

Flippin, Bruce & Porter, Inc.

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PRODUCT OVERVIEW

Flippin, Bruce & Porter, Inc.'s (FBP) balanced value investment strategy seeks to invest in a mix of stocks, bonds and money market instruments. FBP's investment approach is value in nature, seeking stocks that are selling at attractive relative valuation levels and that are generally out of favor with the investing community. The equity investment process includes an historical valuation of five financial characteristics over a ten-year 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. For the fixed income portion of the portfolio, FBP structures a mix of securities providing the portfolio with a "barbell of quality" effect. By coupling U.S. government issues with "investment grade" corporate issues, FBP seeks to produce a shorter average maturity with an above average yield. U.S. government issues will comprise at minimum 50% of the fixed income portion. In a balanced portfolio generally, equities comprise 40-70%, fixed income 20-50% and cash is a by-product of our security selection. Asset mix changes tend to be gradual shifts over time based on valuation, security selection, and business cycle consideration. New accounts are typically 70-85% invested within a few days of the account's opening, depending on market conditions. The remaining 15-30% of the assets is invested in a two month period. FBP's investment process may, at times, result in portfolios that will be over/underweighted in particular sectors/industries versus the S&P 500 Index.

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. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. There is no assurance that the private guarantors or insurers will meet their obligations.

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 1022
Average turnover rate:	15 to 25%
Number of bond holdings:	10 to 15
Average maturity:	1.0 to 10.0 years
Average credit quality:	AAA to BBB
Use ADRs:	0 to 7%
Capitalization:	Mega, Large and Medium companies

MANAGER'S INVESTMENT STRATEGY

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

MANAGER'S INVESTMENT PROCESS

- Large cap universe of approximately 1,000 companies is screened on five historical valuation factors
- 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
- Based on interest rate forecast and the slope of the treasury yield curve, the maturity range is targeted with a maximum of 10 years and an average range of two to five years. Bond portfolios will have an average quality of "A" or better

Style: Large Cap Value Balanced
 Firm Assets Under Management: \$657.0 million[^]
 Firm Strategy Assets Under Management: \$284.0 million[^]
 Year Founded: 1985
 Professional Staff: 12[^]
 Firm Ownership: Employee-Owned
 CG IAR Status: Not Approved

PORTFOLIO STATISTICS**

	FBP	03/12 S&P 500 Index	09/11 FBP
Number of stock holdings	57	500	42
Weighted average dividend yield	1.2%	2.0%	2.7%
Weighted average P/E ratio ²	18.10x	14.79x	9.20x
Weighted average portfolio beta	0.53	1.01	—
Mega capitalization ⁺	0.9%	35.9%	4.2%
Large capitalization ⁺	11.8%	51.4%	13.0%
Medium capitalization ⁺	18.2%	12.6%	29.0%
Small capitalization ⁺	0.5%	0.2%	4.4%
Micro capitalization ⁺	68.6%	0.0%	0.3%
Number of bond holdings	10	500	5
Average maturity	1.7 yrs.	—	—
Average credit quality	BBB	—	—

PORTFOLIO'S EQUITY SECTOR WEIGHTINGS * **

Sector	FBP	03/12 S&P 500 Index	09/11 FBP
Energy	0.82	11.24	9.00
Materials	3.34	3.46	5.10
Industrials	6.40	10.55	16.10
Consumer Discretionary	6.10	10.94	13.20
Consumer Staples	1.64	10.76	12.60
Health Care	2.01	11.43	5.20
Financials	5.14	14.94	19.00
Information Technology	4.23	20.53	19.80
Telecomm Services	0.51	2.77	0.00
Utilities	1.00	3.37	0.00

FIXED INCOME SECTOR DISTRIBUTION(%) ⁺

	03/12	12/11	09/11	06/11
Financials ¹	0.00	40.30	33.00	0.00
Industrials ¹	0.00	59.70	67.00	0.00

[^]As of 12/31/2011. Information as of 03/31/2012 is not yet available.

¹High Grade Corporates

²The P/E used here is calculated by the harmonic mean.

³Total may not equal 100% due to rounding.

⁴Based on investment manager's representative account as calculated by FactSet.

⁵Based on a representative actual Morgan Stanley Smith Barney SM portfolio as calculated by FactSet.

% PROCESS BASED ON

10 Asset allocation
 25 Industry or sector weighting
 30 Stock Selection
 15 Duration Management
 0 Yield Curve Management
 10 Sector Selection
 10 Bond Selection

PORTFOLIO'S ALLOCATION HISTORY (%)¹ *

	03/12	12/11	09/11	06/11
U.S. Stocks	0	56	56	61
High Grade Corporates:	0	11	0	10
Financials				
High Grade Corporates:	0	22	0	21
Industrials				
Bonds	0	0	34	0
Cash/Cash Equivalents	0	10	10	8

PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
Western Asset Emerging Market Debt Portfolio	10.1
Principal Fds, Inc. Preferred Securities Fd Cl A	9.8
PIMCO Real Return Fund P Class	9.7
Highbridge Statistical Market Neutral Select Managers	7.3
AMG FQ Global Alternatives Fund Class A	7.2

¹As of 12/31/2011. Information as of 03/31/2012 is not yet available.

²High Grade Corporates

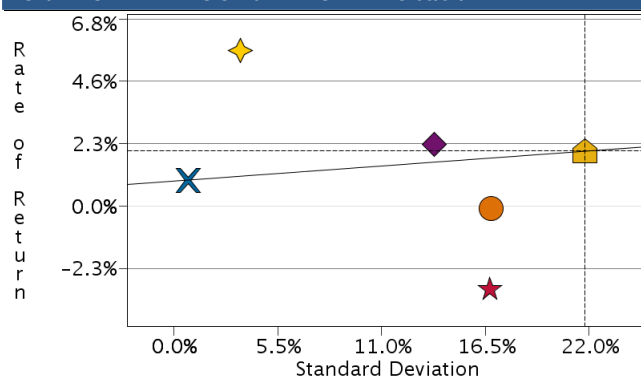
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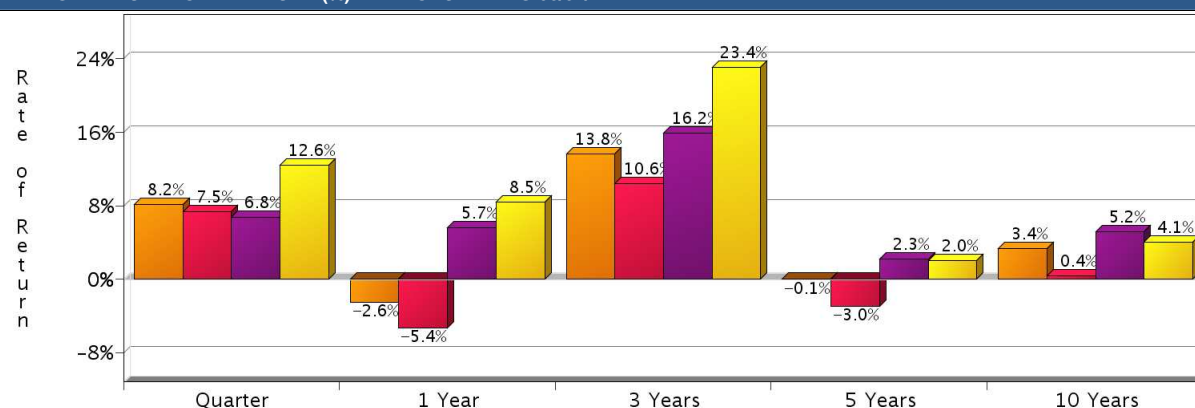
⁶Based on a representative actual Morgan Stanley Smith Barney SM portfolio as calculated by FactSet.

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



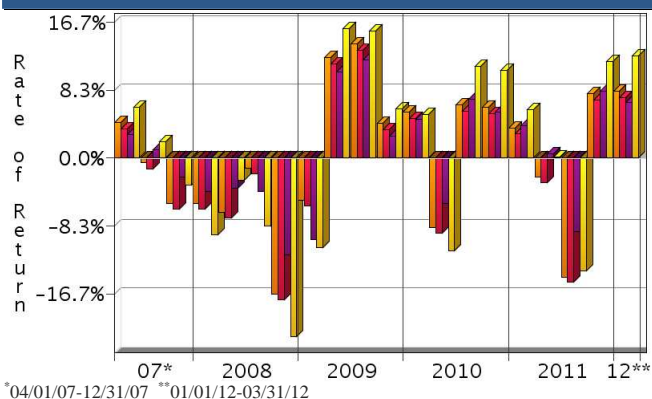
	STD	ROR
FBP (Gross)	16.84	-0.10
FBP (Net)	16.77	-3.03
60% R1000V/40% BCGCI Index	13.83	2.25
60% Russell 1000G/30% BC Int Gov't/10% Tbills Index	8.72	N/A
BC Int Gov't/Credit Bond Index	3.53	5.67
S&P 500 Index	21.83	2.01
90-Day T-Bills	0.75	0.94

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



INVESTMENT RESULTS	Annual Rates of Return (%)								10 Year - Ending 03/31/12		
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Annualized Std. Dev.
FBP (Gross)	-9.79	22.47	7.86	4.74	14.29	-2.18	-27.43	26.66	9.33	-6.65	3.42 13.86
FBP (Net)	-12.54	18.92	4.64	1.63	10.95	-5.07	-29.64	22.99	6.13	-9.36	0.36 13.81
60% R1000V/40% BCGCI Index	-5.54	19.35	10.99	4.91	14.70	2.95	-21.97	14.53	12.10	2.87	5.24 11.64
BC Int Gov't/Credit Bond Index	9.84	4.31	3.04	1.58	4.08	7.39	5.07	5.24	5.89	5.80	5.29 3.47
S&P 500 Index	-22.10	28.68	10.88	4.91	15.80	5.49	-37.00	26.46	15.06	2.11	4.12 18.59

RISK VOLATILITY



	Number Of	Up Qtrs.	Down Qtrs.
FBP (Gross)	10	10	10
FBP (Net)	10	10	10
60% R1000V/40% BCGCI Index	12	8	8
S&P 500 Index	12	8	8

PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2002	1.27	0.52	-6.77	-7.52	-9.98	-10.73	6.14	5.39
2003	-3.15	-3.89	13.35	12.55	3.55	2.78	7.74	6.96
2004	3.42	2.67	0.69	-0.08	-2.04	-2.79	5.74	4.94
2005	-0.93	-1.68	2.32	1.54	1.29	0.54	2.01	1.24
2006	3.11	2.35	0.00	-0.74	5.81	5.02	4.75	3.99
2007	-0.19	-0.93	4.38	3.62	-0.59	-1.35	-5.55	-6.26
2008	-5.53	-6.24	-6.62	-7.30	-1.25	-1.97	-16.70	-17.42
2009	-5.15	-5.90	12.31	11.55	14.07	13.27	4.24	3.45
2010	5.67	4.87	-8.56	-9.24	6.50	5.74	6.24	5.46
2011	3.72	2.96	-2.32	-3.04	-14.60	-15.26	7.90	7.15
2012	8.24	7.46						

Fiduciary Services

PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 03/31/12^{1,2}

	3 Year	5 Year
Standard Deviation	16.62%	16.84%
Standard Deviation of Primary Benchmark	12.42%	13.83%
Sharpe Ratio	0.83	-0.06
Sharpe Ratio of Primary Benchmark	1.29	0.09
Alpha	-6.52%	-2.21%
Beta	1.33	1.16
Downside Risk	4.20%	4.48%
R-Squared	0.98	0.92
Tracking Error	4.64%	5.39%
Information Ratio	-0.51	-0.44

PORTFOLIO DIVERSIFICATION - R² (10 YEARS ENDING 03/12)*

	R ²
FBP vs. 60% R1000V/40% BCGCI Index	0.92

*Statistics are calculated using gross of fee performance only.

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

2. 60% R1000V/40% BCGCI 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.

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.

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.

Related Performance (Manager's Composite):

For periods before the date on which Morgan Stanley Smith Barney begins to calculate an applicable performance composite for actual Morgan Stanley Smith Barney Fiduciary Services program accounts, the performance composite and certain other information for this strategy (including the data on page 1 of this profile) are based on the investment manager's own composite and data. This composite includes accounts managed by the investment manager according to the same or a substantially similar investment strategy. To provide maximum information to you, the investment manager's own composite is linked to the Morgan Stanley Smith Barney Fiduciary Services composite to create a simulated continuous track record of performance information for the investment strategy. The investment manager's composite may include separately managed accounts, institutional accounts and/or mutual funds. Performance and other data for the investment managers composite may vary from that of Morgan Stanley Smith Barney accounts due to differences such as the availability and weighting of securities, trading implementation or client objectives. Morgan Stanley Smith Barney does not verify composite and other data provided by the investment manager and therefore does not guarantee its accuracy. Some of the accounts in the investment managers composite may have invested in the initial public offering ("IPO") market, whereas accounts held in Morgan Stanley Smith Barney programs do not do so. Since investment managers may use different methods of selecting accounts to be included in their composites and for calculating performance, returns of different investment managers may not be comparable.

Related Performance:

Flippin, Bruce & Porter, Inc.'s (FBP) balanced value performance prior to 1/1/2002 represents a composite of all fully discretionary fee-paying institutional tax-exempt balanced value accounts including those that are terminated.

Fiduciary Services Performance:

In this profile, the performance from 1/1/2002 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.

Balanced Account (Gross): FBP's gross results do not reflect a deduction of the investment advisory fees charged by FBP, or program fees, if any, but are net of commissions charged on securities transactions.

Net Performance for all Periods: To demonstrate the effect of Morgan Stanley Smith Barney's fees that would have applied if you had invested in the investment manager strategy's through the Fiduciary Services program, the net results for all periods are calculated by deducting a quarterly fee of 0.75% (equivalent to an annual fee of 3%).

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 or on request from your Financial Advisor or Private Wealth Advisor.

For periods for which sufficient data is available, the profile shows a composite of client accounts managed by the investment manager in either the Fiduciary Services program in the Morgan Stanley channel (previously called the Morgan Stanley Access program) or the Fiduciary Services program in the Smith Barney channel. Fiduciary Services is a separately managed account program sponsored by Morgan Stanley Smith Barney. 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 Fiduciary Services program. If both strategies are equally close, this profile shows the longer of the two composites. Performance and other data for composites for both forms of the program may vary from each other and from composites in other Morgan Stanley Smith Barney programs due to differences such as the availability and weighting of securities, trading implementation or client objectives.

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 thorough 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 the Morgan Stanley Smith Barney Fiduciary Services 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

60% R1000V/40% BCGCI Index

40% BC Int Gov't/Credit Bond Index, 60% Russell 1000 Value Index

60% Russell 1000G/30% BC Int Gov/Cr/10% Tbills Index

30% BC Int Gov't/Credit Bond Index, 60% Russell 1000 Growth Index, 10% 90-Day T-Bills

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.

BC Int Gov't/Credit Bond Index

The Barclays Intermediate Government/Credit Bond Index is composed primarily of bonds covered by the Barclays Government/Credit Bond Index with maturities between one and 9.99 years.

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 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.

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.

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.

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.