

## Thomas Partners

One International Place, 34TH Floor  
Boston , Massachusetts 02110

Style: US Large Cap Value  
Sub-Style: Traditional Value  
Firm AUM: \$16.2 billion<sup>^</sup>  
Firm Strategy AUM: \$1.4 billion

Year Founded: 1970  
GIMA Status: Approved  
Firm Ownership: Charles Schwab Corporation  
Professional-Staff: 26<sup>^^</sup>

## PRODUCT OVERVIEW

ThomasPartners' Dividend Growth strategy is a diversified portfolio concentrating in companies with histories of increasing dividend payouts. Portfolio objectives are current income, increasing portfolio income, and capital appreciation. The Dividend Growth portfolio is multicap and consists of both foreign and domestic companies. ThomasPartners utilizes both empirical research as well as bottom up-fundamental analysis in constructing and managing portfolios.

## TARGET PORTFOLIO CHARACTERISTICS

|                               |           |
|-------------------------------|-----------|
| Number of stock holdings:     | 45 to 60  |
| P/E ratio:                    | —         |
| Cash level over market cycle: | 2 to 5%   |
| Risk (standard deviation):    | —         |
| Average turnover rate:        | 10 to 30% |
| Use ADRs:                     | 0 to 25%  |
| Capitalization:               | —         |

## PORTFOLIO'S EQUITY SECTOR WEIGHTINGS +

| Sector                 | ThomasPartners | Index*** | Thomas<br>Partners |
|------------------------|----------------|----------|--------------------|
| Energy                 | 0.00           | 8.21     | 0.00               |
| Materials              | 0.00           | 4.30     | 0.00               |
| Industrials            | 0.00           | 9.62     | 0.00               |
| Consumer Discretionary | 0.00           | 6.34     | 0.00               |
| Consumer Staples       | 0.00           | 8.73     | 0.00               |
| Health Care            | 0.00           | 11.91    | 0.00               |
| Financials             | 0.00           | 24.02    | 0.00               |
| Information Technology | 0.00           | 6.19     | 0.00               |
| Communication Services | 0.00           | 7.81     | 0.00               |
| Utilities              | 0.00           | 6.97     | 0.00               |
| Real Estate/REITs      | 0.00           | 5.91     | 0.00               |

## MANAGER'S INVESTMENT STRATEGY

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

## PORTFOLIO STATISTICS

|                                | -----09/19----- | 03/19    |                    |
|--------------------------------|-----------------|----------|--------------------|
|                                | ThomasPartners  | Index*** | Thomas<br>Partners |
| Number of stock holdings       | 51              | 2,168    | —                  |
| Dividend Yield                 | 3.2%            | 2.6%     | —                  |
| Distribution Rate              | —               | —        | —                  |
| Wtd avg P/E ratio <sup>1</sup> | —               | 16.10x   | —                  |
| Wtd avg portfolio beta         | —               | —        | —                  |
| Mega capitalization +          | 0.0%            | 34.7%    | 0.0%               |
| Large capitalization +         | 0.0%            | 43.7%    | 0.0%               |
| Medium capitalization +        | 0.0%            | 16.5%    | 0.0%               |
| Small capitalization +         | 0.0%            | 4.3%     | 0.0%               |
| Micro capitalization +         | 0.0%            | 0.8%     | 0.0%               |

## PORTFOLIO'S TOP FIVE EQUITY HOLDINGS %

|                                |     |
|--------------------------------|-----|
| Johnson & Johnson              | 3.4 |
| Chevron Corp                   | 3.1 |
| Verizon Communications Inc     | 2.9 |
| International Business Machine | 2.8 |
| Exxon Mobil Corp               | 2.8 |

## % PROCESS BASED ON

- 0 Asset allocation - cash vs. stock
- 20 Industry or sector weighting
- 80 Stock Selection

<sup>1</sup>As of 09/30/2018. Information as of 09/30/2019 is not yet available.

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

<sup>^</sup>As of 06/30/2016. Information as of 09/30/2019 is not yet available.

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

<sup>\*\*\*</sup>Index : Russell 3000 VI

| MANAGER'S INVESTMENT PROCESS   |  | RISK CONSIDERATIONS   | PORTFOLIO'S ALLOCATION HISTORY (%) <sup>+</sup> |       |       |       |
|--|--|---|---|-------|-------|-------|
|  |  |   | 09/19   | 06/19 | 03/19 | 12/18 |
| • Universe of dividend paying companies is identified  |  | 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.  | U.S. Stocks                                     | 0     | 84    | 0     |
| • Quantitative screening utilizing valuation metrics as well as fundamental characteristics is performed to identify candidates                                    |  | Investing in securities entails risks, including: 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. Value investing involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. 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. Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. If a strategy expects to hold a concentrated portfolio of a limited number of securities, it should be noted that a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than that of a less concentrated portfolio. | Non-U.S. Stocks                                 | 0     | 11    | 0     |
| • In depth proprietary research is performed on the candidates.  |  |   | MLPs & REITS                                    | 0     | 4     | 0     |
| • Candidates they believe are undervalued are presented to the Portfolio Management Team and may be included in the portfolio with an affirmative vote of the Team |  |   | Cash/Cash Equivalents                           | 0     | 1     | 0     |
| • Trades are executed across accounts.   |  |   |   |       |       |       |

<sup>^</sup>As of 09/30/2018. Information as of 09/30/2019 is not yet available.

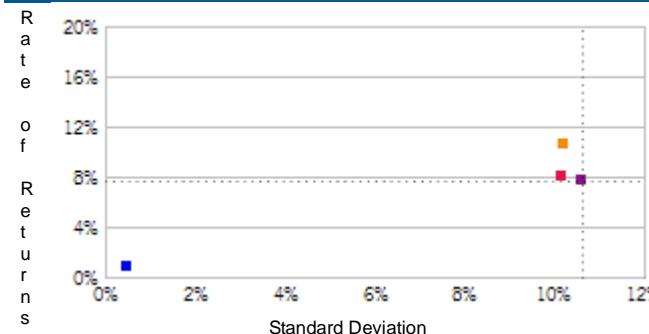
<sup>^^</sup>As of 06/30/2016. Information as of 09/30/2019 is not yet available.

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

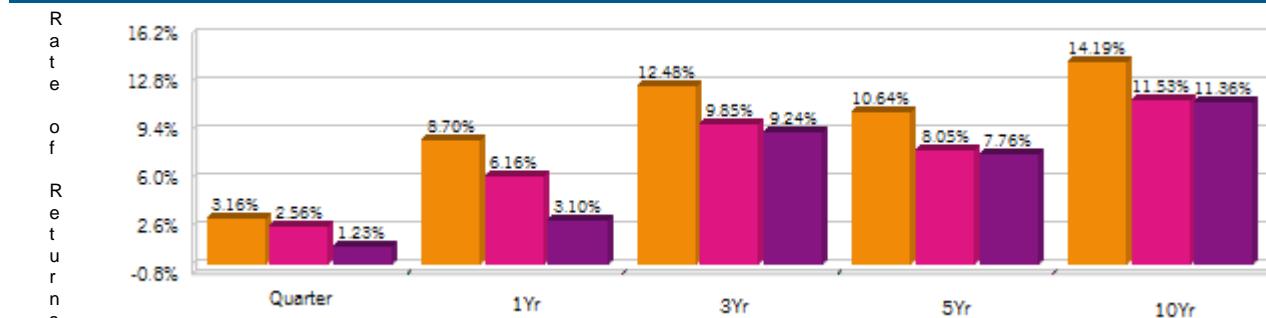
<sup>2</sup>Total may not equal 100% due to rounding.

<sup>3</sup>\*\*Index : Russell 3000 VI

## RISK/RETURN ANALYSIS - 5 YEARS ENDING 09/30/19



## AVERAGE ANNUAL TOTAL RETURN (%) - PERIODS ENDING 09/30/19

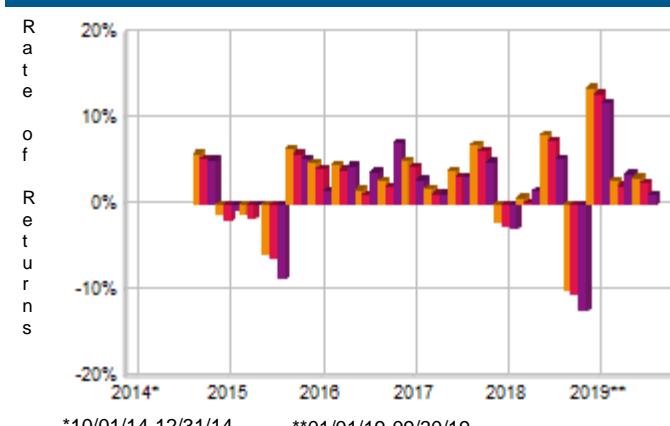


|                        | STD   | ROR   |
|------------------------|-------|-------|
| ThomasPartners (Gross) | 10.18 | 10.64 |
| ThomasPartners (Net)   | 10.14 | 8.05  |
| Russell 3000 VI        | 10.61 | 7.76  |
| 90-Day T-Bills         | 0.46  | 0.95  |

## INVESTMENT RESULTS

|                        | Annual Rates of Return (%) |       |       |       |       |       |       |       | 10 Year - Ending 09/30/19 |       |        |           |
|------------------------|----------------------------|-------|-------|-------|-------|-------|-------|-------|---------------------------|-------|--------|-----------|
|                        | 2009                       | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017                      | 2018  | Annual | Std. Dev. |
| ThomasPartners (Gross) | 19.86                      | 16.15 | 8.92  | 13.18 | 30.38 | 18.97 | -1.65 | 14.89 | 19.15                     | -3.60 | 14.19  | 11.42     |
| ThomasPartners (Net)   | 17.06                      | 13.45 | 6.41  | 10.55 | 27.38 | 16.14 | -3.95 | 12.15 | 16.36                     | -5.87 | 11.53  | 11.38     |
| Russell 3000 VI        | 19.76                      | 16.23 | -0.10 | 17.54 | 32.69 | 12.68 | -4.13 | 18.40 | 13.19                     | -8.58 | 11.36  | 13.06     |

## RISK VOLATILITY (%)



\*10/01/14-12/31/14

\*\*01/01/19-09/30/19

## PORTFOLIO'S QUARTERLY RETURNS (%)

|      | Quarter1 |        | Quarter2 |       | Quarter3 |        | Quarter4 |        |
|------|----------|--------|----------|-------|----------|--------|----------|--------|
|      | Gross    | Net    | Gross    | Net   | Gross    | Net    | Gross    | Net    |
| 2009 | -12.80   | -13.36 | 11.77    | 11.14 | 13.31    | 12.68  | 8.53     | 7.89   |
| 2010 | 3.29     | 2.65   | -7.49    | -8.04 | 12.59    | 11.97  | 7.96     | 7.34   |
| 2011 | 4.97     | 4.35   | 2.37     | 1.78  | -9.86    | -10.41 | 12.44    | 11.83  |
| 2012 | 7.49     | 6.85   | -0.32    | -0.89 | 5.46     | 4.85   | 0.16     | -0.44  |
| 2013 | 11.77    | 11.14  | 2.35     | 1.74  | 3.62     | 3.03   | 9.98     | 9.34   |
| 2014 | 0.49     | -0.14  | 12.10    | 11.45 | -0.35    | -0.96  | 5.99     | 5.37   |
| 2015 | -1.15    | -1.76  | -1.02    | -1.61 | -5.66    | -6.22  | 6.55     | 5.96   |
| 2016 | 4.88     | 4.24   | 4.71     | 4.09  | 1.77     | 1.17   | 2.79     | 2.16   |
| 2017 | 5.10     | 4.48   | 1.89     | 1.28  | 3.97     | 3.36   | 7.02     | 6.39   |
| 2018 | -2.01    | -2.57  | 0.84     | 0.23  | 8.17     | 7.55   | -9.81    | -10.38 |
| 2019 | 13.63    | 13.00  | 2.81     | 2.21  | 3.16     | 2.56   |          |        |

Related

Select UMA

## PORTFOLIO'S RISK STATISTICS - PERIODS ENDING 09/30/19<sup>1,2</sup>

|  | 3 Year | 5 Year |
|--|--------|--------|
| Standard Deviation                         | 11.39% | 10.18% |
| Standard Deviation of Primary<br>Benchmark | 11.72% | 10.61% |
| Sharpe Ratio                               | 0.96   | 0.95   |
| Sharpe Ratio of Primary<br>Benchmark       | 0.66   | 0.64   |
| Alpha                                      | 3.72%  | 3.45%  |
| Beta                                       | 0.91   | 0.89   |
| Downside Risk                              | 2.78%  | 2.39%  |
| R-Squared                                  | 0.88   | 0.87   |
| Tracking Error                             | 4.04%  | 3.82%  |
| Information Ratio                          | 0.80   | 0.75   |

Number Of Up Qtrs. Down Qtrs.

|                        |    |   |
|------------------------|----|---|
| ThomasPartners (Gross) | 15 | 5 |
| ThomasPartners (Net)   | 15 | 5 |
| Russell 3000 VI        | 16 | 4 |

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

ThomasPartners vs. Russell 3000 VI  $R^2$  0.84

+Statistics are calculated using gross of fee performance only.

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

2. Russell 3000 VI 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.

If this profile shows related performance, see the section titled "Related Performance" in the disclosures for important information about the performance shown prior to the inception of the Morgan Stanley Select UMA Program. The subsequent pages contain important disclosures and a glossary of terms. Information as of September 30, 2019, unless otherwise noted and is subject to change. Page 3 of 7

## IMPORTANT NOTES AND DISCLOSURES

### COMPOSITE DISCLOSURES

The disclosures provided below apply to performance information in this profile, if any. Past performance is not a 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 achieve its intended results under all market conditions. Do not rely upon 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 calendar 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. No representation is being made that any portfolio will or is likely to achieve profits or losses similar to those shown. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Performance shown does not reflect the impact of fees and expenses of the underlying mutual fund and ETFs, as applicable.

**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) may include one or more of the following: (i) the performance results of a composite of Morgan Stanley accounts managed by the third party investment manager, (ii) the performance results for accounts and investment products managed by the third party investment manager, in the same or a substantially similar investment strategy outside of the applicable Morgan Stanley program, and/or (iii) in the case of Model Portfolio Strategies, the Model Portfolio Provider's results in managing accounts outside of the Morgan Stanley Select UMA program prior to Model Portfolio Strategy's inception in the Morgan Stanley Select UMA program. For periods through June 2012, the Fiduciary Services program operated through two channels – the 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.) Please note that the Fiduciary Services program was closed on January 2, 2018. Although the Fiduciary Services and Select UMA programs are both Morgan Stanley managed account programs, the performance results and other features of similar investment strategies in the two programs may differ due to investment and operational differences. Performance in one program is not indicative of potential performance in the other. For example, the individual investment strategies in Select UMA program 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. In addition, any performance results included in this profile that are based on a third party investment manager's accounts that are not part of the Morgan Stanley program accounts or institutional accounts that are part of the Model Portfolio strategy may differ due to investment and operational differences as well. As such, performance results of the third party investment manager's composites and the third party Model Portfolio Strategies may differ from those of Select UMA accounts managed in the same or a substantially similar investment strategy. For example, in the case of Model Portfolio Strategies, Morgan Stanley, as the investment manager, may deviate from the Third Party Model Portfolios.

### Related Performance:

The performance composite calculated by ThomasPartners includes all fully discretionary, non- restricted accounts deemed fully managed at the end of the prior month, for at least one full month. Composites are total returns, that assumes reinvestment of dividends and capital gains as well as no reductions for U.S. taxes. Both taxable and tax-exempt portfolios are included. The ThomasPartners composite net of fee performance is presented after the actual deduction of investment advisory fees and before the deduction of transaction costs. Please see the enclosed GIPS Disclosures for composite information gross of investment advisory fees and after the deduction of

### Morgan Stanley Performance:

The composite consists of 61 account(s) with a market value of **\$21.2 million** as of **09/30/2019**. In this profile, the performance from October 1, 2008 through June 30, 2012 consists of accounts managed by the investment manager in this strategy in either the Morgan Stanley or the Smith Barney form of the Fiduciary Services program. From July 1, 2012 through December 31, 2015, performance consists of all Fiduciary Services (FS) accounts managed by the investment manager in this strategy, subject to any other limitations stated in this profile. From January 1, 2016, performance consists of the performance of all FS accounts (as described in the previous sentence) as well as the performance of all single style Select UMA accounts managed by the investment manager in this strategy, subject to any other limitations stated in this profile. Performance composites calculated by Morgan Stanley include all fee-paying portfolios with no investment restrictions. New accounts are included beginning with the second full calendar month of performance. Terminated accounts are removed in the month in which they terminate (but prior performance of terminated accounts is retained). Performance is calculated on a total return basis and by asset weighting the individual portfolio returns using the beginning of period values.

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

**Net Performance for all Periods:** Net performance results reflect a deduction of 0.5975% quarterly. This consists of three components: 0.5% maximum quarterly MS Advisory Fee and 0.0175% maximum quarterly Program Overlay Fee (which, together cover the services provided by Morgan Stanley), plus 0.08% quarterly SMA Manager Fees (being the fee currently charged by ThomasPartners 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 October 1, 2018. 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. **MLP and other Partnership Investments in IRA/Retirement Plan and other Tax Exempt CG Accounts:** For the reasons outlined below, where an otherwise tax exempt account (such as an IRA, qualified retirement plan, charitable organization, or other tax exempt or deferred account) is invested in a pass through entity (such as a master limited partnership), the income from such entity may be subject to taxation, and additional tax filings may be required. Further, the tax advantages associated with these investments are generally not realized when held in a tax-deferred or tax exempt account. Please consult your own tax advisor, and consider any potential tax liability that may result from such an investment in an otherwise tax exempt account. Earnings generated inside most qualified retirement plans, including defined benefit pension plans, defined contribution plans and individual retirement accounts (IRAs), are generally exempt from federal income taxes, however, certain investments made by such retirement plans may generate taxable income referred to as **unrelated business taxable income** (UBTI) that is subject to taxation at trust rates. Generally, passive types of income (when not financed with debt) such as dividends, interest, annuities, royalties, most rents from real property, and gains from the sale, exchange or other disposition of property (other than inventory or property held for sale in the ordinary course of a trade or business) do not generate UBTI. Active income associated with operating a trade or business, however, may constitute UBTI to an otherwise tax exempt investor such as a qualified retirement plan. In addition, UBTI may also be received as part of an investor's allocable share of active income generated by a pass-through entity, such as partnerships (including limited partnerships and master limited partnerships), certain trusts, subchapter S corporations, and limited liability companies that are treated as disregarded entities, partnerships, or subchapter S corporations for federal income tax purposes. If more than \$1,000 of unrelated trade or business gross income is generated in a tax year, the retirement plan's custodian or fiduciary (on behalf of the retirement plan) must file an Exempt Organization Business Income Tax Return, Form 990-T. With respect to an individual investing through an IRA, in calculating the threshold amount and the retirement plan's UBTI for the year, each IRA is generally treated as a separate taxpayer, even if the same individual is the holder of multiple IRAs. The passive activity loss limitation rules also apply for purposes of calculating a retirement plan's UBTI, potentially limiting the amount of losses that can be used to offset the retirement plan's income from an unrelated trade or business each year. It should be noted that these rules are applied to publicly traded partnerships, such as master limited partnerships, on an entity-by-entity basis, meaning that the passive activity losses generated by one master limited partnership generally can only be used to offset the passive activity income (including unrelated traded or business income) from the same master limited partnership. The passive activity losses generated by one master limited partnership generally cannot be used to offset income from another master limited partnership (or any other source). The disallowed losses are suspended and carried forwarded to be used in future years to offset income generated by that same master limited partnership. However, once the retirement plan disposes of its entire interest in the master limited partnership to an unrelated party, the suspended losses can generally be used to offset any unrelated trade or business income

generated inside the retirement plan (including recapture income generated on the sale of the master limited partnership interest, as well as income generated by other master limited partnerships). In calculating the tax, trust tax rates are applied to the retirement plan's UBTI (i.e., unrelated trade or business gross income less any applicable deductions, including the \$1,000 specific deduction). In addition to the passive loss limitation rules noted above, other limitations may apply to the retirement plan's potential tax deductions. In order to file Form 990-T, the retirement plan is required to obtain an Employer Identification Number (EIN) because the plan (and not the plan owner or fiduciary) owes the tax. State and local income taxes may also apply. Accordingly, retirement plan investors (and their fiduciaries) should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments. Similar rules apply to other tax-exempt organizations (e.g., charitable and religious organizations), except that certain differences may apply. For instance, the UBTI of most other tax-exempt organizations is taxable at corporate rates, unless the organization is one that would be taxed as a trust if it were not tax-exempt in which case its UBTI is taxable at trust rates. Also, the passive activity loss limitation rules do not apply to all tax-exempt organizations. Tax-exempt investors should consult their tax and legal advisors regarding the federal, state, and local income tax implications of their investments. Document approval date October 2014.

#### 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 or 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*

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#### *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 3000 VI

The Russell 3000 Value Index is representative of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value Index or the Russell 2000 Value 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 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 (\$0.50 - \$2.5 billion) and Micro (below \$.50 billion).

**Distribution Rate** is defined as the most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and /or returns of capital.

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

**Dividend Yield** annual dividend per share divided by price per share. Dividend Yield for the portfolio is a weighted average of the results for the individual stocks in the portfolio.

**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.