

## JP Morgan Value Advantage (FLM-C)

**Style:** US Large Cap Value **GIMA Status:** Approved **Program Inception:** 10/26/2017 **Strategy Minimum:** \$25,000

### EXECUTIVE SUMMARY

To help you better understand the performance results of third-party investment manager strategies within our Select UMA Program, we are including additional information within manager profiles that may inform your decision to invest in this strategy:

- The performance results displayed in this profile may include a composite of Morgan Stanley accounts enrolled in the strategy. These are **unshaded** in the Investment Results and Portfolio Quarterly Returns sections of the profile with the Select UMA label.
- The results also display the performance of the manager's own composite of accounts invested in its version of the investment strategy, prior to the strategy's inception in the Select UMA program. These are shaded in **grey** and labeled Manager. While this performance is relevant, it does not reflect the role that Morgan Stanley plays in delivering this strategy, which is reflected in the unshaded portion of the Investment Results and Portfolio Quarterly Returns sections of the profile. Morgan Stanley works in tandem, with the manager, to deliver this strategy to its clients. For this reason, Morgan Stanley does not display the manager's own composite of accounts invested in its version of the investment strategy beyond the transition month. As a result, the manager's results and the strategy's results may differ, as discussed in further detail below.
- If the transition month between the manager's results and the strategy's results occurs in the middle of a quarter, that quarter or year will be shaded **blue** in the Investment Results and Portfolio Quarterly Returns sections of the profile and labeled Transition.

The manager exercises discretion in selecting securities for your account, but differences between the manager's prior gross results and the strategy's ongoing gross results may arise from variations in who executes the strategy or how it is implemented:

- Some managers may deliver a model portfolio to Morgan Stanley, which may ultimately be responsible for executing those investment decisions.
- In some cases, the manager may act as an "executing manager," which means it implements its investment decisions and transactions directly instead of delivering instructions to Morgan Stanley.
- The manager's prior performance results are based on accounts that do not participate in the Select UMA program, with investment and operational differences such as account size and/or level of customization.
- There may be other reasons why the performance results differ from those of individual Select UMA accounts managed in the same or a substantially similar investment strategy. For example, Morgan Stanley may deviate from strategy models when applying client-requested restrictions.

If you have any questions about any of the information included in this profile, please contact your Morgan Stanley team.

Past performance is not a guarantee of future results. Actual individual account results may differ from the performance shown in this profile. There is no guarantee that any investment strategy will achieve its intended results under all market conditions. Do not rely upon this profile as the sole basis for your investment decisions.

For MAPS Third Party Model Portfolios, 'Manager' illustrated performance is that of the Model Portfolio Provider.

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## Strategy Overview

The cornerstone of the J.P. Morgan Value Advantage Strategy's investment philosophy is the belief that companies possessing the ability to generate significant free cash flow and effectively allocate capital to generate growth in value per share may, over the long term, outperform stock market averages. We seek to discover those companies that offer the greatest potential against their current market value. While many companies may be considered cheap, our research process helps us to eliminate those that do not possess the characteristics of a sound, long-term business and to identify those that we feel have been underrated or overlooked by the market. We employ a bottom-up approach to stock selection, constructing portfolios based on company fundamentals and proprietary fundamental analysis. Our aim is to identify undervalued companies that have the potential to grow their intrinsic values per share and to purchase these companies at a discount. The overall investment objective of the J.P. Morgan Value Advantage Strategy is to earn an annualized excess return above the Russell 3000 Value Index over a complete market cycle, which would typically be defined as three to five years.

## Target Portfolio Characteristics

| Description                   | Value                                   |
|-------------------------------|---|
| Number of security holdings:  | 80 to 120                               |
| P/E ratio:                    | Below the S&P 500                       |
| Cash level over market cycle: | 0 to 5%                                 |
| Risk (standard deviation):    | Below the S&P 500                       |
| Average turnover rate:        | 20 to 40%                               |
| Use ADRs:                     | 0 to 5%                                 |
| Capitalization:               | Mega, Large, Medium and Small companies |
| Eligible Investments:         | Individual Stocks, Mutual Funds         |

## Manager's Investment Process

- The investment process employed in the management of the J.P. Morgan Value Advantage Strategy is implemented in four distinct phases:
- **Idea Generation:** Our investable universe consists of all publicly traded companies listed on U.S. equity markets. Idea generation is a multi-faceted effort that includes qualitative inputs such information gathered by our in-house research analysts, reviewing trade publications, attendance at industry conferences and communication with various leading industry experts. The end goal of our research process is to discover those companies that offer the greatest potential against their current market value.
- **Fundamental Research:** Our investment process emphasizes rigorous, independent fundamental research which focuses on both the quantitative and qualitative aspects of a business.
- **Valuation:** As value investors, the valuation discipline that we overlay on our fundamental analysis is a crucial component of our investment process. While our idea generation and subsequent research serves to identify the companies in which we are interested, the valuation discipline dictates the price that we are willing to pay for those companies and permits us to quantify the possible upside of an investment.
- **Portfolio Construction:** We employ a bottom-up approach to portfolio construction, focusing on individual stocks rather than economic or sector-specific factors. In order to provide clients with the benefits of diversification, the J.P. Morgan Value Advantage Strategy typically holds between 80 and 120 securities. Security position size is normally between 0.5% and 5.0% and is driven by our calculation of the risk-adjusted expected returns, our level of confidence in the company and our assessment of valuation. The maximum weighting permitted in any one stock is limited to 10% of the portfolio. To allow the portfolio manager the utmost flexibility in finding attractive investment opportunities, there are currently no formal sector constraints in place. Maximum industry exposure is limited to 25% of the portfolio at market.

## Portfolio Manager Details <sup>1</sup>

| Manager Name   | Term                   |
|----------------|------------------------|
| Jonathan Simon | January 1980 - Present |
| Scott Blasdell | January 1999 - Present |
| Graham Spence  | January 2013 - Present |

<sup>1</sup> For more information on Portfolio Managers, please refer to this manager's Form ADV [www.morganstanley.com/wealth-investmentsolutions/advbrochures](http://www.morganstanley.com/wealth-investmentsolutions/advbrochures).

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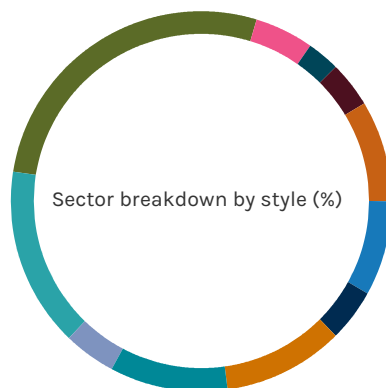
## Portfolio Statistics

|                                    | 09/24    |          | 03/24    |
|------------------------------------|----------|----------|----------|
|                                    | JPMorgan | Index*** | JPMorgan |
| Number of security holdings        | 128      | 2,310    | 127      |
| Dividend Yield                     | 2.2%     | 2.0%     | 2.5%     |
| Distribution Rate                  | —        | —        | —        |
| Wtd avg P/E ratio <sup>1</sup>     | 14.70x   | 19.30x   | 14.20x   |
| Wtd avg portfolio beta             | 0.95     | —        | 0.96     |
| Mega capitalization <sup>+</sup>   | 0.0%     | 44.7%    | 0.0%     |
| Large capitalization <sup>+</sup>  | 0.0%     | 41.8%    | 0.0%     |
| Medium capitalization <sup>+</sup> | 0.0%     | 10.7%    | 0.0%     |
| Small capitalization <sup>+</sup>  | 0.0%     | 2.3%     | 0.0%     |
| Micro capitalization <sup>+</sup>  | 0.0%     | 0.4%     | 0.0%     |

## Portfolio's Top Five Security Holdings

| Product Name       | Weight (%) |
|--------------------|------------|
| Wells Fargo        | 2.8        |
| Berkshire Hathaway | 2.7        |
| M&T Bank           | 2.3        |
| AbbVie             | 2.1        |
| Capital One        | 2.0        |

## Portfolio's Equity Sector Weightings <sup>+</sup>



| Sector Breakdown       | 09/24    |          | 03/24    |
|------------------------|----------|----------|----------|
|                        | JPMorgan | Index*** | JPMorgan |
| Energy                 | 8.10     | 6.74     | 8.80     |
| Materials              | 4.30     | 4.64     | 4.60     |
| Industrials            | 10.50    | 14.60    | 9.30     |
| Consumer Discretionary | 10.00    | 6.46     | 8.30     |
| Consumer Staples       | 4.40     | 7.67     | 6.00     |
| Health Care            | 15.20    | 15.23    | 13.50    |
| Financials             | 27.10    | 21.51    | 28.40    |
| Information Technology | 5.10     | 8.91     | 4.20     |
| Communication Services | 2.90     | 4.17     | 4.30     |
| Utilities              | 3.90     | 4.83     | 3.10     |
| Real Estate/REITs      | 8.50     | 5.24     | 9.40     |

## Portfolio's Allocation History (%) <sup>+</sup>

|  | 09/24 | 06/24 | 03/24 | 12/23 |
|--|-------|-------|-------|-------|
|--|-------|-------|-------|-------|

<sup>1</sup>The P/E used here is calculated by the harmonic mean.

<sup>+</sup>Total may not equal 100% due to rounding.

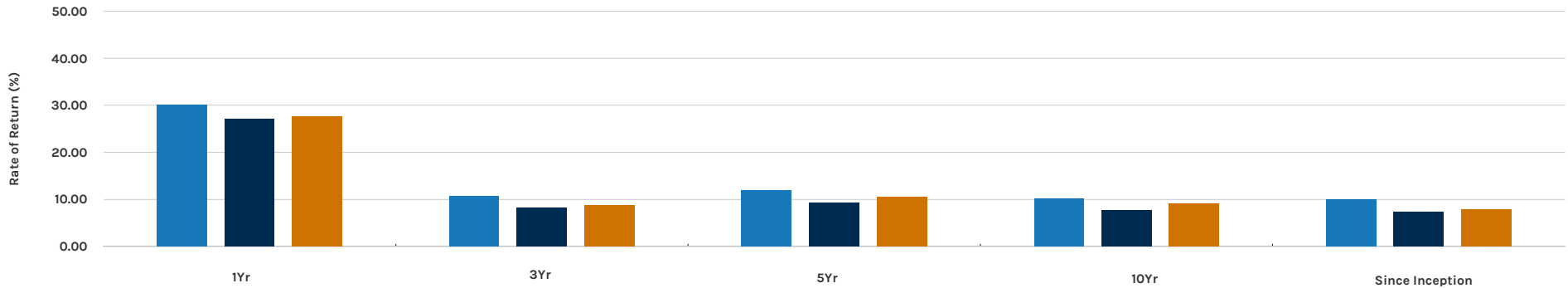
\*\*\*Index : Russell 3000 VI

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**Strategy Inception Date:** 02/2005 <sup>2</sup> **Morgan Stanley Composite Date:** 01/2019 <sup>2</sup>

## Average Annual Total Return (%) - Periods Ending 09/30/24



|                   | 1yr   | 3yr   | 5yr   | 10yr  | Inception |
|-------------------|-------|-------|-------|-------|-----------|
| JPMorgan (Gross)  | 30.06 | 10.74 | 11.89 | 10.22 | 9.94      |
| JPMorgan (Net)    | 27.04 | 8.22  | 9.35  | 7.71  | 7.40      |
| Primary Benchmark | 27.65 | 8.70  | 10.61 | 9.17  | 7.77      |

## Calendar-Year Performance (%) <sup>1</sup>

|                   | 2023  | 2022  | 2021  | 2020  | 2019  | 2018   | 2017  | 2016  | 2015  | 2014  |
|-------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| JPMorgan (Gross)  | 10.29 | -2.22 | 30.56 | -1.31 | 27.71 | -8.30  | 14.88 | 17.53 | -3.22 | 13.98 |
| JPMorgan (Net)    | 7.78  | -4.43 | 27.60 | -3.54 | 24.85 | -10.41 | 12.24 | 14.79 | -5.45 | 11.32 |
| Primary Benchmark | 11.65 | -7.98 | 25.37 | 2.88  | 26.26 | -8.58  | 13.19 | 18.40 | -4.13 | 12.68 |

## Portfolio's Quarterly Returns (%)

|                  | 2024  | 2023  | 2022   | 2021  | 2020   | 2019  | 2018   | 2017 | 2016 | 2015  | 2014  |
|------------------|-------|-------|--------|-------|--------|-------|--------|------|------|-------|-------|
| <b>Quarter 1</b> |       |       |        |       |        |       |        |      |      |       |       |
| Gross            | 9.99  | -1.70 | 2.73   | 14.48 | -30.27 | 12.54 | -2.50  | 3.08 | 0.83 | 1.74  | 3.79  |
| Net              | 9.36  | -2.24 | 2.14   | 13.81 | -30.69 | 11.93 | -3.05  | 2.48 | 0.21 | 1.13  | 3.17  |
| <b>Quarter 2</b> |       |       |        |       |        |       |        |      |      |       |       |
| Gross            | -2.95 | 3.39  | -10.06 | 6.59  | 14.70  | 4.09  | 1.80   | 1.68 | 2.68 | -0.47 | 4.14  |
| Net              | -3.54 | 2.79  | -10.61 | 6.00  | 14.09  | 3.50  | 1.21   | 1.09 | 2.08 | -1.05 | 3.53  |
| <b>Quarter 3</b> |       |       |        |       |        |       |        |      |      |       |       |
| Gross            | 9.93  | -2.09 | -4.62  | -0.29 | 3.50   | 1.36  | 5.01   | 3.18 | 4.02 | -7.34 | -0.60 |
| Net              | 9.32  | -2.64 | -5.14  | -0.88 | 2.91   | 0.78  | 4.42   | 2.59 | 3.43 | -7.88 | -1.20 |
| <b>Quarter 4</b> |       |       |        |       |        |       |        |      |      |       |       |
| Gross            |       | 10.83 | 10.95  | 7.31  | 19.24  | 7.56  | -12.01 | 6.22 | 9.13 | 3.14  | 6.09  |
| Net              |       | 10.17 | 10.36  | 6.71  | 18.54  | 6.94  | -12.56 | 5.61 | 8.49 | 2.57  | 5.48  |

Manager
  Transition
  Select UMA

1. Russell 3000 VI was used as the Primary Benchmark, the 90-Day T-Bills Index as the Risk-free Benchmark

2. For more information on these dates please see the Glossary of Terms section

See important notes and disclosures pages for a discussion of the sources of the performance data used to calculate the performance results and related analyses shown above.

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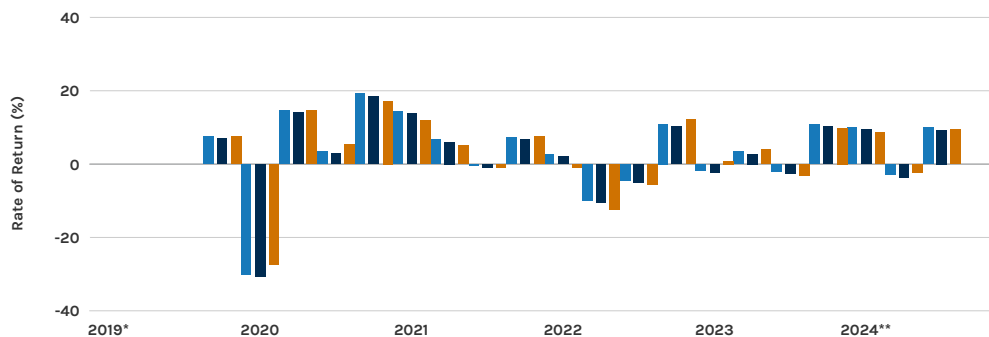
## Risk Considerations

Investing in securities entails risks, including: Equity portfolios are subject to the basic stock market risk that a particular security, or securities in general, may decrease in value. Equity securities' prices may fluctuate in response to specific situations for each company, industry, market conditions and general economic environment. Strategies that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than portfolios that diversify among a broad range of sectors. When investing in value securities, the market may not necessarily have the same value assessment as the manager, and, therefore, the performance of the securities may decline. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. Value investing does not guarantee a profit or eliminate risk. Companies paying dividends can reduce or cut payouts at any time. 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. If a strategy expects to hold a concentrated portfolio of a limited number of securities, it should be noted that a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than that of a less concentrated portfolio. To the extent that this manager employs ESG practices, ESG investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Please refer to the Disclosure section for additional ESG considerations. To the extent this manager invests in international securities, investors should consider that investing in foreign markets entails greater risks than those normally associated with domestic markets such as foreign 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 economics.

## Portfolio's Risk Statistics - Periods Ending 09/30/24 <sup>1,2</sup>

|   | 3 Year | 5 Year |
|---|--------|--------|
| Standard Deviation                      | 14.16% | 21.68% |
| Standard Deviation of Primary Benchmark | 14.97% | 20.52% |
| Sharpe Ratio                            | 0.50   | 0.44   |
| Sharpe Ratio of Primary Benchmark       | 0.34   | 0.40   |
| Alpha                                   | 2.23%  | 1.02%  |
| Beta                                    | 0.93   | 1.05   |
| Downside Risk                           | 1.84%  | 2.14%  |
| R-Squared                               | 0.95   | 0.98   |
| Tracking Error                          | 3.32%  | 3.42%  |
| Information Ratio                       | 0.61   | 0.38   |

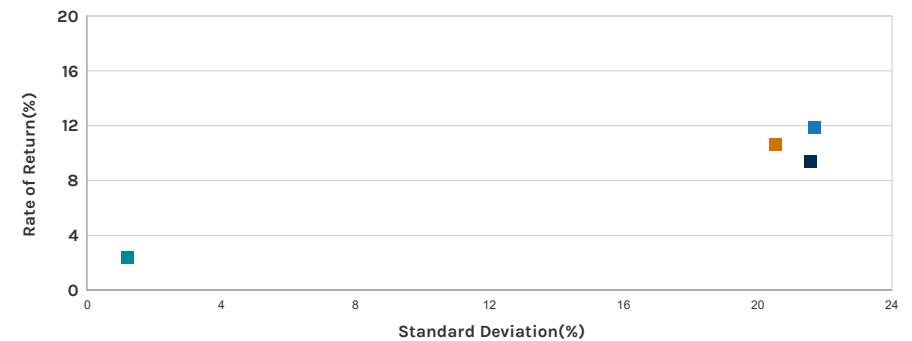
## Rate of Return (%) <sup>2</sup>



\*10/01/19-12/31/19      \*\*01/01/24-09/30/24

1. Statistics are calculated using gross of fee performance only.
2. Russell 3000 VI was used as the Primary Benchmark, the 90-Day T-Bills Index as the Risk-free Benchmark

## Risk/Return Analysis <sup>2</sup> - 5 Years Ending 09/30/24



|                     | STD   | ROR   |
|---------------------|-------|-------|
| JPMorgan (Gross)    | 21.68 | 11.89 |
| JPMorgan (Net)      | 21.57 | 9.35  |
| Primary Benchmark   | 20.52 | 10.61 |
| Risk-free Benchmark | 1.19  | 2.38  |

# Important Notes and Disclosures

## Composite Disclosures

The disclosures provided below apply to performance information in this profile, if any. Past performance is not a guarantee of future results. Actual individual account results may differ from the performance shown in this profile. There is no guarantee that this investment strategy will achieve its intended results under all market conditions. Do not rely upon this profile as the sole basis for your investment decisions.

Performance results in this profile are calculated assuming reinvestment of dividends and income. Returns for more than one calendar year are annualized and based on quarterly data. Returns for periods of less than a calendar year show the total return for the period and are not annualized. No representation is being made that any portfolio will or is likely to achieve profits or losses similar to those shown. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. All returns, even those for tax efficient strategies, are shown pre-tax.

**Sources of Performance Results and Other Data:** The performance data and certain other information for this strategy (including the data on page 1 of this profile) may include one or more of the following: (i) the performance results of a composite of Morgan Stanley accounts managed by the third party investment manager, (ii) the performance results for accounts and investment products managed by the third party investment manager, in the same or a substantially similar investment strategy outside of the applicable Morgan Stanley program, and/or (iii) in the case of Model Portfolio Strategies, the Model Portfolio Provider's results in managing accounts outside of the Morgan Stanley Select UMA program prior to Model Portfolio Strategy's inception in the Morgan Stanley Select UMA program. For periods through June 2012, the Fiduciary Services program operated through two channels - the Morgan Stanley channel and the Smith Barney channel and any performance and other data relating to Fiduciary Services accounts shown here for these periods is calculated using accounts in only one of these channels.) Please note that the Fiduciary Services program was closed on January 2, 2018. Although the Fiduciary Services and Select UMA programs are both Morgan Stanley managed account programs, the performance results and other features of similar investment strategies in the two programs may differ due to investment and operational differences. Performance in one program is not indicative of potential performance in the other. For example, the individual investment strategies in Select UMA program accounts may contain fewer securities, which would lead to a more concentrated portfolio. The automatic rebalancing, wash sale loss and tax harvesting features of the Select UMA program, which are not available in Fiduciary Services, also could cause differences in performance. In addition, any performance results included in this profile that are based on a third party investment manager's accounts that are not part of the Morgan Stanley program accounts or institutional accounts that are part of the Model Portfolio strategy may differ due to investment and operational differences as well. As such, performance results of the third party investment manager's composites and the third party Model Portfolio Strategies may differ from those of Select UMA accounts managed in the same or a substantially similar investment strategy. For example, in the case of Model Portfolio Strategies, Morgan Stanley, as the investment manager, may deviate from the Third Party Model Portfolios.

## Manager Performance:

The composite includes all discretionary separately managed accounts invested according to JPMIM's Value Advantage strategy. With this strategy, publicly traded companies, regardless of market capitalization, are eligible for purchase. Our investment process seeks to identify companies that possess the ability to generate significant cash flow which are led by management teams that can effectively allocate capital in order to increase intrinsic value per share.

We believe that those companies have the greatest potential to outperform the market over the long term. The performance presented prior to June 2008 is from the All Cap Value (formerly known as the Value Advantage) institutional composite, which may reflect investments that can not be replicated in the Value Advantage Managed Account. Examples of such investments include but are not limited to securities trading at a per share market value that would result in the purchase of a fractional share and derivatives.

The composite creation date is December 1, 2007. For periods prior to June 1, 2008, the Value Advantage Managed Account Composite calculations have been linked to the actual historical performance from the Firm's institutional All Cap Value Composite. Beginning June 1, 2008, only eligible separately managed account portfolios, which include a non-fee paying managed account, are included in the composite results.

For periods prior to June 1, 2008, both gross and net returns reflect the reinvestment of income, deduction of transaction costs, and are net of withholding taxes where applicable. Gross returns do not reflect the deduction of investment advisory fees or any other expenses that may be incurred in the management of the account. Model net returns reflect the deduction of an assumed maximum annual managed account fee of 3.00% from the gross return on a quarterly basis. Effective June 1, 2008, "pure" gross returns only reflect the reinvestment of income and deduction of withholding taxes where applicable and do not reflect the deduction of any other expenses, including transaction costs.

"Pure" gross returns are supplemental to net returns. Model net returns reflect the deduction of an assumed maximum annual managed account fee of 3.00% from the gross return on a quarterly basis. Actual advisory fees charged and actual account minimum size may vary by account due to various conditions described in Part IIA of Form ADV. All returns are expressed in U.S. dollars.

## Morgan Stanley Performance:

The composite consists of **1,429** account(s) with a market value of **\$148.5 million** as of **09/30/2024**.

In this profile, the performance from January 1, 2019 through July 31, 2023, consists of single strategy Select UMA accounts managed by the investment manager in this strategy, subject to any other limitations stated in this profile. Beginning August 1, 2023, performance composite returns consist of single strategy accounts and/or Investment Products managed by the investment manager in this strategy in multi-style Select UMA accounts, subject to any other limitations stated in this profile. All fee-paying portfolios, except those accounts with investment restrictions, accounts that participate in tax management services, or single style Select UMA accounts enrolled in dollar cost averaging, are included in Morgan Stanley's calculation of the performance composite. New accounts within select Managed Advisory Portfolio Solutions (MAPS) strategies are included in a composite, beginning with the second full calendar month of performance. New accounts in the remaining Select UMA strategies are included in a composite, beginning with the third full calendar month of performance. Terminated accounts are removed from a composite in the month in which they terminate (but prior performance of terminated accounts is retained). Performance is calculated on a total return basis and by asset weighting the individual portfolio returns using the beginning of period values.

**Gross Performance:** JPMorgan's gross results do not reflect a deduction of any investment advisory fees or program fees, charged by JPMorgan or Morgan Stanley, but are net of commissions charged on securities transactions

**Net Performance for all Periods:** Net performance results reflect a deduction from gross performance of two components: 0.50% maximum quarterly (2.0% maximum annual) MS Advisory Fee plus the quarterly SMA Manager Fee currently charged by this investment manager to clients for managing their assets in this strategy in the Select UMA program. The SMA Manager Fees range from 0% to 0.1875% per Quarter (0% to 0.75% per year) and may differ from manager to manager, and from investment returns details in this report. Historical net fees reflect the maximum Advisory Fee as of October 1, 2018. The Morgan Stanley program fee, which differs among programs and clients, is described in the applicable Morgan Stanley ADV brochure, which is available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV) or on request from your Financial Advisor. Morgan Stanley program fees are typically calculated and deducted on a monthly basis and have a compounding effect on performance.

## Focus List, Approved List, and Watch Status:

Global Investment Manager Analysis ("GIMA") uses two methods to evaluate investment products in applicable advisory programs. In general, strategies that have passed a more thorough evaluation may be placed on the "Focus List", while strategies that have passed through a different and less comprehensive evaluation process may be placed on the "Approved List". Sometimes an investment product may be evaluated using the Focus List process but then placed on the Approved List instead of the Focus List.

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

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

For more information on the Focus List, Approved List, and Watch processes, please see the applicable Morgan Stanley ADV brochure ([www.ms.com/adv](http://www.ms.com/adv)). Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "GIMA: At A Glance".

## Additional Disclosures

Actual account holdings, performance and other data will vary depending on the size of an account, cash flows within an account, and restrictions on an account. Holdings are subject to change daily. The information in this profile is not a recommendation to buy, hold or sell securities.

Actual portfolio statistics may vary from target portfolio characteristics.

If this strategy includes eligible mutual funds or exchange traded funds in addition to individual stocks or bonds, the portfolio characteristics within this profile reflect the funds' underlying holdings.

The Top Five Portfolio Holdings listed herein are provided for informational purposes only and should not be deemed to be a recommendation to purchase or sell the securities mentioned. Portfolio characteristics in this profile are based on an allocation weight in the strategy model. There are no guarantees that any of the securities mentioned will be held in a client's account. It should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable.

The Model Portfolio Provider or Investment Manager may use the same or substantially similar investment strategies, and may hold similar portfolios of investments, in other portfolios or products it manages (including mutual funds). These may be available at Morgan Stanley or elsewhere, and may cost an investor more or less than this strategy in Morgan Stanley's Select UMA program.

Generally, investment advisory accounts are subject to an annual asset-based fee (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor. In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable. 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).

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's Separately Managed Account ("SMA") programs may affect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instance, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain sub-managers have historically directed most, if not all, of their trades to outside firms. Information provided by sub-managers concerning trade execution away from Morgan Stanley is summarized at: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf). For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV), or contact your Financial Advisor/Private Wealth Advisor.

Morgan Stanley investment advisory programs may require a minimum asset level and, depending on your specific investment objectives and financial position, may not be suitable for you. Investment advisory program accounts are opened pursuant to a written client agreement.

Consulting Group's unified managed account program, Select UMA, allows Financial Advisors to combine separately managed accounts (SMAs), mutual funds and exchange-traded funds (ETFs) within a single investment advisory account for clients.

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**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.**

### Index Descriptions

### 90-Day T-Bills

The 90-Day Treasury Bill is a short-term obligation issued by the United States government. T-bills are purchased at a discount to the full face value, and the investor receives the full value when they mature. The difference of discount is the interest earned. T-bills are issued in denominations of \$10,000 auction and \$1,000 increments thereafter.

### Russell 3000 VI

The Russell 3000 Value Index is representative of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value Index or the Russell 2000 Value Index.

### S&P 500

The S&P 500 Total Return has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over \$5.58 trillion benchmarked, with index assets comprising approximately \$1.31 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. This index includes dividend reinvestment.

**Indices are unmanaged and have no expenses. You cannot invest directly in an index. Depending on your account holdings and investment objectives, indices included may not be an appropriate measure for comparison purposes and are presented for illustration only. The strategy shown does not necessarily seek to track the index, may not be restricted to securities in the index and may be more volatile than the index. The benchmark presented may differ from the benchmark assigned by the manager.**

### Glossary Of Terms

**Alpha** is a mathematical estimate of risk-adjusted return expected from a portfolio above and beyond the benchmark return at any point in time.

**American Depositary Receipts (ADRs)** are receipts for shares of a foreign-based corporation held in the vault of a U.S. bank.

**Average Portfolio Beta** is a measure of the sensitivity of a benchmark or portfolio's rates of return to changes against a market return. The market return is the S&P 500 Index. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Beta** is a measure of the sensitivity of a portfolio's rates of return to changes in the market return. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Bond Discount** is the amount by which the market price of a bond is lower than its principal amount due at maturity.

**Bottom-Up Stock Selection** Emphasis primarily on individual stock selection. Considerations of economic and industry factors are of secondary importance in the investment decision-making process.



**Call Protection** is a feature of some bonds that prohibits the issuer from buying it back for a specified period of time. The period during which the bond is protected is known as the deferment period. Bonds with call protection are sometimes referred to as deferred callable bonds.

**Capitalization** is defined as the following: Mega (Above \$100 billion), Large (\$12 to \$100 billion), Medium (\$2.5 - \$12 billion), Small (\$.50 - \$2.5 billion) and Micro (below \$.50 billion).

**Coupon-Interest Payment** is received by a bondholder from the date of issuance until the date of maturity of a bond.

**Distribution Rate** is defined as 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 returns of capital.

**Dividend** a portion of a company's profit paid to common and preferred shareholders.

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

**Downside Risk** is a measure of the risk associated with achieving a specific target return. This statistic separates portfolio volatility into downside risk and upside uncertainty. The downside considers all returns below the target return, while the upside considers all returns equal to or above the target return.

**Duration** is a measure of price sensitivity expressed in years.

**Exchange-Traded Funds (ETFs)** are a form of a security seeking to maintain continued full exposure to broad markets or segments of markets.

**High Grade Corporate Bonds** corporate bonds from issuers with credit ratings of AA or AAA.

**Information Ratio** is a measure of the investment manager's skill to add active value against a given benchmark relative to how stable that active return has been. Essentially, the information ratio explains how significant a manager's alpha is. Therefore, the higher the information ratio, the more significant the alpha.

**Investment Grade Bonds** are those rated by Standard & Poor's AAA (highest rated), AA, A or BBB (or equivalent rating by other rating agencies or, in the case of securities not rated, by the investment manager).

**Morgan Stanley Composite Start Date** is the date when Morgan Stanley began to calculate the composite performance of the strategy using qualifying advisory accounts.

**Preferred/Hybrid Securities** are stocks that evidence ownership in a corporation and pay a fixed or variable stream of dividends. Preferred stocks have a preference over common stocks in the event of the liquidation of an issuer and usually do not carry voting rights. Preferred stocks have many of the characteristics of both equity securities and fixed-income securities.

**Premium Bond** is a bond trading higher than the face value of the bond.

**Program Inception Date** is the date that the strategy was launched in the Select UMA program.

**Price/Book Ratio (P/B)** weighted average of the stocks' price divided by book value per share. Book value per share is defined as common equity, including intangibles, divided by shares outstanding times the adjustment factor.

**Price/Cash Flow Ratio** a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market cap by the company's operating cash flow in the most recent fiscal year (or the most recent four fiscal quarters); or, equivalently, divide the per-share stock price by the per-share operating cash flow.

**Price/Earnings Ratio (P/E Ratio)** shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months by the number of common shares outstanding. The P/E ratio shown here is calculated by the harmonic mean.

**Price/Sales Ratio** determined by dividing current stock price by revenue per share (adjusted for stock splits). Revenue per share for the P/S ratio is determined by dividing revenue for past 12 months by number of shares outstanding.

**R2 (R-Squared)/Portfolio Diversification** indicates the proportion of a security's total variance that is benchmark-related or is explained by variations in the benchmark.

**Sharpe Ratio** measures the efficiency, or excess return per unit of volatility, of a manager's returns. It evaluates managers' performance on a volatility-adjusted basis.

**Standard Deviation** is a statistical measure of historical variability or spread of returns around a mathematical average return that was produced by the investment manager over a given measurement period. The higher the standard deviation, the greater the variability in the investment manager's returns relative to its average return.

**Strategy Inception Date** is the date that the Manager started to calculate the performance of the strategy.

**Top-Down/Economic Analysis** Emphasis primarily on macroeconomic trends as opposed to bottom-up stock selection.

**Tracking Error** represents the standard deviation of the difference between the performance of the investment strategy and the benchmark. This provides a historical measure of the variability of the investment strategy's returns relative to its benchmark.

**U.S. Treasury Bonds** a marketable, fixed interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level.

**Volatility** a measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk.

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