly traded on the New York Stock Exchange under the symbol MS. Its website can be found at [morganstanley.com](https://morganstanley.com), which also [lists the members of its leadership teams](#).

Morgan Stanley's key business segments are:

**Wealth Management** provides investment advisory, brokerage and other services to institutions and individual investors.

**Institutional Securities** provides capital raising, financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including foreign exchange and commodities; and investment activities.

**Investment Management** provides a broad array of investment strategies that span the risk/return spectrum to a diverse group of clients across the institutional and intermediary channels as well as high net worth clients. Morgan Stanley-affiliated investment products are not used in Graystone ERISA client portfolios and only in non-ERISA portfolios with written client consent.

### Headquarters:

Morgan Stanley  
1585 Broadway  
New York, NY 10036  
212-761-4000

Graystone Home Office:  
Graystone Consulting  
2000 Westchester Avenue  
Purchase, NY 10577  
914-225-5420



**Primary office serving the Fund:**

Graystone Consulting Tampa  
100 North Tampa St., Suite 3000 Tampa, Florida 33602  
813-227-2061  
Attention: Scott Owens, CFA®, CIMA®  
Managing Director – Wealth Management  
Institutional Consulting Director

Graystone Consulting Tampa is the current consulting team servicing the City of Delray Beach General Employees' Retirement System relationship and is the team responding to this RFP. Graystone Tampa is comprised of 19 full-time investment professionals and has been providing institutional consulting services to public pension plans since 1985. The team focuses on the governmental retirement plan market and provides consulting services to over 40 governmental plans in Florida. The team has been ranked on the Barron's Top Institutional Consultants list from 2015 to 2024<sup>1</sup>.

Scott Owens, CFA will serve as the primary consultant for the Plan. Scott is a member of the Florida Public Pension Trustee Association and serves as a panelist and speaker at the organization's trustee conferences. Theodore (TJ) Loew, CFA will be the secondary consultant who would service the Plan.

**Commitment to Providing Defined Benefit Pension Fund Evaluation Services**

Graystone is committed to providing defined benefit pension fund evaluation services. As of December 31, 2024, Graystone consulted on over 626 Defined Benefit plans representing over \$132 billion in advisory assets and 18% of its overall asset base.

\$ in Million

Institutional Assets by Asset Pool								
2022			2023			2024		
Asset Pool	\$	%	Asset Pool	\$	%	Asset Pool	\$	%
DC Retirement	222,752	43%	DC Retirement	279,247	45%	DC Retirement	362,170	48%
Assets & Reserves	99,859	19%	Assets & Reserves	113,469	18%	DB Retirement	132,416	18%
DB Retirement	93,178	18%	DB Retirement	105,783	17%	Assets & Reserves	125,126	17%
Foundations & Endowments	45,339	9%	Foundations & Endowments	48,874	8%	Foundations & Endowments	60,370	8%
Family Office & Trust	30,049	6%	Family Office & Trust	38,437	6%	Family Office & Trust	51,038	7%
Other Retirement	24,644	5%	Other Retirement	28,538	5%	Other Retirement	15,934	2%
Other	60	0%	Other	40	0%	Other	0	0%
<b>Grand Total</b>	<b>515,881</b>	<b>100%</b>	<b>Grand Total</b>	<b>614,389</b>	<b>100%</b>	<b>Grand Total</b>	<b>747,053</b>	<b>100%</b>

Morgan Stanley is deeply engaged in many aspects of the retirement plan business, which includes, but is not limited to, our active partnership with industry associations such as the Securities Industry and Financial Markets Association (SIFMA) and the National Association of Plan Advisers (NAPA). These organizations allow Morgan Stanley to lend its voice to the issues surrounding retirement security of all Americans. The retirement plan business is constantly

<sup>1</sup> Source: Barron's.com (Awarded April 2015 to April 2025) Data compiled by Barron's based on annual time periods concluding in December 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024.

evolving, and a high level of commitment is necessary to continue to deliver what our clients need and have come to expect from their financial service provider.

#### ***Firm Owners & Changes in Ownership Since January 2015***

Graystone Consulting is a business of Morgan Stanley which is a publicly traded company on the New York Stock Exchange (NYSE: MS). There have been no changes in ownership structure since January 2015.

#### **Affiliated Businesses**

Graystone Consulting is a business of Morgan Stanley Smith Barney LLC (Morgan Stanley). Morgan Stanley Smith Barney LLC is a registered broker-dealer. Under certain advisory programs, we may offer the investment managers for our clients the ability to trade through our firm's trading desk at no commission where Best Execution can be achieved. The investment manager is not required to trade through our desk and Morgan Stanley is not considered a directed broker under this arrangement, as we do not charge commissions for investment managers to trade through our desk for advisory clients.

Morgan Stanley owns Morgan Stanley Investment Management (MSIM). MSIM strives to provide outstanding long-term investment performance, service, and a comprehensive suite of investment management solutions to a diverse worldwide client base. Graystone Consulting *does not recommend managers affiliated with our firm to institutional clients; however, these affiliated managers may provide us with additional intellectual capital on the markets.* \*

*\*Government entity clients custodied at MSSB utilize one of two proprietary money market funds as the account cash sweep feature; all fees collected by MSSB are rebated to the client."*

In addition, Morgan Stanley owns Morgan Stanley Private Bank. This bank ownership provides Graystone Consulting the ability to provide a variety of banking and lending services to our institutional clients and to their individual staff members if permitted by the client's governing documents.

On October 2, 2020, Morgan Stanley completed the acquisition of E\*TRADE Financial Corporation. In May 2021, Morgan Stanley acquired Eaton Vance, a global asset management firm.

In September 2021, Morgan Stanley acquired Hyas Group, an Oregon-based registered investment advisor that provides traditional consulting to retirement plans.

In March 2022, Morgan Stanley acquired Cook Street Consulting, a Denver-based institutional RIA.

**2. Additional description of firm, including size, total number of employees, number of employed investment professionals, primary business, other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material. Include information on all business units and % of total of the bidder's income derived from each unit.**

Graystone is comprised of 60 geographically diverse teams that employ over 280 investment consultants and over 300 supporting staff. In addition, the teams are supported by centralized personnel including the Graystone Consulting Business Development team, the Global Investment Manager Analysis (GIMA) team, and the Global Investment Committee. They are also supported by centralized members of management, operations, legal, risk, and compliance. Graystone offers the best of both worlds: a highly collaborative, boutique consulting client



experience, backed by the deep resources of Morgan Stanley. Graystone Consulting was named a 2021, 2022, 2023, and 2024 Quality Leader by Greenwich Associates for large firms in overall US Investment Consulting<sup>2</sup>.

**Morgan Stanley** is a publicly held global financial services firm founded in 1935. The firm's 80,000+ employees serve clients worldwide from offices in 41 countries. The firm trades on the New York Stock Exchange under the symbol MS and is owned by its shareholders.

Graystone Consulting operates as part of our Wealth Management Group; however, we do not segregate the amount attributable to the Institutional Consulting from the business unit's overall revenues. For the year ended December 31, 2024, Wealth Management reported net revenues of \$28.4 billion. This represents 45% of Morgan Stanley's total revenue of \$61.8 billion. 100% of Graystone Consulting revenue is derived from investment advisory services. Our Annual Reports and financial filings are publicly available on the website [www.morganstanley.com](http://www.morganstanley.com) under "Investor Relations."

### 3. Describe any changes in the structure of the firm over the past five years, as well as any future changes currently planned or scheduled.

There has been no material organizational or ownership changes within the greater Morgan Stanley organization in recent years. Morgan Stanley may engage in strategic acquisitions to complement organic growth. In 2019, the Firm acquired Solium, a leading provider of stock plan administration and financial solutions for the workplace. Additionally, in October of 2020 the Firm announced the acquisition of E\*Trade, known for its consumer-directed online brokerage and advice business. Lastly, the Firm acquired Eaton Vance, a leading asset management firm, in March 2021.

### 4. Names and resumes of key personnel who will be responsible for this engagement and all changes in key personnel since January 2015. Details on assigned personnel should include the names, titles, qualifications, number of years with the company, number of years in the position, total years in the industry, and years of experience with performance measurement in general, in the public sector, and with Florida public pension plans.

The Graystone team based in Tampa is the consulting team responding to the Delray Beach General Employees' Retirement System RFP. The team is comprised of 19 full-time investment professionals and has been providing institutional consulting services to public pension plans since 1985. Graystone Tampa focuses on the governmental

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<sup>2</sup> **Source: Coalition Greenwich 2021 U.S. Institutional Investors Study** (April 2022). The 2021 Coalition Greenwich Quality Leader in Overall U.S. Investment Consulting (Large Firms) designation was awarded to three firms and is based on the results of interviews conducted by Coalition Greenwich. Please refer to the full disclosure at the end of this document for complete details.

**Source: Coalition Greenwich 2022 U.S. Institutional Investors Study** (Awarded April 2023). The 2022 Coalition Greenwich Quality Leader in Overall U.S. Investment Consulting (Large Firms) designation was awarded to three firms and is based on the results of interviews conducted by Coalition Greenwich as described above.

**Source: Coalition Greenwich 2023 U.S. Institutional Investors Study** (Awarded April 2024). The 2023 Coalition Greenwich Quality Leader in Overall U.S. Investment Consulting (Large Firms) designation was awarded to three firms and is based on the results of interviews conducted by Coalition Greenwich as described above.

**Source: Coalition Greenwich 2024 U.S. Institutional Investors Study** (Awarded February 2025). The 2024 Coalition Greenwich Quality Leader in Overall U.S. Investment Consulting (Large Firms) designation was awarded to three firms and is based on the results of interviews conducted by Coalition Greenwich as described above.

retirement plan market and provides consulting services to over 40 governmental plans in Florida. The team has been ranked on the Barron's Top Institutional Consultants list annually from 2015 to 2025<sup>3</sup>.

Scott Owens, CFA and Theodore ("TJ") Loew, CFA are the institutional consultants that would service your plan. Scott is a member of the Florida Public Pension Trustee Association and serves as a panelist and speaker at the organization's trustee conferences. A table of Graystone Consulting Tampa team professionals and biographies for the team's institutional consultants are provided below:

**Graystone Consulting Tampa Team**

Name	Title
<b>Primary and Secondary Consultants Servicing the Relationship</b>	
<b>Scott Owens, CFA</b>	Managing Director – Wealth Management, Institutional Consulting Director, Corporate Retirement Director
<b>Theodore ("T.J.") Loew, CFA, CRPS</b>	Vice President, Institutional Consultant, Financial Advisor
<b>Additional Consultants</b>	
<b>Adam H. Palmer</b>	Managing Director – Wealth Management, Institutional Consulting Director, Alternative Investments Director, Financial Advisor
<b>David A. Wheeler, CIMA, CFP, CRPS</b>	Managing Director – Wealth Management, Institutional Consulting Director, Corporate Retirement Director
<b>Other Team Members</b>	
<b>Cameron O'Neill, CFP</b>	<b>Carla Weidman</b>
<b>Adam Hall, CFP</b>	<b>Dana Hooten</b>
<b>John Webermeier, CFA</b>	<b>Kelsey Zyndorf</b>
<b>Vanessa Garl, CFP</b>	<b>Erin Brazzoni</b>
<b>Chuck West</b>	<b>Hunter Owens</b>
<b>Gayle Waldon</b>	<b>Katie Kalafut</b>
<b>Thomas Gashonia, CFP</b>	<b>Devon Wagner</b>
<b>Timothy Haugaard, CIMA</b>	

<sup>3</sup> Source: Barron's.com (Awarded April 2015 to April 2025) Data compiled by Barron's based on annual time period concluding in December 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024.

## Primary Consultant



**Scott Owens, CFA®, CIMA® – Managing Director Wealth Management, Institutional Consulting Director, Alternative Investment Director, Government Entity Specialist**

BS – Economics - Florida State University / BS – Finance – Florida State University

Chartered Financial Analyst® - CFA Institute / Certified Investment Management Analyst®

**Phone:** 813-227-2027

**E-mail:** [scott.owens@msggraystone.com](mailto:scott.owens@msggraystone.com)

**Years of Industry Experience:** 34

**Scott Owens**, an Institutional Consulting Director, is responsible for managing the Institutional Business of Graystone Consulting Tampa. His primary focus involves overseeing and assisting clients with developing their investment policy statement, plan design, performance evaluation, risk management, manager selection and oversight, and cost analysis. Scott was named to Barron's Top 1,200 Financial Advisors ranking for 2024 and 2025<sup>4</sup>.

Scott began his career in 1987, working his way through college as a sales assistant for Stifel, Nicolaus. Since 1998, Scott has specifically focused on advising public retirement plans, endowments and foundations, Taft-Hartley Funds, qualified and non-qualified and corporate retirement plans including 401(k)'s. He has specialized training with Modern Portfolio Theory, Behavioral Finance and Investment Manager Evaluation and Selection.

Scott is a firm believer in education for himself and his clients. He obtained Bachelor's degrees in both Economics and Finance from Florida State University. Scott has earned both the Chartered Financial Analyst (CFA) and the Certified Investment Management Analyst (CIMA) designations. Additionally, he attained the Alternative Investments Director designation and earned the title of U.S. Government Entity Specialist at Morgan Stanley. He is required to commit to continuing professional education and to adhere to the ethical standards of the investment industry.

Scott is often invited to speak at various client conferences. These include the Florida Public Pension Trustee Association (FPPTA), the Georgia Association of Public Pension Trustees (GAPPT), the Texas Association of Public Employee Retirement Systems (TEXPERS), and KORIED to name a few. He is a member of the Florida Public Pension Trustee Association (FPPTA), the Texas Association of Public Employee Retirement Systems (TEXPERS), the Investments & Wealth Institute (formerly IMCA), the Chartered Financial Analyst Institute (CFA), and the CFA Society of Tampa Bay.

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<sup>4</sup> Source: Barron's.com (March 2024, 2025) Barron's Top 1,200 Financial Advisors: State-by-State ranking awarded in 2024 and 2025. This ranking was determined based on an evaluation process conducted by Barron's during the period from Sept 2022 – Sept 2023 and Sept 2023 – Sept 2024.



**Theodore ("TJ") Loew, CFA® - Institutional Consultant, Government Entity Specialist**

BS – Finance – University of South Florida  
Chartered Financial Analyst® - CFA Institute

**Phone:** 813-227-2088**E-mail:** [theodore.loew@msgraystone.com](mailto:theodore.loew@msgraystone.com)

**Years of Industry Experience:**

TJ Loew is an Institutional Consultant who is focused on public and private retirement plans, Taft-Hartley plans, foundations and endowments, and corporate cash reserves. TJ joined Morgan Stanley as an intern in 2008 while attending the University of South Florida where he earned his Bachelor of Science in Finance. In 2017, TJ became a Chartered Financial Analyst (CFA) charter holder. He is an active member of the CFA Society of Tampa Bay, previous member of the St. Stephens finance council, and coach youth soccer in the Tampa Bay area. Originally from western New York, TJ has lived in the Tampa Bay area for over 18 years.

5. List of all Retirement System consulting/evaluation clients served by the personnel listed in response to Item 4 above, including contact reference name, telephone number and approximate total fund size. Indicate type of service provided to each (i.e. financial consulting/evaluation, investment manager search, investment guidelines). List all clients added and terminated from January 2015 to present. Please highlight all Florida-based municipal clients.

Graystone Consulting Tampa provides investment consulting services to over 40 public employee retirement systems in Florida. Below is a list of clients serviced by Scott Owens and the Graystone Consulting Tampa team (as of June 2025) that have provided us permission to disclose their names. These clients range in size from \$15 million to \$200 million. Services we provide to them include assistance in developing and monitoring investment guidelines, asset allocation, manager searches, and quarterly evaluations.

**Aventura Police Pension Fund**

19200 W. Country Club Dr. – Aventura, FL 33180

Chairman: Robert Feierstadt - (305) 466-8999

**Bal Harbour Village General Employees Pension Fund**

655 96<sup>th</sup> Street - Bal Harbour, FL 33154

Village Manager: Jorge Gonzalez - (305) 866-4633

**Dania Beach Retirement Plan for General Employees.**

100 W. Dania Beach Blvd. – Dania Beach, FL 33004

Administrator: Nanci Denny - (954) 309-1031

**DeLand General Employees' Retirement Plan**

120 S. Florida Ave. – DeLand, FL 32720

Board Member: Michael Pleus (Chairman) - (386) 804-4491

**Hallandale Beach Police Officers' & Firefighters' Retirement Plans**

400 S. Federal Highway – Hallandale Beach, FL 33009

Chairman: Alan Miller – 305-613-2624

**Leesburg Retirement Plan for General Employees**

501 W. Meadow St. – Leesburg, FL 34748

Board Member: Steve Rockefeller (Chairman) - (352) 348-0654

**Longboat Key Consolidated Retirement System**

501 Bay Isles Rd – Longboat Key, FL 34228

Board Member: Steve Branham (Chairman)

Administrator: Scott Baur - (239) 573-5147

**Marco Island Police Officers' Pension Plan**

50 Bald Eagle Dr. – Marco Island, FL 34145

Administrator: Scott Baur - (239) 573-5147

**Naples General, Police, & Fire Retirement System (3 Plans)**

735 8<sup>th</sup> Street S. – Naples, FL 34102

Administrator: Liz Willis - (239) 404-0731

**North Miami Beach Police & Firefighters' Pension Fund**

17011 NE 19<sup>th</sup> Avenue, Room 311 – North Miami Beach, FL 33162

Administrator: Mo Asim - (305) 949-5500 ext. 2508

**Ormond Beach General Pension Plan**

22 South Beach St. – Ormond Beach, FL 32174

Board Member: Kelly McGuire (City Finance Director) – (386) 676-3226

### **Sarasota Firefighters' Pension Plan**

1565 First St. Room 110 – Sarasota, FL 34236

Chairman: Mike Hartley - (941) 586-5250

### **Sarasota General Employees' Pension Plan**

1565 First St. Room 110 – Sarasota, FL 34236

Administrator: Debra Martin - (941) 263-6360

*The Graystone Consulting Tampa clients listed above as of April 2025 may participate in various investment advisory programs sponsored by MSSB. This list is based on objective criteria not related to performance. It is unknown whether any of the listed clients approve or disapprove of the services we provide to them. Inclusion of a client name on this list is not intended to imply that client endorses us or the services we provide to them in any way. This list should not be construed as an expression of any client's experience with Graystone Consulting or a suggestion one client's past experience is in any way indicative of another client's future experience with Graystone Consulting. The clients listed above are a representative list of the Graystone Consulting Tampa team and are not intended to represent the clients of any individual Institutional consultant or all clients of Graystone Consulting or the MSWM Institutional Services business.*

Since January 2015, Graystone Consulting Tampa has continued to grow its footprint in the Florida pension plan market. The team has added 6 government defined benefit plans and lost 4 government defined benefit plans in Florida with assets of greater than \$10 million during this time period as shown below:

<u>Florida Public Defined Benefit Plans Added</u>	<u>Year Hired</u>
Florida Police Pension Fund	2021
Florida General Employees' Pension Fund	2020
Florida Police Pension Fund	2019
Florida General Employees' Pension Fund	2019
Florida Police Pension Fund	2018
Florida General, Police, & Fire Pension Fund	2016
<u>Florida Public Defined Benefit Plans Terminated</u>	<u>Year Terminated</u>
Florida Fire Pension Fund	2024
Florida Police & Fire Pension Fund	2022
Florida Police Pension Fund	2019
Florida Police Pension Fund	2017

The Graystone Consulting Tampa team has also added and lost clients in other institutional client segments. These include Florida-based VEBA funds, health insurance funds, defined contribution plans, and operating funds; government defined benefit plans, tuition plans, and operating funds outside of Florida; and non-profit organizations.

**6. Explain the size, composition and source of your investment manager database. Is your database of prospective managers developed in-house or purchased from outside vendors? What indices are used for relative comparisons?**

We use the PSN Investment Manager database, which is maintained by Informa Investment Solutions, Inc. The database provides information on thousands of investment managers throughout the world, encompassing over 24,000 various products and strategies.

The database includes historical investment performance results, as well as each manager's:

- Investment style
- Minimum account size and number of accounts managed
- Assets under management and if the product is accepting new accounts
- Inception date, employee data, contact information and ownership structure

The database also includes a narrative on the firm level and product level, as well as a composite description.

The database is updated quarterly and is open to any investment manager with assets over \$100 million who chooses to be included by completing a detailed investment manager fact sheet. There is no fee for inclusion in the database.

In addition, we use Zephyr Associates Inc., an industry leader in analytical software and part of Informa Investment Solutions, as well as Morningstar for data on mutual fund managers.

We also utilize Albourne, a third-party provider of quantitative and qualitative information and research on hedge funds and private investments. Their research includes investment due diligence, operational due diligence, and quantitative due diligence. Albourne's database provides performance and fee comparisons among strategies, as well as portfolio construction and cash flow tools.

Morgan Stanley boasts one of the most robust manager analysis teams in the financial services industry. Our Global Investment Manager Analysis (GIMA) team consists of over 65 investment analysts and operational risk professionals. The team has responsibility for separately managed accounts, mutual funds and exchange-traded fund analysis efforts. Each team member is segregated by style (Domestic Value Equity, Growth, Fixed Income, etc.) and each style consists of approximately three to six analysts responsible for conducting due diligence. While each team member operates autonomously, there is collaboration across the various styles to ensure consistency in the event multiple teams have overlapping coverage of asset management firms/products.

The GIMA team applies the first screening of external managers. GIMA examines managers on an independent basis and provides qualitative and quantitative assessments of investment managers for multiple asset classes and strategies.

## Global Investment Manager Analysis (GIMA): An Industry Leader

~65

ANALYSTS DEDICATED TO  
MANAGER ANALYSIS

4,800+

STRATEGIES MONITORED / YEAR

950+

SEPARATELY MANAGED ACCOUNTS

\$1.9 Trillion+

INVESTMENT ADVISORY  
ASSETS UNDER MANAGEMENT <sup>(3)</sup>

450+

NEW PRODUCTS LAUNCHED  
LAST 6 MTHS

2,150+

MUTUAL FUNDS

#1

MANAGED ACCOUNT  
PROGRAM BY ASSETS <sup>(4)</sup>

~400

INVESTMENT MANAGER  
RELATIONSHIPS

1,100+

ETF STRATEGIES

80+

ALTERNATIVE STRATEGIES <sup>(2)</sup>

All information as of March 2024 unless otherwise noted and subject to change.

1. Source: Morgan Stanley Wealth Management as of December 2023. This category includes separate account consultant programs, mutual fund advisory programs, ETF advisory programs, rep as portfolio manager programs, rep as advisor programs and unified managed account programs. Separate account consultant programs are programs in which asset managers manage investors' assets in discretionary separate accounts. Mutual fund advisory programs and ETF advisory programs are discretionary and nondiscretionary programs designed to systematically allocate investors' assets across a wide range of mutual funds or ETFs. Rep as portfolio manager programs are discretionary programs in which advice is an essential element; planning is undertaken or advice is treated as a separate service from brokerage. Rep as advisor programs are nondiscretionary programs where the advisor has not been given discretion by the client and must obtain approval each time a change is made to the account or its investments. Unified managed accounts are vehicle-neutral platforms that simplify the delivery of multiple investment vehicles, such as separate accounts, mutual funds, exchange-traded funds and individual securities through their integration within a single environment. Rankings are subject to change.

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

3. As of December 2023.

In evaluating a current or potential manager's relative performance, we will compare that performance with appropriate market indices. We have access to hundreds of market indices available to compare. Standard market indices used for comparison include, but are not limited to:

Equities (Domestic):

- S&P 500
- Dow Jones Industrial Average
- Russell 1000 Value
- Russell 1000 Growth
- Russell Mid Cap. Value
- Russell Mid Cap. Growth
- Russell 2500 Value
- Russell 2500 Growth
- Russell 2000 Value
- Russell 2000 Growth

Equities (International):

- MSCI EAFE (Net)
- MSCI All Country World X US (Net)



Fixed Income:

- 90-Day Treasury "T-Bills"
- Bloomberg Gov't/Credit Intermediate
- Bloomberg Gov't/Credit
- Bloomberg Intermediate Aggregate
- Bloomberg Aggregate

Alternatives

- FTSE NAREIT (REITS)
- HFRI/HFRX Indices (Fund of Hedge Funds/Hedge Funds)
- Dow Jones Brookfield Global Infrastructure
- Alerian (MLPs)
- NCREIF Indices (Private Real Estate)

**7. Does your firm maintain or utilize a public fund universe? If so, how many public funds are included and what is the median size and total assets of this universe? If a public fund universe is not used, what universe(s) is/are used to rank total returns?**

Yes, we utilize the Investment Metrics database for public fund peer universe that compares the client's total fund performance to the appropriate peer universe's total fund performance over varying time periods. Below is data on the public fund peer universes available (data as of March 31, 2023).

	<b><u># Plans</u></b>	<b><u>Median Size</u></b>	<b><u>Total Assets</u></b>
All Public Plans	826	\$90.14 Million	\$2.40 Trillion
Public Plans < \$1 Billion	685	\$51.16 Million	\$98.9 Billion
Public Plans > \$1 Billion	141	\$4.47 Billion	\$2.30 Trillion

*Source: Investment Metrics*

**8. Are peer universes also maintained for assets classes and for manager style? If so, list the universes that you currently maintain. Are these universe returns reported by plan sponsors or investment managers?**

Yes, we can create custom manager universes that provide appropriate manager comparisons. Our custom manager universes sort Investment Metrics (EQuest) databases according to the relative return characteristics of each manager within the universe. This reduces the effect of manager style drift by grouping managers according to the behavior of their returns rather than by their pre-stated discipline or quarter-ending holdings. The returns in this universe are provided by the investment managers, who do not pay for inclusion in the universe.

## 9. Explain if your software systems were developed entirely in-house or purchased from outside services.

Graystone has committed considerable financial resources to performance-measurement hardware and software. We use a proprietary system as well as technology from third parties. We customize reports from the programs offered by these third parties through the programs themselves, as well as through the tenured relationship the firm has with the client support teams servicing these programs.

### In-House System

**Strategic Client Reporting (SCR).** SCR is a proprietary performance measurement system. We use SCR to report on all aspects of a client's investment program, including but not limited to: performance results for the total aggregate portfolio and each manager, analysis of the overall asset mix, equity and fixed income portfolio composition and characteristics, risk and return charts, and visual displays of account cash flows and growth of portfolio assets over time, etc. SCR reports also include advanced statistical indicators, such as beta, alpha, R2 and the Sharpe Ratio, drawn from the teachings of Modern Portfolio Theory.

### Third Party Systems

**PARis:** PARis is a performance monitoring and reporting tool used to compute, track and evaluate investment performance for clients. Its features make it a comprehensive platform. It performs portfolio analytics, develops what-if scenarios, and customizes reports to meet clients' requirements. Some of the important features of PARis are:

- Managing client investment accounts, including accounting data, performance, holdings and other attributes.
- Managing benchmark data. Varied sources provide index data in the form of performance as well as holdings. Custom benchmarks can be generated by combining indices or accounts utilizing returns-based hybrids.
- Creating and managing custom report templates. Reporting is automated by the ability to generate a client-specific book, which includes section pages, varied page numbering schemes and the ability to include non-PARis generated analytics, such as those provided by other software tools.
- Integrated holdings-based analysis.
- Returns-based analysis through a proprietary Style Analysis tool.
- Peer group analysis allows client accounts to be compared within standardized peer groups. Peer groups include separate accounts, commingled funds, mutual funds, hedge funds and recently added plan sponsors. PARis has the ability to generate custom peer groups from standard peer groups, other custom peer groups or client accounts.
- Constructed in-house utilizing industry standard combination of programming tools consisting of Visual Basic, C++ and SQL Server. This allows PARis to be easily modified and extended with new modules. PARis has been successfully deployed for an external systems client, which required business-specific modifications and custom modules.

PARis allows Graystone consultants to generate highly customized, comprehensive and concise performance reports for each account and composite. PARis reports may be produced based on specific needs of the client. The result is a single, integrated reporting system that delivers information to clients. PARis reports cover virtually every aspect of the investment program and include performance results for each manager and for the total aggregate portfolio, an analysis of the overall asset mix, benchmark comparisons, equity portfolio composition, fixed-income portfolio characteristics, risk and return charts, and visual displays of account cash flows and the growth of your assets over time. Each report is carefully organized in a simple, graphical format.

Other analytics applications include:

**Clearwater Analytics:** Clearwater Analytics is a third-party vendor that provides customized statement and monitoring services for Graystone. Graystone specifically uses Clearwater to perform daily checks of client portfolios against client investment policy statement parameters.

**Zephyr Associates, Inc:** Zephyr, an industry leader in analytical software and a division of Informa Investment Solutions, was originally founded by a world-class team of software engineers who created an entirely new program—one of the most sophisticated and functional style analysis and performance analysis software available. Graystone Consulting uses Zephyr to receive the most thorough and complete style analysis possible in their manager evaluations.

**Morningstar®:** Morningstar maintains data on mutual fund managers and funds allowing users to sort through manager or fund databases utilizing commonly requested criteria. Morningstar offers a powerful search, allowing us to screen on hundreds of data points and providing well-defined results. These screens allow Graystone Consulting to save search results as a Watch List in case we would like to track the performance of these investment vehicles before making a decision.

Morningstar will also “score” investment vehicles, providing a benchmark for our own analysis that ranks managers and funds that pass our test based on criteria important to us.

**Informa Investment Solutions, Inc:** Informa Investment Solutions, Inc. was founded in 1976 to provide objective performance measurement services to the institutional investment community. Since its founding, Informa Investment Solutions, Inc. has developed its position as an international provider of specialist information and services for the academic, professional and business communities. Graystone Consulting links to Informa Investment Solutions, Inc. databases to address the qualitative and quantitative factors needed for an extended level of analysis. Morgan Stanley’s Global Investment Manager Analysis (GIMA) team utilizes a database—updated daily by Informa—to track investment analytics for more than 7,800 investment products across more than 80 asset classes and investment styles. The firm also utilizes the PSN database and analytic tools for capital markets research.

**PFaroe:** One of the most, if not the most, sophisticated asset / liability investment tools available in the marketplace. This tool allows Graystone to take actuarial data and run comprehensive analysis on defined benefit plan liabilities. Additionally, PFaroe allows Graystone to incorporate a plan's assets and run what-if scenarios, which can help plan sponsors understand how the funded status of their plan would react should the market experience different types of shocks.

**Wealth Strategies Analysis:** An internally built Morgan Stanley tool that allows users to run asset allocation studies. Here, Graystone can input a plan's current asset allocation and run an analysis to understand how the plan is expected to perform over the coming 7-year strategic period, 20-year+ secular period, and any period in between. If the current asset allocation is not expected to deliver the desired return, or perhaps takes on too much risk, Graystone

can utilize this tool to analyze different asset allocations in an attempt to achieve a portfolio that delivers a more desired risk and return outcome.

**10. Statement that the firm can provide all services as requested, or, alternatively, a statement taking exception to certain services which cannot be provided as requested.**

Graystone can provide all services as requested and as discussed in the RFP and explained below. Please refer to the clarifications and exceptions shown at the beginning of this response immediately following the Table of Contents.

**Requested Services Relating to Evaluation of Manager Performance**

1. Graystone will provide the Fund's quarterly written reports.
2. Graystone will provide quarterly in-person briefings to the Board of Trustees. Given that September 30<sup>th</sup> is the Plans fiscal end, we would be happy to provide one in-depth briefing that relates specifically to that time period.
3. Reports are provided within 45 days of quarter end with updated preliminary figures as of the most current period available.
4. The performance report provided to the Board will contain information typical or standard for such reports provided to our other pension fund evaluation clients. At a minimum, the report provides the following:
  - Summary statistical information on the market value of assets and asset allocation.
  - Total time-weighted return for each asset class for the most recently completed quarter, 12 months, 3 years, 5 years, 7 years (and 10 years if available). We also provide returns since inception.
  - Separate detailed analysis for each investment manager's performance, including risk and its corresponding effect on the portfolio as a whole.
  - Comparisons of actual returns with generally recognized indices, and with an appropriate comparable peer universe of other pension fund and/or "share plan" managers.
  - Information presented in both table and graph form.
  - Calculations which allocate the total return between general market forces and management decisions of the fund manager.
  - Evaluation of investment performance relative to the Fund's written investment policies & guidelines and appropriate benchmarks.
  - Compliance report indicating whether the manager is meeting the Board's goals and adhering to investment policy targets guidelines and legal requirements. As mentioned in the Exceptions, Graystone does not provide legal advice to clients and Clients are expected to consult with their own Legal counsel regarding any statutory requirements for IPS, including statutory restrictions on permissible investments.
  - Transaction costs.

**Requested Services Related to Establishment of Investment Guidelines, Goals, & Appropriate Asset Allocation**

1. Graystone provides services related to establishment of investment guidelines, goals, & appropriate asset allocation.
2. Graystone will act as your consultant for the review and provide assistance with development of a written investment guidelines and goals and the development of an asset allocation analysis. In developing a statement and plan, consideration should be given to:
  - The Board's willingness and ability to assume investment risk.
  - Identification of asset classes which should be considered for investment.
  - Evaluation of the effect alternate asset class mixes have on expected long term return and risk.
  - Evaluation and recommendation concerning the plan's liquidity requirements and long-range investment goals.

**Requested Services Relating to Manager Search**

- A. Graystone provides services relating to investment manager search. The services provided by Graystone include:
  - Analysis leading to identification of appropriate investment styles consistent with the Board's long term investment objectives.
  - Assist in the development and distribution of a Request for Proposal (RFP) to outside investment managers with appropriate styles.
  - Clarifying the RFP to potential managers.
  - Receive proposals from potential managers.
  - Clarify and evaluate the proposals from potential managers for the Board.
  - Assist the Board in interviewing, selecting and negotiating with investment managers.
  - Review and recommend contract providers and reporting requirements.
  - Advise the Board on appropriate procedures for transferring management of asset to new managers.
- B. Graystone will assist the Board in the custodial bank search process.

**Additional Requirements of Consultant Requested by the Board**

- A. Graystone will coordinate with the Board's legal counsel on such matters as may arise from time to time.
- B. Graystone will assist the actuary in the timely gathering of data for the required actuarial valuation.
- C. Graystone will provide timely assistance to outside auditors for preparation of the annual financial statement.
- D. Graystone will perform such other duties as the trustees may require.

11. Provide information on how the fee for the following services will be determined:

**a. Evaluation of Investment Manager Performance.**

**b. Establish Investment Guidelines, Goals and corresponding Asset Allocation.**

**c. Investment Manager Searches.**

Graystone Consulting is proposing the all-inclusive fee stated below that covers each of these services.

Provide an estimated fee for each service. Fees will be paid in "hard" dollars. However, for proposers which are brokerage firms, they should state the percentage (if any) of commissions or other fees which will be available for credit against "hard" dollar fees.

Graystone Consulting is proposing an annual hard dollar fee of \$60,000 to provide the requested services listed above to the City of Delray Beach General Employees' Retirement System. This fee assumes Graystone would also be contracted by the City of Delray Beach Police Officers' Retirement System and Firefighters' Retirement System if selected by the General Employees' Retirement System. The annual hard dollar fee would be \$60,000 for each Plan.

If Graystone is ultimately only contracted by the General Employees' Retirement System, the proposed annual hard dollar fee would be \$75,000.

There are no additional conversion fees, travel & other expenses, and fees for additional services. This fee does not include the fees paid to your custodian and investment managers.

***Graystone does not accept soft-dollars; therefore, no portion of our consulting fee is offset by commissions or other fee credits.***

12. Disclose any and all litigation involving the bidder and explain the nature of the litigation.

At the firm level, Morgan Stanley and its Financial Advisors are named from time to time as defendants in various matters incidental to, and typical of, the businesses in which we engage. These include civil actions and arbitration proceedings in which Morgan Stanley or its Financial Advisors have been named, arising in the normal course of business activities as a broker and dealer in securities, as an underwriter, as an investment banker or otherwise. Morgan Stanley also maintains regular and ongoing contact with the Securities and Exchange Commission, various state regulators, administrative agencies and self-regulatory organizations such as the Financial Industry Regulatory Authority (FINRA) and the New York Stock Exchange (NYSE), and is often asked to provide information, documents or testimony in connection with investigations or proceedings conducted by those bodies. Information disclosing certain legal and regulatory matters is publicly available through the FINRA website at [www.finra.org](http://www.finra.org). Information can also be found in Part I of Morgan Stanley's Form ADV that may be found on the SEC website at [www.sec.gov](http://www.sec.gov).

### 13. Provide the declaration page for your fiduciary liability insurance.

Insurance Coverage	Name of Insurer	Rating	Policy Number	Coverage (\$M, USD)	Expiration
Financial Institutions Bond	Chubb Global Markets (primary) and others	A+	FSGF12300597	50	10/1/2025
Advisers Error & Omissions Bond	Travelers Casualty & Surety Co. of America	A++	105218442	20	1/31/2026
Directors & Officers Liability Policy	Multiple Insurers	-	012482442	700	6/19/2025
Network Security, Media, & Privacy Policy	National Union Fire Insurance Company (AIG)	A+	01-593-35-22	525	10/1/2025

\*\$500 million in the annual aggregate. Morgan Stanley purchases a blended excess policy to provide an additional \$50 million cyber limits, making the total applicable limits for a cyber loss \$550 million.

A sample certificate insurance certificate is providing in Exhibit 8.

## B. Information regarding evaluation of investment manager performance:

### 1. Provide a complete sample report which illustrates the types of information and format of quarterly reports which will be provided to the Board.

A sample quarterly performance report is provided in Exhibit 1.

### 2. Provide a discussion of your general approach, philosophy, capabilities and experience in providing performance evaluation services.

As fiduciaries, we subscribe to a philosophy of partnering with our clients to help them meet their goals by listening closely, managing risk, focusing on overall portfolio cost and seeking out high-conviction investment choices. We always act in our clients' best interests. We are committed to ensuring the education of your board, investment committee and staff, advocating best practices, providing first-class service, and communicating clearly and continuously.

In today's fast-paced financial markets, information is a critical component of success. That means investors need access to accurate, timely performance measurement reports. To meet this need, Graystone Consulting utilizes a world-class performance reporting system that provides customized performance reports. The result is a single, integrated reporting system that enables us to deliver information fiduciaries need when they need it.

Graystone Tampa will customize summary and detailed performance reports to meet the Board's needs. The reports contain numerous quantitative (relative and risk-adjusted performance) metrics for the total portfolio and each investment manager/fund. The reports also contain detailed attribution reporting for each equity manager. The quantitative and attribution data provided includes:

#### **Quantitative Metrics - Total Portfolio & Each Investment Manager/Fund versus Appropriate Benchmark(s)**

- Trailing Returns (Quarter, Fiscal-Year, 1 Year, 3 Year, 5 Year, 7 Year, and Since Inception)
- Fiscal-Year Returns
- Historic Change in Assets

- Distribution of Returns
- Standard Deviation (Since Inception)
- Beta (Since Inception & Rolling 3 Years)
- Maximum Drawdown (Since Inception)
- Up/Down Market Capture (Since Inception & Rolling 3 Years)
- Alpha (Since Inception)
- Sharpe Ratio (Since Inception & Rolling 3 Years)
- R-Squared (Since Inception)

#### **Attribution Reporting - Equity Investment Managers & Appropriate Benchmark(s)**

- Allocation by Sector
- Performance by Sector
- Total Attribution (Sector, Stock, Interaction, Total)
- Portfolio Characteristics (Market Capitalization, P/E Ratio, P/B Ratio, 5 Year Earnings Rate, Debt to Equity)

Graystone views performance measurement as accomplishing two distinct objectives; to provide information to allow trustees to verify the adherence to the investment strategy formulated by the investment policy; and to provide detailed information on the investments in the portfolio to allow for complete evaluation and comparison. Graystone will supply detailed and summary investment performance reports. The purpose of these reports is to provide the trustees with the information needed to fulfill its fiduciary obligation to monitor investment performance relative to the established investment objectives.

Performance reporting is available on the aggregate composite level and on the individual account or manager level. The suite of performance reports is customizable based on the trustees' needs and demands. A variety of different time periods are available in displaying client returns compared to policy indexes and manager benchmarks. Returns are available using a time-weighted and/or dollar-weighted calculation, gross and net of fees. In addition, the reports include an analysis of the overall asset allocation structure (targets vs. actual), equity portfolio composition, fixed income portfolio characteristics, risk-and-return charts, and visual displays of account cash flows and the growth of client assets over time.

Our policies and procedures concerning client performance reporting represent a cross-section of several independent organizations including the Investment Management Consultants Association (IMCA) which incorporated aspects of the CFA Institute's GIPS standards in their own performance reporting standards and development.



## Methods Used to Evaluate Manager Decisions

Monitoring a portfolio and the corresponding manager within the portfolio is a primary function of a consultant. Understanding the performance each manager contributes to the overall portfolio allows decisions that should, over a full market cycle, improve the portfolio performance. At the individual manager level, we analyze financial characteristics germane to the specific asset class and the manager's style of management. These characteristics are evaluated to assess the level of risk the manager is taking in the construction of its investment portfolio and identify sources of style drift inconsistent with the manager's stated investment discipline. We use "return pattern" and "holdings based" analysis to determine a manager's style as each method has strengths and weakness.

The return pattern analysis focuses on return and risk measurements to determine whether the pension fund is being rewarded for the level of risk taken by the manager. The holdings-based analysis (portfolio attribution) seeks to identify the value added from sector allocation and security allocation. The manager may add value by overweighting securities that perform well relative to the benchmark. Conversely, the manager may add value by underweighting securities that perform poorly relative to the benchmark.

In conducting performance attribution analysis, we first determine the relative weights of each sector the manager chooses to include in their portfolio relative to the sector weights within the benchmark. If a manager chooses to underweight or overweight a sector that will have an impact on the value of the portfolio since each sector will have a different contribution to the performance of the portfolio. For example, if a manager underweights a sector that outperforms the other sectors, that decision would negatively impact the portfolio. Conversely, if a manager underweights a sector that underperforms the other sectors in the portfolio, that decision would positively impact the portfolio. The sector allocation return assumes within each sector, the manager held the same securities as the benchmark and in the same proportion. Therefore, the impact on performance as it's related to pure sector allocation is attributed only to the sector weighting decisions of the manager.

We then determine the impact the manager's stock selection decisions within each sector have on the portfolio return. The manager's allocations to a specific sector may be in the same proportion as the benchmark; however, the manager may hold securities different from the benchmark or have different weights from the benchmark. The impact on relative performance is attributed to the security selection decisions of the manager.

Once the pure sector allocation return and the security selection return within each sector is determined, we calculate the allocation/selection interaction return. This quantifies the net effect of the manager's sector and security weights within each sector relative to the benchmark.

## C. Information regarding establishment of investment guidelines, goals and asset allocation:

Provide a discussion of your general approach, philosophy, capabilities and experience in providing consulting services for the establishment of investment guidelines, goals and asset allocation.

**Our investment philosophy has three tenets that guide our investment process:**

***Market inefficiencies present opportunities.*** We strive to identify and capture market mispricing through our proprietary qualitative and quantitative analysis capabilities. We deploy active management through a multi-asset-class, globally diverse approach that features tactical asset allocation tilts, best-in-class manager selection paired with an active/passive overlay and thoughtful portfolio construction.

***Risk management is integral to delivering returns.*** We have made quantitative and qualitative analysis the pillars of our risk-managed portfolio construction process. We consider market opportunities the context of each client's risk tolerance.

***Client customization is essential.*** We recognize that each client's unique circumstances and objectives require tailor-made solutions. We strive to deliver a boutique client experience coupled with the resources of a global financial leader.

As a fiduciary, our main priority is to help clients achieve their investment objectives prudently. We believe clients should not only take return parameters into account, but also include broader investment considerations related to risk tolerance, liquidity needs, time horizon and other investment planning goals. As such, this leads to a high degree of customization. The first and most important step in a consulting relationship is to facilitate the development or review of the plan's investment policy, guidelines, and objectives. We start the process by reviewing with the trustees the mission statement of the plan. The mission statement sets the stage for all decisions made relative to the long-term activities of the plan. Graystone will present an educational discussion on the fundamentals of asset allocation to assure the trustees have an appropriate framework. Once the discussion on diversification and portfolio construction has occurred, a consensus view of members' attitudes on the long-term economic climate, the plan's income needs, desired asset allocation and degree of diversification, perceived risk tolerances, policy constraints, and other pertinent investment considerations is agreed on and an overall risk tolerance is developed for the plan.

Over a full market cycle, we have found that asset allocation and portfolio construction typically generate a greater portion of the portfolio's returns than manager selection. Nonetheless, recognizing that dynamic markets provide opportunities to exploit pricing anomalies, we believe that disciplined investors may add value through factor-driven tactical asset allocation and the selection of active managers across multiple sectors.

We believe that less efficient sectors typically provide broader openings for high-quality active management. Consequently, we have built our investment process around fundamental quantitative and qualitative analysis, applying thoughtful risk management at the manager and portfolio levels. Our approach allows us to adapt via factor-driven tactical asset allocation and exploit opportunities from shorter-term pricing anomalies. This philosophy is the core of our process.

Our investment methodology is built upon a proactive and highly engaged approach where we guide clients through the investment process from Investment Policy Statement development and review, strategic asset allocation modeling, investment manager due diligence, investment manager selection, tactical management, and ongoing review and rebalancing. We do not use models or formulaic solutions, and no two client portfolios are alike. Our

investment professionals base their guidance on their client's specific goals and objectives, types of investment pools, and associated investment parameters.

### Asset Allocation Overview

Our portfolio construction process is an amalgamation of our understanding of a client's investment objectives, with the industry's foremost investment thought leadership in top-down asset allocation. We bring together quantitative data and qualitative views to fuel our investment process.

On a quantitative basis, we employ a dynamic investment process that includes (1) optimization models for both strategic and tactical asset allocation; (2) forward-looking stress-testing and risk management; and (3) assessments of sector and manager ties to core market factors. While longer-term capital markets assumptions guide the team's strategic asset allocation, we take an active approach to seeking out tactical opportunities that become available throughout a full market cycle.

### Asset Allocation Strategy

In keeping with our customized approach to portfolio construction, the asset allocation process begins with a review of current policy benchmarks. Using your existing Investment Policy Statement, we determine the risk tolerance of the portfolio, assign an active risk "target," and establish the desired asset classes for the portfolio. Recommended asset classes may include a wide range of equities across multiple geographies, market capitalizations, and styles; fixed income; and alternative strategies. We determine the appropriate return objective that best incorporates your strategic growth targets, as well as other factors such as administrative expenses, budgetary considerations and the impact of inflation. Over time, we continue to work with the Board to revalidate the return target that supports your need with the greatest degree of predictability. We recommend a formal annual review of asset allocation to cover potential changes in investments, return expectations, risk tolerance and funding changes, among other topics. A sample asset allocation analysis report is provided in Exhibit 2 and a copy of the Global Investment Committee's *On the Markets* publication is provided in Exhibit 3.

## D. Information regarding investment manager search services:

Provide a discussion of your general approach, philosophy, capabilities and experience in providing manager search consulting services.

Graystone Consulting has an open architecture. Our non-discretionary clients can select any manager they choose for inclusion in the plan portfolio. Our portfolio construction and investment philosophy and advice are predicated on several core tenets:

**Skill and Strategy Diversification:** Beyond asset classes, skill and strategy diversification is one of the most powerful sources of portfolio construction. A portfolio of skilled managers can provide meaningful risk-adjusted benefits, beyond asset classes themselves. Although usually cited as a source of risk mitigation, we believe diversification is a means toward more sources of return. Incorporating several return sources in an investment portfolio adds up to a better risk/return profile, given the different approaches of managers and strategies.

**Patience:** A significant determination to long-term success is investor patience. A client's timing decisions can contribute to underperformance, irrespective of whether they have active or passive investments or if their managers outperform.

**Value:** We believe strongly that value -- *the price one pays for an investment* -- is the most important determinant of an investment's ultimate return. Likewise, an inherent margin of safety that is embedded in not overpaying for an investment is what largely determines an investment's risk. Our asset-class advice is based on intermediate- and long-term asset class valuations, rather than static allocations, and we have a definitive bias toward risk-aware, value-oriented investment managers. While not a formula, we believe this approach is more enduring than attempting to correctly identify every turn in markets.

**Process Orientation:** For value, diversification, and patience to work, they must be applied in a disciplined manner. A process orientation guards against emotional or impulsive decisions and aligns overall decision-making and portfolio cohesion. Process is especially important in a committee setting as it facilitates consensus building and maintains the institutional memory of the organization as committee members cycle through. Conversely, most unforced mistakes are often traceable to decisions that lacked process.

This set of principles is applied to asset class advice and manager decisions, including retention. While we do not consider these core tenets particularly controversial or inventive, we recognize that judgment is required to successfully follow our own guidelines. No set of investment principles assures the best outcomes, but often without luck, consistent violation of any one of these guidelines can be the root source of poor outcomes.

Graystone's general approach includes delivering pure, objective investment advice customized to our client's unique financial goals. Objective analysis of investment managers has been the core of our firm's evaluation process for more than four decades. Investment managers and funds recommended by Graystone are subject to an objective due diligence by Morgan Stanley's Global Investment Manager Analysis (GIMA) team. We believe our GIMA team is one of the most robust due diligence teams in the financial services industry. They follow a disciplined evaluation process consistently applied to every firm it reviews and approves for recommendation to our clients. While Graystone may only recommend managers to our clients that have been thoroughly reviewed and approved by GIMA, we can include a currently unapproved manager in a search or request a comprehensive review of traditional managers if directed by the client.

The GIMA team constantly seeking new managers for our team to recommend to our clients. The first step of the process is to identify managers who meet some basic criteria. These managers are screened for superiority of qualitative characteristics (Personnel, Process, Research Capabilities, Implementation, and Business Operations). Next, we screen the remaining investment managers for quantitative characteristics, such as absolute and risk-adjusted performance, volatility, consistency of returns, and adverse market performance. We further screen for investment managers from this narrowed universe to invest according to your outlined investment plan. We encourage our clients to participate in the development of the qualifications and constraints managers must meet to become bona fide candidates.

In conducting a manager search for a particular investment style, we screen the research database to identify a working list of managers to be presented to the Board for consideration. Typically, the list of managers is narrowed to 3-5 candidates to be interviewed by the Board (if desired) at the next regular meeting or a special meeting if deemed appropriate. We participate in the manager presentation meetings and help the Board make its final decision(s).

GIMA provides ongoing due diligence on approximately 4,300 investment products. Our unique research process focuses on quantitative (performance) & qualitative (personnel, process, business stability) factors to identify managers or funds that can provide investment success to our clients. They conduct due diligence on traditional and alternative investment strategies. Additionally, Graystone teams do not recommend any investment managers until the team has conducted their own due diligence on that manager. So, you will be assured that any investment manager that we propose to you, is fully vetted ahead of time.

## **E. Disclosure any conflicts of interest or potential conflicts of interest.**

1. Does your firm, its affiliates, or the ultimate parent of the firm receive revenue, non-cash in-kind benefits, or similar perquisites from investment managers for consulting services or business functions provided, including, for example software sold, attendance at conferences, access to manager databases, or for any other reason? (Please specify type, source, and amount of revenue or such non-cash in-kind benefits, or perquisites.)

As a business of one of the world's largest financial services companies, it is possible one of our affiliates or businesses have a business relationship with a money manager unaffiliated with Morgan Stanley (MS) and recommended to clients. Certain mutual funds may offer additional compensation to the firm in the form of 12b-1 fees, management and administrative fees, transfer agency fees, revenue sharing compensation, record keeping fees, shareholder serving fees or any other Fund related services fees. In addition, we may receive payments from various vendors (including money managers) in connection with MS-sponsored internal training and education conferences and meetings our Financial Advisors & Institutional Consultants attend. Such vendors may make payments to, or for the benefit of, MS or its Financial Advisors to reimburse them for the expenses incurred for these events. MS provides sponsorship opportunities and access to our branch offices and Financial Advisors & Institutional Consultants to third party service providers for educational, marketing and other promotional efforts. Other service providers may also, from time to time, provide non-monetary compensation to MS employees by paying or reimbursing for the cost of items such as meals, travel, lodging, registration fees and entertainment, in connection with training events or conferences and otherwise. Vendors participating in programs described in this document are

not required to make any of these types of payments. These payments described in this section comply with Financial Industry Regulatory Authority (FINRA) rules relating to such educational activities.

For additional information and any compensation received from money managers please refer to the ADV Program Brochure applicable to your advisory program.

***Morgan Stanley, Graystone Consulting, and the Global Investment Manager Analysis team do not consider the existence or extent of any such relationships or payments as a factor in making its recommendations.***

## 2. Does your firm or any affiliates provide investment related products or services to both pension plan advisory clients and investment managers? If so, please describe the services provided for investment managers.

No, Graystone Consulting only provides investment related products or services to our clients (including pension plan advisory clients) and does not sell any services or products to money managers\*.

*\*Government entity clients custodied at MSSB utilize one of two proprietary money market funds as the account cash sweep feature; all fees collected by MSSB are rebated to the client.*

## 3. Please describe your policies and procedures that ensure that the firm's advisory activities are insulated from any other business activities.

Graystone Consulting places paramount importance on the delivery of objective, unbiased investment advice to our clients. This commitment is reinforced in all our business practices:

- Our culture and values demand unabashed client advocacy. Each Graystone Institutional Consulting Director has the flexibility to design and deliver investment solutions tailored to the unique needs of each client.
- Our investment manager research is focused on firms unaffiliated with our firm; we do not review or recommend proprietary investment products or strategies.
- To help ensure consistency and comparability, we apply a common research-evaluation framework to all the investment products we evaluate. We look beyond past performance and focus our evaluation on understanding qualitative factors that may influence future results.
- Our teams have the ability to conduct research on local or boutique investment management firms, which enables us to nimbly respond to unique ideas in response to clients' needs.
- Graystone Consulting does not accept payment of client fees through "soft" dollar or directed brokerage arrangements. Our consulting fees are accepted on "hard" dollar, flat or asset-based fee schedules only.
- Investment managers are not charged for inclusion in any of our platforms and our research is not sold or made available to any other firm. We believe these processes create recommendations completely objective and independent.
- We regularly publish research reports on recommended investment products, thereby enabling each client to remain completely informed and to document their fiduciary decisions.
- We are committed to full transparency and disclosure. At all levels, our business practices help Graystone Consulting abide by our professional values and commitment to objective and independent advice.

**4. Please describe your policies and procedures that ensure that all disclosures required to fulfill fiduciary obligations are provided to advisory clients.**

The firm has a policy in place to notify clients of any updates to our Form ADV Part II annually. These updates are communicated in writing through mail or by email if this form of communication has been requested by the client.

**5. Please describe your policies and procedures to prevent/disclose conflicts of interest with respect to the use of brokerage commissions, gifts, gratuities, entertainment, contributions, donations and other emoluments provided to clients or received from investment managers.**

As detailed in our Code of Ethics our firm has very strict guidelines related to the acceptance of cash or gifts from individuals or entities with which we conduct business. We also are committed to delivering pure, objective investment advice customized to our client's unique financial goals. Objective analysis of investment managers has been the core of our firm's evaluation process for more than three decades. Investment managers and other investment products that Graystone Consulting recommends to clients must pass an objective due diligence review by our Global Investment Manager Analysis (GIMA) team or the Graystone Consulting Chief Investment Officer before they may be recommended to our clients.

The GIMA is comprised of one of the most robust teams of manager research analysts in the financial services industry. To maintain our independence and objectivity and to remain conflict free, we adhere to the following guidelines:

- We do not recommend investment managers or proprietary products affiliated with our parent company or affiliates to our clients.
- We do not charge investment managers a fee for our evaluation services or to be included in our database or on any of our platforms.
- We do not permit investment managers to compensate our analysts in any way.
- Investment manager due diligence is generated solely for the use of our clients and to support our advisory programs; it is never sold or released to outside organizations.
- In addition, we do not charge brokerage commissions for advisory clients. Trades executed through our firm's trading desk are done at no commission.

While it is inevitable conflicts may exist within a firm of our size and breadth, we have policies and procedures in place to protect against the eventuality such conflicts will impact the independence of our research function. We fully disclose all material conflicts of interest on Form ADV.

**6. Please describe any affiliations or business relationships with other pension consultants, consulting firms, investment management investigation companies or class action law firms.**

Graystone Consulting and Morgan Stanley do not have affiliations or business relationships with other pension consultants, consulting firms, investment management investigation companies, or class action law firms.



## F. Provide complete responses to the attached DOL/SEC Pension Consultant Questionnaire.

Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided your clients with all the disclosures required under those laws (including Part II of Form ADV)?

Graystone Consulting is a business unit of Morgan Stanley. Morgan Stanley Smith Barney LLC (MSSB) is a registered investment advisor with the Securities and Exchange Commission (SEC) per the Investment Advisers Act of 1940 (SEC file number: 801-70103).

Graystone Consulting gives prospective clients the disclosures needed under the Investment Advisers Act of 1940. This includes a copy of the relevant Form ADV Program Brochure prior to, or at the time of, your account opening. We regularly update our Form ADV and related Brochures and Schedules. You can find Part I of Morgan Stanley's Form ADV on the SEC's website at: <http://www.adviserinfo.sec.gov>.

1. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan for consideration? If so, describe those relationships.

Graystone Consulting does not recommend affiliated managers to our clients in our advisory programs\*.

Graystone Consulting will only recommend to clients, investment managers that were evaluated by our Global Investment Manager Analysis team, whether the investment managers have a business relationship with our parent organizations, or their affiliates.

In evaluating these money managers, MS and Graystone are committed to objectivity and have a number of procedures in place to address potential conflicts of interest that could exist in recommending money managers:

**Analysis Not for Sale.** Analysis evaluating an investment manager is prepared solely for clients of Morgan Stanley Smith Barney, and its investment programs. This analysis is never sold to outside organizations such as investment managers.

**No Compensation for Inclusion in Analysis Database, Evaluation or Recommendations.** Our firm does not receive compensation from money managers in exchange for including them in its analysis database, for evaluating them, or for recommending them to plans or other clients of Graystone Consulting.

**Analysts Not Compensated in Measures Related to Investment Managers.** Analyst compensation is not directly linked to asset gathering, securities trading, and investment banking revenues or any measure of business condition related to investment managers. Analysts are compensated by means of salary and incentive compensation, which is subjectively determined based on each analyst's performance and contributions. The value of total incentive compensation is a function of the overall operating health of Morgan Stanley as a whole.

**Institutional Consultants Not Compensated for Manager Recommendations.**

Graystone Consultants are not compensated based on their recommendation of any specific money manager.

*\*Government entity clients custodied at MSSB utilize one of two proprietary money market funds as the account cash sweep feature; all fees collected by MSSB are rebated to the client.*



**2. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**

In connection with investments in the Graystone Consulting advisory program, Graystone and the Graystone Tampa service team, do not receive any payment or revenue from an investment manager or other third party.

In connection with investments in the Graystone Consulting advisory program, we do not receive any compensation from any investment managers or third parties for participation on our platform, nor do we accept any “soft dollar” or “directed brokerage arrangements.” Investment consulting is Graystone’s only line of business and accounts for 100% of our revenues.

Regardless of the role in which we are engaged, Graystone places paramount importance on the delivery of objective investment advice to our clients.

**3. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?**

Yes. Graystone’s policies are designed to avoid conflicts of interest. We do not foresee any other potential conflicts of interest that might arise if our firm and team are selected. If the appearance of, or potential for a conflict is unavoidable, we will clearly disclose the details to you. Please see our firm’s Code of Conduct and Business Conduct policy at:

[https://www.morganstanley.com/content/dam/msdotcom/en/about-us-governance/pdf/MS\\_Code\\_of\\_Ethics\\_and\\_Business\\_Conduct\\_2025.pdf](https://www.morganstanley.com/content/dam/msdotcom/en/about-us-governance/pdf/MS_Code_of_Ethics_and_Business_Conduct_2025.pdf)

**4. If you allow plans to pay your consulting fees using the plan’s brokerage commissions, do you monitor the amount of commission paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not overpay its consulting fees?**

Graystone will not accept payment of hard dollar or asset based institutional plan client fees through “soft dollar” or “directed brokerage arrangements”. Depending on the circumstances and the services offered, institutional plan clients can either pay an asset-based or flat dollar fee with no commission offsets.

**5. If you allow plans to pay your consulting fees using the plan’s brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?**

Graystone Consulting does not allow payment of consulting fees using brokerage commissions.

**6. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?**

Graystone is a business of Morgan Stanley Smith Barney LLC (Morgan Stanley). Morgan Stanley is a registered broker-dealer. Managers can trade for client accounts through affiliated broker-dealers but are not required to do so. To address the inherent conflict of interest in this model, client accounts are traded on an agency basis, and we do not charge commissions on those trades: we enable our clients’ managers to trade through a dedicated Morgan

Stanley equity desk on a zero-cents-per-share, best execution basis. We do not accept payment of client fees through "soft dollar" or directed brokerage arrangements.

**7. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment advisor to the plan while providing the consulting services we are seeking?**

Yes, Graystone Consulting will acknowledge contractually that it is an ERISA fiduciary under Section 3(21)(a)(ii) of the code with respect to the advice it provides to the City of Delray Beach General Employees' Retirement System.

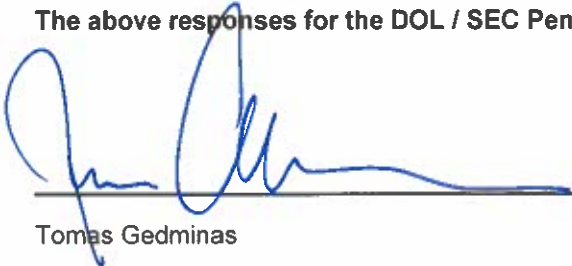
**8. Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?**

Yes, Graystone Consulting will acknowledge contractually it is a fiduciary with respect to the advice it provides to the City of Delray Beach General Employees' Retirement System.

**9. What percentage of your plan clients utilize money managers, investment funds, brokerage services or other providers from whom you receive fees?**

While all our clients are different and may utilize many services that Morgan Stanley provides, Graystone only recommends third party managers. Graystone does not engage in brokerage business and our fees are received from our clients only.

**The above responses for the DOL / SEC Pension Consultant Questionnaire are true and correct.**



Tomas Gedminas

Senior Vice President

Senior Risk Officer - Tampa Bay Market

## GENERAL QUESTIONS

### A. What unique features of your plan services do you feel add the most value over time?

Graystone Tampa has been working with governmental pension plans in Florida since 1985. Scott Owens and TJ Loew are both Chartered Financial Analysts and will serve as primary consultants to the Board of Trustees. They will be supported by the other 17 Graystone Tampa team professionals and our firm's tremendous resources. Graystone will use the disciplined process outlined below to provide investment consulting services to the City of Delray Beach General Employees' Retirement System.

#### ORGANIZATIONAL ASSESSMENT

- Plan history
- Investment objectives
- Asset / liability structure
- Liquidity requirements
- Plan surpluses / reserves
- Time horizon and risk tolerance
- Employee demographics

**Comprehensive analysis informs decisions**

#### INVESTMENT POLICY STATEMENT

- Duties and responsibilities
- Asset liability analysis
- Criteria to select asset classes, styles
- Appropriate risk/return benchmarks
- Procedures
- Process to upgrade / replace funds

**Policy statement tailored to your criteria**

#### ASSET ALLOCATION STUDY

- Utilize resources of the firm for insights
- Capital Markets informs decisions
- Models based on historic data and projected trends
- Policy adherence evaluation
- Portfolio construction recommendations

**Customized allocation**

#### ONGOING REVIEW

- Present your plan's investment results at committee board meetings
- Regularly review plan policy statements and investment selections
- Provide ongoing capital markets intelligence to boards
- Ongoing educational events designed to meet your needs

**Continuous tracking to help ensure that plan goals and objectives are met**

#### REPORTING & COMMUNICATION

- Performance measurement and risk analysis
- Customized reporting where needed
- Educational presentations to Board on topics of interest
- Sophisticated asset allocation studies & portfolio analytics

**Customized reports, extensive services tracking**

#### INVESTMENT MANAGER EVALUATION

- Open architecture manager searches
- ~70 dedicated professionals
- Assessments are available to advisory clients
- Work closely with your investment committee on manager recommendations
- Fee analysis and negotiation

**Objective and thorough analysis**

Being a business of Morgan Stanley, allows us to leverage the experience and research provided by our Global Investment Manager Analysis (GIMA) team and Global Investment Committee (GIC) in providing education regarding investment management, the capital markets, and the economy. The GIMA team is made up of ~ 65 dedicated research analysts who conduct due diligence on investment management firms. The GIC is a group of seasoned investment professionals who continually monitor developing economic and market conditions, review tactical outlooks, and produce a suite of strategy, research analysis, commentary, portfolio positioning suggestions, and other reports and broadcasts. The intellectual capital available for our clients is unmatched and allows clients to make well informed and educated investment decisions. A sample research report published by the Global Investment Committee is provided in Exhibit 3.

We believe the experience of our team in the Florida government retirement plan market and the tremendous capital markets and manager due diligence resources are critical in adding value to assist the City of Delray Beach General Employees' Retirement System in meeting their investment objectives.

## B. Provide the scope of services and responsibilities in your consulting services.

Graystone serves a fiduciary to governmental retirement plan clients. In this capacity we assist the trustees with the following consulting services:

- Investment Policy Statement development and ongoing review & updates.
- Asset allocation advice (asset allocation studies using forward looking return & risk assumptions, strategic & tactical guidance).
- Manager search and ongoing quantitative & qualitative due diligence.
- Performance evaluation reports (relative & risk-adjusted comparisons to appropriate benchmarks).
- Client meetings and education.

## C. List any additional services offered to the Plan under the proposed fee schedule.

The investment consulting services discussed in the answer to question “B” above cover the services requested in your RFP. Due to Morgan Stanley’s size and scope, we may be able to negotiate better pricing terms with investment managers than our competitors when conducting a manager search for the Plan. Additional services discussed below are available at no additional cost.

### Governmental Fund Experience

Graystone has worked with governmental pension fund clients for over 30 years and understands their specific needs. We view our role as a part of your overall servicing team along with your legal counsel, actuary, accountant, auditor, and administrator. We strive to coordinate with these providers in matters relating to the plan. For example, in recent years public pension funds in Florida have been subject to expanded financial reporting requirements (i.e. GASB 67/68/72 disclosures) and compliance with the scrutinized companies prohibition (Iran & Sudan) in the Protecting Florida’s Investments Act (PFIA) and the requirement that only “pecuniary factors” be considered when making investment decisions on behalf of the Plan. We are able to assist our clients’ service professionals with compiling and preparing information pertaining to GASB reporting requirements. We also monitor our clients’ investment managers for compliance with PFIA.

### Trustee Education

We view our role as an educator. In our opinion, an educated Trustee is critical to the best operation of the fund. As a result, we create and deliver tailored presentations on a multitude of investment topics dictated by our client’s needs. We are equipped to construct customized educational projects on any topic the Trustees desire. We do not charge extra for these services and incorporate them into our normally scheduled meetings. In addition, we have the ability to draw upon professionals within our firm, as well as managers and industry experts as additional resources. Examples of some of our educational programs are:

- Active versus Passive Investing
- Fiduciary Training
- Best Practices – Developing Investment Policy Statements
- Asset Allocation Studies
- Alternative Investment Education and Implementation
- Updates on Legislation Affecting Retirement Plans

#### D. What is your privacy policy with regard to sharing client or account information with a third party?

Morgan Stanley has strict policies regarding the confidentiality of client data. Other than as required by law, we would only share client or account information with a third party if we obtain signed, written authorization from the client.

Please see the link to the firm's privacy policy and notice below for additional information on how the firm protects your privacy:

<https://www.morganstanley.com/disclaimers/us-privacy-policy-and-notice/>

#### E. Detail your firm's policies, procedures, data encryption, and technical measures to prevent unauthorized access or alteration, fraud, theft, misuse, or physical damage to hardware, software, communications networks, and data.

Please refer to the attached Cybersecurity Letter in Exhibit 4.

#### F. Describe your company's system back-up, security and disaster recovery procedures. Are files archived and stored at an off-site location? If so, what is the location? Have procedures been tested? When did you last perform a full-scale disaster recovery test?

Please see the attached BCM Client Document in Exhibit 5.

In Morgan Stanley's primary locations, critical data is synchronously replicated in a mirrored data center configuration and, therefore, not subject to loss of data due to infrastructure problems. The primary Data Centers are located in Somerset, NJ and Piscataway, NJ & Ashburn, Virginia.

Additionally, the Firm performs system and data backups on a regular basis. The firm has procedures for handling backups, which are maintained securely onsite and offsite.

Backup frequency follows an established schedule. Backup infrastructure is monitored with reporting systems used to track backup failures on a daily basis. Tape hardware and media is stored in a temperature-controlled environment, with access restricted to authorized personnel.

The backup schedule is based on the data type: Server/SAN – Weekly Full and Daily Incremental; Exchange – Daily Full except Saturday; NAS – Weekly Full only; DB Dumps – File level full backups; Mainframe (excluding DB) – daily or weekly full pack backup.

Disaster Recovery capability is tested at a frequency in line with asset criticality (e.g. Tier-1 are tested annually) to confirm that technology assets will operate as intended during a business continuity event requiring failover to an alternate location.

#### G. Describe any other quality control systems in place at your firm.

The Firm's systems must be designed, built, and configured so that data is validated for completeness, accuracy, and timeliness during data processing.

Morgan Stanley has various quality control systems in place across its various business units. These quality control systems may be in reference to proper execution of client trades, settlement of trades in client accounts, compliance oversight to ensure adherence to securities laws and regulations, supervision of manager and capital markets

analysis conducted by our firm's research teams, and ongoing servicing of client relationships. Our response to this question will focus on quality control systems we have in place in servicing our client relationships.

Graystone Consulting Tampa ("proposed consulting team") is committed to providing high quality customer service to our clients. We utilize a team approach in providing services to our clients. While all 19 members of the proposed consulting team play a role in fulfilling the different servicing requirements of this engagement, certain members will have primary responsibilities to the Delray Beach General Employees' relationship. Institutional Consulting Director Scott Owens and Institutional Consultant T.J. Loew would serve as primary and secondary consultants, respectively, responsible for attending meetings with the Board and presenting performance results and providing recommendations. Scott's senior partners, David Wheeler and Adam Palmer, would serve as additional consultants to the plan as needed. The team's analysts and registered client service/operations associates will assist the consultants with analytical and administrative support in servicing the relationship.

To maintain high quality service, two consultants will generally attend quarterly meetings so that multiple professionals are familiar with the relationship. Detailed notes are taken at the meeting and entered in our contact management system to ensure action items are completed in a timely manner. These notes are accessible by all team members, so they are familiar with the relationship in the event a Board or staff member calls with a question or a status update for a pending action item. There are two to three analysts involved in the preparation of quarterly performance reports and other analytical reports. We believe multiple professionals involved in this process allows for greater continuity in the event one of the analysts is unable to complete a report for a meeting due to illness, vacation, or another meeting.

The Graystone Tampa service team believes timely response to clients' questions is of paramount importance. Whenever you call our main office number (813-227-2061), you will reach one of the 19 consulting team professionals. One of the team members answering the call is able to handle the request or inquiry directly or will re-direct you to the most appropriate individual to answer the question or handle the request. If a call is directed to another member of the team, our quality standard is to return the call within 24 hours. Each of the consultants and senior analysts of the team have mobile access to firm emails and can respond to client requests or forward to another team member in the office to respond in the event they are out of the office. While the quality standard for responding to email requests is within 24 hours, we always strive to respond as promptly as possible.

## INVESTMENT QUESTIONS

A. Identify research that you purchase or generate internally when recommending investment managers to the Board. What criteria does your firm use to narrow the selection of prospective managers?

Graystone Consulting leverages the experience of the Morgan Stanley Global Investment Manager Analysis (GIMA) team. This robust team of over 65 analysts conducts qualitative and quantitative due diligence on over 4,800 traditional investment products and over 300 unique alternative investment strategies. The GIMA team has developed a rigorous, in-depth quantitative and qualitative process for evaluating investment managers. Through this process, our consultants and clients have access to a wealth of detailed information about the investment products available through our programs. Our analysts examine a range of issues they believe are indicative of potential investment manager quality – such as investment philosophy, buy and sell disciplines, research capabilities, business operations and the qualifications of key personnel.

To ensure consistency and comparability, we seek to apply a uniform, proprietary analysis framework to the investment products we evaluate, which include separate accounts, mutual funds, exchange traded funds and alternative investments. Given some of the unique challenges associated with alternatives, such as the lack of operational and investment transparency in some cases, we will conduct additional analysis to gain a greater level of confidence.

Candidates for manager due diligence may be identified from our manager database, proposed by one of our analysts or members of our professional investment staff or recommended by one of our institutional consultants or sourced by our institutional clients. Once identified, candidates are subjected to a rigorous evaluation process which includes:

**Preliminary Review.** An analyst conducts a preliminary background review to ascertain whether a manager appears to meet GIMA's standards. Factors examined include the size and longevity of the firm, any outstanding legal or regulatory issues and the qualifications of its key staff. A performance analysis is also conducted.

**Detailed Investigation.** If the manager passes GIMA's initial screen and the analyst intends to place the manager or strategy under ongoing due diligence coverage, he or she conducts a comprehensive study of the firm and the specific strategies under consideration. This covers the firm's investment process, business operations and research capabilities, the accuracy of its reported performance numbers and the incentives used to attract and retain qualified staff.

**Comprehensive Reporting.** The analyst prepares detailed reports for the manager or portfolio strategies proposed for coverage. Each report is scored on a range of evaluation criteria.

**Ongoing Coverage.** Managers and strategies are reviewed periodically. After each review, the analyst either reaffirms its original findings or recommends a different score. Analysts have the ability to raise or lower a rating, or may recommend clients terminate their relationship with a manager entirely.

**Committee Approval.** The analyst's findings are reviewed either by: 1) members of the GIMA Committee or 2) by the Chief Investment Officer for Graystone Consulting.

GIMA developed a proprietary algorithm employing more than 80 quantitative and qualitative factors we believe influence manager quality to help select investment products that we consider appropriate for our clients. Using this algorithm is a first step to filter the universe of thousands of potential candidates. Many of our competitors focus on developing quantitative screens, but we believe evaluating a blend of both qualitative and quantitative factors assists us in making sound decisions about the potential future success of a manager. The GIMA team also developed a



patented proprietary Adverse Active Alpha<sup>SM</sup> manager ranking tool to help identify active managers with strong stock picking skills and the ability to outperform indexes and peers across cycles. This tool points towards managers whose investment processes incorporate factors linked with a greater likelihood of relative outperformance. The GIMA team has also developed two other proprietary ranking methods for evaluating the quality of active managers. The Value Score considers active investment strategies' value proposition relative to their costs. The Risk Score evaluates active managers' effectiveness in managing risk in absolute and relative terms.

All managers of which our GIMA team provides ongoing due diligence have a comprehensive review conducted a minimum of once per year through conference calls, written communications, and onsite visits. The managers that warrant our highest degree of due diligence are reviewed quarterly.

Our frequent contact with the investment managers we evaluate assists us in identifying any qualitative problems that may arise. For example, if a key member of the investment team leaves, we want to know this quickly since this departure could impact future performance of the strategy. If there is a large amount of net outflows, this could cause concern regarding the future viability of the management firm. If a change in the investment process occurs, it is important for us to know and analyze how this change may affect the way the portfolio may perform in the future. The managers under ongoing coverage by our GIMA team are contractually bound to provide immediate updates to the team on significant developments within their organizations. Consequences for failure to notify, or for providing false or misleading statements, can include removal from our manager database.

Although historical performance of a manager's strategy does not guarantee the manager will perform in the same way over time, it does provide us with valuable insight into what can be expected during different market environments. We evaluate managers based on their ability to provide excess, risk-adjusted performance over an appropriate comparison benchmark over time. We believe the historical performance of a manager needs to be evaluated over different periods of time in order to determine where they added value during different part of the market cycle. We compare the manager's annualized (Quarter, 1, 3, 5, 7, and 10 year) performance to the benchmark. Next, we conduct rolling periods analysis (3 or 5 year roll) to measure the consistency of the manager's out or underperformance relative to their benchmark. Then, we focus on return & risk metrics for different periods (i.e. 3, 5, & 10 years) compared to the comparison benchmark. This metrics evaluated include: Alpha, Beta, Standard Deviation, Up/Down Capture, and Sharpe Ratio. We measure the R-Squared to help determine whether the benchmark used for comparison is appropriate based on the historical returns of the manager.

To appropriately judge investment performance, we should understand how much risk was taken to generate those returns. In other words, we should not simply look at returns from an absolute basis, but from a relative basis, after adjusting for the risk taken. Although investing in risky assets increases the chance of loss, investors are compensated with higher potential returns for taking on additional levels of risk. Risk analysis helps an investor to identify the source of portfolio risk and recognize opportunities to adjust a portfolio's asset allocation and/or investments. By selecting securities with more favorable risk/return profiles, the investor can maximize the potential risk-adjusted returns of the portfolio.

## **B. Identify the respective universe used to monitor and evaluate the investment managers.**

Graystone Consulting maintains an extensive investment manager database. Our firm purchases the investment manager data from Informa Investment Solutions, Inc. Investment Solutions Plan Sponsor Network database. We also maintain an in-house due diligence database on approximately 4,800 managers and funds. The database includes not only historical investment performance results, but also information on each manager's investment style, minimum account size, assets under management, number of accounts managed, founding date, personnel, contact

information, ownership structure and denotes whether the product is accepting new accounts. The database also includes a narrative on the firm level, the product level, as well as a composite description. **Managers do not pay for inclusion in our database.** In addition, we do not sell any proprietary due diligence research prepared on any manager included in our database. This information is for the exclusive of our clients.

### C. Describe other due diligence that your firm uses to evaluate current or potential investment managers.

The rigorous due diligence process employed by our GIMA team is used to review any manager being recommended to our clients. The proposed consulting team also uses the follow third-party analytics applications in reviewing current or potential managers:

**Zephyr Associates, Inc:** Zephyr, an industry leader in analytical software and a division of Informa Investment Solutions, was originally founded by a world-class team of software engineers who created an entirely new program—one of the most sophisticated and functional style analysis and performance analysis software available. Graystone Consulting uses Zephyr to receive the most thorough and complete style analysis possible in their manager evaluations.

**Morningstar®:** Morningstar maintains data on mutual fund managers and funds allowing users to sort through manager or fund databases utilizing commonly requested criteria. Morningstar offers a powerful search, allowing us to screen on hundreds of data points and providing well-defined results. These screens allow Graystone Consulting to save search results as a Watch List, in case we would like to track the performance of these investment vehicles before making a decision. Morningstar will also “score” investment vehicles, providing a benchmark for our own analysis that ranks managers and funds that pass our test based on criteria important to us.

**Informa Investment Solutions, Inc:** Informa Investment Solutions, Inc. was founded in 1976 to provide objective performance measurement services to the institutional investment community. Since its founding, Informa Investment Solutions, Inc. has developed its position as an international provider of specialist information and services for the academic, professional and business communities. Graystone Consulting links to Informa Investment Solutions, Inc. databases to address the qualitative and quantitative factors needed for an extended level of analysis. Morgan Stanley’s Global Investment Manager Analysis (GIMA) team utilizes a database—updated by Informa—to track investment analytics for more than 8,800 investment products across more than 80 asset classes and investment styles. The firm also utilizes the PSN database and analytic tools for capital markets research.

**Aladdin (Portfolio Risk Platform):** Graystone Consulting leverages a portfolio risk monitoring tool (Aladdin) to comprehensively monitor risk at the manager/account and overall portfolio level. The holdings-based analysis performed by this tool can help us and our clients understand sensitivity to specific risk factors, sources of active risk, and each risk factors contribution to total risk. The tool also allows us to stress test how the portfolio may have reacted during historical and factor shock scenarios. The historical scenarios enable us to evaluate what might happen if past severe market events were to occur on today’s portfolio.

### D. Describe the criteria and process that your firm uses to recommend replacement of an investment manager.

Investment managers analyzed by the Global Investment Manager Analysis team may be placed on a Watch List and downgraded when certain events occur. There are many potential reasons for terminating a manager. We may remove investment firms from our programs if they stray from their original mandate, or if they have significant

changes to their management or operations. This is true regardless of their asset levels. The termination or downgrade of a manager shall always be made in the best interests of the clients of Graystone Consulting. The basis for terminating a manager include but is not limited to:

- Announcement of departure of key investment or business professionals. Concern may not be limited only to the most senior professionals.
- Discovery of a material change in investment or decision-making process that may be detrimental to adding value, may result in style reclassification or otherwise may not be in the best interests of clients.
- Evidence of activity seemingly in violation of the manager's investment process or otherwise a concern to implementation of process.
- Occurrence of unusually high dispersion of investment performance among accounts with similar investment objectives. Please note that high dispersion is often a symptom of a problem relating to the firm's investment or decision-making process.
- Underperformance in excess of what would be expected based on their investment style and process versus the appropriate benchmark.
- Significant loss of assets at the investment management firm which can impact the ability to fund resources.

Selecting an investment manager is a serious responsibility and advising clients on this decision is one of the most important services our firm provides. If it is determined that a manager should be replaced, a search will be conducted and provided to the committee to consider an appropriate replacement.

Though possible, the mere announcements of a change in ownership will not likely result in the issuance of a Watch. The negative effects of such change, if any, are not usually immediately evident, but may surface later as a problem consistent with the examples noted above.

The typical duration of a Watch status will vary from situation to situation but will generally be somewhere between two weeks and three months. The duration of a Watch, however, is not a function of the passage of a set amount of time, but rather the time necessary to complete an evaluation of the issues that led to the Watch in the first place.

When it becomes necessary to replace an investment manager in your portfolio, we will advise you as to which replacement manager would be suitable to your needs and investment policy criteria. We will conduct a detailed investment analysis and search to identify such replacement fund options. The funds that we can recommend to you will be those that are approved thorough GIMA due diligence and screening process.

#### **E. Is your firm GIPS compliant? If so, please provide report. If not, please explain why not.**

The GIPs standards primarily focus on manager composites and do not pertain to client reporting. Graystone Consulting is not GIPS compliant, but we strive to adhere to these standards in terms of calculation methodologies where possible. Our strict policies for our own client performance reporting represent a cross-section of several compliance and regulatory organizations, including the Investments & Wealth Institute. In developing its performance reporting standards, the Investments & Wealth Institute incorporated aspects of the CFA Institute's GIPS standards. We regularly review the CFA Institute's GIPS newsletter to stay informed of changes to the GIPS standards.

All investment managers that we employ in client programs are GIPS compliant and meet the industry standard for reporting performance.

## F. Provide comments on existing Investment Policy Statement. What changes do you recommend to managers and/or asset allocations?

We have conducted a preliminary review of your Investment Policy Statement and are providing the following observations.

- Page 2 – Investment Objectives
  - Define the “long-term” (i.e. full market cycle).
  - Regarding “the Manager’s greatest concern should be long-term appreciation of the assets and consistency (i.e. standard deviation) of total portfolio returns”, include “risk-adjusted returns net of fees & transaction cost over a full market cycle” in parentheses.
- Page 2 – Performance Measurement
  - Consider removing language allowing soft dollar transactions.
- Page 3 – Authorized Investments, Equities
  - Consider revising language in last paragraph pertaining to Up Capture and Down Capture returns by managers.
- Page 4 – Authorized Investments, Equities
  - In second paragraph, define “consistently”. Is it to outperform the median of the peer universe over a full market cycle, rolling 3 or 5 year periods, or trailing 3 or 5 year period?
- Page 4 – Authorized Investments, Fixed Income
  - Consider revising language in last paragraph pertaining to Up Capture and Down Capture returns by managers.
- Page 5 – Alternative Investments
  - We would look to revise this section to provide greater detail.
- Page 6 – Portfolio Composition
  - The references to “Manager” should be changed to “Investment Consultant”. “The Target Asset Mix Table” shown if the asset allocation for the overall Plan which is comprised of several different managers managing according to their specific investment style. Each Manager is not managing their strategy to the asset allocation ranges and targets on this page. It is the Investment Consultant’s responsibility to monitor the asset allocation of the entire portfolio of managers to ensure for compliance with these stated asset allocation parameters.
  - Consider revising language in last paragraph pertaining to Up Capture and Down Capture returns by managers.
- Page 7 – Expected Annual Rate of Return
  - The total expected return stated io greater than 8% annually is 19% higher than the assumed actuarial return of 6.75%. Possibly define how much more risk the Board is willing to tolerate in meeting the 8% return.

- Page 10 – Numbers 5a and 7

- Define over what time period the Manager is expected to perform in the top 50% of the style universe.

Regarding potential changes we may recommend to managers and/or asset allocations, please refer to questions “G” and “H” below.

#### G. What changes would you make to the portfolio? Does this differ from a “clean slate?”

Graystone would recommend some adjustments to allocations and possibly managers/funds (active & passive) for the Board to consider but would not recommend starting with a “clean slate” approach. Below are some preliminary thoughts on the portfolio.

- We agree with use of a combination of active managers and passive funds within the equity allocation, particularly in the large cap growth space.
- We still believe there is opportunity for generating Alpha in large cap value and would discuss with the Board the possibility of maintaining a fully active manager position in that style.
- We would suggest reviewing all active mutual fund investments to determine whether there is a separate account vehicle available with comparable performance at a lower cost.
- The portfolio includes several fixed income managers and funds. We would discuss with the Board the possibility of reducing the number of managers/funds to potentially reduce costs without sacrificing return.
- The portfolio currently holds two private credit funds. We would provide education to the Board on other alternative investment fund options to consider that may add value to the portfolio over time.

Graystone seeks to establish a highly collaborative relationship with the trustees where various options regarding asset allocation and manager selection are discussed with the primary goal of improving the Fund.

#### H. Comment on current asset allocation and discuss other approaches you might suggest to improve returns and/or processes.

We have provided a sample asset allocation study in Exhibit 2 which compares your actual December 31, 2024 and March 31, 2025 allocations to an optional allocation mix. The December 31, 2024 allocation consisted of 66.1% in domestic equities, 4.6% in developed international equities, 4.6% in emerging markets equities, 16.8% in US fixed income, 6.9% in alternatives/multi-asset, and <1% in cash & equivalents. This allocation resulted in an expected annualized return of 7.8% using the strategic 7-year assumptions and 8.3% using the secular 20-year assumptions.

The March 31, 2025 allocation consisted of 60.1% in domestic equities, 5% in developed international equities, 4.8% in emerging markets equities, 17.4% in US fixed income, 7.3% in alternatives/multi-asset, and 5.4% in cash & equivalents. This allocation resulted in the expected annualized return decreasing to 7.6% using the strategic 7-year assumptions and 8.0% using the secular 20-year assumptions. The risk of this allocation decreased from the prior period allocation and the Sharpe Ratio (risk-adjusted ratio) improved.

In the optional allocation mix, we reduced domestic equities to 55% and equally weighted value vs. growth where applicable. Developed international equities remained at 5% and we slightly increased emerging markets equities to 5%. We increased US fixed income to 20%, removed the allocation to global multi-asset, and added additional

alternative asset classes (real assets, private real estate, and private equity). This allocation resulted in the expected annualized return of 7.8% using the strategic 7-year assumptions and 8.2% using the secular 20-year assumptions. The 7.8% strategic expected return was higher than the March 31, 2025 return and equal to the December 31, 2024 return. The 8.2% secular expected return was higher than the March 31, 2025 return and lower than the December 31, 2024 return. The risk of this allocation was higher than the March 31, 2025 level and lower than the December 31, 2024 level and the Sharpe Ratio of the optional allocation was equal to or higher than the other allocations analyzed.

We look forward to conducting a more comprehensive asset allocation study if hired which examines additional optional allocation mixes to assist the Board in selecting the most appropriate approach for meeting the objectives of the portfolio.

### **I. Discuss your firm's approach to determining asset allocation. Show your investment philosophy and views to support your recommendations.**

- To assist the Board in determining an asset allocation policy appropriate for meeting the Plan's objectives (i.e. assumed actuarial return) within a certain risk tolerance, we:
- Review the Investment Policy Statement (IPS) with the Board, determine an active risk "target", and determine which asset classes are eligible or desired for possible inclusion.
- Generate an asset allocation study using forward-looking return and risk assumptions constructed by the Morgan Stanley Global Investment Committee.
- The return and risk assumptions used provide expectations on return and risk over 7 year (strategic) and 20+ year (secular) periods.
- The study analyzes the return and risk of the current target asset allocation compared to various optional mixes to determine the allocation best suited for meeting the return objective while maintaining the risk levels desired by the Board.
- Exhibits can be included in the study which measure the probability of each allocation meeting the objective(s) over various time periods.
- Discuss the asset allocation study with the Board and collaborate to achieve a consensus as to the appropriate target allocation.
- Update the IPS to include the approved asset allocation.
- Continually review asset allocation (with a formal review conducted annually) to cover potential changes in investments, return expectations, risk tolerance and funding changes.

As discussed in section "C" of this response, our investment philosophy has three tenets that guide our investment process:

**Market inefficiencies present opportunities.** We strive to identify and capture market mispricing through our proprietary qualitative and quantitative analysis capabilities. We deploy active management through a multi-asset-class, globally diverse approach that features tactical asset allocation tilts, best-in-class manager selection paired with an active/passive overlay and thoughtful portfolio construction.

**Risk management is integral to delivering returns.** We have made quantitative and qualitative analysis the pillars of our risk-managed portfolio construction process. We consider market opportunities the context of each client's risk tolerance.

**Client customization is essential.** We recognize that each client's unique circumstances and objectives require tailor-made solutions. We strive to deliver a boutique client experience coupled with the resources of a global leader.

## J. How will you work with the Board to determine asset allocation?

The asset allocation strategy is the most important investment management decision the Board and Graystone can make together. Careful consideration is given to the combination of asset classes the Board uses to achieve their objectives. Graystone will work with the Board to determine an asset allocation suitable for meeting the City of Delray Beach General Employees' Retirement System objectives. The process we use to develop client portfolio allocations combines the science of optimization and statistical models with the art of capital market experience and the judgment of seasoned investment professionals. The scientific inputs leverage internally-developed portfolio analysis and simulation tools that provide extensive performance analysis of a portfolio and, using Monte Carlo simulation techniques, calculates statistical estimates for the future projected growth of a portfolio. It can provide comprehensive reports that include final portfolio value distributions, shortfall risk, risk/return characteristics, asset allocation breakdowns, historic stress tests, portfolio optimization and simulation.

The process begins with mean-variance optimization of a set of capital market assumptions to define the "efficient frontier" of mixes of broad asset classes. The "efficient frontier" refers to a statistical and visual representation of the various blends of these asset classes that provide the highest overall expected return for each given level of expected risk and the estimated correlations between the various asset classes.

The optimization process uses a proprietary set of Strategic (7-year) and Secular (20-year) forward-looking capital market assumptions, which includes the expected return, risk, and correlations of each asset class. These assumptions are constructed by the Morgan Stanley Global Investment Committee

Graystone uses an internally built Morgan Stanley application that allows users to run asset allocation studies. Here, Graystone can input a plan's current asset allocation and run an analysis to understand how the plan is expected to perform over the coming 7-year strategic period, 20-year+ secular period, and any period in between. If the current asset allocation is not expected to deliver the desired return, or perhaps takes on too much risk, Graystone can utilize this tool to analyze different asset allocations in an attempt to achieve a portfolio that delivers a more desired risk and return outcome.

Institutional clients tend to be concerned with the investment decisions (i.e. asset allocation) and structural considerations (i.e. asset location) in addition to behavioral decisions (the sizing/timing of cash flows). Our proprietary asset allocation tool was created to provide analytics behind the recommendations of our consultants customized to each institution's unique need. The studies reveal the most effective asset allocation the Board can choose within its statutory and designated constraints. The studies indicate which combination of asset classes and their respective weights in the portfolio will provide the highest probability of achieving the target rate of return within the acceptable risk tolerance. We conduct the studies by first using traditional asset classes (stocks, bonds and cash), then incorporate alternative asset classes.



## K. When do your clients tend to “outperform?” “Underperform?”

Our goal with our clients is for them to outperform their investment objectives which includes comparison to an appropriate benchmark on a risk-adjusted basis over time. Graystone's clients each have specific investment objectives and appetite for risk. The ability of our clients' portfolios to generate higher net-of-fees returns than the comparison benchmark is dependent on various factors including the risk tolerance of the client and the percentage of the portfolio in active versus passive investments. For example, clients that focus more on risk management would generally be expected to generate returns less than the benchmark during strong momentum driven markets. Conversely, these clients would be expected to generate higher relative returns during down market periods or periods when higher quality investments are rewarded. Clients that are not as focused on controlling risk would generally expect higher relative returns in strong up markets and increased losses during down market periods. In addition, the percentage of a client's portfolio devoted to passive investments would also impact the ability to generate returns above the benchmark.

## L. Three examples of decisions that worked for your public pension clients? Three examples of decisions that did not work for your other public pension clients? Why did they work or not work, respectively?

Graystone has worked in the Florida public pension plan market since 1985. Over this nearly 40-year period, we have consistently made recommendations we believed to be in the best interest of our clients. Many have worked out well while others may not have performed as we would have expected. These include allocation decisions and manager selections. Below are a few examples:

### **Decisions That Worked**

Allocations of Portion of Fixed Income to Core Private Real Estate: With interest rates near historical lows, we began recommending core private real estate as an alternative investment to our clients in 2011. Allocations to core private real estate were taken primarily from clients' fixed income allocations. While the volatility within core private real estate is higher than traditional fixed income, it is not as susceptible to market value decline in the event of a rise in interest rates and can enhance the income of the portfolio. Despite the asset declines in private real estate over the past couple of years, the asset class has significantly outperformed the fixed income index (Bloomberg Aggregate) over the time periods our clients have had exposure.

Allocations of Portion of Equities and Fixed Income to Listed Infrastructure: In early 2020, we recommended listed infrastructure as a liquid alternative investment for some of our clients in an effort to reduce their traditional equity and fixed income allocations. This allocation benefitted nicely during steep market declines within equities and fixed income during fiscal year 2021-2022, declining much less than those asset classes that had double-digit declines.

Overweight to Value over Growth in 2021 & 2022: After several years of significant outperformance of growth-oriented companies over value-oriented companies, Graystone Tampa began shifting towards an overweight to value in 2021. This shift benefitted our clients' greatly during calendar-year 2022 when the Russell 1000 Value index was down -7.5% compared to the Russell 1000 Growth being down over -29%. Mid and Small cap value-oriented companies had similar outperformance over growth during 2022.

Allocation to Shorter-Duration Fixed Income Over Past 10+ Years: With interest rates at historical lows for many years prior to rate increases by the Federal Reserve that began in March 2022, Graystone Tampa has maintained shorter duration in clients' fixed income portfolios. This positioning has led to higher returns in our clients' short to intermediate duration portfolios over the past 10 years relative to what they would have achieved with a longer

duration portfolio. This outperformance is more significant during the past couple of years as interest rates as risen rapidly.

### **Decisions That Did Not Work**

Continued Overweight to Value over Growth in 2023: After the outperformance of value over growth in 2022, the view of Graystone and many industry analysts was that outperformance of value over growth would continue in 2023 based on valuations and other economic factors. However, the enthusiasm about Artificial Intelligence (AI) led to tremendous outperformance in growth. This outperformance was led by the "Magnificent Seven" stocks.

Increased Allocations to Lower Volatility Large Cap Growth Manager in 2023: Investment managers focused on investing in value-oriented companies and more conservative growth-oriented companies achieved strong relative outperformance in 2022 and the consensus of our team and many industry analysts was that value and conservative growth would continue to do well relative to traditional and aggressive large cap growth. As discussed above, the enthusiasm about AI caused the opposite to occur. In the second half of 2022, we recommended shifting a portion of some client's large cap growth allocations from more aggressive managers to a more conservative manager. This manager provided a 30% return during 2023 and positive Alpha; however, their return was 12% lower than the Russell 1000 Growth index.

Allocation to Master Limited Partnerships in 2017: This is an example of a recommendation that did not work for a couple of years, but turnaround performed well. In 2017, our Global Investment Committee was recommending diversifying a portion of client assets to Master Limited Partnerships. Graystone Tampa recommended ~5% allocation to this asset class to some clients. Due to a variety of factors, MLPs posted losses in 2017, 2018, and 2020 at which time some of our clients pressed to exit the position at significantly depressed valuations. The asset class turned around in 2021 and have posted strong positive returns since.

### **M. How are decisions made for the client?**

Graystone's collaborative consulting service model creates a true partnership with our clients and delivers the full resources of our team and our firm. Key distinguishing characteristics with our client relationships include:

#### **True Partnership and Collaboration**

The hallmark of Graystone's client service philosophy is our commitment to building client programs from the ground up and carefully tuning them to your specific goals and objectives. We have established a deeply resourced team of investment professionals with extensive institutional backgrounds who are dedicated to meeting the needs of our clients and serving as an extension of their staff. Our top priority is to understand and respond to your specific needs in a collaborative, professional and educational way—one that places you, our client, at the center of the relationship.

The diversity of our team's background and experience allows us to incorporate sophisticated Institutional thinking and industry best practices.

Our investment process is focused on designing and implementing holistic investment strategies that are unique and tailored to each individual client. This "solutions-based" service model enables us to assist our clients in meeting their specific investment objectives in a manner that best serves the institution. We strive to provide a proactive and

responsive service model, which equates to keeping in front of potential challenges and providing capacity that enables us to respond to client requests within a time frame and with quality that exceeds our clients' expectations.

### **Greater Efficiency and Cost Savings**

Our consulting solution will allow your organization to continue to streamline daily administration with a bundled solution—and we will do so while also increasing the level of customization and efficiency while reducing costs. We seek out high conviction, professional managers and leverage Morgan Stanley's size and reputation to drive down investment manager costs and pass those savings to clients whenever possible.

### **Independent, Objective and Focused Advice**

Our team's approach is structured to provide unbiased, objective advice and guidance. Our goal is to provide the Board with the best of both worlds: a highly engaged boutique consulting client experience, backed by the deep resources and scale of a global financial services provider. We will leverage Morgan Stanley's thought leadership in the capital markets and draw upon our deep understanding and experience within the government retirement plan arena.

### **N. What is your view on tactical asset allocation? Do you implement this for a client, and if so, how?**

Regarding tactical allocations, numerous studies suggest that it is nearly impossible to time the market successfully as compared to staying fully invested over the same period. This is a philosophy to which we subscribe. With respect to tactical portfolio tilts, we believe these decisions allow portfolios to capitalize on shifts in the fundamentals between asset class relationships. When present, we will actively adjust the portfolio.

Tactical tilts are not the same as market timing – they are fundamentally driven, valuation-based decisions. Most portfolio moves are typically short-to-intermediate-term in length and may include tilts among asset classes, or inclusion of new unique assets or niche strategies. Opportunities are created by market dislocations and inefficiencies, or perceived risks in valuation-stretched conditions.

**There are three primary layers that represent tactical investment decisions that we order by relative frequency:**

**Manager decisions:** A core part of the portfolio includes managers that can allocate across asset classes and seek tactical opportunities within their mandate. These decisions, which can include not only *what* to own but *whether* to invest, are tactical and designed to take advantage of opportunities and/or mitigate market risk.

**Portfolio tilts:** We will over or underweight strategies based on our outlook.

**Opportunistic decisions:** Markets occasionally move to extremes and present compelling opportunities. In some cases these opportunistic decisions are risk-related and involve taking risk off the table after exceedingly good market performance. On other occasions, such as post credit-crisis, the markets offer compelling buys at a time when many others are forced to sell

The philosophy behind our tactical weightings is based on a view that market exuberance, paranoia, and all temporary structural valuation-based market inefficiencies ultimately regress to the norm.

Over time these incremental moves can add significant portfolio-level benefits. Indeed, we have measured the effects of our tactical weighting decisions and we estimate that at least half the outperformance achieved by our clients in the prior decade was a result of the tactical weightings. Any tactical shift is done within the parameters of the asset allocation range stated in the Investment Policy Statement.

## **O. Discuss your views on passive investing. What is your typical allocation to passive investments?**

Graystone Consulting has extensive experience utilizing passive and active investment strategies. Graystone considers active and passive management to be only two of many strategies designed to help achieve investment objectives. We believe that the data to prove or disprove the value of active management tends to be time-period specific; as a result, it can neither be proven nor disproven. Underlying reasons for this include the highly cyclical nature of the market's behavior and the wide range in quality among investment management firms and products.

As part of our investment philosophy, we believe that blending active and passive investments can potentially help improve investment results, manage costs, and cultivate the management of active risk. Consequently, we may use passive strategies within certain asset classes to complement an active manager that takes a higher amount of active risk in its pursuit of alpha. Depending on the client's needs, passive strategies may also be used when appropriate to help manage costs in a portfolio.

Passive index funds are generally recommended for more efficient asset classes having lower probability of value-added returns relative to the benchmark. Active managers are typically recommended for asset classes (i.e. small cap & international equities and alternatives) that have a better opportunity to generate alpha. We are unbiased as to our clients' allocation to passive investments within their portfolio and believe the passive allocation is dependent upon a variety of factors including each client's objectives and risk tolerance. We have clients that are 100% invested in passive, some that are 100% invested with active managers, and some that have a combination of active and passive investments. We will work with the Board to determine the most appropriate approach.

## **P. Please provide your short, intermediate and long-term capital market expectations and views on the following:**

The Morgan Stanley Global Investment Committee (GIC) constructs strategic 7-year (intermediate) and secular 20-year (long-term) capital market expectations on a wide range of asset classes. The process used in determining these assumptions involves marking every asset class to current market conditions while weighing valuations against historical frameworks. They seek to incorporate structural policy changes, such as those from the Federal Reserve and the federal government and those related to global trade and geopolitics. Graystone leverages the analysis of the GIC in advising our clients regarding their asset allocation.

### **1. US equities**

Morgan Stanley's current annualized expected return for US equities is 6.5% for the strategic 7-year period and 8.5% for the secular 20-year period. This is an increase from the prior year return assumption of 5.1% for the strategic 7-year period and 8.4% for the 20-year period. Our shorter-term view of US equities is that despite the rebound in stocks from April's bear market shock from tariffs, uncertainty remains elevated as equity investors appear highly complacent. An economic soft landing is still the base case as long as the labor market holds. The S&P 500 Index appears poised to grind out a 5%–10% gain this year, with interest rates (debt/deficits) the biggest constraint.

## **2. Non-US equities**

Morgan Stanley's current annualized expected return for non-US equities is nearly identical over the strategic 7-year and secular 20-year periods (7.3% and 7.4%, respectively). The 7-year assumption increased from prior year return assumption of 6.6% and the 20-year assumption increased from the prior year assumption of 7.3%. Our shorter-term view is that recent outperformance has been catalyzed as responses to the "America First" agenda have driven fiscal stimulus and concerns about tariffs have been cooling rest-of-world inflation. This is creating opportunities for the rest of the world to simultaneously enjoy monetary, fiscal and currency-related stimulus.

## **3. Fixed Income**

Morgan Stanley's current annualized expected return for US fixed income is 4.8% for the strategic 7-year period and 3.8% for the secular 20-year period. This is a slight decrease from the prior year return assumption of 5% for the strategic 7-year period and a slight increase from the prior year assumption of 3.7% for the 20-year period. Our shorter-term view is that corporate cash flows remain resilient, especially as odds of a soft landing continue to solidify. Interest rate spreads have partially adjusted to these realities, and default risk remains modest. While interest rates have backed up to reflect "higher-for-longer" expectations, there is good value and "coupon" in the belly of the curve. With geopolitical uncertainty high and equity valuations broadly rich, we like coupons of bonds with index-matching and shorter durations.

## **4. Real Estate**

Morgan Stanley's current annualized expected return for real estate (REITs) is 5.7% for the strategic 7-year period and 6% for the secular 20-year period. This is a slight decrease from the prior year return assumption of 5.5% for the strategic 7-year period, with the 20-year period return assumption remaining unchanged. Shorter-term we expect higher stock-bond correlations, which places a premium on the diversification benefits of investing in real assets. Nevertheless, with real interest rates positive and services inflation remaining quite sticky, we would need to be selective in adding to this asset class broadly. We are focused on interesting opportunities aimed at solving the residential housing shortage.

## **5. Hedge Funds**

Morgan Stanley's current annualized expected return for equity hedge assets is 6.6% for the strategic 7-year period and 6% for the secular 20-year period. This is a decrease from the prior year return assumption of 6.7% for the strategic 7-year period and a slight increase from the prior year assumption of 5.9% for the 20-year period. Shorter-term we recently increased the recommended allocation to equity hedged positions noting the pickup in idiosyncratic risk, falling borrowing costs and rising volatility. The current environment appears constructive for hedge fund managers, who are frequently good stock pickers and can use leverage and risk management to potentially amplify returns. We prefer very active and fundamental strategies, especially high quality, low beta, low volatility and absolute return hedge fund

## 6. Other alternative investments

Morgan Stanley is concerned about the increasing correlation between equities and fixed income in building a properly diversified portfolio. Non-correlated assets such as hedge funds, managed futures, market neutral strategies, real assets, private equity, and private credit should strongly be considered when building a portfolio that can provide proper diversification.

### Q. What are your views on “alternative” investments? What is your typical weighting in such alts? What weighting would you recommend to this Retirement System?

Alternative investments may provide diversification benefits, low correlation of returns and some downside portfolio protection. Investors can often benefit by combining a variety of alternative investment strategies using forward-looking qualitative views and quantitative tools. We have an intense focus on risk/reward to generate investment returns. Our philosophy in using alternatives revolves around managing risk, and then maximizing returns within that risk framework. Our first consideration in portfolio construction is the client’s risk tolerance. Factors such as volatility, draw-downs and inter-manager correlations are crucial. Once we address these items, we can employ a bottom-up approach in manager selection to maximize the portfolio’s returns.

Graystone adheres to the Prudent Investor Rule in concert with the overall objectives and constraints of the portfolio. Consequently, potential investments such as alternatives are not considered in isolation. Extensive research and analysis is performed to understand the impact a potential investment has on the risk and return of the portfolio. If, after all considerations are made, it is determined adding a specific asset to the portfolio is expected to have a positive impact on the portfolio net of fees and transaction costs, a recommendation would be made to the board to include the asset.

Prior to recommending alternative investment strategies to a client, we provide comprehensive education on alternative asset class investments. An asset allocation study is also provided to show the potential impact on the expected return and risk of the client’s portfolio if an allocation to alternatives is approved. Alternative asset class investments that may be recommended may be in the form of a mutual fund vehicle with daily liquidity or a limited partnership vehicle. Alternative investment strategies provided through vehicles other than mutual funds may subject to higher investment minimums, accredited investor or qualified purchaser requirements, illiquidity (i.e. long-term lockups), and potentially higher fees.

The alternative investments weighting for Graystone Tampa’s clients generally ranges from 10 - 25%. A major consideration when determining an alternatives allocation is how much of the portfolio will be invested in vehicles having limited liquidity. For an open plan where contributions exceed the amounts needed for plan expenses and participant distributions, the alternatives allocation may potentially be closer to 20-25% with a higher amount being allocated to more illiquid investments. For closed plans which are paying out more than what is being contributed monthly, a lower percentage in illiquid may be appropriate to protect in the event of a severe market decline.

## R. How will asset transitions occur?

Based on the insights we derived from our detailed review of the materials provided in the City of Delray Beach General Employees' Retirement System RFP, Graystone proposes the following implementation plan. This plan is designed to enable a smooth transition to our Firm, ensuring maximum utilization of our investment consulting services. Below is a sample timeline to transition to our firm's services.

### **1 to 3 Weeks After Selection**

- Work to finalize the investment consulting agreement between our firm and the Retirement System.

### **Within 30-60 Days of Selection**

- Request historical performance data from prior consultant and incorporate and reconcile in our performance system.
- Discuss with the Board any recommended changes to the Investment Policy Statement (IPS) and asset allocation policy.
- Finalize the IPS and asset allocation policy and execute the IPS.
- Conduct additional manager/fund searches (if appropriate) and work with the Committee to finalize the manager/fund lineup to be implemented.
- Assist the Board in coordinating the onboarding of newly selected managers with the custodian.

### **Within 60-90 Days of Selection**

- Present quarterly performance report to the Board and discuss any additional customizations to the report desired by the Board.

## S. Salem Trust/Argent Institutional currently has custody of the assets. What is your experience working with this custodian? Can you work with this provider? Would you propose working with other custodian?

Graystone is not partial to any custodian and works with a variety of other firms that service the Florida public pension plan market. We share several mutual clients with Salem Trust/Argent and have worked with this custodian for over 30 years. If desired, we can assist the Board with reviewing other custodians with the goal of determining the best provider at the most competitive cost.

## T. Fees – Are they negotiable?

We believe our proposed fee is competitive but are willing discuss further to earn your business.



## U. Asset allocation/ALM studies – What software do you use?

### Asset Allocation Studies

Graystone uses an internally-built application that allows users to run asset allocation studies. The application includes the forward-looking capital markets assumptions developed by the Morgan Stanley Global Investment Committee. Graystone can input a plan's current asset allocation and run an analysis to understand how the plan is expected to perform over the coming 7 year strategic period, 20 year secular period, and any period in between. If the current asset allocation is not expected to deliver the desired return, or perhaps takes on too much risk, Graystone utilizes this tool to analyze different asset allocations in an attempt to achieve a portfolio that delivers a more desired risk and return outcome.

### Asset/Liability Modeling (ALM)

It is our understanding that the Plan's actuary recently prepared a ALM analysis. Graystone has the capability of providing ALM analysis utilizing the Moody's analytics Pfaroe tool. Some of the features of Pfaroe ALM tool include:

Incorporates liability cash flows of the Fund to determine the required return target using both deterministic and stochastic projections which integrate Morgan Stanley capital market assumptions to analyze appropriate asset allocations.

Uses flat discount rate and market-based bond curves to discount liabilities and determine the funded status of the Fund under different assumptions.

Analyzes the funded status and asset/liability risk of the Fund using market-based bond curves to allow for further understanding of the return premium the assets must earn over the bond curve and the increased asset/liability risk that must be accepted if the flat discount rate used by the Plan implies a large premium above a market-based yield curve.

Graystone welcomes the opportunity to further discuss with the trustees how this ALM application may potentially add value to the portfolio in the future.

## MISCELLANEOUS

A. Please state whether you are willing to acknowledge that you are a fiduciary of the Retirement System as defined in Section 112.656, Florida Statutes and the Employee Retirement Income Security Act of 1974 ("ERISA").

Yes

B. Please state whether you agree that the agreement shall be construed under the laws of the state of Florida and federal law where applicable.

Graystone Consulting agrees the agreement shall be construed under the laws of the state of Florida and federal laws where applicable.

C. Please state whether you agree to venue for any judicial proceeding to be in the county in which the Board sits (i.e. Palm Beach County).

Yes. However, Graystone will require both parties to agree to waiver of jury trial.

D. Please submit form ADV Part II including schedule F, a copy of Florida registration as an investment adviser pursuant to Section 517.12, Florida Statutes, and if you are an out-of-state business entity, a copy of an authorization to do business in Florida pursuant to Section 605.0902 or 607.1503, Florida Statutes.

Copies of these items are provided in Exhibits 6 and 7.

E. In conformance with Florida Statutes, please confirm that your firm qualifies as "independent" by, at a minimum: a) Providing his or her services on a flat-fee basis; b) your firm is not associated in any manner with the money managers for the Retirement System; c) makes calculations according to the American Banking Institute method of calculating time-weighted rates of return. All calculations must be made net of fees; and d) Has 3 or more years of experience working in the public sector.

In conformance with Florida statute Section 175.071, Graystone Consulting, a business of Morgan Stanley qualifies as an "independent" investment consultant based on the following:

- Graystone provides services on flat-fee (hard dollar) and asset-based fee structures. Any additional services pursuant to Section 175.071 are included in the hard dollar fee quote provided in this RFP response.
- Graystone is not associated in any manner with the money managers for the pension fund and will not recommend investment managers or funds affiliated with our firm in the future.
- Graystone provides performance calculations in accordance with industry accepted standards for calculating time-weighted rates of return. Performance data is provided net of manager fees. If requested, we can include gross of fees as well.
- The Graystone Consulting Tampa team has been working with clients in the Florida public sector since 1985.

F. Include an affirmative statement that both the firm and the individual submitting this proposal will abide by and uphold 112 Florida Statutes and the Florida Administrative Code as they pertain to Performance Evaluators and the investment management of this fund.

Graystone Consulting and the Graystone Tampa team agree to abide and uphold 112 Florida Statutes and the Florida Administrative Code as they pertain to Performance Evaluators and the investment management of this fund.

G. Please provide a copy of your standard agreement. Are terms negotiable?

Our submission is contingent on our right to negotiate the terms of a mutually acceptable agreement that aligns with the services we provide and our policies and procedures. A copy of our standard agreement is provided in Exhibit 8.

## FEES

Please state all of your fees/compensation whether direct or indirect. Are your fees negotiable?

Graystone Consulting is proposing to provide the requested services to the City of Delray Beach General Employees' Retirement System an annual hard dollar fee of \$60,000. This fee assumes Graystone is also retained by the City's Police Officers' and Firefighters' plans at an annual fee of \$60,000 each.

If Graystone is ultimately only contracted by the General Employees' Retirement System, the proposed annual hard dollar fee would be \$75,000.

There are no additional conversion fees, travel & other expenses, and fees for additional services. This fee does not include the fees paid to your custodian and investment managers.

***Graystone does not accept soft-dollars; therefore, no portion of our consulting fee is offset by commissions or other fee credits.***

While we believe our proposed fee is competitive, we are willing to discuss further to earn your business.

## Disclosures

### Important Disclosures

**The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits.**

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When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), Morgan Stanley is a "fiduciary" as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Internal Revenue Code of 1986 (the "Code"), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", Morgan Stanley will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding Morgan Stanley's role with respect to a Retirement Account, please visit [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account.

### Risk Considerations

For wealth management research definitions please visit the following:

[https://www.morganstanleyclientserv.com/mspublic/msoc/htmlfiles/researchdisclosures/ShowResearch.html?F=/researchdisclosures/mssb\\_mssbresearch\\_disclosures.html&B=false](https://www.morganstanleyclientserv.com/mspublic/msoc/htmlfiles/researchdisclosures/ShowResearch.html?F=/researchdisclosures/mssb_mssbresearch_disclosures.html&B=false)

### Executive Summary for Hypothetical Performance

#### IMPORTANT INFORMATION ON HYPOTHETICAL PERFORMANCE

##### Summary—Please Read

This material contains hypothetical performance illustrations that are intended for investors who have the expertise and resources to understand the risks and limitations of these types of presentations.

Hypothetical performance represents returns that were not actually achieved by any portfolio of the investment adviser. They may include:

- Performance derived from model portfolios, which are typically constructed using individual securities (stocks and bonds), ETFs, mutual funds or other investment products, and can be developed with the benefit of hindsight and without actual money at risk
- Performance that is back-tested by the application of a strategy to data from prior time periods when the strategy was not actually used during those time periods—back-testing attempts to demonstrate how an investment strategy might have performed if it had been implemented historically
- Targeted or projected performance returns of a portfolio that is based on assumptions about investment returns and market behavior
- Performance during certain simulated market scenarios that measure the potential impact of discrete market events on a portfolio using a multifactor statistical risk model
- Performance during certain simulated historical scenarios that measure the profit and loss impact of instantaneous market movements between two specified dates based on risk factors in a portfolio

Hypothetical performance illustrations:

- May include investment products that you currently may not own, or may not own in the same quantities
- May appear similar to your current portfolio—but you would not necessarily have obtained the same results even if you had held the same products in the same allocation for the same time periods
- Are not designed to maximize performance returns or other rewards

- Do not reflect the personal performance experience of your actual securities or account(s)

Hypothetical performance results have inherent limitations, including the following:

- There can be large differences between hypothetical and actual results
- These illustrations do not account for certain risk factors, including the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses
- The hypothetical results do not represent actual results and are generally designed with the benefit of hindsight
- There are other factors that cannot be accounted for in these illustrations, which could potentially impact actual performance, such as market movements in general, the implementation of certain strategies, etc.
- The hypothetical performance illustrations that follow are intended for your exclusive use and are not for further distribution. The sole purpose of this material is to inform. It is not intended to be an offer or solicitation to purchase or sell any security, other investment or service.
- Please see important disclosure information at the end of this material for an explanation of assumptions, limitations and methodologies. **If you have any questions about any of the illustrations, information or disclosures in this document, please contact your Morgan Stanley team.**

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What are the limitations of Hypothetical Projections? **IMPORTANT:** The projections or other information provided in this [presentation/analysis] regarding the likelihood of various investment outcomes (including any assumed rates of return and income) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. This [presentation/analysis] does not purport to recommend or implement a specific investment strategy or securities transaction. Morgan Stanley cannot give any assurances that any estimates, assumptions or other aspects of the [presentation/analyses] will prove correct. No tool has the ability to accurately predict the future, eliminate risk or guarantee investment results. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions used for this [analysis], your actual results will vary (perhaps significantly) from those presented herein.

Hypothetical investment results have inherent limitations:

- There are frequently large differences between hypothetical and actual results.
- Hypothetical results do not represent actual results and are generally designed with the benefit of hindsight.
- They cannot account for all factors associated with risk, including the impact of financial risk in actual trading or the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses.
- There are numerous other factors related to the markets in general or to the implementation of any specific strategy that cannot be fully accounted for in the preparation of hypothetical risk results and all of which can adversely affect actual performance.

The risk of a specific investment may be more or less than the risk results generated in this [presentation/analysis] and results may vary with each use and over time. They are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those shown. The information is as of the date of this [presentation/analysis] or as otherwise noted. Morgan Stanley expressly disclaims any obligation or undertaking to update or revise any statement or other information contained herein to reflect any change in past results, future expectations or circumstances upon which that statement or other information is based. These [presentation/analyses] speak only as of the date of this [presentation/assessment].

Rates of return will vary over time, particularly for long term investments. Hypothetical results are for illustrative purposes only and are not intended to represent future performance of any particular investment. Your actual results may differ. The principal value and investment return of an investment will fluctuate with changes in market conditions and may be worth more or less than original cost. Taxes may be due upon withdrawal. We make no representation or warranty as to the reasonableness of the assumptions made. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projections will decrease. The hypothetical projections shown may under or over compensate for the impact of actual market conditions and other factors, such as expenses. There are numerous other factors related to the markets in general or to the implementation of any specific trading strategy that cannot be fully accounted for in the preparation of hypothetical projections and all of which can adversely affect actual trading results. For example, the risk of loss in value of a specific security, such as a stock or bond, is not the same as, and does not match, the risk of loss in a broad-market index. As such, these projections may not be a meaningful tool in determining how a strategy will actually perform. Similarly, trading certain types of securities, such as international and emerging market, high yield and derivatives may have unique trading risks. As a result, the historical returns of an index will not be the same as a historical return of a specific security, including one that is contained in the index. This lack of "volatility correlation" will likely continue to apply in future returns of a specific security relative to an index. Before making any investment, you should carefully consider the risks associated with the investment and make a determination based upon your own particular circumstances that the investment is consistent with your investment objectives and risk tolerance.

All projected [income/performance] is hypothetical, does not reflect actual investment results, and is not a guarantee of future results. The projected [income/performance] is referenced for illustrative purposes only. Morgan Stanley does not represent or guarantee that the projected [income/performance] referenced will or can be attained. The actual [income/performance] may be lower or higher than the projections based upon a variety of factors and assumptions. Information about payment rates are obtained from third party sources which Morgan Stanley believes to be reliable, but not guaranteed.

The projected [income/performance] referenced may include [income/performance] from Morgan Stanley & Co. LLC and External Accounts, where data is available. Such information was obtained from third party sources which Morgan Stanley believes to be reliable. However, we make no representation or guarantee that the information is accurate or complete. You should not rely upon this information to make any investment decision. Please refer to the

official account statements and performance reports you received from your custodian and/or financial institution for information about projected [income/performance] in your External Accounts. The projected [income/performance] referenced does not include [income/performance] from assets in Manually Added External Accounts. Projected [income/performance] is calculated only for securities where data is available.

**Important:** This report is exclusively for institutional Morgan Stanley clients and accredited investors. Morgan Stanley's policy on concentration limits with respect to positions and asset classes apply to both Liquid and Private Investments. The projections or other information generated by the Private Investment Model regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results generated by a Monte Carlo analysis will vary with each use and over time because each portfolio simulation is randomly generated. Any samples included in this analysis are not recommendations to pursue any private equity or asset allocation strategy. They are shown for illustration purposes only. Since the future cannot be forecast, actual results will vary from the information shown for the future, including estimates and assumptions. The results may vary with each use and over time. It is possible that these variations may be material. The degree of uncertainty normally increases with the length of the future period covered. As a result, Morgan Stanley cannot give any assurances that any estimates, assumptions or other aspects of the following analyses will prove correct. They are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those shown.

**Range of Allocation to Private Investments (Monte Carlo Simulation):** Monte Carlo simulation is an analytical technique which uses several iterations of hypothetical events. Statistics on the distribution of results can help infer which simulated variables are more likely. When simulating hypothetical asset class performance, we utilize Morgan Stanley's expected returns, standard deviations and correlations for each asset class. Small changes in these assumptions may have a sizable impact on the results. As such, the analysis is provided only for general guidance about asset allocation. There can be no assurances that the Monte Carlo-simulated results will be achieved or sustained. Your actual results will surely vary. For example, our simulations do not account for fees or transaction costs, which may be charged when you invest in an actual portfolio of securities. However, the goal of the Monte Carlo analysis is not 100% accurate forecasting, but rather to allow investors to make better, more informed decisions. Private equity interests may be highly illiquid, involve a high degree of risk and be subject to transfer restrictions.

#### **Asset Class and Security Type Risks:**

The investment management services of Morgan Stanley Smith Barney LLC and investment vehicles managed by Morgan Stanley Smith Barney LLC or its affiliates are not guaranteed and could result in the loss of value to your account. You should note that investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment. The indices selected by Morgan Stanley to measure performance are representative of broad asset classes. Morgan Stanley retains the right to change representative indices at any time.

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

Investing in foreign markets entails greater risks than those normally associated with domestic markets, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets and frontier markets, since these countries may have relatively unstable governments and less established markets and economies. Investing in currency involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations.

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

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.



Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies. Technology stocks may be especially volatile. Risks applicable to companies in the energy and natural resources sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Health care sector stocks are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

The returns on a portfolio consisting primarily of environmental, social, and governance-aware investments (ESG) may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identified and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein.

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

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

The risks of investing in **Real Estate Investment Trusts (REITs)** are similar to those associated with direct investments in real estate: lack of liquidity, limited diversification, and sensitivity to economic factors such as interest rate changes and market recessions.

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

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

**Commodities** markets may fluctuate widely based on a variety of factors including, but not limited to, changes in supply and demand relationships; governmental programs and policies; national and international political and economic events, war and terrorist events; changes in interest and exchange rates; trading activities in commodities and related contracts; pestilence, technological change and weather; and the price volatility of a commodity.

**Real Assets** may include precious metals, commodities, oil and gas interests and timber interests. The prices of real assets tend to fluctuate widely and in an unpredictable manner. Real assets may be affected by several factors, including global supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, investment and trading activities of hedge funds and commodity funds, and global or regional political, economic or financial events and situations.

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

**Alternative strategy mutual funds** may employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Non-traditional investment options and strategies are often employed by a fund's portfolio manager to further a fund's investment objective and to help offset market risks. However, these features may be complex, making it more difficult to understand the fund's essential characteristics and risks, and how it will perform in different market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage." The fund's prospectus will contain information and descriptions of any non-traditional and complex strategies utilized by the fund.

**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.

The current yield of **preferred securities** is calculated by multiplying the coupon by par value divided by the market price. The majority of \$25 and \$1000 par preferred securities are “callable” meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. The initial rate on a floating rate or index-linked preferred security may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating/linked index. However, there can be no assurance that these increases will occur.

**Convertible securities** are convertible to equity at the option of the holder. The market value of the securities, and the underlying common stock into which they are convertible, will fluctuate. In particular, securities whose value depends on the performance of an underlying security entail potentially higher volatility and risk of loss compared to traditional bond investments. You should be aware that the market value of convertible bonds may not correspond volatility and risk of loss compared to traditional bond directly to increases or decreases in the underlying stock.

Many **floating rate securities** specify rate minimums (floors) and maximums (caps). Floaters are not protected against interest rate risk. In a declining interest rate environment, floaters will not appreciate as much as fixed-rate bonds. A decline in the applicable benchmark rate will result in a lower interest payment, negatively affecting the regular income stream from the floater.

**Closed-end funds**, unlike open-end funds, are not continuously offered. There is a onetime public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value (NAV) is total assets less total liabilities divided by the number of shares outstanding. At the time of sale, your shares may have a market price that is above or below NAV. There is no assurance that the fund will achieve its investment objective. The fund is subject to investment risks, including possible loss of principal invested.

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

**An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.**

**All mutual funds/exchange traded funds are sold by prospectus, which contains more complete information about the fund. Please contact Financial Advisor for copies. Please read the prospectus and consider the fund's objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund.**

Non 1940 Investment Company Act registered funds not currently held by recipient must be preceded or accompanied by the prospectus.

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The program account will be charged an asset-based wrap fee every quarter (“the Fee”). In general, the Fee covers investment advisory services, the execution of transactions through Morgan Stanley Smith Barney LLC or its affiliates, custody of the client's assets with Morgan Stanley Smith Barney LLC and its affiliates, and reporting. In addition to the Fee, you will pay the fees and expenses of any funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. You understand that these fees and expenses are an additional cost to you and will not be included in the Fee amount in your account statements. Please see the applicable program disclosure document for more information including a description of the fee schedule.

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**Adverse Active Alpha (AAA) is a patented screening and scoring process designed to help identify strong stock picking equity managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. In addition, highly ranked managers can have differing risk profiles that might not be suitable for all investors. Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence processes are equally important factors for investors when considering managers for use through an investment advisory program. Factors including but not limited to, manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking.**

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

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

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

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**2016 to 2024 Barron’s Top 100 Institutional Consulting Teams** (formerly referred to as Barron’s Top 50 Institutional Consulting Teams, Barron’s Top 50 Institutional Consultants, Barron’s Top 30 Institutional Consultants))

Source: Barron’s.com (April 2015 to April 2024). Barron’s Top 100 Institutional Consulting Teams ranking awarded in 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024. Each ranking was determined based on an evaluation process conducted by Barron’s which concluded in December of the previous year the award was issued having commenced in December of the year before that.

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## **Exhibit 1**

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### **Sample Quarterly Performance Report**



# SAMPLE

## Quarterly Performance Report

As of December 31, 2021

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## IMPORTANT INFORMATION ON HYPOTHETICAL PERFORMANCE

### Summary—Please Read

This material contains hypothetical performance illustrations that are intended for investors who have the expertise and resources to understand the risks and limitations of these types of presentations.

Hypothetical performance represents returns that were not actually achieved by any portfolio of the investment adviser. They may include:

- Performance derived from model portfolios, which are typically constructed using individual securities (stocks and bonds), ETFs, mutual funds or other investment products, and can be developed with the benefit of hindsight and without actual money at risk
- Performance that is back-tested by the application of a strategy to data from prior time periods when the strategy was not actually used during those time periods—back-testing attempts to demonstrate how an investment strategy might have performed if it had been implemented historically
- Targeted or projected performance returns of a portfolio that is based on assumptions about investment returns and market behavior
- Performance during certain simulated market scenarios that measure the potential impact of discrete market events on a portfolio using a multifactor statistical risk model
- Performance during certain simulated historical scenarios that measure the profit and loss impact of instantaneous market movements between two specified dates based on risk factors in a portfolio

Hypothetical performance illustrations:

- May include investment products that you currently may not own, or may not own in the same quantities
- May appear similar to your current portfolio—but you would not necessarily have obtained the same results even if you had held the same products in the same allocation for the same time periods
- Are not designed to maximize performance returns or other rewards
- Do not reflect the personal performance experience of your actual securities or account(s)

Hypothetical performance results have inherent limitations, including the following:

- There can be large differences between hypothetical and actual results
- These illustrations do not account for certain risk factors, including the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses
- The hypothetical results do not represent actual results and are generally designed with the benefit of hindsight
- There are other factors that cannot be accounted for in these illustrations, which could potentially impact actual performance, such as market movements in general, the implementation of certain strategies, etc.

The hypothetical performance illustrations that follow are intended for your exclusive use and are not for further distribution. The sole purpose of this material is to inform. It is not intended to be an offer or solicitation to purchase or sell any security, other investment or service.

Please see important disclosure information at the end of this material for an explanation of assumptions, limitations and methodologies. **If you have any questions about any of the illustrations, information or disclosures in this document, please contact your Morgan Stanley team.**

# Capital Markets Overview: 4Q 2021

## Introduction

Quarterly Update as of December 31, 2021; Equity Forecasts as of November 18, 2021; GDP Forecasts as of December 8, 2021

- The S&P 500 continued higher in 4Q21, reporting the seventh consecutive quarter of positive returns. The index gained 11.03% in 4Q21, following the third quarter, which recorded gains of 0.6%. US equities outperformed both international developed and emerging market equities in 4Q21. Mike Wilson and Morgan Stanley & Co. U.S. Equity Strategy team's S&P 500 price target is 4,400.
- The S&P 500 sectors finished the fourth quarter showing mixed results with Real Estate, Technology, and Materials outperforming and returning 17.5%, 16.7%, and 15.2%, compared to 3Q21 with returns of 0.9%, 1.3%, and -3.5%, respectively. Laggards included Comms, Financials, and Energy coming in at 0.0%, 4.6%, 8.0%, respectively. Other major US indices were up for the quarter: The Dow Jones Industrial Average gained 7.87% and the NASDAQ Composite gained 8.3%.
- The MSCI EAFE Index (a benchmark for international developed markets) gained 2.7% while the MSCI Emerging Markets Index fell 1.2% for 4Q21. US equities outperformed International developed and emerging market equities in 4Q.
- The US aggregate bond market ended flat this quarter. The Bloomberg US Aggregate Bond Index, a general measure of the bond market, returned 0.1% in 4Q21.
- Morgan Stanley & Co. economists expect US GDP will be 5.3% in 1Q21 and predict a slight decline in GDP growth for the year.
- Commodities inched higher in the third quarter; the Bloomberg Commodity Index fell 1.57%, following a quarter where it rose 6.6%.

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

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# Capital Markets Overview: 4Q 2021

## The US Economy

Quarterly Update as of December 31, 2021; MS & Co. GDP and Inflation Forecasts as of December 8, 2021

Real Gross Domestic Product increased at an annual rate of 2.3% in the third quarter in comparison to 6.7% in 2Q2021. The deceleration in real GDP in the third quarter was led by a slowdown in consumer spending. A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. With receding COVID-19 headwinds, accommodative financial conditions, and an unemployment rate at nearly one-third of the pandemic peak, support for strong consumption and investment strengthened in 4Q. MS & Co. forecasts 1Q22 real GDP to come in at 4.9% globally, and 5.3% in the US.

The seasonally adjusted unemployment rate for November 2021 was 4.2%, steadily decreasing each month after peaking in April 2020 at 14.7%. In November, total nonfarm payrolls were +210K. Improvement in the labor markets reflect the continued resumption in economic activity and broad reopening of the economy. The number of long-term unemployed (those jobless for 27 weeks or more), at 2.2 million, changed little in November but is still 1.1 million higher than in February 2020.

According to the most recent data from the Federal Reserve Bank of St. Louis from 3Q21, corporate profits increased 3.3% quarter over quarter and rose 18.2% year over year.

The Bureau of Labor Statistics has reported a +0.8% MoM price increase in November (after rising 0.9% in October), and a 6.8% increase over the last 12 months. Morgan Stanley & Co. economists forecast a 5.1% inflation rate for 4Q21.

The Census Bureau reported that the number of new private-sector housing starts in November 2021 was at a seasonally adjusted annual rate of 1,712,000—up 3.6% from October 2021, and 0.9% above the seasonally adjusted annual rate at this time last year.

The Census Bureau also reported that seasonally adjusted retail and food services sales grew 0.3% from the previous month but increased 18.2% above November 2020. Consumer confidence gained in December, with the Conference Board Consumer Confidence Index reading 115.8, up from 111.9 in December. The US National Economy Expectations Diffusion Index declined from 45.0 in November to 36.0 in December (down from 39.5 in January 2021).

The Institute for Supply Management's (ISM) Purchasing Managers Index (PMI), a manufacturing sector index, registered 59.9% for August, up 0.4% from July 2021. Overall, this figure indicates expansion in the overall economy after a major contraction in April 2020, which had been the lowest since 2008. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that economic activity is expanding, and a PMI below 50 indicates that activity is contracting.

The ISM's Non-Manufacturing Index (NMI), which represents growth in the services sector, was 61.1% in November, up 0.3% from October 2021.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Federal Reserve Bank of St. Louis, Morgan Stanley Wealth Management GIC. Data is lagged one month.

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# Capital Markets Overview: 4Q 2021

## US Equity Markets

As of 4Q 2021

The Dow Jones Industrial Average gained 7.9% in the fourth quarter of 2021, while the NASDAQ Composite Index gained 8.3%. The S&P 500 Index climbed 11.0% over the same time period.

The 11 sectors of the S&P 500 showed mixed results and moderate returns across the board for the third quarter. Real Estate, Technology, and Materials outperformed and returned 17.5%, 16.7%, and 15.2%, compared to 3Q21 with returns of 0.9%, 1.3%, and -3.5%, respectively. Laggards included Comms, Financials, and Energy coming in at 0.0%, 4.6%, 8.0%, respectively.

The Russell Midcap gained 6.4% on the quarter, with mid-cap growth gaining 2.7% and mid-cap value gaining 8.1%.

The Russell 2000, a small-cap index, gained 2.1% for the quarter, with small-cap value returning 3.9%, outperforming small-cap growth at -0.1%.

### Key US Stock Market Index Total Returns (%) for the Period Ending 12/31/2021

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
S&P 500	11.03%	28.71%	18.48%	14.92%
Dow Jones	7.87%	20.95%	15.52%	13.32%
Russell 2000	2.14%	14.82%	12.03%	10.75%
Russell Midcap	6.44%	22.58%	15.10%	12.22%
Russell 1000	9.78%	26.46%	18.44%	14.83%

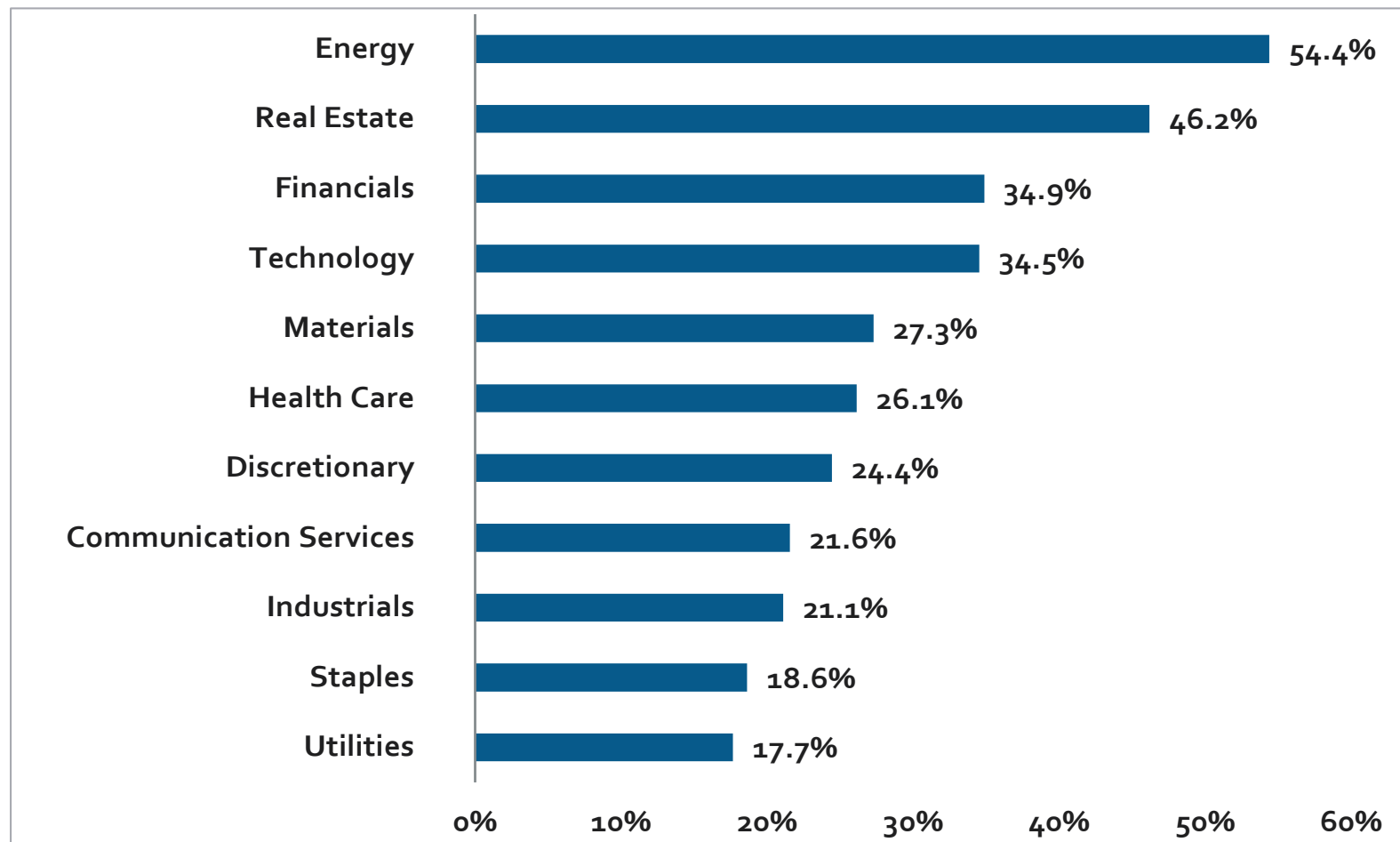
Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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# S&P 500 Sectors

## YTD Total Return

As of December 31, 2021



Source: Bloomberg

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# Capital Markets Overview: 4Q 2021

## Global Equity Markets

As of 4Q 2021

US equities outperformed International in the fourth quarter of 2021. The MSCI EAFE Index (a benchmark for international developed markets) gained 2.7% for US-currency investors.

In the fourth quarter, the MSCI Emerging Markets Index fell 1.2% for US-currency investors. The MSCI Europe Index gained 5.7% for US-currency investors, while the MSCI Japan fell 1.2%.

The S&P 500 Index ended the quarter at 11.0%

Emerging economy equity market indices saw muted returns in the fourth quarter. The MSCI BRIC (Brazil, Russia, India and China) Index fell 5.4% in US dollar terms, while the MSCI EM Asia Index fell 6.6%.

Key Global Stock Market Index Returns (%) for the Period Ending 12/31/2021				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	2.74%	11.78%	10.01%	7.26%
MSCI EAFE Growth	4.11%	11.59%	13.94%	10.06%
MSCI EAFE Value	1.25%	11.58%	5.91%	4.25%
MSCI Europe	5.72%	16.97%	10.70%	7.26%
MSCI Japan	-4.11%	1.99%	8.89%	8.06%
S&P 500	11.03%	28.71%	18.48%	14.92%
MSCI Emerging Markets	-1.24%	-2.22%	10.28%	6.49%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

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# Capital Markets Overview: 4Q 2021

## The US Bond Market

As of 4Q 2021

The Bloomberg US Aggregate Bond Index, a general measure of the bond market, rose 0.01%, after rising 0.05% last quarter.

The yield on the 10-year US Treasury note closed 3Q at 1.5% and remained flat in 4Q to close the quarter at 1.5%. The shortest end of the curve concluded 4Q21 with the yield on 3-month Treasury bills at 0.04%, up from the close of 3Q21.

Riskier parts of the bond market, such as US high yield debt, have muted gains in the fourth quarter. The Bloomberg High Yield Index, a measure of lower-rated corporate bonds, gained 0.7%. Bloomberg Long Government/Credit ended the quarter at 0.18% after a 0.02% gain in 3Q21.

Mortgage-backed securities fell slightly in the third quarter. The Bloomberg Mortgage-Backed Securities Index fell 0.4%. Municipal bonds gained. The Bloomberg Municipal Index gained 0.7% on the quarter.

Key US Bond Market Index Returns (%) for the Period Ending 12/31/2021				
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Bloomberg US Aggregate	0.01%	-1.54%	3.57%	3.00%
Bloomberg High Yield	0.71%	5.28%	6.29%	6.14%
Bloomberg Government/Credit	0.18%	-1.78%	3.99%	3.31%
Bloomberg Government	0.18%	-2.32%	3.07%	2.45%
Bloomberg Intermediate Govt/Credit	-0.57%	-1.46%	2.92%	2.54%
Bloomberg Long Govt/Credit	2.15%	-2.52%	7.39%	5.69%
Bloomberg Mortgage Backed Securities	-0.37%	-1.04%	2.50%	2.24%
Bloomberg Muni	0.72%	1.52%	4.17%	3.47%

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

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The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models which, when compounded over a period of years, would decrease returns.

**Adverse Active Alpha<sup>SM</sup> 2.0** is a patented screening and scoring process designed to help identify high-quality equity and fixed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the benefit of hindsight. In addition, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information. Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, but not limited to, manager

turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors.

The proprietary **Value Score** methodology considers an active investment strategies' value proposition relative to its costs. From a historical quantitative study of several quantitative markers, Value Score measures perceived forward-looking benefit and computes (1) "fair value" expense ratios for most traditional investment managers across 40 categories and (2) managers' perceived "excess value" by comparing the fair value expense ratios to actual expense ratios. Managers are then ranked within each category by their excess value to assign a Value Score. Our analysis suggests that greater levels of excess value have historically corresponded to attractive subsequent performance.

For more information on the ranking models, please see Adverse Active AlphaSM 2.0: Scoring Active Managers According to Potential Alpha and Value Score: Scoring Fee Efficiency by Comparing Managers' "Fair Value" and Actual Expense Ratios. The whitepapers are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Additionally, highly ranked managers can have differing risk profiles that might not be appropriate for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers. The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

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Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by investments held by brokerage clients. Morgan Stanley Wealth Management has a conflict of interest in offering alternative investments because Morgan Stanley Wealth Management or our affiliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.



Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, “blow ups,” or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial “lift” or upwards bias.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor’s goals by the pre-established year or “target date.” A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor’s portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy.

**Buying, selling, and transacting in Bitcoin or other digital assets, and related funds and products, is highly speculative and may result in a loss of the entire investment.** Risks and considerations include but are not limited to:

- Bitcoin and other digital assets have only been in existence for a short period of time and historical trading prices for Bitcoin and other digital assets have been highly volatile. The price of Bitcoin and other digital assets could decline rapidly, and **investors could lose their entire investment**.

- Certain digital asset funds and products, including Bitcoin funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of digital assets, including Bitcoin, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the digital asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such digital asset funds and products, including Bitcoin funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.

- Given the volatility in the price of Bitcoin and other digital assets, the net asset value of a fund or product that invests in such assets at the time an investor’s subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.

- Certain digital assets, apart from Bitcoin, are not intended to function as currencies but are intended to have other use cases. These other digital assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such other digital assets. Buyers, sellers and users of such other digital assets should thoroughly familiarize themselves with such risks and considerations before transacting in such other digital assets.

- The value of Bitcoin and other digital assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of Bitcoin or such other digital assets. Any such developments may make Bitcoin or such other digital assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability

of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of digital assets including Bitcoin are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Bitcoin and other digital assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.

- Over the past several years, certain Bitcoin exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Bitcoin if the fund or product relies on an impacted exchange and may also materially decrease the price of Bitcoin, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.

- Although any digital asset product, including a Bitcoin-related product, and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's digital asset, including Bitcoin, could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's digital asset, including Bitcoin.

- Investors in funds or products investing or transacting in Bitcoin and/or other digital assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, the Bitcoin (or other relevant digital asset's) blockchain, compared to investors who hold Bitcoin (or such other relevant digital asset) directly instead of through a fund or product. Additionally, a "fork" in the Bitcoin blockchain could materially decrease the price of Bitcoin.

- Digital assets such as Bitcoin or other digital asset product is/are not legal tender, and is not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future (of which Bitcoin is **not** one). No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Bitcoin's and other digital asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, Bitcoin and other virtual currency products would very likely become worthless.

- Platforms that buy and sell Bitcoin or other digital assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of digital assets, including Bitcoin.

- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to digital assets, such as Bitcoin, held in digital wallets by their providers or by regulators.

- Due to the anonymity Bitcoin and other digital assets offer, it has known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Bitcoin or other digital asset products.

- Bitcoin and other digital assets may not have an established track record of credibility and trust. Further, any performance data relating to Bitcoin, Bitcoin-related products or other digital asset products may not be verifiable as pricing models are not uniform.

- Investors should be aware of the potentially increased risks of transacting in digital assets, including Bitcoin, relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of digital assets, before transacting in such assets.

- The exchange rate of Bitcoin or other virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of Bitcoin versus the USD has in the past dropped more than 50% in a single day. Bitcoin may be affected by such volatility as well.

- Digital asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a digital asset as payment will continue to do so in the future.



- The regulatory framework of digital assets is evolving, and in some cases uncertain, and digital assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in digital asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in the any product or fund investing or trading in Bitcoin and/or other digital assets.

**Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

**Tax laws are complex and subject to change.** Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specific investment, may not, for a variety of reasons, be an appropriate comparison or benchmark for a particular investment and may not necessarily reflect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

**GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS:** The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

**HYPOTHETICAL MODEL PERFORMANCE (GROSS):** Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any

GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

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

**Variable annuities** are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

**Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

**REITs** investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as

interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

**Yields** are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some \$25 or \$1000 par **preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

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

**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. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

**Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.

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

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**Asset Allocation & Time Weighted Performance**  
as of December 31, 2021

	Allocation		Performance(%)								
	Market Value (\$)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>190,070,308</b>	<b>100.00</b>	<b>5.46</b>	<b>5.46</b>	<b>15.78</b>	<b>16.06</b>	<b>10.90</b>	<b>8.67</b>	<b>10.03</b>	<b>8.65</b>	<b>07/01/1993</b>
Total Fund (net)			5.35	5.35	15.24	15.47	10.31	8.08	9.45	8.12	
Policy Index			3.86	3.86	13.86	15.25	10.57	8.78	10.13	8.18	
<b>Domestic Equity</b>											
Large Cap Value	34,552,908	18.18	9.47	9.47	33.09	18.62	11.75	9.06	N/A	10.91	04/01/2013
Large Cap Value (net)			9.38	9.38	32.64	18.22	11.36	8.68	N/A	10.52	
Russell 1000 Value			7.77	7.77	25.16	17.64	11.16	9.73	N/A	11.34	
Large Cap Growth	15,047,148	7.92	9.15	9.15	22.54	N/A	N/A	N/A	N/A	25.98	02/01/2019
Large Cap Growth (net)			9.02	9.02	21.94	N/A	N/A	N/A	N/A	25.42	
Russell 1000 Gr			11.64	11.64	27.60	N/A	N/A	N/A	N/A	31.26	
Large Cap Growth	14,180,188	7.46	5.17	5.17	24.75	32.48	26.54	21.09	N/A	18.76	04/01/2012
Large Cap Growth (net)			5.03	5.03	24.07	31.77	25.87	20.43	N/A	18.13	
Russell 1000 Gr			11.64	11.64	27.60	34.07	25.32	19.58	N/A	18.64	
Small Cap Value	22,303,693	11.73	10.74	10.74	24.42	14.69	6.61	7.36	9.72	11.54	10/01/1998
Small Cap Value (net)			10.55	10.55	23.67	13.94	5.89	6.64	9.00	10.79	
Russell 2000 VL			4.36	4.36	28.27	17.99	9.07	9.45	12.03	9.75	
Small Cap Growth	18,076,560	9.51	1.08	1.08	5.30	31.67	21.10	14.50	15.93	10.67	01/01/1994
Small Cap Growth (net)			1.08	1.08	4.74	30.73	20.15	13.55	14.90	9.81	
Russell 2000 Gr			0.01	0.01	2.83	21.16	14.53	11.66	14.14	8.38	
<b>International Equity</b>											
International Value	13,885,312	7.31	1.04	1.04	8.52	9.04	5.51	3.89	6.09	6.05	04/01/1994
International Value (net)			0.85	0.85	7.69	8.23	4.72	3.11	5.30	5.30	
MSCI EAFE Net			2.69	2.69	11.26	13.54	9.55	6.76	8.03	5.47	
MSCI EAFE VL Net			1.17	1.17	10.89	7.82	5.34	3.65	5.81	5.36	

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

**Asset Allocation & Time Weighted Performance**  
as of December 31, 2021

	Allocation		Performance(%)								
	Market Value (\$)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
International Growth	13,353,337	7.03	3.11	3.11	6.85	12.30	7.94	5.53	7.55	8.10	11/01/2008
International Growth (net)			2.97	2.97	6.26	11.70	7.36	4.96	6.97	7.52	
MSCI AC World ex US Net			1.82	1.82	7.82	13.18	9.61	6.56	7.28	7.92	
<b>Fixed Income</b>											
Fixed Income	29,853,920	15.71	-0.47	-0.47	-1.23	3.81	2.92	2.55	2.43	4.91	07/01/1993
Fixed Income (net)			-0.52	-0.52	-1.37	3.64	2.74	2.37	2.25	4.66	
BC Agg Intm Tr			-0.50	-0.50	-1.29	3.60	2.79	2.45	2.37	4.68	
<b>Alternatives</b>											
Private Real Estate	9,500,839	5.00	9.08	9.08	22.31	9.62	9.18	9.61	N/A	9.75	08/01/2014
Private Real Estate (net)			8.77	8.77	20.93	8.40	7.97	8.39	N/A	8.51	
NCREIF Property Idx			0.00	0.00	10.88	6.24	6.48	7.65	N/A	8.01	
Barclays Aggregate			0.01	0.01	-1.54	4.79	3.57	3.00	N/A	3.13	
Private Real Estate	9,469,503	4.98	5.15	5.15	16.34	3.01	4.43	6.00	N/A	6.30	11/01/2014
Private Real Estate (net)			4.99	4.99	15.62	2.26	3.61	5.08	N/A	5.35	
NCREIF Property Idx			0.00	0.00	10.88	6.24	6.48	7.65	N/A	7.91	
Barclays Aggregate			0.01	0.01	-1.54	4.79	3.57	3.00	N/A	3.04	
Global Infrastructure	9,464,013	4.98	9.85	9.85	19.87	N/A	N/A	N/A	N/A	18.46	09/01/2020
Global Infrastructure (net)			9.85	9.85	19.87	N/A	N/A	N/A	N/A	18.46	
DJ Brookfield Gbl Infra Comp TR			6.70	6.70	20.23	N/A	N/A	N/A	N/A	18.55	
Barclays Aggregate			0.01	0.01	-1.54	N/A	N/A	N/A	N/A	-0.70	
<b>Cash &amp; Equivalents</b>											
Receipt & Disbursements	382,887	0.20	0.00	0.00	0.02	N/A	N/A	N/A	N/A	0.20	12/01/2019

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Asset Allocation & Net Dollar Weighted Performance (IRR)

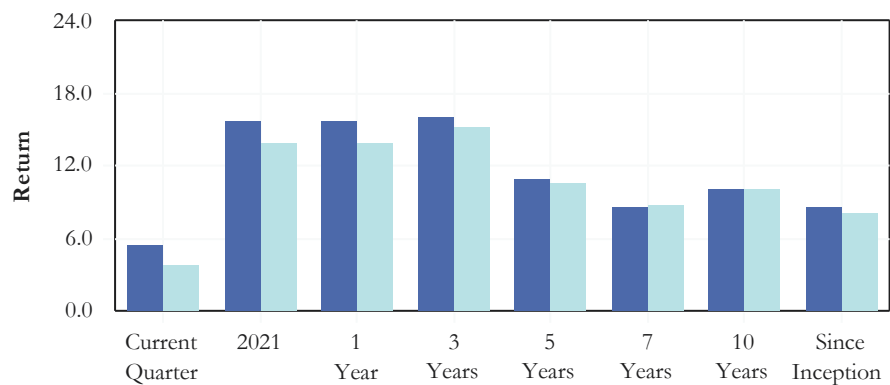
as of December 31, 2021

	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>Total Fund</b>	100.00	5.35	5.35	15.31	15.43	10.10	7.72	9.39
<b>Domestic Equity</b>								
Large Cap Value	18.18	9.38	9.38	32.63	18.42	11.36	8.28	N/A
Large Cap Growth	7.92	9.02	9.02	21.83	29.48	19.14	13.59	20.25
Large Cap Growth	7.46	5.03	5.03	24.75	33.98	25.55	18.98	N/A
Small Cap Value	11.73	10.61	10.61	23.48	14.79	6.74	7.23	9.85
Small Cap Growth	9.51	1.08	1.08	6.03	34.19	20.55	13.04	15.03
<b>International Equity</b>								
International Value	7.31	0.85	0.85	7.69	8.34	4.99	3.30	5.66
International Growth	7.03	2.97	2.97	6.26	11.69	7.47	4.97	7.41
<b>Fixed Income</b>								
Fixed Income	15.71	-0.52	-0.52	-1.36	3.76	2.79	2.40	2.22
<b>Alternatives</b>								
Private Real Estate	5.00	8.75	8.75	20.79	8.03	7.73	8.24	N/A
Private Real Estate	4.98	4.98	4.98	15.62	2.26	3.60	5.07	N/A
Global Infrastructure	4.98	9.85	9.85	19.87	N/A	N/A	N/A	N/A
<b>Cash &amp; Equivalents</b>								
Receipt & Disbursements	0.20	0.00	0.00	0.02	N/A	N/A	N/A	N/A

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Total Fund - Executive Summary as of December 31, 2021

### Manager Performance Chart



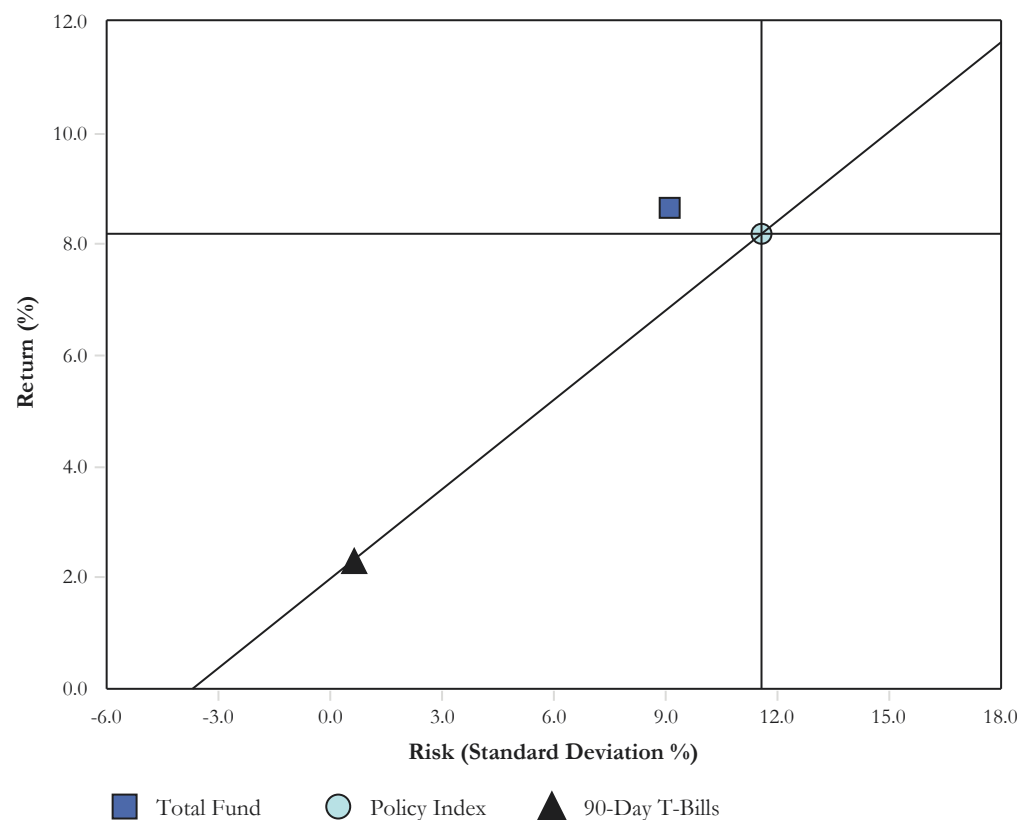
### Manager Annualized Performance

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 07/01/1993
Total Fund	5.46	5.46	15.78	16.06	10.90	8.67	10.03	8.65
Policy Index	3.86	3.86	13.86	15.25	10.57	8.78	10.13	8.18
Differences	1.60	1.60	1.92	0.81	0.33	-0.11	-0.10	0.47

### Historic Asset Growth

	Current Quarter	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 07/01/1993
Total Fund								
Beginning Market Value	181,808	172,763	172,763	142,274	141,476	142,640	113,664	32,528
Net Contributions	-1,414	-8,465	-8,465	-23,006	-31,193	-39,683	-56,262	-120,427
Fees/Expenses	-198	-856	-856	-2,457	-4,181	-5,747	-7,740	-15,691
Income	1,151	3,577	3,577	10,092	16,884	23,154	30,877	81,123
Gain/Loss	8,722	23,051	23,051	63,168	67,086	69,707	109,532	212,537
Ending Market Value	190,070	190,070	190,070	190,070	190,070	190,070	190,070	190,070

### Manager Risk & Return





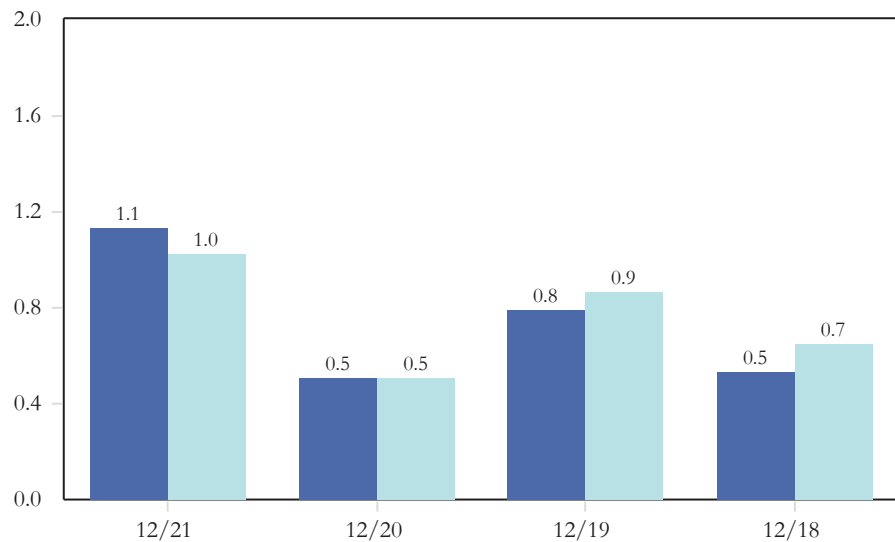
Total Fund - Risk/Return: Since Inception  
as of December 31, 2021



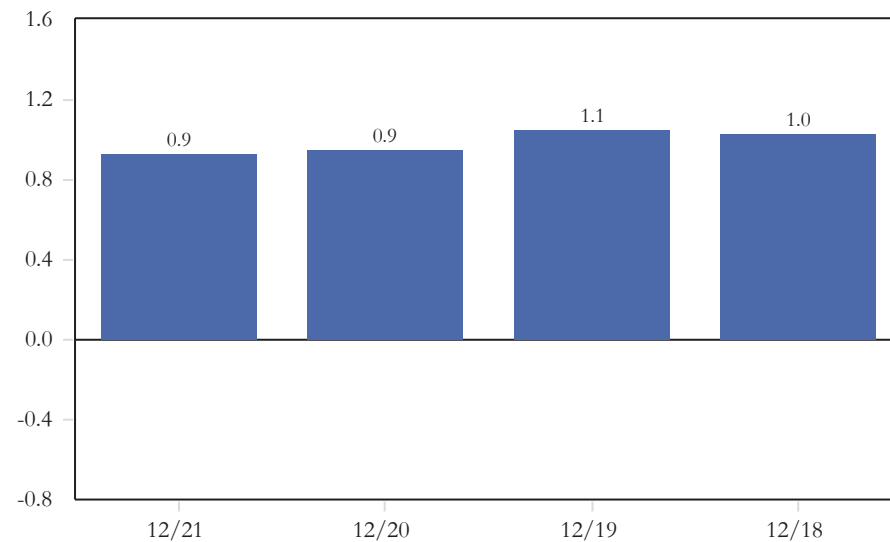
The prices, quotes or statistics contained herein have been obtained from sources believed reliable, however, the accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Total Fund - Rolling Three Year MPT Statistics as of December 31, 2021

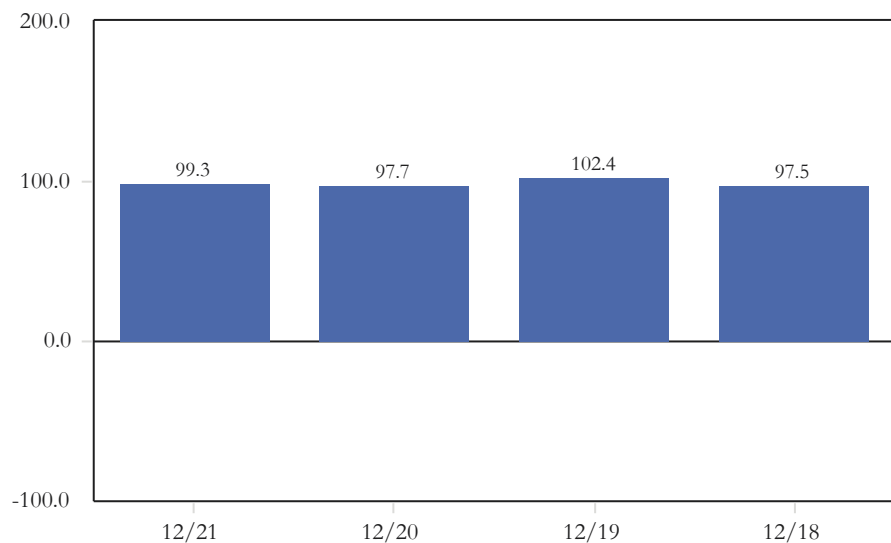
**Sharpe Ratio**



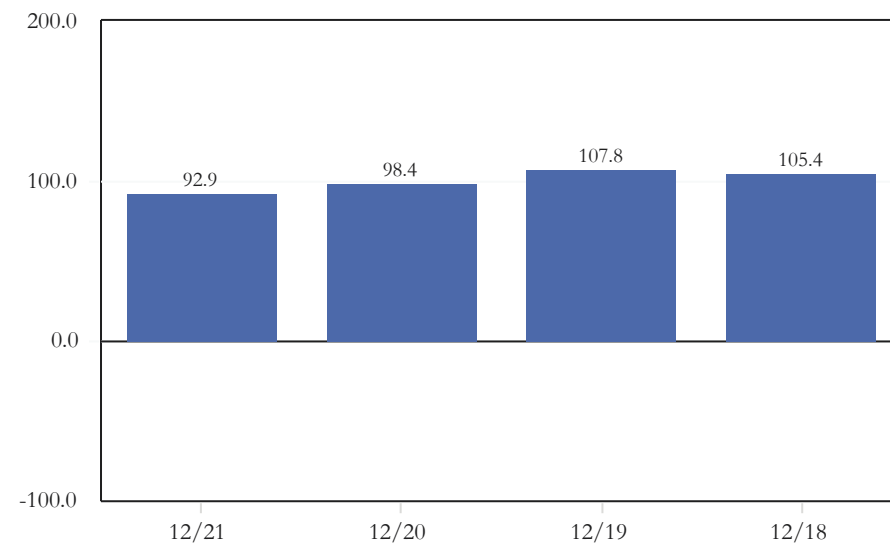
**Beta**



**Up Capture**



**Down Capture**

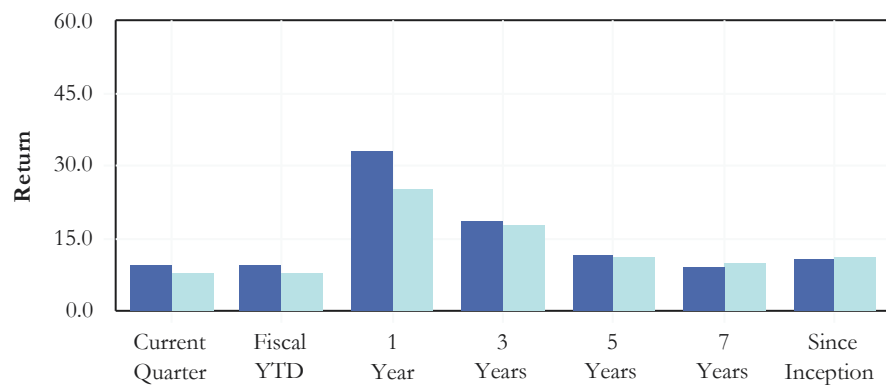


The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Large Cap Value - Executive Summary

### as of December 31, 2021

#### Manager Performance Chart



#### Manager Annualized Performance

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	Inception 04/01/2013
Large Cap Value	9.47	9.47	33.09	18.62	11.75	9.06	10.91
Russell 1000 Value	7.77	7.77	25.16	17.64	11.16	9.73	11.36
Differences	1.70	1.70	7.93	0.98	0.59	-0.67	-0.45

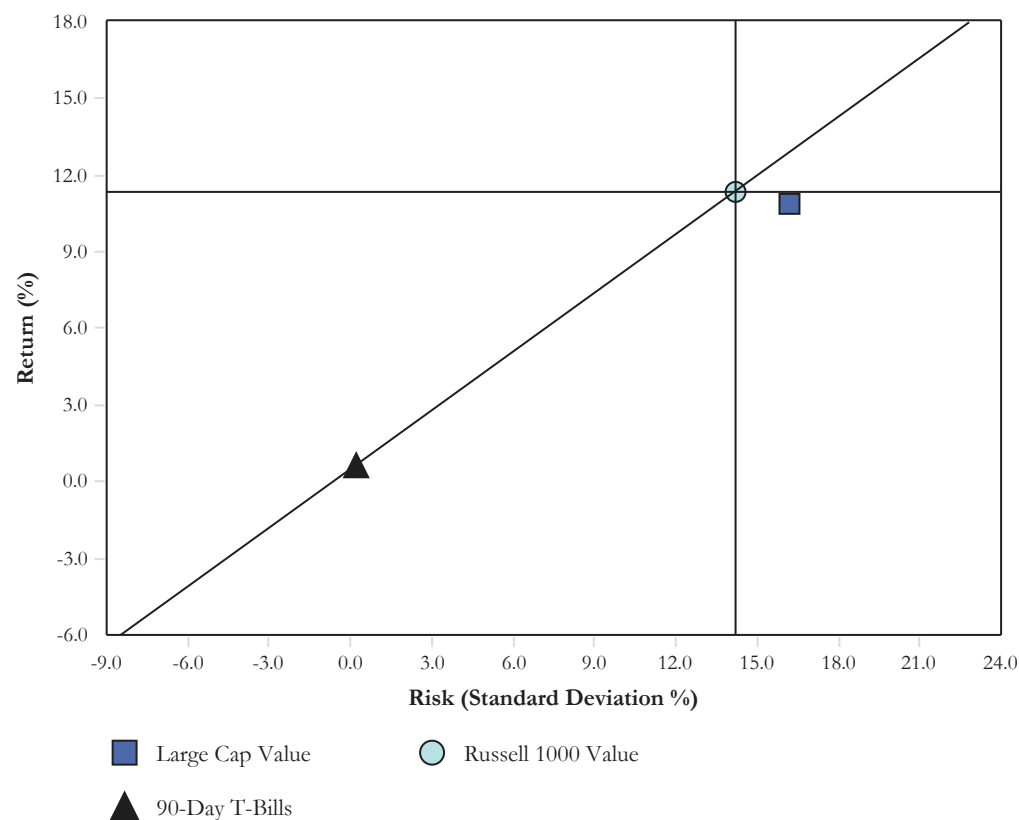
#### Historic Asset Growth

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	Inception 04/01/2013
Large Cap Value							
Beginning Market Value	31,594	31,594	25,251	21,406	22,505	25,520	22,484
Net Contributions	-3	-3	829	-489	-2,504	-6,357	-10,564
Fees/Expenses	-28	-28	-104	-261	-425	-573	-728
Income	199	199	776	2,105	3,280	4,406	5,499
Gain/Loss	2,791	2,791	7,800	11,791	11,697	11,558	17,862
Ending Market Value	34,553	34,553	34,553	34,553	34,553	34,553	34,553

#### Modern Portfolio Statistics

	Return	Standard Deviation	Beta	Maximum Drawdown	Up Capture	Down Capture	Alpha	Sharpe Ratio	R-Squared	Inception Date
Large Cap Value	10.91	16.21	1.12	-28.63	108.17	116.47	-1.50	0.68	0.96	04/01/2013
Russell 1000 Value	11.36	14.18	1.00	-26.73	100.00	100.00	0.00	0.79	1.00	04/01/2013

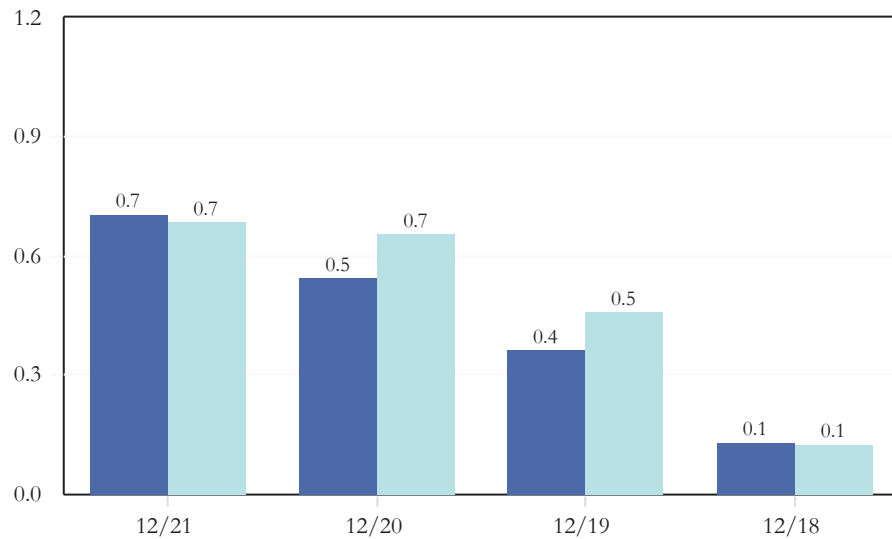
#### Manager Risk & Return



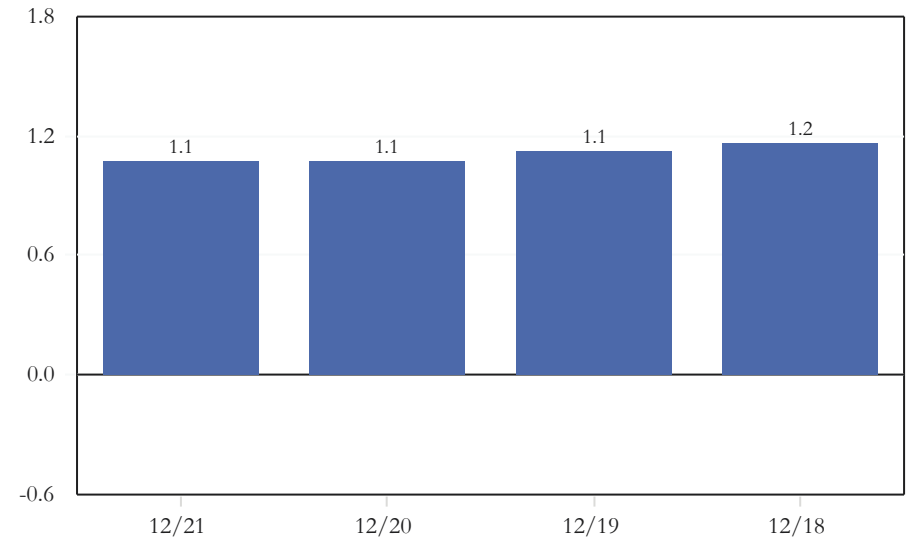
The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Large Cap Value - Rolling Two Year MPT Statistics as of December 31, 2021

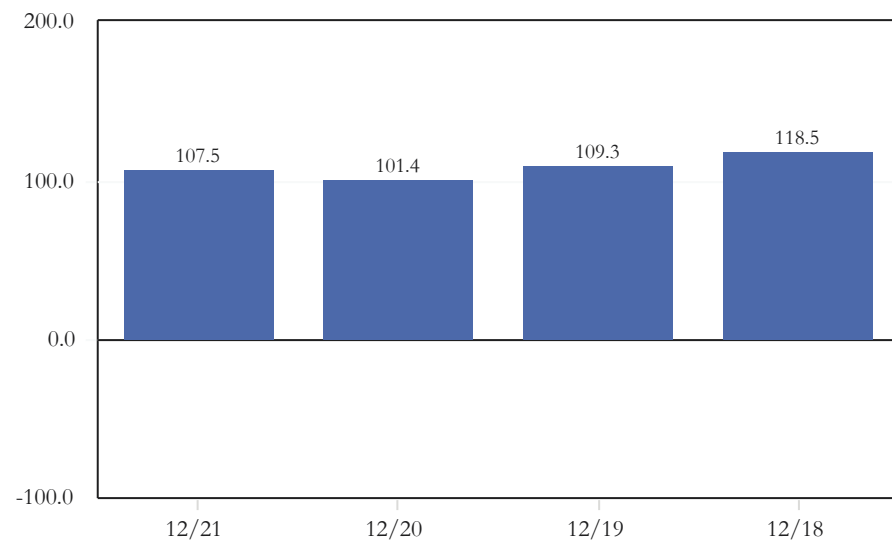
Sharpe Ratio



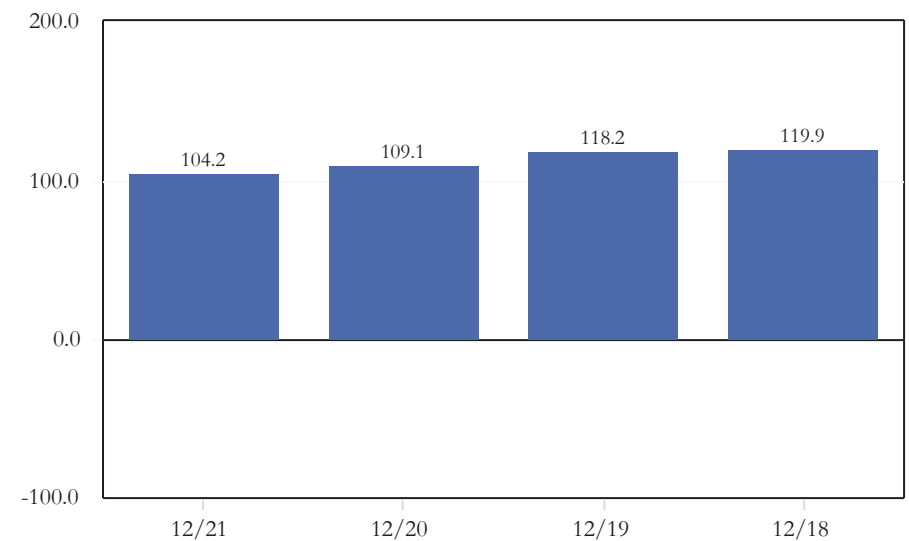
Beta



Up Capture

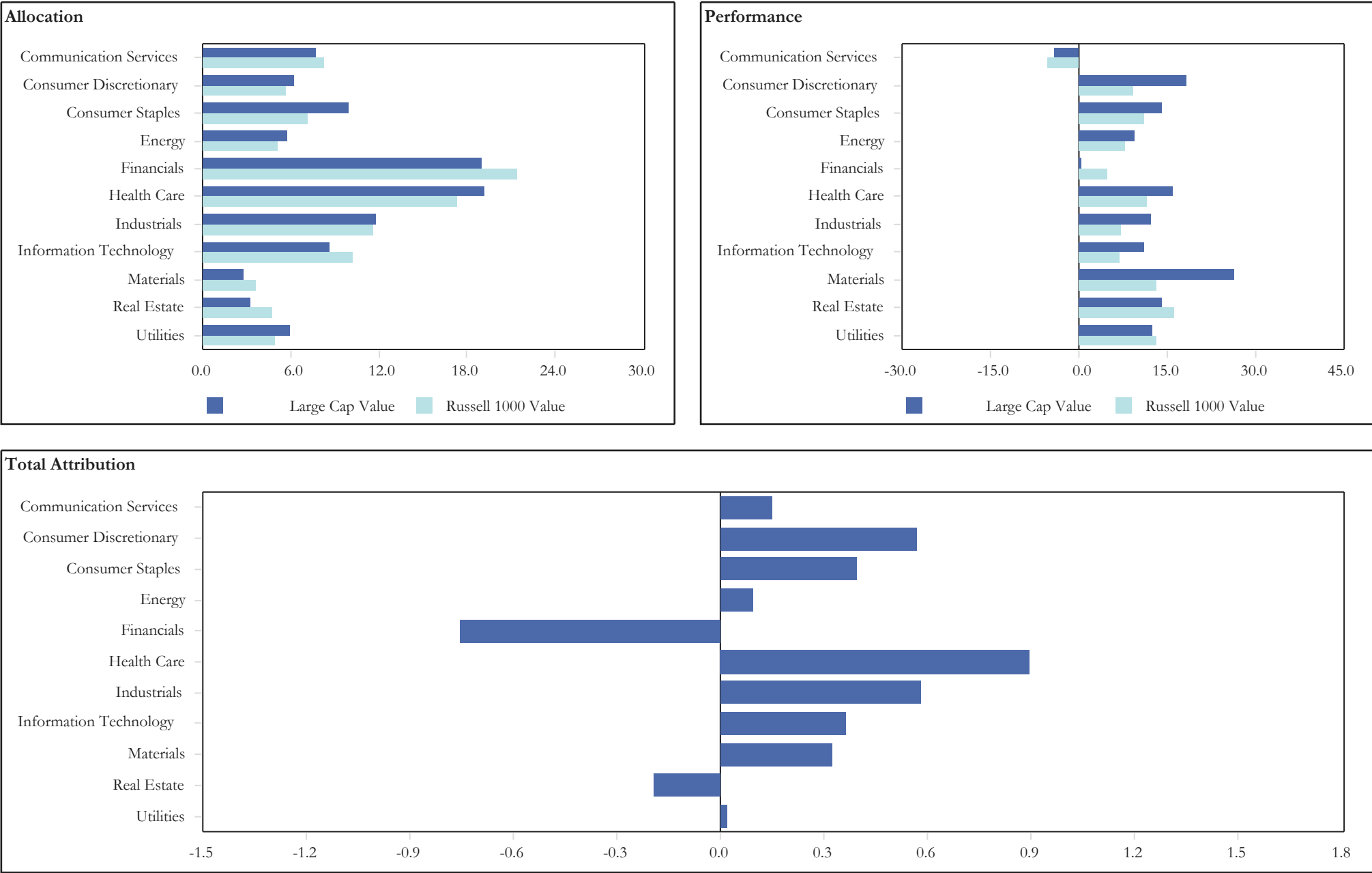


Down Capture



The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

# Large Cap Value - Quarterly Performance Attributes as of December 31, 2021



**Large Cap Value - Quarterly Performance Attributes**  
**as of December 31, 2021**

	Allocation - 10/01/2021		Performance - Quarter Ending December 31, 2021		Attribution			
	Portfolio	Benchmark	Portfolio	Benchmark	Sector	Stock	Interaction	Total
Communication Services	7.73	8.29	-4.27	-5.27	0.07	0.08	-0.01	0.15
Consumer Discretionary	6.23	5.62	18.19	9.25	0.01	0.50	0.05	0.57
Consumer Staples	9.93	7.14	14.13	11.10	0.09	0.22	0.08	0.39
Energy	5.72	5.11	9.50	7.88	0.00	0.08	0.01	0.09
Financials	18.94	21.43	0.45	4.81	0.07	-0.94	0.11	-0.75
Health Care	19.14	17.35	15.91	11.60	0.07	0.75	0.08	0.89
Industrials	11.72	11.61	12.20	7.26	0.00	0.57	0.01	0.58
Information Technology	8.61	10.23	11.03	6.95	0.01	0.42	-0.07	0.36
Materials	2.82	3.64	26.40	13.27	-0.05	0.48	-0.11	0.32
Real Estate	3.25	4.71	14.05	16.20	-0.12	-0.10	0.03	-0.19
Utilities	5.90	4.89	12.58	13.22	0.06	-0.03	-0.01	0.02
Total	100.00	100.00	10.20	7.77	0.22	2.03	0.19	2.44

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

## Large Cap Value - Portfolio Characteristics

as of December 31, 2021

Portfolio Characteristics		
	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$000)	117,303,978.30	166,257,032.52
Median Mkt. Cap (\$000)	53,600,321.13	14,246,935.11
Price/Earnings ratio	16.87	18.63
Price/Book ratio	2.94	2.76
5 Yr. EPS Growth Rate (%)	10.78	13.44
Beta (5 Years, Monthly)	1.09	1.00
Number of Stocks	51	853
Debt to Equity (%)	86.41	69.57

Top Ten Equity Holdings				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
CVS Health Corp	2.60	0.64	1.96	22.26
Unitedhealth Group Inc	2.56	2.08	0.48	28.92
Bristol-Myers Squibb Co	2.45	0.66	1.79	5.37
McKesson Corp	2.42	0.15	2.27	24.93
AFLAC Inc	2.40	0.18	2.22	12.65
AbbVie Inc	2.31	0.00	2.31	27.02
Johnson & Johnson	2.31	2.14	0.17	6.63
Allstate Corp (The)	2.29	0.16	2.13	-6.93
Metlife Inc.	2.28	0.21	2.07	1.99
JPMorgan Chase & Co	2.28	2.20	0.08	-2.69
% of Portfolio	23.90	8.42	15.48	

Ten Best Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
RPM International Inc	1.57	0.03	1.54	30.69
Unitedhealth Group Inc	2.56	2.08	0.48	28.92
AbbVie Inc	2.31	0.00	2.31	27.02
Home Depot Inc. (The)	1.87	0.00	1.87	26.95
McKesson Corp	2.42	0.15	2.27	24.93
Simon Property Group Inc.	1.44	0.03	1.41	24.26
CVS Health Corp	2.60	0.64	1.96	22.26
Abbott Laboratories	2.15	0.58	1.57	19.60
Constellation Brands Inc	2.03	0.19	1.84	19.53
Consolidated Edison Inc.	2.10	0.14	1.96	18.71
% of Portfolio	21.05	3.84	17.21	

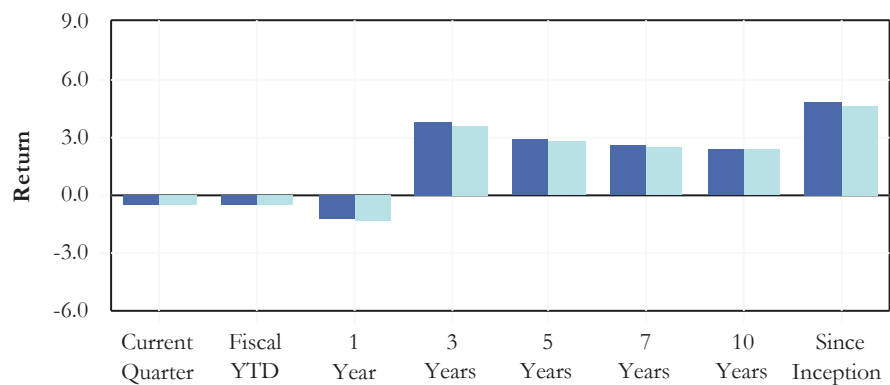
Ten Worst Performers				
	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Citigroup Inc	2.16	0.57	1.59	-13.32
Comcast Corp	1.87	1.09	0.78	-9.62
Discovery Communications	1.74	0.02	1.72	-7.25
Allstate Corp (The)	2.29	0.16	2.13	-6.93
Fiserv Inc.	2.02	0.27	1.75	-4.34
JPMorgan Chase & Co	2.28	2.20	0.08	-2.69
Intel Corp	2.11	0.99	1.12	-2.67
Verizon Communications Inc	1.70	1.02	0.68	-2.65
Emerson Electric Co.	1.73	0.26	1.47	-0.78
T. Rowe Price Group Inc	2.12	0.14	1.98	0.53
% of Portfolio	20.02	6.72	13.30	



## Fixed Income - Executive Summary

### as of December 31, 2021

#### Manager Performance Chart



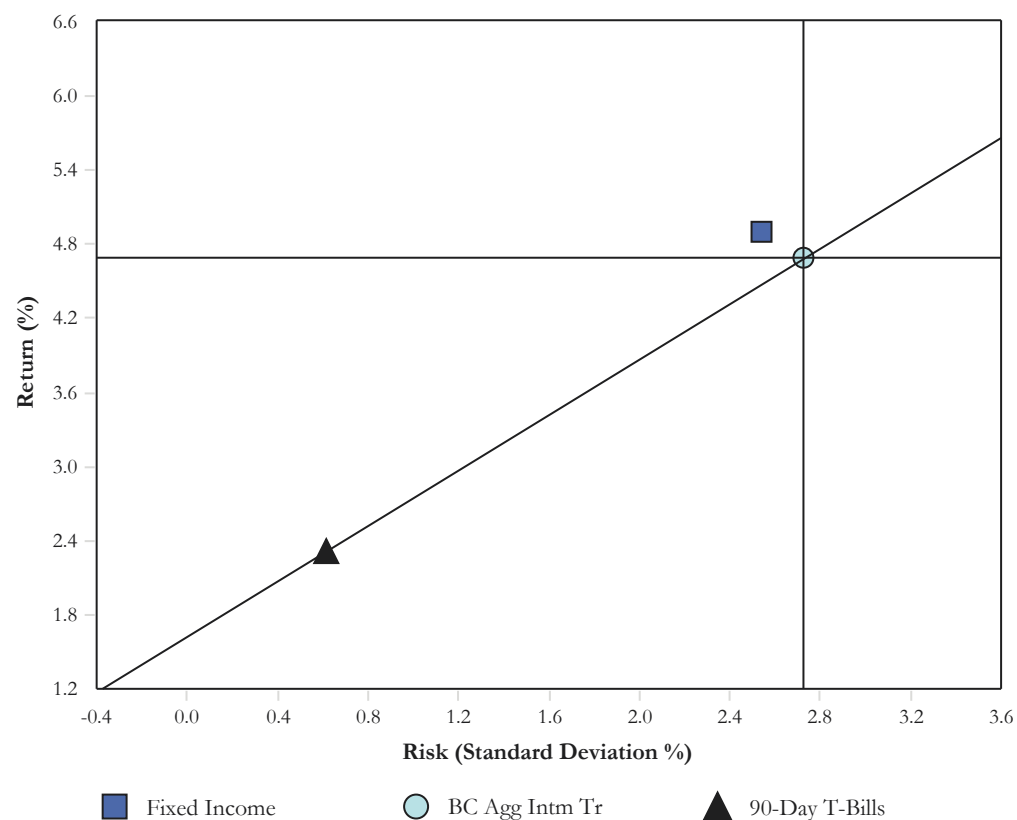
#### Manager Annualized Performance

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 07/01/1993
Fixed Income	-0.47	-0.47	-1.23	3.81	2.92	2.55	2.43	4.91
BC Agg Intm Tr	-0.50	-0.50	-1.29	3.60	2.79	2.45	2.37	4.69
Differences	0.03	0.03	0.06	0.21	0.13	0.10	0.06	0.22

#### Historic Asset Growth

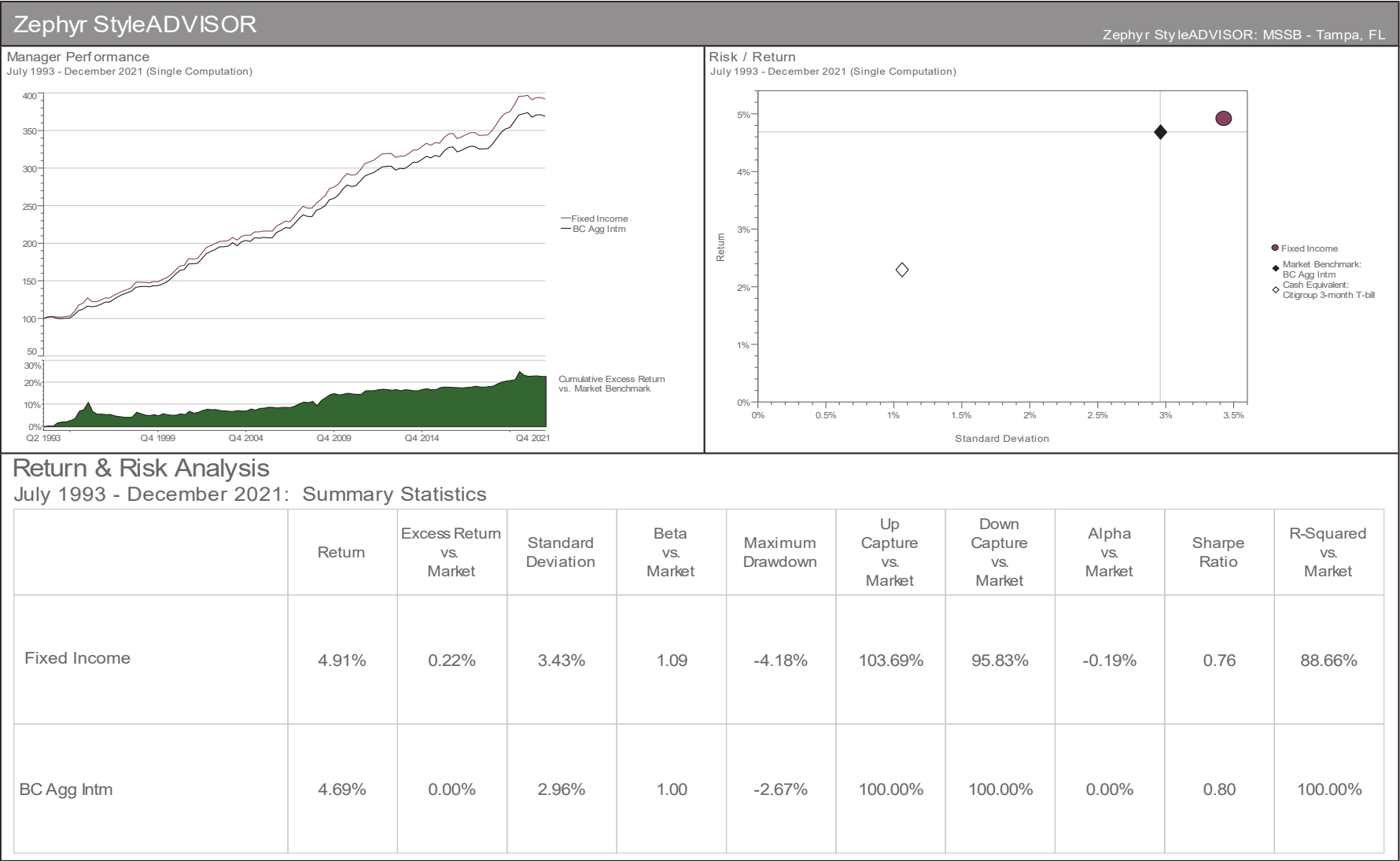
	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 07/01/1993
Fixed Income								
Beginning Market Value	30,012	30,012	30,280	28,587	27,817	29,102	30,063	16,848
Net Contributions	-3	-3	-13	-1,958	-1,980	-4,074	-6,950	-17,492
Fees/Expenses Income	-14	-14	-41	-151	-256	-361	-532	-1,534
Gain/Loss	156	156	688	2,339	3,879	5,274	7,652	29,149
Ending Market Value	-297	-297	-1,060	1,038	393	-88	-379	2,883
	29,854	29,854	29,854	29,854	29,854	29,854	29,854	29,854

#### Manager Risk & Return



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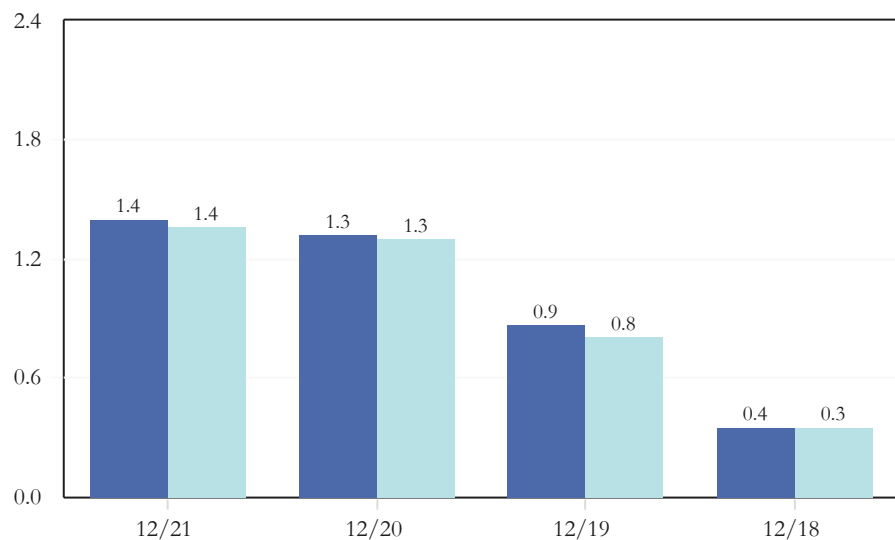
# Fixed Income - Risk/Return: Since Inception as of December 31, 2021



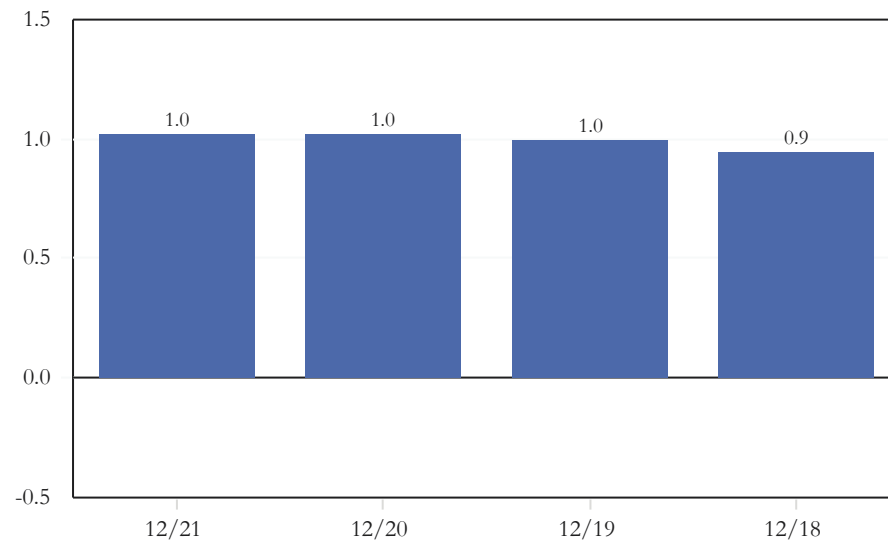
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## Fixed Income - Rolling Three Year MPT Statistics as of December 31, 2021

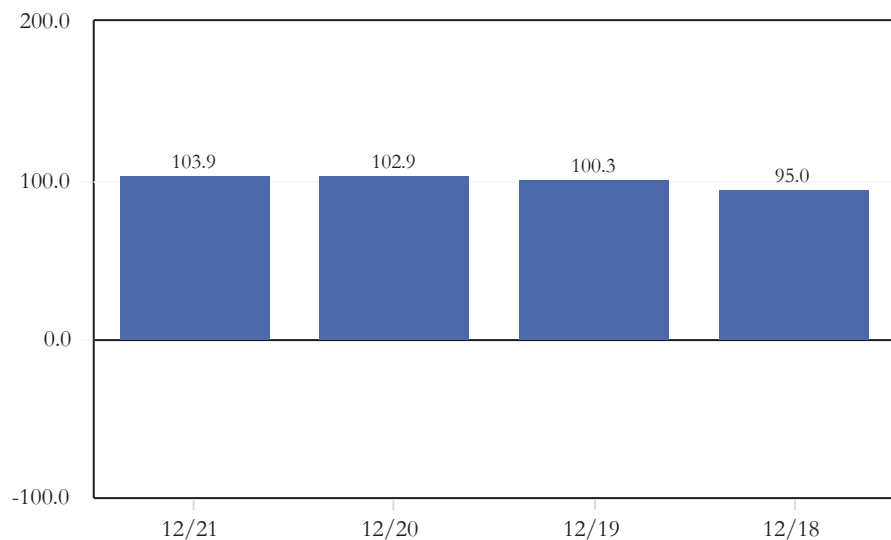
**Sharpe Ratio**



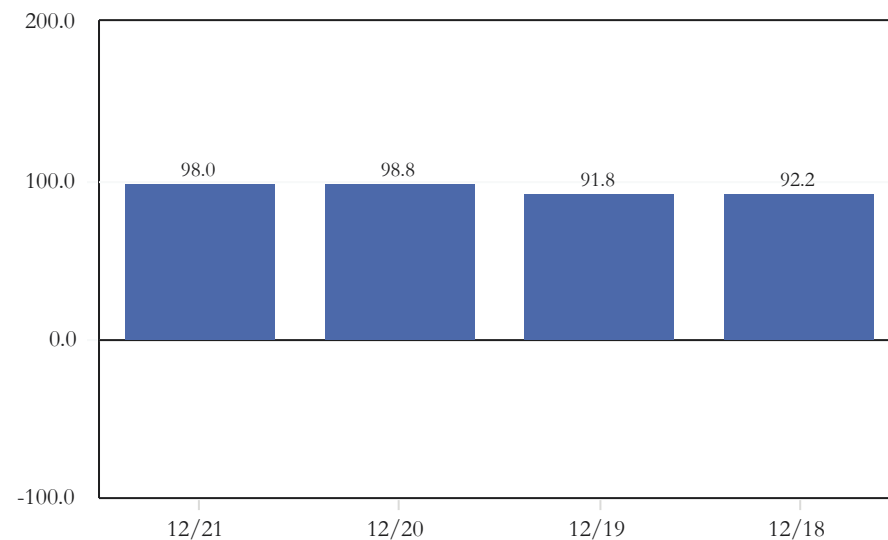
**Beta**



**Up Capture**



**Down Capture**



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# Important Notes About This Report

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**PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. ACTUAL INDIVIDUAL ACCOUNT RESULTS WILL DIFFER FROM THE PERFORMANCE SHOWN IN THIS REPORT.**

**INVESTMENT DECISIONS:** Do not use this report as the sole basis for investment decisions. Do not select an allocation, investment disciplines or investment managers/funds based on performance alone. Consider, in addition to performance results, other relevant information about each investment manager or fund, as well as matters such as your investment objectives, risk tolerance and investment time horizon.

**SOURCE OF PERFORMANCE INFORMATION FOR INVESTMENT MANAGERS AVAILABLE IN CONSULTING AND EVALUATION SERVICES OR SELECT UMA:** Each investment manager included in this report that participates in one or more of the Consulting and Evaluation Services or Select UMA programs ("Programs") has a track record of investing assets in the relevant investment discipline. The investment manager's gross performance track record shown in this report consists of its gross performance in either the Morgan Stanley or the Smith Barney form of the Select UMA program (if that investment manager was in the Select UMA program) for periods for which sufficient data is available. If the strategy or similar strategies are available in both the Morgan Stanley and Smith Barney forms of the program, this profile presents the composite for the strategy that is closest to the strategy currently offered in the Select UMA program. If both strategies are equally close, the profile shows the longer of the two composites. For other periods, the gross performance track record is provided by the investment manager and consists of accounts managed by the investment manager in the same or a similar investment discipline, whether at Morgan Stanley or elsewhere (and may include institutional accounts, retail accounts and/or pooled investment vehicles such as mutual funds).

# Important Notes About This Report (Cont'd)

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There may be differences between the performance in the different forms of the Select UMA program, in different Programs, and between the performance in Programs and performance outside the Programs, due to, among other things, investment and operational differences. For example:

- Institutional accounts included in related performance may hold more securities than the Program accounts, participate in initial public offerings (IPOs) and invest directly in foreign securities (rather than in ADRs).
- Mutual funds included in related performance may hold more securities than the Program accounts, may participate in IPOs, may engage in options and futures transactions, and are subject to certain regulatory limitations.
- Performance results in Select UMA accounts could differ from that in Consulting and Evaluation Services accounts because Select UMA accounts may hold fewer securities, and have automatic rebalancing, wash sale loss and tax harvesting features.

You should read the investment manager profile accompanying this report for each investment manager. The investment manager profile gives further details on the sources of performance information for a particular investment manager, as well as other calculations of the manager's performance returns (such as performance net of fees and expenses).

**SOURCE OF PERFORMANCE INFORMATION FOR GLOBAL INVESTMENT SOLUTION STRATEGIES:** In the Global Investment Solutions program, dedicated portfolio managers employed by Morgan Stanley or third party subadvisors make day-to-day investment decisions for clients' accounts invested in various investment strategies. The track record shown in this report for Global Investment Solutions strategies consists of the portfolio management team's gross performance in that strategy in the Global Investment Solutions program (or a predecessor program).

**SOURCE OF PERFORMANCE INFORMATION FOR OTHER INVESTMENT MANAGERS:** For any investment managers shown in this report that are not available in the Consulting and Evaluation Services or Select UMA programs, 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. The gross performance shown in this report for these managers could differ materially from their gross performance in investment advisory programs offered by firms other than Morgan Stanley. If you have invested with any such manager through another firm, we recommend that you seek information from that firm on the manager's gross and net performance in its programs.



# Important Notes About This Report (Cont'd)

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**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.

**BENCHMARK INDICES:** Depending on the composition of your account and your investment objectives, the indices shown in this report may not be appropriate measures for comparison purposes and are therefore presented for illustration only. The indices used in this report may not be the same indices used for comparative purposes in the profile for each investment manager, mutual fund and/or ETF that accompanies this report. 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. Performance of selected indices may be more or less volatile than that of any investment manager/fund shown in this report. Past performance of indices does not guarantee future results. You cannot invest directly in an index.

**MANAGERS AND FUNDS APPROVED IN MORGAN STANLEY WEALTH MANAGEMENT PROGRAMS:** Morgan Stanley Wealth Management approves certain managers and funds offered in its investment advisory programs:

- Morgan Stanley Wealth Management's Global Investment Manager Analysis ("GIMA") team approves managers and funds offered in Consulting and Evaluation Services and Select UMA.
- Managers and funds offered in Institutional Consulting Group and Graystone Consulting programs may be approved by GIMA, approved by Morgan Stanley Wealth Management using another process, or not approved by Morgan Stanley Wealth Management.
- Morgan Stanley Wealth Management does not approve managers in the Investment Management Services consulting program.
- Managers in the Global Investment Solutions (GIS) program are not evaluated by GIMA.

# Important Notes About This Report (Cont'd)

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If you invest in a manager or fund that is not approved by Morgan Stanley Wealth Management, you are responsible for selecting and/or retaining that manager or fund, and Morgan Stanley Wealth Management does not recommend or monitor that manager or fund. For more information on the approval process in any program, see the applicable ADV brochure, available at [www.MorganStanley.com/ADV](http://www.MorganStanley.com/ADV) or from your Financial Advisor or Private Wealth Advisor. If you have any questions about whether or how Morgan Stanley Wealth Management has approved a manager or fund shown in this report, please ask our Financial Advisor or Private Wealth Advisor.

**SHARE CLASSES OF FUNDS SHOWN IN THIS REPORT:** The share class of a fund shown in this report may differ from the share class available in any Morgan Stanley Wealth Management investment advisory program in which you invest. The performance of the share class in which you invest may differ from that of the share class shown in this report.

**REINVESTMENT:** The performance results shown in this report assume that all dividends, accrued income and capital gains were reinvested.

**SOURCES OF INFORMATION:** Although the statements of fact in this report have been obtained from, and are based on, sources that Morgan Stanley believes to be reliable, Morgan Stanley makes no representation as to the accuracy or completeness of the information from sources outside Morgan Stanley. Any such information may be incomplete and you should not use it as the sole basis for investment decisions.

***It is important to consider a fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund. A copy of the prospectus may be obtained from your Financial Advisor or Private Wealth Advisor. Please read the prospectus carefully before investing in the fund.***



**Policy Index History**  
**As of December 31, 2021**

Policy Index	Weight (%)	Policy Index	Weight (%)
<b>Jan-1979</b>		<b>Mar-2012</b>	
BC Agg Intm Tr	50.00	BC Agg Intm Tr	30.00
Russell 1000	50.00	Russell 1000 Gr	17.50
		Russell 2000 Gr	10.00
<b>Jan-1994</b>		MSCI EAFE Net	3.75
BC Agg Intm Tr	40.00	MSCI AC World ex US Net	11.25
Russell 1000	40.00	Russell 1000 Value	17.50
Russell 2000 Gr	20.00	Russell 2000 VL	10.00
<b>Apr-1994</b>		<b>Aug-2014</b>	
BC Agg Intm Tr	25.00	BC Agg Intm Tr	25.00
Russell 1000	45.00	Russell 1000 Gr	17.50
Russell 2000 Gr	20.00	Russell 2000 Gr	10.00
MSCI EAFE Net	5.00	NCREIF Property Idx	5.00
MSCI AC World ex US Net	5.00	MSCI AC World ex US Net	15.00
		Russell 1000 Value	17.50
<b>Sep-1998</b>		Russell 2000 VL	10.00
BC Agg Intm Tr	25.00	<b>Oct-2014</b>	
Russell 1000 Gr	22.50	BC Agg Intm Tr	20.00
Russell 2000 Gr	10.00	Russell 1000 Gr	17.50
MSCI EAFE Net	5.00	Russell 2000 Gr	10.00
MSCI AC World ex US Net	5.00	NCREIF Property Idx	10.00
Russell 1000 Value	22.50	MSCI AC World ex US Net	15.00
Russell 2000 VL	10.00	Russell 1000 Value	17.50
		Russell 2000 VL	10.00
<b>Nov-2008</b>		<b>Feb-2015</b>	
BC Agg Intm Tr	25.00	BC Agg Intm Tr	20.00
Russell 1000 Gr	20.00	Russell 1000 Gr	15.00
Russell 2000 Gr	10.00	Russell 2000 Gr	10.00
MSCI EAFE Net	3.75	NCREIF Property Idx	10.00
MSCI AC World ex US Net	11.25	MSCI AC World ex US Net	15.00
Russell 1000 Value	20.00	Russell 1000 Value	15.00
Russell 2000 VL	10.00	Russell 2000 VL	10.00
		Alerian MLP Index	5.00

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Policy Index History  
As of December 31, 2021

Policy Index	Weight (%)
Sep-2020	
BC Agg Intm Tr	20.00
Russell 1000 Gr	15.00
Russell 2000 Gr	10.00
NCREIF Property Idx	10.00
MSCI AC World ex US Net	15.00
Russell 1000 Value	15.00
Russell 2000 VL	10.00
DJ Brookfield Gbl Infra Comp TR	5.00

# Performance Appendix

Performance Data below is net of fees. Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.

Account Name	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Private Real Estate	8.77	20.93	20.93	8.40	7.97	--	8.41	07/16/2014
Small Cap Growth	1.08	4.74	4.74	30.73	20.15	14.90	9.78	12/31/1993
Large Cap Growth	9.02	21.94	21.94	28.84	19.70	17.73	10.94	04/12/2007
Large Cap Value	9.38	32.64	32.64	18.22	11.36	--	10.87	03/11/2013
Fixed Income	-0.52	-1.37	-1.37	3.64	2.74	2.25	4.65	06/30/1993
Global Infrastructure	9.85	19.87	19.87	--	--	--	16.73	08/04/2020
Small Cap Value	10.55	23.67	23.67	13.94	5.89	9.00	10.38	08/03/1998
Large Cap Growth	5.03	24.07	24.07	31.77	25.87	--	18.09	03/16/2012
Receipt & Disbursements	0.00	0.02	0.02	--	--	--	0.20	12/01/2019
International Growth	2.97	6.26	6.26	11.70	7.36	6.97	8.04	10/23/2008
International Value	0.85	7.69	7.69	8.23	4.72	5.30	5.29	03/31/1994
Private Real Estate	4.99	15.62	15.62	2.26	3.61	--	5.29	10/01/2014

All performance above are Time Weighted(TWR) performance

## Glossary of Terms

**Active Contribution Return:** The gain or loss percentage of an investment relative to the performance of the investment benchmark.

**Active Exposure:** The percentage difference in weight of the portfolio compared to its policy benchmark.

**Active Return:** Arithmetic difference between the manager's return and the benchmark's return over a specified time period.

**Actual Correlation:** A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

**Alpha:** A measure of a portfolio's time weighted return in excess of the market's return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

**Best Quarter:** The highest quarterly return for a certain time period.

**Beta:** A measure of the sensitivity of a portfolio's time weighted return (net of fees) against that of the market. A beta greater than 1.00 indicates volatility greater than the market.

**Consistency:** The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's

performance.

**Core:** Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

**Cumulative Selection Return (Cumulative Return):** Cumulative investment performance over a specified period of time.

**Distribution Rate:** The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

**Down Market Capture:** The ratio of average portfolio returns over the benchmark during periods of negative benchmark return. Lower values indicate better product performance.

**Downside Risk:** A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

**Downside Semi Deviation:** A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

**Drawdown:** A drawdown is the peak-to-trough decline during a specific period of an investment, fund or

commodity.

**Excess over Benchmark:** The percentage gain or loss of an investment relative to the investment's benchmark.

**Excess Return:** Arithmetic difference between the manager's return and the risk-free return over a specified time period.

**Growth:** A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

**Growth of Dollar:** The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

**Investment Decision Process (IDP):** A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision's contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

**Information Ratio:** Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

**Jensen's Alpha:** The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha..

**Kurtosis:** A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

**Maximum Drawdown:** The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

**Modern Portfolio Theory (MPT):** An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

**Mutual Fund (MF):** An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

**Peer Group:** A combination of funds that share the same investment style combined as a group for comparison purposes.

**Peer/ Plan Sponsor Universe:** A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

**Performance Ineligible Assets:** Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of these include life insurance, some annuities and some assets held externally.

**Performance Statistics:** A generic term for various measures of investment performance measurement terms.

**Portfolio Characteristics:** A generic term for various measures of investment portfolio characteristics.

**Preferred Return:** A term used in the private equity (PE) world, and also referred to as a "Hurdle Rate." It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

**Ratio of Cumulative Wealth:** A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

**Regression Based Analysis:** A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

**Residual Correlation:** Within returns-based style analysis, residual correlation refers to the portion of a strategy's return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

**Return:** A rate of investment performance for the specified period.

**Rolling Percentile Ranking:** A measure of an investment portfolio's ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

**R-Squared:** The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.

**SA/CF (Separate Account/Comingled Fund):** Represents an acronym for Separate Account and Commingled Fund investment vehicles.

**Sector Benchmark:** A market index that serves as a proxy for a sector within an asset class.

**Sharpe Ratio:** Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance results in.

**Standard Deviation:** A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

**Total Fund Benchmark:** The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

**Total Fund Composite:** The aggregate of multiple portfolios within an asset pool or household.

**Tracking Error:** A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

**Treynor Ratio:** A ratio that divides the excess return (above the risk free rate) by the portfolio's beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

**Up Market Capture:** The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

**Upside Semi Deviation:** A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility: the larger the number, the greater the volatility.

**Value:** A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

**Worst Quarter:** The lowest rolling quarterly return for a certain time period.

## Information Disclosures

*Performance results are annualized for time periods greater than one year and include all cash and cash equivalents, realized and unrealized capital gains and losses, and dividends, interest and income. The investment results depicted herein represent historical performance. As a result of recent market activity, current performance may vary from the figures shown. Past performance is not a guarantee of future results.*

*Please see the Morgan Stanley Smith Barney LLC Form ADV Part 2 Brochure for advisory accounts and/or any applicable brokerage account trade confirmation statements for a full disclosure of the applicable charges, fees and expenses. Your Financial Advisor will provide those documents to you upon request.*

*Benchmark indices and blends included in this material are for informational purposes only, are provided solely as a comparison tool and may not reflect the underlying composition and/or investment objective(s) associated with the account(s). Indices are unmanaged and not available for direct investment. Index returns do not take into account fees or other charges. Such fees and charges would reduce performance.*

*The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.*

*Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds' company website.*

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. **Growth investing** does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. **Value investing** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **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. **Bond funds** and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. **International securities'** prices 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. **Alternative investments**, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. **Master Limited Partnerships** (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk; and MLP interests in the real estate sector are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including: investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests, and limited call rights related to acquisitions.

**Mortgage backed securities** also involve prepayment risk, in that faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield-to-maturity of a mortgage-backed security and prepayment risk includes the possibility that a fund may invest the proceeds at generally lower interest rates.

**Tax managed funds** may not meet their objective of being tax-efficient.

**Real estate** investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. **High yield** fixed income securities, also known as "junk bonds", are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Credit quality is a measure of a bond issuer's creditworthiness, or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on security rating as provided by Standard & Poor's, Moody's and/or Fitch, as applicable. Credit ratings are issued by the rating agencies for the underlying securities in the fund and not the fund itself, and the credit quality of the securities in the fund does not represent the stability or safety of the fund. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P and Fitch's classification (the equivalent of Aaa and C, respectively, by Moody(s)). Ratings of BBB or higher by S&P and Fitch (Baa or higher by Moody's) are considered to be investment grade-quality securities. If two or more of the agencies have assigned different ratings to a security, the highest rating is applied. Securities that are not rated by all three agencies are listed as "NR".

“**Alpha tilt strategies** comprise a core holding of stocks that mimic a benchmark type index such as the S&P 500 to which additional securities are added to help tilt the fund toward potentially outperforming the market in an effort to enhance overall investment returns. Tilt strategies are subject to significant timing risk and could potentially expose investors to extended periods of underperformance.”

**Custom Account Index:** The Custom Account Index is an investment benchmark based on your historical target allocations and/or manager selection that you may use to evaluate the performance of your account. The Custom Account index does take into consideration certain changes that may have occurred in your portfolio since the inception of your account, i.e., asset class and/or manager changes. However, in some circumstances, it may not be an appropriate benchmark for use with your specific account composition. For detailed report of the historical composition of this blend please contact your Financial Advisor.

## Peer Groups

Peer Groups are a collection of similar investment strategies that essentially group investment products that share the same investment approach. Peer Groups are used for comparison purposes to compare and illustrate a client's investment portfolio versus its peer across various quantitative metrics like performance and risk. Peer Group comparison is conceptually another form of benchmark comparison whereby the actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

<https://www.invmetrics.com/style-peer-groups>

## Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

## Alternatives

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Alternatives may be either traditional alternative investment vehicles or non-traditional alternative strategy vehicles. Traditional alternative investment vehicles may include, but are not limited to, Hedge Funds, Fund of Funds (both registered and unregistered), Exchange Funds, Private Equity Funds, Private Credit Funds, Real Estate Funds, and Managed Futures Funds. Non-traditional alternative strategy vehicles may include, but are not limited to, Open or Closed End Mutual Funds, Exchange-Traded and Closed-End Funds, Unit Investment Trusts, exchange listed Real Estate Investment Trusts (REITs), and Master Limited Partnerships (MLPs). These non-traditional alternative strategy vehicles also seek alternative-like exposure but have significant differences from traditional alternative investment vehicles. Non-traditional alternative strategy vehicles may behave like, have characteristics of, or employ various investment strategies and techniques for both hedging and more speculative purposes such as short-selling, leverage, derivatives, and options, which can increase volatility and the risk of investment loss. Characteristics such as correlation to traditional markets, investment strategy, and market sector exposure can play a role in the classification of a traditional security being classified as alternative.

Traditional alternative investment vehicles are illiquid and usually are not valued daily. The estimated valuation provided will be as of the most recent date available and will be included in summaries of your assets. Such valuation may not be the most recent provided by the fund in which you are invested. No representation is made that the valuation is a market value or that the interest could be liquidated at this value. We are not required to take any action with respect to your investment unless valid instructions are received from you in a timely manner. Some positions reflected herein may not represent interests in the fund, but rather redemption proceeds withheld by the issuer pending final valuations which are not subject to the investment performance of the fund and may or may not accrue interest for the length of the withholding. Morgan Stanley does not engage in an independent valuation of your alternative investment assets. Morgan Stanley provides periodic information to you including the market value of an alternative investment vehicle based on information received from the management entity of the alternative investment vehicle or another service provider.

Traditional alternative investment vehicles often are speculative and include a high degree of risk. . Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: • Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; • Lack of liquidity in that there may be no secondary market for a



fund;• Volatility of returns;• Restrictions on transferring interests in a fund;• Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;• Absence of information regarding valuations and pricing;• Complex tax structures and delays in tax reporting;• Less regulation and higher fees than mutual funds; and• Risks associated with the operations, personnel, and processes of the manager. As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund.

Indices are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Past performance is no guarantee of future results. Actual results may vary. Diversification does not assure a profit or protect against loss in a declining market. Any performance or related information presented has not been adjusted to reflect the impact of the additional fees paid to a placement agent by an investor (for Morgan Stanley placement clients, a one-time upfront Placement Fee of up to 3%, and for Morgan Stanley investment advisory clients, an annual advisory fee of up to 2.5%), which would result in a substantial reduction in the returns if such fees were incorporated.

For most investment advisory clients, the program account will be charged an asset-based wrap fee every quarter ("the Fee"). In general, the Fee covers investment advisory services and reporting. In addition to the Fee, clients will pay the fees and expenses of any funds in which their account is invested. Fund fees and expenses are charged directly to the pool of assets the fund invests in and impact the valuations. Clients must understand that these fees and expenses are an additional cost and will not be included in the Fee amount in the account statements.

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, for an account with an initial value of \$100,000 and a 2.5% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 2.40% per year over a three year period, and the total value of the client's portfolio at the end of the three year period would be approximately \$115,762.50 without the fees and \$107,372.63 with the fees. Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) <<http://www.morganstanley.com/ADV>> or from your Financial Advisor/Private Wealth Advisor.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley does not provide tax or legal advice. Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank.

SIPC insurance does not apply to precious metals, other commodities, or traditional alternative investments.

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## Money Market Funds

You could lose money in Money Market Funds. Although MMFs classified as government funds (i.e., MMFs that invest 99.5% of total assets in cash and/or securities backed by the U.S government) and retail funds (i.e., MMFs open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A MMF investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency.



# Hypothetical Portfolio Risks and Limitations

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**WHAT ARE THE LIMITATIONS OF HYPOTHETICAL PROJECTIONS? IMPORTANT:** The projections or other information provided in this report regarding the likelihood of various investment outcomes (including any assumed rates of return and income) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. This report does not purport to recommend or implement a specific investment strategy or securities transaction. Morgan Stanley cannot give any assurances that any estimates, assumptions or other aspects of the report will prove correct. No tool has the ability to accurately predict the future, eliminate risk or guarantee investment results. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions used for this report, your actual results will vary (perhaps significantly) from those presented herein.

Hypothetical investment results have inherent limitations:

- There are frequently large differences between hypothetical and actual results.
- Hypothetical results do not represent actual results and are generally designed with the benefit of hindsight.
- They cannot account for all factors associated with risk, including the impact of financial risk in actual trading or the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses.
- There are numerous other factors related to the markets in general or to the implementation of any specific strategy that cannot be fully accounted for in the preparation of hypothetical risk results and all of which can adversely affect actual performance.

# Hypothetical Portfolio Risks and Limitations

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The risk of a specific investment may be more or less than the risk results generated in this report and results may vary with each use and over time. They are subject to actual known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those shown. The information is as of the date of this report or as otherwise noted. Morgan Stanley expressly disclaims any obligation or undertaking to update or revise any statement or other information contained herein to reflect any change in past results, future expectations or circumstances upon which that statement or other information is based. The analyses speak only as of the date of this report.

Rates of return will vary over time, particularly for long term investments. Hypothetical results are for illustrative purposes only and are not intended to represent future performance of any particular investment. Your actual results may differ. The principal value and investment return of an investment will fluctuate with changes in market conditions and may be worth more or less than original cost.

Taxes may be due upon withdrawal.

We make no representation or warranty as to the reasonableness of the assumptions made. To the extent that the assumptions made do not reflect actual conditions, the illustrative value of the hypothetical projections will decrease. The hypothetical projections shown may under or over compensate for the impact of actual market conditions and other factors, such as expenses. There are numerous other factors related to the markets in general or to the implementation of any specific trading strategy that cannot be fully accounted for in the preparation of hypothetical projections and all of which can adversely affect actual trading results. For example, the risk of loss in value of a specific security, such as a stock or bond, is not the same as, and does not match, the risk of loss in a broad-market index. As such, these projections may not be a meaningful tool in determining how a strategy will actually perform. Similarly, trading certain types of securities, such as international and emerging market, high yield and derivatives may have unique trading risks. As a result, the historical returns of an index will not be the same as a historical return of a specific security, including one that is contained in the index. This lack of "volatility correlation" will likely continue to apply in future returns of a specific security relative to an index.

Before making any investment, you should carefully consider the risks associated with the investment and make a determination based upon your own particular circumstances that the investment is consistent with your investment objectives and risk tolerance.

# Criteria, Methodology, and Assumptions in Calculation of Hypothetical Performance

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The risk of a specific investment may be more or less than the risk results generated in this report and results may vary with each. This proposal includes exhibits that illustrate the hypothetical back-tested performance results of an asset weighted proposed portfolio of eligible investment products in the Select UMA, Consulting Group Advisor, and/or Portfolio Management program that you may or may not currently own, or may not currently own in the same quantities. It may also include a similar hypothetical illustration of your current portfolio.

It does not include hypothetical performance of the investments in any brokerage accounts or external accounts or any advisory program ineligible assets you may have. The proposed portfolio depicted in this material, including asset allocation and the list of securities in the proposed portfolio, are hypothetical illustrations only. You would not necessarily have obtained the hypothetical performance results illustrated if you had held these investment products, in the proposed allocation, for the time periods indicated. The results do not reflect the personal performance experience of your actual securities or actual account(s).

Hypothetical back-tested results reflect a hypothetical blending and allocation of the historical performance of Select UMA Separately Managed Account(SMA) strategy performance composites, and program eligible mutual funds, exchange traded funds(ETFs), and closed-end funds, in the current and/or proposed account(s)/portfolio(s) suggested by your Financial Advisor.

Hypothetical portfolio performance is calculated by blending the historical (gross of advisory fee but net of fund expenses) monthly performance of each of the individual funds and, in the case of SMA strategies, the composite net quarterly performance of each Select UMA SMA strategy (net of max advisory fee and applicable Sub-Manager Fees), in proportion to their allocation weights in the proposed portfolio. A prorated maximum net advisory fee or proposed advisory fee, is applied to the gross fund performance to derive the net hypothetical performance of the proposed portfolio.

The hypothetical portfolio performance returns depicted in this report, and the Mutual Fund and ETF gross performance returns reflect a deduction the fund's fees and expenses. Net Asset Values of ETFs are utilized in deriving hypothetical weighted Portfolio/account performance. Please refer to "Performance Review – Mutual Fund & ETF " exhibit for more information on actual performance of the individual ETF and mutual fund(s) included in the illustration.

# Criteria, Methodology, and Assumptions in Calculation of Hypothetical Performance

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Net performance data represents the deduction of a maximum Morgan Stanley Advisory Fee ("Wrap Fee") that is equivalent to 0.3375% quarterly or a proposed Wrap Fee customized for you that is prorated and applied quarterly in this material. If your account is invested in an SMA, you will also pay a separate annual asset-based fee that covers the services provided by a Sub-Manager ("Sub-Manager Fee"). Managed Advisory Portfolio Solutions SMAs do not charge a Sub-Manager Fee, therefore such fees are not a component of the net of Advisory Fee performance illustration. Accounts are generally billed on a monthly basis, which may differ from the calculation of performance net of fees displayed herein which factors, as appropriate, quarterly or annual application of such fees. Morgan Stanley program fees have a compounding effect on performance, which will reduce returns over time. The Morgan Stanley Wrap Fee, which differs among programs and clients, is described in the applicable program disclosure document, which is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or on request from your Financial Advisor or Private Wealth Advisor.

Hypothetical portfolio performance does not guarantee future results.

The individual historical performance of mutual funds, ETFs, and closed-end funds are obtained from Morningstar. SMA strategy performance is obtained from the SMA Managers and from Morgan Stanley.

Individual fund and strategy performance results include all cash and cash equivalents, are annualized for time periods greater than one year and include realized and unrealized capital gains and losses and reinvestment of dividends, interest and other income. Totals are rounded to the nearest dollar and, as such, may not equal the sum of the detail.

Please refer to Select UMA SMA strategy profiles appended to this proposal for the individual SMA composite performance returns and methodology and to the Morningstar Fund Fact Sheets for individual fund performance and disclosures.

# IMPORTANT INFORMATION ON HYPOTHETICAL PERFORMANCE

## Summary—Please Read

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This material contains hypothetical performance illustrations that are intended for investors who have the expertise and resources to understand the risks and limitations of these types of presentations.

Hypothetical performance represents returns that were not actually achieved by any portfolio of the investment adviser. They may include:

- Performance derived from model portfolios, which are typically constructed using individual securities (stocks and bonds), ETFs, mutual funds or other investment products, and can be developed with the benefit of hindsight and without actual money at risk
- Performance that is back-tested by the application of a strategy to data from prior time periods when the strategy was not actually used during those time periods—back-testing attempts to demonstrate how an investment strategy might have performed if it had been implemented historically
- Targeted or projected performance returns of a portfolio that is based on assumptions about investment returns and market behavior
- Performance during certain simulated market scenarios that measure the potential impact of discrete market events on a portfolio using a multifactor statistical risk model
- Performance during certain simulated historical scenarios that measure the profit and loss impact of instantaneous market movements between two specified dates based on risk factors in a portfolio

Hypothetical performance illustrations:

- May include investment products that you currently may not own, or may not own in the same quantities
- May appear similar to your current portfolio—but you would not necessarily have obtained the same results even if you had held the same products in the same allocation for the same time periods
- Are not designed to maximize performance returns or other rewards
- Do not reflect the personal performance experience of your actual securities or account(s)

Hypothetical performance results have inherent limitations, including the following:

- There can be large differences between hypothetical and actual results
- These illustrations do not account for certain risk factors, including the ability to withstand losses or to adhere to a particular trading strategy in the face of trading losses
- The hypothetical results do not represent actual results and are generally designed with the benefit of hindsight
- There are other factors that cannot be accounted for in these illustrations, which could potentially impact actual performance, such as market movements in general, the implementation of certain strategies, etc.

The hypothetical performance illustrations that follow are intended for your exclusive use and are not for further distribution. The sole purpose of this material is to inform. It is not intended to be an offer or solicitation to purchase or sell any security, other investment or service.

Please see important disclosure information at the end of this material for an explanation of assumptions, limitations and methodologies. IF YOU HAVE ANY QUESTIONS ABOUT ANY OF THE ILLUSTRATIONS, INFORMATION, OR DISCLOSURES IN THIS DOCUMENT, PLEASE CONTACT YOUR MORGAN STANLEY TEAM.

## **Exhibit 2**

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### **Sample Asset Allocation Analysis**

# Asset Allocation Analysis

Prepared on July 12<sup>th</sup>, 2025  
for Delray Beach General Employees' Retirement System

**Graystone Consulting Tampa**  
TAMPA, FL

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# Asset Allocations

## Delray Beach General Employees' Retirement System

### Summary

- Cash
- Equities
- Fixed Income & Preferreds
- Alternatives
- Multi-Asset



Asset class	%	%	%
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
■ Cash	1.0	5.4	-
■ Equities	75.3	69.9	65.0
<b>US Equities</b>	<b>66.1</b>	<b>60.1</b>	<b>55.0</b>
US Large Cap Growth	14.9	11.4	17.5
US Large Cap Value	24.8	23.4	17.5
US Large Cap	4.7	4.5	5.0
US Mid Cap	17.4	16.7	7.5
US Small Cap	4.3	4.1	7.5
<b>International Equities</b>	<b>4.6</b>	<b>5.0</b>	<b>5.0</b>
Emerging & Frontier Mkt	4.6	4.8	5.0
■ Fixed Income & Preferreds	16.8	17.4	20.0
US Fixed Income Taxable	16.8	17.4	20.0
■ Alternatives	2.1	2.3	15.0
Real Assets	-	-	5.0
Private Investments	2.1	2.3	10.0
Private Real Estate	-	-	5.0
Private Equity	-	-	2.5
Private Credit	2.1	2.3	2.5
■ Multi-Asset	4.8	5.0	-
Global Multi-Asset	4.8	5.0	-

The portfolios above are constructed using indices as proxies. Indices are unmanaged. It is not possible to invest directly in an index. Asset allocation does not assure a profit or protect against loss. This analysis assumes that the Strategic Assumptions apply for the first 7 years and the Secular Assumptions apply thereafter. Annual returns are shown gross of cash inflows, cash outflows, taxes and advisory fees. Please refer to the Return Assumptions page of the appendix to view an important and relevant disclosure regarding return rates and fees. For use only in one-on-one presentations.

Summary

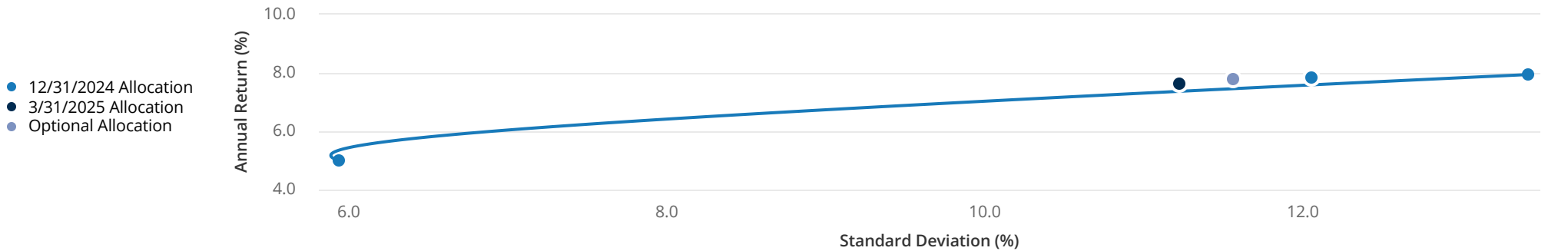
Assumptions	12/31/2024 Allocation		3/31/2025 Allocation		Optional Allocation	
	Strategic	Secular	Strategic	Secular	Strategic	Secular
Annual Return	7.8%	8.3%	7.6%	8.0%	7.8%	8.2%
Standard Deviation	12.1%	11.6%	11.2%	10.8%	11.6%	11.1%
Sharpe Ratio	0.34	0.44	0.35	0.45	0.35	0.46
Annual Yield	2.8%	2.7%	3.0%	2.8%	3.1%	2.9%
Probability of Positive Return	74.9%	77.2%	76.0%	77.9%	75.6%	78.0%

The portfolios above are constructed using indices as proxies. Indices are unmanaged. It is not possible to invest directly in an index. Asset allocation does not assure a profit or protect against loss. This analysis assumes that the Strategic Assumptions apply for the first 7 years and the Secular Assumptions apply thereafter. Annual returns are shown gross of cash inflows, cash outflows, taxes and advisory fees. Please refer to the Return Assumptions page of the appendix to view an important and relevant disclosure regarding return rates and fees. For use only in one-on-one presentations.

# Efficient Frontier

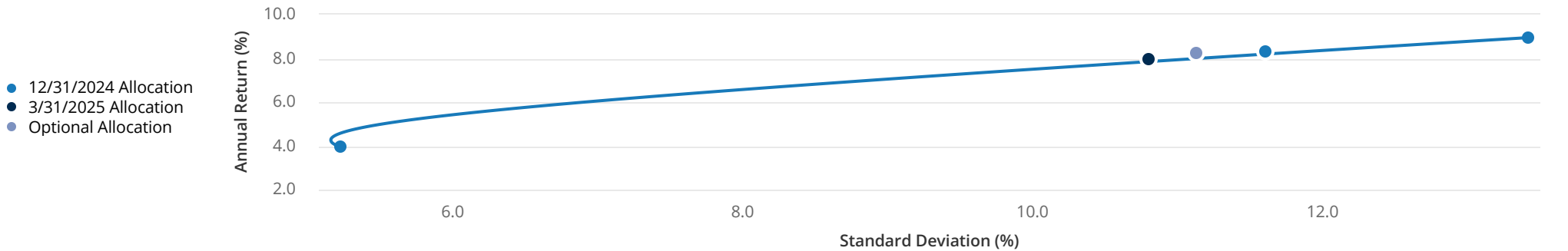
Summary

Strategic Assumptions



	12/31/2024 Allocation	3/31/2025 Allocation	Optional Allocation
Annual Return	7.8%	7.6%	7.8%
Standard Deviation	12.1%	11.2%	11.6%
Sharpe Ratio	0.34	0.35	0.35
Annual Yield	2.8%	3.0%	3.1%

Secular Assumptions



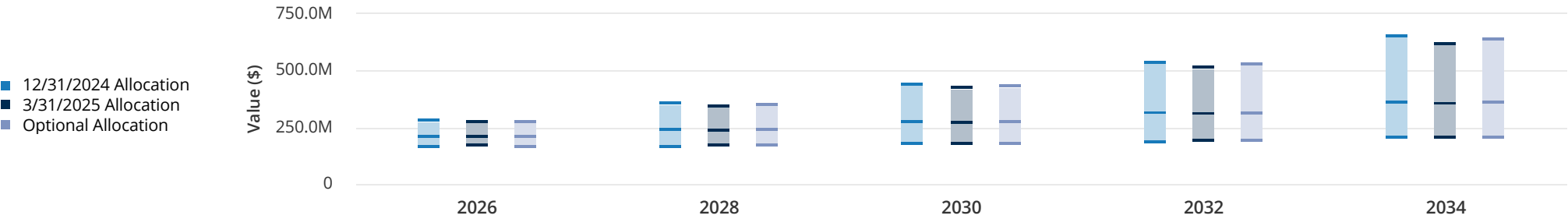
	12/31/2024 Allocation	3/31/2025 Allocation	Optional Allocation
Annual Return	8.3%	8.0%	8.2%
Standard Deviation	11.6%	10.8%	11.1%
Sharpe Ratio	0.44	0.45	0.46
Annual Yield	2.7%	2.8%	2.9%

This analysis assumes that the Strategic Assumptions apply for the first 7 years and Secular Assumptions apply thereafter. Please refer to the Return Assumptions page of the appendix to view an important and relevant disclosure regarding return rates and fees. For use only in one-on-one presentations.

# Hypothetical Performance Over Time

Summary: 2025-2034

Portfolio Value



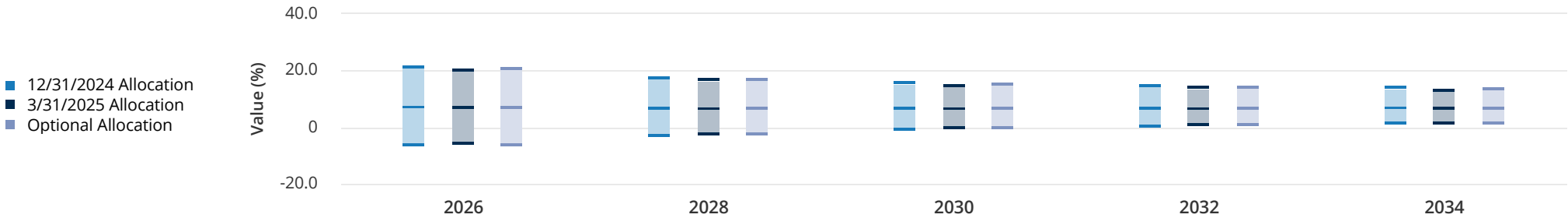
■ 12/31/2024 Allocation					
95th Percentile	\$276.8M	\$352.0M	\$435.3M	\$534.0M	\$651.3M
50th Percentile	\$218.2M	\$246.6M	\$281.4M	\$322.2M	\$369.7M
5th Percentile	\$163.6M	\$164.8M	\$173.4M	\$184.0M	\$200.0M
■ 3/31/2025 Allocation					
95th Percentile	\$271.8M	\$342.3M	\$420.5M	\$510.1M	\$616.2M
50th Percentile	\$217.5M	\$245.4M	\$279.3M	\$318.7M	\$363.7M
5th Percentile	\$166.5M	\$168.8M	\$178.3M	\$189.3M	\$205.7M
■ Optional Allocation					
95th Percentile	\$274.3M	\$348.4M	\$427.6M	\$524.9M	\$634.9M
50th Percentile	\$218.0M	\$247.2M	\$281.7M	\$321.6M	\$369.7M
5th Percentile	\$165.0M	\$168.0M	\$176.8M	\$189.4M	\$205.4M

Portfolio value is shown net of cash inflows, cash outflows, taxes and advisory fees. Annualized return is shown gross of cash inflows, cash outflows, taxes and advisory fees. Portfolio values reflect the future value of the portfolios. Annualized return reflects nominal growth of the portfolios. This analysis assumes that the Strategic Assumptions apply for the first 7 years and the Secular Assumptions apply thereafter. For use only in one-on-one presentations. For important information regarding the impact of expenses on performance please refer to the disclosures at the end of this material.

# Hypothetical Performance Over Time

Summary: 2025-2034

Annualized Return

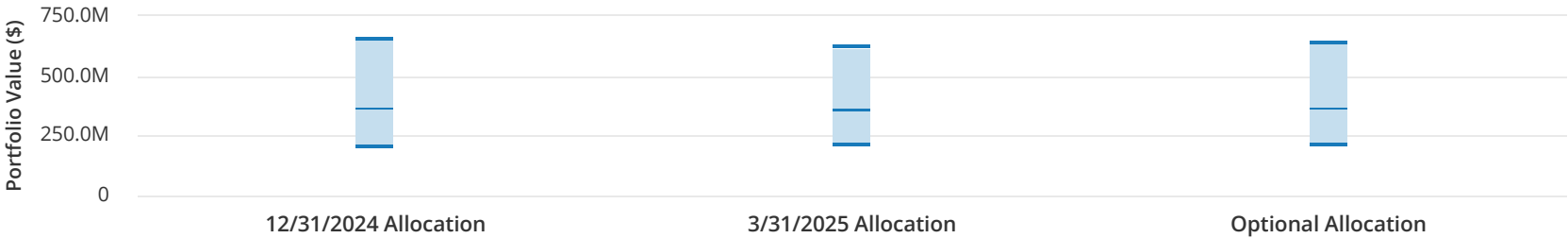


■ 12/31/2024 Allocation					
95th Percentile	21.2%	17.2%	15.3%	14.3%	13.6%
50th Percentile	7.7%	7.2%	7.3%	7.3%	7.4%
5th Percentile	-6.7%	-3.0%	-1.0%	0.1%	1.0%
■ 3/31/2025 Allocation					
95th Percentile	20.1%	16.4%	14.7%	13.6%	13.0%
50th Percentile	7.5%	7.1%	7.1%	7.2%	7.2%
5th Percentile	-5.9%	-2.4%	-0.6%	0.5%	1.3%
■ Optional Allocation					
95th Percentile	20.6%	16.9%	15.0%	14.0%	13.3%
50th Percentile	7.6%	7.3%	7.3%	7.3%	7.4%
5th Percentile	-6.3%	-2.5%	-0.7%	0.5%	1.3%

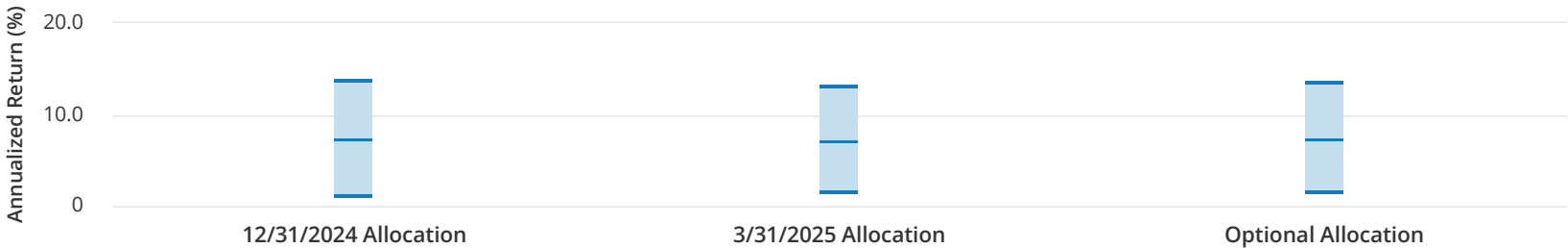
Portfolio value is shown net of cash inflows, cash outflows, taxes and advisory fees. Annualized return is shown gross of cash inflows, cash outflows, taxes and advisory fees. Portfolio values reflect the future value of the portfolios. Annualized return reflects nominal growth of the portfolios. This analysis assumes that the Strategic Assumptions apply for the first 7 years and the Secular Assumptions apply thereafter. For use only in one-on-one presentations. For important information regarding the impact of expenses on performance please refer to the disclosures at the end of this material.

# Summary Performance Statistics

Summary: Year 2034



Portfolio Value			
95th Percentile	\$651.3M	\$616.2M	\$634.9M
50th Percentile	\$369.7M	\$363.7M	\$369.7M
5th Percentile	\$200.0M	\$205.7M	\$205.4M

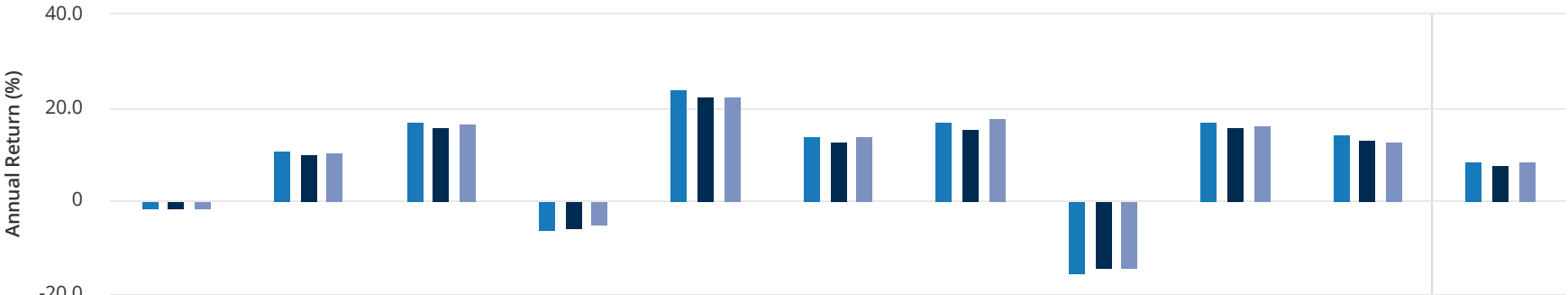


Annualized Return			
95th Percentile	13.6%	13.0%	13.3%
50th Percentile	7.4%	7.2%	7.4%
5th Percentile	1.0%	1.3%	1.3%

Portfolio value is shown net of cash inflows, cash outflows, taxes and advisory fees. Annualized return is shown gross of cash inflows, cash outflows and advisory fees. Portfolio values reflect the future value of the portfolios. Annualized growth rates reflect nominal growth of the portfolios. This analysis assumes that the Strategic Assumptions apply for the first 7 years and the Secular Assumptions apply thereafter. For use only in one-on-one presentations. Please refer to the Return Assumptions page of the appendix to view an important and relevant disclosure regarding return rates and fees. For important information regarding the impact of expenses on performance please refer to the disclosures at the end of this material.

# Historical Performance (Last 10 Years)

Summary



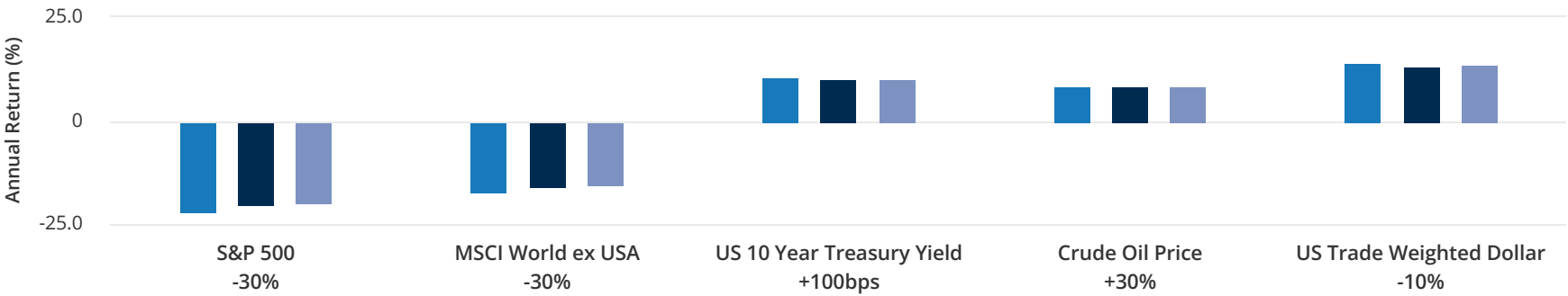
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Last 10 Yrs. Annualized
12/31/2024 Allocation	-1.4%	10.9%	17.1%	-5.9%	24.2%	14.2%	17.3%	-15.3%	17.3%	14.3%	8.6%
3/31/2025 Allocation	-1.6%	10.3%	15.9%	-5.7%	22.6%	12.8%	15.8%	-14.1%	15.8%	13.1%	7.9%
Optional Allocation	-1.3%	10.6%	16.9%	-4.8%	22.5%	14.1%	17.8%	-14.3%	16.3%	13.1%	8.5%

This section reflects the performance of the portfolio on an asset class basis in each of the last 10 years. Historical returns are shown gross of cash inflows, cash outflows, taxes and advisory fees. Past performance is no guarantee of future results. Please refer to the Return Assumptions page of the appendix to view an important and relevant disclosure regarding return rates and fees. For use only in one-on-one presentations.



# Market Scenarios

### Summary

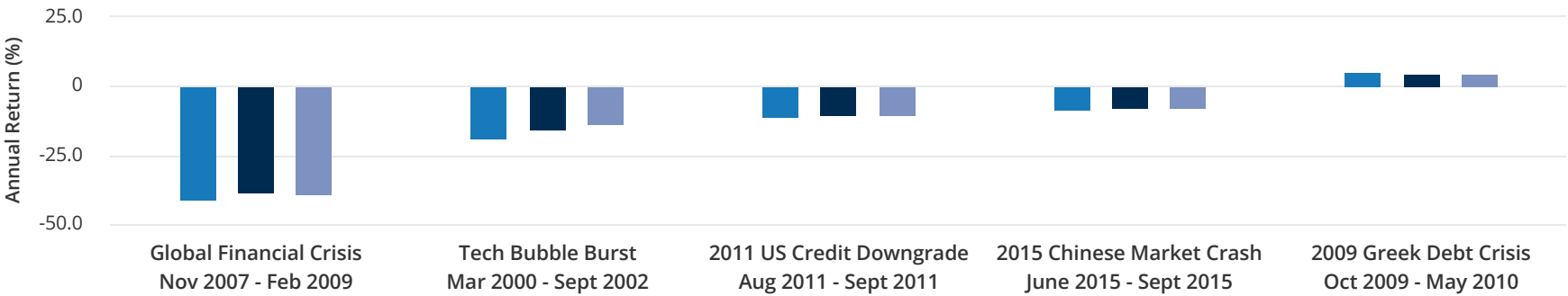


■ 12/31/2024 Allocation	-22.1%	-17.3%	10.6%	8.5%	14.0%
■ 3/31/2025 Allocation	-20.3%	-15.9%	10.1%	8.3%	13.5%
■ Optional Allocation	-19.7%	-15.4%	10.2%	8.5%	13.6%

Annual returns are shown gross of cash inflows, cash outflows, taxes and advisory fees. The market scenarios are changed independently of one another and tested one at a time. Concurrent market scenarios are not tested in this analysis. For use only in one-on-one presentations. For important information regarding the impact of expenses on performance please refer to the disclosures at the end of this material.

# Historical Scenarios

Summary



■ 12/31/2024 Allocation	-41.1%	-18.6%	-11.2%	-8.0%	5.2%
■ 3/31/2025 Allocation	-38.4%	-15.7%	-10.5%	-7.6%	4.9%
■ Optional Allocation	-39.0%	-13.5%	-10.1%	-7.3%	4.9%

Annual returns are shown gross of cash inflows, cash outflows, taxes and advisory fees. The historical scenarios are changed independently of one another and tested one at a time. Concurrent historical scenarios are not tested in this analysis. For use only in one-on-one presentations. For important information regarding the impact of expenses on performance please refer to the disclosures at the end of this material.

# Return Assumptions

## Delray Beach General Employees' Retirement System

	Strategic Assumptions				Secular Assumptions			
	Annual Return	Standard Deviation	Sharpe Ratio	Yield	Annual Return	Standard Deviation	Sharpe Ratio	Yield
■ <b>Cash</b>	3.8%	0.8%	0.00	3.8%	3.2%	0.7%	0.00	3.2%
■ <b>Equities</b>	7.9%	13.4%	0.31	2.0%	8.9%	13.4%	0.43	2.0%
US Equities	7.6%	15.4%	0.25	2.0%	9.5%	14.8%	0.43	2.0%
US Large Cap Growth	7.5%	16.9%	0.22	1.2%	9.8%	16.1%	0.41	1.2%
US Large Cap Value	8.8%	14.9%	0.34	2.5%	9.3%	14.4%	0.42	2.5%
US Large Cap	7.4%	14.9%	0.24	2.0%	9.4%	14.4%	0.43	2.0%
US Mid Cap	9.1%	16.7%	0.32	1.7%	9.7%	16.0%	0.41	1.7%
US Small Cap	8.9%	20.1%	0.26	1.5%	9.3%	19.0%	0.33	1.5%
International Equities	8.4%	15.6%	0.30	2.8%	8.4%	15.3%	0.35	2.8%
Emerging & Frontier Mkt	10.5%	18.7%	0.36	5.3%	10.0%	19.2%	0.36	5.3%
■ <b>Fixed Income &amp; Preferreds</b>	5.0%	5.9%	0.21	5.0%	3.9%	5.2%	0.15	3.9%
US Fixed Income Taxable	5.0%	5.9%	0.21	5.0%	3.9%	5.2%	0.15	3.9%
■ <b>Alternatives</b>	6.7%	8.0%	0.37	0.0%	6.5%	7.8%	0.43	0.0%
Real Assets	7.2%	12.7%	0.28	3.0%	6.7%	12.2%	0.29	3.0%
Private Investments	9.1%	10.7%	0.50	4.6%	9.4%	10.3%	0.60	3.3%
Private Real Estate	7.9%	16.6%	0.25	6.4%	8.2%	16.5%	0.31	6.6%
Private Equity	11.2%	16.5%	0.45	0.0%	13.0%	15.9%	0.62	0.0%
Private Credit	8.7%	9.5%	0.52	8.7%	8.5%	10.2%	0.52	8.5%
■ <b>Multi-Asset</b>	5.9%	7.9%	0.27	3.7%	6.2%	7.6%	0.40	3.6%
Global Multi-Asset	5.9%	7.9%	0.27	3.7%	6.2%	7.6%	0.40	3.6%

The Strategic Assumptions represent a time horizon of 7 years while the Secular Assumptions represent a time horizon of 20+ years. In the Linear Growth and Monte Carlo analyses the Strategic Assumptions apply for the first 7 years and the Secular Assumptions for each year thereafter. These assumptions are used for modeling purposes only. They are not guarantees of future returns.

1) The returns for Private Investments have been adjusted to account for infrequent pricing.

The assumed return rates in the Wealth Strategies Analysis are not reflective of any specific investment, do not include any fees or expenses that may be incurred by investing in specific products, nor all costs that you will incur when you implement your investment strategy. The return assumptions and hypothetical illustrations herein may be impacted after applying such costs, which may include investment advisory program fees up to a maximum of 2.0%, sub-manager fees, brokerage commissions, sales load or other expenses, which will depend on whether you choose a brokerage or an advisory relationship. The actual returns of a specific investment may be more or less than the asset class return assumptions used in the Wealth Strategies Analysis. It is not possible to invest directly in an index. The index performance shown does not reflect the impact of any taxes, transaction costs, management fees or other expenses that may be associated with certain investments. Indices are unmanaged. The Capital Market Assumptions applied in this analysis were defined by the firm's Global Investment Committee and were published in the "Inputs for GIC Asset Allocation: Annual Update of GIC Capital Market Assumptions" on March 27th, 2025. For use only in one-on-one presentations.

# Correlation Assumptions

	US Equities	International Equities	Emerging & Frontier Mkt	US Fixed Income Taxable	Real Assets	Private Investments	Global Multi-Asset
US Equities	1.00	0.55	0.50	0.31	0.69	0.64	0.88
International Equities		1.00	0.67	0.23	0.50	0.31	0.77
Emerging & Frontier Mkt			1.00	0.11	0.48	0.30	0.60
US Fixed Income Taxable				1.00	0.25	0.18	0.54
Real Assets					1.00	0.56	0.67
Private Investments						1.00	0.56
Global Multi-Asset							1.00

The strategic and secular assumptions have the same correlations.

It is not possible to invest directly in an index. The index performance shown does not reflect the impact of any taxes, transaction costs, management fees or other expenses that may be associated with certain investments. Indices are unmanaged. For use only in one-on-one presentations.

# Asset Class Assumptions

## Delray Beach General Employees' Retirement System

	Benchmark	Data History
■ Cash	FTSE US Three-Month T-Bill	1997 - 2024
■ Equities	MSCI All-Country World (USD, Net)	1979 - 2024
US Equities	Russell 3000	1979 - 2024
US Large Cap Growth	Russell 1000 Growth	1979 - 2024
US Large Cap Value	Russell 1000 Value	1979 - 2024
US Large Cap	S&P 500	1979 - 2024
US Mid Cap	Russell Midcap	1979 - 2024
US Small Cap	Russell 2000	1979 - 2024
International Equities	MSCI World ex-US (USD, Net)	1971 - 2024
Emerging & Frontier Mkt	MSCI Emerging Markets (USD, Net)	1999 - 2024
■ Fixed Income & Preferreds	Bloomberg US Aggregate	1970 - 2024
US Fixed Income Taxable	Bloomberg US Aggregate	1970 - 2024
■ Alternatives	HFRI Fund-Weighted Composite	1970 - 2024
Real Assets	Equal-Weighted Blend: Bloomberg Commodity; Alerian Midstream Energy Select; FTSE EPRA/NAREIT Global (USD)	1970 - 2024
Private Investments	Equal-Weighted Blend: NCREIF Property; Cambridge Associates Private Equity	1990 - 2024
Private Real Estate	Cambridge Associates Real Estate	1970 - 2024
Private Equity	Cambridge Associates Private Equity	1970 - 2024
Private Credit	Cambridge Associates Private Credit	1970 - 2024
■ Multi-Asset	Equal-Weighted Blend: MSCI All-Country World (USD, Net); Bloomberg Global Aggregate (USD-Hedged)	1970 - 2024
Global Multi-Asset	Equal-Weighted Blend: MSCI All-Country World (USD, Net); Bloomberg Global Aggregate (USD-Hedged)	1970 - 2024

It is not possible to invest directly in an index. The index performance shown does not reflect the impact of any taxes, transaction costs, management fees or other expenses that may be associated with certain investments. Indices are unmanaged. Past performance is no guarantee of future results. For use only in one-on-one presentations.

# Fee Assumptions

## Delray Beach General Employees' Retirement System

12/31/2024 Allocation

	Delray Beach General
■ Cash	0.5%
■ Equities	0.5%
US Equities	0.5%
US Large Cap Growth	0.5%
US Large Cap Value	0.5%
US Large Cap	0.5%
US Mid Cap	0.5%
US Small Cap	0.5%
International Equities	0.5%
Emerging & Frontier Mkt	0.5%
■ Fixed Income & Preferreds	0.5%
US Fixed Income Taxable	0.5%
■ Alternatives	0.5%
Private Investments	0.5%
Private Credit	0.5%
■ Multi-Asset	0.5%
Global Multi-Asset	0.5%

The assumed return rates in the Wealth Strategies Analysis are not reflective of any specific investment, do not include any fees or expenses that may be incurred by investing in specific products, nor all costs that you will incur when you implement your investment strategy. The return assumptions and hypothetical illustrations herein may be impacted after applying such costs, which may include investment advisory program fees up to a maximum of 2.0%, sub-manager fees, brokerage commissions, sales load or other expenses, which will depend on whether you choose a brokerage or an advisory relationship. The actual returns of a specific investment may be more or less than the asset class return assumptions used in the Wealth Strategies Analysis. If included in this analysis, annual fees are hypothetical in nature and do not reflect any specific expenses or fees that might actually be incurred in your portfolio. We include them here to reflect that expenses and fees may impact portfolio Indices are unmanaged. The Capital Market Assumptions applied in this analysis were defined by the firm's Global Investment Committee and were published in the "Inputs for GIC Asset Allocation: Annual Update of GIC Capital Market Assumptions" on March 27th, 2025. For use only in one-on-one presentations.

# Fee Assumptions

3/31/2025 Allocation

	Delray Beach General
■ Cash	0.5%
■ Equities	0.5%
US Equities	0.5%
US Large Cap Growth	0.5%
US Large Cap Value	0.5%
US Large Cap	0.5%
US Mid Cap	0.5%
US Small Cap	0.5%
International Equities	0.5%
Emerging & Frontier Mkt	0.5%
■ Fixed Income & Preferreds	0.5%
US Fixed Income Taxable	0.5%
■ Alternatives	0.5%
Private Investments	0.5%
Private Credit	0.5%
■ Multi-Asset	0.5%
Global Multi-Asset	0.5%

The assumed return rates in the Wealth Strategies Analysis are not reflective of any specific investment, do not include any fees or expenses that may be incurred by investing in specific products, nor all costs that you will incur when you implement your investment strategy. The return assumptions and hypothetical illustrations herein may be impacted after applying such costs, which may include investment advisory program fees up to a maximum of 2.0%, sub-manager fees, brokerage commissions, sales load or other expenses, which will depend on whether you choose a brokerage or an advisory relationship. The actual returns of a specific investment may be more or less than the asset class return assumptions used in the Wealth Strategies Analysis. If included in this analysis, annual fees are hypothetical in nature and do not reflect any specific expenses or fees that might actually be incurred in your portfolio. We include them here to reflect that expenses and fees may impact portfolio Indices are unmanaged. The Capital Market Assumptions applied in this analysis were defined by the firm's Global Investment Committee and were published in the "Inputs for GIC Asset Allocation: Annual Update of GIC Capital Market Assumptions" on March 27th, 2025. For use only in one-on-one presentations.



# Fee Assumptions

## Delray Beach General Employees' Retirement System

### Optional Allocation

	Delray Beach General
<b>■ Equities</b>	<b>0.5%</b>
<b>US Equities</b>	<b>0.5%</b>
US Large Cap Growth	0.5%
US Large Cap Value	0.5%
US Large Cap	0.5%
US Mid Cap	0.5%
US Small Cap	0.5%
<b>International Equities</b>	<b>0.5%</b>
<b>Emerging &amp; Frontier Mkt</b>	<b>0.5%</b>
<b>■ Fixed Income &amp; Preferreds</b>	<b>0.5%</b>
US Fixed Income Taxable	0.5%
<b>■ Alternatives</b>	<b>0.5%</b>
<b>Real Assets</b>	<b>0.5%</b>
<b>Private Investments</b>	<b>0.5%</b>
Private Real Estate	0.5%
Private Equity	0.5%
Private Credit	0.5%

The assumed return rates in the Wealth Strategies Analysis are not reflective of any specific investment, do not include any fees or expenses that may be incurred by investing in specific products, nor all costs that you will incur when you implement your investment strategy. The return assumptions and hypothetical illustrations herein may be impacted after applying such costs, which may include investment advisory program fees up to a maximum of 2.0%, sub-manager fees, brokerage commissions, sales load or other expenses, which will depend on whether you choose a brokerage or an advisory relationship. The actual returns of a specific investment may be more or less than the asset class return assumptions used in the Wealth Strategies Analysis. If included in this analysis, annual fees are hypothetical in nature and do not reflect any specific expenses or fees that might actually be incurred in your portfolio. We include them here to reflect that expenses and fees may impact portfolio Indices are unmanaged. The Capital Market Assumptions applied in this analysis were defined by the firm's Global Investment Committee and were published in the "Inputs for GIC Asset Allocation: Annual Update of GIC Capital Market Assumptions" on March 27th, 2025. For use only in one-on-one presentations.

## Methodology

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Morgan Stanley Wealth Management, in conjunction with your Financial Advisor as well as other resources across Morgan Stanley, has prepared this presentation. The presentation was designed to illustrate the risk and return characteristics of various portfolios when taking into account cash considerations. Each analysis is unique and although no individual analysis can completely describe the risk and return characteristics of a portfolio, the combination of these analyses can assist clients in arriving at an appropriate wealth strategy.

**Expected Returns, Standard Deviations and Correlations:** Return assumptions are established by the Morgan Stanley Global Investment Committee. The Global Investment Committee utilizes an equilibrium approach to generate expected returns, standard deviations and correlations for each asset class. We believe that by analyzing current and historical economic conditions and market trends, and then making projections of future economic growth, inflation, real yields for each country, we can estimate the equilibrium performance for an asset class. The equilibrium return is simply the central tendency around which market returns tend to fluctuate over a very long period of time. It is possible that actual returns will vary considerably from this equilibrium, even for a number of years, but we believe that market returns will eventually return to their equilibrium trend.

**Monte Carlo Analysis:** Monte Carlo simulation is an analytical technique which uses several iterations of hypothetical events. Statistics on the distribution of results can help infer which simulated variables are more likely. When simulating hypothetical asset class performance, we utilize Morgan Stanley's expected returns, standard deviations and correlations for each asset class. Small changes in these assumptions may have a sizable impact on the results. As such, the analysis is provided only for general guidance about asset allocation. There can be no assurances that the Monte Carlo-simulated results will be achieved or sustained. Your actual results will surely vary. For example, our simulations don't account for fees or transaction costs, which may be charged when you invest in an actual portfolio of securities. However, the goal of the Monte Carlo analysis is not 100% accurate forecasting, but rather to allow investors to make better, more informed decisions.

**Asset Allocations:** Unless otherwise stated, this analysis assumes that asset allocations remain constants and achieve the return and standard deviation assumptions over the period in which they are invested.

Important: The projections or other information generated by the Wealth Strategies Analysis Tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of futures results. Results generated by a Monte Carlo analysis will vary with each use and over time because each portfolio simulation is randomly generated. For use only in one-on-one presentations.

# Glossary

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**Annual Return:** The arithmetic average return that is expected to be achieved in a given year.

**Expected Performance:** Performance assuming that portfolios achieve their annual return assumption each year in which they are invested.

**Expected Tail Loss:** The average expected 1-year portfolio loss, at a 95% confidence level, if an extraordinarily bad event does occur.

**Sharpe Ratio:** This calculation measures a ratio of return above the risk free rate to volatility.

**Standard Deviation:** A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

**Value at Risk:** The maximum expected 1-year portfolio loss, at a 95% confidence level, if an extraordinarily bad event does not occur.

**Worst Trial:** This is defined as the worst hypothetical performance of the portfolio in a given year. While it's always possible, albeit with an infinitely small chance, that a portfolio could lose all its money in a year, this is the most the portfolio lost in all the iterations of the first year of the Monte Carlo simulation.

**Max Drawdown:** Similar to the worst trial, this is the worst hypothetical performance of the portfolio, but not limited to a single year - it's a potential total loss over the course of the plan.

# Risk of Different Investments

Different security types and asset classes carry different risks of investment.

**Small/Mid Caps U.S. Equity:** Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

**International/Emerging Markets:** International investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include potential and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economics.

**Fixed Income:** Fixed Income Securities are subject to interest rate risk, credit risk, prepayment risk, market risk, and reinvestment risk. Fixed Income Securities, if held to maturity, may provide a fixed rate of return and a fixed principal value. Fixed Income Securities prices fluctuate and when redeemed, may be worth more or less than their original cost.

**High Yield Bonds:** High Yield Fixed Income Investments, also known as junk bonds, are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

**Hedge Funds:** Hedge funds are appropriate only for long-term, qualified investors. They are generally illiquid, not tax efficient, and have higher fees than many traditional investments. They may also be highly leveraged and engage in speculative investment techniques which can magnify the potential for investment loss or gain.

**REITS:** REITs investing risks are similar to these associated with direct investments in real estate; lack of liquidity, limited diversification, and sensitivity to economic factors such as interest rate charges and market recessions.

**Private Equity:** Private equity interests may be highly illiquid, involve a high degree of risk and be subject to transfer restrictions.

**TIPS:** Because the return of TIPS is linked to inflation, TIPS may significantly underperform vs. fixed return treasuries in times of low inflation.

**Managed Futures:** Managed futures investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are appropriate only for the risk capital portion of an investor's portfolio. Before investing in any partnership and in order to make an informed decision, investors should read the applicable prospectus and/or offering documents carefully for additional information, including charges, expenses and risks. Investors should read the prospectus and/or offering documents carefully for additional information, including charges, expenses and risks. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio.

**Commodities:** Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

**MLPs:** Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in these sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk).

**Alternative Investments:** Any allocation containing alternative investments should note that they are highly illiquid and are only appropriate for investors willing to put capital at risk for an indefinite period of time. Alternative investments often engage in leverage and other speculative investment practices, may involve complex tax structures, typically have higher fees, and generally are not subject to the same regulatory requirements as traditional asset classes.

**Global Financial Crisis (11/2007 - 02/2009):** The U.S. subprime mortgage crisis was a set of events and conditions that led to a financial crisis and subsequent recession that began in 2008. It was characterized by a rise in subprime mortgage delinquencies and foreclosures, and the resulting decline of securities backed by said mortgages. While elements of the crisis first became more visible during 2007, several major financial institutions collapsed in September 2008, with significant disruption in the flow of credit to businesses and consumers and the onset of a severe global recession.

**Tech Bubble Burst (03/2000 - 09/2002):** The dot-com bubble was a historic speculative bubble covering roughly 1997-2000 (with a climax on March 10, 2000, with the NASDAQ peaking at 5,408.60 in intraday trading before closing at 5,048.62) during which stock markets in industrialized nations saw their equity value rise rapidly from growth in the Internet sector and related fields.

**2011 US Credit Downgrade (08/2011 - 09/2011):** The 2011 US Credit Rating Downgrade by Standard and Poor was the first time in history the United States was downgraded. S&P cited mounting budget deficits and the lack of planning done to address the government's debt dynamics as the catalyst for the downgrade.

**2015 Chinese Market Crash (06/2015 - 09/2015):** Between June 2014 and June 2015, China's Shanghai Composite index rose by 150 percent. A large portion of this acceleration in stock prices was due to retail investors' ability to invest on margin. Given this sensitivity to asset prices, when investors were met with margin calls in June of 2015, many were forced to sell. This wave of selling snowballed, leading to a ~30% decrease in the value of A-shares on the Shanghai Stock Exchange.

**2009 Greek Debt Crisis (10/2009 - 05/2010):** In 2009, the Greek government revealed it had underreported its budget deficit. As a result, borrowing costs skyrocketed and the country's credit rating was downgraded, leading to a loss of confidence in the Greek economy. The economic crisis in Greece exposed problems with the institutional architecture of the Eurozone and led to increased uncertainty throughout financial markets.

# Disclosures

These materials are provided for general informational and educational purposes based in part upon publicly available information from sources believed to be reliable. While we have taken great care in the preparation of these materials, we cannot be responsible for clerical, computational, or other errors. While we have relied on sources we believe to be reliable, the values reflected in this request may differ from their reported values due to varying reporting methods and valuation methods used by custodians other than those affiliated with us. We cannot assure the accuracy of these reports, nor of the information provided to us and reflected in this report.

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Investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Hypothetical performance illustrations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested.

Asset allocation does not assure profit or protect against loss in declining financial markets. Certain assumptions may have been made in the analyses that have resulted in the estimated return contained herein. Any change in these assumptions may have a material impact on any estimated returns.

Many of the views and opinions contained herein regarding asset allocation were prepared by Morgan Stanley Wealth Management and may differ materially from that of others at the Company. Nothing in this allocation is designed to constitute an individual investment plan which should only be devised after discussion with your Financial Advisor.

This Wealth Strategies Analysis Tool may contain historical asset class return data and statistically generated data from 1990-2017 which are not used to forecast potential return but rather to identify relative patterns of behavior among asset classes which when put in different combinations assume various levels of risk.

Blended index portfolio performance is shown for illustration purposes only. Hypothetical performance has inherent limitations and does not reflect actual performance, trading or decision making. The results vary and reflect material economic or market factors such as liquidity constraints or volatility, which have an important impact on decision making and actual performance.

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Past performance is no guarantee of future results. These materials do not constitute an offer to either buy or sell securities or to participate in any trading strategy.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

## Disclosures (Continued)

## Delray Beach General Employees' Retirement System

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If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

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## **Exhibit 3**

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### **Sample Research Report**



Global Investment Committee | July 2025

# On the Markets

## The New Bull Market

As investors reflect on the first half of 2025, it's hard not to describe the economic and geopolitical backdrop as historic, the uncertainty that created a one-week equity bear market as nearly unprecedented and the subsequent 25% retracement to new highs as positively relieving. But here we are. For the year to date, the S&P 500 Index is up more than 5%. So the key question is, where to from here?

The Global Investment Committee (GIC), alongside Morgan Stanley & Co.'s chief US equity strategist, Mike Wilson, continues to believe that the benchmark index can hit 6,500 this year, suggesting single-digit gains for the rest of 2025. A better outcome than that might be possible, as investors craft a new bull market narrative comprising faith in Federal Reserve easing into a disinflationary "Goldilocks" soft landing; a capex/productivity boom aided by corporate tax cuts; and constructive deregulation supporting credit growth and Treasury issuance. Lower-than-expected oil prices, a weak US dollar and tariff policy that proves nondisruptive are additional potential tailwinds.

But as the stock market has moved on from "policy uncertainty," the GIC has remained more measured, focusing on risk management. In particular, we note high valuation multiples, a slim equity risk premium, ambitious profit forecasts that already assume margin expansion and clear signs of economic weakening from housing, the labor market and pockets of consumer spending. With US stock gains forecast to pace in the low single digits and equities and long-term bonds positively correlated, we are opting for portfolios with maximum diversification. Rest-of-world stocks have been outperforming the US in dollar terms by more than several thousand basis points for the year to date and may benefit from monetary and fiscal easing ahead, while fixed income coupons are still pricing higher total returns than stocks. Meanwhile, real assets are good inflation hedges, and hedge funds offer superior active management. Select private investments can add additional sources of idiosyncratic return. There are exciting things to do, but the strongest gains lie beyond the passive S&P 500 Index in the second half of 2025.

Happy summer!

### Lisa Shalett

Chief Investment Officer  
Head of the Global Investment Office  
Morgan Stanley Wealth Management

### Daniel Skelly

Senior Investment Strategist  
Morgan Stanley Wealth Management

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US INTEREST RATES

## Steeper Curve, Weaker US Dollar Ahead

Matthew Hornbach, Global Head of Macro Strategy, Morgan Stanley & Co. LLC

Interest rate and currency markets have oscillated in wide ranges over the past two years. Since mid-2023, the 10-year US Treasury yield has traversed nearly the entire 3.5%–5.0% range five times before settling near its midpoint. When US Treasury yields rose from the lower end of the range, the US dollar appreciated. And when they fell from the upper end, the dollar depreciated. Coming into the year, we thought both the dollar and Treasury yields would break these ranges to the downside—leaving the currency materially weaker and yields materially lower in 2025.

**DOLLAR DEPRECIATION.** At one point in early April, both calls looked on track. The 10-year Treasury yield nosedived from near 5.0% to below 4.0%, and the US Dollar Index (DXY) fell 10%—both from their mid-January high. Since “Liberation Day” on April 2, however, the US dollar has decoupled from the 10-year yield. Instead of appreciating in line with Treasury yields, the dollar has depreciated, breaking below its two-year range. While this decoupling may not last, we believe it supports our view for a much weaker dollar ahead. Indeed, in our midyear outlook, “The Moments of TRUTHS,” we forecast that DXY would depreciate by 9% over the next 12 months.

What about Treasury yields? We expect the 10-year yield to fall below 3.5%—the lower end of its two-year range—over the next 12 months. And while good things proverbially come to those who wait, a year may seem like an eternity to investors. Fortunately, another part of the Treasury market, waiting to launch itself into a larger trend, stands on the precipice: the shape of the yield curve.

**SHORTER MATURITIES TO DRIVE STEEPENING.** We expect the US Treasury curve to steepen much further than it has so far. At the same time, we don’t think the 30-year Treasury bond yield will steepen the curve by rising. Instead, we expect investors to face lower yields across the Treasury curve, led by shorter maturities. Still, just as lower yields have proved elusive over the past two years, stubbornly high levels may

continue to frustrate investors over the next six months. Our economists believe tariff-related inflation will prevent the Fed from lowering rates this year—a dynamic that may keep Treasury yields in their two-year range for longer.

As we approach year-end and pass the peak of the inflation impulse, our economists expect growth data to weaken. We see that path leading to lower Treasury yields into year-end, taking the 10-year yield to 4.0%. Then, in 2026, we think Treasury yields will fall much further as yield curve steepening accelerates, taking yields below their captive range. The predominant driver? The Federal Reserve lowering the target range for the federal funds rate by 1.75 percentage point by the end of 2026.

Investors remain skeptical about such a drop in the Fed’s target policy rate of 4.25%–4.50%. Indeed, while Morgan Stanley & Co. projects a range of 2.50%–2.75% by the end of 2026, market pricing suggests a more modest decline. If the Fed delivers the policy path we envision, we expect investors to increasingly embrace shorter-dated Treasury securities, namely those with maturities less than five years. Monetary policy easing beyond what investors currently expect should then shift focus to what comes next: reflation.

As investors embrace a reflationary outlook toward the end of an easing cycle, they are likely to shy away from Treasuries with longer maturities, especially as their yields decline in sympathy with lower overnight rates. In addition, running in the background, the Fed’s presence in the Treasury market should continue to decline. At present, the Fed holds more duration risk in longer maturities than the private sector. As the central bank gradually exits the marketplace, we expect the private sector to assume more duration risk. And to do so, we think investors will demand more compensation in the form of yield.

In the end, we expect uncertainty to remain a constant in the lives of investors through our forecast horizon. But a much steeper US Treasury curve should help to compensate them for the inconvenience. ■

*This article was excerpted from the June 8 Morgan Stanley & Co. Research report, “A Steeper Yield Curve, a Weaker US Dollar Ahead.” For a copy of the full report, please contact your Financial Advisor.*

## GLOBAL ECONOMICS

## AI and the Labor Market: Apocalypse or Opportunity?

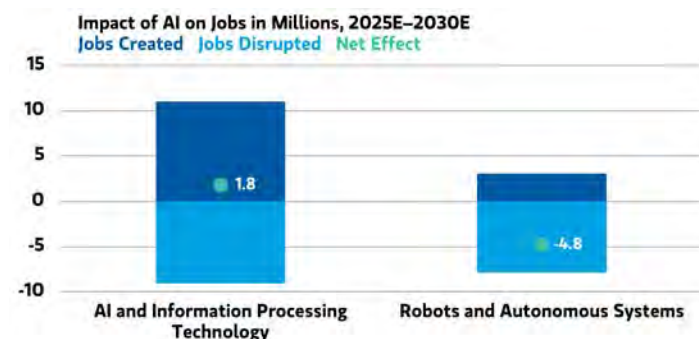
Sarah Wolfe, Investment Strategist, Morgan Stanley Wealth Management

Is artificial intelligence (AI) an existential threat to the global workforce—or its greatest catalyst for reinvention? It depends on who you ask.

Elon Musk famously predicted that AI will eventually eliminate all jobs, creating a future where universal basic income becomes necessary. While many view this as extreme, there is broad consensus that AI will bring extraordinary disruption and transformation to labor markets.

The World Economic Forum estimates that advances in AI and information processing will create 11 million new jobs by 2030—while displacing 9 million—resulting in a net gain of 2 million jobs globally (see chart). That net positive of 2 million hides wide variation, with robotics and autonomous systems expected to cause a net loss of 5 million jobs, particularly in repetitive or manual roles.

## Expected Impact of Tech Innovation on Employment



Source: World Economic Forum, Morgan Stanley Wealth Management Global Investment Office as of January 2025

The key question is whether AI will complement workers or replace them. In reality, the future likely lies somewhere in between. The interplay among humans, machines and algorithms is becoming more complex, reshaping functions across nearly every industry.

Daniel Rock, of the Wharton School of the University of Pennsylvania, argues that “AI exposure” is neither good nor bad—it simply signals change. His research shows that 80% of workers have at least 10% of their tasks exposed to AI. A deeper look reveals that 1) 35% of occupations have 25% of tasks exposed to AI; 2) 11% of occupations have 50% exposed; and 3) just 4% of occupations have 75% or more exposed.

This nuance matters. AI typically replaces tasks, not entire jobs. High-exposure roles tend to be knowledge-based, e.g., in the case of mathematicians, proofreaders, blockchain

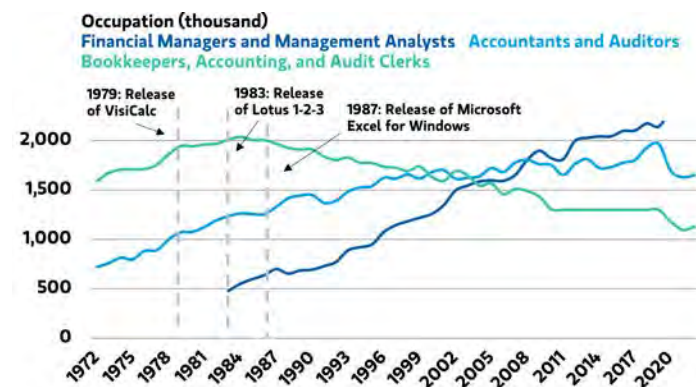
engineers, programmers and database administrators. Conversely, jobs in farming, personal care, and sports and entertainment remain relatively insulated due to their physical or interpersonal nature.

This suggests that while certain occupations may shrink or disappear, the vast majority of jobs will be reshaped, not replaced. In many cases, AI will augment workers, freeing them from mundane or repetitive tasks and allowing them to focus on higher-value work. In this manner, AI becomes a platform for exponential productivity and growth, not a threat.

Morgan Stanley & Co.’s economists emphasize that concerns about mass job elimination often fall prey to the “lump of labor” fallacy—the mistaken belief that there’s a fixed quantity of work to be done in an economy. In fact, history shows that new technologies often increase total employment by enhancing productivity, reducing costs and prices, and enabling the creation of new sectors.

Consider the adoption of spreadsheets in the 1980s. While the number of bookkeepers and clerks declined from approximately 2 million in 1987 to 1.5 million in 2000, the number of accountants, auditors, management analysts and financial managers grew from about 1.9 million to 3 million (see chart). That’s a net job creation of 600,000 before even accounting for the emergence of the financial planning and data analysis industries that hadn’t previously existed.

## Spreadsheet Adoption Helped Create New Jobs



Source: Bureau of Labor Statistics, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of June 2025

Similarly, AI is projected to boost productivity by 0.7%, to 4.0% annually over the next decade. That could translate into significant gains in potential GDP across both developed and emerging markets. Entire categories of work are expected to emerge around AI model training and governance; AI-enhanced health care and diagnostics; AI-augmented education and content creation; and cybersecurity and privacy engineering. That’s just to name a few.

## ON THE MARKETS

To effectively participate in the AI wave, companies must be deliberate and strategic in preparing their employees for success. Organizations that develop AI infrastructure, encompassing both software and hardware, may be recognized as leaders in this trend. However, a crucial

element of success will be a robust workforce strategy. “Re-skilling” initiatives and workforce transition tools are essential for equipping employees for AI-enhanced roles. Companies that invest in these areas are likely to gain the most from this digital transformation. ■



## EMERGING MARKETS

## India: Policy Momentum Reinforces Our Constructive View

Chetan Ahya, Chief Asia Economist, Morgan Stanley Asia Limited+

We recently attended our India Investment Forum in Mumbai, and came away more confident about the medium-term outlook. Efforts are underway to cut revenue expenditures and raise capital expenditures, which should be positive for macro stability and the interest rate outlook. Schemes to attract manufacturing investment and exports are starting to bear fruit, and policymakers are taking the next steps to make a bigger push to increase domestic value-added content.

Multinational companies are now making in India not just for India but with a view to exporting the goods elsewhere—an important change from their previous approach. Moreover, state governments are taking steps to address the cost of doing business, likely catalyzing further investment.

**CYCLICAL PERSPECTIVE.** In our view, India is the most favorably placed in Asia from a cyclical perspective given its low trade exposure; monetary, liquidity and fiscal policy easing; domestic demand recovery; and support from the rising importance of services exports. After a period of slowing, domestic demand has progressed gradually, with growth of goods- and sales-tax collection accelerating to a two-and-a-half-year high in May. Services-exports growth has continued to outpace goods-exports growth, remaining robust at an annualized 17% in April.

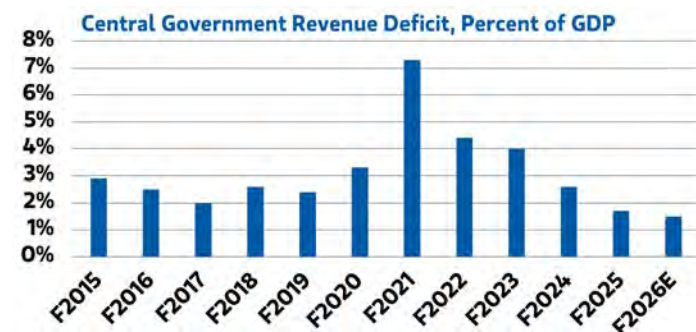
On the monetary policy front, the Reserve Bank of India surprised to the dovish side last month by implementing a 50-basis-point cut to its benchmark rate. Meanwhile, efforts to inject durable liquidity into the system have meant that interbank rates persisted at 25 basis points below the policy rate in May. The announced cut of 100 basis points in the cash reserve ratio should infuse additional liquidity into the banking system.

**A TELLING METRIC.** We believe the most telling metric is the trend in revenue expenditure. On a 12-month trailing basis, the central government's revenue expenditure relative to GDP has declined to a six-year low of 22%. Moreover, the revenue deficit has also declined to a 17-year low of just 1.7% of GDP in fiscal year 2025; per budget estimates, this will decline further to 1.5% in fiscal 2026—the lowest in 18 years (see chart).

There has been good progress on public finances, too. The central government's fiscal deficit is narrowing, reaching 4.8% of GDP in fiscal 2025. The mix of spending is also improving. The ratio of capital expenditure to GDP rebounded to 5.5% in

March, just a touch off the February 2024 peak, and expenditure on social programs is coming down relative to GDP.

## Central Government Revenue Deficit To Continue On Narrowing Path



Source: CEIC, Budget Documents, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of June 18, 2025

**SPENDING SHIFT.** This shift toward capital spending and reducing social spending should lift overall investment. We acknowledge that the public debt ratio is still relatively high, at 83% of GDP. Even so, especially considering India's demographic position, we think that recent public finance dynamics are positive. Macro stability risks should remain at bay while fiscal sustainability gets on a much better footing. And thanks to a much-improved macro stability backdrop, India may be entering a period of structurally lower interest rates.

We expect India to grow at a 6.5% annual average in the coming decade and become the world's third-largest economy by 2028. Nonetheless, we think policymakers should target an even higher level of growth. India's labor force is projected to grow by at least 84 million in the coming decade, and the current pace of GDP growth will not be able to generate enough jobs. If job growth continues to underperform labor force growth, a potential rise in social stability risks may lead policymakers to rely more on redistribution, which would distort the productivity dynamic and elevate macro stability risks. We estimate that required GDP growth rate to be above 9%. ■

*This article was excerpted from the June 10 Morgan Stanley & Co. Research report, "The Viewpoint: India—Positive Policy Momentum Reinforces Our Constructive View." For a copy of the full report, please contact your Financial Advisor.*

## ENERGY

## Natural Gas: Fueling the Decade

Mayank Maheshwari, Equity Analyst, Morgan Stanley Asia (Singapore) Pte+

The US shale revolution, which reshaped the country's energy consumption over the past decade, is being exported to Asia. And similar to its impact on the US, we believe it is set to transform the region's energy landscape. That said, electrification is the backbone to energy security needs, and natural gas is the primary energy that can help reach those needs efficiently and economically. To put things in perspective, since 2010, global energy consumption has risen some 20%, and all fuels have seen consumption growth. The pursuit of generative artificial intelligence (GenAI), onshoring of manufacturing and electrification of various sectors including transportation, are driving unprecedented power demand. Natural gas, a "cleaner" fossil fuel than coal and oil, is critical to satisfying rising energy consumption. These new demand centers are also changing consumer behavior, making natural gas consumption a lot more inelastic than over the past decade, and inflecting the adoption curve.

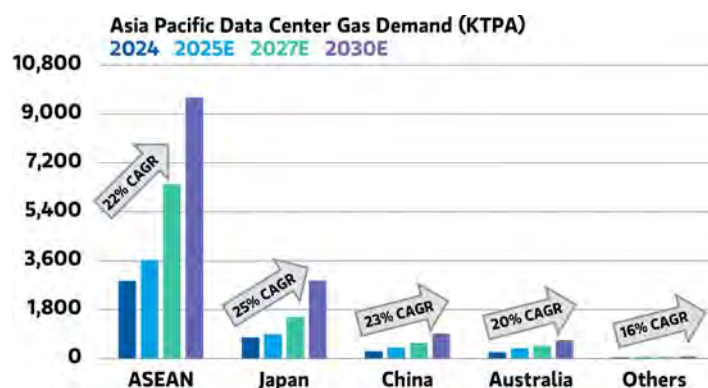
**ASIA WILL SURPRISE.** Our Asian natural gas demand growth forecasts are nearly double those of global consensus estimates. A combination of tight power markets, a rise in natural gas/liquified natural gas (LNG) vehicles, new data centers and higher renewables will be key to consumption growth. Overall, we estimate 120 million tons per annum (120 mtpa) of LNG demand growth. That's as much as US capacity expansion by 2030. Total natural gas—domestic production plus LNG—consumption in Asia is estimated to rise by 212 mtpa, or slightly below the additional LNG global capacity. While Asia consumers would prefer domestic supply over imports, as they are cheaper by 20% to 30%, rising consumption leaves plenty of room for imported LNG. That said, Asian LNG demand remains price sensitive. We expect the adoption curve to inflect at prices of \$10 per one million British thermal units (mmbtu) and below.

We believe the globalization of natural gas is set to usher in a new wave of gas adoption. Cheap natural gas has transformed the North American energy landscape, yet fragmentation of markets across the globe has left this impact isolated. Now a wave of investment in LNG, which can be easily transported, is unleashing this cheap energy resource and creating a new global commodity market at a time when demand for power is inflecting. This supply could not have come at a better time, as energy security is a top concern for policymakers. Interestingly, after a new wave of construction during the past five years, there are enough LNG carriers available to transport the fuel from the US to Asia.

**SUPPLY CREATES DEMAND.** The impact of upcoming global and local natural gas supply on demand could surprise as new avenues in power, LNG trucking, natural gas-powered vehicles and the hard-to-decarbonize industrial sector grow Asia's gas and LNG consumption by an estimated 120 mtpa. Asia will be at the forefront of this new normal in gas consumption with imports from the US. We estimate Asia's (ex China) dependence on US natural gas will more than double this decade and rewire supply chains for energy consumption across sectors—technology, new energy and transportation. LNG helps create a lower trade surplus by up to 20% for key countries like India, Indonesia and Japan. We believe LNG-delivered pricing of \$10/mmbtu or lower is a sweet spot for consumption Asia.

Natural gas has an AI connection, too. Asia will be home to an estimated 80 gigawatts (GW) of direct current (DC) demand by the end of this decade, and demand for power could reach 87 GW in 2030, almost equal to the need for 120 GW of new gas-fired power plants. We estimate that as volumes of inferences pick up in Asia (similar to the US), DC capacity utilization will rise from 55% to 70% in the next three years and to about 80% by 2030. This makes an estimated 14 mntpa of gas demand more of a necessity as it works with coal and renewables to power systems in China, India, Malaysia, Singapore and Japan. Overall, we estimate gas will power 10% of inferencing capacity in Asia and support the need for clean power for DCs (see chart). Interestingly, there are enough idle gas-based power-generation capacity load factors (about 40% in 2024) that can help raise output, thereby lowering the incremental cost of power. India has 20 GW-plus of spare capacity, while China also aims to increase utilization rates.

### Natural Gas Will Help Meet Asia's Growing Appetite for Power, as Data Centers Fuel Incremental Demand



Source: Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of June 23, 2025



## ON THE MARKETS

**CHANGING POWER MARKETS.** In multiple ways, the power market structure in Asia is evolving to get closer to developed market economies, with more units exposed to power trading rather than power purchase agreements (PPAs). This is also coming at a time when regulators are looking to keep power prices as affordable as possible and blunt the impact of renewables on power grids while making them more stable. Hence, natural gas is going to gain significant importance as some 20% of Asia's power consumption moves to the spot market or has some linkage to the spot market in China, Japan and South Asia (including India and Southeast Asia). We believe this development, as well as a shift to cleaner fuel sources, will lift gas-based power consumption demand by more than 100 mtpa. While batteries are apt to be in competition with gas, the levelized cost of energy of gas makes it very competitive for round-the-clock power generation.

Can natural gas compete with coal? Natural gas has found faster adoption as a transport fuel but has struggled to compete with cheaper coal in Asia for the past decade. This is changing for a few reasons: 1) Rising domestic supply in China

and India makes natural gas more competitive; 2) higher base load demand in Malaysia, the Philippines and Singapore from data centers and new-generation manufacturing leads to higher needs for peak load gas-based generation; 3) the combination of renewables, cheaper LNG imports and a higher mix of contracted LNG can also compete with coal as power trading rises in Asia; and 4) carbon targets drive faster coal-to-gas switching, especially in China, where we see mandatory industrial boilers burning gas and a coal-to-gas switch in rural areas. Over the past two years, when global and domestic gas prices have risen we have seen demand in major Asian markets sustain at higher growth levels. That's in contrast to before COVID, when demand elasticity to price was higher. ■

*This article was excerpted from the May 5 Morgan Stanley & Co. Research report, "Natural Gas: Fueling The Decade, Powered by AI." For a copy of the full report, please contact your Financial Advisor.*

CRYPTOCURRENCY

# Seven Things to Know About Stablecoins

James E. Faucette, Equity Analyst, Morgan Stanley & Co. LLC

Stablecoin enthusiasm has grown recently, as the GENIUS Act, which would codify stablecoin requirements, makes its way through Congress and large retailers reportedly explore issuing stablecoins. Here, we outline seven things we think investors should know.

**Stablecoins are generally defined as a cryptocurrency category where the value of the coin is intended to be pegged to the value of another asset or target.** Most currently, available well known and proposed stablecoins are intended to be pegged to the US dollar. However, a stablecoin could also be pegged to the underlying value of other assets, including commodities, such as gold.

Most stablecoins maintain an asset base whose total value is equivalent to the value of the outstanding stablecoins. However, algorithmic stablecoins have been introduced where the sponsoring entity doesn't actually hold the underlying asset but attempts to maintain a peg primarily by adjusting the supply of available tokens. Stablecoin transactions are often promoted as being recorded on a blockchain, but that is not a necessary condition.

**From a practical standpoint, a stablecoin is typically a deposit account that pays no interest and can clear immediately.** Stablecoins definitionally can be confusing to some, in no small part because they often look, and largely function, like existing financial instruments. In our opinion, most dollar-backed stablecoins are really just deposit accounts on which the depositor is not paid interest or other consideration, but whose sponsor is able to generate net interest income by investing the deposited assets, typically in highly liquid and very short-duration assets—like a standard checking account, but without Federal Deposit Insurance Corporation (FDIC) insurance.

A key difference versus checking accounts, however, is that any transaction into or out of the stablecoin account can be cleared immediately. Notably, while most stablecoins do not pay interest, as is the case under proposed legislation, there is nothing in the stablecoin structure itself that makes doing so implausible, and a few stablecoins currently do pay interest.

**Stablecoins can enable unique transactions (at least initially).** We find that stablecoins can serve as a transaction mechanism for situations that are often hard to satisfy with other instruments and mechanisms. In particular, stablecoins can serve well in situations that require a variety of

transactions, including those for which exact timing can't be predicted, those for which the exact value isn't known ahead of time and especially large transactions (e.g., greater than \$100,000). Other situations where we believe stablecoins can serve well include those involving interorganizational transactions, transactions that require immediate clearing and transactions that require immediate fund availability.

For transactions that don't entail all six of these requirements, there are existing, well developed mechanisms. Examples of instances where stablecoins can clearly provide some utility include brokerage/trading—especially for crypto trading activities and settlement of online gaming transactions—and potentially some cases of international commerce.

**The GENIUS Act would codify requirements for stablecoin issuers.** The proposed GENIUS Act has advanced in the US Senate, but a full floor debate and vote have not yet been set. The act would outline the requirements for issuing stablecoins, including asset holding, audit and reporting obligations, while limiting permitted reserves.

If passed, it could reduce the ambiguity that has emerged periodically as to what kinds of institutions may issue stablecoins and what the issuing entities' obligations are to stablecoin holders.

**Stablecoin usage costs rise with interest rates.** As typically no interest is paid on stablecoin accounts, the cost of transacting for the depositing party is likely to be primarily the opportunity cost of lost potential interest income on the deposited funds. As such, we would expect that the cost of transaction would rise (and may reduce demand for stablecoins generally), during a period of rising/higher interest rates. Conversely, we would expect the cost of stablecoin transactions to fall in a period of lower/falling interest rates.

**Major credit card companies have been building stablecoin capabilities for years.** While some may fear that stablecoins could represent a challenge to major payment networks, we do not expect that to be the case. As the capabilities of the largest payment networks are unlikely to be surpassed, including in terms of cost, and stablecoins are really just a form of deposit account, we think that the existing payment networks can bring to bear substantial efficiencies and benefits for stablecoins generally. As such, stablecoins likely represent more incremental opportunity than risk for the payment networks.

**Merchant-sponsored stablecoins for consumers are just like gift cards.** Recently, there has been substantial investor buzz created by news stories that large retailers may introduce their own respective stablecoins.

## ON THE MARKETS

While there may be various operational uses, such as paying vendors, any consumer-centric stablecoin offerings will functionally be the equivalent of prepaid gift cards. The consumer will give funds to the merchant, the merchant will hold the funds (and generate float income), and the consumer will at some future date be able to use the deposited funds for purchases of goods and services. We

would not expect transaction or servicing costs for those stablecoin accounts to be substantially different than for prepaid gift cards. ■

*This article was excerpted from the June 16 Morgan Stanley & Co. Research report, "Seven Things to Know About Stablecoins." For a copy of the full report, please contact your Financial Advisor.*

## Short Takes

## 2025 Supply Deluge Weighs on Municipals' Performance

At \$278 billion, 2025's tax-exempt municipal issuance is on track to exceed the 2024 all-time high. Issuers have pulled forward supply ahead of potential federal policy changes that may limit certain sectors' ability to issue tax-exempt debt. Rising costs, reflecting the cumulative effect of elevated inflation over recent years, have also led to greater funding needs. Roads, which account for nearly a third of state and local construction spending, offer one example. In recent years, the Federal Highway Administration's National Highway Construction Cost Index has far exceeded the growth of broader inflation indexes. Over the past 12 to 18 months, elevated issuance has been a headwind for munis, contributing to their underperformance versus other fixed income assets.—

*Daryl Helsing, CFA*



Source: Federal Highway Administration, Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of Sept. 30, 2024

## Tariffs May Erode Margins and Reduce Earnings Estimates



Source: FactSet, Morgan Stanley Wealth Management Global Investment Office as of June 30, 2025

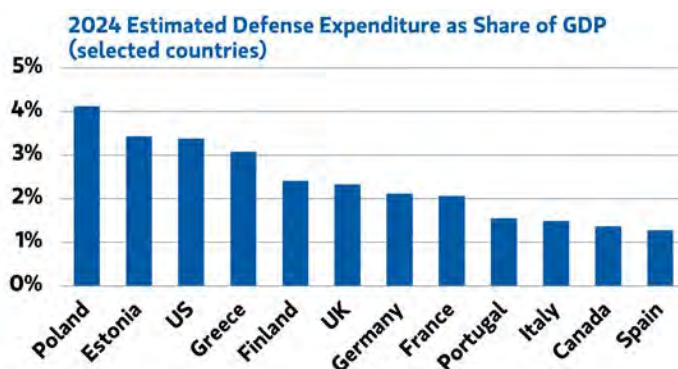
Since the end of April, consensus S&P 500 Index earnings forecasts have been stable, boosting confidence that we might be past earnings downgrades. But the consensus forecast's embedded margin assumption suggests risks of another leg lower in estimates, especially considering the 2018–2019 experience. The effective tariff rate rose from about 1.5% in 2018 to 3.0% in 2019, resulting in a lost year of earnings growth, primarily due to margin contraction. The current estimated tariff rate is about 13%—10 percentage points higher than in 2024—with the consensus earnings forecast implying broad margin expansion. Even if one assumes that, unlike 2019, the 50 largest stocks don't see any margin erosion, margin disappointment for the remaining 450 may suggest further earnings downgrades.—

*Priya Hariyani, CFA*

## NATO Commits to Raise Defense Spending to 5%

In what's been reported as a historic move, NATO members recently agreed to a defense-spending goal of 5% of GDP. The new target, up from 2%, comes with a 2035 timeline and breaks down into 3.5% for core defense spending and 1.5% for related investment, including in critical infrastructure and cybersecurity. Part of the commitment is to "expand transatlantic defense industrial cooperation" and to "harness emerging technology." Morgan Stanley & Co. Research European defense sector analysts have noted such moves as being positive for the industry. These developments also further support the global defense thematic call made by the Morgan Stanley Wealth Management Global Investment Office's Thematic and Macro Investing team in its January 2025

*AlphaCurrents Macro report.—Jane Yu Sullivan, CFA*



Source: NATO, Morgan Stanley Wealth Management Global Investment Office as of June 12, 2024

## GLOBAL MACRO

## Unanchored Term Premiums Break Higher

Alfredo Pinel, Investment Strategist, Morgan Stanley Wealth Management

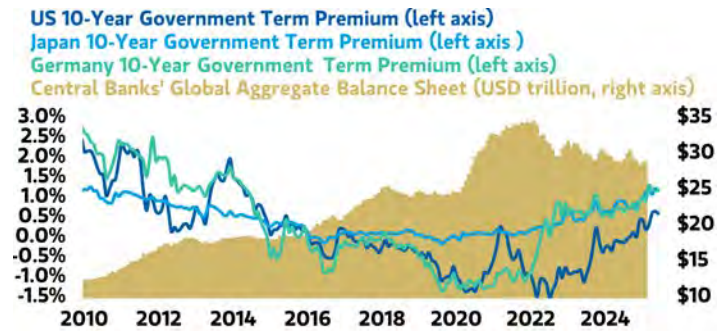
Despite G7 inflation peaking in 2022, long-term, developed market government bond yields still hover near decade-plus highs. Waning central bank demand, sticky inflation and a deteriorating fiscal backdrop have led investors to demand more compensation—or term premium—to hold longer-maturity bonds. US, Japanese and German 10-year term premiums have risen to levels well above their post-Global Financial Crisis (GFC) averages, contributing to a reset in global yields.

The cross-asset implications of rising term premiums could prove substantial. For example, the repricing of duration risks in recent years has helped drive a steepening of government bond yield curves, particularly on the long end of the maturity spectrum. The yield spread between 10- and 30-year Japanese government bonds (JGBs), for instance, has widened to 1.5 percentage points, marking the biggest differential in at least 25 years. Yield curve steepening, in turn, has boosted financial equities, making them the strongest sector performers in non-US developed markets over the past two years.

**WANING CENTRAL BANK DEMAND.** To promote economic recovery following the GFC, central banks deployed quantitative easing (QE) to anchor term premiums and help depress yields across the curve. In recent years, however, central banks' retreat has removed a major price-insensitive demand source, shifting influence to private sector investors, who have pushed 10-year term premiums higher. Based on the Adrian, Crump and Moench model, the US term premium has risen to 61 basis points, which is well above the 13-basis-point post-GFC average. In Japan and Germany, term premiums have risen to around 120 basis points, also easily clearing post-GFC averages.

Global aggregate central bank holdings—as compiled by the Bank for International Settlements—stand at \$28 trillion, down from an early-2022 peak of \$32 trillion (see chart). Despite the modest decline, holdings remain more than double levels that prevailed at the beginning of the 2010s. The Bank of Japan's (BOJ) JGB holdings still account for 53% of that market, up from 11% in the mid-2000s. The European Central Bank (ECB) commands a 32% share of the eurozone sovereign debt market—up from zero in the mid-2010s—while the Federal Reserve's share of the Treasury market has reverted to the 18% average since the early 2000s.

## Waning Central Bank Support Has Helped Unanchor Term Premiums



Note: We display central banks' global aggregate balance sheet through February 2025, the most recently reported data. Source: Bloomberg, Bank for International Settlements, Morgan Stanley Wealth Management Global Investment Office as of June 30, 2025

**FISCAL PRESSURES.** Over the past 12 months, the US Treasury has issued \$548 billion of 10-year notes, alongside \$316 billion of 30-year bonds—a sharp increase from pre-COVID trends. Due to declining Fed participation amid quantitative tightening (QT), the acceleration in issuance of long-duration Treasuries has required absorption from more price-sensitive buyers in the private sector. Morgan Stanley & Co. Research's banks and diversified finance team does not expect a significant increase in US banks' demand for Treasuries to arise from potential changes to the supplementary leverage ratio (SLR), given the lack of SLR-constrained US large-cap banks in its coverage universe.

The US government's interest expense versus its revenue, a measure of fiscal sustainability, has risen sharply post-COVID, from 13% in mid-2022 to 22% (see chart). Fiscal deficits, rate hikes and front-loaded Treasury issuance have driven the move. In Japan, the ratio is also elevated, standing at just over 20%. Worsening demographics, anemic growth and a significant debt pile have largely offset the benefits from lower rates. In Europe, the lagged effects of zero interest rate policy (ZIRP) and relatively lower debt levels have translated into a more benign debt burden of 2% for Germany, 4% for France and 8% for Italy. Even with more expansive fiscal policy, German Bunds could become relatively more appealing to global investors, given healthier fiscal dynamics.

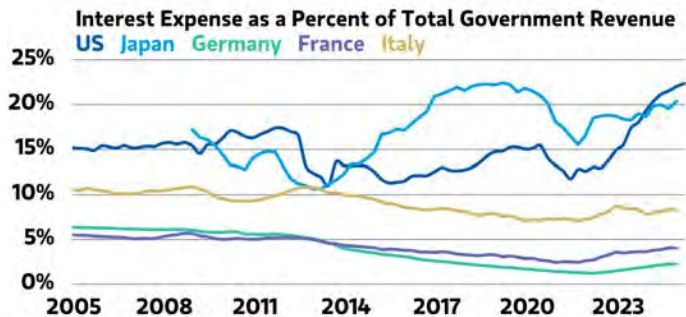
Government debt-to-GDP ratios have increased post-GFC, with Japan's 216% level—driven by a large social security deficit and unfavorable demographics—standing out. That said, Japan has not faced any semblance of a fiscal crisis, given the combination of low policy rates, BOJ buying and strong domestic demand. With the first two factors turning less supportive, however, term premiums have begun to rise. The picture looks more sanguine in Germany, where the debt-to-GDP ratio stands at 62%, compared to 113% in the US, potentially allowing long-term German government bonds (Bunds) to enjoy a lower default risk premium.



## ON THE MARKETS

High debt levels could crowd out private sector investment and dampen fiscal multipliers, as companies, consumers and investors anticipate eventual tax hikes and spending cuts. International Monetary Fund estimates point to modest increases in debt-to-GDP ratios in coming years, contributing to the recent Moody's downgrade of the US sovereign credit rating.

### The US Government's Debt-Service Ratio Is Ramping Up, While Germany's Is More Restrained



Note: We display trailing 12-month interest expense as a percent of government revenue. Source: US Office of Management and Budget, Bank of Japan, Ministry of Finance, Eurostat, Morgan Stanley Wealth Management Global Investment Office as of June 30, 2025

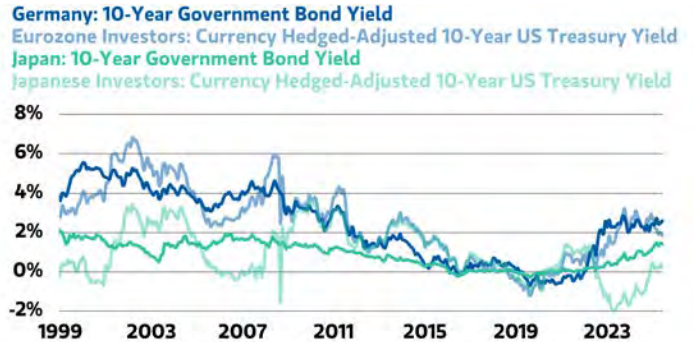
**ASSET ALLOCATION.** We analyzed global equities based on their monthly-return betas relative to moves in the 10-year US Treasury yield computed over the past three years of fiscal expansion and inflationary dynamics. Among them, Chinese and US stocks, as well as those in the technology and materials sectors, appear to be the most rate-sensitive. On the other hand, Brazilian and Japanese stocks, alongside those in the energy and financials sectors, appear the least sensitive to rising long-term rates. Among real assets, infrastructure stocks and real estate investment trusts (REITs) appear the most vulnerable. Rising long-term bond yields pose headwinds to multiple expansion, particularly in the US, placing a greater onus on earnings growth at a time of elevated global economic uncertainty.

After being largely absent from 2000 to 2021, inflation's return in the post-COVID years has helped flip the correlation between monthly equity returns and moves in 10-year government bond yields to well-entrenched negative levels for US and European equities. For Japanese stocks, the

correlation has appeared less negative, possibly because rising long-term rates in Japan have corresponded with the welcome exit from a deflationary regime, alongside strengthening nominal GDP growth—both positives for corporate pricing power. As bonds' diversifying properties have eroded in recent years, investors have demanded greater compensation in return, pushing term premiums higher.

The rise in global long-term bond yields has created some competitive pressure for US Treasuries, also driving term premiums higher, as foreign investors consider opportunities elsewhere (see chart). In April, foreigners sold around \$47 billion in Treasuries amid the tariff turmoil, marking a top-2% monthly decline in holdings since 1978. The German 10-year Bund yield has risen to 2.6%, from -0.2% at the end of 2019. As a result, eurozone-based investors may now find greater relative value in local government debt, compared to currency-hedged Treasuries (EUR/USD), which yield only 1.9%, in part due to increasing hedging costs related to this year's rise in short-term US rates relative to the eurozone benchmark. Similarly, Japanese investors now benefit from a yield pickup of about 120 basis points when holding Japanese 10-year JGBs relative to currency-hedged US Treasuries (USD/JPY). ■

### Non-US Government Bonds Have Gained Some Appeal



Source: Bloomberg, Morgan Stanley Wealth Management Global Investment Office as of June 30, 2025

*This article was excerpted from the June 25 Morgan Stanley Wealth Management Global Insights report, "Watching for Bond Vigilantes' Impact on Long-Term Government Yields." For a copy of the full report, please contact your Financial Advisor.*

## COMMODITIES

## How China Is Playing Its Rare Earth Card

Robin Xing, Chief China Economist, Morgan Stanley Asia Limited+

China's control over rare earth supply has become a calibrated yet assertive tool for strategic influence. Its near-monopoly of the supply chain means rare earths will remain a significant bargaining chip in trade negotiations. Among 17 rare earth elements, China has imposed export controls on seven heavier ones and their processed products (including alloys and magnets) since April 4—two days after the US' "Liberation Day."

Rare earth elements are not "rare" in the same way as gold or platinum. However, they are found in quite small quantities, and thus it is costly to mine and refine them. Rare earths are in increasing demand because they are critical for state-of-the-art manufacturing processes: For example, rare earth magnets used in electric vehicles (EVs) can make the motor small and energy-efficient. Looking ahead, humanoid robots will also be a big demand driver for such magnets.

**SUPPLY CHAIN DOMINANCE.** We believe China is increasingly leveraging its rare earth supply chain dominance. Recent actions point to systematic efforts to refine mechanisms so that it can become a more effective strategic lever. They include tightening of export licenses to regulate volume, destination, end use and recipient companies; a tracking system to strengthen oversight of finished magnet exports; and warnings to trading partners to avoid facilitating indirect exports of rare earths or magnets to third-party countries.

Beijing had largely refrained from using rare earths as a lever even amid 2018–19 trade tensions due to concerns over global confidence in Chinese supply chains and whether rare earth leverage would endure. We believe the reduced hesitation in leveraging rare earths stems from two key developments: rising trade tensions and tech restrictions, as well as strengthened supply chain dominance.

The buildup of alternative rare earth refining and magnet production capacity has been slow in the past five years due to economic, technical and environmental hurdles. Last year, China accounted for 69% of global rare earth production and 49% of global reserves (see charts). It controls over 85% of global rare earth refining and 90% of NdFeB (neodymium, iron, boron) magnet production, which is critical for national defense, wind turbines and EVs.

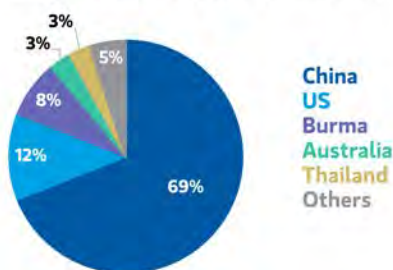
**EVOLVING EXPORT CONTROLS.** Can China effectively wield this lever? While China's export control regime is advancing, it remains in its early stages. Its system still lacks institutional depth and international compliance frameworks. The export control framework, taking shape only since 2021, is still evolving. Beijing is developing sophisticated tracking and

licensing systems, which, while they cannot yet match US-style precision, suggest rapid progress.

The current rare earth controls are as much about testing mechanisms as they are about immediate economic impact. Yet ultimately, Beijing appears to be establishing a calibrated deterrence system in which strategic elements such as rare earths are used to reshape the cost-benefit calculus of siding with the US export control regime. It will likely respond selectively to tech restrictions imposed by the US and its allies. For example, if a US ally were to block semiconductors and lithography tools, China might target critical inputs like rare earths to that country. This reciprocal escalation seeks to deter full alignment with US policies and reshape global tech and trade dynamics. ■

## China Is the Largest Rare Earth Producer Globally

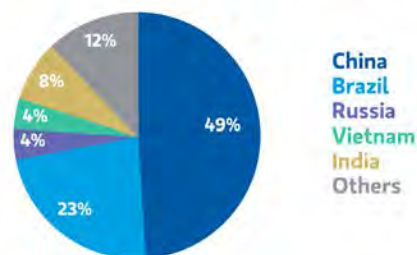
Global Rare Earth Production (2024) - Breakdown by Country



Source: USGS, Morgan Stanley Research, Morgan Stanley Wealth Management Global Investment Office as of June 18, 2025

## China Has the Largest Rare Earth Reserves in the World

Global Rare Earth Reserve (2024) - Breakdown by Country



Source: USGS, Morgan Stanley Research, Morgan Stanley Wealth Management Global Investment Office as of June 18, 2025

*This article was excerpted from the June 9 Morgan Stanley & Co. Research report, "How China Is Playing Its Rare Earth Card." For a copy of the full report, please contact your Financial Advisor.*



## THEMATIC INVESTING

## Demographics and Drinking

Sarah Simon, Equity Analyst, Morgan Stanley & Co. International plc+

While global beverage analysis has for several years focused on when the market would normalize post-COVID, we believe that the more important question is the level of medium-to-long-term growth in alcohol consumption. That normalized growth rate will drive valuation multiples for beverage stocks, whereas investors may “look through” short-term earnings pressures, viewing them as simply cyclical.

We believe that growth in spirits consumption in the US is set to settle at a lower long-term rate than the 5% that prevailed in the decade prior to COVID. US spirits volume growth indexed to 2015 increased in 2020 and 2021 but has been trending down toward pre-pandemic levels. Outside the US, spirits’ growth rate was in decline before COVID and is now falling even further.

**STRUCTURAL PRESSURES.** What’s going on? We see structural pressures at play: pressures that we believe are set to increase as moderation trends gain traction, mix shifts toward older consumers and population growth slows in many markets.

To start with, ample survey data suggests that younger consumers are drinking less. To be sure, the use of such data is often criticized on the basis that consumers may not be entirely honest about their consumption of unhealthy products. For this reason, the market has sought alternative explanations for alcohol market weakness—such as the consumer being under pressure or that this is a post-pandemic normalization—and the debate about structural pressures has often been pushed aside.

**LONG-TIME CHANGES.** Indeed, while cost-of-living pressures and COVID-related demand distortion have clouded the picture, the data suggests that structural change has been underway for some time. For this analysis, we have looked primarily at US data from *Monitoringthefuture.org*, and Gallup, both of which have been asking the same questions of Americans for many years. While the past 15 years have seen slight growth in the proportion of 30+ year olds who drink alcohol, penetration has consistently declined among younger consumers.

The issue is moderation, not abstinence. We do not believe that alcohol is like tobacco, where people “give up” completely. This isn’t a question of all or nothing. Rather, we see a trend toward moderation in alcohol consumption. When it comes to “heavy” drinking, again there is a divergence between age groups. As a result, the average number of drinks per capita in the US has fallen materially for the 18–34 age cohort and has held broadly flat for older demographics (see table).

## Drinks per Capita, on Average, Have Fallen Materially Among Those Aged 18 to 34

US: Weekly Drinks Per Capita (by age group)	2001–2003	2011–2013	2021–2023
18 to 34	5.2	4.5	3.6
35 to 54	3.9	3.8	3.8
55 and older	3.9	3.7	4.0

Source: Gallup (US data); Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 24, 2025

**AGE-RELATED BEHAVIOR.** Of course, there will always be the argument that while youth may be less keen on drinking today, when they hit middle age they may revert to type and consume as much as their predecessors. However, we think the behavior of different cohorts is distinct. Those born in the 1980s have consistently exhibited higher alcohol consumption than their predecessors, both in terms of regularity and volume. Later millennials and Gen Z, though, consume materially less than any of the previous cohorts.

Spending trends over time mirror the volume picture. US Bureau of Labor Statistics data shows declining dollar spending (in both absolute and inflation-adjusted terms) among the youngest cohort. Spending on alcohol by the under 25s currently is 35% below that of the under 25s 20 years ago, despite inflation, while the highest increase in spending is in the 45–54 age group, which now spends 71% more than the same age group in 2003.

**SPENDING RATES.** Thus, if we look at the compound annual growth rate (CAGR) in dollars spent per capita, those who were aged 30 in 2003 and are now 50 have shown the strongest increase in expenditure over the past 10 years. The CAGR has been less than 6% versus compound inflation of 2.7% over the same period. Those who were 20 then and are 40 now have increased their expenditures, but at a slower rate. Those who were 40 or above in 2003 have only matched or lagged inflation, with the oldest age group showing a decline in spending over the period. After adjusting for compound inflation, Americans younger than 25 years old spent 60% less on alcohol in 2023 than their counterparts did in 2003. Conversely, the greatest increase in spending has been among the older generations.

The data also suggests that increasing moderation by the younger generation has been offset by heavier drinking in middle age. Meanwhile, since 2000 there has also been a 1.4% CAGR in the size of this alcohol-consuming middle-aged population (45–64). However, as a result of the change in birth rates, during the next 20 years the number of people in that age group is expected to be close to flat, just 0.4% CAGR. On the other hand, as today’s middle-aged drinkers age, the number of people ages 75 and up, who exhibit much lower consumption per capita, is expected to grow at an accelerated compound growth rate of 3.1% versus 1.9% in the

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prior 20 years. This acceleration in the growth of the age group for whom consumption has historically been lower presents a further headwind to overall volume and spending, in our view.

It is also evident that the trend toward lower consumption is gaining traction. More Americans report cutting back on drinking. According to NC Solutions, 41% are trying to drink less versus 34% in 2023, with 61% of Gen Z saying they planned to drink less in 2024 versus 40% in 2023. Meanwhile, 49% of millennials have the same intentions (see chart).

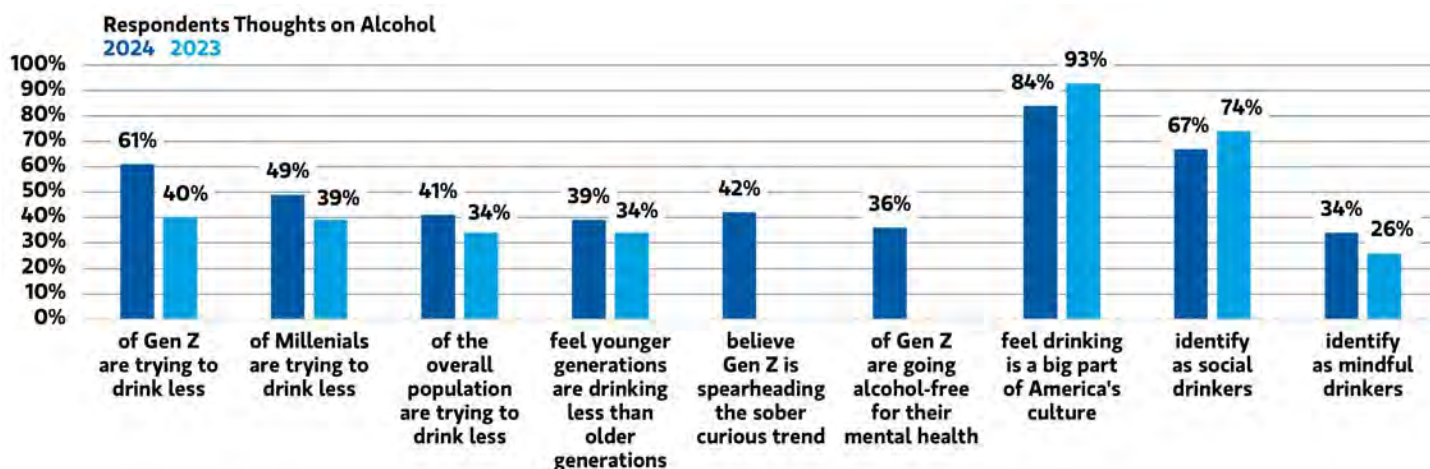
**GLOBAL TREND.** Internationally, a similar trend may be observed. Globally, the World Health Organization has been raising awareness of the link between cancer and alcohol (also well documented in the popular press) and is pushing for prominent health warning labels on alcoholic beverages.

In China, the National Health Commission has said that it would intensify a three-year weight-management campaign, aiming to popularize healthy lifestyles and enhance the prevention and treatment of chronic diseases. There is clearly a push from policymakers for a healthier lifestyle, and the rise of social media messaging supports this.

Indeed, we note strong growth in the nonalcoholic drinks category, which would seem to confirm the shift away from alcoholic beverages more broadly. As a category, zero alcohol appears to be gaining traction, with meaningful acceleration in the US market—where zero beer has been around for many years but failed to really take off—and increased interest in the category by the spirits groups. ■

*This article was excerpted from the March 24 Morgan Stanley & Co. Research report, "Demographics & Drinking." For a copy of the full report, please contact your Financial Advisor.*

### More Americans Report Cutting Back on Drinking



Source: NCSolutions, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management Global Investment Office as of March 24, 2025

Q&A

## Global Market Perspectives: Weighing Valuations Against Uncertainties

While the US has led much of the global market over the past decade—propelled by robust corporate earnings, sizeable budget deficits (often functioning as economic stimulus) and technology-sector dominance—there is an undercurrent of concern about the sustainability of these trends. Investors are wary of geopolitical instability, tariffs, a rising US fiscal deficit and unsettled currency dynamics. “There seems to be a bit of a disconnect between multiples and earnings and the real world,” says Bruno Paulson, portfolio manager on Morgan Stanley Investment Management’s International Equity team. He recently spoke with Renato Grandmont, chief investment strategist for Morgan Stanley International Wealth Management. The following is an edited version of their June 24 conversation.

**Renato Grandmont (RG):** What’s your take on the current environment?

**Bruno Paulson (BP):** The earnings performance of the US over the past decade is amazing: S&P 500 Index earnings were up by 140% versus 34% for the MSCI EAFE Index in the 10 years through 2024. But if you think about what drove that massive earnings outperformance, there was stronger US economic growth—a lot of which came on the back of immigration-driven population growth—as well as the very strong US dollar and massive budget deficits, which were partly driven by corporate tax cuts.

A lot of macro factors have driven the major earnings outperformance for a decade. It’s unclear if this can continue going forward. Is the dollar going to continue to strengthen over the next 10 years? Can the US budget be a net stimulus to the economy? Can corporate taxes fall? Will US population growth be faster than Europe’s?

**RG:** What are your expectations for the impact of tariffs?

**BP:** You’ve got two problems here. First, what is the tariff going to be? Second, what will its effect be? We’ll be finding out in the future what the latest version of the so-called reciprocal tariffs are, but the working assumption is that this would be a tax on US consumers and a slowing factor for US growth.

Plus, it would potentially impair margins, depending on the costs that get absorbed, and would have detrimental effects on both consumer and business confidence. This would all be fairly negative for the US economy and probably more so versus other economies.

So far, you’re not seeing much of an impact. As someone

based in the UK, which is an incredibly open economy, I view the US as a much more closed economy. Exports and imports as a percentage of GDP are almost an order of magnitude lower in the US than in European countries, which may account for the lack of impact, but I have still been surprised about the lack of negative impact so far. It’s early days, and there has been a recalibration upwards of the tariff levels, and we will see where the tariffs end up and what the effects will be.

I think the latest US growth estimate is about 1.5%. US earnings for 2025 are down a few points this year, even in dollars, which are weaker. But you’re not seeing a major impact yet. One of the problems is, the soft data wasn’t looking great, but soft data has been pretty unreliable for quite a while, perhaps because it has been very tainted by people’s political views. The hard data has been OK so far. You can point to elements of slowing down, but there’s nothing disastrous going on.

**RG:** What is the impact of the US imposing tariffs on imports for global companies versus US-based companies?

**BP:** For the companies that we invest in, we’re looking for companies with a great deal of very high gross margins and pricing power, which relatively insulates you. If you have 20% gross margins and you’re facing a 25% tariff, then you need to raise your prices by 20% to end up with the same level of profits. If you have 80% gross margins, it’s only 5%.

For our portfolio, as it happens, the high element of service companies—be it software or data based financial companies or industrial companies—means there’s less sensitivity. Even where we have companies that actually make stuff, or goods, we’re looking for the ones with the pricing power and high gross margins. Hopefully, as a result, the effect of any tariffs on the portfolio will not be that significant.

I think the key point is that outside the US, it’s not ideal being a steel manufacturer. Inside the US, you’ve also got to measure the effect on demand. Then you have companies that may be based in and sell in the US, but that have supply chains going across borders. Then, think about the potential effects of retaliation. Assuming that it all remains relatively moderate, I think economists say that the impact on US companies is likely to be bigger because you’ve got the demand hit as well as the supply.

**RG:** US dollar weakness, to a certain degree, has allowed equity markets outside the US, when measured in dollars, to perform better. What is your view on the dollar going forward?

**BP:** There are many companies in the US for which the weaker dollar is a benefit because their non-US revenues go up, particularly if their cost base is more skewed to the US. You have a situation where the US is running a 7% budget deficit

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with basically full employment and no sign of any appetite to do anything about that. There are disputes about what effect the One Big Beautiful Bill will have, but I think it's unambiguous that it isn't going to be a deficit-reduction bill.

You worry from a long-term perspective about how long global markets will tolerate that. That's not a short-term focus because in the short term, people tend actually to flee into the dollar at times of crisis, but you do worry about an unsustainable budget path.

Long-term bond yields are potentially vulnerable in the long run. The thing people don't think about enough is the extent to which budget incontinence over the past decade or so has been a tailwind for the US economy. I think it's underestimated. And there's a limit to how much you can have further net fiscal stimulus in the US from here.

**RG:** Looking out a year or so, where do you see the 10-year US Treasury yield?

**BP:** We're not macro-centered, but it strikes me that, absent a crisis in confidence in the US economy, which may raise the yield, or a severe recession, which may make it fall, 4% to 5% is a reasonable level historically given inflation running at 2% to 3%.

To the extent there is a significant slowdown, it may drop. To the extent that people get nervous about the US fiscal situation, which is a tail risk, then it might go up because people will need to be paid to lend to the US.

**RG:** What is your view of where we are in terms of geopolitical risk, and what could be the implications for various regions and sectors?

**BP:** One thing you could say is that a resolution of the Russia-Ukraine conflict—and I have no insight as to whether that will happen—would be a positive for European markets and result in potentially cheaper energy. What seems anomalous is that at a time of high geopolitical uncertainty and high economic uncertainty, we have very high multiples by historical standards and the assumption of double-digit earnings growth.

I don't know how this stuff will resolve itself, the extent of the risk and the potential implications, but it seems odd that with all these uncertainties, the S&P 500 is trading at a price/earnings multiple well into the 20s based on next-12-months earnings, which it is assumed will rise by double digits. And the MSCI World Index is trading at a multiple of close to 20. There seems to be a gap between the world

reflected in the equity markets and the actual real world.

**RG:** Is the equity market too complacent regarding the geopolitical risks that we're seeing and the fiscal risks you mentioned?

**BP:** Generally, I think so. The MSCI World trading at 19 to 20 times—when have we seen that this century? The only time we've seen it since the TMT bust in 2002 is during COVID when earnings were very suppressed. These multiples assume really good stuff is going to happen. Now, you could say that artificial intelligence (AI) is going to be a massive tailwind for corporate profits, etc. You can make a bull case; but you have to accept that multiples of 19 to 20 on double-digit earnings growth are unusually high.

It's difficult to argue that the real world outlook is significantly better than the average so far this century, but that's what valuations and earnings are saying.

**RG:** Where do you see value currently if markets are potentially a bit complacent and growth around the world is sluggish?

**BP:** We're looking for high-quality companies, that therefore will be much less affected by any disruption, trading at reasonable multiples. We think there are decent companies slightly away from the great growth excitement and core hype around AI, that can compound steadily at reasonable multiples.

One of our mantras is that there are only two ways to lose money in equities. The earnings go away, or the multiple goes away. Right now, we think the market's vulnerable on both fronts. Investors are assuming double-digit earnings growth with pretty mediocre economic growth. If nominal GDP is growing at a 5% rate, and you want double-digit earnings growth, then margins have to improve significantly when they are already at peak levels.

We think the best approach is to find companies for which the earnings are unlikely to go away—or those that at least have resilient pricing power and recurring revenues—and to own them at reasonable multiples. This is not an easy market. It isn't going to be like it was coming out of the Great Financial Crisis, when you could find outstanding companies at high-single-digit free-cash-flow yields. If you take a five-year view and you can find a company you think is going to compound steadily, with limited multiple downside, then you should make a respectable return.

**RG:** What is the biggest risk?

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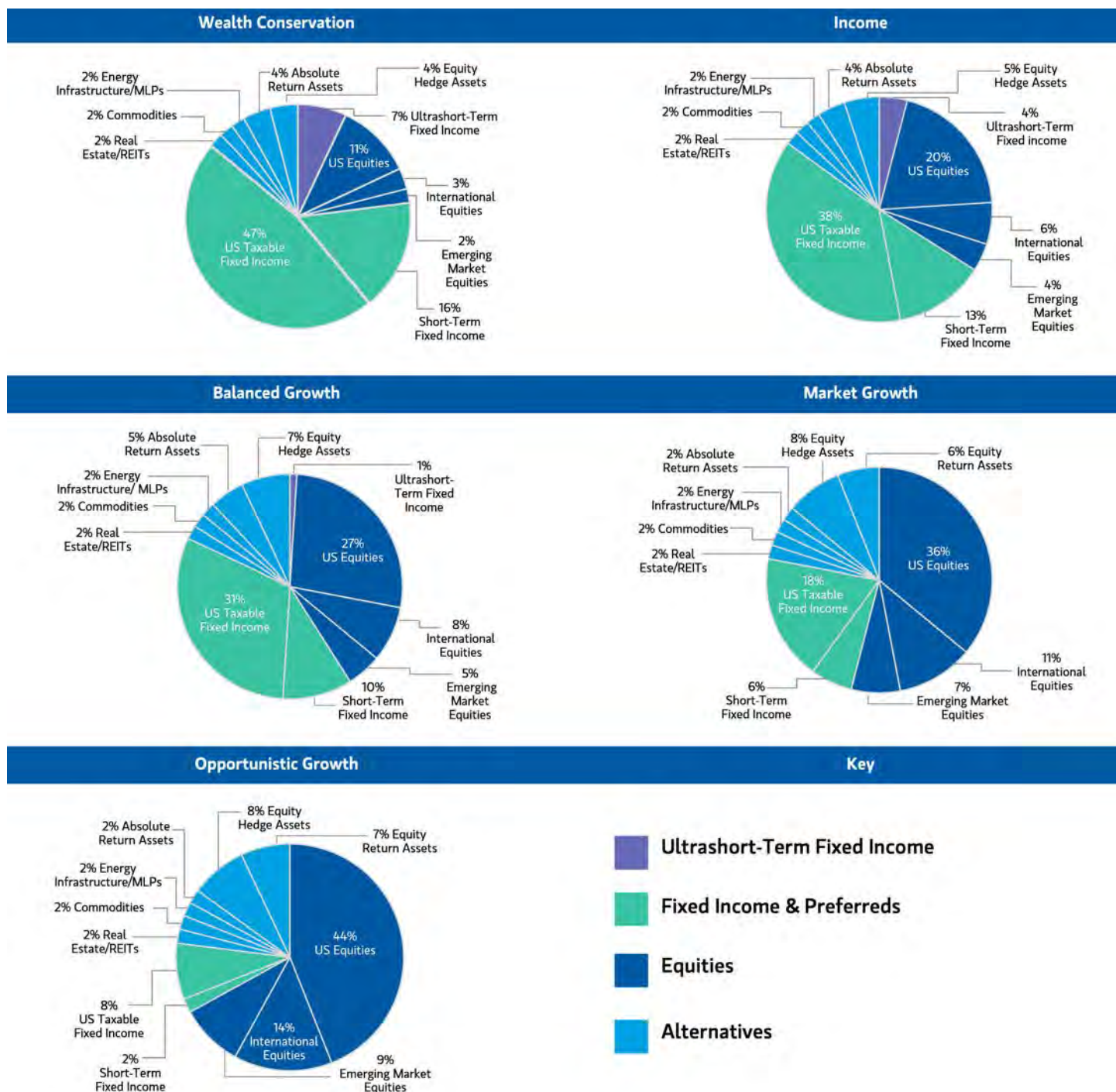
**BP:** It's simple. Market prices are driven by earnings and multiples. We know you've got high multiples on record margins, and the assumption that those margins are going to improve. Measures of economic policy uncertainty in the US are at record highs, and geopolitical tensions are high. You have the US conducting radical experiments in economic policy around tariffs.

I don't know where we're going to end up. Everything might be fine. But there does seem to be a disconnect between what seems like relative complacency in equity markets and the volatility and uncertainty in the world. The risk is that one of the potential elements of volatility means that earnings fail to meet the extended expectations, and this has a knock-on effect on multiples, causing a double hit for equities. ■



# Global Investment Committee Tactical Asset Allocation

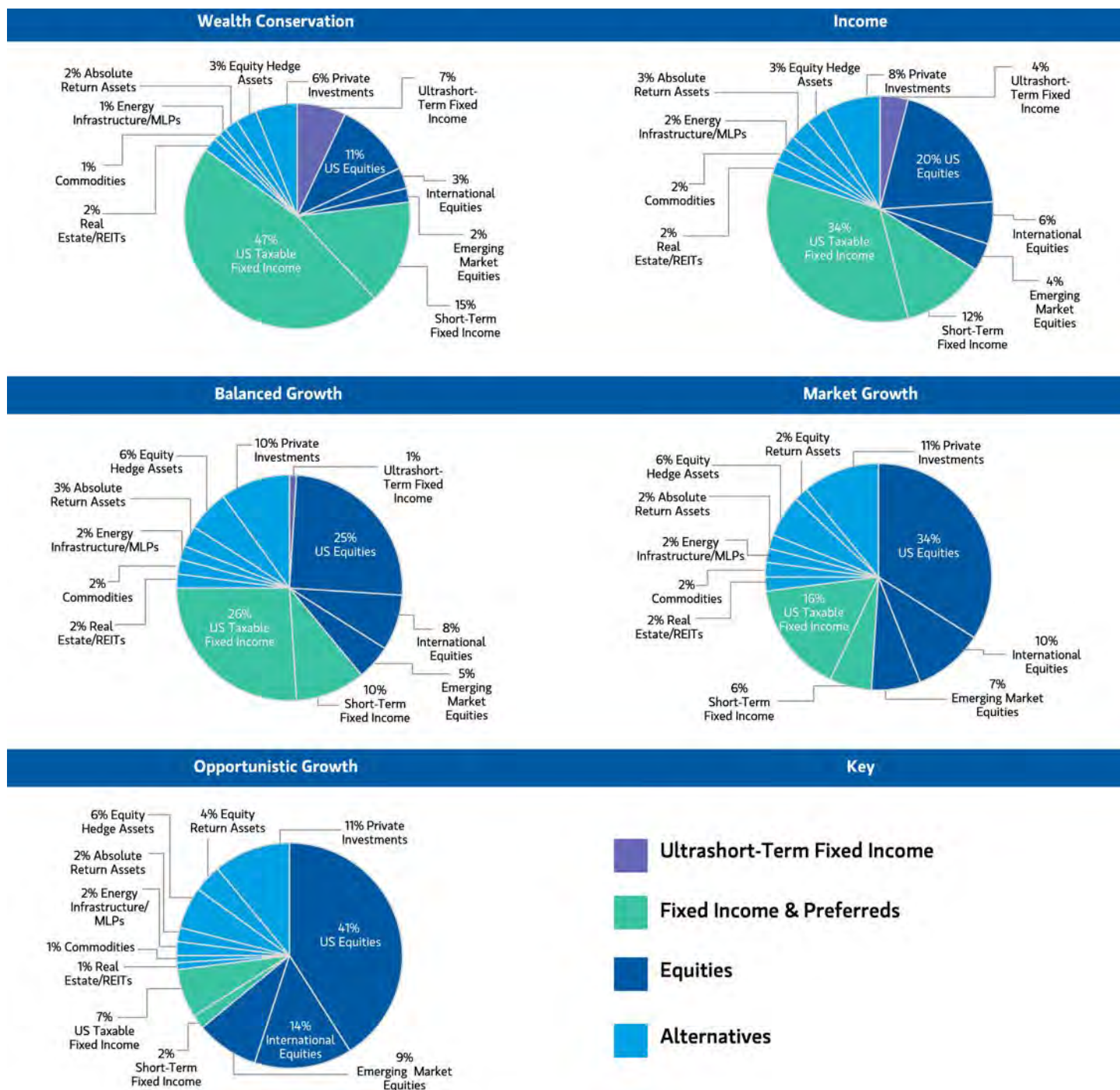
The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets, real assets and hedged strategies. They are based on an increasing scale of risk (expected volatility) and expected return.



Source: Morgan Stanley Wealth Management GIC as of July 1, 2025

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The Global Investment Committee provides guidance on asset allocation decisions through its various allocation models. The five models below include allocations to traditional assets and alternative investments, including privates, and are recommended for investors with over \$10 million in investable assets. They are based on an increasing scale of risk (expected volatility) and expected return.



Source: Morgan Stanley Wealth Management GIC as of July 1, 2025



## Tactical Asset Allocation Reasoning

Global Equities		Weight Relative to Model Benchmark
US	Overweight	Stock indexes have experienced a round trip of April's bear market shock from tariffs, and aggregate valuations are as rich as they were in January on 3%–5% lower earnings estimates. That said, uncertainty remains elevated as equity investors appear highly complacent. An economic soft landing is still the base case as long as the labor market holds. The S&P 500 Index appears poised to grind out a 5%–10% gain this year, with interest rates (debt/deficits) the biggest constraint. We are buying equal-weighted indexes, quality-cash-flow stories in both growth and value universes and midcap growth names.
International Equities (Developed Markets)	Underweight	Recent outperformance has been catalyzed as responses to the "America First" agenda have driven fiscal stimulus and concerns about tariffs have been cooling rest-of-world (ROW) inflation. This is creating ROW opportunities to simultaneously enjoy monetary, fiscal and currency-related stimulus. The outlook is improving in Japan, Germany and the UK. Lower global oil prices help.
Emerging Markets	Overweight	China stimulus, while potentially insufficient to address the challenges of the country's secular bear market, is likely enough to help stabilize the downturn in the short term. The US-China trade conflict remains a wild card, and we expect the "bazooka" of China stimulus may come in light of ongoing trade tensions. Given that valuations in the region are already nondemanding, we are inclined to be patient and wait for recovery. A weaker US dollar and lower global energy prices are positives for Latin America and Southeast Asia.
Global Fixed Income		Weight Relative to Model Benchmark
US Investment Grade	Overweight	Corporate cash flows remain resilient, especially as odds of a soft landing continue to solidify. Spreads have partially adjusted to these realities, and default risk remains modest. While interest rates have backed up to reflect "higher-for-longer" expectations, there is good value and "coupon" in the belly of the curve. With geopolitical uncertainty high and equity valuations broadly rich, we like coupons of bonds with index-matching and shorter durations. Municipal securities are exhibiting good value but should be actively managed for credit concerns in a new world of federal funding priorities.
International Investment Grade	Market-Weight*	Yields are decent, central banks have begun to cut rates and there is room for spread tightening as economic growth improves. Currency impact is a tailwind for US dollar investors.
Inflation-Protection Securities	Market-Weight*	Real yields have sold off and are now bordering on cheap relative to the past two years. The securities could be a potential buy in a stagflationary environment.
High Yield	Market-Weight*	We have eliminated our exposure to the equity-like asset class to reduce equity beta of portfolios. High yield bonds rallied aggressively after the unprecedented provision of liquidity from the Fed and fiscal stimulus from Washington. However, we believe there is currently limited upside. Ultra-tight spreads may be the result of increasing competition for capital among private credit financial sponsors and general partners and may not fully reflect adequate compensation for default risk.
Alternative Investments		Weight Relative to Model Benchmark
REITs	Market-Weight	We expect higher stock-bond correlations, which places a premium on the diversification benefits of investing in real assets. Nevertheless, with real interest rates positive and services inflation remaining quite sticky, we would need to be selective in adding to this asset class broadly. We are focused on interesting opportunities aimed at solving the residential housing shortage.
Commodities	Market-Weight	Global deflation, tense geopolitics, especially in the Middle East, and ongoing fiscal spending suggest decent upside potential for precious metals and industrial commodities, including energy-related.
MLP/Energy Infrastructure	Overweight	We previously increased exposure to real assets, with a preference for energy infrastructure and MLPs. Competitive yields and expectations for continued capital discipline amid stable oil and gas prices underpin our decision, as does hedging against geopolitical risks.
Hedged Strategies (Hedge Funds and Managed Futures)	Overweight	We recently added to equity hedged positions, noting the pickup in idiosyncratic risk, falling borrowing costs and rising volatility. The current environment appears constructive for hedge fund managers, who are frequently good stock pickers and can use leverage and risk management to potentially amplify returns. We prefer very active and fundamental strategies, especially high quality, low beta, low volatility and absolute return hedge funds.

\*The GIC asset allocation models' benchmarks do not include any exposure to this asset class.

Source: Morgan Stanley Wealth Management GIC as of July 1, 2025

### Disclosure Section

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#### Important Information

The **Global Investment Committee (GIC)** is a group of seasoned investment professionals from Morgan Stanley & Co. and Morgan Stanley Wealth Management who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend asset allocation model weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

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For index, indicator and survey definitions referenced in this report please visit the following: <https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions>

#### Additional Index Definitions

**National Highway Construction Cost Index** This index is a measure of the average change over time in the prices paid by state transportation departments for roadway construction materials and services.

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#### Glossary

**Alpha** is the excess return of an investment relative to the return of a benchmark index.

**Artificial Intelligence (AI)** A field of study that seeks to train computers to process large amounts of unstructured information in a manner similar to human intelligence, capable of performing tasks such as learning and problem solving.

**Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

**Correlation** This is a statistical measure of how two securities move in relation to each other. This measure is often converted into what is known as correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random. A correlation greater than 0.8 is generally described as strong, whereas a correlation less than 0.5 is generally described as weak.

**Earnings revision breadth** is defined as the number of positive analyst revisions minus the number of negative analyst revisions divided by the total number of revisions.

**Equity risk premium** is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate

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represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

**Nominal Gross Domestic Product (GDP)** is the GDP of the country measured at current market prices and not adjusted for inflation or deflation.

**Price to forward earnings** calculates the price-to-earnings ratio that uses projected future earnings.

**Real Gross Domestic Product (GDP)** is the GDP of the country measured at current market prices and adjusted for inflation or deflation.

**Risk premium** is the return in excess of the risk-free rate of return an investment is expected to yield.

**Volatility** This is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index. Commonly, the higher the volatility, the riskier the security.

### Hedged Strategy Definitions

**Absolute return:** This type of investing describes a category of investment strategies and mutual funds that seek to earn a positive return over time—regardless of whether markets are going up, down, or sideways—and to do so with less volatility than stocks.

**Equity Hedge** is a hedge fund investment strategy with a typical goal of providing equity-like returns while limiting the impact of downside market movements and volatility on an investor's portfolio. Managers utilize long and short positions, primarily in equity and equity-related instruments, to achieve this goal.

### Risk Considerations

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. Any product discussed herein may be purchased only after a client has carefully reviewed the offering memorandum and executed the subscription documents. Morgan Stanley Wealth Management has not considered the actual or desired investment objectives, goals, strategies, guidelines, or factual circumstances of any investor in any fund(s). Before making any investment, each investor should carefully consider the risks associated with the investment, as discussed in the applicable offering memorandum, and make a determination based upon their own particular circumstances, that the investment is consistent with their investment objectives and risk tolerance.

### Alternative Investments

Alternative investments may be either traditional alternative investment vehicles, such as hedge funds, fund of hedge funds, private equity, private real estate and managed futures or, non-traditional products such as mutual funds and exchange-traded funds that also seek alternative-like exposure but have significant differences from traditional alternative investments. Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; and Risks associated with the operations, personnel, and processes of the manager. Further, opinions regarding Alternative Investments expressed herein may differ from the opinions expressed by Morgan Stanley Wealth Management and/or other businesses/affiliates of Morgan Stanley Wealth Management.

Certain information contained herein may constitute forward-looking statements. Due to various risks and uncertainties, actual events, results or the performance of a fund may differ materially from those reflected or contemplated in such forward-looking statements. Clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

Interests in alternative investment products are offered pursuant to the terms of the applicable offering memorandum, are distributed by Morgan Stanley Smith Barney LLC and certain of its affiliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley or any of its affiliates, (3) are not guaranteed by Morgan Stanley and its affiliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Smith Barney LLC is a registered broker-dealer, not a bank.

It is important to note that only eligible investors can invest in alternative investment funds and that in order for an FA/PWA to engage a prospective investor in general discussions about Alternative Investments and specifically with regards to Private Funds, the prospective investor will need to be pre-qualified through the Reg D system.

**Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, have limited liquidity and/or may be generally illiquid, may incur substantial charges, may subject investors to conflicts of interest, and are usually appropriate only for the risk capital portion of an investor's portfolio. Before investing in any partnership and in order to make an informed decision, investors should read the applicable prospectus and/or offering documents carefully for additional information, including charges, expenses, and risks. Managed futures investments are not intended to replace equities or fixed income securities but rather may act as a complement to these asset

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categories in a diversified portfolio.

**Hedge funds** may involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

**Hedge Funds of Funds** and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns.

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

An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. Investing in an international ETF also involves certain risks and considerations not typically associated with investing in an ETF that invests in the securities of U.S. issues, such as political, currency, economic and market risks. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies. ETFs investing in physical commodities and commodity or currency futures have special tax considerations. Physical commodities may be treated as collectibles subject to a maximum 28% long-term capital gains rates, while futures are marked-to-market and may be subject to a blended 60% long- and 40% short-term capital gains tax rate. Rolling futures positions may create taxable events. For specifics and a greater explanation of possible risks with ETFs, along with the ETF's investment objectives, charges and expenses, please consult a copy of the ETF's prospectus. Investing in sectors may be more volatile than diversifying across many industries. The investment return and principal value of ETF investments will fluctuate, so an investor's ETF shares (Creation Units), if or when sold, may be worth more or less than the original cost. ETFs are redeemable only in Creation Unit size through an Authorized Participant and are not individually redeemable from an ETF.

*Investors should carefully consider the investment objectives and risks as well as charges and expenses of an exchange-traded fund or mutual fund before investing. The prospectus contains this and other important information about the mutual fund. To obtain a prospectus, contact your Financial Advisor or visit the mutual fund company's website. Please read the prospectus carefully before investing.*

An investment in a **money market fund (MMF)** is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. The price of other MMFs will fluctuate and when you sell shares they may be worth more or less than originally paid. MMFs may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits.

**Master Limited Partnerships (MLPs)** are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. MLPs carry interest rate risk and may underperform in a rising interest rate environment.

**International investing** entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with **emerging markets** and **frontier markets**, since these countries may have relatively unstable governments and less established markets and economies.

**Investing in currency** involves additional special risks such as credit, interest rate fluctuations, derivative investment risk, and domestic and foreign inflation rates, which can be volatile and may be less liquid than other securities and more sensitive to the effect of varied economic conditions. In addition, international investing entails greater risk, as well as greater potential rewards compared to U.S. investing. These risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

**Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

**Bonds rated below investment grade** may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

**Interest on municipal bonds** is generally exempt from federal income tax; however, some bonds may be subject to the alternative minimum tax

## ON THE MARKETS

(AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence.

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

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

Although they are backed by the full faith and credit of the U.S. Government as to timely payment of principal and interest, **Treasury Bills** are subject to interest rate and inflation risk, as well as the opportunity risk of other more potentially lucrative investment opportunities.

Principal is returned on a monthly basis over the life of a **mortgage-backed security**. Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. Yields and average lives are estimated based on prepayment assumptions and are subject to change based on actual prepayment of the mortgages in the underlying pools. The level of predictability of an MBS/CMO's average life, and its market price, depends on the type of MBS/CMO class purchased and interest rate movements. In general, as interest rates fall, prepayment speeds are likely to increase, thus shortening the MBS/CMO's average life and likely causing its market price to rise. Conversely, as interest rates rise, prepayment speeds are likely to decrease, thus lengthening average life and likely causing the MBS/CMO's market price to fall. Some MBS/CMOs may have "original issue discount" (OID). OID occurs if the MBS/CMO's original issue price is below its stated redemption price at maturity, and results in "imputed interest" that must be reported annually for tax purposes, resulting in a tax liability even though interest was not received. Investors are urged to consult their tax advisors for more information.

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

**Credit ratings** are subject to change.

**Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. Generally, if interest rates rise, bond prices fall and vice versa. Longer-term bonds carry a longer or higher duration than shorter-term bonds; as such, they would be affected by changing interest rates for a greater period of time if interest rates were to increase. Consequently, the price of a long-term bond would drop significantly as compared to the price of a short-term bond.

The majority of \$25 and \$1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per \$25 or \$1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price.

Some \$25 or \$1000 par **preferred securities** are **QDI (Qualified Dividend Income)** eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

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

The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield.

**Investing in commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

**Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long-term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. If sold in a declining market, the price you receive may be less than your original investment. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor. The Securities Investor Protection Corporation ("SIPC") provides certain protection for customers' cash and securities in the event of a brokerage firm's bankruptcy, other financial difficulties, or if customers' assets are missing. SIPC insurance does not apply to precious metals or other commodities.

**REITs investing** risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions.

## ON THE MARKETS

CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum of \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for the purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository. For more information visit the FDIC website at [www.fdic.gov](http://www.fdic.gov).

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

**Investing in smaller companies** involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

**Stocks of medium-sized companies** entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies.

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

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

**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.

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

Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies. **Technology stocks** may be especially volatile. Risks applicable to companies in the **energy and natural resources** sectors include commodity pricing risk, supply and demand risk, depletion risk and exploration risk. **Health care sector stocks** are subject to government regulation, as well as government approval of products and services, which can significantly impact price and availability, and which can also be significantly affected by rapid obsolescence and patent expirations.

**Artificial intelligence (AI)** is subject to limitations, and you should be aware that any output from an IA-supported tool or service made available by the Firm for your use is subject to such limitations, including but not limited to inaccuracy, incompleteness, or embedded bias. You should always verify the results of any AI-generated output.

**Environmental, Social and Governance ("ESG") investments** in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain and such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

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

### Virtual Currency Products (Cryptocurrencies)

*Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to:*

- Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment.
- Certain Digital Asset funds and products, allow investors to invest on a more frequent basis than investors may withdraw from the fund or product, and interests in such funds or products are generally not freely transferrable. This means that, particularly given the volatility of Digital Assets, an investor will have to bear any losses with respect to its investment for an extended period of time and will not be able to react to changes in the price of the Digital Asset once invested (for example, by seeking to withdraw) as quickly as when making the decision to invest. Such Digital Asset funds and products, are intended only for persons who are able to bear the economic risk of investment and who do not need liquidity with respect to their investments.
- Given the volatility in the price of Digital Assets, the net asset value of a fund or product that invests in such assets at the time an investor's subscription for interests in the fund or product is accepted may be significantly below or above the net asset value of the product or fund at the time the investor submitted subscription materials.
- Certain Digital Assets are not intended to function as currencies but are intended to have other use cases. These other Digital Assets may be subject to some or all of the risks and considerations set forth herein, as well as additional risks applicable to such Digital Assets. Buyers, sellers and users of such Digital Assets should thoroughly familiarize themselves with such risks and considerations before transacting in such Digital Assets.
- The value of Digital Assets may be negatively impacted by future legal and regulatory developments, including but not limited to increased regulation of such Digital Assets. Any such developments may make such Digital Assets less valuable, impose additional burdens and expenses on a fund or product investing in such assets or impact the ability of such a fund or product to continue to operate, which may materially decrease the value of an investment therein.

## ON THE MARKETS

- Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance, many significant aspects of the tax treatment of Digital Assets are uncertain. Prospective investors should consult their own tax advisors concerning the tax consequences to them of the purchase, ownership and disposition of Digital Assets, directly or indirectly through a fund or product, under U.S. federal income tax law, as well as the tax law of any relevant state, local or other jurisdiction.
- Over the past several years, certain Digital Asset exchanges have experienced failures or interruptions in service due to fraud, security breaches, operational problems or business failure. Such events in the future could impact any fund's or product's ability to transact in Digital Assets if the fund or product relies on an impacted exchange and may also materially decrease the price of Digital Assets, thereby impacting the value of your investment, regardless of whether the fund or product relies on such an impacted exchange.
- Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset.
- Investors in funds or products investing or transacting in Digital Assets may not benefit to the same extent (or at all) from "airdrops" with respect to, or "forks" in, a Digital Asset's blockchain, compared to investors who hold Digital Assets directly instead of through a fund or product. Additionally, a "fork" in the Digital Asset blockchain could materially decrease the price of such Digital Asset.
- Digital Assets are not legal tender, and are not backed by any government, corporation or other identified body, other than with respect to certain digital currencies that certain governments are or may be developing now or in the future. No law requires companies or individuals to accept digital currency as a form of payment (except, potentially, with respect to digital currencies developed by certain governments where such acceptance may be mandated). Instead, other than as described in the preceding sentences, Digital Asset products' use is limited to businesses and individuals that are willing to accept them. If no one were to accept digital currencies, virtual currency products would very likely become worthless.
- Platforms that buy and sell Digital Assets can be hacked, and some have failed. In addition, like the platforms themselves, digital wallets can be hacked, and are subject to theft and fraud. As a result, like other investors have, you can lose some or all of your holdings of Digital Assets.
- Unlike US banks and credit unions that provide certain guarantees of safety to depositors, there are no such safeguards provided to Digital Assets held in digital wallets by their providers or by regulators.
- Due to the anonymity Digital Assets offer, they have known use in illegal activity, including drug dealing, money laundering, human trafficking, sanction evasion and other forms of illegal commerce. Abuses could impact legitimate consumers and speculators; for instance, law enforcement agencies could shut down or restrict the use of platforms and exchanges, limiting or shutting off entirely the ability to use or trade Digital Asset products.
- Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.
- Investors should be aware of the potentially increased risks of transacting in Digital Assets relating to the risks and considerations, including fraud, theft, and lack of legitimacy, and other aspects and qualities of Digital Assets, before transacting in such assets.
- The exchange rate of virtual currency products versus the USD historically has been very volatile and the exchange rate could drastically decline. For example, the exchange rate of certain Digital Assets versus the USD has in the past dropped more than 50% in a single day. Other Digital Assets may be affected by such volatility as well.
- Digital Asset exchanges have limited operating and performance histories and are not regulated with the same controls or customer protections available to more traditional exchanges transacting equity, debt, and other assets and securities. There is no assurance that a person/exchange who currently accepts a Digital Asset as payment will continue to do so in the future.
- The regulatory framework of Digital Assets is evolving, and in some cases is uncertain, and Digital Assets themselves may not be governed and protected by applicable securities regulators and securities laws, including, but not limited to, Securities Investor Protection Corporation coverage, or other regulatory regimes.
- Morgan Stanley Smith Barney LLC or its affiliates (collectively, "Morgan Stanley") may currently, or in the future, offer or invest in Digital Asset products, services or platforms. The proprietary interests of Morgan Stanley may conflict with your interests.
- The foregoing list of considerations and risks are not and do not purport to be a complete enumeration or explanation of the risks involved in an investment in any product or fund investing or trading in Digital Assets.

The **indices** are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities significantly different than those in any index referred to herein. Comparing an investment to a particular index may be of limited use.

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

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## ON THE MARKETS

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## EXHIBIT 4

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### **Cybersecurity Letter**

## CYBERSECURITY

July 2025

To: City of Delray Beach

### Introduction

Morgan Stanley's (MS or Firm) success depends on our reputation, which is built on integrity, excellence in service, honesty, and fairness in our dealings. This reputation derives in part from our ability to maintain the confidentiality and security of information and assets entrusted to us by our clients.

Cybersecurity is an integral part of Morgan Stanley business operations to safeguard the confidentiality, integrity, and availability of the Firm's information systems and networks. In the face of an increasingly complex and dynamic cyber threat environment, as part of our overarching cybersecurity strategy, the Firm developed the Morgan Stanley Fusion Resilience Center (Fusion) into a global, 24/7 organization, responsible for assessing, detecting, and responding to threats, vulnerabilities, or incidents that could incur risk to the Firm's clients, assets, or reputation.

The Firm has a Global Chief Information Security Officer (CISO) who reports to the Co-Chief Technology Officer. The Office of the CISO is led by the Global Chief Information Security Officer ("CISO") who provides oversight to the operations and overall effectiveness of the Firm's Information and Cyber Security Programs. Deputy and regional CISOs are empowered to execute within a common and shared framework so that Business Unit and regional initiatives are integrated into the global vision of the Programs. The Firm's senior management is part of the approval process for the cybersecurity strategy and is provided with periodic cybersecurity updates.

The Morgan Stanley cybersecurity strategy is underpinned by standard industry frameworks such as the CRI Cybersecurity Profile. At a more granular level the Firm uses best practices such as Defense-In-Depth and the MITRE ATT&CK Framework.

The Firm is pursuing public cloud usage. The move to public cloud is proceeding in a very deliberate and controlled way, recognizing the opportunity to implement best in class security controls before opening the cloud to broader adoption across the Firm. Morgan Stanley has relationships with all the major cloud providers.

The Firm's cybersecurity practices and capabilities fall within the following categories:

- Identify - Governance, risk and control practices used to identify cybersecurity threats and systems containing critical information.
- Protect - Cybersecurity and information security practices, internal controls and technologies used to mitigate identified risks and guard Firm systems and data from attack by malicious threat actors.
- Detect - Mechanisms used to monitor the Firm's network and information systems to discover whether

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they are under attack.

- **Respond** - Cybersecurity and information security practices, internal controls and technologies used to contain, respond and communicate the status of a detected security incident or data breach.
- **Recover** - Actions performed to stress test our cybersecurity readiness and restore business as usual operations following the occurrence of a security incident or data breach.

## IDENTIFY

**Global Cyber and Information Security Program Policy** - The Global Cyber and Information Security Program Policy (this "Policy") sets forth the principles and objectives to manage the integrated Cyber and Information Security Program (the "Program") of Morgan Stanley and its consolidated subsidiaries ("Morgan Stanley" the "Firm"). The Program is designed to ensure the confidentiality, integrity, and availability of the Firm's information and systems. In addition, the Program manages the Cyber and Information Security risks in accordance with the defined risk appetite (as defined within the Firm's Global Risk Management Principles).

Firm Personnel are required to sign the Firm's Code of Conduct for employees or, Standard of Conduct for contingent workers, both of which include non-disclosure obligations.

**Risk Assessment** - Information Technology Risks and Controls are assessed as part of the Firm's Risk Control Self-Assessment (RCSA) Program. Using a central Process, Risk and Control Taxonomy and Tool, Technology divisions identify risks relevant to the services and products (applications/infrastructure) they provide to the business. Inherent risk ratings are calculated using the Firm's risk level standards (e.g., type, impact, likelihood) and mitigating controls are identified (where controls can be preventative, detective, corrective, predictive, etc.). This Process drives internal risk management decision making.

**Technology Asset Inventory** - The Firm has implemented a centralized system which contains the Firm's applications and systems in association with their respective business processes. This inventory also maps each application to the underlying hardware and infrastructure that it uses (e.g., servers, databases, etc.) and contains referential data, such as the business criticality and various other risk and organizational attributes.

**Independent Oversight** - The cybersecurity and information security functions are independently assessed by Operational Risk Department and Internal Audit groups within the Firm.

Internal Audit provides independent, objective, and timely assurance to stakeholders about the effectiveness of the Firm's risk management, internal controls and governance processes.

**Third Party Security Risk Assessments** - The Firm conducts risk assessments of third-party vendors with access to Firm systems and data that include cybersecurity and information security risks and controls. New third-party vendors are assessed at the time of contracting/engagement with the Firm. Existing third-party vendors are reassessed according to a schedule relative to the third-party vendor's risk rating. Additionally, the Firm uses a Consulting and Services Agreement template for resource vendors, which includes provisions on non-disclosure of information, vendor's employee Standard of Conduct, compliance with US federal and state privacy, as well as global data protection laws, audit, indemnification, and insurance.

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**Security Frameworks** - The Firm's Cyber and Information Security Program is aligned with the CRI (Cyber Risk Institute) Framework, ISO 27002 framework and leading practices to ensure appropriate global coverage of cyber and information security, delineating responsibilities, as well as streamline further alignment to other supporting policies.

**Threat Intelligence** - The Global Threat Intelligence team is responsible for providing monitoring, analysis and assessment of the cyber threat landscape as it pertains to the financial services sector and Morgan Stanley specifically. The team identifies emerging threats and monitors developing events that may have broader implications for the security of the Firm. The team collects and processes information daily from a variety of sources, including open sources, commercial threat intelligence providers, government and law enforcement partners, and peer institutions. The team actively participates in sector-wide information sharing initiatives, including the Financial Services Information Sharing and Analysis Center (FS-ISAC) and the Analysis and Resilience Center (ARC), which was established in October 2016 to proactively identify, analyze, and assess cyber threats and coordinate activities to mitigate systemic risk to the U.S. financial system.

## PROTECT

**Physical Security** - Personnel are required to have an official Morgan Stanley badge (ID card) to enter any Firm facility and are required to wear badges when on Firm premises. Prior to receiving a badge, Personnel must go through the Firm's standard hiring or onboarding processes. Badges must be presented to security guards upon entry into any building turnstile and must be scanned by access card readers upon entry to any floor or sensitive/restricted area (such as Data Centers). Morgan Stanley IDs have the card holder's ID card photo affixed. The company name is not shown on the access cards (for various security reasons including if the card is lost; however, all ID card designs are issued to the Security Officers at all Firm locations for the purposes of identification. Corporate Security is the sole issuer of Morgan Stanley badges, and they administer access permissions through a centralized system.

Physical and information security protective measures such as access card readers, CCTV cameras, and alarms are utilized to monitor the Firm's work and office facilities.

**Mobile Device Security** - For Firm-owned and Bring Your Own Device (BYOD) Program mobile devices, the Firm requires users to keep device software, including security updates, up-to-date and to comply with all Firm-issued security standards, which include, but are not limited to: encryption, the use of passwords, a certain password composition, and a timeout/screen lock. Additionally, a global process is in place for the reporting of a lost or stolen mobile device. When a device is reported as lost or stolen, an automated solution issues a remote wipe of a Firm-owned device, or in the case of a personal device, a remote wipe of the corporate data ('container').

**Security Training & Awareness** - There is mandatory, targeted training on cybersecurity and information security delivered to Personnel with access to Firm systems. Personnel are required to complete training when they first join the Firm, and on an annual basis throughout the term of their employment by/engagement with the Firm. Training content is routinely refreshed to ensure alignment with the current threat environment. The Firm also mandates trainings to targeted audiences based on their job function. In addition to mandatory online training, an on-going security awareness campaign is in place to ensure that Personnel keep information security a top priority.

**Data Security** - The Firm's Global Information Security Handling Controls Procedure, which supports The Global Cyber and Information Security Program Policy, specifies user-initiated processes and technologies

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(i.e., controls) that support the security of Firm, employee and client information throughout the various stages of its lifecycle. The controls listed, including encryption, are commensurate to the sensitivity classification of the information (as defined by the Information Sensitivity Classification Definitions.)

**Removable Media Controls** - As a matter of Policy, the Firm prevents the use of removable media. This is facilitated via an endpoint security solution. If there is a business need to use removable media, a request and approval workflow process is followed. When exceptions are granted, the Firm Policy only allows for the use of Firm-issued devices.

**IT Asset Deployment** - The Firm deploys IT assets in a consistent manner. The environment is monitored for unauthorized devices on a regular basis.

**IT Asset Disposal** - The Firm has Policies and Procedures that cover disposal of data storage assets. The Firm's IT Asset Management Processes contain workflows governing the transfer of assets within the systems environment, removal and return of leased assets to third party asset owners, and retirement and destruction of owned assets which have reached the end of their lifecycle. A key control resident within these Procedures is the cleansing of data from the asset, prior to its removal from the Firm's environment.

**Identity & Access Management** - The Firm has processes designed to ensure that user access rights remain commensurate with current job responsibilities. Access privileges are aligned to business functions. To gain access, users must submit a request that is reviewed and approved by designated individuals. There is a periodic user entitlements review. If access is no longer required, it is revoked. Entitlements reviews are triggered when users change cost centers. Access rights are revoked upon termination.

**Privileged Access Management** - The Firm's Identity and Access Management (IAM) program manages controls around privileged user management. Specifically, (1) The IAM system routes requests for privileged entitlements through workflow approvals prior to provisioning such privileges, (2) Users with privileged entitlements are reviewed and recertified on a quarterly basis, and (3) The Security Administration Team performs a weekly reconciliation of privileged entitlements against approved requests, to monitor and maintain the integrity of the request and provisioning processes and to ensure there are not unauthorized privileged access users.

**Production Environment Controls** - The production environment is logically segregated from lower environments (e.g., development and test.) This logical segregation is achieved through the Firm's centrally governed entitlement management program.

**Distributed Denial of Service (DDoS) Protection** - The Firm has implemented layers of defensive controls for DDoS protection that include having on-demand dual cloud based DDOS mitigation services, redundant data centers, redundant network links, wire analytics, and content scrubbing. Additionally, Morgan Stanley has engaged a leading vendor to provide content delivery network (CDN) services to protect web application offerings to clients.

**Software Installation Controls** - Software installation by end users is restricted. The Firm has a defined workflow for software requests which includes appropriate review and approval and controlled/centralized installation on end user computers.



**Source Code Controls** - The Firm protects application source code via logical access controls and builds final releases in a controlled environment. Source code repositories and controls are used to maintain the integrity of the source code and provide an audit trail around changes made over time.

**Application Security** -The Firm has an established change control process and established procedures for ensuring that implemented applications, systems and networks meet design requirements. Developers are trained to use standard security infrastructure tools and Firm-specific reusable libraries for common security operations. Application Security training courses are used to educate developers on secure coding techniques.

**Firewalls** - The Firm's network comprises of Demilitarized Zones (DMZ's) which are created by use of Next-Generation Firewalls that provide segmentation or protection for sensitive applications or infrastructure. The DMZ's are purpose oriented such as, but not limited to, Internet, Market Data & Extranet, Client, Proxima (low latency), Lab etc. The default action of the firewall is to deny access unless specifically permitted via an approved access-control list. All applications or infrastructure deployed within the DMZ's undergoes a Security Architecture review process that includes outlining its required access in and out of the DMZ. The access-control list requests are subjected to review against Security Architecture approvals by the Firm's automated Firewall Policy Lifecycle Management tool called FASTP (Firewall Appliance Straight Through Processing) before being installed on the firewall.

**Client Authentication** - The Firm offers multiple forms of Multi-Factor Authentication to enhance the security of client logins and performs risk scoring of all client logins to reduce the risk of fraud.

**Passwords** - Firm Policy defines password standards for Firm personnel and our systems are configured to meet or exceed these standards. These password settings are established to help facilitate strong, user-established passwords by specifying values for minimum length, change interval, lockout thresholds after invalid attempts, and password composition (e.g., numbers, letters, special characters, case sensitivity, etc.)

**Third Party Contractual Provisions** - Standard agreements with third party vendors contain contractual provisions setting out cybersecurity and information security requirements and specific security risks that the vendor is expected to mitigate (if any). The exact requirements are tailored to the nature of the service provided by the vendor.

Examples of commonly included security provisions include, but are not limited to:

- Implementation and maintenance of appropriate security measures and data handling practices for the protection of the Firm's information as well as that of its customers;
- Notification of a security incident accompanied by remediation; and
- Allowance for the Firm and/or independent oversight of the vendor's compliance with the agreement, including security measures.

**Malware Protection** - Morgan Stanley has implemented layered malware detection and prevention controls.

- **User Workstation Malware Controls** - The malware prevention technologies are installed on the endpoints (e.g., desktops and laptops) as well as on the servers. The malware prevention software is updated regularly and technical measures prevent end users from uninstalling it. As part of the standard configuration, Secure Build, which is a layer of desktop management that provides enhanced protection against malware, is deployed. Secure Build removes local administrator

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privileges and grants access to only those areas of the desktop that are necessary for users to perform their business function.

- **Network Malware Controls** - Morgan Stanley has established malware controls at the Internet ingress and egress points to the corporate network perimeter. Morgan Stanley deploys proxies at the corporate network perimeter that must be used (by default) to access the Internet. The proxies employ Internet filters that prevent Personnel from visiting known malicious websites (categorized and identified by the vendor) and from downloading malware. Morgan Stanley controls malware from being downloaded by employees by limiting the file types that can be downloaded from the Internet.
- **Perimeter Email Malware Controls** - The Firm's Perimeter Mail team has implemented Attachment Defense Control designed to detect, analyze, and block malicious attachments before they reach Personnel's' inboxes. Attachment Defense uses advanced threat detection and sandboxing to protect email attachments from unknown or zero-day exploits and advanced malware.

**Data Loss Prevention** - The Firm has deployed a number of mechanisms designed to prevent and detect data leakage. At the Firm's perimeter, we have deployed a product that monitors outbound email for various keywords and phrases. In addition, the Firm has placed rules against designated populations of contingent workers that prevent them from sending email externally. An exception process exists with graduating controls i.e., no email capability, email to business domains only, or full email ability. On the desktop, we have an email plug-in that provides end user warnings and controls around content distribution, as well as restrictions on print activity based on various keywords and data types. Also, we have deployed a web content categorization engine that restricts access to prohibited categories of sites (such as web-based storage, webmail, etc.), as well as uncategorized sites.

- **Email Content Controls** – The Firm leverages technologies to detect and monitor for potential data leakage via email that contains high-risk data elements such as Personally Identifiable Information (PII), credit card numbers or social security numbers. Additional controls are in place to reduce the risk of distribution of email to non-Firm recipients.
- **Secure Content Delivery** – The Firm's Policies define scenarios around how to distribute sensitive or high-risk data elements using technologies such as secure cloud file sharing, password-protecting Office and PDF documents, secure email to encrypt emails in transit, and virtual data/deal rooms.
- **File Transfer** – The Firm offers a flexible, secure file transfer tool enabling Morgan Stanley business units to exchange data with partners, clients, and vendors in a secured manner. With this tool, external entities use their own communications software and preferred protocol to automatically download their Morgan Stanley reports or upload their files securely. Use of this tool ensures data security through PGP encryption, Transport Layer Security, and virus scanning.

**ITCT** - The Firm's InfoSec, Technology, and Cybersecurity Testing (ITCT) group, evaluates control design and operating effectiveness through evidence-based testing across controls linked to Global Technology Policy, Technology Business Unit Policy and Global Cyber and Information Security Program Policy on a cyclical basis.

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**Security Design** - The Firm's Security Design group advises teams seeking to implement new technologies or services how to do so in a secure manner and conducts formal security design review prior to system release.

**Remote Computing** - The Firm uses various industry standard technologies, including encryption and Firm approved multifactor authentication mechanisms to secure the remote access to internal Firm resources via ICA (Citrix protocol) and RDP (Microsoft protocol). Specific network monitoring is in place for Remote Computing.

Laptop Remote Access is via VPN leveraging industry standard, encrypted products that allow user connectivity as well as device monitoring, patching, maintenance and ability to audit, restrict and block/lock devices that are of concern.

## DETECT

**Vulnerability Management** - The Firm has established a Vulnerability Management Program to manage a suite of services and functions designed to discover vulnerabilities, assess their criticality, and ensure that the teams responsible for systems that are impacted address them appropriately. The services and functions to discover vulnerabilities include manual penetration testing using third-party vendors, scanning of infrastructure, scanning of running applications, scanning of application source code and compiled binaries, and assessment of publicly and privately announced vulnerabilities in vendor and open-source software. Vulnerabilities identified are risk-rated in accordance with a Firmwide standard rating using calculations based on the industry standard CVSS (Common Vulnerability Scoring System) model. Any vulnerabilities identified are assigned to appropriate technology owners who prioritize and schedule remediation and communicate the successful implementation of that remediation back to the Vulnerability Management Team.

**Anomalous Access Monitoring** - The Firm has measures in place to restrict the number of authentication attempts designed to mitigate against brute-force password guessing attacks (also known as Credential Validation Attacks), and monitors authentication attempts suggestive of higher risk or suspicious activity.

Additionally, the Firm receives compromised credential intelligence from Service Providers, Law Enforcement and industry Forums to alert us when there are indications that client or Firm employee credentials may have been compromised.

**Network Monitoring** - The Cyber Incident Response Team (CIRT) provides the Firm with a 24/7/365 globally distributed group responsible for the intake, triage and escalation of security incidents Firmwide. The Operations team within CIRT provides initial triage and correlation of all security events coming into the Firm, initiates remediation if available, and escalates to the appropriate groups for further investigation if needed.

**Cybersecurity Detection** - The Firm's Threat Hunting Detection Engineering team is responsible for developing and delivering a suite of advanced alerting and monitoring capabilities to enable real-time threat detection for triage analysis and escalation to Cyber Incident Response and Insider Threat Teams to insure a timely response. Threat Hunting produces cybersecurity monitoring metrics to maintain situational awareness of the Firm's cybersecurity posture across technology assets, and security.

**Advanced Persistent Threat monitoring** - The Firm's Threat Hunting program elevated the defensive posture of Morgan Stanley to impede, deter, and stop Advanced Persistent Threat (i.e., nation-state) class

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cyber actors. The Program accomplishes this through advanced network monitoring and analytics, and is a bespoke group, built to look across the corporate network to identify areas of strategic risks and, ensure instrumentation to drive powerful custom analytics for hunting high end cyber threats.

## RESPOND

**Cyber Event Management (CEM)** - The Firm's Cyber Event Management (CEM) function within Fusion Response oversees a Firmwide response to cyber events introducing risk to the Firm by bringing together technical, operational and business subject matter experts across the Firm to assess and develop a plan to rapidly mitigate business, regulatory, or reputational impact. The CEM internal procedure takes into consideration the nature and criticality of the cyber event, the Firm's assessed or potential exposure, the Firm's control posture, and the level of actual or potential impact. The response process is closely coordinated with key partners across the Firm and is designed to manage major cyber events from escalation through remediation, with regular and structured communication to leadership and Firm partners as required.

**Cybersecurity Incident Response** - The Cyber Incident Response Team (CIRT) is a globally distributed team responsible for security alert response and remediation, including events related to host intrusion detection, malware, and anomalous authentication activity. CIRT is also responsible for investigation and review of potential breaches and infections, assessment of impact, and the creation of appropriate response plans. The CIRT Process may be a precursor to a broader Cyber Event response. For remediation of smaller-scale incidents, the CIRT Process can serve as a full-scope function, with members of Technology Risk, Corporate Security, Legal and impacted Business Units assuming any follow-up actions deemed necessary.

## RECOVER

**External Partnership** - the Firm's Cyber Partnerships and Government Engagement program serves as the Office of CISO's outreach to our peer institutions, sector associations, law enforcement, and intelligence community as we all look to protect the financial sector. Morgan Stanley is a member of various industry associations and public/private partnerships that include ARC, SIFMA, FSSCC, CRI, FS-ISAC, and others. These organizations coordinate and perform various outreach within and outside of the sector with our government counterparts and industry regarding resiliency and cybersecurity initiatives.

**Resiliency Exercises** - The Firm Resilience Exercise Program designs and facilitates cyber, technology, and business continuity exercises internally and coordinates Firm's participation in external sector-wide exercises. These exercises validate response and recovery capabilities, ensure awareness of protocols across stakeholders and identify opportunities for improvement to build operational resilience throughout the Firm.

**Cybersecurity Insurance** - The Firm has cybersecurity insurance that provides coverage for data breaches, remediation activity (subsequent to data breaches), fines or penalties that may be levied by regulators, network security, network interruption and cyber extortion.

**Resiliency / Business Continuity Plan** - The Firm's Resilience organization maintains global programs for Business Continuity Management (BCM), Disaster Recovery (DR) and Third Party Resilience that facilitate activities designed to protect the Firm during a business continuity incident. A business continuity incident is an interruption with potential impact to normal business activity of the Firm's personnel, operations, technology, suppliers, and/or facilities. The Firm's Resilience is governed by the Business Resilience Governance Committee. In addition, a Committee of the Board of Directors and senior management oversee the program.

**Continuous Improvement** - The Firm's Cyber Event Review Forum (CERF) provides oversight and a Problem Management review forum for cyber events to ensure accountability and ownership for root cause, control failures, including follow-up actions to address deficiencies. CERF parallels the Fusion CEM Concept of Operations (CONOPS) which summarizes the overarching methodology to prepare for, detect, respond to, and recover from a cyber event involving Morgan Stanley, its acquisitions, a critical vendor, or any other partner that may have access to, or impact on the Morgan Stanley environment.

## EXHIBIT 5

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### **BCM Client Document**

Morgan Stanley

## **Firm Resilience and Crisis Management Program Overview**

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## **Firm Resilience and Crisis Management Program Overview**

### ***Purpose and Governance***

Morgan Stanley's resilience program is supported by dedicated teams within Firm Resilience and Fusion Response organizations. The Firm Resilience organization maintains global programs for Business Continuity Management (BCM), Disaster Recovery (DR), Third Party Resilience and Key Business Service Resilience (collectively, the "Firm Resilience programs"), which are designed to protect the Firm while remediating a business continuity incident. A business continuity incident is an interruption with potential impact to normal business activity of the Firm's personnel, technology, suppliers, and/or facilities. Such incidents might result from cyber-attacks, failure or loss of access to technology and/or associated data, military conflicts, acts of terror, natural disasters, severe weather events and infectious disease, as examples. During a business continuity incident, the Fusion Response organization will lead a rapid and comprehensive response and recovery operation in order to minimize impact from this broad range of business disrupting threats and incidents, and collaborate with partner organizations to understand, prepare for, and learn from these events.

The programs identify criticality of processes and supporting assets, identify options to recover assets during an incident, and establish the command and control structure for incident management. The programs are tested annually.

The Firm Resilience and Fusion Response organizations have dedicated staff responsible for management of the aforementioned programs. The Firm Resilience programs are governed by the Business Resilience Governance Committee. In addition, a Committee of the Board of Directors and senior management oversee the program.

### ***Key Business Service Resilience***

The Firm's Key Business Services (KBS) Resilience program has in place an operational resilience assessment framework used to integrate resilience considerations into existing risk management and governance models.

Through this program, Firm Resilience actively engages Business Unit stakeholders to identify KBS based on market, client, and Firm and/or financial stability impact, map assets that support KBS, develop stress scenarios impacting the KBS and test such scenarios end-to-end to identify lessons learned to continuously enhance the resilience of KBS.

### ***Business Continuity Planning and Testing***

The Global Business Continuity Planning Procedure sets forth the standard set of processes and operating instructions for Business Units within the Firm to develop business continuity (BC) plans and identify processes and recovery strategies to continue business critical processes during a business continuity incident.

As part of business continuity planning, Business Units must identify and assess the potential impact of threats that may significantly disrupt their business or the business operations of the Firm. Business Units conduct a business impact analysis to prioritize their business processes, which is then reviewed and signed-off at least annually.

Business continuity plans document the dependent assets (e.g. systems, teams) and associated recovery strategies (e.g., transference or work area recovery) to recover business critical processes following a BC incident. The plans also identify roles and responsibilities and emergency contact



## **Firm Resilience and Crisis Management Program Overview**

information when plans are invoked for an incident. Business continuity plans are reviewed and signed off by Business Unit management at least annually.

Business Continuity Plan testing continues throughout the year and covers the testing of dedicated, displacement, remote and transference recovery strategies across various loss scenarios. Test results are reviewed to ensure that any issues identified through testing are addressed and tracked up to closure, and enhancements to business continuity plans are implemented as appropriate. In addition, retest is scheduled where required, to ensure the issues have been resolved.

### ***Business Continuity Pandemic Preparedness***

The Firm maintains a Global Business Continuity Infectious Disease and Pandemic Preparedness Procedure to address planning for potential pandemics (“the Procedure”). The Procedure documents precautionary measures that the Firm can take to help reduce business impact should the Firm’s operations be affected by an infectious disease outbreak, epidemic, or pandemic business continuity incident. The Firm proactively monitors developments relating to potential pandemics to ensure the health and safety of our employees and their families, including pandemic warnings from the World Health Organization, the Centers for Disease Control and Prevention, and/or other official local governance bodies, and can invoke the Procedure as necessary.

### ***Business Continuity & KBS Training and Awareness***

Firm Resilience is responsible for developing, providing, and tracking completion of Business Continuity Role Holder attestation training. This training is designed to ensure that those personnel involved in Business Continuity Management are aware of their roles and responsibilities. Training is also provided to Business Continuity plan role holders on the use of Firm approved business continuity tool for performing business impact analysis and documenting of business continuity plans as appropriate.

To embed Operational Resilience across the Firm it is necessary to outline a clear, consistent, and comprehensive global view of what Operational Resilience entails, by ensuring each Morgan Stanley staff member understands their roles and responsibilities. This facilitates Morgan Stanley staff to successfully deliver Operational Resilience as an outcome. The training provides a common foundational understanding suitable for all staff, and also content bespoke to various capability areas and roles as relevant.

### ***Third Party Risk Management***

The Firm assesses and performs risk-based due diligence on third-party service providers’ business continuity and disaster recovery controls and their ability to continue to provide services during a business continuity incident through the third-party Business Continuity Assessment Program. The program assesses the service providers’ alignment to the Firm’s policies and standards through qualitative and quantitative analysis.

Firm Resilience requires the Business Units to develop Contingency Plans and Exit Plans in order to mitigate risk of business disruption due to an outage or termination of critical third party services. Contingency Plans document the Firm’s planned operational response and recovery strategy to maintain or resume critical business processes in the event of a critical third party service outage, and Exit Plans similarly address the Firm’s operational response when it is necessary to permanently transition away from usage of a critical service. Contingency and Exit Plans are

## Firm Resilience and Crisis Management Program Overview

required to be refreshed by Business Units on an annual basis.

External Third Party locations which connect to Morgan Stanley infrastructure with External Third Party staff performing services on behalf of the Firm, are required to comply with the Global Business Continuity Management Policy and maintain business continuity plans in the Firm approved application as documented in the Morgan Stanley Offsite Delivery Center (ODC) Vendor Requirements Manual. Business Units, whose business functions are outsourced, are responsible for reviewing and approving such plans and crisis management documentation and ensuring interoperability with their own BC Plans.

### *Resilience Testing & Exercises*

The Firm designs, sequences and delivers risk-based cyber, technology and business continuity exercises and technical recovery tests to enhance operational resilience and preparedness throughout the Firm and with our third parties. These are scenario-based tests and exercises that simulate a full range of threats, including technology incidents, cyber-attacks and business disrupting events impacting people, property, and infrastructure. Through these tests and exercises, the Firm validates and improves its preparedness to manage a variety of threats and risks. For further details on business continuity and disaster recovery testing, refer to the section “Business Continuity Planning and Testing” and “Disaster Recovery Planning and Testing” respectively.

### *Disaster Recovery Planning and Testing*

The Disaster Recovery program oversees the documentation of Technical Recovery Plans and execution of Disaster Recovery testing of Firm systems and external services to validate recovery capability. Technical Recovery Plans (TRPs) are in place for critical technology assets and document how systems would be recovered following a disruption. TRPs are required to include processes to failover a system between data centers, recover data in the event of a loss or corruption scenario and the ‘ready for business’ checks that would be performed to validate the system is available and functional following recovery. TRPs are periodically reviewed according to the criticality of the system.

Disaster recovery capability is tested at a frequency in line with the technology asset’s criticality (e.g. Tier-1 are tested annually) to confirm that technology assets will operate as intended during a business continuity event requiring failover to an alternate location.

In addition, the Firm’s Database Recovery Testing Program validates recovery capabilities for in-scope assets by restoring production back-ups to verify the accuracy and measure timeliness of the database restore capabilities.

### *Crisis Management*

The Fusion Response organization is responsible for Crisis Management, the process of identifying and managing the Firm’s operations during a business continuity incident. Fusion Response detects, monitors and prepares for specific physical threats to Firm personnel, operations, and assets and leads response and recovery efforts as these threats materialize.

Fusion Response is responsible for escalating business continuity incidents to Firm management and designated internal personnel, as appropriate. Fusion Response also coordinates and facilitates the exchange of information between those charged with resolving the situation, senior management, the Business Units that are impacted and other relevant stakeholders as necessary.

## **EXHIBIT 6**

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### **Form ADV, Part II**

# **Form ADV Program Brochure Morgan Stanley Smith Barney LLC**

## **Graystone Consulting**

**March 28, 2025**

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Purchase, NY 10577  
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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Graystone Consulting, a division of Morgan Stanley Smith Barney LLC (“MSWM”). If you have any questions about the contents of this Brochure, please contact us at (914) 225-1000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about MSWM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.**

## **Item 2: Material Changes**

There section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated March 28, 2024. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

### **Bank Deposit Program**

Updates were made to the Cash Sweeps section to disclose that BDP assets in advisory accounts receive a separate interest rate if the assets meet the BDP program balance threshold. Item 4.C, Cash Sweeps.

### **Disciplinary Information**

On December 9, 2024, the SEC entered into a settlement with MSWM regarding an administrative action. In this matter, MSWM, without admitting or denying the findings and without adjudication of any issue of law or fact, consented to the entry of the order that finds that MSWM willfully violated certain sections of the Investment Advisers Act of 1940 (“Advisers Act”), specifically Sections 206(2) and 206(4), and Rule 206(4)-7 promulgated thereunder. The SEC also finds that MSWM failed to supervise the FAs within the meaning of Section 203(e)(6) of the Advisers Act and/or Section 15(b)(4)(E) of the Securities Exchange Act of 1934 (“Exchange Act”) (Item 9).

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## Item 4: Services, Fees and Compensation

### Graystone Consulting

Graystone Consulting (“Graystone”) is a separate business unit of Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”, “MSWM”, “we” or “us”), that focuses on providing a wide range of investment consulting services to institutional and high net worth individual clients, including assistance in (i) developing investment policy statements, (ii) asset allocation, (iii) investment manager, mutual fund, commingled fund, collective investment trust, exchange traded fund (“ETF” and together with mutual funds, commingled funds and collective investment trusts, “Funds”) and alternative investment analysis, (iv) performance reporting and (v) custody services. These services are delivered through a select group of institutional consulting teams located across the country that have significant experience serving the investment advisory needs of institutions, as well as high net worth individual clients, and are supported by a management team dedicated to institutional consulting. Graystone clients include corporations, Taft-Hartley plans, foundations and endowments, public and private defined benefit plans, 401(k) plan sponsors, family offices and high net worth individuals.

MSWM Financial Advisors must meet specific eligibility criteria to become “Graystone Consultants” and be part of a Graystone team, which typically adheres to the following team structure:

- **Institutional Consulting Director.** Directors oversee an integrated local consulting team, generally averaging over 20 years of industry experience and are responsible for the team’s investment consulting process throughout the life of the client relationship.
- **Consulting Analysts.** A focus of Graystone Consulting analysts is the evaluation of investment management firms and Funds. In addition, analysts support asset allocation and performance monitoring processes. Analysts are trained in the use of investment analytics tools and are involved in the preparation of client presentations and performance reviews.
- **Operational Support.** Team members focus on processing client agreements and provide general operational and administrative support on behalf of Graystone clients.

### MSWM

Graystone is backed by the resources of MSWM. MSWM is a registered investment adviser and a registered broker-dealer. MSWM is one of the largest financial services firms in the U.S. with branch offices in all 50 states and the District of Columbia.

MSWM offers clients (“you”, “your” or “Client”) many different advisory programs. Many of MSWM’s advisory services are provided by its Consulting Group business unit (“CG”). You may obtain Brochures for other MSWM investment advisory programs at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or by asking your Financial Advisor or (for Morgan Stanley Private Wealth Management

clients) your Private Wealth Advisor. (Throughout the rest of this Brochure, “Financial Advisor” means either your Financial Advisor or your Private Wealth Advisor, as applicable.)

In addition, we provide services as a “fiduciary” (as that term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 as amended (“ERISA”) and/or Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to “Retirement Accounts” (as that term is described herein). For purposes of this brochure (including the Exhibit), the term “Retirement Account” will be used to cover (i) “employee benefit plans” (as defined under Section 3(3) of ERISA, which include pensions, defined contributions, profit-sharing and welfare plans sponsored by private employers, as well as, similar arrangements sponsored by governmental or other public employers, which are generally not subject to ERISA; (ii) individual retirement accounts “IRAs” (as described in Section 4975 of the Code); and (iii) “Coverdell Educational Savings Accounts (“CESAs”).

## A. General Description of Programs

### Traditional Institutional Consulting Services

Graystone offers the following traditional Institutional Consulting Services to its clients.

#### *Assistance in Preparation of Investment Objectives and Policies.*

Graystone shall assist in the Client’s review, evaluation and preparation of investment policies and objectives for the account. As set forth in “Performance Reporting” below, Graystone shall assist the Client in developing benchmarks for the performance of the account. Graystone will also provide the performance of the total account to assist the Client with the ability to determine progress toward investment objectives. Where Graystone has been retained as a non-discretionary investment consultant, the Client shall be responsible for monitoring compliance with their investment policies and guidelines.

**Asset Allocation.** Graystone reviews the client’s asset allocation and will make asset allocation recommendations in accordance with the goals of the client.

**Investment Searches.** Graystone assists the client in identifying and recommending investment managers and Funds (“Investment Products”). These recommendations are based either on (i) MSWM’s Global Investment Manager Analysis Group (“GIMA”) (using different methods to evaluate investment managers and Funds -- analysis on investment managers is provided through MSWM’s Consulting and Evaluation Services (“CES”) program) or (ii) Graystone analysis conducted on managers and Funds. Graystone analysis on managers is conducted through its Manager Assessment Program, a proprietary investment management scoring system that assesses investment manager products in that database. Graystone teams conduct further analysis in an effort to identify managers for clients. See Item 6 below for more details.

**Non-Researched Funds and Managers.** Clients may select Funds and investment managers outside of those covered by GIMA or Graystone analysis. The investment managers, if



qualified, will be offered through MSWM's Investment Management Services Program ("IMS"). MSWM does not evaluate or make any representations concerning such investment managers and shall not assume any liability for any loss, claim, damage, or expense attributable to the client's selection of managers not covered by GIMA or Graystone analysis.

For more information about CES, and IMS or any other investment advisory services offered by MSWM, as well as assistance in determining which service may be best suited to your needs and objectives, please contact your Graystone Consultant or refer to [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

**Performance Reporting.** Graystone Consulting provides clients with customized performance reports that assess portfolio performance relative to benchmarks. The reports may include comparisons to recognized benchmarks and market segments.

**Custody and Statements.** If you elect, MSWM may serve as the custodian of all cash, securities and other assets held in the portfolio and credit the portfolio with dividends and interest paid on securities held and principal paid on called or matured securities in the portfolio. You will be provided with written confirmation of securities transactions, and account statements at least quarterly.

### **Graystone Discretionary Services**

Graystone offers through qualified Graystone Consulting teams and for eligible clients, discretionary institutional consulting services whereby Graystone is responsible for the discretionary selection and rebalancing of Investment Options in accordance with the client's investment policy statement. In addition to discretionary investment management, clients receive custodial services (unless the client elects to use an outside custodian), trade execution and related services for a single fee.

Graystone Discretionary Services is designed for clients who wish to have Graystone assume full discretion over asset allocation rebalancing decisions as well as decisions to terminate any Investment Product. Graystone also provides the client with ongoing financial management services such as investment performance reporting, administration, trade execution and custody. Based on a client's long-term strategic policy allocation parameters and other investment constraints, Graystone will look for opportunities in asset classes or investment styles with above average expected rates of return while managing overall portfolio risk in accordance with the client's investment policies.

### **For Defined Contribution Participant-Directed Plans**

Graystone offers both non-discretionary investment-consulting services and discretionary services for participant directed defined contribution and non-qualified deferred compensation plans ("Participant-Directed Plans").

#### **Non-Discretionary Investment Consulting Services**

Through this non-discretionary program, Graystone Consulting offers initial and ongoing investment consulting services to Plan Sponsors, including investment policy statement review, asset style analysis, Fund search and selection and performance reporting.

**Investment Consulting Fund Evaluation Program.** MSWM shall evaluate all investment options from the universe of funds that have been reviewed and profiled by Morgan Stanley's Global Investment Manager Analysis ("GIMA") team, or the universe of funds that have successfully passed Morgan Stanley's proprietary fund screening process. MSWM's fund screening process takes into account both quantitative and qualitative factors. The process is explained further in Item 6A below.

**Risk-Based Models.** In addition to providing fund screening services, Graystone may provide risk-based asset allocation advice to retirement plans. If requested, Graystone will provide plan sponsor clients with certain strategic asset allocation models based on guidance from MSWM's Global Investment Committee (the "GIC").

It will be the Client's responsibility to ensure model recommendations by Graystone can be implemented within their recordkeeping platform. Graystone may assist in determining the capabilities of the Client's recordkeeping platform, however it will be the ultimate responsibility of the client to ensure any recommendations are implemented and offered to participants in a manner that is consistent with the Client's overall goals and objectives.

Graystone will provide the Client with performance reporting for such models which will include model performance comprised of the fund performance within the model. Graystone will also provide the Client with any changes/updates made to the asset allocation percentages within such models.

The client will be responsible for making any updates or changes to such models with its retirement plan provider. If requested, Graystone may provide education to plan participants in regard to risk tolerance through various approved educational pieces, however any such education does not represent any attempt by Graystone to use discretion or extend its fiduciary liability under the program client agreement.

**Administrative Services.** Graystone may also assist the retirement plan and other institutional clients with certain administrative functions as described below. Certain services are not available to all types of clients. These are not investment advisory services and MSWM does not assume status as a fiduciary under ERISA, the Investment Advisers Act of 1940 or any other applicable law or regulation in performing these services. Graystone Consulting provides the following administrative services:

- **Plan Sponsor Education** – MSWM makes educational materials available to plan fiduciaries. The available materials may cover topics such as retirement plan administration, fiduciary responsibilities, plan design features and investments.
- **Employee Education** – Graystone shall collaborate with the Client to develop strategies relating to participant enrollment and ongoing employee education, and MSWM can work with the plan to deliver general financial and investment information relating to such concepts as diversification, asset allocation, retirement planning and plan participation.

- *Plan Provider Search Support.* MSWM shall assist Client with the preparation and distribution of requests for proposals (“RFP”) with respect to Client's search for a party to provide recordkeeping or related services for the plan and shall provide assistance with the evaluation of RFP responses and corresponding finalist interviews and conversion support. Not available for Non-Qualified Deferred Compensation Plans.
- *Plan Services and Expense Review.* MSWM shall provide Client with a report for the purpose of assisting Client with the review of various fees and plan expenses as they relate to the services provided by the plan. This report will generally consist of an overall assessment of current services and expenses, as well as a comparison of such services and expenses to those incurred by other plans of similar size and composition. Not available for Non-Qualified Deferred Compensation Plans.

### ***Discretionary Services***

Graystone also offers discretionary institutional consulting services for eligible clients whereby Graystone is responsible for the discretionary selection of investment options utilizing the fund evaluation process described above and in Item 6.A. The Graystone Consultant will manage the overall investment process including decisions for fund selection, asset classification and termination and comprehensive monitoring of the Plan's investments. Graystone may provide discretionary asset allocation model services. In addition to discretionary investment management, clients may receive non-discretionary administrative services which include, plan sponsor education, plan provider search support, plan services and expense review, and employee education.

If the Client chooses to provide Plan participants with asset allocation model assistance, MSWM, in addition to fund selection and monitoring, will provide either strategic risk-based models or target-date model portfolios, collectively, the “Models”. In both cases, the Models are developed by MSWM's Wealth Management Investment Resources group with guidance from the GIC and are not subject to customization by the Client. Only MSWM Approved Funds will be permitted to populate these models.

*Risk-Based Models.* Graystone will present the Client with various separate risk-based models, as described in the previous section, of which the client must select at least three models to be made available to the Plan's participants, ranging from conservative to aggressive. Graystone will assist the Client with the selection of the models, but the Client will be solely responsible for selecting at least three models and with each of the following risk levels represented: conservative, moderate and aggressive.

*Target Date Models.* Graystone will present various target-date glidepath models to the client. These glidepaths offer the option of i) greater hedge against longevity risk and shortfall risk, ii) greater hedge against inflation risk and market risk, or iii) a balance between inflation risk and longevity risk. Graystone will assist the Client with the selection of the glidepath model, however the Client will be solely responsible for selecting one of

the models to offer the Plan's participants. Once the Client has selected a target date model, Graystone will construct the model by populating each of its asset classes with the MSWM Approved Funds.

Graystone will ensure that the models can be implemented on the recordkeeping platform. Graystone will also be responsible for determining the capabilities of the clients recordkeeping platform and ensuring any recommendations are implemented and offered to participants in a manner that is consistent with the clients overall goals and objectives.

Risk-Based and Target Date Models are tools used to assist the plan participants in achieving asset allocation goals. These models are not investment products sponsored by Graystone. Client may not make use of any branding associated with MSWM, the GIC or any other affiliate when describing the model portfolio. Termination of contract or model services will require the discontinuance of use of the models.

### ***Core Market Fiduciary Program***

MSWM offers a Core Market Fiduciary Program for defined contribution participant-directed plans. MSWM is responsible for the discretionary selection of investment options from a set lineup offered by a third-party recordkeeper in accordance with the program's investment policy.

### ***Retirement Account Manager Program***

Upon the request of the plan sponsor, MSWM offers certain investment advisory services to retirement plans for the benefit of the plan participants. The Retirement Account Manager Program offers the ability to invest in one or more asset allocation model strategies managed by MSWM (“Retirement Account Manager Strategy”). Based upon the information plan participants or the plan sponsors provide, including current age, expected age at retirement and risk tolerance, MSWM will recommend a Retirement Account Manager Strategy. Once plan participants have selected the Retirement Account Manager Strategy, MSWM will have discretion to determine the investment options available based upon the applicable recordkeeping platform. Over time the asset allocation model strategy selected will gradually shift its emphasis from more aggressive investments (i.e., equities) to more conservative investments (i.e., fixed income) based on the targeted time horizon to retirement. This shift occurs during quarterly portfolio rebalancing as the account progresses towards the targeted retirement age. In addition, if requested by the plan sponsor, MSWM shall select the qualified default investment option for the retirement plan.

### ***Other Services***

*Alternative Investments Performance Reporting Service.* Graystone offers alternative investments performance reporting capabilities. This is a non-discretionary service, which means that clients are responsible for executing participation agreements directly with each alternative investment. Graystone offers clients the ability to receive periodic reports that provide historical performance reporting of their alternative investments that were not purchased through Graystone and are not researched by

Graystone or MSWM. The alternative investments historical performance information is based upon information provided, directly or indirectly, by the issuer of the alternative investment, or by its sponsor, investment manager or administrator to Graystone ("Performance Reporting AI"). MSWM's ability to provide historical or other performance reporting on alternative investments is dependent upon its ability to obtain such information from each Performance Reporting AI.

The performance reporting enables the client to receive from Graystone periodic reports containing the client's historical performance information as reported by the applicable performance reporting AI. Client may also receive composite reports that show historical performance of alternative investments as reported by the Performance Reporting AI, along with historical or other performance information or other investments that were or are acquired by Graystone or are held in custody by MSWM.

The performance information provided in a periodic performance report is based on information provided to Graystone by the Performance Reporting AI and is not independently verified by Graystone. Graystone and MSWM shall not be liable for any misstatement or omission made by a Performance Reporting AI nor for any loss, liability, claim, damage or expense arising out of such misstatement or omission. The reporting service is not intended to constitute investment advice or a recommendation by Graystone of any alternative investment. Graystone is not evaluating the appropriateness of the initial investment or the continued investment in the alternative investments reported on as a part of this service. In addition, the service does not constitute, create or impose a fee-based brokerage relationship, fiduciary relationship or an investment advisory relationship under the Investment Advisers Act of 1940, as amended, with regard to the provision of the investments covered under this service. If the Client is an employee benefit plan or is otherwise subject to ERISA, Graystone and MSWM are not acting as a fiduciary (as defined in ERISA) with the respect to the provision of these reporting services as described herein. Graystone does not provide and will not be responsible for tax reporting for alternative investments reported on under this service.

The MSWM fee charged to the client does not include any fee or charge for other services in connection with the client's participation in any alternative investment or Performance Reporting AI. The client is solely responsible for such arrangements.

*Asset/Liability Analysis Services* Graystone works with third party vendors, whose proprietary asset/liability modeling software is used to generate customized asset liability studies for defined benefit plan clients. The asset/liability analysis service provides certain cash flow modeling, liability funding analysis and funding strategies, including custom contribution policies.

### **Account Opening**

To enroll in any program described in this Brochure, you must enter into the program client agreement ("Client Agreement").

### **Investment Restrictions**

The client may impose reasonable restrictions on account investments. For example, you may restrict Graystone or the managers from buying specific securities, a category of securities (e.g., tobacco companies) or Fund shares. If you restrict a category of securities, we or the manager will determine which specific securities fall within the restricted category. In doing so, we or the manager may rely on research provided by independent service providers. Any restrictions you impose on individual securities will not be applied to Fund holdings since Funds operate in accordance with the investment objectives and strategies described in their prospectuses.

### **Trade Confirmations, Account Statements and Performance Reviews**

Unless you have appointed another custodian, MSWM is the custodian and provides you with written confirmation of securities transactions, and account statements at least quarterly. You may waive the receipt of trade confirmations after the completion of each trade in favor of alternative methods of communication where available. You may also receive mutual fund prospectuses, where appropriate.

We provide performance monitoring to clients with a frequency as requested by the client.

### **Risks**

All trading in an account is at your risk. The value of the assets held in an account is subject to a variety of factors, such as the liquidity and volatility of the securities markets. Investment performance of any kind is not guaranteed, and Graystone's, MSWM's, or its employees' past performance with respect to other accounts does not predict future performance with respect to any particular account. In addition, certain investment strategies that Graystone Consulting may use in the programs have specific risks, including those associated with investments in common stock, fixed income securities, American Depositary Receipts, Funds and the investments described below. You should consult with your Graystone Consultant regarding the specific risks associated with the investments in your account.

***Risks Relating to ETFs.*** There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETF's publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF's returns also may diverge from the benchmark it is designed to track.

***Risks Relating to Money Market Funds.*** You could lose money in money market funds. Although money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (i.e., money market funds open to natural person investors only) seek to preserve value at \$1.00 per

share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares they may be worth more or less than originally paid. Money market funds may, and in certain circumstances, will impose a fee upon the redemption of fund shares. Please review your money market fund's prospectus to learn more about the use of redemption or liquidity fees. In addition, if a money market fund that seeks to maintain a stable \$1.00 per share experiences negative yields, it also has the option of converting its stable share price to a floating share price, or to cancel a portion of its shares (which is sometimes referred to as a "reverse distribution mechanism" or "RDM"). Investors in money market funds that cancel shares will lose money and may experience tax consequences. Moreover, in some circumstances, money market funds may cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings will likely be liquidated and distributed to the fund's shareholders. This liquidation process can be prolonged and last for months. During this time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

***Risks Relating to Master Limited Partnerships.*** Master Limited Partnerships ("MLPs") are limited partnerships or limited liability companies whose interests (limited partnerships or limited liability companies units) are generally traded on securities exchanges like shares of common stock. Investments in MLPs entail different risks including tax risks, than is the case for other types of investments.

Currently, most MLPs operate in the energy, natural resources, or real estate sectors. Investments in such MLP interests are subject to the risks generally applicable to companies in these sectors (including commodity pricing risk, supply and demand risk, depletion risk and exploration risk). Depending on the ownership vehicle, MLP interests are subject to varying tax treatment. Please see "Tax and Legal Considerations" below and any Fund prospectus by asking your Financial Advisor.

***Risks Relating to Funds that Primarily Invest in Master Limited Partnerships.*** In addition to the risks outlined above relating to Master Limited Partnerships, Funds that primarily invest in MLPs generally accrue deferred tax liability. The fund's deferred tax liability (if any) is reflected each day in the fund's net asset value. As a result, the fund's total annual operating expenses may be significantly higher than those of funds that do not primarily invest in MLPs. Please see the Fund prospectus for additional information.

***Risks Relating to Funds that Pursue Complex or Alternative Investment Strategies or Returns.*** These Funds may employ various investment strategies and techniques for both hedging and more speculative purposes such as short selling, leverage, derivatives and options, which can increase volatility and the risk of investment loss. Alternative investment strategies are not appropriate for all investors.

While mutual funds and ETFs may at times utilize non-traditional investment options and strategies, they have different investment characteristics from unregistered privately offered alternative investments. Because of regulatory limitations, mutual funds and ETFs may not invest in as broad a spectrum of investments as privately offered alternative investments. As a result, investment returns and portfolio characteristics of alternative mutual funds

may vary from traditional hedge funds pursuing similar investment objectives. They are also more likely to have relatively higher correlation with traditional market returns than privately offered alternative investments. Moreover, traditional hedge funds have limited liquidity with long "lock-up periods" allowing them to pursue investment strategies without having to factor in the need to meet client redemptions. On the other hand, mutual funds typically must meet daily client redemptions. This differing liquidity profile can have a material impact on the investment returns generated by a mutual fund pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

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

***Risks Relating to Alternative Investments.*** Alternative investments have different features and risks than other types of investment products. As further described in the offering documents of any particular alternative investment, alternative investments can be highly illiquid, are speculative and are not appropriate for all investors. For example, alternative investments may place substantial limits on liquidity and the redemption rights of investors, including only permitting withdrawals on a limited periodic basis and with a significant period of notice and may impose early withdrawal fees. Alternative investments are intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include: loss of all or a substantial portion of the investment due to leveraging, short selling, or other speculative practices; lack of liquidity, in that there may be no secondary market for the fund and none expected to develop; volatility of returns; restrictions on transferring interests in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and advisor risk. Alternative investment products may also have higher fees (including multiple layers of fees) compared to other types of investments.

Individual funds will have specific risks related to their investment programs that vary from fund to fund. For more details on these and other features and risks, please carefully read the documentation (including risk disclosures) relating to any selected Investment Option, as well as your Client Agreement.

***Risks Relating to Differing Classes of Securities.*** Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

## Tax and Legal Considerations

Neither MSWM, neither Graystone nor any of our affiliates provides tax or legal advice and, therefore, are not responsible for developing, implementing, or evaluating any tax strategies that may be employed by the client. The client should develop any such strategies or address any legal or tax-related issues with a qualified legal or tax adviser.

Investment in MLPs entails different risks, including tax risks, than is the case for other types of investments. Investors in MLPs hold “units” of the MLP (as opposed to a share of corporate stock) and are technically partners in the MLP. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Almost all MLPs have chosen to qualify for partnership tax treatment. Partnerships do not pay U.S. federal income tax at the partnership level. Rather, each partner of a partnership, in computing its U.S. federal income tax liability, must include its allocable share of the partnership’s income, gains, losses, deductions, expenses and credits. A change in current tax law, or a change in the business of a given MLP, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP and could cause any such distributions received by an investor to be taxed as dividend income. If you have any questions about the tax aspects of investing into an MLP, please discuss with your tax advisor.

Investors in MLP portfolios will receive a Schedule K-1 for each MLP in the portfolio, so they will likely receive numerous Schedule K-1s. Investors will need to file each Schedule K-1 with their federal tax return. Also, investors in MLP portfolios may be required to file state income tax returns in states where the MLPs in the portfolio operate. Since some Schedule K-1s may not be provided until after the due date for the federal or state tax return, investors in MLP portfolios may need to obtain an extension for filing their federal or state tax returns. Please discuss with your tax advisor how an investment in MLPs will affect your tax return.

Tax laws impacting MLPs may change, and this could impact any tax benefits that may be available through investment in an MLP portfolio.

## Fees

### Traditional Institutional Consulting Services

The fees for traditional Institutional Consulting Services are negotiable and are typically subject to a \$10 million portfolio minimum.

*Asset Based Fee.* The standard asset-based fee schedule is as follows:

Account Asset Value	Annual Fee
On the first \$5,000,000	1.35%
On the next \$5,000,000	0.80%
On the next \$15,000,000	0.40%
On the next \$25,000,000	0.30%
On the next \$50,000,000	0.20%
On the next \$100,000,000	0.10%
Over \$200,000,000	Negotiable

*Hard Dollar Fee.* In addition, clients may select any of the services listed below. The fees are negotiable subject to approval from Graystone management and an overall minimum engagement fee.

- Historical analysis
- Investment policy statements
- Strategic asset allocation studies
- Active asset allocation only
- Asset liability analyses - Clients may contract directly with third-party vendors for an asset liability analyses in which case MSWM and Graystone will not commit to this service contractually or charge an additional fee.
- Manager searches
- Performance reporting services

### Graystone Discretionary Services

The fees for Graystone Discretionary Services are negotiable and are typically subject to a \$25 million portfolio minimum. The standard asset-based fee schedule is as follows:

Account Asset Value	Annual Fee
On the first \$25,000,000	0.85%
On the next \$25,000,000	0.40%
On the next \$50,000,000	0.25%
On the next \$100,000,000	0.15%
Over \$200,000,000	Negotiable

### Defined Contribution Participant-Directed Plans

*Asset Based Fee.* The fees for traditional Institutional Consulting Services are negotiable and subject to a minimum fee per relationship. The maximum asset-based fee is 1.00%.

*Hard Dollar Fee.* In addition, for plans with a minimum of \$10 million in assets, the client may select to pay the fees for services

as a hard dollar fee based on equivalent asset-based fee parameters described above. It is possible that the hard dollar fee may exceed the maximum asset-based fees stated herein.

### **Discretionary Services For Defined Contribution Participant-Directed Plans**

The fees are negotiable and are typically subject to a \$1 million asset minimum.

#### ***Full Discretion Services***

When Graystone Consulting takes full discretion which includes discretion over manager selection, review and termination, model portfolios and comprehensive monitoring of the client's portfolio the maximum asset-based fee is 1.25%.

#### ***Partial Discretion Services***

When Graystone Consulting takes partial discretion which includes discretion over manager selection, review and termination, and comprehensive monitoring of the client's funds, the maximum asset-based fee is 1.15%.

#### ***Core Market Fiduciary Program***

When MSWM takes full discretion which includes discretion over manager selection, review and termination, and comprehensive monitoring of the client's portfolio for accounts, the maximum asset-based fee is 1.00%.

### **General Fee Information**

Generally, fees for the programs described in this Brochure are based on the size of the account (assets under management) and are negotiable based on factors including the type and size of the account and the range of services provided by Graystone Consulting. In special circumstances, and with the client's agreement, the fee charged to a client for an account may be more than the annual fees stated in the above section.

The fee is payable as described in the Client Agreement. Generally, unless specified to the contrary, for asset-based fees, the initial fee is due in full on the date you open your account with Graystone Consulting and is based on the market value of the account on that date. The initial fee payment covers the period from the opening date through (at your election) the last business day of the current quarter or the next full calendar quarter and is prorated accordingly. Thereafter, the fee is paid quarterly in advance based on the account's market value on the last business day of the previous calendar quarter and is due the following business day. Unless the client elects to hold assets in custody at a third-party custodian, the Client Agreement authorizes MSWM to deduct fees when due from the assets in the account. If client elects a third-party custodian, the client has the option of paying us directly or we can bill the custodian. Unless stated otherwise, generally for hard dollar fees, fees will be payable in advance.

You may terminate participation in the programs described in this Brochure at any time by giving written notice to Graystone Consulting. Graystone may (but is not obligated to) accept an oral notice of termination from you in lieu of the written notice. If

participation in any of the programs described in this Brochure is terminated, any advisory fees paid in advance will be refunded on a pro-rata basis.

***Accounts Related for Billing Purposes.*** When two or more investment advisory accounts are related together for billing purposes, you can benefit even more from existing breakpoints. If you have two accounts, the "related" fees on Account #1 are calculated by applying your total assets (i.e. assets in Account #1 + assets in Account #2) to the Account #1 breakpoints. Because this amount is greater than the amount of assets solely in Account #1, you may have a greater proportion of assets subject to lower fee rates, which in turn lowers the average fee rate for Account #1. This average fee rate is then multiplied by the actual amount of assets in Account #1 to determine the dollar fee for Account #1. Likewise, the total assets are applied to the Account #2 breakpoints to determine the average fee rate for Account #2, which is then multiplied by the actual amount of assets in Account #2 to determine the dollar fee for Account #2.

Only certain accounts may be related for billing purposes, based on the law and MSWM's policies and procedures. Even where accounts are eligible to be related under these policies and procedures, they will only be related if this is specifically agreed between you and Graystone Consulting. For more information about which of your accounts are grouped in a particular billing relationship, please contact your Financial Advisor.

***ERISA Fee Disclosure for Retirement Accounts.*** In accordance with Department of Labor regulations under Section 408(b)(2) of ERISA, MSWM is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those retirement plans that are subject to the requirements of ERISA in assessing the reasonableness of their plan's contracts, or arrangements with us, including the reasonableness of our compensation. This information the services we provide as well as the fees) is provided to you at the outset of your relationship with us and is set forth in your advisory contract with us (including the Fee table, other exhibits and, as applicable, this document), and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA.

***Other.*** A portion of the MSWM Fee will be paid to your Financial Advisor. See Item 4.D below (Compensation to Financial Advisors), for more information.

## **B. Comparing Costs**

Cost comparisons are difficult because a particular service may not be offered in other MSWM programs. Depending on the level of trading and types of securities purchased or sold in your account, if purchased separately, you may be able to obtain transaction execution at a higher or lower cost at MSWM or elsewhere than the fee in these programs. However, such transactions cannot be executed on a discretionary basis in a brokerage account. In addition, MSWM offers other programs where discretionary portfolio management is provided by third party investment managers (and not your Graystone Consultant) and the fees in those programs may be higher or lower than the fees in these programs.

You should consider these and other differences when deciding whether to invest in an investment advisory or a brokerage account and, if applicable, which advisory programs best suit your needs.

## C. Additional Fees

If you open an account in one of the programs described in this Brochure, you may pay us an asset-based fee for investment advisory services, custody of securities and trade execution with or through MSWM. The program fees do not cover:

- the costs of investment management fees and other expenses charged by Funds (see below for more details)
- “mark-ups,” “mark-downs,” and dealer spreads (A) that MSWM or its affiliates, including MS&Co., may receive when acting as principal in certain transactions where permitted by law or (B) that other broker-dealers may receive when acting as principal in certain transactions effected through MSWM and/or its affiliates acting as agent, which is typically the case for dealer market transactions (e.g., fixed income, over-the-counter equity, and foreign exchange (“FX”) conversions in connection with purchases or sales of FX-denominated securities and with payments of principal and interest dividends on such securities);
- fees or other charges that you may incur in instances where a transaction is effected through a third party and not through us or our affiliates (such fees or other charges will be included in the price of the security and not reflected as a separate charge on your trade confirmations or account statements)
- MSWM account establishment or maintenance fees for its Individual Retirement Accounts (“IRA”) and Versatile Investment Plans (“VIP”), which are described in the respective IRA and VIP account and fee documentation (which may change from time to time)
- account closing/transfer costs
- processing fees or
- certain other costs or charges that may be imposed by third parties (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

## Funds in Advisory Programs

Investing in strategies that invest in mutual funds, closed-end funds and ETFs (collectively referred to in the Funds in Advisory Programs Section as “Funds”) may be more expensive than other investment options offered in your advisory account. In addition to our fee, you pay the fees and expenses of the Funds in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund’s share price. These fees and expenses are an additional cost to you that is embedded in the price of the Fund and, therefore, are not included in the fee amount in your account statements. Each mutual fund and ETF expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the mutual fund’s or ETF’s most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of Funds in programs described in this Brochure. However, some Funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with the policies described in the applicable prospectus.

**Expense Payments and Fees for Data Analytics.** MSWM provides Fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing, and other promotional efforts. Some Fund representatives work closely with our branch offices and Financial Advisors to develop business strategies and support promotional events for clients, and prospective clients and educational activities. Some Fund families or their affiliates will reimburse MSWM for certain expenses incurred in connection with these promotional efforts, client seminars, and/or training programs. Fund families independently decide if and what they will spend on these activities, with some Fund families agreeing to make substantial annual dollar amount expense reimbursement commitments. Fund families also invite our Financial Advisors to attend Fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges. For more information regarding the payments MSWM receives from Fund families, please refer to the brochures titled “Mutual Fund Features, Share Classes and Compensation” and “ETF Revenue Sharing, Expense Payments and Data Analytics” (together, the “Mutual Fund and ETF Brochures”), which can be found at <https://www.morganstanley.com/disclosures>. The Mutual Fund and ETF Brochures are also available from your Financial Advisor on request.

Fund family representatives are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to an aggregate entertainment limit of \$1,000 per employee per fund family per year). MSWM’s non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

MSWM also provides Fund families with the opportunity to purchase data analytics regarding Fund sales. The amount of the fee depends on the level of data. ETF sponsors also can purchase transactional data for a separate fee. Additional fees apply for those Fund families that elect to purchase supplemental data analytics regarding financial product sales at MSWM. For more information regarding these payments, please refer to the Mutual Fund and ETF Brochures described above.

**Conflicts of Interest regarding the Above-Described Expense Payments and Fees for Data Analytics.** The above described fees present a conflict of interest for Morgan Stanley and our Financial Advisors to promote and recommend those Funds that make these payments rather than other eligible investments that do not make these or similar payments. Further, in aggregate, we receive significantly more support from participating revenue sharing sponsors and mutual funds that pay administrative services fees with the largest client holdings at our firm, as well as those sponsors that provide significant sales expense payments and/or purchase data analytics. This in turn could lead Morgan Stanley and/or our Financial Advisors and Branch Managers to focus on those Fund families. In addition, since our revenue sharing



support fee program utilizes rates that are higher for Funds with higher management fees, we have a conflict of interest to promote and recommend Funds that have higher management fees. In order to mitigate these conflicts, Financial Advisors and their Branch Managers do not receive additional compensation as a result of the fees and data analytics payments received by Morgan Stanley.

**Other Compensation.** Morgan Stanley or its affiliates receive, from certain Funds, compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities in Fund portfolios. We and/or our affiliates also receive other compensation for certain Funds for financial services performed for the benefit of such Funds, including but not limited to providing stand-by liquidity facilities. Providing these services may give rise to a conflict of interest for Morgan Stanley or its affiliates to place their interests ahead of those of the Funds by, for example, increasing fees or curtailing services, particularly in times of market stress.

Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and/or fees charged to a Fund to the aggregate values of our overall Fund-share sales, client holdings of the Fund or to offset the revenue-sharing, administrative service fees, expense reimbursement and data analytics fees described above. Financial Advisors and their Branch Managers receive no additional compensation as a result of these payments received by Morgan Stanley.

In addition, we generally seek to be reimbursed for the associated operational and/or technology costs of adding an/or maintaining Funds on our platform. These flat fees are paid by Fund sponsors or other affiliates (and not the Funds). Financial Advisors and their Branch Managers do not receive compensation for recommending Funds that have reimbursed Morgan Stanley for our costs.

**Affiliated Funds.** Certain Funds are sponsored or managed by, or receive other services from, MSWM and its affiliates, which include, but are not limited to, Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates. Where clients select to invest in mutual funds where the investment adviser is a MSWM affiliate, in addition to the program fee paid by clients, MSWM and its affiliates may also receive investment management fees and related administrative fees. Since the affiliated sponsor or manager receives additional investment management fees and other fees, MSWM has a conflict to recommend MSWM affiliated mutual funds. In order to mitigate this conflict, Financial Advisors do not receive additional compensation for recommending proprietary and/or affiliated funds. Additionally, affiliated Funds and sponsors are subject to the same economic arrangements with MSWM as those that MSWM has with third-party Funds. MSWM's affiliates have entered into administrative services and revenue sharing agreements with MSWM as described above.

In addition, certain mutual funds managed by affiliates, including without limitation, Morgan Stanley Investment Management, Inc. or Eaton Vance Management and its affiliates respectively, are

available for purchase across MSWM's investment advisory programs, including this Program. To the extent that such funds are offered to and purchased by Retirement Accounts, the advisory fee on any such account will be reduced, or offset, by the amount of the fund management fee, shareholder servicing fee and distribution fee we, or our affiliates, may receive in connection with such Retirement Account's investment in such affiliated managed fund.

**Mutual Fund Share Classes.** Mutual funds typically offer different ways to buy fund shares. Some mutual funds offer only one share class while most funds offer multiple share classes. Each share class represents an investment in the same mutual fund portfolio but assesses different fees and expenses. Many mutual funds have developed specialized share classes designed for various advisory programs ("Advisory Share Classes"). In general, Advisory Share Classes are not subject to either sales loads or ongoing marketing, distribution and/or service fees (often referred to as "12b-1 fees"), although some may assess fees for record keeping and related administrative services, as disclosed in the applicable prospectus. MSWM typically utilizes Advisory Share Classes that compensate MSWM for providing such recordkeeping and related administrative services to its advisory clients. However, our fees for these services are rebated to clients. If you wish to purchase other types of Advisory Share Classes, such as those that do not compensate intermediaries for record keeping and administrative services, which generally carry lower overall costs, and would thereby increase your investment return, you will need to do so directly with the mutual fund or through an account at another financial intermediary.

Please note, we may offer non-Advisory Share Classes of mutual funds that are subject to 12b-1 fees if, for example, a fund does not offer an Advisory Share Class that is equivalent to those offered here. In such instance, MSWM will rebate directly to the clients holding such fund any such 12b-1 fees that we receive. Once we make an Advisory Share Class available for a particular mutual fund, clients can only purchase the Advisory Share Class of that fund.

If you hold non-Advisory Share Classes of mutual funds in your advisory account or seek to transfer non-Advisory Share Classes of mutual funds into your advisory account, MSWM (without notice to you) will convert those shares to Advisory Share Classes to the extent they are available. This will typically result in your shares being converted into a share class that has a lower expense ratio, although exceptions are possible. Subject to limited exceptions, any fees that you pay while holding non-Advisory Share Classes (e.g., sales loads, 12b-1 fees, etc.) will not be offset, rebated or refunded to you when your non-Advisory Share Class is converted into an Advisory Share Class.

On termination of your advisory account for any reason, or the transfer of mutual fund shares out of your advisory account, we may convert any Advisory Share Classes of funds into a share class that is available in non-advisory accounts, or we may redeem these fund shares altogether. Non-Advisory Share Classes generally have higher operating expenses than the corresponding Advisory Share Class, which will increase the cost of investing and negatively impact investment performance.

## Custody

**MSWM does not act as custodian.** If you retain a custodian other than MSWM, your outside custodian will advise you of your cash sweep options and as described in the Client Agreement, you will have the option of instructing us on whether you want the Graystone Consulting fee billed to you directly or to the outside custodian selected by you, and the following sections on cash sweeps will not apply to you.

**MSWM acts as custodian.** Unless you instruct us otherwise, MSWM will maintain custody of all cash, securities and other assets in the account and the following sections on cash sweeps will apply to you.

## Cash Sweeps When MSWM Acts As Custodian

Generally, some portion of your account will be held in cash. If MSWM acts as custodian for your account, it will effect “sweep” transactions of free credit balances in your account into interest-bearing deposit accounts (“Deposit Accounts”) established under the Bank Deposit Program (“BDP”). For most clients, BDP will be the only available cash sweep. The interest rates for BDP in your account will be tiered based upon the value of the BDP balances across your brokerage and advisory accounts. The BDP assets in your advisory accounts receive separate interest rates from deposits in your brokerage accounts and are set forth in: <https://www.morganstanley.com/wealth-general/ratemonitor>.

Generally, the rate on BDP will be lower than the rate on other cash alternatives. In limited circumstances, such as clients ineligible for BDP, MSWM may sweep some or all of your cash into money market mutual funds (each, a Money Market Fund”). These Money Market Funds are managed by Morgan Stanley Investment Management Inc. or another MSWM affiliate.

It is important to note that free credit balances and allocations to cash including assets invested in sweep investments are included in your account’s fee calculation hereunder.

If your account is a Retirement Account, please read Exhibit B to this Brochure, entitled “Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement”.

MSWM, acting as your custodian, will effect sweep transactions only to the extent permitted by law and if you meet the eligibility criteria. Under certain circumstances (as described in the Bank Deposit Program Disclosure) eligible deposits in BDP may be sent to non-affiliated Program Banks (this additional feature may provide enhanced FDIC coverage to you as well as funding value benefits to the Morgan Stanley Sweep Banks. For eligibility criteria applicable to this additional feature and BDP generally, please refer to the Bank Deposit Program Disclosure Statement which is available at: [http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP\\_disclosure.pdf](http://www.morganstanley.com/wealth-investmentstrategies/pdf/BDP_disclosure.pdf).

**Conflicts of Interest Regarding Sweep Investments.** If BDP is your sweep investment, you should be aware that the Sweep Banks, which are affiliates of MSWM, will pay MSWM an annual account-based flat fee for the services performed by MSWM with respect to BDP. MSWM and the Sweep Banks will review such fee annually and, if applicable, mutually agree upon any changes to the fee to reflect any changes in costs incurred by MSWM.

Your Financial Advisor will not receive a portion of these fees or credits. In addition, MSWM will not receive cash compensation or credits in connection with the BDP for assets in the Deposit Accounts for Retirement Accounts. Also, the affiliated Sweep Banks have the opportunity to earn income on the BDP assets through lending activity, and that income is usually significantly greater than the fees MSWM earns on affiliated Money Market Funds. Thus, in its capacity as custodian, MSWM has a conflict of interest in connection with BDP being the default sweep, rather than an eligible Money Market Fund.

In addition, MSWM, the Sweep Banks and their affiliates receive other financial benefits in connection with the BDP. Through the BDP, each Sweep Bank will receive a stable, cost-effective source of funding. Each Sweep Bank intends to use deposits in the Deposit Accounts at the Sweep Bank to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or “spread,” between the interest rate paid on the Deposit Accounts at the Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The cost of funds for the Morgan Stanley Sweep Banks of deposits through the sweep program in ordinary market conditions is lower than their cost of funds through some other sources, and the Morgan Stanley Sweep Banks also receive regulatory capital and liquidity benefits from using the sweep program as a source of funds as compared to some other funding sources. The income that a Sweep Bank will have the opportunity to earn through its lending and investing activities in ordinary market conditions is greater than the fees earned by us and our affiliates from managing and distributing the money market funds available to you as a sweep investment.

Morgan Stanley has added Program Banks to the BDP in order to maximize the funding value of the deposits in BDP for the Morgan Stanley Sweep Banks. On a daily basis, you may have deposits that are sent to a Program Bank depending on the funding value considerations of the Morgan Stanley Sweep Banks and the capacity of the depository networks that allocate deposits to the Program Banks. In addition to the benefits to the Morgan Stanley Sweep Banks, you may benefit from having deposits sent to the Program Banks by receiving FDIC insurance on deposit amounts that would otherwise be uninsured. In return for receiving deposits through BDP, the Program Banks provides other deposits to the Morgan Stanley Sweep Banks. This reciprocal deposit relationship provides a low-cost source of funding, and capital and liquidity benefits to both the Program Banks and the Morgan Stanley Sweep Banks. The Program Banks pay a fee to a Program Administrator for the reciprocal deposits, but the cost of that fee is not borne directly by Morgan Stanley clients.

The Morgan Stanley Sweep Banks have discretion in setting the interest rates paid on deposits received through BDP and are under no legal or regulatory requirement to maximize those interest rates. The Morgan Stanley Sweep Banks and the Program Banks can and sometimes do pay higher interest rates on some deposits they receive directly than they pay on deposits received through BDP. This discretion in setting interest rates creates a conflict of interest for the Morgan Stanley Sweep Banks. The lower the amount of interest paid to customers, the greater is the “spread” earned by the Morgan Stanley Sweep Banks on deposits through

the Program, as explained above. By contrast, money market funds (including Morgan Stanley affiliated money market funds) have a fiduciary duty to seek to maximize their yield to investors, consistent with their disclosed investment and risk-management policies and regulatory constraints.

If your cash sweeps to a Money Market Fund, as available, then the account, as well as other shareholders of the Money Market Fund, will bear a proportionate share of the other expenses of the Money Market Fund in which the account's assets are invested.

If your cash sweeps to a Money Market Fund, you understand that MSIM (or another MSWM affiliate) will receive compensation, including management and other fees, for managing the Money Market Fund. In addition, we receive compensation from such Money Market Funds at rates that are set by the funds' prospectuses and currently range, depending on the program in which you invest, from 0.10% per year (\$10 per \$10,000 of assets) to 0.25% per year (\$25 per \$10,000 of assets) of the total Money Market Fund assets held by our clients. Please review your Money Market Fund's prospectus to learn more about the compensation we receive from such funds.

We have a conflict of interest because we have an incentive to only offer affiliated Money Market Funds in the Cash Sweep program, as MSIM (or another MSWM affiliate) will receive compensation for managing the Money Market Fund. We also have a conflict of interest because we offer those affiliated funds and share classes that pay us higher compensation than other funds and share classes. You should understand these costs because they decrease the return on your investment. In addition, we receive additional payments from Morgan Stanley Investment Management Inc. in the event a Money Market Fund waives its certain fees in a manner that reduces the compensation that we would otherwise receive.

We either rebate to clients or do not receive compensation on sweep Money Market Fund positions held in our fee-based advisory account programs.

Unless your account is a Retirement Account, the Fee will not be reduced by the amount of the Money Market Fund's applicable fees. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund's prospectus.

## **D. Compensation to Graystone Consulting**

If you invest in one of the programs described in this Brochure, a portion of the fees payable to us in connection with your account is allocated on an ongoing basis to Graystone Consultants. The amount allocated to your Graystone Consultants in connection with accounts opened in programs described in this Brochure may be more than if you participated in other MSWM investment advisory programs, or if you paid separately for investment advice, brokerage and other services. Your Graystone Consultant may therefore have a financial incentive to recommend one of the programs in this Brochure instead of other MSWM programs or services.

If you invest in one of the programs described in this Brochure, Graystone Consulting may charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we

use in calculating the compensation we pay your Graystone Consultant. Therefore, Graystone Consultants have a financial incentive not to reduce fees.

## **Item 5: Account Requirements and Types of Clients**

Graystone Consulting offers its services under this Brochure to corporations, Taft Hartley funds, endowments and foundations, public and private retirement plans, including 401(k) plan sponsors, family offices and high net worth individuals.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Selection and Review of Portfolio Managers and Funds for the Programs**

This Item 6.A describes more generally how we select and terminate Investment Options from these programs described in this Brochure. If managers have more than one strategy, we may include only some of those strategies in the programs described in this Brochure, may carry different strategies in different programs, and assign different statuses to different strategies. Please refer to the discussion in Section 4 A. for a complete description of the programs.

#### **MSWM's Global Investment Manager Analysis Group**

GIMA evaluates Investment Products. GIMA may delegate some or all of its functions to an affiliate or third party. Investment Products may only participate in the CES program if they are on GIMA's Focus List or Approved List discussed below. You may obtain these lists from your Graystone Consultant. In each program, only some of the Investment Products may be available.

As well as requiring Investment Products to be on the Focus List or Approved List, we look at other factors in determining which Investment Products we offer in these programs, including:

- program needs (such as whether we have a sufficient number of Investment Products available in an asset class)
- client demand and
- the manager's or Fund's minimum account size.

We automatically terminate Investment Products in the CES program if GIMA downgrades them to "Not Approved." We may terminate Investment Products from these programs for other reasons (i.e., the Investment Product has a low level of assets under management in the program, has limited capacity for further investment, or is not complying with our policies and procedures).

*Focus List.* The Focus List status indicates GIMA's high confidence level in the overall quality of the investment option and its ability to outperform applicable benchmarks over a full market cycle. To be considered for the Focus List, Investment Products provide GIMA with relevant documentation on the strategy being evaluated, which may include a Request for

Information (“RFI”), asset allocation histories, its Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover and experience, investment process, business and organization characteristics and investment performance. GIMA personnel may also interview the manager or Fund and its key personnel and examine its operations. Following this review process, Investment Products are placed on the Focus List if they meet the required standards for Focus List status.

GIMA periodically reviews Investment Products on the Focus List. GIMA considers a broad range of factors (which may include investment performance, staffing, operational issues and financial condition). Among other things, GIMA personnel may interview each manager or Fund periodically to discuss these matters. GIMA may also review the collective performance of a composite of the MSWM accounts managed by a manager/Fund and compare this performance to overall performance data provided by the manager/Fund, and then investigate any material deviations.

*Approved List.* Investment Products provide GIMA with relevant documentation on the strategy being evaluated, which may include an RFI, sample portfolios, asset allocation histories, its Form ADV, past performance information and marketing literature. Additional factors for consideration may include personnel depth, turnover and experience; investment process; business and organizational characteristics; and investment performance. GIMA personnel may also interview the Sub-Manager or Fund and its key personnel, typically via conference call.

Based on the above, GIMA then determines whether the Investment Product meets the standards for Approved List status. Approved List managers meet an acceptable due diligence standard based upon GIMA's evaluation.

GIMA continuously evaluates Investment Products on the Approved List and Focus List.

*Changes in Status from Focus List to Approved List.* GIMA may determine that an Investment Product no longer meets the criteria for the Focus List but meets the criteria for the Approved List. If so, MSWM generally notifies program clients regarding such status changes on a quarterly basis.

*Changes in Status to Not Approved.* GIMA may determine that an Investment Product no longer meets the criteria for either evaluation process and therefore the Investment Product will no longer be recommended in MSWM investment advisory programs. We notify affected clients of these downgrades. You cannot retain a downgraded manager or Fund in your accounts and must select a replacement from the Approved List or Focus List that is available in the program, if you wish to retain the program's benefits in respect of the affected assets.

In some circumstances, you may be able to retain terminated Investment Products in another advisory program or in a brokerage account subject to the regular terms and conditions applying to that program or account. Ask your Graystone Consultant about these options.

MSWM generally specifies a replacement Investment Product for a terminated Investment Product in CES (as discussed in Item 4.A above). In selecting the replacement Investment Product, GIMA generally looks for an Investment Product in the same asset class, and with similar attributes and holdings to the terminated Investment Product.

If GIMA learns of a material change to an Investment Product (e.g., the departure of an investment manager or investment team), MSWM, an affiliate or a third-party retained by GIMA or an affiliate, will evaluate the Investment Product in light of the change. This evaluation may take some time to complete. While this evaluation is being performed, the Investment Product will remain eligible for the Graystone Consulting program. The GIMA designation (Focus List or Approved List) for the Investment Product will not be altered solely because this evaluation is in progress. MSWM will not necessarily notify clients of any such evaluation.

*Watch Policy.* GIMA has a “Watch” policy for Investment Products on the Focus List and Approved List. Watch status means that upon reviewing an Investment Product, GIMA has identified specific areas of the manager's or Fund's business that (a) merit further evaluation and (b) may result in the Investment Product becoming “Not Approved.” Putting an Investment Product on Watch does not signify an actual change in GIMA opinion nor is it a guarantee that GIMA will downgrade the Investment Product. The duration of a Watch status depends on how long GIMA needs to evaluate the Investment Product and for the Investment Product to address any areas of concern.

*Tactical Opportunities List.* GIMA also has a Tactical Opportunities List. This consists of certain Investment Products on the Focus List or Approved List recommended for investment at a given time based in part on then-existing tactical opportunities in the market.

*Other Relationships with Managers and Funds.* Some managers and Funds on the Approved List or Focus List may have business relationships with us or our affiliates. For example, a manager or Fund may use MS&Co. or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. GIMA does not consider the existence or lack of a business relationship in determining whether to include or maintain a manager or Fund on the Approved List or Focus List.

## **Graystone MAP Due Diligence**

Managers offered in Graystone MAP are reviewed by Graystone Consulting and approved by GIMA.

Select Graystone Consulting teams conduct due diligence on Funds using information provided by Funds' investment managers or outside independent databases, all unaffiliated with MSWM. The reviewing team performs qualitative due diligence on prospective managers to identify recommended candidates for submission to GIMA, which reviews and approves the manager. The reviewing team generally conducts periodic follow-up due diligence on approved managers (including follow-up interviews with the manager).

Once a manager has been approved by GIMA, it is available for Graystone Consulting and certain other clients.

### **DC Investment Consulting Fund Screening (For Participant-Directed Plans only)**

In addition to the mutual funds and ETFs that appear on the Focus List and Approved List of GIMA described above, for clients in the Institutional Consulting Services program for Participant-Directed Plans, funds may be “approved” for the program in an alternate manner, as well. MSWM applies a proprietary screening process to funds in the Morningstar mutual fund database, which it applies in part using third party software. The screening algorithm, applied quarterly, is based on factors such as performance, ranking, stewardship grade, fees and manager tenure. Funds subject to this process are either approved or not approved for use in the Institutional Consulting Services program for Participant-Directed Plans. Graystone and MSWM do not maintain a Watch List for these funds equivalent to GIMA’s Watch List.

### **Selection of Alternative Investments**

Alternative investment managers may only be recommended in the traditional Institutional Consulting Services and Graystone programs described in this Brochure if they are on MSWM’s Alternatives Approved List (described below). Managers often offer more than one alternative investment, and we may include only some of those alternative investments or only certain share classes in our programs, may carry different alternative investments or share classes in different programs, and assign different statuses to different alternative investments.

We also consider other factors in determining which alternative investments we offer in these programs, including program needs such as whether we have enough managers available in an asset class, and client demand.

In the programs, investment and business risk due diligence on alternative investments is provided by MSWM through (i) GIMA, (ii) an affiliate of MSWM that may provide due diligence and monitoring services, or (iii) an independent, third-party consulting firm or other organization retained by MSWM and approved by the AIPRC (“Due Diligence Provider”) that is also in the business of evaluating the capabilities of alternative investments. Any firm providing due diligence is expected to follow a methodology similar to that used by GIMA (described below) or a methodology approved by the AIPRC in reviewing such alternative investments.

On an ongoing basis, the Due Diligence Provider conducts both quantitative and qualitative research on potential candidates. Their research includes, among other things, a review of relevant documents, calls and meetings with the investment team, and an analysis of investment performance. Generally, although the process may be modified for a particular manager or alternative investment as the Due Diligence Provider may deem appropriate, the Due Diligence Provider will typically also conduct on-site visits, review a separate business risk due diligence questionnaire, and examine areas such as portfolio pricing, contingency planning, background checks on key principals and other items. Their due diligence covers the alternative investment in question,

not the investments in which that alternative investment may in turn invest. For example, for a fund of funds, GIMA’s research process is applied to the fund of funds, and not to each individual fund in which the fund of funds invests. Also, when evaluating portfolio managers that may be recommended to clients to provide portfolio services, the due diligence typically covers the portfolio manager, not the investments which that portfolio manager may recommend.

If a new alternative investment is viewed as an appropriate candidate by the Due Diligence Provider, the vehicle is presented to an MSWM alternative investment product review committee (“AIPRC”). The AIPRC consists of senior MSWM representatives who are mandated to approve proposed candidates and reconfirm existing vehicles on a periodic basis. Once a new alternative investment is approved by the AIPRC, and all required due diligence materials are verified, it receives an “Approved” status, is placed on the Alternatives Approved List, a list of alternative investment vehicles in which qualified clients may invest and is available for allocations to qualified clients on a placement and/or advisory basis. Certain Alternatives Investments on the Alternatives Approved List are available to qualified clients in the programs.

Ongoing monitoring of managers and investment vehicles on the Alternatives Approved List is provided by the Due Diligence Provider. In addition to manager-specific monitoring, the reviewer monitors overall market conditions in their specific strategies of expertise.

MSWM may remove alternative investments from the programs if GIMA or the Due Diligence Provider of the alternative investment downgrades the alternative investment to “Terminate”. We may also terminate managers from these programs for other reasons (e.g., the manager has a low level of assets under management in the program, the manager has limited capacity for further investment, or the manager is not complying with our policies and procedures). Also, GIMA’s head of research can remove an alternative investment vehicle from the Alternatives Approved List without consulting the AIPRC, but all actions must be assessed by the AIPRC at the next meeting.

**Watch Policy.** MSWM has a “Watch” policy for alternative investments on the Approved List. Watch status indicates that, in reviewing an alternative investment, GIMA or the Due Diligence Provider has identified specific areas related to the alternative investment, the manager of the alternative investment, or the markets in general that (i) merit further evaluation by GIMA or the Due Diligence Provider and (ii) may, but are not certain to, result in the removal of the alternative investment from the “Approved List”. Putting an alternative investment on Watch does not signify a change in GIMA opinion nor is it a guarantee that GIMA will remove the alternative investment. The duration of a Watch status depends on how long GIMA needs to evaluate the reason for the status change, which may include, an evaluation of the markets, alternative investment, and manager of the alternative investment.

### **Calculating Portfolio Managers’ Performance**

In the programs described in this Brochure, we calculate performance using a proprietary system.

MSWM's Performance Reporting Group reviews performance information for client accounts, including daily reconciliation of positions reported in the firm's proprietary performance calculation system against the firm's books and records, and accounts & positions where the calculated returns deviate from established thresholds. For alternative investments, GIMA does not calculate composite manager performance in the programs. Neither MSWM nor a third-party reviews performance information to determine or verify its accuracy or its compliance with presentation standards and therefore performance information may not be calculated on a uniform or consistent basis. Generally, the manager of the alternative investment determines the standards used to calculate performance data.

For alternative investments, valuations used for account statement purposes and billing purposes, and for any performance reports, are obtained from the manager of each selected Investment Option. These valuations (and any corresponding benchmark index values) may be estimates, may be several weeks old as of the dates MS&Co. produces your account statements/reports and calculates your fees and, in the case of index values, may be based on information from multiple sources. The final performance figures for the applicable period may be higher or lower, and MSWM is under no obligation to provide notice of, or compensation to, clients for any difference in performance.

If you invest in a fund of funds, your account documents may use the HFRI Fund of Funds as a benchmark. The FoF Composite consists of over 800 domestic and offshore funds of hedge funds that have at least \$50 million under management or have been actively trading for at least 12 months. It is equally weighted on a fund-by-fund basis and fund assets are reported in USD on a net of fees basis. It is updated three times a month and the current month's and the prior three months' values are subject to change. MSWM is not obligated to notify you of any such changes. The FoF Composite values are likely to be more up to date than the data for the selected Investment Options for which it is the benchmark. You cannot invest in the FoF Composite. For more information see <https://www.hedgefundresearch.com>.

## B. Conflicts of Interest

**Advisory vs. Brokerage Accounts.** MSWM and your Graystone Consultant are likely to earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities (although, in a brokerage account, you may not receive all the benefits of the programs described in the Brochure). In such instance, your Graystone Consultant and MSWM therefore have a financial incentive to recommend one of these programs described in this Brochure. We address this conflict of interest by disclosing it to you and by reviewing your account at account-opening to ensure that it is appropriate for you in light of matters such as your investment objectives and financial circumstances.

**Payments from Managers.** Managers may also sponsor their own educational conferences and pay expenses of Financial Advisors attending these events. MSWM's policies require that the training or educational portion of these conferences comprises substantially the entire event. Managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate.

Managers are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors, subject to a limit of \$1,000 per employee per year. MSWM's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving a sales target.

We address conflicts of interest by ensuring that any payments described in this "Payments to Managers" section do not relate to any particular transactions or investment made by MSWM clients with managers. Managers participating in programs described in this Brochure are not required to make any of these types of payments. The payments described in this section comply with FINRA rules relating to such activities. Please see the discussion under "Funds in Advisory Programs" in Item 4.C for more information.

**Payments from Mutual Funds.** Please see the discussion of payments from fund companies under "Funds in Advisory Programs" in Item 4.C.

**Payments from Managers of Alternative Investments.** Managers of alternative investments offered in the programs described in this Brochure may agree to pay MSWM additional fees, which may include up front placement fees up to 3.00%, investment servicing fees ranging from 0.25% to 1.00% and an ongoing revenue sharing annual fee ranging from 0.50% to 2.00% of the subscription or capital commitment amount. We have a conflict of interest in offering alternative investments because we or our affiliates earn more money in your account from your investments in alternative investments than from other investment options. However, in cases where we receive any of the above-referenced payments from a manager of an alternative investment and we charge a program fee in connection with the alternative investment under the programs in this Brochure, we credit an amount equal to the above-referenced payments to your account (excluding the program participation and administrative service fees described below, as applicable). Also, we do not share this money with your Graystone Consultant (i.e. the compensation we pay to your Graystone Consultant is not affected by the payments we receive from the alternative investments). Therefore, your Graystone Consultant does not have a resulting incentive to buy alternative investments in your account, or to buy certain alternative investments rather than other alternative investments in any of the programs in this Brochure.

**HedgePremier Program Participation Fees.** If you make an investment in a HedgePremier Feeder as a consulting client, you will be subject to a program participation fee ("Program Participation Fee"), a portion of which will be paid to MSWM or its affiliate as an ongoing administrative servicing fee (the "HedgePremier Administrative Servicing Fee"). Such HedgePremier Administrative Servicing Fee is intended to compensate MSWM for certain investor servicing support provided in respect of investors in the HedgePremier Feeder. Depending on the aggregate net asset value of the HedgePremier Feeders, MSWM will receive a HedgePremier Administrative Servicing Fee of up to 0.10% per annum from investors with an aggregate amount invested in HedgePremier Feeders (minus redemptions or withdrawals) (the "Aggregate Invested") of less than \$5,000,000. MSWM will not receive a HedgePremier Administrative Servicing Fee from any investor in a

HedgePremier Feeder with an Aggregate Invested of \$5,000,000 or more, although such investment will still be subject to the applicable Program Participation Fee. The Program Participation Fee and, as such, the HedgePremier Administrative Servicing Fee, are not charged to certain retirement accounts. While you remain in the programs in this Brochure, your Graystone Consultant will not receive any portion of the HedgePremier Administrative Servicing Fee.

**Platform Fees and Sponsor Fees – Illiquid Feeders.** If you make an investment in a private equity, private credit or private real estate feeder fund (the “Illiquid Feeders”) established by an affiliate of Institutional Capital Network, Inc. (“iCapital”), MSWM be paid an Administrative Services Fee of up to 0.08% per annum of the applicable fee base (as described in the offering memorandum for each Illiquid Feeder). The Administrative Services Fee is intended to compensate MSWM for certain investor servicing support provided in respect of investors in each of these Illiquid Feeders. The amount of the Administrative Services Fee may be reduced under certain circumstances if reduced, such reduction will be paid to iCapital Strategies LLC, the third-party general partner or administrator, as applicable, of the relevant Illiquid Feeder.

Finally, an affiliate of MSWM has made an investment in iCapital. As a result, MSWM has an indirect interest in the increased profitability of iCapital through the promotion of its feeder fund business.

**Oversubscription Policy.** From time to time, MSWM may have limited access to opportunities to place clients in, or recommend client to, alternative investments, particularly in the case of certain private equity and real estate opportunities. Under these circumstances, when MSWM aggregate client subscriptions for an alternative investment exceed the capacity given to Morgan Stanley by the alternative investment manager, the alternative investment will be oversubscribed. Where an alternative investment is oversubscribed, MSWM will reduce Morgan Stanley employee orders in the first instance as a general matter which may result in MSWM reducing an employee’s commitment to the oversubscribed alternative investment to zero. If the alternative investment remains oversubscribed after a reduction in employee orders, MSWM will reduce client orders on a pro rata basis to address the oversubscription of the alternative investment until MSWM capacity is met. MSWM is not required to allot or prioritize a client for any additional capacity that may become available following the client’s subscription for your reduced amount in such alternative investment. MSWM may change its policy to ensure that the process, as it relates to its advisory clients, remains fair, equitable and consistent with its fiduciary duty to such clients.

**Affiliate Acting as Portfolio Manager.** Where permitted by law, and except for plan accounts, an affiliate of MSWM may have been selected to act as the manager for one or more your investments. Where this occurs, we or our affiliates earn more money than from other investment options. MSWM and the Graystone Consultant are also likely to earn more compensation if you invest in a program described in this Brochure than if you open a brokerage account to buy individual securities.

These relationships create a conflict of interest for us or our affiliates, as there is a financial incentive to recommend the investments. We address this conflict of interest by disclosing it to you and by reviewing your account at account-opening to ensure that it is appropriate for you in light of matters such as your investment objectives and financial circumstances.

**MSWM as Placement Agent.** MSWM also acts as placement agent for certain alternative investments whereby such investments are available through MSWM on a non-advisory basis. When an alternative investment is purchased on a placement basis, different terms and conditions, including different fee arrangements, may apply. For example, when a client invests on a placement basis, they do not pay an ongoing advisory fee, however, they pay an upfront placement fee and the program manager receives a higher program participation fee which is shared with MSWM and its Graystone Consultants. A Client investing on an advisory basis may pay higher fees, in the aggregate, than if such investment had been made on a placement basis.

**Different Advice.** MSWM and its affiliates may give different advice, take different action, receive varying compensation, or hold or deal in different securities for any other party, client, or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received, or securities held or dealt for your account.

**Trading or Issuing Securities in, or Linked to Securities in, Client Accounts.** MSWM and its affiliates may provide bids and offers, and may act as a principal market maker, in respect of the same securities held in client accounts. MSWM, the investment managers in its programs, and its affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MSWM and/or its affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, the trading of MSWM, a manager or their affiliates – both for their proprietary accounts and for client accounts – may be detrimental to securities held by a client and thus create a conflict of interest between those trades and the investment advisory services that MSWM provides to you.

**Trade Allocations.** In certain cases trades may be aggregated so that the securities will be sold or purchased for more than one client in order to obtain favorable execution to the extent permitted by law. The investment manager will then allocate the trade in a manner that is equitable and consistent with its fiduciary duty to its clients (including pro rata allocation, random allocation or rotation allocation). Allocation methods vary depending on various factors (including the type of investment, the number of shares purchased or sold, the size of the accounts, and the amount of available cash or the size of an existing position in an account). The price to each client is the average price for the aggregate order.

**Services Provided to Other Clients.** MSWM, investment 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 MSWM may



recommend for purchase or sale by clients or are otherwise held in client accounts, and investment management firms in the programs described in this Brochure. MSWM, investment managers and their affiliates receive compensation and fees in connection with these services. MSWM 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. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MSWM, investment managers and their affiliates perform investment banking or other services.

**Restrictions on Securities Transactions.** There may be periods during which MSWM or investment managers are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which MSWM or one of its affiliates is performing broker-dealer or investment banking services or has confidential or material non-public information. Furthermore, in certain investment advisory programs, MSWM may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley securities, and in certain related securities. These restrictions may adversely impact your account performance.

MSWM, the managers and their affiliates may also develop analyses and/or evaluations of securities sold in a program described in this Brochure, as well as buy and sell interests in securities on behalf of its proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSWM will not disclose them to clients. MSWM may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSWM, investment managers and their affiliates are not obligated to effect any transaction that MSWM or a manager or any of their affiliates believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

**Research Reports.** MS & Co. LLC ("MS & Co.") does business with companies covered by their respective research groups. Furthermore, MS & Co. and its affiliates and client accounts may hold a trading position (long or short) in the securities of companies subject to such research. Therefore, MS & Co. has a conflict of interest that could affect the objectivity of its research reports.

**Certain Trading Systems.** MSWM may effect trades on behalf of client accounts through exchanges, electronic communication networks or other alternative trading systems ("Trading Systems"), including Trading Systems with respect to which MSWM or its affiliates may have a non-controlling direct or indirect ownership interest or the right to appoint a board member or observer. If MSWM directly or indirectly effects client trades or transactions through Trading Systems in which MSWM or its affiliates have an ownership interest, MSWM or its affiliates may receive an indirect economic benefit based on their ownership interest. In addition, subject at all times to its obligations to obtain best execution for its customers' orders, it is contemplated that MSWM will route certain customer order flow to its affiliates. Currently, MSWM and/or its affiliates own equity interests (or interests convertible into equity) of 5% or more in certain Trading Systems or their parent companies, including MEMX Holdings

LLC; EOS Precious Metals Limited; CreditDeiv Limited; FXGLOBALCLEAR; Dubai Mercantile Exchange; Japan Securities Depository Center Inc.; Yensai.com Co., Ltd; and Octaura Holdings LLC.

Certain Trading Systems offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSWM and/or MS&Co. receive from one or more Trading System may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Certain Trading Systems through which MSWM and/or MS&Co. may directly or indirectly effect client trades execute transactions on a "blind" basis, so that a party to a transaction does not know the identity of the counterparty to the transaction. It is possible that an order for a client account that is executed through such a Trading System could be automatically matched with a counterparty that is (i) another investment advisory or brokerage client of MSWM or one of its affiliates or (ii) MSWM or one of its affiliates acting for its own proprietary accounts.

**Affiliated Sweep Investments.** MSWM has a conflict of interest in selecting or recommending BDP or Money Market Funds as the Sweep Investment. See Item 4.C above for more information.

**MSWM Affiliate in Underwriting Syndicate; MSWM Distribution of Securities; Other Relationships with Security Issuers.** If an affiliate of MSWM is a member of the underwriting syndicate from which a security is purchased, we or our affiliates may directly or indirectly benefit from such purchase. If MSWM participates in the distribution of new issue securities that are purchased for a client's account, MSWM will receive a fee, to be paid by the issuing corporation to the underwriters of the securities and ultimately to MSWM, which will be deemed additional compensation to us, if received by us.

MSWM and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory and services, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, MSWM or its affiliates may directly or indirectly benefit from a client's purchase or sale of a security of the issuer. For example, MSWM or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such a case, MSWM or its affiliates could benefit if a client account purchased such an instrument or sold such an instrument to another purchaser in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay MSWM or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM's client accounts holding such instruments sold or redeemed them back to the issuer. Also, in the event of corporate actions with respect to securities held in client accounts, to the extent such corporate actions result in exchanges, tender offers or similar transactions, MSWM and/or its affiliates may participate in and/or advise on such transactions

and receive compensation. The interest of MSWM's affiliates in these corporate actions may conflict with the interest of MSWM clients. In addition, where an affiliate of MSWM is representing or advising the issuer in a transaction, the interest of the issuer may conflict with client interests and create a potential conflict of interest for MSWM. MSWM also provides various services to issuers, their affiliates and insiders, including but not limited to, stock plan services and financial education for which MSWM receives compensation.

## **C. Graystone Consultants Acting as Portfolio Managers**

### **Description of Advisory Services**

Graystone Consultants only act as portfolio managers under the Graystone Discretionary Services program and not any other program described in this Brochure. See Item 4.A above for a description of the services offered in the programs described in this Brochure.

### **Performance-Based Fees**

The programs described in this Brochure do not charge performance-based fees.

### **Methods of Analysis and Investment Strategies**

Graystone Consultants in the programs described in this Brochure may use any investment strategy when providing investment advice to you. Graystone Consultants may use asset allocation recommendations of the Morgan Stanley Wealth Management Global Investment Committee as a resource but, if so, there is no guarantee that any strategy will in fact mirror or track these recommendations. Investing in securities involves risk of loss that you should be prepared to bear.

### **Proxy Voting**

Graystone Consulting does not offer proxy voting services to its clients for its traditional institutional consulting services. In Graystone Discretionary Services, clients may elect to:

- Retain authority and responsibility to vote proxies for your account or
- Delegate discretion to vote proxies to a third party (other than Graystone or MSWM).

Unless you delegate discretion to a third party to vote proxies, we will forward to you, or your designee, any proxy materials that we receive for securities in your account. We cannot advise you on any particular proxy solicitation.

We will not provide advice or take action with respect to legal proceedings (including bankruptcies) relating to the securities in your account, except to the extent required by law.

## **Item 7: Client Information Provided to Portfolio Managers**

Graystone Consulting and investment managers have access to the information you provide at account opening. You are

responsible for ensuring that the information you provide to Graystone is accurate and remains current.

## **Item 8: Client Contact with Portfolio Managers**

In the programs described in this Brochure, you can contact your Graystone Consultant at any time during normal business hours.

## **Item 9: Additional Information**

### **Disciplinary Information**

This section contains information on certain legal and disciplinary events.

- On June 8, 2016, the SEC entered into a settlement order with MSWM ("June 2016 Order") settling an administrative action. In this matter, the SEC found that MSWM willfully violated Rule 30(a) of Regulation S-P (17 C. F. R. § 248.30(a)) (the "Safeguards Rule"). In particular, the SEC found that, prior to December 2014, although MSWM had adopted written policies and procedures relating to the protection of customer records and information, those policies and procedures were not reasonably designed to safeguard its customers' personally identifiable information as required by the Safeguards Rule and therefore failed to prevent a MSWM employee, who was subsequently terminated, from misappropriating customer account information. In determining to accept the offer resulting in the June 2016 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM's cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.
- On January 13, 2017, the SEC entered into a settlement order with MSWM ("January 2017 Order") settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy CGM clients, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the "Advisers Act"). The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations,

to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.

- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight single inverse exchange traded funds (“SIETFs”), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF’s features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being aware of deficiencies with its compliance and documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.
- On June 29, 2018, the SEC entered into a settlement order with MSWM settling an administrative action which relates to misappropriation of client funds in four related accounts by a single former MSWM financial advisor (“FA”). The SEC found that MSWM failed to adopt and implement policies and procedures or systems reasonably designed to prevent personnel from misappropriating assets in client accounts. The SEC specifically found that, over the course of eleven months, the FA initiated unauthorized transactions in the four related client accounts in order to misappropriate client funds. The SEC found that while MSWM policies provided for certain reviews prior to issuing disbursements, such reviews were not reasonably designed to prevent FAs from misappropriating client funds. Upon being informed of the issue by representatives of the FA’s affected clients, MSWM promptly conducted an internal investigation, terminated the FA, and reported the fraud to law enforcement agencies. MSWM also fully repaid the affected clients, made significant enhancements to its policies, procedures, and systems (“Enhanced MSWM Policies”) and hired additional fraud operations personnel. The SEC found that MSWM willfully violated section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FA pursuant to its obligations under Section 203(e)(6) of the Advisers Act. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including certifications related to the implementation and adequacy of the Enhanced MSWM Policies and to pay a civil penalty of \$3,600,000.
- On May 12, 2020, the SEC entered into a settlement order with MSWM settling an administrative action which relates to certain information provided in marketing and client communications to retail advisory clients in MSWM’s wrap fee programs with third-party managers and MSWM’s policies and procedures related to trades not executed at MSWM. In the applicable wrap fee programs, the third-party manager has the discretion to place orders for trade execution on clients’ behalf at a broker-dealer other than Morgan Stanley. MSWM permits managers to “trade away” from MSWM in this manner in order to seek best execution for trades. The SEC found that, from at least October 2012 through June 2017, MSWM provided incomplete and inaccurate information indicating that MSWM executed most client trades and that, while additional transaction-based costs were possible, clients did not actually incur them in the ordinary course. The SEC found that this information was misleading for certain retail clients because some wrap managers directed most, and sometimes all, client trades to third-party broker-dealers for execution, which resulted in certain clients paying transaction-based charges that were not visible to them. The SEC also found that, on occasion, wrap managers directed trades to MSWM-affiliated broker-dealers in which clients incurred transaction-based charges in violation of MSWM’s affiliate trading policies without detection by MSWM. The SEC noted in the order that it considered certain remedial acts undertaken by MSWM in determining to accept the order, including MSWM enhancing its disclosures to clients, implementing training of financial advisors, enhancing relevant policies and procedures, and refunding clients’ transaction-based charges paid to Morgan Stanley affiliates. The SEC found that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Sections 206(2) and 206(4) and Rule 206(4)-7 thereunder. MSWM consented, without admitting or denying the findings and without adjudication of any issue of law or fact, to a censure; to cease and desist from committing or causing future violations; and to pay a civil penalty of \$5,000,000.
- On December 9, 2024, the SEC entered a settlement order with MSWM settling an administrative action, which relates to misappropriation of client funds in brokerage and advisory accounts by four former MSWM financial advisors (the “FAs”). The SEC found that MSWM failed to adopt and implement policies and procedures reasonably designed to prevent personnel from misusing and misappropriating funds in client accounts and that MSWM’s inadequate policies and procedures and systems to implement them led to its failure reasonably to supervise the four FAs, who misappropriated funds from client and customer accounts while employed at MSWM. Specifically, the SEC found that MSWM failed to adopt and implement policies and procedures reasonably designed to prevent and detect unauthorized externally initiated ACH payments and unauthorized cash wires. Upon being informed of the potential unauthorized activity in the customer accounts of two of the FAs, MSWM promptly investigated the matters, terminated the FAs, reported the fraud to law enforcement agencies, and fully repaid the affected clients. MSWM also conducted a retroactive review of payment instructions for externally initiated ACH payment instructions, which led to the identification of misconduct by the other two FAs. MSWM accordingly terminated the other two FAs and reported the misconduct to SEC staff. On its own initiative, MSWM instituted new written procedures to address the conduct at issue and retained an independent compliance consultant to perform a review and assessment.

The SEC found that MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FAs within the meaning of Section 203(e)(6) of the Advisers Act and/or Section 15(b)(4)(E) of the Securities Exchange Act of 1934. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including the retention of an Independent Compliance Consultant to review MSWM’s policies, procedures and controls related to the conduct in the Order and to pay a civil penalty of \$15,000,000.

MSWM’s Form ADV Part 1 contains further information about its disciplinary history and is available on request from your Graystone Consultant.

### **Other Financial Industry Activities and Affiliations**

Morgan Stanley (“Morgan Stanley Parent”) is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the New York Stock Exchange.

**Activities of Morgan Stanley Parent.** Morgan Stanley Parent is a global firm engaging, through its various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities, and structured financial products and
- global custody, securities clearance services, and securities lending.

**Broker-Dealer Registration.** As well as being a registered investment advisor, MSWM is registered as a broker-dealer.

**Restrictions on Executing Trades.** As MSWM is affiliated with MS & Co. and its affiliates, the following restrictions apply when executing client trades:

- MSWM and MS & Co. generally do not act as principal in executing trades for MSWM investment advisory clients.
- Regulatory restrictions may limit your ability to purchase, hold or sell equity and debt issued by Morgan Stanley Parent and its affiliates.
- Certain regulatory requirements may limit MSWM’s ability to execute transactions through alternative execution services (e.g., electronic communication networks and crossing networks) owned by MSWM, MS & Co. or their affiliates.

These restrictions may adversely impact client account performance.

See Item 6.B above for conflicts that arise as a result of MSWM’s affiliation with MS & Co. and its affiliates.

### **Related Investment Advisors and Other Service Providers.**

MSWM has related persons that are registered investment advisers in various investment advisory programs (including Cook Street Consulting, Inc., Hyas Group, Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Limited and Consulting Group Advisory Services LLC, as well as Eaton Vance Management and its affiliates). If you invest your assets and use an affiliated firm to manage your account, MSWM and its affiliates earn more money than if you use an unaffiliated firm. Generally, for Retirement Accounts, MSWM rebates or offsets fees so that MSWM complies with IRS and Department of Labor rules and regulations.

Morgan Stanley Investment Management Inc. and Eaton Vance Management and its affiliates serve in various advisory, management, and administrative capacities to open-end and closed-end investment companies and other portfolios (some of which are listed on the NYSE). Morgan Stanley Services Company Inc., its wholly owned subsidiary, provides limited transfer agency services to certain open-end investment companies.

Morgan Stanley Distribution Inc. serves as distributor for these open-end investment companies and has entered into selected dealer agreements with MSWM and affiliates. Morgan Stanley Distribution Inc. also may enter into selected dealer agreements with other dealers. Under many of these agreements, MSWM and affiliates, and other selected dealers, are compensated for sale of fund shares to clients on a brokerage basis, and for shareholder servicing (including pursuant to plans of distribution adopted by the investment companies pursuant to Rule 12b-1 under the Investment Company Act of 1940).

Related persons of MSWM act as a general partner, administrative agent or special limited partner of a limited partnership or managing member or special member of a limited liability company to which such related persons serve as adviser or sub-adviser and in which clients have been solicited in a brokerage or advisory capacity to invest. In some cases, the general partner of a limited partnership is entitled to receive an incentive allocation from a partnership.

See Item 4.C above for a description of cash sweep investments managed or held by related persons of MSWM.

See Item 6.B above for a description of various conflicts of interest.

**Market Transition Away from LIBOR.** The following applies to holders of products directly or indirectly linked to the London Interbank Offered Rate (“LIBOR”) or the Secured Overnight Financing Rate (“SOFR”) and investors that are considering purchasing such products. Depending on your current holdings and investment plans, this information may or may not be applicable to you.

LIBOR had been a widely used interest rate benchmark in bond, loan and derivative contracts, as well as consumer lending instruments such as mortgages. However, as a result of concerns with the integrity of LIBOR and how it is determined, LIBOR will

cease to be published and will be replaced by alternative reference rates.

Specifically, overnight and one-, three-, six- and 12-month USD LIBOR will no longer be published after June 30, 2023. However, regulators have indicated that the time until then is to be used only for managing existing LIBOR-based products. All settings for GBP, EUR, JPY and CHF LIBOR, and one-week and two-month settings for USD LIBOR, are no longer being published, although synthetic versions of GBP and JPY LIBOR rates will be published for a period. The committee convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, the Alternative Reference Rates Committee (ARRC), has selected SOFR as the recommended alternative benchmark rate to USD LIBOR.

The market transition away from LIBOR to alternative rates is complex and could have a range of impacts on financial products and transactions directly or indirectly linked to LIBOR. For example, the fallback provisions in your LIBOR-based products, or the absence thereof, could have an adverse effect on the value of such products as well as your investment strategy. Documentation governing existing LIBOR-based products may contain “fallback provisions”, which provide for how the applicable interest rate will be calculated if LIBOR ceases or is otherwise unavailable. Fallback provisions can materially differ across products and even within a given asset class. Furthermore, such provisions may not contemplate alternative reference rates such as SOFR (in particular in older documentation) and/or may result in increased uncertainty and change the economics of the product when LIBOR ceases. Clients utilizing hedging strategies may also face basis risk due to inconsistent fallback provisions in their various investments. Recently, federal legislation was signed into law that will provide for a SOFR-based rate plus a spread to replace LIBOR for those contracts without effective fallback provisions.

With respect to an investment in SOFR-linked products and products that will fallback to SOFR, you should understand the terms of the particular product and the related risks. The composition and characteristics of SOFR are not the same as LIBOR and, as a result, SOFR may not perform in the same way as LIBOR would have. Further, the SOFR-linked products that have been issued to date apply different market conventions to calculate interest and therefore these products have different risks and considerations.

Affiliates of MSWM participate on central bank committees that have been selecting alternative rates and developing transition plans for trading these new rates. In addition, MSWM and its affiliates may have interests with respect to LIBOR- and SOFR-linked products that conflict with yours as an investor. As with any investment, make sure you understand the terms of any LIBOR- and SOFR-based products you hold and the terms of those that you are considering purchasing. Other products and services offered by or through MSWM or its affiliates, such as loans and mortgage products, may have different terms and conditions and may be affected by the potential replacement of LIBOR differently than LIBOR-based securities.

This is a developing situation and the above information is subject to change. For more information on the potential replacement of LIBOR, the recommended alternative rate, SOFR, and certain considerations relating to LIBOR- and SOFR-linked products,

please see [www.morganstanley.com/wm/LIBOR](http://www.morganstanley.com/wm/LIBOR). Please also contact a member of your Morgan Stanley team for information, including if you have questions about whether you hold LIBOR-based products.

## Code of Ethics

MSWM’s Investment Adviser Code of Ethics (“Code”) applies to its employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the “Employees”). In essence, the Code prohibits Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of MSWM’s clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches and departments that they supervise.

The Code generally operates to protect against conflicts of interest either by subjecting Employee activities to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- The requirement for certain Employees, because of their potential access to non-public information, to obtain their supervisors' prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts;
- Additional restrictions on personal securities transaction activities applicable to certain Employees (including Financial Advisors and other MSWM employees who act as portfolio managers in MSWM investment advisory programs);
- Requirements for certain Employees to provide initial and annual reports of holdings in their Employee securities accounts, along with quarterly transaction information in those accounts; and
- Additional requirements for pre-clearance of other activities including, but not limited to, Outside Business Activities, Gifts and Entertainment, and U.S. Political Contributions and Political Solicitations Activity.

You may obtain a copy of the Code of Ethics from your Graystone Consultant. See Item 6.B above.

## Reviewing Accounts

At account opening, your Graystone Consultant must ensure that, and the Branch Manager (or the Branch Manager’s designee) confirms that, the account and the investment style are appropriate investments for you.

For traditional institutional consulting service accounts, your Graystone Consultant is then responsible for reviewing your account on an ongoing basis and will recommend different asset

allocations at any time according to market conditions. Your Graystone Consultant will ask you at least annually if your investment objectives have changed. If your objectives change, your Graystone Consultant will modify your asset allocation to be appropriate for your needs.

For Graystone discretionary service accounts, your Graystone Consultant is then responsible for reviewing your account on an ongoing basis and may adjust your portfolio and will recommend different asset allocations at any time according to market conditions. Your Graystone Consultant will ask you at least annually if your investment objectives have changed. If your objectives change, Graystone Consultant will modify your portfolio to be appropriate for your needs.

See Item 4.A above for a discussion of account statements and performance reporting.

### **Client Referrals and Other Compensation**

See “Payments from Mutual Funds” and “Payments from Managers” in Item 6.B above.

MSWM may compensate affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-1 of the Advisers Act. If the client invests in an investment advisory program, the compensation paid to any such entity will typically consist of an ongoing cash payment stated as a percentage of MSWM’s advisory fee or a one-time flat fee but may include cash payments determined in other ways.

### **Financial Information**

MSWM is not required to include a balance sheet in this Brochure because MSWM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

MSWM does not have any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to clients.

MSWM and its predecessors have not been the subject of a bankruptcy petition during the past ten years.

## **Exhibit: Affiliated Money Market Funds Fee Disclosure Statement and Float Disclosure Statement**

### **Sweep Vehicles in Retirement Accounts**

Retirement Accounts generally effect temporary sweep transactions of new free credit balances into Deposit Accounts established under the Bank Deposit Program.

The table below describes the fees and expenses charged to assets invested in shares of the money market funds in which the account invests (expressed as a percentage of each fund's average daily net assets for the stated fiscal year). Note that:

- The rate of Advisory Fee and Distribution and Service Fees (including 12b-1 fees) (whether in basis points or dollars) may not be increased without first obtaining shareholder approval.
- Expenses designated as "Other Expenses" include all expenses not otherwise disclosed in the table that were deducted from each fund's assets or charged to all shareholder accounts in the stated fiscal year (and may change from year to year).

These fees and expenses may be paid to MSWM and its affiliates for services performed. The aggregate amount of these fees is stated in the tables below. The amounts of expenses deducted from a fund's assets are shown in each fund's statement of operations in its annual report.

Morgan Stanley Investment Management (and/or its affiliates) may, from time to time, waive part or all of its advisory fee or assume or reimburse some of a fund's operating expenses. (This may be for a limited duration.) Such actions are noted in the fund's prospectus and/or statement of additional information. The table below shows the Total Annual Fund Operating Expenses (before management fee waivers and/or expense reimbursements) and the Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements.

MSWM expects to provide services as a fiduciary (as that term is defined under ERISA or the Code) with respect to Retirement Accounts. MSWM believes that investing in shares of the funds for sweep purposes may be appropriate for Retirement Plans because using professionally managed money market funds allows you to access cash on an immediate basis, while providing a rate of return on your cash positions pending investment. As is typical of such arrangements, we use only affiliated money funds for this purpose.

MSWM also believes that investing a Retirement Account's assets in the Deposit Accounts may also be appropriate. Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which has been provided to you with your account opening materials.

The fund expense information below reflects the most recent information available to us as of December 31, 2024, and is subject to change. Please refer to the funds' current prospectuses, statements of additional information and annual reports for more information.

<b>Fund</b>	<b>Advisory Fee</b>	<b>Distribution and Service Fees</b>	<b>Shareholder Service Fee</b>	<b>Other Expenses</b>	<b>Total Annual Fund Operating Expenses</b>	<b>Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements</b>
MSILF Government Securities-Participant Share Class	0.15%	0.25%	0.25%	0.08%	0.73%	0.45%
MS U.S. Government Money Market Trust	0.15%	N/A	0.10%	0.11%	0.36%	0.36%

### **Interest Earned on Float**

If MSWM is the custodian of your account, MSWM may retain as compensation, for providing services, the account's proportionate share of any interest earned on cash balances held by MSWM (or an affiliate) with respect to assets awaiting investment including:

- new deposits to the account (including interest and dividends) and



- uninvested assets held by the account caused by an instruction to the custodian to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

This interest is generally at the prevailing Federal Funds interest rate.

Generally, with respect to such assets awaiting investment:

- when the custodian receives the assets on a day on which the NYSE is open (“Business Day”) and before the NYSE closes, the custodian earns interest through the end of the following Business Day and
- when the custodian receives the assets on a Business Day but after the NYSE closes, or on a day which is not a Business Day, the custodian earns interest through the end of the second following Business Day.

## EXHIBIT 7

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### Florida Registration Certificate

**2025 FOREIGN LIMITED LIABILITY COMPANY ANNUAL REPORT**

DOCUMENT# M09000001230

**Entity Name:** MORGAN STANLEY SMITH BARNEY LLC

**Current Principal Place of Business:**

1585 BROADWAY  
NEW YORK, NY 10036

**Current Mailing Address:**

1585 BROADWAY  
NEW YORK, NY 10036 US

**FEI Number:** 26-4310844

**Certificate of Status Desired:** No

**Name and Address of Current Registered Agent:**

C T CORPORATION SYSTEM  
1200 SOUTH PINE ISLAND ROAD  
PLANTATION, FL 33324 US

*The above named entity submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida.*

**SIGNATURE:**

Electronic Signature of Registered Agent

Date

**Authorized Person(s) Detail :**

Title MANAGER  
Name SAPERSTEIN, ANDREW  
Address 1585 BROADWAY  
City-State-Zip: NEW YORK NY 10036

Title MANAGER  
Name JANOVER, JAMES  
Address 1585 BROADWAY  
City-State-Zip: NEW YORK NY 10036

Title MANAGER  
Name FINN, JED  
Address 1585 BROADWAY  
City-State-Zip: NEW YORK NY 10036

Title MANAGER  
Name HUNEKE, BENJAMIN  
Address 1585 BROADWAY  
City-State-Zip: NEW YORK NY 10036

*I hereby certify that the information indicated on this report or supplemental report is true and accurate and that my electronic signature shall have the same legal effect as if made under oath; that I am a managing member or manager of the limited liability company or the receiver or trustee empowered to execute this report as required by Chapter 605, Florida Statutes; and that my name appears above, or on an attachment with all other like empowered.*

**SIGNATURE:** AARON GUTH

**ASSISTANT SECRETARY** 04/21/2025

Electronic Signature of Signing Authorized Person(s) Detail

Date

## **EXHIBIT 8**

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### **Sample Insurance Certificate**



# CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)  
01/30/2025

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Aon Risk Services Northeast, Inc. New York NY Office One Liberty Plaza 165 Broadway, Suite 3201 New York NY 10006 USA	<b>CONTACT NAME:</b> <b>PHONE</b> (A/C. No. Ext): (866) 283-7122 <b>FAX</b> (A/C. No.): (800) 363-0105 <b>E-MAIL ADDRESS:</b>														
<b>INSURED</b> Morgan Stanley and all its Subsidiaries and Affiliates 1585 Broadway New York NY 10019 USA	<table><tr><td><b>INSURER(S) AFFORDING COVERAGE</b></td><td><b>NAIC #</b></td></tr><tr><td>INSURER A: Travelers Casualty&amp;Surety Co of America</td><td>31194</td></tr><tr><td>INSURER B:</td><td></td></tr><tr><td>INSURER C:</td><td></td></tr><tr><td>INSURER D:</td><td></td></tr><tr><td>INSURER E:</td><td></td></tr><tr><td>INSURER F:</td><td></td></tr></table>	<b>INSURER(S) AFFORDING COVERAGE</b>	<b>NAIC #</b>	INSURER A: Travelers Casualty&Surety Co of America	31194	INSURER B:		INSURER C:		INSURER D:		INSURER E:		INSURER F:	
<b>INSURER(S) AFFORDING COVERAGE</b>	<b>NAIC #</b>														
INSURER A: Travelers Casualty&Surety Co of America	31194														
INSURER B:															
INSURER C:															
INSURER D:															
INSURER E:															
INSURER F:															

**COVERAGES**      **CERTIFICATE NUMBER:** 570110659734      **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS.

Limits shown as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE	
							DAMAGE TO RENTED PREMISES (Ea occurrence)	
							MED EXP (Any one person)	
							PERSONAL & ADV INJURY	
							GENERAL AGGREGATE	
							PRODUCTS - COMP/OP AGG	
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	
							BODILY INJURY (Per person)	
							BODILY INJURY (Per accident)	
							PROPERTY DAMAGE (Per accident)	
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION						EACH OCCURRENCE	
							AGGREGATE	
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y / N <input type="checkbox"/> N / A						PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/>	
							E.L. EACH ACCIDENT	
							E.L. DISEASE-EA EMPLOYEE	
							E.L. DISEASE-POLICY LIMIT	
A	E&O - Professional Liability - Primary			106453746 Claims Made SIR applies per policy terms & conditions	01/31/2025	01/31/2026	Limit SIR	\$20,000,000 \$100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

## CERTIFICATE HOLDER

Morgan Stanley and  
All its Subsidiaries and Affiliates  
New York NY 10019 USA

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

*Aon Risk Services Northeast, Inc.*

Holder Identifier :

570110659734

Certificate No :



## **EXHIBIT 9**

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### **Standard Institutional Consulting Agreement**

# Graystone Consulting Institutional Services Agreement

**[SAMPLE CLIENT]** (“Client” or “you”), having opened an account or accounts (the “Account”) with Morgan Stanley Smith Barney LLC (“MSSB”, “we” or “us”) through its Graystone Consulting business unit (“Graystone”), hereby retains Graystone and MSSB, to perform the services set forth below.

## 1. Consulting Services

In providing services under this Agreement, MSSB and Graystone will provide services as a fiduciary pursuant to the Investment Advisers Act of 1940 (“Advisers Act”). The applicable Morgan Stanley ADV brochure includes additional information which will help Client understand its relationship with MSSB, the services MSSB provides and the compensation MSSB receives. A copy of that document will be delivered in accordance with applicable legal requirements, and is available upon request from the Client’s Graystone Consultant.

Graystone shall perform all of the following consulting services in accordance with Client’s Investment Policy Statement:

**A. Assistance in the Preparation of Investment Objectives and Policies.** Graystone shall assist Client in the review, evaluation and preparation of investment policies and objectives for the Account. As set forth in “Performance Reporting” below, Graystone shall assist the Client in developing benchmarks for the performance of the Account. Graystone also will provide the performance of the total Account so as to assist Client with the ability to determine progress toward investment objectives. Graystone has been retained as a non-discretionary investment consultant. Accordingly, Client shall be responsible for monitoring compliance with its investment policies and guidelines and Graystone shall assist Client with fulfilling that responsibility.

**B. Asset Allocation.** Graystone shall review Account asset allocation and recommend any changes deemed appropriate by Graystone from time to time.

**C. Performance Reporting.** Graystone shall provide Client with a periodic Performance Evaluation Report (a “Report”) of the Account. The Report shall reflect the asset allocation of the Account and the historical performance of the Account and the portion of the Account managed by each Investment Product (as defined herein) retained by Client for the Account. The Report will be based solely on information requested by Graystone and (i) provided by Client, or (ii) at Client’s direction, provided by the custodian for Client, or (iii) if MSSB is the custodian, shown on MSSB’s records as custodian. In circumstances where MSSB is not the custodian, Graystone shall not be responsible for the accuracy of the information

supplied by the custodian, including the valuation of securities and other investments, or for any reports derived from such information.

**D. Identification of Investment Products.** At Client’s request, Graystone shall assist Client with identifying investment managers (“Managers”), mutual funds and other commingled funds (“Funds”), exchange traded and index funds (“ETFs”) (all collectively “Investment Products”), which have historically performed in a manner generally consistent with Client’s investment policies and objectives. Graystone shall identify such Investment Products from the universe of investments that have been profiled, reviewed and approved by MSSB’s Global Investment Manager Analysis Group (“GIMA”). Client understands that Graystone and MSSB do not evaluate and make no representations concerning any Investment Product chosen by Client outside of those approved by GIMA, nor shall Graystone or MSSB assume any liability for any loss, claim, damage or expense attributable to Client’s selection of any Investment Product outside of those approved by GIMA.

In the event that Graystone makes a determination that an Investment Product previously recommended to, and chosen by Client, is no longer approved by GIMA (“Unapproved Manager”), Graystone will notify Client. It shall be Client’s option to change or retain the Unapproved Manager. In the event that Client wishes to continue to retain an Unapproved Manager, all terms of Sections 1(D) & (E) shall be null and void with respect to such Unapproved Manager, and Graystone will (i) make no further representations concerning the Unapproved Manager, (ii) not assume any further liability for any loss, claim, damage or expense attributable to Client’s determination and (iii) not continue to review or make any recommendations regarding such Unapproved Manager. However, Client shall continue to pay Graystone the Fee in recognition of the services provided by Graystone in connection with Client’s continued participation therein, such as reporting and the periodic review described in Section (i), described in Section 4 below.

**E. Select UMA.** Certain Investment Products are available through MSSB’s Select UMA® Program. The Select UMA® Program is a unified managed account program in which MSSB acts as an investment advisor, through which your Graystone Consultant assists you in reviewing investment objectives, risk tolerance and financial situation, and selecting a portfolio (“Portfolio”) for your account to be implemented by MSSB. If you select a Separately Managed Account (“SMA”) as an investment product to be included in your account, a third-party or affiliated Manager will provide day-to-day portfolio management services with respect to that portion of your account. Depending upon the Manager and the investment strategy you select, you authorize each Manager, as investment adviser to you, to exercise discretion to select securities for the





Portfolio by delivering a model portfolio to MSSB, who will effect the transactions or implement its investment decisions directly. Select UMA accounts allow fractional share trading of eligible securities, with ineligible positions liquidated and proceeds credited to the account. The Select UMA ADV Brochure is available from your Graystone Consultant or at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV). By signing this Agreement, you acknowledge that you have read, understood and agree to be bound by the disclosures and terms set forth in the ADV Brochure for the Select UMA Program.

**F. Additional Consulting Services with respect to Alternative Investments.** If requested:

- (i) Graystone shall provide Client with a periodic review showing historical performance of Client's alternative investment holdings covered by GIMA or a third party firm hired by MSSB ("Alternative Investment").

Client hereby consents to having each Alternative Investment, or its sponsor, investment manager or administrator, if applicable, provide MSSB with the following information concerning Client's ownership in Alternative Investment: (i) copies of any communications sent to Client including, but not limited to, capital account statements, monthly and/or quarterly Client materials, and any other Client materials that the manager and/or the administrator of the Alternative Investment or any of their affiliates provide to Client relating to such Alternative Investment in the format provided to the Client and at the same time or promptly after such information has been provided to Client; and (ii) copies of any redemption requests provided by Client promptly after the receipt of such request. Client understands and acknowledges that the performance information provided in a periodic review is based upon information provided to Graystone by the Alternative Investment, or its sponsor, investment manager or administrator, and that Graystone does not independently verify such information. Graystone shall not be liable for any misstatement or omission made by an Alternative Investment, or its sponsor, investment manager or administrator, for any loss, liability, claim, damage or expense arising out of such misstatement or omission.

- (ii) Graystone shall assist Client with identifying and evaluating Alternative Investment(s) for the investment of funds held in the Account. Graystone or an affiliate or a third party firm hired by Graystone shall review, or shall cause to be reviewed, each Alternative Investment that Client selects and may or may not, in its sole discretion, create and make available a written report of such review. Graystone shall assist Client in selecting Alternative Investments based on information conveyed to Graystone in writing by Client and

such additional information as is reasonably required by Graystone.

- (iii) Client represents that it is (i) an "accredited investor" as defined in Regulation D of the U.S. Securities Act of 1933, as amended and (ii) a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended. Both parties agree that Client shall be responsible for determining whether to invest in, subscribing and qualifying for a participation interest in each Alternative Investment Client selects for the Account.

- (iv) In the case of Alternative Investments that permit redemptions, if Graystone makes a determination that a particular Alternative Investment previously subscribed to by Client is no longer an appropriate investment ("Terminated Alternative Investment") for Client, Graystone or an affiliate shall propose, or cause to be proposed, a replacement Alternative Investment for the Account. Depending upon the specific circumstances, Client may or may not have the option to change or continue to participate in the Terminated Alternative Investment. However, in the event Client is permitted and wishes to continue to participate in the Terminated Alternative Investment, all terms of Section (ii) above shall be null and void, and Graystone will (i) make no further representations concerning the Terminated Alternative Investment and (ii) not continue to provide any proposal or services regarding such Terminated Alternative Investment. However, Client shall continue to pay Graystone the Fee contained in the Agreement in recognition of the services provided by Graystone in connection with Client's continued participation therein, such as reporting and the periodic review described in Section (i), unless Client's investment is redeemed when the Alternative Investment terminates.

- (v) In the case of Alternative Investments that do not permit redemptions, Client should be aware that such investments may not be liquidated at the time of Client's choosing due to restrictions imposed by the terms of the investment and the lack of a secondary market. These funds may restrict the liquidation or termination of the investment for periods of several years or for the life of the investment. Client hereby undertakes to review the offering materials for such illiquid investments in which the Client invests pursuant to this Agreement, in particular the terms of any restrictions on the premature termination or liquidation of Client's investment. Client hereby holds MSSB, Graystone, and their officers, affiliates, agents, or directors, harmless for any liability, loss or damages resulting from the imposition of a "lock-up", or liquidation restriction, by any Alternative Investments for the Account. However, Client shall continue to pay Graystone the Fee contained in the Agreement in recognition of the

services provided by Graystone in connection with the Client's continued participation therein, such as reporting and the periodic review described in Section (i), unless Client's investment is redeemed when the Alternative Investment terminates.

Client represents and warrants that the information provided to Graystone in connection with Alternative Investments is accurate and complete and acknowledges that Graystone has no responsibility to ensure that such information is accurate and remains current.

Client acknowledges and agrees that MSSB may conduct other business with Alternative Investments, their sponsors or their managers including brokerage arrangements under which MSSB and its agents may receive additional compensation.

Client acknowledges that Morgan Stanley conducts initial and ongoing diligence on managers and the Alternative Investments that it selects for the Alternative Investments platform. In doing so, it relies on such Alternative Investments and parties affiliated with such Alternative Investments and the general partners and managers of such Alternative Investments (including such general partners and managers) (the "Alternative Investment Parties") to report information fairly and accurately when such parties share information about the investments and operations of the Alternative Investments Parties with Morgan Stanley in the diligence process. While Morgan Stanley reviews the information it deems material that it receives from the Alternative Investment Parties and endeavors to confirm its accuracy, there can be no assurance that the information it receives from the Alternative Investment Parties is true, accurate and/or complete in all material respects. Client understands that in making an investment in an Alternative Investment and continuing to remain invested, in the event that the applicable Alternative Investment Parties provide Morgan Stanley or Client with information that is inaccurate, incomplete or misleading in any material respect in connection with Client's investment in such Alternative Investment, Client shall have no claim against Morgan Stanley or any of its employees, representatives or agents for any loss, cost, damage or liability related to or in respect of any statement, representation or warranty made by the Alternative Investment Parties not being true, accurate and/or complete when made, or for the failure of the Alternative Investment Parties to fulfill any of the covenants or agreements contained in the offering material of such Alternative Investment or other information disseminated by the Alternative Investment Parties.

#### **G. Further Authorizations applicable to Alternative Investments when MSSB acts as Custodian for the Account.**

As a condition for facilitating a subscription in each Alternative Investment, Client understands that the subscription amount must be available in the Account no later than three (3) business days prior to the last business day of the calendar month in which the subscription will be effective in accordance with the following:

- (i) If the subscription in the Alternative Investment is not accepted for any reason, the subscription amount will be returned to Client without interest to the Account from which the monies were originally debited.
- (ii) Client agrees that Graystone is authorized to debit the Account for the amount of any capital contribution or other payment required to be made by Client in relation to each Alternative Investment for which the Client subscribes on the dates such amounts are due (without any further action required on the part of Client except as described in subparagraph (c) below). Client also agrees that MSSB is also authorized to receive distribution or redemption proceeds when paid for further credit to the Account.
- (iii) Client hereby agrees to deposit sufficient available funds in the Account by the dates specified by Graystone in an amount equal to the applicable capital contribution or other required payment related to each Alternative Investment. Client acknowledges that no overdraft facility will be available to fund any such amounts.

**Investment products sold through Graystone and MSSB are not insured by the FDIC; are not a deposit or other obligation of a depository institution; are not guaranteed by a depository institution; and are subject to investment risks, including the possible loss of the principal amount invested.**

#### **2. Trading and Execution Services**

Client appoints each Manager as its agent and attorney-in-fact to buy and sell securities or other investments for the Account at Client's risk. Client hereby agrees to indemnify and hold Graystone, MSSB, and its officers, directors, agents, employees and affiliates harmless from all loss, cost, indebtedness and liabilities arising therefrom. In all such purchases and sales, Graystone is authorized to follow the instructions of the Manager in every respect concerning the Account and, except as herein otherwise provided, the Manager is authorized to act for Client in the same manner and with the same force and effect as Client might or could do with respect to such purchases and sales as well as with respect to all other things necessary or incidental thereto, except that the Manager is not authorized to withdraw any money, securities or other property either in the name of Client or otherwise. This authorization is a continuing

one and shall remain in full force and effect until terminated in writing. The termination of this authorization shall constitute a termination of this Agreement.

In the absence of written instructions to the contrary from Client, transactions for the purchase and/or sale of securities and other investments shall be placed by the Manager with brokers or dealers, including MSSB or its affiliates, as the Manager in its sole discretion deems appropriate. Where transactions are effected through MSSB or its affiliates, they may act, in the absence of instructions to the contrary, on an agency or principal basis, to the extent permitted by law and subject to applicable restrictions, and will be entitled to compensation for its or their services.

In connection with transactions effected for the Account, Client authorizes the Manager to establish and trade Accounts in Client's, MSSB's or the Manager's name with members of national or regional securities exchanges and the Financial Industry Regulatory Authority, Inc. including "omnibus" accounts established for the purpose of combining orders from more than one client.

Client consents that some or all executions for the Account may be aggregated with executions effected for other clients of MSSB and be subsequently allocated to the Account at an average price, and that MSSB may from time to time and at its discretion act as principal (to the extent permitted by law) with respect to aggregated orders that result in allocations to the Account at an average price. Client's confirmations will identify when a transaction was effected at an average price and the average price at which it was effected, and if so, whether MSSB acted as principal or agent for the transaction. Client may only rescind this consent by written instruction to MSSB.

In no event will Graystone be obligated to effect any transaction for Client which it believes would be violative of any applicable state or federal law, rule or regulation, or of the rules or regulations of any regulatory or self-regulatory body.

### **3. Custody Services and Valuation**

#### **A. MSSB Will Act as Custodian**

Unless Client instructs MSSB not to maintain custody, MSSB will maintain custody of all cash, securities and other assets held in the Account. MSSB will credit the Account with dividends and interest paid on securities held in the Account and with the principal paid on called or matured securities in the Account. Client warrants that any securities delivered to MSSB are free of any encumbrances, including constructive liens. MSSB shall provide at least each calendar quarter a statement of all assets in the Account in MSSB custody.

Client authorizes Graystone to deduct any and all fees when due from the assets contained in the Account, including fees charged by a Manager, and pay them to the Manager on behalf of Client. If required pursuant to the terms of the investment management agreement entered into between Client and the Manager, Graystone will debit the Manager's fee from the Account upon Graystone's receipt of an invoice from the Manager. Graystone will pay the amount shown to be due on the invoice and will not verify the rate, computation, or timing of the Manager's fee or the value of the assets used in this connection.

For accounts where MSSB is the custodian, in computing the fair market value of any security or other investment in the Account, a security listed on a national securities exchange shall be valued, as of the valuation date, at the closing composite price (the consolidated tape price). Generally, the prices of bonds, particularly municipal bonds, are obtained from third-party quotation services, whose prices are based either on closing prices, the most recent trades of round lots of \$1 million, the mean between the bid and asking price of these lots, or a matrix based on interest rates for similar securities. As such, pricing may not reflect round lot/odd lot differentials (Odd lots are anything smaller than \$1 million and can be as small as \$5,000 or \$10,000.) On average, odd lot prices are lower than round lot prices. Accounts which are charged an asset-based fee should note that such fees are based upon round lot valuations. Where prices are not available from quotation services, MSSB may use such prices that in MSSB's judgment best reflect the market prices of the securities. In either case, MSSB does not guarantee the accuracy of such prices. These prices should not be considered firm bids or offers, and may be subject to fluctuations due to lot size and market conditions. Any other securities or investments in the Account shall be valued in a manner determined in good faith by MSSB, in its sole discretion, to reflect market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the Account.

All uninvested cash and allocations to cash in your Account will automatically "sweep" into interest-bearing bank deposit accounts ("Deposit Accounts") established under a Bank Deposit Program (the "Bank Deposit Program") and/or money market mutual funds (to the extent we make such funds available) including but not limited to those managed by Morgan Stanley Investment Management Inc., or another one of our affiliates (each, a "Money Market Fund" and, together with Deposit Accounts, "Sweep Investments"). Allocations to cash that are part of an overall asset allocation will be limited to investments in either Deposit Accounts or an alternative Money Market Fund (if available). Uninvested cash and allocations to cash including assets invested in Sweep Investments are included in the Fee calculation hereunder.

Terms of the Bank Deposit Program are further described in the Bank Deposit Program Disclosure Statement, which is available at <http://www.morganstanley.com/wealth/services/bankdepositprogram.asp>.

If your Sweep Investment is the Bank Deposit Program, you should be aware that, the Sweep Banks will pay MSSB an annual account-based flat fee for the services performed by MSSB with respect to the Bank Deposit Program. MSSB and the Sweep Banks will review such fee annually and, if applicable, mutually agree upon any changes to the fee to reflect any changes in costs incurred by MSSB. Your Graystone Consultant will not receive a portion of the fee. Affiliates of MSSB may receive a financial benefit in the form of credit allocations made for financial reporting purposes. The amount of this benefit will vary and will be based on the average daily deposit balances in the Deposit Accounts at each Sweep Bank. Generally, these benefits will increase as more funds are deposited through the Bank Deposit Program. No separate charges, fees or commissions will be imposed on your Account as a result of or otherwise in connection with the Bank Deposit Program.

In addition, MSSB, the Sweep Banks and their affiliates receive other financial benefits in connection with the Bank Deposit Program. Through the Bank Deposit Program, each Sweep Bank will receive a stable, cost-effective source of funding. Each Sweep Bank intends to use deposits in the Deposit Accounts at the Sweep Bank to fund current and new businesses, including lending activities and investments. The profitability on such loans and investments is generally measured by the difference, or "spread," between the interest rate paid on the Deposit Accounts at the Sweep Banks and other costs of maintaining the Deposit Accounts, and the interest rate and other income earned by the Sweep Banks on those loans and investments made with the funds in the Deposit Accounts. The income that a Sweep Bank will have the opportunity to earn through its lending and investing activities is expected to be greater than the fees earned by us and our affiliates from managing and distributing the money market funds available to you as a sweep investment.

If your Sweep Investment is a Money Market Fund, as available, then the Account, as well as other shareholders of the Money Market Fund, will bear a proportionate share of the other expenses of the Money Market Fund in which the Account's assets are invested.

If your Sweep Investment is a Money Market Fund, you understand that Morgan Stanley Investment Management Inc. (or another MSSB affiliate) may receive an investment management fee for managing the Money Market Fund and that Morgan Stanley Distributors Inc., or another one of our affiliates, may receive compensation in connection with the

operation and/or sale of shares of the Money Market Fund, which may include a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law.

You understand that the Fee will not be reduced by the amount of the Money Market Fund management fee or any shareholder servicing and/or distribution or other fees we or our affiliates may receive in connection with the assets invested in the Money Market Fund. For additional information about the Money Market Fund and applicable fees, you should refer to each Money Market Fund's prospectus.

#### 4. Fees

Client shall pay Graystone for its services hereunder a fee as set forth in Exhibit A, which is attached to, and made a part of, this Agreement (the "Fee"). Graystone represents and warrants that Graystone shall receive no other Fee for the services provided in this Agreement than the Fee set forth in Exhibit A. Compensation that MSSB receives related to sweep funds (not advisory) services is described above in Section 3.

The Fee may be modified or changed by Graystone only with written Client consent. Graystone shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client. Notwithstanding the foregoing sentence, Graystone may be compensated based upon the total value of the Account as of definite dates.

Fees charged may be negotiated. Such fees may differ based upon a number of factors, including, but not limited to, the type and size of the Account, the historical or projected nature of trading for the Account, and the number and range of advisory and client-related services to be provided by Graystone to Client.

A portion of the Fee is paid to employees of MSSB and its affiliates in connection with the provision of supplemental and client-related services. Such payments are made for the duration of this Agreement.

Open or closed-end mutual funds, exchange traded and other funds, including Alternative Investments, pay their own separate investment advisory fees and other expenses to the fund manager or other service provider. In addition, an open-end mutual fund may charge distribution or servicing fees. In both cases, these fees or expenses, although not received by Graystone or MSSB, will be in addition to the Fee paid by Client on the Account.

MSSB receives payments and fees from certain Funds for data collection, recordkeeping and related services. For more information, please refer to the applicable MSSB ADV Brochure



which is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or to the document “Mutual Fund Share Classes and Compensation”, which is available at [http://www.morganstanley.com/wealth/investmentsolutions/pdfs/MF\\_share\\_classes.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/MF_share_classes.pdf). Both these documents are also available from your Graystone Consultant upon request.

For Alternative Investments, the Fee shall not be charged on capital committed, but not yet funded. Client acknowledges and agrees that the market value of the Account shall be calculated based upon then-currently information provided to Graystone by the Alternative Investment, or its sponsor, investment manager or administrator, and that Graystone does not independently verify such information. Graystone shall not be liable for any mistake or miscalculation made by an Alternative Investment, its sponsor, investment manager or administrator in valuing client's investment in the Alternative Investment, or any loss, liability, claim, damage or expense arising out of such mistake or miscalculation. Client acknowledges that the payment of the Fee will impact Client's overall return on investments, including Alternative Investments, held in the Client's account.

Client acknowledges and agrees that MSSB, in connection with its brokerage business for other clients, may enter into separate selling or participation agreements with certain Alternative Investments, their sponsors or their managers which Client selects for use with the Account. For the sale of Alternative Investments to MSSB brokerage clients, MSSB may receive compensation from such Alternative Investments, their sponsors or their managers. Client also acknowledges and agrees that MSSB may receive a portion of the management fee paid by Client to an Alternative Investment manager with respect to Account assets invested in such Alternative Investment. In the event that MSSB shares in the management fee or other compensation, paid by the Client, from the Alternative Investments, their sponsors or their managers under separate agreement, Graystone shall credit a Graystone account in the name of the Client by a corresponding amount in a one to one ratio.

## 5. Client Authority

If this Agreement is entered into by a Trustee or other fiduciary, such Trustee or other fiduciary represents that the terms of this Agreement are authorized by the governing instruments of, and/or laws and regulations applicable to Client, the services to be provided under this Agreement are within the scope of the services and investments authorized by the governing instruments of, and/or laws and regulations applicable to Client, and that said Trustee or fiduciary is duly authorized to enter into this Agreement. If Client is a corporation, the signatory on behalf of Client represents that the execution of this Agreement

has been duly authorized by all necessary and appropriate corporate action. Client undertakes to advise Graystone of any event which might affect Client's authority to participate in, or the propriety of, this Agreement.

**A.** Client represents that neither it nor another person who has authority over this Account knowingly owns, operates or is associated with a business that uses, at least in part, the Internet to receive or send information that could be seen as placing, receiving or otherwise knowingly transmitting a bet or wager.

**B.** Client understands that, in order to open and continue to provide services to the Account, Graystone is required to obtain certain information from the Client. If this information is not provided fully or in a timely manner, Graystone may suspend trading in your Account until the information is provided and/or terminate the Account. The Client will deliver to Graystone, in writing, information that Graystone may require or reasonably request to perform its duties hereunder without violating or causing any violation of applicable law.

## USA PATRIOT ACT NOTICE: IMPORTANT INFORMATION ABOUT OUR PROCEDURES FOR OPENING A NEW ACCOUNT OR ESTABLISHING A NEW CUSTOMER RELATIONSHIP.

**C.** You further understand that to help the government fight the funding of terrorism and money laundering activities, federal law may require all financial institutions to obtain, verify and record information that identifies each individual or institution that opens an account or establishes a customer relationship with MSSB. Therefore, before entering into a new client relationship with you, MSSB will ask for your name, address, date of birth (as applicable) and other identification information. If all required documentation or information is not provided, MSSB may be unable to open an account or maintain a relationship with you.

**D.** If you, or any other account owner, or authorized person on your account(s) is, or has been, a “Politically Exposed Person” (“PEP”), or is a corporation, business or entity that is closely aligned with a PEP such that it is subject to due diligence as a PEP (“PEP Entity”), you confirm that you have disclosed this fact to MSSB and have provided the necessary information required by law to open and/or to service your account(s). You also agree that you will not use your account(s), or permit them to be used, for any transactions (i) with, involving or for the benefit of, any Sanctioned Person (excluding legally permissible transactions in debt or equity issued by an entity designated on OFAC's Sectoral Sanctions Identifications List), or (ii) in any other manner that would cause either you or MSSB to violate any Sanctions.

## 6. Proxies and Other Legal Notices

Graystone shall not take any action or render any advice with respect to the voting of proxies solicited by, or with respect to,

the issuers of any securities held in the Account, nor shall it be obligated to render any advice or take any action on behalf of Client with respect to securities or other investments held in the Account, or the issuers thereof, which become the subject of any legal proceedings, including bankruptcies. Client hereby expressly retains the right and obligation to vote any proxies or take action relating to securities held in the Account; provided, however, Client may delegate said rights and obligations to a Manager or other properly authorized agent.

## **7. Termination of Agreement; Share Conversion**

This Agreement may be terminated at any time upon written notice by either party to the other and termination will become effective upon sixty (60) days-notice. Such termination will not, however, affect the liabilities or obligations of the parties incurred, or arising from transactions initiated, under this Agreement prior to such termination, including the provisions regarding arbitration, which shall be deemed to survive any expiration or termination of the Agreement. Upon the termination of this Agreement, Graystone shall not be under any obligation whatsoever to recommend any action with regard to, or to liquidate, the securities or other investments in the Account. Graystone retains the right, however, to complete any transactions open as of the termination date and to retain amounts in the Account sufficient to effect such completion. Upon termination, it shall be Client's exclusive responsibility to issue instructions in writing regarding any assets held in the Account. Client is responsible for providing Graystone with the name of another custodian at the time the Agreement is terminated if MSSB is providing custody services and Client chooses not to maintain custody of the Account with MSSB.

Client authorizes MSSB (without notice to Client) to convert shares of any Fund in the Account to a share class of the same Fund which is a load-waived or no-load share class such as an Institutional share or Financial Intermediary share, or to a share class that is available only to investment advisory clients (collectively, an "Investment Advisory Share"), to the extent available.

## **8. Potential Conflicts of Interest**

Client understands that MSSB is affiliated with Morgan Stanley & Co LLC ("MS&Co") (formerly known as "Morgan Stanley & Co Incorporated") and thus Graystone shall not recommend MS&Co affiliated mutual funds or other investment products.

Client understands that MSSB and its affiliates may perform, among other things, investment banking, research, brokerage, and investment advisory services for other clients. Client recognizes that Graystone may give advice and take action in the performance of its duties to other clients (including those who may also be participants in the Graystone Consulting

Institutional Services Program) which may differ from advice given, or in the timing and nature of action taken, with respect to Client. Moreover, MSSB or any of its affiliates may advise or take action with respect to itself or themselves differently than with respect to Client.

Nothing in this Agreement shall be deemed to impose on Graystone any obligation to recommend any investment for purchase or sale, for Client any investment which Graystone may recommend for purchase or sale, for its own account, or for the account of any other client, nor shall anything on this Agreement be deemed to impose upon Graystone any obligation to give Client the same advice as may be given to any other clients.

MSSB may have trading, investment banking or other business relationships with a Manager, including a Manager recommended to clients. By reason of its investment banking or other activities, MSSB and its affiliates may from time to time acquire confidential information and information about corporations and other entities and their securities. Client acknowledges and agrees that MSSB will not be free to divulge to Client or to act upon, such information with respect to its or their activities, including its or their activities with respect to this Agreement.

## **9. Liability of MSSB**

Client acknowledges that an investment Manager's past performance is not necessarily indicative of future performance. MSSB makes no representations or warranty under this Agreement with respect to the present or future level of risk or volatility in the Account, or any Manager's future performance or activities. Client understands that Graystone will perform no discretionary trading acts with respect to the Account, that pursuant to this Agreement Graystone shall effect only such transactions as it is instructed to by Client or any Manager, and that the Manager is solely responsible for the management of Client's portfolio. Accordingly, Client understands that Manager, not Graystone, is Client's investment Manager with respect to each transaction.

## **10. Non-assignability**

This Agreement shall not be assignable by Graystone without the prior consent of Client. This Agreement and its terms shall be binding upon Client's successors, administrators, heirs, executors, committee and/or conservators.

## **11. Governing Law**

This Agreement, including the arbitration provision contained herein, is made and shall be construed under the laws of the State of New York without reference to the choice of law or conflict of laws provisions thereof. This choice of law clause

shall not govern the choice of statutes of limitations applicable to claims and controversies described in the arbitration provision, and the statute of limitations applicable to any such claim or controversy shall be that which would be applied by the federal district court for the district in which Client resides. If Client does not reside in the United States, the statute of limitations shall be that which would be applied by the courts in the state where the MSSB office servicing Client's account(s) is located.

## 12. Entire Agreement and Amendment

Client may execute a client agreement (the "Client Agreement") with MSSB. This Agreement and the Client Agreement (if applicable) represent the entire agreement between the parties with regard to the services described herein and therein. This Agreement (including language on fees and other charges) may be amended by either of the following methods: (a) MSSB unilaterally amending the Agreement by giving you written notice of the amendment, or (b) MSSB signing a written amendment in cases where you request or agree to the change.

This Agreement and the Client Agreement (if applicable) supersede all previous agreements and understandings between the parties hereto with respect to the subject matter hereof. Notwithstanding the terms of the Client Agreement, the terms of this Agreement shall govern with respect to the fees and advisory services described herein.

## 13. Severability

If any provision of this Agreement shall be held or made invalid by a statute, rule, regulation, decision of the tribunal or otherwise, the remainder of the Agreement shall not be affected thereby and, to this extent, the provisions of the Agreement shall be deemed to be severable.

## 14. Miscellaneous

Graystone reserves the right to refuse to accept or renew this Agreement in its sole discretion and for any reason.

In connection with the services being provided to Client under this Agreement, Graystone and each Manager shall be entitled to rely on the financial and other information provided by Client to Graystone, in writing from time to time. Client agrees to inform Graystone Consulting promptly in writing of any material change in Client's circumstances which might affect the manner in which Client's assets should be invested or the services provided by Graystone to Client under this Agreement. Client will provide Graystone with any such information as Graystone shall reasonably request.

MSSB represents that it is registered as an investment advisor under the Investment Advisers Act of 1940.

For the purpose of referring to this Agreement, the date of this Agreement shall be the date of acceptance by Graystone.

Client acknowledges that MSSB may withhold any tax to the extent required by law, and may remit such taxes to the appropriate government authority.

All written communication to Graystone pursuant to this Agreement shall be sent to Graystone at the address referenced below, unless Graystone designates otherwise in writing. All written communication to Client shall be sent to the address referenced below unless Client designated otherwise in writing.

If you elect to use a third party custodian, you acknowledge that, notwithstanding anything to the contrary in any agreement between you and such custodian, the authority of MSSB to instruct the custodian with respect to disbursing or transferring funds and securities in your account is limited to instructing the custodian in connection with the purchase and sale of securities in your account and, if applicable, the payment of the MSSB fees.

As used herein, reference to persons in the masculine gender shall include persons of the feminine gender. References in the singular shall, as and if appropriate, include the plural.

All paragraph headings are for convenience of reference only, do not form part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

All information, recommendations and advice furnished to Client pursuant to this Agreement shall be treated as confidential by Client.

If MSSB maintains custody, a portion of the Account may be held in cash or cash equivalents including securities issued by money market mutual funds. Client authorizes MSSB to automatically deposit or "sweep" all free credit balances in the Account into such money market mutual funds.

Client understands that Graystone may choose not to accept this Agreement until such time as Client delivers the securities and other investments that will comprise the Account into MSSB's custody. Client assets will remain in the form delivered prior to the acceptance of the contract by Graystone. Collection and processing of the required documentation may delay the acceptance of the contract.

Client acknowledges receipt of a copy of this Agreement (including all Exhibits checked below), and of the applicable Morgan Stanley ADV brochure. Notwithstanding anything to the contrary herein, Client shall have the right to terminate this Agreement.

VOLCKER RULE ATTESTATION (For Entity Clients Only)



On July 21, 2015, the law and related regulations known as the “Volcker Rule” went into effect. As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Volcker Rule focuses on the relationships between financial institutions, like Morgan Stanley, and entities called “covered funds,” which include private equity funds and hedge funds as well as other types of similar investment vehicles.

By signing below on behalf of the entity client listed below, you are confirming that the entity is not a covered fund because:

- (i) The entity is not an issuer of securities;
- (ii) The entity does not hold itself out as an entity that raises funds from investors primarily for the purposes of investing in securities; and
- (iii) You affirm the entity is not
  - a. a hedge fund;
  - b. a private equity fund;
  - c. a venture capital fund;
  - d. a commodity pool that has a commodity pool operator registered with the Commodity Futures Trading Commission; or
  - e. a similar investment vehicle that would be considered a “covered fund” under the Volcker Rule law and regulations.

Please note that non-US entities with all non-US owners are exempt from the definition of a “covered fund.”

If any of these statements is not accurate (or will no longer apply at any time in the future), please contact your Graystone Consultant at your earliest convenience.

## 15. Arbitration

**This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

- All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

You agree that all claims or controversies, whether such claims or controversies arose prior, on or subsequent to the date hereof, between you and MSSB and/or any of its present or former officers, directors, or employees concerning or arising from (i) any account maintained by you with MSSB individually or jointly with others in any capacity; (ii) any transaction involving MSSB or any predecessor or successor firms by merger, acquisition or other business combination and you, whether or not such transaction occurred in such account or accounts; or (iii) the construction, performance or breach of this or any other agreement between you and us, any duty arising from the business of MSSB or otherwise, shall be determined by arbitration before, and only before, any self-regulatory organization or exchange of which MSSB is a member. You may elect which of these arbitration forums shall hear the matter by sending a registered letter or other written communication addressed to Morgan Stanley Smith Barney LLC at 1633 Broadway, 30<sup>th</sup> Floor, New York, NY 10019, Attn: Legal and Compliance Division.. If you fail to make such election before the expiration of five (5) days after receipt of a written request from MSSB to make such election, MSSB shall have the right to choose the forum.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) the person is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

The statute of limitations applicable to any claim, whether brought in arbitration or in a court of competent jurisdiction shall be that which would be applied by the

courts in the state in which you reside or if you do not reside in the United States, the statute of limitations shall be that which would be applied by the courts in the state where the MSSB office servicing your Account is located.

#### 16. Attachments

The following Exhibit(s) are attached to, and made a part of, this Agreement:

- ☐ Exhibit A. Asset Based Fee
- ☐ Exhibit B. Manager Letter

SAMPLE

**Proxies and Waivers.** Graystone shall NOT be obligated to take any action or render any advice with respect to the voting of proxies with respect to issuers of securities held in the Account or the taking of any action relating to such Issuers which become the subject of any legal proceedings including bankruptcies.

By initialing below, I delegate all proxy voting rights to each Manager and designate such Manager to receive all proxies including proxy soliciting material and related material including interim reports, annual reports and any other issuer mailings ("Related Material").

**PROXY WAIVER:** (Client may initial): \_\_\_\_\_

**Client who fails to initial above shall be solely responsible for voting all proxies, and expressly retains such right and obligation.**

**Trade Confirmation:** To the extent permitted by law do you want to receive confirmation of transactions on or with your monthly statement instead of individual trade confirmations following each transaction. You will not pay a different fee if you select this option. Selecting this option is not a condition to entering into (or continuing to participate in) the Program.

You may choose to receive from us, at no additional cost, trade confirmations for any period in which you elected not to receive individual trade confirmations. You can also revoke your authorization at any time by giving us written notice in accordance with this Agreement.

☐ Yes ☐ No

**Representative Client List.** Graystone publishes materials which, in addition to describing the nature of its investment Manager services, may also provide a representative listing of Graystone's institutional clients ("Representative Client List"). Such a listing will generally provide the name of the Client, but will not provide any specific Account information. By signing below, Client consents to the inclusion of its name on Graystone's Representative Client List.

**Client's Signature** \_\_\_\_\_

## **YOUR CONSENT TO ELECTRONIC DELIVERY OF ADV BROCHURES, PRIVACY NOTICES AND OTHER DOCUMENTS**

- a. **Electronic delivery:** By signing below, you authorize us to deliver any type of document relating to your existing and future investment advisory accounts and relationships with MSSB (including MSSB's ADV brochures and privacy notices), instead of paper copies, either by email to an email address you give us, by giving you a CD-ROM to read on a computer, or by referring you to a website. Your consent to Electronic Delivery in the previous sentence does not apply to delivery of documents such as account statements, trade confirmations and tax documents (such as 1099 forms). If you would like to have these documents delivered electronically, please visit [www.morganstanley.com/online/edelivery](http://www.morganstanley.com/online/edelivery) or contact your Graystone Consultant.
- b. **Website address:** MSSB's ADV brochures and privacy notices, and the Managers' profiles, for your Account are available now at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV). Please review them.
- c. **Your computer access:** You acknowledge that you have access to a computer which can access these documents (including PDF software, available free of charge at Adobe's website [www.adobe.com](http://www.adobe.com), and a CD-ROM drive), and that you may incur costs accessing or printing the documents (e.g. online provider fees and printing costs). We are not liable for these costs or any computer problems (including viruses) you incur in accessing the documents.
- d. **How to get paper copies:** This consent remains in place until you give written notice to your Graystone Consultant that you are revoking it. You may also, without revoking this consent, ask your Graystone Consultant for a paper copy of any document that we deliver electronically under this consent.
- e. **Other document deliveries:** Sometimes we may deliver paper copies of documents relating to an account. Also, some documents that we can deliver electronically are not covered by this consent and have separate procedures for enrollment and unenrollment in electronic delivery and for obtaining paper copies.

This Agreement may be executed in counterparts and shall be binding on the parties hereto as if executed in one document.

**Note:** This Agreement contains a pre-dispute arbitration clause which is located in Section 15 on page 9 of this Agreement.

**BY SIGNING THIS AGREEMENT, THE UNDERSIGNED CLIENT ACKNOWLEDGES: (A) RECEIPT OF A COPY OF THE AGREEMENT; (B) RECEIPT AND REVIEW OF THE APPLICABLE MORGAN STANLEY ADVS AND PRIVACY NOTICES; (C) THAT CLIENT CONSENTS TO ELECTRONIC DELIVERY OF ADV BROCHURES, PRIVACY NOTICES AND OTHER DOCUMENTS, AS PROVIDED ABOVE.**

**AGREED** to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

**CLIENT NAME:** [SAMPLE CLIENT]

**By:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Address:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**ACCEPTED** as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

**MORGAN STANLEY SMITH BARNEY LLC** through its **GRAYSTONE CONSULTING** business unit

**By:** \_\_\_\_\_

Managing Director  
Graystone Consulting  
2000 Westchester Avenue 2nd Floor  
Purchase, New York 10577

**Exhibit A**  
**to**  
**Graystone Consulting Institutional Services Agreement**

Client shall pay Graystone for its services quarterly (on a calendar quarter basis) in advance an annual fee as a percent of the market value of the Account based on the following schedule (the "Fee"). The Fee includes all fees or charges of Graystone and MSSB (including brokerage commissions, compensation to Graystone Consulting and MSSB custodial charges) other than those costs imposed by law or regulation. The initial Fee shall be due in full on the date the Account is opened at Graystone (the "opening date") and shall be based on the market value of the Account on that date. The initial Fee payment will cover the period from the opening date through the last business day of the next full calendar quarter and shall be pro-rated accordingly. Thereafter, the Fee shall be paid quarterly in advance based on the Account's market value on the last business day of the previous calendar quarter and shall become due the following business day. Additional assets received into the Account during any period may be charged a pro-rata fee based on the number of days remaining in the billing period as against the total number of days in the billing period. No adjustments will be made to the Fee for appreciation or depreciation in the market value of securities held in the Account, or with respect to partial withdrawals by Client, during any billing period for which such Fee is charged. In the event this Agreement is terminated by either party prior to the end of a billing period, a pro-rata refund of the Fee will be made.

In computing the market value of any securities or other investments in the Account, securities listed on any national securities exchange shall be valued, as of the valuation date, at the composite closing price (at the consolidated trade price). Any other securities or investments in the Account shall be valued in a manner determined in good faith by MSSB, in its sole discretion, to reflect market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the Account.

**FEE SCHEDULE**

**Account Asset Value**

**Annual Graystone Fee to Client**

**Exhibit B**  
**to**  
**Institutional Services Agreement (Fee-based accounts only)**

\_\_\_\_\_  
INVESTMENT MANAGER NAME

\_\_\_\_\_  
CLIENT NAME

\_\_\_\_\_  
INVESTMENT MANAGER ADDRESS

\_\_\_\_\_  
ACCOUNT NUMBER

To Whom It May Concern:

We have entered into an Investment Advisory Agreement (“Agreement”) with Morgan Stanley Smith Barney LLC (“MSSB”), through its Graystone Consulting business (“Graystone”) to provide our account(s) with investment consulting and execution services. These services are outlined in our Agreement with Graystone.

Under the fee arrangement with Graystone, there are no separate or additional commission charges for transactions executed at MSSB. In light of the inclusion of execution and other services in the fee charged under our Agreement with Graystone, we hereby direct you to execute transaction orders for our account(s) through MSSB.

We understand that as a fiduciary you are obligated to execute transactions in a most efficient and beneficial manner on our behalf. If, in your sole judgment, MSSB is unable or unwilling to do so, or is not competitive in its pricing, you are hereby instructed and directed by us to use the services of another broker-dealer who can provide “best execution.”

It is understood and agreed that this letter of direction is to become part of our investment advisory agreement with you, and will remain in effect until revoked in writing.

You will be required to attest to your receipt of this letter and acknowledgement of your obligations set forth herein in Graystone’s INVESTMENT ADVISOR CERTIFICATION.

Sincerely yours,

\_\_\_\_\_  
CLIENT SIGNATURE AND TITLE

\_\_\_\_\_  
CLIENT SIGNATURE AND TITLE

\_\_\_\_\_  
DATE

**To the Client: Please sign and return this Exhibit to your Graystone Consultant.**