Welcome to the 2020 Annual Investment Breakfast

COMMUNITY FIRST®
FOUNDATION
Powering Community Together

Agenda

8:30 **Welcome – Kelly Dunkin,** President and CEO**,** Community First Foundation

8:33 **Role of Finance and Investment Committee (FIC) – David Bomberger,** Chair

8:35 **Graystone Consulting – 2019 Look Back & 2020 Look Forward, Robert Morris and Bill Hendrix**

9:15 **Introduction – Environmental, Social and Governance (ESG) Ken Kirwin,** Chief Financial Officer

9:17 **In Depth – Environmental, Social and Governance (ESG) Robert Morris,** Graystone Consulting

9:37 **ESG Input from Audience – Moderated by Kelly Dunkin**

9:50 **Q&A – Moderated by Kelly Dunkin**

10:00 **Close – Kelly Dunkin**

Community First Foundation®
Powering Community Together

Graystone Consulting℠
A business of Morgan Stanley

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760 W Main Street
Suite 200
Barrington, IL 60010
Tel: (847) 382-6608

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Wichita, KS 67206
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Annual Investor Meeting

January 2020

COMMUNITY FIRST® FOUNDATION
Powering Community Together

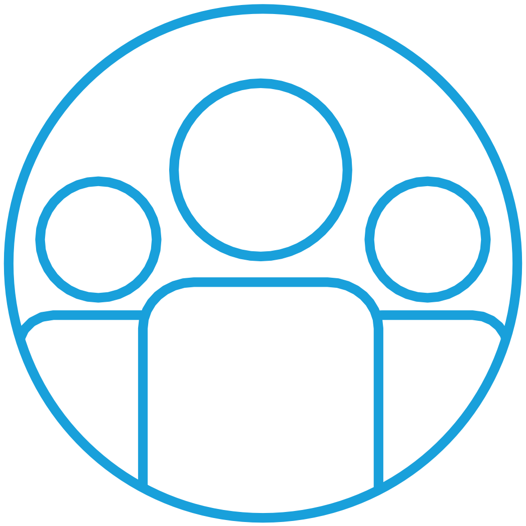
George T Cook, CIMA®
Institutional Consulting Director
George.T.Cook@msgraystone.com

Wm. G. (Bill) Hendrix, CIMA®
Institutional Consulting Director
William.G.Hendrix@msgraystone.com

Robert J. Morris
Institutional Consulting Director
Robert.J.Morris@msgraystone.com

Suzanne Lindquist
Executive Director
Suzanne.Lindquist@morganstanley.com

Agenda: Today's Discussion



Morgan Stanley & Graystone:
Who We Are

Graystone Consulting[SM]
A business of Morgan Stanley

Graystone Consulting

At a Glance

Morgan Stanley

Graystone Consulting

Founded in **1935**

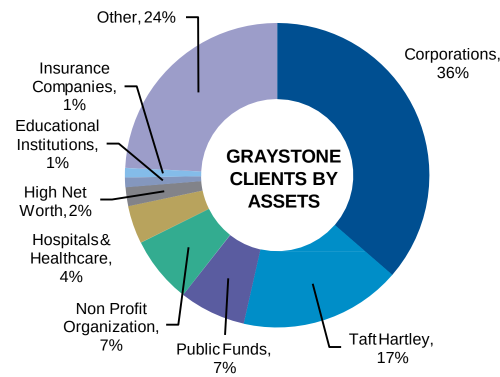
Offices in **42** countries

57,000+ employees

300+ capital markets and industry experts around the globe

Ranked among the largest firms across all of our industry segments:

- Investment bank
- Prime brokerage
- Investment distribution networks
- Global research



The resources of a global financial leader

$21.7B firmwide revenues[1]
YTD Through June 2018

$206B in liquidity reserve[2]
As of March 2018

>$3B annual investment in technology

$59B in Alternative investments under management in **350+** funds
As of December 2017

750+ legal, compliance and risk professionals
As of July 2016

500+ team of cybersecurity professionals
As of July 2016

#1 underwriter of global initial public offerings[3]
As of 2017

#1 Barron's Top 100 Financial Advisors with 38 listings[4]
As of 2018

1. Morgan Stanley, June 2018 Unaudited Form 10-Q
2. Unaudited as of March 31, 2018. Morgan Stanley Quarterly Financial Supplement 1Q 2018
3. Source: Thomson Reuters, January 2018
4. Source: Barron's April 2018

Meet the Team

Graystone Consulting
A business of Morgan Stanley

Graystone Consulting Service Team for Community First Foundation

Institutional Consultants

George T. Cook, CIMA®
Managing Director
Institutional Consultant
Industry Experience: 35+ Years

William G. Hendrix, CIMA®
Senior Vice President
Institutional Consulting Director
Industry Experience: 35+ Years

Robert J. Morris, MBA
Senior Vice President
Institutional Consulting Director
Industry Experience: 15+ Years

Carl H. Viard, CIMA®
Senior Vice President
Institutional Consultant
Industry Experience: 32+ Years

Abigail J. Gage
Associate Vice President
Institutional Consultant
Industry Experience: 16+ Years

Paul Cox
Executive Director
Institutional Consultant
Industry Experience: 15+ Years

Roles & Responsibilities

- Manage all aspects of the team service and provide strategic directional oversight to reach goals
- Monitor team and client performance
- Provide portfolio modification recommendations – asset allocation, Investment manager strategies in conjunction with the OCIO group, etc.
- Deliver on total enterprise consulting
- Lead client discussions on investment objectives and risk tolerance
- Present educational topics and assist CFF in presentations / RFPs

Custom Solutions - OCIO

Suzanne Lindquist
Managing Director

Lily Scott Trager
Executive Director
Impact Investing

Research & Analytical

- **Justin S. Dougan**, Institutional Consulting Analyst
- **Chris Muffie**, Institutional Consulting Analyst
- **Jeremy Braunius**, Registered Associate
- **Nicolo Foscari, CAIA**, Senior Investment Officer
- **Heather Hackett, CFA, CIMA**, Investment Officer
- **Kevin Kopczynski, CFA**, Senior Investment Officer
- **Kristin S. Mobyed**, Senior Investment Officer
- **James Totino, CFA, CIMA**, Investment Officer
- **Robert Geitz, CAIA**, Senior Investment Officer
- **Steve Edwards, CFA**, Senior Investment Officer
- **Tae Kim, CFA, FRM**, Portfolio Strategist
- **Yoon Kang**, Portfolio Strategist

Roles & Responsibilities

- Liaise with the GIC, GIMA & AIP to provide analytical support for CFF
- Monitor and reconcile performance data
- Macro-economic research
- Manager Review
- Custom Investment performance & analytics
- Alternative Investment analytics and review

Service Team Operational Staff

- **Sidney Brinson**, Senior Client Service Associate
- **Diane Wasilk**, Group Director
- **Kolleen Sorenson**, Senior Registered Associate
- **Barbara Brewer**, Client Service Associate

Roles & Responsibilities

- Execute transactions
- Facilitate daily client needs
- Accounting operations
- Process journals, wires and new accounts
- Manage onboarding processes

Additional Firm-Wide Resources and Support

Global Investment Manager Analysis (GIMA)
(Investment Manager Research)

Traditional and Alternative Analysts:	75+
Average Industry Experience:	17 years
Chartered Financial Analyst (CFA):	11
Chartered Alternative Investment Analysts (CAIA):	4
Certified Public Accountant (CPA):	1
Certified Investment Manager Analyst (CIMA):	1

Alternative Investment Partners (AIP)
(Alternative Investment Research)

Analytical, Research, Support Members:	243+
Doctor of Philosophy (PhD):	2
Masters of Business Administration (MBA):	4
Chartered Financial Analyst (CFA):	1

Global Investment Committee (GIC)
(Market Research)

Committee Members:	7
Doctor of Philosophy (PhD):	2
Masters of Business Administration (MBA):	4
Chartered Financial Analyst (CFA):	1

We Provide Full-Scale, Customized Advice for Institutions

FIDUCIARY (CLIENT)	ADVISOR / CONSULTANT	CUSTOM SOLUTIONS - OCIO

FIDUCIARY (CLIENT)

All types of clients

- Corporations
- Public institutions
- Non-profit entities
- Individuals & families

ADVISOR / CONSULTANT

- **Based locally** to provide ongoing support and client service
- **Supported globally** by dedicated portfolio managers and investment professionals
- **Delivers the firm's best thinking** and a full range of innovative strategies and services by partnering with Custom Solutions

CUSTOM SOLUTIONS - OCIO

Established, holistic process

- Grounded in risk management
- Extensive open-architecture platform

Experienced team

- Average of 14 years of financial services industry experience
- 12 combined CFA®, CAIA®, CIMA® and FRM® designations
- Dedicated resources for each aspect of client service

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Graystone Value Proposition / Services

Graystone offers a comprehensive, full-discretion service relationship, allowing Investment Committees to focus on the big picture rather than day-to-day operations…

INVESTMENT POLICY DEVELOPMENT

- Spending Policy Analysis
- Liability Analysis
- Policy benchmark development & allowable asset guidelines
- Impact Investing / ESG
- Best Practice Governance

ASSET ALLOCATION STRATEGIES

- Forward Capital Markets assumptions
- Strategic (7 year) & Tactical (18 mo) allocation
- Portfolio allocation optimization
- Managing policy constraints and restrictions

PERFORMANCE MONITORING

- Spending Policy Analysis
- Constituent Level reports
- Policy benchmark development / Compliance
- Impact Investing / ESG Investment Compliance
- Portfolio Attribution Analysis

CASH FLOW & LIABILITY MANAGEMENT

- Spending Policy Analysis
- Strategic Planning
- Cash Flow matching strategies
- Target strategies (CRT & CGA)
- Capital Campaign / Fundraising model and support.

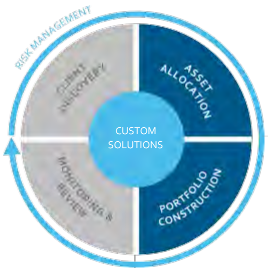
PORTFOLIO CONSTRUCTION

- Manager Due Diligence (including current managers)
- Ex ante and "what-if" analysis
- Factor risk modeling and overlap analysis
- Active/Passive optimization

RISK MANAGEMENT

- Portfolio Monitoring and Oversight
- Portfolio Attribution Analysis
- Regulatory risk management
- Environmental and Scenario Stress Testing

Determining the Right Mix for Community First Foundation



WE CONDUCT QUANTITATIVE ANALYSIS AND QUALITATIVE ASSESSMENT IN AN EFFORT TO ACHIEVE THE OPTIMAL PORTFOLIO

LEVERAGES COMPLEMENTARY MANAGER MIX

We seek to achieve long-term outperformance and enhance diversification by combining high-quality managers with strong track records and investment styles that complement one another.

OPTIMIZES ACTIVE / PASSIVE BLEND

Research shows that an active / passive mix – adjusted as market conditions change – has beaten a purely active or passive approach.[1] You pay for active management only when market conditions suggest it will be rewarded.

MAXIMIZES RISK BUDGET

Because risk drives variability of performance, we weight managers according to their risk contribution, instead of dollar amounts. This offers greater potential for higher returns.

CAPITALIZES TACTICAL VIEWS

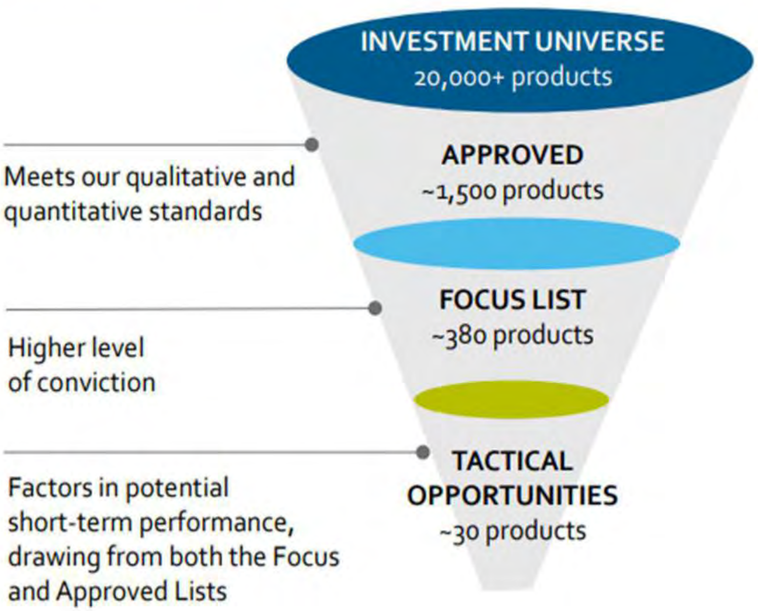
We select managers whose strategies best align with our tactical market views and may benefit from expected market trends.

1. Source: Morgan Stanley Wealth Management. "Asset Allocation Special Report: Active/Passive Allocations Over the Strategic Horizon." September 8, 2015.

Graystone Consulting

Identifying High-Quality Managers for Your Portfolio

RIGOROUS MANAGER ANALYSIS[1]



FEWER THAN 5% OF PRODUCTS MEET OUR HIGHEST STANDARDS

STRONG GOVERNANCE

- Over 50 analysts continually review investment managers
- Decisions are governed by an experienced committee
- Extensive library of analyses are made available to Financial Advisors and clients

PATENTED SCORING TOOL

- Adverse Active Alpha℠ seeks to identify managers that can potentially enhance your portfolio's risk-reward profile

SUCCESSFUL TRACK RECORD[2]

Average Excess Return (bps) for Separately Managed Accounts vs. Benchmark

All information as of September 2018 and subject to change.

1. The functions of manager analysis and review are available only through advisory accounts for traditional investment products. The investment universe is inclusive of both traditional and alternative investment products.
2. Source: CompSiteIQ, Performance Analytics, Morgan Stanley Wealth Management as of March 31, 2018. Performance is relative to each product's appropriate style benchmark. Results shown represent total return (includes dividends) and exclude brokerage commissions or advisory fees. Had the results reflected brokerage commissions or advisory fees, the performance would have been lower.

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Capital Markets Update

Capital Markets Performance

The S&P 500 ended 2019 on a high note, gaining more than 9% in the fourth quarter. Improving sentiment surrounding global economic growth appeared to stabilize rates, keeping bond returns muted.

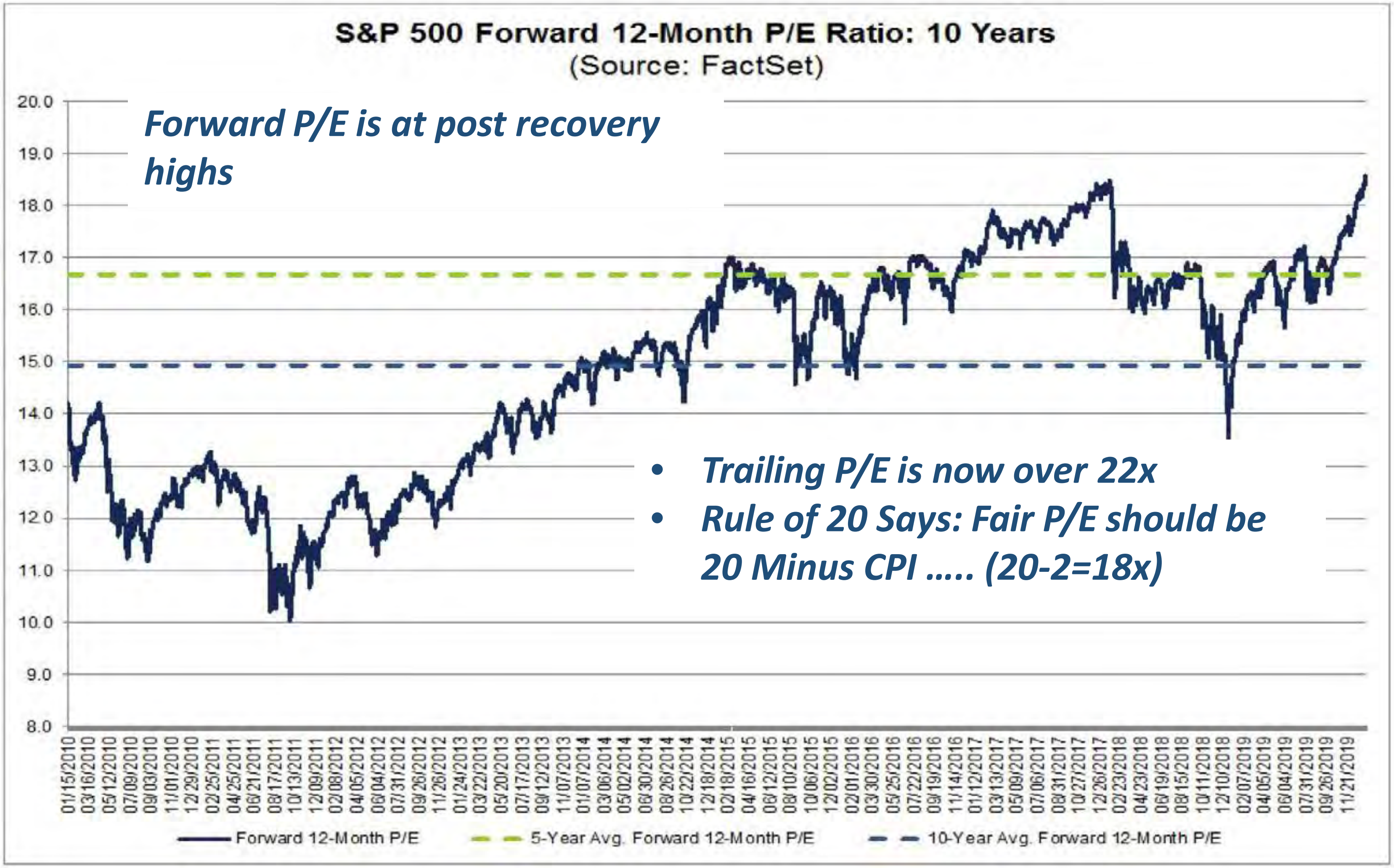
Capital Market Returns

As of December 31, 2019; Private Real Estate as of September 30, 2019

ASSET CLASS	INDEX IN USD	3-MONTH	YTD	1-YR	3-YR ANN	5-YR ANN
Global Equity						
Global Equity	MSCI All Country World	9.1%	27.3%	27.3%	12.4%	9.6%
US Equity	S&P 500	9.1%	31.5%	31.5%	14.8%	12.2%
International Equity	MSCI All Country World ex US	9.0%	22.1%	22.1%	9.6%	6.8%
Emerging Markets Equity	MSCI Emerging Markets	11.9%	18.9%	18.9%	11.1%	6.3%
Global Fixed Income						
Investment Grade Fixed Income	Barclays US Aggregate	0.2%	8.7%	8.7%	4.1%	2.9%
Inflation-Linked Securities	Barclays Universal Govt Inflation-Linked	-2.7%	8.2%	8.2%	4.4%	4.4%
High Yield	Barclays Global High Yield (H)	3.0%	13.3%	13.3%	5.8%	6.7%
Emerging Markets Fixed Income	JP Morgan EM Bonds (UH in USD)	5.2%	13.5%	13.5%	2.8%	1.7%
Alternative Investments						
Global REITs	FTSE EPRA/NAREIT Global REITs	3.5%	23.6%	23.6%	9.4%	6.4%
Commodities	Bloomberg Commodities	4.4%	7.7%	7.7%	-0.6%	-3.6%
MLPs	Alerian MLP	-4.1%	6.6%	6.6%	-4.1%	-5.5%
Hedged Strategies	HFRX Global Hedge Fund Index	2.6%	8.6%	8.6%	2.3%	1.3%
Managed Futures	HFRX Macro/CTA Index	-0.2%	4.8%	4.8%	1.5%	-0.3%
Private Real Estate	NCREIF Private Real Estate	-	4.8%	6.2%	6.8%	8.6%
Global Cash						
Cash	Citigroup 3-month Treasury Bill	0.5%	2.3%	2.3%	1.7%	1.0%
Other Fixed Income						
Municipal Fixed Income	Barclays Municipal Bond	0.7%	7.5%	7.5%	4.7%	3.5%

Source: FactSet, Morgan Stanley Wealth Management GIC. For more information about the risks to Master Limited Partnerships (MLPs), please refer to the Risk Considerations section at the end of this material.

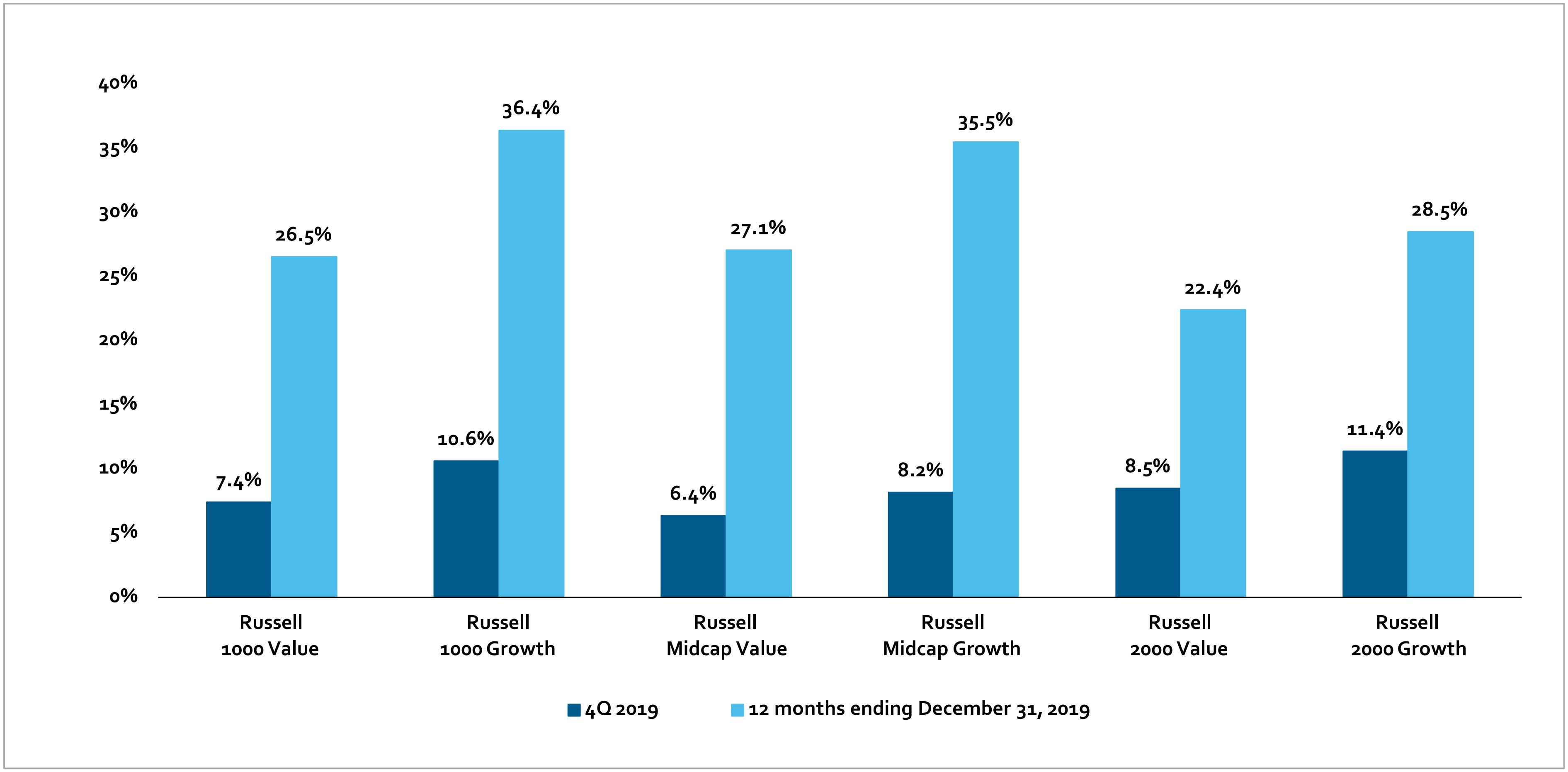
Valuation Are Stretched



2020Q1/FACTSET/EarningsInsight_011720.pdf

Russell Style and Market Capitalization Indices

As of December 31, 2019



Source: Bloomberg

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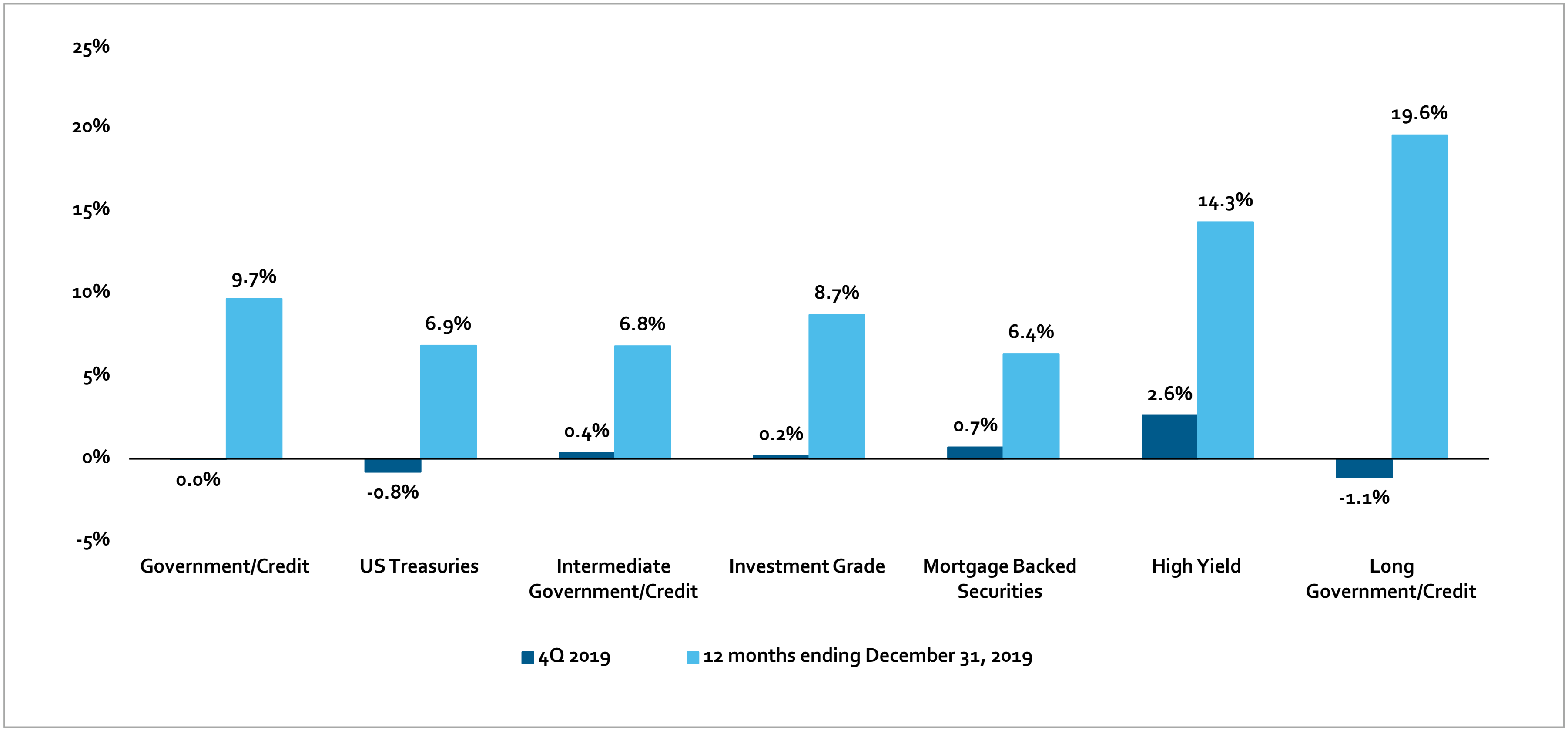
US Fixed Income Indices[1]

As of December 31, 2019



Source: FactSet. (1) Represented by Bloomberg Barclays fixed income indices.

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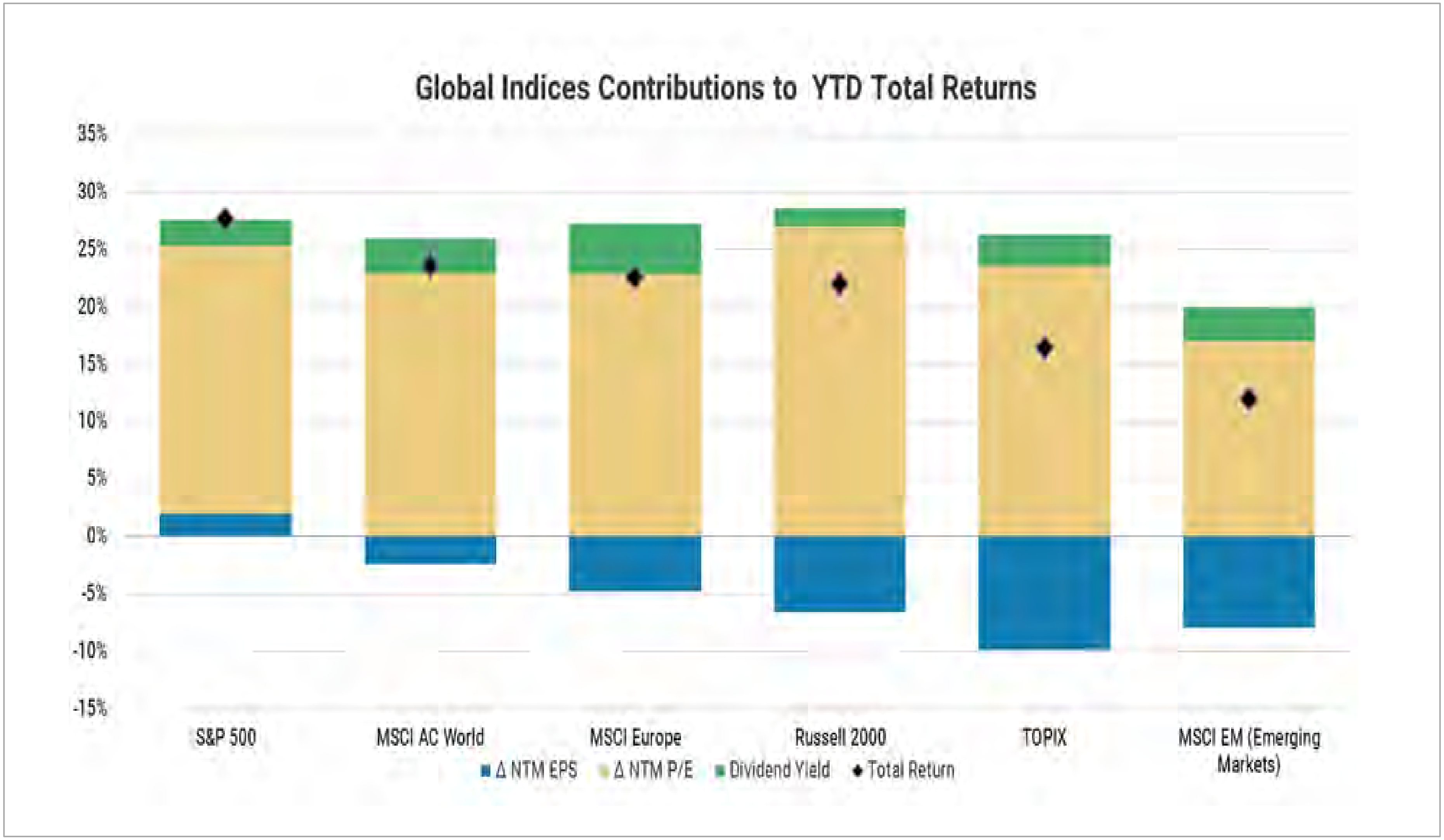
2019 the Opposite of 2018...*Negative* EPS Growth + Big Multiple Expansion

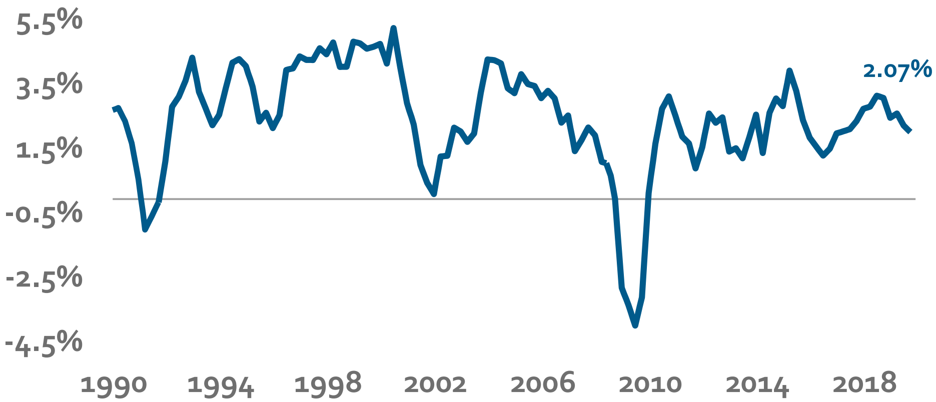


Source: FactSet; Morgan Stanley & Co. Research

Current Indicators: Growth

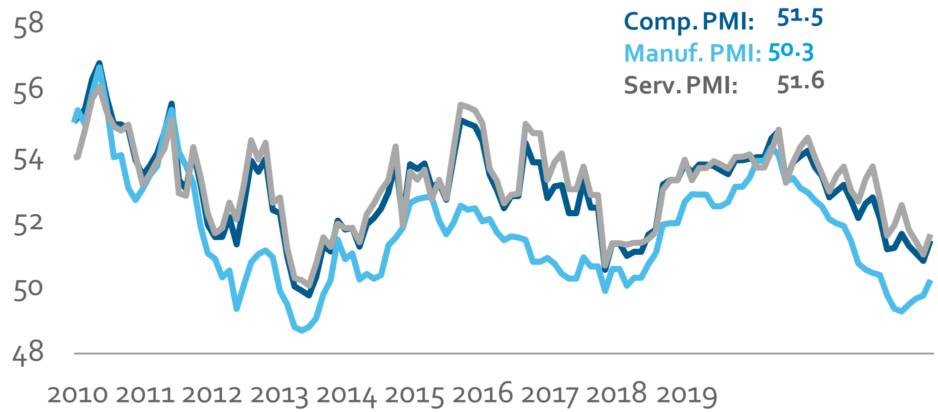
Actual Real GDP (Y/Y)

As of September 30, 2019



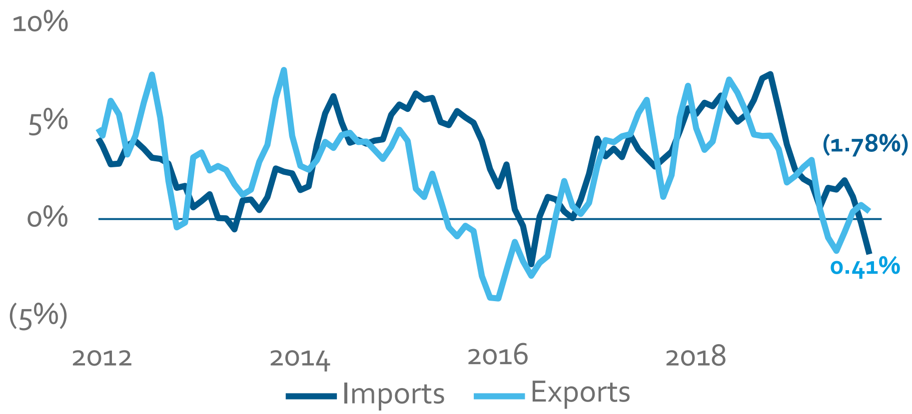
Global Purchasing Manager Indices

As of November 30, 2019



U.S. Imports and Exports (Y/Y, 3M Average)

As of November 30, 2019



U.S. Durable Goods Orders Ex-Transportation (Y/Y)

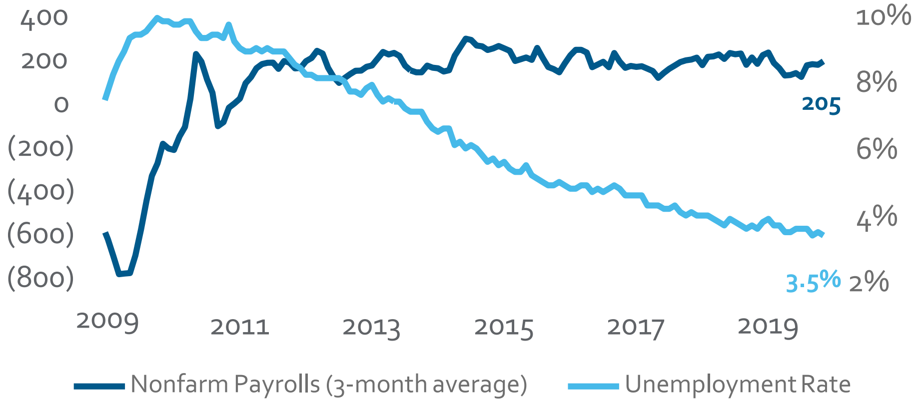
As of November 30, 2019

Source: Bloomberg, Haver Analytics, EvercoreISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC

Current Indicators: Growth

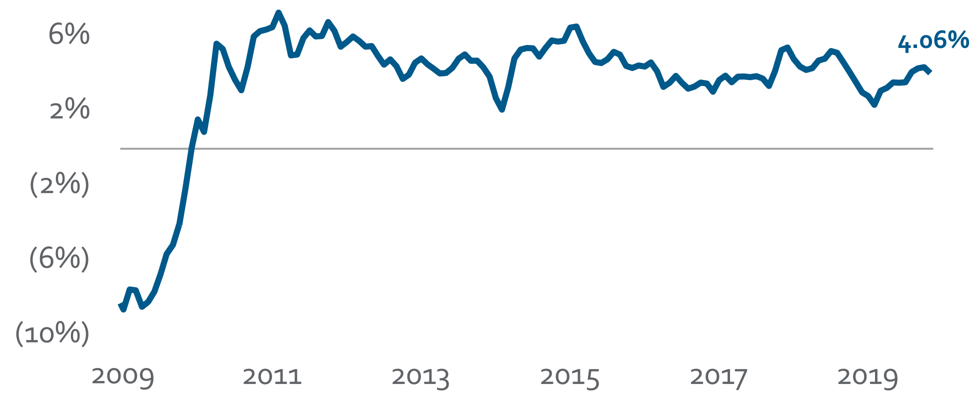
Nonfarm Payrolls Change & US Unemployment

As of November 30, 2019



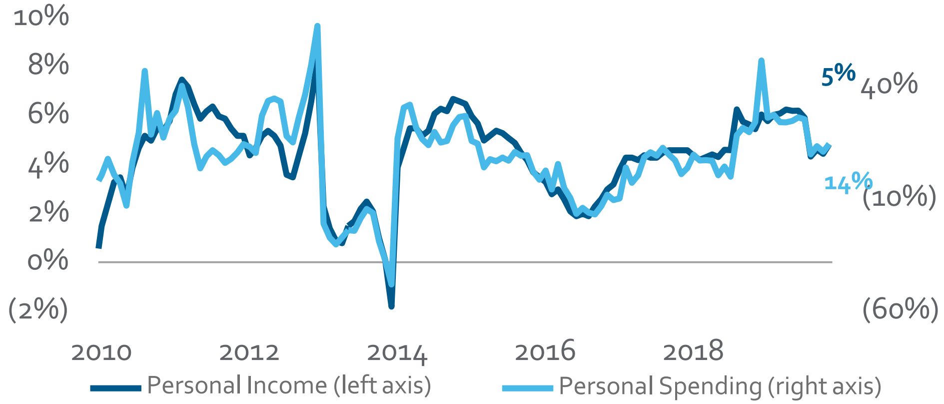
Retail Sales Ex Gas (Y/Y, 3-month average)

As of November 30, 2019



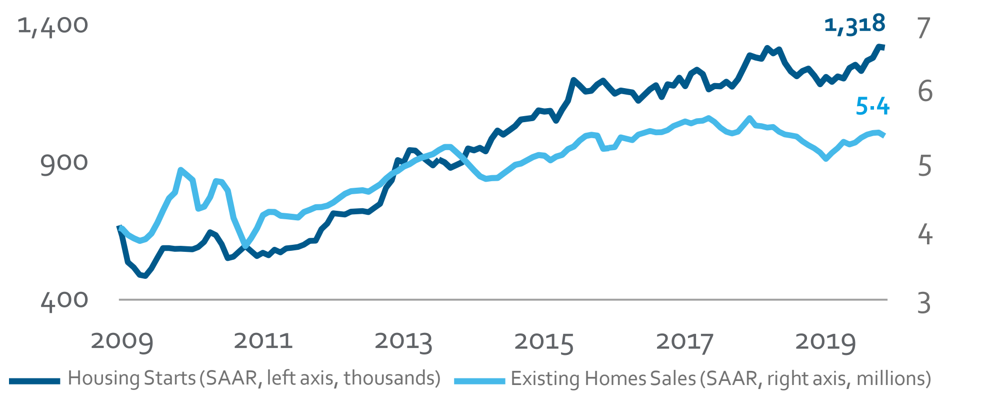
US Personal Savings & Personal Income (Y/Y)

As of November 30, 2019



US Housing (3-month average)

As of November 30, 2019

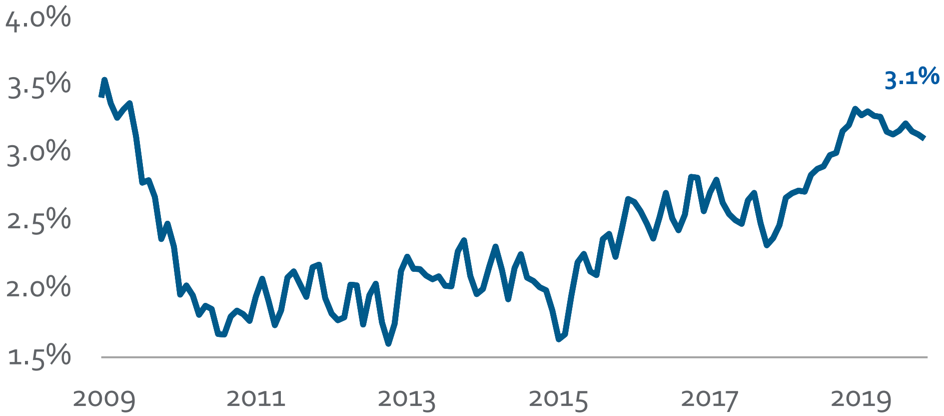


Source: Bloomberg, Haver Analytics, EvercoreISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC

Current Indicators: Inflation

Average Hourly Earnings (Y/Y, 3-month average)

As of November 30, 2019

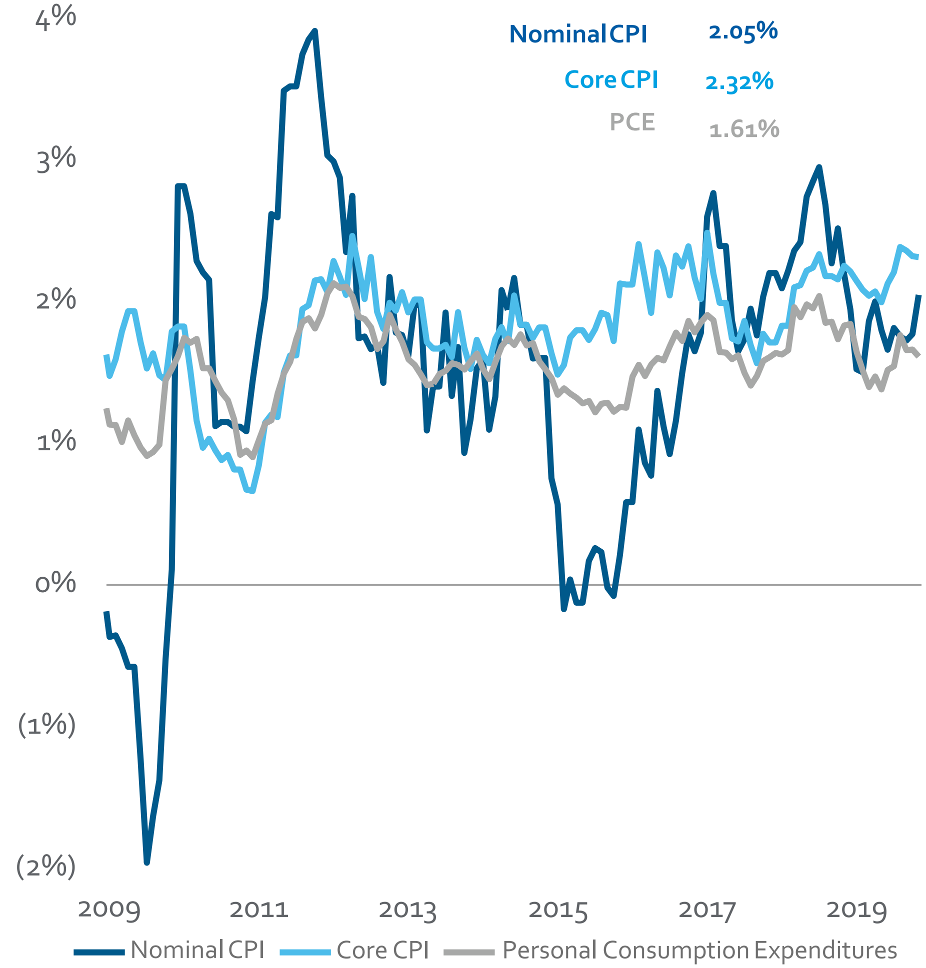


US Five-Year, Five-Year Inflation Swap Forward Rates

As of December 27, 2019

CPI, Core CPI, Personal Consumption Expenditures (Y/Y)

As of November 30, 2019

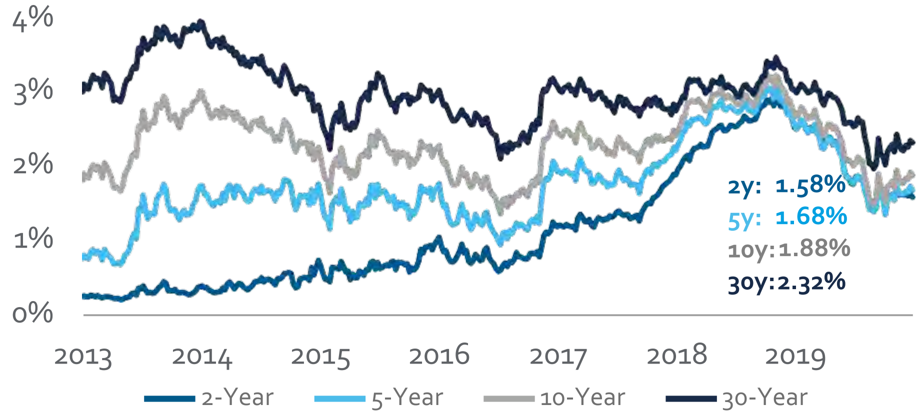


Source: Bloomberg, Haver Analytics, EvercoreISI Investor Surveys, Commitments of Traders (COT) Report, Morgan Stanley Wealth Management GIC

Current Indicators: Rates

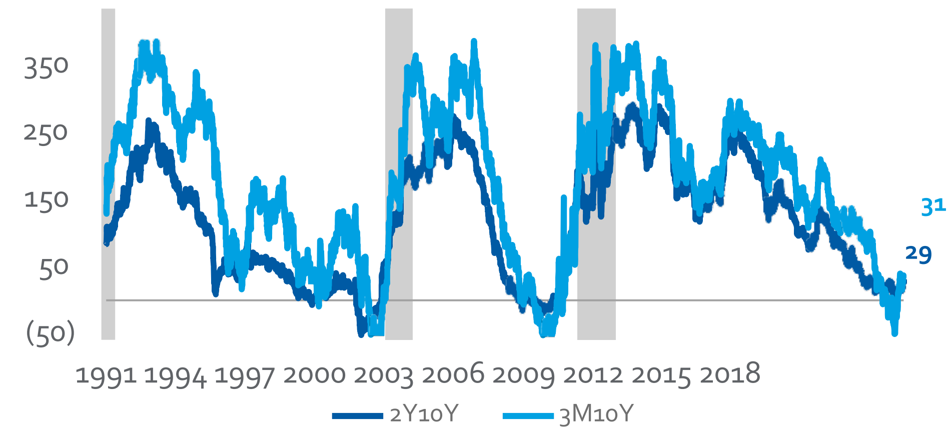
US Treasuries by Maturity

As of December 27, 2019



US Treasury Spreads: 3m10y & 2y10y (Bps)

As of December 27, 2019



Market-Implied Pace of Rake Hikes Over Next 12 Months

As of December 20, 2019

10-Year Government Bond Yield Differentials

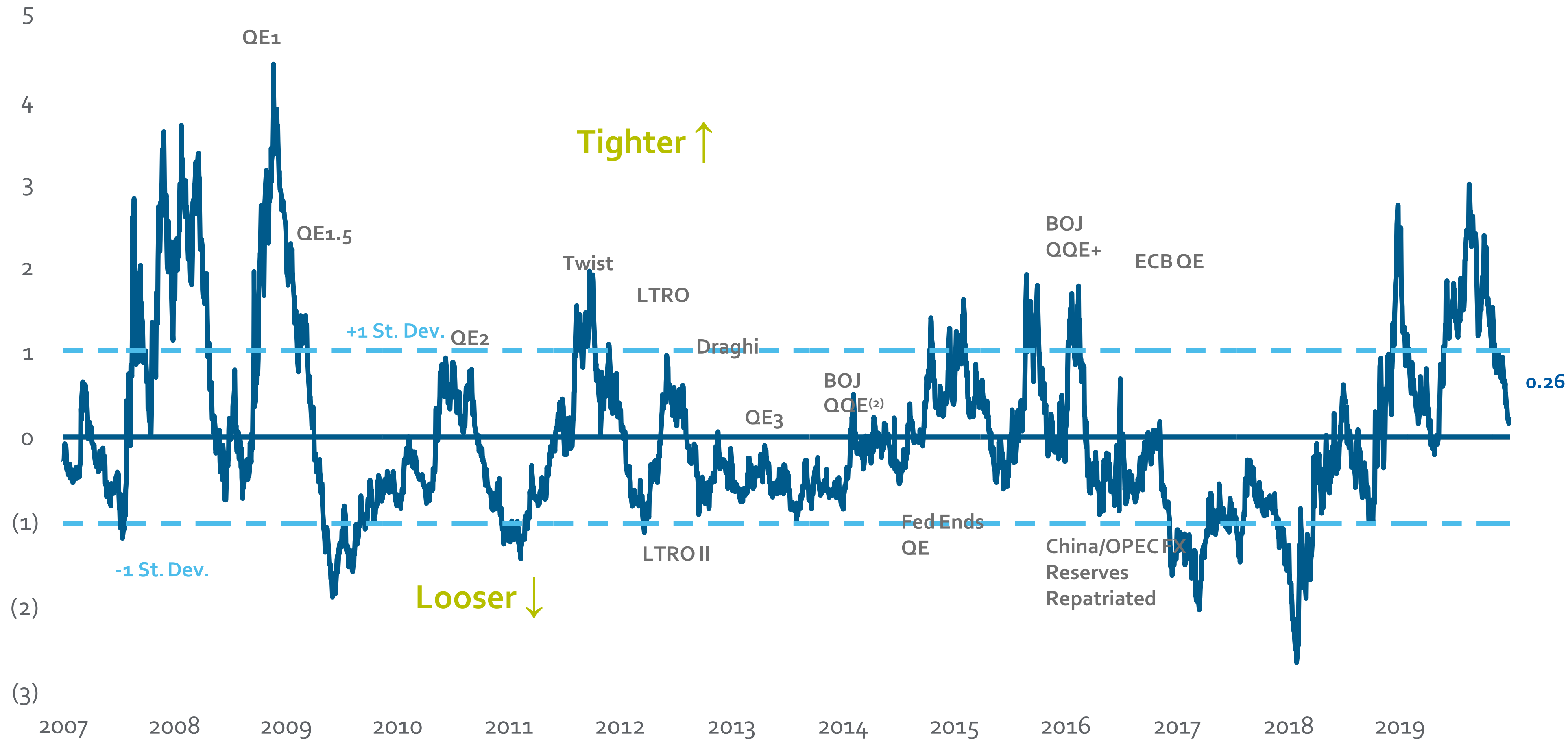
As of December 27, 2019

Source: Bloomberg, FactSet, Morgan Stanley Wealth Management GIC

Current Indicators: Liquidity

Morgan Stanley Financial Conditions Index

As of December 24, 2019



Source: Bloomberg, Morgan Stanley Wealth Management GIC. (1) The y-axis measures the Morgan Stanley Financial Conditions Index, a weighted index comprised of changes in equities (S&P 500), short-term interest rates (3-month Treasury), long-term interest rates (10-year Treasury) and USD currency (Morgan Stanley Dollar Index). (2) Bank of Japan Quantitative and Qualitative Easing (QQE). Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

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Regime Change

Current Macro Regime

Growth:	Decelerating growth, rising uncertainty.
Inflation:	Decelerating and below trend.
Global Monetary Policy:	Monetary easing, central bank balance sheet expansion

Potential Regime Shifts in 2020

Goldilocks Shift

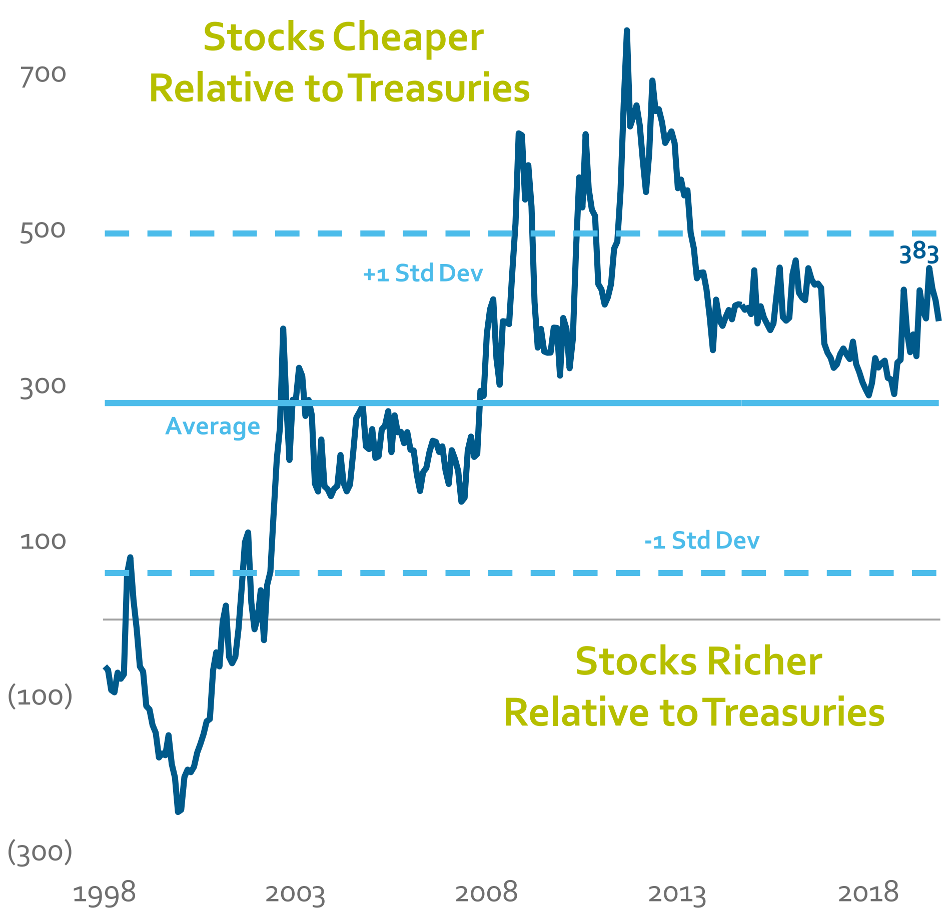
Growth:	Expansion resumes
Inflation:	Little inflationary pressure
Monetary Policy	Supportive Policy with credit expansion

Stagflation

Current Indicators: Equity Valuation

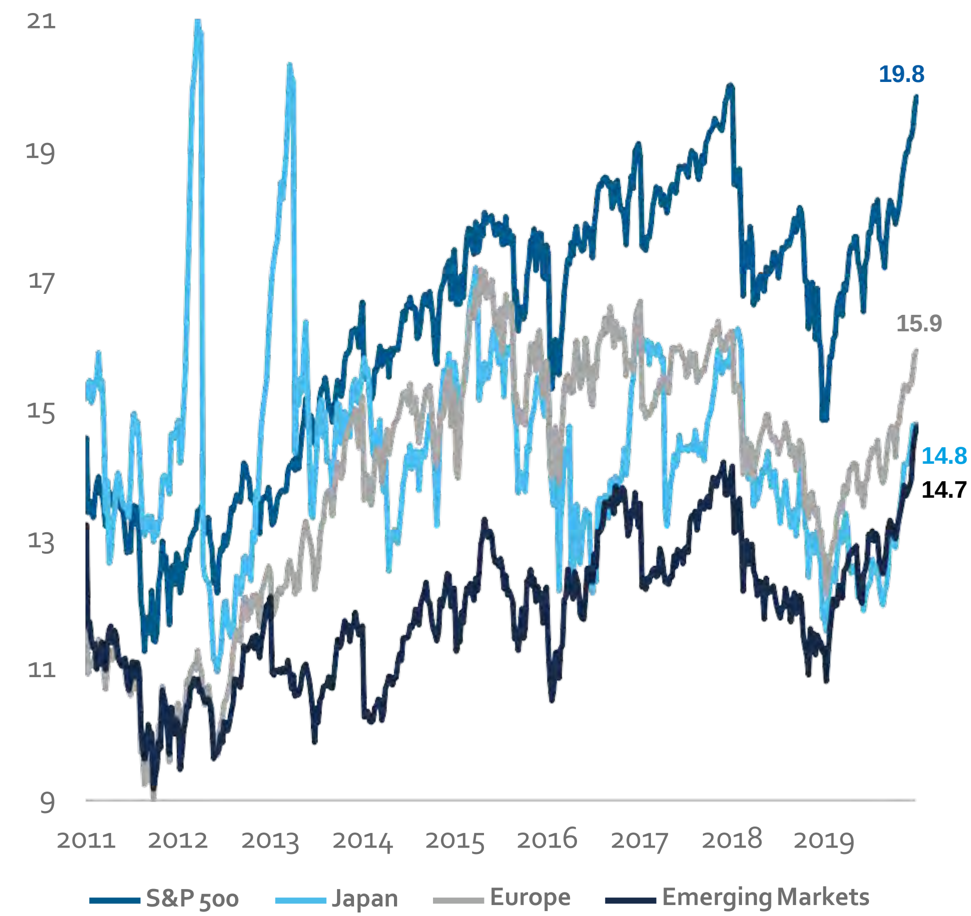
S&P 500 Equity Risk Premium(1)

As of November 30, 2019



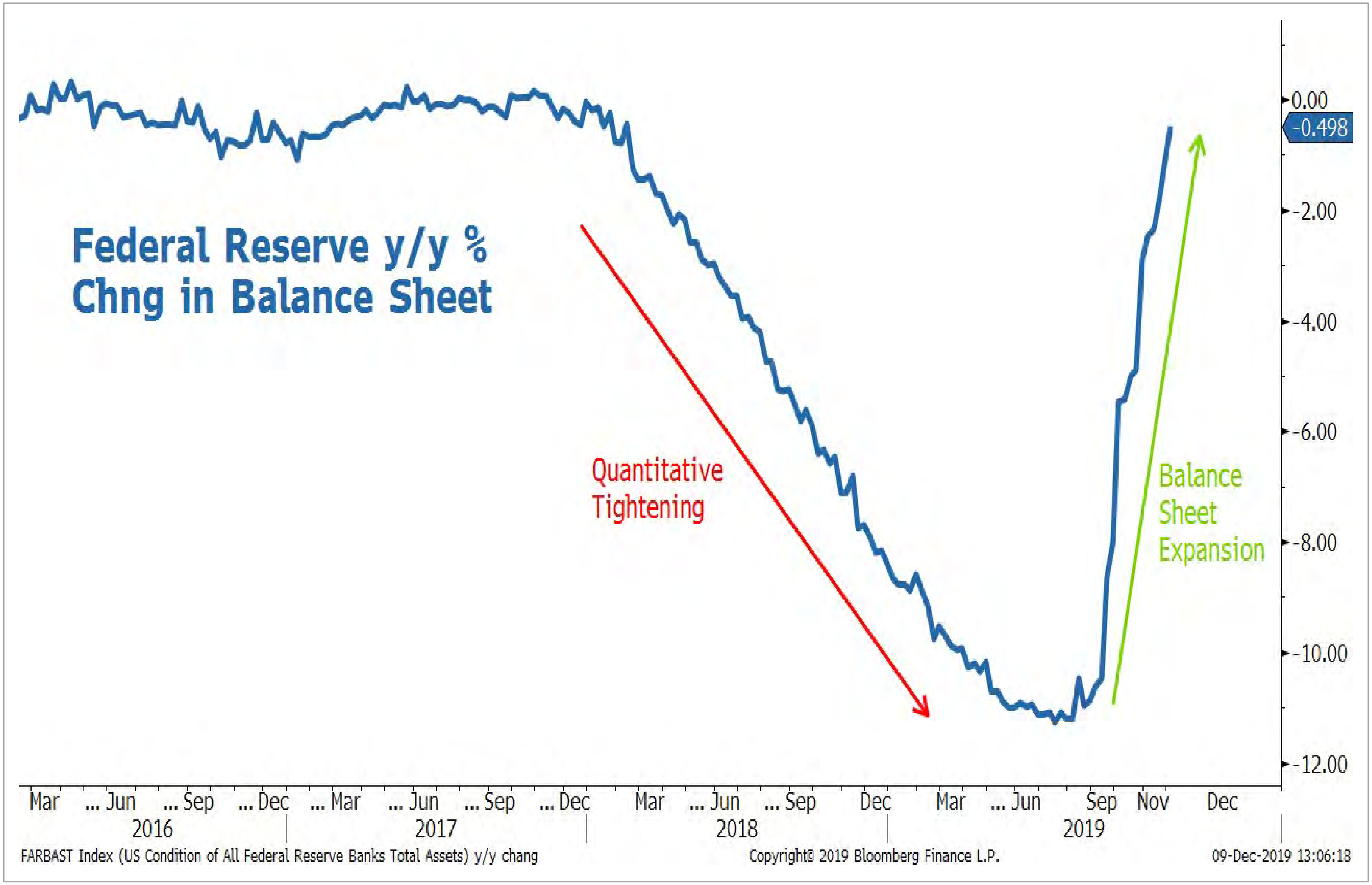
P/E Relative to Rest of World

As of December 27, 2019



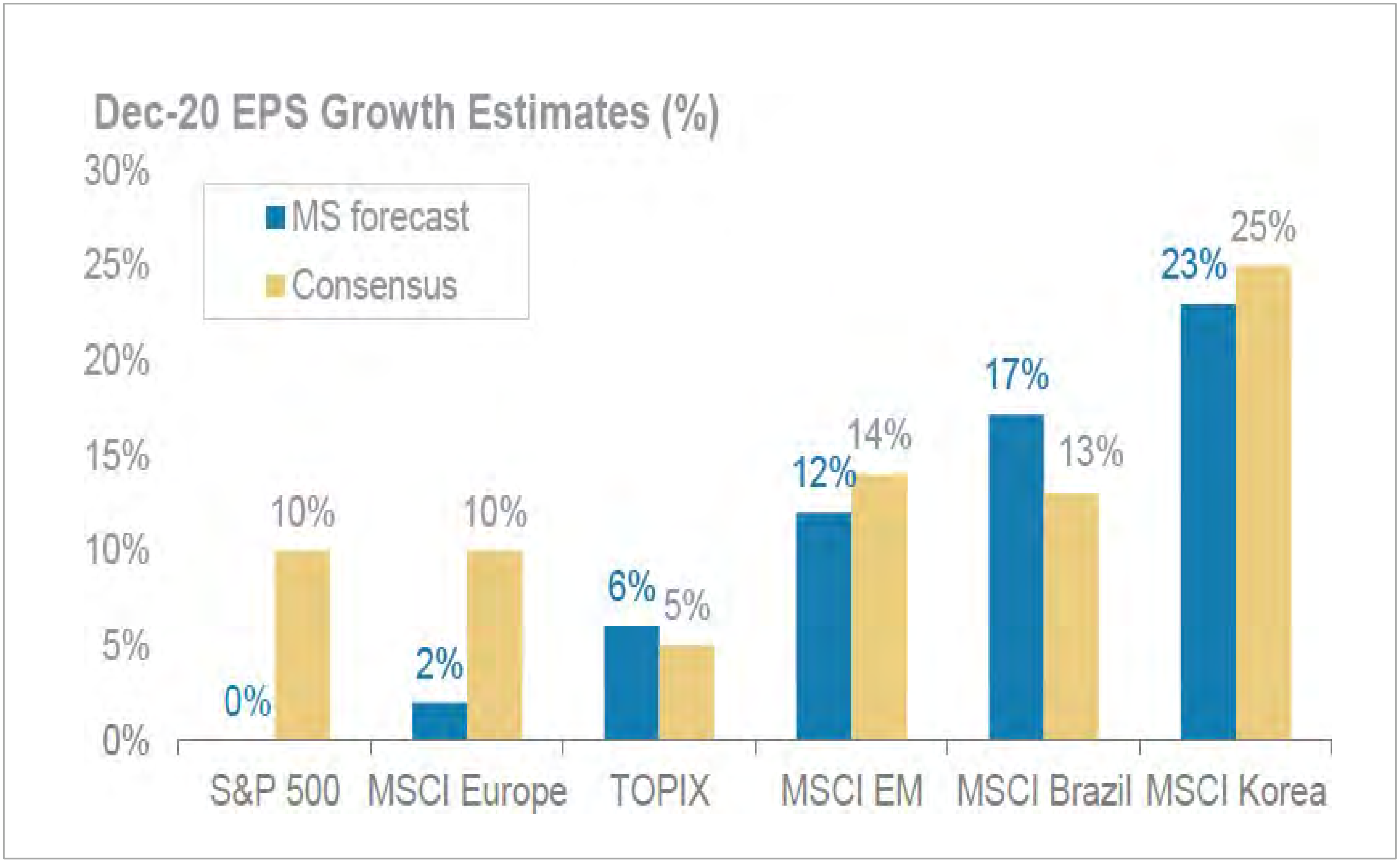
Source: FactSet, Morgan Stanley Wealth Management GIC. Note: (1) Equity risk premium = S&P 500 forward earnings yield – 10-year Treasury yield. Equity risk premium is the excess return that an individual stock or the overall stock market provides over a risk-free rate. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time. Standard deviation (volatility) is a measure of the dispersion of a set of data from its mean.

The Main Driver of Asset Prices Has Been the Fed's Balance Sheet Expansion



Source: Bloomberg, Morgan Stanley & Co. Research as of December 9, 2019

We Are Forecasting Stronger Earnings Growth Outside the US



Source: FactSet, Bloomberg, Morgan Stanley & Co. Research as of November 15, 2019

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2020 Strategist Projections For S&P 500

12/31/19 Close 3231 | Projections As of 12/27/2019

Firm	*Projection*	*EPS*	*Implied Multiple*	*Implied Upside**	*Strategist*
Oppenheimer	3500	$ 175.0	20.0	8.3%	John Stoltzfus
Credit Suisse	3425	$ 174.3	19.7	6.0%	Jonathan Golub
Goldman Sachs	3400	$ 177.0	19.2	5.2%	David Kostin
JP Morgan	3400	$ 180.0	18.9	5.2%	D. Lakos-Bujas
BMO	3400	$ 176.0	19.3	5.2%	Brian Belski
Citi	3375	$ 174.3	19.4	4.5%	Tobias Levkovich
RBC	3350	$ 174.0	19.3	3.7%	Lori Calvasina
B of A / ML	3300	$ 177.0	18.6	2.1%	Savita Subramanian
Barclays	3300	$ 166.0	19.9	2.1%	Maneesh Deshpande
Wells Fargo	3250	$ 175.0	18.6	0.6%	Chris Harvey
Deutsche Bank	3250	$ 175.0	18.6	0.6%	B. Chadha
Morgan Stanley	3000	$ 162.0	18.5	-7.1%	Mike Wilson
UBS	3000	$ 170.0	17.6	-7.1%	Francios Trahan

**Price appreciation from prior year end close.*

Median Target	3350	$ 175.0	19.1	3.7%

Graystone Key Takeaways

As of January 8, 2020

- Risk markets begin the year where they left off.
- 4Q breakout in global equity markets suggests secular bull market has begun next leg.
- Inflation may not be that far away.
- The US will likely lag the global recovery.
- Our view has been consistent over the past year to favor quality growth at a reasonable price and Value.
- US overweights: Utilities, Staples & Financials. US underweights: Tech & Consumer Discretionary.

Source: Morgan Stanley Wealth Management GIC

Performance

Long Term Portfolio

Fund Overview

Fund Assets Under Management
$67.48m

Annual Investment Management Costs*
0.26%

Description

The Long Term Portfolio's objective is to preserve capital and income while maintaining purchasing power and maximizing excess investment returns over inflation.

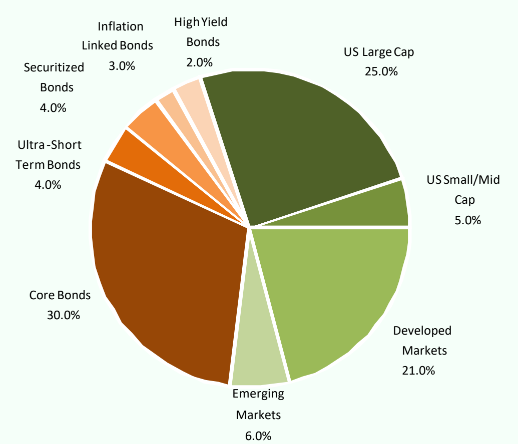
About Performance

*The investment results depicted herein represent historical Net performance after the deduction of investment manager and portfolio implementation costs.

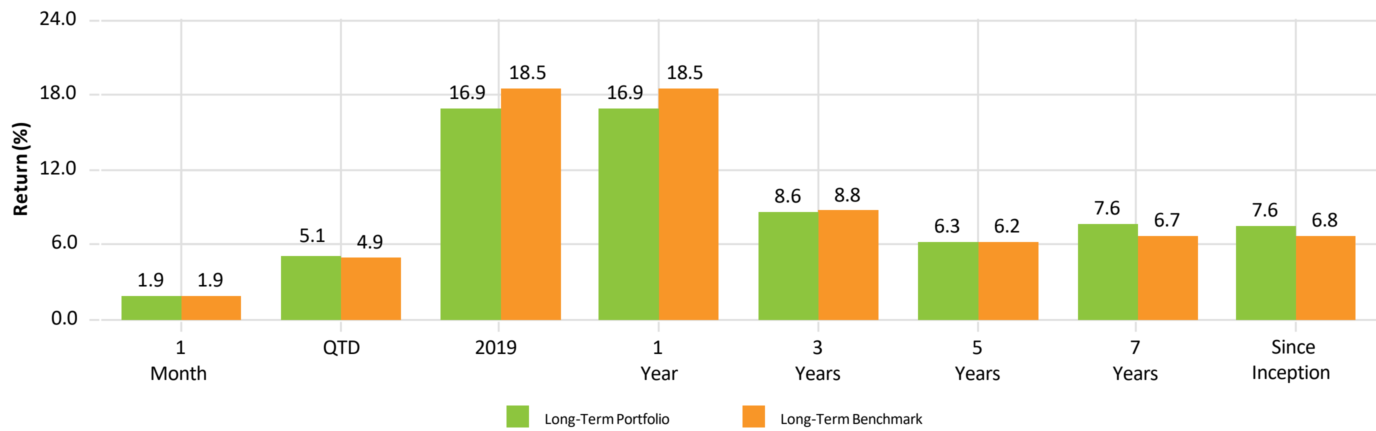
Annual, cumulative and annualized total returns are calculated assuming reinvestment of dividends and income plus capital appreciation. Performance for periods greater than one year is annualized. The performance data presented has been prepared by the fund or its sponsor.

***Past performance is not a guarantee of future results*.**

Target Asset Allocation

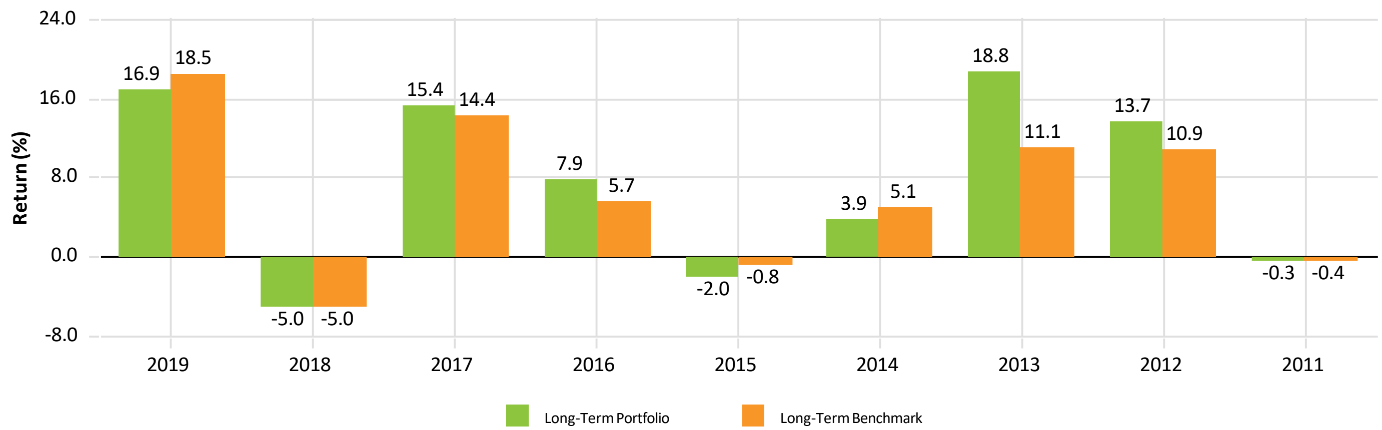


Multi-Period Performance Analysis



	1 Month	QTD	YTD	1 Year	3 Years	5 Years	7 Years	Since Inception
Long-Term Portfolio	**1.94**	**5.07**	**16.90**	**16.90**	**8.60**	**6.25**	**7.61**	**7.58**
Long-Term Benchmark	1.91	4.94	18.51	18.51	8.78	6.17	6.69	6.75

Calendar Year Performance Analysis



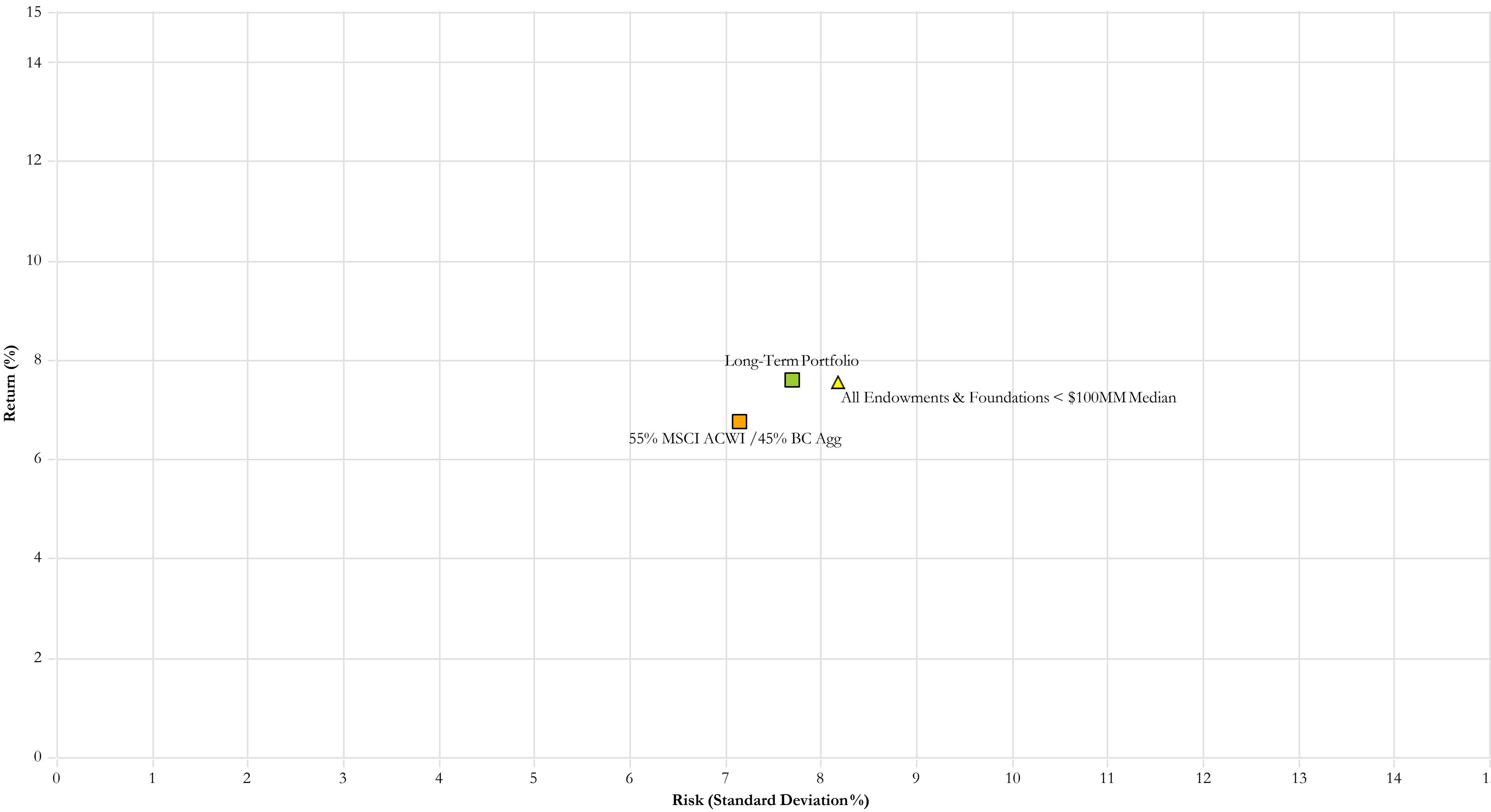
	YTD	2018	2017	2016	2015	2014	2013	2012	2011
Long-Term Portfolio	**16.90**	**-5.01**	**15.35**	**7.88**	**-2.00**	**3.90**	**18.76**	**13.71**	**-0.30**
Long-Term Benchmark	18.51	-5.04	14.37	5.66	-0.82	5.06	11.07	10.89	-0.37

YEAR ENDED DECEMBER 31, 2019

Asset Class / Manager	Benchmark	Benchmark Allocation	Average Allocation	Benchmark Index Return	CFF Asset Class Return	Benchmark Allocation Attribution	Asset Allocation Effect	Manager Selection Effect	Portfolio Attribution
Equities	MSCI ACWI	55.0%	56.9%	26.60%	25.14%	14.61%	0.52%	-1.22%	13.91%
Fixed Income	Bloombergs Barclays US Aggregate	45.0%	43.1%	8.71%	7.81%	3.90%	-0.14%	-0.77%	2.99%
Cash	90-Day Treasury Bill	0.0%	0.0%	2.25%	0.98%	0.00%	0.00%	0.00%	0.00%
Attribution Totals		100.0%	100.0%			18.51%	0.38%	-1.99%	16.90%

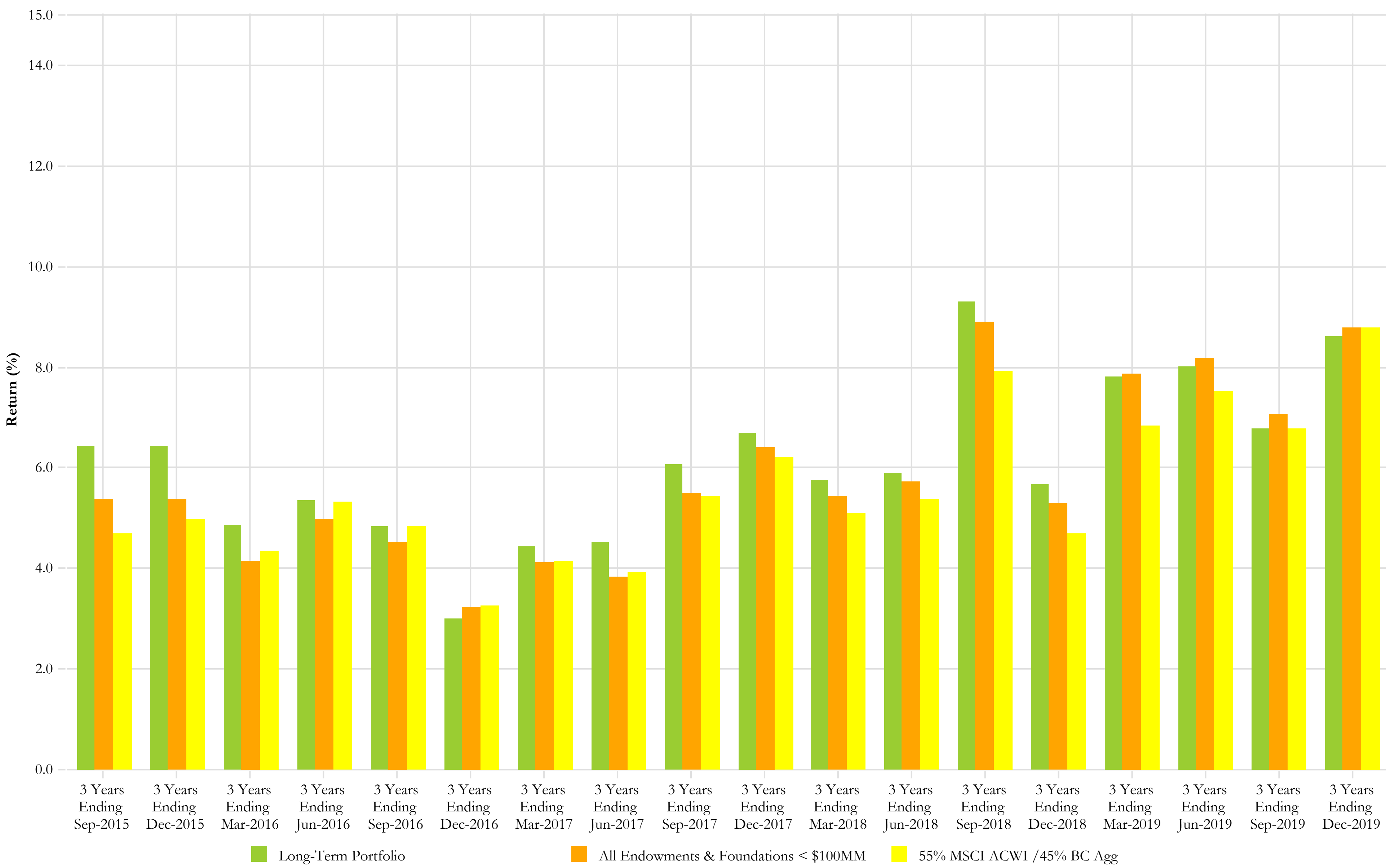
Long Term Portfolio

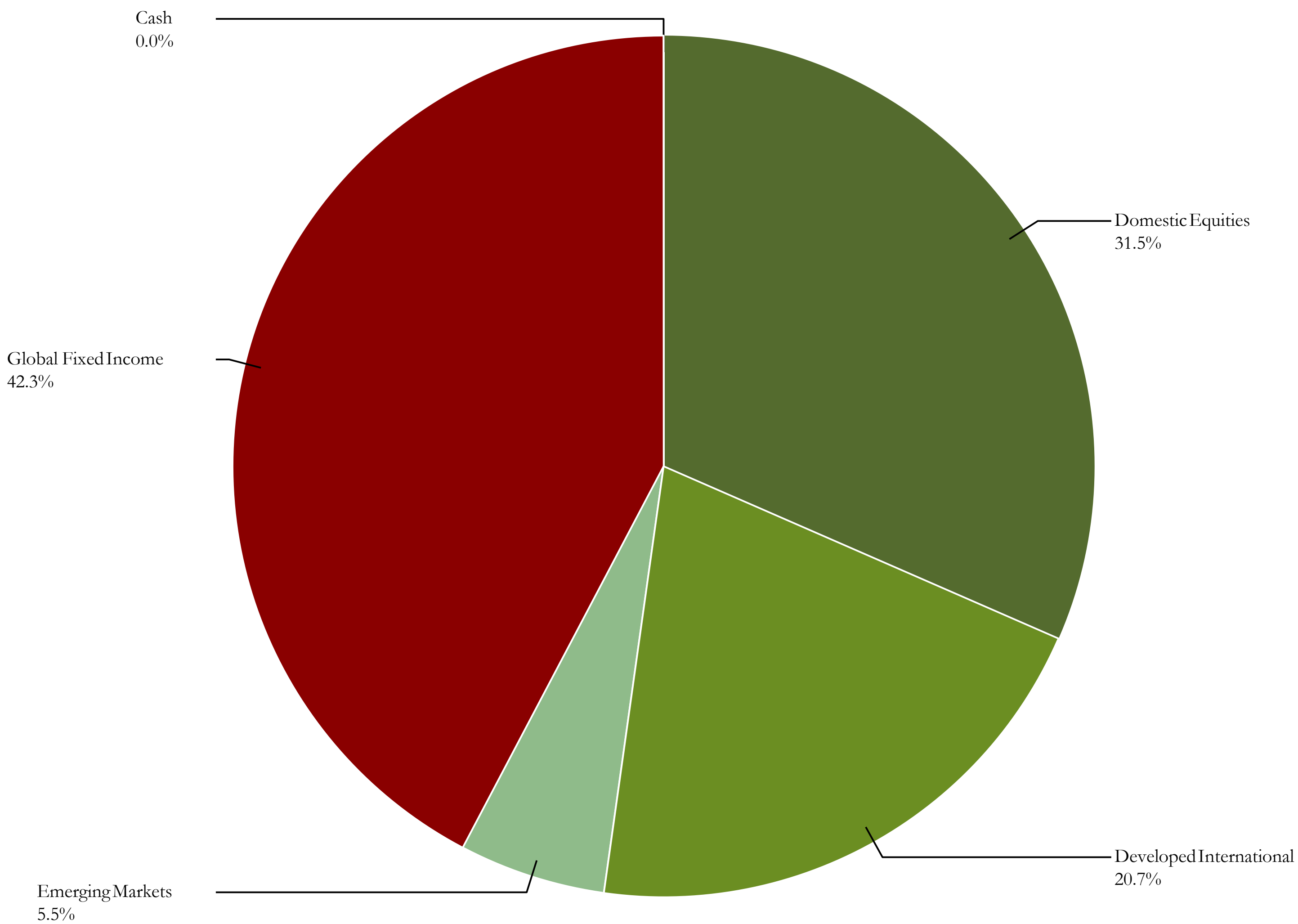
Since Inception (01/01/2010) Risk / Return Analysis



	Return	Standard Deviation	Sharpe Ratio
Long-Term Portfolio	**7.58**	**7.73**	**0.91**
55% MSCI ACWI /45% BC Agg	6.75	7.18	0.87
All Endowments & Foundations < $100MM Median	7.55	8.21	0.88

Rolling 3 Year Returns vs Peer Universe





STATISTICS	BM	Portfolio
Expected Ann. Return (7Y)	4.9%	4.8%
Expected Ann. Return (Blend)	5.7%	5.8%
Expected Ann. Return (20Y)	6.2%	6.3%
Expected Ann. Volatility	8.4%	8.9%
Sharpe Ratio	0.36	0.35
Diversification Ratio	19.9%	23.0%
Yield	2.9%	2.9%

Introduction: Environmental, Social, and Governance (ESG)

COMMUNITY FIRST FOUNDATION

Powering Community Together

What is ESG/Investing with Impact?

Investments

made with the intention to generate a **measurable, positive social and/or environmental** impact alongside a financial return.

Financial Goals

Financial performance driven by economic fundamentals

+

Impact Goals

Positive social and/or environmental outcomes driven by values and mission

=

Investing with Impact

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Investing with Impact is not a One-Size-Fits-All Approach

Our framework clar

MINIMIZE OBJECTIONABLE IMPACT				CREATE TARGETED IMPACT
	RESTRICTION SCREENING	**ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INTEGRATION**	**THEMATIC EXPOSURE**	**IMPACT INVESTING**
Definition	Intentionally avoid certain companies, industries or countries due to values or risk-based criteria	Proactively consider ESG criteria alongside financial analysis to identify opportunities and risks during investment process	Themes solving sustainability-related domestic and global challenges across sectors, populations or geographies	Investment funds delivering specific positive social and/or environmental impacts through their business model, products and services
Investment Characteristics	• Often not proactively seeking positive environmental and social impact • Differentiated by screening criteria including issue area and revenue threshold used	• Differentiated by ESG data integration process – for example utilizing ESG data as a screen, to identify risk, to engage with companies and improve behavior, and / or as part of the valuation model	• Differentiated by macro-analysis, sustainability research and sector focus	• Differentiated by impact approach, regional focus, liquidity and more • May have investor qualification restrictions
	Shareholder or company engagement and impact reporting play a critical role in differentiating managers across approaches			
Investment Examples	• Strategy (mutual fund, exchange traded fund, separately managed account or private fund) that does not own certain companies, industries or countries due to values misalignment or risk	• Strategy (mutual fund, exchange traded fund, separately managed account or private fund) incorporating analysis of ESG performance into equity and fixed income valuation process or using ESG data as a factor to filter investable universe	• Strategy (mutual fund, exchange traded fund, separately managed account or private fund) investing in companies with significant exposure to sustainability themes such as renewable energy, affordable housing, faith-based values etc. across equity and fixed income	• A private market strategy (e.g. venture capital, private equity, multi-asset fund, hedge fund etc.) focused on affordable housing in low-income communities, emerging consumers, workforce training, etc.
	PUBLIC + PRIVATE MARKETS			**PRIVATE MARKETS**

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How ESG Data Informs Investment Decisions

ESG dimensions & data are a tool to look for value (risks & opportunities), embedded in analyst opinion and company valuations. Some ESG criteria include, but are not limited to:

ENVIRONMENTAL PRACTICES

Climate Disclosure
Disclosing climate footprint, including greenhouse gas emissions

Climate Footprint
Efforts to reducing greenhouse gas emissions

Natural Resource Use
Reducing waste, pollution and stress on water and natural resources

SOCIAL PRACTICES

Human Rights
Protecting human rights through policies and compliance with international norms

Employee Treatment
Promoting employee welfare through health and safety, diversity & inclusion, good benefits, employee relations and workplace policies

Customer & Supplier Treatment
Promoting product safety, responsible marketing, customer relations, fair competition and social supply chain management

GOVERNANCE PRACTICES

Ethical Practices
Strong ethics and anti-corruption record

Financial Transparency
Corporate transparency on taxes, accounting and executive pay

Ownership & Oversight
Board independence, and lack of controlling shareholder concerns

Diversity in Leadership
Diversity in board and executive leadership

Ways to Harness ESG Data to Develop an Investment Strategy

IDENTIFY
Identify and screen the investable universe with higher ESG metrics or avoid the worst offenders (can be part of both fundamental and quantitative process)

EVALUATE
Use ESG as a "red flag" to identify risk & potentially avoid risk events

INTEGRATION
Incorporate ESG data into the valuation process, layering it into the risk and opportunity assessment.

BUILD MOMENTUM
Invest in companies focus on improvement of their ESG ratings & score, typically through shareholder engagement

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Proof in the Performance

Indices that incorporate environmental, social and governance (ESG) factors have generally performed in line with, or better than, conventional indices. For example, a $1 invested in line with the holdings reflected in the sustainable index in 1990 grew to $1,981 versus $1,773 for a traditional index through November 29, 2019.

Annualized Return

May 1, 1990 – November 29, 2019

11.2%

MSCI KLD 400 Social Index

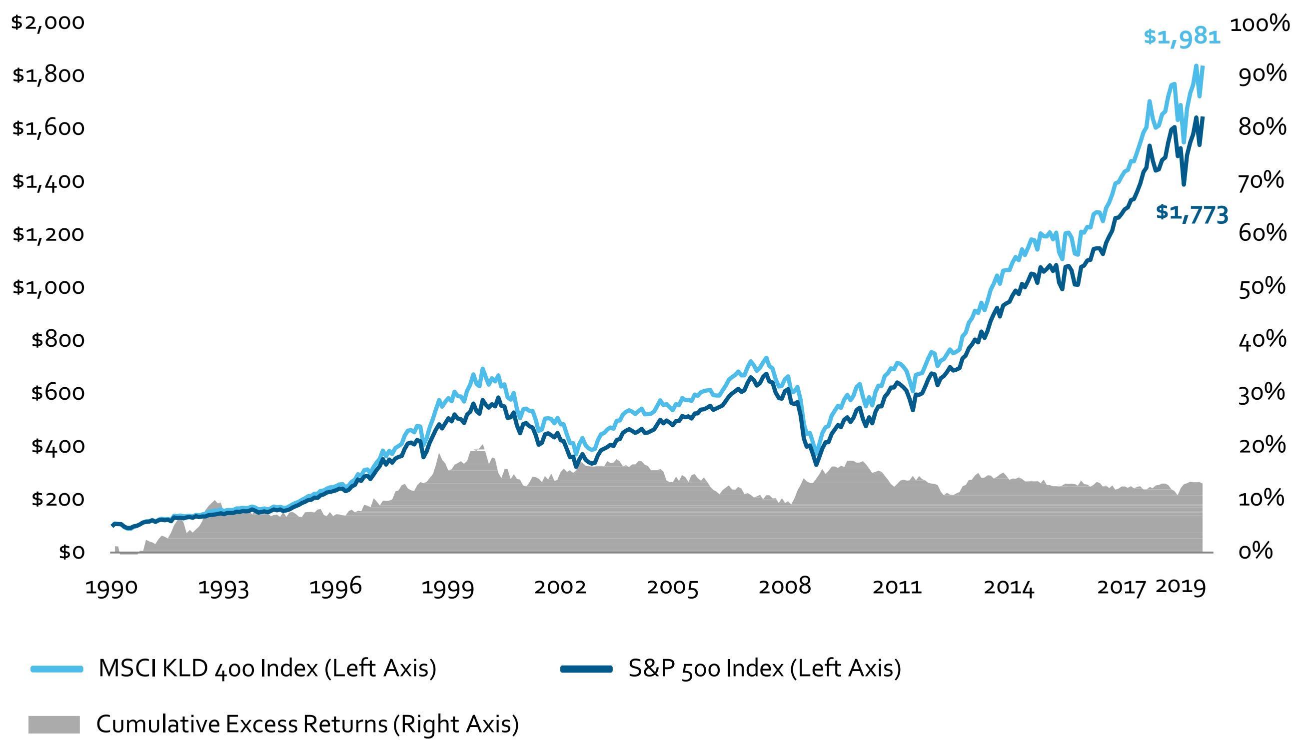
10.8%

S&P 500 Index

The MSCI KLD 400 Index of companies that meet **best-in-class environmental, social and governance (ESG) criteria.**

May 1, 1990 – November 29, 2019 (Single Computation)

Cumulative Return (%)



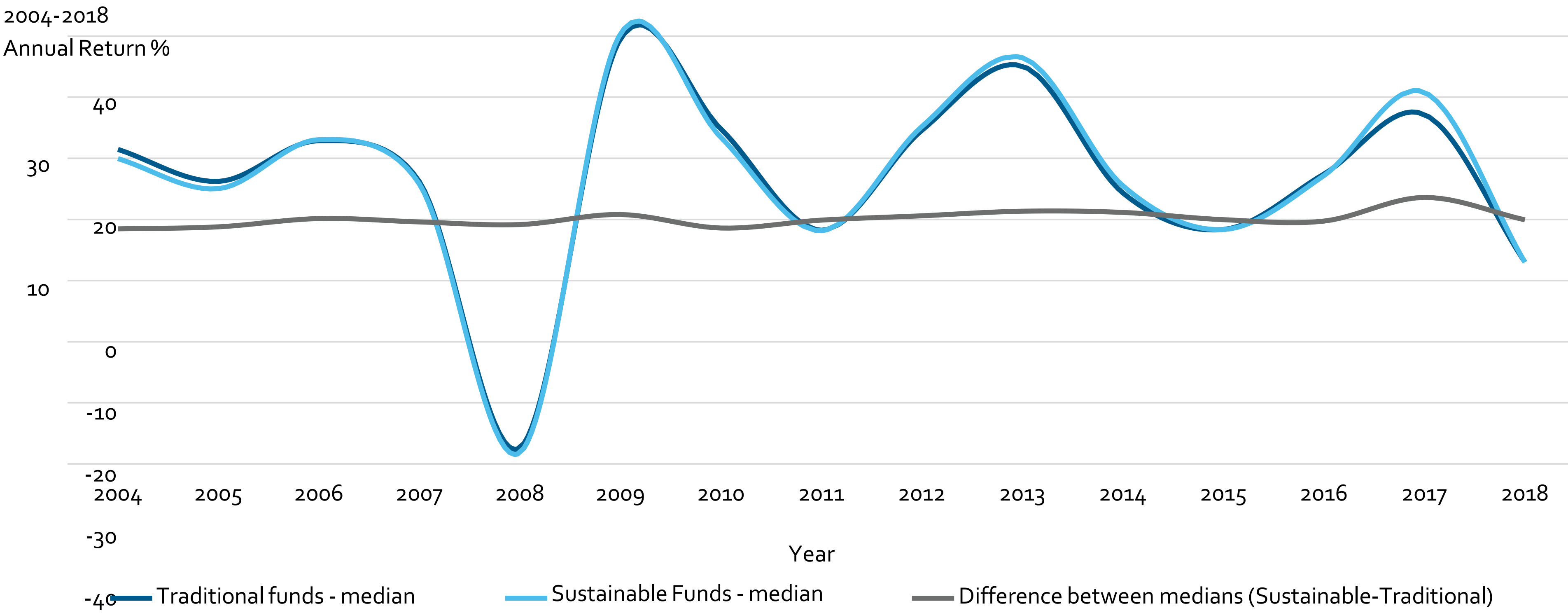
Source: Bloomberg, MSCI, Morgan Stanley Wealth Management.

Past performance is no guarantee of future results. The index returns are illustrative and shown for comparative purposes only. They do not represent the performance of any specific investments. An investor cannot invest directly in an index.

Relative Volatility

Indices that incorporate environmental, social and governance (ESG) factors have witnessed lower volatility than conventional indices.

Median Total Returns of Sustainable & Traditional Funds



Source: Morgan Stanley Analysis of Morningstar Data, 2019. Morgan Stanley Institute for Sustainable Investing ,*Sustainable Reality: Analysing Risk and Returns of Sustainable Funds*, 2019.
The above compares the performance of sustainable funds to traditional funds from 2004 to 2018 using Morningstar data on exchange-traded and open-ended mutual funds active in any given year of this period.. A total of 10,723 funds were analyzed . Their performance is compared to total returns, a measure of performance net-of-fees, and downside deviation, a measure of risk. For any methodological inquiries, please contact sustainability@ morganstanley.com. Results for different time periods and different asset classes may be different and not statistically significant.

ESG Audience Input and Q&A

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Powering Community Together

Thank you!

Please complete and return your surveys!

COMMUNITY FIRST FOUNDATION
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Disclosures

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Global Investment Manager Analysis (GIMA) Focus List, Approved List and Tactical Opportunities 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 identifes specifc 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. Certain investment products on either the Focus List or Approved List may also be recommended for the **Tactical Opportunities List** based in part on tactical opportunities existing at a given time. The investment products on the Tactical Opportunities List change over time. For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

The **Global Investment Committee** is a group of seasoned investment professionals who meet regularly to discuss the global economy and markets. The committee determines the investment outlook that guides our advice to clients. They continually monitor developing economic and market conditions, review tactical outlooks and recommend model portfolio weightings, as well as produce a suite of strategy, analysis, commentary, portfolio positioning suggestions and other reports and broadcasts.

The GIC Asset Allocation Models are not available to be directly implemented as part of an investment advisory service and should not be regarded as a recommendation of any Morgan Stanley investment advisory service. The GIC Asset Allocation Models do not represent actual trading or any type of account or any type of investment strategies and none of the fees or other expenses (e .g. commissions, mark-ups, mark-downs, advisory fees, fund expenses) associated with actual trading or accounts are refected in the GIC Asset Allocation Models which , when compounded over a period of years, would decrease returns.

Adverse Active Alpha (AAA) is a patented screening and scoring process designed to help identify high -quality equity and fxed income managers with characteristics that may lead to future outperformance relative to index and peers. While highly ranked managers performed well as a group in our Adverse Active Alpha model back tests, not all of the managers will outperform. Please note that this data may be derived from back-testing, which has the beneft of hindsight. In addition, highly ranked managers can have difering risk profles that might not be suitable for all investors. Our view is that Adverse Active Alpha is a good starting point and should be used in conjunction with other information . Morgan Stanley Wealth Management's qualitative and quantitative investment manager due diligence process are equally important factors for investors when considering managers for use through an investment advisory program. Factors including, 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 difering risk profles that might not be suitable for all investors. For more information on AAA, please see the Adverse Active Alpha Ranking Model and Selecting Managers with Adverse Active Alpha whitepapers . The whitepaper are available from your Financial Advisor or Private Wealth Advisor. ADVERSE ACTIVE ALPHA is a registered service mark of Morgan Stanley and/or its afliates. U.S. Pat. No. 8,756,098 applies to the Adverse Active Alpha system and/or methodology.

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Please consider the investment objectives, risks, fees, and charges and expenses of mutual funds, ETFs, closed end funds, unit investment trusts, and variable insurance products carefully before investing. The prospectus contains this and other information about each fund. To obtain a prospectus, contact your Financial Advisor or Private Wealth Advisor or visit the Morgan Stanley website at www.morganstanley.com. Please read it carefully before investing.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

The type of mutual funds and ETFs discussed in this presentation utilizes nontraditional or complex investment strategies and/or derivatives. Examples of these types of funds include those that utilize one or more of the below noted investment strategies or categories or which seek exposure to the following markets: (1) commodities (e .g., agricultural, energy and metals), currency, precious metals; (2) managed futures; (3) leveraged, inverse or inverse leveraged; (4) bear market, hedging, long-short equity, market neutral; (5) real estate; (6) volatility (seeking exposure to the CBOE VIX Index). Investors should keep in mind that while mutual funds and ETFs may, at times, utilize nontraditional investment options and strategies, they should not be equated with unregistered privately ofered alternative investments. Because of regulatory limitations, mutual funds and ETFs that seek alternative-like investment exposure must utilize a more limited investment universe. As a result, investment returns and portfolio characteristics of alternative mutual funds and ETFs may vary from traditional hedge funds pursuing similar investment objectives . Moreover, traditional hedge funds have limited liquidity with long "lock-up" periods allowing them to pursue investment strategies without having to factor in the need to meet client redemptions and ETFs trade on an exchange . On the other hand, mutual funds typically must meet daily client redemptions. This difering liquidity profle can have a material impact on the investment returns generated by a mutual or ETF pursuing an alternative investing strategy compared with a traditional hedge fund pursuing the same strategy.

Nontraditional investment options and strategies are often employed by a portfolio manager to further a fund's investment objective and to help ofset market risks . However, these features may be complex, making it more difcult to understand the fund's essential characteristics and risks, and how it will perform in diferent market environments and over various periods of time. They may also expose the fund to increased volatility and unanticipated risks particularly when used in complex combinations and/or accompanied by the use of borrowing or "leverage."

KEY ASSET CLASS CONSIDERATIONS AND OTHER RISKS

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. 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 diferences in fnancial and accounting standards. These risks may be magnifed in **emerging markets and frontier markets**. **Small- and mid-capitalization companies** may lack the fnancial resources, product diversifcation and competitive strengths of larger companies. In addition, the securities of small- and mid-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. The value of **fxed income securities** will fuctuate and, upon a sale, may be worth more or less than their original cost or maturity value. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. **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. In the case of **municipal bonds**, income is generally exempt from federal income taxes. Some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Infation Protection Securities' (TIPS)** coupon payments and underlying principal are automatically increased to compensate for infation by tracking the consumer price index (CPI). While the real rate of return is guaranteed, TIPS tend to ofer a low return. Because the return of TIPS is linked to infation, TIPS may signifcantly underperform versus conventional U.S. Treasuries in times of low infation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The returns on a portfolio consisting primarily of **environmental, social, and governance-aware investments ("ESG")** may be lower or higher than a portfolio that is more diversifed or where decisions are based solely on investment considerations. Because ESG criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. The companies identifed and investment examples are for illustrative purposes only and should not be deemed a recommendation to purchase, hold or sell any securities or investment products. They are intended to demonstrate the approaches taken by managers who focus on ESG criteria in their investment strategy. There can be no guarantee that a client's account will be managed as described herein. **Options** and margin trading involve substantial risk and are not suitable for all investors. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, **closed-end funds** may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. Closed-end funds, unlike open-end funds, are not continuously ofered. There is a one-time public ofering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. NAV is total assets less total liabilities divided by the number of shares outstanding . At the time an investor purchases shares of a closed-end fund, shares may have a market price that is above or below NAV. Portfolios that invest a large percentage of assets in only one industry **sector** (or in only a few sectors) are more vulnerable to price fuctuation than those that diversify among a broad range of sectors.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefnite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; Lack of liquidity in that there may be no secondary market for a fund; Volatility of returns; Restrictions on transferring interests in a fund; Potential lack of diversifcation and resulting higher risk due to concentration of trading authority when a single advisor is utilized; Absence of information regarding valuations and pricing; Complex tax structures and delays in tax reporting; Less regulation and higher fees than mutual funds; Risks associated with the operations, personnel, and processes of the manager; and Risks associated with cybersecurity. As a diversifed global fnancial services frm,

Morgan Stanley Wealth Management engages in a broad spectrum of activities including fnancial advisory services, investment management activities, sponsoring and managing private investment

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Composite index results are shown for illustrative purposes and do not represent the performance of a specifc investment. Individual funds have specifc tax 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. Interests in alternative investment products are ofered pursuant to the terms of the applicable ofering memorandum, are distributed by Morgan Stanley Wealth Management and certain of its afliates, and (1) are not FDIC-insured, (2) are not deposits or other obligations of Morgan Stanley Wealth Management or any of its afliates, (3) are not guaranteed by Morgan Stanley Wealth Management and its afliates, and (4) involve investment risks, including possible loss of principal. Morgan Stanley Wealth Management is a registered broker-dealer, not a bank. 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Clients should consult their own tax and legal advisors as Morgan Stanley Wealth Management does not provide tax or legal advice.

A majority of Alternative Investment managers reviewed and selected by GIMA pay or cause to be paid an ongoing fee for distribution from their management fees to Morgan Stanley Wealth Management in connection with Morgan Stanley Wealth Management clients that purchase an interest in an Alternative Investment and in some instances pay these fees on the investments held by advisory clients. Morgan Stanley Wealth Management rebates such fees that are received and attributable to an investment held by an advisory client and retains the fees paid in connection with investments held by brokerage clients. Morgan Stanley Wealth Management has a confict of interest in ofering alternative investments because Morgan Stanley Wealth Management or our afliates, in most instances, earn more money in your account from your investments in alternative investments than from other investment options.

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 ofer 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 infate 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 infated 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 afect 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 difcult to quantify the efects precisely, investors should be aware that idiosyncratic factors may be giving hedge fund index returns an artifcial "lift" or upwards bias.

Hedge Funds of Funds and many funds of funds are private investment vehicles restricted to certain qualifed 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-inefcient 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 ofset 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 fuctuations 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 signifcant leverage, are generally illiquid, have substantial charges, subject investors to conficts 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 diversifed portfolio . Managed Futures are complex and not appropriate for all investors. **Rebalancing** does not protect against a loss in declining fnancial markets. There may be a potential tax implication with a rebalancing strategy.

Asset allocation and diversifcation do not assure a proft or protect against loss in declining fnancial markets. Past performance is no guarantee of future results. Actual results may vary.

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Indices are unmanaged and investors cannot directly invest in them. They are not subject to expenses or fees and are often comprised of securities and other investment instruments the liquidity of which is not restricted. A particular investment product may consist of securities signifcantly diferent than those in any index referred to herein . Composite index results are shown for illustrative purposes only, generally do not represent the performance of a specifc investment, may not, for a variety of reasons, be a suitable comparison or benchmark for a particular investment and may not necessarily refect the actual investment strategy or objective of a particular investment. Consequently, comparing an investment to a particular index may be of limited use.

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For index, indicator and survey defnitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-defnitions

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 refect the investment or performance of an actual portfolio following a GIC Strategy, but simply refect actual historical performance of selected indices on a real-time basis over the specifed 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 diferences 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 beneft of hindsight. Actual performance results of accounts vary due to, for example, market factors (such as liquidity) and client-specifc 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-of of diferent 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 refected 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 efect 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 fve-year return would be 101.1% and the fve-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 fuctuations, investment risk, and possible loss of principal. All guarantees, including optional benefts, are based on the fnancial 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 specifc limitations, restrictions, holding periods, costs, and expenses as specifed 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 benefts 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 beneft and cash surrender value.

Equity securities may fuctuate in response to news on companies, industries, market conditions and general economic environment. **Ultrashort-term fxed income** asset class is comprised of fxed 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 benefts 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 refected in the daily NAV, and, as a result, the MLP fund's after-tax performance could difer signifcantly from the underlying assets even if the pre-tax performance is closely tracked.

Investing in commodities entails signifcant risks. Commodity prices may be afected 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 fuctuate 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 fuctuations, lack of liquidity, limited diversifcation 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 signifcantly afect 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 beneft less than other fxed-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, quantifes the efect 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 specifc 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 specifed. Current yield is calculated by multiplying the coupon by par value divided by the market price. The initial interest rate on a **foating-rate security** may be lower than that of a fxed-rate security of the same maturity because investors expect to receive additional income due to future increases in the foating 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 foating-rate securities may be subject to call risk. The market value of **convertible bonds** and the underlying common stock(s) will fuctuate 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 afect yield. Some $25 or $1000 **par preferred securities** are QDI (Qualifed Dividend Income) eligible. Information on QDI eligibility is obtained from third party sources. The dividend income on QDI eligible preferreds qualifes 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.

Nondiversifcation: 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 proft 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 proft 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 proft and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fuctuating price levels of such securities, the investor should consider his fnancial ability to continue his purchases through periods of low price levels.

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