

## Seligman Investments

100 Park Avenue - 7th Floor  
New York, New York 10017

## PRODUCT OVERVIEW

Seligman's value approach is built upon the tenet that short-term market inefficiencies can create long-term investment opportunities. According to Seligman, the team employs a bottom-up investment process, and places emphasis on company fundamentals. The process aims to identify undervalued companies and detect investment catalysts, such as changes in company management, business restructurings, and business cycle impacts. The investment professionals then determine if these factors will result in accelerated earnings growth and stock price appreciation over a three-to-five year time horizon. A screening process is used to isolate a sample of roughly 300-500 companies (both large and small cap), of which the team may then conduct further analysis. At this stage, the research analysts will qualitatively assess whether a company fits one of the following two criteria: potential for earnings acceleration, opportunities created by a short-term market sell off. According to Seligman, ideas may emanate from other sources besides screens including, but not limited to, conferences, industry contacts, and Wall Street research.

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings:	80 to 100
Average dividend yield:	Below the S&P 500 Index
P/E ratio:	Above the S&P 500 Index
Cash level over market cycle:	0 to 10%
Risk (standard deviation):	Above the S&P 500 Index
Average turnover rate:	95 to 125%
Use ADRs:	0 to 10%
Capitalization:	Medium and Small companies

## RISK CONSIDERATIONS

Investing in securities entails risks, including: Small-cap stocks may be subject to a higher degree of risk than more established companies' securities, including higher volatility. The illiquidity of the small-cap market may adversely affect the value of these investments. 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

- Evaluates balance sheets and income statements to assess the earnings, cash flow, and revenue prospects of potential investments. Intensive fundamental analysis of individual companies directs stock selection
- Close contact with management is critical; researches companies' growth potential through conversations with customers, distributors, suppliers, and competitors
- Constructs portfolios of 80-100 stocks comprised of long-term "core" holdings and short-term "opportunistic" growth prospects, as defined by the manager
- Holdings are reviewed for sale when fundamentals deteriorate, or if a stock becomes fully-valued

## MANAGER'S INVESTMENT STRATEGY

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

## % PROCESS BASED ON

5 Asset allocation - cash vs. stock  
 10 Industry or sector weighting  
 85 Stock Selection

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

	06/11	03/11	12/10	09/10
U.S. Stocks	97	98	0	0
Cash/Cash Equivalents	3	2	0	0

PORTFOLIO'S TOP FIVE EQUITY HOLDINGS<sup>\*</sup>

	%
Herbalife	0.0
Wellcare Health Plans Inc	0.0
Swift Transportation Co	0.0
Quest Software Inc	0.0
Cypress Semiconductor Cor	0.0

<sup>\*</sup>As of 12/31/2009. Information as of 06/30/2011 is not yet available.

<sup>\*\*</sup>As of 06/30/2009. Information as of 06/30/2011 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.

<sup>\*</sup>Based on investment manager's representative account as calculated by FactSet.

Style: Small Cap Value  
 Sub-Style: Relative Value  
 Firm Assets Under Management: \$148,884,162.9 billion<sup>^</sup>  
 Firm Strategy Assets Under Management: \$5.8 million<sup>^</sup>

Year Founded: 1985  
 Professional Staff: 434<sup>^^</sup>  
 Firm Ownership: RiverSource Investments, LLC  
 CG IAR Status: Approved

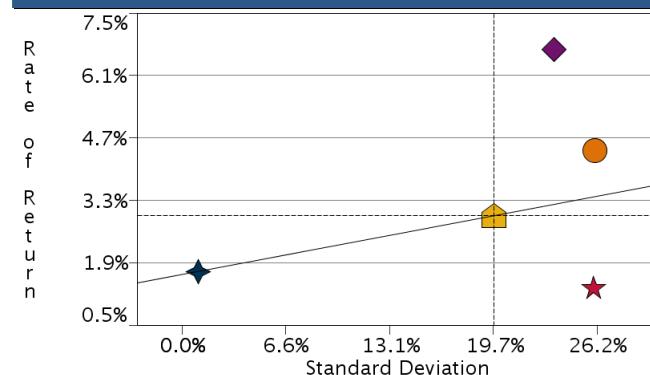
PORTFOLIO STATISTICS<sup>\*</sup>

	06/11	12/10		
	Seligman	Russell 2500 Gr	S&P 500 Index	Seligman
Number of stock holdings	—	1,438	500	—
Weighted average dividend yield	0.0%	0.7%	2.0%	—
Weighted average P/E ratio <sup>†</sup>	15.90x	22.07x	14.79x	—
Weighted average portfolio beta	—	1.25	1.01	—
Mega capitalization <sup>‡</sup>	0.0%	0.0%	33.8%	0.0%
Large capitalization <sup>‡</sup>	0.0%	0.0%	51.8%	0.0%
Medium capitalization <sup>‡</sup>	0.0%	54.4%	14.1%	0.0%
Small capitalization <sup>‡</sup>	0.0%	40.1%	0.2%	0.0%
Micro capitalization <sup>‡</sup>	0.0%	5.5%	0.0%	0.0%

PORTFOLIO'S EQUITY SECTOR WEIGHTINGS<sup>†</sup>

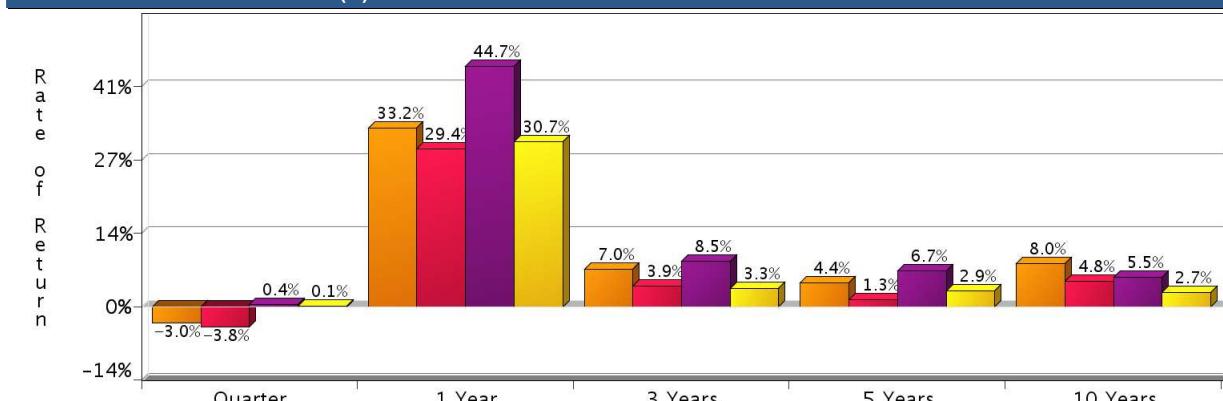
	06/11	12/10			
	Sector	Seligman	Russell 2500 Gr	S&P 500 Index	Seligman
Energy	5.59	8.65	12.67	—	—
Materials	6.59	7.89	3.66	—	—
Industrials	28.80	16.29	11.25	—	—
Consumer Discretionary	13.75	14.32	10.65	—	—
Consumer Staples	8.62	3.34	10.64	—	—
Health Care	10.97	15.92	11.71	—	—
Financials	10.67	7.88	15.15	—	—
Information Technology	11.58	23.82	17.79	—	—
Telecomm Services	0.00	1.49	3.09	—	—
Utilities	0.00	0.38	3.38	—	—
Cash/Cash Equivalents	3.42	0.00	0.00	—	—

## RISK/RETURN ANALYSIS – 5 YEARS ENDING 06/30/11



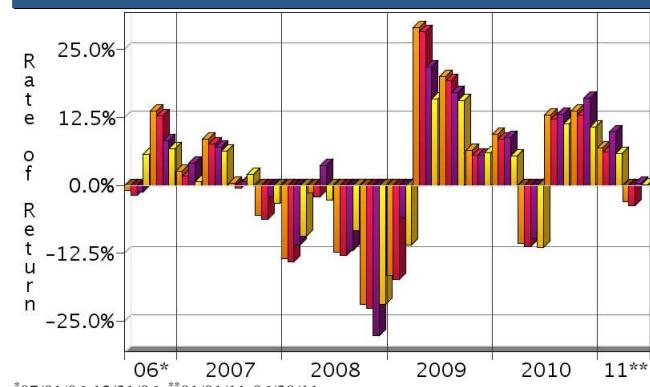
	STD	ROR
Seligman (Gross)	26.07	4.41
Seligman (Net)	25.98	1.31
Russell 2500 Growth Index	23.49	6.67
S&P 500 Index	19.70	2.94
90-Day T-Bills	1.01	1.69

## AVERAGE ANNUAL TOTAL RETURN (%) – PERIODS ENDING 06/30/11



	INVESTMENT RESULTS										10 Year - Ending 06/30/11 Annualized	Std. Dev.
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
Seligman (Gross)	16.71	-14.54	46.70	21.05	-1.33	21.14	5.38	-41.57	37.63	25.54	7.96	23.25
Seligman (Net)	13.28	-17.12	42.61	17.43	-4.33	17.63	2.28	-43.43	33.63	21.92	4.76	23.16
Russell 2500 Growth Index	-10.83	-29.10	46.31	14.59	8.18	12.26	9.69	-41.50	41.65	28.86	5.52	24.76
S&P 500 Index	-11.88	-22.10	28.68	10.88	4.91	15.80	5.49	-37.00	26.46	15.06	2.72	18.24

## RISK VOLATILITY



\*07/01/06-12/31/06 \*\*01/01/11-06/30/11

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Related	Fiduciary Services
	Gross	Net	Gross	Net	Gross	Net	Gross	Net		
2001	-1.90	-2.63	10.67	9.85	-9.48	-10.17	18.77	17.90		
2002	6.79	5.98	-6.49	-7.18	-19.11	-19.79	5.80	5.04		
2003	-3.48	-4.20	22.56	21.74	7.55	6.80	15.30	14.50		
2004	5.68	4.91	1.66	0.87	-1.24	-2.02	14.09	13.25		
2005	-4.00	-4.74	-1.52	-2.32	-0.12	-0.83	4.48	3.68		
2006	13.94	13.14	-5.51	-6.22	-1.02	-1.79	13.68	12.88		
2007	2.53	1.76	8.49	7.70	0.32	-0.45	-5.56	-6.24		
2008	-13.47	-14.19	-1.35	-2.07	-12.35	-12.99	-21.91	-22.64		
2009	-16.63	-17.33	29.12	28.32	20.13	19.30	6.43	5.59		
2010	9.36	8.52	-10.65	-11.31	12.93	12.15	13.76	12.95		
2011	6.91	6.12	-3.04	-3.76						

PORTFOLIO'S RISK STATISTICS – PERIODS ENDING 06/30/11<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	31.46%	26.07%
Standard Deviation of Primary Benchmark	29.16%	23.49%
Sharpe Ratio	0.22	0.10
Sharpe Ratio of Primary Benchmark	0.28	0.21
Alpha	-1.38%	-2.11%
Beta	1.03	1.05
Downside Risk	7.13%	6.23%
R-Squared	0.91	0.91
Tracking Error	9.28%	8.09%
Information Ratio	-0.16	-0.28

PORTFOLIO DIVERSIFICATION - R<sup>2</sup> (10 YEARS ENDING 06/11)\*

	R <sup>2</sup>
Seligman vs. S&P 500 Index	0.88
Seligman vs. Russell 2500 Growth Index	0.84

\*Statistics are calculated using gross of fee performance only.

1. Statistics are calculated using gross of fee performance only.
2. Russell 2500 Growth 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 June 30, 2011, 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 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:

The performance composite figures prior to October 1, 1998, reflects the results of J&W Seligman's composite of fully discretionary accounts and includes reinvestment of dividends, capital gains and interest. It is believed to be accurate but has not been independently verified by Legg Mason Wood Walker, Inc. Investment performance is net of all commissions, but not custodial expenses or advisory fees. Performance results will be reduced by advisory fees and any other expenses incurred in the management of the account. As fees are paid quarterly the compounding effect will increase the impact of fees. Beginning October 1, 1998, performance figures represent an asset-weighted composite of all wrap-fee accounts managed by J&W Seligman, utilizing their Small Cap Value style through Legg Mason Wood Walker's Advantage Manager Program. Accounts begin in the composite with the first full month they are under management. When a portfolio is terminated the performance of the portfolio is included in the composite with the first full month they are under management. When a portfolio is terminated the performance of the portfolio is included in the composite until the last full month the account was under management. The composite information was independently created and calculated by Legg Mason Wood Walker, Inc. Performance figures are presented gross of fees, include the reinvestment of all dividends, interest, and capital gains and are computed before taxes and are computed on a trade date basis.

#### Fiduciary Services Performance:

In this profile, the performance from 1/1/2006 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):** Seligman's gross results do not reflect a deduction of the investment advisory fees charged by Seligman, 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](http://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 or 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 2500 Growth Index

The Russell 2500 Growth Index is representative of the U.S. market for smaller to medium capitalization stocks containing those companies in the Russell 2500 Index with higher price-to-book ratios and higher forecasted growth.

### S&P 500 Index

Widely regarded as the best single gauge of the U.S. equities market, this world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, it is also an ideal proxy for the total market.

**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 (\$50.0 billion and Above), Large (\$11.0 - \$50.0 billion), Medium (\$2 - \$11.0 billion), Small (\$500m - \$2 billion) and Micro (below \$500 million).

**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.

*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 June 30, 2011, unless otherwise noted. All data are subject to change.*