

New Amsterdam Partners

475 Park Avenue South, 20th Floor  
New York, New York 10016

Style:	US Small Cap	Year Founded:	1986
Sub-Style:	Growth-oriented	GIMA Status:	Approved
Firm AUM:	\$523.0 million	Firm Ownership:	Employee-Owned
Firm Strategy AUM:	\$240.5 million	Professional-Staff:	17^

PRODUCT OVERVIEW	TARGET PORTFOLIO CHARACTERISTICS			PORTFOLIO STATISTICS			
The New Amsterdam's Investment Philosophy is based on the belief that investment success results from the combination of original quantitative research and sound fundamental analysis. This integrative approach is intended to capitalize on market mispricings and produce potentially superior investment results. The New Amsterdam Small-Mid Cap investment team selects investments from a universe of over 10,000 securities that are subjected to eligibility screens which narrow the list of securities down to 900 domestic companies. The remaining 900 companies are then ranked using a proprietary expected return model which emphasizes earnings growth, return on equity, cash flow yield, and valuation change forecasts. Fundamental research is then applied to the 100 names with the highest projected expected return, evaluating the rationale for investment, identifying risk factors, attempting to validate the valuation produced by the expected return model. The fundamental analysts also build cash flow models, perform sensitivity analyses to determine the margin for error in estimates, and analyze company filings and announcements. New Amsterdam Partners' Small-Mid Cap portfolios contain 40 to 45 U.S. stocks diversified across the 10 GICs economic sectors, with a market capitalization range between \$200 million and \$3.5 billion at purchase. For major sectors, they are never more than twice or less than half the benchmark weighting. Their typical investment in a stock ordinarily will be 2 to 2.5% of the market value of a portfolio. As a stock appreciates, its portfolio weight may increase, and they may trim back such positions as appropriate, but no position may exceed 5%. Their portfolios are fully invested; cash is typically held at 3% or less.	Number of stock holdings:	40 to 45		-----09/16-----03/16			
	Average dividend yield:	Below the S&P 500		New Amsterdam	Index***	New Amsterdam	
	P/E ratio:	Below the S&P 500					
	Cash level over market cycle:	0 to 5%		Number of stock holdings	45	2,459	45
	Risk (standard deviation):	Similar to the S&P 500		Wtd avg dividend yield	1.1%	1.6%	0.9%
	Average turnover rate:	40 to 80%		Wtd avg P/E ratio <sup>1</sup>	13.10x	19.00x	14.90x
	Use ADRs:	No		Wtd avg portfolio beta	1.14	—	1.22
	Capitalization:	Medium, Small and Micro companies		Mega capitalization <sup>+</sup>	0.0%	0.0%	0.0%
				Large capitalization <sup>+</sup>	0.0%	0.2%	0.0%
				Medium capitalization <sup>+</sup>	0.0%	64.1%	0.0%
			Small capitalization <sup>+</sup>	0.0%	30.6%	0.0%	
			Micro capitalization <sup>+</sup>	0.0%	4.7%	0.0%	

^As of 06/30/2016. Information as of 09/30/2016 is not yet available.
\*\*\*Index : Russell 2500

<sup>1</sup>The P/E used here is calculated by the harmonic mean.

\*Total may not equal 100% due to rounding.

MANAGER'S INVESTMENT PROCESS	RISK CONSIDERATIONS	PORTFOLIO'S ALLOCATION HISTORY (%) *			
<ul style="list-style-type: none"><li>• New Amsterdam's disciplined blend of quantitative and fundamental research identifies mis-pricings in securities with better than average forecast growth and profitability potential, as measured by return on equity, selling at reasonable valuation multiples - with the objective of constructing a portfolio that will outperform the market</li><li>• Using their expected return model, they compute an expected return for each of the stocks passing through their filtering process</li><li>• New Amsterdam further examines the 100 stocks with the highest expected returns, considering the fundamental factors quantitative models often do not capture, to yield a 40-45 stock portfolio</li></ul>	<p>Equity securities prices may fluctuate in response to specific situations for each company, industry, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Strategies that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than portfolios that diversify among a broad range of sectors. 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. Growth investing does not guarantee a profit or eliminate risk. The stocks of these companies can have relatively high valuations. Because of these high valuations, an investment in a growth stock can be more risky than an investment in a company with more modest growth expectations. Value investing does not guarantee a profit or eliminate risk. Not all companies whose stocks are considered to be value stocks are able to turn their business around or successfully employ corrective strategies which would result in stock prices that do not rise as initially expected.</p>				

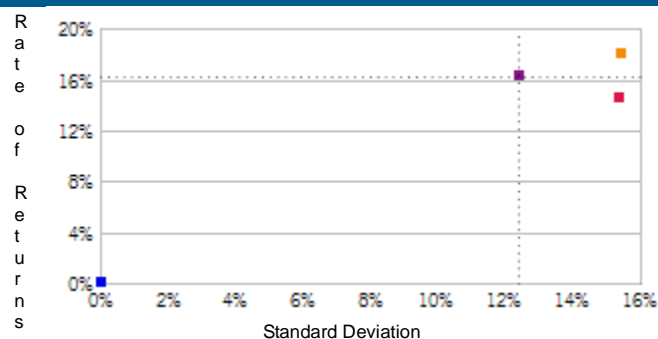
<sup>^</sup>As of 06/30/2016. Information as of 09/30/2016 is not yet available.

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

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

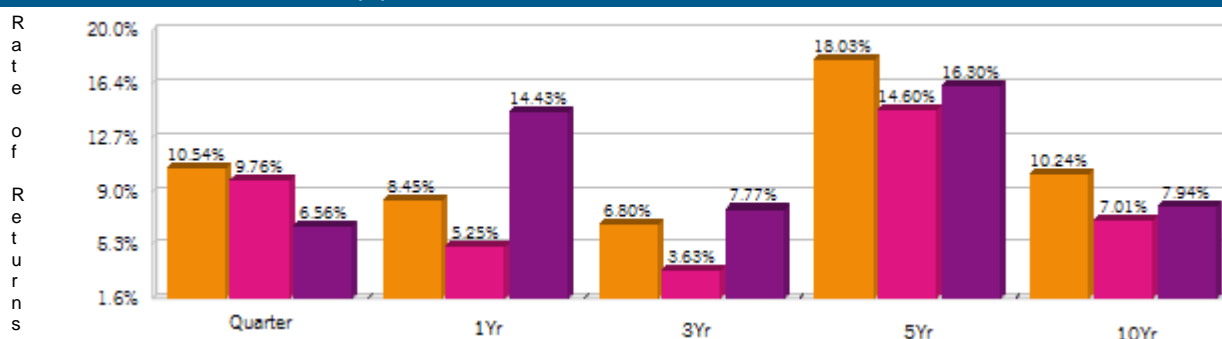
<sup>\*\*\*</sup>Index : Russell 2500

## RISK/RETURN ANALYSIS - 5 YEARS ENDING 09/30/16



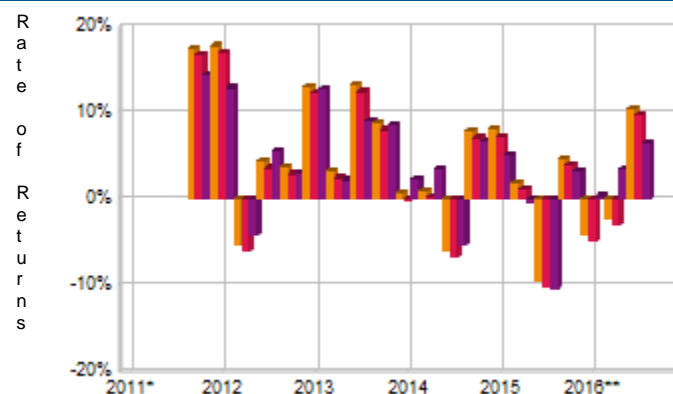
	STD	ROR
New Amsterdam (Gross)	15.45	18.03
New Amsterdam (Net)	15.41	14.60
Russell 2500	12.42	16.30
90-Day T-Bills	0.04	0.08

## AVERAGE ANNUAL TOTAL RETURN (%) - PERIODS ENDING 09/30/16



INVESTMENT RESULTS	Annual Rates of Return (%)										10 Year - Ending 09/30/16	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Annual	Std. Dev.
New Amsterdam (Gross)	15.54	14.67	-34.20	28.36	22.49	7.11	20.94	44.12	3.33	4.58	10.24	20.56
New Amsterdam (Net)	12.21	11.32	-36.26	24.61	18.96	4.11	17.43	40.03	0.24	1.50	7.01	20.48
Russell 2500	16.17	1.38	-36.79	34.39	26.71	-2.51	17.87	36.81	7.07	-2.90	7.94	19.83

## RISK VOLATILITY (%)



\*10/01/11-12/31/11

\*\*01/01/16-09/30/16

	Number Of	Up Qtrs.	Down Qtrs.
New Amsterdam (Gross)	15	5	5
New Amsterdam (Net)	14	6	6
Russell 2500	16	4	4

## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter1		Quarter2		Quarter3		Quarter4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2006	13.03	12.26	-1.34	-2.06	-3.15	-3.92	6.97	6.22
2007	6.64	5.88	5.38	4.61	1.96	1.15	0.09	-0.63
2008	-11.06	-11.77	9.19	8.42	-9.56	-10.24	-25.08	-25.77
2009	-9.36	-10.07	13.88	13.08	15.33	14.51	7.82	7.00
2010	7.38	6.54	-11.84	-12.49	7.96	7.20	19.87	19.02
2011	12.66	11.84	3.82	3.08	-22.07	-22.67	17.51	16.78
2012	17.82	17.01	-5.28	-5.99	4.44	3.67	3.77	2.97
2013	13.13	12.33	3.30	2.52	13.25	12.47	8.90	8.11
2014	0.75	-0.04	1.04	0.27	-5.92	-6.67	7.89	7.14
2015	8.15	7.32	1.95	1.19	-9.47	-10.15	4.76	4.02
2016	-4.12	-4.91	-2.33	-3.06	10.54	9.76		

Related

Select UMA

PORTFOLIO'S RISK STATISTICS - ENDING 09/30/16 <sup>1 2</sup>	PERIODS	
	3 Year	5 Year
Standard Deviation	12.84%	15.45%
Standard Deviation of Primary Benchmark	10.75%	12.42%
Sharpe Ratio	0.52	1.16
Sharpe Ratio of Primary Benchmark	0.71	1.31
Alpha	-1.18%	-0.85%
Beta	1.06	1.17
Downside Risk	4.83%	3.75%
R-Squared	0.79	0.89
Tracking Error	5.97%	5.58%
Information Ratio	-0.16	0.31

PORTFOLIO DIVERSIFICATION - R<sup>2</sup>(INCEPTION THROUGH 12/14)+

	R <sup>2</sup>
New Amsterdam vs. Russell 2500	0.90

+Statistics are calculated using gross of fee performance only.

1. Statistics are calculated using gross of fee performance only.
2. Russell 2500 was used as the primary benchmark and the 90-Day T-Bills Index as the risk-free benchmark.

See important notes and disclosures pages for a discussion of the sources of the performance data used to calculate the performance results and related analyses shown above.

## 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 program accounts, or the investment manager's results in managing accounts and investment products, in the same or a substantially similar investment discipline. (For periods through June 2012, the Fiduciary Services program operated through two channels - Morgan Stanley channel and the Smith Barney channel - and any performance and other data relating to Fiduciary Services accounts shown here for these periods is calculated using accounts in only one of the these channels.) 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:**

New Amsterdam' Small-Mid Cap Active Equity composite (SMCAE) portfolios contain small and mid cap U.S. equities that are managed with a view towards capital appreciation. New Amsterdam' SMCAE Composite is compared to the Russell 2000 or Russell 2500 indexes. The Russell 2000 Index is a capitalization-weighted index which measures the performance of the small cap sector of the U.S. stock market. The Russell 2500 is a capitalization-weighted index of the 2500 smallest companies in the Russell 3000 Index.

New Amsterdam' SMCAE Composite was created on December 31, 2003. Prior to December 1, 2010, this composite was known as the Small Cap Active Equity Composite. Some portfolios within this composite pay a bundled fee which may include charges for trading costs, portfolio management, custody, and other administrative fees.

New Amsterdams equity composites consist of quarterly performance data for similarly managed fully discretionary equity accounts since inception of the investment product. A separate composite has been created for each investment product offered by New Amsterdam Partners LLC. Their equity composites include all equity accounts with similar investment policy guidelines that have been managed by the firm for at least one full month. Pursuant to GIPS, no account is removed from a composite unless the account: (a) has terminated, in which case the account then leaves the composite after the last full month the account was under management, or (b) the client guidelines or asset levels change so that inclusion in a different composite is more appropriate. All equity composites reflect asset-plus-cash returns and are asset-weighted.

Only fee-paying accounts are included in their examined composites with the exception of our All Cap Active Equity Composite, which contained 47.2% non-fee-paying assets as of December 31, 2014, their Large Cap Active Equity Composite, which contained 100% non-fee-paying assets as of December 31, 2014, and their Small-Mid Cap Active Equity Composite, which contained 1.9% non-fee-paying assets as of December 31, 2014. Two of these composites include New Amsterdam Partners profitsharing plan and the other includes New Amsterdam Partners company account.

New Amsterdam Partners removes an account from a composite that contains at least four portfolios if a significant cash flow into or out of that account occurs. A flow is significant if it is at least 10% of the portfolios value on the final day of the month prior to the flow going into or coming out of the portfolio. (Note: New Amsterdam Partners significant flow policy was discontinued for the All Cap Active Equity Composite as of January 1, 2009, but was reinstated for that composite as of January 1, 2010, with the implementation of a new firm policy. As of April 1, 2010, the significant flow policy was discontinued for the All Cap Active Equity Composite, Mid Cap Quality Growth Active Equity Composite and Mid Cap Growth Socially Responsible Active Equity Composite and as of July 1, 2012, the significant flow policy was discontinued for the Large Cap Active Equity Composite with the implementation of a new firm policy. The significant flow policy was reinstated for the All Cap Active Equity Composite on April 1, 2011, and for the Large Cap Active Equity Composite on April 1, 2013, with the implementation of a new firm policy. As of July 1, 2013, the significant flow policy was discontinued for the Large Cap Active Equity Composite and the Large Cap Quality Growth Active Equity Composite with the implementation of a new firm policy). As a general rule, one significant flow will remove an account from a composite for a period of one month, that is, the month in which the flow occurs. This is the case no matter when the flow occurs. For example, if Portfolio A has a significant flow on May 1, and Portfolio B has one on May 31, they will each be removed for the same time frame, the month of May. The grace period for a new account is the month in which it opens, starting with inception date through month end. Assuming a 30-day month, if a new account opens on the 2nd, the grace period for that portfolio would be 29 days, and it would be placed into its appropriate composite on the 1st day of the following month. If a new account opens on the 30th, its grace period would be 1 day, and it would be placed into its appropriate composite on the 1st day of the following month.

(Note: Prior to January 1, 2006, a new account opening on the first calendar day of a month was included in its appropriate composite beginning that same day). Discretion exists when a client has not imposed any conditions or restrictions on an account that cause it to materially deviate from the strategy in which it is invested. On occasion,

New Amsterdam will experience loss of discretion over an account before the flow actually occurs. This can occur when a client notifies New Amsterdam toward the end of a month regarding a significant flow, but the flow does not actually occur until the following month. Since the new contribution or withdrawal will dictate New Amsterdam's management of the portfolio, a loss of discretion is deemed to have occurred once New Amsterdam received notice of the flow. If loss of discretion and the flow are in two different months, the portfolio would be removed from the composite in the month when discretion was lost, and be included in the composite in the first complete month in which discretion is regained. Additional information regarding the treatment of significant cash flows is available upon request.

#### Morgan Stanley Performance:

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

**Net Performance for all Periods:** Net performance results reflect a deduction of 0.7475% quarterly. This consists of three components: 0.625% maximum quarterly MS Advisory Fee and 0.0175% maximum quarterly Program Overlay Fee (which, together cover the services provided by Morgan Stanley), plus 0.105% quarterly SMA Manager Fees (being the fee currently charged by New Amsterdam 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. Historical net fees reflect the Advisory Fee Schedule as of March 31, 2014.

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

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

Global Investment Manager Analysis ("GIMA") 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. GIMA 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).

GIMA has a "Watch" policy and may describe a Focus List or Approved List investment product as being on "Watch" if GIMA identifies specific areas that (a) merit further evaluation by GIMA 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 GIMA to conduct its evaluation and for the investment manager to address any concerns. GIMA 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 ADV brochure ([www.ms.com/adv](http://www.ms.com/adv)). Your Financial Advisor or Private Wealth Advisor can provide on request a copy of a paper entitled "GIMA: At A Glance".

#### 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 or elsewhere, and may cost an investor more or less than this strategy in Morgan Stanley'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 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 LLC.

Diversification does not guarantee a profit or protect against a loss.

#### No obligation to notify

Morgan Stanley has no obligation to notify you when information in this profile changes.

#### Sources of information

Material in this profile has been obtained from sources that we believe to be reliable, but we do not guarantee its accuracy, completeness or timeliness. Third party data providers make no warranties or representations relating to the accuracy, completeness or timeliness of the data they provide and are not liable for any damages relating to this data.

#### No tax advice



Morgan Stanley and its affiliates do not render advice on legal, tax and/or tax accounting matters to clients. Each client should consult his/her personal tax and/or legal advisor to learn about any potential tax or other implications that may result from acting on a particular recommendation.

#### *Not an ERISA fiduciary*

Morgan Stanley is not acting as a fiduciary under either the Employee Retirement Income Security Act of 1974, as amended, or under section 4975 of the Internal Revenue Code of 1986, as amended, in providing the information in this profile.

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## 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

The Russell 2500 Index measures the performance of the 2,500 smallest companies in the Russell 3000 Index, which represents approximately 16% of the total market capitalization of the Russell 3000 Index.

### S&P 500

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

**Beta** is a measure of the sensitivity of a portfolio's rates of return to changes in the market return. It is the coefficient measuring a stock or a portfolio's relative volatility.

**Bottom-Up Stock Selection** Emphasis primarily on individual stock selection. Considerations of economic and industry factors are of secondary importance in the investment decision-making process.

**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).

**Dividend** a portion of a company's profit paid to common and preferred shareholders.

**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.

**High Grade Corporate Bonds** corporate bonds from issuers with credit ratings of AA or AAA.

**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/Book Ratio (P/B)** weighted average of the stocks' price divided by book value per share. Book value per share is defined as common equity, including intangibles, divided by shares outstanding times the adjustment factor.

**Price/Cash Flow Ratio** a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's market cap by the company's operating cash flow in the most recent fiscal year (or the most recent four fiscal quarters); or, equivalently, divide the per-share stock price by the per-share operating cash flow.

**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.

**Price/Sales Ratio** determined by dividing current stock price by revenue per share (adjusted for stock splits). Revenue per share for the P/S ratio is determined by dividing revenue for past 12 months by number of shares outstanding.

**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.

**Top-Down/Economic Analysis** Emphasis primarily on macroeconomic trends as opposed to bottom-up stock selection.

**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.

**U.S. Treasury Bonds** a marketable, fixed interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually and the income that holders receive is only taxed at the federal level.

**Volatility** a measure of risk based on the standard deviation of the asset return. Volatility is a variable that appears in option pricing formulas, where it denotes the volatility of the underlying asset return from now to the expiration of the option. There are volatility indexes. Such as a scale of 1-9; a higher rating means higher risk.