

Santa Rosa Junior College Foundation

Portfolio Update - June 30, 2018



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Santa Rosa Junior College Foundation
Executive Summary
As of June 30, 2018

Investment Policy Statement Summary

Type of Fund: Non-Profit Corporation

Time Horizon: Perpetuity

Investment Horizon: A minimum period of 10 years for asset allocation modeling

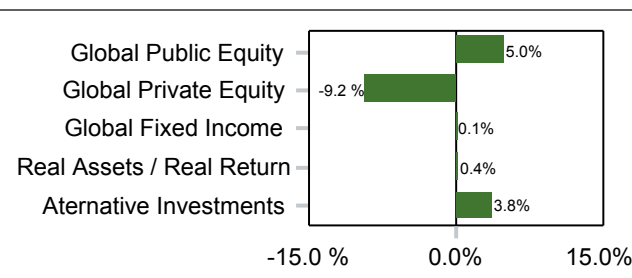
Real Return Target: A return greater than the rate of Inflation by 5.5% net of all investment related expenses

Spending Policy: 3.5% of a 5-year moving average of market valuations

Risk Management: The volatility of the aggregate total portfolio will be monitored on a 36 monthly rolling period versus the volatility of the Normal Portfolio as defined by a 70% MSCI AC World Equity Index / 30% World Government Bond Index) risk benchmark.

	QTD	Fiscal YTD	YTD	1 Year	3 Year	5 Year	7 Year	Since Incept.	Inception Date
SRJC Foundation Total Fund	0.04	7.75	0.41	7.75	4.87	5.62	5.04	6.47	01/01/1991
SRJC Composite Benchmark	0.83	7.28	0.14	7.28	5.22	6.06	5.50	6.57	
CPI + 5.5%	1.92	8.56	3.91	8.56	7.45	7.13	7.17	7.93	
Global Public Equity	-0.23	12.29	0.62	12.29	8.28	9.60	7.94	11.23	12/01/2008
MSCI AC World Net	0.53	10.72	-0.43	10.72	8.18	9.41	7.96	11.39	
Global Private Equity	0.00	N/A	3.51	N/A	N/A	N/A	N/A	N/A	09/01/2017
Cambridge US PE Index	0.00	12.50	2.96	12.50	10.74	12.56	12.28	12.50	
Global Fixed Income	-2.41	-0.74	-2.05	-0.74	1.83	1.76	2.68	4.43	12/01/2008
Barclays Aggregate	-0.16	-0.40	-1.62	-0.40	1.72	2.27	2.57	3.85	
Real Assets / Real Return	5.35	8.75	3.31	8.75	3.21	1.10	2.15	9.19	12/01/2008
Real Assets Benchmark	7.88	9.55	1.50	9.55	5.19	3.73	2.91	10.34	
Alternative Investments	1.11	8.11	1.40	8.11	4.19	7.84	6.77	8.11	01/01/2009
HFRI FoF Diversified	0.13	5.21	0.70	5.21	1.75	3.31	2.80	3.79	

Asset Allocation vs. Target

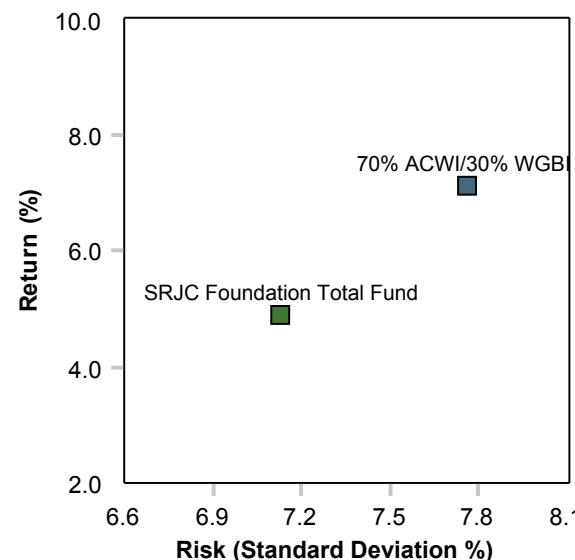


	Market Value (\$)	Allocation (%)	Target (%)
Global Public Equity	23,701,324	49.97	45.00
Global Private Equity	382,278	0.81	10.00
Global Fixed Income	9,516,654	20.06	20.00
Real Assets / Real Return	4,933,951	10.40	10.00
Alternative Investments	8,895,280	18.75	15.00
Total Fund	47,429,487	100.00	100.00

MPT Statistics

	3 Years	5 Years	7 Years
Standard Deviation	7.13	6.94	8.23
vs. 70% ACWI/30% WGBI			
Alpha	-1.32	-0.84	-0.61
Beta	0.88	0.88	0.91
vs. MSCI AC World Net			
Alpha	-0.54	-0.64	-0.37
Beta	0.66	0.67	0.67
vs. 90-Day T-Bills			
Sharpe Ratio	0.62	0.77	0.60

3 Year Risk/Return Scattergraph



*Composite benchmark description in disclosures section

**Santa Rosa Junior College Foundation
Balances and Asset Allocation
June 30, 2018**

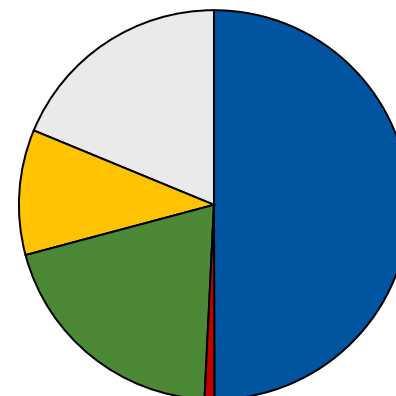
	Total Fund	
	(\$)	%
Large Cap Equities	7,834,863	16.5
Westfield All Cap Growth	2,728,306	5.8
Aristotle Large Cap Value	2,652,814	5.6
AIP Large Cap Core	2,453,742	5.2
Small/Mid Cap Equities	2,199,842	4.6
Apex SMID Cap Growth	1,094,444	2.3
Vaughan Nelson Small Cap Value	1,105,398	2.3
International Equities	9,293,915	19.6
Causeway International ADR	3,883,369	8.2
Origin International	3,866,415	8.2
Artisan Developing World	1,544,131	3.3
Global Equity	4,372,704	9.2
IVA Worldwide	2,104,914	4.4
Prudential Jennison Global Opps	2,267,790	4.8
Global Public Equity	23,701,324	50.0
Global Private Equity*	382,278	0.8
Hamilton Lane Private Markets Opp Fund	382,278	0.8
Global Fixed Income	9,516,654	20.1
BlackRock Core Fixed Income	3,888,447	8.2
Janus Global Unconstrained Bond Fund	2,289,885	4.8
Brandywine GI FI	1,380,990	2.9
Vanguard Short Term Bond ETF	1,957,332	4.1
Real Assets / Real Return	4,933,951	10.4
Blackstone Real Estate Income Trust**	2,242,542	4.7
REMS Real Estate	973,772	2.1
RS Global Natural Resources	1,673,525	3.5
Ares US Real Estate Parallel Fund IX***	44,112	0.1
Alternative Investments	8,895,280	18.8
Pointer Offshore Ltd	5,035,486	10.6
Blackstone Alternative Multi-Strategy	2,431,134	5.1
Wells Fargo Alternative Strategies	701,980	1.5
Invesco Balanced Risk	726,680	1.5
Total Assets	47,429,487	100.0

*Value as of 3/31/2018, adjusted for capital calls and distributions through 06/30/2018

**Value as of 5/31/2018

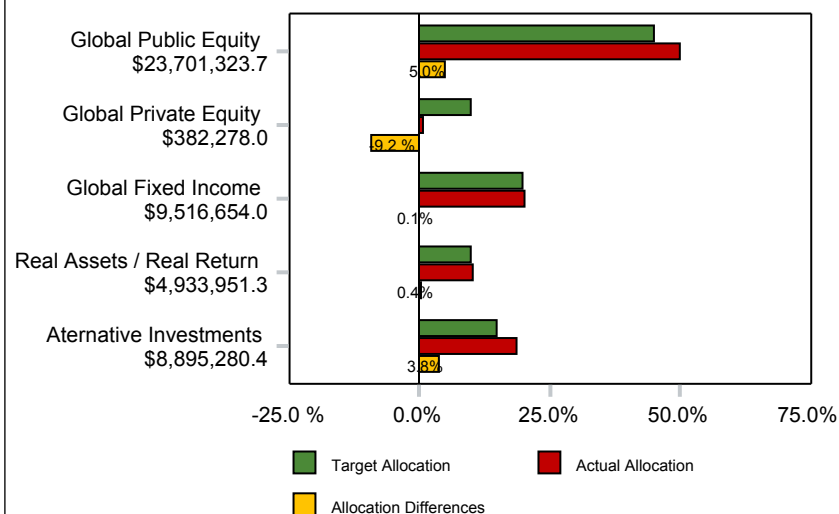
***Value reflects initial funding 06/22/2018

June 30, 2018 : \$47,429,487



Global Public Equity	23,701,324	50.0
Global Private Equity	382,278	0.8
Global Fixed Income	9,516,654	20.1
Real Assets / Real Return	4,933,951	10.4
Alternative Investments	8,895,280	18.8

June 30, 2018 : \$47,429,487



**Santa Rosa Junior College
Portfolio History
As of June 30, 2018**

	1991	1992	1993	1994	1995	1996	1997
Beginning Market Value	3,453,603	4,194,823	6,274,050	7,233,137	5,855,480	7,254,575	8,012,900
Net Contributions	107,000	1,560,026	252,787	-1,221,238	100,000	-2,799	162,952
Gain/Loss	634,220	519,201	706,300	-156,419	1,299,095	761,124	1,416,084
Ending Market Value	4,194,823	6,274,050	7,233,137	5,855,480	7,254,575	8,012,900	9,591,936
	1998	1999	2000	2001	2002	2003	2004
Beginning Market Value	9,591,936	11,858,633	13,328,254	14,962,982	14,744,920	11,867,606	13,750,315
Net Contributions	1,056,558	407,710	1,416,660	507,516	-358,147	-472,826	-99,104
Gain/Loss	1,210,138	1,061,911	218,068	-725,579	-2,519,167	2,355,535	1,200,301
Ending Market Value	11,858,633	13,328,254	14,962,982	14,744,920	11,867,606	13,750,315	14,851,512
	2005	2006	2007	2008	2009	2010	2011
Beginning Market Value	14,851,512	15,284,852	17,575,156	18,834,590	17,934,012	21,341,934	25,981,423
Net Contributions	1	771,999	250,000	3,873,112	9,038	1,871,009	315,048
Gain/Loss	433,340	1,518,304	1,009,434	-4,773,690	3,398,884	2,768,480	-488,422
Ending Market Value	15,284,852	17,575,156	18,834,590	17,934,012	21,341,934	25,981,423	25,808,049
	2012	2013	2014	2015	2016	2017	YTD
Beginning Market Value	25,808,049	34,707,349	38,879,841	39,408,114	37,076,489	39,881,836	47,210,042
Net Contributions	5,417,117	-3,424	-388,486	-602,512	673,554	1,009,539	49,564
Gain/Loss	3,482,183	4,175,916	916,759	-1,729,112	2,131,793	6,318,667	169,882
Ending Market Value	34,707,349	38,879,841	39,408,114	37,076,489	39,881,836	47,210,042	47,429,487

Summary of Returns Since Inception		Since Inception	Inception Date
Beginning Market Value	3,453,603	Portfolio Returns	6.47
Net Contributions	16,662,656	CPI	2.30
Gain/Loss	27,313,229	Difference	4.17
Ending Market Value	47,429,487		

Performance Appendix

Portfolio Name	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
AIP Large Cap Core	3.15	1.60	13.18	10.27	12.34	9.69	8.28	03/01/2004
Apex SMID Cap Growth	1.37	5.85	21.11	7.85	12.34	--	15.22	12/01/2009
Ares US Real Estate Parallel Fund IX	--	--	--	--	--	--	0.00	06/01/2018
Artisan Developing World	-7.68	-7.34	3.54	3.77	1.47	--	-0.41	05/01/2012
BlackRock Core Fixed Income	-0.11	-1.48	-1.21	0.68	1.19	3.14	3.98	01/01/1999
Blackstone Alternative Multi-Strategy	-0.74	-1.46	0.32	-0.94	2.05	--	4.52	09/01/2010
Blackstone Real Estate Income Trust	2.73	4.18	--	--	--	--	4.18	01/01/2018
Brandywine GI FI	-6.86	-3.69	-1.42	2.62	1.62	--	3.89	05/01/2010
Causeway International ADR	-4.08	--	--	--	--	--	-4.08	04/01/2018
Hamilton Lane Private Markets Opp Fund	-0.63	2.86	--	--	--	--	2.86	01/01/2018
IVA Worldwide	-1.28	-1.45	4.23	4.75	5.47	--	4.75	03/01/2011
Invesco Balanced Risk	0.69	-0.86	6.59	4.58	4.96	--	4.14	05/01/2012
Janus Global Unconstrained	-5.84	-6.40	-6.01	0.36	0.60	--	1.35	03/01/2011
PIMCO All Asset All Authority	0.50	0.15	2.33	-0.91	-1.14	--	0.66	09/01/2010
Pointer Offshore Ltd	2.40	4.01	12.69	5.65	8.74	--	8.52	12/01/2008
Principal International	-5.07	-4.84	11.64	5.49	--	--	2.34	06/01/2014
Prudential Jennison Global Opp	5.90	11.24	29.87	17.35	--	--	13.00	03/01/2014
REMS Real Estate	9.52	0.06	-1.40	3.50	--	--	4.60	03/01/2014
RS Global Natural Resources	6.40	-1.43	10.54	-0.82	-5.66	--	-4.70	09/01/2011
Vanguard Short Term Bond ETF	0.10	-1.27	-0.26	-0.89	--	--	0.04	11/01/2013
Vaughan Nelson Small Value	3.25	1.36	9.27	6.30	11.19	11.01	10.59	04/01/2005
Westfield All Cap Growth	4.57	7.64	19.70	--	--	--	13.15	09/01/2015

Glossary of Terms

Active Contribution Return: The gain or loss percentage of an investment relative to the performance of the investment benchmark.

Active Exposure: The percentage difference in weight of the portfolio compared to its policy benchmark.

Active Return: Arithmetic difference between the manager's return and the benchmark's return over a specified time period.

Actual Correlation: A measure of the correlation (linear dependence) between two variables X and Y, with a value between +1 and -1 inclusive. This is also referred to as coefficient of correlation.

Alpha: A measure of a portfolio's time weighted return in excess of the market's return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market.

Best Quarter: The highest quarterly return for a certain time period.

Beta: A measure of the sensitivity of a portfolio's time weighted return (net of fees) against that of the market. A beta greater than 1.00 indicates volatility greater than the market.

Consistency: The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.

Core: Refers to an investment strategy mandate that is blend of growth and value styles without a pronounced tilt toward either style.

Cumulative Selection Return (*Cumulative Return*): Cumulative investment performance over a specified period of time.

Distribution Rate: The most recent distribution paid, annualized, and then divided by the current market price. Distribution rate may consist of investment income, short-term capital gains, long-term capital gains, and/or return of capital.

Down Market Capture: The ratio of average portfolio returns over the benchmark during periods of negative benchmark return. Lower values indicate better product performance.

Downside Risk: A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. The higher the value, the more risk the product has.

Downside Semi Deviation: A statistical calculation that measures the volatility of returns below a minimum acceptable return. This return measure isolates the negative portion of volatility: the larger the number, the greater the volatility.

Drawdown: A drawdown is the peak-to-trough decline during a specific period of an investment, fund or commodity.

Excess over Benchmark: The percentage gain or loss of an investment relative to the investment's benchmark.

Excess Return: Arithmetic difference between the manager's return and the risk-free return over a specified time period.

Growth: A diversified investment strategy which includes investment selections that have capital appreciation as the primary goal, with little or no dividend payouts. These strategies can include reinvestment in expansion, acquisitions, and/or research and development opportunities.

Growth of Dollar: The aggregate amount an investment has gained or lost over a certain time period, also referred to as Cumulative Return, stated in terms of the amount to which an initial dollar investment would have grown over the given time period.

Investment Decision Process (IDP): A model for structuring the investment process and implementing the correct attribution methodologies. The IDP includes every decision made concerning the division of the assets under management over the various asset categories. To analyze each decision's contribution to the total return, a modeling approach must measure the marginal value of every individual decision. In this respect, the hierarchy of the decisions becomes very important. We therefore use the IDP model, which serves as a proper foundation for registering the decisions and relating them to each other.

Information Ratio: Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.

Jensen's Alpha: The Jensen's alpha measure is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. This metric is also commonly referred to as alpha.

Kurtosis: A statistical measure that is used to describe the distribution, or skewness, of observed data around the mean, sometimes referred to as the volatility of volatility.

Maximum Drawdown: The drawdown is defined as the percent retrenchment from a fund's peak to the fund's trough value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.

Modern Portfolio Theory (MPT): An investment analysis theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

Mutual Fund (MF): An investment program funded by shareholders that trade in diversified holdings and is professionally managed.

Peer Group: A combination of funds that share the same investment style combined as a group for comparison purposes.

Peer/ Plan Sponsor Universe: A combination of asset pools of total plan investments by specific sponsor and plan types for comparison purposes.

Performance Ineligible Assets: Performance returns are not calculated for certain assets because accurate valuations and transaction data for these assets are not processed or maintained by us. Common examples of

these include life insurance, some annuities and some assets held externally.

Performance Statistics: A generic term for various measures of investment performance measurement terms.

Portfolio Characteristics: A generic term for various measures of investment portfolio characteristics.

Preferred Return: A term used in the private equity (PE) world, and also referred to as a “Hurdle Rate.” It refers to the threshold return that the limited partners of a private equity fund must receive, prior to the PE firm receiving its carried interest or "carry."

Ratio of Cumulative Wealth: A defined ratio of the Cumulative Return of the portfolio divided by the Cumulative Return of the benchmark for a certain time period.

Regression Based Analysis: A statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables

Residual Correlation: Within returns-based style analysis, residual correlation refers to the portion of a strategy's return pattern that cannot be explained by its correlation to the asset-class benchmarks to which it is being compared.

Return: A rate of investment performance for the specified period.

Rolling Percentile Ranking: A measure of an investment portfolio's ranking versus a peer group for a specific rolling time period (i.e. Last 3 Years, Last 5 years, etc.).

R-Squared: The percentage of a portfolio's performance explained by the behavior of the appropriate benchmark. High R-Squared means a higher correlation of the portfolio's performance to the appropriate benchmark.

SA/CF (Separate Account/Comingled Fund): Represents an acronym for Separate Account and Commingled Fund investment vehicles.

Sector Benchmark: A market index that serves as a proxy for a sector within an asset class.

Sharpe Ratio: Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance results in.

Standard Deviation: A statistical measure of the range of a portfolio's performance; the variability of a return around its average return over a specified time period.

Total Fund Benchmark: The policy benchmark for a complete asset pool that could consist of multiple investment mandates.

Total Fund Composite: The aggregate of multiple portfolios within an asset pool or household.

Tracking Error: A measure of standard deviation for a portfolio's investment performance, relative to the performance of an appropriate market benchmark.

Treynor Ratio: A ratio that divides the excess return (above the risk free rate) by the portfolio's beta to arrive at a unified measure of risk adjusted return. It is generally used to rank portfolios, funds and benchmarks. A higher ratio is indicative of higher returns per unit of market risk. This measurement can help determine if the portfolio is reaching its goal of increasing returns while managing market risk.

Up Market Capture: The ratio of average portfolio returns over the benchmark during periods of positive benchmark return. Higher values indicate better product performance.

Upside Semi Deviation: A statistical calculation that measures the volatility of returns above an acceptable return. This return measure isolates the positive portion of volatility: the larger the number, the greater the volatility.

Value: A diversified investment strategy that includes investment selections which tend to trade at a lower price relative to its dividends, earnings, and sales. Common attributes are stocks that include high dividend, low price-to-book ratio, and/or low price-to-earnings ratio.

Worst Quarter: The lowest rolling quarterly return for a certain time period.

Information Disclosures

The performance data shown reflects past performance, which does not guarantee future results. Investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than original cost. Please note, current performance may be higher or lower than the performance data shown. For up to date month-end performance information, please contact your Financial Advisor or visit the funds' company website.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus and, if available the summary prospectus, contains this and other information that should be read carefully before investing. Investors should review the information in the prospectus carefully. To obtain a prospectus, please contact your Financial Advisor or visit the funds' company website.

Past performance is no guarantee of future results.

Investing involves market risk, including possible loss of principal. **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** involves the risk that the market may not recognize that securities are undervalued and they may not appreciate as anticipated. **Small and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. 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. **Bond funds** and bond holdings have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the funds. The return of principal in bond funds, and in funds with significant bond holdings, is not guaranteed. **International securities'** prices may carry additional risks, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. International investing may not be for everyone. These risks may be magnified in emerging markets. **Alternative investments**, including private equity funds, real estate funds, hedge funds, managed futures funds, and funds of hedge funds, private equity, and managed futures funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds and risks associated with the operations, personnel and processes of the advisor. **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; and MLP interests in the real estate sector are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. Because of their narrow focus, MLPs maintain exposure to price volatility of commodities and/or underlying assets and tend to be more volatile than investments that diversify across many sectors and companies. MLPs are also subject to additional risks including: investors having limited control and rights to vote on matters affecting the MLP, limited access to capital, cash flow risk, lack of liquidity, dilution risk, conflict of interests, and limited call rights related to acquisitions.

Mortgage backed securities also involve prepayment risk, in that faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield-to-maturity of a mortgage-backed security and prepayment risk includes the possibility that a fund may invest the proceeds at generally lower interest rates.

Tax managed funds may not meet their objective of being tax-efficient.

Real estate investments are subject to special risks, including interest rate and property value fluctuations, as well as risks related to general and economic conditions. **High yield** fixed income securities, also known as “junk bonds”, are considered speculative, involve greater risk of default and tend to be more volatile than investment grade fixed income securities.

Credit quality is a measure of a bond issuer’s creditworthiness, or ability to repay interest and principal to bondholders in a timely manner. The credit ratings shown are based on security rating as provided by Standard & Poor’s, Moody’s and/or Fitch, as applicable. Credit ratings are issued by the rating agencies for the underlying securities in the fund and not the fund itself, and the credit quality of the securities in the fund does not represent the stability or safety of the fund. Credit ratings shown range from AAA, being the highest, to D, being the lowest based on S&P and Fitch’s classification (the equivalent of Aaa and C, respectively, by Moody’s). Ratings of BBB or higher by S&P and Fitch (Baa or higher by Moody’s) are considered to be investment grade-quality securities. If two or more of the agencies have assigned different ratings to a security, the highest rating is applied. Securities that are not rated by all three agencies are listed as “NR”.

“**Alpha tilt strategies** comprise a core holding of stocks that mimic a benchmark type index such as the S&P 500 to which additional securities are added to help tilt the fund toward potentially outperforming the market in an effort to enhance overall investment returns. Tilt strategies are subject to significant timing risk and could potentially expose investors to extended periods of underperformance.”

Custom Account Index: The Custom Account Index is an investment benchmark based on your historical target allocations and/or manager selection that you may use to evaluate the performance of your account. The Custom Account index does take into consideration certain changes that may have occurred in your portfolio since the inception of your account, i.e., asset class and/or manager changes. However, in some circumstances, it may not be an appropriate benchmark for use with your specific account composition. For detailed report of the historical composition of this blend please contact your Financial Advisor.

Peer Groups

Peer Groups are a collection of similar investment strategies that essentially group investment products that share the same investment approach. Peer Groups are used for comparison purposes to compare and illustrate a client’s investment portfolio versus its peer across various quantitative metrics like performance and risk. Peer Group comparison is conceptually another form of benchmark comparison whereby the

actual investment can be ranked versus its peer across various quantitative metrics.

All Peer Group data are provided by Investment Metrics, LLC.

The URL below provides all the definitions and methodology about the various Peer Groups

<https://www.invmetrics.com/style-peer-groups>

Peer Group Ranking Methodology

A percentile rank denotes the value of a product in which a certain percent of observations fall within a peer group. The range of percentile rankings is between 1 and 100, where 1 represents a high statistical value and 100 represents a low statistical value.

The 30th percentile, for example, is the value in which 30% of the highest observations may be found, the 65th percentile is the value in which 65% of the highest observations may be found, and so on.

Percentile rankings are calculated based on a normalized distribution ranging from 1 to 100 for all products in each peer group, where a ranking of 1 denotes a high statistical value and a ranking of 100 denotes a low statistical value. It is important to note that the same ranking methodology applies to all statistics, implying that a ranking of 1 will always mean highest value across all statistics.

For example, consider a risk/return assessment using standard deviation as a measure of risk. A percentile ranking equal to 1 for return denotes highest return, whereas a percentile ranking of 1 for standard deviation denotes highest risk among peers.

In addition, values may be used to demonstrate quartile rankings. For example, the third quartile is also known as the 75th percentile, and the median is the 50th percentile.

Alternatives

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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 2.5% 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 2.40% 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 \$107,372.63 with the fees. Please see the applicable Morgan Stanley Smith Barney LLC Form ADV Part 2A for more information including a description of the fee schedule. It is available at www.morganstanley.com/ADV <<http://www.morganstanley.com/ADV>> or from your Financial Advisor/Private Wealth Advisor.

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