

## American Funds (Model Portfolio Provider)

333 S Hope Street, 52ND Floor  
Los Angeles, California 90068

Style: Global Multi Asset  
Sub-Style: Global Multi Asset Income  
Firm AUM: \$1,706.1 billion  
Firm Strategy AUM: —

Year Founded: 1931  
GIMA Status: Approved  
Firm Ownership: American Funds (Model Portfolio Provider)  
Professional-Staff: 330

## PRODUCT OVERVIEW

Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the Manager of this strategy. The American Funds Retire Income Moderate (MAP) is a Separately Managed Account ("SMA") investment product where (a) American Funds (Model Portfolio Provider) delivers a model portfolio (the "Third Party Model Portfolio") to Morgan Stanley; (b) Morgan Stanley, as investment adviser to the client, serves as portfolio manager for the SMA investment product; and (c) the SMA investment product is inspired by the Third Party Model Portfolio. These SMA investment products are referred to as "MAP Third Party Strategies". As portfolio manager of the MAP Third Party Strategies, Morgan Stanley may deviate from the Third Party Model Portfolios. However, Morgan Stanley generally intends to follow the Third Party Model Portfolios. The Third Party Model Portfolios will include mutual funds and ETFs that are affiliated with the Model Portfolio Provider and which pay fees and other compensation to the Third Party Model Provider and its affiliates. The Model Portfolio Providers for the MAP Third Party Strategies are not acting as a "fiduciary" to the client as defined in Section 3(21)(A) of ERISA, with respect to the assets in a MAP Third Party Strategy. Since 1931, Capital Group has been singularly focused on delivering superior, consistent results for long-term investors using high-conviction portfolios, rigorous research and individual accountability. The "American Funds Retirement Income Model Portfolio – Moderate" is designed for retirees who can withstand some volatility. This model offers a balance of capital preservation and growth. This model strives for a balance of capital preservation and growth through investments in several bond funds and income-focused equity funds. This model portfolio was created by our Portfolio Oversight Committee, a group of senior portfolio managers with decades of investment experience. In creating the models, the committee followed an objective-based, bottom-up process, which included rigorous analysis of the underlying funds.

## MANAGER'S INVESTMENT STRATEGY

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

## TARGET PORTFOLIO CHARACTERISTICS

Number of stock holdings: 480 to 507  
Average dividend yield: —  
P/E ratio: —  
Cash level over market cycle: 4 to 6%  
Risk (standard deviation): —  
Average turnover rate: 1 to 3%  
Number of bond holdings: 8 to 9  
Average maturity: 6.8 to 7.7 years  
Average credit quality: —  
Use ADRs: 1 to 2%  
Capitalization: —

## PORTFOLIO'S EQUITY SECTOR WEIGHTINGS \*

Sector	12/17	06/17	
	Cap Grp	Index***	Cap Grp
Energy	5.61	0.00	5.27
Materials	3.31	0.00	2.54
Industrials	5.35	0.00	6.00
Consumer Discretionary	5.53	0.00	5.22
Consumer Staples	6.73	0.00	7.85
Health Care	5.97	0.00	5.82
Financials	8.80	0.00	8.19
Information Technology	7.11	0.00	7.03
Telecomm Services	2.94	0.00	3.40
Utilities	3.64	0.00	3.44
Miscellaneous	41.60	0.00	42.04
REIT'S	3.41	0.00	3.20

## PORTFOLIO STATISTICS

	12/17	06/17	
	Cap Grp	Index***	Cap Grp
Number of stock holdings	480	—	—
Wtd avg dividend yield	—	—	—
SEC Yield	—	—	—
Wtd avg P/E ratio <sup>1</sup>	—	—	—
Wtd avg portfolio beta	1.00	—	—
Mega capitalization <sup>+</sup>	48.1%	0.0%	0.0%
Large capitalization <sup>+</sup>	43.1%	0.0%	0.0%
Medium capitalization <sup>+</sup>	7.4%	0.0%	0.0%
Small capitalization <sup>+</sup>	1.2%	0.0%	0.0%
Micro capitalization <sup>+</sup>	0.2%	0.0%	0.0%
Number of bond holdings	9	—	—
Avg maturity	6.8 yrs.	—	—
Avg credit quality	—	—	—

## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS

	%
Capital Income Builder	25.0
The Income Fund of America	25.0
American Balanced Fund	15.0
The Bond Fund of America	10.0
American Mutual Fund	5.0

## % PROCESS BASED ON

- N/A Asset allocation
- N/A Industry or sector weighting
- N/A Stock Selection
- N/A Duration Management
- N/A Yield Curve Management
- N/A Sector Selection
- N/A Bond Selection

#### MANAGER'S INVESTMENT PROCESS

- Our investment process, The Capital System, is designed to enable individual investment professionals to act on their highest convictions, while limiting the risk associated with isolated decision-making. A diverse group of portfolio managers and analysts brings complementary investment approaches, experience levels, backgrounds and areas of focus to each investment offering.
- Our investment approach is a fundamental one guided by thorough, detailed internal research and analysis based on extensive fieldwork and direct company contact. Our investment professionals travel the world to seek the best investment opportunities and gain a comprehensive understanding of companies and markets.
- Model Portfolio Provider and analysts also work closely with our fixed-income and macroeconomic analysts when examining potential investments. The process includes a thorough review of a company's financial strength, as well as an assessment of appropriate valuation for its securities. By coordinating our research effort among equity, fixed-income, and macroeconomic analysts, we maximize the impact of our research for the benefit of all our investors.
- Our model portfolios are 100% actively-managed. All underlying funds—both equities and fixed income—are actively managed. We believe, and our experience has proven, that long-term, active investing done well can provide certain advantages for investors. These advantages can include strong results in up markets and capital preservation in declining markets.

#### RISK CONSIDERATIONS

Investing in securities entails risks, including: Equity portfolios are subject to the basic stock market risk that a particular security, or securities in general, may decrease in value. 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. International investing should be considered one component of a complete and diversified investment program. Investing in foreign markets entails greater risks than those normally associated with domestic markets such as foreign political, currency, economic and market risks. 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. 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.

#### PORTFOLIO'S ALLOCATION HISTORY (%) \*

12/17	09/17	06/17	03/17
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#### FIXED INCOME SECTOR DISTRIBUTION (%) \*

	12/17	09/17	06/17	03/17
U.S. Treasury	40.14	37.90	34.30	33.10
Mortgage-Backed Securities	17.27	17.90	18.60	20.00
Financials	10.94	14.60	15.00	16.40
Cash/Cash Equivalents	12.51	9.60	11.10	8.90
Foreign Bonds	5.90	6.50	5.90	5.90
Emerging Debt	5.37	5.30	5.20	5.30
High Yield Corporates	3.92	3.20	4.80	5.20
Asset-Backed Securities	2.48	3.00	3.30	3.30
U.S. Agencies	1.30	1.50	1.40	1.30
Municipals	0.17	0.50	0.40	0.60

## 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:

The composite consists of all discretionary SMA portfolios that are managed according to the Retirement Income - Moderate strategy. Beginning October 1, 2016, the Capital Group Retirement Income - Moderate SMA Composite includes all separately managed portfolios applicable to the Retirement Income - Moderate strategy. Results prior to October 1, 2016, are based on Capital Group Retirement Income - Moderate Composite returns. Composite creation date is September 30, 2016.

Composite results reflect the reinvestment of dividends, interest and other earnings. Results are net of withholding taxes on dividends, interest and capital gains. Actual withholding tax rates vary according to the country of denomination and tax status of each portfolio. Composite gross results are presented before management fees but after all trading expenses. The composite may include portfolios with gross results that reflect the deduction of certain administrative fees. Net returns are calculated by subtracting a monthly hypothetical fee (equivalent to an annual 3% fee, which is equal to or higher than the highest actual SMA fee charged by a program sponsor) from the gross composite monthly returns. The SMA fee includes all charges for trading costs, investment management, custody, and other administrative fees. Information regarding the fees charged by program sponsors for SMA portfolios are available in the relevant program sponsor's Form ADV or other relevant disclosure materials in non-U.S. markets. Past performance does not guarantee future results.

### Morgan Stanley Performance:

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

**Net Performance for all Periods:** Net performance results reflect a deduction of 0.6425% 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 0.0% quarterly SMA Manager Fees (being the fee currently charged by Cap Grp 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 Model Portfolio Provider 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 Model Portfolio Provider 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

### 50% S&P500/50% BC Agg Index

50% S&P 500 Index,50% BC Aggregate Bond Index

### 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.

### 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 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.

**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.