Graystone Consulting

QUARTERLY PERFORMANCE EVALUATION

Prepared for:

Pompano Beach Police & Firefighters' Retirement System DROP

As of September 30, 2018

Graystone Consulting Tampa

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Section 1 – Executive Summary

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Pompano Beach Police & Firefighters' DROP Plan
Executive Summary for 3rd Quarter 2018

Fund Distribution Summary (details in section 3)

- Assets were $16,238,241.
- This is a net increase of $268,958 from last quarter.
- 2.03% invested in the Money Market Option.
- 83.64% invested in the Pension Fund Return Option.

Investment Options Menu (details in section 3)

- 20 total available investment options, including the pension fund option.
- Four funds are being replaced this quarter:

Terminated Fund	New Fund
AMG Managers Fairpointe Mid Cap I	Vanguard Mid Cap Index Admiral
Neuberger Berman Genesis Adv	Vanguard Small Cap Index Admiral
PIMCO Total Return A	Western Asset Core Plus Bond I
Goldman Sachs High Yield Instl	Blackrock High Yield Bond I

Compliance Checklist (details in sections 4)

- Three funds did not meet our investment policy criteria (IPS).

Funds on Watch:

- Vanguard Mid Cap Index Adm (On Watch – 55%) – 1 Quarter on Watch
- Thornburg International Value (Replace – 25%) – 2 Quarters on Watch – Search Recommended
- Prudential Global Real Estate (Possible Replacement – 45%) – 7 Quarters on Watch – Search Recommended

Section 2 – Market Commentary

Capital Markets Overview: 3Q 2018

Introduction

As of 3Q 2018

- The summer of 2018 generally passed quietly in financial markets, with the S&P 500 not registering a single 1% move in the third quarter as the index reached new all-time highs. U.S. and international markets performance continued to diverge, especially in emerging markets. This was driven, in part, by geopolitical tensions and partly by increasingly positive economic data coming out of the US, epitomized by the 4.2% GDP growth in 2Q 2018. CIO and MS & Co.'s Chief US Equity Strategist, Mike Wilson, maintains his price target of 2,750 for the S&P 500 and expects limited upside for equities in the near term, emphasizing recent defensive leadership will likely continue into year end.

- US equities generated positive returns in the third quarter, as the S&P 500 rose 7.71% and all 11 sectors finished in the black. Health Care led the way, jumping 14.53% as investors rotated into the traditionally defensive sector. It was followed by Industrials and Communication Services (formerly Telecoms), which increased by 10.0% and 9.94%, respectively. Materials were the greatest laggards, gaining only 0.36%. They were followed closely by Energy, which gained only 0.61%. Other major US indices were positive on the quarter; the Dow Jones rose 9.63% and the NASDAQ returned 7.42%.

- International underperformance continued in the third quarter, as divergences in US and world economic data widened. Emerging markets currencies remained under pressure, and the sell-off in China deepened. The MSCI EAFE Index (a benchmark for international developed markets) rose just 1.42% for US-currency investors. In the third quarter, the MSCI Emerging Markets Index dropped 0.95% for US-currency investors as weaknesses in China, Turkey, and Argentina were amplified by the continued strength of the dollar. The MSCI Europe Index rose 0.84% for US-currency investors, while MSCI Japan rose 3.81%. Japanese equity indices such as the Nikkei and TOPIX have now returned to highs not seen since 1991.

- The bond market registered basically flat returns during the third quarter. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 0.02%.

- Morgan Stanley & Co. economists expect US real GDP will be 2.9% in 2018, amid an environment of 3.8% global GDP growth.

- Commodities were down in the third quarter; the Bloomberg Commodity Index lost 2.53%.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2018

The US Economy

As of 3Q 2018 (with most recent data available)

The Bureau of Economic Analysis estimated that real Gross Domestic Product increased at an annual rate of 4.2% in 2Q18, in comparison to a 2.2% increase in 1Q18. Morgan Stanley & Co. economists forecast US Real GDP growth will be 2.9% in 2018 and 2.4% in 2019.

The seasonally adjusted unemployment rate for August 2018 was 3.9%. Job gains occurred in construction, professional and business services, health care, and retail. The number of unemployed was 6.2 million in August, up slightly from 6.1 million in May of this year. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.3 million, an increase of around 100,000 from May. These individuals accounted for 21.5% of the unemployed vs. 19.4% at the end of last quarter.

According to the most recent data from the Federal Reserve Bank of St. Louis, corporate profits increased 2.4% quarter over quarter and are up 16.1% year over year as of Q2 2018.

Inflation increased in the US, according to the Bureau of Labor Statistics. The year-over-year Consumer Price Index was 2.7% in August, up from the 2.2% figure in February. Morgan Stanley & Co. economists forecast a 2.5% annual inflation rate for 2018 and 2.1% for 2019.

The Census Bureau reported that the number of new private-sector housing starts in August 2018 was at a seasonally adjusted annual rate of 1,282,000—5.5% below housing starts this time last year.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased at 6.6% year over year in August. Consumer confidence increased in 3Q18, with Conference Board Consumer Confidence reading 138.4 in August, the highest level it has been since 2000.

In August, the Institute for Supply Management's (ISM) Purchasing Managers Index (PMI), a manufacturing sector index, arrived at 61.3, up 1.8% from June's reading of 60.2, and its highest reading since 1987. Generally speaking, a PMI or NMI (ISM Non-Manufacturing Index) over 50 indicates that the sector is expanding, and a PMI below 50 but over 43 indicates that the sector is shrinking but the overall economy is expanding. PMI has registered above 50 for 29 out of the last 32 months, indicating an expansion in manufacturing since March 2016. Overall, PMI has been above 43 for 110 consecutive months, indicating overall economic recovery and expansion since June 2009.

The ISM's Non-Manufacturing Index (NMI) for August was 58.5—0.1 points lower than in May 2018. The index has now been above 50 for 103 consecutive months, indicating non-manufacturing expansion since February 2010.

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Federal Reserve Bank of St. Louis, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2018

US Equity Markets

As of 3Q 2018

The Dow Jones Industrial Average gained 9.63% in the second quarter, while the NASDAQ Composite Index was up 7.42%. The S&P 500 Index rose 7.71% over the same period.

Every sector was up on a total return basis in 3Q18. Health Care led the way, jumping 14.53% as investors rotated into the traditionally defensive sector. It was followed by Industrials and Communication Services (formerly Telecoms), which increased by 10.0% and 9.94%, respectively. Materials were the greatest laggards, gaining only 0.36%. They were followed closely by Energy, which gained only 0.61%.

The Russell 1000, a large-cap index, increased 7.42% for the quarter, with large-cap growth (+9.17%) outperforming large-cap value (+5.70%).

The Russell Midcap gained 5.00% on the quarter, with mid-cap growth (+7.57%) outperforming mid-cap value (+3.30%).

The Russell 2000, a small-cap index, appreciated 3.58% for the quarter, with small-cap growth (+5.50%) outperforming small-cap value (+1.60%).

Key US Stock Market Index Returns (%) for the Period Ending 9/28/2018

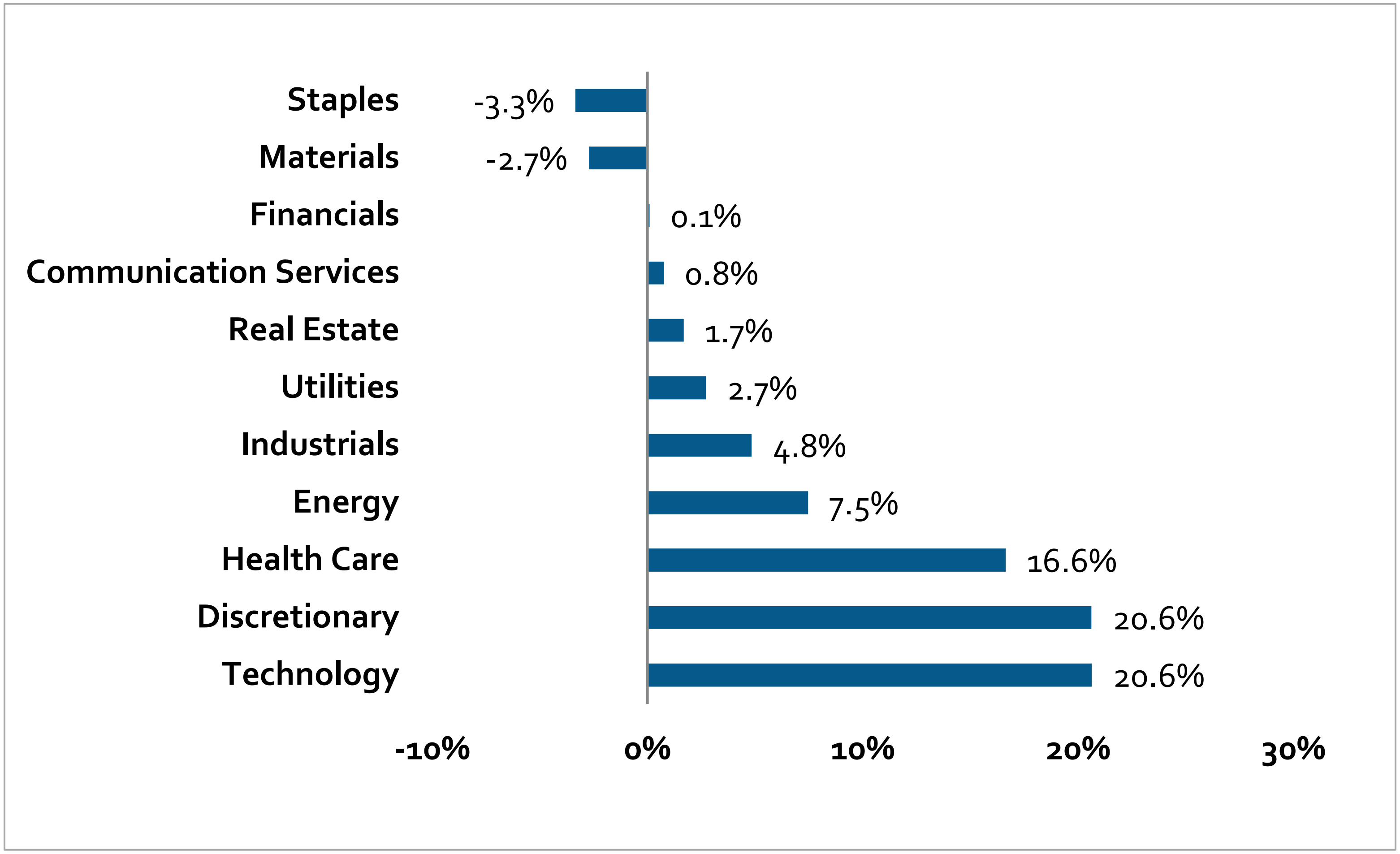
INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized
S&P 500	7.71%	18.35%	13.80%	16.61%
Dow Jones	9.63%	20.89%	14.37%	16.19%
Russell 2000	3.58%	15.41%	11.06%	16.22%
Russell Midcap	5.00%	14.41%	11.58%	15.70%
Russell 1000	7.42%	18.19%	13.53%	16.59%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

S&P 500 Sectors

YTD 2018 Total Return

As of September 28, 2018



Source: Bloomberg

Capital Markets Overview: 3Q 2018

Global Equity Markets

As of 3Q 2018

International underperformance continued in the third quarter, as divergences in US and world economic data widened. Emerging markets currencies remained under pressure, and the sell-off in China deepened. The MSCI EAFE Index (a benchmark for international developed markets) rose just 1.42% for US-currency investors.

In the third quarter, the MSCI Emerging Markets Index dropped 0.95% for US-currency investors as weaknesses in China, Turkey, and Argentina were amplified by the continued strength of the dollar. The MSCI Europe Index rose 0.84% for US-currency investors, while MSCI Japan rose 3.81%. Japanese equity indices such as the Nikkei and TOPIX have now returned to highs not seen since 1991.

The S&P 500 Index gained 7.71% for the quarter.

Emerging economy equity market indices were down further in the third quarter. The MSCI BRIC (Brazil, Russia, India and China) Index fell 4.02% in US dollar terms, while the MSCI EM Asia Index was down 2.74%.

Key Global Stock Market Index Returns (%) for the Period Ending 9/28/2018

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
MSCI EAFE	1.42%	3.80%	4.70%	8.56%
MSCI EAFE Growth	1.57%	6.80%	5.84%	9.36%
MSCI EAFE Value	1.26%	0.79%	3.49%	7.69%
MSCI Europe	0.84%	1.10%	4.17%	8.64%
MSCI Japan	3.81%	10.57%	6.69%	8.98%
S&P 500	7.71%	18.35%	13.80%	16.61%
MSCI Emerging Markets	-0.95%	0.43%	3.73%	5.22%

Source: FactSet, Bloomberg, Morgan Stanley Wealth Management GIC

Capital Markets Overview: 3Q 2018

The US Bond Market

As of 3Q 2018

The bond market registered basically flat returns during the third quarter. The Bloomberg Barclays US Aggregate Bond Index, a general measure of the bond market, rose 0.02%.

Interest rates increased during the third quarter, as the yield on the 10-year US Treasury note increased to a quarter-end 3.06% from 2.86% at the end of June. During the final week of the quarter, the yield approached 3.10%, challenging the cycle-high of 3.11% before fading slightly.

Riskier parts of the bond market such as US high yield debt fared better in the third quarter. The Bloomberg Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, gained 2.40%.

Mortgage-backed had slight losses in the third quarter. The Bloomberg Barclays Capital Mortgage-Backed Securities Index fell 0.12%. Municipal bonds were also down slightly; the Bloomberg Barclays Capital Muni Index saw losses of 0.15%.

Key US Bond Market Index Returns (%) for the Period Ending 9/28/2018

INDEX IN USD	Quarter	12 Months	5-Years (Annualized)	7-Years (Annualized)
Bloomberg Barclays Capital US Aggregate	0.02%	-1.22%	2.16%	2.07%
Bloomberg Barclays Capital High Yield	2.40%	3.12%	5.50%	7.44%
Bloomberg Barclays Capital Government/Credit	0.03%	-1.41%	2.17%	2.11%
Bloomberg Barclays Capital Government	-0.59%	-1.66%	1.34%	1.14%
Bloomberg Barclays Capital Intermediate Govt/Credit	0.20%	-1.06%	1.51%	1.64%
Bloomberg Barclays Capital Long Govt/Credit	-0.47%	-2.46%	5.14%	4.21%
Bloomberg Barclays Capital Mortgage Backed Securities	-0.12%	-0.95%	2.02%	1.80%
Bloomberg Barclays Capital Muni	-0.15%	0.34%	3.54%	3.35%

Source: FactSet, Bloomberg, Morgan Stanley & Co. Research, Morgan Stanley Wealth Management GIC

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These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. 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As a diversified global financial services firm, Morgan Stanley Wealth Management engages in a broad spectrum of activities including financial advisory services, investment management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication, and other activities. In the ordinary course of its business, Morgan Stanley Wealth Management therefore engages in activities where Morgan Stanley Wealth Management's interests may conflict with the interests of its clients, including the private investment funds it manages. Morgan Stanley Wealth Management can give no assurance that conflicts of interest will be resolved in favor of its clients or any such fund. Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

While the HFRI indices are frequently used, they have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways.

It should be noted that the majority of hedge fund indexes are comprised of hedge fund manager returns. This is in contrast to traditional indexes, which are comprised of individual securities in the various market segments they represent and offer complete transparency as to membership and construction methodology. As such, some believe that hedge fund index returns have certain biases that are not present in traditional indexes. Some of these biases inflate index performance, while others may skew performance negatively. However, many studies indicate that overall hedge fund index performance has been biased to the upside. Some studies suggest performance has been inflated by up to 260 basis points or more annually depending on the types of biases included and the time period studied. Although there are numerous potential biases that could affect hedge fund returns, we identify some of the more common ones throughout this paper.

Self-selection bias results when certain manager returns are not included in the index returns and may result in performance being skewed up or down. Because hedge funds are private placements, hedge fund managers are able to decide which fund returns they want to report and are able to opt out of reporting to the various databases. Certain hedge fund managers may choose only to report returns for funds with strong returns and opt out of reporting returns for weak performers. Other hedge funds that close may decide to stop reporting in order to retain secrecy, which may cause a downward bias in returns.

Survivorship bias results when certain constituents are removed from an index. This often results from the closure of funds due to poor performance, "blow ups," or other such events. As such, this bias typically results in performance being skewed higher. As noted, hedge fund index performance biases can result in positive or negative skew. However, it would appear that the skew is more often positive. While it is difficult to quantify the effects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artificial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualified private and institutional investors. They are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lockups. They involve complex tax structures, tax-inefficient investing and delays in distributing important tax information. Categorically, hedge funds and funds of funds have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Funds of funds have an additional layer of fees over and above hedge fund fees that will offset returns. An investment in an **exchange-traded fund** involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock and bond prices. An investment in a **target date portfolio** is subject to the risks attendant to the underlying funds in which it invests, in these portfolios the funds are the Consulting Group Capital Market funds. A target date portfolio is geared to investors who will retire and/or require income at an approximate year. The portfolio is managed to meet the investor's goals by the pre-established year or "target date." A target date portfolio will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the target date portfolio is not guaranteed at any time, including, before or after the target date is reached. **Managed futures** investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest, and are suitable only for the risk capital portion of an investor's portfolio. Managed futures investments do not replace equities or bonds but rather may act as a complement in a well diversified portfolio. Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. **Asset allocation and diversification** do not assure a profit or protect against loss in declining financial markets. Past performance is no guarantee of future results. Actual results may vary.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not "fiduciaries" (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise provided in writing by Morgan Stanley and/or as described at www.morganstanley.com/disclosures/dol. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustration purposes only and do not show the performance of any specific investment. Reference to an index does not imply that the portfolio will achieve return, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility, or tracking error target, all of which are subject to change over time.

This material is not a financial plan and does not create an investment advisory relationship between you and your Morgan Stanley Financial Advisor. We are not your fiduciary either under the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code of 1986, and any information in this report is not intended to form the primary basis for any investment decision by you, or an investment advice or recommendation for either ERISA or Internal Revenue Code purposes. Morgan Stanley Private Wealth Management will only prepare a financial plan at your specific request using Private Wealth Management approved financial planning signature.

We may act in the capacity of a broker or that of an advisor. As your broker, we are not your fiduciary and our interests may not always be identical to yours. Please consult with your Private Wealth Advisor to discuss our obligations to disclose to you any conflicts we may from time to time have and our duty to act in your best interest. We may be paid both by you and by others who compensate us based on what you buy. Our compensation, including that of your Private Wealth Advisor, may vary by product and over time.

Investment and services offered through Morgan Stanley Private Wealth Management, a division of Morgan Stanley Smith Barney LLC, Member SIPC.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK

DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

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For index, indicator and survey definitions referenced in this report please visit the following: http://www.morganstanleyfa.com/public/projectfiles/id.pdf

GLOBAL INVESTMENT COMMITTEE (GIC) ASSET ALLOCATION MODELS: The Asset Allocation Models are created by Morgan Stanley Wealth Management's GIC.

HYPOTHETICAL MODEL PERFORMANCE (GROSS): Hypothetical model performance results do not reflect the investment or performance of an actual portfolio following a GIC Strategy, but simply reflect actual historical performance of selected indices on a real-time basis over the specified period of time representing the GIC's strategic and tactical allocations as of the date of this report. The past performance shown here is simulated performance based on benchmark indices, not investment results from an actual portfolio or actual trading. There can be large differences between hypothetical and actual performance results achieved by a particular asset allocation or trading strategy. Hypothetical performance results do not represent actual trading and are generally designed with the benefit of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specific factors (such as investment vehicle selection, timing of contributions and withdrawals, restrictions and rebalancing schedules). Clients would not necessarily have obtained the performance results shown here if they had invested in accordance with any GIC Asset Allocation Model for the periods indicated. Despite the limitations of hypothetical performance, these hypothetical performance results allow clients and Financial Advisors to obtain a sense of the risk/return trade-off of different asset allocation constructs. The hypothetical performance results in this report are calculated using the returns of benchmark indices for the asset classes, and not the returns of securities, fund or other investment products. Models may contain allocations to Hedge Funds, Private Equity and Private Real Estate. The benchmark indices for these asset classes are not issued on a daily basis. When calculating model performance on a day for which no benchmark index data is issued, we have assumed straight line growth between the index levels issued before and after that date.

FEES REDUCE THE PERFORMANCE OF ACTUAL ACCOUNTS: None of the fees or other expenses (e.g. commissions, mark-ups, mark-downs, fees) associated with actual trading or accounts are reflected in the GIC Asset Allocation Models. The GIC Asset Allocation Models and any model performance included in this presentation are intended as educational materials. Were a client to use these models in connection with investing, any investment decisions made would be subject to transaction and other costs which, when compounded over a period of years, would decrease returns. Information regarding Morgan Stanley's standard advisory fees is available in the Form ADV Part 2, which is available at www.morganstanley.com/adv. The following hypothetical illustrates the compound effect fees have on investment returns: For example, if a portfolio's annual rate of return is 15% for 5 years and the account pays 50 basis points in fees per annum, the gross cumulative five-year return would be 101.1% and the five-year return net of fees would be 96.8%. Fees and/or expenses would apply to clients who invest in investments in an account based on these asset allocations, and would reduce clients' returns. The impact of fees and/or expenses can be material.

Variable annuities are long-term investments designed for retirement purposes and may be subject to market fluctuations, investment risk, and possible loss of principal. All guarantees, including optional benefits, are based on the financial strength and claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. Optional riders may not be able to be purchased in combination and are available at an additional cost. Some optional riders must be elected at time of purchase. Optional riders may be subject to specific limitations, restrictions, holding periods, costs, and expenses as specified by the insurance company in the annuity contract. If you are investing in a **variable annuity** through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the variable annuity. Under these circumstances, you should only consider buying a variable annuity because of its other features, such as lifetime income payments and death benefits protection. Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may be subject to a 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value.

Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fixed income** asset class is comprised of fixed income securities with high quality, very short maturities. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

Master Limited Partnerships (MLPs) are limited partnerships or limited liability companies that are taxed as partnerships and whose interests (limited partnership units or limited liability company units) are traded on securities exchanges like shares of common stock. Currently, most MLPs operate in the energy, natural resources or real estate sectors. Investments in MLP interests are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity pricing risk, supply and demand risk, depletion risk and exploration risk. Individual MLPs are publicly traded partnerships that have unique risks related to their structure. These include, but are not limited to, their reliance on the capital markets to fund growth, adverse ruling on the current tax treatment of distributions (typically mostly tax deferred), and commodity volume risk. The potential tax benefits from investing in MLPs depend on their being treated as partnerships for federal income tax purposes and, if the MLP is deemed to be a corporation, then its income would be subject to federal taxation at the entity level, reducing the amount of cash available for distribution to the fund which could result in a reduction of the fund's value. MLPs carry interest rate risk and may underperform in a rising interest rate environment. MLP funds accrue deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investments; this deferred tax liability is reflected in the daily NAV, and, as a result, the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention. **Physical precious metals** are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be suitable for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

REITs investing risks are similar to those associated with direct investments in real estate: property value fluctuations, lack of liquidity, limited diversification and sensitivity to economic factors such as interest rate changes and market recessions. Risks of **private real estate** include: illiquidity; a long-term investment horizon with a limited or nonexistent secondary market; lack of transparency; volatility (risk of loss); and leverage. Principal is returned on a monthly basis over the life of a **mortgage-backed security.** Principal prepayment can significantly affect the monthly income stream and the maturity of any type of MBS, including standard MBS, CMOs and Lottery Bonds. **Asset-backed securities** generally decrease in value as a result of interest rate increases, but may benefit less than other fixed-income securities from declining interest rates, principally because of prepayments.

Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision. **Credit ratings** are subject to change. **Duration**, the most commonly used measure of bond risk, quantifies the effect of changes in interest rates on the price of a bond or bond portfolio. The longer the duration, the more sensitive the bond or portfolio would be to changes in interest rates. The majority of $25 and $1000 par **preferred securities** are "callable" meaning that the issuer may retire the securities at specific prices and dates prior to maturity. Interest/dividend payments on certain preferred issues may be deferred by the issuer for periods of up to 5 to 10 years, depending on the particular issue. The investor would still have income tax liability even though payments would not have been received. Price quoted is per $25 or $1,000 share, unless otherwise specified. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **floating-rate security** may be lower than that of a fixed-rate security of the same maturity because investors expect to receive additional income due to future increases in the floating security's underlying reference rate. The reference rate could be an index or an interest rate. However, there can be no assurance that the reference rate will increase. Some floating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fluctuate and after purchase may be worth more or less than original cost. If sold prior to maturity, investors may receive more or less than their original purchase price or maturity value, depending on market conditions. Callable bonds may be redeemed by the issuer prior to maturity. Additional call features may exist that could affect yield. Some $25 or $1000 **par preferred securities** are QDI (Qualified Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifies for a reduced tax rate. Many traditional 'dividend paying' perpetual preferred securities (traditional preferreds with no maturity date) are QDI eligible. In order to qualify for the preferential tax treatment all qualifying preferred securities must be held by investors for a minimum period – 91 days during a 180 day window period, beginning 90 days before the ex-dividend date.

Companies paying **dividends** can reduce or cut payouts at any time.

Nondiversification: For a portfolio that holds a concentrated or limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. The **indices selected by Morgan Stanley Wealth Management** to measure performance are representative of broad asset classes. Morgan Stanley Wealth Management retains the right to change representative indices at any time. Because of their narrow focus, **sector investments** tend to be more volatile than investments that diversify across many sectors and companies.

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.

Any type of **continuous or periodic investment plan** does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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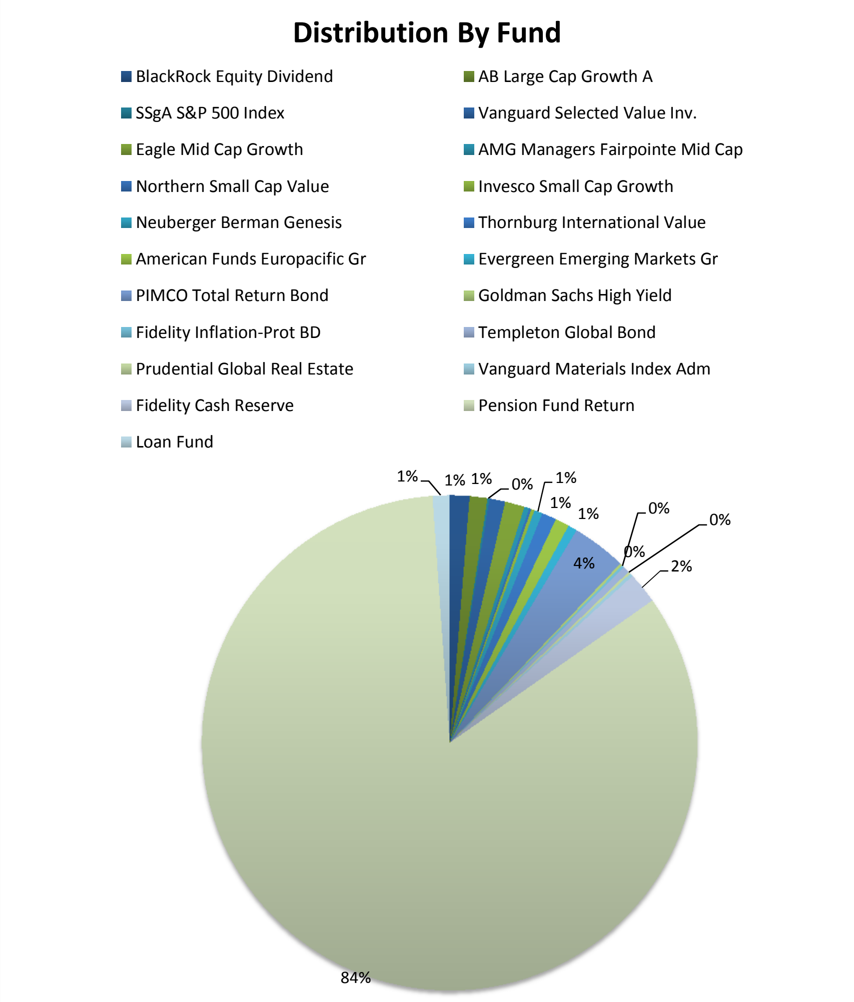
Section 3 – Plan Composition

Pompano Beach Police & Firefighters' DROP Plan
Investment Distribution Summary
As of September 30, 2018

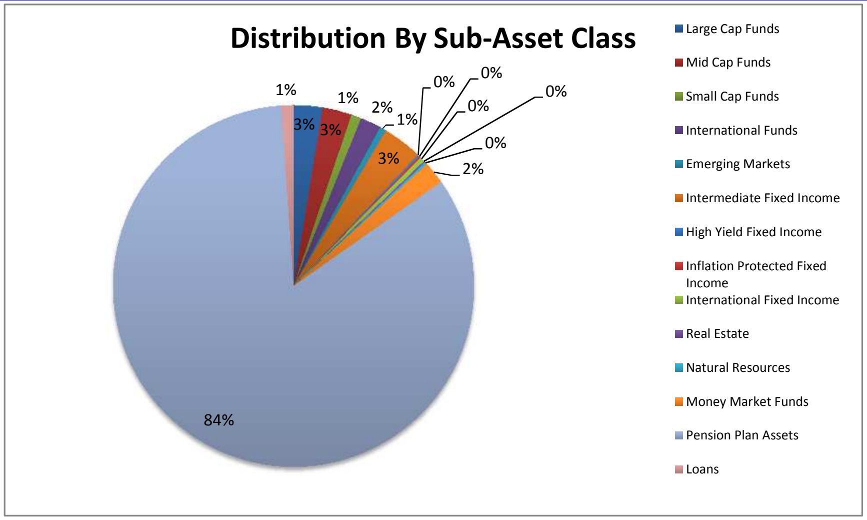
Distribution By Fund

Large-Cap Value Fund		
BlackRock Equity Dividend	$208,448.48	1.28%
Large-Cap Growth Funds		
AB Large Cap Growth A	$188,633.02	1.16%
Large-Cap Blend		
SSgA S&P 500 Index	$21,529.16	0.13%
Mid-Cap Value		
Vanguard Selected Value Inv.	$166,101.71	1.02%
Mid-Cap Growth		
Eagle Mid Cap Growth	$207,966.62	1.28%
Mid-Cap Blend		
AMG Managers Fairpointe Mid Cap	$51,551.31	0.32%
Small Cap Value		
Northern Small Cap Value	$24,475.39	0.15%
Small-Cap Growth		
Invesco Small Cap Growth	$34,242.87	0.21%
Small-Cap Blend		
Neuberger Berman Genesis	$88,015.88	0.54%
International Value		
Thornburg International Value	$154,691.25	0.95%
International Growth		
American Funds Europacific Gr	$149,188.56	0.92%
Emerging Markets		
Evergreen Emerging Markets Gr	$94,560.19	0.58%
Intermediate Fixed Income		
PIMCO Total Return Bond	$576,003.13	3.55%
High Yield Fixed Income		
Goldman Sachs High Yield	$25,805.29	0.16%
Inflation Protected Fixed Income		
Fidelity Inflation-Prot BD	$24,901.45	0.15%
International Fixed Income		
Templeton Global Bond	$71,460.99	0.44%
Real Estate		
Prudential Global Real Estate	$25,494.10	0.16%
Natural Resources		
Vanguard Materials Index Adm	$33,812.03	0.21%
Money Market Funds		
Fidelity Cash Reserve	$328,936.32	2.03%
Pension Plan Assets		
Pension Fund Return	$13,581,708.81	83.64%
Loans		
Loan Fund	$180,714.93	1.11%
Total Funds	**$16,238,241.49**	**100.00%**



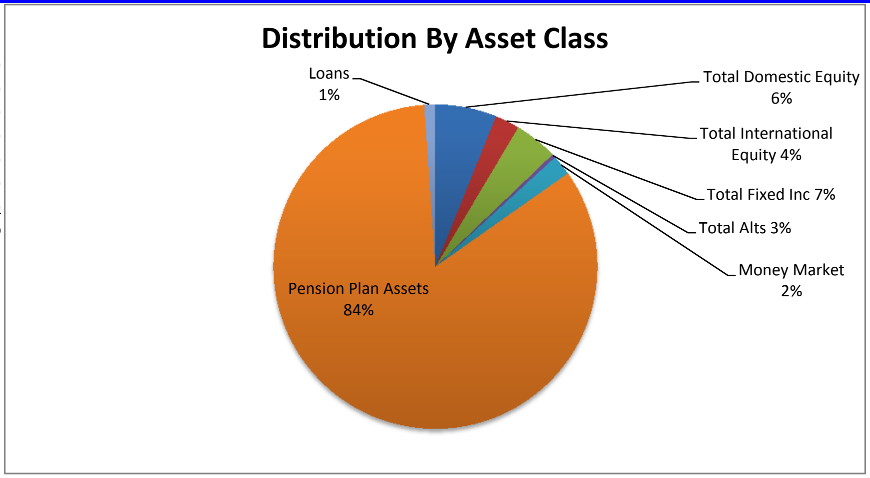
Distribution By Sub-Asset Class

Large Cap Funds	$418,610.66	2.58%
Mid Cap Funds	$425,619.64	2.62%
Small Cap Funds	$146,734.14	0.90%
International Funds	$303,879.81	1.87%
Emerging Markets	$94,560.19	0.58%
Intermediate Fixed Income	$576,003.13	3.55%
High Yield Fixed Income	$25,805.29	0.16%
Inflation Protected Fixed Income	$24,901.45	0.15%
International Fixed Income	$71,460.99	0.44%
Real Estate	$25,494.10	0.16%
Natural Resources	$33,812.03	0.21%
Money Market Funds	$328,936.32	2.03%
Pension Plan Assets	$13,581,708.81	83.64%
Loans	$180,714.93	1.11%
Total Funds	**$16,238,241.49**	**100.00%**



Distribution By Asset Class

Total Domestic Equity	$990,964.44	6.10%
Total International Equity	$398,440.00	2.45%
Total Fixed Income	$698,170.86	4.30%
Total Alternatives	$59,306.13	0.37%
Money Market	$328,936.32	2.03%
Pension Plan Assets	$13,581,708.81	83.64%
Loans	$180,714.93	1.11%
Total Funds	**$16,238,241.49**	**100.00%**



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Pompano Beach Police & Firefighters' DROP Plan
Investment Options Menu
As of September 30, 2018

Equity Fund Options

	Value	Blend	Growth
Large Cap	BlackRock Equity Dividend	SSgA S&P 500 Index Fund	AB Large Cap Growth A
Mid Cap	Vanguard Selected Value	Vanguard Mid Cap Index Admiral	Eagle Mid Cap Growth R5
Small Cap	Northern Small Cap Value	Vanguard Small Cap Index Adm	Invesco Small Cap Growth

International Equity	Thornburg International Value		American Funds Europacific Gr

Emerging Markets	Evergreen Emerging Markets Gr

Other Fund Options

Money Market	Fidelity Cash Reserve

Intermediate Fixed Income	Western Asset Core Plus Bond I
High Yield Fixed Income	BlackRock High Yield Bond Instl
Inflation Protected Fixed Income	Fidelity Inflation-Protected Bond Index
International Fixed Income	Templeton Global Bond

Real Estate	Prudential Global Real Estate
Natural Resources	Vanguard Materials Index Fund Adm

Pension Fund	Pension Fund Return

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Section 4 – Investment Policy Watch List

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Pompano Beach Police & Firefighters' DROP Plan

Watch List

As of September 30, 2018

Watch List Fund	Category	Watch List Score	Quarters on Watch	Watch List Status
Vanguard Mid Cap Index Admiral	**Mid Value**	**55%**	**1**	**On Watch**
Thornburg International Value	**Foreign Large Value**	**25%**	**2**	**Replace - Search Recommended**
Prudential Global Real Estate	**Real Estate**	**45%**	**7**	**Possible Replacement - Search Recommended**

Total Points	**Watch Status**
50 to 59	On Watch – On going monitoring only. The board may remove as an investment options if warranted.
35 to 49	Possible Replacement – If the investment option's watch status is Possible Replacement for 18 months (6 Quarters), the investment should be considered for removal as an investment option, unless there is no suitable replacement.
0 to 34	Replace – The investment option should be removed from the plan, unless there is no suitable replacement.

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Pompano Beach Police & Firefighters' DROP Plan
IPS Compliance Check List
As of September 30, 2018

		Large Value	Large Growth	Mid Value	Mid Growth	Small Value	Small Growth	Foreign Large Value	International Growth
		BlackRock Equity Dividend	AB Large Cap Growth A	Vanguard Mid Cap Index Admiral	Eagle Mid Cap Growth	Northern Small Cap Value	Invesco Small Cap Growth	Thornburg International Value	American Funds Europacific Gr
Total Score		80%	80%	55%	75%	90%	90%	25%	70%
Return 3Yr	In Highest 50% of Peergroup	✓	✓	✗	✓	✓	✗	✗	✗
Return 5Yr	In Highest 50% of Peergroup	✓	✓	✗	✓	✗	✓	✗	✓
Return 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	✓	✓	✗	✗
Excess Return 5Yr	Greater than or Equal to 0%	✓	✓	✗	✓	✓	✓	✗	✓
Excess Return 10Yr	Greater than or Equal to 0%	✗	✓	✓	✓	✓	✓	✗	✓
Std. Dev. 3Yr	In Lowest 50% of Peergroup	✓	✓	✗	✗	✓	✓	✗	✗
Std. Dev. 5Yr	In Lowest 50% of Peergroup	✓	✓	✗	✗	✓	✓	✗	✓
Std. Dev. 10Yr	In Lowest 50% of Peergroup	✓	✗	✓	✗	✓	✓	✓	✓
Alpha 5Yr	In Highest 50% of Peergroup	✓	✓	✗	✓	✓	✓	✗	✓
Alpha 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	✗	✓	✗	✗
Sharpe 5Yr	In Highest 50% of Peergroup	✓	✓	✗	✓	✓	✓	✗	✓
Sharpe 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	✓	✓	✗	✗
R-Sqrd 5Yr	Greater than or Equal to 80%	✓	✓	✓	✓	✓	✓	✓	✓
Manager Tenure	Greater than or Equal to 5 years	✗	✗	✓	✓	✓	✓	✓	✓
Expense Ratio - Actual	In Lowest 50% of Peergroup	✗	✗	✓	✓	✓	✗	✗	✗
Style Drift No Drift		✓	✓	✓	✓	✓	✓	✓	✓
Std Dev 5Yr Outperf. Index	Less than or Equal to 0%	✗	✓	✗	✗	✓	✓	✗	✓
Std. Dev. 10Yr Outperf. Index	Less than or Equal to 0%	✓	✗	✓	✗	✓	✓	✓	✓
Sharpe 5Yr Outperf. Index	Greater than or Equal to 0%	✓	✓	✗	✓	✓	✓	✗	✓
Sharpe 10Yr Outperf. Index	Greater than or Equal to 0%	✓	✓	✓	✓	✓	✓	✗	✓

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Pompano Beach Police & Firefighters' DROP Plan
IPS Compliance Check List
As of September 30, 2018

		Emerging Markets Wells Fargo Emering Markets Equity	Intermediate Fixed Income Western Asset Core Plus Bond I	High Yield Bond BlackRock High Yield Bond Instl	International Fixed Income Templeton Global Bond	Real Estate Prudential Global Real Estate
Total Score		55%	70%	85%	70%	45%
Return 3Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	×
Return 5Yr	In Highest 50% of Peergroup	×	✓	✓	✓	×
Return 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	✓
Excess Return 5Yr	Greater than or Equal to 0%	×	✓	×	✓	×
Excess Return 10Yr	Greater than or Equal to 0%	×	✓	×	✓	×
Std. Dev. 3Yr	In Lowest 50% of Peergroup	×	×	✓	×	✓
Std. Dev. 5Yr	In Lowest 50% of Peergroup	×	×	✓	×	✓
Std. Dev. 10Yr	In Lowest 50% of Peergroup	✓	×	×	×	×
Alpha 5Yr	In Highest 50% of Peergroup	×	✓	✓	✓	×
Alpha 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	×
Sharpe 5Yr	In Highest 50% of Peergroup	×	✓	✓	✓	×
Sharpe 10Yr	In Highest 50% of Peergroup	✓	✓	✓	✓	✓
R-Sqrd 5Yr	Greater than or Equal to 80%	✓	×	✓	×	✓
Manager Tenure	Greater than or Equal to 5 years	✓	✓	✓	✓	✓
Expense Ratio - Actual	In Lowest 50% of Peergroup	×	✓	✓	×	×
Style Drift No Drift		✓	✓	✓	✓	✓
Std Dev 5Yr Outperf. Index	Less than or Equal to 0%	✓	×	✓	✓	✓
Std. Dev. 10Yr Outperf. Index	Less than or Equal to 0%	✓	×	✓	×	✓
Sharpe 5Yr Outperf. Index	Greater than or Equal to 0%	×	✓	✓	✓	×
Sharpe 10Yr Outperf. Index	Greater than or Equal to 0%	✓	✓	✓	✓	×

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Section 5 – Fund Analysis Summary

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Pompano Beach Police & Firefighters' DROP Plan
Fund Analysis Summary
As of September 30, 2018

Large Cap Value

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
BlackRock Equity Dividend Inv A	0.98	11.19	15.20	11.21	9.72	0.72	1.11	0.97	9.62	94.90	1.32	0.71	0.84	13.21	95.05
	+ / - vs Index	*1.74*	*1.65*	*0.49*	*(0.07)*		*0.05*		*0.01*			*0.09*		*(2.11)*	
	Percentile Rank	*39.36*	*14.25*	*21.69*	*48.86*	*20.05*	*16.71*				*24.91*	*19.51*			
Russell 1000 Value		***9.45***	***13.55***	***10.72***	***9.79***		***1.06***		***9.61***			***0.62***		***15.32***	

Large Cap Growth

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
AB Large Cap Growth A	1.00	23.79	18.87	16.97	16.00	1.59	1.66	0.92	9.93	91.75	1.58	0.99	1.01	15.78	86.06
	+ / - vs Index	*(2.51)*	*(1.68)*	*0.39*	*1.69*		*0.10*		*(0.40)*			*0.03*		*1.23*	
	Percentile Rank	*46.51*	*38.92*	*7.58*	*3.51*	*16.97*	*10.75*				*0.68*	*0.38*			
Russell 1000 Growth		***26.30***	***20.55***	***16.58***	***14.31***		***1.56***		***10.33***			***0.96***		***14.55***	

Large Cap Core

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
SSgA S&P 500 Index N	0.16	17.67	17.10	13.76	11.81	(0.16)	1.39	1.00	9.55	100.00	(0.13)	0.80	1.00	14.39	99.99
	+ / - vs Index	*(0.24)*	*(0.21)*	*(0.19)*	*(0.16)*		*(0.02)*		*0.00*			*(0.01)*		*(0.01)*	
	Percentile Rank	*21.19*	*12.82*	*11.04*	*20.52*	*20.67*	*10.02*				*12.90*	*8.49*			
S&P 500		***17.91***	***17.31***	***13.95***	***11.97***		***1.41***		***9.55***			***0.81***		***14.40***	

Mid-Cap Value

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Vanguard Selected Value Inv	0.39	0.83	11.23	8.41	11.40	(2.31)	0.72	1.03	10.95	84.84	1.40	0.71	0.87	15.63	92.29
	+ / - vs Index	*(7.98)*	*(1.86)*	*(2.31)*	*0.11*		*(0.32)*		*1.17*			*0.07*		*(1.60)*	
	Percentile Rank	*99.75*	*68.62*	*76.09*	*27.42*	*71.28*	*75.53*				*69.97*	*77.55*			
Russell Midcap Value		***8.81***	***13.09***	***10.72***	***11.29***		***1.05***		***9.78***			***0.64***		***17.23***	

Mid Cap Growth

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Eagle Mid Cap Growth R5	0.79	25.02	19.56	15.23	13.82	1.23	1.25	1.07	11.77	94.21	0.31	0.78	1.01	17.29	95.20
	+ / - vs Index	*3.92*	*2.91*	*2.23*	*0.36*		*0.08*		*1.07*			*(0.00)*		*0.53*	
	Percentile Rank	*25.21*	*11.86*	*4.79*	*10.98*	*25.13*	*17.35*				*16.21*	*10.31*			
Russell Midcap Growth		***21.10***	***16.65***	***13.00***	***13.46***		***1.17***		***10.70***			***0.78***		***16.76***	

Mid Cap Core

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Vanguard Mid Cap Index Admiral	0.05	13.42	13.78	11.66	12.42	0.04	1.12	1.00	9.94	98.61	0.21	0.73	0.99	16.63	99.52
	+ / - vs Index	*(0.56)*	*(0.74)*	*0.01*	*0.11*		*(0.00)*		*0.05*			*0.01*		*(0.14)*	
	Percentile Rank	*32.95*	*36.27*	*12.80*	*8.78*	*40.30*	*31.74*				*13.07*	*11.20*			
Russell Midcap		***13.98***	***14.52***	***11.65***	***12.31***		***1.13***		***9.89***			***0.72***		***16.77***	

Small Cap Value

Fund Name		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Northern Small Cap Value	1.00	6.36	13.57	9.94	9.96	0.44	0.73	0.95	13.03	97.91	0.79	0.52	0.95	18.69	99.06
	+ / - vs Index	*(2.97)*	*(2.55)*	*0.03*	*0.44*		*0.03*		*(0.48)*			*0.05*		*(0.94)*	
	Percentile Rank	*67.42*	*44.71*	*25.98*	*52.06*	*48.41*	*41.01*				*30.17*	*27.93*			
Russell 2000 Value		***9.33***	***16.12***	***9.91***	***9.52***		***0.70***		***13.51***			***0.47***		***19.63***	

Small Cap Growth

Fund Name		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Invesco Small Cap Growth A	1.20	23.09	17.88	13.19	13.19	2.67	1.03	0.85	12.35	93.68	1.85	0.74	0.87	17.46	96.26
	+ / - vs Index	*2.03*	*(0.10)*	*1.05*	*0.54*		*0.20*		*(1.79)*			*0.11*		*(2.14)*	
	Percentile Rank	*58.16*	*54.38*	*23.15*	*39.25*	*43.35*	*35.65*				*18.17*	*16.40*			
Russell 2000 Growth		***21.06***	***17.98***	***12.14***	***12.65***		***0.82***		***14.14***			***0.63***		***19.60***	

Small Cap Core

Fund Name		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Vanguard Small Cap Index Adm	0.05	16.70	16.34	11.48	12.36	1.89	0.94	0.85	11.68	95.84	1.46	0.64	0.97	18.92	98.17
	+ / - vs Index	*1.46*	*(0.78)*	*0.41*	*1.25*		*0.16*		*(1.79)*			*0.08*		*(0.47)*	
	Percentile Rank	*13.68*	*29.74*	*18.89*	*12.13*	*17.43*	*10.65*				*12.85*	*8.82*			
Russell 2000		***15.24***	***17.12***	***11.07***	***11.11***		***0.79***		***13.47***			***0.56***		***19.39***	

International Value

Fund Name		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Thornburg International Value A	1.27	(4.13)	5.08	3.25	4.58	(1.25)	0.24	0.94	11.28	85.35	(0.69)	0.26	0.90	16.20	93.05
	+ / - vs Index	*(7.38)*	*(4.69)*	*(1.65)*	*(1.29)*		*(0.15)*		*0.22*			*(0.06)*		*(1.25)*	
	Percentile Rank	*90.19*	*91.39*	*46.60*	*43.48*	*95.77*	*90.99*				*44.95*	*48.78*			
MSCI EAFE		***3.25***	***9.77***	***4.90***	***5.87***		***0.40***		***11.06***			***0.32***		***17.45***	

International Growth

Fund Name		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
American Funds Europacific Growth R3	1.13	0.81	9.21	5.52	6.18	1.87	0.49	0.87	10.34	88.67	1.30	0.35	0.92	16.67	96.02
	+ / - vs Index	*(0.95)*	*(0.76)*	*1.40*	*1.00*		*0.16*		*(0.86)*			*0.08*		*(1.11)*	
	Percentile Rank	*54.23*	*28.07*	*9.20*	*18.79*	*31.30*	*33.87*				*9.57*	*10.40*			
MSCI ACWI ex USA (Net)		***1.76***	***9.97***	***4.12***	***5.18***		***0.32***		***11.20***			***0.27***		***17.78***	

Emerging Market

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Wells Fargo Emerging Markets Equity A	1.56	(5.90)	11.84	2.27	5.31	(1.44)	0.12	0.94	14.25	94.36	(0.05)	0.25	0.91	19.61	96.69
	+ / - vs Index	*(5.46)*	*(0.93)*	*(1.72)*	*(0.45)*		*(0.11)*		*(0.41)*			*(0.00)*		*(1.64)*	
	Percentile Rank	*67.26*	*30.01*	*67.99*	*44.44*	*37.55*	*33.65*				*70.93*	*69.03*			
MSCI EM (EMERGING MARKETS)		***(0.44)***	***12.77***	***3.99***	***5.76***		***0.24***		***14.66***			***0.26***		***21.25***	

Intermediate Fixed Income

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Western Asset Core Plus Bond I	0.45	(1.88)	3.14	3.70	6.40	1.75	1.04	1.28	3.08	69.40	2.46	1.13	1.22	5.39	35.68
	+ / - vs Index	*(0.92)*	*2.23*	*2.18*	*3.18*		*0.53*		*1.07*			*0.02*		*2.76*	
	Percentile Rank	*84.05*	*4.82*	*2.73*	*0.87*	*5.24*	*8.90*				*3.61*	*6.45*			
Barclays Intermediate U.S. Government/Credit		***(0.96)***	***0.91***	***1.52***	***3.22***		***0.51***		***2.01***			***1.10***		***2.63***	

High Yield

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
BlackRock High Yield Bond Instl	0.63	3.48	7.40	5.37	9.02	0.57	1.07	0.92	4.58	93.83	0.87	0.95	0.90	9.16	94.01
	+ / - vs Index	*0.34*	*(0.45)*	*0.15*	*0.01*		*0.09*		*(0.26)*			*0.07*		*(0.72)*	
	Percentile Rank	*19.26*	*20.72*	*13.70*	*9.87*	*16.48*	*16.17*				*22.26*	*21.06*			
Barclays Intermediate U.S. High Yield		***3.14***	***7.85***	***5.22***	***9.01***		***0.98***		***4.84***			***0.88***		***9.88***	

Inflation Protected Bonds

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Fidelity® Inflation-Prot Bd Idx Prem	0.05	0.38	1.97	1.28	-	(0.14)	0.21	1.04	3.77	98.71	(0.11)	(0.04)	1.03	4.32	98.90
	+ / - vs Index	*(0.03)*	*(0.07)*	*(0.09)*	*-*		*(0.03)*		*0.16*			*(0.02)*		*0.16*	
	Percentile Rank	*40.53*	*38.01*	*18.66*	*-*	*51.58*	*49.77*				*27.27*	*22.97*			
Barclays U.S. Treasury: U.S. TIPS		***0.41***	***2.04***	***1.37***	***-***		***0.24***		***3.61***			***(0.02)***		***4.16***	

International Bonds

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Templeton Global Bond A	0.96	(2.31)	3.47	1.59	5.46	1.04	0.18	0.53	6.18	9.51	2.41	0.63	0.92	8.16	39.58
	+ / - vs Index	*(1.28)*	*0.69*	*0.26*	*2.00*		*(0.06)*		*2.58*			*0.07*		*2.59*	
	Percentile Rank	*66.12*	*24.91*	*40.59*	*15.15*	*10.11*	*47.29*				*31.00*	*48.71*			
Morningstar World Bond		***(1.03)***	***2.78***	***1.33***	***3.46***		***0.23***		***3.60***			***0.56***		***5.57***	

Global Real Estate

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Prudential Global Real Estate A	1.45	4.32	5.11	4.93	6.15	(1.00)	0.44	0.90	10.18	96.26	(0.56)	0.29	0.96	20.07	97.56
	+ / - vs Index	*0.02*	*(1.06)*	*(1.70)*	*(0.82)*		*(0.12)*		*(0.90)*			*(0.03)*		*(0.68)*	
	Percentile Rank	*47.25*	*68.87*	*62.57*	*37.88*	*71.23*	*64.62*				*64.17*	*57.22*			
Dow Jones Global Select Real Estate Securities		***4.30***	***6.17***	***6.63***	***6.97***		***0.55***		***11.08***			***0.32***		***20.75***	

Natural Resources

		Performance				5 Year - Risk Characteristics					10 Year - Risk Characteristics				
Fund Name	Net Expense %	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr	Alpha	Sharpe	Beta	Std. Dev.	R-Sqr
Vanguard Materials Index Admiral	0.10	3.67	16.59	8.94	9.09	9.24	0.58	0.58	14.47	53.16	7.52	0.41	0.79	21.13	68.71
	+ / - vs Index	*(5.58)*	*6.30*	*9.29*	*6.87*		*0.63*		*(3.82)*			*0.33*		*(0.92)*	
	Percentile Rank	*70.00*	*6.25*	*1.04*	*7.50*	*3.13*	*3.12*				*1.04*	*4.17*			
S&P North American Natural Resources Sector Index		***9.25***	***10.29***	***(0.35)***	***2.22***		***-0.05***		***18.29***			***0.09***		***22.05***	

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Section 6 – Benchmark Definitions & Disclosures

Glossary

Glossary of Terms

12b-1 The maximum annual charge deducted from fund assets to pay for distribution and marketing costs.

Alpha Alpha is a measure of the difference between a holding's actual returns and its level of risk as measured by beta. Morningstar bases alpha on a least-squares regression of the holding's (or hypothetical portfolio's) excess return over the 90 day Treasury-bill compared with the excess return of the fund's benchmark index (the S&P 500 for equity and the Barclays Aggregate as the benchmark index for bond funds). A positive alpha indicates that the fund has performed better than its beta predicts. A negative alpha indicates underperformance given the holding's beta.

Balanced / Asset Allocation A mutual fund that has an investment mandate of "balancing" or mixing the investment classes—equities, fixed income and cash—in its portfolio holdings. The appropriate balance is based on the anticipated return and relative risk of each asset category as well as the investor's personal factors such as risk tolerance, age, current asset allocation and asset level, or according to the fund's investment outlook.

Batting Average A statistical calculation used to measure an investment manager's ability to meet or beat an index. Batting average is calculated by dividing the number of months (or days, quarters, etc.) in which the manager beats or matches the index by the total time period being referenced and multiplying that factor by 100.

Benchmark Index (abbreviated BM) A benchmark index gives the investor a point of reference for evaluating a fund's performance. A benchmark can be a broad or market segment of the stock or fixed income markets and is a statically indicator or standard against which the performance or value of individual investments can be measured against. (Description of benchmark indices can be found in the Benchmark Definitions section of report). For more information about the benchmarks used in this report please contact your Financial Advisor for a copy of the Benchmark Definitions.

Beta Beta measures the fund's market risk. Morningstar calculates beta using the same regression equation as the one used for alpha, which regresses excess return for the fund against the benchmark index. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10 % worse in down markets. Conversely, a beta of 0.85 indicates that the fund is expected to perform 15% worse than the market in up markets and 15% better in down markets. Note: A low beta does not imply a low level of volatility; rather, it means that the holding's market-related risk is low.

Bonds At their most basic, bonds are loans. A bond is a debt instrument with period of greater than one year. The purpose is to raise capital. All bonds require the repayment of the principal (issued amount) at a specified date. Most bonds, but not all, require the payment of interest. Unlike equities the bond does not confer ownership rights from the issuer to holder (investor). There are two basic types of bonds: government bonds and corporate bonds. U.S. government bonds (also known as T-bills or Treasuries) are issued and guaranteed by the US government. They usually offer a lower return with low risk. Municipal and state governments also issue bonds. Corporate bonds are issued by companies and carry a higher degree of risk (should the company default) as well as return. Interest rate sensitivity and credit risk influence the pricing and performance of bonds and bond funds.

Cash/Cash Equivalent Cash refers to short-term, safe investments that can be converted to cash relatively quickly. Examples include savings accounts, money-market accounts, commercial paper, short-term CDs, Treasury bills, short-term commercial paper and short-term municipal and corporate bonds and notes. Receivables are also considered a cash equivalent. While safe, investments in cash or cash equivalents typically do not earn as much as stocks or bonds. Cash is the most liquid form of an investment. Risks: Returns may barely keep up with inflation, making them poor vehicles for long-term growth.

Glossary

Glossary of Terms

Category The category or group a fund has been assigned based on what it owns, as well as by its prospectus objectives and styles. Also known as peer group. A fund's category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings. By assigning funds to appropriate buckets for use in grouping similar funds, more appropriate "apples to apples" comparisons can be made.

Closed to All Investment Funds accepting no investments whatsoever, even from current shareholders.

Closed to New Investment If funds are closed to new investments, they are not accepting new shareholder investments. This does not, however, restrict current shareholders from increasing their investment amount.

Collective Investment Trust A Collective Investment Trust ("CIT") is an investment vehicle similar to a US mutual fund but that is available only to qualified retirement plans, such as 401(k) plans and governmental plans. CITs are sponsored by bank or trust companies under the supervision of the Office of the Comptroller of the Currency ("OCC") or state banking regulators. CITs are institutional products sold only to plan sponsors and/or plan fiduciaries. CITs consist solely of assets of retirement, pension, profit sharing, stock bonus or other tax-qualified retirement accounts and governmental plans that are exempt from federal income tax. CITs are excluded from the definition of a registered security and an investment company under various securities laws, but are subject to the Office of the Comptroller of the Currency (OCC) Regulation 12 CFR 9.18, state banking rules or both.

Common Stock Securities representing shares of ownership of a corporation (see Stock).

Core Investment Options Your core line-up provides you with a variety of investments from which to choose, ranging in objective from capital preservation to growth. Each of the core investments consists primarily of one of the different building blocks, which are usually referred to as asset classes (equities, bonds and cash equivalents).

Derivatives A financial instrument, traded on or off an exchange, the price of which is directly dependent upon the value of one or more underlying securities, equity indices, debt instruments, commodities, other derivative instruments, or any agreed upon pricing index or arrangement. Derivatives involve the trading of rights or obligations based on the underlying product but do not directly transfer property. They are used to hedge risk or to exchange a floating rate of return for a fixed rate of return. They are often more volatile than other investments and may magnify a fund's gains or losses.

Diversification Diversification is investing in multiple investments to help limit risk. The concept of "not putting all your eggs into one basket". Diversification does not ensure a profit nor protect against loss in declining markets.

ETF ETF or exchange traded fund describes the broad class of funds, excluding closed-end funds, which trade throughout the day over an exchange. Compared to open-end mutual funds, ETFs have lower annual expenses, but they are purchased like equities - commissions are paid to trade them. ETFs do not need to sell securities (possibly realizing capital gains) to pay investors who redeem their shares and thus are typically more tax-efficient than mutual funds. ETFs market prices usually closely track their NAVs. Most ETFs are index funds.

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Expense Ratio The expense ratio is the annual fee that all funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Portfolio transaction fees, or brokerage costs, as well as initial or deferred sales charges are not included in the expense ratio. The expense ratio, which is deducted from the fund's average net assets, is accrued on a daily basis. If the fund's assets are small, its expense ratio can be quite high because the fund must meet its expenses from a restricted asset base. Conversely, as the net assets of the fund grow, the expense percentage should ideally diminish as expenses are spread across the wider base. Funds may also opt to waive all or a portion of the expenses that make up their overall expense ratio.

Extended Performance Rating Morningstar provides adjusted historical returns and an Extended Performance Rating for some mutual funds in its universe. This means that any share class that doesn't have a 1, 3-, 5-, or 10-year performance history may receive a hypothetical Morningstar Rating based on the oldest surviving share class of the fund. First, Morningstar computes the funds' new return stream by appending an adjusted return history of the oldest share class. Next, the Extended Performance Rating is determined by comparing the adjusted-historical returns to the current open-end mutual fund universe to identify placement in the bell curve used to assign the Morningstar Rating. Star ratings are displayed in gray (*****).

Fiduciary Fiduciary indicates the relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person, for example, the relationship between a trustee and the beneficiaries of the trust. Under ERISA, fiduciaries must discharge their duties solely in the interest of the participants and beneficiaries of an employee benefit plan.

Fixed Income Securities/Bonds Fixed income securities/bonds are securities that pay a fixed rate of interest or a fixed dividend. There are many different types of fixed income securities or bonds, including: corporate bonds or notes, mortgage-backed securities, asset-backed securities, convertible securities, government obligations, “junk” or below investment grade bonds, investment grade securities, and foreign bond securities. Risks: Return of principal is not guaranteed. Bond funds have the same interest rate, inflation, and credit risks that are associated with the underlying bonds owned by the fund. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise. There are ongoing fees and expenses associated with owning shares of bond funds. Important note on Junk Bonds: Non-investment grade debt securities, commonly referred to as high-yield or “junk” bonds, may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rating categories.

Fixed Income Blend Fixed income securities that are not classified by maturity.

Foreign Equity Securities trading primarily in markets outside the United States that represent equity ownership in a company. Risks: Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets.

Gross Expense Ratio The gross expense ratio is the fund’s expense ratio before taking into account any fee waivers or expense reimbursements.

Growth of 10,000 The Growth of $10,000 graph shows a fund’s performance based on how $10,000 invested in the fund would have grown over time. The growth of $10,000 begins at the fund’s inception, or the first year listed on the graph, whichever is appropriate. Located alongside the fund’s graph line are lines that represent the growth of $10,000 in the fund’s category and its market benchmark. The growth is a hypothetical valuation based on the average return for the fund’s Morningstar category over the displayed time periods.

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Inception Date The Inception date is the date the fund was formed and became available for sale to investors.

Information Ratio A measure of the consistency of excess return. This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return (tracking error). The measure relates the magnitude and consistency with which an investment outperformed its benchmark. The higher the information ratio, the better.

Management Fee Taken from the fund's prospectus, this represents the cost of the fund's manager's services and other fund administration costs. It is usually represented as a percentage of assets. Although management costs are listed in a fund's prospectus, these are maximum amounts and funds may waive a portion, or possibly all, of those fees. Actual fees thus represent a closer approximation of the true costs to shareholders.

Management Style —Growth vs. Value Growth Funds Growth funds hold stocks of companies that the fund manager believes will have significantly better revenue and profit growth than the overall market. Value Funds Value funds concentrate on stocks of companies that the fund manager believes to be currently undervalued in the markets. The managers buy the stock at what they believe to be less than the true value, with the expectation that the price will rise.

Blend Funds Blend funds represent a blend of growth and value styles.

Manager Tenure This represents the number of years that the current manager has been the portfolio manager of the fund. A fund may be managed by more than one manager. For funds with more than one manager, the average tenure is shown. If the fund designates the manager as a Management Team and does not disclose the names of the portfolio manager or co-portfolio managers to Morningstar, Manager Tenure will appear as a dash for the fund.

Market Capitalization One way to classify equity funds is by market capitalization, which is the market value of the company. This is calculated by multiplying the total number of a company's shares by the current price per share. Generally, market capitalization is associated with the size of the company[1].

Large Cap This generally refers to the stock of companies with market capitalizations over $5 billion. These seasoned companies, sometimes referred to as "blue-chips" in the U.S., often have long histories of solid returns. While large cap stocks tend to be relatively stable compared with other stocks, they do carry a degree of risk.

Mid Cap With market capitalizations that generally range between $2 billion and $5 billion, these stocks can be more volatile than large cap stocks, but have the potential for higher relative returns. Because mid-capitalization stock prices have experienced a greater degree of market volatility than large-capitalization stock prices, investors should consider the fund for long-term investment and should bear in mind that the higher return potential of mid- capitalization stocks is accompanied by additional business risk, significant stock price fluctuations and illiquidity.

1 Please note that the definitions of small, mid, and large cap companies illustrated here are generalizations only, and are subject to change. In addition, individual mutual fund managers may use different definitions for specific funds. You are encouraged to read the prospectus carefully to determine the market capitalization specifications of any individual mutual fund.

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Small Cap With market capitalizations of less than $2 billion, companies in this category often are new companies with short histories. Because small-capitalization stock prices have experienced a greater degree of market volatility than those of large-capitalization stocks, investors should consider funds that invest in small-cap stocks for long-term investment and should bear in mind that the higher return potential of small-capitalization stocks is accompanied by higher risk.

Maximum Sales Charge The sales charge, or load as it is also called, is a fee the investor may pay when purchasing shares of a mutual fund from a broker as compensation for their advice. The rate varies from fund company to fund company and is detailed in the fund's prospectus. The maximum sales charge is the highest amount that an investor may pay for a particular fund.

Money Market Fund Mutual fund that invests primarily in low-risk, short-term investments such as treasury bills, government securities, certificates of deposit and other highly liquid, safe securities.

Money Market Securities Securities that seek to maintain a $1 NAV. However the achievement of that objective cannot be guaranteed.

Max DrawDown Is the maximum loss incurred by a portfolio during a specified time period. It is used to measure the 'worst case scenario' of investing in a portfolio at the worst possible time.

Morningstar Rating The Morningstar Risk-Adjusted Rating, commonly referred to as the Star Rating, relates the risk-adjusted performance of a fund to its peers in the category. Morningstar calculates ratings only for categories with at least 20 funds. To determine a fund's rating, the fund and its peers are ranked by their MRARs. If a fund scores in the top 10% of its fund category, it receives five stars (High); if it falls in the next 22.5%, it receives four stars (Above Average); a place in the middle 35% earns a fund three stars (Neutral or Average); those in the next 22.5% receive two stars (Below Average); and the lowest 10% get one star (Low). Morningstar also accounts for instances where a fund is sold in multiple versions, whether multi-class, both trust and segregated, etc. In order to prevent one fund from unfairly taking up many places in a portion of the ratings scale, Morningstar treats multiple versions of a fund as "fractional funds". The multiple versions of a fund are all rated, but they collectively count as one and so leave more room for other deserving funds. The overall Star Rating for a fund is a weighted combination of its three, five, and ten year ratings. If a fund has less than three years' performance history, it is not rated. If it has at least three but less than five years' history, its overall rating is equal to its three-year rating. If it has at least five but less than ten years' history, its overall rating is equal to 60% five-year rating and 40% three-year rating. If it has at least ten years' history, its overall rating is equal to 50% ten-year rating, 30% five-year rating and 20% three-year rating. Morningstar Risk-Adjusted Ratings are recalculated monthly. Also see (**Extended Performance Rating**).

Net Expense Ratio The net expense ratio is the fund's expense ratio less any expense waivers or reimbursements provided by the fund's manager. Because the expense ratio is calculated by dividing the total costs of the fund by its total assets, funds with relatively small total assets will have higher expense ratios than larger funds. As a result, fund managers will offer expense waivers or reimburse costs to the fund for a predetermined length of time so that the fund is not at a competitive disadvantage when its expense ratio is compared to its peers.

Non-Core Investment Options Your non-core investment options are intended to provide additional investment flexibility to investors who desire a wider range of choices. The choices also range in asset classes allowing more opportunity for diversification.

Non-Diversified Funds Some funds are non-diversified, which means that they may invest more of their assets in fewer companies than if they were diversified funds. By concentrating in a smaller number of investments, the fund's risk is increased because each investment has a greater effect on the fund's performance.

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Peers in the Category (See Morningstar Rating)

Percentile/Percentile Rank A percentile is a value on a scale of one hundred that indicates the percent of a distribution that is equal to or below it. So if we calculate a 50th percentile, 50% of the time the returns are below that resulting value and 50% of the time they are above that value. A 50th percentile is the same as a "median." An average, or "mean," is similar but a weighted result.

Plan Watch List Funds can be placed on the plan's watch list at the discretion of the plan advisor usually for failing to meet or adhere to the Investment Policy Statement of the plan.

Pre-Inception Returns Morningstar provides adjusted historical returns for periods prior to the fund's actual inception for some mutual funds in its universe. These calculated returns reflect the historical performance of the oldest share class of the fund, adjusted to reflect the fees and expenses of this share class. While the inclusion of pre-inception data provides valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can only provide an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. Calculation methodologies utilized by Morningstar may differ from those applied by other entities, including the fund itself.

Prospectus The fund's written statement, generally issued on an annual basis. In this statement the fund sets forth its proposed purposes and goals, and other facts (e.g., history and investment objective) that an investor should know in order to make an informed decision. Information pertaining to management fees and other charges and expenses are in the prospectus.

R-Squared The percentage of a fund's movements that are explained by movements in its benchmark index. An R-Squared of 100 means that all movements of a fund are explained by movements in its benchmark index. Index funds often will have an R-Squared very close to 100.

Real Estate Funds Because these funds concentrate their investments in securities of companies operating in the real estate industry, they are susceptible to the risks associated with the real estate industry. These include: fluctuations in the value of underlying properties; defaults by borrowers or tenants; market saturation; property taxes; capital expenditures or operating expenses; and other economic, political, or regulatory occurrences affecting the real estate industry.

Redemption Fee The redemption fee is an amount charged when money is withdrawn from a fund. This fee does not go back into the pockets of the fund company but rather into the fund itself and does not represent a net cost to shareholders. Also, unlike contingent deferred sales charges, redemption fees typically operate only in short, specific time periods, commonly 30, 180, or 365 days. However, some redemption fees exist for up to five years. Charges are not imposed after the stated time has passed. These fees are typically imposed to discourage market-timers, whose quick movements into and out of funds can be disruptive. The charge is normally imposed on the ending share value, appreciated or depreciated from the original value.

Sector Funds A distinct subset of a market, society, industry, or economy, whose components share similar characteristics. Stocks are often grouped into different sectors depending upon the company's business. Risks: Funds that emphasize certain market sectors are subject to additional risks and may be more volatile than an investment with greater diversification.

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Sharpe Ratio A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36-month period by dividing a fund's annualized excess return by the standard deviation of the fund's annualized excess returns.

Specialty / Other The "Specialty/Other" category includes sector, industry-based and other non-diversified funds.

Stable Value Fund A unique asset class offering defined contribution plan participants intermediate term returns and liquidity (subject to plan rules) with low market value risk. This is typically accomplished through a wrap contract or investment contract that guarantees the payment of plan-related benefits at book value (cost plus accrued interest) which enables the entire investment to be carried at its book value.

Standard Deviation A statistical measure of the range of performance within which the total returns have fallen. The standard deviation shown in this report is an annualized statistic based on returns over the past 36 months. When a fund has a high deviation figure, the range of performance is very wide, indicating a greater potential for volatility. Approximately 68% of the time, the fund's total return will be within plus or minus one deviation from the fund's 3-year return. Also, 95% of the time the fund's total return will be within plus or minus two times the standard deviation (sometimes described as being within "two standard deviations") from the average return. Standard deviation is also a component in the Sharpe Ratio, which assesses risk-adjusted performance.

Stocks (Equities) Stocks, or "equities," are essentially ownership shares in a company. The more shares you own, the greater your stake in that company. Risks: While stocks generally provide the most growth potential, they tend to experience greater volatility in price. For this reason, stocks are generally considered to be riskier investments. If you choose to invest in stocks, be sure you understand and are willing to accept these risks, including a possible loss of principal.

Style The description of the type of approach and strategy utilized by an investment manager to manage funds. The style is determined by, as an example for equities, portfolio characteristics such as: market capitalization of issues, price to earnings ratio and dividend yield. Some equity styles include Growth, Value, Yield, Core and Small Cap.

Style Drift The propensity of some mutual funds to migrate from one Morningstar classification to another. Style drift happens when an active manager drifts from a specific style, asset class, or index that is described as the fund's investment purpose.

Target Date Funds An investment in a target date fund is subject to the risks attendant to the underlying funds in which it invests. A target date fund is geared to investors who will retire and/or require income at an approximate year. The fund is managed to meet the investor's goals by the pre-established year or "target date"; hence, the name target date fund. A target date fund will transition its invested assets from a more aggressive portfolio to a more conservative portfolio as the target date draws closer. An investment in the Target Retirement Fund is not guaranteed at any time, including, before or after the target date is reached.

Technology Funds Technology securities in general tend to be relatively volatile as compared with other types of investments. While volatility may create investment opportunities, it does entail risk. Funds that invest exclusively in one sector of the economy carry additional risk resulting from lack of industry diversification. The fund should not be considered as a balanced investment program.

Top 10 Holdings The ten largest investments in the entire fund's portfolio.

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Treynor Ratio (or Index) Similar to Sharpe Ratio, the Treynor Ratio is a measurement of efficiency utilizing the relationship between annualized risk-adjusted return and risk. It is a measure of a portfolio's excess return per unit of risk. Unlike Sharpe Ratio, the Treynor Ratio utilizes "market" risk (beta) instead of total risk (standard deviation). Good performance efficiency is measured by a high ratio risk premium earned per unit of risk taken.

Turnover Ratio A measure of the fund's trading activity, which is computed by taking the lesser of purchases or sales and dividing by average monthly net assets. Securities with maturities of less than one year are excluded. The figure is gathered from the financial highlights of the fund's annual report. A low turnover figure (20% to 30%) generally indicate a buy-and-hold strategy. Higher turnover (more than 100%) would indicate a more active investment strategy involving considerable buying and selling of securities.

Upside and Downside Capture Ratio A statistical measure used to demonstrate whether a given fund has outperformed or underperformed more than-a broad market benchmark during periods of market strength and weakness. Upside capture ratios for funds are calculated by taking the fund's monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the fund's monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.A statistical measure used to demonstrate whether a given fund has outperformed or underperformed more than-a broad market benchmark during periods of market strength and weakness. Upside capture ratios for funds are calculated by taking the fund's monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the fund's monthly return during the periods of negative benchmark performance and dividing it by the benchmark return.

Disclosures

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Two Different Processes for Evaluating Funds

Funds available in Morgan Stanley's Institutional Services Program are evaluated under either of the following two processes. Funds that meet the criteria under either of these processes are described in this report as "approved" for the program. Funds offered by the Plan that do not appear in this report will be considered "non approved".

This report may also show funds that are not approved under either of these two evaluation processes. Morgan Stanley does not recommend, evaluate or monitor any such funds, nor is Morgan Stanley acting as a fiduciary (under ERISA, the Internal Revenue Code or otherwise) with respect to such funds and investors have the sole and exclusive responsibility for selecting and/or retaining any such fund in the program.

(1) Morgan Stanley Global Investment Manager Analysis ("GIMA") Evaluation Process

GIMA evaluates certain investment products for the purposes of some – but not all – of Morgan Stanley Smith Barney LLC's investment advisory programs (as described in more detail in the applicable Form ADV Disclosure Document). If you do not invest through one of these investment advisory programs, Morgan Stanley is not obligated to provide you notice of any GIMA status changes even though it may give notice to clients in other programs.

Focus List and Approved List; Watch Policy

GIMA uses two methods to evaluate investment products in applicable advisory programs: Focus (and investment products meeting this standard are described as being on the Focus List) and Approved (and investment products meeting this standard are described as being on the Approved List). In general, Focus entails a more thorough evaluation of an investment product than Approved. 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 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 or fund to address any concerns.

For more information on the Focus List and Approved List and Watch processes, please see the applicable Form ADV Disclosure Document. Your Financial Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

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(2) Defined Contribution Investment Consulting Fund Screening Process

In addition to the mutual funds and ETFs that appear on the Focus and Approved Lists of GIMA described above, for clients in the Institutional Services program for participant directed defined contribution plans, mutual fund, ETFs and Collective Investment Trusts may be "approved" for the program in an alternate manner, as well. MSSB applies a proprietary screening process to funds in the Morningstar mutual fund database, which it applies in part using third party software. The screening algorithm, applied quarterly, is based on factors such as performance, ranking, stewardship grade, fees and manager tenure. Funds subject to this process are either approved or not approved for use in the Institutional Services program for participant directed defined contribution plans. MSSB does not maintain a Watch List for these funds equivalent to GIMA's Watch List.

Many fund families offer multiple versions of the same fund that may have variations on the sales fees that are charged and/or the investor qualifications. When screening certain types of funds that may have multiple share classes within a fund family, we rely on the aforementioned factors of the oldest share classes for screening results and apply those results to all versions of the fund family offered. Where the oldest share class otherwise passes the screening process other share classes will pass as well unless such share has an expense ratio in the top quartile.

Global Investment Manager Analysis (GIMA) defines Adverse Active Alpha (AAA) as follows:

High Adverse Active Alpha rankings are generally defined as falling into the top two quintiles (~40%). Separately Managed Account and mutual fund rankings could differ. In some cases where the separately managed account product and mutual fund are substantially similar, the separately managed account rating may be applied to the mutual fund and vice versa.

Adverse refers to the demonstrated ability to outperform in a variety of market environments and when conditions were difficult for active manager relative performance. “Difficult” periods were times when active management did not perform well relative to the index, as opposed to down market periods. At various times, active management has experienced difficult relative performance periods in up, down, and flat markets. We developed a set of factors to help discern which periods were more difficult for active managers that we utilize to identify managers that were able to overcome these headwinds and outperformed in the face of adversity.

Active refers to managers with portfolios that looked different from the index and had moderate to low tracking error. For equity products, we utilize active share to measure the degree of differentiation from the benchmark, while the fixed income model uses r2. By using these measures in conjunction with tracking error, the ranking seeks to find managers that were active, but not taking outsized bets, and that had some degree of style consistency. The combination of high active share and low tracking error is fairly uncommon among active managers, but we believe these traits may point toward managers with strong stock picking skills.

Alpha refers to the demonstrated ability to add value relative to an index and/or peers. Back tests indicate that highly ranked managers as a group outperformed the index and style peer group over subsequent periods and relative to active share alone. By combining the “adverse” component with the “active” component, we believe we increase the odds of finding some of the most proficient stock pickers.

Disclosures

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Important Considerations Regarding the Adverse Active Alpha ranking process:
Global Investment Manager Analysis, formerly Consulting Group Investment Advisor Research (CG IAR), provides comprehensive manager analysis for Morgan Stanley's investment advisory platforms on a wide range of investment products, including separately managed accounts, mutual funds and exchange-traded funds in the equity, fixed income and alternative investment categories.
In our view, the Adverse Active Alpha manager ranking model is an important part of evaluating managers for consideration. However, we do recognize that AAA cannot, in and of itself, tell us which managers' strategies to invest in or when to buy or sell the strategies. While highly ranked managers historically performed well as a group in our analysis, past performance is not a guarantee of future results for any manager or strategy. Index returns assume reinvestment of dividends and, unlike fund or strategy returns, do not reflect any fees or expenses. Indices are unmanaged and not available for direct investment.

It is also important to keep in mind that just because a manager has high active share (top two deciles), a portfolio that looks different than the index (benchmark) doesn't necessarily mean the portfolio had or will have better performance than the index. Being different than the index does not consider factors such as: the timeliness of data provided by the manager, the appropriateness of the benchmark used for comparison to the portfolio, the relevancy of the period(s) being analyzed between the portfolio and the benchmark, knowing the difference between the securities and their concentration in a manager's portfolio vs. the benchmark and the potential that the data provided by the manager looked significantly different in periods before and after the performance snapshot(s) used for analysis. While the preceding considerations are not part of the AAA ranking model, GIMA's strives to evaluate other material and forward looking factors as part of the overall manager evaluation process. Factors such as but not limited to manager turnover and changes to investment process can partially or fully negate a positive Adverse Active Alpha ranking. Additionally, highly ranked managers can have differing risk profiles that might not be suitable for all investors. For more information on AAA, please see the Adverse Active AlphaSM: Adding Value Through Manager Selection and Adding Value to Fixed Income Manager Selection With Adverse Active AlphaSM whitepapers. The whitepapers are available from your Financial Advisor or Private Wealth Advisor.

ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its affiliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

Investment with Impact

Morgan Stanley defines Investing with Impact as an investing approach that aims to generate competitive market-rate returns in addition to positive environmental and/or social impact. These strategies will incorporate value-based, ESG, thematic, and impact oriented approaches to their investment process.

Type of Investing With Impact Descriptions

Values Alignment – Screen by interests and values. Avoid investments in potentially "objectionable" companies and industries. Not actively seeking environmental and social impact

Environment, Social & Governance (ESG) Integration – Target companies whose approach to environmental, social or governance issues creates value differentiation

Sector Exposure – Focus on themes and sector

Disclosures

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Other

Purpose of Report. This report is provided for educational and informational purposes only. It is not intended to be an offer, solicitation or recommendation with respect to the purchase or sale of any security.

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Please note that if any investments in this report are described as "tax free", such designation may only be relevant for taxable investors, and not investors holding and investing assets within a qualified retirement plan. For taxable investors, income from these investments may be subject to state and local taxes and (if applicable) the federal Alternative Minimum Tax. Realized capital gains on these investments may be subject to federal, state and local capital gains tax. For taxdeferred investors, such as qualified retirement plans or IRAs, such income, gains, and losses are generally not recognized by such investors if the assets are held within the plan, unless special tax rules applicable to "unrelated business taxable income" or UBTI apply to the terms of a particular investment. Please consult your personal tax and/or legal advisor to learn about these and any potential tax or other implications that may result from acting on a particular recommendation.

Envestnet. This report was created by Morgan Stanley using Envestnet, an analytical tool created and maintained by Envestnet. Morgan Stanley is not affiliated with Envestnet. To produce the report, Morgan Stanley Financial Advisors input certain information acquired from third party sources, such as the plan's provider, recordkeeper and/or custodian. This information is played back to you in this report; you are responsible for immediately notifying your Financial Advisor of any inaccuracies and of anything which should be included but is not.

Key Asset Class Risk Disclosures

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in **emerging markets**. International investing may not be for everyone. **Small and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies.

Disclosures

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Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk and prepayment risk. In general, as prevailing interest rates rise, fixed income securities prices will fall. Bonds face credit risk if a decline in an issuer's credit rating, or credit worthiness, causes a bond's price to decline. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. Finally, bonds can be subject to prepayment risk. When interest rates fall, an issuer may choose to borrow money at a lower interest rate, while paying off its previously issued bonds. As a consequence, underlying bonds will lose the interest payments from the investment and will be forced to reinvest in a market where prevailing interest rates are lower than when the initial investment was made.

Inflation-protected securities coupon payments and underlying principal are automatically increased to compensate for inflation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, inflation-protected securities tend to offer a low relative return. Because the return is linked to inflation, inflation-protected securities may significantly under perform versus conventional US Treasuries in times of low inflation.

Ultra-short fixed income in our managed account programs at Morgan Stanley is primarily limited to open-end mutual funds and exchange-traded funds. Ultra-short bond funds generally invest in fixed income securities with very short maturities, typically less than one year. They are not money market funds. While money market funds attempt to maintain a stable net asset value, an ultra-short bond fund's net asset value will fluctuate, which may result in the loss of the principal amount invested. They are therefore subject to the risks associated with debt securities such as credit and interest rate risk.

REITs investing risks are similar to those associated with direct investments in real estate: lack of liquidity, limited diversification, and sensitivity to economic factors such as interest rate changes and market recessions.

Investing in **commodities** entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Individual funds will have specific risks related to their investment programs that will vary from fund to fund.

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Disclosures

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The underlying fund's internal expenses (also known as the expense ratio) generally covers investment management fees, marketing and distribution fees (also known as 12b-1 fees) and other operating expenses of the fund. The expense ratios being displayed for mutual funds reflect each fund's prospectus "net" expenses as provided by Morningstar. Such "net" expenses are subject to change and may increase at any time.

As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, for an account with an initial value of $100,000 and a 1.00% annual fee, if the gross performance is 5% per year over a three year period, the compounding effect of the fees will result in a net annual compound rate of return of approximately 3.95% per year over a three year period, and the total value of the client's portfolio at the end of the three year period would be approximately $115,762.50 without the fees and $112,336.98 with the fees.

To learn more about the Institutional Services Program, please see the applicable Morgan Stanley Smith Barney LLC ADV Part II Brochure for more information including a description of the fee schedule. It is available at HYPERLINK www.morganstanley.com/ADV or from your Financial Advisor.

ALL MUTUAL FUND PRODUCTS AND EXCHANGE-TRADED FUNDS ARE SOLD BY PROSPECTUS, WHICH CONTAINS MORE COMPLETE INFORMATION ABOUT THE FUND. PLEASE CONTACT YOUR FINANCIAL ADVISOR FOR COPIES. PLEASE READ THE PROSPECTUS AND CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES CAREFULLY BEFORE INVESTING. THE PROSPECTUS CONTAINS THIS AND OTHER INFORMATION ABOUT THE FUND

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