

## Small Capitalization Value Equity Investments (TSVUX)

### Portfolio's Investment Objective

Small Capitalization Value Equity Investments (the "Portfolio") seeks to achieve above average capital appreciation by investing at least 80% of its net assets in the equity securities of small capitalization companies or in other investments with similar economic characteristics.

### Sub-Advisor Target Allocation

35% Delaware Management Company ("Delaware")

30% Rutabaga Capital Management LLC ("Rutabaga")

35% NFJ Investment Group L.P. ("NFJ")

*The allocations shown are target allocations and may not reflect the Portfolio's current allocations.*

### Firm Profile and Advisor's Investment Process

#### Delaware Management Company

Location: Philadelphia, PA

Year Registered: 1929

- **Pricing Securities**—Delaware believes that markets incorrectly price securities. Their mission is to exploit this inefficiency on a consistent basis through active, research-based management. They identify companies with market capitalization typically less than \$2.0 billion (at the time of original purchase), whose values they believe are not currently recognized in the market.
- **Focus on Value**—Delaware considers the financial strength of a company, its management, the prospects for its industry and any anticipated changes within the company that might suggest a more favourable outlook going forward. Delaware's focus is on value stocks whose prices are historically low on a given financial measure such as profits, book value or cash flow.

#### NFJ Investment Group L.P.

Location: Dallas, TX

Year Registered: 1989

- **Portfolio Composition**—NFJ maintains a portfolio of close to 100 positions ranging between \$200 million and \$1.5 billion in market capitalization at time of purchase. Holdings generally have price-to-earnings valuations less than the overall equity market and less than their respective peer group. All positions must pay a dividend at time of purchase. The Portfolio is broadly diversified by economic sector and industry groups. Holdings are periodically rebalanced to equally weighted position sizes.
- **Quantitative Models**—Other fundamental valuation measures are also used where appropriate in the issue selection process. NFJ employs selective quantitative models that complement the emphasis on value style and aid in investment timing. These models provide information on analyst estimate revisions, changes in financial condition of the company, price momentum and other valuation characteristics.
- **Security Universe**—The selection universe usually consists of approximately 400 companies that meet capitalization, valuation, dividend and trading liquidity parameters. Positions become sell candidates when their individual characteristics are no longer consistent with these parameters. On average, two to three new positions are added to the existing portfolio holdings each month.

*(continued on next page)*

## Small Capitalization Value Equity Investments (TSVUX)

## Firm Profile and Advisor's Investment Process (continued)

Rutabaga Capital Management LLC

Location: Boston, MA

Year Registered: 1999

- **Fundamental Analysis**—As its name implies, Rutabaga is known for unearthing uncommon or unfavored companies. The sub-advisor's analysts employ extensive bottom-up fundamental research to identify high-quality companies with catalysts to increase margins and intrinsic value but that are neglected or misperceived by the market.
- **Identification of Catalysts**—All portfolio candidates are subjected to careful group consideration, with the final decisions made by Rutabaga's Investment Committee. This process focuses on clearly identifying catalysts that will help generate earnings growth and thereby help drive future stock performance. Rutabaga also attempts to mitigate downside risk by buying stocks in companies with leading market positions but with low valuations and low investor expectations.

\*Closed

## Investment Risks

Your investment in the Portfolio is subject to risks associated with investing in equity securities generally, including the fact that value stocks or small-capitalization stocks may fall out of favor with investors. Recession or adverse economic trends may also have a greater adverse effect on the earnings or financial condition of smaller companies than on larger ones. In addition, investments in small capitalization companies may involve a greater degree of risk and volatility than investments in larger, more established companies.

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*Investors should consider the Portfolio's investment objectives, risk, charges and expenses carefully before investing. The prospectus contains this and other information about the Portfolio. To obtain a free prospectus, please call your Financial Advisor. Please read the prospectus carefully before investing.*

Each of the Portfolios is available only to investors participating in an advisory program. These programs charge an annual fee, which in the case of TRAK may be up to 2.0%.

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