

## Breckinridge Capital Advisors

125 High Street, Oliver Street Tower, 4th Floor  
Boston, Massachusetts 02110

Style: US Tax Free Core  
Sub-Style: Intermediate Term Munis FI  
Firm AUM: \$34.8 billion  
Firm Strategy AUM: \$1.9 billion

Year Founded: 1993  
GIMA Status: Approved  
Firm Ownership: Employee-Owned  
Professional-Staff: 67

## PRODUCT OVERVIEW

Our Intermediate-Term Tax-Efficient Sustainable Bond Strategy is designed for taxable investors who are interested in emphasizing environmental, social and governance (ESG) criteria. Employing an intermediate term maturity structure, this strategy is designed for investors who are looking to preserve principal and maximize income. Our fully integrated bottom-up fundamental credit and ESG research is a key driver in security selection. The strategy selectively invests in municipal issuers with above average ESG characteristics and bonds that fund essential environmental, social or economic development projects.

## TARGET PORTFOLIO CHARACTERISTICS

Number of bond holdings:	20 to 30
Average credit quality:	AA
Average maturity:	5.19
Average duration:	4.19
Average coupon:	4.80
Average turnover rate:	10 to 20%

## PORTFOLIO STATISTICS

	03/18	09/17	
	Breckinridge	Index***	Breckinridge
Number of bond holdings	30	—	30
SEC Yield	—	—	—
Avg credit quality	AA	—	AA
Avg maturity	5.19 yrs.	—	4.93 yrs.
Avg duration	4.19 yrs.	—	4.07 yrs.
Avg coupon	4.8%	—	4.8%

## FIXED INCOME SECTOR DISTRIBUTION (%) \*

	03/18	12/17	09/17	06/17
Municipals	99.13	98.76	98.53	99.65
Cash/Cash Equivalents	0.86	1.23	1.00	0.35
U.S. Treasury	0.01	0.01	0.47	0.00

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

\*\*\*Index : BC Muni 1-10 yr TR

## MANAGER'S INVESTMENT PROCESS

- Process combines a top-down assessment of portfolio structure and sector parameters with fully integrated bottom-up credit and ESG analysis as well as trading
- Proprietary sector-based frameworks identify and analyze over 100 key ESG risk and performance factors
- Best-in-class approach identifies above average ESG performers
- Investment team works collaboratively to continuously monitor portfolio performance and market conditions

## RISK CONSIDERATIONS

Investing in securities entails risks, including: Municipalities may realize gains, and shareholders will incur a tax liability from time to time. Income from the portfolios that invest in them are subject to state and local taxes and may at times be subject to the alternative minimum tax. It's important to note that a portfolio concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes than a portfolio with broader geographical diversification. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. 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 MATURITY STRUCTURE (%) \*

	03/18	12/17	09/17	06/17
0 to 2 Years	21.59	25.39	26.73	24.44
2 to 4 Years	18.50	18.83	19.07	18.81
4 to 6 Years	21.99	19.37	19.76	18.81
6 to 8 Years	14.07	13.80	14.72	15.62
8 to 12 Years	19.42	18.86	15.97	17.66
12 to 17 Years	3.57	3.75	3.75	4.31
Over 17 Years	0.00	0.00	0.00	0.00
Cash/Cash Equivalents	0.86	0.00	0.00	0.35

## PORTFOLIO'S CREDIT QUALITY STRUCTURE (%) \*

### Investment Grade

	03/18	12/17	09/17	06/17
AAA	12.87	14.68	15.23	13.79
AA	70.60	69.92	67.33	68.31
A	14.59	13.30	15.82	16.88
BBB	0.76	0.65	0.53	0.59

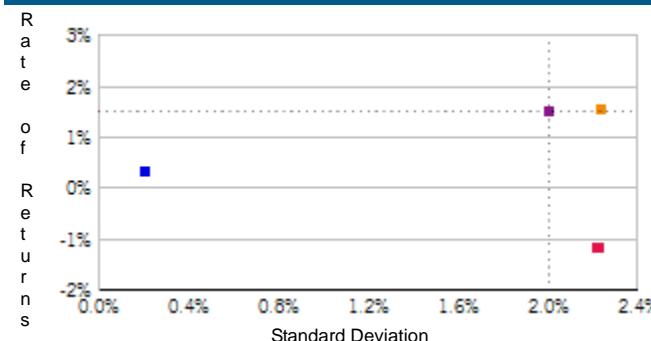
### Below Investment Grade

BB	0.00	0.00	0.00	0.00
B	0.00	0.00	0.00	0.00
Below B	0.00	0.00	0.00	0.00
Not Rated	0.32	0.22	0.09	0.08
Cash/Cash Equivalents	0.86	1.23	1.00	0.35

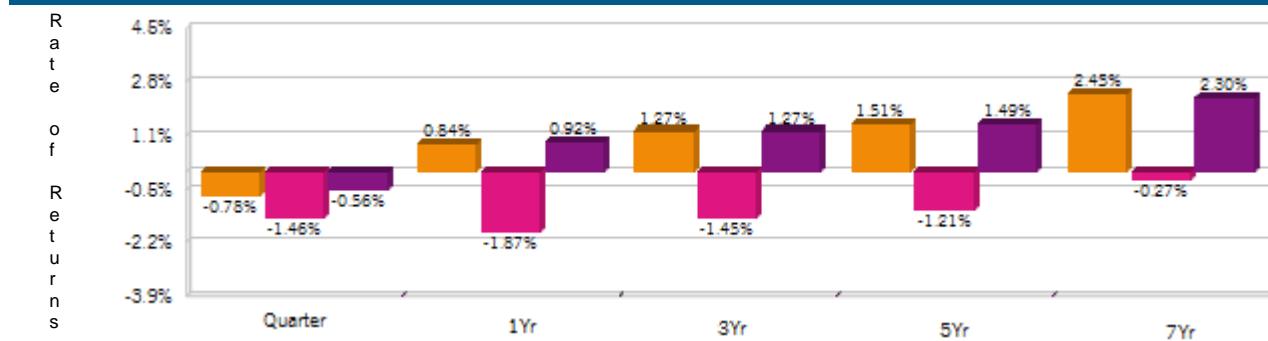
\*Total may not equal 100% due to rounding.

\*\*Index : BC Muni 1-10 yr TR

## RISK/RETURN ANALYSIS - 5 YEARS ENDING 03/31/18



## AVERAGE ANNUAL TOTAL RETURN (%) - PERIODS ENDING 03/31/18



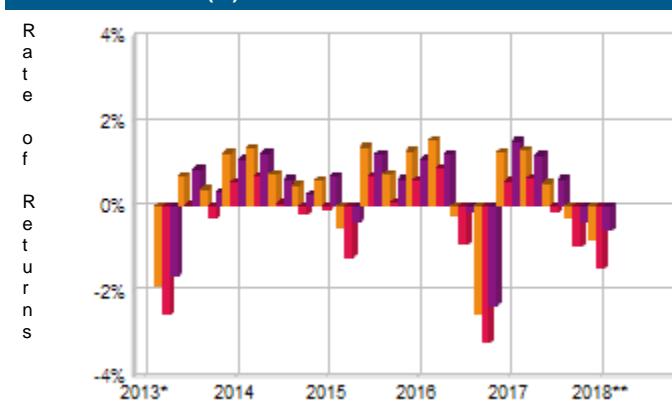
	STD	ROR
Breckinridge (Gross)	2.24	1.51
Breckinridge (Net)	2.23	-1.21
BC Muni 1-10 yr TR	2.01	1.49
90-Day T-Bills	0.21	0.31

## INVESTMENT RESULTS

	Annual Rates of Return (%)						7 Year - Ending 03/31/18		
	2011*	2012	2013	2014	2015	2016	2017	Annual	Std. Dev.
Breckinridge (Gross)	6.42	2.90	-0.44	3.95	2.26	0.07	2.93	2.45	2.21
Breckinridge (Net)	4.49	0.14	-3.11	1.17	-0.48	-2.62	0.17	-0.27	2.21
BC Muni 1-10 yr TR	5.84	2.55	-0.04	3.35	2.24	-0.15	3.04	2.30	1.99

\*04/01/2011-12/31/2011

## RISK VOLATILITY (%)



## PORTFOLIO'S QUARTERLY RETURNS (%)

	Quarter1		Quarter2		Quarter3		Quarter4	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2011	1.88	1.40	2.31	1.62	2.09	1.40		
2012	0.25	-0.42	1.09	0.41	1.37	0.69	0.15	-0.53
2013	0.36	-0.32	-1.89	-2.55	0.71	0.03	0.41	-0.27
2014	1.26	0.58	1.38	0.70	0.76	0.08	0.50	-0.18
2015	0.62	-0.06	-0.52	-1.20	1.39	0.70	0.77	0.09
2016	1.30	0.62	1.57	0.89	-0.22	-0.90	-2.53	-3.20
2017	1.27	0.59	1.34	0.66	0.55	-0.13	-0.25	-0.93
2018	-0.78	-1.46						

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## PORTFOLIO'S RISK STATISTICS - PERIODS ENDING 03/31/18<sup>1,2</sup>

	3 Year	5 Year
Standard Deviation	2.45%	2.24%
Standard Deviation of Primary Benchmark	2.22%	2.01%
Sharpe Ratio	0.32	0.54
Sharpe Ratio of Primary Benchmark	0.35	0.59
Alpha	-0.07%	-0.09%
Beta	1.10	1.10
Downside Risk	0.28%	0.27%
R-Squared	0.98	0.98
Tracking Error	0.41%	0.38%
Information Ratio	0.01	0.06

\*04/01/13-12/31/13

\*\*01/01/18-03/31/18

	Number Of Up Qtrs.	Down
Breckinridge (Gross)	14	6
Breckinridge (Net)	10	10
BC Muni 1-10 yr TR	14	6

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

Breckinridge vs. BC Muni 1-10 yr TR	R <sup>2</sup>
	0.97

+Statistics are calculated using gross of fee performance only.

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

2. BC Muni 1-10 yr TR 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.

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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".

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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.

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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.

### BC Muni 1-10 yr TR

Barclays Municipal Bond 1-10 Year Index measures the performance of municipal bonds with maturities between one and ten years.

### 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' 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.