



10/9/2015 BOARD OF TRUSTEES MEETING

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REVISED INVESTMENT POLICY STATEMENT

INVESTMENT MANAGEMENT POLICIES, GUIDELINES AND OBJECTIVES

For The

TOWN OF LONGBOAT KEY CONSOLIDATED RETIREMENT SYSTEM

I. INTRODUCTION AND BACKGROUND

The Town of Longboat Key **Consolidated** Retirement System is a defined employee pension benefit plan established by Ordinance of the Town of Longboat Key to provide retirement benefits for its employees, firefighters, and police officers. The Town of Longboat Key is the “plan sponsor”. The Plan is administered by the **Consolidated** Retirement System Board of Trustees. The Plan is a pension plan maintained to provide retirement, disability, termination and death benefits, as the case may be, to participants in accordance with the express provisions of the Plan. The plan is frozen and will not accept new participants ~~in its component plans;~~ Police as of 1 Feb 2014, Fire as of 1 Oct 2013 and General as of 1 Oct 2013. The total number of participants at its inception is XXX. The management of this plan is to ensure funds are available to its participants ~~until they pass on or receive their benefit until exhausted.~~

The Plan and the benefits provided thereunder are funded by contributions by the Town of Longboat Key, Employees' contributions, interest income and other income in accordance with the underlying Plan documents.

The Board of Trustees is charged by Ordinance and Chapter 112, Florida Statutes with the responsibility of developing a policy for the investment of the assets of the Fund. The trustees are named fiduciaries. The investment of the assets of our retirement plan must be consistent with the written investment policy adopted by the board of trustees. The policies are structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the retirement system's assets. To assist the Board in this function, they are authorized to engage the services of investment and actuarial consultants to provide expert assistance. The Board periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well being of the Plan. In the view of its consultants and the Board, the investment program defined in this Statement will produce a result over the long term consistent with the Plan's primary objective of preserving its assets with a reasonable rate of return.

In the implementation of the investment program, the Plan will employ investment managers who have demonstrated expertise with particular asset classes. Furthermore, the Plan's investment managers utilize a variety of investment approaches. This diversification of managers and investment approach should limit the risk of loss and contribute to the attainment of a more consistent positive return. Nonetheless, there will be short term periods when the fund will experience unpredictable negative returns. Such periods are not inconsistent with achievement of the targeted long term objective.

II. INVESTMENT POLICY AND OBJECTIVES

Based on analysis of the Plan assets and expected investment returns and risks associated with alternative asset mix strategies, the Board adopted the following asset class targets, based on market value:

<u>TRADITIONAL ASSET CLASSES</u> <u>EQUITY MANAGERS(S)</u>	<u>% Range</u>	<u>% Target</u>
<i>Large Capitalization Value Manager or Fund</i>	15.00 – 10.00% 15.00 – 10.00%	12.50% 12.50%
<i>Large Capitalization Growth Manager or Fund</i>	15.00 – 10.00% 15.00 – 10.00%	12.50% 12.50%
<i>Large Capitalization Core (Covered Call) Manager</i>	12.50 – 7.50%	10.00%
<i>Mid Capitalization Value Manager</i>	5.00 – 0.00%	2.50%
<i>Mid Capitalization Growth Manager</i>	5.00 – 0.00%	2.50%
<i>Small Capitalization Value Manager</i>	5.00 – 0.00%	2.50%
<i>Small Capitalization Growth Manager</i>	5.00 – 0.00%	2.50%
<i>International Value Manager</i>	7.50 – 2.50% 10.00 – 5.00%	5.00% 7.50%
<i>International Growth Manager</i>	7.50 – 2.50% 10.00 – 5.00%	5.00% 7.50%
Total Equity	60.00 – 50.00% 70.00 – 50.00%	60.00% 60.00%
FIXED INCOME MANAGER(S)	30.00 – 20.00% 35.00 – 15.00%	25.00% 25.00%
TOTAL TRADITIONAL ASSET CLASSES		80.00% 85.00%
<u>ALTERNATIVE ASSET CLASSES</u>	<u>% Range</u>	<u>% Target</u>
PRIVATE REAL ESTATE	12.50 – 0.00%	10.00%
FUNDS OF HEDGE FUNDS	7.50 – 0.00%	0.00%
MASTER LIMITED PARTNERSHIPS	7.50 – 0.00%	5.00%
TOTAL ALTERNATIVE ASSET CLASSES	25.00 – 0.00% 20.00 – 0.00%	20.00% 15.00%
TOTAL TRADITIONAL & ALTERNATIVE		100.00% 100.00%

These ranges and targets are established as maximum weightings in each respective asset class. If the investment manager determines that a percentage of their allocation should be invested in cash, then they are permitted that flexibility and will be evaluated by their decisions accordingly.

~~Over-represented~~ **It** is the Board's intention to direct cash flows toward the asset class(es) ~~that~~ ~~are~~ ~~over-represented~~ **Rebalancing of** ~~the~~ ~~under-represented~~ and away from the class(es) ~~that~~ ~~are~~ ~~over-represented~~. **Rebalancing of** ~~assets to maintain target~~ ~~the~~ ~~percentages is required annually, at minimum.~~

with achievement of the targeted long term objective.

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<i>Large Capitalization Core (Covered Call) Manager</i>	12.50 – 7.50%	10.00%
<i>Mid Capitalization Value Manager</i>	5.00 – 0.00%	2.50%
<i>Mid Capitalization Growth Manager</i>	5.00 – 0.00%	2.50%
<i>Small Capitalization Value Manager</i>	5.00 – 0.00%	2.50%
<i>Small Capitalization Growth Manager</i>	5.00 – 0.00%	2.50%
<i>International Value Manager</i>	7.50 – 2.50% 10.00 – 5.00%	5.00% 7.50%
<i>International Growth Manager</i>	7.50 – 2.50% 10.00 – 5.00%	5.00% 7.50%
Total Equity	60.00 – 50.00% 65.00 – 45.00%	55.00%
FIXED INCOME MANAGER(S)		<u>25.00%</u>
TOTAL TRADITIONAL ASSET CLASSES		80.00%
<u>ALTERNATIVE ASSET CLASSES</u>	<u>% Range</u>	<u>% Target</u>
PRIVATE REAL ESTATE	12.50 – 0.00%	10.00%
FUNDS OF HEDGE FUNDS	7.50 – 0.00%	5.00%
MASTER LIMITED PARTNERSHIPS	7.50 – 0.00%	5.00%
TOTAL ALTERNATIVE ASSET CLASSES	25.00 – 0.00%	20.00%
TOTAL TRADITIONAL & ALTERNATIVE		100.00%

These ranges and targets are established as maximum weightings in each respective asset class. If the investment manager determines that a percentage of their allocation should be invested in cash, then they are permitted that flexibility and will be evaluated by their decisions accordingly.

~~Over time,~~ **It** is the Board's intention to direct cash flows toward the asset class(es) ~~that~~ **Rebalancing of** ~~the~~ under-represented and away from the class(es) ~~that~~ **is** over-represented. **assets to maintain target ~~the~~ percentages is required annually, at minimum.**

The General investment objectives of the Board are as follows:

1. **Establish a Prudent Investment Program**

Although the Retirement System is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the assets of this fund shall be invested in a manner consistent with the fiduciary standard set forth in ERISA, as though ERISA applied to the Retirement System; namely, (1) in accordance with the safeguards and diversity to which a prudent investor would adhere (2) and all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries in order to provide benefits and pay the expenses of the Fund. The trustees shall be familiar with the requirements set forth in ERISA. The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

2. **Investment Objective**

Primary investment emphasis must be placed upon the consistent protection of the funds assets and growth performance, i.e., the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon.

More specific investment objectives established by the Board include the following:

- The Fund should earn a return over time exceeding the assumed actuarial rate. As of October 19, 2014 2015, the actuarial rate is 7.0% for the General Employees, **Firefighters, and Police Officers funds** ~~portion of the fund, and 7.5% for the Police portion of the fund. Eventually and before 1 October 2015, one actuarial rate will be determined and used for the ~~entire~~ fund.~~ The actuarial rate shall be reviewed and adjusted as needed periodically
- The Fund should earn a return greater than inflation, as measured by the Consumer Price Index, by 3.0% per year. ~~Meeting this objective indicates that the active management of the various portfolio components has added value over a passively managed fund.~~ It is also consistent with the Board's objective to at minimum, preserve its assets with a reasonable rate of return on the Funds.
- Individual investment managers will not be measured against the aggregate fund objective stated above. They will be compared to appropriate market indices, and the performance of other managers who utilize a similar investment style. The Board, with advice from the consultant, shall approve each fund manager's use of an appropriate benchmark for comparison and measurement.

III. TRADITIONAL ASSET CLASSES - INVESTMENT GUIDELINES

A. Liquidity Requirements

There is a requirement to maintain liquid reserves for the payment of pension benefits and expenses. The Board will review these projected cash flow requirements at least annually. ~~To this end the Investment Managers should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash flow requirements.~~

B. Securities Permitted on an Interim Basis

Investments may be made in Exchange Traded Funds (ETFs) or iShares on an interim basis during manager searches.

C. Monitor & Compliance

The Plan shall comply with the Protecting Florida's Investments Act (PFIA). The investment managers selected by our consultant are prohibited from purchases and are required to divest any investments in those companies with certain business operations in the countries of Sudan and Iran that are designated as "scrutinized companies" under the PFIA. Each manager shall be responsible for keeping current as to the companies that are listed as "scrutinized companies" by the Florida State Board of Administration. The consultant shall report quarterly on each manager's compliance.

D. Equities

The investment managers are permitted to invest in equity securities (including convertible bonds) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market maker regulated by the National Association of Securities Dealers (NASD). For international investing, American Depository Receipts (ADR) that trade over the counter, such as "Pink Sheet" ADRs and Bulletin Board ADRs are permissible as well as any foreign company that trades directly in a U.S. equity market. Any investment that does not fall into a category listed above is prohibited.

The equity portion of each portfolio manager shall not:

1. Be more than ~~5%~~ **10%** invested in the securities of any one company at market.
2. Make short sales.
3. Use margin or leverage.
4. Be invested in commodities.
5. Be invested in private real estate

6. Be invested in "investment art objects. "

7. Invest in Options, including the purchase, sale or writing of options unless options are "covered" by the corresponding security or liquid cash equal to the purchase amount.

8. Be invested in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.

The consultant's responsibility is to report any non-compliance to the trustees each quarter.

a.) Large Capitalization Value, Growth, & Core Stocks

Large capitalization stocks are expected to have the greatest weighting in the **Consolidated Retirement System**. They are expected to provide more consistent returns (dividends, interest, and capital gains) over time than our other equity styles. The objective is to maximize investment return over a market cycle by investing in large capitalization equities having the potential to generate investment returns exceeding those of a passively managed large stock index.

Large-capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Large Capitalization Value, Growth, or Core Managers.
- Performance ~~that~~ meets or exceeds the Russell 1000 Value or Growth Indexes for Large Capitalization Value & Growth managers and the appropriate blended index for the Large Capitalization Core (Covered Call) manager.
- When appropriate, performance that meets or exceeds the performance of the S&P.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.
- Consideration should be given to using passive index funds. **If passive index funds are used, performance will be compared to the appropriate index.**

b.) Small/Mid Capitalization Value & Growth Stocks

Small/mid capitalization stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in small/mid capitalization equities having the potential to generate investment returns exceeding those of a passively managed small/mid stock index.

Small/mid capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Small/Mid Capitalization Value or Growth Managers
- Performance ~~the~~ equals or exceeds the **appropriate Russell Value or Growth index** ~~Midcap Value Index or Russell 2500 Growth Index.~~
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle for the small/mid capitalization market.

c.) International Stocks

International Stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in developed or emerging markets international securities through American Depository Receipts (ADRs) as well as any foreign company that trades directly in a U.S. equity market. Emerging markets exposure can also be achieved through the purchase of an institutional mutual fund. Emerging markets exposure should not exceed 33% of the total international allocation. These equities should generate investment returns exceeding those of a passively managed international index.

Developed & emerging markets international equity manager performance parameters include the following:

- Exceed MSCI EAFE – Net Dividend or MSCI All Country World ex. US Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the international market.

E.

Fixed Income

Fixed income securities shall be invested entirely in marketable debt securities issued or guaranteed by either (a) the United States Government or its agencies, (b) domestic corporations (including industrial and utilities) or Israel Bonds (c) asset-backed (ABS) and commercial mortgage-backed securities (CMBS), (d) domestic banks and other US financial institutions. All securities must hold a rating in one of the four highest classifications by a major rating service. Such investments shall all be in accordance with the Code of the Town of Longboat Key. Any investments that do not fall under the criteria listed above are prohibited from being purchased. Securities ratings reduced beneath the four highest classifications after purchase should be sold by the portfolio manager within a reasonable period of time as determined by the manager. It is the manager's responsibility to notify the board in writing immediately after a security is downgraded below the policy guidelines. The written explanation should describe the manager's intentions regarding the disposition of the security being downgraded. Restrictions on fixed income include the following:

1. Except for Treasury and Agency obligations, the debt portion of the Fund shall contain no more than five percent **5%** of a given issuer irrespective of the number of differing issues. Other diversification standards should be developed and applied by the Investment Manager(s).
2. If commercial paper is used it must be only of the highest quality (A-1 or P-1).
3. Private placement debt is not permissible except 144a placements. Rule 144A. Securities Act of 1933, as amended provides a safe harbor from the registration requirements of the Securities Act of 1933 for certain private resales of minimum \$500,000 units of restricted securities to qualified institutional buyers (QIBs).
4. The maximum weighting of fixed income in BBB ratings is 15%.

Fixed income manager(s) performance parameters include the following:

- Performance ~~###~~ meets or exceeds the Barclays Capital Aggregate Bond Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Barclays Capital Aggregate Bond Index without a corresponding increase in performance above the index.
- Achieve the above objectives within a time horizon of a minimum of three to five years or a full market cycle.

IV. ALTERNATIVE ASSET CLASSES - INVESTMENT GUIDELINES

Alternative asset classes historically have low to moderate correlation to market indices. Alternative asset classes are expected to improve total portfolio diversification and provide opportunities for higher incremental returns over the long-term. Many of the asset categories are expected to generate absolute returns (positive returns regardless of market environment) versus relative returns (returns comparative to a given benchmark).

The guidelines for alternative asset classes ~~guidelines~~ differ from the **guidelines for traditional asset classes** ~~guidelines~~. Alternative asset managers may use leverage and derivatives, may short securities, generally have higher fees, typically have reduced liquidity, and performance is dependent primarily on advisor skill.

A. RealEstate

Real Estate Investment Trusts (REITs)

The investment managers are permitted to invest in real estate investment trusts (REITs) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market maker regulated by the National Association of Securities Dealers (NASD).

Private Real Estate

The investment managers are permitted to invest in private real estate. Private real estate will be purchased through an institutional vehicle. The institutional vehicle provides diversification of property type and geographical location and provides a competitive price structure.

a.) Real Estate Investment Trusts (REITs)

Real Estate Investment Trust securities are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through REITs.

REIT equity manager performance parameters include the following:

- Exceed National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NAREIT Equity REIT Index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the REIT market.

b.) Private Real Estate

Private real estate investments are expected to improve total portfolio diversification and provide income and opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through private ownership. These private real estate investments should generate investment returns exceeding those of a passively managed private real estate index.

Private real estate investment performance parameters include the following:

- Exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Index.
- Performance comparable to the Barclays Capital Aggregate Bond Index
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NCREIF Index or the Barclays Capital Aggregate Bond Index without a corresponding increase in performance above the index.
- Achieve the above objectives within a time horizon of five to ten years or a full real estate market cycle.

B. Funds of Hedge Funds (FoHFs)

FoHFs are private investment funds investing primarily in the global equity and fixed income markets typically employing sophisticated trading strategies using leverage and derivative instruments. FoHFs invests in multiple, single manager hedge funds. The strategy ~~designed~~ **of** a diversified portfolio of managers ~~with~~ **has** the objective of significantly lowering the risk (volatility) of investing with an individual manager. The FoHFs manager has discretion in choosing which strategy to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiples strategies. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers. This type of investment instrument will be considered by the consultant and suggestions for their use will be brought before the Board for discussion at times when the consultant deems appropriate.

C. Master Limited Partnerships (MLPs)

Master Limited Partnerships (MLPs) are utilized to provide additional income to the portfolio. They are expected to provide increasing income over time.

MLP manager performance parameters include the following:

- Performance comparable to the Alerian MLP Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the comparison index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

V. STATE MANDATED REQUIREMENTS

1. EXPECTED ANNUAL RATE OF RETURN. The desired investment objective is a long-term rate of return on assets of ~~7.50%~~ **7.00%**. The target rate of return is for the current year, for each of the next several years and for the long-term thereafter or as changed by the Board. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies and a fixed percent return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the Internal Controls section of this Investment Policy. Over a complete business cycle, the Plan's overall annualized total return, after deducting investment and transaction costs, should perform above the median of an appropriate universe and above a customized index composed of various market indices weighted by the strategic asset allocation of the Plan's assets.

2. THIRD-PARTY CUSTODIAL AGREEMENTS. The securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

3. MASTER REPURCHASE AGREEMENT. All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement (where applicable).

4. BID REQUIREMENT. The board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal

types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

5. **INTERNAL CONTROLS.** The attached system of internal controls and operational procedures has been adopted by the Board and shall be reviewed by its independent certified public accountants as part of any financial audit of the Plan.

6. **CONTINUING EDUCATION.** All Board members are encouraged and expected to attend continuing education seminars concerning matters related to investments and responsibilities of Board members. Without limiting the foregoing, Board members are pre-authorized to attend any in-state seminars. Attendance at out-of-state seminars requires prior Board approval.

7. **REPORTING.** The Board shall submit an annual report to the Town of Longboat Key. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

8. **FILING OF INVESTMENT POLICY.** Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the Town of Longboat Key and the Actuary. The effective date of this Investment Policy, and any amendment hereto, shall be 31st calendar day following the filing date with the City.

9. **VALUATION OF ILLIQUID INVESTMENTS.** Illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism shall be valued in accordance with Section 215.47(6), Florida Statutes, when those investments are utilized. Any asset without a fair market value shall be excluded from the determination of annual funding costs. The Board shall notify the Florida Department of Management Services and the City Auditor and Clerk of the Town of Longboat Key of each such asset.

VI. REVIEW OF INVESTMENT MANAGERS

The Board will meet at least quarterly with the consultants and review investment results.

These reviews will focus on:

- the managers' adherence to the policy guidelines;
- comparison of managers' results against funds using similar policies (in terms of the diversification, volatility, and style);
- the opportunities available in both equity and debt markets; and
- material changes in the managers' organizations, such as philosophical and personnel changes, acquisitions or losses of major accounts, etc.

VII. PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results that are consistent with the Plan's investment policy statement. A 3.0% real return is a reasonable expectation in light of this policy. The Board recognizes that this real return objective may not be attainable during some time periods, but it is a long term goal. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. Performance of the Plan will be compared to other funds utilizing a similar investment policy.

VIII. POLICY REVIEW

Periodic reviews of the Policy Statement will be made by the Board to evaluate its appropriateness. Any modification of policy guidelines shall be approved by the Board of Trustees and acknowledged in writing by the investment managers.

Adopted _____ Signed _____

ASSET ALLOCATION ANALYSIS

Asset Allocation Analysis (7-Year Strategic Assumptions)

Risk / Return Characteristics		General IPS Strategic Target	Fire IPS Strategic Target	Police IPS Strategic Target	Mix 1 90% Traditional/10% Alternative	Mix 2 85% Traditional/15% Alternative	Mix 3 80% Traditional/20% Alternative	Mix 4 80% Traditional/20% Alternative
ILLUSTRATIVE PERFORMANCE	Expected Return	5.6%	5.8%	5.7%	6.2%	6.5%	6.6%	6.4%
	Risk	11.0%	11.6%	11.9%	11.8%	12.1%	12.1%	11.4%
	Sharpe Ratio	0.38%	0.38%	0.36%	0.40%	0.42%	0.43%	0.44%
	Probability of Loss in Any Given Year	29.9%	30.1%	30.7%	29.2%	28.8%	28.5%	27.9%
	Probability > 7.6% ROR - Any Given Year (7.0% + 0.6% Fees)	43.4%	44.5%	44.5%	46.0%	47.1%	47.4%	46.6%
					-Further diversify domestic equities -Reduce fixed income -Add Private RE	-Reduce fixed income -Add MLPs	-Reduce LC equities -Increase Int'l equities	-Reduce LC equities -Add Hedge Funds
Equities	US Large Cap Value Equities	0.0%	20.0%	22.5%	15.0%	15.0%	12.5%	10.0%
	US Large Cap Growth Equities	0.0%	20.0%	22.5%	15.0%	15.0%	12.5%	10.0%
	US Large Cap Core Equities	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	US Large Cap Core (Covered Call) Equities *	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%
	US Mid Cap Value Equities	0.0%	10.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Mid Cap Growth Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Small/Mid Cap Value Equities	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	US Small/Mid Cap Growth Equities	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	US Small/Mid Cap Core Equities	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	US Small Cap Value Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Small Cap Growth Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	International Value Equities	0.0%	7.5%	5.0%	5.0%	5.0%	7.5%	7.5%
	International Growth Equities	0.0%	7.5%	5.0%	5.0%	5.0%	7.5%	7.5%
	International Core Equities	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total Equities	60.0%	65.0%	65.0%	60.0%	60.0%	60.0%	55.0%
Fixed Income	Investment Grade Bonds	40.0%	35.0%	35.0%	30.0%	25.0%	25.0%	25.0%
	Total Fixed Income	40.0%	35.0%	35.0%	30.0%	25.0%	25.0%	25.0%
More Liquid Alternatives	Hedge Funds							5.0%
	MLPS					5.0%	5.0%	5.0%
	Total More Liquid Alternatives	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	10.0%
Illiquid Alternatives	Private Real Estate				10.0%	10.0%	10.0%	10.0%
	Total Cash	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%
	TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

IMPORTANT: The projections and other information generated by the Morgan Stanley Asset Allocation Center regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results.

* Half of the Large Cap Value & Large Cap Growth percentages can be allocated to a Large Cap Covered Call strategy in order to generate higher income from option premiums received and dampen volatility in a down market.

Asset Allocation Analysis (20-Year Secular Assumptions)

Risk / Return Characteristics		General IPS Strategic Target	Fire IPS Strategic Target	Police IPS Strategic Target	Mix 1 90% Traditional/10% Alternative	Mix 2 85% Traditional/15% Alternative	Mix 3 80% Traditional/20% Alternative	Mix 4 80% Traditional/20% Alternative
ILLUSTRATIVE PERFORMANCE	Expected Return	8.0%	8.2%	8.2%	8.5%	8.9%	8.9%	8.7%
	Risk	10.3%	10.7%	10.9%	10.9%	11.1%	11.2%	10.6%
	Sharpe Ratio	0.49%	0.48%	0.48%	0.50%	0.53%	0.53%	0.54%
	Probability of Loss in Any Given Year	21.2%	21.5%	21.8%	21.0%	20.6%	20.6%	19.9%
	Probability > 7.6% ROR - Any Given Year (7.0% + 0.6% Fees)	52.6%	53.1%	53.3%	54.3%	55.8%	55.8%	55.3%
					-Further diversify domestic equities -Reduce fixed income -Add Private RE	-Reduce fixed income -Add MLPs	-Reduce LC equities -Increase Int'l equities	-Reduce LC equities -Add Hedge Funds
Equities	US Large Cap Value Equities	0.0%	20.0%	22.5%	15.0%	15.0%	12.5%	10.0%
	US Large Cap Growth Equities	0.0%	20.0%	22.5%	15.0%	15.0%	12.5%	10.0%
	US Large Cap Core Equities	30.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	US Large Cap Core (Covered Call) Equities *	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%
	US Mid Cap Value Equities	0.0%	10.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Mid Cap Growth Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Small/Mid Cap Value Equities	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	US Small/Mid Cap Growth Equities	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	0.0%
	US Small/Mid Cap Core Equities	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	US Small Cap Value Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	US Small Cap Growth Equities	0.0%	0.0%	0.0%	2.5%	2.5%	2.5%	2.5%
	International Value Equities	0.0%	7.5%	5.0%	5.0%	5.0%	7.5%	7.5%
	International Growth Equities	0.0%	7.5%	5.0%	5.0%	5.0%	7.5%	7.5%
International Core Equities	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Total Equities	60.0%	65.0%	65.0%	60.0%	60.0%	60.0%	55.0%
Fixed Income	Investment Grade Bonds	40.0%	35.0%	35.0%	30.0%	25.0%	25.0%	25.0%
	Total Fixed Income	40.0%	35.0%	35.0%	30.0%	25.0%	25.0%	25.0%
More Liquid Alternatives	Hedge Funds							
	MLPS					5.0%	5.0%	5.0%
	Total More Liquid Alternatives	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	10.0%
Illiquid Alternatives	Private Real Estate				10.0%	10.0%	10.0%	10.0%
	Total Cash	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%
	TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

IMPORTANT: The projections and other information generated by the Morgan Stanley Asset Allocation Center regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results.

* Half of the Large Cap Value & Large Cap Growth percentages can be allocated to a Large Cap Covered Call strategy in order to generate higher income from option premiums received and dampen volatility in a down market.

PROPOSED MANAGER PERFORMANCE ANALYSIS

Recommended Managers' Performance Analysis

Large Cap Value

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Vanguard Value ETF	5.48	17.12	16.22	7.15	(0.11)	2.21	1.00	7.72	99.97	(0.10)	1.24	1.00	12.99	99.99
+ / - vs Index	(0.06)	(0.15)	(0.12)	(0.04)		(0.02)		(0.01)			(0.01)		(0.01)	
Vanguard Value Index	5.54	17.27	16.34	7.19		2.23		7.73			1.25		13.00	

Large Cap Growth

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Vanguard Growth ETF	9.60	17.93	18.65	9.14	0.01	2.26	1.00	7.90	99.99	(0.05)	1.38	1.00	13.51	100.00
+ / - vs Index	(0.06)	(0.04)	(0.07)	(0.06)		0.00		(0.02)			0.00		(0.01)	
Vanguard Growth Index	9.66	17.97	18.72	9.20		2.26		7.92			1.38		13.52	

Large Cap Core

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Connors Investor Services, Inc. Covered Call	6.86	14.32	15.43	7.87	1.87	2.39	0.92	5.98	88.86	1.85	1.43	0.93	10.73	97.62
+ / - vs Index	0.91	0.95	1.02	1.05		0.21		(0.13)			0.17		(0.67)	
60% S&P 500/40% CBOE	5.95	13.37	14.41	6.82		2.18		6.11			1.26		11.40	

Mid Cap Value

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Kennedy Capital Mgmt Mid Cap Value	2.20	18.43	17.83	11.29	0.19	2.02	0.96	9.09	90.16	(0.84)	1.09	1.06	16.34	97.21
+ / - vs Index	(1.47)	(0.70)	0.10	2.40		(0.09)		0.06			(0.08)		1.18	
Russell Midcap Value	3.67	19.13	17.73	8.89		2.11		9.03			1.17		15.16	

Mid Cap Growth

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Congress Asset Mgmt Mid Cap Growth	15.21	18.85	22.70	11.50	(0.23)	2.15	1.00	8.74	78.53	4.99	1.48	0.92	15.28	90.31
+ / - vs Index	5.76	(0.39)	4.01	1.81		(0.32)		0.98			0.31		(0.57)	
Russell Midcap Growth	9.45	19.24	18.69	9.69		2.47		7.76			1.18		15.85	

Values as of June 30, 2015

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

Recommended Managers' Performance Analysis

Small Cap Value

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Kayne Anderson Rudnick Invst. Small Cap Quality Value	6.11	15.26	15.88	10.19	(0.03)	1.22	1.00	12.49	76.62	3.53	1.02	0.81	15.45	84.35
+ / - vs Index	5.33	(0.24)	1.07	3.32		(0.19)		1.53			0.18		(1.98)	
Russell 2000 Value	0.78	15.50	14.81	6.87		1.41		10.96			0.85		17.43	

Small Cap Growth

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Apex Sm Cap Gr	14.77	22.54	23.54	-	6.57	2.25	0.77	10.00	75.99	4.94	1.31	0.93	17.96	90.94
+ / - vs Index	2.43	2.43	4.21	-		0.48		(1.33)			0.26		(0.40)	
Russell 2000 Growth	12.34	20.11	19.33	-		1.77		11.33			1.05		18.36	

International Value

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Lazard Intl Eq Select ADR*	(0.22)	13.55	12.47	6.48	2.20	1.38	0.94	9.82	88.59	3.26	0.84	0.94	14.77	95.20
+ / - vs Index	4.00	1.58	2.93	1.36		0.17		(0.03)			0.22		(0.51)	
MSCI EAFE (Net)	(4.22)	11.97	9.54	5.12		1.21		9.85			0.62		15.28	

* Lazard offers a version of the strategy that contains exposure to emerging markets that may be considered.

International Growth

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Renaissance Investment Management International Equity	(2.42)	13.27	11.19	9.06	4.15	1.25	0.95	10.57	72.38	3.42	0.69	0.99	16.23	90.83
	2.84	3.83	3.43	3.52		0.26		1.11			0.19		0.68	
MSCI ACWI ex USA (Net)	(5.26)	9.44	7.76	5.54		0.99		9.46			0.49		15.55	

Intermediate Fixed Income

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Pacific Income Advisers, Inc. Limited Duration	1.07	1.55	2.51	4.03	(0.07)	0.79	1.01	1.89	97.21	0.01	1.18	0.90	2.08	96.96
	(0.61)	(0.05)	(0.28)	0.01		(0.05)		0.05			(0.01)		(0.21)	
Barclays Intermediate U.S. Government/Credit	1.68	1.60	2.79	4.02		0.85		1.84			1.19		2.29	

Values as of June 30, 2015

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

Recommended Managers' Performance Analysis

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
Center Coast Capital Advisors Center Coast MLP	(11.04)	12.68	15.57	-	5.06	0.74	0.94	17.04	96.60	4.44	0.98	0.93	15.78	96.69
	8.77	4.92	4.04	-		0.31		(0.85)					(0.90)	
<i>Alerian MLP</i>	<i>(19.81)</i>	<i>7.76</i>	<i>11.53</i>	<i>-</i>		<i>0.43</i>		<i>17.89</i>			<i>0.69</i>		<i>16.68</i>	

Hedge Fund of Funds

	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
PineGrove Institutional Partners	(1.72)	5.22	4.26	4.97	(1.61)	1.77	1.25	2.92	54.62	0.69	1.16	0.97	3.61	78.60
	(4.48)	(0.31)	0.59	2.35		(1.40)		1.19			0.07		0.32	
<i>HFRI FOF: Conservative Index</i>	<i>2.76</i>	<i>5.53</i>	<i>3.67</i>	<i>2.62</i>		<i>3.18</i>		<i>1.73</i>			<i>1.10</i>		<i>3.29</i>	

Private Real Estate

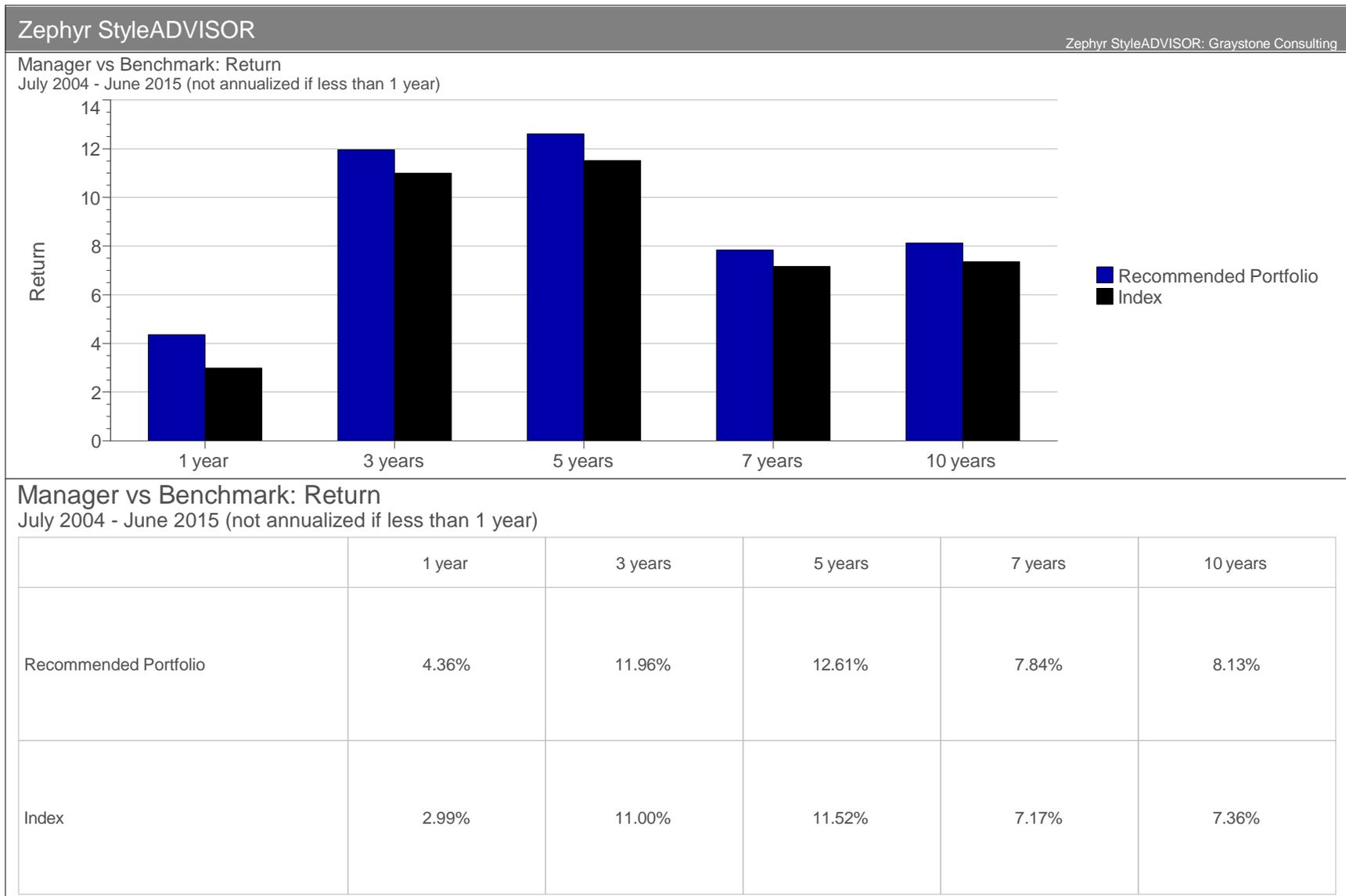
	Performance				3 Year - Risk Characteristics					5 Year - Risk Characteristics				
	1 Year	3 Year	5 Year	10 Year	Alpha	Sharpe	Beta	Std. Dev.	R2	Alpha	Sharpe	Beta	Std. Dev.	R2
AEW Core Property Trust	13.16	12.00	13.24	-	11.43	9.39	0.04	1.27	0.05	(0.44)	6.78	1.08	1.94	41.57
	0.20	0.37	0.53	-		(7.71)		0.59			(4.03)		0.77	
<i>NCREIF Property Index</i>	<i>12.96</i>	<i>11.63</i>	<i>12.71</i>	<i>-</i>		<i>17.09</i>		<i>0.68</i>			<i>10.81</i>		<i>1.17</i>	

Values as of June 30, 2015

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

PROPOSED PORTFOLIO PERFORMANCE ANALYSIS

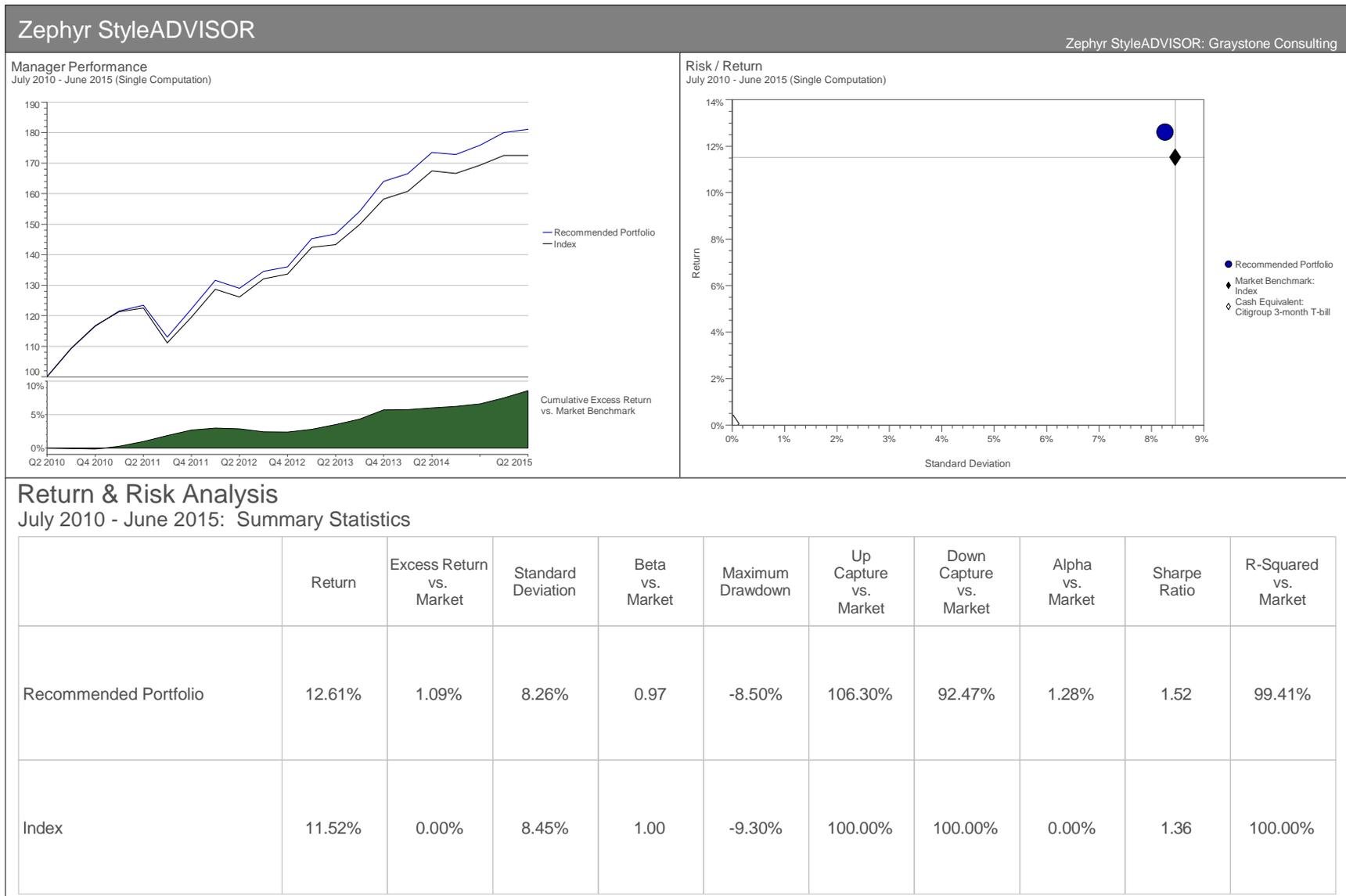
Trailing Periods Returns (Without Fund of Hedge Funds)



Index returns are substituted for historic manager performance when data is unavailable.

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

Risk/Return Analysis – 5 Years (Without Fund of Hedge Funds) Graystone Consulting



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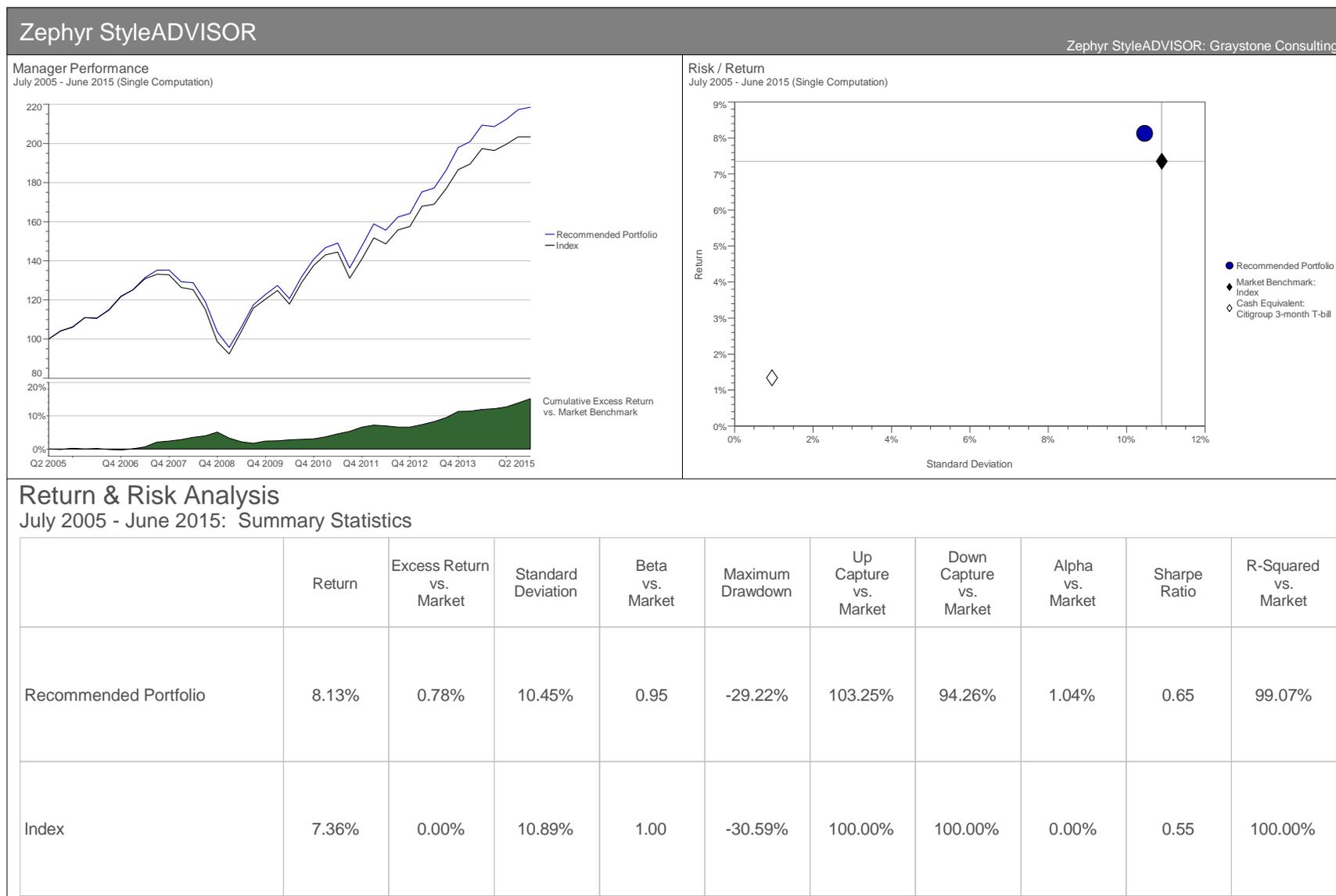
Risk/Return Analysis – 7 Years (Without Fund of Hedge Funds) Graystone Consulting



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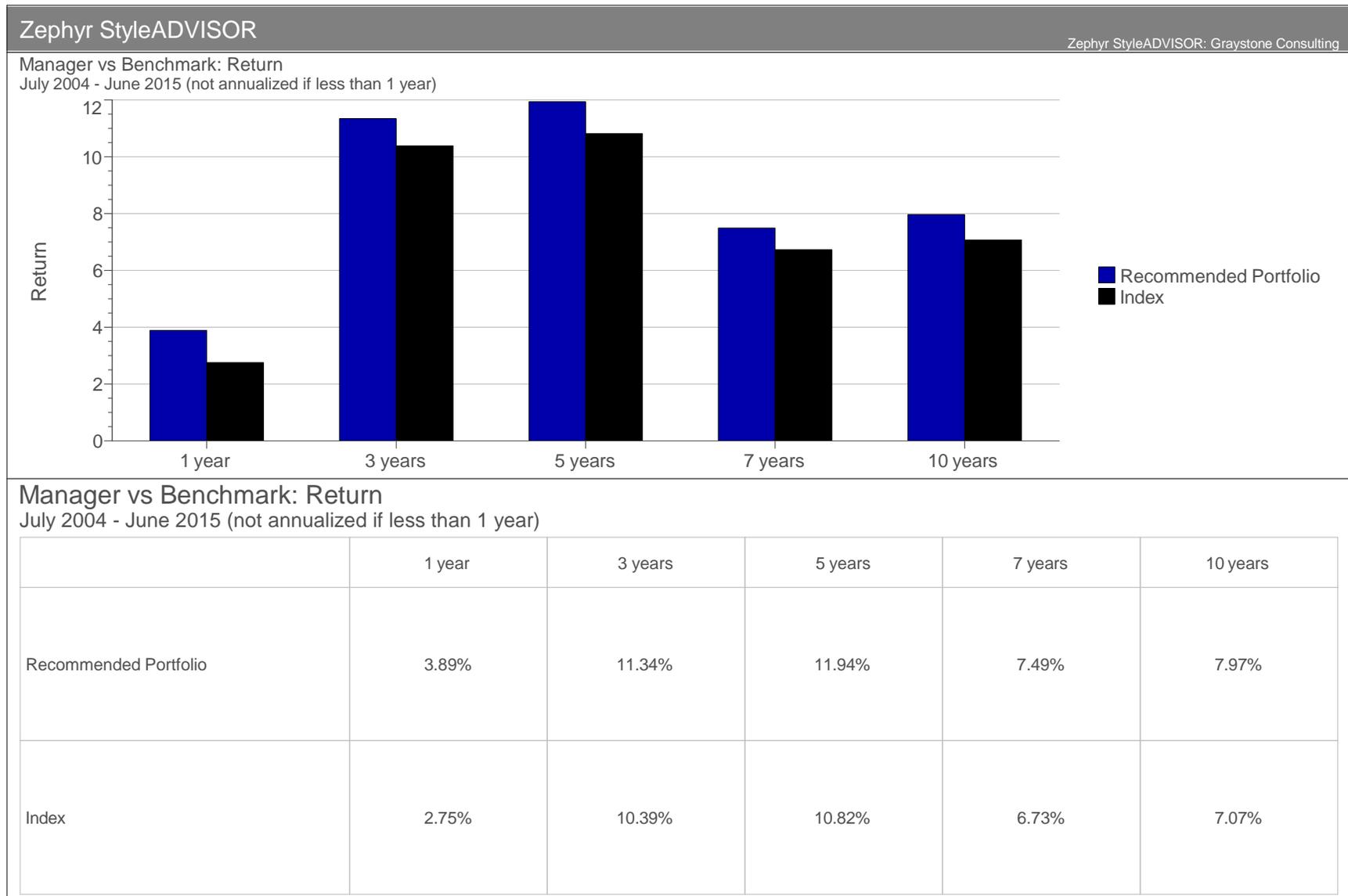
Risk/Return Analysis – 10 Years (Without Fund of Hedge Funds) Graystone Consulting



Index returns are substituted for historic manager performance when data is unavailable.

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

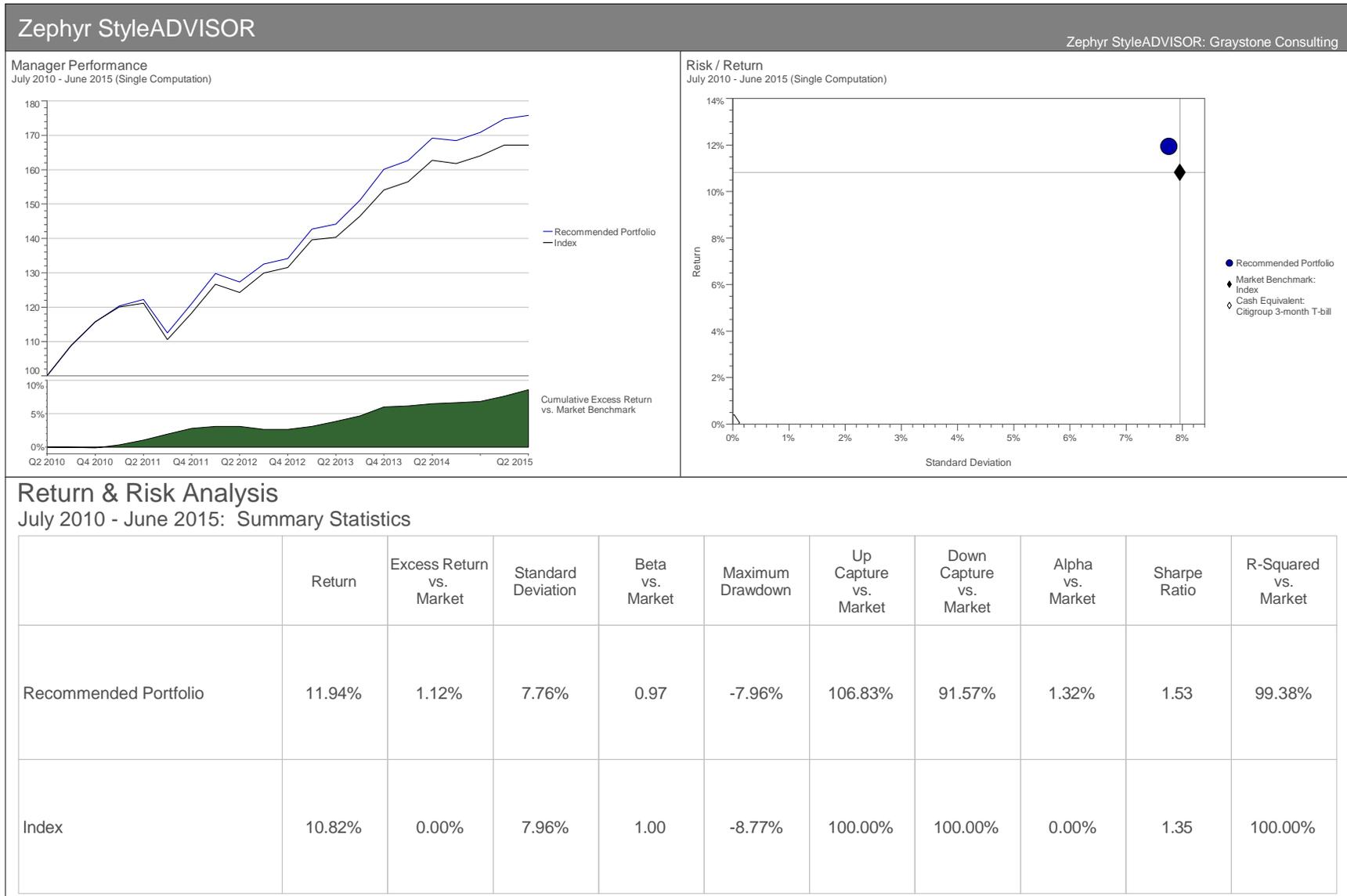
Trailing Periods Returns (With Fund of Hedge Funds)



Index returns are substituted for historic manager performance when data is unavailable.

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

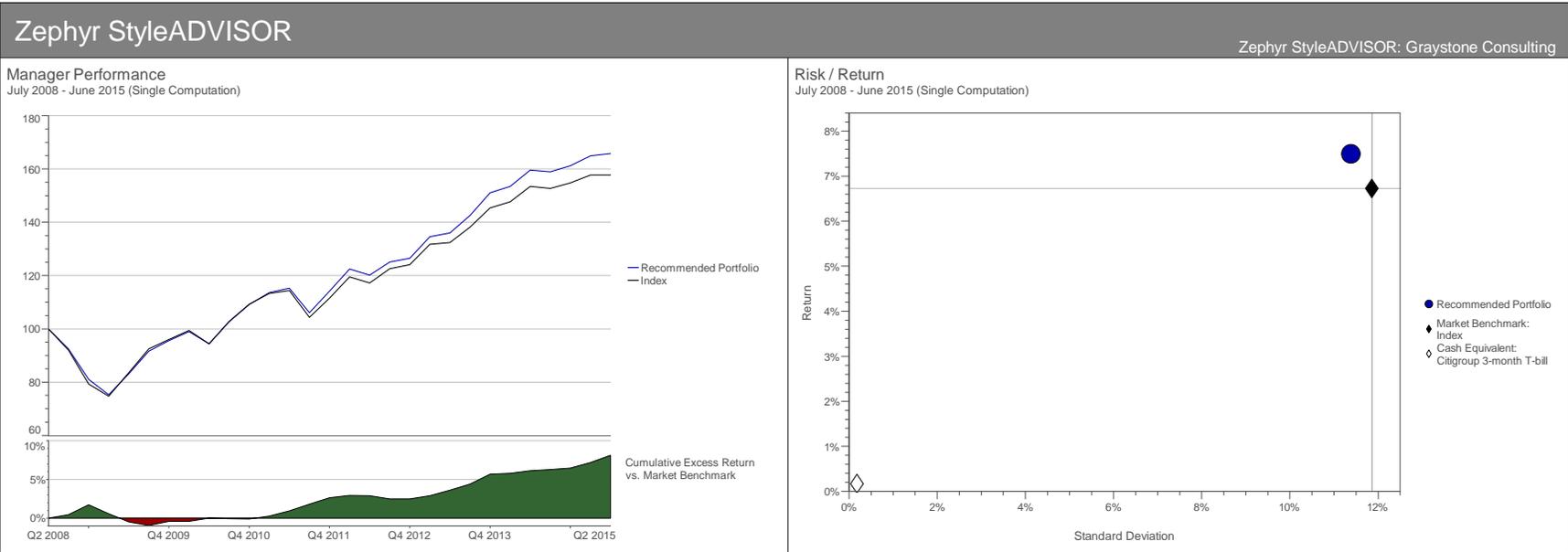
Risk/Return Analysis – 5 Years (With Fund of Hedge Funds)



Index returns are substituted for historic manager performance when data is unavailable.

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Risk/Return Analysis – 7 Years (With Fund of Hedge Funds)



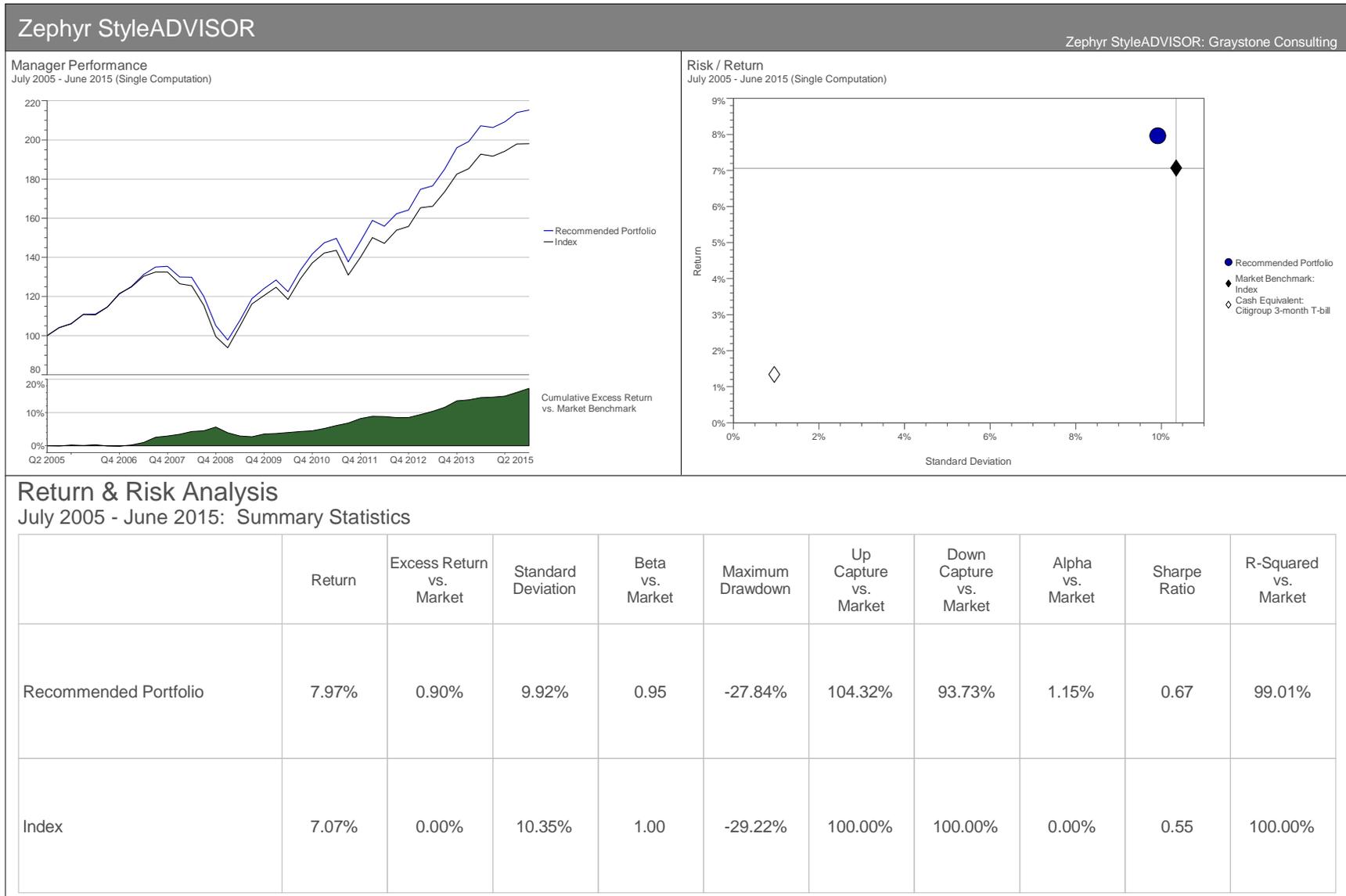
Return & Risk Analysis

July 2008 - June 2015: Summary Statistics

	Return	Excess Return vs. Market	Standard Deviation	Beta vs. Market	Maximum Drawdown	Up Capture vs. Market	Down Capture vs. Market	Alpha vs. Market	Sharpe Ratio	R-Squared vs. Market
Recommended Portfolio	7.49%	0.77%	11.38%	0.96	-24.71%	103.33%	95.77%	1.00%	0.64	99.11%
Index	6.73%	0.00%	11.86%	1.00	-25.29%	100.00%	100.00%	0.00%	0.55	100.00%

Index returns are substituted for historic manager performance when data is unavailable. The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

Risk/Return Analysis – 10 Years (With Fund of Hedge Funds)



Index returns are substituted for historic manager performance when data is unavailable.

The prices, quotes, and statistics contained herein have been obtained from sources believed to be reliable, however, the accuracy cannot be guaranteed.

MANAGER/FUND LINEUP & FEE ANALYSIS

All-Inclusive Fee Analysis (Without Fund of Hedge Funds)

Traditional Asset Classes	Manager	Asset Class Percent	Total Asset Class Dollars	Asset Class Expense Percent	Asset Class Expense Dollars
Equity					
-Large Cap Value	Vanguard Value ETF	12.50%	\$ 4,125,000.00	0.09%	\$ 3,712.50
-Large Cap Growth	Vanguard Growth ETF	12.50%	\$ 4,125,000.00	0.09%	\$ 3,712.50
-Large Cap Core	Connors Investor Services Covered Call	10.00%	\$ 3,300,000.00	0.30%	\$ 9,900.00
-Mid Cap Value	Kennedy Capital Mgmt Mid Cap Value	2.50%	\$ 825,000.00	0.35%	\$ 2,887.50
-Mid Cap Growth	Congress Asset Mgmt Mid Cap Growth	2.50%	\$ 825,000.00	0.30%	\$ 2,475.00
-Small Cap Value	Kayne Anderson Small Cap Value	2.50%	\$ 825,000.00	0.35%	\$ 2,887.50
-Small Cap Growth	Apex Small Cap Growth	2.50%	\$ 825,000.00	0.42%	\$ 3,465.00
-International Value	Lazard Int'l Equity Select ADR	7.50%	\$ 2,475,000.00	0.30%	\$ 7,425.00
-International Growth	Renaissance Investment Management Intl	7.50%	\$ 2,475,000.00	0.30%	\$ 7,425.00
Total Equity		60.00%	\$ 19,800,000.00	0.22%	\$ 43,890.00
Fixed Income					
-Intermediate Fixed Income	Pacific Income Advisers Limited Duration	25.00%	\$ 8,250,000.00	0.25%	\$ 20,625.00
Total Fixed Income		25.00%	\$ 8,250,000.00	0.25%	\$ 20,625.00
Alternatives					
-Private Real Estate	AEW Private Real Estate	10.00%	\$ 3,300,000.00	1.02%	\$ 33,660.00
-Master Limited Partnerships	Center Coast MLP	5.00%	\$ 1,650,000.00	0.40%	\$ 6,600.00
Total Alternatives		15.00%	\$ 4,950,000.00	0.81%	\$ 40,260.00
Total Advisory Assets		100.00%	\$ 33,000,000.00		

Fee Breakdown	Weighted	Fee \$
Graystone Consulting Fee - Includes Consulting, Trading Costs and Custodian Services *	0.27%	\$89,500.00
Managed Accounts - Equity Managers	0.13%	\$43,890.00
Managed Accounts - Fixed Income	0.06%	\$20,625.00
Managed Accounts - Alternative Managers	0.12%	\$40,260.00
Total Managed Asset Costs	0.59%	\$194,275.00

* Separately managed accounts (SMA) trade through Morgan Stanley's trading desk at zero commission

Graystone Fee Schedule

First \$10 million	0.30%
Next \$10 million	0.27%
Next \$20 million	0.25%
Over \$40 million	0.20%

All-Inclusive Fee Analysis (With Fund of Hedge Funds)

Traditional Asset Classes	Manager	Asset Class Percent	Total Asset Class Dollars	Asset Class Expense Percent	Asset Class Expense Dollars
Equity					
-Large Cap Value	Vanguard Value ETF	10.00%	\$ 3,300,000.00	0.09%	\$ 2,970.00
-Large Cap Growth	Vanguard Growth ETF	10.00%	\$ 3,300,000.00	0.09%	\$ 2,970.00
-Large Cap Core	Connors Investor Services Covered Call	10.00%	\$ 3,300,000.00	0.30%	\$ 9,900.00
-Mid Cap Value	Kennedy Capital Mgmt Mid Cap Value	2.50%	\$ 825,000.00	0.35%	\$ 2,887.50
-Mid Cap Growth	Congress Asset Mgmt Mid Cap Growth	2.50%	\$ 825,000.00	0.30%	\$ 2,475.00
-Small Cap Value	Kayne Anderson Small Cap Value	2.50%	\$ 825,000.00	0.35%	\$ 2,887.50
-Small Cap Growth	Apex Small Cap Growth	2.50%	\$ 825,000.00	0.42%	\$ 3,465.00
-International Value	Lazard Int'l Equity Select ADR	7.50%	\$ 2,475,000.00	0.30%	\$ 7,425.00
-International Growth	Renaissance Investment Management Intl	7.50%	\$ 2,475,000.00	0.30%	\$ 7,425.00
Total Equity		55.00%	\$ 18,150,000.00	0.23%	\$ 42,405.00
Fixed Income					
-Intermediate Fixed Income	Pacific Income Advisers Limited Duration	25.00%	\$ 8,250,000.00	0.25%	\$ 20,625.00
Total Fixed Income		25.00%	\$ 8,250,000.00	0.25%	\$ 20,625.00
Alternatives					
-Private Real Estate	AEW Private Real Estate	10.00%	\$ 3,300,000.00	1.02%	\$ 33,660.00
-Hedge Fund of Funds	PineGrove Institutional Partners	5.00%	\$ 1,650,000.00	0.90%	\$ 14,850.00
-Master Limited Partnerships	Center Coast MLP	5.00%	\$ 1,650,000.00	0.40%	\$ 6,600.00
Total Alternatives		20.00%	\$ 6,600,000.00	0.84%	\$ 55,110.00
Total Advisory Assets		100.00%	\$ 33,000,000.00		

Fee Breakdown	Weighted	Fee \$
Graystone Consulting Fee - Includes Consulting, Trading Costs and Custodian Services *	0.27%	\$89,500.00
Managed Accounts - Equity Managers	0.23%	\$42,405.00
Managed Accounts - Fixed Income	0.25%	\$20,625.00
Managed Accounts - Alternative Managers	0.84%	\$55,110.00
Total Managed Asset Costs	0.63%	\$207,640.00

* Separately managed accounts (SMA) trade through Morgan Stanley's trading desk at zero commission

Graystone Fee Schedule

First \$10 million	0.30%
Next \$10 million	0.27%
Next \$20 million	0.25%
Over \$40 million	0.20%

DISCUSSION ON ALTERNATIVES

Real Estate Attributes

Potential benefits to Real Estate investing when compared to traditional investments:

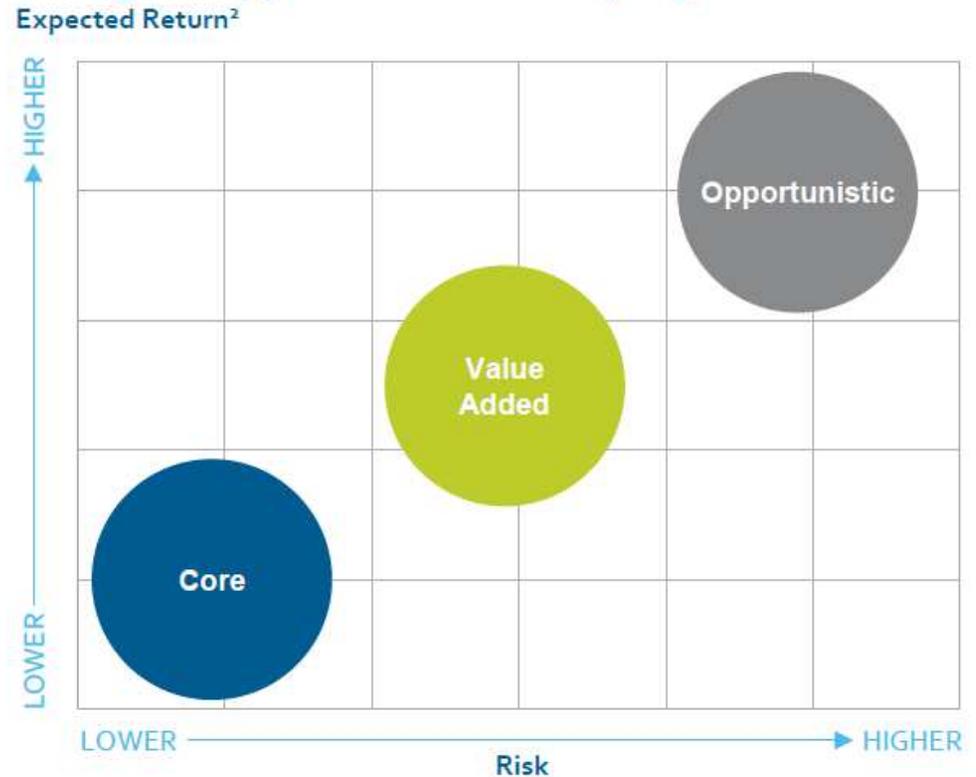
Traditional Investments	Alternative Investments
<ul style="list-style-type: none"> No leverage 	<ul style="list-style-type: none"> Leverage (typically 0 to 75%)
<ul style="list-style-type: none"> Historically, high correlation with market indices 	<ul style="list-style-type: none"> Historically, low correlation with market indices
<ul style="list-style-type: none"> More volatility than real estate, even during periods of outperformance 	<ul style="list-style-type: none"> Less volatility compared to equities and fixed income
<ul style="list-style-type: none"> Financial asset 	<ul style="list-style-type: none"> Physical asset
<ul style="list-style-type: none"> Highly liquid 	<ul style="list-style-type: none"> Relatively illiquid
<ul style="list-style-type: none"> Historically vulnerable to inflation 	<ul style="list-style-type: none"> Potential inflation hedge

*There is no guarantee that these objectives will be met.

Real Estate Investment Strategies¹

- **Core Investing:**
 - Lower Risk / Lower Return Potential
 - Well managed, high quality properties
 - High grade credit quality tenants, substantially leased
 - Diversified across property types
 - Return derived primarily form income
- **Value-Added Investing:**
 - Moderate Risk / Return Potential
 - Undervalued properties due to sub-optimal management
 - Value potential through renovation, re-leasing, repositioning or redevelopment
 - Improved income as a result of better management
- **Opportunistic Investing:**
 - High Risk / High Return Potential
 - Limited current income
 - Distressed investments
 - Driven by capital appreciation
 - Speculative development

A Range of Opportunities to Satisfy Objectives²



1. Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund's offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.
2. There can be no assurance that any targeted or expected return can be realized or that actual returns or performance results will not be materially lower than expected returns. They are based on industry consensus and the opinions of the team are being provided for informational purposes only. The expected returns do not reflect the performance of any Morgan Stanley investment.

Core Private Real Estate Qualitative Summary

	AEW
Product	AEW Core Property Trust
Structure	Open-end, commingled Equity RE Fund
Corporate Headquarters	Boston, MA
Contact	Jay Struzziery
Phone	617-261-9326
Email	jstruzziery@aw.com
Year Founded	1981
Total Assets of Product	\$7.5 billion gross \$4.7 billion net 21.4 million square ft.
Number of Properties	135
Allocation of Property Type	Office -38% Industrial - 12% Multi-family Residential - 28% Retail - 18% Other - 4%
Geographical Allocation	West - 32% East - 32% South - 33% Midwest - 3.0%
# of Investors	148
Portfolio Construction Philosophy Fund Objectives	AEW Core Property Trust seeks to exceed the returns of the NCREIF Fund -ODCE Index on a net of fee basis. Primary objectives are preservation of capital, stable income, and modest appreciation over the mid to long term. Targets top-tier markets with focus on highly-liquid markets with high barriers to entry and strong long term market fundamentals. Emphasize bi-coastal investment strategy, targeting acquisitions with a going in cost at or below today's replacement cost with careful evaluation of residual pricing.
Current Occupancy	95.0%
% Leverage	25% (Maximum 30%)
Inception of Fund	10/1/2007
Queue	Subsequent to quarter-end Q4, the Fund made a capital call on January 1,2015 in the amount of \$273 million reducing the current commitment queue to \$195 million.
Minimum Investment	\$1,000,000
Fee Schedule	First \$10 million @ 1.10%; Next \$15 million @ 1.00%; Next \$25 million @ 0.85% Next 50 million @ .80% Above \$100 million @ .75% 0.08% of the annual fee is rebated to Graystone Consulting clients.

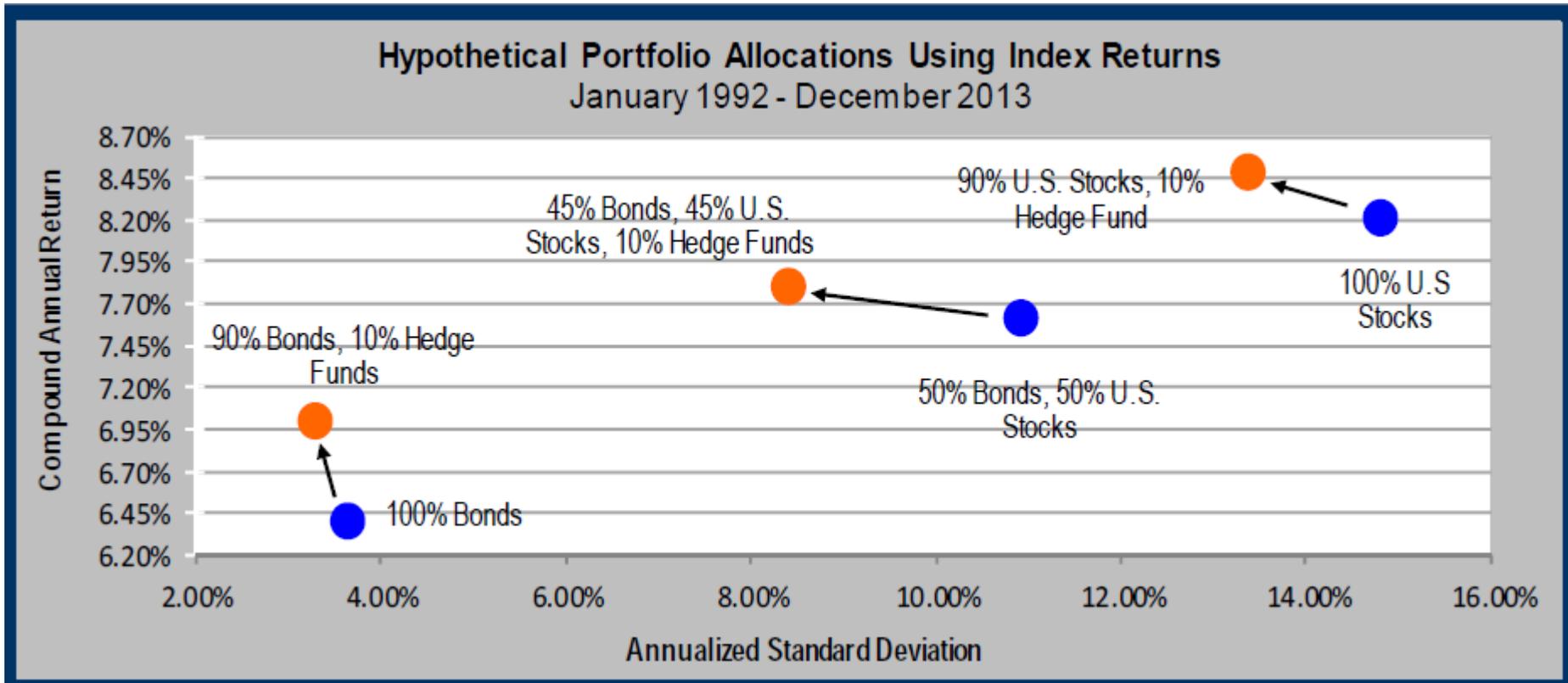
Core Private Real Estate Performance Summary

	AEW Core Property Trust			NCREIF ODCE Index
	Income	Appreciation	Total	Total
2004	N/A	N/A	N/A	12.64%
2005	N/A	N/A	N/A	20.18%
2006	N/A	N/A	N/A	16.15%
2007	N/A	N/A	N/A	16.08%
2008	4.37%	-9.88%	-5.91%	-10.37%
2009	6.43%	-30.22%	-25.63%	-30.65%
2010	6.59%	10.90%	18.15%	16.14%
2011	6.77%	9.09%	16.42%	15.96%
2012	6.10%	3.24%	9.52%	11.03%
2013	6.16%	5.79%	12.28%	13.34%
2014	5.46%	5.54%	11.27%	12.38%

	AEW			NCREIF
	Income	Appreciation	Total	ODCE Index
2Q2015	1.33%	2.86%	4.22%	3.82%
1 Year	5.52%	7.31%	13.20%	14.43%
3 Year	5.78%	5.85%	11.94%	13.11%
5 Year	6.10%	6.72%	13.20%	14.41%

Performance as of June 30, 2015 (leveraged Fund level returns, gross of fees)
Information obtained directly from each Core Real Estate Provider

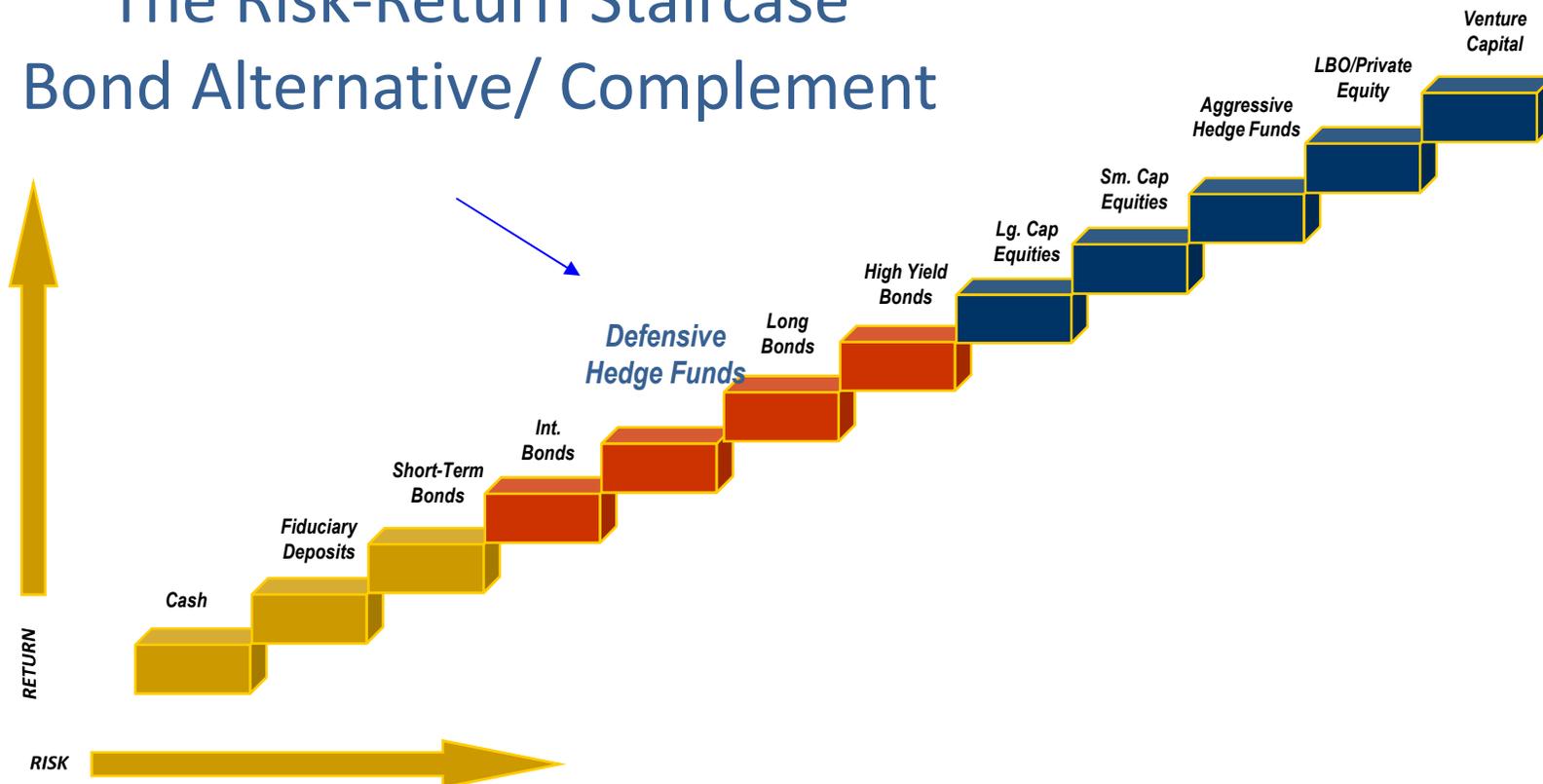
Risk/Return Trade-off: Annualized for 21 years ending 12/31/13



Stocks represented by the S&P 500 Index; Bonds represented by the Barclays Aggregate Bond Index; Hedge Funds represented by the HFRI Fund Weighted Composite Index. Sourced from PerTrac Financial Solutions, LLC (Memphis, TN) Indexes are unmanaged and investors cannot directly invest in them. Composite index results are shown for illustrative purposes and do not represent the performance of a specific investment. Indices of hedge funds have material inherent limitations. This information is for illustrative purposes only and is not intended to represent the performance of any specific investment. **Past performance is no guarantee of future results.**

Alternative Strategies Cover a Wide Range of Risk Classifications

The Risk-Return Staircase Bond Alternative/ Complement



Alternative Strategies Cover a Wide Range of Risk Classifications



Alternative Investments Differ From Traditional Investments

Traditional Investments	Alternative Investments
Relative performance objective*	Absolute performance objective*
Generally no leverage	May use leverage
Performance dependent primarily on market returns	Performance dependent primarily on advisor skill
Historically high correlation with market indices	Historically low to moderate correlation with market indices
Typically offers daily liquidity	Typically have reduced liquidity ranging from monthly to 12+ year lock-ups
Fixed management fee on assets under management	Generally higher fees which may include performance fees

*There is no guarantee that these objectives will be met.

What Is A Hedge Fund?

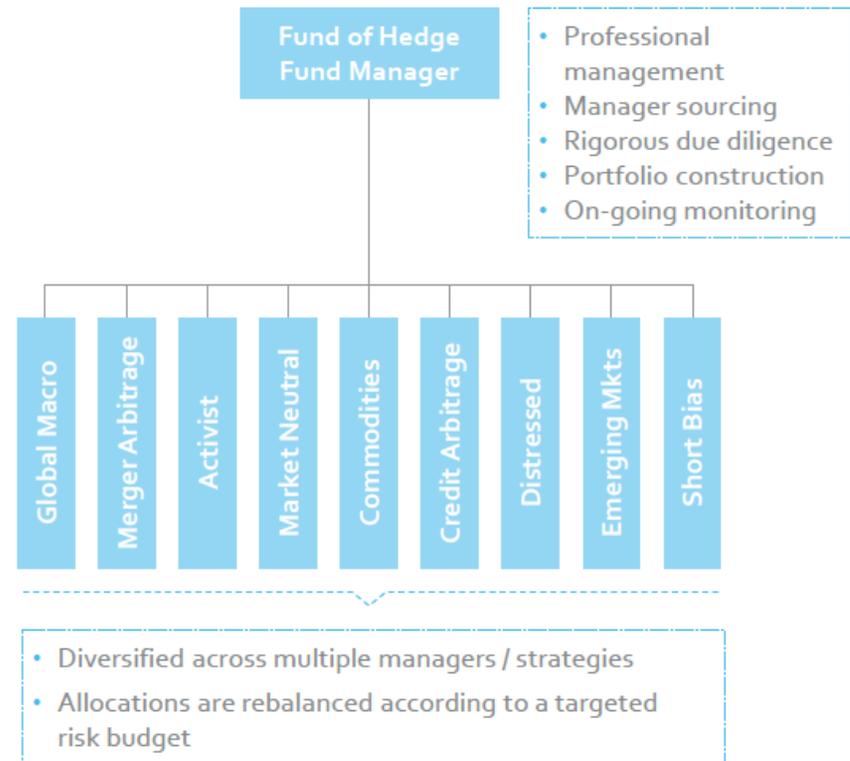
- **Hedge Funds are not new – they have been in existence for over 50 years**
- **Typically, Hedge Funds seek an absolute return***
 - Unlike traditional vehicles, which manage to a relative benchmark
- **Primarily invest in publicly-traded securities**
 - Stocks/Bonds/Commodities/Currencies
- **Employ return enhancement tools such as leverage and derivatives, which typically also involve greater risk**
- **Typically treated as a limited partnership for tax purposes for U.S. taxable investors and as a corporation domiciled in a low-tax/no-tax jurisdiction for U.S. tax-exempt investors and non-U.S. persons**

*There is no guarantee that this objective will be met.

FUND OF HEDGE FUNDS CHARACTERISTICS¹

- Invests in multiple hedge fund strategies while circumventing single manager concentration risk
- Diversification across different: strategies, managers, and investment styles
- Low correlation with traditional securities markets
- An additional layer of fees for professional investment allocation
- Business risk and operations due diligence
- Ongoing monitoring and risk management
- Potential to access closed and / or exclusive managers

HYPOTHETICAL FUND OF HEDGE FUND ALLOCATION



1. The hypothetical allocations above are for illustrative purposes and do not represent the allocations of a specific investment. Reference the Glossary for strategy descriptions and key definitions. Please see the Appendix for Risk Considerations.

Rationale for Professional Hedge Fund Selection

Hedge funds offer many appealing characteristics to investors. At the same time, there are certain attributes of hedge funds that require careful consideration and assessment that should be conducted by highly skilled professionals following a detailed research process.

Fund of hedge fund managers are uniquely specialized and resourced to evaluate and select quality hedge funds for the purpose of constructing a portfolio of hedge fund strategies. See the below table for certain hedge fund characteristics and considerations.

Hedge Fund Characteristic	Consideration
Investment flexibility	Hedge funds allow for the use of trading strategies such as short selling, options and other derivative instruments, as well as hedging techniques and use of leverage, which, while potentially increases investment returns, can be highly volatile and increase an investor's risk of investment loss. Significant investment expertise and experience is often required to perform a meaningful fund evaluation.
Ability to be opportunistic in changing market environments	Hedge fund managers can exercise their judgment without most traditional constraints, making it challenging to evaluate and forecast investment risk.
Intended to generate alpha or excess return delivered by an investment manager	Alpha identification is difficult due to: <ul style="list-style-type: none">• Complexity of trading strategies• Reduced transparency• Valuation challenges• Changing strategies and changing conditions
Exclusive access	Hedge funds often have high investment minimums and at times may be inaccessible due to limited capacity.

Individual funds will have specific risks related to their investment programs that will vary from fund to fund. Please review and be familiar with the fund's offering materials, including the private placement memorandum or prospectus. Please see the Glossary for key definitions and Appendix for Risk Considerations.

Types of Hedge Fund Strategies

- **Long/Short Equity:** Equity Hedge investing consists of a core holding of long equities hedged at all times with short sales of stocks and/or stock index options
- **Relative Value:** Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment thesis, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.
- **Event-Driven:** Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.
- **Global Macro:** Macro involves investing by making leveraged bets on anticipated price movements of stock markets, interest rates, foreign exchange and physical commodities

- Alternative investments include a broad set of asset classes that span the spectrum of Risk, Return, & Liquidity.
- The addition of alternatives has the potential to enhance the performance of a portfolio of traditional assets.
- The addition of alternatives has the potential to reduce the volatility of a portfolio of traditional assets.
- We believe that an asset allocation-led approach is the best way to analyze and understand the trade-offs and implications of an allocation to any alternative investment.
- The addition of alternatives has the potential to increase the probability of preserving a portfolio's capital where withdrawals and volatility exist.

Fund of Hedge Funds Qualitative & Performance Summary Graystone Consulting

	Pine Grove Institutional Partners LP		HFRI FOF: Conservative Index	S&P 500
Strategy	Multi-Strategy FOF			
Volatility	Lower			
Minimum Investment (Initial)	\$500,000			
Firm Assets	\$1.1 Billion			
# Key Personnel	8			
Consulting Management Fee	1.00%			
10-Year Performance as of 6/30/2015 Annualized Return	4.97%		2.62%	7.89%
Standard Deviation	6.95%		6.10%	16.21%
Alpha vs. S&P 500	2.43%		0.18%	
Sharpe Ratio	0.52%		0.21%	0.40%
Up/Down Capture vs. S&P 500	36.11%	21.03%	27.61% / 30.18%	
Incentive Fee	None			
Hurdle Rate	N/A			
Lock-up Period (1)	2% redemption fee before 1 year			
Liquidity Period (2)	Quarterly 95 calendar day notice			
Holdback % (3)	10%			

(1) Lock-up Period = No redemption allowed, or fee charged, during period

(2) Liquidity Period = When redemptions are allowed

(3) Holdback % = % of redemption proceeds not paid until next audit completed

MANAGER QUALITATIVE & QUANTITATIVE RESEARCH

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