

## Flippin, Bruce &amp; Porter, Inc.

800 Main Street - 2nd Floor P.O. Box 6138  
Lynchburg, Virginia 24504

## PRODUCT OVERVIEW

Flippin, Bruce & Porter, Inc.'s (FBP) large cap value equity investment strategy employs a contrarian approach to value investing, seeking stocks that are selling at attractive relative valuation levels and that are generally out-of-favor with the investing community. The overall investment process includes an historical valuation of five financial characteristics over a ten-year time period. Company fundamentals are then researched and investor sentiment in the marketplace is analyzed. FBP sets future price targets and candidates meeting the firm's 3 to 1 reward vs. risk test are then considered for portfolio inclusion. The decisions on stock purchases and weighting are team driven. New accounts may underweight or refrain from investing in a few existing positions which FBP determines to be approaching full value and therefore may be possible sale candidates. As a result, cash levels in new accounts may be higher than normal during the initial investing period. FBP's process may, at times, result in portfolios that will be over/underweighted in particular sectors/industries versus the S&P 500 Index.

**The portfolio characteristics, portfolio statistics, portfolio weightings, allocation history and top five holdings are based on a representative account managed by the investment manager in the same or a substantially similar investment discipline and/or on information that the manager has provided to Morgan Stanley Smith Barney. The performance data and related analyses are based on the performance of the investment manager's composite described on page 3.**

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	40 to 50
Average dividend yield:	Above the S&P 500 Index
P/E ratio:	Similar to/Below the S&P 500 Index
Cash level over market cycle:	3 to 8%
Risk (standard deviation):	Above the S&P 500 Index
Average turnover rate:	15 to 25%
Use ADRs:	0 to 7%
Capitalization:	Mega, Large and Medium companies

## RISK CONSIDERATIONS

Investing in securities entails risks, including: 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.

## MANAGER'S INVESTMENT PROCESS

- Large cap universe of approximately 1,000 companies is screened on five historical valuation factors
- Stocks trading in bottom 1/3 of their 10-years historical ranges are identified
- Detailed fundamental analysis is performed to identify catalysts for reversal
- Investor sentiment is analyzed for insight regarding security pessimism and optimism
- Determine downside, fair and full value price targets
- Each security is voted upon with the resulting purchase and weighting decision made by the investment team
- Holdings are candidates for complete or partial sale when stocks approach full value, fundamental outlook no longer justifies valuation and/or Wall Street expectations become extremely positive

## MANAGER'S INVESTMENT STRATEGY

- Top-down / portfolio structures based on economic trends  
 Bottom-up / portfolio structure based on individual securities

## % PROCESS BASED ON

- 0 Asset allocation - cash vs. stock  
25 Industry or sector weighting  
75 Stock Selection

PORTFOLIO'S ALLOCATION HISTORY (%)<sup>\*</sup>

	03/12	12/11	09/11	06/11
U.S. Stocks	95	85	91	92
ADRs	0	6	0	0
Cash/Cash Equivalents	5	9	9	8

<sup>\*</sup>As of 12/31/2011. Information as of 03/31/2012 is not yet available.

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

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

*Past performance is no guarantee of future results. This profile is not complete without pages 3 and 4, which contain important notes, including disclosures about the composite, index descriptions and a glossary of terms. Information shown is as of March 31, 2012, unless otherwise noted. All data are subject to change.*

Style: Large Cap Value  
Firm Assets Under Management: \$657.0 million<sup>†</sup>  
Firm Strategy Assets Under Management: \$369.0 million<sup>†</sup>  
Year Founded: 1985  
Professional Staff: 12<sup>‡</sup>  
Firm Ownership: Employee-Owned  
CG IAR Status: Not Approved

## PORTFOLIO STATISTICS

	-----03/12-----		09/11
	FBP	R1000 Val	S&P 500 Index
Number of stock holdings	42	654	500
Weighted average dividend yield	2.4%	2.5%	2.0%
Weighted average P/E ratio <sup>†</sup>	11.61x	13.44x	14.79x
Weighted average portfolio beta	1.19	1.07	1.01
Mega capitalization <sup>‡</sup>	29.4%	31.8%	35.9%
Large capitalization <sup>‡</sup>	41.8%	46.3%	51.4%
Medium capitalization <sup>‡</sup>	27.0%	19.5%	12.6%
Small capitalization <sup>‡</sup>	1.7%	2.4%	0.2%
Micro capitalization <sup>‡</sup>	0.0%	0.0%	0.0%

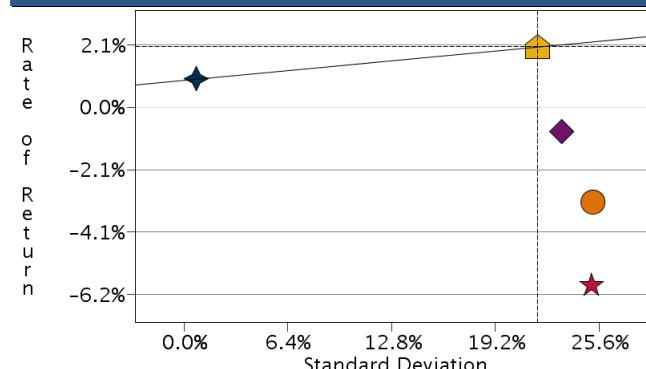
PORTFOLIO'S EQUITY SECTOR WEIGHTINGS <sup>\*</sup>

Sector	-----03/12-----		09/11
	FBP	R1000 Val	S&P 500 Index
Energy	10.15	11.63	11.24
Materials	4.98	2.64	3.46
Industrials	17.08	9.25	10.55
Consumer Discretionary	9.13	9.28	10.94
Consumer Staples	12.20	7.69	10.76
Health Care	4.43	12.31	11.43
Financials	23.05	26.77	14.94
Information Technology	18.97	9.10	20.53
Telecomm Services	0.00	4.43	2.77
Utilities	0.00	6.90	3.37
Miscellaneous	0.00	0.00	0.00
Cash/Cash Equivalents	0.00	0.00	0.00

## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS %

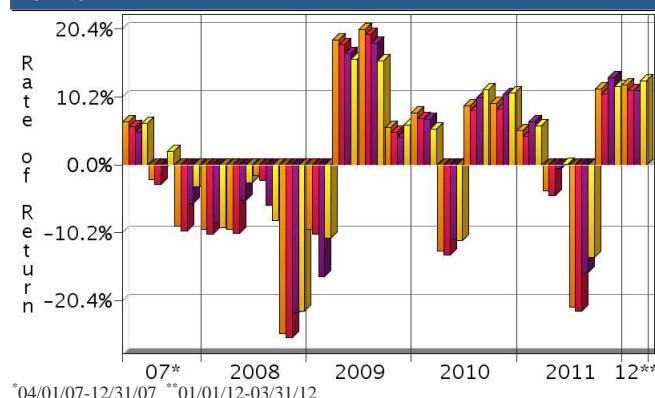
JPMorgan Chase & Co.	4.8
Cisco Systems Inc.	4.1
Devon Energy Corp.	3.8
Bank of America Corp.	3.6
MetLife Inc.	3.5

## RISK/RETURN ANALYSIS – 5 YEARS ENDING 03/31/12



	STD	ROR
FBP (Gross)	25.23	-3.13
FBP (Net)	25.13	-5.91
Russell 1000 Value Index	23.31	-0.81
S&P 500 Index	21.83	2.01
90-Day T-Bills	0.75	0.94

## RISK VOLATILITY

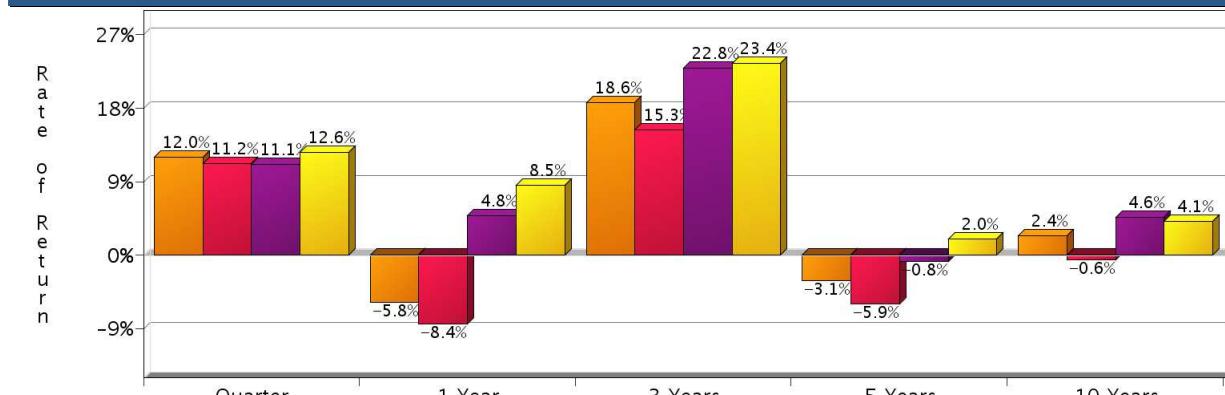


\*04/01/07-12/31/07

\*\*01/01/12-03/31/12

	Number Of	Up Qtrs.	Down Qtrs.
FBP (Gross)	10	10	
FBP (Net)	10	10	
Russell 1000 Value Index	10	10	
S&P 500 Index	12	8	

## AVERAGE ANNUAL TOTAL RETURN (%) – PERIODS ENDING 03/31/12



INVESTMENT RESULTS	Annual Rates of Return (%)								10 Year - Ending 03/31/12	Std. Dev.
	2002	2003	2004	2005	2006	2007	2008	2009		
FBP (Gross)	-20.09	33.58	10.99	6.21	19.73	-6.53	-40.12	36.43	11.57	-11.57
FBP (Net)	-22.54	29.86	7.77	3.13	16.35	-9.23	-41.92	32.59	8.40	-14.06
Russell 1000 Value Index	-15.52	30.03	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39
S&P 500 Index	-22.10	28.68	10.88	4.91	15.80	5.49	-37.00	26.46	15.06	2.11

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		3 Year	5 Year
	Gross	Net	Gross	Net	Gross	Net	Gross	Net		
2002	0.75	0.02	-12.00	-12.73	-17.71	-18.44	9.53	8.80		
2003	-5.36	-6.06	20.25	19.45	5.12	4.38	11.66	10.88		
2004	4.37	3.63	1.73	0.98	-3.91	-4.64	8.80	8.00		
2005	-1.18	-1.91	2.68	1.92	1.89	1.16	2.73	1.98		
2006	4.54	3.80	-0.35	-1.06	7.75	6.98	6.65	5.90		
2007	-1.07	-1.79	6.48	5.73	-2.25	-3.00	-9.22	-9.88		
2008	-9.72	-10.39	-9.72	-10.35	-1.61	-2.30	-25.33	-26.01		
2009	-9.67	-10.41	18.80	18.05	20.37	19.57	5.62	4.85		
2010	7.79	6.99	-12.91	-13.54	8.85	8.10	9.19	8.40		
2011	5.09	4.34	-3.92	-4.61	-21.41	-22.01	11.43	10.71		
2012	11.99	11.22								

PORTFOLIO DIVERSIFICATION - R<sup>2</sup> (10 YEARS ENDING 03/12)<sup>†</sup>

	R <sup>2</sup>
FBP vs. S&P 500 Index	0.93
FBP vs. Russell 1000 Value Index	0.94

†Statistics are calculated using gross of fee performance only.

PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 03/31/12<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	24.53%	25.23%
Standard Deviation of Primary Benchmark	20.99%	23.31%
Sharpe Ratio	0.75	-0.16
Sharpe Ratio of Primary Benchmark	1.08	-0.08
Alpha	-6.37%	-1.91%
Beta	1.16	1.05
Downside Risk	4.27%	4.50%
R-Squared	0.98	0.94
Tracking Error	4.54%	6.11%
Information Ratio	-0.93	-0.38

1. Statistics are calculated using gross of fee performance only.

2. Russell 1000 Value Index was used as the primary benchmark and the 90-Day U.S. T-Bill Index as the risk-free benchmark.

See page 3 for a discussion of the sources of the performance data used to calculate the performance results and related analyses on page 2.

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## IMPORTANT NOTES AND DISCLOSURES

### COMPOSITE DISCLOSURES

**Past performance is no 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 work under all market conditions. Do not use 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 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.

**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) reflect the investment manager's results in managing Morgan Stanley Smith Barney Fiduciary Services program accounts in the Morgan Stanley channel or the Smith Barney channel, or the investment manager's results in managing accounts and investment products, in the same or a substantially similar investment discipline. This information for the investment manager is presented solely to provide information about accounts that were managed according to investment objectives and strategies the same or substantially similar to the corresponding investment discipline in the Select UMA program. Although the Fiduciary Services and Select UMA programs are both Morgan Stanley managed account programs, the performance results and other features of similar investment disciplines in the two programs may differ due to investment and operational differences. For example, the individual investment disciplines in the Select UMA 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. Accordingly, the performance of the accounts in the Fiduciary Services program is not, and may differ significantly from, the performance of the accounts in the Select UMA program and should not be considered indicative of or a substitute for Select UMA performance. Similarly, performance results of the investment manager's composites may differ from those of Select UMA accounts managed in the same or a substantially similar investment discipline.

#### Related Performance:

Flippin, Bruce & Porter, Inc.'s (FBP) large cap value equity performance prior to 1/1/2001 represents a composite of all actual fee-paying discretionary, tax-exempt large cap value equity accounts regardless of account size. The number of holdings in these accounts ranged from 45 to 55.

#### Select UMA Performance:

In this profile, the performance from 1/1/2001 consists of accounts in either the Morgan Stanley or the Smith Barney form of the Fiduciary Services program. Performance composites calculated by Morgan Stanley Smith Barney include all fee-paying portfolios with no investment restrictions. New accounts are included upon the first full quarter of performance. Terminated accounts are removed in the quarter in which they terminate. Performance is calculated on a total return basis and by asset weighting the individual portfolio returns using the beginning of period values.

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

**Net Performance for all Periods:** Net performance results reflect a deduction of .73% quarterly. This consists of three components: 0.625% maximum quarterly MSSB Advisory Fee and 0.03% maximum quarterly Program Overlay Fee (which, together cover the services provided by Morgan Stanley Smith Barney), plus .075% quarterly SMA Manager Fees (being the fee currently charged by FBP to new clients for managing their assets in the Select UMA program). The SMA Manager Fees may differ from manager to manager, and managers may change their fee to new clients from time to time. If you select this manager for your account, check the SMA Manager Fees specified in the written client agreement, in case these have changed since you received this profile.

Morgan Stanley Smith Barney program fees are usually deducted quarterly, and have a compounding effect on performance. The Morgan Stanley Smith Barney program fee, which differs among programs and clients, is described in the applicable Morgan Stanley Smith Barney ADV brochure, which is available at [www.smithbarney.com/ADV](http://www.smithbarney.com/ADV) or on request from your Financial Advisor or Private Wealth Advisor.

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

Consulting Group Investment Advisor Research ("CG IAR") 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. CG IAR 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).

CG IAR has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if CG IAR identifies specific areas that (a) merit further evaluation by CG IAR 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 CG IAR to conduct its evaluation and for the investment manager to address any concerns. CG IAR 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 Smith Barney ADV brochure. Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "Manager Research and Selection: A Disciplined Process".

### ADDITIONAL DISCLOSURES

The information about a representative account is for illustrative purposes only. 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.

The 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 Smith Barney or elsewhere, and may cost an investor more or less than this strategy in Morgan Stanley Smith Barney's Select UMA program.

The portfolio may, at times, invest in exchange-traded funds (ETFs), which are a form of equity security in seeking to maintain continued full exposure to the broad equity market.

Morgan Stanley Smith Barney 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.

The investment manager acts independently of, and is not an affiliate of, Morgan Stanley Smith Barney.

Morgan Stanley Smith Barney LLC Member SIPC.

### 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 1000 Value Index**

The Russell 1000 Value Index is representative of the U.S. market for large capitalization stocks containing those companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth.

**S&P 500 Index**

The S&P 500 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 US\$ 5.58 trillion benchmarked, with index assets comprising approximately US\$ 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.**

**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 Depository 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.

**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).

**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.

**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).

**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.

**R<sup>2</sup> (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.

**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.