

Flippin, Bruce & Porter, Inc.

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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.

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

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 (%)^{*}

	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

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

^{*}As of 12/31/2011. Information as of 03/31/2012 is not yet available.

[†]The P/E used here is calculated by the harmonic mean.

[‡]Total may not equal 100% due to rounding.

^{*}Based on a representative actual Morgan Stanley Smith BarneySM portfolio as calculated by FactSet.

Style: Large Cap Value
 Firm Assets Under Management: \$657.0 million[†]
 Firm Strategy Assets Under Management: \$369.0 million[†]
 Year Founded: 1985
 Professional Staff: 12[‡]
 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 [†]	11.61x	13.44x	14.79x
Weighted average portfolio beta	1.19	1.07	1.01
Mega capitalization [‡]	29.4%	31.8%	35.9%
Large capitalization [‡]	41.8%	46.3%	51.4%
Medium capitalization [‡]	27.0%	19.5%	12.6%
Small capitalization [‡]	1.7%	2.4%	0.2%
Micro capitalization [‡]	0.0%	0.0%	1.0%

PORTFOLIO'S EQUITY SECTOR WEIGHTINGS^{*}

	03/12		09/11
	FBP	R1000 Val	S&P 500 Index
Sector			
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

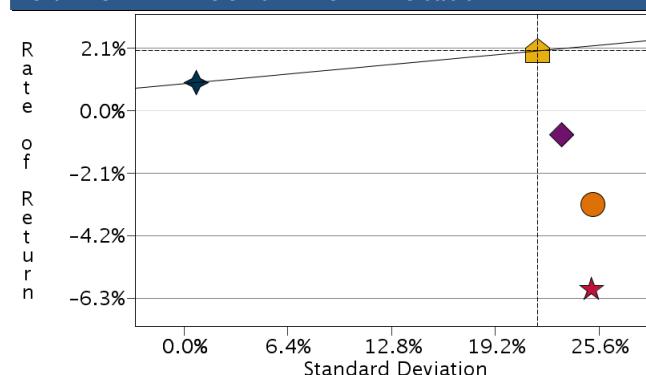
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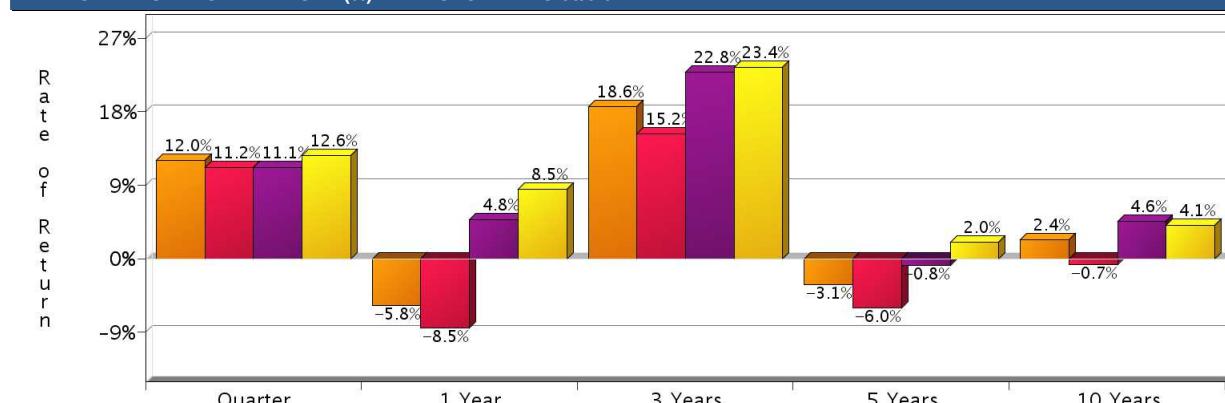
	%
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RISK/RETURN ANALYSIS – 5 YEARS ENDING 03/31/12



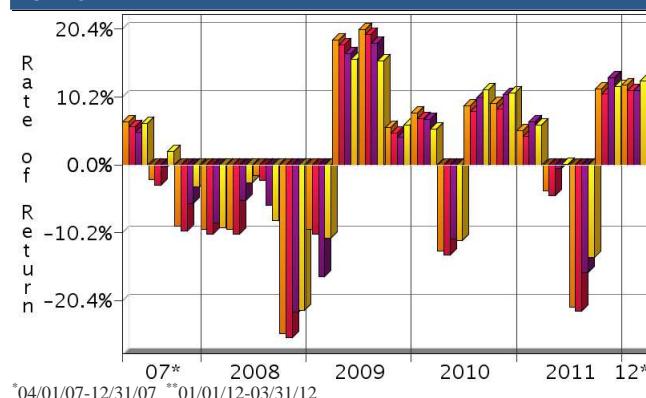
	STD	ROR
FBP (Gross)	25.23	-3.13
FBP (Net)	25.13	-5.99
Russell 1000 Value Index	23.31	-0.81
S&P 500 Index	21.83	2.01
90-Day T-Bills	0.75	0.94

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



	INVESTMENT RESULTS			Annual Rates of Return (%)				10 Year - Ending 03/31/12			Annualized	Std. Dev.
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
FBP (Gross)	-20.09	33.58	10.99	6.21	19.73	-6.53	-40.12	36.43	11.57	-11.57	2.35	21.20
FBP (Net)	-22.61	29.76	7.68	3.05	16.25	-9.30	-41.97	32.49	8.32	-14.13	-0.68	21.12
Russell 1000 Value Index	-15.52	30.03	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39	4.58	19.74
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



*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	

PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2002	0.75	0.00	-12.00	-12.75	-17.71	-18.46	9.53	8.78
2003	-5.36	-6.08	20.25	19.43	5.12	4.36	11.66	10.86
2004	4.37	3.61	1.73	0.96	-3.91	-4.66	8.80	7.98
2005	-1.18	-1.93	2.68	1.90	1.89	1.14	2.73	1.96
2006	4.54	3.78	-0.35	-1.08	7.75	6.96	6.65	5.88
2007	-1.07	-1.81	6.48	5.71	-2.25	-3.02	-9.22	-9.90
2008	-9.72	-10.40	-9.72	-10.37	-1.61	-2.32	-25.33	-26.03
2009	-9.67	-10.43	18.80	18.03	20.37	19.55	5.62	4.82
2010	7.79	6.97	-12.91	-13.56	8.85	8.08	9.19	8.38
2011	5.09	4.32	-3.92	-4.63	-21.41	-22.02	11.43	10.69
2012	11.99	11.20						

Fiduciary Services

PORTFOLIO DIVERSIFICATION - R² (10 YEARS ENDING 03/12)¹

	R ²
FBP vs. S&P 500 Index	0.93
FBP vs. Russell 1000 Value Index	0.94

¹Statistics are calculated using gross of fee performance only.PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 03/31/12^{1,2}

	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.

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 manager's 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 manager's 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) 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.

Fiduciary Services 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.

Equity 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 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 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

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.

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.